

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

---

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

---

**YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Majuro Atoll Waste Company:

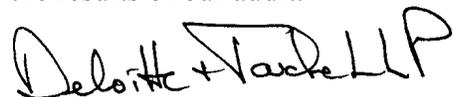
We have audited the accompanying statements of net assets of Majuro Atoll Waste Company (MAWC), a component unit of the Republic of the Marshall Islands, as of September 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of MAWC'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 MAWC'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 MAWC as of September 30, 2010 and 2009, 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 MAWC'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 August 1, 2011, 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 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 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.



August 1, 2011

# MAJURO ATOLL WASTE COMPANY

## Management's Discussion and Analysis Year Ended September 30, 2010

### Overview

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, 2010, with comparative information provided for 2009 and 2008. 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 currently under the umbrella of the RMI Environmental Protection Authority. MAWC is subsidized by the RMI-US Compact of Free Association with a basic annual appropriation of \$325,000 in which it is required by law to follow the usage agreement as outlined on its sub-award agreement with the RMI Finance Department. Other sources of funds are provided by grants from government and private institutions, and from MAWC's own revenue from operations.

MAWC is engaged to collect and dispose solid waste in Majuro Atoll. It is governed by a five-member Board of Directors and managed by 39 employees with the leadership of the General Manager.

### Operational and Financial Performance

MAWC's results of operations for 2010 have improved slightly as it has trimmed down its net operating loss by 10% from \$647,763 in 2009 to \$584,560 in 2010. Factors that contributed to better results for 2010 are attributed to an increase in operating revenues by \$19,999 (or 12%) from \$173,710 in 2009 to \$193,709 in 2010 and a reduction in operating expenses by \$43,204, representing a decline of 5% from the previous year. Major contributors to the increase in operating revenues were the increase in waste collection as a result of the implementation of proactive collection efforts and the maintenance of proper documentation, for example, introducing monthly billing. Though payroll has increased in 2010, newly hired mechanics significantly reduced repair and maintenance costs which decreased operating expenses.

### **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 Statements of Net Assets is presented below:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current assets	\$ 39,661	\$ 52,957	\$ 266,593
Capital assets	<u>589,328</u>	<u>730,243</u>	<u>471,482</u>
Total assets	\$ <u>628,989</u>	\$ <u>783,200</u>	\$ <u>738,075</u>
Current liabilities	\$ <u>76,474</u>	\$ <u>66,500</u>	\$ <u>68,612</u>
Net assets:			
Invested in capital assets	589,328	730,243	471,482
Unrestricted	<u>(36,813)</u>	<u>(13,543)</u>	<u>197,981</u>
Total net assets	<u>552,515</u>	<u>716,700</u>	<u>669,463</u>
Total liabilities and net assets	\$ <u>628,989</u>	\$ <u>783,200</u>	\$ <u>738,075</u>

## MAJURO ATOLL WASTE COMPANY

### Management's Discussion and Analysis, Continued Year Ended September 30, 2010

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues:			
Operating revenues	\$ 193,709	\$ 173,710	\$ 92,300
Non-operating revenues-grants	420,375	695,000	913,198
Capital grants	<u>-</u>	<u>-</u>	<u>197,460</u>
Total revenues	614,084	868,710	1,202,958
Expenses:			
Operating expenses	<u>778,269</u>	<u>821,473</u>	<u>663,607</u>
Change in net assets	\$ <u>(164,185)</u>	\$ <u>47,237</u>	\$ <u>539,351</u>

MAWC's total assets declined by \$154,211 (or 20%) from \$783,200 in 2009 to \$628,989 in 2010. This was primarily due to a decrease in capital assets of \$140,915 (or 19%) from \$730,243 in 2009 to \$589,328 in 2010. This decrease in capital assets was due to current year depreciation expense of \$154,386 offset by asset additions of \$13,471. Total liabilities increased slightly by \$9,974 (or 15%) from \$66,500 in 2009 to \$76,474 in 2010. This increase was attributable to an increase in vendor payables offset by a corresponding decrease in payroll related liabilities.

MAWC's total revenues decreased by \$254,626 (or 29%) from \$868,710 in 2009 to \$614,084 in 2010. This decrease was primarily due to a reduction in contributions from RepMar. In 2009, MAWC received \$695,000 from RepMar to fund the operations of MAWC whereas \$323,375 was received in 2010. This decrease in operational funding from RepMar was offset by a \$97,000 grant received from the Government of Japan in 2010 for the acquisition of trash bins.

MAWC's total expenses decreased by \$43,204 (or 5%) from \$821,473 in 2009 to \$778,269 in 2010. This decrease was primarily attributable to a reduction in repairs and maintenance costs associated with the MAWC managed landfill and MAWC equipment as well as a general reduction in operating expenses such as travel and training costs. The reduction in operating costs reflected the decrease in operational funding made available by RepMar. The general reduction in operating costs was offset by an expense associated with the acquisition of trash bins in the amount of \$100,026.

Management's Discussion and Analysis for the year ended September 30, 2009 is set forth in MAWC's report on the audit of financial statements, which is dated September 15, 2010. Such Management Discussion and Analysis explains the major factors impacting the 2009 financial statements and can be obtained from MAWC's General Manager via the contact information on page 4.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

At the end of 2010, MAWC has investments in capital assets, net of accumulated depreciation, of \$589,328, a decrease of \$140,915 from 2009. As discussed earlier, this decrease is the result of current year depreciation expense of \$154,386 offset by capital asset additions of \$13,471. These additions pertain to the construction of an office building. Capital assets are summarized in note 3 to the financial statements. Please refer to this note for additional information concerning capital assets.

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

## MAJURO ATOLL WASTE COMPANY

Management's Discussion and Analysis, Continued  
Year Ended September 30, 2010

### ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES

#### Fiscal Year 2011 Budget

MAWC received:

- ❖ \$325,000 operational funding from RepMar that was submitted from the Environmental Protection Authority (EPA) Budget Matrix 2010.
- ❖ \$650,000 capital and infrastructure funding for acquisition of landfill compactor, excavator, loaders and expansion of existing landfill site matched with \$153,000 from DOI-OMIP.
- ❖ \$18,000-RMIEPA Laura project contract (under MOU with EPA) to work together with MAWC to identify sanitation and waste disposal options for Laura to minimize land based pollution to the underground lens.
- ❖ Grant from Republic of China (Taiwan) for \$38,000 to address the long-pending issue of hazardous waste from Majuro Hospital.

#### Fiscal Year 2012 Budget

MAWC operational funding for FY 2012 still at \$325,000 plus anticipated \$150,000 revenue and grants that aimed to attain the following six 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.
5. MAWC staff effectiveness increase through capacity building and training, with board members promoting RMI's success in waste management and benefiting from international networking.
6. New technologies, opportunities and partnerships researched, developed and initiated to address additional priority waste disposal, health, pollution and revenue issues including hazardous, medical and global pollutant wastes, as well as import substitution, value-adding recycling, control of illegal dumping, vessel waste, and expansion of waste management service partnerships with neighboring atolls and communities (including Laura transfer station).

MAWC intends to complete the existing seawall and purchase new dumpsite equipment under capital budget of \$350k and \$300k respectively to continue landfill operations.

MAWC will continue to develop and implement strategic and annual action plans, build revenues towards sustainable financing and more independent operations as befits a state-owned enterprise.

#### Contact Us

Questions associated with the above MD&A may be sent by post addressed to Steven Why, General Manager, P.O. Box 3596, Majuro, MH 96960, or via email to [majurowaste@msn.com](mailto:majurowaste@msn.com).

# MAJURO ATOLL WASTE COMPANY

## Statements of Net Assets September 30, 2010 and 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash	\$ 1,644	\$ 14,799
Receivables, net of allowance for doubtful accounts of \$26,065 in 2010 and \$24,421 in 2009	37,017	35,130
Other current assets	<u>1,000</u>	<u>3,028</u>
Total current assets	39,661	52,957
Property and equipment, net	<u>589,328</u>	<u>730,243</u>
	<u>\$ 628,989</u>	<u>\$ 783,200</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current liabilities:		
Accounts payable	\$ 47,097	\$ 23,230
Payroll liabilities	28,873	40,610
Other current liabilities	<u>504</u>	<u>2,660</u>
Total liabilities	<u>76,474</u>	<u>66,500</u>
Contingency		
Net assets:		
Invested in capital assets	589,328	730,243
Unrestricted	<u>(36,813)</u>	<u>(13,543)</u>
Total net assets	<u>552,515</u>	<u>716,700</u>
	<u>\$ 628,989</u>	<u>\$ 783,200</u>

See accompanying notes to financial statements.

## MAJURO ATOLL WASTE COMPANY

### Statements of Revenue, Expenses, and Changes in Net Assets Years Ended September 30, 2010 and 2009

	2010	2009
Operating revenues:		
Waste collection	\$ 123,971	\$ 103,186
Recycling income	56,468	77,727
Miscellaneous	14,914	4,311
	195,353	185,224
Less allowance for uncollectible accounts	(1,644)	(11,514)
Total operating revenues	193,709	173,710
Expenses:		
Payroll	296,800	288,999
Depreciation	154,386	100,848
Trash bins	100,026	-
Fuel	57,859	50,891
Repairs and maintenance	37,977	85,808
Recycling	25,100	69,352
Rental and other waste collection	22,638	7,861
Utilities and communication	19,743	14,927
Taxes and licenses	15,173	21,711
Office supplies	8,812	9,381
Professional and contractual services	7,704	8,605
Insurance	6,207	11,358
Advertising	1,312	1,775
Landfill improvements	1,046	95,523
Training	-	5,618
Travel	-	31,466
Miscellaneous	23,486	17,350
Total operating expenses	778,269	821,473
Operating loss	(584,560)	(647,763)
Nonoperating revenues:		
Contributions from RepMar	323,375	695,000
Contributions from the Government of Japan	97,000	-
Total nonoperating revenues	420,375	695,000
Change in net assets	(164,185)	47,237
Net assets at beginning of year	716,700	669,463
Net assets at end of year	\$ 552,515	\$ 716,700

See accompanying notes to financial statements.

**MAJURO ATOLL WASTE COMPANY**

Statements of Cash Flows  
Years Ended September 30, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Cash received from customers	\$ 191,822	\$ 166,218
Cash paid to suppliers for goods and services	(303,344)	(455,699)
Cash paid to employees for services	(308,537)	(267,039)
Net cash used in operating activities	(420,059)	(556,520)
Cash flows from noncapital financing activities:		
Operating subsidy received from RepMar	323,375	695,000
Grant received from Japan Government	97,000	-
Net cash provide by noncapital financing activities	420,375	695,000
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(13,471)	(359,609)
Net change in cash	(13,155)	(221,129)
Cash at beginning of year	14,799	235,928
Cash at end of year	\$ 1,644	\$ 14,799
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (584,560)	\$ (647,763)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	154,386	100,848
Bad debts	1,644	11,514
Decrease (increase) in assets:		
Receivables	(3,531)	(19,792)
Other current assets	2,028	785
Increase (decrease) in liabilities:		
Accounts payable	23,867	(25,736)
Payroll liabilities	(11,737)	21,960
Other current liabilities	(2,156)	1,664
Net cash used in operating activities	\$ (420,059)	\$ (556,520)

See accompanying notes to financial statements.

# MAJURO ATOLL WASTE COMPANY

Notes to Financial Statements  
September 30, 2010 and 2009

## (1) Organization

Majuro Atoll Waste Company (MAWC) 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 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.

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 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. MAWC 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, 2010 and 2009

### (2) Summary of Significant Accounting Policies, Continued

- Restricted: Nonexpendable - Net assets subject to externally imposed stipulations that require MAWC to maintain them permanently. As of September 30, 2010 and 2009, MAWC does not have nonexpendable restricted net assets. Expendable - Net assets 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.
- Restricted: Nonexpendable - Net assets subject to externally imposed stipulations that require MAWC to maintain them permanently. As of September 30, 2010 and 2009, MAWC does not have nonexpendable restricted net assets. Expendable - Net assets 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.
- 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 MAWC. 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, 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 assets and of cash flows, cash represents cash on hand and cash in bank accounts. As of September 30, 2010 and 2009, the carrying amounts of cash were \$1,644 and \$14,799, respectively, and the corresponding bank balances were \$3,382 and \$43,629, respectively, which were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2010 and 2009, bank deposits were fully FDIC insured.

## MAJURO ATOLL WASTE COMPANY

Notes to Financial Statements  
September 30, 2010 and 2009

### (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

MAWC generally capitalizes individual items with a cost that equals or exceeds \$250 and has estimated useful lives 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.

#### 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 fiscal year 2010, MAWC implemented the following pronouncements:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which addresses whether and when intangible assets should be considered capital assets for financial reporting purposes.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements.
- GASB Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment.
- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code, and establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

## MAJURO ATOLL WASTE COMPANY

Notes to Financial Statements  
September 30, 2010 and 2009

### (2) Summary of Significant Accounting Policies, Continued

#### New Accounting Standards, Continued

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

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

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

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

#### 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.

## MAJURO ATOLL WASTE COMPANY

Notes to Financial Statements  
September 30, 2010 and 2009

### (3) Property, Plant and Equipment

Capital asset activities for the years ended September 30, 2010 and 2009 are as follows:

	Balance at October <u>1, 2009</u>	<u>Additions</u>	<u>Disposal</u>	Balance at September <u>30, 2010</u>
Recycling equipment	\$ 222,572	\$ -	\$ -	\$ 222,572
Truck and heavy equipment	348,634	-	-	348,634
Office building	-	13,471	-	13,471
Waste segregation structure	31,200	-	-	31,200
Waste collection equipment	<u>288,528</u>	<u>-</u>	<u>-</u>	<u>288,528</u>
	890,934	13,471	-	904,405
Less accumulated depreciation	<u>(160,691)</u>	<u>(154,386)</u>	<u>-</u>	<u>(315,077)</u>
	\$ <u>730,243</u>	\$ <u>(140,915)</u>	\$ <u>-</u>	\$ <u>589,328</u>
	Balance at October <u>1, 2008</u>	<u>Additions</u>	<u>Disposal</u>	Balance at September <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>

### (4) Risk Management

MAWC 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, 2010 and 2009

### (5) Related Party Transactions

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, 2010 and 2009 are as follows:

	2010			
	<u>Revenues</u>	<u>Expenses</u>	<u>Receivables</u>	<u>Payables</u>
Marshalls Energy Company, Inc.	\$ 1,809	\$ 14,746	\$ 501	\$ 1,484
Marshall Islands Social Security Administration	-	24,928	-	12,839
College of the Marshall Islands	12,912	-	1,488	-
Marshall Islands National Telecommunications Authority	-	6,799	-	1,265
RepMar	43,250	8,604	17,956	12,698
Other	<u>9,601</u>	<u>8,468</u>	<u>1,222</u>	<u>60</u>
	<u>\$ 67,572</u>	<u>\$ 63,545</u>	<u>\$ 21,167</u>	<u>\$ 28,346</u>
	2009			
	<u>Revenues</u>	<u>Expenses</u>	<u>Receivables</u>	<u>Payables</u>
Marshalls Energy Company, Inc.	\$ 1,837	\$ 46,163	\$ 501	\$ 1,290
Marshall Islands Social Security Administration	-	24,459	-	26,042
College of the Marshall Islands	6,864	-	1,968	-
Marshall Islands National Telecommunications Authority	-	6,063	1,000	-
RepMar	19,672	41,857	5,912	-
Other	<u>9,003</u>	<u>5,298</u>	<u>1,138</u>	<u>-</u>
	<u>\$ 37,376</u>	<u>\$ 123,840</u>	<u>\$ 10,519</u>	<u>\$ 27,332</u>

During the years ended September 30, 2010 and 2009, MAWC received operating subsidies from RepMar in the amount of \$323,375 and \$695,000, respectively.

### (6) Contingency

MAWC 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.