

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2009 and 2008

INDEPENDENT AUDITORS' REPORT

Board of Directors
Majuro Atoll Waste Company:

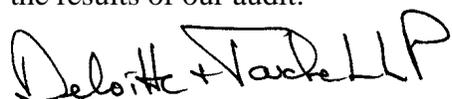
We have audited the accompanying statements of net assets of Majuro Atoll Waste Company (the Company), a component unit of the Republic of the Marshall Islands, as of September 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

The Management's Discussion and Analysis on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Company's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2010, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



September 15, 2010

MAJURO ATOLL WASTE COMPANY

Management's Discussion and Analysis Year Ended September 30, 2009

OVERALL ANALYSIS

As management of the Majuro Atoll Waste Company (MAWC), we offer the readers of MAWC's financial statements this narrative overview and analysis of the financial activities of MAWC for the fiscal year ending September 30, 2009, with comparative information provided for 2008. No information is provided for 2007 as 2008 was the initial year of audit for MAWC. We encourage the readers to consider the information presented here in conjunction with additional information that we have furnished in MAWC's financial statements.

Being a State Owned Enterprise, MAWC's operational funding is provided by REPMAR annually in the amount of \$325,000 from the US Compact of Free Association, Health Sector Grant. MAWC is required by law to follow the usage agreements as outlined in its Sub-Award agreement with the RMI Finance Department. All other funds are provided via grants or by MAWC's revenue generation activities.

In F/Y 2009, there was an increase in operating revenues of 88% to \$174k compared to \$92k in operating revenues generated in F/Y 2008. The increase in operating revenues in 2009 is as a direct result of increased commercial waste collection and recycling activities. The increase in waste collection revenue is as a result of aggressive documentation of collections and the implementation of an improved billing system. Recycling revenues increased to \$78k in 2009 with the exportation of several loads of scrap steel, several loads of non-ferrus metals and one shipment that included automobile batteries and PET plastics, compared to \$40k in 2008. Recycling revenues were also positively affected by the sale of processed compost material sold to the general public. Several service and sales invoices were written that added to the revenue as well.

MAWC will continue to expand its service offerings in the future. Payroll increased from \$211k in 2008 to \$289k in 2009 as a result of increased residential waste collection duties. Landfill improvement costs (Sand) dropped in 2009 as a result of a reduction in production of sand at our dredge site. Taxes, insurance, travel, and professional services all increased in 2009 because of our continued growth.

The 2009 grant funding included \$325k for operations from the US Compact Health Sector Grant, \$120k in US Compact Funds, which was used for seawall improvements and landfill containment walls, and \$250k for two waste collection trucks and 300 residential waste collection bins from US DOI-OMIP. The 2009 grants totaled approximately \$695k.

FINANCIAL ANALYSIS OF MAWC

The Statements of Net Assets (page 5) and the Statements of Revenues, Expenses and Changes in Net Assets (page 6) provide an indication of MAWC's financial condition. MAWC's net assets reflect the difference between assets and liabilities. An increase in net assets over time typically indicates an improvement in financial condition.

A summary of MAWC's Statement of Net Assets is presented below:

	<u>2009</u>	<u>2008</u>
Current assets	\$ 52,957	\$ 266,593
Capital assets	<u>730,243</u>	<u>471,482</u>
Total assets	\$ <u>783,200</u>	\$ <u>738,075</u>

MAJURO ATOLL WASTE COMPANY

Management's Discussion and Analysis, Continued Year Ended September 30, 2009

Current liabilities	\$ <u>66,500</u>	\$ <u>68,612</u>
Net assets:		
Invested in capital assets	730,243	471,482
Unrestricted	<u>(13,543)</u>	<u>197,981</u>
Total net assets	<u>716,700</u>	<u>669,463</u>
	\$ <u>783,200</u>	\$ <u>738,075</u>

A summary of MAWC's Statement of Revenue, Expenses, and Changes in Net Assets is presented below:

	<u>2009</u>	<u>2008</u>
Revenues:		
Operating revenues	\$ 173,710	\$ 92,300
Nonoperating revenues – grants	695,000	913,198
Capital grants	<u>-</u>	<u>197,460</u>
Total revenues	<u>868,710</u>	<u>1,202,958</u>
Expenses:		
Operating expenses	<u>821,473</u>	<u>663,607</u>
Total change in net assets	\$ <u>47,237</u>	\$ <u>539,351</u>

CAPITAL ASSETS

At the end of F/Y 2009, MAWC has investments in capital assets, net of accumulated depreciation, of \$730k, an increase of \$259k from 2008. At the end of F/Y 2008, MAWC had investments in Capital assets, net of accumulated depreciation, of \$471k, an increase of \$357k from 2007. The Capital assets are summarized in note 3 to the financial statements. Please refer to this note for additional information concerning capital assets.

Fiscal Year 2009 capital asset additions include:

1. Sterling Rear load truck
2. Sterling Side load truck
3. 300 Residential Waste Collection bins

LONG TERM DEBT

At this time, MAWC has no long-term debt.

ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES

F/Y 2010 Budget

The F/Y 2010 budget requests were submitted via the Health Sector Grant Ministry of Health Budget Matrix in 2009.

The level of funding provided was \$325k from the Health Sector Grant for MAWC operations.

All Capital requests for equipment, relocation and infrastructure were not funded.

MAJURO ATOLL WASTE COMPANY

Management's Discussion and Analysis, Continued Year Ended September 30, 2009

The only other Grant for F/Y 2010 was the Japan Grass Roots grant for \$96k which provided 1,200 residential waste bins.

F/Y 2011 Budget

Budgeted expenses remain at \$325k with the addition of grants and revenue, which allowed for other activities.

Worldwide indicators are saying that we can expect an increase in fuel oil of 15% to 25% by the beginning of the next fiscal year. Our \$325k should be increased to \$500k to allow for this possibility and to cover the currently unfunded residential waste collection system.

MAWC intends on increasing rates for commercial waste collection by 22% in 2011. This increase will raise our anticipated commercial collection revenue to \$125k, an increase of \$22,700 over 2009 revenue.

MAWC intends on introducing a fee of \$1.00 per week for each residential collection which is estimated at producing \$104k annually based on 2,000 homes collected weekly.

MAWC is preparing its budget request for F/Y 11 at present and are again requesting substantial funds with which to close the current site and construct seawalls and infrastructure at a new site. Estimated closing and relocation costs are \$2m.

MAWC is faced with having to replace several pieces of rolling stock and heavy equipment. We are asking for a capital grant in the amount of \$200k for heavy equipment replacement which will be matched by a \$200k Grant from OMIP. We are asking for \$80k for replacement collection trucks, which we anticipate will be matched by USDA with \$240k.

Additionally, MAWC will be requesting of REPMAR, the blessing of the Cabinet for us to move forward with international donor requests to fund the proposed Waste to Energy facility for Majuro and for the Government to provide land for same. A total of \$12-15m will be needed to construct the plant and infrastructure (See ADB Pre-Feasibility Study-Waste to Energy for Majuro for additional information). It is envisioned that the construction of this facility will be the means by which MAWC is able to operate in the black within several years. We are asking RepMar for \$1m in seed money for this project.

MAWC's plans for the immediate future are to construct a new seawall and expand the current site. It is likely that we will be requesting emergency funding from GRMI in the amount of \$850k to start and that we will need an additional \$500k-600k annually to continue landfill operations.

MAWC will continue to develop and improve the waste situation on Majuro with the intent on addressing the same issue on our neighboring islands in the coming years. It is the intent of MAWC to become financially independent within the next five years.

Contact Us

Questions associated with the above MD&A may be sent by post addressed to Roger Cooper, General Manager, P.O. Box 3596, Majuro, MH 96960, or via email to majurowaste@msn.com.

MAJURO ATOLL WASTE COMPANY

Statements of Net Assets September 30, 2009 and 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Current assets:		
Cash	\$ 14,799	\$ 235,928
Receivables, net of allowance for doubtful accounts of \$24,421 in 2009 and \$12,907 in 2008	35,130	26,852
Other current assets	<u>3,028</u>	<u>3,813</u>
Total current assets	52,957	266,593
Property and equipment, net	<u>730,243</u>	<u>471,482</u>
	<u>\$ 783,200</u>	<u>\$ 738,075</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current liabilities:		
Accounts payable	\$ 23,230	\$ 48,966
Payroll liabilities	40,610	18,650
Other current liabilities	<u>2,660</u>	<u>996</u>
Total liabilities	<u>66,500</u>	<u>68,612</u>
Contingency		
Net assets:		
Invested in capital assets	730,243	471,482
Unrestricted	<u>(13,543)</u>	<u>197,981</u>
Total net assets	<u>716,700</u>	<u>669,463</u>
	<u>\$ 783,200</u>	<u>\$ 738,075</u>

See accompanying notes to financial statements.

MAJURO ATOLL WASTE COMPANY

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

	2009	2008
Operating revenues:		
Waste collection	\$ 103,186	\$ 64,995
Recycling income	77,727	40,212
Miscellaneous	4,311	-
	185,224	105,207
Less allowance for uncollectible accounts	(11,514)	(12,907)
Total operating revenues	173,710	92,300
Expenses:		
Payroll	288,999	211,217
Depreciation	100,848	53,601
Landfill improvements	95,523	126,680
Repairs and maintenance	85,808	89,134
Recycling	69,352	46,699
Fuel	50,891	51,973
Travel	31,466	13,932
Taxes and licenses	21,711	6,175
Utilities and communication	14,927	12,931
Insurance	11,358	2,257
Office supplies	9,381	9,199
Professional and contractual services	8,605	5,000
Rental and other waste collection	7,861	10,068
Training	5,618	13,595
Advertising	1,775	1,662
Miscellaneous	17,350	9,484
Total operating expenses	821,473	663,607
Operating loss	(647,763)	(571,307)
Nonoperating revenues - grants	695,000	913,198
Capital grants	-	197,460
Change in net assets	47,237	539,351
Net assets at beginning of year	669,463	130,112
Net assets at end of year	\$ 716,700	\$ 669,463

See accompanying notes to financial statements.

MAJURO ATOLL WASTE COMPANY

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

	2009	2008
Cash flows from operating activities:		
Cash received from customers	\$ 166,218	\$ 64,535
Cash paid to suppliers for goods and services	(455,699)	(353,017)
Cash paid to employees for services	(267,039)	(199,183)
Net cash used in operating activities	(556,520)	(487,665)
Cash flows from noncapital financing activities:		
Grants received	695,000	913,198
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(359,609)	(213,726)
Net change in cash	(221,129)	211,807
Cash at beginning of year	235,928	24,121
Cash at end of year	\$ 14,799	\$ 235,928
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (647,763)	\$ (571,307)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	100,848	53,601
Bad debts	11,514	12,907
Decrease (increase) in assets:		
Receivables	(19,792)	(39,729)
Other assets	785	(942)
Increase (decrease) in liabilities:		
Accounts payable	(25,736)	46,186
Payroll liabilities	21,960	12,034
Other current liabilities	1,664	(415)
Net cash used in operating activities	\$ (556,520)	\$ (487,665)
Noncash financing activities:		
Property and equipment	\$ -	\$ 197,460
Capital contributions	-	(197,460)
	\$ -	\$ -

See accompanying notes to financial statements.

MAJURO ATOLL WASTE COMPANY

Notes to Financial Statements
September 30, 2009 and 2008

(1) Organization

Majuro Atoll Waste Company (the Company) 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 the Company is organized is to engage in, but not limited to, the collection and disposal of solid waste on Majuro Atoll.

The Company is governed by a five-member Board of Directors as follows:

- The Secretary of Public Works or Secretary responsible for solid waste.
- The Councilman on the Executive Committee responsible for solid waste management on the Majuro Atoll Local Government.
- One member from a list of two or more nomination by the Marshall Islands Chamber of Commerce.
- One member from a list of two or more nominations by the Marshall Islands Tourism Association.
- One member from a list of two or more nominations by the Marshall Islands Conservation Society.

The Company'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 the Company conform to accounting principles generally accepted in the United States of America as applicable to governmental entities, specifically proprietary funds. Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principle Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. The Company has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

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 - Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, establish standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

- Invested in capital assets, net of related debt: capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

MAJURO ATOLL WASTE COMPANY

Notes to Financial Statements
September 30, 2009 and 2008

(2) Summary of Significant Accounting Policies, Continued

- Restricted: Nonexpendable - Net assets subject to externally imposed stipulations that require the Company to maintain them permanently. As of September 30, 2009 and 2008, the Company does not have nonexpendable restricted net assets. Expendable - Net assets whose use by the Company is subject to externally imposed stipulations that can be fulfilled by actions of the Company pursuant to those stipulations or that expire with the passage of time.
- Restricted: Nonexpendable - Net assets subject to externally imposed stipulations that require the Company to maintain them permanently. As of September 30, 2009 and 2008, the Company does not have nonexpendable restricted net assets. Expendable - Net assets whose use by the Company is subject to externally imposed stipulations that can be fulfilled by actions of the Company pursuant to those stipulations or that expire with the passage of time.
- Unrestricted: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action by management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included in the statements of net assets. Proprietary fund operating statements present increases and decreases in net total assets. 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.

Operating and Non-Operating Revenue and Expenses

Operating revenues and expenses generally result directly from the operation and maintenance of the Company. Non-operating revenues and expenses result from capital and related financing activities as well as certain other non-recurring income and expense items.

Cash

Custodial credit risk is the risk that in the event of a bank failure, the Company's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The Company does not have a deposit policy for custodial credit risk.

For purposes of the statements of net assets and of cash flows, cash represents cash on hand and cash in bank accounts. As of September 30, 2009 and 2008, the carrying amounts of cash were \$14,799 and \$235,928, respectively, and the corresponding bank balances were \$43,629 and \$259,188, respectively, which were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2009 and 2008, bank deposits in the amount of \$43,629 and \$100,000, respectively, were subject to FDIC insurance. Balances in excess of FDIC insurance are not collateralized. Accordingly, these deposits are exposed to custodial credit risk.

MAJURO ATOLL WASTE COMPANY

Notes to Financial Statements
September 30, 2009 and 2008

(2) Summary of Significant Accounting Policies, Continued

Receivables

Accounts receivable are due from customers both governmental agencies and businesses located in the Majuro Atoll and are interest free and uncollateralized. The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb potential losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for losses on accounts receivable charged to expense.

Property and Equipment

The Company capitalizes individual items with estimated useful lives of more than one year without regard to a capitalization threshold. 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.

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.

New Accounting Standards

During fiscal year 2009, the Company implemented the following pronouncements:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.
- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation.
- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income.
- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source.

MAJURO ATOLL WASTE COMPANY

Notes to Financial Statements
September 30, 2009 and 2008

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments, and addresses three issues from the AICPA's literature - related party transactions, going concern considerations, and subsequent events.

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

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

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

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

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

MAJURO ATOLL WASTE COMPANY

Notes to Financial Statements
September 30, 2009 and 2008

(2) Summary of Significant Accounting Policies, Continued

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) Property, Plant and Equipment

Capital asset activities for the years ended September 30, 2009 and 2008 are as follows:

	<u>Balance at</u> <u>October</u> <u>1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>September</u> <u>30, 2009</u>
Recycling equipment	\$ 167,118	\$ 55,454	\$ -	\$ 222,572
Truck and heavy equipment	124,770	223,864	-	348,634
Waste segregation structure	31,200	-	-	31,200
Waste collection equipment	<u>208,237</u>	<u>80,291</u>	<u>-</u>	<u>288,528</u>
	531,325	359,609	-	890,934
Less accumulated depreciation	<u>(59,843)</u>	<u>(100,848)</u>	<u>-</u>	<u>(160,691)</u>
	<u>\$ 471,482</u>	<u>\$ 258,761</u>	<u>\$ -</u>	<u>\$ 730,243</u>
	<u>Balance at</u> <u>October</u> <u>1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>September</u> <u>30, 2008</u>
Recycling equipment	\$ -	\$ 167,118	\$ -	\$ 167,118
Truck and heavy equipment	33,878	90,892	-	124,770
Waste segregation structure	31,200	-	-	31,200
Waste collection equipment	<u>55,061</u>	<u>153,176</u>	<u>-</u>	<u>208,237</u>
	120,139	411,186	-	531,325
Less accumulated depreciation	<u>(6,242)</u>	<u>(53,601)</u>	<u>-</u>	<u>(59,843)</u>
	<u>\$ 113,897</u>	<u>\$ 357,585</u>	<u>\$ -</u>	<u>\$ 471,482</u>

(4) Risk Management

The Company purchases commercial insurance to cover its potential risks from operations. It is substantially self-insured for all other risks. Management is of the opinion that no material losses have been sustained as a result of this practice since its inception.

MAJURO ATOLL WASTE COMPANY

Notes to Financial Statements
September 30, 2009 and 2008

(5) Related Party Transactions

The Company 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, 2009 and 2008 are as follows:

<u>2009</u>	<u>Expenses</u>	<u>Payables</u>
Marshall Islands Social Security Administration	\$ 44,608	\$ 26,042
Marshalls Energy Company, Inc.	43,285	1,290
Marshall Islands National Telecommunications Authority	<u>6,063</u>	<u>-</u>
	\$ <u>93,956</u>	\$ <u>27,332</u>
<u>2008</u>	<u>Expenses</u>	<u>Payables</u>
Marshall Islands Social Security Administration	\$ 27,320	\$ 11,352
Marshalls Energy Company, Inc.	4,618	1,254
Marshall Islands National Telecommunications Authority	<u>4,405</u>	<u>623</u>
	\$ <u>36,343</u>	\$ <u>13,229</u>

(6) Contingency

The Company is involved in legal actions and possible claims arising principally from claims of third parties it has entered into contracts with. The eventual outcome of these matters cannot be reasonably predicted by management and, accordingly, no provision for any liabilities or potential losses that may result from settlement of these claims has been recorded in the accompanying financial statements.