

June 14, 2011

To the Board of Regents of
College of Micronesia-FSM:

We have performed an audit of the financial statements of the College of Micronesia-FSM (the College), a component unit of the FSM National Government as of and for the year ended September 30, 2010, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated June 14, 2011.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the College is responsible.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our responsibility under generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated January 19, 2011, a copy of which has been provided to you. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of the College’s financial statements and to disclaim an opinion on the required supplementary information for the year ended September 30, 2010 in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects;
- To express an opinion on whether the supplementary information that accompanies the basic financial statements is presented fairly, in all material respects, in relation to the basic financial statements taken as a whole;
- To report on the College’s internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2010 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*; and
- To issue an independent auditors’ management letter.

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Regents are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Regents of their responsibilities.

We considered the College's 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 do not express an opinion on the effectiveness of the College's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared with the oversight of management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the College's 2010 financial statements include management's estimate of the allowance for uncollectible accounts, which is determined based upon past collection experience and aging of the accounts; management's estimate of the allowance for inventory obsolescence, which is determined based upon expected inventory turnover and inventory aging; and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2010, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS

As the result of our audit work, we identified matters that resulted in audit adjustments that we believe, either individually or in the aggregate, would have a significant effect on the College's financial reporting process. Such proposed adjustments, listed in Appendix I, have been recorded in the accounting records and are reflected in the 2010 financial statements. Those proposed adjustments that were not recorded by management are also included in the schedule described in the next paragraph.

In addition, we have attached to this letter, as Appendix II, a summary of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

SIGNIFICANT ACCOUNTING POLICIES

The College's significant accounting policies are set forth in Note 3 to College's 2010 financial statements. During the year ended September 30, 2010, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by the College:

- GASB 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.
- GASB 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.
- GASB 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.

- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

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

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. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of the College.

In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of the College.

For the year ended September 30, 2011, the following pronouncement will be adopted by the College:

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. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of the College.

OTHER INFORMATION IN THE ANNUAL REPORTS

When audited financial statements are included in documents containing other information such as the College's 2010 Annual Report, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We will read the other information in the College's 2010 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board.

The audited financial statements for the year ended September 30, 2010 were not included in documents containing other information such as the College's Annual Report to the date of this letter.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the College's 2010 financial statements.

CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2010.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the College's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the College is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix III, a copy of the representation letter we obtained from management.

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions regarding the application of accounting principles or auditing standards were held with management in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions were not held in connection with our retention as auditors.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the College's management and staff and had unrestricted access to the College's senior management in the performance of our audit.

CONTROL-RELATED MATTERS

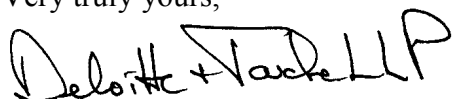
We have issued a separate report to you, dated June 14, 2011, wherein matters involving the College's internal control over financial reporting that were considered to be significant deficiencies and material weaknesses under standards established by the American Institute of Certified Public Accountants, and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters were reported. We have also issued a separate report to you, also dated June 14, 2011, containing certain matters involving College's compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.

* * * * *

This report is intended solely for the information and use of the Board of Regents, management, and others within the College and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the staff and management of the College for their cooperation and assistance during the course of this engagement.

Very truly yours,

The image shows a handwritten signature in black ink. The signature appears to be "Deloitte + Tatchell LLP" written in a cursive, stylized font. The signature is positioned below the text "Very truly yours,".

APPENDIX I

Summary of Corrected Misstatements

Description of Misstatement	Assets		Liabilities		Equity		Income		TOTAL
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	
Current-Period Misstatements									
JV10-SC041									
(Dr) 151-7001 tuition							55,983		55,983
(Cr) 151-5601 deferred revenue				55,983					-55,983
JV10-068									
(Dr) 101-4102 stale checks			52,525						52,525
(Cr) 101-7599 miscellaneous revenue							52,525		-52,525
(Dr) 101-8401 purchases - textbooks							1,803		1,803
(Cr) 101-2971 inventory - bookstore		1,803							-1,803
(Dr) 101-9101 Bad debts							34,113		34,113
(Cr) 101-2184 Allowance for travel advances		27,768							-27,768
(Cr) 101-2182 Allowance for employee advances		6,345							-6,345
(Dr) 151-4102 Stale checks			19,772						19,772
(Cr) 151-7599 Misc. revenue							19,772		-19,772
(Dr) 201-4102 Stale Checks			11,861						11,861
(Cr) 201-7599 Misc. revenue							11,861		-11,861
(Dr) 201-9101 Bad debt expense							213		213
(Cr) 201-2182 Allowance - employee advances		213							-213
JV10-069									
(Dr) 101-2199 AR - refund clearing	69,483								69,483
(Cr) 101-5375 Due to students				69,483					-69,483
(Dr) 101-7251 Technology fee							92,144		92,144
(Cr) 101-5601 Deferred revenue - tuition				92,144					-92,144
(Dr) 101-2053 Prepaid expenses	45,116								45,116
(Cr) 101-8201 Supplies							30,627		-30,627
(Cr) 101-8931 Tools and equipment							10,992		-10,992
(Cr) 101-8601 Insurance							3,497		-3,497
(Dr) 151-2199 AR - refund clearing	406,586								406,586
(Cr) 151-5375 Due to students				406,586					-406,586
(Dr) 151-7251 Technology fee							47,060		47,060
(Cr) 151-5601 Deferred revenbue - tuition				47,060					-47,060
(Dr) 151-2053 Prepaid expenses	6,564								6,564
(Cr) 151-8301 Utilities							6,564		-6,564
JV10-070									
(Dr) 151-2180 Allowance - inactive accounts	257,206								257,206
(Cr) 151-2179 Student receivable - inactive accounts		257,206							-257,206
JV10-071									
(Dr) 101-2353 Due from UOG - Federal	34,221								34,221
(Cr) 101-2351 Due from UOG - Non-federal		34,221							-34,221
(Dr) 201-2353 Due from UOG - Federal	177,552								177,552
(Cr) 201-2351 Due from UOG - Non-federal		177,552							-177,552


APPENDIX I, CONTINUED

JV10-072				0
(Dr) 101-7551 Contract revenue		105,153		105,153
(Cr) 101-7903 USDA grants - CARIPAC and CYFAR			105,153	-105,153
(Dr) 201-2411 Due from FSM - Compact IMF	300,640			300,640
(Cr) 201-7633 Compact IMF revenue			300,640	-300,640
JV10-073				
(Dr) 101-9101 Bad debt expense		61,257		61,257
(Cr) 101-2102 Allowance - National	45,874			-45,874
(Cr) 101-2122 Allowance - Pohnpei	15,384			-15,384
(Dr) 151-9101 Bad debt expense		144,976		144,976
(Cr) 151-2132 Allowance - Chuuk	76,988			-76,988
(Cr) 151-2142 Allowance - Kosrae	21,088			-21,088
(Cr) 151-2152 Allowance - Yap	46,901			-46,901
JV10-073.1				
(Dr) 101-9101 Bad debt expense		29,100		29,100
(Cr) 101-7599 Misc. revenue			29,100	-29,100
(Dr) 151-7599 Misc. revenue		81,006		81,006
(Cr) 151-9101 Bad debt expense			81,006	-81,006
JV10-074				
(Dr) 101-5501 Accrued payroll	3,183			3,183
(Dr) 101-8011 Social security contribution		1,152		1,152
(Cr) 101-4053 Withholding tax payable		2,031		-2,031
(Cr) 101-4051 Social security payable		2,304		-2,304
(Dr) 151-5501 Accrued payroll	2,287			2,287
(Dr) 151-8011 Social security contribution		770		770
(Cr) 151-4051 Social security payable		1,541		-1,541
(Cr) 151-4053 Withholding tax payable		1,517		-1,517
(Dr) 201-5501 Accrued payroll	163			163
(Dr) 201-8011 Social security contribution		81		81
(Cr) 201-4051 Social security payable		163		-163
(Cr) 201-4053 Withholding tax payable		81		-81
JV10-075				
(Dr) 101-5021 Due to current restricted fund		16,797		16,797
(Cr) 101-2215 Due from restricted - FSEOG	16,797			-16,797
(Dr) 201-2862 Allowance - DOE	26,700			26,700
(Cr) 201-2853 Due from DOE (GAPS) FSEOG	16,797			-16,797
(Cr) 201-2852 Due from DOE (GAPS) WS	9,903			-9,903
(Dr) 201-5013 Due to Unrestricted fund - FSEOG		16,797		16,797
(Cr) 201-2201 Due from Unrestricted fund	16,797			-16,797
JV10-076				
(Dr) 101-6001 Unassigned Fund balance - GF		567,671		567,671
(Cr) 101-6502 Assigned fund balance			567,671	-567,671
(Dr) 161-6021 Unassigned fund balance - Chuuk		29,122		29,122
(Dr) 151-6031 Unassigned fund balance - Kosrae		22,902		22,902
(Dr) 151-6041 Unassigned fund balance - Yap		31,079		31,079
(Cr) 151-6502 Assigned fund balance			83,103	-83,103
JV10-77				

APPENDIX I, CONTINUED

(Dr) 101-5801 Deferred revenue - TQEG	176,169								176,169
(Cr) 101-7599 Miscellaneous revenue							176,169		-176,169
(Dr) 101-5801 Deferred revenue - DEA	63,227								63,227
(Cr) 101-7599 Miscellaneous revenue							63,227		-63,227
JV10-079									
(Dr) 101-5375 Due to students - general	61,716								61,716
(Cr) 101-7376 Due to Pell grant						61,716			-61,716
(Dr) 151-5375 Due to students - general	152,658								152,658
(Cr) 151-7376 Due to Pell grant						152,658			-152,658
Total Misstatements Adjusted	1,324,067	771,635	577,154	893,266	650,774	650,774	654,812	891,132	0

The above corrected misstatements do not represent fraud or illegal acts. Rather, such represent misstatements.



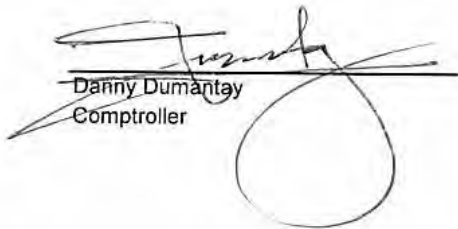
 Danny Dumantay
 Comptroller

APPENDIX A

Summary of Uncorrected Misstatement

Description of Misstatement	Assets		Liabilities		Equity		Income		TOTAL
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	
PAJE <1>									
(Dr) Bad debts							45,427		45,427
(Cr) Allowance		45,427							-45,427
	0	45,427	0	0	0	0	45,427	0	0

The above uncorrected misstatement does not represent fraud or illegal acts. Rather, such represents misstatement.


 Danny Dumanitay
 Comptroller



COLLEGE OF MICRONESIA –FSM

APPENDIX III

P.O. Box 159, Kolonia, Pohnpei
Federated States of Micronesia 96941

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Fax: (691) 320-2479

Office of the President

June 14, 2011

Deloitte & Touche LLP
P.O. Box 753
Kolonia, Pohnpei

We are providing this letter in connection with your audits of the statements of net assets of the College of Micronesia – FSM (COM-FSM), a component unit of the FSM National Government, as of September 30, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended, which collectively comprise the COM-FSM's basic financial statements for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the COM-FSM in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the following:

- a. The fair presentation in the basic financial statements of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America.
- b. The fair presentation of the required supplementary information, including Management's Discussion and Analysis, accompanying the basic financial statements.
- c. The design and implementation of programs and controls to prevent and detect fraud, including fraud related to federal awards.
- d. Establishing and maintaining effective internal control over financial reporting.
- e. The review and approval of the financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the financial statements was a matter of convenience rather than one of necessity. We have reviewed the financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for stand-alone business-type activities obtained from the Government Finance Officers Association.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

APPENDIX III, CONTINUED

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The basic financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. In addition:
 - a. Net asset components (invested in capital assets; restricted nonexpendable; and unrestricted) are properly classified and, if applicable, approved.
 - b. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
 - c. Revenues are appropriately classified in the statement of activities.
 - d. Deposits and investment securities are properly classified in category of custodial credit risk.
 - e. Capital assets are properly capitalized, reported, and, if applicable, depreciated.
 - f. Required supplementary information is measured and presented within prescribed guidelines.
2. The COM-FSM has made available to you all:
 - a. Minutes of meetings of the COM-FSM's Board of Directors. Board meetings were held on the following dates:

May 17-19, 2010 September 28-30, 2010

September 30 – October 1, 2010
 - b. Financial records and related data for all financial transactions of the COM-FSM and for all funds administered by the COM-FSM. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the COM-FSM and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
 - c. Contracts and grant agreements (including amendments, if any).
3. There has been no:
 - a. Action taken by the COM-FSM's management that contravenes the provisions of federal laws and local laws and regulations or of contracts and grants applicable to the COM-FSM.
 - b. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
4. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.

APPENDIX III, CONTINUED

5. The COM-FSM has not performed a risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the COM-FSM and do not believe that the financial statements are materially misstated as a result of fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the COM-FSM involving:
 - a. Management.
 - b. Employees who have significant roles in internal control over financial reporting.
 - c. Others if the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the COM-FSM received in communications from employees, former employees, regulators, or others.
8. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*.
9. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

Except where otherwise stated below, matters less than \$73,115 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

10. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
11. The COM-FSM has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
12. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:
 - a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).
 - b. Guarantees, whether written or oral, under which the COM-FSM is contingently liable.
13. In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
 1. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.
 2. The effect of the change would be material to the financial statements.

We are not aware of any estimates at September 30, 2010 that may change and that the effect of the change would be material to the financial statements.

14. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
 - a. The concentration exists at the date of the financial statements.
 - b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact.
 - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
15. There are no:
 - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, Contingencies (formerly FASB Statement No. 5, *Accounting for Contingencies*) other than that disclosed in the financial statements.
16. The COM-FSM has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
17. The COM-FSM has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.
18. No department or agency of the COM-FSM has reported a material instance of noncompliance to us.
19. The Accrediting Commission for Community and Junior Colleges (ACCJC) of the Western Association of Schools and Colleges (WASC) at its meeting on June 9-11, 2010, continued the College on "warning status." The accredited status of COM-FSM continues during the warning period; therefore, this condition does not make COM-FSM ineligible for federal grants. COM-FSM is not aware of any subsequent developments in the warning status.
20. No events have occurred subsequent to September 30, 2010 that require consideration as adjustments to or disclosures in the financial statements.
21. Management has disclosed whether, subsequent to September 30, 2010, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses have occurred. However, no such changes have occurred subsequent to that date.
22. The COM-FSM is responsible for determining and maintaining the adequacy of the allowance for uncollectible receivables, as well as estimates used to determine such amounts.
23. We are also responsible for the representations in the Schedule of Federal Awards, which is prepared in accordance with the requirements of OMB Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations." We have identified in the schedule all awards provided to the College in 2010 by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance or direct appropriations. In addition, we have accurately completed the appropriate sections of the data collection form.

APPENDIX III, CONTINUED

24. We are responsible for compliance with local, state and federal laws, rules and regulations, including compliance with the requirements of OMB Circular A-133, and provisions of grants and contracts relating to College's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The College is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
25. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on its federal programs
26. We have:
 - a) Identified the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program.
 - b) Complied, in all material respects, with the requirements identified above in connection with federal awards except as disclosed in the report on compliance on compliance and internal control.
 - c) Made available all information related to federal financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards.
 - d) Identified and disclosed all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews related to the objectives of the audit.
 - e) Provided to you our views on the reported findings, conclusions, and recommendations for your report.
27. We are not aware of any:
 - a) Actions taken by management which contravene the provisions of Federal and Local laws or regulations or of contracts applicable to the College
 - b) Fraud involving management or employees who have significant roles in the internal control
 - c) Communications arising from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices or other matters that could have a material effect on the financial statements, except as described in note 8 to the financial statements.

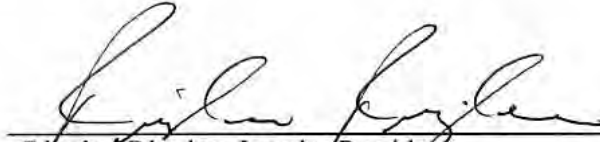
28. During fiscal year 2010, the Entity implemented the following pronouncements:

- GASB 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.
- GASB 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.
- GASB 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.
- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

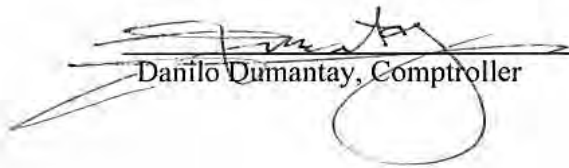
The implementation of these pronouncements did not have a material effect on the accompanying financial statements.

29. 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. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of the College.
30. In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement method are effective immediately. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

31. In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The provisions of this statement are effective for periods beginning after June 15, 2010. Management has not evaluated the effect that the implementation of this statement will have on the financial statements of the College.



Ringlen Ringlen, Interim President



Danilo Dumantay, Comptroller