Financial Statements, Required Supplementary Information and Supplementary Information

Commonwealth of the Northern Mariana Islands Public School System

(A Component Unit of the CNMI Government)

Year ended September 30, 2023
with Report of Independent Auditors

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

Financial Statements, Required Supplementary Information
and Supplementary Information

Year ended September 30, 2023

Contents

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Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Commonwealth of the Northern Mariana Islands Public School System (PSS), a component unit of the Commonwealth of the Northern Mariana Islands, as of and for the year ended September 30, 2023, and the related notes to the financial statements (collectively referred to as the "basic financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of PSS, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PSS' internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PSS' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12 and budgetary comparison information on page 36 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Government Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise PSS' basic financial statements. The combining nonmajor fund financial statements in pages 38 and 39 and the schedule of expenditures/expense (by natural classification) on page 40 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures/expenses (by natural classification) is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2026, on our consideration of PSS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PSS' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PSS' internal control over financial reporting and compliance.

Ernst + Young

June 25, 2026

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

Management's Discussion & Analysis

September 30, 2023

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, 2023. Because the intent of this management discussion and analysis is to look at financial performance as a whole, readers should also review the financial statements and notes to the basic financial statements to further enhance their understanding of PSS' financial performance.

FINANCIAL HIGHLIGHTS

At the close of fiscal year 2023, PSS' net position amounted to $89,700,984, which is an increase of $6,460,865 or 7.76%, from the amount of $83,240,119 in fiscal year 2022 net position. PSS total expenses for fiscal year 2023 amounted to $137,394,359 while aggregate support from Federal Agencies, CNMI appropriations and other revenues amounted to $143,855,224.

PSS' net position includes investment in capital assets, net of accumulated depreciation, of $79,441,928, restricted for special purpose of $634,588 and unassigned funds of $9,624,468. The surplus is due to the excess of revenues over expenses that are to be funded by appropriations from the CNMI government.

PSS' enrollment for School Year 2022-2023 was 9,290 students. There was an increase of 259 students from 9,031 students for School Year 2021-2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government Accounting Standards requires the presentation of the Management's Discussion and Analysis (MD&A) and the basic financial statements. The basic financial statements consist of district-wide financial statements, governmental fund financial statements, notes to the financial statements, and required supplemental sections.

Management's Discussion and Analysis

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 Financial Statements

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

OVERVIEW OF THE FINANCIAL STATEMENTS, CONTINUED

Statement of Net Position

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

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

Statement of Activities

The Statement of Activities summarizes PSS' 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.

Governmental Fund Financial Statements

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS, CONTINUED

Governmental Fund Financial Statements, continued

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

PSS' major funds are:

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

Federal Fund – Accounts for PSS' Grants from Federal Agencies.

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

Condensed Statements of Net Position

	2023	2022	Difference	% Change
Current assets	$ 28,327,969	$ 16,085,190	$ 12,242,779	76%
Capital assets, net	81,291,502	81,685,090	(393,588)	0%
Total assets	109,619,471	97,770,280	11,849,191	12%
Current liabilities	15,771,186	9,690,848	6,080,338	63%
Noncurrent liabilities	4,147,301	4,839,313	(692,012)	-14%
Total liabilities	19,918,487	14,530,161	5,388,326	37%
Investment in capital assets and improvement projects	79,441,928	79,342,618	99,310	0%
Restricted for special purpose	634,588	673,438	(38,850)	-6%
Unrestricted	9,624,468	3,224,063	6,400,405	199%
Net position	$ 89,700,984	$ 83,240,119	$ 6,460,865	8%

- Current assets of $28,327,969 as of September 30, 2023 increased by $12,242,779 or 76% compared to current assets $16,085,190 as of September 30, 2022.
- Current liabilities of $15,771,186 as of September 30, 2023 increased by $6,080,338 or 63% compared to $9,690,848 as of September 30, 2022 primarily due to the increase in vendors invoices prior to fiscal year end.
- At the end of fiscal year 2023, PSS' net position is at $89,700,984, inclusive of the $9,624,468 unassigned funds.

OVERVIEW OF THE FINANCIAL STATEMENTS, CONTINUED

Condensed Statements of Activities

	2023	2022	Difference	% Change
Revenues:				
Program revenues	$ 113,834,246	$ 102,812,947	$ 11,021,299	11%
General revenues	30,020,978	25,677,554	4,343,424	17%
Total revenues	143,855,224	128,490,501	15,364,723	12%
Expense:				
Instruction	109,496,987	98,932,914	10,564,073	11%
Support services	27,897,372	28,287,990	(390,618)	-1%
Total expenses	137,394,359	127,220,904	10,173,455	8%
Change in net position	6,460,865	1,269,597	5,191,268	409%
Net position, beginning	83,240,119	81,970,522	1,269,597	2%
Net position, ending	$ 89,700,984	$ 83,240,119	$ 6,460,865	8%

- The overall increase in revenues and related expenses is due to increase in program revenues by 11% or $11,021,299 and increase in CNMI appropriations by 17% or $4,343,424. A more detailed revenues and expenses discussion follows.

Revenues

	2023	2022	Difference	% Change
Program revenues				
Charges for services	$ 2,546,326	$ 125	$ 2,546,201	2036961%
Grants and contributions	111,287,920	102,812,822	8,475,098	8%
Total program revenues	113,834,246	102,812,947	11,021,299	11%
General revenues				
CNMI appropriations	29,746,700	25,421,338	4,325,362	17%
Miscellaneous	274,278	256,216	18,062	7%
Total general revenues	30,020,978	25,677,554	4,343,424	17%
Total revenues	$ 143,855,224	$ 128,490,501	$ 15,364,723	12%

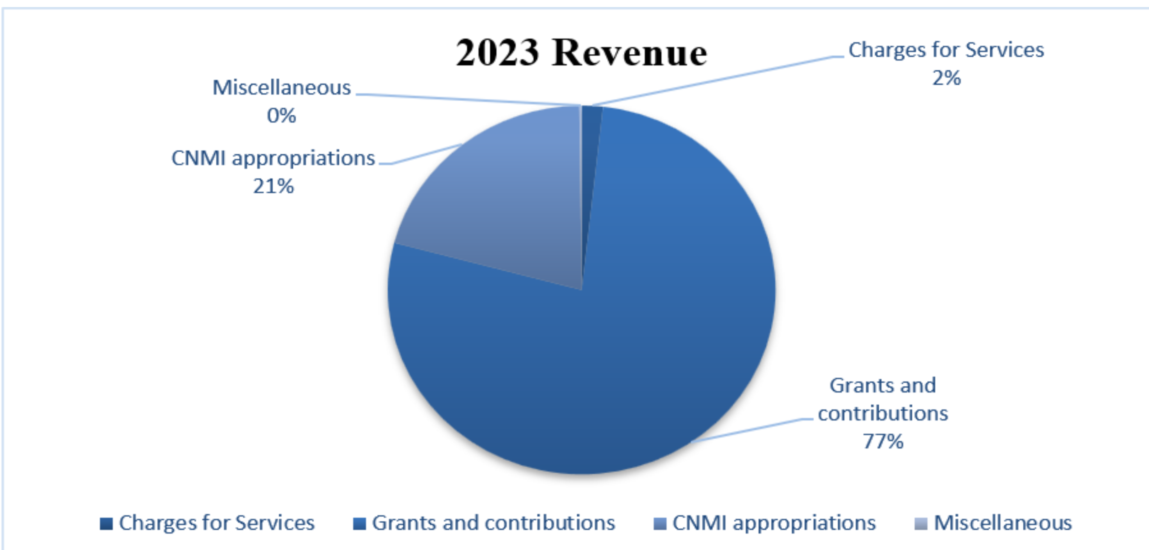
- For fiscal year 2023, there is a large amount recorded under Charges for Services in the amount of $2,546,326 as compared to fiscal year 2022. Also, there was an 8% increase, or $8,475,098, in grants and contributions in fiscal year 2023. For Local CNMI Appropriation, there was an increase of $4,325,362 or 17% in 2023 as compared to fiscal year 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS, CONTINUED

Revenues are classified as either program or general.

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

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

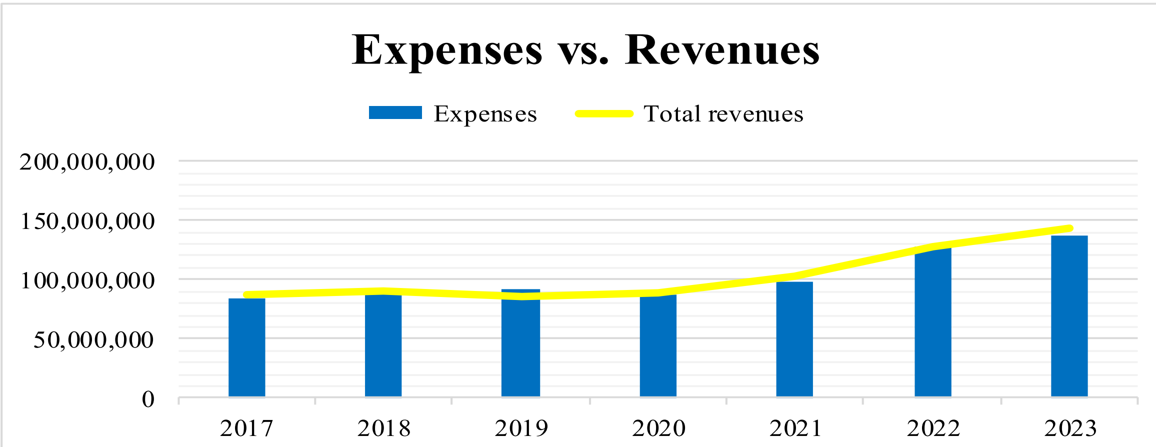


Expenses

	2023	2022	Difference	% Change
Instruction:				
Regular	$ 74,413,696	$ 65,537,293	$ 8,876,403	14%
Special	7,460,669	8,483,629	(1,022,960)	-12%
Co-curricular	1,564,303	1,578,833	(14,530)	-1%
Student services	26,058,319	23,333,159	2,725,160	12%
Total instruction expenses	109,496,987	98,932,914	10,564,073	11%
Support services:				
General administration	4,162,300	6,213,314	(2,051,014)	-33%
School administration	822,819	563,626	259,193	46%
Other support	22,912,253	21,511,050	1,401,203	7%
Total support services expenses	27,897,372	28,287,990	(390,618)	-1%
Total expenses	$ 137,394,359	$ 127,220,904	$ 10,173,455	8%

OVERVIEW OF THE FINANCIAL STATEMENTS, CONTINUED

Total expenses in 2023 increased by $10,173,455 or 8% as compared to fiscal year 2022. The increase in fiscal year 2023 expenses is due to increases in overall instruction expenses.



	2017	2018	2019	2020	2021	2022	2023
Expenses	83,569,488	91,679,196	91,320,226	87,212,195	98,248,001	127,220,904	137,394,359
Total revenues	87,341,725	90,429,907	85,524,685	88,075,386	103,177,255	128,490,501	143,855,224

The chart above shows the relationship of revenues and expenses for the past seven years. Except for fiscal year 2018 and 2019, revenues exceeded expenses for all other fiscal periods.

FUND ANALYSIS

	General Fund	Federal Fund	Non - Major Fund	Total
Fund balance, beginning of year	$ 4,911,849	$ 2,994,349	$ 773,936	$ 8,680,134
Fund balance, end of year	7,679,469	5,109,455	2,151,701	14,940,625
Change in fund balance	2,767,620	2,115,106	1,377,765	6,260,491
Percentage change	-56%	71%	178%	72%

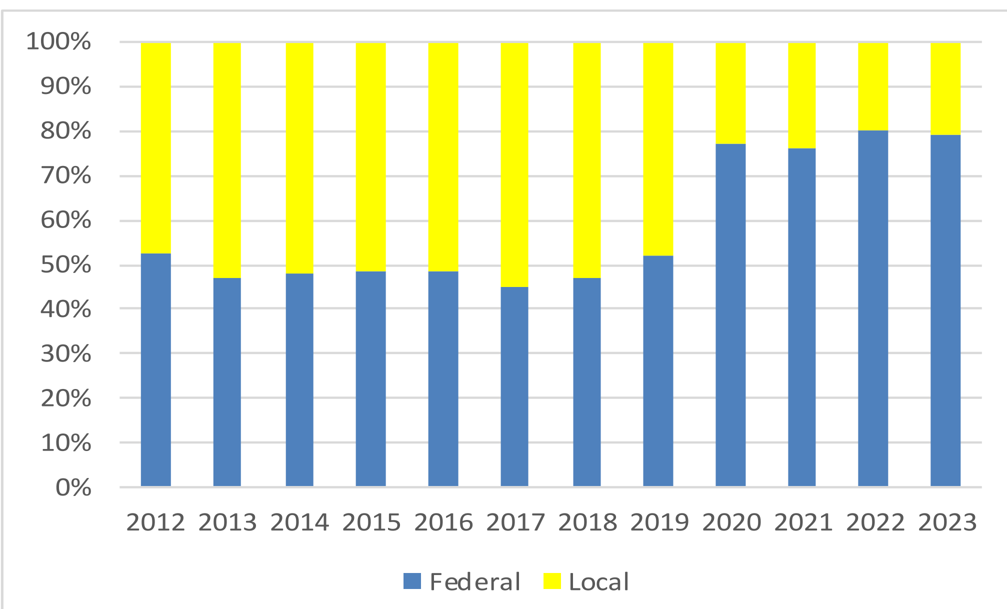
The fund balance increased from $8,680,134 or 72% to $14,940,625 as of September 30, 2023.

Of the $14,940,625 total fund balance, $634,588 are restricted for specific purpose, $925,232 are assigned for specific programs approved by the Board of Education and $13,380,805 are unassigned.

FUND ANALYSIS, CONTINUED

Federal and Local Budget Review

Year	Total		Federal			Local		
2012	$	62,339,197	$	32,779,735	53%	$	29,619,462	47%
2013	$	60,559,808	$	28,532,681	47%	$	32,027,127	53%
2014	$	62,991,869	$	30,319,671	48%	$	32,672,198	52%
2015	$	65,033,822	$	31,419,624	48%	$	33,614,198	52%
2016	$	70,672,847	$	34,217,753	48%	$	36,455,094	52%
2017	$	85,706,574	$	38,714,700	45%	$	46,991,874	55%
2018	$	91,914,180	$	43,348,354	47%	$	48,565,826	53%
2019	$	85,733,031	$	44,345,983	52%	$	41,387,048	48%
2020	$	84,911,819	$	65,192,312	77%	$	19,719,507	23%
2021	$	102,468,289	$	78,197,576	76%	$	24,270,713	24%
2022	$	128,490,501	$	102,812,947	80%	$	25,677,554	20%
2023	$	143,855,224	$	113,834,246	79%	$	30,020,978	21%



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

CAPITAL ASSETS

PSS' investment in capital assets, net of accumulated depreciation, as of September 30, 2023 and 2022 were $79,441,928 and $79,342,618, respectively.

FUTURE PLANS AND ECONOMIC OUTLOOK

The CNMI PSS is navigating a critical fiscal transition. In fiscal year 2023, the local economy faced revenue constraints driven by declines in tourist spending and casino gaming revenues. PSS was supported from these shortfalls by through assistance by Education Stabilization Fund grants and American Rescue Plan Act (ARPA) funds. These federal funds were key in funded learning loss interventions, student connectivity, and facility retrofits. With the expiration of ARPA funding by the next fiscal year, the school system faces an impending fiscal cliff, requiring a shift from federal reliance to local structural sustainability.

To mitigate the loss of federal relief without reducing the mandatory 180 annual instructional days, PSS is executing cost-cutting measures focused on operational efficiency. The installation of solar panels across 19 campuses is expected to yield over $1 million in annual utility savings. Additionally, the system is adjusting school schedules to lower utility and logistical overhead while safeguarding instructional time.

Parallel to cost containment, the school system has strengthened its internal financial controls to ensure transparency and compliance. In coordination with the PSS Finance office, the system upgraded internal accounting systems and implemented data privacy and security protocols. This is compounded with the implementation of a new and updated financial management system, Tyler Enterprise ERP, to enhance the financial operations of PSS.

Despite financial headwinds, PSS continues to protect its core academic mission through data-driven initiatives that link student progress to long-term economic mobility. The federally funded P20W Statewide Longitudinal Data System bridges data silos across the educational continuum, tracking student progress from Preschool through Grade 12, into Higher Education, and into the Workforce. Integrated into this infrastructure is the Early Warning System platform, which uses metrics like attendance, reading and math performance, behavior, and mobility to flag at-risk students. This allows intervention teams, including tutors and mental health providers, to execute targeted support. Finally, in coordination with post-secondary and workforce partners, the school system utilizes this data to build clear pipelines that transition students from high school into higher education and local career tracks.

SUBSEQUENT EVENTS

On April 13, 2026, CNMI was struck by Super Typhoon Sinlaku, a catastrophic weather event that resulted in widespread devastation across the islands. The storm caused severe damage to public and private infrastructure, including extensive damage to PSS facilities, and led to a total island-wide interruption of power and water services.

In response to the crisis, PSS was designated as the primary emergency shelter provider for CNMI. As an immediate response to the disaster, PSS housed and supported over 500 individuals and families who have been displaced or whose homes were destroyed by the super typhoon.

The devastation caused a temporary suspension of all standard PSS administrative and educational operations. During this time, an intensive, facility-by-facility assessment of structural damages and required repairs. This recovery effort is being navigated within the context of existing economic challenges and financial shortfalls.

Management Evaluation

As of the date of the auditor's report, the full financial and operational impact of Super Typhoon Sinlaku cannot be reasonably estimated. Management is continuing to evaluate the ultimate cost of repairs, the potential for federal disaster assistance (including public assistance from Federal Emergency Management Agency), and the long-term effect on the PSS budget and service delivery.

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:

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Acting Commissioner of Education
PO Box 501370
Saipan, MP 96950

Jonathan Aguon
Director of Finance
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Saipan, MP 96950

http://www.cnmipss.org/

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

Statement of Net Position

September 30, 2023

Assets	
Current assets:	
Cash and cash equivalents	$ 13,941,905
Receivables from the CNMI Government	7,125,047
Receivables from federal agencies	7,090,628
Other current assets	170,389
Total current assets	28,327,969
Noncurrent assets:	
Lease assets - equipment	848,719
Depreciable capital assets, net	43,460,323
Non-depreciable capital assets	36,982,460
Total noncurrent assets	81,291,502
Total assets	109,619,471
Liabilities	
Current liabilities:	
Accounts payable and accrued expenses	13,387,344
Compensated absences due in one year	1,886,206
Current portion of lease liability	384,286
Current portion of long-term loan	113,350
Total current liabilities	15,771,186
Noncurrent liabilities:	
Compensated absences	2,795,363
Lease liability	483,577
Loan payable	868,361
Total noncurrent liabilities	4,147,301
Total liabilities	19,918,487
Net position	
Investment in capital assets	79,441,928
Restricted for special purpose - CIP General Obligation Bond	634,588
Unrestricted	9,624,468
Net position	$ 89,700,984

See accompanying notes.

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

Statement of Activities

Year ended September 30, 2023

		Program Revenues		
Functions/Programs	Expense	Charges for Services	Operating Grants and Contributions	Net Revenues (Expenses) Total
Governmental activities:				
Instructional programs:				
Regular	$ 74,413,696	$2,546,326	$ 59,733,157	$(12,134,213)
Special	7,460,669	---	5,356,876	(2,103,793)
Co-curricular	1,564,303	---	---	(1,564,303)
Student services	26,058,319	---	23,160,255	(2,898,064)
Total instructional programs	109,496,987	2,546,326	88,250,288	(18,700,373)
Support services:				
Others	10,706,304	---	13,143,551	2,437,247
Individual programs	8,349,569	---	8,276,063	(73,506)
Amortization - unallocated	386,630	---	---	(386,630)
School administration	822,819	---	---	(822,819)
General administration	4,162,300	---	1,618,018	(2,544,282)
Depreciation - unallocated	3,469,750	---	---	(3,469,750)
Total support services	27,897,372	---	23,037,632	(4,859,740)
Total governmental activities	$137,394,359	$2,546,326	$111,287,920	$(23,560,113)
	CNMI appropriations			29,746,700
	Miscellaneous			274,278
	General revenues			30,020,978
	Change in net position			6,460,865
	Net position at beginning of year			83,240,119
	Net position at end of year			$ 89,700,984

See accompanying notes.

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

Balance Sheet
Government Funds

September 30, 2023

	General Fund	Federal Fund	Non-major Fund	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 5,800,607	$7,237,274	$ 904,024	$13,941,905
Receivable from the CNMI Government	7,125,047	---	---	7,125,047
Receivable from federal agencies	---	7,090,628	---	7,090,628
Other current assets	193,853	(23,464)	---	170,389
Due from (to) other funds	7,076,577	(8,324,254)	1,247,677	---
Total assets	$20,196,084	$5,980,184	$2,151,701	$28,327,969
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued expenses	$12,516,615	$ 870,729	$ ---	$13,387,344
Total liabilities	12,516,615	870,729	---	13,387,344
Fund balances:				
Restricted	---	---	634,588	634,588
Assigned	---	---	925,232	925,232
Unassigned	7,679,469	5,109,455	591,881	13,380,805
Total fund balances	7,679,469	5,109,455	2,151,701	14,940,625
Liabilities and fund balances	$20,196,084	$5,980,184	$2,151,701	

Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:		
Cost of capital assets and lease assets	121,277,377	
Accumulated depreciation and amortization	(39,985,875)	81,291,502
Long-term liabilities that are not due and payable in the current period and therefore are not reported as liabilities in the funds:		
Compensated absences	(4,681,569)	
Lease liability	(867,863)	
Loan payable	(981,711)	(6,531,143)
Net position - governmental activities		$ 89,700,984

See accompanying notes.

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

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

Year ended September 30, 2023

	General Fund	Federal Fund	Non-major Fund	Total
Revenues:				
Federal	$ 526,320	$109,084,848	$1,676,752	$111,287,920
CNMI appropriations	29,746,700	---	---	29,746,700
Local	---	---	274,278	274,278
Charges for services	---	2,538,720	7,606	2,546,326
Total revenues	30,273,020	111,623,568	1,958,636	143,855,224
Expenditures:				
Instructional programs:				
Regular	18,123,725	59,733,157	231,557	78,088,439
Student services	359,344	25,698,975	---	26,058,319
Special	2,101,437	5,356,876	2,356	7,460,669
Co-curricular	1,265,906	---	298,397	1,564,303
Total instructional programs	21,850,412	90,789,008	532,310	113,171,730
Support services:				
Other	1,832,370	8,825,373	48,561	10,706,304
Individual programs	73,506	8,276,063	---	8,349,569
General administration	2,926,293	1,618,018	---	4,544,311
School administration	822,819	---	---	822,819
Total support services	5,654,988	18,719,454	48,561	24,423,003
Total expenditures	27,505,400	109,508,462	580,871	137,594,733
Excess of revenues over expenditures and other financing sources	2,767,620	2,115,106	1,377,765	6,260,491
Fund balance, beginning	4,911,849	2,994,349	773,936	8,680,134
Fund balance, ending	$ 7,679,469	$ 5,109,455	$2,151,701	$ 14,940,625

See accompanying notes.

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

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

Year ended September 30, 2023

Total net change in fund balances – governmental funds		$6,260,491
Amounts reported for governmental activities in the statement of activities are different because:		
The incurrence of long-term debt (e.g. bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction has any effect on net position. For the current year, these consist of:		
Loan proceeds	(23,441)	
Depreciation expense	134,328	110,887
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in compensated absences payable, net	101,064	
Changes in lease liability	382,011	483,075
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statements of activities. This is the amount by which capital outlays exceed depreciation in the period		
Capital outlays	3,462,792	
Depreciation and amortization expense	(3,856,380)	(393,588)
Total change in net position		$6,460,865

See accompanying notes.

1. Summary of Significant Accounting Policies

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

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

Reporting Entity

PSS, as the state educational agency for pre-school, elementary and secondary education programs in the CNMI, is under the direction of the CNMI Board of Education (BOE), which consists of five voting members elected at-large on a nonpartisan basis: one from Rota, one from Tinian, and three from Saipan. The Commissioner of Education, who is appointed by the Board of Education, is responsible for administering PSS in accordance with applicable laws and BOE policies.

Pursuant to CNMI Constitutional Amendment No. 38 and House Legislative Initiative 18-12, the public education school system is guaranteed an annual budget of not less than twenty-five percent (25%) of general fund revenues of the CNMI Government. This budgetary appropriation may not be reprogrammed for other purposes, and any unencumbered fund balance at the end of a fiscal year shall be available for re-appropriation.

Department-Wide Financial Statements

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

- *Net investment in capital assets* consists of lease assets and capital assets, net of accumulated depreciation and amortization, reduced by outstanding balances of borrowings and lease liabilities that are attributable to the acquisition, construction, or improvement of those assets.

- *Restricted net position* results when constraints are placed on the use of net position by either externally imposed or imposed by law through enabling legislation.

1. Summary of Significant Accounting Policies, continued

Department-Wide Financial Statements, continued

- *Unrestricted net position* is the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

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

Fund Financial Statements

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash and/or other financial resources together with all related liabilities and residual equities and balances, and changes therein, which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with the fund's special regulations, restrictions or limitations. PSS presents a balance sheet and a statement of revenues, expenditures and changes in fund balance for its governmental funds. The ending fund balance on the balance sheet is then reconciled to the ending governmental activities net position.

Fund Balance

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

- *Restricted* - Balances that are restricted for specific purposes by external parties such as creditors, grantors or other governments.

- *Committed* - Balances that can only be used for specific purposes pursuant to constraints imposed by the CNMI Legislature. Committed fund balance is reported pursuant to Public Laws and directives issued by the Board of Education, PSS' highest level of decision-making authority. No balances were committed at September 30, 2023.

1. Summary of Significant Accounting Policies, continued

Fund Balance, continued

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

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

Measurement Focus and Basis of Accounting

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

Department-wide Fund Financial Statements

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

Government Fund Financial Statements

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or 90 days thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred.

Revenues from other sources are recognized when received. Expenditures are generally recognized in the fiscal year the goods or services are received and the related fund liability is incurred. Debt service expenditures for principal and interest on general long-term obligations are recognized when due unless resources have been provided for payment early in the subsequent fiscal year.

1. Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting, continued

Government Fund Financial Statements, continued

Prepaid items and inventory purchases are reported as current fiscal year expenditures, rather than allocating costs to the fiscal year when items are used.

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

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

Fund Accounting

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

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

PSS reports the following major governmental funds:

- *General Fund* - The general fund is the main operating fund of PSS. It accounts for all financial resources except for those required to be accounted for in another fund.

- *Federal Fund* - The federal fund accounts for federally funded programs for PSS' major activities. This fund is made up entirely of special revenue funds, which account for the proceeds of specific revenue sources that are for specific purposes. In this case, the expenditures are for activities authorized by the federal agency grantor.

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

1. Summary of Significant Accounting Policies, continued

Fund Accounting, continued

A summary of PSS' Non-major Funds as of September 30, 2023 follows:

- *Local CIP Fund* - This fund was established to account for projects that were appropriated without fiscal year limitation by Public Law 8-2.

- *Textbook Fund* - This fund was established to account for the sales of locally published textbooks without fiscal year limitation.

- *GOB Fund* - This fund accounts for the appropriated funds from the CIP General Obligation Bond available at the closure of the Indenture Trust Agreement, which was restricted by Public Law 16-10 to fund critical classroom repairs and renovations and paving of public school parking areas. The Commissioner of Education has the spending authority.

- *Donation and Other Revenue Fund* - This fund accounts for activities pertaining to local donations received for specific purposes. The primary revenue source of this fund is donations from private individuals or organizations.

- *Other Federal Fund* - This fund accounts for federal funds received as appropriated by the CNMI Legislature without fiscal year limitation.

- *JROTC Fund* - This fund was established by Public Law 8-17 to account for the funds received from the United States Department of Defense for the operation of the Junior Reserve Officers Training Corps programs. The Commissioner of Education has the spending authority.

- *Federal Program Income Fund* - This fund accounts for miscellaneous federal funds received from various federally funded programs within the Public School System.

Budgetary Data

PSS has no authority to impose taxes to generate revenue. PSS is a dependent school district, as revenue and expenditure authorizations come from the CNMI Legislature. The CNMI Legislative budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted by the CNMI Legislature for PSS through an Annual Appropriations Act. Budgets for non-major funds are not included in the Annual Appropriation Act. Budgets for these funds are based upon grant awards received (and are thus non-appropriated). Project-length financial plans are adopted for all capital project funds. Pursuant to the approved policies and regulations of the Public School System, Policy 3100 outlines PSS' general budgetary procedures.

1. Summary of Significant Accounting Policies, continued

Budgetary Data, continued

A summary of the key budgetary steps and data reflected in the financial statements are as follows:

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

Assets, Liabilities and Net Position

Cash and Cash Equivalents

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

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

Capital Assets

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

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

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

1. Summary of Significant Accounting Policies, continued

Assets, Liabilities and Net Position, continued

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, 2023 was $4,681,569. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

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

Revenues

Revenues are classified as either program or general.

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

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

Inter-fund Balances

The inter-fund balances as of September 30, 2023 pertains to unreimbursed advances between the general fund and the other funds.

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

Use of Estimates

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

1. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements

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

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. The adoption of this statement did not have a material effect on the financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The adoption of this statement did not have a material effect on the financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied more easily. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of local government financial statements. The adoption of this statement did not have a material effect on the financial statements.

1. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

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

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

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

1. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability and address certain application issues identified through pre-agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to management's discussion and analysis (MD&A), unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units in basic financial statements, budgetary comparison information and financial trends information in the statistical section. GASB Statement No. 103 will be effective for fiscal years ending September 30, 2026.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. GASB Statement No. 104 will be effective for fiscal year ending September 30, 2026.

In December 2025, GASB issued Statement No. 105, *Subsequent Events*. The objective of this statement is to provide guidance designed to improve the financial reporting requirements and enhance consistency in the application of those requirements for subsequent events. The statement defines subsequent events as transactions or other events that occur after the date of the financial reporting statements but before the date the financial statements are available to be issued. The definition of subsequent events in the statement modifies the subsequent events time frame throughout GASB literature. Statement No. 105 also clarifies types of subsequent events, when note disclosures are required, and information that should be included in those disclosures. GASB Statement No. 105 will be effective for fiscal year ending September 30, 2027.

1. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

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

2. Detail Notes on all Funds

Cash and Cash Equivalents

For purposes of the Statement of Net Position, cash is defined as amounts in demand deposits as well as short-term investments with a maturity date within three months from the date acquired. As of September 30, 2023, aggregate carrying amounts deposited with Federal Deposit Insurance Corporation (FDIC) insured banks totaled $13,941,905. From these deposits, $500,000 is subject to coverage by the FDIC and the remaining balance exceeds insurable limits. PSS requires collateralization of bank accounts, and the amounts in excess of insurable limits are collateralized by securities owned by the banks. PSS has not experienced any losses on these deposits.

Receivables

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

Other Current Assets

Other current assets as of September 30, 2023 consist of the following:

Travel advances	$131,487
Others	38,902
Other current assets	$170,389

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.

2. Detail Notes on all Funds, continued

Capital Assets

Capital asset activities for the year ended September 30, 2023 were as follows:

	Beginning Balance October 1, 2022	Additions	Disposals	Transfers	Ending Balance September 30, 2023
Depreciable capital assets:					
Building and improvements	$69,118,384	$ 1,318,149	$ ---	$239,000	$70,675,533
Vehicles	12,326,087	448,373	(4,727,669)	---	8,046,791
Others	3,933,891	1,277,863	(1,580,440)	319,300	3,950,614
	85,378,362	3,044,385	(6,308,109)	558,300	82,672,938
Less accumulated depreciation:					
Building and improvements	30,447,868	1,795,851	---	---	32,243,719
Vehicles	8,268,234	1,165,863	(4,727,669)	---	4,706,428
Others	3,334,872	508,036	(1,580,440)	---	2,262,468
	42,050,974	3,469,750	(6,308,109)	---	39,212,615
Capital assets being depreciated and amortized, net	43,327,388	(425,365)	---	558,300	43,460,323
Non-depreciable capital assets:					
Land	36,647,850	---	---	---	36,647,850
Construction-in-progress	474,503	418,407	---	(558,300)	334,610
	37,122,353	418,407	---	(558,300)	36,982,460
Leased assets - equipment	1,621,979	---	---	---	1,621,979
Less accumulated depreciation	386,630	386,630	---	---	773,260
	1,235,349	(386,630)	---	---	848,719
Total	$81,685,090	$(393,588)	$ ---	$ ---	$81,291,502

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

Retirement Plan

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

2. Detail Notes on all Funds, continued

Retirement Plan, continued

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

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

PSS contributed $357,008 to the NMISF for the year ended September 30, 2023.

Defined Contribution Plan (DC Plan)

On June 16, 2006, Public Law 15-13 was enacted which created the DC Plan, a single-employer pension plan and is the single retirement program for all employees whose first time CNMI government employment commences on or after January 1, 2007. Each member of the DC Plan is required to contribute to the member's individual account an amount equal to 10% of the member's compensation. PSS is required to contribute to each member's individual account an amount equal to 4% of the member's compensation. PSS' recorded DC contributions for the year ended September 30, 2023 was $741,424, equal to the required contributions for the year.

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

2. 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 NMIRF. PSS contributes to the Group Health and Life Insurance program. This is open to active employees who work at least 20 hours per week and to retired CNMI Government employees who retire as a result of length of service, disability or age, as well as their dependents.

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

Federal Grants

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

Related Party Transactions

The CNMI Government appropriated $28,896,569 for PSS' operational use and $153,131 for the Board of Education's operations for the fiscal year ended September 30, 2023. PSS also received $658,000 and $35,000 from the CNMI Government for additional appropriations and for prior year appropriations, respectively, during the fiscal year 2023.

During the year ended September 30, 2023, PSS incurred utility expenses to the Commonwealth Utilities Corporation (CUC) totaling $3,116,577.

Non-current Liabilities

Long-term loan payable at September 30, 2023 consists of the following:

United States Department of Agriculture (USDA) Rural Development Bank, 2.25% per annum, monthly payments of principal and interest in the amount of $11,194 starting on October 8, 2021. The principal balance and all accrued interest will be due and payable on September 8, 2031. The loan is secured by a Security Agreement and a UCC-1 Financing Agreement. The loan is collateralized by the assignment of income and blanket security interest covering capital assets	$981,711
Less current portion	113,350
	$868,361

2. Detail Notes on all Funds, continued

Non-current Liabilities, continued

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

Year ending September 30,	
2024	$113,350
2025	115,985
2026	118,622
2027	121,318
2028	124,048
2029 - 2032	388,388
	$981,711

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

	Outstanding October 1, 2022	Increase	Decrease	Outstanding September 30, 2023	Due in 1 year	Noncurrent
Compensated absences	$4,782,633	$666,227	$(767,291)	$4,681,569	$1,886,206	$2,795,363
Lease liability	1,249,874	6,385	(388,396)	867,863	384,286	483,577
Loan payable	1,092,598	23,441	(134,328)	981,711	113,350	868,361
	$7,125,105	$696,053	$(1,290,015)	$6,531,143	$2,383,842	$4,147,301

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

3. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. PSS does not have any deferred outflows of resources as of September 30, 2023.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. As of September 30, 2023, PSS does not have any deferred inflows of resources.

4. Contingencies

CNMI Contributions

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

Financial and Compliance Audits

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

Lawsuits and Claims

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

Sick Leave

It is the policy of PSS to record expenditures for sick leave when the leave is actually taken. Sick leave is compensated time for absence during working hours arising from employee illness or injury. The estimated accumulated sick leave at September 30, 2023 is $9.4 million.

5. Commitments

The accrual basis of accounting provides that expenses include only amounts associated with goods and services received and liabilities include only the unpaid amounts associated with such expenses. Accordingly, $44,046,840 of outstanding purchase orders and purchase commitments for which goods and services have not been received are not reported in the financial statements as of September 30, 2023.

6. Leases

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

A summary of future lease payments is as follows:

	Principal	Interest	Total
2024	$384,286	$4,110	$388,396
2025	386,575	1,821	388,396
2026	97,002	97	97,099
	$867,863	$6,028	$873,891

7. Risk Management

The CNMI government is a self-insured entity. The CNMI government has limited its general liability to individuals to $100,000 by statute. For this reason, the CNMI government does not maintain any insurance on its buildings. At some future date, PSS may insure some of its assets. As an autonomous agency, PSS is not required to follow the CNMI Government's self-insurance policy. PSS has not experienced any losses for the year ended September 30, 2023.

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

8. Economic Dependency

PSS receives a substantial amount of its support from Federal and local governments. For the fiscal year ended September 30, 2023, 77% and 23% of total revenues were received from federal grants and local appropriations, respectively. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on PSS' programs and activities.

9. Subsequent Events

On April 13, 2026, CNMI was struck by Super Typhoon Sinlaku, a catastrophic weather event that resulted in widespread devastation across the islands. The storm caused severe damage to public and private infrastructure, including extensive damage to PSS facilities, and led to a total island-wide interruption of power and water services.

9. Subsequent Events, continued

In response to the crisis, PSS has been designated as the primary emergency shelter provider for the CNMI. As of the date of this report, PSS is currently housing and supporting over 500 individuals and families who have been displaced or whose homes were destroyed by the super typhoon. While PSS remains committed to its mission of community support during this disaster, the redirection of resources to maintain these shelters represents a significant operational undertaking.

In addition, the devastation caused a temporary suspension of all standard PSS administrative and educational operations. Management has set a tentative goal to resume administrative operations by April 30, 2026, contingent upon the restoration of essential utilities and the safety of facility environments.

At this time, management is conducting an intensive, facility-by-facility assessment of structural damages and required repairs. This recovery effort is being navigated within the context of existing economic challenges and financial shortfalls.

As of the date of the auditor’s report, the full financial and operational impact of Super Typhoon Sinlaku cannot be reasonably estimated. Management is continuing to evaluate the ultimate cost of repairs, the potential for federal disaster assistance (including FEMA Public Assistance), and the long-term effect on the PSS budget and service delivery.

Required Supplementary Information

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

Schedule of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
Budget and Actual (GAAP Basis) - General Fund

Year ended September 30, 2023

	General Fund				
	Budget				Variance
	Original	Revision	Final	Actual	Favorable (Unfavorable)
Expenditures:					
Personnel	$14,000,000	$ ---	$14,000,000	$14,115,830	$(115,830)
All other	11,956,813	2,939,756	14,896,569	13,389,570	1,506,999
Total expenditures	25,956,813	2,939,756	28,896,569	27,505,400	1,391,169
Revenues:					
CNMI appropriation	25,956,813	2,939,756	28,896,569	29,746,700	850,131
Excess of revenues and other financing sources over expenditures and other financing uses	$ ---	$ ---	$ ---	$ 2,241,300	$ 2,241,300

Explanation of Differences

Total revenues of $30,273,020 reported under GAAP basis does not equal total revenues of $29,476,700 reported under the budgetary basis due to $526,320 of federal funds received from the Federal Emergency Management Agency (FEMA) for the recovery of the effects caused by super typhoon Yutu, which struck the CNMI in October 2018. FEMA has continued providing additional funds for super typhoon Yutu recovery to PSS and for the continuous permanent repairs to different schools in Saipan. The amount was included as federal revenue in the governmental funds but was not included in the budgetary schedule. Amounts were also reported as expenditures for other supporting services.

Reconciliation of budgetary schedule:

Net change in fund balance – budgetary basis	$2,241,300
Federal grants included in General Fund	526,320
Net change in fund balance – General Fund	$2,767,620

Supplementary Information

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

Combining Balance Sheet
Non-major Funds

September 30, 2023

	Local CIP Fund [1]	Textbook Fund (15000)	GOB Fund (30000)	Donation and Other Revenue Fund (42000)	Other Federal Fund (60000)	JROTC Army Fund (65000)	Federal Program Income Fund (66000)	Total Non-major Funds
Assets								
Current assets:								
Cash	$ 2,735	$ 352	$ ---	$ ---	$ ---	$ 900,937	$ ---	$ 904,024
Receivable from federal agencies	---	---	---	---	---	---	---	---
Due from other funds	---	---	634,588	555,355	2,446,987	---	63,390	3,700,320
Total assets	$ 2,735	$ 352	$ 634,588	$ 555,355	$ 2,446,987	$ 900,937	$ 63,390	$ 4,604,344
Liabilities and Fund Balances								
Liabilities:								
Due to other funds	$ 1,918,356	$ 3,227	$ ---	$ ---	$ ---	$ 531,060	$ ---	$ 2,452,643
Total liabilities	1,918,356	3,227	---	---	---	531,060	---	2,452,643
Fund balances:								
Restricted	---	---	634,588	---	---	---	---	634,588
Assigned	---	---	---	555,355	---	369,877	---	925,232
Unassigned	(1,915,621)	(2,875)	---	---	2,446,987	---	63,390	591,881
Total fund balances	(1,915,621)	(2,875)	634,588	555,355	2,446,987	369,877	63,390	2,151,701
Total Liabilities and Fund Balances	$ 2,735	$ 352	$ 634,588	$ 555,355	$ 2,446,987	$ 900,937	$ 63,390	$ 4,604,344

(1) Fund codes 17000 and 18000

See accompanying notes.

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

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Non-major Funds

Year ended September 30, 2023

	Local CIP Fund [1]	Textbook Fund (15000)	GOB Fund (30000)	Donation and Other Revenue Fund (42000)	Other Federal Fund (60000)	JROTC Army Fund (65000)	Federal Program Income Fund (66000)	Total Non-major Funds
Revenues:								
Federal	$ ---	$ ---	$ ---	$ ---	$ 1,313,586	$ 363,166	$ ---	$ 1,676,752
Local	---	---	---	274,278	---	---	---	274,278
Charges for services	---	---	---	---	---	---	7,606	7,606
Total revenues	---	---	---	274,278	1,313,586	363,166	7,606	1,958,636
Expenditures:								
Instructional programs:								
Co-curricular	---	---	---	---	---	298,397	---	298,397
Regular	---	---	---	231,557	---	---	---	231,557
Special	---	---	---	---	---	---	2,356	2,356
Total instructional programs	---	---	---	231,557	---	298,397	2,356	532,310
Supporting services:								
Other	---	---	38,850	9,711	---	---	---	48,561
Total expenditures	---	---	38,850	241,268	---	298,397	2,356	580,871
(Deficiency) excess of revenues over expenditures	---	---	(38,850)	33,010	1,313,586	64,769	5,250	1,377,765
(Deficit) fund balance, beginning of year	(1,915,621)	(2,875)	673,438	522,345	1,133,401	305,108	58,140	773,936
(Deficit) fund balance, end of year	$(1,915,621)	$(2,875)	$ 634,588	$ 555,355	$ 2,446,987	$ 369,877	$ 63,390	$ 2,151,701

(1) Fund codes 17000 and 18000

See accompanying notes.

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

Schedule of Expenditures/Expense (By Natural Classification)

Year ended September 30, 2023

	General Fund	Federal Fund	Non-Major Fund	Total Expenditures	Conversion	Total Expenses
Salaries and wages	$ 11,762,514	$ 46,818,674	$ 6,531	$ 58,587,719	$(101,064)	$ 58,486,655
Professional services	1,304,836	23,103,833	11,300	24,419,969	---	24,419,969
Books and instructional materials	583,152	11,806,441	16,054	12,405,647	---	12,405,647
Employee benefits	2,353,316	8,688,085	620	11,042,021	---	11,042,021
Travel	434,674	4,245,338	200,946	4,880,958	---	4,880,958
Supplies and materials	547,824	2,937,531	88,712	3,574,067	---	3,574,067
Depreciation	---	---	---	---	3,469,750	3,469,750
Miscellaneous	3,172,342	255,198	17,338	3,444,878	---	3,444,878
Utilities	3,092,265	8,768	16,021	3,117,054	---	3,117,054
Repairs and maintenance	2,151,001	532,915	72,168	2,756,084	---	2,756,084
Controlled assets	705,139	4,963,922	6,358	5,675,419	(3,573,679)	2,101,740
Dues and subscriptions	68,254	1,912,084	---	1,980,338	---	1,980,338
Communications	231,488	1,277,744	10,818	1,520,050	---	1,520,050
Rental	173,891	884,621	33,084	1,091,596	---	1,091,596
Cleaning services	444,129	592,547	8,429	1,045,105	---	1,045,105
Licenses and fees	71,135	434,126	---	505,261	---	505,261
Fuel and lubrication	79,570	305,677	6,332	391,579	---	391,579
Amortization	---	---	---	---	386,630	386,630
Printing and photocopying	53,241	311,008	8,233	372,482	---	372,482
Security services	208,334	---	---	208,334	---	208,334
Food items	37,458	5,597	64,220	107,275	---	107,275
Advertising	12,147	23,914	800	36,861	---	36,861
Freight and handling	5,887	16,608	12,907	35,402	---	35,402
Bank charges	12,503	---	---	12,503	---	12,503
Insurance	300	1,820	---	2,120	---	2,120
Lease principal payment expenditure	---	382,011	---	382,011	(382,011)	---
Total expenditures	$ 27,505,400	$ 109,508,462	$ 580,871	$ 137,594,733	$(200,374)	$ 137,394,359

See accompanying notes.