MARSHALL ISLANDS NATIONAL TELECOMMUNICATIONS AUTHORITY

(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

MARSHALL ISLANDS NATIONAL
TELECOMMUNICATIONS AUTHORITY
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

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Years Ended September 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Marshall Islands National Telecommunications Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Marshall Islands National Telecommunications Authority (NTA), a component unit of the Republic of the Marshall Islands (RepMar), which comprise the statements of net position as of September 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NTA as of September 30, 2021 and 2020, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

COVID-19

As discussed in Note 13 to the financial statements, NTA determined that the COVID-19 pandemic may negatively impact its business, results of operations and net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. This supplementary information is the responsibility of NTA's management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2022 on our consideration of NTA'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 NTA'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 NTA's internal control over financial reporting and compliance.

Deloitte + Touche LLP

August 22, 2022

Overview

The Marshall Islands National Telecommunications Authority (NTA) is the sole provider of communication, information and entertainment products to consumers, businesses and governmental agencies in the Marshall Islands. NTA offers voice, data and video services and solutions on networks that are designed to meet customer demands for mobility, reliable network connectivity, security and control. NTA has a diverse workforce of approximately 138 employees as of September 30, 2021.

NTA is pleased to present its financial statements for fiscal year ended September 30, 2021 with fiscal years 2020 and 2019 prior year data presented for comparative purposes. The following unaudited management's discussion and analysis (MD&A) is required supplementary information.

There are three financial statements presented: the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows. This discussion and analysis of NTA's financial statements provides an overview of its financial activities as of and for the year ended September 30, 2021.

Statement of Net Position

The statement of net position presents the assets, liabilities, and net position as of the end of the fiscal year. The statement of net position is a point of time financial statement. The purpose of the statement of net position is to present to the readers of the financial statements a fiscal snapshot of the Company. The statement of net position presents end of year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets minus liabilities). Significant statement of net position items are discussed in the footnotes to the financial statements.

From the data presented, readers of this statement of net position are able to determine the assets available to continue in the operation of the Company. They also are able to determine how much the Company owes vendors, investors and lending institutions. Finally, the statement of net position provides a picture of the net position (assets minus liabilities), which is a useful indicator of whether the financial position of the Company is improving or deteriorating. A summary of NTA's Statements of Net Position as of September 30, 2021 compared with 2020 and 2019 is presented below:

Summary Statements of Net Position
As of September 30

	2021	2020	$ Change 2021-2020	% Change 2021-2020	2019
Assets:					
Current and other assets	$ 7,281,162	$ 7,664,231	$ (383,069)	(5.0)%	$ 8,199,388
Capital assets	21,257,167	18,886,561	2,370,606	12.6%	19,170,366
Total assets	28,538,329	26,550,792	1,987,537	7.5%	27,369,754
Liabilities:					
Current and other liabilities	3,400,620	1,816,023	1,584,597	87.3%	2,202,042
Long-term debt	15,361,220	17,066,097	(1,704,877)	(10.0)%	18,786,873
Total liabilities	18,761,840	18,882,120	(120,280)	(0.6)%	20,988,915
Net position:					
Net investment in capital assets	9,449,330	5,633,851	3,815,479	67.7%	4,456,883
Restricted	135,609	76,614	58,995	77.0%	-
Unrestricted	191,550	1,958,207	(1,766,657)	(90.2)%	1,923,956
Total net position	$ 9,776,489	$ 7,668,672	$ 2,107,817	27.5%	$ 6,380,839

Statement of Net Position, Continued

Total assets of NTA decreased by $818,962 (or 3%) from 2019 to 2020 and increased by $1,987,537 (or 7.5%) from 2020 to 2021.

Current and other assets decreased by $535,157 (or 6.5%) from 2019 to 2020 and decreased by a further $383,069 (or 5%) from 2020 to 2021. NTA has capitalized the cost of acquisition of the exclusive right to use a specified amount of fiber capacity for a period of time as Indefeasible Right of Use (IRU), which decreased by $260,003 (or 6.4%) from 2019 to 2020 and decreased by $260,004 (6.8%) from 2020 to 2021. This decrease was the result of annual amortization of this IRU over a period of 25 years. Cash and certificates of deposit decreased by $291,605 (or 14.5%) from 2019 to 2020 and further decreased by $241,883 (or 14.1%) from 2020 to 2021. Net accounts receivable increased by $285,529 (or 20.8%) from 2019 to 2020 and further increased by $57,677 (or 3.5%) from 2020 to 2021. Other receivables and current assets decreased by $40,687 (or 10%) from 2019 to 2020 and increased by $110,685 (or 30.4%) from 2020 to 2021. Due to external carriers decreased by $134,289 (or 53.9%) from 2019 to 2020 and further decreased by $92,903 (or 80.8%) from 2020 to 2021.

Telecommunications plant in service decreased by $581,943 (or 3.2%) from 2019 to 2020 and increased by $3,203,476 (or 18.4%) from 2020 to 2021. These changes are the result of plant additions and transfers from plant under construction of $1,896,135 in 2020 and $5,692,846 in 2021 offset by depreciation expense recognized by NTA of $2,478,078 in 2020 and $2,489,370 in 2021. Net plant under construction increased by $298,138 (or 24.7%) from 2019 to 2020 and decreased by $832,870 (or 55.4%) from 2020 to 2021.

Total liabilities of NTA decreased by $2,106,795 (or 10%) from 2019 to 2020 and further decreased by $120,280 (0.6%) from 2020 to 2021.

Current and other liabilities, excluding debt, decreased by $386,019 (or 17.5%) from 2019 to 2020 and increased by $1,584,597 (or 87.3%) from 2020 to 2021. Accounts payable, contracts payable and unearned revenue increased by $436,077 (or 25.6%) from 2019 to 2020 and increased by $1,690,328 (or 207.3%) from 2020 to 2021.

Long-term debt decreased by $1,720,776 (or 9.2%) from 2019 to 2020 and further decreased by $1,704,877 (or 10%) from 2020 to 2021. These decreases are the result of principal repayment of RUS debt in 2020 and 2021. This was made possible through cash subsidies received from RepMar of $1,590,000 in 2020 and $503,000 in 2021.

Statement of Revenues, Expenses, and Changes in Net Position

Total net position of NTA is affected by the changes in both assets and liabilities resulting in an increase in net position of $1,287,833 (or 20.2%) in 2020 and an increase of $2,107,817 (or 27.5%) in 2021.

Changes in total net position as presented on the statement of net position based on the activity presented in the statement of revenues, expenses, and changes in net position. The purpose of the statement is to present the revenues received by NTA, both operating and non-operating, and expenses incurred by NTA, operating and non-operating, and other revenues, expense, gains, and losses received or spent by NTA.

Statement of Revenues, Expenses, and Changes in Net Position, Continued

Generally speaking, operating revenues are received for providing telecommunications goods and services to various customers. Operating expenses are those expenses incurred to acquire or produce the goods or services provided in return for the operating revenues and to carry out the mission of NTA. Non-operating revenues are revenues received for which goods or services are not provided. In other words, these are considered non-exchange transactions whereby value is received by NTA without directly giving equal value in return. For example, investment income is non-operating because it is earned without providing telecommunications goods or services.

A summary of NTA's Statements of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2021 compared with 2020 and 2019 is presented below:

Summary Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30

	2021	2020	$ Change 2021-2020	% Change 2021-2020	2019
Operating:					
Operating revenues	$ 8,990,878	$ 8,660,196	$ 330,682	3.8%	$ 8,130,401
Operating expenses	8,450,397	8,354,299	96,098	1.2%	8,018,162
Operating income	540,481	305,897	234,584	76.7%	112,239
Nonoperating:					
Nonoperating revenues	519,813	1,608,352	(1,088,539)	(67.7)%	1,218,163
Nonoperating expenses	715,167	774,240	(59,073)	(7.6)%	897,867
	(195,354)	834,112	(1,029,466)	(123.4)%	320,296
Income before capital contributions	345,127	1,140,009	(794,882)	(69.7)%	432,535
Capital contributions	1,762,690	147,824	1,614,866	1092.4%	-
Change in net position	$ 2,107,817	$ 1,287,833	$ 819,984	63.7%	$ 432,535

The Statement of Revenues, Expenses, and Changes in Net Position identifies the various revenue and expense items that affect net position. As indicated above, NTA's operating income increased by $193,658 (172.5%) from 2019 to 2020 and further increased by $234,584 (or 76.7%) from 2020 to 2021. The main drivers for the increase were the GSM cellular and unlimited plans, including the 4G LTE revenue, offset by associated increases in operating expenses.

Income before capital contributions increased by $707,474 (or 164%) from 2019 to 2020 and decreased by $794,882 (or 69.7%) from 2020 to 2021. Income before capital contributions is determined by operating income plus nonoperating revenues, net of nonoperating expenses. Nonoperating revenues consist of operating subsidies from RepMar as well as investment earnings while nonoperating expenses consist of interest expense on RUS debt.

Nonoperating revenues increased by $390,189 (or 32%) from 2019 to 2020 due to an increase in RepMar operating subsidies of $390,189 and decreased by $1,088,539 (or 67.7%) from 2020 to 2021 due to a decrease in RepMar operating subsidies of $1,087,000. The change in non-operating revenues is primarily due to a change in RepMar loan subsidies received by NTA.

Statement of Revenues, Expenses, and Changes in Net Position, Continued

A summary of operating and capital contributions received from RepMar by funding source for the year ended September 30, 2021 compared with 2020 and 2019 is presented below:

Summary Schedule of RepMar Contributions
Years Ended September 30

	2021	2020	$ Change 2021-2020	% Change 2021-2020	2019
Operating contributions:					
RepMar General Fund	$ 503,000	$ 950,000	$ (447,000)	(47.1)%	$ 1,200,000
ROC Taiwan	-	640,000	(640,000)		-
Capital contributions:					
ROC Capital Projects	-	147,824	(147,824)		-
	$ 503,000	$ 1,737,824	$ (1,234,824)	(71.1)%	$ 1,200,000

The capital contributions received by NTA from RepMar during the year ended September 30, 2020 were for the purpose of upgrading telecommunication services in the outer islands, specifically, Jaluit and Namdrik Atolls, where DAMA tele-centers have been established.

Nonoperating expenses decreased by $123,627 (or 13.8%) from 2019 to 2020 and further decreased by $59,073 (or 7.6%) from 2020 to 2021. The decrease in nonoperating expenses is due to continued paydown of NTA debt with RUS resulting in a continued decrease in interest expense.

	2021	2020	$ Change 2021-2020	% Change 2021-2020	Commentaries
Operating Revenue					
Private line access	$4,906,740	$5,064,289	$ (157,549)	(3)%	Decrease by 3% due to adjustments for unserviceable lines and long disputed invoices.
Local cellular network services (GSM)	1,948,252	2,009,084	(60,832)		Local cellular and GSM unlimited revenue increased by 22% due to more subscription for the unlimited monthly plan.
GSM Unlimited	730,178	194,579	535,599		
	2,678,430	2,203,663	474,767	22%	
Long distance network services	515,919	598,665	(82,746)	(14)%	Decrease by 14% as more customers use social media platforms to communicate with external parties.
4G LTE	1,175,802	518,621	657,181	127%	Increase of 127% from new subscribers and sales of more 4G LTE services.
Local network servics	390,602	470,742	(80,140)	(17)%	Decrease by 17% as more customers opt to use cellular services. Most disconnections due to unserviceable lines.
Wireless television services	113,446	162,000	(48,554)	(30)%	Decrease by 30% due to unserviceable lines.
Miscellaneous	37,984	146,028	(108,044)	(74)%	Decrease by 74% due to write off of obsolete, slow moving and inventory discrepancies.
Bad debt expense	(828,045)	(503,812)	(324,233)	64%	Increase in bad debt of 64% due to slow paying customers.
Total operating revenues	$8,990,878	$8,660,196	$ 330,682		

NTA continues to strive to lower rates and introduce attractive packages for customers with the recent Gold, Silver and Bronze 4G LTE plans. With the continued Unlimited GSM monthly rates, more customers are subscribing monthly allowing total revenue to improve from the year before.

Capital Assets and Debt Administration

Capital Assets

Net capital assets decreased by $283,805 (or 1.5%) from 2019 to 2020 and increased by $2,370,606 (or 12.6%) from 2020 to 2021. The net decrease in 2020 is the result of depreciation expense of $2,478,078 exceeding plant additions of $2,194,273.

The net increase in 2021 is the result of plant additions of $4,859,976 exceeding depreciation expense of $2,489,370. Plant additions in 2020 and 2021 included the construction and completion of outer island Intelsat 2/3G VSAT Broadband installations.

NTA has committed to installing 2/3G VSAT service at 57 locations throughout the nation, of which 38 were completed and in service as of September 30, 2021. In addition, certain 4G LTE Project assets were transferred to NTA from Tivaka upon satisfaction of contract obligations.

A summary of NTA's capital assets as of September 30, 2021 compared with 2020 and 2019 is presented below:

Summary Schedule of Capital Assets
As of September 30

	2021	2020	$ Change 2021-2020	% Change 2021-2020	2019
Nondepreciable plant assets:					
Plant under construction	$ 671,330	$ 1,504,200	$ (832,870)	(55.4)%	$ 1,206,062
Telecommunications plant in service:					
General support assets	10,703,716	10,626,917	76,799	0.7%	9,481,813
Central office assets	20,274,645	14,721,035	5,553,610	37.7%	14,438,617
Cable and wire facilities assets	12,021,252	11,994,871	26,381	0.2%	11,994,871
Wireless phone assets	7,855,840	7,855,840	-	0.0%	7,416,605
Wireless television assets	1,474,461	1,438,405	36,056	2.5%	1,409,027
	52,329,914	46,637,068	5,692,846	12.2%	44,740,933
Accumulated depreciation	(31,744,077)	(29,254,707)	(2,489,370)	8.5%	(26,776,629)
	20,585,837	17,382,361	3,203,476	18.4%	17,964,304
	$ 21,257,167	$ 18,886,561	$ 2,370,606	12.6%	$ 19,170,366

Please refer to note 5 of the accompanying financial statements for additional information regarding NTA's capital assets.

Long-Term Debt

Long-term debt decreased by $1,720,776 (or 9.2%) from 2019 to 2020 and further decreased by $1,704,877 (or 10%) from 2020 to 2021. The decrease in 2020 and 2021 is the result of principal repayment of RUS debt.

Capital Asset and Debt Administration, Continued

Long-Term Debt, Continued

A summary of NTA's long-term debt as of September 30, 2021 compared with 2020 and 2019 is presented below:

Summary Schedule of Long-Term Debt
Years Ended September 30

	2021	2020	$ Change 2021-2020	% Change 2021-2020	2019
Notes payable:					
RUS loans	$ 14,661,220	$ 16,366,097	$ (1,704,877)	(10.4)%	$ 18,086,873
Loan payable:					
RepMar	700,000	700,000	-		700,000
	$ 15,361,220	$ 17,066,097	$ (1,704,877)	(10.0)%	$ 18,786,873

In FY 2009, the Company entered into an $18,500,000 RUS loan to finance part of the $21,400,000 investment in the fiber optic cable project linking Kwajalein and Majuro to Guam. The small domestic market does not provide enough revenue opportunities to service this amount of debt, and NTA has been reliant upon government subsidies in 2012 and 2013 to meet its debt obligations. NTA did not receive any subsidies in FY2010 or 2011, and in 2012 was forced to default on the loan payments. The RepMar government as guarantor was required to make loan subsidy payments to NTA in order for NTA to make loan payments on the delinquent loans. In 2013, NTA began making reduced monthly loan payments covering slightly more than loan interest. No subsidies were provided by RepMar in 2014.

As of September 30, 2015, NTA owed $1,100,000 in RUS loan arrearages. In 2016, RepMar provided a subsidy payment of $1,344,465 which allowed NTA to make payments on its RUS arrears. As of September 30, 2016, NTA owed $1,218,320 in RUS loan arrearages. In 2017, RepMar provided a subsidy payment of $2,182,400 to NTA to pay for past arrearages with RUS. In February 2017, RepMar transferred $1,800,000 to NTA from the $2,182,400 that was appropriated in FY2017 national budget. The transfer allowed NTA to come current with its arrears with RUS. RepMar provided $950,000 to NTA from the General Fund in FY2020. RepMar has appropriated $500,000 to NTA in the FY2021 national budget for subsidy loan payments. NTA is current with its loan obligations with RUS.

Under the terms of the RUS loans, NTA is required to maintain a minimum times interest earned ratio of 1.5 from December 31, 2012 until maturity of the loans. As of September 30, 2021, NTA is in compliance with this covenant.

In 2011, NTA entered into a $1,000,000 loan agreement with the RMI to be paid in 10 annual installments of $100,000. It was NTA's understanding that the loan would be converted to a grant; however, because of JEMFAC opposition, the conversion never took place. NTA was unable to make repayments from 2012 through 2018 and, as a result, NTA is also currently in default. In 2016, a non-cash operating subsidy from RepMar of $300,000 was used to partially pay the outstanding loan; however, no further payments have been made on this loan. The loan had been classified as a current liability as of September 30, 2020.

On September 1, 2021, NTA entered into an RUS loan agreement amendment reducing the interest on RUS debt from 5% per annum to 2% per annum and extending the maturity dates by 10 years. In 2021, a standstill agreement was signed with RepMar as a precondition to the RUS restructured loan to hold off the amount owed to RepMar until the RUS loan has been fully paid. The loan has been reclassified to long-term debt.

Capital Asset and Debt Administration, Continued

Long-Term Debt, Continued

NTA does not have any other available sources of credit and has outstanding loans as discussed above and is precluded from acquiring additional debt by the terms of the Rural Utilities Service loan agreement.

Refer to Note 7 to the accompanying financial statements for additional discussion on NTA's long-term debt.

Economic Outlook

RMI draft census numbers indicate that there has been a dramatic drop in the population to about 42,594 people in 2021. With this small market and the high cost of doing business in RMI, NTA has relatively managed to increase the operating income bottom line through the introduction of creative plans on both 2G and 4G network. In addition to this, the restructuring of the RUS loan, negotiation of a fairer repayment with Intelsat on the Outer-island Project and prudent cash flow monitoring has allowed NTA to meet the RUS tier for the first time since 2009. The RUS loan was restructured with an interest rate drop from 5% to 2% across all the 13 loan accounts with an extended term of ten years. The Intelsat neighbouring island project repayment was extended for an additional year.

NTA has had positive operating results for the last four years, no loan defaults, no pending lawsuits against the Company nor denial of credit by suppliers. There has been continuous growth in the 4G LTE and the GSM revenue streams. This growth underpins the Company's success to invest in Capital projects. NTA has also successfully restructured its' major credit facility with the Rural Utilities Services (RUS). Based on the positive operations of the Company, the accumulated knowledge and experience that the current company has, management believes that the Company could continue as a business interest with a drive to increase revenue through creative bundling and pricing of services. In April 2022, Bill 66 was passed by the Nitijela. Bill 66 opens the telecommunications market in the Republic of Marshall Islands (RMI). This means that NTA no longer has the exclusive right to manage and operate domestic and international telecommunications services in the country. The latest unpublished census numbers indicate that the population has declined by about 21 percent. These factors highlight two critical points. The first is that NTA would now have to compete in the newly liberalized market, and secondly, NTA would need to compete in a market that is substantially smaller. Competing in a much smaller market could adversely impact NTA's ability to pay its debt and upgrade its network to provide better service to its customers.

The current COVID-19 pandemic being experienced worldwide has finally reached the Marshall Islands and as such is expected to directly impact day-to-day operations. NTA has determined that community transmission may negatively impact NTA's business, results of operations, and financial position and NTA may become dependent upon the financial support of RepMar. If such occurs, NTA will await instructions from the RMI Disaster Committee in order to address the situation.

Financial Contact

This discussion and analysis is designed to provide NTA's customers and other interested parties with an overview of NTA's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wishes to request additional financial information, please contact the Marshall Islands National Telecommunications Authority President/CEO at P.O. Box 1169, Majuro MH 96960.

MARSHALL ISLANDS
NATIONAL TELECOMMUNICATIONS AUTHORITY
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Statements of Net Position
September 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 626,155	$ 884,380
Time certificates of deposit	845,909	829,567
Accounts receivable, net of an allowance for doubtful accounts of $828,045 and $503,812 at 2021 and 2020, respectively	1,715,939	1,658,262
Inventory	334,745	303,796
Due from external carriers	22,020	114,923
Other receivables, net of an allowance for doubtful accounts of $17,179 at 2021 and 2020	76,924	39,322
Other current assets	62,728	20,594
Total current assets	3,684,420	3,850,844
Advances for capital acquisitions	43,359	-
Capital assets:		
Nondepreciable capital assets	671,330	1,504,200
Capital assets, net of accumulated depreciation	20,585,837	17,382,361
Indefeasible right of use, net	3,553,383	3,813,387
	$ 28,538,329	$ 26,550,792
LIABILITIES AND NET POSITION		
Current liabilities:		
Current maturities of long-term debt	$ 705,284	$ 2,610,633
Accounts payable, trade	855,456	565,414
Contracts payable	1,449,861	51,571
Accounts payable, affiliates	186,504	208,529
Advance from RepMar	300,000	300,000
Customer deposits and advance billings	348,822	442,072
Unearned revenues	42,269	18,248
Other accrued liabilities	217,708	230,189
Total current liabilities	4,105,904	4,426,656
Long term debt, net of current portion	14,655,936	14,455,464
Total liabilities	18,761,840	18,882,120
Commitments and contingencies		
Net position:		
Net investment in capital assets	9,449,330	5,633,851
Restricted	135,609	76,614
Unrestricted	191,550	1,958,207
Total net position	9,776,489	7,668,672
	$ 28,538,329	$ 26,550,792

See accompanying notes to financial statements.

MARSHALL ISLANDS
NATIONAL TELECOMMUNICATIONS AUTHORITY
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Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2021 and 2020

	2021	2020
Operating revenues:		
Private line access	$ 4,906,740	$ 5,064,289
Local cellular network services	1,948,252	2,009,084
4G LTE services	1,175,802	518,621
GSM unlimited plan	730,178	194,579
Long distance network services	515,919	598,665
Local network services	390,602	470,742
Wireless television services	113,446	162,000
Miscellaneous	37,984	146,028
Bad debt expense	(828,045)	(503,812)
Total operating revenues	8,990,878	8,660,196
Operating expenses:		
Depreciation and amortization	2,749,374	2,738,081
Plant specific operations	2,706,557	3,019,284
Plant nonspecifc operations	1,585,731	1,377,574
Corporate operations	826,523	577,362
Consumer operations	582,212	641,998
Total operating expenses	8,450,397	8,354,299
Income from operations	540,481	305,897
Nonoperating revenues (expenses):		
Operating grant from RepMar	503,000	1,590,000
Interest and dividends	16,813	18,352
Interest expense	(715,167)	(774,240)
Total nonoperating revenues (expenses), net	(195,354)	834,112
Income before capital contributions	345,127	1,140,009
Capital contributions	1,762,690	147,824
Change in net position	2,107,817	1,287,833
Net position at beginning of year	7,668,672	6,380,839
Net position at end of year	$ 9,776,489	$ 7,668,672

See accompanying notes to financial statements.

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NATIONAL TELECOMMUNICATIONS AUTHORITY
(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received from customers	$ 8,919,274	$ 8,484,642
Cash payments to suppliers for goods and services	(3,587,941)	(3,829,528)
Cash payments to employees for services	(1,930,630)	(1,857,129)
Net cash provided by operating activities	3,400,703	2,797,985
Cash flows from noncapital financing activities:		
RepMar operating grants received from:		
General Fund	503,000	950,000
ROC Taiwan Fund	-	640,000
Net cash provided by noncapital financing activities	503,000	1,590,000
Cash flows from capital and related financing activities:		
Additions to property, plant and equipment	(1,886,686)	(2,298,014)
Capital contributions received	144,331	147,824
Principal paid on RUS long-term debt	(1,704,877)	(1,720,776)
Interest paid on RUS long-term debt	(715,167)	(826,976)
Net cash used for capital and related financing activities	(4,162,399)	(4,697,942)
Cash flows from investing activities:		
Net increase in time certificates of deposits	(16,342)	(17,101)
Interest received	16,813	18,352
Net cash provided by investing activities	471	1,251
Net change in cash and cash equivalents	(258,225)	(308,706)
Cash and cash equivalents at beginning of year	884,380	1,193,086
Cash and cash equivalents at end of year	$ 626,155	$ 884,380
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	$ 540,481	$ 305,897
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization	2,749,374	2,738,081
Provision for doubtful accounts	828,045	503,812
(Increase) decrease in assets:		
Accounts receivable	(885,722)	(789,341)
Inventory	(30,949)	253
Due from external carriers and other receivables	55,301	160,490
Other current assets	(42,134)	14,233
Increase (decrease) in liabilities:		
Accounts payable	290,042	(120,102)
Accounts payable, affiliates	(22,025)	3,367
Customer deposits and advanced billings	(93,250)	(68,763)
Unearned revenue	24,021	18,248
Other accrued liabilities	(12,481)	31,810
Net cash provided by operating activities	$ 3,400,703	$ 2,797,985
Supplemental information on noncash activities:		
Transfer of 4G LTE Project assets:		
Noncash increase in property, plant and equipment	$ (1,618,359)	$ -
Capital contributions	1,618,359	-
	$ -	$ -
Interest capitalized on construction in progress:		
Noncash increase in property, plant and equipment	$ -	$ (52,736)
Capitalized interest	-	52,736
	$ -	$ -

See accompanying notes to financial statements.

(1) Organization

The Marshall Islands National Telecommunications Authority (NTA), a component unit of the Republic of the Marshall Islands (RepMar), is a local exchange carrier (LEC) and an international exchange carrier providing local telephone service, cellular service, internet access, long distance telecommunication services, and digital wireless TV. NTA serves commercial and residential customers in the Marshall Islands. NTA was created under Public Law 1987-15, which was subsequently repealed and replaced by Public Law 1990-105. NTA commenced operations on May 1, 1987. Prior to the creation of NTA, telecommunication services in the Marshall Islands were administered under RepMar's Ministry of Transportation, Communications and Information Technology. In 1990, Public Law 1990-105 was passed, which changed the name of NTA to the Marshall Islands National Telecommunications Authority and also established NTA as a corporation. An appraisal of NTA's property acquired as of April 27, 1987, was conducted, and in accordance with Public Law 1990-105, the appraised amount constituted the aggregate par value of the authorized capital stock of NTA. Pursuant to the results of the appraisal, as of December 20, 1990, the Board of Directors of NTA determined the initial capital of NTA to be $3,600,000.

Of the initial authorized capital of $3,600,000 (360,000 shares of $10 par value common stock), 90,000 shares of common stock were issued to RepMar on December 2, 1991. The remaining 270,000 shares of common stock were considered to be unissued capital stock owned by RepMar because RepMar has full voting rights and dividend rights on the unissued shares until they are purchased by the public. Initially, the unissued shares were offered for sale only to citizens of the Republic of the Marshall Islands under a prospectus dated November 25, 1991. In 2001 and 2002, Public Law 1990-105 was amended to increase the ownership of shares of NTA from a maximum two percent (2%) to fifty percent (50%) of total authorized stock. In addition to other changes, ownership status was changed to add legal residents, foreign investors, corporations, or entities of the Republic of the Marshall Islands as defined by public law. Pursuant to Public Law 1990-105, $10 of the proceeds of each share of the originally unissued common stock sold to private investors will be disbursed to RepMar. The intent of the law is for the $10 per share payment to constitute a return of capital originally contributed by RepMar.

RepMar owns a voting majority of NTA stock and has unconditionally guaranteed the majority of NTA's RUS debt.

(2) Summary of Significant Accounting Policies

NTA maintains a chart of accounts in accordance with the Uniform System of Accounts for telephone companies of the United States Federal Communications Commission's Rules, and in conformity with 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. GASB Statement No. 34 requires NTA to report the difference between assets and liabilities as net position.

(2) Summary of Significant Accounting Policies, Continued

To conform to this requirement, net position is presented in the following categories:

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

- Restricted - net position whose use by NTA is subject to externally imposed stipulations that can be fulfilled by actions of NTA pursuant to those stipulations or that expire by the passage of time. As of September 30, 2021 and 2020, NTA has expendable restricted net position of $135,609 and $76,614, respectively, for unexpended contributions from RepMar for upgrading telecommunication services as follows:

	2021	2020
Batkan, Majuro Atoll	$ 135,609	$ -
Outer Islands	-	76,614
	$ 135,609	$ 76,614

- Unrestricted - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes of action by management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties. As of September 30, 2021 and 2020, unrestricted net position is designated as follows:

	2021	2020
Common stock, 360,000 shares authorized; 317,404 shares issued; 316,936 shares outstanding	$ 3,600,000	$ 3,600,000
Additional paid-in capital	777,101	777,101
Treasury stock, 468 shares at par value	(4,680)	(4,680)
Unrestricted	(4,180,871)	(2,414,214)
	$ 191,550	$ 1,958,207

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of the fund are included in the statements of net position. Proprietary fund operating statements present increases and decreases in net position. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

(2) Summary of Significant Accounting Policies, Continued

Revenue Recognition and Classification

Billings for basic area revenue and private line access revenues are rendered monthly in advance. Advance billings are accrued and are subsequently adjusted based on actual usage in the period earned. Prepaid card revenues are recorded when the cards are sold and subsequently reclassified to cellular services revenues based on the actual usage of the prepaid card. Long distance network services revenues are based on a per-minute charge paid by the end user or other telecommunications service providers. These revenues are billed in arrears but are recognized in the month that service is provided. NTA records all revenue generated from providing telecommunications services as operating revenue, including local service, long distance, internet, and cellular services. Non-operating revenues and expenses result from capital, financing and investing activities and consist of interest income, interest paid on long-term debt, and grant funds received.

Cash and Cash Equivalents and Time Certificates of Deposit

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by NTA. Deposits maintained in time certificates of deposit with original maturity dates greater than three months are separately classified in the statement of net position.

Accounts Receivable

Telecommunications accounts receivable are due from businesses and individuals located within and outside of the Marshall Islands and are interest free and uncollateralized. International carrier receivables are due from external carriers within the United States, Japan, Fiji, Australia, and New Zealand.

Accounts receivable are stated at the amount management expects to collect on outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection effects are written off through a charge to the valuation allowance and a credit to accounts receivable. During the year ended September 30, 2021, NTA wrote off $503,812 of long outstanding receivables.

Materials and Supplies Inventory

Materials and supplies are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

Plant under Construction

Plant under construction represents the accumulated costs of unfinished capital projects. These costs are capitalized as property, plant and equipment upon completion of each project.

(2) Summary of Significant Accounting Policies, Continued

Property, Plant and Equipment

Property, plant and equipment are stated at cost. NTA follows the capitalization policy prescribed by the FCC for regulated telephone companies. This policy requires the capitalization of all assets regardless of cost except for certain general support and central office assets costing less than $2,000, which are expensed when purchased. The cost of maintenance and repairs is charged to operating expenses.

Plant and equipment on hand as of September 30, 1989, was valued by an independent source in order to determine estimated cost. All other assets are valued at actual purchase cost.

Property, plant and equipment are depreciated using the straight-line method based on the estimated useful lives of the respective assets.

Indefeasible Right of Use

NTA has capitalized the cost of acquisition of the exclusive right to use a specified amount of fiber capacity for a period of time, which is amortized over the length of the term of the capacity agreement on the straight-line method.

Valuation of Long-Lived Assets

NTA, using its best estimates based on reasonable and supportable assumptions and projections, reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of carrying value or fair value. During the years ended September 30, 2021 and 2020, no assets had been written down.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. NTA has no items that qualify for reporting in this category.

Deposits and advance billings

Deposits and advance billings include amounts received for telecommunications services prior to the end of the fiscal year but related to the subsequent accounting period.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. NTA has no items that qualify for reporting in this category.

Capitalized Interest

NTA capitalizes interest on construction in progress based on the weighted average interest rate of its debt. During the year ended September 30, 2020, interest of $52,736 was capitalized. No interest was capitalized in 2021.

(2) Summary of Significant Accounting Policies, Continued

Taxes

Corporate profits are not subject to income tax in the Republic of the Marshall Islands. The Government of the Republic of the Marshall Islands imposes a gross revenue tax of 3% on revenues. Pursuant to the Income Tax Act of 1989, as amended, sales of telecommunications services by public utility companies are exempt from gross revenue tax. Accordingly, NTA is exempt from this tax relating to gross revenue from sales of telecommunications services.

New Accounting Standards

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, management has elected to postpone implementation of these statements.

During the year ended September 30, 2021, NTA implemented the following pronouncements:

- GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

- GASB Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ended September 30, 2022.

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

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. In accordance with GASB Statement No. 95, the remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

Management 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.

(3) Deposits

The deposit and investment policies of NTA are governed by the Board of Directors. As such, the Board of Directors is authorized to delegate certain responsibilities to third parties. Investment managers have discretion to purchase, sell, or hold the specific securities to meet the objectives set forth in the investment policy.

Generally, NTA can invest in bonds and other indebtedness of the U.S. and in preferred or common stock of any corporation created or existing under the laws of the U.S. or any U.S. state, territory, or commonwealth. Additionally, a maximum of 25% of the total portfolio may be invested in non-U.S. equities.

(3) Deposits, Continued

Custodial credit risk is the risk that in the event of a bank failure, NTA'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 but not in NTA's name. NTA does not have a deposit policy for custodial credit risk.

As of September 30, 2021 and 2020, the carrying amount of NTA's total cash and cash equivalents and time certificates of deposit was $1,472,064 and $1,713,947, respectively, and the corresponding bank balances were $1,564,886 and $1,899,557, respectively. Of the bank balances, $666,293 and $951,584, respectively, were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amount of $898,593 and $947,973, respectively, were maintained in a financial institution not subject to depository insurance. As of September 30, 2021 and 2020, bank deposits in the amount of $250,000 were FDIC insured. NTA 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. NTA has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its deposits.

(4) Accounts Receivable

Accounts receivable as of September 30, 2021 and 2020, net of allowance for uncollectible accounts, consist of the following:

	2021	2020
Trade	$ 1,831,641	$ 1,403,026
Due from affiliates	693,492	722,490
Employees	18,851	36,558
	2,543,984	2,162,074
Allowance for uncollectible accounts	(828,045)	(503,812)
	$ 1,715,939	$ 1,658,262

(5) Capital Assets

Capital asset activity for the years ended September 30, 2021 and 2020 are as follows:

2021:	Estimated Useful Lives	Balance October 1, 2020	Additions	Transfers, Impairments and Retirements	Balance September 30, 2021
Nondepreciable capital assets:					
Plant under construction		$ 1,504,200	$ 2,994,190	$ (3,827,060)	$ 671,330
Depreciable capital assets:					
General support assets	5 - 40 yrs	10,626,917	76,799	-	10,703,716
Central office assets	5 - 20 yrs	14,721,035	1,726,550	3,827,060	20,274,645
Cable and wire facilities assets	20 - 25 yrs	11,994,871	26,381	-	12,021,252
Wireless phone assets	15 yrs	7,855,840	-	-	7,855,840
Wireless television assets	5 - 10 yrs	1,438,405	36,056	-	1,474,461
		46,637,068	1,865,786	3,827,060	52,329,914
Less accumulated depreciation		(29,254,707)	(2,489,370)	-	(31,744,077)
Depreciable capital assets, net		17,382,361	(623,584)	3,827,060	20,585,837
		$ 18,886,561	$ 2,370,606	$ -	$ 21,257,167

(5) Capital Assets, Continued

2020:	Estimated Useful Lives	Balance October 1, 2019	Additions	Transfers, Impairments and Retirements	Balance September 30, 2020
Nondepreciable capital assets:					
Plant under construction		$ 1,206,062	$ 1,762,133	$ (1,463,995)	$ 1,504,200
Depreciable capital assets:					
General support assets	5 - 40 yrs	9,481,813	106,845	1,038,259	10,626,917
Central office assets	5 - 20 yrs	14,438,617	168,273	114,145	14,721,035
Cable and wire facilities assets	20 - 25 yrs	11,994,871	-	-	11,994,871
Wireless phone assets	15 yrs	7,416,605	127,644	311,591	7,855,840
Wireless television assets	5 - 10 yrs	1,409,027	29,378	-	1,438,405
		44,740,933	432,140	1,463,995	46,637,068
Less accumulated depreciation		(26,776,629)	(2,478,078)	-	(29,254,707)
Depreciable capital assets, net		17,964,304	(2,045,938)	1,463,995	17,382,361
		$ 19,170,366	$ (283,805)	$ -	$ 18,886,561

(6) Indefeasible Right of Use (IRU)

In 2009, NTA entered into an IRU Capital Lease agreement with a third party for the exclusive use of 8 wave lengths of fiber capacity of the two fibers of the Kwajalein Cable System (KCS) which runs between Guam and Kwajalein and which is known as the "HANTRU1 System". Under the terms of the agreement, NTA made certain payments of $6,500,091. The initial term of the agreement is for a period of 10 years commencing on the date NTA is initially granted access, and which term is automatically renewable for a further 10-year period and an additional 5-year period thereafter. Prior to the tenth and twentieth anniversary dates, NTA has the option to terminate this agreement; however, such is subject to prior approval of the Rural Utilities Services (RUS) of the U.S. Department of Agriculture. NTA's policy is to amortize the right of use over the 25-year period. As of September 30, 2021 and 2020, accumulated amortization expense of $2,946,708 and $2,686,704, respectively, has been recorded.

(7) Long-term Debt

Notes and Loan Payable

Long-term debt as of September 30, 2021 and 2020 is as follows:

	2021	2020
Rural Utilities Service (RUS) Loan A	$ 3,788,798	$ 4,639,174
Rural Utilities Service (RUS) Loan C	10,872,422	11,726,923
	$ 14,661,220	$ 16,366,097

Substantially all assets of NTA, including specific NTA ground leases, are pledged to secure the RUS notes. The original $18,800,000 RUS note (Loan A), approved in 1989, with interest at 5% per annum maturing on various dates through June 4, 2027, has been unconditionally guaranteed by RepMar, under which RepMar will make debt service payments to RUS in the event of default by NTA. In 2009, NTA was approved for additional funding from RUS (Loan C) in the amount of $18,500,000, with interest at 3.64% - 5% per annum maturing on March 12, 2031, for the construction of a deep-sea cable route between Majuro, Kwajalein and Guam. RepMar has guaranteed up to $1,500,000 annually for the RUS debt service. On September 1, 2021, NTA entered into a loan agreement amendment reducing the interest on Loan A and Loan C to 2% per annum and extending the respective maturity dates by 10 years.

(7) Long-term Debt, Continued

Notes and Loan Payable, Continued

During the years ended September 30, 2021 and 2020, NTA received cash subsidies from RepMar in the amount of $503,000 and $1,590,000, respectively, which allowed NTA to make payments on principal balances. Except as discussed below, management believes NTA was in compliance with all covenants, agreements and conditions of the RUS loan as of and for the years ended September 30, 2021 and 2020.

Future minimum principal and interest payments on notes payable for subsequent years ending September 30, are as follows:

Year ending September 30,	Principal	Interest	Total
2022	$ 705,284	$ 286,781	$ 992,065
2023	719,520	272,545	992,065
2024	733,852	258,213	992,065
2025	749,030	243,035	992,065
2026	763,974	228,091	992,065
2027 - 2031	4,057,474	902,850	4,960,324
2032 - 2036	4,054,111	482,630	4,536,741
2037 - 2041	2,877,975	130,528	3,008,503
	$ 14,661,220	$ 2,804,673	$ 17,465,893

The terms of the mortgage agreements contain provisions and restrictions pertaining to, among other things, the declaration or payment of cash dividends and the times interest earned ratio. In 2021, NTA met the required times interest earned ratio.

In 2011, NTA received a $1,000,000 loan from RepMar that derives from the Compact of Free Association Infrastructure Maintenance Sector grant funds with the understanding that the loan would be converted into a grant. However, this understanding did not materialize and conversion of the loan into a grant was not approved. This loan is unsecured and interest free with annual payments due of $100,000 commencing March 2012. On September 1, 2021, NTA entered into a standstill agreement with RepMar whereby repayment of this loan was deferred until the RUS loans are paid in full.

A summary of changes in long-term debt for the years ended September 30, 2021 and 2020 are as follows:

	Balance October 1, 2020	Additions	Reductions	Balance September 30, 2021	Due Within One Year
Notes payable:					
RUS loans	$ 16,366,097	$ -	$ (1,704,877)	$ 14,661,220	$ 705,284
Loan payable:					
RepMar	700,000	-	-	700,000	-
	$ 17,066,097	$ -	$ (1,704,877)	$ 15,361,220	$ 705,284

	Balance October 1, 2019	Additions	Reductions	Balance September 30, 2020	Due Within One Year
Notes payable:					
RUS loans	$ 18,086,873	$ -	$ (1,720,776)	$ 16,366,097	$ 1,910,633
Loan payable:					
RepMar	700,000	-	-	700,000	700,000
	$ 18,876,873	$ -	$ (1,720,776)	$ 17,066,097	$ 2,610,633

(7) Long-term Debt, Continued

Notes and Loan Payable, Continued

Debt Covenants

The Loan Agreement, dated March 12, 2009, sets forth covenants to ensure proper operation and maintenance of the telecommunications system and payment of debt service. The primary requirements of the loan agreements are summarized below:

Rate Covenant - NTA has covenanted to at all times fix, prescribe and collect rates, fees and charges in connection with the services furnished by the telecommunications system that will be sufficient to yield the sum of net income during each fiscal year equal to at least 150% of the annual debt service commencing on December 31, 2012. TIER is defined as net income (after tax) plus interest divided by interest expense. The Loan Agreement prohibits NTA, without the prior written consent of RUS, to incur additional indebtedness while NTA maintains a TIER below 1.0; or if the additional indebtedness will cause NTA's TIER to fall below 1.0; or an Event of Default has occurred and is continuing.

Events of default with finance related consequences - the Loan Agreement specifies a number of Events of Default and related Remedies. NTA shall furnish to RUS promptly, after becoming aware, notice of the occurrence of any default under the Loan Documents or the receipt of any notice with respect to the occurrence of any event with which the giving of notice or the passage of time, or both, could become an Event of Default.

Acceleration - Upon the occurrence of an Event of Default and is continuing, RUS may, by notice in writing to NTA, declare all unpaid principal of and all interest accrued on the Notes to be immediately due and payable and, upon such declaration, all such principal and interest shall become immediately due and payable.

(8) Commitments

Leases

NTA has several operating leases with terms ranging from 3 to 25 years. NTA has also entered into various circuit leases expiring through 2022.

Approximate future minimum annual lease payments are as follows:

Year ending September 30,	Total
2022	$ 1,530,337
2023	1,487,137
2024	1,465,537
2025	1,464,026
2026	1,025,818
2027 - 2031	144,381
2032 - 2036	139,623
2037 - 2041	69,466
	$ 7,326,325

(8) Commitments, Continued

Operation, Management and Repair (OM&R) Agreement

In 2009, NTA, along with the Federated States of Micronesia Telecommunications Corporation (FSMTC), entered into an OM&R agreement with a third party for the purpose of operating, maintaining, and repairing the "Micronesian Addition", which is a subset of the HANTRU1 System. The term of the agreement coincides with the term of the IRU Capital Lease agreement wherein NTA and FSMTC are required to each make monthly payments of $6,400 less certain service credits, and which are subject to inflationary adjustments and an annual incremental increase of 3%.

Approximate future minimum annual payments under this agreement are as follows:

Year ending September 30,	Total
2022	$ 107,904
2023	111,141
2024	114,475
2025	117,909
2026	121,447
2027 - 2031	664,120
2032 - 2034	448,223
	$ 1,685,219

External Carriers

External carriers located in other countries are subject to oversight policies from their respective regulatory agencies. Currently, U.S. regulatory agencies are contemplating a reduction of the tariff rate used by NTA for settlement with certain U.S. carriers. The ultimate outcome of this matter and the related impact on NTA cannot be predicted at this time.

4G LTE Project

In 2016, NTA entered into a 6-year master services agreement with a vendor for the purpose of providing 4G LTE services to NTA, which NTA will re-sell to its customers. The vendor will be responsible for finance, implementation, and operation of the 4G LTE Project at no cost to NTA. Upon commencement of services, the vendor will be reimbursed from net project revenues, which are defined as new revenue generated by the project less NTA expense directly related to the project, and NTA lost revenues, which are defined as revenues lost from existing NTA services as a result of the new 4G LTE Project. If the net project revenues paid to the vendor are sufficient, and all of the vendor's costs have been reimbursed, the project assets will be transferred to NTA. On March 25, 2020, NTA entered into an amendment to this agreement whereby the vendor and NTA agreed to equally share all revenues from the 4G LTE services for a period of six months, commencing March 1, 2020, which may be extended by mutual consent. During the years ended September 30, 2021 and 2020 , NTA recognized 4G LTE service revenues of $1,175,802 and $518,621, respectively, associated with this arrangement. Furthermore, during the year ended September 30, 2021, it was determined that all of the vendor's costs had been reimbursed and, as a result, the project assets were transferred to NTA in the amount of $1,618,359.

(9) Risk Management

NTA purchases insurance to cover risks associated with its buildings and equipment ($27,167,125) of coverage). There have been no significant reductions in coverage, and there have been no settlements in excess of insurance coverage for the past three years. The insurance includes its properties in outer islands and the fiber cable properties. NTA also purchases insurance for its vehicles (up to $25,000 of coverage per vehicle per incident). Additionally, NTA purchases workmen's compensation insurance (coverage of up to $40,000 limit of liability).

(10) Related Party Transactions

NTA is a component unit of RepMar and is therefore affiliated with all RepMar-owned and affiliated entities.

NTA's telecommunications service is provided to RepMar and all RepMar-owned and affiliated entities. Services are extended to these entities at more favorable terms and conditions than those afforded to third parties. NTA utilizes services from certain affiliated entities at substantially more favorable terms and conditions than those provided to third parties. A summary of related party expense transactions for the years ended September 30, 2021 and 2020 and related party receivable and payable balances as of September 30, 2021 and 2020, are as follows:

	2021		
	Expenses	Receivables	Payables
Marshalls Energy Company, Inc.	$ 497,208	$ 42,678	$ 41,052
M.I. Social Security Administration	201,156	1,131	126,580
RepMar and others	151,354	649,683	18,872
	$ 849,718	$ 693,492	$ 186,504

	2020		
	Expenses	Receivables	Payables
Marshalls Energy Company, Inc.	$ 541,645	$ 44,532	$ 44,173
M.I. Social Security Administration	212,045	3,108	116,611
RepMar and others	117,742	674,850	47,745
	$ 871,432	$ 722,490	$ 208,529

During the years ended September 30, 2021 and 2020, NTA received cash subsidies of $503,000 and $1,590,000, respectively, from RepMar for the purpose of funding RUS loan payments. During the year ended September 30, 2020, NTA received $147,824 from RepMar for the purpose of upgrading telecommunication services in the outer islands. A summary of RepMar appropriations by funding source received by NTA for the years ended September 30, 2021 and 2020 is as follows:

	2021	2020
General Fund - Operating Subsidy	$ 503,000	$ 950,000
ROC Taiwan - Operating Subsidy	-	640,000
ROC Taiwan - Upgrade Telecommunication Services	-	147,824
	$ 503,000	$ 1,737,824

(10) Related Party Transactions, Continued

During the year ended September 30, 2021, NTA received $144,331 from the College of the Marshall Islands for the purpose of upgrading telecommunication services at Batkan, Majuro Atoll.

In 2016, NTA received a cash advance of $300,000 from RepMar for the purpose of providing funding for the 4G LTE Project, which is to be reimbursed by NTA. Reimbursement has yet to occur as of September 30, 2021 and 2020.

(11) Retirement Plan

NTA's retirement plan (the Plan) is a self-administered program established to pay retirement, disability and survivor income to employees and their survivors. The Plan is a contributory plan in which NTA contributes 100% of a participant's elective deferral up to 10 percent of the participant's annual salary. Participation is optional. NTA's Plan administrator include the President of NTA and certain members of management. Employer contributions to the Plan during the years ended September 30, 2021 and 2020 were $67,088 and $43,685, respectively. Management is of the opinion that the plan does not represent an asset or liability of NTA. As of September 30, 2021 and 2020, plan assets were $1,407,375 and $1,223,076, respectively.

(12) Contingencies

Exclusive Right

In April 2022, Bill 66 was passed by the Nitijela of RepMar removing NTA's exclusive right to manage and operate domestic and international telecommunications services in the Marshall Islands. While NTA expects this matter to potentially have a negative impact on its business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

Going Concern

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which contemplates the continuation of NTA as a going concern. NTA depends on RepMar for cash subsidies to make payments on RUS loan balances. While RepMar has provided support in the past, it is uncertain whether RepMar is willing to continue to support NTA. The continuation of NTA's operations is dependent upon future financial support from RepMar in the form of operating subsidies and/or significant improvements in operations through the collection of long outstanding trade receivables and other matters. Additionally, in order for NTA to continue as a going concern, it may require RepMar's continued support to repay RUS debt as set forth in Note 7.

(13) COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended the containment and mitigation measures worldwide. During the year ended September 30, 2021, four confirmed cases were identified in the Marshall Islands that were isolated and contained. On August 8, 2022, community transmission was identified and NTA has determined that such may negatively impact NTA's business, results of operations, and financial position and NTA may become dependent upon the financial support of RepMar. However, the effect of the pandemic on RepMar is also uncertain and future available funding to RepMar component units may be limited. Therefore, while NTA expects this matter to potentially have a negative impact on its business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Marshall Islands National Telecommunications Authority:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Marshall Islands National Telecommunications Authority (NTA), which comprise the statement of net position as of September 30, 2021 and the related statements of revenues, expenses, and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 22, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NTA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NTA's internal control. Accordingly, we do not express an opinion on the effectiveness of NTA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NTA'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*.

Deloitte.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte + Touche LLP

August 22, 2022

MARSHALL ISLANDS
NATIONAL TELECOMMUNICATIONS AUTHORITY

Unresolved Prior Year Findings
Year Ended September 30, 2021

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