

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

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**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**

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**YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

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

Years Ended September 30, 2020 and 2019  
Table of Contents

	<u>Page No.</u>
I. INDEPENDENT AUDITORS' REPORT	1
II. MANAGEMENT'S DISCUSSION AND ANALYSIS	3
III. FINANCIAL STATEMENTS:	
Statements of Net Position	8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11
IV. INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	21
Unresolved Prior Year Findings	23

## **INDEPENDENT AUDITORS' 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, 2020 and 2019, 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.

#### ***Auditors' 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, 2020 and 2019, and the results of its operations 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. The manner in which this will be resolved is uncertain and while there are various possibilities, ultimate resolution is currently unknown.

### *COVID-19*

As discussed in Note 8 to the financial statements, MAWC has determined that the COVID-19 pandemic may negatively impact its business, results of operations and net position. MAWC is unable to reasonably estimate its ultimate financial impact.

Our opinion is not modified with respect to these matters.

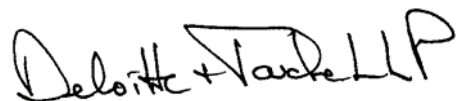
## **Other Matters**

### *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 30, 2021, 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.



September 30, 2021

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

Management's Discussion and Analysis  
Years Ended September 30, 2020 and 2019

**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, 2020, with comparative information provided for 2019 and 2018. 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 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 2020 have decreased its net operating loss by \$949,022 (or 58.3%) from \$1,627,066 in 2019 to \$678,044 in 2020. Factors that contributed to the net favorable results for 2020 are attributed to the decrease in operating expenses by \$1,144,073 (or 41.4%) from \$2,761,148 in 2019 to \$1,617,075 in 2020 offset by a decrease in the total net operating revenues by \$195,051 (or 17.2%) from \$1,134,082 in 2019 to \$939,031 in 2020.

Major contributors to the decrease in operating revenues was the decrease in revenues from recycling activities, waste bin service collection, and miscellaneous revenues offset by the increase in other recycling revenue. The decrease in operating expenses was attributed to the impairment loss recognized in prior period, decrease in recycling expense, payroll expense due to the vacancy of General Manager post, fuel consumption, depreciation expense, office supplies, meetings and entertainment, taxes and licenses, insurance, travel expenses and professional and contractual expenses.

**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.

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

Management's Discussion and Analysis, Continued  
Years Ended September 30, 2020 and 2019

**Net Position**

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

**Summary Statements of Net Position**  
As of September 30

	2020	2019	\$ Change 2020-2019	% Change 2020-2019	2018
<b>Assets:</b>					
Current and other assets	\$ 153,449	\$ 128,989	\$ 24,460	19.0%	\$ 504,925
Capital assets	580,564	598,692	(18,128)	(3.0)%	1,441,005
<b>Total assets</b>	<b>734,013</b>	<b>727,681</b>	<b>6,332</b>	<b>0.9%</b>	<b>1,945,930</b>
<b>Liabilities:</b>					
Current and other liabilities	112,624	129,850	(17,226)	(13.3)%	121,459
<b>Net position:</b>					
Net investment in capital assets	580,564	598,692	(18,128)	(3.0)%	1,441,005
Restricted	89,221	-	89,221	100.0%	399,626
Unrestricted	(48,396)	(861)	(47,535)	5520.9%	(16,160)
<b>Total net position</b>	<b>\$ 621,389</b>	<b>\$ 597,831</b>	<b>\$ 23,558</b>	<b>3.9%</b>	<b>\$ 1,824,471</b>

MAWC's total assets have increased by \$6,332 (or 0.9%) from \$727,681 in 2019 to \$734,013 in 2020. This was primarily due to the increase in cash of \$28,459 (or 59.8%) from \$47,605 in 2019 to \$76,064 in 2020, increase in other current assets by \$19,600 (or 1,306.7%) from \$1,500 in 2019 to \$21,100 in 2020 offset by the decrease in net receivables of \$23,599 (or 29.5%) from \$79,884 in 2019 to \$56,285 in 2020.

MAWC's total capital assets have decreased by \$18,128 (or 3.0%) from \$598,692 in 2019 to \$580,564 in 2020, net effect of current year depreciation and current year additions of \$135,732 and \$117,604, respectively.

MAWC's total liabilities have decreased by \$17,226 (or 13.3%) from \$129,850 in 2019 to \$112,624 in 2020. This decrease was attributed to the decrease in payable to affiliates of \$3,655 (or 9.4%) from \$38,739 in 2019 to \$35,084 in 2020, decrease in payroll liabilities of \$15,370 (or 26.2%) from \$58,676 in 2019 to \$43,306 in 2020 offset by the increase in accounts payable of \$1,775 (or 5.7%) from \$31,283 in 2019 to \$33,058 in 2020 and other current liabilities of \$24 (or 2.1%) from \$1,152 in 2019 to \$1,176 in 2020.

MAWC's total net position has increased by \$23,558 (or 3.9%) from \$597,831 in 2019 to \$621,389 in 2020. This increase was due to the increase in restricted net position of \$89,221 offset by the decrease in net investment in capital assets and unrestricted net position of \$18,128 and \$47,535, respectively.

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

Management's Discussion and Analysis, Continued  
Years Ended September 30, 2020 and 2019

**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**

	2020	2019	\$ Change 2020-2019	% Change 2020-2019	2018
Operating:					
Operating revenues	\$ 939,031	\$ 1,134,082	\$ (195,051)	(17.2)%	\$ 265,964
Operating expenses	<u>1,617,075</u>	<u>2,761,148</u>	<u>(1,144,073)</u>	(41.4)%	<u>1,062,273</u>
Operating loss	(678,044)	(1,627,066)	949,022	(58.3)%	(796,309)
Nonoperating:					
Nonoperating revenues	<u>619,122</u>	<u>400,426</u>	<u>218,696</u>	54.6%	<u>518,214</u>
	(58,922)	(1,226,640)	1,167,718	(95.2)%	(278,095)
Capital contributions	<u>82,480</u>	<u>-</u>	<u>82,480</u>	100.0%	<u>456,995</u>
Change in net position	<u>\$ 23,558</u>	<u>\$ (1,226,640)</u>	<u>\$ 1,250,198</u>	(101.9)%	<u>\$ 178,900</u>

MAWC's total revenues increased by \$106,125 (or 6.9%) from \$1,534,508 in 2019 to \$1,640,633 in 2020. This increase was attributed to an increase in non-operating revenues relating to contributions from RepMar of \$198,472 (or 49.6%) from \$400,426 in 2019 to \$598,898 in 2020 and other non-operating income of \$20,224 in 2020. MAWC received a capital grant from the Government of Japan of \$82,480 to purchase a woodchipper in 2020 to support Laura Transfer Station activities. Decrease in operating revenues was due to the decrease in recycling of \$151,976 (or 14.6%) from \$1,042,984 in 2019 to \$891,008, the decrease in operating income from waste collections of \$6,237 (or 7.0%) from \$89,477 in 2019 to \$83,240 in 2020, and the decrease in miscellaneous revenues of \$702 (or 43.3%) from \$1,621 in 2019 to \$919 in 2020.

MAWC's total expenses decreased by \$1,144,073 (or 41.4%) from \$2,761,148 in 2019 to \$1,617,075 in 2020. This decrease was attributed primarily to a decrease in: recycling expenses of \$140,026 (or 16.5%) from \$846,571 in 2019 to \$706,545 in 2020; payroll costs of \$138,089 (or 20.7%) from \$668,708 in 2019 to \$530,619 in 2020; depreciation expense of \$8,107 (or 5.64%) from \$143,839 in 2019 to \$135,732 in 2020; fuel expense of \$35,980 (or 40.9%) from \$87,890 in 2019 to \$51,910 in 2020; office supplies expense of \$515 (or 3.6%) from \$14,372 in 2019 to \$13,857 in 2020; meetings and entertainment expense of \$3,805 (or 31.4%) from \$12,129 in 2019 to \$8,324 in 2020; taxes and licenses of \$110 (or 2.0%) from \$5,369 in 2019 to \$5,259 in 2020; professional and contractual services expenses of \$26,611 (or 84.6%) from \$31,465 in 2019 to \$4,854 in 2020; insurance expense of \$1,952 (or 46.9%) from \$4,162 in 2019 to \$2,210 in 2020; impairment loss in 2019 for Jenrok Landfill Project design and engineering costs amounting to \$903,934; and travel expense of \$3,662 in 2019. These decreases were offset by an increase in: Batakan Seawall Project expense of \$111,379 in 2020; repairs and maintenance expense of \$2,661 (or 15.1%) from \$17,634 in 2019 to \$20,295 in 2020; utilities and communication expense of \$2,953 (or 29.0%) from \$10,195 in 2019 to \$13,148 in 2020; leases of \$333 (or 9.1%) from \$3,667 in 2019 to \$4,000 in 2020; advertising expense of \$1,351 (or 166.8%) from \$810 in 2019 to \$2,161 in 2020; and miscellaneous expenses of \$41 (or 0.6%) from \$6,741 in 2019 to \$6,782 in 2020.

Management's Discussion and Analysis for the year ended September 30, 2019 is set forth in MAWC's report on the audit of financial statements, which is dated July 20, 2020. Such Management Discussion and Analysis explains the major factors impacting the FY2019 financial statements and can be obtained from MAWC's Acting General Manager via the contact information on page 7.

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

Management's Discussion and Analysis, Continued  
Years Ended September 30, 2020 and 2019

**CAPITAL ASSETS AND LONG-TERM DEBT**

At September 30, 2020, MAWC has investments in capital assets, net of accumulated depreciation, of \$580,564 a decrease of \$18,128 (or 3.0%) from 2019. This decrease is the result of current year depreciation expense amounting to \$135,732 offset by current year additions to depreciable capital assets amounting to \$117,604. The capital asset additions in FY2020 pertain to various office equipment, recycling equipment and General Manager's service truck.

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

	2020	2019	\$ Change 2020-2019	% Change 2020-2019	2018
Office equipment	\$ 18,334	\$ 14,455	\$ 3,879	26.8%	\$ 15,475
Recycling equipment	503,822	479,297	24,525	5.1%	633,984
Truck and heavy equipment	521,729	487,984	33,745	6.9%	956,593
Buildings and other structure	29,694	60,894	(31,200)	(51.2)%	60,894
Recycle center	185,684	127,473	58,211	45.7%	127,473
Waste collection equipment	405,828	405,828	-	0.0%	810,112
	1,665,091	1,575,931	89,160	5.7%	2,604,531
Accumulated depreciation	(1,084,527)	(1,035,450)	(49,077)	4.7%	(2,075,139)
	580,564	540,481	40,083	7.4%	529,392
Construction in progress	-	58,211	(58,211)	(100.0)%	911,613
	<u>\$ 580,564</u>	<u>\$ 598,692</u>	<u>\$ (18,128)</u>	(3.0)%	<u>\$ 1,441,005</u>

Capital assets are summarized in note 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 2020 Budget**

MAWC received a \$598,898 financial subsidy from RepMar's General Fund and ROC Capital Projects Fund and generated total operating revenues of \$939,031, which was lower than anticipated revenues of \$1,048,660. The decrease in operation revenues is primarily caused by the decrease in revenues from CDL recycling.

**Fiscal Year 2021 Budget**

MAWC operational funding for FY2021 remained the same from FY2020, amounting to \$404,030 that will be coming from the RepMar General Fund plus anticipated grants and operating revenues of \$1,144,717 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.



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

Management's Discussion and Analysis, Continued  
Years Ended September 30, 2020 and 2019

**ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES, CONTINUED**

MAWC was also granted with a supplemental fund from RepMar of \$356,000 to support salary increments as well as to add insurance and pension benefits to MAWC's employees, to assist with bin replacements, and other expenses to support MAWC's operations.

Furthermore, 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.

The current COVID-19 pandemic being experienced worldwide has not yet reached the Marshall Islands and as such is not expected to directly impact day-to-day operations. The Company does expect potential negative impact to the CDL recycling program and funding from the RMI government in the event that COVID-19 is experienced locally. If such occurs, the company 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 [wanidebrum@gmail.com](mailto:wanidebrum@gmail.com) or call mobile no. (692)456-4895.

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

Statements of Net Position  
September 30, 2020 and 2019

	2020	2019
<u>ASSETS</u>		
Current assets:		
Cash	\$ 76,064	\$ 47,605
Receivables, net	56,285	79,884
Other current assets	21,100	1,500
Total current assets	153,449	128,989
Noncurrent assets:		
Capital assets:		
Nondepreciable	-	58,211
Depreciable capital assets, net of accumulated depreciation	580,564	540,481
Total noncurrent assets	580,564	598,692
	\$ 734,013	\$ 727,681
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 33,058	\$ 31,283
Payable to affiliates	35,084	38,739
Payroll liabilities	43,306	58,676
Other current liabilities	1,176	1,152
Total liabilities	112,624	129,850
Contingencies		
Net position:		
Net investment in capital assets	580,564	598,692
Restricted	89,221	-
Unrestricted	(48,396)	(861)
Total net position	621,389	597,831
	\$ 734,013	\$ 727,681

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, 2020 and 2019

	2020	2019
Operating revenues:		
Recycling Fund revenues	\$ 786,334	\$ 943,031
Other recycling revenue	104,674	99,953
Waste collection	83,240	89,477
Miscellaneous	919	1,621
Total operating revenues	975,167	1,134,082
Provision for doubtful accounts	(36,136)	-
Net operating revenues	939,031	1,134,082
Operating expenses:		
Recycling	706,545	846,571
Payroll	530,619	668,708
Depreciation	135,732	143,839
Seawall	111,379	-
Fuel	51,910	87,890
Repairs and maintenance	20,295	17,634
Office supplies	13,857	14,372
Utilities and communication	13,148	10,195
Meetings and entertainment	8,324	12,129
Taxes and licenses	5,259	5,369
Professional and contractual services	4,854	31,465
Leases	4,000	3,667
Insurance	2,210	4,162
Advertising	2,161	810
Impairment loss	-	903,934
Travel	-	3,662
Miscellaneous	6,782	6,741
Total operating expenses	1,617,075	2,761,148
Operating loss	(678,044)	(1,627,066)
Nonoperating revenues:		
Contributions from RepMar	598,898	400,426
Other income	20,224	-
Total nonoperating revenues	619,122	400,426
Loss before capital contributions	(58,922)	(1,226,640)
Capital contributions:		
Government of Japan	82,480	-
Change in net position	23,558	(1,226,640)
Net position at beginning of year	597,831	1,824,471
Net position at end of year	\$ 621,389	\$ 597,831

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, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash received from Recycling Fund	\$ 799,612	\$ 933,084
Cash received from customers	187,518	178,509
Cash payments to suppliers for goods and services	(973,456)	(1,042,481)
Cash payments to employees for services	(545,989)	(664,213)
Net cash used for operating activities	(532,315)	(595,101)
Cash flows from noncapital financing activities:		
Operating subsidy received from RepMar	574,398	400,426
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(96,104)	(200,460)
Capital grants received	82,480	-
Net cash used in capital and related financing activities	(13,624)	(200,460)
Net change in cash	28,459	(395,135)
Cash at beginning of year	47,605	442,740
Cash at end of year	\$ 76,064	\$ 47,605
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (678,044)	\$ (1,627,066)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	135,732	143,839
Provision for doubtful accounts	36,136	-
Impairment loss	-	903,934
Decrease (increase) in assets:		
Receivables	11,963	(22,489)
Other current assets	(19,600)	3,290
Increase (decrease) in liabilities:		
Accounts payable	2,000	(9,260)
Payable to affiliates	(5,155)	8,108
Payroll and other liabilities	(15,347)	4,543
Net cash used for operating activities	\$ (532,315)	\$ (595,101)

See accompanying notes to financial statements.

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

Notes to Financial Statements  
September 30, 2020 and 2019

**(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 as follows:

- The Minister in Assistance to the President and Environment.
- The Secretary of the Ministry of Works, Infrastructure and Utilities.
- The Majuro Atoll Local Government Councilman on the Executive Committee responsible for solid waste management.
- One member from a list of two or more nominations by the Chamber of Commerce.
- One member from a list of two or more nominations by the Tourism and Hospitality Community Association.
- One member from a list of two or more nominations by the Office of Environmental Planning and Policy Coordination.
- One member from a list of two or more nominations by the Ministry of Health and Human Services.
- One member from a list of two or more nominations by the National Environmental Protection Authority.
- One member from a list of two or more nominations by 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: Nonexpendable net position subject to externally imposed stipulations that require MAWC to maintain such permanently. As of September 30, 2020 and 2019, MAWC does not have nonexpendable restricted net position.

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

Notes to Financial Statements  
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

- Restricted: Expendable 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, 2020 and 2019, MAWC has expendable net position as follows:

	<u>2020</u>	<u>2019</u>
Republic of China Capital Projects:		
Majuro Dumpsite Seawall Project	\$ 86,721	\$ -
Government of Japan:		
Wood Waste Chipper Project	<u>2,500</u>	<u>-</u>
	<u>\$ 89,221</u>	<u>\$ -</u>

- 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.

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

Notes to Financial Statements  
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Cash, Continued

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, 2020 and 2019, the carrying amounts of cash were \$76,064 and \$47,605, respectively, and the corresponding bank balances were \$105,565 and \$57,202, respectively. Of the bank balances, \$101,300 and \$55,395, respectively, are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. Bank deposits of \$4,265 and \$1,807, respectively, are maintained in a financial institution not subject to depository insurance. 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.

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.

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

Notes to Financial Statements  
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

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, 2020 and 2019, the accumulated vacation leave liability amounted to \$18,792 and \$28,163, 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.

New Accounting Standards

During the year ended September 30, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones 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.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. 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. 84 will be effective for fiscal year ending September 30, 2021.

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 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 fiscal year ending September 30, 2022.



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

Notes to Financial Statements  
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve 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. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. 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. 90 will be effective for fiscal year ending September 30, 2021.

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 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 is effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. Except for paragraphs 11b, 13, and 14, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2021. The requirement in paragraphs 11b, 13, and 14 are effective for fiscal year ending September 30, 2022.

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

Notes to Financial Statements  
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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 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 fiscal year ending September 30, 2023.

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 fiscal year ending September 30, 2022.

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.

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

Notes to Financial Statements  
September 30, 2020 and 2019

**(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 at September 30, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Trade	\$ 60,499	\$ 53,162
Due from RepMar:		
ROC Capital Projects Fund	24,500	-
Recycling Fund	13,258	26,536
Other affiliates	<u>50,290</u>	<u>56,312</u>
	148,547	136,010
Less allowance for doubtful accounts	<u>(92,262)</u>	<u>(56,126)</u>
	<u>\$ 56,285</u>	<u>\$ 79,884</u>

**(5) Capital Assets**

Capital asset activity for the years ended September 30, 2020 and 2019 is as follows:

		<u>2020</u>			
	Balance at October <u>1, 2019</u>	<u>Additions</u>	<u>Transfers</u>	Reclass/ Disposals/ Impairment	Balance at September <u>30, 2020</u>
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>

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

Notes to Financial Statements  
September 30, 2020 and 2019

(5) Capital Assets, Continued

	2019				
	Balance at October <u>1, 2018</u>	<u>Additions</u>	<u>Transfers</u>	Reclass/ Disposals/ Impairment	Balance at September <u>30, 2019</u>
Depreciable capital assets:					
Office equipment	\$ 15,475	\$ 7,951	\$ -	\$ (8,971)	\$ 14,455
Recycling equipment	633,984	15,000	-	(169,687)	479,297
Truck and heavy equipment	956,593	132,360	-	(600,969)	487,984
Office building	13,471	-	-	-	13,471
Recycle center	127,473	-	-	-	127,473
Waste segregation structure	47,423	-	-	-	47,423
Waste collection equipment	<u>810,112</u>	<u>-</u>	<u>-</u>	<u>(404,284)</u>	<u>405,828</u>
	2,604,531	155,311	-	(1,183,911)	1,575,931
Less accumulated depreciation	<u>(2,075,139)</u>	<u>(143,839)</u>	<u>-</u>	<u>1,183,528</u>	<u>(1,035,450)</u>
	529,392	11,472	-	(383)	540,481
Nondepreciable capital assets:					
Construction in progress	<u>911,613</u>	<u>50,150</u>	<u>-</u>	<u>(903,552)</u>	<u>58,211</u>
	<u>\$ 1,441,005</u>	<u>\$ 61,622</u>	<u>\$ -</u>	<u>\$ (903,935)</u>	<u>\$ 598,692</u>

During the years ended September 30, 2020 and 2019, MAWC derecognized fully depreciated capital assets with total costs amounting to \$86,655 and \$1,160,912, respectively.

As of October 1, 2018, construction in progress included certain capitalized design and engineering costs of \$903,552, associated with the new Jenrok landfill project. Construction of the landfill was on hold due to insufficient funding. During the year ended September 30, 2019, the capitalized design and engineering costs were impaired as the project site was re-assigned by RepMar for other purposes. Costs associated with this project were funded by U.S. Department of the Interior Compact Public Infrastructure Sector grant funds.

(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, 2020 and 2019 are as follows:

	2020			
	<u>Revenues</u>	<u>Expenses</u>	<u>Receivables</u>	<u>Payables</u>
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>

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

Notes to Financial Statements  
September 30, 2020 and 2019

(6) Related Party Transactions, Continued

	2019			
	Revenues	Expenses	Receivables	Payables
Marshall's Energy Company, Inc.	\$ 486	\$ 29,916	\$ 2,970	\$ 580
Marshall Islands Social Security Administration	288	63,389	120	33,216
College of the Marshall Islands	2,758	280	7,974	-
Marshall Islands National Telecommunications Authority	5	1,672	69	284
RepMar	12,755	4,880	37,614	4,659
Other	<u>13,282</u>	<u>2,052</u>	<u>7,565</u>	<u>-</u>
	<u>\$ 29,574</u>	<u>\$ 102,189</u>	<u>\$ 56,312</u>	<u>\$ 38,739</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, 2020 and 2019, MAWC received distributions of \$786,334 and \$943,031, respectively, from the Recycling Fund. MAWC has recorded a receivable from RepMar at September 30, 2020 and 2019 of \$13,258 and \$26,536, respectively, associated with the Recycling Program.

During the years ended September 30, 2020 and 2019, the operations of MAWC were funded by appropriations from the Nitijela of RepMar as follows:

	<u>2020</u>	<u>2019</u>
General Fund:		
Operating subsidy	\$ 400,798	\$ 400,426
ROC Capital Projects Fund:		
Majuro Dumpsite Seawall Project	<u>198,100</u>	<u>-</u>
	<u>\$ 598,898</u>	<u>\$ 400,426</u>

MAWC has recorded a receivable from RepMar at September 30, 2020 of \$24,500 associated with these appropriations.

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

Notes to Financial Statements  
September 30, 2020 and 2019

(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, 2020 and 2019 of \$678,044 and \$1,627,066, 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 at September 30, 2020, 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, 2021, RepMar appropriated \$760,030 to MAWC for the purpose of funding operations.

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, have been impaired 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) 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. On October 28, 2020, one confirmed case was identified in the Marshall Islands that was subsequently isolated and contained. On November 17, 2020, an additional three cases were identified and which were isolated and contained. As of September 30, 2021, no community transmission has been identified. MAWC has determined that should community transmission occur within the Marshall Islands, it may negatively impact MAWC's business, results of operations, and financial position and MAWC may become 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 AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of 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, 2020, and the related statements of revenues, expenses, and change 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 30, 2021.

### **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.

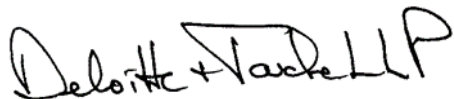
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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

September 30, 2021



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

Unresolved Prior Year Findings  
Year Ended September 30, 2020

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