

MAJURO ATOLL WASTE COMPANY
(A COMPONENT UNIT OF THE REPUBLIC
OF THE MARSHALL ISLANDS)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

MAJURO ATOLL WASTE COMPANY
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Years Ended September 30, 2021 and 2020
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Majuro Atoll Waste Company:

Report on the Financial Statements

We have audited the accompanying financial statements of Majuro Atoll Waste Company (MAWC), a component unit of the Republic of the Marshall Islands (RepMar), which comprise the statements of net position as of September 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MAWC as of September 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matters

Going Concern

The accompanying financial statements have been prepared assuming that MAWC will continue as a going concern. As discussed in Note 7 to the financial statements, MAWC's recurring losses from operations raise substantial doubt about its ability to continue as a going concern. Management's plans concerning this matter are also discussed in Note 7 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Uncertainty

As discussed in Notes 5 and 7 to the financial statements, capitalized design and engineering costs were impaired as the Jenrok landfill project site was re-assigned by RepMar for other purposes. It is uncertain how the current landfill site will be transferred to or be paid for by RepMar.

COVID-19

As discussed in Note 9 to the financial statements, MAWC has determined that the COVID-19 pandemic may negatively impact its business, results of operations and net position.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 6, 2022, on our consideration of MAWC'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MAWC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering MAWC's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Deloitte Touche LLP".

September 6, 2022

MAJURO ATOLL WASTE COMPANY
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Management's Discussion and Analysis
Years Ended September 30, 2021 and 2020

OVERVIEW

Majuro Atoll Waste Company (MAWC) management offers the readers of MAWC's financial statements this narrative overview and analysis of the financial activities of MAWC for the fiscal year ended September 30, 2021, with comparative information provided for 2020 and 2019. We encourage the readers to consider the information presented here in conjunction with additional information that we have furnished in MAWC's financial statements.

MAWC is a state-owned enterprise of the Republic of the Marshall Islands (RepMar) under the Ministry of Environment starting September 2, 2020, previously under the Ministry of Works, Infrastructure and Utilities. MAWC receives General Fund and ROC Capital Projects Fund subsidies from the RepMar government. Other sources of funds are provided by grants from government and private institutions, from distributions from RepMar's Recycling Fund, and from MAWC's own revenue from operations.

MAWC is engaged in collection and disposal of solid waste as well as implementation and operation of Container Deposit Legislation (CDL) recycling program in Majuro Atoll. It is governed by a nine member Board of Directors, chaired by the Minister in Assistance to the President and Environment with members from Majuro Atoll Local Government (MALGOV), Chamber of Commerce, Tourism and Hospitality Community Association, Ministry of Health and Human Services (MOHHS), Ministry of Finance, Banking and Postal Services (MOFBPS), Office of Environmental Planning and Policy Coordination (OEPPC), Ministry of Works, Infrastructure and Utilities (MWIU) and Environmental Protection Authority (EPA), and is managed by 70 employees with the leadership of the General Manager.

OPERATIONAL AND FINANCIAL PERFORMANCE

MAWC's results of operations for FY 2021 have increased its net operating loss by \$97,637 (or 14.4%) from \$678,044 in 2020 to \$775,681 in 2021. Factors that contributed to the net unfavorable results for 2021 are attributed to the increase in operating expenses by \$164,885 (or 10.2%) from \$1,617,075 in 2020 to \$1,781,960 in 2021 offset by an increase in the total net operating revenues by \$67,248 (or 7.2%) from \$939,031 in 2020 to \$1,006,279 in 2021.

Major contributors to the increase in operating revenues was the increase in revenues from recycling fund revenues, other recycling revenues, and miscellaneous revenues offset by the decrease in waste collection revenue. The increase in operating expenses was attributed to the increase in payroll, seawall, repairs and maintenance, office supplies, taxes and licenses, leases, insurance and miscellaneous expenses and by the decrease in recycling expense, depreciation expense, fuel, utilities and communication, meetings and entertainment, professional and contractual expenses and advertising.

FINANCIAL ANALYSIS OF MAWC

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position provide an indication of MAWC's financial condition. MAWC's net position reflects the difference between assets and liabilities. An increase in net position over time typically indicates an improvement in financial condition.

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Management's Discussion and Analysis, Continued
Years Ended September 30, 2021 and 2020

Net Position

A summary of MAWC's Statements of Net Position is presented below:

Summary Statements of Net Position
As of September 30

	2021	2020	\$ Change 2021-2020	% Change 2021-2020	2019
Assets:					
Current and other assets	\$ 673,374	\$ 153,449	\$ 519,925	338.8%	\$ 128,989
Deposit on acquisition of capital assets	81,482	-	81,482	100.0%	-
Capital assets	<u>481,358</u>	<u>580,564</u>	<u>(99,206)</u>	(17.1)%	<u>598,692</u>
Total assets	<u>1,236,214</u>	<u>734,013</u>	<u>502,201</u>	68.4%	<u>727,681</u>
Liabilities:					
Current and other liabilities	<u>141,186</u>	<u>112,624</u>	<u>28,562</u>	25.4%	<u>129,850</u>
Net position:					
Net investment in capital assets	481,358	580,564	(99,206)	(17.1)%	598,692
Restricted	233,525	89,221	144,304	161.7%	-
Unrestricted	<u>380,145</u>	<u>(48,396)</u>	<u>428,541</u>	(885.5)%	<u>(861)</u>
Total net position	<u>\$ 1,095,028</u>	<u>\$ 621,389</u>	<u>\$ 473,639</u>	76.2%	<u>\$ 597,831</u>

MAWC's total assets increased by \$502,201 (or 68.4%) from \$734,013 in 2020 to \$1,236,214 in 2021. This was primarily due to the increase in cash of \$520,930 (or 684.9%) from \$76,064 in 2020 to \$596,994 in 2021, increase in net receivables by \$16,054 (or 28.5%) from \$56,285 in 2020 to \$72,339 in 2021 offset by the decrease in other current assets of \$17,059 (or 80.8%) from \$21,100 in 2020 to \$4,041 in 2021.

MAWC's total capital assets decreased by \$99,206 (or 17.1%) from \$580,564 in 2020 to \$481,358 in 2021, net effect of current year depreciation and current year additions of \$131,452 and \$32,246, respectively. Deposit on acquisition of capital assets amounting to \$81,842 pertains to advances to vendor for waste collection equipment funded by the Government of Japan to be received in the subsequent period.

MAWC's total liabilities increased by \$28,562 (or 25.4%) from \$112,624 in 2020 to \$141,186 in 2021. This increase was attributed to the increase in accounts payable of \$2,640 (8.0%) from \$33,058 in 2020 to \$35,698 in 2021, increase in payable to affiliates of \$5,548 (or 15.8%) from \$35,084 in 2020 to \$40,632 in 2021, and an increase in payroll liabilities of \$20,374 (or 47%) from \$43,306 in 2020 to \$63,680 in 2021.

MAWC's total net position increased by \$473,639 (or 76.2%) from \$621,389 in 2020 to \$1,095,028 in 2021. This increase was due to the increase in restricted and unrestricted net position of \$144,304 and \$428,541, respectively, offset by the decrease in net investment in capital assets of \$99,206.

MAJURO ATOLL WASTE COMPANY
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Management's Discussion and Analysis, Continued
Years Ended September 30, 2021 and 2020

Change in Net Position

A summary of MAWC's Statements of Revenues, Expenses, and Changes in Net Position is presented below:

Summary Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30

	2021	2020	\$ Change 2021-2020	% Change 2021-2020	2019
Operating:					
Operating revenues	\$ 1,006,219	\$ 939,031	\$ 67,248	7.2%	\$ 1,134,082
Operating expenses	<u>1,781,960</u>	<u>1,617,075</u>	<u>164,885</u>	10.2%	<u>2,761,148</u>
Operating loss	(775,681)	(678,044)	(97,637)	14.4%	(1,627,066)
Nonoperating:					
Nonoperating revenues	<u>965,393</u>	<u>619,122</u>	<u>346,271</u>	55.9%	<u>400,426</u>
	189,712	(58,922)	248,634	(422.0)%	(1,226,640)
Capital contributions	<u>283,927</u>	<u>82,480</u>	<u>201,447</u>	244.2%	<u>-</u>
Change in net position	<u>\$ 473,639</u>	<u>\$ 23,558</u>	<u>\$ 450,081</u>	1910.5%	<u>\$ (1,226,640)</u>

MAWC's total revenues increased by \$614,966 (or 37.5%) from \$1,640,633 in 2020 to \$2,255,599 in 2021. This increase was attributed to an increase in non-operating revenues relating to contributions from RepMar of \$366,495 (or 61.2%) from \$598,898 in 2020 to \$965,393 in 2021.

MAWC received a capital grant from the Government of Japan of \$267,645 to purchase commercial and residential dumpsters and personnel protective equipment (PPE) to support waste collection activities and two equipment donations from Republic of China with a value of \$16,282.

Increase in operating revenues was due to the increase in recycling fund revenues of \$9,986 (or 1.3%) from \$786,334 in 2020 to \$796,320 in 2021, the increase in other recycling revenue of \$23,834 (or 22.8%) from \$104,674 in 2020 to \$128,508 in 2021, and the increase in miscellaneous revenues of \$2,249 (or 244.7%) offset by the decrease in waste collection revenues of \$4,957 (or 6.0%) from \$919 in 2020 to \$3,168 in 2021. Bad debts expense was recognized by MAWC of \$36,136 in 2020.

MAWC's total expenses increased by \$164,885 (or 10.2%) from \$1,617,075 in 2020 to \$1,781,960 in 2021. This increase was attributed primarily to an increase in: payroll costs of \$63,916 (or 12.0%) from \$530,619 in 2020 to \$594,535 in 2021; seawall expense of \$101,711 (or 91.3%) from \$111,379 in 2020 to \$213,090 in 2021; repairs and maintenance of \$28,835 (or 142.1%) from \$20,295 in 2020 to \$49,130 in 2021; office supplies expense of \$4,323 (or 31.2%) from \$13,857 in 2020 to \$18,180 in 2021; taxes and licenses of \$2,447 (or 46.5%) from \$5,259 in 2020 to \$7,706 in 2021; leases of \$333 (or 8.3%) from \$4,000 in 2020 to \$4,333 in 2021; insurance of \$1,317 (or 59.6%) from \$2,210 in 2020 to \$3,527 in 2021; and miscellaneous expense of \$2,119 (or 31.2%) from \$6,782 in 2020 to \$8,901 in 2021. These increases were offset by a decrease in: recycling expense of \$23,644 (or 3.3%) from \$706,545 in 2020 to \$682,901 in 2021; depreciation expense of \$4,280 (or 3.2%) from \$135,732 in 2020 to \$131,452 in 2021; fuel expenses of \$3,263 (or 6.3%) from \$51,910 in 2020 to \$48,647 in 2021; utilities and communication expense of \$4,513 (or 34.3%) from \$13,148 in 2020 to \$8,635 in 2021; meetings and entertainment expense of \$648 (or 7.8%) from \$8,324 in 2020 to \$7,676 in 2021; professional and contractual services of \$2,354 (or 48.5%) from \$4,854 in 2020 to \$2,500 in 2021; and advertising expense of \$1,414 (or 65.4%) from \$2,161 in 2020 to \$747 in 2021.

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Management's Discussion and Analysis, Continued
Years Ended September 30, 2021 and 2020

Change in Net Position, Continued

Management's Discussion and Analysis for the year ended September 30, 2020 is set forth in MAWC's report on the audit of financial statements, which is dated September 30, 2021. Such Management Discussion and Analysis explains the major factors impacting the FY2020 financial statements and can be obtained from MAWC's General Manager via the contact information on page 7.

CAPITAL ASSETS AND LONG-TERM DEBT

As of September 30, 2021, MAWC has investments in capital assets, net of accumulated depreciation, of \$481,358, a decrease of \$99,206 (or 17.1%) from 2020. This decrease is the result of current year depreciation expense amounting to \$131,452 offset by current year additions to depreciable capital assets amounting to \$32,246. The capital asset additions in FY2021 pertain to various office equipment and truck and heavy equipment.

A summary of MAWC's capital assets is presented below:

Summary Schedule of Capital Assets
Years Ended September 30

	2021	2020	\$ Change 2021-2020	% Change 2021-2020	2019
Office equipment	\$ 26,299	\$ 18,334	\$ 7,965	43.4%	\$ 14,455
Recycling equipment	503,822	503,822	-	0.0%	419,297
Truck and heavy equipment	442,203	521,729	(79,526)	(15.2)%	487,984
Buildings and other structure	29,694	29,694	-	0.0%	60,894
Recycle center	185,684	185,684	-	0.0%	127,473
Waste collection equipment	405,828	405,828	-	0.0%	405,828
	1,593,530	1,665,091	(71,561)	(4.3)%	1,575,931
Accumulated depreciation	(1,112,172)	(1,084,527)	(27,645)	2.5%	(1,035,450)
	481,358	580,564	(99,206)	(17.1)%	540,481
Construction in progress	-	-	-	0.0%	58,211
	<u>\$ 481,358</u>	<u>\$ 580,564</u>	<u>\$ (99,206)</u>	(17.1)%	<u>\$ 598,692</u>

Capital assets are summarized in notes to the financial statements. Please refer to Note 5 for additional information concerning capital assets. At this time, MAWC has no long-term debt.

ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES

Fiscal Year 2021 Budget

MAWC received a \$965,393 financial subsidy from RepMar's General Fund and generated total operating revenues of \$1,006,279, which was lower than anticipated revenues of \$1,144,717. The decrease in operation revenues is primarily caused by the decrease in revenues from CDL recycling.

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Management's Discussion and Analysis, Continued
Years Ended September 30, 2021 and 2020

ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES, CONTINUED

Fiscal Year 2022 Budget

MAWC operational funding for FY2022 increased from FY2021, amounting to \$702,375 that will be coming from the RepMar General Fund plus anticipated grants and operating revenues of \$1,740,018 that aim to attain the following four outputs/goals:

1. All residential and commercial solid waste in Majuro service areas successfully collected in bins, bags or as bulk materials, and hauled to landfill for segregation, recycling or disposal.
2. All segregated, non-recyclable waste from Majuro service areas effectively disposed of in semi-sanitary landfill.
3. All segregated, recyclable waste from Majuro service areas processed for local reuse or exportation.
4. MAWC's operations and development guided by effective strategic plans and governance of Board of Directors with manager.

MAWC will continue to develop and implement strategic and annual action plans, build revenues towards sustainable financing and more independent operations as befit a state-owned enterprise; however, MAWC continues to be dependent on RepMar for cash funding. The continuation of MAWC's operations is dependent upon the future financial support of RepMar, deferment in payment of certain liabilities, and/or significant improvements in operations. Management believes that actions presently being undertaken to revise MAWC's operating requirements, including the generation of positive cash flows from operations, and increasing the customer base, provide the opportunity for MAWC to continue as a going concern.

The current COVID-19 pandemic being experienced worldwide has finally reached the Marshall Islands and as such is expected to directly impact day-to-day operations. MAWC has determined that community transmission may negatively impact MAWC's business, results of operations, and financial position and MAWC may become more dependent upon the financial support of RepMar. If such occurs, MAWC will await instructions from the RMI Disaster Committee in order to address the situation.

Contact Us

Questions associated with the above MD&A may be sent by post addressed to Halston Debrum, General Manager, P.O. Box 3596, Majuro, MH 96960, or via email to mawc.gm@gmail.com or call mobile no. (692)455-3736.

MAJURO ATOLL WASTE COMPANY
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Statements of Net Position
September 30, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
Current assets:		
Cash	\$ 596,994	\$ 76,064
Receivables, net	72,339	56,285
Other current assets	4,041	21,100
Total current assets	673,374	153,449
Noncurrent assets:		
Deposit on acquisition of capital assets	81,482	-
Capital assets:		
Depreciable capital assets, net of accumulated depreciation	481,358	580,564
Total noncurrent assets	562,840	580,564
	\$ 1,236,214	\$ 734,013
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 35,698	\$ 33,058
Payable to affiliates	40,632	35,084
Payroll liabilities	63,680	43,306
Other current liabilities	1,176	1,176
Total liabilities	141,186	112,624
Contingencies		
Net position:		
Net investment in capital assets	481,358	580,564
Restricted	233,525	89,221
Unrestricted	380,145	(48,396)
Total net position	1,095,028	621,389
	\$ 1,236,214	\$ 734,013

See accompanying notes to financial statements.

MAJURO ATOLL WASTE COMPANY
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2021 and 2020

	2021	2020
Operating revenues:		
Recycling Fund revenues	\$ 796,320	\$ 786,334
Other recycling revenue	128,508	104,674
Waste collection	78,283	83,240
Miscellaneous	3,168	919
Total operating revenues	1,006,279	975,167
Provision for doubtful accounts	-	(36,136)
Net operating revenues	1,006,279	939,031
Operating expenses:		
Recycling	682,901	706,545
Payroll	594,535	530,619
Seawall	213,090	111,379
Depreciation	131,452	135,732
Repairs and maintenance	49,130	20,295
Fuel	48,647	51,910
Office supplies	18,180	13,857
Utilities and communication	8,635	13,148
Taxes and licenses	7,706	5,259
Meetings and entertainment	7,676	8,324
Leases	4,333	4,000
Insurance	3,527	2,210
Professional and contractual services	2,500	4,854
Advertising	747	2,161
Miscellaneous	8,901	6,782
Total operating expenses	1,781,960	1,617,075
Operating loss	(775,681)	(678,044)
Nonoperating revenues:		
Contributions from RepMar	965,393	598,898
Other income	-	20,224
Total nonoperating revenues	965,393	619,122
Income (loss) before capital contributions	189,712	(58,922)
Capital contributions:		
Government of Japan	267,645	82,480
Republic of China	16,282	-
	283,927	82,480
Change in net position	473,639	23,558
Net position at beginning of year	621,389	597,831
Net position at end of year	\$ 1,095,028	\$ 621,389

See accompanying notes to financial statements.

MAJURO ATOLL WASTE COMPANY
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received from Recycling Fund	\$ 780,646	\$ 799,612
Cash received from customers	185,079	187,518
Cash payments to suppliers for goods and services	(1,030,726)	(973,456)
Cash payments to employees for services	(574,161)	(545,989)
Net cash used for operating activities	(639,162)	(532,315)
Cash flows from noncapital financing activities:		
Operating subsidies received from RepMar	989,893	574,398
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(15,964)	(96,104)
Deposit on acquisition of capital assets	(81,482)	-
Capital grants received	267,645	82,480
Net cash provided by (used in) capital and related financing activities	170,199	(13,624)
Net change in cash	520,930	28,459
Cash at beginning of year	76,064	47,605
Cash at end of year	\$ 596,994	\$ 76,064
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (775,681)	\$ (678,044)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	131,452	135,732
Provision for doubtful accounts	-	36,136
Decrease (increase) in assets:		
Receivables	(40,681)	11,963
Other current assets	17,059	(19,600)
Increase (decrease) in liabilities:		
Accounts payable	2,640	2,000
Payable to affiliates	5,548	(5,155)
Payroll and other liabilities	20,501	(15,347)
Net cash used for operating activities	\$ (639,162)	\$ (532,315)
Noncash capital and related financing activities:		
Donation of capital assets from Republic of China (ROC):		
Capital assets	\$ (16,282)	\$ -
Capital contributions	16,282	-
	\$ -	\$ -

See accompanying notes to financial statements.

MAJURO ATOLL WASTE COMPANY
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Notes to Financial Statements
September 30, 2021 and 2020

(1) Organization

Majuro Atoll Waste Company (MAWC) was incorporated under the laws of the Republic of the Marshall Islands (RepMar) on January 30, 2007. The principal place of business is on Majuro Atoll. The purpose for which MAWC is organized is to engage in, but not limited to, the collection and disposal of solid waste on Majuro Atoll.

MAWC is governed by a nine-member Board of Directors, which includes the Minister in Assistance to the President and Environment, the Secretary of the Ministry of Works, Infrastructure and Utilities (WIU), the Majuro Atoll Local Government Councilman on the Executive Committee responsible for solid waste management, and one member each respectively nominated by the Chamber of Commerce, the Tourism and Hospitality Community Association, the Office of Environmental Planning and Policy Coordination, the Ministry of Health and Human Services, the National Environmental Protection Authority, and the Ministry of Finance, Banking and Postal Services.

In accordance with Cabinet Minute 205 (2020), the RepMar Cabinet authorized the transfer of operational concerns and policy matters with respect to MAWC from the Ministry of WIU to the Ministry of Environment.

MAWC's financial statements are incorporated into the financial statements of RepMar as a component unit.

(2) Summary of Significant Accounting Policies

The accounting policies of MAWC conform to accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental entities, specifically proprietary funds.

GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended by GASB Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, and GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and 34, establish financial reporting standards for governmental entities, which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes and modifies certain other financial statement disclosure requirements. To conform to these requirements, equity is presented in the following net position categories:

- Net investment in capital assets - capital assets, net of accumulated depreciation and related debt, plus construction or improvement of those assets.
- Restricted - net position whose use by MAWC is subject to externally imposed stipulations that can be fulfilled by actions of MAWC pursuant to those stipulations or that expire with the passage of time. As of September 30, 2021 and 2020, MAWC has restricted net position as follows:

	<u>2021</u>	<u>2020</u>
Republic of China Capital Projects:		
Majuro Dumpsite Seawall Project	\$ 47,362	\$ 86,721
Government of Japan:		
Waste Collection Improvement and Expansion Project	186,163	-
Wood Waste Chipper Project	-	2,500
	<u>\$ 233,525</u>	<u>\$ 89,221</u>

MAJURO ATOLL WASTE COMPANY
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Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

- Unrestricted - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use for the same purpose, it is MAWC's policy to use unrestricted resources first, then restricted resources as they are needed.

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of the fund are included in the statements of net position. Proprietary fund operating statements present increases and decreases in net position. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Revenue Recognition

MAWC considers recycling and waste collection revenues and costs directly related to such revenues to be operating revenues and expenses. Revenues and expenses related to financing and other activities are reflected as nonoperating. Capital grants, financing or investing related transactions are reported as non-operating revenues. Revenue is recognized on the accrual basis and is recorded upon billing when services have been completed. All expenses related to operating MAWC are reported as operating expenses.

Cash

Custodial credit risk is the risk that in the event of a bank failure, MAWC'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. MAWC does not have a deposit policy for custodial credit risk.

For purposes of the statements of net position and of cash flows, cash represents cash on hand and cash in bank accounts. As of September 30, 2021 and 2020, the carrying amounts of cash were \$596,994 and \$76,064, respectively, and the corresponding bank balances were \$603,371 and \$105,565, respectively. Of the bank balances, \$601,687 and \$101,300, respectively, are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance with bank deposits of \$1,684 and \$4,265, respectively, being maintained in a financial institution not subject to depository insurance. As of September 30, 2021 and 2020, bank deposits in the amount of \$250,000 and \$101,300, respectively, were FDIC insured. MAWC does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk. MAWC has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its deposits.

MAJURO ATOLL WASTE COMPANY
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

Receivables

All receivables are due from government agencies, businesses and individuals located within the Republic of the Marshall Islands and are interest free and uncollateralized. The allowance for uncollectible accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience.

Management determines the adequacy of the allowance for uncollectible accounts based upon review of the aged accounts receivable. The allowance is established through a provision for bad debts charged to expense. Bad debts are written off against the allowance on the specific identification method.

Property and Equipment

MAWC generally capitalizes individual items with a cost that equals or exceeds \$250 and has estimated useful life of more than one year. Property and equipment is recorded at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of equipment, vehicles, and furniture and fixtures range from 4 to 10 years.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. MAWC has no items that qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. MAWC has no items that qualify for reporting in this category.

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick benefits. As of September 30, 2021 and 2020, the accumulated vacation leave liability amounted to \$28,759 and \$18,792, respectively, and is included within the statements of net position as payroll liabilities.

Taxes

Corporate profits are not subject to income tax in the Marshall Islands. Instead, RepMar imposes a gross receipts tax (GRT) of 3% on revenues. MAWC is specifically exempt from this tax.

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Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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.

New Accounting Standards

In 2020, GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which postponed the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

During the year ended September 30, 2021, MAWC implemented the following pronouncements:

- GASB Statement No. 84, Fiduciary Activities, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- GASB Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.
- GASB Statement No. 93, Replacement of Interbank Offered Rates, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ended September 30, 2022.

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

In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for the fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for the fiscal year ending September 30, 2022.

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Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for the fiscal year ending September 30, 2023.

In January 2020, GASB issued Statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for the fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for the fiscal year ending September 30, 2023.

MAJURO ATOLL WASTE COMPANY
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Notes to Financial Statements
September 30, 2021 and 2020

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2020, GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 will be effective for the fiscal year ending September 30, 2022.

(3) Risk Management

MAWC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. MAWC has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims have not exceeded this commercial coverage in any of the past three years. For other risks of loss to which it is exposed, MAWC has elected not to purchase commercial insurance. Instead, MAWC believes it is more economical to manage its risks internally. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No material losses have resulted from MAWC's risk management activities for the past three years.

(4) Receivables

Receivables as of September 30, 2021 and 2020, consist of the following:

	<u>2021</u>	<u>2020</u>
Trade	\$ 59,402	\$ 60,499
Due from RepMar:		
ROC Capital Projects Fund	-	24,500
Recycling Fund	28,956	13,258
Other affiliates	76,243	50,290
	<u>164,601</u>	<u>148,547</u>
Less allowance for doubtful accounts	<u>(92,262)</u>	<u>(92,262)</u>
	<u>\$ 72,339</u>	<u>\$ 56,285</u>

MAJURO ATOLL WASTE COMPANY
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Notes to Financial Statements
September 30, 2021 and 2020

(5) Capital Assets

Capital asset activity for the years ended September 30, 2021 and 2020 is as follows:

	2021				
	Balance at October 1, 2020	Additions	Transfers	Reclass/ Disposals/ Impairment	Balance at September 30, 2021
Depreciable capital assets:					
Office equipment	\$ 18,334	\$ 7,965	\$ -	\$ -	\$ 26,299
Recycling equipment	503,822	-	-	-	503,822
Truck and heavy equipment	521,729	24,281	-	(103,807)	442,203
Office building	13,471	-	-	-	13,471
Recycle center	185,684	-	-	-	185,684
Waste segregation structure	16,223	-	-	-	16,223
Waste collection equipment	<u>405,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>405,828</u>
	1,665,091	32,246	-	(103,807)	1,593,530
Less accumulated depreciation	<u>(1,084,527)</u>	<u>(131,452)</u>	<u>-</u>	<u>103,807</u>	<u>(1,112,172)</u>
	<u>\$ 580,564</u>	<u>\$ (99,206)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,358</u>
	2020				
	Balance at October 1, 2019	Additions	Transfers	Reclass/ Disposals/ Impairment	Balance at September 30, 2020
Depreciable capital assets:					
Office equipment	\$ 14,455	\$ 3,879	\$ -	\$ -	\$ 18,334
Recycling equipment	479,297	79,980	-	(55,455)	503,822
Truck and heavy equipment	487,984	33,745	-	-	521,729
Office building	13,471	-	-	-	13,471
Recycle center	127,473	-	58,211	-	185,684
Waste segregation structure	47,423	-	-	(31,200)	16,223
Waste collection equipment	<u>405,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>405,828</u>
	1,575,931	117,604	58,211	(86,655)	1,665,091
Less accumulated depreciation	<u>(1,035,450)</u>	<u>(135,732)</u>	<u>-</u>	<u>86,655</u>	<u>(1,084,527)</u>
	540,481	(18,128)	58,211	-	580,564
Nondepreciable capital assets:					
Construction in progress	<u>58,211</u>	<u>-</u>	<u>(58,211)</u>	<u>-</u>	<u>-</u>
	<u>\$ 598,692</u>	<u>\$ (18,128)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 580,564</u>

During the years ended September 30, 2021 and 2020, MAWC derecognized fully depreciated capital assets with costs of \$103,807 and \$86,655, respectively.

During the year ended September 30, 2021, MAWC made certain deposits of \$81,482 associated with the Government of Japan funded Waste Collection Improvement and Expansion Project for the acquisition of waste collection equipment that was subsequently received in 2022. Furthermore, MAWC was the recipient of donated heavy equipment as a capital contribution from the Republic of China in the amount of \$16,282.

In 2019, certain capitalized design and engineering costs of \$903,552 associated with the new Jenrok landfill project were considered impaired as the project site was re-assigned by RepMar for other purposes.

MAJURO ATOLL WASTE COMPANY
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Notes to Financial Statements
September 30, 2021 and 2020

(6) Related Party Transactions

MAWC is a component unit of RepMar and is therefore affiliated with all RepMar-owned and affiliated entities, including the RMI Environmental Protection Authority. MAWC utilizes services from certain affiliated entities at substantially the same terms and conditions as those incurred from third parties. A summary of related party transactions as of and for the years ended September 30, 2021 and 2020 are as follows:

	2021			
	Revenues	Expenses	Receivables	Payables
Marshalls Energy Company, Inc.	\$ 485	\$ 43,471	\$ 246	\$ 683
Marshall Islands Social Security Administration	288	58,806	288	35,599
College of the Marshall Islands	3,009	-	1,923	-
Marshall Islands National Telecommunications Authority	255	2,334	136	280
RepMar	9,154	7,394	65,831	4,070
Other	<u>10,056</u>	<u>2,284</u>	<u>7,819</u>	<u>-</u>
	<u>\$ 23,247</u>	<u>\$ 114,289</u>	<u>\$ 76,243</u>	<u>\$ 40,632</u>
	2020			
	Revenues	Expenses	Receivables	Payables
Marshalls Energy Company, Inc.	\$ 836	\$ 40,577	\$ 149	\$ 1,610
Marshall Islands Social Security Administration	298	53,448	96	28,277
College of the Marshall Islands	3,012	55	2,862	-
Marshall Islands National Telecommunications Authority	280	1,974	130	426
RepMar	10,414	5,175	41,566	3,271
Other	<u>12,560</u>	<u>8,591</u>	<u>5,487</u>	<u>1,500</u>
	<u>\$ 27,400</u>	<u>\$ 109,820</u>	<u>\$ 50,290</u>	<u>\$ 35,084</u>

In accordance with the Styrofoam Cups and Plates, and Plastic Products Prohibition and Container Deposit Act 2016, RepMar established a Recycling Program for the purpose of creating a self-supported, safe and efficient system of disposal of recyclable beverage containers in the Marshall Islands. A deposit fee is levied on each deposit beverage container manufactured in or imported into the Marshall Islands, which fees are deposited into the Recycling Fund maintained by the Ministry of Finance, Banking and Postal Services. Payments are made from the Recycling Fund to compensate redemption centers at which empty beverage containers may be returned for a payment in return of 5 cents per item. MAWC has entered into an agreement with the RMI Environmental Protection Authority whereby MAWC has agreed to act as a collection and processing center for empty beverage containers. In return, MAWC shall be paid 6 cents per item from the Recycling Fund. During the years ended September 30, 2021 and 2020, MAWC received distributions of \$796,320 and \$786,334, respectively, from the Recycling Fund. MAWC has recorded a receivable from RepMar as of September 30, 2021 and 2020 of \$28,956 and \$13,258, respectively, associated with the Recycling Program.

MAJURO ATOLL WASTE COMPANY
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Notes to Financial Statements
September 30, 2021 and 2020

(6) Related Party Transactions, Continued

During the years ended September 30, 2021 and 2020, the operations of MAWC were funded by appropriations from the Nitijela of RepMar as follows:

	<u>2021</u>	<u>2020</u>
General Fund:		
Operating subsidy	791,793	\$ 400,798
ROC Capital Projects Fund:		
Majuro Dumpsite Seawall Project	<u>173,600</u>	<u>198,100</u>
	<u>\$ 965,393</u>	<u>\$ 598,898</u>

During the years ended September 30, 2021 and 2020, MAWC was the recipient of funding from the Government of Japan for project capital grants as follows:

	<u>2021</u>	<u>2020</u>
Waste Collection Improvement and Expansion Project	\$ 267,645	\$ -
Wood Waste Chipper Project	<u>-</u>	<u>82,480</u>
	<u>\$ 267,645</u>	<u>\$ 82,480</u>

In 2021, MAWC received the Government of Japan grant through RepMar in a pass-through capacity while the 2020 grant was received from the Government of Japan in a direct capacity.

(7) Contingencies

Going Concern

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which contemplates the continuation of MAWC as a going concern. MAWC sustained substantial operating losses during the years ended September 30, 2021 and 2020 of \$775,681 and \$678,044, respectively. Management acknowledges that it is currently dependent on RepMar for cash funding in order to maintain MAWC as a going concern. Although RepMar has provided funding in the past, MAWC does not have a formal agreement with RepMar to provide funds in the future. Management believes that the continuation of MAWC's operations is dependent upon the future financial support of RepMar, deferment in payment of certain liabilities, and/or significant improvements in operations.

In view of these matters, realization of the related assets in the accompanying statement of net position as of September 30, 2021, is dependent upon continued operations of MAWC, which, in turn, is dependent upon MAWC's ability to provide service to its customers and the success of future operations. Management believes that actions presently being undertaken to revise MAWC's operating requirements, including the generation of positive cash flows from operations, and increasing the customer base, provide the opportunity for MAWC to continue as a going concern. For the year ending September 30, 2022, RepMar appropriated \$702,375 to MAWC for the purpose of funding operations.

MAJURO ATOLL WASTE COMPANY
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Notes to Financial Statements
September 30, 2021 and 2020

(7) Contingencies, Continued

Federal Grants

MAWC participates in a number of U.S. Department of the Interior grants. These programs are subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. Questioned costs of \$903,552 were identified in 2019 for which related Single Audit Reports were issued in prior years. The ultimate disposition of the questioned costs can be determined only by the final action of the grantor agency. Therefore, no provision for any liability that may result upon resolution of this matter has been made in the accompanying financial statements.

Jenrok Landfill

Capitalized design and engineering costs, as further explained in Note 5, were considered impaired in 2019 as the project site was re-assigned by RepMar for other purposes. It is uncertain how the current landfill site will be transferred to or be paid for by RepMar. MAWC is currently negotiating with RepMar for a final determination insofar as resolution of this matter.

(8) Employee Retirement Plan

MAWC has implemented a defined contribution retirement savings plan (the Plan) for its employees who have completed at least three (3) months of service. Plan participants may either contribute a minimum of \$3 up to 5% of their gross salaries or up to the amount of the plan participant's specified contribution to be matched 100% by MAWC whichever is lower of the amounts. Withdrawal from the Plan occurs upon termination of employment, retirement at age 65, permanent disability or death. Plan assets are held in a trust fund administered by a trustee in accordance with the trust agreement. Management has the authority to establish or amend Plan provisions and contribution requirements. During the year ended September 30, 2021, MAWC contributed \$3,757 to Plan participant accounts. As of September 30, 2021, total Plan assets were \$8,607.

(9) COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended the containment and mitigation measures worldwide. During the year ended September 30, 2021, four confirmed cases were identified in the Marshall Islands that were isolated and contained. On August 8, 2022, community transmission was identified and MAWC has determined that such may negatively impact MAWC's business, results of operations, and financial position and MAWC may become more dependent upon the financial support of RepMar. However, the effect of the pandemic on RepMar is also uncertain and future available funding to RepMar component units may be limited. Therefore, while MAWC expects this matter to potentially have a negative impact on its business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

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

Board of Directors
Majuro Atoll Waste Company:

We have audited, in accordance with the 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, the financial statements of the Majuro Atoll Waste Company (MAWC), a component unit of the Republic of the Marshall Islands, which comprise the statement of net position as of September 30, 2021, and the related statements of revenues, expenses, and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 6, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MAWC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MAWC's internal control. Accordingly, we do not express an opinion on the effectiveness of MAWC's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MAWC's financial statements are free from 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 financial statements. 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.

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte + Touche LLP

September 6, 2022

MAJURO ATOLL WASTE COMPANY
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Unresolved Prior Year Findings and Questioned Costs
Year Ended September 30, 2021

Prior Year Findings

There were no unresolved audit findings from prior year audits of MAWC.

Questioned Costs

The prior year audit report on compliance with laws and regulations noted the following questioned costs that were unresolved as of September 30, 2021:

	<u>Total</u>
Questioned costs of MAWC as previously reported:	
Finding No. 2019-001	\$ <u>903,552</u>