

*Financial Statements, Required Supplementary
Information, and Report on Internal Control and
Compliance*

**Marshall Islands National Telecommunications
Authority**

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

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



Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Financial Statements, Required Supplementary Information,
and Report on Internal Control and Compliance

Years ended September 30, 2023 and 2022

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Report of Independent Auditors

The Board of Directors
Marshall Islands National Telecommunications Authority

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

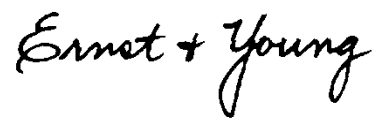
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2025, on our consideration of MINTA'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 MINTA'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 MINTA's internal control over financial reporting and compliance.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style script.

June 26, 2025

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis

Years ended September 30, 2023 and 2022

Overview

The Marshall Islands National Telecommunications Authority (MINTA) is the sole provider of communications, technology, information and entertainment products and services to consumers, businesses and government entities in the Marshall Islands. We offer data, video and voice services and solutions on our networks and platforms that are designed to meet customer demand for mobility, reliable network connectivity, security and control. In 2023, MINTA focused on the capabilities of our 4G LTE networks to drive growth based on delivering what customers want and need in the digital world. With a market of 42,000 people, we are creating value by catering for all diverse groups of people. In addition to this, the completion of our outer-island 2/3G VSAT project together with our vision to connect the unconnected communities has become a reality. All island communities in the Marshall Islands are now connected on 2G with the company's vision to upgrade to 3/4G in the near future.

MINTA has a diverse workforce of approximately 138 employees as of September 30, 2023.

MINTA is pleased to present its financial statements for the fiscal year ended September 30, 2023 with 2022 presented for comparative purposes. The following unaudited management's discussion and analysis (MD&A) is required supplementary information.

The financial statements presented are comprised of the following: 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 MINTA's financial statements provides an overview of its financial activities as of and for the year ended September 30, 2023.

Management's Discussion and Analysis for the year ended September 30, 2022 is set forth in MINTA's report on the audit of financial statements, which is dated August 22, 2024. Such Management Discussion and Analysis explains the major factors impacting the FY2022 financial statements and can be obtained from MINTA's President via the contact information on page 12.

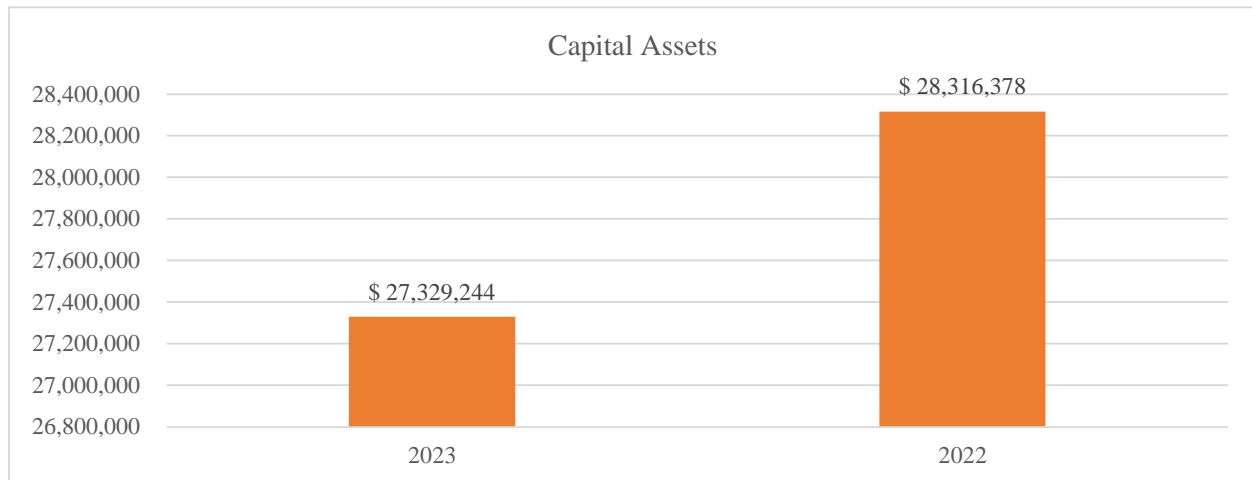
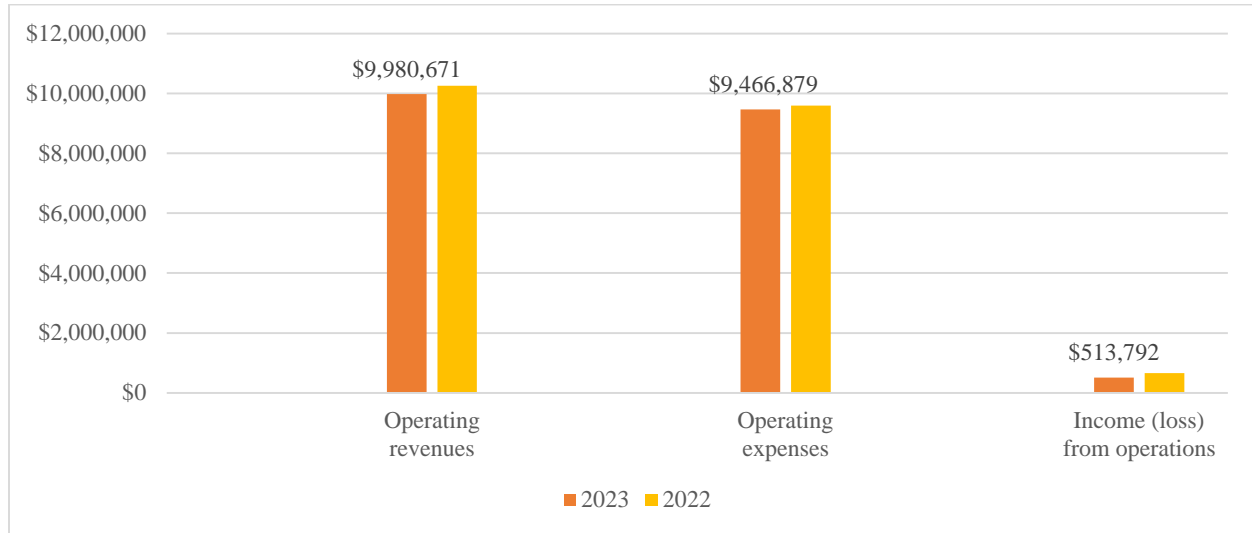
Business Overview

MINTA's strategy is to replace copper network with fiber and upgrade mobile communications to meet the demand of customers and the rapidly evolving ICT sector. As a small geographically isolated country, there are challenges of recouping investment in the rapidly evolving ICT sector. To grow our customer base and improve services, our strategy requires significant investment in upgrading the 4G LTE network and fiber to the premise rollout.

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

Highlights of our 2023 Financial Results



In FY 2023, there was no major investment in capital assets, current open projects were capitalized and the contractual commitments for joint ventures were paid off with Tivaka LLC for the 4G LTE and Carrier Aggregation Project. An initial deposit made to Nuran Wireless to commence the deployment of 3G to the outer islands and the Intelsat Outer Island project was completely rolled out with 57 sites.

As the projects have been capitalized, the movement in capital assets reflects the depreciation on these assets. In FY2023, disposal of the remaining DAMA equipment was made impacting the net income for FY2023.

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

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 MINTA's Statements of Net Position as of September 30, 2023, compared with 2022 and 2021 is presented below:

Summary Statements of Net Position
As of September 30

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Assets:					
Current and other assets	\$ 6,502,150	\$ 7,304,321	\$ (802,171)	(11.0)%	\$ 7,281,162
Capital assets	<u>24,295,868</u>	<u>25,022,999</u>	<u>(727,131)</u>	(2.9)%	<u>24,123,963</u>
Total assets	<u>30,798,018</u>	<u>32,327,320</u>	<u>(1,529,302)</u>	(4.7)%	<u>31,405,125</u>
Liabilities:					
Current and other liabilities	4,147,333	5,030,493	(883,160)	(17.6)%	3,400,620
Long-term debt	<u>14,415,223</u>	<u>15,161,352</u>	<u>(746,129)</u>	(4.9)%	<u>15,892,666</u>
Current and other liabilities	<u>18,562,556</u>	<u>20,191,845</u>	<u>(1,629,289)</u>	(8.1)%	<u>19,293,286</u>
Net position:					
Net investment in capital assets	11,175,220	10,870,070	305,150	2.8%	10,334,819
Restricted	-	-	-		135,609
Unrestricted	<u>1,060,242</u>	<u>1,265,405</u>	<u>(205,163)</u>	(16.2)%	<u>1,641,411</u>
Total net position	<u>\$ 12,235,462</u>	<u>\$ 12,135,475</u>	<u>\$ 99,987</u>	0.8%	<u>\$ 12,111,839</u>

Total assets of MINTA decreased by \$1,529,302 (or 5%) from FY2022 to FY2023 largely due to the depreciation of MINTA's capital assets. There were no new projects introduced and the routine replacement of capital assets based on available cashflows were less than the depreciation on MINTA's capital assets.

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

Statement of Net Position, Continued

Total current and other liabilities decreased by \$883,160 (or 18%) from FY2022 to FY2023 due to the aggressive monitoring and payment of contractors and other vendors.

Total long-term debt decreased by \$746,129 (or 5%) from FY2022 to FY2023 due to the repayment of the loan to the Rural Utilities Services and lease liabilities with landowners.

Statement of Revenues, Expenses and Changes in Net Position

Total net position of MINTA is affected by the changes in both assets and liabilities resulting in an increase in net position of \$23,636 (or 0.2%) in 2022 and an increase of \$99,987 (or 0.8%) in 2023.

Changes in total net position as presented on the statement of net position is 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 MINTA, both operating and non-operating, and expenses incurred by MINTA, both operating and non-operating, and other revenues, expense, gains, and losses received or spent by MINTA. A summary of MINTA's Statements of Revenues, Expenses and Changes in Net Position for 2023 with comparative presentation for 2022 and 2021 is presented below:

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

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Operating:					
Operating revenues	\$ 9,980,671	\$ 10,258,113	\$ (277,442)	(2.7)%	\$ 8,990,878
Operating expenses	<u>9,466,879</u>	<u>9,596,076</u>	<u>129,197</u>	(1.3)%	<u>8,450,397</u>
Operating income	<u>513,792</u>	<u>662,037</u>	<u>(148,245)</u>	(22.4)%	<u>540,481</u>
Nonoperating:					
Nonoperating revenues	19,863	18,214	1,649	9.1%	2,282,503
Nonoperating expenses	<u>433,668</u>	<u>656,615</u>	<u>222,947</u>	(34.0)%	<u>715,167</u>
	<u>(413,805)</u>	<u>(638,401)</u>	<u>224,596</u>	(35.2)%	<u>1,567,336</u>
Change in net position	99,987	23,636	76,351	323.0%	2,107,817
Net position - beginning	<u>12,135,475</u>	<u>12,111,839</u>	<u>23,636</u>	0.2%	<u>10,004,022</u>
Net position - ending	<u>\$ 12,235,462</u>	<u>\$ 12,135,475</u>	<u>\$ 99,987</u>	0.8%	<u>\$ 12,111,839</u>

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

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

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 MINTA. 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 MINTA without directly giving equal value in return. For example, investment income is non-operating because it is earned without providing telecommunications goods or services.

The Statement of Revenues, Expenses, and Changes in Net Position identifies the various revenue and expense items that affect net position. In this section, we discuss below MINTA's overall results of operations and highlight special items.

Operating Revenues

Years ended September 30,	<u>2023</u>	<u>2022</u>	Increase/(Decrease) <u>2023 vs 2022</u>	
Private line access	\$ 4,599,235	\$ 4,658,477	\$(59,242)	1%
4G LTE services	2,454,414	2,072,595	381,819	18%
Local cellular network services	1,556,396	1,842,307	(285,911)	-16%
GSM unlimited plan	966,630	1,127,638	(161,008)	-14%
Local network services	439,202	422,340	16,862	4%
Long distance network services	98,318	414,257	(315,939)	-76%
Wireless television services	55,696	103,179	(47,483)	-46%
Miscellaneous	<u>155,113</u>	<u>68,290</u>	<u>86,823</u>	<u>127%</u>
Total operating revenue	10,325,004	10,709,083	(384,079)	-4%
Bad debt expense	(344,333)	(450,970)	<u>106,637</u>	<u>-24%</u>
Net operating revenue	\$ <u>9,980,671</u>	\$ <u>10,258,113</u>	\$ <u>(277,442)</u>	<u>-3%</u>

As highlighted in the overview, the 4G LTE and GSM networks are growth drivers and are outperforming traditional telecom revenue streams year on year. In FY2023, 4G LTE services grew by 18%, while the decrease in GSM unlimited plan revenue is observed to be the direct increase in 4GLTE services as customers upgraded to the popular "Interim Bronze Plans". Customers continue to demand more mobility of service and use over the top (OTTP) applications to communicate overseas and within the country. Long distance revenue, which used to be a driver of revenue, has declined by 76% from 2022. Miscellaneous revenue consisting of all counter sale items of handsets, modems, and other accessories is growing due to the availability of mid-range phones that are affordable by a majority of customers. For Private line access, certain business entities have moved to Starlink to cater to their outer-island service requirements making it challenging for MINTA, as a business, to cover the recurring costs and commitment with joint venture partners.

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

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

Operating Expenses

Years ended September 30,	<u>2023</u>	<u>2022</u>	Increase/(Decrease) <u>2023 vs. 2022</u>	
Plant specific operations	\$3,117,212	\$3,153,637	\$(36,425)	-1%
Depreciation and amortization	2,823,847	2,811,248	12,599	0%
Plant nonspecific operations	1,978,923	1,879,091	99,832	5%
Consumer operations	953,540	1,107,629	(154,089)	-14%
Corporate operations	<u>593,357</u>	<u>644,471</u>	<u>(51,114)</u>	<u>-8%</u>
Total operating expenses	<u>\$9,466,879</u>	<u>\$9,596,076</u>	<u>\$(129,197)</u>	<u>-1%</u>

Major increase in plant nonspecific operations is due to the cost of bandwidth for the outer-island project. Plant specific operations, consumer operations, and corporate operations expenses have all decreased due to the controlling of costs and restructuring roles within the organization to effectively use Human Resources, for instance, to redistribute workload without the need to fill vacant positions.

Non-operating Revenues and Expenses

Years ended September 30,	<u>2023</u>	<u>2022</u>	Increase/(Decrease) <u>2023 vs. 2022</u>	
Interest and dividends	\$ 19,863	\$ 18,214	\$ 1,649	9%
Loss on disposal of capital assets	(151,786)	---	(151,786)	---
Dividends declared	---	(359,532)	359,532	-100%
Interest expense	<u>(281,882)</u>	<u>(297,083)</u>	<u>15,201</u>	<u>-5%</u>
Total nonoperating revenues, net	<u>\$(413,805)</u>	<u>\$(638,401)</u>	<u>\$224,596</u>	<u>-35%</u>

Major movement in non-operating revenue stems from the disposal of Dama equipment from the outer island sites as these were replaced by the Intelsat 2/3G VSAT project that was rolled out between 2019 to 2023. No dividends were declared for FY2023 by the Board of Directors as at September 30, 2023 resulting in a decline of \$359,532 from FY2022 to FY2023.

Capital and Lease Assets, Investments and Debt Administration

MINTA's strategy is to maximize revenue from its assets and cover the cost of capital before a new technology is deployed. However, as MINTA is geographically isolated with a declining population, our costs of recouping investments in capital projects tends to take a longer time compared to other markets. There is a demand and expectation by customers and international stakeholders to lower prices and supply high speed internet. With this, MINTA has taken an outside-the-box approach in reaching out to development partners in the region to help us upgrade our infrastructure.

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

Capital and Lease Assets, Investments and Debt Administration, Continued

The Rural Utilities Service (RUS) Reconnect Grant, which was approved in FY2023, is a game changer for MINTA. With this grant, MINTA will be able to replace the aging infrastructure and look into ways of combatting our challenges to stay relevant in the industry.

Global Network and Technology

As mobile technology is proving to be the cash cow for MINTA, our approach has been to work with our vendors to provide solutions to combat congestion without the need for additional investment. We have invested more than \$8 million in our mobile network between capital investment and maintenance costs since 2017. With the industry moving into 5G technology, MINTA's approach is to work with development partners that are willing to upgrade our infrastructure to better serve the people of the Marshall Islands as the only telecommunications provider.

Capital and Lease Assets

A summary of MINTA's capital and lease assets as of September 30, 2023 compared with 2022 and 2021 is presented below:

Summary Schedule of Capital and Lease Assets
As of September 30

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Nondepreciable plant assets:					
Plant under construction	\$ 1,462,110	\$ 1,926,363	\$ (464,253)	(24.1)%	\$ 671,330
Telecommunications plant in service:					
Central office assets	24,222,641	22,148,676	2,073,965	9.4%	20,274,645
Cable and wire facilities assets	12,271,393	12,187,767	83,626	0.7%	12,021,252
General support assets	11,020,139	10,740,628	279,511	2.6%	10,703,716
Wireless phone assets	7,568,896	7,855,840	(286,944)	(3.7)%	7,855,840
Wireless TV assets	1,597,276	1,592,250	5,026	0.3%	1,474,461
	56,680,345	54,525,161	2,155,184	4.0%	52,329,914
Accumulated depreciation	(34,332,080)	(31,936,995)	(2,395,085)	7.5%	(29,408,727)
	22,348,265	22,588,166	(239,901)	(1.1)%	22,921,187
Lease assets:					
Right-to-use assets	531,446	531,446	-	0.0%	531,446
Accumulated amortization	(45,953)	(22,976)	(22,977)	100.0%	-
	485,493	508,470	(22,977)	(4.5)%	531,446
	<u>\$ 24,295,868</u>	<u>\$ 25,022,999</u>	<u>\$ (727,131)</u>	(2.9)%	<u>\$ 24,123,963</u>

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

Capital and Lease Assets, Investments and Debt Administration, Continued

Capital and Lease Assets, Continued

Please refer to Notes 4 and 5 of the accompanying financial statements for additional information regarding MINTA's capital and lease assets.

Long-Term Liabilities

Long-term liabilities decreased by \$731,314 (or 4.6%) from 2021 to 2022 and further decreased by \$746,129 (or 4.9%) from 2022 to 2023. The decrease in 2022 and 2023 is the result of principal repayment of RUS debt and initial recognition of lease liabilities under the requirements of GASB Statement No. 87.

A summary of MINTA's long-term liabilities as of September 30, 2023 compared with 2022 and 2021 is presented below:

Summary Schedule of Long-Term Liabilities
As of September 30

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Notes payable:					
RUS loans	\$ 13,235,635	\$ 13,955,898	\$ (720,263)	(5.2)%	\$ 14,661,220
Lease liabilities:					
Land lease	479,588	505,454	(25,866)	(5.1)%	531,446
Loan payable:					
RepMar	700,000	700,000	-	0.0%	700,000
	<u>\$ 14,415,223</u>	<u>\$ 15,161,352</u>	<u>\$ (746,129)</u>	(4.9)%	<u>\$ 15,892,666</u>

RUS Notes Payable

In 2009, MINTA 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.

MINTA is current with its loan obligations with RUS.

Under the terms of the RUS loans, MINTA 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, 2023, MINTA is compliant with this covenant.

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

Capital Assets, Investments and Debt Administration, Continued

Long-Term Liabilities, Continued

RepMar Loan Payable

In 2011, MINTA entered into a \$1,000,000 loan agreement with RepMar to be paid in 10 annual installments of \$100,000. It was MINTA's understanding that the loan would be converted to a grant; however, because of JEMFAC opposition, the conversion never took place. MINTA was unable to make repayments from 2012 through 2018 and, as a result, MINTA was 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.

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. As a result, the loan has been reclassified to long-term debt.

MINTA 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 8 to the accompanying financial statements for additional discussion on MINTA's long-term liabilities.

Economic Outlook

MINTA continues to work strategically to invest in its network and obtain funding to replace its aging infrastructure. With a declining population and with the intensive capital required for the telecommunications industry, MINTA has been launching creating bundles and plans to maximize revenue and add value for its shareholders.

Financial Contact

This discussion and analysis is designed to provide MINTA's customers and other interested parties with an overview of MINTA'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
(A Component Unit of the Republic of the Marshall Islands)

Statements of Net Position

	September 30, 2023	2022
Assets		
Current assets:		
Cash	\$ 571,252	\$ 695,611
Time certificate of deposit	540,321	863,694
Accounts receivable, net of an allowance for doubtful accounts	1,843,610	1,958,613
Inventory	350,985	349,871
Due from external carriers	29,176	6,663
Other receivables, net of an allowance for doubtful accounts of \$17,179	45,240	61,401
Other current assets	<u>88,190</u>	<u>75,089</u>
Total current assets	3,468,774	4,010,942
Capital assets:		
Nondepreciable capital assets	1,462,110	1,926,363
Capital assets, net of accumulated depreciation	22,348,265	22,588,166
Lease assets, net	485,493	508,470
Indefeasible right of use, net	<u>3,033,376</u>	<u>3,293,379</u>
	<u>\$ 30,798,018</u>	<u>\$ 32,327,320</u>
Liabilities and Net Position		
Current liabilities:		
Accounts payable - trade	\$ 760,978	\$ 640,936
Accounts payable - affiliates	518,872	329,176
Contracts payable	1,738,801	2,284,956
Advance from RepMar	300,000	300,000
Customer deposits and advance billings	527,490	555,346
Unearned revenues	88,130	296,380
Current portion of lease liabilities	11,822	11,100
Current portion of long-term debt	733,852	719,520
Other accrued liabilities	<u>213,062</u>	<u>623,699</u>
Total current liabilities	4,893,007	5,761,113
Noncurrent liabilities:		
Lease liabilities, net of current portion	467,766	494,354
Long-term debt, net of current portion	<u>13,201,783</u>	<u>13,936,378</u>
Total noncurrent liabilities	<u>13,669,549</u>	<u>14,430,732</u>
Total liabilities	<u>18,562,556</u>	<u>20,191,845</u>
Commitments and contingencies		
Net position:		
Net investment in capital assets	11,175,220	10,870,070
Unrestricted	<u>1,060,242</u>	<u>1,265,405</u>
Total net position	<u>12,235,462</u>	<u>12,135,475</u>
	<u>\$ 30,798,018</u>	<u>\$ 32,327,320</u>

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	<u>2023</u>	<u>2022</u>
Operating revenues:		
Private line access	\$ 4,599,235	\$ 4,658,477
4G LTE services	2,454,414	2,072,595
Local cellular network services	1,556,396	1,842,307
GSM unlimited plan	966,630	1,127,638
Local network services	439,202	422,340
Long distance network services	98,318	414,257
Wireless television services	55,696	103,179
Miscellaneous	155,113	68,290
Bad debt expense	(344,333)	(450,970)
Total operating revenues	<u>9,980,671</u>	<u>10,258,113</u>
Operating expenses:		
Plant specific operations	3,117,212	3,153,637
Depreciation and amortization	2,823,847	2,811,248
Plant nonspecific operations	1,978,923	1,879,091
Corporate operations	953,540	1,107,629
Consumer operations	<u>593,357</u>	<u>644,471</u>
Total operating expenses	<u>9,466,879</u>	<u>9,596,076</u>
Income from operations	<u>513,792</u>	<u>662,037</u>
Nonoperating revenues (expenses):		
Interest and dividends	19,863	18,214
Loss on disposal of capital assets	(151,786)	---
Dividends declared	---	(359,532)
Interest expense	<u>(281,882)</u>	<u>(297,083)</u>
Total nonoperating expenses, net	<u>(413,805)</u>	<u>(638,401)</u>
Change in net position	99,987	23,636
Net position at beginning of year	<u>12,135,475</u>	<u>12,111,839</u>
Net position at end of year	<u>\$ 12,235,462</u>	<u>\$ 12,135,475</u>

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Statements of Cash Flows

	Year ended September 30,	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from customers	\$ 9,853,983	\$ 10,519,518
Cash payments to suppliers for goods and services	(4,473,104)	(4,725,364)
Cash payments to employees for services	(1,899,401)	(1,923,876)
Net cash provided by operating activities	<u>3,481,478</u>	<u>3,870,278</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,561,530)	(2,772,854)
Dividends paid	(359,532)	---
Principal paid on RUS long-term debt	(720,263)	(705,322)
Interest paid on RUS long-term debt	(271,801)	(286,743)
Principal paid on lease liabilities	(25,866)	(25,992)
Interest paid on lease liabilities	(10,081)	(10,340)
Cash used in capital and related financing activities	<u>(3,949,073)</u>	<u>(3,801,251)</u>
Cash flows from investing activities:		
Net change in time certificates of deposit	323,373	(17,785)
Interest received	<u>19,863</u>	<u>18,214</u>
Net cash provided by investing activities	<u>343,236</u>	<u>429</u>
Net change in cash	(124,359)	69,456
Cash at beginning of year	<u>695,611</u>	<u>626,155</u>
Cash at end of year	<u>\$ 571,252</u>	<u>\$ 695,611</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 513,792	\$ 662,037
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation and amortization	2,823,847	2,811,248
Bad debt expense	344,333	450,970
Changes in assets and liabilities:		
Accounts receivable	(202,454)	(693,644)
Inventory	(1,114)	(15,126)
Due from external carriers and other receivables	(6,352)	30,880
Other current assets	(13,101)	(12,361)
Accounts payable	309,738	129,180
Customer deposits and advanced billings	(27,856)	206,524
Unearned revenue	(208,250)	254,111
Other accrued liabilities	(51,105)	46,459
Net cash provided by operating activities	<u>\$ 3,481,478</u>	<u>\$ 3,870,278</u>

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements

Years ended September 30, 2023 and 2022

1. Organization

The Marshall Islands National Telecommunications Authority (MINTA), a component unit of the Republic of the Marshall Islands (RepMar), was established by the Marshall Islands National Telecommunications Authority Act 1990, as amended, for the purpose of operating as 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. MINTA serves commercial and residential customers in the Marshall Islands.

Prior to the creation of MINTA, telecommunication services in the Marshall Islands were administered under RepMar's Ministry of Transportation, Communications and Information Technology. An appraisal of MINTA'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 MINTA. Pursuant to the results of the appraisal, the Board of Directors determined the initial capital of MINTA 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. The remaining 270,000 shares of common stock were 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 MINTA 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. Ten dollars 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. On June 30, 2022, the Board of Directors declared a dividend of \$359,532 as of September 30, 2022.

MINTA is governed by a nine-member Board of Directors elected by MINTA stockholders. RepMar owns a voting majority of MINTA stock and has unconditionally guaranteed the majority of MINTA's RUS debt.

MINTA's financial statements are incorporated into the financial statements of RepMar as a component unit.

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies

MINTA maintains a chart of accounts in accordance with the Uniform System of Accounts for telephone companies of the United States Federal Communications Commission's (FCC) 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.

To conform to these requirements, equity is presented in the following net position categories:

- Net investment in capital assets - capital assets, net of accumulated depreciation and related debt, plus construction or improvement of those assets.
- Restricted - net position whose use by MINTA is subject to externally imposed stipulations that can be fulfilled by actions of the MINTA pursuant to those stipulations or that expire with the passage of time. As of September 30, 2023 and 2022, MINTA has no restricted net position.
- Unrestricted - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties. As of September 30, 2023 and 2022, unrestricted net position is designated as follows:

	<u>2023</u>	<u>2022</u>
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	<u>(3,312,179)</u>	<u>(3,107,016)</u>
	<u>\$1,060,242</u>	<u>\$1,265,405</u>

When both restricted and unrestricted resources are available for use for the same purpose, it is MINTA's policy to use unrestricted resources first, then restricted resources as they are needed.

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

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.

Cash and Cash Equivalents and Time Certificates of Deposit

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

For purposes of the statements of net position and cash flows, cash and cash equivalents are defined as cash on hand and cash held in demand and savings accounts as well as short-term investments with a maturity date within three months of the date acquired by MINTA. Deposits maintained in time certificates of deposit with original maturity dates greater than three months are separately classified in the statements of net position. As of September 30, 2023 and 2022, the carrying amount of cash and cash equivalents and time certificates of deposit were \$1,111,573 and \$1,559,305, respectively, and the corresponding bank balances were \$1,093,737 and \$1,559,789, respectively. Of the bank balances, \$432,857 and \$558,615 were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance as of September 30, 2023 and 2022, respectively. The remaining amounts of \$660,880 and \$1,001,174, respectively, were maintained in a financial institution not subject to depository insurance.

As of September 30, 2023 and 2022, bank deposits in the amount of \$250,000 were FDIC insured. MINTA does not require collateralization of its cash deposits; therefore, deposit levels more than FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Receivables

Telecommunications accounts receivable is 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.

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Receivables, continued

Accounts receivables 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 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.

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.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. MINTA 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 to determine estimated cost. All other assets are valued at actual purchase cost. Depreciation of property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of these assets are as follows:

	<u>Estimated Useful Lives</u>
Central office assets	5 - 20 years
Cable and wire facilities assets	20 - 25 years
General support assets	5 - 40 years
Wireless phone assets	15 years
Wireless television assets	5 - 10 years

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Indefeasible Right of Use

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

Valuation of Long-Lived Assets

MINTA, 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, 2023 and 2022, no assets had been written down.

Leases

MINTA is a party as lessee for various noncancellable long-term land leases. MINTA determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, land, or equipment in exchange for consideration. Leases result in the recognition of right-to-use lease assets and lease liabilities on the statements of net position. Lease assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis.

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. MINTA 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 statements of net position will sometimes report a separate section for deferred inflows of resources.

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Deferred Inflows of Resources, continued

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. MINTA has no items that qualify for reporting in this category.

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. MINTA 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.

Recently Adopted Accounting Pronouncements

During the year ended September 30, 2023, MINTA implemented the following pronouncements:

- GASB Statement No. 91, *Conduit Debt Obligations*, which provides 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. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The implementation of this Statement did not have a material effect on the accompanying financial statements.

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). 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. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 99, *Omnibus 2022*, which enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing (1) practice issues that have been identified during the implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. This Statement provides clarification of provisions in:
 - 1) GASB Statement No. 87, *Leases*, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
 - 2) GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
 - 3) GASB Statement No. 96 related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

This Statement modifies accounting and reporting guidance in:

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, related to termination of hedge.

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

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

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

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

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

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

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to ascertain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues identified through agenda research conducted by the GASB. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following: a) management's discussion and analysis (MD&A); b) unusual or infrequent items; c) presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; d) information about major component units in basic financial statements; e) budgetary comparison information; and f) financial trends information in the statistical section. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 103 will be effective for fiscal year ending September 30, 2026.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement also addresses certain application issues. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 104 will be effective for fiscal year ending September 30, 2026.

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Taxes

Corporate profits are not subject to income tax in the Republic of the Marshall Islands. Instead, RepMar 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, MINTA is exempt from this tax relating to gross revenue from sales of telecommunications services.

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. Accounts Receivable

Accounts receivable as of September 30, 2023 and 2022, net of allowance for uncollectible accounts, consists of the following:

	<u>2023</u>	<u>2022</u>
Trade	\$2,442,310	\$2,461,933
Affiliates	992,466	744,280
Employees	<u>32,182</u>	<u>31,415</u>
	3,466,958	3,237,628
Allowance for uncollectible accounts	<u>(1,623,348)</u>	<u>(1,279,015)</u>
	<u>\$1,843,610</u>	<u>\$1,958,613</u>

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

4. Capital Assets

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

	<u>2023</u>			
	<u>October 1, 2022</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2023</u>
Nondepreciable capital assets:				
Plant under construction	\$ <u>1,926,363</u>	\$ <u>1,389,016</u>	\$(<u>1,853,269</u>)	\$ <u>1,462,110</u>
Depreciable capital assets:				
Central office assets	22,148,676	2,073,965	---	24,222,641
Cable and wire facilities assets	12,187,767	83,626	---	12,271,393
General support assets	10,740,628	317,011	(37,500)	11,020,139
Wireless phone assets	7,855,840	---	(286,944)	7,568,896
Wireless television assets	<u>1,592,250</u>	<u>5,026</u>	<u>---</u>	<u>1,597,276</u>
	54,525,161	2,479,628	(324,444)	56,680,345
Less accumulated depreciation	(<u>31,936,995</u>)	(<u>2,540,867</u>)	<u>145,782</u>	(<u>34,332,080</u>)
	<u>22,588,166</u>	(<u>61,239</u>)	(<u>178,662</u>)	<u>22,348,265</u>
	<u>\$24,514,529</u>	<u>\$1,327,777</u>	<u>\$(2,031,931)</u>	<u>\$23,810,375</u>
	<u>2022</u>			
	<u>October 1, 2021</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2022</u>
Nondepreciable capital assets:				
Plant under construction	\$ <u>671,330</u>	\$ <u>3,191,761</u>	\$(<u>1,936,728</u>)	\$ <u>1,926,363</u>
Depreciable capital assets:				
Central office assets	20,274,645	1,874,031	---	22,148,676
Cable and wire facilities assets	12,021,252	166,515	---	12,187,767
General support assets	10,703,716	36,912	---	10,740,628
Wireless phone assets	7,855,840	---	---	7,855,840
Wireless television assets	<u>1,474,461</u>	<u>117,789</u>	<u>---</u>	<u>1,592,250</u>
	52,329,914	2,195,247	---	54,525,161
Less accumulated depreciation	(<u>29,408,727</u>)	(<u>2,528,268</u>)	<u>---</u>	(<u>31,936,995</u>)
	<u>22,921,187</u>	(<u>333,021</u>)	<u>---</u>	<u>22,588,166</u>
	<u>\$23,592,517</u>	<u>\$2,858,740</u>	<u>\$(1,936,728)</u>	<u>\$24,514,529</u>

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

5. Lease Assets

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

	<u>2023</u>			
	<u>October 1, 2022</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2023</u>
Lease assets:				
Right-to-use assets	\$ 531,446	\$ ---	\$ ---	\$ 531,446
Less accumulated amortization	(22,976)	(22,977)	---	(45,953)
	<u>\$ 508,470</u>	<u>\$ (22,977)</u>	<u>\$ ---</u>	<u>\$ 485,493</u>
	<u>2022</u>			
	<u>October 1, 2021</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2022</u>
Lease assets:				
Right-to-use assets	\$ 531,446	\$ ---	\$ ---	\$ 531,446
Less accumulated amortization	---	(22,976)	---	(22,976)
	<u>\$ 531,446</u>	<u>\$ (22,976)</u>	<u>\$ ---</u>	<u>\$ 508,470</u>

6. Leases

MINTA is a lessee under non-cancelable leases for certain parcels of land. The terms of the agreements range from 15 to 25 years generally at fixed quarterly payments with no variable payments or escalation clauses. The calculated interest rates used was 2%. The following is a summary of principal and interest requirements to maturity for the lease liabilities as of September 30, 2023:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 11,822	\$ 9,709	\$ 21,531
2025	19,395	9,362	28,757
2026	19,785	8,971	28,756
2027	20,184	8,572	28,756
2028	20,591	8,166	28,757
2029-2033	109,348	34,435	143,783
2034-2038	110,679	23,141	133,820
2039-2043	106,300	12,575	118,875
2044-2046	<u>61,484</u>	<u>2,265</u>	<u>63,749</u>
	<u>\$479,588</u>	<u>\$117,196</u>	<u>\$596,784</u>

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

7. Indefeasible Right of Use (IRU)

In 2009, MINTA executed 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), known as the “HANTRU1 System”, which runs between Guam and Kwajalein.

Under the terms of the agreement, MINTA made payments amounting to \$6,500,091. The initial term of the agreement is for a period of 10 years commencing on the date when MINTA is initially granted access, and for 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, MINTA 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. MINTA’s policy is to amortize the IRU over the 25-year period. As of September 30, 2023 and 2022, accumulated amortization amounting to \$3,466,715 and \$3,206,712, respectively, have been recorded.

8. Long-term Liabilities

A summary of changes in long-term liabilities for the years ended September 30, 2023 and 2022 are as follows:

	2023				
	<u>October 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2023</u>	<u>Due Within One Year</u>
<u>Notes payable:</u>					
RUS loans	\$13,955,898	\$ ---	\$(720,263)	\$13,235,635	\$733,852
<u>Lease liabilities:</u>					
Land lease	505,454	---	(25,866)	479,588	11,822
<u>Loans payable:</u>					
RepMar	<u>700,000</u>	<u>---</u>	<u>---</u>	<u>700,000</u>	<u>---</u>
	<u>\$15,161,352</u>	<u>\$ ---</u>	<u>\$(746,129)</u>	<u>\$14,415,223</u>	<u>\$745,674</u>

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

8. Long-term Liabilities, continued

	<u>2022</u>				
	<u>October 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2022</u>	<u>Due Within One Year</u>
<u>Notes payable:</u>					
RUS loans	\$14,661,220	\$ ---	\$(705,322)	\$13,955,898	\$719,520
<u>Lease liabilities:</u>					
Land lease	531,446	---	(25,992)	505,454	11,100
<u>Loans payable:</u>					
RepMar	<u>700,000</u>	<u>---</u>	<u>---</u>	<u>700,000</u>	<u>---</u>
	<u>\$15,892,666</u>	<u>\$ ---</u>	<u>\$(731,314)</u>	<u>\$15,161,352</u>	<u>\$730,620</u>

Notes Payable

Long-term notes payable as of September 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Rural Utilities Service (RUS) Loan A	\$ 3,299,049	\$ 3,546,468
Rural Utilities Service (RUS) Loan C	<u>9,936,586</u>	<u>10,409,430</u>
	<u>\$13,235,635</u>	<u>\$13,955,898</u>

Substantially all assets of MINTA, including specific MINTA ground leases, are pledged to secure the RUS notes. RUS Loan A amounting to \$18,800,000, originally approved in 1989, with interest rate at 5% per annum and maturing on various dates through June 4, 2027, has been unconditionally guaranteed by RepMar, under which RepMar agrees to perform debt service payments to RUS in the event of default by MINTA.

In 2009, MINTA was approved for additional funding from RUS (RUS Loan C) amounting to \$18,500,000, with interest rates ranging from 3.64% to 5% per annum and maturing on March 12, 2031, for purposes of construction of a deep-sea cable route between Majuro, Kwajalein and Guam. RepMar has also guaranteed up to \$1,500,000 annually for the RUS debt service.

In 2021, MINTA entered into a loan agreement amendment reducing the interest rates on both RUS Loan A and Loan C to 2% per annum and extending respective maturity dates by additional 10 years.

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

8. Long-term Liabilities, continued

Notes Payable, continued

MINTA's management believes that MINTA is compliant with all covenants, agreements and conditions of the RUS loans as of and for the years ended September 30, 2023 and 2022.

The terms of the loan agreement contain provisions and restrictions pertaining to, among other things, the declaration or payment of cash dividends and the times interest earned ratio. In 2023 and 2022, MINTA met the required times interest earned ratio.

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

Year ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 733,852	\$ 258,213	\$ 992,065
2025	749,030	243,035	992,065
2026	763,974	228,091	992,065
2027	779,395	212,670	992,065
2028	794,977	197,088	992,065
2029-2033	4,223,050	737,274	4,960,324
2034-2038	3,598,530	328,781	3,927,311
2039-2041	<u>1,592,827</u>	<u>40,976</u>	<u>1,633,803</u>
	<u>\$13,235,635</u>	<u>\$2,246,128</u>	<u>\$15,481,763</u>

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 - MINTA has covenanted to 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 MINTA, without the prior written consent of RUS, to incur additional indebtedness while MINTA maintains a TIER below 1.0; or if the additional indebtedness will cause MINTA's TIER to fall below 1.0; or an Event of Default has occurred and is continuing.

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

8. Long-term Liabilities, continued

Notes Payable, continued

Debt Covenants, continued

Events of default with finance related consequences - the loan agreement specifies several Events of Default and related Remedies. MINTA 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 of payments - Upon the occurrence of an Event of Default and is continuing, RUS may, by notice in writing to MINTA, 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.

Loan Payable

In 2011, MINTA 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. MINTA was unable to make repayments from 2012 through 2018 and, as a result, MINTA was 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. In 2021, MINTA entered into a standstill agreement with RepMar whereby repayment of this loan was deferred until the RUS notes are paid in full.

9. Related Party Transactions

MINTA is a component unit of RepMar and is therefore affiliated with all RepMar-owned and affiliated entities. MINTA'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. MINTA utilizes services from certain affiliated entities at substantially more favorable terms and conditions than those provided to third parties.

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

9. Related Party Transactions, continued

A summary of related party transactions as of and for the years ended September 30, 2023 and 2022 are as follows:

	<u>2023</u>		
	<u>Expenses</u>	<u>Receivables</u>	<u>Payables</u>
RepMar	\$ 34,980	\$725,684	\$268,592
Marshall's Energy Company, Inc.	531,710	20,897	119,969
Marshall Islands Social Security Administration	266,473	1,488	110,162
Others	<u>180,799</u>	<u>244,397</u>	<u>20,149</u>
	<u>\$1,013,962</u>	<u>\$992,466</u>	<u>\$518,872</u>
	<u>2022</u>		
	<u>Expenses</u>	<u>Receivables</u>	<u>Payables</u>
RepMar	\$ 51,668	\$571,854	\$ 53,125
Marshall's Energy Company, Inc.	520,817	21,884	103,126
Marshall Islands Social Security Administration	187,892	1,862	145,795
Others	<u>162,574</u>	<u>148,680</u>	<u>27,130</u>
	<u>\$ 922,951</u>	<u>\$744,280</u>	<u>\$329,176</u>

In 2016, MINTA 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 MINTA. Reimbursement has yet to occur as of September 30, 2023.

10. Employee Retirement Plan

MINTA has implemented a defined contribution retirement savings plan (the Plan) for its employees who have completed at least three (3) months of service. 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 MINTA contributes 100% of a participant's elective deferral up to 10 percent of the participant's annual salary. Participation is optional. MINTA's Plan administrator includes the President of MINTA and certain members of management. Withdrawal from the Plan occurs upon termination of employment, retirement at age 65, permanent disability or death. Plan assets are held in a trust fund administered by a trustee in accordance with the trust agreement. Management has the authority to establish or amend Plan provisions and contribution requirements. During the years ended September 30, 2023 and 2022, MINTA contributed \$60,879 and \$65,858, respectively, to Plan participant accounts. As of September 30, 2023 and 2022, total Plan assets were \$1,358,966 and \$1,254,274, respectively.

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

11. Risk Management

MINTA 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 more than insurance coverage for the past three years. The insurance includes its properties in outer islands and the fiber cable properties. MINTA also purchases insurance for its vehicles (up to \$25,000 of coverage per vehicle per incident). Additionally, MINTA purchases workmen's compensation insurance (coverage of up to \$40,000 limit of liability).

12. Commitments and Contingencies

Short Term and Circuit Leases

MINTA has entered operating lease for office space with Marshall Islands Development Bank (MIDB) with a term of one (1) year. MINTA has also executed various circuit leases expiring from 2023 through 2026.

Approximate future minimum annual lease payments are as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Total</u>
2024	\$1,440,912
2025	1,440,912
2026	<u>996,704</u>
	<u>\$3,878,528</u>

Operation, Management and Repair (OM&R) Agreement

In 2009, MINTA, 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 MINTA 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%.

Marshall Islands National Telecommunications Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

12. Commitments and Contingencies, continued

Operation, Management and Repair (OM&R) Agreement, continued

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

Year ending <u>September 30,</u>	<u>Total</u>
2024	\$ 114,475
2025	117,909
2026	121,447
2027	125,090
2028	128,843
2029-2033	704,565
2034-2035	<u>231,904</u>
	<u>\$1,544,233</u>

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 MINTA for settlement with certain U.S. carriers. The ultimate outcome of this matter and the related impact on MINTA cannot be reasonably estimated at this time.

Exclusive Right

In April 2022, Bill 66 was passed by the Nitijela of RepMar removing MINTA's exclusive right to manage and operate domestic and international telecommunications services in the Marshall Islands. While MINTA 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.

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
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 business-type activities of Marshall Islands National Telecommunications Authority (MINTA), which comprise the statement of net position as of September 30, 2023, 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 (collectively referred to as the “financial statements”), and have issued our report thereon dated June 26, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MINTA’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 MINTA’s internal control. Accordingly, we do not express an opinion on the effectiveness of MINTA’s internal control.

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

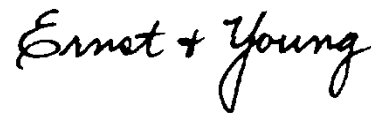
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MINTA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style script.

June 26, 2025

*Independent Auditor's Report on Compliance with
Aspects of Contractual Agreements and Regulatory
Requirements*

**Marshall Islands National Telecommunications
Authority**

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

*Year ended September 30, 2023
with Report of Independent Auditors*



Report of Independent Auditors

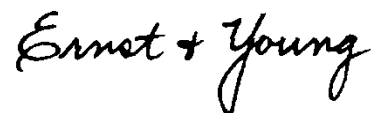
Board of Directors
Marshall Islands National Telecommunications Authority

We have audited, 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, the financial statements of the business-type activities of Marshall Islands National Telecommunications Authority (MINTA), which comprise the statement of net position as of September 30, 2023, and the related statements of revenue, 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 June 26, 2025. In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2025, on our consideration of MINTA'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. No reports other than the reports referred to above have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that MINTA failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33 and clarified in the Rural Utilities Service (RUS) policy memorandum dated February 7, 2014, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the MINTA's noncompliance with the above-referenced terms, covenants, provisions, or conditions of their loan, grant, and security instruments with RUS, insofar as they relate to accounting matters.

* * * * *

This report is intended solely for the information and use of the Board of Directors and management of MINTA, the RUS and the Office of the Auditor-General, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is also a matter of public record.



June 26, 2025

*The Auditor's Communication With Those Charged
With Governance*

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Year ended September 30, 2023



May 16, 2025

To the Board of Directors of
Marshall Islands Postal Service Authority

We have performed an audit of the financial statements of the business-type activities of Marshall Islands Postal Service Authority (MIPSA), a component unit of the Republic of the Marshall Islands, as of and for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated May 16, 2025.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide the Board and those charged with governance with additional information regarding the scope and results of the audit that may assist the Board and those charged with governance in overseeing the financial reporting and disclosure processes which the management of MIPSA is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing are consistent with the plan communicated in our engagement letter dated October 29, 2024 and at our audit planning meeting with management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statements required supplementary information and supplementary information are the responsibility of MIPSA's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement letter.

Changes to the audit strategy, timing of the audit and significant risks identified

Our audit strategy is consistent with the plan communicated during the October 2024 meeting.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Company's ability to continue as a going concern.

Our views about the qualitative aspects of the entity's significant accounting practices, including:

- **Accounting policies**
- **Accounting estimates**

Management has not selected or changed any significant policies or changed the application of those policies in the current year. A discussion of significant accounting policies and sensitive accounting estimates have been included in Note 2 of the financial statements.

We have provided a discussion of significant accounting policies and our views regarding significant accounting estimates and financial statement disclosures and related matters in Note 2 of the basic financial statements.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Related party relationships and transactions

We noted no significant matters regarding the MIPSAs' relationships and transactions with related parties other than disclosed in footnote 7 to the financial statements.

Changes to the terms of the audit with no reasonable justification for the change

We are not aware of any matters that require communication.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by MIPS A.

Difficult or contentious matters subject to consultation outside of the audit team

None.

Material corrected misstatements related to accounts and disclosures

Refer to “Management Representations Letter” in Appendix A.

Uncorrected misstatements related to accounts and disclosures, considered by management to be immaterial

Refer to “Management Representations Letter” in Appendix A.

Significant deficiencies and material weaknesses in internal control over financial reporting

We have issued our Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated May 16, 2025. In that report, we identified a certain deficiency in internal control that we consider to be a material weakness.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the October 2024 meeting during the audit.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

New accounting pronouncements

No issues have been identified with regard to management’s planned application of new accounting pronouncements:

- GASB Statement No. 99
- GASB Statement No. 100
- GASB Statement No. 101
- GASB Statement No. 102

Management is still assessing the impact of adopting these GASB Statements.

Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no material disagreements with MIPSAs management on financial accounting and reporting matters during the audit.

Management's consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with MIPSAs or its affiliates directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.

Representations from management

We have obtained from management a representations letter related to the audit and a copy of the management representations letter is included in Appendix A.

Engagement team's involvement with preparation of the financial statements

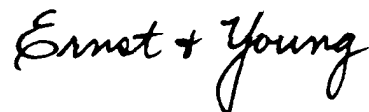
Under GAS 2018 Revision, Chapter 3 Ethics, Independence and Professional Judgment, Paragraph 3.73-74 Provision of Non-audit Services to Audited Entities explains that the audit team should make consideration of management's ability to effectively oversee the non-audit services to be provided. The engagement team should determine that the audited entity has designated an individual who possesses suitable skill, knowledge or experience and that the individual understands the services to be performed sufficiently to oversee them.

The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- The preparation of the financial statements is based on MIPSAs trial balance with our understanding that MIPSAs underlying books and records are maintained by MIPSAs accounting department and that the final trial balance prepared by MIPSAs is complete.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of MIPSAs.
- MIPSAs Accounts Manager have the skill sets to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

Very truly yours,

A handwritten signature in black ink that reads "Ernst & Young". The signature is written in a cursive, flowing style.

Appendix

A - Management Representations Letter

A - Management Representations Letter



MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

P. O. BOX 9998 MAJURO, MH 96960, TEL: (692) 625-7369

Email: mipsa.mh@gmail.com

May 16th, 2025

Ernst & Young LLP
Majuro, Marshall Islands
P.O Box 1288, 96960

In connection with your audit of the basic financial statements of Marshall Islands Postal Service Authority (MIPSA) as of September 30, 2023 and 2022 and for the years then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form opinions whether the financial statements present fairly, in all material respects, the financial position of the business-type activities of MIPSA and the changes in financial position and cash flows in conformity with US generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated October 29, 2024, for the preparation and fair presentation of the financial statements (including disclosures) in accordance with US GAAP applied on a basis consistent with that of the preceding period except for the effects of adopting new accounting standards.

In preparing the financial statements, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MIPSA's ability to continue as a going concern for one year after the date that the financial statements are issued (or available to be issued, if applicable), and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statements in accordance with the liquidation basis of accounting.

We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

A - Management Representations Letter, continued

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within MIPSAs from whom you determined it necessary to obtain evidence.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

From June 7, 2024 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statements, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Governmental entities

We recognize that we are responsible for MIPSAs compliance with laws, regulations, and provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives, all laws and regulations that have direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.

There has been no noncompliance or possible noncompliance with provisions of contracts or grant agreements in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.

We have a process to track the status of audit findings and recommendations.

We have provided views on your reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.

We have taken timely and appropriate steps to remedy fraud, and noncompliance with provisions of laws, regulations, contracts or grant agreements, that you have reported.

A - Management Representations Letter, continued

Corrected misstatements

We have reviewed and approved the adjustments, summarized in the accompanying schedule, and reflected these adjustments in the financial statements. Refer to the "Schedule of Corrected Misstatements" in Appendix B.

Uncorrected misstatements

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule (Appendix), accumulated by you during the current and prior audit period presented are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. In addition, to the extent that uncorrected misstatements have been subsequently identified in the current period that affect prior period financial statements, we have evaluated the effect of correcting prior period financial statements and believe that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to both the current and prior period financial statements.

Internal control

We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting.

Minutes and contracts and internal audit reports

The dates of meetings of members, officers or summaries of actions of recent meetings held from October 1, 2022, to the date of this letter are as follows:

Date Meeting Type

August 17, 2023	Special Board Meeting
November 16, 2023	Regular Board Meeting
February 15, 2024	Regular Board Meeting
March 11, 2024	Special Board Meeting
July 12, 2024	Special Board Meeting
July 16, 2024	Special Board Meeting
August 22, 2024	Special Board Meeting
September 19, 2024	Special Board Meeting
September 23, 2024	Special Board Meeting
October 30, 2024	Special Board Meeting

Certain minutes of meetings of members were not made available. There were no matters of significance discussed by the members of the Board of Directors during these meetings that required adjustment to, or disclosure in, the financial statements as of September 30, 2023.

We have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

We have also made available to you all internal audit reports (or reports from similar functions) that were issued to management during the year that address internal control over financial reporting.

A - Management Representations Letter, continued

Methods, significant assumptions, and data used in making accounting estimates

The appropriateness of the methods, the consistency in application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in developing accounting estimates and related disclosures, including those measured at fair value, are reasonable and supportable.

Ownership and pledging of assets

Except for right-to-use another entity's nonfinancial assets (the underlying assets), MIPSAsatisfactory title to all assets appearing in the statement of net position. No security agreements have been executed under the provisions of any law, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which MIPSAsatisfactory title appear in the statement of net position.

Receivables and revenues

Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62 - as amended.

Adequate provision has been made for losses, costs and expenditures that may be incurred subsequent to the balance sheet date in respect of any sales and services rendered prior to that date and for uncollectible accounts and allowances, etc., that may be incurred in the collection of receivables at that date.

Long-lived assets to be held and used, including amortizable intangible assets

No events or changes in circumstances have occurred that indicate the carrying amounts of long-lived assets to be held and used, including intangible assets that are subject to amortization, may not be recoverable.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56 - as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

A - Management Representations Letter, continued

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of, that are probable of assertion and must be disclosed in accordance with GASB Statement No. 62 - as amended other than those disclosed in the financial statements.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency other than those disclosed in the financial statements.

There have been no internal investigations or communications from regulatory agencies or government representatives in any jurisdiction concerning investigations or allegations of noncompliance with laws or regulations, noncompliance with or deficiencies in financial reporting practices, or other matters that could affect the financial statements other than those disclosed or accrued in the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GASB Statement No. 62 - as amended, *Contingencies* other than those accrued or disclosed in the financial statements, nor are there any accruals for loss contingencies included in the statement of financial position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62 - as amended.

We have not consulted with outside legal counsel concerning litigation, claims or assessments.

Oral or written guarantees

There are no oral or written guarantees other than those reported in the financial statements, including guarantees of the debt of others.

Purchase commitments

At September 30, 2023 and 2022, MIPS had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2023 and 2022 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

A - Management Representations Letter, continued

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that MIPSAs business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in MIPSAs internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by “whistleblowers”) which could result in a misstatement of the financial statements or otherwise affect the financial reporting of MIPSAs.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

Independence

We have communicated to you the names of MIPSAs affiliates, officers and directors.

We are not aware of any capital lease, material cooperative arrangement or other business relationship between MIPSAs and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of MIPSAs audit.

Conflicts of interest

There are no instances where any officer or employee of MIPSAs has an interest in a company with which MIPSAs does business that would be considered a “conflict of interest.” Such an interest would be contrary to MIPSAs policy.

A - Management Representations Letter, continued

Effects of new accounting principles

As discussed in Note 2 to the financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the codification provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 99
- GASB Statement No. 100
- GASB Statement No. 101
- GASB Statement No. 102

MIPSA is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such statement is adopted.

Going concern

In preparing the financial statements, we evaluated the entity's ability to continue as a going concern for twelve months after the date that the financial statements are issued (or available to be issued, if applicable), and provide appropriate financial statement disclosure, as necessary under GASB requirements.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on management's discussion and analysis, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board in its applicable GASB Statement. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Supplementary Information

We are responsible for the preparation and fair presentation of the following schedules (the "Supplementary Information"):

- Combining Schedule of Operating Income (Loss) by Station

We believe the supplementary information, including its form and content, is fairly stated in all material respects.

There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

A - Management Representations Letter, continued

Additional representations

- We have identified and disclosed to you all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities.
- We have identified and disclosed to you violations (and possible violations) of laws, regulations and provisions of contracts and grant agreements with effects that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and net position was properly recognized under the policy.
- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

Financial statements approval

We have received a draft copy of the financial statements of MIPSAs as of and for the years ended September 30, 2023, and 2022. The accuracy and completeness of the financial statements, including footnote disclosures, are the responsibility of the management of MIPSAs.

You have assisted in the preparation of MIPSAs's financial statements based on the information in MIPSAs's trial balance and accounting records. It is our understanding that:

- MIPSAs's underlying books and records are maintained by MIPSAs's accounting department and that the final trial balance prepared by MIPSAs is complete;
- All adjusting journal entries posted to the trial balance have been approved by MIPSAs; and
- Management of MIPSAs has designated a competent representative to oversee your services and that there are MIPSAs personnel with sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statements.

We have reviewed the draft financial statements for accuracy and completeness.

We acknowledge, that we have reviewed the draft financial statements for accuracy and completeness, and we take responsibility for them.

Subsequent events

Subsequent to September 30, 2023, no events or transactions have occurred or are pending that would have a material effect on the financial statements at that date or for the period then ended, or that are of such significance in relation to MIPSAs's affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, changes in financial position and, where applicable.

A - Management Representations Letter, continued

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and was, therefore, designed primarily for the purpose of expressing opinions on the financial statements of MIPSAs and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,



PMG, Bobby Zed



Accounts Manager, Sharon Fitzpatrick

A - Management Representations Letter, continued



MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

P. O. BOX 9998 MAJURO, MH 96960, TEL: (692) 625-7369

Email: mipsa.mh@gmail.com

Appendices

A – Schedule of Corrected Misstatements

B – Schedule of Uncorrected Misstatements

A - Management Representations Letter, continued



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Communication schedule for corrected misstatements

Appendix A – Schedule of Corrected Misstatements

Entity: Marshall Islands Postal Service Authority

Period ended: 30-Sep-2023

Currency: USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
AJE 1		Correcting the wrong posting of utilities expense								
	VD.00	Utilities							17,970	X
	VD.00	Domestic Freight							(17,970)	X
AJE 2		To reverse the impact of Invalid Royalties receivables								
	E.00	Provision for Bad Debt.	(13,805)							X
	E.00	Accounts Receivable	13,805							
AJE 3		To record the COVID-19 financial assistance								
	UE1.00	Salaries and Wages							9,000	X
	UE1.00	Contribution from RMI							(9,000)	X
AJE 4	UA.00	To reverse the wrong recording of the FY23 Royalty								
		Royalty							24,000	X
		Accounts Receivable	(24,000)							X
AJE 5		Recording the impact of lease modification								
	LRE.00	ROUA		52,359						
	LRE.00	Finance Cost / Interest Expense							(3,372)	
	LRE.00	Lease liability				(48,987)				
	LRE.00	Accumulated Amortization - ROUA		(1,417)						
	LRE.00	Amortization - ROUA							1,417	
Total of corrected misstatements before income tax			(24,000)	50,942	0	(48,987)	0	0	22,045	
Financial statement amounts			1,383,367	282,666	(188,731)	(185,724)	(1,291,578)		40,958	
Effect of corrected misstatements on F/S amounts			-1.7%	18.0%	0.0%	26.4%	0.0%		53.8%	

A - Management Representations Letter, continued



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Appendix B- Schedule of Uncorrected Misstatement

Communication schedule for uncorrected misstatements

Entity: Marshall Islands Postal Service Authority

Period Ended: 30-Sep-2023

Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)									Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	Non taxable	Prior period Debit/(Credit)	Non taxable	
(misstatements are recorded as journal entries with a description)			Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)				
Factual misstatements:													
PY SAD.01	F.01	To record stamp inventory											
		Inventory on hand											
		Income									6,192		
SAD.01	F.01	To record stamp inventory											
		Inventory on hand	4,319										
		Income							(4,319)	X			
Total of uncorrected misstatements before income tax			4,319	0	0	0	0	0	(4,319)		6,192		
Total of uncorrected misstatements			4,319	0	0	0	0	0	(4,319)		6,192		
Financial statement amounts			1,383,367	282,666	(188,731)	(185,724)	(1,291,578)		40,958		(85,058)		
Effect of uncorrected misstatements on F/S amounts			0.3%	0.0%	0.0%	0.0%	0.0%		-10.5%		-9.5%		

Management Letter

**Marshall Islands National Telecommunications
Authority**

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

Year ended September 30, 2023



June 26, 2025

Management and the Board of Directors
Marshall Islands National Telecommunications Authority

In planning and performing our audit of the financial statements of the business-type activities of Marshall Islands National Telecommunications Authority (MINTA) as of and for the year ended September 30, 2023 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, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MINTA's internal control. Accordingly, we do not express an opinion on the effectiveness of MINTA'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we noted the following deficiencies in internal control (as described above) and other matters:

Dormant Bank Account

Condition: As of September 30, 2023, MINTA maintained a dormant bank account with the Bank of Marshall Islands in the amount of \$1,587, which was previously utilized for payroll transactions. This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management determine the necessity for this bank account and consider closing such to minimize the need for regular account reconciliation and monitoring and reduce the risk of fraud or misuse.

Bank Reconciliations

Condition: The Finance Manager manually prepares monthly bank reconciliations for MINTA's bank accounts. This matter is a recurring comment from the 2022 audit.

Recommendation: Given the significant volume of daily transactions, we recommend management consider utilizing the automated bank reconciliation feature to streamline the reconciliation process.

Telecommunication Receivables

Condition: As of September 30, 2023, MINTA's current billing system is still unable to produce an accurate aging report for analysis. Instead, management manually creates an aging report based on system generated invoices and collection details. This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management collaborate and work with the software company to prioritize a solution to this recurring issue.

Allowance for Doubtful Accounts

Condition: As of September 30, 2023, MINTA recorded an allowance for doubtful debts of \$1,623,348. MINTA's management decided to use a reduced rate of allowance for receivable under the 91 to 180 days classification (from 25% in FY2022 to 2% in FY2023) to record lower bad debts expense; however, no audit adjustment was proposed as management determined that such was not material to the financial statements.

Recommendation: We recommend management that such changes in rates must be properly justified by reliable information (i.e., changes in economic conditions and credit risk profile) and not lead to undue procyclicality or undermine transparency.

Materials and Supplies Inventory

Condition:

- a. As of September 30, 2023, the following inventory items with negative costs were included in the current year inventory valuation report:

<u>Inventory Code</u>	<u>Item Description</u>	<u>Quantity</u>	<u>Total Cost</u>
500534	AMAZON FIRE STICK LITE	90	\$(167)
600607	UBIQUITI UNIFI AP NANO HD	7	\$(1,326)
6006653	COYOTE BLANK SPLICE TRAY KIT	34	\$(372)

No audit adjustment was proposed as management determined that such was not material to the financial statements. This matter is a recurring comment from the 2022 audit.

Materials and Supplies Inventory, continued

Condition, continued:

- b. During observation of the year-end inventory count, discrepancies existed between the inventory listings and the actual physical count. The differences appear to have arisen primarily because MINTA did not update the inventory records for withdrawals and inventory items shipped and received immediately prior to the inventory count.

Recommendation:

- a. We recommend management investigate and appropriately adjust discrepancies between inventory balances and related financial records. We recommend management collaborate and work with the software company to prioritize a solution to this issue.
- b. We recommend management establish proper cut-off procedures for inventory, ensuring that all withdrawals, shipping and receiving are processed and reflected appropriately in the physical inventory records.

Related Party Transactions Disclosures

Condition: MINTA is unable to identify and appropriately categorize related party transactions related to revenues for financial statement disclosure purposes. This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management establish a process to proactively identify all related parties and related party transactions for revenues throughout the year. Management should document their conclusions, including a description of the nature of transactions with related parties.

Payroll Allotments

Condition: During the year ended September 30, 2023, MINTA recorded remittance made to allottees amounting to \$1,940,511 in GL code no. 412020 – ‘Other Accrued Liabilities’, instead of the GL code no. 401100 – ‘Accts Payable – Payroll Allotments’. This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management establish internal control policies and procedures requiring remittances made to allottees be properly recorded in the correct general ledger accounts timely and accurately.

Manual Journal Entries

Condition:

- a. Management has access to post journal entries directly into the general ledger without approval. Consequently, these entries do not follow the same review and approval process expected for all journal entries. This increases the risk of management override of controls and manipulation of financial data. This matter is a recurring comment from the 2022 audit.
- b. Majority of the manual journal entries were not supported by supporting calculations and/or related attachments and included vague or general descriptions of the entry. This matter is a recurring comment from the 2022 audit.

Recommendation:

- a. We recommend management reconsider access to posting journal entries directly into the general ledger to help establish proper segregation of duties. Additionally, all journal entries posted should be appropriately reviewed and approved.
- b. We recommend management that a journal book or an electronic filing system should be maintained so that a copy of each manual journal entry in the series is filed together with appropriate supporting documentation and the related approval for the manual journal entry.

RMI Procurement Code

Condition: MINTA does not have a formal written procurement policies and procedures. All purchases did not evidence quotations from qualified vendors to facilitate the competitive procurement process. This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management implement written procurement policies and procedures to facilitate competitive procurement processes and require that documentation be adequate to comply with applicable procurement requirements.

Board Sitting Fees

Condition: During the year ended September 30, 2023, MINTA paid sitting fees of \$9,400 to Board members. These fees may constitute wages under the Income Tax Act 1989 and thus may be subject to withholding taxes. No withholding taxes were withheld by MINTA. This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management obtain an interpretation from the Ministry of Finance, Banking and Postal Services Chief of Revenue and Taxation concerning the applicability of withholding taxes on sitting fees paid to Board members.

Minutes of Board Meetings

Condition: Complete Board minutes of meetings held up to the audit report date were not available for inspection. This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management require meetings to be formally documented by the Board Secretary documenting all discussions, decisions and actions taken by the Board of Directors.

Retirement Savings Plan

Condition: During the year ended September 30, 2023, MINTA made employer contributions, totaling \$60,879, to employee retirement savings plan. Taxes are not currently withheld and paid on the employer contributions. This matter is a recurring comment from the 2022 audit.

Recommendation: We recommend management obtain an interpretation from the Ministry of Finance, Banking and Postal Services Chief of Revenue and Taxation concerning the applicability of withholding taxes on employer contributions to employee retirement savings plan.

* * * * *

This communication is intended solely for the information and use of management, the Board of Directors, others within the organization, and the Office of the Auditor-General, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

At this time, we would like to thank all the staff and management of MINTA for their cooperation extended to us during the course of our audit. We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Ernst + Young