

*Financial Statements and Required Supplementary  
Information*

**Majuro Atoll Waste Company**

(A Component Unit of the Republic of the Marshall Islands)

*Years ended September 30, 2023 and 2022  
with Report of Independent Auditors*



Majuro Atoll Waste Company  
(A Component Unit of the Republic of the Marshall Islands)

Financial Statements and Required Supplementary Information

Years ended September 30, 2023 and 2022

**Table of Contents**

Report of Independent Auditors .....	1
Management’s Discussion and Analysis .....	4
Audited Basic Financial Statements	
Statements of Net Position .....	10
Statements of Revenues, Expenses and Changes in Net Position .....	11
Statements of Cash Flows .....	12
Notes to Financial Statements .....	13
Report on Internal Control and Compliance	
Report of Independent Auditors 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> .....	23

## Report of Independent Auditors

The Board of Directors  
Majuro Atoll Waste Company

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the business-type activities of Majuro Atoll Waste Company (MAWC), a component unit of the Republic of the Marshall Islands, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise MAWC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of MAWC as of September 30, 2023 and 2022, and the changes in financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MAWC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MAWC's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2024, 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.

*Ernst + Young LLP*

September 12, 2024

**Majuro Atoll Waste Company**  
(A Component Unit of the Republic of the Marshall Islands)

**Management's Discussion and Analysis**

Years ended September 30, 2023 and 2022

**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, 2023, with comparative information provided for 2022 and 2021. 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 oversight of the Ministry of Environment, effective September 2, 2020. Prior to this, oversight of MAWC was previously under the Ministry of Works, Infrastructure and Utilities. MAWC receives General Fund subsidies from the RepMar government. Other sources of funds are provided by grants from government and private institutions and from MAWC's own revenues from operations.

MAWC is engaged in collection and disposal of solid waste as well as implementation and operation of the Container Deposit Legislation (CDL) recycling program on 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 the RMI Environmental Protection Authority (EPA), and is managed by 47 employees with the leadership of the General Manager.

**OPERATIONAL AND FINANCIAL PERFORMANCE**

MAWC's results of operations for FY 2023 have decreased its net operating loss by \$200,501 (or 20%) from \$985,943 in 2022 to \$785,442 in 2023. Factors that contributed to the net unfavorable results for 2023 are attributed to the decrease in the total net operating revenues by \$85,055 (or 9%) from \$956,863 in 2022 to \$871,808 in 2023 offset by the decrease in net operating expenses by \$285,556 (or 15%) from \$1,942,806 in 2022 to \$1,657,250 in 2023.

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

**Majuro Atoll Waste Company**  
(A Component Unit of the Republic of the Marshall Islands)

**Management's Discussion and Analysis, continued**

**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.

**Net Position**

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

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

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Assets:					
Current and other assets	\$ 583,904	\$ 443,751	\$ 140,153	31.6%	\$ 673,374
Deposit on acquisition of capital assets	---	---	---		81,482
Capital assets	<u>818,530</u>	<u>542,495</u>	<u>276,035</u>	50.9%	<u>481,358</u>
Total assets	<u>1,402,434</u>	<u>986,246</u>	<u>416,188</u>	42.2%	<u>1,236,214</u>
Liabilities:					
Current and other liabilities	<u>173,187</u>	<u>147,678</u>	<u>25,509</u>	17.3%	<u>141,186</u>
Net position:					
Net investment in capital assets	818,530	542,495	276,035	50.9%	481,358
Restricted	---	---	---	100.0%	233,525
Unrestricted	<u>410,717</u>	<u>296,073</u>	<u>114,644</u>	38.7%	<u>380,145</u>
Total net position	<u>\$ 1,229,247</u>	<u>\$ 838,568</u>	<u>\$ 390,679</u>	46.6%	<u>\$ 1,095,028</u>

MAWC's total assets have increased by \$416,188 (or 42%) from \$986,246 in 2022 to \$1,402,434 in 2023. This increase is due to current and other assets increasing by \$140,153 (or 32%) from \$443,751 in 2022 to \$583,904 in 2023 and capital assets increasing by \$276,035 (or 51%) from \$542,495 in 2022 to \$818,530 in 2023.

The increase in MAWC's current and other assets was primarily due to the increase in cash of \$69,580 (or 20%) from \$349,225 in 2022 to \$418,805 in 2023 and the increase in net receivables by \$70,573 (or 76%) from \$93,026 in 2022 to \$163,599 in 2023.

The increase in MAWC's capital assets was primarily due to current year capital acquisitions of \$412,683 in 2023 offset by current year depreciation of \$136,648 in 2023. Capital asset acquisitions include the purchase of a garbage pickup truck in the amount of \$358,744 funded by the U.S. Department of the Interior.

**Majuro Atoll Waste Company**  
(A Component Unit of the Republic of the Marshall Islands)

**Management's Discussion and Analysis, continued**

**FINANCIAL ANALYSIS OF MAWC, CONTINUED**

**Net Position, continued**

MAWC's total liabilities have increased by \$25,509 (or 17%) from \$147,678 in 2022 to \$173,187 in 2023. This increase was attributed to the increase in accounts payable of \$41,701 (323%) from \$12,919 in 2022 to \$54,620 in 2023 offset by the decrease in payroll liabilities of \$10,415 (or 16%) from \$66,272 in 2022 to \$55,857 in 2023 and the decrease in payable to affiliates of \$5,777 (or 9%) from \$67,311 in 2022 to \$61,534 in 2023.

MAWC's total net position has increased by \$390,679 (or 42%) from \$838,568 in 2022 to \$1,229,247 in 2023. This increase was due to the receipt of capital contributions in 2023 of \$399,365 offset by the net loss incurred in 2023 of \$8,686.

**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

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u> <u>2023-2022</u>	<u>% Change</u> <u>2023-2022</u>	<u>2021</u>
Operating:					
Operating revenues	\$ 871,808	\$ 956,863	\$ (85,055)	(8.9)%	\$ 1,006,279
Operating expenses	<u>1,657,250</u>	<u>1,942,806</u>	<u>285,556</u>	(14.7)%	<u>1,781,960</u>
Operating loss	(785,442)	(985,943)	200,501	(20.3)%	(775,681)
Nonoperating:					
Nonoperating revenues	<u>776,756</u>	<u>708,506</u>	<u>68,250</u>	9.6%	<u>965,393</u>
	(8,686)	(277,437)	268,751	(96.9)%	189,712
Capital contributions	<u>399,365</u>	<u>20,977</u>	<u>378,388</u>	1803.8%	<u>283,927</u>
Change in net position	<u>\$ 390,679</u>	<u>\$ (256,460)</u>	<u>\$ 647,139</u>	(252.3)%	<u>\$ 473,639</u>

MAWC's operating revenues decreased by \$85,055 (or 9%) from \$956,863 in 2022 to \$871,808 in 2023 whilst operating expenses decreased by \$285,556 (or 15%) from \$1,942,806 in 2022 to \$1,657,250 in 2023. Nonoperating revenues, which represents subsidy contributions from RepMar, increased by \$68,250 (or 10%) from \$708,506 in 2022 to \$776,756 in 2023. Capital contributions, which primarily represents donations of capital assets from Asian Development Bank and United States Department of the Interior, increased by \$378,388 (or 1,804%) from \$20,977 in 2022 to \$399,365 in 2023.



**Majuro Atoll Waste Company**  
(A Component Unit of the Republic of the Marshall Islands)

**Management's Discussion and Analysis, continued**

**FINANCIAL ANALYSIS OF MAWC, CONTINUED**

**Change in Net Position, continued**

The decrease in operating revenues was attributed primarily to a decrease in other recycling revenues of \$46,137 (or 37%) from \$123,582 in 2022 to \$77,445 in 2023; a decrease in recycling fund revenues of \$28,246 (or 4%) from \$753,027 in 2022 to \$724,781 in 2023; and a decrease in waste collection revenues of \$12,011 (or 14%) from \$84,650 in 2022 to \$72,639 in 2023. The decrease in operating expenses was attributed primarily to the decrease in recycling expenses of \$33,578 (or 5%) from \$680,515 in 2022 to \$646,937 in 2023; payroll expense of \$33,578 (or 4%) from \$663,515 in 2022 to \$636,698 in 2023; seawall expense of \$69,862 (or 98%) from \$71,549 in 2022 to \$1,687 in 2023; waste collection expense of \$144,455 (or 100%) from \$144,455 in 2022 to \$0 in 2023; repairs and maintenance expense of \$7,734 (or 16% ) from \$47,703 in 2022 to \$39,969 in 2023; utilities and communications expense of \$5,203 (or 58%) from \$9,042 in 2022 to \$14,245 in 2023; lease expense of \$955 (or 24%) from \$4,000 in 2022 to \$3,045 in 2023; insurance expense of \$464 (or 10%) from \$4,820 in 2022 to \$4,356 in 2023; professional and contractual services expense of \$4,000 (or 100%) from \$4,000 in 2022 to \$0 in 2023; financial assistance of \$11,750 (or 100%) from \$11,750 in 2022 to \$0 in 2023; and uniform expense of \$35,920 (or 91%) from \$39,500 in 2022 to \$3,580 in 2023. These decreases in operating expenses were offset by the increase in fuel expense of \$3,093 (or 4%) from \$75,302 in 2022 to \$78,396 in 2023; office supplies expense of \$7,195 (or 39%) from \$18,293 in 2022 to \$25,488 in 2023; taxes and licenses expense of \$22,149 (or 405%) from \$5,467 in 2022 to \$27,616 in 2023; meetings and entertainment expense of \$5,920 (or 52%) from \$11,445 in 2022 to \$17,365 in 2023; and miscellaneous expense of \$4,948 (or 33%) from \$14,801 in 2022 to \$19,749 in 2023.

Management's Discussion and Analysis for the year ended September 30, 2022 is set forth in MAWC's report on the audit of financial statements, which is dated February 5, 2024. Such Management Discussion and Analysis explains the major factors impacting the FY2022 financial statements and can be obtained from MAWC's General Manager via the contact information on page 9.

**CAPITAL ASSETS AND LONG-TERM DEBT**

As of September 30, 2023, MAWC has investments in capital assets, net of accumulated depreciation, of \$818,530, an increase of \$276,035 (or 51%) from 2022. This increase is the result of current year depreciation expense amounting to \$136,648 offset by current year additions to depreciable capital assets amounting to \$412,683. The capital asset additions in FY2023 pertain to waste collection equipment and office equipment.

**Majuro Atoll Waste Company**  
(A Component Unit of the Republic of the Marshall Islands)

**Management's Discussion and Analysis, continued**

**CAPITAL ASSETS AND LONG-TERM DEBT, CONTINUED**

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

**Summary Schedules of Capital Assets**  
As of September 30

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Office equipment	\$ 43,803	\$ 36,401	\$ 7,402	20.3%	\$ 26,299
Recycling equipment	503,822	503,822	---	0.0%	503,822
Truck and heavy equipment	501,570	501,570	---	0.0%	442,203
Buildings and other structures	29,694	29,694	---	0.0%	29,694
Recycle center	185,684	185,684	---	0.0%	185,684
Waste collection equipment	938,880	533,599	405,281	76.0%	405,828
	2,203,453	1,790,770	412,683	23.0%	1,593,530
Accumulated depreciation	(1,384,923)	(1,248,275)	(136,648)	10.9%	(1,112,172)
	<u>\$ 818,530</u>	<u>\$ 542,495</u>	<u>\$ 276,035</u>	50.9%	<u>\$ 481,358</u>

Capital assets are summarized in the notes to the financial statements. Please refer to note 3 to the accompanying financial statements for additional information regarding MAWC's capital assets. At this time, MAWC has no long-term debt.

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

**Fiscal Year 2023 Budget**

MAWC received a \$776,756 financial subsidy from RepMar's General Fund and generated total operating revenues of \$871,808, which was lower than anticipated revenues of \$1,006,284. The decrease in operation revenues is primarily caused by the decrease in revenues from CDL and recycling.

**Majuro Atoll Waste Company**  
(A Component Unit of the Republic of the Marshall Islands)

**Management's Discussion and Analysis, continued**

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

**Fiscal Year 2024 Budget**

MAWC operational funding for FY2024 from RepMar's General Fund will no longer continue. MAWC will now be under a new agreement with the RMI government through a Community Service Obligation (CSO) amounting to \$987,086 plus anticipated grants and operating revenues of \$792,434 with the total operating revenue of \$1,779,520 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.

**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](mailto: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, 2023	2022
<b>Assets</b>		
Current assets:		
Cash	\$ 418,805	\$ 349,225
Receivables:		
Trade	88,846	78,537
Due from Repmar	86,202	57,625
Affiliates	50,270	53,617
Due from federal agencies	39,346	---
	264,664	189,779
Less allowance for doubtful accounts	( 101,065 )	( 96,753 )
Receivables, net	163,599	93,026
Other current assets	1,500	1,500
Total current assets	583,904	443,751
Capital assets, net of accumulated depreciation	818,530	542,495
	<u>\$ 1,402,434</u>	<u>\$ 986,246</u>
<b>Liabilities and Net Position</b>		
Current liabilities:		
Accounts payable	\$ 54,620	\$ 12,919
Payroll liabilities	55,857	66,272
Other liabilities and accruals	1,176	1,176
Payable to affiliates	61,534	67,311
Total liabilities	173,187	147,678
Commitment and contingencies		
Net position:		
Net investment in capital assets	818,530	542,495
Unrestricted	410,717	296,073
Total net position	1,229,247	838,568
	<u>\$ 1,402,434</u>	<u>\$ 986,246</u>

See accompanying notes.

Majuro Atoll Waste Company  
(A Component Unit of the Republic of the Marshall Islands)

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	2023	2022
Operating revenues:		
Recycling fund revenues	\$ 724,781	\$ 753,028
Other recycling revenues	77,445	123,582
Waste collection	72,639	84,650
Other	1,255	94
Bad debt expense	( 4,312 )	( 4,491 )
Total operating revenues	<u>871,808</u>	<u>956,863</u>
Operating expenses:		
Recycling	646,937	680,515
Payroll	636,698	663,515
Depreciation	136,648	136,103
Fuel	78,396	75,302
Repairs and maintenance	39,969	47,702
Taxes and licenses	27,616	5,466
Office supplies	25,488	18,294
Meetings and entertainment	17,365	11,446
Utilities and communication	14,245	9,042
Insurance	4,356	4,820
Uniforms	3,580	39,500
Leases	3,045	4,000
Seawall	1,687	71,549
Advertising	1,472	546
Waste collection expense	---	144,455
Financial assistance	---	11,750
Professional and contractual services	---	4,000
Miscellaneous	19,748	14,801
Total operating expenses	<u>1,657,250</u>	<u>1,942,806</u>
Loss from operations	( 785,442 )	( 985,943 )
Nonoperating revenues:		
RepMar subsidy	<u>776,756</u>	<u>708,506</u>
Loss before capital contributions	( 8,686 )	( 277,437 )
Capital contributions:		
Republic of China	---	12,664
Asian Development Bank	40,621	8,313
U.S. Department of the Interior	358,744	---
	<u>399,365</u>	<u>20,977</u>
Change in net position	390,679	( 256,460 )
Net position at beginning of year	<u>838,568</u>	<u>1,095,028</u>
Net position at end of year	<u>\$ 1,229,247</u>	<u>\$ 838,568</u>

See accompanying notes.

Majuro Atoll Waste Company  
(A Component Unit of the Republic of the Marshall Islands)

Statements of Cash Flows

	Year ended September 30,	
	2023	2022
Cash flows from operating activities:		
Cash received from the Recycling Fund	\$ 696,204	\$ 724,335
Cash received from customers	144,377	211,841
Cash payments to suppliers for goods and services	( 847,980 )	( 1,154,997 )
Cash payments to employees for services	( 647,113 )	( 672,673 )
Net cash used in operating activities	( 654,512 )	( 891,494 )
Cash flows from noncapital financing activities:		
Operating subsidy received from RepMar	776,756	708,506
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	( 372,062 )	( 64,781 )
Capital contributions received	319,398	---
Net cash used in capital and related financing activities	( 52,664 )	( 64,781 )
Net change in cash	69,580	( 247,769 )
Cash at beginning of year	349,225	596,994
Cash at end of year	\$ 418,805	\$ 349,225
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	\$ ( 785,442 )	\$ ( 985,943 )
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	136,648	136,103
Bad debt expense	4,312	4,491
Change in assets and liabilities:		
Receivables:		
Trade	( 10,309 )	9,581
Affiliates	( 25,230 )	( 34,759 )
Other assets	---	2,541
Accounts payable	41,701	( 22,779 )
Payroll liabilities	( 10,415 )	2,592
Payable to affiliates	( 5,777 )	( 3,321 )
Net cash used in operating activities	\$ ( 654,512 )	\$ ( 891,494 )
Noncash capital and related financing activities:		
Donation of capital assets:		
Capital assets	\$ ( 40,621 )	\$ ( 20,977 )
Capital contributions	40,621	20,977
	\$ ---	\$ ---
Payment for truck by RepMar on behalf of MAWC:		
Capital assets	\$ ---	\$ ( 30,000 )
Payable to affiliates	---	30,000
	\$ ---	\$ ---

See accompanying notes.

Majuro Atoll Waste Company  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements

Years ended September 30, 2023 and 2022

**1. Organization**

Majuro Atoll Waste Company (MAWC) was incorporated under the laws of the Republic of the Marshall Islands (RepMar) on January 30, 2007 for the purpose of engaging in, but not limited to, the collection and disposal of solid waste on Majuro Atoll.

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 Works, Infrastructure and Utilities to the Ministry of Environment.

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, 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.

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 including the requirement that resources be classified for accounting and reporting purposes into the following three net position categories:

Majuro Atoll Waste Company  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

- Net investment in capital assets - capital assets, net of accumulated depreciation and related debt, plus construction or improvement of those assets.
- 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 statement 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.

**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 cash flows, cash is defined as cash on hand and cash held in demand and savings accounts. As of September 30, 2023 and 2022, the carrying amount of cash was \$418,805 and \$349,225, respectively, and the corresponding bank balance was \$417,818 and \$364,759, respectively, which is maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance.

As of September 30, 2023 and 2022, bank deposits in the amount of \$250,000 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.



Majuro Atoll Waste Company  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**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.

The estimated useful lives of these assets are as follows:

	<u>Estimated Useful Lives</u>
Recycling equipment	5 - 10 years
Truck and heavy equipment	5 - 10 years
Waste collection equipment	5 - 10 years
Recycle equipment	10 years
Office equipment	3 years
Waste segregation structure	10 years
Building improvements	5 years

**Deferred Outflows of Resources**

In addition to assets, the statements 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.

Majuro Atoll Waste Company  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**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 non-vesting accumulating rights to receive sick benefits. As of September 30, 2023 and 2022, the accumulated vacation leave liability amounted to \$17,863 and \$18,736, respectively, and is included within the statements of net position as payroll liabilities.

**Deferred Inflows of Resources**

In addition to liabilities, the statements 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.

**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.

**Recently Adopted Accounting Pronouncements**

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, MAWC's management has elected to postpone implementation of these statements. During the year ended September 30, 2023, MAWC implemented the following pronouncements:

- GASB Statement No. 91, *Conduit Debt Obligations*, which clarifies 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.

Majuro Atoll Waste Company  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Recently Adopted Accounting Pronouncements, continued**

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which improves financial reporting by addressing issues related to public-private and public-public partnership arrangements and provides guidance for accounting and financial reporting for availability payment arrangements.
- GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

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

**Upcoming Accounting Pronouncements**

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement contains guidance whose effective dates are in future periods. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 99:

- 1) Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- 2) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Requirements applicable to changes in accounting principles apply to the implementation of a new pronouncement if there is no specific transition guidance in the new pronouncement. The Statement also requires that aggregate amounts of adjustments to, and restatements of, beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

Majuro Atoll Waste Company  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements, continued**

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

**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.

**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, continued

**3. Capital Assets**

Capital asset activities for the years ended September 30, 2023 and 2022, were as follows:

<u>2023</u>				
	<u>October 1, 2022</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2023</u>
Recycling equipment	\$ 503,822	\$ ---	\$ ---	\$ 503,822
Truck and heavy equipment	501,570	---	---	501,570
Waste collection equipment	533,599	405,281	---	938,880
Recycle center	185,684	---	---	185,684
Office equipment	36,401	7,402	---	43,803
Waste segregation structure	16,223	---	---	16,223
Building improvements	<u>13,471</u>	<u>---</u>	<u>---</u>	<u>13,471</u>
	1,790,770	412,683	---	2,203,453
Less accumulated depreciation	<u>(1,248,275)</u>	<u>(136,648)</u>	<u>---</u>	<u>(1,384,923)</u>
	<u>\$ 542,495</u>	<u>\$276,035</u>	<u>\$ ---</u>	<u>\$ 818,530</u>
<u>2022</u>				
	<u>October 1, 2021</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2022</u>
Recycling equipment	\$ 503,822	\$ ---	\$ ---	\$ 503,822
Truck and heavy equipment	442,203	59,367	---	501,570
Waste collection equipment	405,828	127,771	---	533,599
Recycle center	185,684	---	---	185,684
Office equipment	26,299	10,102	---	36,401
Waste segregation structure	16,223	---	---	16,223
Building improvements	<u>13,471</u>	<u>---</u>	<u>---</u>	<u>13,471</u>
	1,593,530	197,240	---	1,790,770
Less accumulated depreciation	<u>(1,112,172)</u>	<u>(136,103)</u>	<u>---</u>	<u>(1,248,275)</u>
	<u>\$ 481,358</u>	<u>\$ 61,137</u>	<u>\$ ---</u>	<u>\$ 542,495</u>

During the year ended September 30, 2023, MAWC was the recipient of a grant from the U.S. Department of the Interior for the purchase of a garbage pickup truck in the amount of \$358,744. MAWC has recorded a receivable from grantor as of September 30, 2023 in the amount of \$39,346 associated with the grant award.

Majuro Atoll Waste Company  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**3. Capital Assets, continued**

During the year ended September 30, 2023, MAWC was the recipient of donated Drone equipment from the Asian Development Bank (ADB) in the amount of \$40,621. During the year ended September 30, 2022, MAWC was the recipient of donated heavy equipment from the Republic of China in the amount of \$12,664 and donated office equipment from the ADB in the amount of \$8,313.

**4. 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, 2023 and 2022 are as follows:

	<u>2023</u>			
	<u>Revenues</u>	<u>Expenses</u>	<u>Receivables</u>	<u>Payables</u>
Marshall's Energy Company, Inc.	\$ 465	\$ 56,555	\$ 571	\$ 869
Marshall Islands Social Security Administration	10	58,955	475	26,827
College of the Marshall Islands	1,599	---	2,807	---
Marshall Islands National Telecommunications Authority	369	1,809	260	140
RepMar	4,692	28,063	34,633	33,698
Other	<u>10,390</u>	<u>3,666</u>	<u>11,524</u>	<u>---</u>
	<u>\$ 17,525</u>	<u>\$ 149,048</u>	<u>\$ 50,270</u>	<u>\$ 61,534</u>
	<u>2022</u>			
	<u>Revenues</u>	<u>Expenses</u>	<u>Receivables</u>	<u>Payables</u>
Marshall's Energy Company, Inc.	\$ 959	\$ 64,503	\$ 787	\$ 420
Marshall Islands Social Security Administration	117	64,014	465	31,079
College of the Marshall Islands	2,110	---	1,614	---
Marshall Islands National Telecommunications Authority	350	1,679	200	280
RepMar	8,872	5,032	39,360	35,532
Other	<u>10,242</u>	<u>2,800</u>	<u>11,191</u>	<u>---</u>
	<u>\$ 22,650</u>	<u>\$ 138,028</u>	<u>\$ 53,617</u>	<u>\$ 67,311</u>

Majuro Atoll Waste Company  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**4. Related Party Transactions, continued**

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 maybe 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, 2023 and 2022, MAWC received distributions of \$724,781 and \$753,028, respectively, from the Recycling Fund. MAWC has recorded a receivable from RepMar as of September 30, 2023 and 2022 of \$86,202 and \$57,625, respectively, associated with the Recycling Program.

During the years ended September 30, 2023 and 2022, the operations of MAWC were funded by appropriations from the Nitijela of RepMar as follows:

	<u>2023</u>	<u>2022</u>
General Fund:		
Operating subsidy	\$776,756	\$696,756
COVID financial assistance	<u>---</u>	<u>11,750</u>
	<u>\$776,756</u>	<u>\$708,506</u>

**5. Contingencies**

**Dependency on the Government of the Republic of the Marshall Islands (RepMar)**

The accompanying financial statements have been prepared in accordance with GAAP, which contemplates the continuation of MAWC as a going concern. MAWC sustained substantial operating losses during the years ended September 30, 2023 and 2022 of \$785,442 and \$985,943, respectively. Management acknowledges that it is currently dependent on RepMar for cash funding to maintain MAWC as a going concern. Effective October 1, 2023, MAWC executed a three-year community service obligation (CSO) agreement with RepMar to provide residential waste collection and disposal services. Management believes that the initiation of this CSO agreement will reduce MAWC's dependency on RepMar for future operating subsidies.

Majuro Atoll Waste Company  
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

**5. Contingencies, continued**

**Federal Grants**

MAWC participates in several 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 year. 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.

**6. 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 years ended September 30, 2023 and 2022, MAWC contributed \$12,015 and \$13,365, respectively, to Plan participant accounts. As of September 30, 2023 and 2022, total Plan assets were \$49,445 and \$28,042, respectively.



## Report of Independent Auditors 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*

The 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 Majuro Atoll Waste Company (MAWC) as of and for the year ended September 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2024.

### Report on 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 the 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 or significant deficiencies may exist that were not identified.

## **Report on 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 result 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 MAWC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ernst + Young LLP*

September 12, 2024