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PUBLIC SCHOOL SYSTEM

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

Years Ended September 30, 2007 and 2006

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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September 30, 2007

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PUBLIC SCHOOL SYSTEM

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

Years Ended September 30, 2007 and 2006

J. Scott Magliari
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INDEPENDENT AUDITOR'S REPORT

The Board of Education
Commonwealth of the Northern Mariana Islands
Public School System

I have audited the accompanying financial statements of governmental activities and each major fund of the Commonwealth of the Northern Mariana Islands Public School System (PSS), a component unit of the Commonwealth of the Northern Mariana Islands (CNMI), as of September 30, 2007 and 2006, and for the years then ended. These financial statements are the responsibility of PSS' management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PSS' internal control over financial reporting. Accordingly, I express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinions.


Management and the Board believe that the appropriation receivable due from CNMI government for fiscal year 2006 can still be collected despite being over one year overdue, and accordingly, has not considered the need to provide an allowance for uncollectible amounts. Accounting principles generally accepted in the United States of America require that an adequate allowance be provided for uncollectible receivables, which would decrease the assets and fund balances and change the expenditures in the general fund. Had management and the Board provided for allowance for uncollectible appropriation, the assets and fund balances of the general fund would decrease by \$2,000,000 and expenditures in the general fund would increase accordingly.

In my opinion, except for the effects of not providing an adequate allowance for uncollectible appropriations receivable due from the CNMI government as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of PSS as of September 30, 2007 and 2006, and the respective changes in financial position and the respective budgetary comparison for the general fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with the *Government Auditing Standards*, I have also issued my report dated June 9, 2008 on my consideration of PSS' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting, or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis (*MD&A*) and Budgetary Comparison Information on pages 3 to 17 and pages 23 to 24, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of PSS' management. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit this information and express no opinion on it.

My audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise PSS' basic financial statements. The statistical data are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of PSS' management. The statistical data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.


Saipan, Commonwealth of the Northern Mariana Islands
June 9, 2008

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Management's Discussion and Analysis

This section of the CNMI Public School System (PSS) financial report represents management's discussion and analysis of the financial performance of PSS for the year ended September 30, 2007. This information should be read in conjunction with the audited financial statements and related footnotes included in this report (pages 18 to 44).

Financial Highlights

PSS' enrollment of 11,693 students in fiscal year 2006 decreased to 11,299 students for fiscal year 2007.

PSS' net assets increased by \$3,745,463 in fiscal year 2007. This increase was due to a \$2.3 million increase in capital assets net of accumulated depreciation and \$1.7 million decrease in liabilities.

As of the close of the fiscal year 2007, PSS' total net assets is \$89,645,180. This includes the capital assets, net of accumulated depreciation, of \$84,097,616 and capital improvement projects in progress of \$4,641,329.

Overview of the Financial Statements

GASB Statement No. 34 requires the presentation of the Management Discussion and Analysis (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.

MD&A and the district-wide statements are all new. The rest of the basic financial statements are changed - some in minor ways, some noticeably.

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 assets and the statement of activities.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Management's Discussion and Analysis

Statement of Net Assets

The statement of net assets 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 assets, which is the difference between the school system's assets and liabilities, is one way to measure the district's financial health or position. Over time, increases or decreases in the school system's net assets 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.

Fund Financial Statements

The second type of statement included in the basic financial statements is the fund financial statement, which is presented for the school system's governmental funds.

Balance Sheet

Statement of Revenues, Expenditures, and Changes in Fund Balance

These statements present the governmental funds on the modified accrual basis of accounting, measuring the near term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The fund financial statements focus on the school system's most significant funds.

Reconciliation from District-wide to Fund Statements

Because a different basis of accounting is used in the district-wide statements, reconciliation from the governmental fund financial statements to the district-wide statements is required. The district-wide statements provide information about the school system as an economic unit, while the fund financial statements provide information on the financial resources of the school system's major funds.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Management's Discussion and Analysis

*Statement of Revenues, Expenditures, and Changes in Fund Balance-
Budget and Actual*

A budgetary comparison statement for the general fund is considered to be required supplementary information and is included in the basic financial statements. The new thing to look for on this schedule is the addition of a column containing the original budget.

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 use 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.

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

Non-major Funds - Accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. These were previously reported as Special Revenue Funds.

CONDENSED COMPARATIVE DATA

Assets, Liabilities and Net Assets

PSS' net asset, on the district-wide basis, increased by \$3,745,463 from previous year's \$85,899,717 to \$89,645,180 at close of fiscal year 2007.

	Change in Net Assets		
	FY 2007	FY 2006	FY 2005
Net assets, beginning	\$ 85,899,717	\$ 81,056,161	\$ 83,502,629
Revenues	71,643,530	69,838,001	73,414,824
Expenditures	67,898,067	65,523,165	73,338,189
Excess of revenue over expenditures	3,745,463	4,314,836	76,635
Current year restatements	-	528,720	(2,523,103)
Net assets, ending	\$ 89,645,180	\$ 85,899,717	\$ 81,056,161

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Management's Discussion and Analysis

Net Assets			
	Sept 30, 2007	Sept 30, 2006	Increase (Decrease)
Current assets	\$ 7,926,667	\$ 8,292,480	\$ (365,813)
Noncurrent assets	88,738,945	86,353,538	2,385,407
Total assets	96,665,612	94,646,018	2,019,594
Current liabilities	3,246,828	4,845,292	(1,598,464)
Noncurrent liabilities	3,773,604	3,901,009	(127,405)
Total liabilities	7,020,432	8,746,301	(1,725,869)
Net Assets	\$ 89,645,180	\$ 85,899,717	\$ 3,745,463
Investment in capital assets	\$ 83,913,967	\$ 82,813,078	\$ 1,100,889
Restricted for improvement			
projects in progress	4,641,329	3,540,460	1,100,869
Unrestricted	1,089,884	(453,821)	1,543,705
Net Assets	\$ 89,645,180	\$ 85,899,717	\$ 3,745,463

Net Assets			
	Sept 30, 2006	Sept 30, 2005	Increase (Decrease)
Current assets	\$ 8,292,480	\$ 7,061,281	\$ 1,231,199
Noncurrent assets	86,353,538	82,223,392	4,130,146
Total assets	94,646,018	89,284,673	5,361,345
Current liabilities	4,845,292	3,798,783	1,046,509
Noncurrent liabilities	3,901,009	4,429,729	(528,720)
Total liabilities	8,746,301	8,228,512	517,789
Net Assets	\$ 85,899,717	\$ 81,056,161	\$ 4,843,556
Investment in capital assets	\$ 82,813,078	\$ 79,066,700	\$ 3,746,378
Restricted for improvement			
projects in progress	3,540,460	3,156,692	383,768
Unrestricted	(453,821)	(1,167,231)	713,410
Net Assets	\$ 85,899,717	\$ 81,056,161	\$ 4,843,556

Net assets is an indicator of the fiscal health of the school system. Assets for governmental activities exceeded liabilities by \$89,645,180 and \$85,899,717 as of September 30, 2007 and 2006, respectively. The largest component of net assets is invested in capital assets amounting to \$83,913,967 and \$82,813,078 at September 30, 2007 and 2006, respectively.

Net assets increased by \$3,745,463 in fiscal year 2007 and increased by \$4,843,556 in fiscal year 2006. The increase in net assets in 2007 and 2006 is due to increase in capital assets net of accumulated depreciation.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Management's Discussion and Analysis

Revenues

Total revenues for fiscal year 2007 was \$71,653,530, a 3% increase from fiscal year 2006. While total revenues for fiscal year 2006 was \$69,838,001, a 5% decrease from fiscal year 2005.

Revenues			
	Sept 30, 2007	Sept 30, 2006	Increase (Decrease)
Program revenues			
Charges for services	\$ 1,588,862	\$ 563,916	\$ 1,024,946
Operating grants and contributions	28,511,455	28,340,642	170,813
	<u>30,100,317</u>	<u>28,904,558</u>	<u>1,195,759</u>
General revenues			
Unrestricted CNMI appropriations	36,721,414	37,209,928	(488,514)
Restricted for capital improvements	4,817,339	3,623,424	1,193,915
Miscellaneous, unrestricted	4,460	100,091	(95,631)
	<u>41,543,213</u>	<u>40,933,443</u>	<u>609,770</u>
	<u>\$ 71,643,530</u>	<u>\$ 69,838,001</u>	<u>\$ 1,805,529</u>

Revenues			
	Sept 30, 2006	Sept 30, 2005	Increase (Decrease)
Program revenues			
Charges for services	\$ 563,916	\$ 140,100	\$ 423,816
Operating grants and contributions	28,340,642	34,635,642	(6,295,000)
	<u>28,904,558</u>	<u>34,775,742</u>	<u>(5,871,184)</u>
General revenues			
Unrestricted CNMI appropriations	37,209,928	37,404,908	(194,980)
Restricted for capital improvements	3,623,424	1,234,174	2,389,250
Miscellaneous, unrestricted	100,091	-	100,091
	<u>40,933,443</u>	<u>38,639,082</u>	<u>2,294,361</u>
	<u>\$ 69,838,001</u>	<u>\$ 73,414,824</u>	<u>\$ (3,576,823)</u>

Revenues are classified as either program or general.

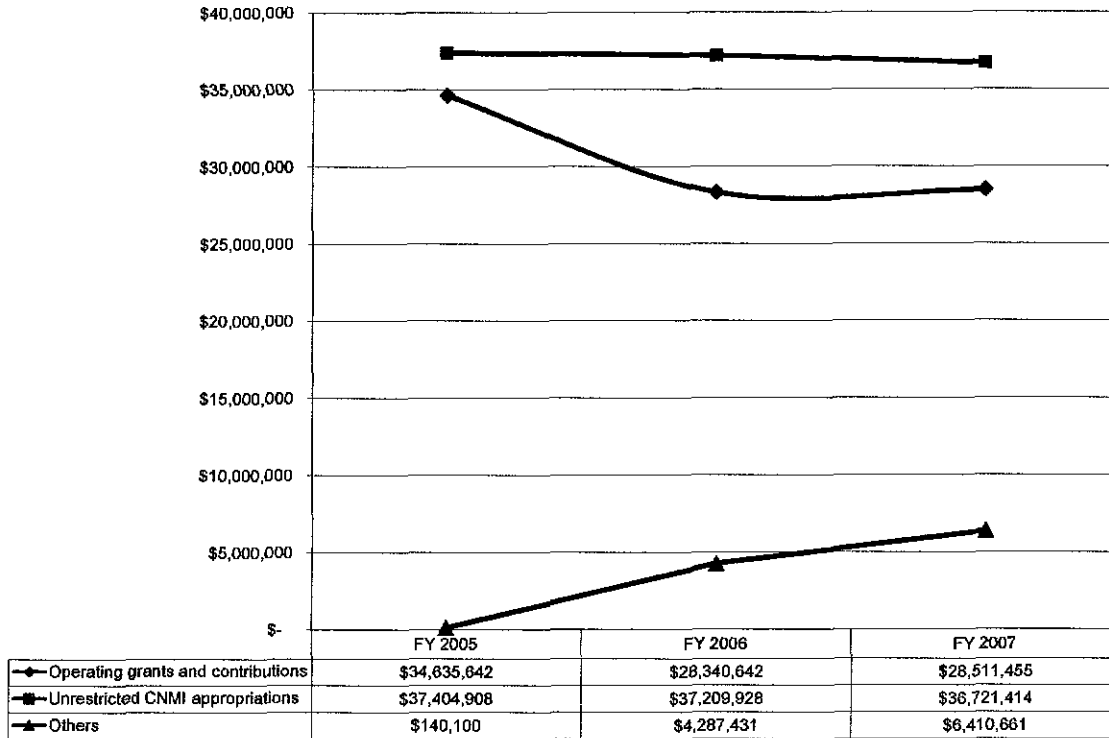
Program revenues are those directly generated by a function or activity of the government entity. Revenue reported as program revenues by PSS pertains to Federal grants, local donations, charges for services and indirect costs allocation.

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

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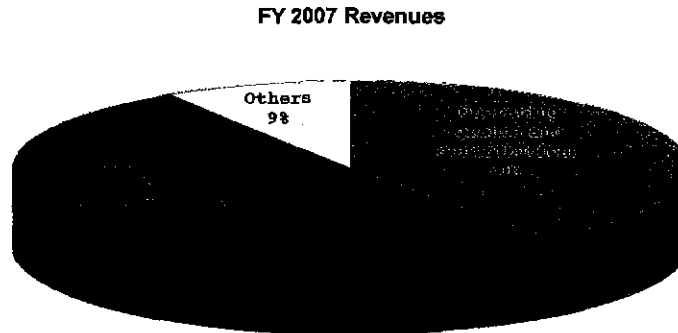
Management's Discussion and Analysis

Exhibit I



The chart above shows PSS revenues over the past three years.

Exhibit II



Unrestricted CNMI appropriations constitute 51% of fiscal year 2007 revenues and are the highest source of revenue for PSS.

Operating grants and contributions, which primarily consist of Federal grants, is the second highest source of PSS revenue.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Management's Discussion and Analysis

Expenses

Total district-wide expenses by function were as follows:

Expenses			Increase
	Sept 30, 2007	Sept 30, 2006	(Decrease)
Instruction:			
Regular	\$ 27,264,731	\$ 28,147,138	\$ (882,407)
Special education	7,736,239	9,099,768	(1,363,529)
Co-curricular	1,689,239	1,319,477	369,762
Student services	15,353,326	16,183,036	(829,710)
	<u>52,043,535</u>	<u>54,749,419</u>	<u>(2,705,884)</u>
Support services:			
General administration	2,824,659	2,277,927	546,732
School administration	6,063,156	3,948,472	2,114,684
Other support	2,591,846	95,485	2,496,361
Community	2,447,867	2,151,237	296,630
Individual programs	765,735	1,379,852	(614,117)
Depreciation - unallocated	1,161,269	920,773	240,496
	<u>15,854,532</u>	<u>10,773,746</u>	<u>5,080,786</u>
Total governmental activities	\$ 67,898,067	\$ 65,523,165	\$ 2,374,902

Expenses			Increase
	Sept 30, 2006	Sept 30, 2005	(Decrease)
Instruction:			
Regular	\$ 28,147,138	\$ 28,693,622	\$ (546,484)
Special education	9,099,768	10,203,335	(1,103,567)
Co-curricular	1,319,477	1,481,950	(162,473)
Student services	16,183,036	20,513,093	(4,330,057)
	<u>54,749,419</u>	<u>60,892,000</u>	<u>(6,142,581)</u>
Support services:			
General administration	2,277,927	3,035,350	(757,423)
School administration	3,948,472	4,789,489	(841,017)
Other support	95,485	179,188	(83,703)
Community	2,151,237	2,633,160	(481,923)
Individual programs	1,379,852	779,967	599,885
Depreciation - unallocated	920,773	1,029,035	(108,262)
	<u>10,773,746</u>	<u>12,446,189</u>	<u>(1,672,443)</u>
Total governmental activities	\$ 65,523,165	\$ 73,338,189	\$ (7,815,024)

Total governmental activities expenses increase by \$2,374,902 or 4% as compared to fiscal year 2006. This is primarily due to utilities for fiscal year 2007. Prior to fiscal year 2007, utilities of the schools are paid by the CNMI Government.

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM**

(A Component Unit of the CNMI Government)

Management's Discussion and Analysis

OVERALL FINANCIAL POSITION

The overall financial position of PSS as shown in the fund financial statements (balance sheets and statements of revenues, expenditures, and changes in fund balance) improved by \$3,437,135 or 58%. The increase was primarily due to increase in Capital Projects Funds by \$2,211,309.

FUND ANALYSIS

Fund Balance				
	General Fund	Capital Projects Fund	Non-Major Fund	Total
Fund balance, 9/30/06	\$ 2,913,989	\$ 2,404,904	\$ 565,140	\$ 5,884,033
Fund balance, 9/30/07	3,812,197	4,616,213	892,758	9,321,168
Increase (decrease) in fund balance	\$ 898,208	\$ 2,211,309	\$ 327,618	\$ 3,437,135
Percentage change		31%	92%	58%

The general fund revenues exceeded expenses by \$898,207, while non-major funds' revenues exceeded expenses resulting to a \$327,618 increase in fund balance. Capital project funds increased by \$2,211,309, the net effect of additional capital improvement projects (CIP) in 2007 net of complete CIP transferred to fixed assets.

Of the \$3,812,197 general fund balance, \$2.6 million is due from the CNMI government and \$947,990 is reserved for encumbrances.

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

	General Fund				Variance Favorable (Unfavorable)
	Budget		Final	Actual	
	Original	Revision			
REVENUES	\$ -	\$ -	\$ -	\$ 4,460	\$ 4,460
Total revenues	-	-	-	4,460	4,460
EXPENDITURES:					
Current operations:					
Instructional programs:					
Regular	28,451,968	-	28,451,968	27,208,929	1,243,039
Special	2,269,460	-	2,269,460	2,128,184	141,276
Co-curricular	903,895	-	903,895	858,700	45,195
Total instructional programs	31,625,323	-	31,625,323	30,195,813	1,429,510
Supporting services:					
General administration	286,588	-	286,588	246,250	40,338
School administration	3,602,253	-	3,602,253	3,323,158	279,095
Individual programs	459,439	-	459,439	425,219	34,220
Other	2,691,142	-	2,691,142	2,577,400	113,742
Total supporting services	7,039,422	-	7,039,422	6,572,027	467,395
Capital outlays:					
Equipment and vehicles	-	-	-	7,816	(7,816)
Construction in progress	-	-	-	-	-
Total capital outlays	-	-	-	7,816	(7,816)
Total expenditures	38,664,745	-	38,664,745	36,775,656	1,889,089
Deficiency of revenues over expenditures	(38,664,745)	-	(38,664,745)	(36,771,196)	1,893,549
Other financing sources, net:					
Operating transfers-in	38,664,745	(1,943,331)	36,721,414	36,721,414	-
Compact Impact Fund	-	2,000,000	2,000,000	2,000,000	-
Expenses charged to Compact Impact Fund	-	-	-	(1,253,146)	(1,253,146)
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 56,669	\$ 56,669	\$ 697,072	\$ 640,403

This budgetary analysis includes the Compact Impact Fund which is included in Non-major funds in the accompanying Balance Sheets and Statements of Revenues, Expenditures, and Changes in Fund Balance.

Of the \$697,072 excess revenues over expenditures, \$472,873 were already encumbered as of September 30, 2007.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Management's Discussion and Analysis

Exhibit III

PSS Budget fiscal year 2007



■ Federal grant ■ Local Funds

Federal and Local Budget Review

Year	Total Funding	Federal Funding		Local Funding	
		Amount	%	Amount	%
1998	\$55,100,000	\$13,000,000	24%	\$42,100,000	76%
1999	\$53,730,342	\$16,000,000	30%	\$37,730,342	70%
2000	\$53,280,342	\$17,000,000	32%	\$36,280,342	68%
2001	\$54,230,342	\$17,000,000	31%	\$37,230,342	69%
2002	\$55,230,342	\$18,000,000	33%	\$37,230,342	67%
2003	\$60,230,342	\$23,000,000	38%	\$37,230,342	62%
2004	\$60,730,342	\$23,500,000	39%	\$37,230,342	61%
2005	\$63,032,129	\$25,801,787	41%	\$37,230,342	59%
2006	\$66,582,346	\$29,372,418	44%	\$37,209,928	56%
2007	\$65,357,368	\$28,635,954	44%	\$36,721,414	56%

The contribution of local funding to the total funding has varied between 56% to 76% for the 10-year period from 1998 to 2007. Federal funding continue to increase over the past ten years while local funding significantly declined from \$42 million in 1998 to \$37 million in 2001 and has remained in that level until 2006. In fiscal year 2007, the local funding was further reduced to \$36.7 million.

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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(A Component Unit of the CNMI Government)**

Management's Discussion and Analysis

CAPITAL ASSETS

PSS' investment in capital assets as of September 30, 2007 and 2006 is \$84,097,616 and \$82,813,078, respectively, net of accumulated depreciation. Depreciation expense for the 2007 and 2006 was \$1,796,751 and \$1,563,714, respectively.

Capital Assets			
	Sept 30, 2007	Sept 30, 2006	Sept 30, 2005
Capital assets not depreciated			
Land	\$ 36,647,850	\$ 36,647,850	\$ 36,647,850
Capital assets, net of accumulated depreciation			
Building and improvements	45,993,141	44,211,039	40,659,778
Vehicle	1,065,767	1,449,278	1,350,107
Others	390,858	504,911	408,965
	<u>47,449,766</u>	<u>46,165,228</u>	<u>42,418,850</u>
	<u>\$ 84,097,616</u>	<u>\$ 82,813,078</u>	<u>\$ 79,066,700</u>

More detailed information on capital assets is on Note 3 in the accompanying notes to the financial statements.

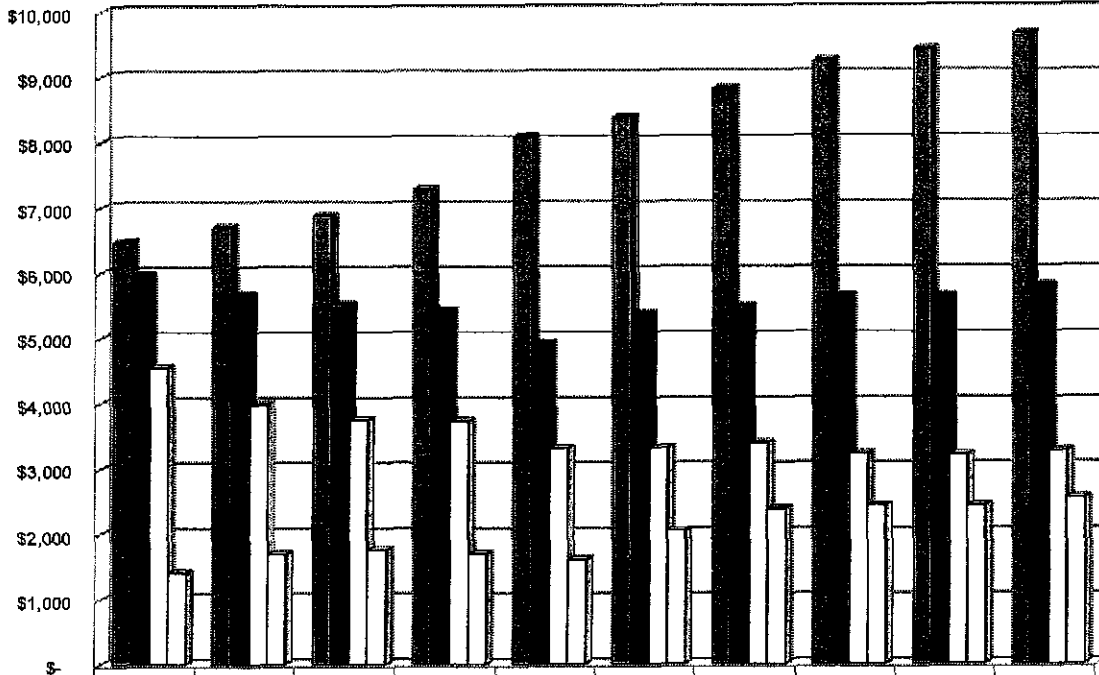
**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)**

Management's Discussion and Analysis

OTHER MATTERS

Exhibit IV

COST PER CHILD



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
■ US	\$6,474	\$6,701	\$6,865	\$7,268	\$8,077	\$8,378	\$8,807	\$9,232	\$9,401	\$9,630
■ CNMI	\$5,959	\$5,657	\$5,510	\$5,422	\$4,909	\$5,357	\$5,468	\$5,635	\$5,618	\$5,784
□ Local Funds	\$4,553	\$3,972	\$3,752	\$3,723	\$3,309	\$3,311	\$3,378	\$3,210	\$3,196	\$3,250
□ Federal Funds	\$1,406	\$1,685	\$1,758	\$1,700	\$1,600	\$2,046	\$2,378	\$2,425	\$2,422	\$2,534

Public School Cost per Child: Comparing CNMI to US Average

Key: National - total costs for 1997-2001 are actual expenditures (Source: NCES)
 National - total costs for 2002-2007 are projections (Source: NCES)
 CNMI - total costs for 1997-2005 are actual expenditures (Source: PSS FBO)
 CNMI - total costs for 2006-2007 are projections (Source: PSS FBO)

The enrollment in 1998 was approximately 9,200 students while the enrollment in 2007 was 11,299 students. With this increase in enrollment and local funding remaining constant, locally funded cost per child dropped from \$4,553 in 1998 to \$3,250 in 2007.

The total cost per child in CNMI in 2007 of \$5,784 is \$3,846 or 40% lower than the \$9,630 cost per child in the US.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM

(A Component Unit of the CNMI Government)

Management's Discussion and Analysis

In SY 1997-1998 PSS operated 14 schools with a total annual budget of \$41.7 million and approximately 9,200 students. Since 1998, PSS has added six schools: Dandan Elementary School, Kagman Elementary and High Schools, Sinapalo Elementary School, ChaCha Middle School and Saipan Southern High School.

In SY 1999-2007, PSS operated 20 schools with approximately 11,000 students with the same \$37 million annual budget. These new schools received their budgets from reduction in budget from existing schools. However, all the general and administration costs of these schools were financed by reducing Central Office and other existing schools' budgets. Some of the teacher costs of these new schools were financed by reallocating Federal funds. Under the new budget rules passed by the Legislature, the Commissioner of Education is the responsible spending authority. This flexibility has enabled PSS to respond to any school's needs without the permission of the CNMI government.

All emergency repairs and maintenance of all schools are handled by the Commissioner's Office. Urgent request for a new teacher is handled by local transfer from another school, or by requesting the Federal Programs Office to provide the necessary funds.

Teacher Certification and "No Child Left Behind"

PSS has increased its requirements for its teaching staff. Except for a few vocational teachers, all teachers have bachelor degrees. PSS is working with Northern Marianas College to provide specific endorsements for all teachers teaching out of their field. In approximately five years, all teachers in the system will be teaching in their specialized fields.

With the passage of the "No Child Left Behind" Act (NCLB Act) (the largest educational act ever passed in the USA), PSS will respond by continuously upgrading all its staff, facilities and equipment.

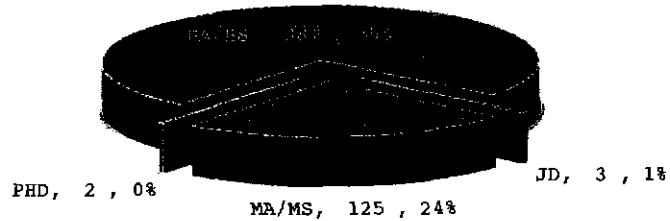
PSS, since 1998, has required that all classroom teachers total, of 511 must, at a minimum, possess a bachelor's degree, fully state certified, and has passed rigorous state examination evidencing core subject knowledge to teach in the CNMI PSS.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Management's Discussion and Analysis

EXHIBIT V

Classroom Teacher Degree Count



Two years ago only 16% of PSS teacher had taken and passed their PRAXIS I and PRAXIS II core content knowledge test. Today 65% have attained Highly Qualified Teacher (HQT) status in accordance with the NCLB Act of 2001 and Board of Education policy by:

1. Possessing a bachelor's degree or higher;
2. Attained full state certification; and
3. Passed PRAXIS I and PRAXIS II core content knowledge tests.

PSS can project, based on current trend, that 76% of PSS' teachers will be HQT by the beginning of next school year, 90% by SY08-09 and 100% by SY09-10. Once teachers pass and become HQT, they will receive the HQT salary adjustments.

Headstart and Special Education

The Headstart Program of the CNMI has been generously supported by Local funds. New sites for Headstart Centers are donated by the CNMI government and the construction of Headstart facilities are funded by both local and federal contributions. The majority of the operating and training costs have been supplied by Federal funds. Headstart has been upgrading its support and teaching staff to comply with Federal policies.

The Special Education costs are primarily funded with Federal funds, however Local funds have been provided for teachers and teacher aides. The Special Education Program is solvent, and provides the CNMI with the necessary teachers and provides the program with highly trained specialists such as psychologists, audiologist, speech therapist, occupational and physical therapists. Unfortunately, the retention rate for the related specialists has not been favorable. This is due to the nationwide shortage of the various specialists. PSS has requested the Legislature to allow hiring of non-US citizens to fill these positions.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Management's Discussion and Analysis

Debt Outstanding

PSS does not record any debt associated with the Bond on its balance sheet. Therefore, PSS has no long-term debt and relies on the CNMI government to finance any major capital expenditures.

Economic Factors

The Board anticipates an increased enrollment over the next several years and will need continued increases in classroom space, teachers, and equipment. Local funding is a major source of income for the Board, therefore, the CNMI economic outlook directly affects that of the school system. The Commonwealth's two major industries, garment manufacturing and tourism, have been facing major challenges since 1998. The CNMI government has maintained and exceeded its constitutional requirement of 15% of its total budget for public education at elementary and secondary levels. It is impossible to predict the economic outlook of the CNMI, but PSS has weathered a particularly bad storm over the last seven years without the massive layoffs and deficits of many of the states in the US. It has significantly increased its physical plant in spite of the poor economy. It has continued to teach more students with the same total payroll. Granted the Federal funds have helped. The Local funds provide \$33.7 million while the Federal provides approximately \$28 million. The Board, the Commissioner and the staff are aware of the economic pitfalls. All of these factors, as well as the Commonwealth's budget difficulties, were considered in preparing the Board's budget for the 2007 fiscal year. The Board's budget of \$50 million for fiscal year 2007 was created to upgrade the older schools' electrical systems, and to upgrade the structural safety of the older schools. PSS will cut expenditures and reduce or eliminate lower priority services, but it will protect core instructional programs and the personnel associated with them.

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:

Tim Thornburgh
Federal Programs Officer
PO Box 501370
Saipan, MP 96950

or

Florida A. Grizzard
Acting Director of Finance
PO Box 501370
Saipan, MP 96950

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Statements of Net Assets - Governmental Activities
September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 2,491,087	\$ 3,659,453
Receivable from CNMI	2,693,942	2,706,871
Receivable from Federal agencies	2,336,644	1,551,277
Other receivables	78,084	43,392
Advances, net	<u>326,910</u>	<u>331,487</u>
Total current assets	<u>7,926,667</u>	<u>8,292,480</u>
Noncurrent assets:		
Capital improvement projects in progress	4,641,329	3,540,460
Capital assets, net	<u>84,097,616</u>	<u>82,813,078</u>
Total current assets	<u>88,738,945</u>	<u>86,353,538</u>
TOTAL ASSETS	<u>\$ 96,665,612</u>	<u>\$ 94,646,018</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Current liabilities:		
Accrued payroll and others	\$ 1,529,214	\$ 1,571,260
Vouchers payable	1,310,258	1,000,475
Deferred revenue	406,205	1,928,989
Other liabilities	<u>1,151</u>	<u>344,568</u>
	3,246,828	4,845,292
Noncurrent liabilities:		
Accrued leave liability	<u>3,773,604</u>	<u>3,901,009</u>
Total liabilities	<u>7,020,432</u>	<u>8,746,301</u>
Net Assets:		
Restricted for:		
Investment in capital assets	83,913,967	82,813,078
Capital improvement projects in progress	4,641,329	3,540,460
Unrestricted	<u>1,089,884</u>	<u>(453,821)</u>
Total net assets	<u>89,645,180</u>	<u>85,899,717</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 96,665,612</u>	<u>\$ 94,646,018</u>

See accompanying notes to basic financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Statements of Activities
For the Years Ended September 30, 2007 and 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Total</u>		
				<u>2007</u>	<u>2006</u>	
Governmental activities:						
Instruction:						
Regular	\$ 27,264,731	\$ -	\$ -	\$ (27,264,731)	\$ (28,147,138)	
Special education	7,736,239	-	5,703,891	(2,032,348)	(2,271,939)	
Co-curricular	1,689,239	-	830,539	(858,700)	(950,708)	
Student services	15,353,326	1,588,862	15,371,759	1,607,295	1,418,052	
Total instruction	52,043,535	1,588,862	21,906,189	(28,548,484)	(29,951,733)	
Support services:						
General administration	2,824,659	-	1,384,955	(1,439,704)	(1,004,578)	
School administration	6,063,156	-	2,684,727	(3,378,429)	(3,794,970)	
Other support	2,591,846	-	-	(2,591,846)	(95,485)	
Community	2,447,867	-	2,447,867	-	-	
Individual programs	765,735	-	87,717	(678,018)	(851,068)	
Depreciation - unallocated	1,161,269	-	-	(1,161,269)	(920,773)	
Total support services	15,854,532	-	6,605,266	(9,249,266)	(6,666,874)	
Total governmental activities	\$ 67,898,067	\$ 1,588,862	\$ 28,511,455	\$ (37,797,750)	\$ (36,618,607)	
				Unrestricted CNMI appropriations	36,721,414	37,209,928
				Capital improvement, CNMI	4,817,339	3,623,424
				Miscellaneous, unrestricted	4,460	100,091
				Subtotal, general revenues	41,543,213	40,933,443
				Changes in Net Assets	3,745,463	4,314,836
				Prior year restatement	-	528,720
				Net assets - beginning	85,899,717	81,056,161
				Net assets - ending	\$ 89,645,180	\$ 85,899,717

See accompanying notes to basic financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Balance Sheets
Governmental Funds
September 30, 2007 and 2006

	General Fund	Capital Projects Fund	Non-major Funds	Total Governmental Funds	
				2007	2006
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 2,491,087	\$ -	\$ -	\$ 2,491,087	\$ 3,659,453
Receivables from CNMI	2,680,711	-	13,231	2,693,942	2,706,871
Receivables from Federal agencies	-	-	2,336,644	2,336,644	1,551,277
Other receivables	84,098	-	-	84,098	43,392
Advances, net	183,527	-	137,369	320,896	331,487
Due from (to) other funds	1,213,021	(25,116)	(1,187,905)	-	-
Total current assets	6,652,444	(25,116)	1,299,339	7,926,667	8,292,480
Capital improvement projects in progress	-	4,641,329	-	4,641,329	2,436,845
TOTAL ASSETS	\$ 6,652,444	\$ 4,616,213	\$ 1,299,339	\$ 12,567,996	\$ 10,729,325
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued payroll and others	\$ 1,529,214	\$ -	\$ -	\$ 1,529,214	\$ 1,571,260
Vouchers payable	1,309,882	-	376	1,310,258	1,000,475
Deferred revenue	-	-	406,205	406,205	1,928,989
Other liabilities	1,151	-	-	1,151	344,568
Total liabilities	2,840,247	-	406,581	3,246,828	4,845,292
Fund Balances:					
Reserved for:					
Capital improvement projects	-	4,616,213	-	4,616,213	2,404,904
Encumbrances	947,990	-	-	947,990	-
Unreserved	2,864,207	-	892,758	3,756,965	3,479,129
Total fund balances	3,812,197	4,616,213	892,758	9,321,168	5,884,033
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,652,444	\$ 4,616,213	\$ 1,299,339		

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of capital assets	\$ 96,669,471		
Accumulated depreciation	(12,571,855)	84,097,616	82,813,078

Capital improvement projects funded by the CNMI Government reported as current financial resources in the governmental fund balance sheets. - 1,103,615

Long-term liabilities that are not due and payable in the current period and therefore are not reported as liabilities in the Funds. Long-term liabilities at year-end pertains to:
Annual leave liability (3,773,604) (3,901,009)

Total net assets - governmental activities \$ 89,645,180 \$ 85,899,717

See accompanying notes to basic financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Statements of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Years Ended September 30, 2007 and 2006

	General	Capital	Non-Major	Total Governmental Funds	
	Fund	Projects Fund	Funds	2007	2006
REVENUES:					
Federal	\$ -	\$ -	\$ 27,126,500	\$ 27,126,500	\$ 27,067,293
Local	4,460	3,072,300	1,384,955	4,461,715	4,996,864
Charges for services	-	-	1,588,862	1,588,862	563,917
TOTAL REVENUES	4,460	3,072,300	30,100,317	33,177,077	32,628,074
EXPENDITURES:					
Current operations:					
Instructional programs:					
Regular	27,208,929	-	-	27,208,929	28,131,722
Special	2,128,184	-	4,939,474	7,067,658	8,902,828
Co-curricular	858,700	-	830,539	1,689,239	1,318,817
Student services	-	-	15,121,096	15,121,096	16,142,056
Total instructional programs	30,195,813	-	20,891,109	51,086,922	54,495,423
Supporting services:					
General administration	246,250	-	2,670,903	2,917,153	2,236,239
School administration	3,323,158	-	2,675,202	5,998,360	3,861,505
Individual programs	425,219	-	87,717	512,936	1,119,563
Other	2,577,400	31,055	-	2,608,455	95,485
Total supporting services	6,572,027	31,055	5,433,822	12,036,904	7,312,792
Community services	-	-	2,447,867	2,447,867	2,151,237
Capital outlays:					
Equipment and vehicles	7,816	16,610	159,224	183,650	822,783
Construction in progress	-	813,326	840,677	1,654,003	5,590,924
Total capital outlays	7,816	829,936	999,901	1,837,653	6,413,707
TOTAL EXPENDITURES	36,775,656	860,991	29,772,699	67,409,346	70,373,159
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(36,771,196)	2,211,309	327,618	(34,232,269)	(37,745,085)
OTHER FINANCING SOURCES:					
Operating transfers-in	36,721,414	-	-	36,721,414	37,209,928
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(49,782)	2,211,309	327,618	2,489,145	(535,157)
Reserved for encumbrances	947,990	-	-	947,990	946,823
FUND BALANCE, beginning of year	2,913,989	2,404,904	565,140	5,884,033	5,472,367
FUND BALANCE, end of the year	\$ 3,812,197	\$ 4,616,213	\$ 892,758	\$ 9,321,168	\$ 5,884,033

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 Governmental Funds Statement of Revenues, Expenditures
And Changes in Fund Balance with the District-wide Statement of Activities
For the Years Ended September 30, 2007 and 2006

	2007	2006
Total net changes in fund balances - governmental funds	\$ 2,489,145	\$ (535,157)
Amounts reported for governmental activities in the statements of activities is different because:		
Certain activities in the capital improvement projects fund are reported in the statements of changes in fund balance.		
	-	1,103,615
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 statements of net assets 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.		
Capital outlays	\$ 3,053,069	
Depreciation expense	(1,796,751)	1,256,318
		3,746,378
Changes in net assets of governmental activities	\$ 3,745,463	\$ 4,314,836

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 - Budget and Actual
For the Year Ended September 30, 2007

	General Fund				Variance Favorable (Unfavorable)
	Budget		Final	Actual	
	Original	Revision			
REVENUES	\$ -	\$ -	\$ -	\$ 4,460	\$ 4,460
Total revenues	-	-	-	4,460	4,460
EXPENDITURES:					
Current operations:					
Instructional programs:					
Regular	28,451,968	-	28,451,968	27,208,929	1,243,039
Special	2,269,460	-	2,269,460	2,128,184	141,276
Co-curricular	903,895	-	903,895	858,700	45,195
Total instructional programs	<u>31,625,323</u>	-	<u>31,625,323</u>	<u>30,195,813</u>	<u>1,429,510</u>
Supporting services:					
General administration	286,588	-	286,588	246,250	40,338
School administration	3,602,253	-	3,602,253	3,323,158	279,095
Individual programs	459,439	-	459,439	425,219	34,220
Other	2,691,142	-	2,691,142	2,577,400	113,742
Total supporting programs	<u>7,039,422</u>	-	<u>7,039,422</u>	<u>6,572,027</u>	<u>467,395</u>
Capital outlays:					
Equipment and vehicles	-	-	-	7,816	(7,816)
Construction in progress	-	-	-	-	-
Total capital outlay	-	-	-	7,816	(7,816)
Total expenditures	<u>38,664,745</u>	-	<u>38,664,745</u>	<u>36,775,656</u>	<u>1,889,089</u>
Deficiency of revenues over expenditures	(38,664,745)	-	(38,664,745)	(36,771,196)	1,893,549
Other financing sources, net:					
Operating transfers-in	38,664,745	(1,943,331)	36,721,414	36,721,414	-
Compact Impact Fund	-	2,000,000	2,000,000	2,000,000	-
Expenses charged to Compact Impact Fund	-	-	-	(1,253,146)	(1,253,146)
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 56,669</u>	<u>\$ 56,669</u>	<u>\$ 697,072</u>	<u>\$ 640,403</u>

Notes: 1. This budgetary analysis includes the Compact Impact Fund which is included in Non-major funds in the accompanying Balance Sheets and Statements of Revenues, Expenditures, and Changes in Fund Balance.
2. Of the \$697,072 excess revenues over expenditures, \$472,873 were already encumbered as of September 30, 2007.

See accompanying notes to basic financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

General Fund
Statements of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2007
(With Comparative Actual Amounts for the fiscal year ended September 30, 2006)

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		Actual
REVENUES	\$ -	\$ 4,460	\$ 4,460	\$ 100,091
Total revenues	<u>-</u>	<u>4,460</u>	<u>4,460</u>	<u>100,091</u>
EXPENDITURES:				
Current operations:				
Instructional programs:				
Regular	28,451,968	27,208,929	1,243,039	28,131,722
Special	2,269,460	2,128,184	141,276	2,556,952
Co-curricular	903,895	858,700	45,195	950,048
Total instructional programs	<u>31,625,323</u>	<u>30,195,813</u>	<u>1,429,510</u>	<u>31,638,722</u>
Supporting services:				
General administration	286,588	246,250	40,338	318,564
School administration	3,602,253	3,323,158	279,095	3,836,072
Individual programs	459,439	425,219	34,220	590,778
Other	2,691,142	2,577,400	113,742	-
Total supporting programs	<u>7,039,422</u>	<u>6,572,027</u>	<u>467,395</u>	<u>4,745,414</u>
Capital outlays:				
Equipment and vehicles	-	7,816	(7,816)	135,549
Construction in progress	-	-	-	65,755
Total capital outlay	<u>-</u>	<u>7,816</u>	<u>(7,816)</u>	<u>201,304</u>
Total expenditures	<u>38,664,745</u>	<u>36,775,656</u>	<u>1,889,089</u>	<u>36,585,440</u>
Deficiency of revenues over expenditures	(38,664,745)	(36,771,196)	1,893,549	(36,485,349)
Other financing sources :				
Operating transfers-in	36,721,414	36,721,414	-	37,209,928
Compact Impact Fund	2,000,000	2,000,000	-	-
Expenses charged to Compact Impact Fund	<u>-</u>	<u>(1,253,146)</u>	<u>(1,253,146)</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ 56,669</u>	<u>\$ 697,072</u>	<u>\$ 640,403</u>	<u>\$ 724,579</u>

See accompanying notes to basic financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Combining Balance Sheets - Non-major Funds
September 30, 2007 and 2006

	Federal Grants Fund	Local Donations Fund	CNMI Grants Fund	Indirect Costs Fund	Total	
<u>ASSETS</u>					2007	2006
Receivables from CNMI	\$ -	\$ (1,508)	\$ 14,739	\$ -	\$ 13,231	\$ 13,231
Receivables from Federal agencies	2,134,617	202,027	-	-	2,336,644	1,551,277
Advances, net	137,369	-	-	-	137,369	149,755
Due from (to) other funds	<u>(513,542)</u>	<u>(184,392)</u>	<u>(155,161)</u>	<u>(334,810)</u>	<u>(1,187,905)</u>	<u>780,242</u>
	<u>\$ 1,758,444</u>	<u>\$ 16,127</u>	<u>\$ (140,422)</u>	<u>\$ (334,810)</u>	<u>\$ 1,299,339</u>	<u>\$ 2,494,505</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Vouchers payable	\$ 376	\$ -	\$ -	\$ -	\$ 376	\$ 376
Accrued payroll and others	-	-	-	-	-	-
Deferred revenue	<u>343,619</u>	<u>40,849</u>	<u>-</u>	<u>21,737</u>	<u>406,205</u>	<u>1,928,989</u>
Total liabilities	343,995	40,849	-	21,737	406,581	1,929,365
Fund balances (deficit):						
Reserved for encumbrances	<u>1,414,449</u>	<u>(24,722)</u>	<u>(140,422)</u>	<u>(356,547)</u>	<u>892,758</u>	<u>565,140</u>
	<u>\$ 1,758,444</u>	<u>\$ 16,127</u>	<u>\$ (140,422)</u>	<u>\$ (334,810)</u>	<u>\$ 1,299,339</u>	<u>\$ 2,494,505</u>

See accompanying notes to basic financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Combining Statements of Revenues, Expenditures, and Changes in Fund Balance
Non-major Funds
For the Years Ended September 30, 2007 and 2006

	Federal	Local	CNMI	Indirect	Total	
	Grants	Donations	Grants	Costs	Non-major funds	
	Fund	Fund	Fund	Fund	2007	2006
REVENUES:						
Federal	\$ 27,126,500	\$ 343,944	\$ -	\$ -	\$ 27,470,444	\$ 27,067,293
Other local	-	389,021	-	1,384,955	1,773,976	1,273,349
Charges for services	-	855,897	-	-	855,897	563,917
TOTAL REVENUES	27,126,500	1,588,862	-	1,384,955	30,100,317	28,904,559
EXPENDITURES:						
Current operations:						
Instructional programs:						
Regular	-	-	-	-	-	-
Special	4,939,474	-	-	-	4,939,474	6,345,876
Co-curricular	830,539	-	-	-	830,539	368,769
Student services	14,962,534	158,562	-	-	15,121,096	16,142,056
Total instructional programs	20,732,547	158,562	-	-	20,891,109	22,856,701
Supporting services:						
General administration	-	1,273,793	-	1,397,110	2,670,903	1,917,675
School administration	2,675,202	-	-	-	2,675,202	25,433
Individual programs	87,717	-	-	-	87,717	528,785
Other	-	-	-	-	-	-
Total supporting services	2,762,919	1,273,793	-	1,397,110	5,433,822	2,471,893
Community services	2,447,867	-	-	-	2,447,867	2,151,237
Capital outlays:						
Equipment and vehicles	159,224	-	-	-	159,224	687,234
Construction in progress	840,677	-	-	-	840,677	1,259,993
Total capital outlays	999,901	-	-	-	999,901	1,947,227
TOTAL EXPENDITURES	26,943,234	1,432,355	-	1,397,110	29,772,699	29,427,058
EXCESS (DEFICIENCY) OF REVENUES						
OVER EXPENDITURES	183,266	156,507	-	(12,155)	327,618	(522,499)
FUND BALANCE (DEFICIT), beginning of the year	1,231,183	(181,229)	(140,422)	(344,392)	565,140	1,087,639
FUND BALANCE (DEFICIT), end of the year	\$ 1,414,449	\$ (24,722)	\$ (140,422)	\$ (356,547)	\$ 892,758	\$ 565,140

See accompanying notes to basic financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM

(A Component Unit of the CNMI Government)

Notes to the Basic Financial Statements
September 30, 2007 and 2006

(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 the 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 (US GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing US GAAP for state and local governments through its pronouncements (Statements and Interpretations).

A. 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 CMNI 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, the public education school system is guaranteed an annual budget of not less than fifteen percent (15%) of the 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.

B. Basis of Presentation

District-wide Statements: The Statement of Net Assets and Statement of Activities present information about PSS. These statements include the overall financial activities of the school system. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses.

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.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Notes to the Basic Financial Statements
September 30, 2007 and 2006

(1) Summary of Significant Accounting Policies, Continued

B. Basis of Presentation, Continued

Indirect expense allocations recorded in the funds have been reversed for the Statement of Activities. 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.

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

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 on specific activities or attaining certain objectives in accordance with the fund's special regulations, restrictions or limitations. The fund financial statements provide information about the PSS funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

PSS reports the following major governmental funds:

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.

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

Non-major Funds - Accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. These were previously reported as Special Revenue Funds.

The Commissioner of Education has directed that indirect costs of the general fund expended for Federal grant activity be accounted for in a non-major fund and be used for particular programs and activities.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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(A Component Unit of the CNMI Government)

Notes to the Basic Financial Statements
September 30, 2007 and 2006

(1) Summary of Significant Accounting Policies, Continued

C. 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.

District-wide Fund Financial Statements

The governmental activities in the statement of net assets 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 soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred.

Revenues from other sources are recognized when received. Expenditures are generally recognized in the fiscal year the goods or services are received and the related fund liability is incurred. Debt service expenditures for principal interest on general long-term obligations are recognized when due unless resources have been provided for payment early in the subsequent fiscal year. Prepaid items and inventory purchases are reported as current fiscal year expenditures, rather than allocating cost to the fiscal year when items are used.

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

Under the terms of grant 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 net assets available to finance the program.

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Notes to the Basic Financial Statements
September 30, 2007 and 2006

(1) Summary of Significant Accounting Policies, Continued

C. Measurement Focus and Basis of Accounting, Continued

All governmental funds of PSS follow the Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

PSS has implemented GASB Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*" and related standards. These new standards provide for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

D. 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 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:

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

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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(A Component Unit of the CNMI Government)

Notes to the Basic Financial Statements
September 30, 2007 and 2006

(1) Summary of Significant Accounting Policies, Continued

E. Assets, Liabilities, and Fund Equity

1. Cash and Cash Equivalents

PSS pools money from several funds to facilitate disbursements and investments to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

2. Capital Assets

Capital assets are recorded at original cost. Donated assets are recorded at their estimated fair value at the date of donation or forfeiture. Improvements are capitalized and depreciated over the remaining useful lives of the related 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 is expensed as incurred.

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

Buildings	20-50	years
Land & building improvements	15	years
Vehicles	5	years
Others	5	years

3. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

4. 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, 2007 and 2006 were \$3,773,604 and \$3,901,009, respectively. No expenditure is reported for these amounts. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Notes to the Basic Financial Statements
September 30, 2007 and 2006

(1) Summary of Significant Accounting Policies, Continued

E. Assets, Liabilities, and Fund Equity, Continued

4. Compensated Absences, Continued

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.

5. Net Assets/Fund Balances

Net assets in the district-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt, restricted, and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of Federal agencies, or imposed by law through state statute.

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable, are legally segregated for a specific purpose, or are restricted by the grant agreement. Designations of fund balance represent tentative management plans that are subject to change.

The governmental fund types classify fund balances as follows:

Reserved for encumbrances - the portion of fund balance available to pay for any commitments related to purchase orders and contracts that remain unperformed at year-end.

Unreserved - the portion of total fund balance available for appropriation, which is uncommitted at year-end.

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Notes to the Basic Financial Statements
September 30, 2007 and 2006

(1) Summary of Significant Accounting Policies, Continued

F. New Accounting Standards

In June 2004, the GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This statement is not effective until June 30, 2008. The PSS has not determined its effect on the financial statements.

In December 2004, the GASB issued Statement No. 46, "Net Assets Restricted by Enabling Legislation" - an amendment of GASB Statement No. 34, which became effective for the PSS beginning with its fiscal year ending September 30, 2007. The provisions of this Statement clarifies that a legally enforceable enabling legislation is on that a party external to a government, such as citizens, public interest groups or the judiciary, can compel a government to honor. The management of PSS determined the effect this Statement has no effect on its financial statements as of September 30, 2007.

In June 2005, the GASB issued Statement No. 47, "Accounting for Termination Benefits". This statement establishes accounting guidance and disclosure requirements for termination benefit arrangements. This statement is effective in two parts. For termination benefits provided through an existing defined OPEB, the provisions should be implemented simultaneously with GASB Statement No. 45. For all other termination benefits, this statement is effective for periods beginning after June 15, 2005. The PSS has not determined its effect on the financial statements.

In September 2006, the GASB issued Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". This statement addresses accounting and financial reporting standards for transactions where governments exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. This statement establishes criteria and reporting standards regarding the exchange as either a sale or collateralized borrowing, resulting in a liability. This statement is not effective until June 30, 2008. The PSS has not determined its effect on the financial statements.

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Notes to the Basic Financial Statements
September 30, 2007 and 2006

(1) Summary of Significant Accounting Policies, Continued

F. New Accounting Standards, Continued

In November 2006, the GASB issued Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations". This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This statement is not effective until June 30, 2009. The PSS has not determined its effect on the financial statements.

In May 2007, the GASB issued Statement No. 50, "Pension Disclosures - an amendment of GASB Statements No. 25 and No. 27". This statement more closely aligns the financial reporting requirements for pensions with those for OPEB and, in doing so, enhances information disclosed in notes to financial statements or presented as RSI by pension plans and by employers that provide pension benefits. This statement is not effective until June 30, 2008. The PSS has not determined its effect on the financial statements.

In June 2007, the GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This statement is not effective until June 30, 2010. The PSS has not determined its effect on the financial statements.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Notes to the Basic Financial Statements
September 30, 2007 and 2006

(2) Reconciliation of District-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustments for 2007 and 2006 consist of several elements as follows:

A. Explanation of certain differences between the governmental fund and the government-wide statement of net assets.

<u>Description</u>	<u>2007</u>	<u>2006</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on district-wide statements in governmental activities column)	\$ 96,669,471	\$ 93,588,181
Less accumulated depreciation	<u>(12,571,855)</u>	<u>(10,775,103)</u>
Net capital assets	84,097,616	82,813,078
Capital improvement projects	-	1,103,615
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:		
Annual leave liability	<u>(3,773,604)</u>	<u>(3,901,009)</u>
Total adjustment	<u>\$ 80,324,012</u>	<u>\$ 80,015,684</u>

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Notes to the Basic Financial Statements
September 30, 2007 and 2006

(2) Reconciliation of District-wide and Fund Financial Statements, Continued

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the district-wide statement of activities

The governmental statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the district-wide statement of activities. The total adjustments for 2007 and 2006 pertain to the following:

<u>Description</u>	<u>2007</u>	<u>2006</u>
Certain activities in the Capital Improvement Projects fund is reported in the Statement of Changes in Fund Balance	\$ (28,220)	\$ 1,103,615
Capital outlay expenditures recorded in the Statement of Activities.	3,081,289	5,310,092
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the Statement of Activities but not in the fund statements.	<u>(1,796,751)</u>	<u>(1,563,714)</u>
Total adjustments	<u>\$ 1,256,318</u>	<u>\$ 4,849,993</u>

(3) Detail Notes on all Funds

Cash and Cash Equivalents

GASB Statement No. 3 previously required government entities to present deposit risks as follows:

Category 1 - Deposits that are federally insured or collateralized with securities held by PSS or its agents in PSS' name.

Category 2 - Deposits that are uninsured but are fully collateralized with securities held by the pledging financial institution's trust department or agent in PSS' name.

Category 3 - Deposits that are collateralized with securities held by the pledging institution's trust department or agent but not in PSS' name and non-collateralized deposit.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosures for deposits falling under Categories 1 and 2 but retained disclosures for deposits under Category 3 that have exposure to custodial risk. PSS does not have a deposit policy for custodial risk.

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Notes to the Basic Financial Statements
September 30, 2007 and 2006

(3) Detail Notes on all Funds, Continued

Cash and Cash Equivalents, continued

For purposes of the Statement of Net Assets, 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, 2007 and 2006, the total amounts deposited with the Federal Deposit Insurance Corporation (FDIC) insured banks were \$2,491,087 and \$4,727,350, respectively. From these deposits, \$200,000 in 2007 and 2006 was subject to coverage by FDIC with the remaining balance exceeding insurable limits. PSS requires collateralization of bank accounts, and therefore, amounts in excess of insurable limits are collateralized by the respective banks. PSS has not experienced any losses on these deposits.

Accounts Receivable

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

Receivables at the government-wide level at September 30, 2007 and 2006 are as follows:

Accounts receivable - September 30, 2007

	<u>Receivable from CNMI</u>	<u>Receivable from Federal Agencies</u>
Governmental activities:		
General Fund	\$ 2,680,711	\$ 2,336,644
Other governmental activities	-	-
Total	<u>\$ 2,680,711</u>	<u>\$ 2,336,644</u>

Accounts receivable - September 30, 2006

	<u>Receivable from CNMI</u>	<u>Receivable from Federal Agencies</u>
Governmental activities:		
General Fund	\$ 2,637,823	\$ 1,551,277
Other governmental activities	69,048	-
Total	<u>\$ 2,706,871</u>	<u>\$ 1,551,277</u>

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Notes to the Basic Financial Statements
September 30, 2007 and 2006

(3) Detail Notes on all Funds, Continued

Travel Advances

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.

Travel advances of \$113,825 and \$113,571 as of September 30, 2007 and 2006, respectively, included in the Statement of Net Assets as part of advances, are reported net of an allowance for doubtful accounts of \$272,277 in both years.

Capital Assets

Capital asset activity for the years ended September 30, 2007 and 2006 were as follows:

September 30, 2007

<u>Governmental Activities</u>	<u>2006</u>	<u>Increases</u>	<u>Retirement</u>	<u>2007</u>
Capital assets not being depreciated:				
Land	\$36,647,850	\$ -	\$ -	\$36,647,850
Total capital assets not being depreciated:	<u>36,647,850</u>	<u>-</u>	<u>-</u>	<u>36,647,850</u>
Capital assets being depreciated:				
Buildings and improvements	51,289,636	2,897,640	-	54,187,276
Vehicles	4,113,397	95,655	-	4,209,052
Other	<u>1,537,300</u>	<u>87,994</u>	<u>-</u>	<u>1,625,294</u>
Total capital assets being depreciated	<u>56,940,333</u>	<u>3,081,289</u>	<u>-</u>	<u>60,021,622</u>
Less accumulated depreciation for:				
Buildings and improvements	7,078,596	1,115,539	-	8,194,135
Vehicles	2,664,120	479,165	-	3,143,285
Other	<u>1,032,389</u>	<u>202,047</u>	<u>-</u>	<u>1,234,436</u>
Total accumulated depreciation	<u>10,775,105</u>	<u>1,796,751</u>	<u>-</u>	<u>12,571,856</u>
Total capital assets being depreciated, net	<u>46,165,228</u>	<u>1,284,538</u>	<u>-</u>	<u>47,449,766</u>
Governmental activity capital assets, net	<u>\$82,813,078</u>	<u>\$ 1,284,538</u>	<u>\$ -</u>	<u>\$84,097,616</u>

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Notes to the Basic Financial Statements
September 30, 2007 and 2006

(3) Detail Notes on all Funds, Continued

Capital Assets, Continued

September 30, 2006

<u>Governmental Activities</u>	<u>2005</u>	<u>Increases</u>	<u>Retirement</u>	<u>2006</u>
Capital assets not being depreciated:				
Land	\$36,647,850	\$ -	\$ -	\$36,647,850
Total capital assets not being depreciated	<u>36,647,850</u>	<u>-</u>	<u>-</u>	<u>36,647,850</u>
Capital assets being depreciated:				
Buildings and improvements	46,802,327	4,487,309	-	51,289,636
Vehicles	3,626,164	487,233	-	4,113,397
Other	<u>1,201,750</u>	<u>335,550</u>	<u>-</u>	<u>1,537,300</u>
Total capital assets being depreciated	<u>51,630,241</u>	<u>5,310,092</u>	<u>-</u>	<u>56,940,333</u>
Less accumulated depreciation for:				
Buildings and improvements	6,142,549	936,047	-	7,078,596
Vehicles	2,276,056	388,064	-	2,664,120
Other	<u>792,786</u>	<u>239,603</u>	<u>-</u>	<u>1,032,389</u>
Total accumulated depreciation	<u>9,211,391</u>	<u>1,563,714</u>	<u>-</u>	<u>10,775,105</u>
Total capital assets being depreciated, net	<u>42,418,850</u>	<u>3,746,378</u>	<u>-</u>	<u>46,165,228</u>
Governmental activity capital assets, net	<u>\$79,066,700</u>	<u>\$ 3,746,378</u>	<u>\$ -</u>	<u>\$82,813,078</u>

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Notes to the Basic Financial Statements
September 30, 2007 and 2006

(3) Detail Notes on all Funds, Continued

Capital Assets, Continued

Depreciation expense directly identified to specific functions is charged as a direct expense and depreciation of assets that essentially serves all functions is charged as unallocated depreciation.

	2007	2006
Individual programs	\$ 252,799	\$ 260,290
Special education	203,562	196,940
School administration	74,321	86,967
Regular	63,618	15,416
General administration	34,911	41,688
Student services	6,271	40,980
Co-curricular	-	660
	635,482	642,941
Unallocated depreciation	<u>1,161,269</u>	<u>920,773</u>
Total	<u>\$1,796,751</u>	<u>\$1,563,714</u>

Retirement Plan - Defined Benefit Plan

PSS contributes to the Northern Mariana Islands Retirement Fund (NMIRF), a defined benefit, cost-sharing multi-employer pension plan established and administered by the CNMI. NMIRF provides retirement, security and other benefits to employees of the CNMI government and CNMI agencies, instrumentalities and public corporations, and to their spouses and dependents. Benefits are based on the average annual salary over the term of credited service. Generally, benefits vest after three years of credited service. Member are eligible for early retirement after 10 years of vesting service and are at least 52 years of age. Members, who retire at or after age 60, or with 25 years of vesting service, are entitled to retirement benefits. CNMI Public Law 6-17, the Northern Mariana Islands Retirement Fund Act of 1988, is the authority under which benefit provisions are established.

As a result of the Fund's actuarial valuation report (as of October 1, 2005), it has been determined that for the year ended September 30, 2004, the funding requirement for employer is 36.7727% of covered payroll, and funding requirements for employees are 6.5% and 9.0% of covered payroll for Class I and Class II members, respectively.

The funding requirement is calculated as that percentage of total payroll, which is necessary to accumulate sufficient assets to pay benefits when due. The Fund uses the level percentage of payroll method to amortize the unfunded liability over a period not to exceed 40 years from October 1980. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligation.

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM**

(A Component Unit of the CNMI Government)

Notes to the Basic Financial Statements
September 30, 2007 and 2006

(3) Detail Notes on all Funds, Continued

Retirement Plan, Continued

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

Pursuant to Public Law No. 14-98 PSS is exempted from any rate increase of its employer contribution to the Retirement Fund until November 21, 2010.

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

<u>Fiscal Year Ended</u>	<u>Required Contribution</u>	<u>Percentage of Required Contribution Contributed</u>
9/30/07	\$ 7,701,162	100%
9/30/06	\$ 8,113,912	100%
9/30/05	\$ 8,587,077	100%
9/30/04	\$ 8,391,306	100%

Retirement Fund - Defined Contribution

On June 16, 2006, the CNMI Governor signed Public Law No. 15-47, creating the Defined Contribution Plan, to create portable individual retirement accounts for all new public employees who are hired on or after January 1, 2007. This law also provides the conditions under which certain Class I members of the Retirement Fund may transfer from the existing defined benefit plan to the new defined contribution plan.

Under this retirement plan, employees contribute 10% of their qualified salaries and wages while employers contribute 4%.

As of September 30, 2007, the market value of the defined contribution plan of PSS employees are as follows:

	<u>Participant Count</u>	<u>Average Balance</u>	<u>Total Balance</u>
Active participants with account balances	73	\$ 950	\$ 69,331
Terminated participants with remaining account balances	<u>1</u>	\$ 9,216	<u>9,216</u>
	<u>74</u>	\$ 1,061	<u>\$ 78,547</u>

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(3) Detail Notes on all Funds, Continued

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 Northern Mariana Islands Retirement Fund (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. Further, these eligible persons must have elected to enroll during the period permitted in the Emergency Regulations adopted on September 6, 1996. Life insurance coverage is to be provided by a private carrier. Contributions from employees and employers are based on rates as determined by NMIRF Board of Trustees. Employee deductions are made through payroll or pension benefit withholdings.

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.

Transfer-in from CNMI Government

Pursuant to Public Law Nos. 13-24 and 10-34, the CNMI government appropriated \$38,654,120 and \$37,209,928 for PSS' operational use for the fiscal years ended September 30, 2007 and 2006, respectively.

Receivables due from CNMI government under the general fund as of September 30, 2007 and 2006 are summarized as follows:

	<u>2007</u>	<u>2006</u>
Receivable, beginning	\$ 2,637,823	\$ 1,410,038
Appropriation	38,654,120	37,209,928
5% budget reduction	<u>1,932,706</u>	<u>-</u>
Total additions	<u>36,721,414</u>	<u>37,209,928</u>
Collections	(36,311,312)	(35,982,143)
Office of Public Auditor	<u>(367,214)</u>	<u>-</u>
Total deductions	<u>(36,678,526)</u>	<u>(35,982,143)</u>
Receivable, ending	<u>\$ 2,680,711</u>	<u>\$ 2,637,823</u>

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Notes to the Basic Financial Statements
September 30, 2007 and 2006

(3) Detail Notes on all Funds, Continued

Non-current Liabilities

Non-current liabilities presented in the Statement of Net Assets include accrued leave liability as follows:

	2007	2006
Beginning balance	\$ 3,901,009	\$ 4,429,729
Increase (decrease)	(127,405)	(528,720)
Ending balance	3,773,604	3,901,009
Due within one year	-	-
Accrued leave liability	\$ 3,773,604	\$ 3,901,009

PSS uses local funds to liquidate its accrued leave liability.

Non-major funds

Specific revenues earmarked to finance particular programs and activities of the Public School System are accounted for in Non-major Funds. A summary of PSS' Non-major Funds as of September 30, 2007 and 2006 follows:

- Federal Grants Fund - This fund accounts for activities pertaining to Federal operations grants. The primary revenue source of this fund is grant awards from various Federal agencies.
- Local Donations Fund - This fund accounts for activities pertaining to local donations received for specific purposes. The primary revenue source of this fund is donations from private individuals or organizations.
- CNMI Grants Fund - This fund was established to account for projects that were appropriated without fiscal year limitation by Public Law No. 8-2.
- Indirect Costs Fund - This fund, established through directive of the Commissioner of Education, accounts for indirect costs of PSS related to Federal grants.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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(4) Contingencies

PSS administers significant financial assistance from the Federal government in the form of grants and entitlements. Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including expenditure of resources for eligible purposes. Substantially, all grants are subject to either the Single Audit Act or to financial and compliance audits by the grantor agencies of the Federal government or their designees.

Disallowances and sanctions as a result of these audits may become liabilities of PSS and the general fund would be liable for the return of such funds. However, no liability which may arise from the ultimate outcome of this matter has been provided for in the accompanying financial statements.

(5) Commitments

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

(6) Risk Management

The CNMI government is a self-insured entity. The government has limited its general liability to individuals to \$100,000 by statute. For this reason, the government does not maintain any insurance on its buildings, or on its employees. At some future date, PSS may insure some of its assets, as an autonomous agency, it is not required to follow the CNMI government's self-insurance policy.

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

(7) Economic Dependency

PSS receives a substantial amount of its support from Federal and local governments. In fiscal year ending September 30, 2007, 52% and 39% of total revenues were received from local appropriation and federal grants, 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.

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2007

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
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Schedule of Expenditures of Federal Awards
Federal Grants Fund
Year Ended September 30, 2007

U.S. Department of Education Direct Programs	Federal Grantor/Program/ Title/Federal CFDA Number	Orig. No.	Program or Award Amount FY 07	Receivable From		Adjustments	Revenues FY 07	Expenditures FY 07	Receivable From Grantor (Deferred Revenue) at 09/30/07
				23,025 \$	(23,025) \$				
	IAP/T5 - PUB Sch. PDP, Improve and Reform		23,025 \$	(23,025) \$					
	IAP/T5 - BSM		769	(769)			12,238 \$	564	
	IAP/T5 - JGA		-	-			2,104		
	IAP/T5 - NMC		1,770	(1,770)			184,850		
	IAP/T5 - NMA		734					734	
	IAP/T5 - SCS		(734)					(734)	
	IAP/T5 - SDA		2,149	(2,149)					
	IAP/T5 - SFB		2,678	(2,678)			7,308		
	IAP/T5 - SIS		-	-					
	IAP/T5 - SJT		-	-			5,571		
	IAP/T5 - SRS		-	-			15,987		
	IAP/T5 - WPS		-	-					
	IAP/T5 - Class Size Reduction		-	-					
	State Assess - Accreditation		-	-			7,539		
	State Assess - Admin		172	(172)			8,582		
	State Assess - Assess. Scoring Ctr		-	-			23,060		
	State Assess - Data Management System		65,010	(64,227)			1,737		783
	State Assess - Bil Ed Proficiency		1,118	(1,118)			329		
	State Assess - English Language Learner		620	(620)					
	State Assess - SAT10		-	-			118,793		
	State Assess - Standard Based Assess.		8,631	(8,631)			7,036		
	State Assess - Training		13,651	(13,651)			9,483		
	State Assess - Personnel		10,392	(10,392)			54,132		
	IAP/T5 - Admin.		6,526	(6,526)			67,346		
	IAP/T5 - PUB Sch. PDP, Improve and Reform		241,329	(238,990)			443,495		2,339
	IAP/T5 - Public School Prof. Dev. Program		1,043	228			21,229		1,271
	IAP/T5 - PVT Sch. PDP, Improve and Reform		1,141	(1,141)			14,059		
	IAP/T5 - Standard and Assessment Projects		-	339			9,222		339
	IAP/T5 - School Based Technology		-	(1)			193,607		(1)
	IAP/T5 - Troops for Teachers		15,899	(15,899)			407,650		
	IAP/T5 - Teacher Training Institutes		-	-			24,970		
	IAP/T5 - CMS		7,634	(7,634)			83,269		
	IAP/T5 - DAN		8,548	(8,548)			30,081		
	IAP/T5 - GES		2,174	(2,174)			92,323		
	IAP/T5 - GTC		14,133	(14,133)			49,450		
	IAP/T5 - HJH		52,322	(51,564)			81,077		758
	IAP/T5 - KAG		16,991	(16,990)			181,242		1
	IAP/T5 - KES		3,396	(3,396)			24,475		
	IAP/T5 - KHS		44,176	(43,505)			172,441		671
	Balance carried forward		545,297 \$	(539,135) \$			2,355,249 \$		6,162 \$

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Federal Grants Fund
Year Ended September 30, 2007

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount FY 07	Receivable		Adjustments	Revenues		Expenditures		Receivable From Grantor (Deferred Revenue) at 09/30/07		
			From Grantor (Deferred Revenue) at 09/30/06	\$		FY 07	FY 07	FY 07				
U.S. Department of Education												
Direct Programs												
CFDA# 84.922A												
Balance brought forward			\$	545,297	\$	(539,135)	\$	(2,355,249)	\$	2,355,249	\$	6,162
IAP/T5 - MHS	063PUB6A09			51,925	(51,926)	(208,777)		208,777				(1)
IAP/T5 - CES	063PUB6A10			17,493	(17,493)	(52,506)		52,506				
IAP/T5 - RJH	063PUB6A11			16,990	(16,990)	(19,160)		19,160				
IAP/T5 - RRS	063PUB6A12			16,991	(16,991)	(37,145)		37,145				
IAP/T5 - SAS	063PUB6A13			7,464	(6,987)	(65,267)		65,267				477
IAP/T5 - SES	063PUB6A14			6,362	(6,362)	(43,272)		43,272				
IAP/T5 - SHS	063PUB6A15			558	(558)	(2,531)		2,531				
IAP/T5 - SVS	063PUB6A16			4,138		(84,575)		84,575				4,380
IAP/T5 - TAN	063PUB6A17			3,967	(3,967)	(12,415)		12,415				
IAP/T5 - TES	063PUB6A18			7,889	(7,890)	(58,998)		58,998				(1)
IAP/T5 - THS	063PUB6A19			15,102	(14,892)	(61,851)		61,851				210
IAP/T5 - WSR	063PUB6A20			8,901	(8,901)	(98,784)		98,784				
IAP/T5 - ADI	063PUB6A21			-	-	(7,000)		7,000				
IAP/T5 - BSM	063PUB6A22			-	-	(38,070)		38,070				
IAP/T5 - CDC	063PUB6A23			-	1	(7,569)		7,569				1
IAP/T5 - EIS	063PVT6B04			2,700	(2,700)	(61,292)		61,292				
IAP/T5 - GCR	063PVT6B05			2,659	(2,659)	(5,573)		5,573				
IAP/T5 - GCS	063PVT6B06			413	(405)	(57,931)		57,931				8
IAP/T5 - GCT	063PVT6B07			-	-	(1,875)		1,875				
IAP/T5 - GHI	063PVT6B08			-	-	(3,643)		3,643				
IAP/T5 - GMS	063PVT6B09			-	-	(11,077)		11,077				
IAP/T5 - JGA	063PVT6B10			-	-	(9,953)		9,953				
IAP/T5 - MCS	063PVT6B12			-	-	(205,151)		205,151				15,488
IAP/T5 - NWA	063PVT6B13			309	15,488	(11,794)		11,794				309
IAP/T5 - SUT	063PVT6B14			-	-	(564)		564				
IAP/T5 - SCS	063PVT6B15			1,898	(1,898)	(23,841)		23,841				
IAP/T5 - SIS	063PVT6B16			1,804	(1,804)	(69,355)		69,355				
IAP/T5 - SPS	063PVT6B17			-	8,344	(29,108)		29,108				8,344
IAP/T5 - SDA	063PVT6B18			-	-	-		-				
IAP/T5 - SRS	063PVT6B19			-	-	(847)		847				
IAP/T5 - WFS	063PVT6B20			52,396	2,831	(22,716)		22,716				2,831
IAP/T5 - Class Size Reduction	064IAP6CSR			-	(30,204)	(751,044)		751,044				22,192
State Assess - Accreditation	070SAS7ACR			-	175	(73,492)		73,492				175
State Assess - Admin	070SAS7ADM			-	1,610	(1,610)		1,610				1,610
State Assess - Assess. Scoring Ctr	070SAS7ASC			-	(249)	(30,531)		30,531				(249)
State Assess - Data Management System	070SAS7DMS			-	88	(10,907)		10,907				88
State Assess - Bil Ed Proficiency	070SAS7BEP			-	-	(9,942)		9,942				
Balance carried forward			\$	764,947	\$	(702,923)	\$	(4,545,415)	\$	4,545,415	\$	62,024

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Schedule of Expenditures of Federal Awards
Federal Grants Fund
Year Ended September 30, 2007

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount FY 07	Adjustments	Receivable		Revenues FY 07	Expenditures FY 07	Receivable From Grantor (Deferred Revenue) at 09/30/07
				\$				
U.S. Department of Education								
Direct Programs								
CFDA# 84.922A								
Balance brought forward								
State Assess - English Language Learner			(702,923)	\$	(4,545,415)	\$	4,545,415	\$ 62,024
State Assess - SAT10					(15,272)		15,272	1
State Assess - Standard Based Assess.			1,871		(76,544)		76,544	1,871
State Assess - Training			6,845		(109,193)		109,193	6,845
State Assess - Personnel			10,934		(244,156)		244,156	10,934
IAP/T5 - Admin.								
IAP/T5 - Intra-Island Travel					(23,410)		23,410	
IAP/T5 - Laptops and LCD for Instructions					(489,940)		489,940	
IAP/T5 - Mentor and Mentoring					(58,303)		58,303	
IAP/T5 - Public School Prof. Dev. Program			8,630		(137,646)		137,646	8,630
IAP/T5 - PUB Sch. PDP, Improve and Reform			173		(134,961)		134,961	173
IAP/T5 - PVT Sch. PDP, Improve and Reform			(354)		(139,064)		139,064	(354)
IAP/T5 - Read Today Ed. - TV Production					(17,206)		17,206	
IAP/T5 - School Based Technology			2,658		(263,862)		263,862	2,658
IAP/T5 - Saturday Reading Program			3,031		(36,565)		36,565	3,031
IAP/T5 - Troops for Teachers			40,448		(142,329)		142,329	40,448
IAP/T5 - CMS					(1,939)		1,939	
IAP/T5 - RDI			392		(81,582)		81,582	392
IAP/T5 - DAN			4,540		(22,669)		22,669	4,540
IAP/T5 - GES			2,373		(173,847)		173,847	2,373
IAP/T5 - GTC			480		(23,325)		23,325	480
IAP/T5 - HJH			77,343		(77,343)		77,343	77,343
IAP/T5 - KAG			114		(61,772)		61,772	114
IAP/T5 - KES			178		(72,506)		72,506	178
IAP/T5 - MHS			94,309		(237,019)		237,019	94,309
IAP/T5 - OES			2,888		(39,045)		39,045	2,888
IAP/T5 - RJH			174		(37,129)		37,129	174
IAP/T5 - RRS			735		(7,692)		7,692	735
IAP/T5 - SES			264		(31,316)		31,316	264
IAP/T5 - SHS			939		(181,639)		181,639	939
IAP/T5 - TAN			58		(37,781)		37,781	58
IAP/T5 - TES			65		(2,633)		2,633	65
Balance carried forward				\$	(7,523,103)	\$	7,523,103	\$ 321,113

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Schedule of Expenditures of Federal Awards
Federal Grants Fund
Year Ended September 30, 2007

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount FY 07	Adjustments	Revenues FY 07	Expenditures FY 07	Receivable From Grantor (Deferred Revenue) at 09/30/07
U.S. Department of Education						
Direct Programs						
CFDA# 84.922A						
Balance brought forward						
IAP/T5 - WSR			\$ (443,834)	\$ (7,523,103)	\$ 7,523,103	\$ 321,113
IAP/T5 - BSM			5,146	(79,486)	79,486	5,146
IAP/T5 - CWA			-	(8,409)	8,409	-
IAP/T5 - EIS			1	(2,006)	2,006	1
IAP/T5 - GCR			-	(22,458)	22,458	-
IAP/T5 - GCS			-	(26,586)	26,586	-
IAP/T5 - GCT			101	-	-	101
IAP/T5 - GHI			-	(33,653)	33,653	-
IAP/T5 - GMS			886	(20,599)	20,599	886
IAP/T5 - LDA			2,642	(6,282)	6,282	2,642
IAP/T5 - NMA			-	(3,533)	3,533	-
IAP/T5 - PKA			4,497	(4,497)	4,497	4,497
IAP/T5 - SCS			-	(1,099)	1,099	-
IAP/T5 - SPB			1,008	(42,627)	42,627	1,008
IAP/T5 - SIS			(1,033)	(4,467)	4,467	(1,033)
IAP/T5 - WFS			9,709	(63,476)	63,476	9,709
IAP/T5 - After School Tutorial			(4,715)	(6,594)	6,594	(4,715)
IAP/T5 - Data Analyst			8,703	(87,502)	87,502	8,703
IAP/T5 - Class Size Reduction			1,479	(33,032)	33,032	1,479
			50,609	(547,906)	547,906	50,609
Subtotal CFDA# 84.922A			\$ (364,801)	\$ (8,517,315)	\$ 8,517,315	\$ 400,146
CFDA# 84.215U						
Christa McAuliffe Grant						
Christa McAuliffe Grant						
Christa McAuliffe Grant						
Christa McAuliffe Grant						
Christa McAuliffe Grant						
Christa McAuliffe Grant						
Christa McAuliffe Grant						
Christa McAuliffe Grant						
Christa McAuliffe Grant						
Christa McAuliffe Grant						
Subtotal CFDA# 84.215U			\$ (3,848)	\$ -	\$ -	\$ (3,848)

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Schedule of Expenditures of Federal Awards
Federal Grants Fund
Year Ended September 30, 2007

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount FY 07	Receivable From Grantor (Deferred Revenue) at 09/30/06	Adjustments	Revenues FY 07	Expenditures FY 07	Receivable From Grantor (Deferred Revenue) at 09/30/07
CFDA# 84.256A		\$ 992,996					
Reading Master Kit (TFAS)	0698BK6RMK		\$ -	\$ -	\$ (6,300)	\$ 6,300	\$ -
Reading Master Kit (TFAS)	0698KK6RMK		4,372	(4,372)	(60,240)	60,240	-
Reading Master Kit (TEFASSEG)	0698KK6RMK		-	68,999	(381,664)	381,664	68,999
Subtotal CFDA# 84.256A			\$ 4,372	\$ 64,627	\$ (448,204)	\$ 448,204	\$ 68,999
U.S. Department of Education Direct Programs							
CFDA# 84.364A		\$ 11,487					
Library Reading First	0697LR5LRF		-	\$ 13,797	\$ (201,801)	\$ 201,801	\$ 13,797
Library Reading First	0797LR7LRF		-	-	(11,487)	11,487	-
Subtotal CFDA# 84.364A			\$ -	\$ 13,797	\$ (213,288)	\$ 213,288	\$ 13,797
CFDA# 84.027		\$ 4,652,485					
SPED Handicapped Children SEA	0683SE6SPE		115,185	\$ (115,185)	\$ (169,543)	\$ 169,543	\$ -
SPED - Admin	0684AD6SPE		6,131	(6,131)	(20,097)	20,097	-
SPED Handicapped Children LEA	0685LE6SPE		113,481	(113,481)	(305,333)	305,333	-
SPED Handicapped Children SEA	0783SE7SPE		-	27,572	(660,260)	660,260	27,572
SPED - Admin	0784AD7SPE		-	7,953	(123,342)	123,342	7,953
SPED Handicapped Children LEA	0785LE7SPE		-	122,948	(2,841,836)	2,841,836	122,948
Subtotal CFDA# 84.027			\$ 228,808	\$ (76,324)	\$ (4,120,411)	\$ 4,120,411	\$ 158,473
CFDA# 84.323A		\$ 131,200					
SPED - State Improvement Grant	0586SI5SPE		(1)	\$ 1	(65,523)	\$ 65,523	\$ -
SPED - State Improvement Grant	0686SI6SPE		-	633	(37,524)	37,524	633
Subtotal CFDA# 84.323A			\$ -	\$ 634	\$ (103,047)	\$ 103,047	\$ 633

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Schedule of Expenditures of Federal Awards
Federal Grants Fund
Year Ended September 30, 2007

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount FY 07	Receivable From Grantor (Deferred Revenue) at 09/30/06	Adjustments	Revenues FY 07	Expenditures FY 07	Receivable From Grantor (Deferred Revenue) at 09/30/07
CFDA# 84.048B		\$ 358,307					
PREL Voiced	68146		\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal CFDA# 84.048B			\$ -	\$ -	\$ -	\$ -	\$ -
CFDA# 84.181		\$ 454,521					
SPED Infant & Toddlers	0688IF6SPE		\$ 20,807	\$ (20,807)	\$ (73,521)	\$ 73,521	\$ -
SPED Infant & Toddlers	0788IF7SPE		-	12,293	(274,899)	274,899	12,293
Subtotal CFDA# 84.181			\$ 18,488	\$ (8,514)	\$ (348,420)	\$ 348,420	\$ 12,293
U.S. Department of Education							
Direct Programs							
CFDA# 84.000		\$ -					
Common Core- Data	0165		\$ (4,553)	\$ 316	\$ (316)	\$ 316	\$ (4,237)
Common Core- Data	0265CCD2		(28,000)	-	-	-	(28,000)
Common Core- Data	0365CC3CCD		(21,000)	-	-	-	(21,000)
Comparability NCEs	0289NCE2		(14,666)	-	-	-	(14,666)
Subtotal CFDA# 84.000			\$ (85,292)	\$ 316	\$ (316)	\$ 316	\$ (67,903)
CFDA# 84.185		\$ 60,000					
R.C. Byrd School Program	0674RB6RCB		\$ -	\$ -	\$ (36,245)	\$ 36,245	\$ -
R.C. Byrd School Program	0774RB7RCB		-	-	(29,755)	29,755	-
Subtotal CFDA# 84.185			\$ -	\$ -	\$ (66,000)	\$ 66,000	\$ -
Total U.S. Department of Education		\$ 15,868,955	\$ 927,475	\$ (370,265)	\$ (13,817,001)	\$ 13,817,001	\$ 582,590

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Schedule of Expenditures of Federal Awards
Federal Grants Fund
Year Ended September 30, 2007

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount FY 07	Adjustments	Receivable		Expenditures FY 07	Receivable From Grantor (Deferred Revenue) at 09/30/07
				From Grantor (Deferred Revenue) at 09/30/06	Revenues FY 07		
U.S. Department of Health and Human Services							
Direct Programs							
CFDA# 93.600		\$ 2,543,407					
Headstart Construction	0475FI4HDS		(32,281)	\$	\$		\$
Headstart Admin.	0671AD6HDS	32,281	(149)		(101)	101	
Headstart Basic	0672BA6HDS	69,645	(69,645)		(5,955)	5,955	
Headstart Training	0673TR6HDS	2,069	(2,069)				
Headstart Admin.	0771AD7HDS				(13,881)	13,881	
Headstart Basic	0772BA7HDS	44,766	18,657		(1,344,138)	1,344,138	63,423
Headstart Parent Activity Fund	0772MI7HDS	75	(75)		(3,128)	3,128	
Headstart Program Improvement	0772FI7HDS				(4,636)	4,636	
Headstart Training	0773TR7HDS		1		(162,094)	162,094	1
Headstart Admin.	0871AD8HDS		31		(94,931)	94,931	31
Headstart Basic	0872BA8HDS		(1)		(769)	769	(1)
Headstart Employees Mileage	0872MI8HDS		31,402		(125,815)	125,815	31,402
			12		(12)	12	
Subtotal CFDA# 93.600		\$ 148,985	\$ (54,117)		\$ (1,755,460)	\$ 1,755,460	\$ 94,568

U.S. Department of Health and Human Services							
Direct Programs							
CFDA# 93.575		\$ 1,799,139					
Child Care Administration	0690AD6CCP		(2,654)	\$	(8,876)	8,876	
Child Care Certificates	0691CC6CCP	2,654	(3,132)		(422,177)	422,177	
Child Care Quality & Activity	0692QA6CCP	3,132	894		(5,481)	5,481	
Child Care School Age/R&R	0693RR6CCP				(15,482)	15,482	
Child Care Infant & Toddler	0695IF6CCP	4,689	(4,689)		(46,708)	46,708	
Child Care Quality Expansion	0696QE6CCP	894	(894)		(10,933)	10,933	
Child Care Administration	0790AD7CCP		2,202		(65,231)	65,231	2,202
Child Care Certificates	0791CC7CCP		2,679		(743,007)	743,007	2,679
Child Care Quality & Activity	0792QA7CCP		2,941		(45,199)	45,199	2,941
Child Care School Age/R&R	0793RR7CCP				(15,482)	15,482	
Child Care Infant & Toddler	0795IF7CCP		7,977		(63,086)	63,086	7,977
Child Care Quality Expansion	0796QE7CCP		117		(141,818)	141,818	117
Child Care - Technical Assistance	0796QE7CCP						(6,125)
Subtotal CFDA# 93.575		\$ 4,350	\$ 5,441		\$ (1,583,480)	\$ 1,583,480	\$ 9,791

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Schedule of Expenditures of Federal Awards
Federal Grants Fund
Year Ended September 30, 2007

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount FY 07	Adjustments	Revenues FY 07	Expenditures FY 07	Receivable From Grantor (Deferred Revenue) at 09/30/07
CFDA# 93.938		\$ 133,849				
Aids-HIV	0681HI6HIV	\$ 1,383	\$ (1,383)	\$ (12,651)	\$ 12,651	\$ -
Aids-HIV	0781HI7HIV	-	3,280	(101,325)	101,325	3,280
Subtotal CFDA# 93.938		\$ 3,027	\$ 1,897	\$ (113,976)	\$ 113,976	\$ 3,280
Total U. S. Department of Health and Human Services		\$ 4,476,395	\$ (46,779)	\$ (3,452,916)	\$ 3,452,916	\$ 107,939
U.S. Department of Agriculture		\$ 6,626,023				
Direct Programs						
CFDA #10.555						
USDA TEFAP	0175	\$ (2,045)	\$ -	\$ -	\$ -	\$ (2,045)
FNS Breakfast Lunch & Snacks Program	0677BL6FNS	35,517	(35,517)	(183,266)	183,266	-
FNS State Admin. Expense	0678AD6FNS	8,540	(8,540)	(9,793)	9,793	-
FNS Nutrition Education	0679NE6FNS	-	-	(81,225)	81,225	-
FNS Equip. & Facility Improvement	0680EF6FNS	884	(884)	(83,304)	83,304	-
FNS - TEFAP	0777AD7TFP	-	-	(32,572)	32,572	-
FNS Breakfast Lunch & Snacks Program	0777BL7FNS	-	153,893	(5,829,507)	5,829,507	153,893
FNS State Admin. Expense	0778AD7FNS	-	1,479	(106,152)	106,152	1,479
FNS Nutrition Education	0779NE7FNS	-	909	(36,024)	36,024	909
FNS Wellness Program	0779WF7FNS	-	14,097	(171,242)	171,242	14,097
FNS SVS Cafeteria	0780CA7FNS	-	-	(219,682)	219,682	-
FNS Equip. & Facility Improvement	0780EF7FNS	-	6,575	(101,677)	101,677	6,575
Total U.S. Department of Agriculture		\$ 42,896	\$ 132,012	\$ (6,854,444)	\$ 6,854,444	\$ 174,908
U.S. Department of Transportation						
Direct Programs						
CFDA #20.509						
Federal Transit Bus	0670BU6FTA	-	7,500	(87,717)	87,717	7,500
Total U.S. Department of Transportation		\$ -	\$ 7,500	\$ (87,717)	\$ 87,717	\$ 7,500

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Schedule of Expenditures of Federal Awards
Federal Grants Fund
Year Ended September 30, 2007

Federal Grantor/Program/ Title/Federal CFDA Number	Org. No.	Program or Award Amount FY 07	Receivable		Adjustments	Revenues FY 07	Expenditures FY 07	Receivable From Grantor (Deferred Revenue) at 09/30/07
			From Grantor (Deferred Revenue) at 09/30/06	From Grantor (Deferred Revenue) at 09/30/07				
<u>Other</u>								
<u>Direct Programs</u>								
<u>CFDA# 94.006A</u>								
Americorps - Admin	0676AD6AMC	\$ 924	\$ 5,276	\$ (9,812)	\$ (9,812)	\$ 9,812	\$ 6,200	
Americorps - Member Costs	0676MC6AMC	-	-	(95,637)	(95,637)	95,637	-	
Americorps - Program Operating Costs	0676PC6AMC	6,881	(6,719)	(107,462)	(107,462)	107,462	162	
Americorps - Program Operating Costs	0776FC7AMC	-	2,172	(16,784)	(16,784)	16,784	2,172	
Americorps - Member Costs	0776MC7AMC	-	-	-	-	-	-	
Total Other Programs		\$ 350,933	\$ 7,805	\$ (229,695)	\$ (229,695)	\$ 229,695	\$ 8,534	
<u>Total Federal Grants Fund - Receivable balance</u>								
		\$ 27,322,306	\$ 1,387,793	\$ (276,803)	\$ (24,441,773)	\$ 24,441,773	\$ 881,471	
<u>Department of Interior</u>								
<u>Pass Through the CNMI Government</u>								
<u>CFDA# 15.875</u>								
Compact Impact Grant - School Renovation	0675DI6IMA	\$ (1,247,132)	\$ 1,247,132	\$ (1,431,581)	\$ (1,431,581)	\$ 1,431,581	\$ -	
Compact Impact Grant - School Renovation	0775DI7IMA	-	-	(1,253,146)	(1,253,146)	1,253,146	1,253,146	
Total Other Programs		\$ 2,000,000	\$ (1,247,132)	\$ (2,684,727)	\$ (2,684,727)	\$ 2,684,727	\$ 1,253,146	
<u>Total Federal Grants Fund - Deferred Revenue balance</u>								
		\$ 2,000,000	\$ (1,247,132)	\$ (2,684,727)	\$ (2,684,727)	\$ 2,684,727	\$ 1,253,146	
<u>Total Federal Grants Fund</u>								
		\$ 29,322,306	\$ 140,661	\$ (2,233,475)	\$ (27,126,500)	\$ 27,126,500	\$ 2,134,617	

COMMONWEALTH OF THE NORTHERN MARIANA ISLAND
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2007

(1) Scope of Review

The Public School System (PSS) was established as a public non-profit corporation by the Commonwealth of the Northern Mariana Islands (CNMI) Public Law No. 6-10, effective October 25, 1988 and began operations on October 1, 1988. All significant operations of PSS are included in the scope of the OMB Circular A-133 audit (the "Single Audit"). The U.S. Department of the Interior's Office of the Inspector General has been designated as PSS' cognizant agency for the Single Audit.

(2) Summary of Significant Accounting Policies

a. Basis of Accounting

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

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

b. Indirect Cost Allocation

PSS negotiated an indirect cost plan with the U.S. Department of Education for fiscal year 2007. The approved rates are as follows:

Indirect cost rate	7.70%
Restricted rate	5.76%

The above rates are based on total direct salaries and wages, excluding benefits.

PUBLIC SCHOOL SYSTEM

SINGLE AUDIT REPORTS

Year Ended September 30, 2007

J. Scott Magliari
COMPANY

CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Education
Public School System

I have audited the financial statements of the Public School System (PSS), as of and for the year ended September 30, 2007 and have issued my report thereon dated June 9, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered PSS' internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the PSS' internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant *deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects PSS' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of PSS' financial statements that is more than inconsequential will not be prevented or detected by the PSS' internal control. I consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding No. 07-1 to be significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the PSS' internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that Finding No. 07-1 of the significant deficiencies described above is a material weakness.

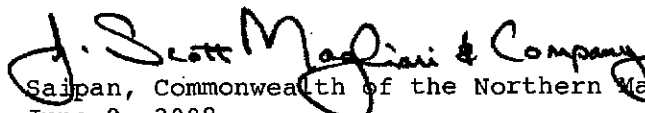
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PSS' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding Nos. 07-02 through 07-05.

PSS' responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit PSS' response and, accordingly, I express no opinion on it.

I also noted certain additional matters that I reported to management of PSS in a separate letter dated June 9, 2008.

This report is intended solely for the information and use of the management of PSS, the Board of Education, Federal awarding agencies, the cognizant audit and other Federal agencies and is not intended to be and should not be used by anyone other than these specified parties.


Saipan, Commonwealth of the Northern Mariana Islands
June 9, 2008

J. Scott Magliari
COMPANY

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Board of Education
Public School System

Compliance

I have audited the compliance of the Public School System (PSS) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The PSS' major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the PSS' management. My responsibility is to express an opinion on PSS' compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal program occurred. An audit includes examining, on a test basis, evidence about PSS' compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on PSS' compliance with those requirements.

As described in Findings Nos. 07-02 through 07-05 in the accompanying Schedule of Findings and Questioned Costs, PSS did not comply with requirements regarding reporting that is applicable to its Child Care and Development Block Grant (CFDA No. 93.575), requirements regarding procurement to its Nutrition Assistance Grant (CFDA No. 10.555) and requirements regarding special test and provisions to its Head Start Program (CFDA No. 93.600) and Special Education Program (CFDA No. 84.027). Compliance with such requirements is necessary, in my opinion, for PSS to comply with the requirements applicable to these programs.

In my opinion, except for the noncompliance described in the preceding paragraph, PSS complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control over Compliance

The management of PSS is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered PSS' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect PSS' ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs in Finding Nos. 07-02, 07-03, 07-04 and 07-05.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that none of the reportable conditions described above is a material weakness.

Schedule of Expenditures of Federal Awards

I have audited the accompanying financial statements of governmental activities, each major fund, and the aggregating fund information of the PSS, as of and for the year ended September 30, 2007, and have issued my report thereon dated June 9, 2008. My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise PSS' basic financial statements. This schedule is the responsibility of the PSS' management. The accompanying Schedule of Expenditures of Federal Awards (pages 45 through 53) is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, except as described in the aforementioned report, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PSS' responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit PSS' response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the management of PSS, the Board of Education, Federal awarding agencies, pass-through entities and the cognizant audit and other Federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

J. Scott Magliari & Company
Saipan, Commonwealth of the Northern Mariana Islands
June 9, 2008

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2007

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Qualified for the
General Fund

Internal control over financial reporting:

- Material weakness(es) identified? X yes no

- Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no

- Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes none reported

Type of auditor's report issued on compliance for major federal programs:

Qualified on
10.555 Nutrition Assistance Grant
93.575 Child Care and Development Block Grant and
93.600 Head Start Program
84.027 Special Education Program

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes no

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM**
(A Component Unit of the CNMI Government)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS, Continued

Federal Awards

Identification of major programs:

<u>CFDA Number</u>	<u>Description</u>	<u>Federal Expenditures</u>
84.922A	Consolidated Grant to Insular Areas	\$ 8,517,315
10.555	Nutrition Assistance Grant	6,854,444
84.027	Special Education Program	4,120,411
15.875	Compact Impact Grant	2,684,727
93.600	Head Start Program	1,755,460
93.575	Child Care and Development Block Grant	<u>1,583,480</u>
	Total Federal Expenditures-Major Programs	<u>\$ 25,515,837</u>
	Percentage of total awards tested	<u>94%</u>

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 813,795

3% of the total awards expended

Auditee qualified as low-risk auditee _____yes Xno

(Except for Grants from the US Department of Education for which PSS
received a low risk determination from the US Department of Education)

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2007

SECTION II – FINANCIAL STATEMENT FINDINGS

Timely Liquidation of Travel Advances

Finding No. 07-01

Criteria:

Pursuant to PSS Regulation No. 3420, section G (1), travelers must file a travel voucher with supporting documentation within fifteen (15) working days upon completion of travel. Travelers who fail to meet this deadline will forfeit the remaining ten percent of the cost of travel. Travelers who fail to submit travel vouchers and supporting documentation will be subject to payroll deduction of the entire amount of the advance.

Condition:

As of September 30, 2007, outstanding travel advances are as follows:

	Balance as of September 30, 2007	No. of Traveler
Old Accounts	\$ 290,216	439
Employees	\$ 54,723	108
Non-Employees	36,497	120
Students	4,666	42
	95,886	270
Total	\$ 386,102	709

- The \$290,216 old accounts were for travels before PSS implemented its updated travel policies.

	Balance at 9/30/07	Current		Over 30 days	
		Amount	No. of Traveler	Amount	No. of Traveler
Employees	\$ 54,723	\$ 21,248	59	\$ 33,475	49
Non-Employees	36,497	2,248	14	34,249	106
Students	4,666	1,345	7	3,321	35
	\$ 95,886	\$ 24,841	80	\$ 71,045	190

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS

Timely Liquidation of Travel Advances, Continued

Finding No. 07-01

Condition, Continued:

- Of the \$95,886 (270 travelers) only \$24,841 (80 travelers or 30% of total travelers) are current.
- 190 travelers or 70% of total travelers with aggregate travel advance balance of \$71,045 or 74% have unliquidated travel advances.

Context:

Audit procedures performed for travel advances in accordance with Government Auditing Standards.

Effect:

Failure to make a strict implementation of the travel policies results in high outstanding advances balance and potential bad debts.

Cause:

PSS did not adhere to its established policies and procedures on travel liquidation.

Recommendation:

PSS should enforce timely liquidation of travel advances.

PSS should consider reviewing its current travel policies. Current travel policies provide that PSS may deduct from salaries, honorarium or next travel advance, as applicable, any unliquidated travel advances. However, majority of the travelers with unliquidated travel advances are non-employees and are oftentimes one time traveler only, thus PSS may not have any subsequent travel advance to offset the outstanding travel advance to. PSS should consider improving the liquidation/collection policies for this type of travelers.

PSS may also want to consider providing a specific travel policy for travels to attend to board meetings to facilitate the liquidation of travel advances by board members to attend board meetings. PSS' travel policies require for trip report for all travels. I believe that this requirement may not be necessary for travels to attend to board meetings.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Schedule of Findings and Questioned Costs
Year Ended September 30, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS

Timely Liquidation of Travel Advances, Continued

Finding No. 07-01

Auditee Response and Corrective Action Plan:

PSS management and the Board are considering review of its current travel policy.

PSS Office of Fiscal and Budget, travel section is regularly preparing statement of accounts for travelers with outstanding travel advances and are requiring signed allotment authorization. For Non-PSS employees, the coordinators are held liable for unliquidated travel advances.

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Schedule of Findings and Questioned Costs
Year Ended September 30, 2007

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Procurement - Food and Nutrition Services

Finding No. 07-2

<u>CFDA No.</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>																											
10.555	<p><u>Criteria:</u></p> <p>Actual purchases of government activities for services with deliveries or performance to be scheduled and are valued above \$5,000 but less than \$10,000 must be executed by a purchase order (PO).</p> <p>Also, PO or contract awarded to a sole source should be accompanied by a justification in-lieu of the competitive quotation or bids.</p> <p><u>Conditions</u></p> <p>Of the 45 samples selected:</p> <p>1. Three checks or 7%, with aggregate amount of \$7,100 were payable to the same individual for services of similar nature. These checks were supported by emergency/small POs (OL) and therefore were deemed exempt from the procurement policies covering PO.</p> <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>OL No.</u></th> <th style="text-align: left;"><u>Check No.</u></th> <th style="text-align: right;"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>47705</td> <td>80186</td> <td style="text-align: right;">\$ 2,500</td> </tr> <tr> <td>48921</td> <td>84380</td> <td style="text-align: right;">2,400</td> </tr> <tr> <td>50935</td> <td>87499</td> <td style="text-align: right;"><u>2,200</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>\$ 7,100</u></td> </tr> </tbody> </table> <p>2. Two or 4% of the supporting POs where for sole source providers. Justification for these sole sourced POs were not attached.</p> <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>PO No.</u></th> <th style="text-align: left;"><u>Check No.</u></th> <th style="text-align: right;"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>47589</td> <td>79704</td> <td style="text-align: right;">\$ 2,500</td> </tr> <tr> <td>49732</td> <td>84482</td> <td style="text-align: right;"><u>4,000</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>\$ 6,500</u></td> </tr> </tbody> </table>	<u>OL No.</u>	<u>Check No.</u>	<u>Amount</u>	47705	80186	\$ 2,500	48921	84380	2,400	50935	87499	<u>2,200</u>			<u>\$ 7,100</u>	<u>PO No.</u>	<u>Check No.</u>	<u>Amount</u>	47589	79704	\$ 2,500	49732	84482	<u>4,000</u>			<u>\$ 6,500</u>	\$ -
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COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
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Schedule of Findings and Questioned Costs
Year Ended September 30, 2007

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Procurement - Food and Nutrition Services, Continued

Finding No. 07-2

<u>CFDA No.</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
10.555		\$ -

Context:

Based on auditor's judgment, nonstatistically selected 45 POs for the conduct of audit procedures for eligibility requirements.

Effect:

The effect of the above condition is non-compliance with PSS procurement regulations, a violation of the applicable state laws and regulations and federal requirements.

Cause:

1. Due to the understanding that the fees of these services are within the small purchases limit, PSS failed to recognize the need to execute a purchase order on this kind of purchase.
2. Since the service provider was already previously identified as a sole source provider, PSS overlooked the need to attach a justification in the PO.

Recommendation:

PSS should adhere with its procurement policies.

Auditee Response and Corrective Action Plan:

With this condition, PSS Procurement and Supply is considering centralization of the procurement of services with similar nature and execute a single contract for all the schools and programs utilizing the common service. No separate contract or purchase order for the services will be approved.

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM**
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Schedule of Findings and Questioned Costs
Year Ended September 30, 2007

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Reporting - Child Care and Development Block Grant

Finding No. 07-3

<u>CFDA No.</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
93.575	<p><u>Criteria:</u></p> <p>Administration for Children and Family (ACF) 801 should be submitted 90 days after end the of each quarter.</p> <p><u>Condition:</u></p> <p>Of the four quarterly ACF 801 reports, only one report was submitted on time.</p>	\$ -

<u>Period</u>	<u>Date Submitted</u>	<u>Due Date</u>	<u>Remarks</u>
Oct to Dec 2006	08/31/07	02/28/07	184 days late
Jan to May 2007	08/31/07	05/31/07	92 days late
Apr to Jun 2007	10/23/07	8/31/07	53 days late
Jul to Sep 2007	10/23/07	10/30/07	on time

Context:

In accordance with A-133 compliance supplement, audit procedures were performed to test PSS' compliance to reporting requirements of the Grant.

Effect:

Noncompliance to the reporting requirements of the Child Care and Development Block Grant.

Cause:

Internal controls and monitoring procedures were not performed to ensure that federal award reporting requirements are adhered.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Schedule of Findings and Questioned Costs
Year Ended September 30, 2007

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Reporting - Child Care and Development Block Grant, Continued

Finding No. 07-3

<u>CFDA No.</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
93.575	<p><u>Recommendation:</u></p> <p>PSS should perform its established monitoring controls to ensure that the requirements and conditions of the grants are met.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>The ACF monthly reports were submitted at six month intervals. This resulted in the fourth quarter reports being submitted on time. In subsequent periods, the monthly reports were submitted on quarterly intervals and were on-time.</p>	\$ -

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
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Schedule of Findings and Questioned Costs
Year Ended September 30, 2007

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Special Tests and Provisions - Head Start Program

Finding No. 07-4

<u>CFDA No.</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
93.600		\$ -

Criteria:

Pursuant to 45 CFR section 1306.30c, facilities used by Early Head Start and Head Start grantees for regularly scheduled center-based and combination program option classroom activities or home-based group socialization activities must comply with applicable State and local requirements concerning licensing.

The local licensing requirements applicable to Head Start are:

1. Fire Safety Inspection from the Department of Public Safety.
2. Facilities Inspection by the Bureau of Environmental Health.

Condition:

- a. Six out of eight or 75% of Head Start centers were inspected for fire safety. Of the six Head Start centers inspected, two were conditionally approved until subsequent inspection.
- b. Seven out of eight or 88% of Head Start centers have certification of facilities and health inspection.

Context:

Reviewed the program's contract and grant agreements and related laws and regulations. Identified additional compliance requirements and developed specific audit objective and procedures for the special tests and provision compliance requirements, which could be material to the program. Obtained copies of the inspections made by the Department of Public Safety and Bureau of Environmental Health.

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Schedule of Findings and Questioned Costs
Year Ended September 30, 2007

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Special Tests and Provisions - Head Start Program, Continued

Finding No. 07-4

<u>CFDA No.</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
93.600	<p><u>Effect:</u></p> <p>The effect of the above condition is that Head Start centers may not be considered fully licensed to operate. PSS is in non-compliance with the Federal requirements.</p> <p><u>Cause:</u></p> <p>PSS failed to follow-up and coordinate the required inspection of Head Start facilities.</p> <p><u>Recommendation:</u></p> <p>PSS should ensure that all Head Start centers are properly inspected to ensure that such centers are in compliance with the local and Federal requirements.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>The Head Start Administrator will ensure that monitoring will be timely conducted to make certain that all the Head Start centers are properly inspected for Fire and Health Safety and that the documentation for these inspections be properly filed and made available to examination.</p>	\$ -

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Schedule of Findings and Questioned Costs
Year Ended September 30, 2007

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Special Tests and Provisions - Special Education

Finding No. 07-5

<u>CFDA No.</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
84.027	<p><u>Criteria:</u></p> <p>Special Education procedural manual requires that PSS must ensure that the Individualized Education Program (IEP) team reviews the child's IEP periodically, but not less frequently than annually, to determine whether the annual goals for the students are being achieved.</p> <p><u>Condition:</u></p> <p>Of the sixty-five (65) IEP folders selected, nine (9) or 14% did not have their scheduled annual IEP on time.</p>	\$ -

	<u>Scheduled IEP Review</u>	<u>Actual IEP</u>	<u>Review</u>
1.	09/01/07	12/20/07	110 days late
2.	09/22/07	02/13/08	144 days late
3.	03/31/07	09/21/07	174 days late
4.	11/16/06	02/08/07	84 days late
5.	11/16/06	02/23/07	99 days late
6.	04/26/07	10/16/07	173 days late
7.	05/30/07	-	not on file
8.	11/09/06	05/10/07	182 days late
9.	10/23/06	02/16/07	116 days late

Furthermore, for one IEP folder tested, the last eligibility summary on file was dated November 10, 2003 and no updated eligibility summary was on file for review and inspection.

Context:

Selected sixty-five (65) IEP folders to test for compliance with special test and provisions of the requirements pertaining for the Special Education program.

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Schedule of Findings and Questioned Costs
Year Ended September 30, 2007

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Special Tests and Provisions - Special Education, Continued

Finding No. 07-5

<u>CFDA No.</u>	<u>Findings/Noncompliance</u>	<u>Questioned Costs</u>
84.027	<p><u>Effect:</u></p> <p>The PSS Special Education Program is not in compliance with the requirement of the grant. Furthermore, untimely review of the IEP may result to individualized goals and educational curriculum not be suited to the special needs of the children.</p> <p><u>Cause:</u></p> <p>Internal controls and monitoring procedures were not performed to ensure that federal award special tests and provisions requirements are adhered.</p> <p><u>Recommendation:</u></p> <p>PSS should ensure compliance to its procedural manuals. Furthermore, monitoring procedures must be strictly followed to ensure that reviews of IEP are performed timely.</p> <p><u>Auditee Response and Corrective Action Plan:</u></p> <p>PSS Special Education Program will ensure that due IEP review schedules will be monitored to timely evaluate each child under the Special Education Program. If delays are occur cause for such delay is documented and the review schedule is updated.</p>	\$ -

Total Questioned Costs

\$ -

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Summary Schedule of Unresolved Prior Year Audit Findings
Year Ended September 30, 2007

SECTION IV - SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

2006 Audit Findings

Finding No. 06-01

Condition:

As of September 30, 2006 and 2005, the total amounts deposited with the Federal Deposit Insurance Corporation (FDIC) insured banks were \$4,727,350 and \$4,511,540, respectively. From these deposits, \$200,000 in 2006 and 2005 were subject to coverage by FDIC with the remaining balance exceeding insurable limits. PSS does not require collateralization of bank accounts, and therefore, amounts in excess of insurable limits are uncollateralized.

Corrective Action:

PSS obtained collateralization from the financial institution.

Status:

Resolved

Finding No. 06-02

Conditions:

- a. Two (2) or 10% of the twenty (20) travel authorization tested were not submitted within the prescribed period.
- b. For three (3) or 15% of the twenty (20) travel authorization tested, documents such as justification memorandum for the travel; documents of invitation and or agenda; specific purpose; itinerary; and estimated cost were not attached to Travel Authorization.

Corrective Action:

The Commissioner of Education issued a memorandum dated December 4, 2006 regarding travel policies and procedures and referred to previously issued memorandum to all principals, program manager, supervisor and staff, dated October 20, 2004, regarding processing of travel authorization.

Supporting documents for the 3 travel authorization noted above were obtained.

Status:

Partially resolved.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Summary Schedule of Unresolved Prior Year Audit Findings
Year Ended September 30, 2007

SECTION IV - SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

2006 Audit Findings, Continued

Finding No. 06-03

Condition:

Seven or 35% of the twenty (20) travel authorizations, travel advances were issued to travelers with unliquidated travel advances.

Corrective Action:

PSS through the Fiscal and Budget office, travel section are actively pursuing collections of unliquidated travel advances.

Status:

Unresolved.

Finding No. 06-04

Condition:

a. For six (6) or 30% of twenty (20), travel authorizations tested, the travel advance liquidations are either not yet liquidated or were not on file.

b. Four (4) out of the fifteen (15) who submitted do not have complete supporting documents.

Corrective Action:

PSS through the Fiscal and Budget office, travel section are actively pursuing collections of unliquidated travel advances.

Status:

Unresolved. Similar condition was noted as Finding 07-01 in 2007 audit.

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Summary Schedule of Unresolved Prior Year Audit Findings
Year Ended September 30, 2007

SECTION IV - SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

2006 Audit Findings, Continued

Finding No. 06-05

Condition:

For ten (10) or 22% of the 45 samples selected, only two pay stub of one parent were attached to the application form. PSS has no established procedure to determine that the other parent or any other member of the household does not receive any income.

Corrective Action:

The Food and Nutrition Administrator was able to obtain the required supporting documents for the samples noted above.

Status:

Resolved.

Finding No. 06-06

Condition:

- a. Twenty six (26) or 58% of the 45 samples selected were approved based on Food Stamp Program; and
- b. For fifteen (15) or 58% of the twenty six (26) children approved based on Food Stamp Program, no copy of current food stamp identification card was on file.

Also, as evident by the un-updated food stamp ID on file, it was determined that sampling and verification of free and reduced price applications were not performed, as required.

Corrective Action:

PSS is now verifying Foodstamp eligibility using the updated listing of individuals availing foodstamo services provided by the Foodstamp Program Administration of the CNMI.

Status:

Resolved.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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Summary Schedule of Unresolved Prior Year Audit Findings
Year Ended September 30, 2007

SECTION IV - SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

2006 Audit Findings, Continued

Finding No. 06-07

Condition:

For 1 or 4% of 25 samples tested, the certification shows 15% co-pay, while actual co-pay per PSS disbursement summary is only 10%.

Corrective Action:

Pursuant to Childcare administrative guidelines, PSS recoup the payments made in excess of the computed PSS share.

Status:

Resolved.

2005 Audit Findings

Finding No. 05-3

Condition:

- a. Three (3) or 15% of the twenty (20) travel authorization tested were not dated.
- b. Five (5) or 20% of the twenty (20) travel authorization tested were not submitted within the prescribed period.

Corrective Action:

The Commissioner of Education issued a memorandum dated December 4, 2006 regarding travel policies and procedures and referred to previously issued memorandum to all principals, program manager, supervisor and staff, dated October 20, 2004, regarding processing of travel authorization.

Status:

Partially resolved. Similar conditions were noted in FY 2006 audit.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
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Summary Schedule of Unresolved Prior Year Audit Findings
Year Ended September 30, 2007

SECTION IV - SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

2005 Audit Findings, Continued

Finding No. 05-4

Condition:

Twelve or 60% of the twenty (20) travel authorizations, travel advance were issued to travelers with unliquidated travel advance.

Corrective Action:

PSS Fiscal and Budget Office is implementing effective FY 2007 stringent collection efforts on all outstanding travel advances and does not issue new travel advance to any traveler with outstanding travel unless an allotment authorization is signed or an approval is obtained from the Commissioner or the Chairman of the Board of Education, as applicable.

Status:

Unresolved. Similar conditions were noted in FY 2007 and 2006 audits.

Finding No. 05-5

Condition:

- a. For ten (10) or 50% of twenty (20), travel authorizations tested, the travel advance liquidations are either not yet liquidated or were not on file.
- b. 2 out of the 10 who submitted do not have complete supporting documents and 1 submitted after 15 working days upon completion of the travel.

Corrective Action:

The Commissioner of Education issued a memorandum dated December 4, 2006 regarding travel policies and procedures and referred to previously issued memorandum to all principals, program manager, supervisor and staff, dated October 20, 2004, regarding processing of travel authorization.

Status:

Unresolved. Similar conditions were noted in FY 2007 and 2006 audits.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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(A Component Unit of the CNMI Government)

Summary Schedule of Unresolved Prior Year Audit Findings
Year Ended September 30, 2007

SECTION IV - SCHEDULE OF PRIOR YEAR AUDIT FINDINGS, Continued

2004 Audit Findings

Finding No. 04-6

Condition:

PSS does not adequately monitor adherence to its travel policies based on the following:

- a. 5 out of 16, or 31.25% travel requests examined were not submitted within the stated period prior to the commencement of the travel.
- b. 1 out of 16 travelers traveled without an approved travel authorization. We noted that an approval was subsequently made for the reimbursement of the trip. This incident indicated a violation of the local and federal regulations as the cost was allocated under the federal account.
- c. In relation to the finding cited on Item b above, since the travel did not have a prior authorization, the documents examined did not have a justification memorandum for the travel, document of invitation or agenda, specific purpose, itinerary and estimated cost.
- d. 11 out of 16, or 68.75% travel vouchers were not submitted within the ten working days period upon completion of travel.
- e. 1 out of 16 travelers was paid with a per diem of two days in the amount of \$354. The two days were initially applied as annual leave based on the original justification memorandum submitted; however, an amended letter was subsequently prepared, with an approval of the two days leave as part of the trip.

Corrective Action:

PSS has made tremendous efforts to inform employees of the travel policies. PSS will strictly enforce its established policies and procedures. PSS approved several administrative changes in the travel policy to ensure compliance with the applicable state laws and federal regulations.

Status:

Similar conditions were noted in FY 2007 Finding 07-1, 2006 and 2005 audits.

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
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(A Component Unit of the CNMI Government)

Summary Schedule of Unresolved Questioned Costs
Year Ended September 30, 2007

V. SUMMARY OF UNRESOLVED QUESTIONED COSTS

There were no unresolved questioned costs as for the years ended September 30, 2007 and 2006.



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS



STATE BOARD OF EDUCATION
PUBLIC SCHOOL SYSTEM
P.O. BOX 501370
SAIPAN, MP 96950

Lucia C. Blanco-Maratita
Chairperson

Fernando T. Guerrero
Vice-Chairperson

Marylou S. Ada
Secretary/Treasurer

Members
Salvin S. Deleon Guerrero
Denise Tanya King

Scott Norman
Non Public School Rep.

Louele G. Borja
Student Representative

Teacher Representative

Commissioner of Education

June 30, 2008

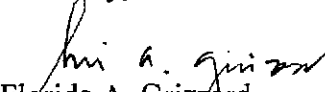
J SCOTT MAGLIARI & COMPANY
PMB 297 BOX 10000
Saipan, MP 96950

Dear Mr. Magliari:

We are transmitting herewith our responses to the audit findings and recommendations per your audit report for FY 2007.

We hope that the attached responses are sufficient to address the audit findings and recommendations.

Sincerely,


Florida A. Grizzard
Acting Director of Finance

cc: BOE
COE
ADCA
file

Finding No. 07-1

PSS management and the Board are considering in reviewing its current travel policy.

Office of Fiscal and Budget, travel section is regularly preparing statement of accounts for travelers with outstanding travel advances and are requiring signed allotment authorization. Non-PSS employees, the Coordinators are held liable for unliquidated travel advances.

Finding No. 07-2

With this condition, PSS Procurement and Supply is considering centralization of the procurement of services with similar nature and execute a single contract for all the schools and programs utilizing the common service.

No separate contract or purchase order for the services will be approved.

Finding No. 07-3

The ACF monthly reports were submitted at six month intervals. This resulted in the fourth quarter reports being submitted on time.

In subsequent periods, the monthly reports were submitted on quarterly intervals and were on-time.

Finding No. 07-4

The Head Start Administrator will ensure that monitoring will be timely conducted to ensure that all the Head Start centers are properly inspected for Fire and Health Safety and that the documentation for these inspections be kept and made available to examination.

Finding No. 07-5

PSS Special Education Program will ensure that due IEP review schedules will be monitored to timely evaluate each child under the Special Education Program. If delays are imminent cause for such delay is documented and the review schedule is updated.

SUPPLEMENTARY INFORMATION

STATISTICAL SECTION

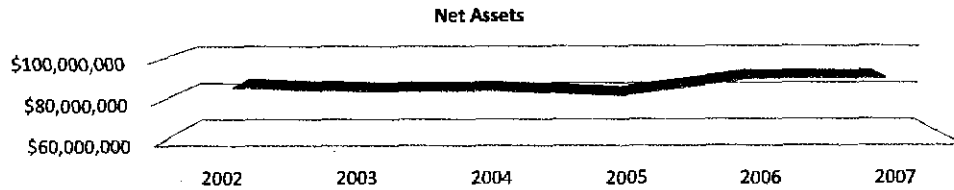
Year Ended September 30, 2007

**COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)**

Statistical Section
Last Six Fiscal Years¹

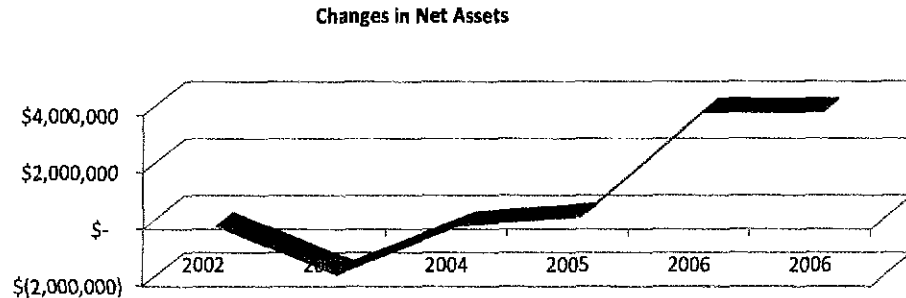
I. NET ASSETS

	2007	2006	2005	2004	2003	2002
Invested in capital assets	\$ 83,913,967	\$ 82,813,078	\$ 79,066,700	\$ 80,139,357	\$ 79,687,750	\$ 74,998,775
Invested in improvement projects in progress	4,641,329	3,540,460	3,156,692	1,907,967	1,888,369	8,511,378
Unrestricted	1,089,884	(453,821)	(1,167,231)	1,455,306	1,596,239	1,606,555
	\$ 89,645,180	\$ 85,899,717	\$ 81,056,161	\$ 83,502,630	\$ 83,172,358	\$ 85,116,708



II. CHANGES IN NET ASSETS

	2007	2006	2005	2004	2003	2002
Program revenues						
Grants and contributions	\$ 28,511,455	\$ 28,340,642	\$ 34,635,642	\$ 23,539,319	\$ 23,492,622	\$ 16,848,756
Charges for service	1,588,862	563,917	140,100	142,745	116,152	60,685
Total program revenues	30,100,317	28,904,559	34,775,742	23,682,064	23,608,774	16,909,441
Expenses	(67,898,067)	(65,523,166)	(73,338,189)	(61,261,826)	(63,372,920)	(54,920,411)
General revenues						
Unrestricted CNMI appropriations	36,721,414	37,209,928	37,404,908	37,209,928	37,794,725	36,830,342
Capital improvement, CNMI	4,817,339	3,623,424	1,234,174	-	-	-
Miscellaneous, unrestricted	4,460	100,091	-	140,316	25,071	943,255
Total general revenues	41,543,213	40,933,443	38,639,082	37,350,244	37,819,796	37,773,597
Changes in net assets	3,745,463	4,314,836	76,635	(229,518)	(1,944,350)	(237,373)
Current year restatement	-	528,720	(2,523,104)	559,790	-	-
Net assets - beginning	85,899,717	81,056,161	83,502,630	83,172,358	85,116,708	85,354,081
Net assets - ending	\$ 89,645,180	\$ 85,899,717	\$ 81,056,161	\$ 83,502,630	\$ 83,172,358	\$ 85,116,708



¹ Beginning in fiscal year ending September 30, 2002, PSS implemented the reporting requirements of GASB Statement No. 35. Since the prior years financial information has not been restated only the past six fiscal years information are presented.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Statistical Section
Last Six Fiscal Years¹

III. REVENUES BY SOURCE

<i>in thousands</i>	2007		2006		2005		2004		2003		2002	
Unrestricted CNMI appropriations	\$ 36,721	51.3%	\$ 37,210	53.3%	\$ 37,405	51.0%	\$ 37,210	61.0%	\$ 37,795	61.5%	\$ 36,830	67.4%
Grants and contributions	28,512	39.8%	28,341	40.6%	34,636	47.2%	23,539	38.6%	23,493	38.2%	16,849	30.8%
Capital improvement, CNMI	4,817	6.7%	3,623	5.2%	1,234	1.7%	-	0.0%	-	0.0%	-	0.0%
Charges for service	1,589	2.2%	564	0.8%	140	0.2%	143	0.2%	116	0.2%	61	0.1%
Miscellaneous, unrestricted	4	0.0%	100	0.1%	-	0.0%	140	0.2%	25	0.1%	943	1.7%
	\$ 71,643	100.0%	\$ 69,838	100.0%	\$ 73,415	100.1%	\$ 61,032	100.0%	\$ 61,429	100.0%	\$ 54,683	100.0%

IV. EXPENSES BY FUNCTION

<i>in thousands</i>	2007		2006		2005		2004		2003		2002	
Instruction:												
Regular	\$ 27,265	40.3%	\$ 28,147	43.1%	\$ 28,694	39.2%	\$ 27,948	45.7%	\$ 28,492	45.0%	\$ 27,089	49.4%
Special education	7,736	11.4%	9,100	13.9%	10,203	13.9%	9,498	15.5%	8,623	13.6%	7,088	12.9%
Co-curricular	1,689	2.5%	1,319	2.0%	1,482	2.0%	1,071	1.7%	98	0.2%	725	1.3%
Student services	15,353	22.7%	16,183	24.8%	20,513	28.0%	10,414	17.1%	13,509	21.2%	8,529	15.5%
Support services:												
General administration	2,825	4.2%	2,278	3.5%	3,035	4.1%	2,786	4.5%	1,656	2.6%	2,105	3.8%
School administration	6,063	8.9%	3,948	6.0%	4,789	6.5%	4,676	7.6%	4,606	7.3%	3,980	7.2%
Other support	2,592	3.8%	95	0.1%	179	0.2%	184	0.3%	1,043	1.6%	1,520	2.8%
Community	2,448	3.6%	2,151	3.3%	2,633	3.6%	2,477	4.0%	2,630	4.2%	1,843	3.4%
Individual programs	766	1.1%	1,380	2.1%	780	1.1%	869	1.4%	686	1.1%	900	1.6%
Depreciation - unallocated	1,161	1.7%	922	1.4%	1,030	1.4%	1,339	2.2%	2,030	3.2%	1,142	2.1%
	\$ 67,898	100.2%	\$ 65,523	100.2%	\$ 73,338	100.0%	\$ 61,262	100.0%	\$ 63,373	100.0%	\$ 54,921	100.0%

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
PUBLIC SCHOOL SYSTEM
(A Component Unit of the CNMI Government)

Statistical Section
Last Eight Fiscal Years

V. HISTORICAL ENROLLMENTS

	2007	2006	2005	2004	2003	2002	2001	2000
Headstart:								
Saipan	398	545	537	538	563	587	519	507
Rota	30	60	60	60	60	60	60	60
Tinian	34	59	59	59	40	50	41	59
Total headstart	462	664	656	657	663	697	620	626
Early Intervention	58	-	-	-	-	-	-	-
Advance Development Institute	37	-	-	-	-	-	-	-
Elementary								
GTC	237	220	213	224	227	236	235	213
Tanapag	237	236	289	261	265	283	270	302
Garapan	838	881	835	861	848	898	969	865
San Vicente	766	807	765	757	765	715	653	649
Dandan	455	485	483	468	445	425	424	388
Oleia	521	476	478	481	457	443	422	419
WSR	685	684	655	625	596	667	608	642
San Antonio	333	333	329	372	363	345	366	359
Kagman	645	724	765	743	722	715	757	674
Koblerville	463	449	470	452	458	479	448	470
Tinian	295	320	302	310	353	380	393	388
Sinapalo/Rota	231	261	276	275	268	263	283	341
Total elementary	5,706	5,876	5,860	5,829	5,767	5,849	5,828	5,710
Secondary								
Hopwood	1,106	1,184	1,108	995	928	962	1,332	1,253
MHS	1,198	1,225	1,279	1,216	1,154	1,020	2,103	1,852
ChaCha	522	513	529	670	582	599	-	-
KHS	766	802	835	809	706	697	-	-
Tinian Jr. High	99	-	-	-	-	-	-	123
Tinian High	221	337	352	348	323	309	297	149
Rota Jr. High	150	153	145	140	142	155	158	97
Rota High	169	189	202	194	201	180	184	194
Saipan Southern	805	750	752	745	778	783	-	-
Total secondary	5,036	5,153	5,202	5,117	4,814	4,705	4,074	3,668
Grand Total	11,299	11,693	11,718	11,603	11,244	11,251	10,522	10,004