

**COLLEGE OF MICRONESIA-FSM  
(A COMPONENT UNIT OF THE  
FEDERATED STATES OF MICRONESIA  
NATIONAL GOVERNMENT)**

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**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

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**SEPTEMBER 30, 2009 AND 2008**

**COLLEGE OF MICRONESIA-FSM**  
**(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)**

**TABLE OF CONTENTS**  
**YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

|   | <u>Page No.</u> |
|---|-----------------|
| INDEPENDENT AUDITORS' REPORT  | 1               |
| MANAGEMENT'S DISCUSSION AND ANALYSIS  | 2               |
| FINANCIAL STATEMENTS:   |                 |
| Statements of Net Assets  | 11              |
| Statements of Revenues, Expenses and Changes in Net Assets  | 12              |
| Statements of Cash Flows  | 13              |
| Notes to Financial Statements   | 14              |
| SINGLE AUDITS:  |                 |
| Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based upon the Audit Performed in Accordance With <i>Government Auditing Standards</i> | 26              |
| Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Award Program and on the Schedule of Expenditures of Federal Awards              | 28              |
| Schedule of Expenditures of Federal Awards  | 30              |
| Schedule of Findings and Responses  | 31              |
| Schedule of Unresolved Prior Year Findings  | 32              |

## INDEPENDENT AUDITORS' REPORT

Board of Regents  
College of Micronesia-FSM:

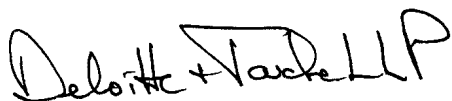
We have audited the accompanying statements of net assets of the College of Micronesia-FSM, a component unit of the FSM National Government, as of September 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our 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 we 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 the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the College of Micronesia-FSM as of September 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the College's management. We 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, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2010, on our consideration of the College's 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 to describe the scope of our testing of internal control 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 our audit.



June 28, 2010

## **COLLEGE OF MICRONESIA-FSM**

Management's Discussion and Analysis  
September 30, 2009 and 2008

The Management's Discussion and Analysis (MD & A) is supplementary information required by the Government Accounting Standards Board Statement 35 (GASB 35) on reporting model. The preparation of MD & A is the responsibility of the management of COM-FSM, and it is designed to help readers in understanding the accompanying financial statements and the accompanying notes to the financial statements.

### **INSTITUTION BACKGROUND**

The College of Micronesia-FSM (COM-FSM) is a multi-campus institution and serves as the only higher education facility in the Federated States of Micronesia (FSM). The COM-FSM has a network of six college campuses located in four different islands in the Western Pacific. The main campus (referred to as the National campus) is located in Palikir, Pohnpei. The other college sites are state campuses in Pohnpei (Kolonia Town), Kosrae, Yap and Chuuk. FSM Fisheries and Maritime Institute (FSM – FMI), and the sixth campus is located in Yap State.

COM – FSM is a public corporation of FSM established by Public Law 7 – 79 on September 25, 1992 and considered a component unit of the FSM National Government. The governing body for the general management and control of COM – FSM is the five-member Board of Regents appointed by the FSM President with the advice and consent of the FSM Congress. The President of the College, appointed by the Board of Regents, has the full charge and control in the administration and business affairs of the College.

COM – FSM is accredited by the Accrediting Commission for Community and Junior Colleges of the Western Association of Schools and Colleges, an institutional accrediting body recognized by the Commission on Recognition of Post-secondary Accreditation and the U.S. Department of Education. Accreditation was awarded to the College in 1978 and reaffirmed in 1982, 1987, 1992, 1998 and June, 2005. The ACCJC conducted the recent accreditation visit in April 2010.

### **COM-FSM MISSION**

The mission statement of the College adopted by the Board of Regents in its September 2005 meeting reads:

“Historically diverse, uniquely Micronesian, and globally connected, the College of Micronesia-FSM is a continuously improving and student centered institute of higher education. The college is committed to assisting in the development of the Federated States of Micronesia by providing academic, career and technical education opportunities for student learning”.

The College's mission statement links to the FSM Strategic Development Plan (SDP) under the strategic goal “To allow FSM students to complete postsecondary education to assist in the economic development of the FSM”.

### **OVERVIEW OF FISCAL YEAR 2009**

COM – FSM awards associate degrees to students who complete a prescribed two-year program of study. The time is extended for students who need to complete preparation classes before beginning the degree program. The College offers six Associate of Arts degrees, eight Associate of Science degrees and three Associate of Applied Science degrees. The College also awards certificates of achievement to students who complete a prescribed one – year program of study. There are seven third – year Certificates of Achievement and twenty other Certificates of Achievement. Other short – term certificate programs are also offered at the State campuses in response to expressed local needs.

## COLLEGE OF MICRONESIA-FSM

### Management's Discussion and Analysis September 30, 2009 and 2008

The College enrolled 6,397 students in degree and certificate programs across all campuses for fall 2008, spring 2009 and summer 2009. National campus enrolled 2,365 students or 37%, Pohnpei campus enrolled 1,601 students or 25%, Chuuk campus enrolled 1,232 students or 19%, Kosrae campus enrolled 605 students or 9%, and Yap campus enrolled 594 students or 9%. Though the College is short by 157 students or by 3% enrollees compared with budget, the total enrollment for fiscal year 2009 has increased by 701 students or by 12% compared with prior fiscal year 2008. All campuses reflected increases in enrollment, National campus has 116 students or 5% increase, Pohnpei campus has 214 students or 15% increase, Chuuk campus has 182 students or 17% increase, Kosrae campus has 128 students or 27% increase and Yap campus has 61 students or 11% increase.

FSM – FMI served 111 students for school year 2009, 38 students for fall 2008, 37 students for spring 2009 and 36 students for summer 2009. Compared with last year, the enrollment of FSM – FMI has significantly increased by 42 students or 61%.

Financial resources for the operations of the College are derived from tuition and other fees, and a subsidy from the FSM National Government. The subsidy from the FSM government is part of the Education Sector grant from U.S. Department of the Interior (Compact of Free Association II).

The College continues to administer the U.S. Federal Pell Grant Scholarship Aid (Pell Grant) Program. About 88% of revenue from tuition and fees was paid through student scholarships from Pell Grants. Likewise, the U.S. Department of Education continues to provide competitive grants to support and assist the College.

### FINANCIAL STATEMENTS ANALYSIS

The College implemented the financial reporting standards for public colleges and universities in accordance with Government Accounting Standards Board (GASB) principles in fiscal year 2003. The funds are presented in consolidated financial statements as a whole, rather than on the fund basis used prior to fiscal year 2003. The adoption of the GASB principles provides financial reporting of the following three basic financial statements:

#### 1. Statement of Net Assets (SNA)

The SNA presents what the College owns (assets), owes (liabilities) and the net assets (the difference between total assets and total liabilities) at the end of the fiscal year. The “net assets” is one indicator of the current financial condition of the College, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year.

A Comparative Statement of Net Assets at September 30, 2009 and 2008 and 2007 is summarized below:

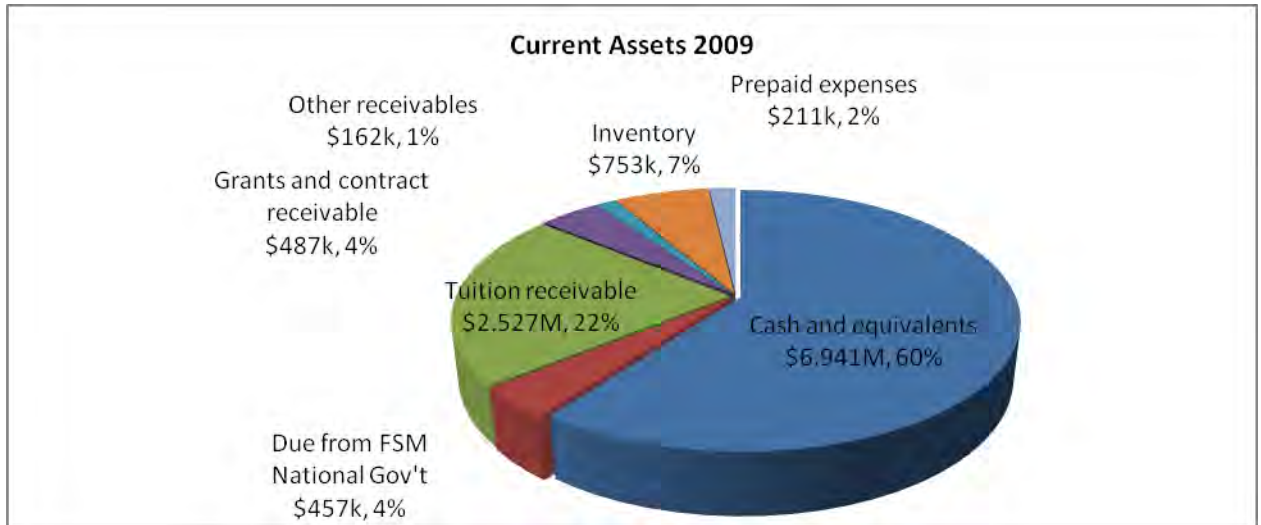
|                        | <u>FY 2009</u><br><u>(In 000's)</u> | <u>FY 2008</u><br><u>(In 000's)</u> | <u>Difference</u><br><u>(In 000's)</u> | <u>FY 2007</u><br><u>(In 000's)</u> |
|------------------------|-------------------------------------|-------------------------------------|--|-------------------------------------|
| Assets:                |                                     |                                     |  |                                     |
| Current assets         | \$ 11,539                           | \$ 9,758                            | \$ 1,781                               | \$ 11,530                           |
| Noncurrent asset       | <u>13,863</u>                       | <u>14,452</u>                       | <u>(589)</u>                           | <u>14,870</u>                       |
| Total assets           | <u>25,402</u>                       | <u>24,210</u>                       | <u>1,192</u>                           | <u>26,400</u>                       |
| Liabilities:           |                                     |                                     |  |                                     |
| Current liabilities    | 4,052                               | 3,945                               | 107                                    | 4,581                               |
| Noncurrent liabilities | <u>258</u>                          | <u>238</u>                          | <u>20</u>                              | <u>218</u>                          |
| Total liabilities      | <u>4,310</u>                        | <u>4,183</u>                        | <u>127</u>                             | <u>4,799</u>                        |
| Net assets             | \$ <u>21,092</u>                    | \$ <u>20,027</u>                    | \$ <u>1,065</u>                        | \$ <u>21,601</u>                    |

# COLLEGE OF MICRONESIA-FSM

## Management's Discussion and Analysis September 30, 2009 and 2008

The comparison of the statement of net assets for fiscal year 2009 with fiscal year 2008 shows an increase in net assets by \$1.065 Million.

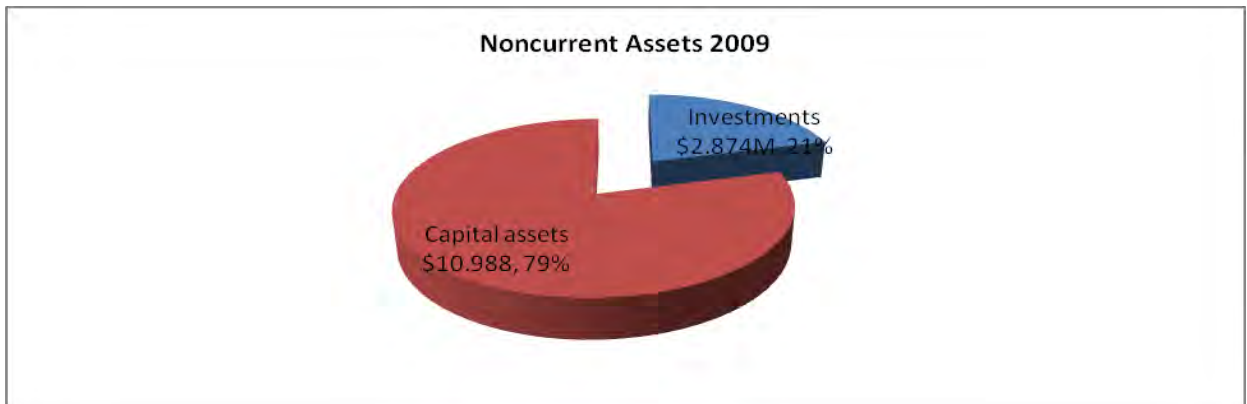
**Current assets:** Total current assets has increased by \$1.781 Million, from \$9.758 Million in fiscal year 2008 to \$11.539 Million in current fiscal year 2009. The composition of current assets for fiscal year 2009 is presented in the following pie graph:



The increase by \$1.781 Million in current assets consists of the following changes:

- Increase in cash and equivalents by \$2.367 Million or 52%;
- Increase in inventory by \$78 or 12%;
- Increase in prepaid expenses by \$75k or 55%.
- Decrease in grants and contract receivable by \$534k or 52%;
- Decrease in due from FSM National Government by \$122k or 21%;
- Decrease in tuition receivable by \$54k or 2%;
- Decrease in other receivable by \$29k or 15%

**Noncurrent assets:** Total noncurrent assets dropped by \$589k from \$14.452 Million in fiscal year 2008 to \$13.863 Million in fiscal year 2009. The reduction is the net effect of the increase in investments by \$97k and a decrease in capital assets of \$686k. Below is the pie graph for the breakdown of noncurrent assets:



## COLLEGE OF MICRONESIA-FSM

Management's Discussion and Analysis  
September 30, 2009 and 2008

**Current liabilities:** The current liabilities for fiscal year 2009 had increased by \$107k or 3%, from \$3.944 Million in fiscal year 2008 to \$4.052 Million. The composition of current liabilities is presented in the following pie graph:



The net increase in current liabilities by \$107k consist of the following changes:

- Increase in deferred revenue by \$452k or 19%;
- Increase in accrued liabilities and annual leave by \$66k or 16%;
- Decrease in accounts payable by \$266k or 51%;
- Decrease in other current liabilities by \$145k or 36%.

**Noncurrent liability:** The noncurrent liability of \$258k, representing the long – term portion of the accrued annual leave, indicates a slight increase by \$20k or 8%.

**Net Assets:** Net assets represent the residual interest in the College's assets after liabilities are deducted. The College's net asset for fiscal year 2009 is \$21.091 Million which is higher by \$1.064 Million compared with \$20.027 Million in fiscal year 2008. Below is the breakdown of the College's net assets categorized according to the reporting model of GASB:

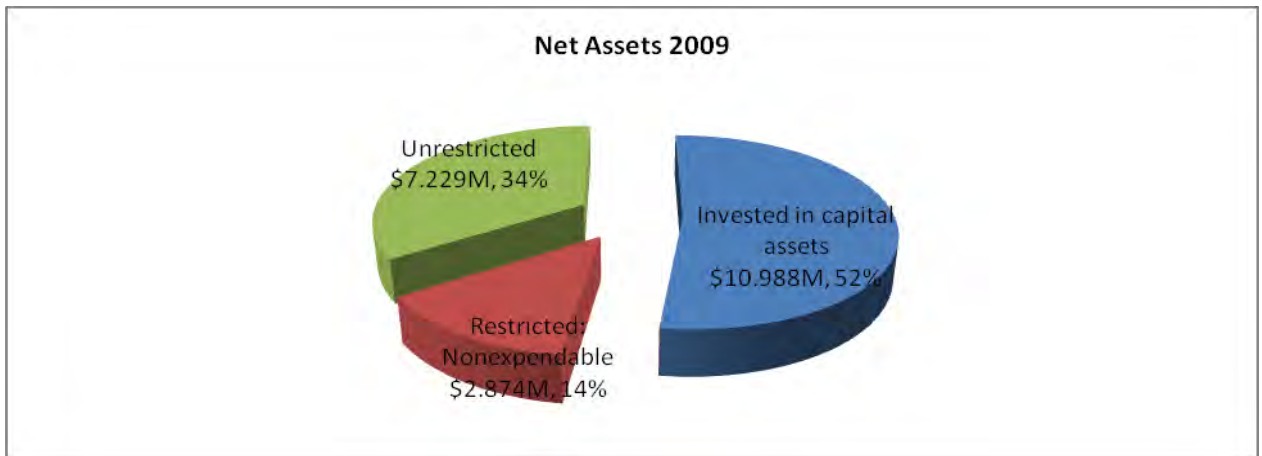
|                            | FY 2009<br>(In 000's) | FY 2008<br>(In 000's) | Difference<br>(In 000's) | FY 2007<br>(In 000's) |
|----------------------------|-----------------------|-----------------------|--------------------------|-----------------------|
| Invested in capital assets | \$ 10,988             | \$ 11,674             | \$ (686)                 | \$ 11,767             |
| Restricted:                |                       |                       |                          |                       |
| Nonexpendable              | 2,874                 | 2,778                 | 96                       | 3,103                 |
| Unrestricted               | <u>7,229</u>          | <u>5,575</u>          | <u>1,654</u>             | <u>6,731</u>          |
| Total                      | <u>\$ 21,091</u>      | <u>\$ 20,027</u>      | <u>\$ 1,064</u>          | <u>\$ 21,601</u>      |

The decrease in the capital assets is primarily the depreciation expense for the wear and tear of physical assets for fiscal year 2009. The increase by \$96k in restricted – nonexpendable represents unrealized market gains. The unrestricted net assets, which provided an increase by \$1.654 Million or 30%, represents the positive fund balance change for fiscal year 2009. The unrestricted net assets can be committed or designated by the COM-FSM Board of Regents to support specific academic programs, and capital construction projects.

## COLLEGE OF MICRONESIA-FSM

### Management's Discussion and Analysis September 30, 2009 and 2008

Below is the pie graph for the breakdown of net assets for fiscal year 2009:

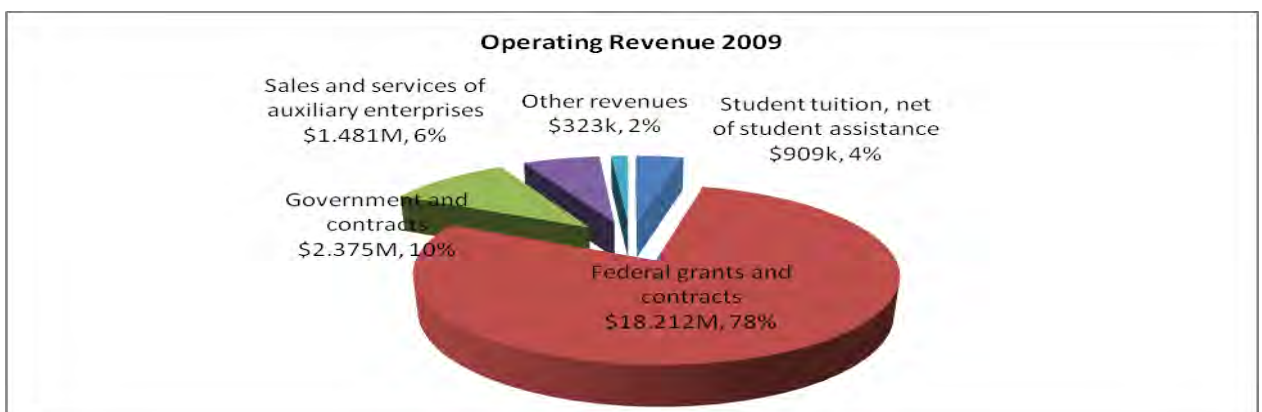


#### 2. Statement of Revenues, Expenses and Changes in Net Assets (SRECNA)

The SRECNA provides information on the College's financial performance for the current fiscal year in terms of revenues and expenses. It presents the operating revenues and expenses and the corresponding net operating results, as well as non-operating revenues and expenses and net change in net assets. Below is the comparative summary of SRECNA for fiscal years ended September 30, 2009 and 2008:

|                                       | FY 2009<br>(In 000's) | FY 2008<br>(In 000's) | Difference<br>(In 000's) | FY 2007<br>(In 000's) |
|---------------------------------------|-----------------------|-----------------------|--------------------------|-----------------------|
| Operating revenues                    | \$ 23,299             | \$ 19,481             | \$ 3,818                 | \$ 17,675             |
| Operating expenses                    | <u>22,311</u>         | <u>20,634</u>         | <u>1,677</u>             | <u>18,967</u>         |
| Operating income (loss)               | 988                   | (1,153)               | 2,141                    | (1,292)               |
| Nonoperating revenue                  | <u>76</u>             | <u>(421)</u>          | <u>497</u>               | <u>408</u>            |
| Net increase (decrease) in net assets | 1,064                 | (1,574)               | 2,638                    | (884)                 |
| Net assets at beginning of year       | <u>20,027</u>         | <u>21,601</u>         | <u>(1,574)</u>           | <u>22,485</u>         |
| Net assets at end of year             | \$ <u>21,091</u>      | \$ <u>20,027</u>      | \$ <u>1,064</u>          | \$ <u>21,601</u>      |

**Operating revenues:** The composition of the operating revenue amounting to \$23.299 Million for fiscal year 2009 is presented by the following pie graph:





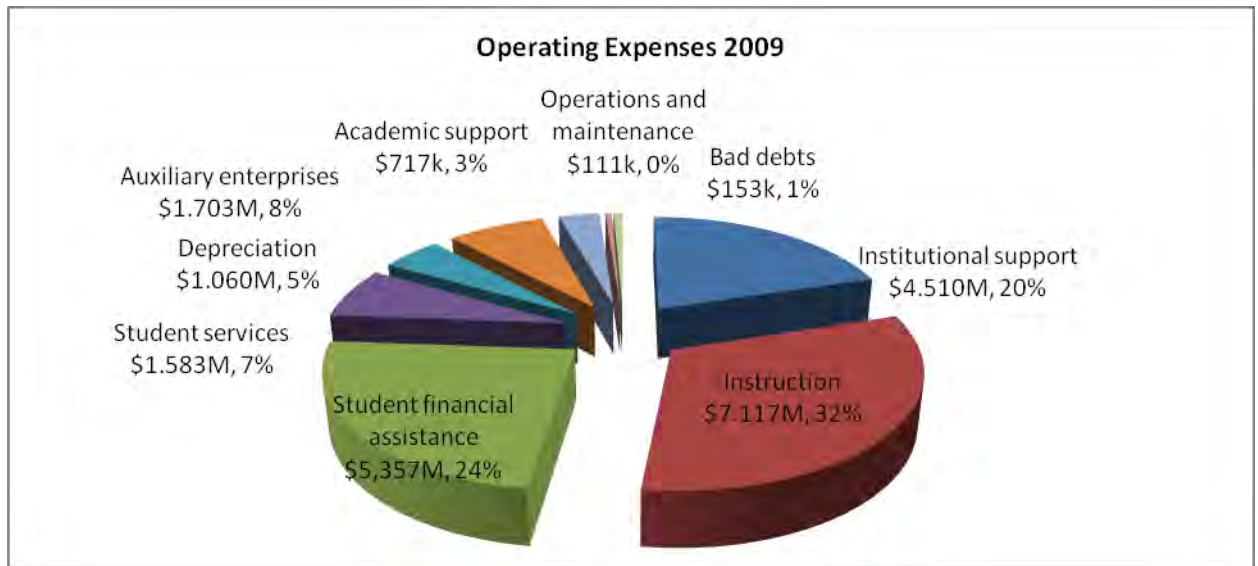
## COLLEGE OF MICRONESIA-FSM

### Management's Discussion and Analysis September 30, 2009 and 2008

Compared with fiscal year 2008, the operating revenue for fiscal year 2009 indicated an increase by \$3.818 Million consisting of the following changes in revenue accounts:

- Increase in federal grants and contracts by \$2.954 Million or 19%;
- Increase in government and contracts by \$1.005 Million or 73%;
- Increase in sales and services of auxiliary enterprises by \$314k or 27%;
- Decrease in tuition and fees directly paid by students by \$346k or 28%; and
- Decrease in other revenues by \$109k or 25%.

**Operating expenses:** The College's operating expenses for fiscal year 2009 is \$22.311 Million. Below is the breakdown of operating expenses presented in pie graph:



The total operating expenses of \$22.311 Million indicates a net increase of \$1.677 Million compared with prior fiscal year. The net increase consists of the following changes:

- Increase in student financial assistance by \$1.959 Million or 58%;
- Increase in expenditures of auxiliary enterprises by \$222k or 15%;
- Increase in instruction costs by \$193k or 3%;
- Increase in operations and maintenance by \$78k or 238%;
- Increase in academic support by \$66k or 10%;
- Increase in student services by \$52k or 3%;
- Decrease in bad debts by \$564k or 79%;
- Decrease in institutional support by \$241k or 5%; and
- Decrease in depreciation by \$89k or 8%.

**Nonoperating income (loss):** The College endowment fund investment generated an unrealized market gain of \$76k.

**Net change in net assets:** The result of the College's financial performance for fiscal year 2009 is a net increase in net assets by \$1.064 Million. The increase is from reduction of bad debts and depreciation costs, increase in the enrollment compared with prior year and higher revenue from government contracts.

## COLLEGE OF MICRONESIA-FSM

Management's Discussion and Analysis  
September 30, 2009 and 2008

### 3. Statement of Cash Flows (SCF)

The SCF presents information about changes in the College's cash position using the direct method of reporting sources and uses of cash. The direct method reports all major cash inflows and outflows at gross amounts, differentiating these activities into cash flows arising from operating activities, noncapital financing, capital and related financing, and investing.

The SCF indicates a balance in cash and equivalents of \$6.941 Million at end of fiscal year 2009. The fiscal year - end balance reflects an increase by \$2.368 Million or 52% compared with fiscal year 2008 balance of \$4.574 Million.

Below is the summary Statement of Cash Flows:

|  | FY 2009<br><u>(In 000's)</u> | FY 2008<br><u>(In 000's)</u> | Difference<br><u>(In 000's)</u> | FY 2007<br><u>(In 000's)</u> |
|--|------------------------------|------------------------------|---------------------------------|------------------------------|
| Provided by (used in) operating activities       | \$ 2,762                     | \$ (516)                     | \$ 3,278                        | \$ 409                       |
| Provided by noncapital financing activities      | -                            | -                            | -                               | -                            |
| Used in capital and related financing activities | (374)                        | (1,057)                      | 683                             | (514)                        |
| (Used in) provided by investing activities       | <u>(21)</u>                  | <u>54</u>                    | <u>(75)</u>                     | <u>229</u>                   |
| Net change in cash and equivalents               | 2,367                        | (1,519)                      | 3,886                           | 124                          |
| Cash and cash equivalents at beginning of year   | <u>4,574</u>                 | <u>6,093</u>                 | <u>(1,519)</u>                  | <u>5,969</u>                 |
| Cash and cash equivalents at end of year         | \$ <u>6,941</u>              | \$ <u>4,574</u>              | \$ <u>2,367</u>                 | \$ <u>6,093</u>              |

The increase in cash and equivalents was primarily attributed to the timing of receiving students' scholarship awards from Pell grants in the beginning of fall 2009 semester.

### **BUDGET INFORMATION**

The operations budgets are developed by state campuses and offices. Finance Committee through Resource and Planning Committee are responsible for reviewing and conducting budget hearings, and recommending balanced budget to cabinet for board's approval. Budgets that are funded by FSM are transmitted to FSM Executive Budget Review Committee and FSM Congress for approval and appropriation.

The budgets for the general operations of the College include the following:

1. \$10.786 Million – for the administration and management of the College wherein \$3.800 Million is funded by Compact of Free Association II through FSM National Government.
2. \$655k – for the administration and management of the FSM – FMI at Yap State funded by FSM National Government.
3. \$684k – for work study, supplemental education opportunity grant and teacher corps programs funded by Compact of Free Association II through FSM National Government.

## **COLLEGE OF MICRONESIA-FSM**

### **Management's Discussion and Analysis September 30, 2009 and 2008**

4. \$58k – for the operations of the Board of Regents of the College funded by FSM National Government.
5. \$2.400 Million – for the infrastructure development projects of the College for fiscal year 2009.
6. \$277k – for the operating expenditures of cafeteria and bookstore funded by the operations' service charges.

The students' scholarship awards and college grants from the U.S. Department of Education and Department of the Interior are projected as follows:

1. \$7.955 Million from Federal Pell grant program.
2. \$1.783 Million from upward bound, talent search and student support services programs.

### **CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY**

At September 30, 2009, the College's net investment in capital assets is \$10.988 Million, net of accumulated depreciation. Depreciation for the current year totaled \$1.061 Million, and capital additions for buildings, furniture and equipment and vehicles totaled \$594k. See note 6 to the financial statements for additional information regarding the College's capital asset activity.

The long-term debt of the College represents accrued annual leave of \$259k. The Personnel Policy and Procedure Manual of the College provide accumulation of annual leave balance in the employees' records. The accumulated annual leave, not to exceed 240 hours, shall be paid to the employee upon resignation/termination of employment.

The College has no other long-term debt as of the end of fiscal year 2009.

### **CONTACT INFORMATION**

Management's Discussion and Analysis for the years ended September 30, 2008 and 2007, is set forth in the College's report on the audit of the financial statements, which is dated June 5, 2009, and that Discussion and Analysis explains the major factors impacting 2008 and 2007. To learn more about the College or to clarify matters in the Management's Discussion and Analysis, please contact Spensin James, President or Danilo V. Dumantay, Comptroller at email addresses [sjames@comfsm.fm](mailto:sjames@comfsm.fm) or [comptroller@comfsm.fm](mailto:comptroller@comfsm.fm), respectively or please write us at P.O. Box 159, Kolonia, Pohnpei, FSM 96941.

### **ECONOMIC OUTLOOK**

The economic position of the College is dependent on tuition fees from students receiving financial assistance from U.S. Federal Student Aid programs, and on the annual subsidy from FSM National Government through the Education Sector Grant as provided for under the Compact of Free Association between the Government of the United States of America and the Government of the FSM (Compact of Free Association II).

The U.S. Federal Student Aid programs are from the U.S. Department of Education under the U.S. Public Law 99 – 239. The U.S. Department of Education, Federal Student Aid renewed the Program Participation Agreement for the College through March 31, 2014.

## **COLLEGE OF MICRONESIA-FSM**

### **Management's Discussion and Analysis September 30, 2009 and 2008**

The College's accreditation was reaffirmed until June 2010 by the Accrediting Commission for Community and Junior Colleges (ACCJC) of the Western Association of Schools and Colleges (WASC). The reaffirmation of accreditation allows the College to continue to receive and administer U.S. Federal Student Aid programs for the College's eligible students.

The College projected to receive continued support at the same level of funding assistance in succeeding years from the FSM National Government through Compact II. The continued funding support from Compact II of at least \$3.8 Million annually, and the continued U.S. Federal Student Aid programs to FSM students will enable the administration to plan for the future of the College.

The College's endowment fund, which was established in 1992, has the goal of growing in size to provide the long-term financial stability of the College. The board and administration are exploring and undertaking strong efforts to meet the annual fund raising target to generate the projected level of contributions to the endowment fund.

The College has developed a recruitment and retention plan to increase enrollment and retention rate. The current fiscal year indicated an increase in the enrollment after experiencing a declining trend from the past three school years.

The College remains open to all possible opportunities on the military build up in Guam for the next ten years. Partnerships with employers of private and public corporations, employer associations and governments of Guam and U.S. are still an ongoing process to explore opportunities that will provide significant financial benefits to the College.

**COLLEGE OF MICRONESIA-FSM**  
**(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)**

Statements of Net Assets  
September 30, 2009 and 2008

| <u>ASSETS</u>  | <u>2009</u>   | <u>2008</u>   |
|--|---------------|---------------|
| Current assets:  |               |               |
| Cash and cash equivalents  | \$ 6,941,437  | \$ 4,574,692  |
| Due from FSM National Government   | 457,249       | 579,608       |
| Tuition receivable, net  | 2,526,713     | 2,580,833     |
| Grants and contracts receivable - U.S. Government (net of allowance for doubtful accounts of \$66,539 and \$224,895 for 2009 and 2008, respectively) | 487,098       | 1,020,615     |
| Other receivables (net of allowance for doubtful accounts of \$156,472 and \$77,807 for 2009 and 2008, respectively)                                 | 162,121       | 190,958       |
| Inventory  | 753,306       | 675,313       |
| Prepaid expenses   | 211,303       | 135,944       |
| Total current assets   | 11,539,227    | 9,757,963     |
| Noncurrent assets:   |               |               |
| Investments  | 2,874,388     | 2,777,845     |
| Capital assets, net of accumulated depreciation  | 10,988,131    | 11,674,584    |
| Total noncurrent assets  | 13,862,519    | 14,452,429    |
| Total assets   | \$ 25,401,746 | \$ 24,210,392 |
| <u>LIABILITIES AND NET ASSETS</u>  |               |               |
| Current liabilities:   |               |               |
| Accounts payable   | \$ 252,790    | \$ 518,092    |
| Accrued liabilities  | 497,228       | 433,327       |
| Accrued annual leave   | 267,843       | 265,925       |
| Deferred revenue   | 2,780,640     | 2,328,668     |
| Other current liabilities  | 253,246       | 398,507       |
| Total current liabilities  | 4,051,747     | 3,944,519     |
| Noncurrent liabilities:  |               |               |
| Long-term portion of accrued annual leave  | 258,652       | 238,468       |
| Total liabilities  | 4,310,399     | 4,182,987     |
| Commitments and contingencies  |               |               |
| Net assets:  |               |               |
| Invested in capital assets   | 10,988,131    | 11,674,584    |
| Restricted:  |               |               |
| Nonexpendable  | 2,874,388     | 2,777,845     |
| Unrestricted   | 7,228,828     | 5,574,976     |
| Total net assets   | 21,091,347    | 20,027,405    |
| Total liabilities and net assets   | \$ 25,401,746 | \$ 24,210,392 |

See accompanying notes to financial statements.

**COLLEGE OF MICRONESIA-FSM**  
**(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)**

Statements of Revenues, Expenses and Changes in Net Assets  
Years Ended September 30, 2009 and 2008

|   | 2009          | 2008          |
|---|---------------|---------------|
| Operating revenues:                         |               |               |
| Student tuition and fees                    | \$ 7,411,172  | \$ 7,154,597  |
| Less: Scholarship discounts and allowances  | (6,502,060)   | (5,899,645)   |
|   | 909,112       | 1,254,952     |
| Federal grants and contracts                | 18,211,514    | 15,257,307    |
| Government grants and contracts             | 2,374,825     | 1,370,021     |
| Sales and services of auxiliary enterprises | 1,481,226     | 1,167,076     |
| Other revenues                              | 322,664       | 432,138       |
|   | 23,299,341    | 19,481,494    |
| Total operating revenues                    |               |               |
| Less bad debts                              | (152,958)     | (716,767)     |
|   | 23,146,383    | 18,764,727    |
| Net operating revenues                      |               |               |
| Operating expenses:                         |               |               |
| Institutional support                       | 4,509,999     | 4,751,460     |
| Instruction                                 | 7,116,884     | 6,923,376     |
| Student financial assistance                | 5,356,752     | 3,396,990     |
| Student services                            | 1,582,537     | 1,530,586     |
| Depreciation                                | 1,060,758     | 1,149,782     |
| Auxiliary enterprises                       | 1,703,459     | 1,481,514     |
| Academic support                            | 716,689       | 650,847       |
| Operations and maintenance, plant           | 111,406       | 32,992        |
|   | 22,158,484    | 19,917,547    |
| Total operating expenses                    |               |               |
| Operating earnings (loss)                   | 987,899       | (1,152,820)   |
| Nonoperating revenues:                      |               |               |
| Net investment income (loss)                | 76,043        | (420,892)     |
|   | 76,043        | (420,892)     |
| Net nonoperating revenues                   |               |               |
| Net change in net assets                    | 1,063,942     | (1,573,712)   |
| Net assets:                                 |               |               |
| Net assets at beginning of year             | 20,027,405    | 21,601,117    |
| Net assets at end of year                   | \$ 21,091,347 | \$ 20,027,405 |

See accompanying notes to financial statements.

**COLLEGE OF MICRONESIA-FSM**  
**(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)**

Statements of Cash Flows  
Years Ended September 30, 2009 and 2008

|  | 2009         | 2008           |
|--|--------------|----------------|
| Cash flows from operating activities:  |              |                |
| Student tuition and fees, net  | \$ 1,262,246 | \$ 1,414,509   |
| Grants and contracts   | 21,242,215   | 16,512,762     |
| Auxiliary services   | 1,510,063    | 1,202,626      |
| Other receipts   | 322,664      | 432,138        |
| Payments to employees for salaries and benefits  | (7,642,575)  | (7,705,860)    |
| Payments to suppliers and others   | (13,933,063) | (12,372,540)   |
| Net cash provided by (used in) operating activities  | 2,761,550    | (516,365)      |
| Cash flows from capital and related financing activities:  |              |                |
| Purchases of capital assets  | (374,305)    | (1,056,994)    |
| Net cash used in capital and related financing activities  | (374,305)    | (1,056,994)    |
| Cash flows from investing activities:  |              |                |
| Investment income  | -            | 150,016        |
| Purchase of investments  | (20,500)     | (95,660)       |
| Net cash (used in) provided by investing activities  | (20,500)     | 54,356         |
| Net change in cash and cash equivalents  | 2,366,745    | (1,519,003)    |
| Cash and cash equivalents at beginning of year   | 4,574,692    | 6,093,695      |
| Cash and cash equivalents at end of year   | \$ 6,941,437 | \$ 4,574,692   |
| Reconciliation of operating earnings (loss) to net cash provided by (used in) operating activities:        |              |                |
| Operating earnings (loss)  | \$ 987,899   | \$ (1,152,820) |
| Adjustments to reconcile operating earnings (loss) to net cash provided by (used in) operating activities: |              |                |
| Depreciation   | 1,060,758    | 1,149,782      |
| Bad debts  | 152,958      | 716,767        |
| Change in assets and liabilities:  |              |                |
| Due from FSM   | 122,359      | -              |
| Tuition receivable   | (98,838)     | (473,881)      |
| Grants and contracts receivable  | 533,517      | 187,130        |
| Other receivables  | 28,837       | 35,550         |
| Inventories  | (77,993)     | (269,109)      |
| Prepaid expenses   | (75,359)     | (93,385)       |
| Accounts payable   | (265,302)    | 333,895        |
| Accrued liabilities  | 86,003       | 59,721         |
| Deferred revenue   | 451,972      | (551,883)      |
| Other current liabilities  | (145,261)    | (458,132)      |
| Net cash provided by (used in) operating activities  | \$ 2,761,550 | \$ (516,365)   |

See accompanying notes to financial statements.

**COLLEGE OF MICRONESIA-FSM**  
**(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)**

Notes to Financial Statements  
September 30, 2009 and 2008

(1) Organization

The College of Micronesia-FSM (COM-FSM or the College), formerly Community College of Micronesia or CCM, was one of the three component campuses of the College of Micronesia (COM) prior to April 1, 1993. The COM was established on March 29, 1977, by the treaty among the governments of the Republic of the Marshall Islands, the Federated States of Micronesia (FSM), and the Republic of Palau. The treaty ended on March 31, 1993, and the COM was restructured to render autonomy to each of the three nations.

CCM and the centers for continuing education (CE) in Pohnpei, Chuuk, Yap and Kosrae were merged to form COM-FSM, a FSM public corporation established by Public Law 7-79 on September 25, 1992, under the general management and control of a seven-member Board of Regents, appointed by the FSM President with the advice and consent of the FSM Congress. This law was subsequently amended to reduce the number of Board members to five. The term of all board members is 3 years and limited to 2 consecutive terms. However, a member may serve beyond the expiration date of his/her term until a successor has been appointed. The purpose of COM-FSM is to serve the varied post-secondary and adult educational needs of the FSM.

COM-FSM is considered a component unit of the FSM National Government for the following reasons: (1) the governing body, the Board of Regents, is appointed by the FSM President with the advice and consent of FSM Congress, and (2) COM-FSM has the potential to impose financial burdens on the National Government.

(2) Basis of Presentation

A. Financial Statement Presentation. In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*. The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the COM-FSM assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows, and replaces the fund-group perspective previously required.

Other GASB Statements are required to be implemented in conjunction with GASB Statements No. 34 and No. 35. Therefore, the FSM National Government and COM-FSM have also implemented Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*.

B. Basis of Accounting. For financial statement purposes, COM-FSM is considered a special-purpose government engaged only in business-type activities. Accordingly, COM-FSM’s financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-college transactions have been eliminated. COM-FSM reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods and services.



**COLLEGE OF MICRONESIA-FSM**  
**(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)**

Notes to Financial Statements  
September 30, 2009 and 2008

(2) Basis of Presentation, Continued

B. Basis of Accounting, Continued.

COM-FSM has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. COM-FSM has elected to not apply FASB pronouncements issued after the applicable date.

(3) Summary of Significant Accounting Policies

- A. Cash and Cash Equivalents. Cash and cash equivalents are defined as cash on hand, cash in bank and time certificates of deposit with initial maturities of three months or less. Time certificates of deposit with initial maturities in excess of three months are classified as investments.

GASB Statement No. 3 previously required government entities to present deposit risks in terms of whether the deposits fell into the following categories:

- Category 1 Deposits that are federally insured or collateralized with securities held by the College or its agent in the College's name;
- Category 2 Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in the College's name;  
or
- Category 3 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the College's name and non-collateralized deposits.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The College does not have a deposit policy for custodial credit risk.

At September 30, 2009 and 2008, COM-FSM has recorded cash balances of \$6,941,437 and \$4,574,692, respectively, with corresponding bank balances of \$7,976,770 and \$5,669,776, respectively. Of these amounts, \$500,000 in each year is insured by the Federal Deposit Insurance Corporation (FDIC) and \$500,000 is subject to coverage by the Securities Investor Protection Corporation. The remaining balances are not insured or collateralized by securities held by a trustee in the name of the financial institution. Management elected not to require insurance or collateralization on the remaining balances based on confidence in the financial health of the banking institutions. No losses as a result of this practice were incurred during the years ended September 30, 2009 and 2008.

**COLLEGE OF MICRONESIA-FSM**  
**(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)**

Notes to Financial Statements  
September 30, 2009 and 2008

(3) Summary of Significant Accounting Policies, Continued

B. Investments. COM-FSM accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting for Financial Reporting for Certain Investments and for External Investment Pools*. Unrealized gains and losses on the carrying value of investments are reported as a component of net investment income in the Statement of Revenues, Expenses and Changes in Net Assets.

C. Accounts Receivable. Accounts receivable tuition and fees and accounts receivable employees, are net of an allowance for uncollectible accounts as of September 30, 2009, are as follows:

|                                      | National<br>Campus  | State<br>Campuses   | Totals              |
|--------------------------------------|---------------------|---------------------|---------------------|
| Accounts receivable, gross           | \$ 3,409,587        | \$ 3,219,048        | \$ 6,628,635        |
| Allowance for uncollectible accounts | (2,048,213)         | (2,053,709)         | (4,101,922)         |
| Accounts receivable, net             | \$ <u>1,361,374</u> | \$ <u>1,165,339</u> | \$ <u>2,526,713</u> |

Accounts receivable tuition and fees and accounts receivable employees net of an allowance for uncollectible accounts as of September 30, 2008, are as follows:

|                                      | National<br>Campus  | State<br>Campuses | Totals              |
|--------------------------------------|---------------------|-------------------|---------------------|
| Accounts receivable, gross           | \$ 3,712,256        | \$ 2,844,160      | \$ 6,556,416        |
| Allowance for uncollectible accounts | (2,033,711)         | (1,941,872)       | (3,975,583)         |
| Accounts receivable, net             | \$ <u>1,678,545</u> | \$ <u>902,288</u> | \$ <u>2,580,833</u> |

The allowance for uncollectible accounts is established through a provision charged to expense. Accounts are charged against the allowance when management believes that the collection of the balance is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing balances that may be uncollectible, based on evaluations of collectibility and prior loss experience.

D. Inventory. Inventory is stated at the lower of cost (first-in, first-out) or market (net realizable value).

E. Prepaid Expenses. Payments made to vendors for goods and services that will benefit periods beyond September 30, 2009 and 2008, are recorded as prepaid expenses. Prepaid expenses represent prepayments for laboratory supplies, textbooks and computers.

F. Capital Assets and Depreciation. All buildings and equipment transferred to COM-FSM were recorded at management's estimate of fair market value at the date of transfer. Subsequent additions have been recorded at cost and/or realizable value, as estimated and provided by COM-FSM. Depreciation is calculated using the straight-line method over estimated useful lives of three to thirty years. COM-FSM has adopted a capitalization policy of \$500. Purchases less than this threshold are expensed.

Certain real property and buildings being used by COM-FSM, were contributed to COM-FSM by the FSM National Government. No user fee or allowance has been computed or charged to COM-FSM by the FSM National Government. Therefore, such costs have been recorded neither as in-kind contributions nor expenses.

**COLLEGE OF MICRONESIA-FSM**  
**(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)**

Notes to Financial Statements  
September 30, 2009 and 2008

(3) Summary of Significant Accounting Policies, Continued

- G. Deferred Revenue. Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but relate to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.
- H. Accrued Leave. COM-FSM recognizes as a liability all vested leave benefits accrued by its employees at the time such leave is earned.
- I. Noncurrent Liabilities. Noncurrent liabilities include estimated amounts for accrued compensated absences that will not be paid within the next fiscal year.

The change in accrued compensated absences during fiscal years 2009 and 2008 is as follows:

|                                 |                 |                  |                                   |                |
|---------------------------------|-----------------|------------------|-----------------------------------|----------------|
| Balance,<br><u>Oct. 1, 2008</u> | <u>Addition</u> | <u>Reduction</u> | Balance,<br><u>Sept. 30, 2009</u> | <u>Current</u> |
| \$ 504,393                      | \$ 282,826      | \$ (260,724)     | \$ 526,495                        | \$ 267,843     |
| Balance,<br><u>Oct. 1, 2007</u> | <u>Addition</u> | <u>Reduction</u> | Balance,<br><u>Sept. 30, 2008</u> | <u>Current</u> |
| \$ 478,801                      | \$ 274,743      | \$ (249,151)     | \$ 504,393                        | \$ 265,925     |

- J. Net Assets. COM-FSM net assets are classified as follows:

*Invested in Capital Assets* – This represents COM-FSM’s total investment in capital assets, net of outstanding debt obligations related to those capital assets.

*Restricted Net Assets – Nonexpendable* – Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Unrestricted Net Assets* –Unrestricted net assets represent resources derived from student tuition and fees, governmental appropriations and contracts, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the COM-FSM, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources are to also be used for auxiliary enterprises, which are substantially self-supporting activities that provide services for student, faculty and staff.

- K. Classification of Revenues and Expenses. COM-FSM has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

*Operating* – Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, and (3) most federal, state and local grants and contracts and federal appropriations.

**COLLEGE OF MICRONESIA-FSM**  
**(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)**

Notes to Financial Statements  
September 30, 2009 and 2008

(3) Summary of Significant Accounting Policies, Continued

K. Classification of Revenues and Expenses, Continued

*Nonoperating* – Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other sources and uses that are defined as nonoperating revenues and expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as FSM National Government appropriations and investment income.

L. Scholarship Discounts and Allowances. Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by COM-FSM, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in COM-FSM's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, COM-FSM has recorded a scholarship discount and allowance.

M. Risk Management. COM-FSM purchases insurance to cover its risk of losses due to fire, lightning, and other risks normal to operating an institution of higher learning. Refer also to note 8.

N Estimates. The preparation of financial statements in conformity 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.

O. New Accounting Standards. During fiscal year 2009, the College implemented the following pronouncements:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.
- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation.

**COLLEGE OF MICRONESIA-FSM**  
**(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)**

Notes to Financial Statements  
September 30, 2009 and 2008

(3) Summary of Significant Accounting Policies, Continued

O. New Accounting Standards, Continued

- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.
- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source.
- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments, and addresses three issues from the AICPA's literature - related party transactions, going concern considerations, and subsequent events.

The implementation of these pronouncements did not have a material effect on the accompanying financial statements.

In June 2007, GASB issued statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

In December 2008, GASB issued Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment. The provisions of this statement are effective for periods beginning after December 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

**COLLEGE OF MICRONESIA-FSM**  
**(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)**

Notes to Financial Statements  
September 30, 2009 and 2008

(3) Organization and Summary of Significant Accounting Policies, Continued

O. New Accounting Standards, Continued

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. The impact of the implementation of this statement on the financial statements of the College has not been evaluated.

(4) Investments

In January 1994, COM-FSM received an endowment contribution in the amount of \$150,000 from FSM Telecommunications Corporation. The principal is to be maintained inviolate and in perpetuity.

In November 1995, notification was received from the U.S. Department Education that COM-FSM had been selected for a grant under the Endowment Challenge Grant Program authorized by Title III of the Higher Education Act of 1965, as amended. Non-government funds raised for this endowment fund were matched by the U.S. Department of Education on a two-to-one basis. The Secretary of Education awarded an amount to COM-FSM equal to two times the amount of the funds raised. The College of Micronesia-FSM raised \$250,000 and the U.S. Department of Education awarded \$500,000, bringing the total of this endowment fund to \$750,000. The Endowment Challenge grant covers a period of twenty years.

The College has engaged in specific fund raising for the purpose of increasing net assets invested with the above Endowment funds. Therefore, the College is of the opinion that such investments and related investments income are appropriately classified as non expendable restricted net assets.

In December 1997, COM-FSM adopted an investment policy, which guides current investment decisions. This policy is to be reviewed after 10 years. The policy provides that investment earnings may not be obligated until the principal has aggregated to a market value of \$20 million. During the Board of Regents meeting on March 2005, an updated investment policy recommended by the Investment Consultant and reviewed by the Administration was approved by the Board. The investments are classified as restricted nonexpendable net assets in the accompanying Statement of Net Assets.

The composition of investments as of September 30, 2009 and 2008, by funding source, is as follows:

| <u>Donor</u>   | <u>2009</u>         | <u>2008</u>         |
|--|---------------------|---------------------|
| FSM Telecommunications Corporation (FSMTC)               | \$ 165,000          | \$ 165,000          |
| U.S. Department of Education and local match (Challenge) | <u>2,709,388</u>    | <u>2,612,845</u>    |
|  | <u>\$ 2,874,388</u> | <u>\$ 2,777,845</u> |

Investments and related investment earnings are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**COLLEGE OF MICRONESIA-FSM**  
**(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)**

Notes to Financial Statements  
September 30, 2009 and 2008

(4) Investments, Continued

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

- Category 1 Investments that are insured or registered, or securities held by the College or its agent in the College's name;
- Category 2 Investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the College's name; or
- Category 3 Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the College's name.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks of investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial credit risk in GASB Statement No. 3.

As of September 30, 2009 and 2008, investments at fair value are as follows:

|                            | <u>2009</u>         | <u>2008</u>         |
|----------------------------|---------------------|---------------------|
| Fixed income securities:   |                     |                     |
| Domestic fixed income      | \$ 651,544          | \$ 745,809          |
| International fixed income | <u>66,295</u>       | <u>51,701</u>       |
|                            | <u>717,839</u>      | <u>797,510</u>      |
| Other investments:         |                     |                     |
| Common equities            | 2,041,944           | 1,725,346           |
| Money market funds         | <u>114,605</u>      | <u>254,989</u>      |
|                            | <u>2,156,549</u>    | <u>1,980,335</u>    |
|                            | <u>\$ 2,874,388</u> | <u>\$ 2,777,845</u> |

As of September 30, 2009, the College's fixed income securities had the following maturities:

| <u>Investment Type</u>               | <u>Fair Value</u> | <u>Investment Maturities (in years)</u> |                   |                   |                     |
|--------------------------------------|-------------------|---|-------------------|-------------------|---------------------|
|                                      |                   | <u>Less than 1</u>                      | <u>1-5</u>        | <u>5-10</u>       | <u>more than 10</u> |
| Mortgage and asset backed securities | \$ 181,214        | \$ -                                    | \$ 15,563         | \$ 34,074         | \$ 131,577          |
| International bond                   | 66,295            | -                                       | 25,841            | 14,249            | 26,205              |
| Corporate bond                       | 342,553           | -                                       | 134,208           | 101,716           | 106,629             |
| Government bond                      | <u>127,777</u>    | <u>34,522</u>                           | <u>33,745</u>     | <u>59,510</u>     | <u>-</u>            |
|                                      | <u>\$ 717,839</u> | <u>\$ 34,522</u>                        | <u>\$ 209,357</u> | <u>\$ 209,549</u> | <u>\$ 264,411</u>   |

**COLLEGE OF MICRONESIA-FSM**  
**(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)**

Notes to Financial Statements  
September 30, 2009 and 2008

(4) Investments, Continued

As of September 30, 2008, the College's fixed income securities had the following maturities:

| Investment Type    | Fair Value        | Investment Maturities (in years) |                   |                   |                   |
|--------------------|-------------------|----------------------------------|-------------------|-------------------|-------------------|
|                    |                   | Less than 1                      | 1-5               | 5-10              | more than 10      |
| International bond | \$ 51,701         | \$ -                             | \$ 19,219         | \$ 9,796          | \$ 22,686         |
| Corporate bond     | 430,617           | -                                | 136,815           | 94,082            | 199,720           |
| Government bond    | <u>315,192</u>    | <u>-</u>                         | <u>164,718</u>    | <u>104,650</u>    | <u>45,824</u>     |
|                    | \$ <u>797,510</u> | \$ <u>-</u>                      | \$ <u>320,752</u> | \$ <u>208,528</u> | \$ <u>268,230</u> |

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The College's exposure to credit risk at September 30, 2009, was as follows:

| Moody's Rating                    | Total             | Domestic          | International    |
|-----------------------------------|-------------------|-------------------|------------------|
| AAA/AAA                           | \$ 308,991        | \$ 308,991        | \$ -             |
| AA2/A-                            | 12,956            | 12,956            | -                |
| AA2/AA                            | 38,734            | 38,734            | -                |
| AA3/A+                            | 13,080            | 13,080            | -                |
| A1/A+                             | 34,202            | 34,202            | -                |
| A1/AA1-                           | 12,974            | -                 | 12,974           |
| A2/A                              | 52,286            | 52,286            | -                |
| A2/A+                             | 13,033            | 13,033            | -                |
| A3/A-                             | 52,298            | 25,149            | 27,149           |
| BAA1/A-                           | 40,764            | 14,592            | 26,172           |
| BAA1/BBB+                         | 26,236            | 26,236            | -                |
| BAA2/BBB                          | 45,260            | 45,260            | -                |
| BAA2/BBB-                         | 13,480            | 13,480            | -                |
| BAA2/BBB+                         | 13,487            | 13,487            | -                |
| BAA3/BBB                          | 11,654            | 11,654            | -                |
| BAA3/BBB-                         | <u>28,404</u>     | <u>28,404</u>     | <u>-</u>         |
| Total credit risk debt securities | \$ <u>717,839</u> | \$ <u>651,544</u> | \$ <u>66,295</u> |



**COLLEGE OF MICRONESIA-FSM  
(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)**

Notes to Financial Statements  
September 30, 2009 and 2008

(4) Investments, Continued

The College's exposure to credit risk at September 30, 2008, was as follows:

| <u>Moody's Rating</u>             | <u>Total</u>      | <u>Domestic</u>   | <u>International</u> |
|-----------------------------------|-------------------|-------------------|----------------------|
| AAA/AAA                           | \$ 361,962        | \$ 361,962        | \$ -                 |
| AAA/AA                            | 11,145            | 11,145            | -                    |
| AA1/AA+                           | 9,266             | 9,266             | -                    |
| AA1/AA-                           | 10,071            | 10,071            | -                    |
| AA2/AA                            | 19,177            | 19,177            | -                    |
| AA2/AA-                           | 8,633             | 8,633             | -                    |
| AA3/AA                            | 10,104            | 10,104            | -                    |
| AA3/A+                            | 5,971             | 5,971             | -                    |
| A1/AA-                            | 8,631             | -                 | 8,631                |
| A1/A+                             | 10,250            | 10,250            | -                    |
| A2/A                              | 34,873            | 34,873            | -                    |
| A3/A                              | 9,383             | 9,383             | -                    |
| A3/A-                             | 26,393            | 16,235            | 10,158               |
| A3/BBB+                           | 28,670            | 18,874            | 9,796                |
| BAAA1/A-                          | 31,385            | 8,269             | 23,116               |
| BAA1/BBB+                         | 8,424             | 8,424             | -                    |
| BAA2/BBB+                         | 43,640            | 43,640            | -                    |
| BAA2/BBB                          | 5,347             | 5,347             | -                    |
| BAA3/BBB+                         | 8,274             | 8,274             | -                    |
| BAA3/BBB                          | 8,527             | 8,527             | -                    |
| BAA3/BBB-                         | 17,519            | 17,519            | -                    |
| BA1/BBB-                          | 8,054             | 8,054             | -                    |
| No Rating                         | <u>111,811</u>    | <u>111,811</u>    | <u>-</u>             |
| Total credit risk debt securities | \$ <u>797,510</u> | \$ <u>745,809</u> | \$ <u>51,701</u>     |

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the College will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The College's investments are held and administered by trustees. Based on negotiated trust and custody contracts, all of these investments were held in the College's name by the College's custodial financial institutions at September 30, 2009 and 2008.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. GASB Statement No. 40 requires disclosure by issuer and amount of investments in any one issuer that represents five percent (5%) or more of total investments for the College. There was no concentration of credit risk for investments as of September 30, 2009 and 2008.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**COLLEGE OF MICRONESIA-FSM**  
**(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)**

Notes to Financial Statements  
September 30, 2009 and 2008

(5) Due from Grantor Agencies

COM-FSM administers student financial aid (SFA) for the U.S. Department of Education SFA funds related to Pell Grants, College Work-Study and Supplemental Educational Opportunity Grants, Talent Search Program, Upward Bound Program, and Strengthening Institution Program. In addition, COM-FSM also administers Land Grant Programs on behalf of COM Land Grant College. The net grants and contracts receivable – U.S. Government are comprised of the following uncollected grants as of September 30, 2009 and 2008:

|                                       | <u>2009</u>       | <u>2008</u>         |
|---------------------------------------|-------------------|---------------------|
| Due from U.S. Department of Education | \$ 265,628        | \$ 651,121          |
| Due from COM-Land Grant, net          | <u>221,470</u>    | <u>369,494</u>      |
|                                       | <u>\$ 487,098</u> | <u>\$ 1,020,615</u> |

(6) Capital Assets

Capital assets at September 30, 2009 and 2008 consist of the following:

|                                  | Balance<br>October 1,<br><u>2008</u> | <u>Additions</u>    | <u>Retirements</u>  | Balance<br>September 30,<br><u>2009</u> |
|----------------------------------|--------------------------------------|---------------------|---------------------|---|
| Depreciable assets:              |                                      |                     |                     |   |
| Buildings                        | \$ 13,978,340                        | \$ 230,875          | \$ -                | \$ 14,209,215                           |
| Furniture and equipment          | 7,574,240                            | 320,175             | -                   | 7,894,415                               |
| Vehicles/boats                   | 889,666                              | 42,614              | -                   | 932,280                                 |
| Library books                    | <u>706,402</u>                       | <u>-</u>            | <u>-</u>            | <u>706,402</u>                          |
|                                  | 23,148,648                           | 593,664             | -                   | 23,742,312                              |
| Less accumulated depreciation    | <u>(13,149,108)</u>                  | <u>(1,060,758)</u>  | <u>-</u>            | <u>(14,209,866)</u>                     |
|                                  | <u>9,999,540</u>                     | <u>(467,094)</u>    | <u>-</u>            | <u>9,532,446</u>                        |
| Non-depreciable assets:          |                                      |                     |                     |   |
| Land                             | 1,455,685                            | -                   | -                   | 1,455,685                               |
| Construction in progress         | <u>219,359</u>                       | <u>-</u>            | <u>(219,359)</u>    | <u>-</u>                                |
|                                  | <u>1,675,044</u>                     | <u>-</u>            | <u>(219,359)</u>    | <u>1,455,685</u>                        |
| Net investment in capital assets | \$ <u>11,674,584</u>                 | \$ <u>(467,094)</u> | \$ <u>(219,359)</u> | \$ <u>10,988,131</u>                    |
|                                  |                                      |                     |                     |   |
|                                  | Balance<br>October 1,<br><u>2007</u> | <u>Additions</u>    | <u>Retirements</u>  | Balance<br>September 30,<br><u>2008</u> |
| Depreciable assets:              |                                      |                     |                     |   |
| Building                         | \$ 13,661,263                        | \$ 317,077          | \$ -                | \$ 13,978,340                           |
| Furniture and equipment          | 7,105,293                            | 468,947             | -                   | 7,574,240                               |
| Vehicles/boats                   | 838,056                              | 51,610              | -                   | 889,666                                 |
| Library books                    | <u>706,402</u>                       | <u>-</u>            | <u>-</u>            | <u>706,402</u>                          |
|                                  | 22,311,014                           | 837,634             | -                   | 23,148,648                              |
| Less accumulated depreciation    | <u>(11,999,326)</u>                  | <u>(1,149,782)</u>  | <u>-</u>            | <u>(13,149,108)</u>                     |
|                                  | <u>10,311,688</u>                    | <u>(312,148)</u>    | <u>-</u>            | <u>9,999,540</u>                        |
| Non-depreciable assets:          |                                      |                     |                     |   |
| Land                             | 1,455,685                            | -                   | -                   | 1,455,685                               |
| Construction in progress         | <u>-</u>                             | <u>219,359</u>      | <u>-</u>            | <u>219,359</u>                          |
|                                  | <u>1,455,685</u>                     | <u>219,359</u>      | <u>-</u>            | <u>1,675,044</u>                        |
| Net investment in capital assets | \$ <u>11,767,373</u>                 | \$ <u>(92,789)</u>  | \$ <u>-</u>         | \$ <u>11,674,584</u>                    |

**COLLEGE OF MICRONESIA-FSM**  
**(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)**

Notes to Financial Statements  
September 30, 2009 and 2008

(7) Related Party Transactions

COM-FSM receives annual appropriations from the FSM National Government for its operational needs, student financial assistance and other programs. At September 30, 2009 and 2008, receivables from the FSM National Government amounted to \$457,249 and \$579,608, respectively.

(8) Contingencies

COM-FSM purchases commercial insurance to cover its potential risks from fire and property damage on some of its buildings and contents. COM-FSM is substantially self-insured for all other risks. In the event of a catastrophe, COM-FSM may be self-insured to a material extent. Settlements have not exceeded insurance coverage in the past three years.

During fiscal years ended September 30, 2009 and 2008, immaterial unreconciled differences exist between the College's and COM Land Grant's financial records. The College is resolving this matter with its counterpart and such reconciliation is not expected to have a material impact on the accompanying financial statements.

(9) Retirement Plan

The College has a retirement plan, administered by a private corporation. All employees with at least one year of service are eligible for the plan. Employee contributions can be made up to 100% of earnings with a 50% match by the College up to 3% of employee compensation. During the years ended September 30, 2009, 2008 and 2007, the College incurred an expense of \$100,101, \$87,364 and \$72,391, respectively, for matching contributions.

(10) Lease

The College leases land in the State of Chuuk, where the Chuuk Campus is located. The future minimum lease payments are as follows:

| <u>Year Ending</u><br><u>September 30,</u> | <u>Total</u>        |
|--|---------------------|
| 2010                                       | \$ 78,731           |
| 2011                                       | 78,731              |
| 2012                                       | 78,731              |
| 2013                                       | 86,604              |
| 2014                                       | 86,604              |
| 2015-2019                                  | 450,340             |
| 2020-2022                                  | <u>285,792</u>      |
|  | \$ <u>1,145,533</u> |

**INDEPENDENT AUDITORS' 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**

Board of Regents  
College of Micronesia-FSM:

We have audited the financial statements of the College of Micronesia-FSM as of and for the year ended September 30, 2009, and have issued our report thereon dated June 28, 2010. We conducted our 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 our audit, we considered the College of Micronesia-FSM's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College of Micronesia-FSM's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College of Micronesia-FSM's internal control over financial reporting.

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 the entity's 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 the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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 entity's internal control.

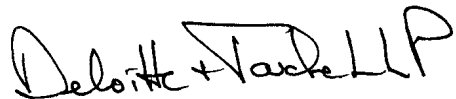
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College of Micronesia-FSM's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the College of Micronesia-FSM in a separate letter dated June 28, 2010.

This report is intended solely for the information and use of College of Micronesia-FSM Board of Regents and management, others within the entity, 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.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, stylized font.

June 28, 2010

**INDEPENDENT AUDITORS' 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**

Board of Regents  
College of Micronesia-FSM:

Compliance

We have audited the compliance of College of Micronesia-FSM 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, 2009. College of Micronesia-FSM's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Responses (page 32). Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of College of Micronesia-FSM's management. Our responsibility is to express an opinion on College of Micronesia-FSM's compliance based on our audit.

We conducted our 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 we 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about College of Micronesia-FSM's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of College of Micronesia-FSM's compliance with those requirements.

In our opinion, College of Micronesia-FSM 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, 2009.

Internal Control Over Compliance

The management of College of Micronesia-FSM 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 our audit, we considered College of Micronesia-FSM's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of College of Micronesia-FSM's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

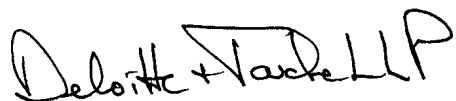
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of College of Micronesia-FSM as of and for the year ended September 30, 2009, and have issued our report thereon dated June 28, 2010. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (page 30) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of College of Micronesia-FSM. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of College of Micronesia-FSM Board of Regents and management, others within the entity, 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.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

June 28, 2010

**COLLEGE OF MICRONESIA-FSM  
(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2009

| <u>Grantor/Program Title</u>                       | <u>CFDA<br/>Number</u> | <u>Expenditures</u>  |
|--|------------------------|----------------------|
| <u>U.S. Department of Education:</u>               |                        |                      |
| Federal Pell Grant Program                         | 84.063                 | \$ 11,858,812        |
| TRIO: Upward Bound                                 | 84.047                 | 1,075,013            |
| TRIO: Talent Search                                | 84.044                 | 262,895              |
| TRIO: Student Support Services                     | 84.042                 | 189,567              |
| Bilingual Education: Professional Development      | 84.195                 | <u>(6,045)</u>       |
| Total U.S. Department of Education                 |                        | \$ <u>13,380,242</u> |
| <u>U.S. Department of the Interior:</u>            |                        |                      |
| Compact of Free Association II, Amended            | 15.875                 | \$ 3,800,000         |
| Compact of Free Association II, Amended (SEG)      | 15.875                 | 602,756              |
| Operation and Maintenance Technical Assistance     | 15.875                 | <u>78,515</u>        |
| Total U.S. Department of the Interior              |                        | \$ <u>4,481,271</u>  |
| U.S. Department of Health and Human Services       |                        |                      |
| Family Planning Services                           | 93.217                 | \$ <u>106,694</u>    |
| Total U.S. Department of Health and Human Services |                        | \$ <u>106,694</u>    |
| Total Federal Awards                               |                        | \$ <u>17,968,207</u> |

Notes: The above grants are received in a direct capacity from the U.S. Department of Education and the U.S. Department of the Interior, with the exception of the Compact of Free Association, as amended, and U.S. Department of Health and Human Services, which are received in a subrecipient capacity through the FSM National Government. The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

Reconciliation to financial statements:

|   |                      |
|---|----------------------|
| Total federal awards expenditures:          | \$ 17,968,207        |
| Depreciation                                | 1,060,758            |
| Non-federal awards                          | <u>3,129,519</u>     |
| Total expenditures per financial statements | \$ <u>22,158,484</u> |



**COLLEGE OF MICRONESIA-FSM  
(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)**

Schedule of Findings and Responses  
Year Ended September 30, 2009

**Part I - Summary of Auditors' Results**

*Financial Statements*

- |   |               |
|---|---------------|
| 1. Type of auditors' report issued:   | Unqualified   |
| Internal control over financial reporting:  |               |
| 2. Material weakness(es) identified?  | No            |
| 3. Significant deficiency(ies) identified that is not considered to be a material weakness? | None reported |
| 4. Noncompliance material to the financial statements noted?                                | No            |

*Federal Awards*

- |   |               |
|---|---------------|
| Internal control over major programs:   |               |
| 5. Material weakness(es) identified?  | No            |
| 6. Significant deficiency(ies) identified that is not considered to be a material weakness?                               | None reported |
| 7. Type of auditors' report issued on compliance for major programs:  | Unqualified   |
| 8. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | No            |
| 9. COM-FSM's major programs were as follows:  |               |

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u>   |
|--------------------|---|
| 84.063             | Federal Student Aid Cluster:<br>Federal Pell Grant Program  |
| 84.047             | TRIO Cluster:<br>TRIO: Upward Bound   |
| 84.044             | TRIO: Talent Search   |
| 84.042             | TRIO: Student Support Services  |
| 15.875             | Economic, Social and Political Development of the Territories:<br>Compact of Free Association II, Amended |

- |  |           |
|--|-----------|
| 10. Dollar threshold used to distinguish between Type A and Type B Programs, as those terms are defined in OMB Circular A-133: | \$528,263 |
| 11. The College qualified as a low-risk auditee, as that term is defined in OMB Circular A-133?                                | Yes       |

**Part II – Financial Statement Findings Section**

No matters are reported.

**Part III - Federal Award Findings and Questioned Cost Section**

No matters are reported.

**COLLEGE OF MICRONESIA-FSM  
(A COMPONENT UNIT OF THE FSM NATIONAL GOVERNMENT)**

Schedule of Unresolved Prior Year Findings  
Year Ended September 30, 2009

There are no unresolved prior year internal control findings.