



February 16, 2004

CONFIDENTIAL

Mr. William F. Roberts  
General Manager  
Majuro Water and Sewer Company, Inc.

Dear Mr. Roberts:

In planning and performing our audit of the financial statements of Majuro Water and Sewer Company, Inc. (MWSC) for the year ended September 30, 2003, on which we have issued our report dated February 16, 2004, we developed the following recommendations concerning certain matters related to MWSC's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our principal recommendations are summarized below:

(1) Cash Receipts

Of twenty-five cash receipts tested, the daily cash reconciliation for collections on March 6, 2003 did not evidence certification by the Accounting Department.

We recommend that all daily cash reconciliations be certified by the Accounting Department.

(2) Water System Billing

Of twenty-five water system invoices tested, one invoice (#688626) was billed to a commercial customer at a rate of \$.006 per gallon, which is the rate for residential use, instead of \$.01 per gallon.

We recommend that customers be charged the correct rate per gallon in accordance with the MWSC tariff.

(3) Water Delivery Billings

Of twenty-five water delivery invoices tested, two invoices (#s 11269, and 11290) indicated that cash was not received nor were the amounts recorded as a receivable.

We recommend that management ensure that all invoices are paid for or recorded as a receivable.

(4) Payroll

Of twenty-five payroll disbursements tested, authorized allotment forms were not made available for two employees (employee #s MW28, and MW91) for voluntary deductions.

We recommend that management ensure that authorized allotment forms are retained on file. This matter was discussed in our previous letter dated November 25, 2002.

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(5) Payroll

Of twenty-five payroll disbursements tested, check #1452 was issued to one employee (employee #MW102) and indicated 72 hours worked per the timesheet; however, the employee was paid 80 hours.

We recommend that management ensure that hours paid agree to actual hours worked as evidenced on timesheets.

(6) Employee Advances

At September 30, 2003, MWSC recorded employee advances, totaling \$4,129, relating primarily to an amount due from a former employee that has been outstanding for over three years.

We recommend that management ensure that advances to employees are reimbursed in a timely manner. This matter was discussed in our previous letters dated November 25, 2002 and January 11, 2002.

(7) Inventory

The unit cost of one part (SP146) decreased from the prior year. Since no purchases were made during the current year, the unit cost should have remained unchanged. Additionally, for one part (SP103A), purchases were made during the year at a cost of \$96.29; however, the parts were valued at \$92.29, being the same price as in the prior year.

We recommend that management ensure that unit costs per the Valuation Report are reviewed. This matter was discussed in our previous letter dated November 25, 2002.

(8) Cash

During the year ended September 30, 2003, two bank accounts were closed but the following balances were still recorded in the general ledger:

<u>General Ledger Account</u>	<u>Amount</u>
1003	(\$5,183)
1004	(\$1,944)

We recommend that management investigate these balances and determine required action.

(9) Receivables

At September 30, 2003, the aged utility receivable subsidiary ledger indicated that customer accounts with balances greater than sixty days represented 91% of the total balance of \$1,536,986 (inclusive of amounts due from affiliates of \$235,508). An accumulated amount of \$1,382,583 has been recorded as an allowance against this balance. We recommend that management review the aged receivable subsidiary ledger and determine a listing of uncollectible accounts receivable to be written-off and obtain approval from the Board. This matter was discussed in our previous letters dated November 25, 2002, January 11, 2002, January 19, 2001 and December 6, 1999.

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(10) Fixed Assets

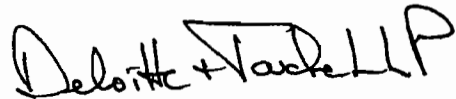
At September 30, 2003, MWSC recorded \$71,420 in accumulated depreciation relating to fixed assets transferred to RepMar. An audit adjustment was proposed to correct this situation; however, we recommend that MWSC update the fixed asset register for items transferred to RepMar.

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This report is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the accounting staff and management for their assistance during the course of our audit. Should you have any questions regarding the matters discussed herein, please contact our office at your convenience.

Very truly yours,

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