

*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, 2024 and 2023
with Report of Independent Auditors*



**Shape the future
with confidence**

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, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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 audits. 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.

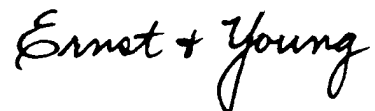
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 13 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 April 10, 2026, 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.

April 10, 2026

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

Management's Discussion and Analysis

Years ended September 30, 2024 and 2023

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 within the Marshall Islands. MINTA offers data, video, and voice services through its network infrastructure and digital platforms, designed to meet increasing customer demand for mobility, reliable connectivity, security, and operational control. As the national telecommunications provider, MINTA plays a critical role in supporting economic activity, public services, and social connectivity across both urban centers and remote outer islands.

MINTA maintains a heavy local workforce of approximately 118 employees as of September 30, 2024. Human capital remains a key asset in delivering operational excellence, maintaining network performance, and supporting customer service initiatives. This continues to be a challenge for MINTA to attract skilled professionals in IT, Engineering and Marketing. MINTA continues to rely on regional and global networking partners to explore leveraging on shared talent and resources within Micronesia and the South Pacific.

MINTA is pleased to present its financial statements for the fiscal year ended September 30, 2024, with 2023 and 2022 presented for comparative purposes. The following unaudited Management's Discussion and Analysis (MD&A) is provided as a required supplementary information to assist readers in understanding MINTA's financial position and results of operations.

The financial statements presented include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position presents MINTA's assets, liabilities, and net position at year-end. The Statement of Revenues, Expenses and Changes in Net Position reflects MINTA's operating performance over the reporting period, including revenue generation and cost management. The Statement of Cash Flows provides insight into cash inflows and outflows from operating, investing, and financing activities, highlighting MINTA's liquidity and ability to meet its current financial obligations.

This MD&A provides an overview and analysis of MINTA's financial activities for the years ended September 30, 2024 and 2023. It should be read in conjunction with the accompanying financial statements and notes thereto for a more comprehensive understanding of MINTA's financial position and results of operations.

The MD&A for the year ended September 30, 2023 is set forth in MINTA's report on the audit of the financial statements dated June 26, 2025. Such discussion outlines the key factors affecting 2023 financial results and may be obtained from MINTA's President using the contact information provided on page 13.

Marshall Islands National Telecommunications Authority
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Management's Discussion and Analysis, continued

Business Overview

In 2024, MINTA undertook targeted market testing initiatives to evaluate price elasticity and consumer behavior across its 4G and 2G service bundles. These efforts were aimed at improving MINTA's understanding of customer responsiveness to pricing and service configurations, particularly in a market characterized by varying income levels and geographic dispersion. Insights from these initiatives will support data-driven decision-making in refining pricing strategies, optimizing product offerings, and enhancing revenue generation opportunities while maintaining affordability for consumers in the future.

Operational performance during the year was significantly impacted by delays in the deployment of 3G services to the outer islands. These delays, coupled with the increasing presence of competing satellite service providers, contributed to the cancellation of VSAT contracts by key corporate and government clients. As a result, MINTA experienced a decline in revenue from this segment and a buildup of underutilized bandwidth capacity in the outer islands. Despite the reduction in demand, MINTA continued to incur fixed and contractual costs associated with maintaining this capacity, including satellite bandwidth commitments and infrastructure-related expenses. This imbalance between capacity and utilization placed additional pressure on operating margins and overall financial performance.

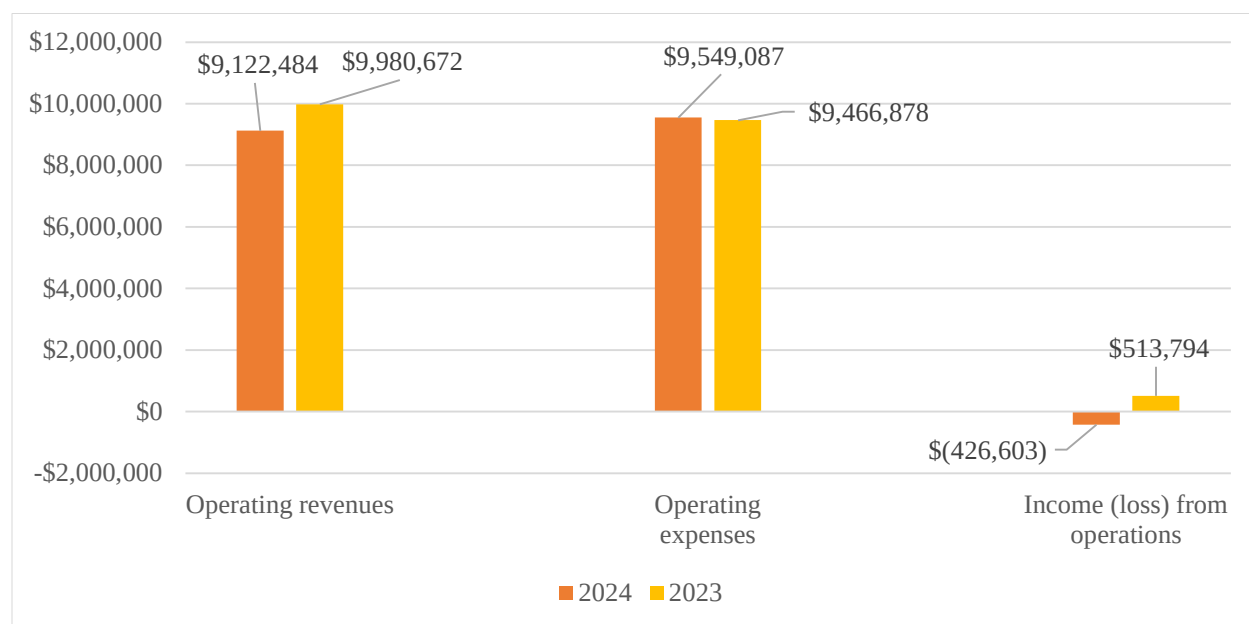
The evolving competitive landscape, particularly the entry of alternative satellite providers offering flexible and, in some cases, more rapidly deployable solutions, has introduced new challenges for MINTA. These developments underscore the need for continued investment in network modernization, service diversification, and customer-centric product design to retain market share and remain competitive.

At the same time, MINTA will continue to invest in strengthening its core network infrastructure and enhancing service quality. Efforts to expand and improve mobile broadband services, particularly 4G coverage, remain central to MINTA's long-term strategy. These investments will be required to improve service reliability, increase data capacity, and support future technology upgrades, thereby positioning MINTA to better meet customer expectations and emerging digital demands in the future. There are uncontrollable key drivers such as a declining population that will be a major barrier in working out a balance between investment and returns.

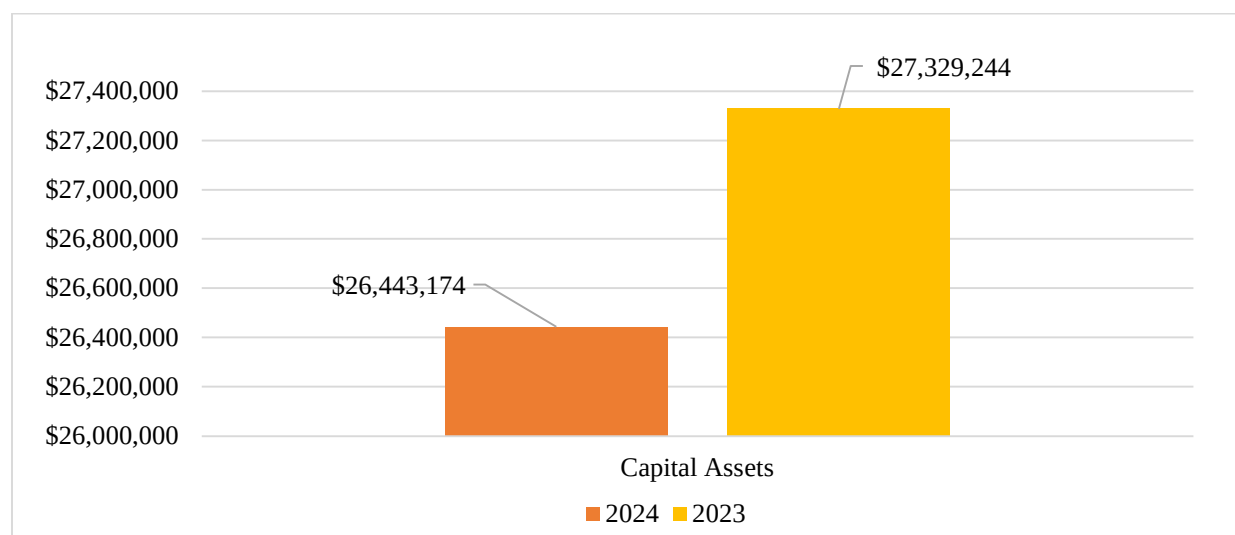
Marshall Islands National Telecommunications Authority
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Management's Discussion and Analysis, continued

Highlights of our 2024 Financial Results



Operating loss largely driven by the debtors write off amounting to \$627,976, in addition to the under-utilization of the outer island bandwidth with yearly expense amounting to \$777,600.



In 2024, there was no new major capital asset projects commenced. Instead, MINTA focused on the completion of existing capitalized projects and placing them into service.

As the projects have been capitalized, the movement in capital assets reflects the depreciation on these assets.

Marshall Islands National Telecommunications Authority
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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 with 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 accompanying footnotes to the financial statements.

From the data presented, readers of this statement of net position can determine the assets available to continue in the operation of the Company. They also can 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, 2024, compared with 2023 and 2022, is presented below:

Summary Statements of Net Position
As of September 30

	<u>2024</u>	<u>2023</u>	<u>\$ Change</u> <u>2024-2023</u>	<u>% Change</u> <u>2024-2023</u>	<u>2022</u>
Assets:					
Current and other assets	\$ 4,807,049	\$ 6,502,150	\$ (1,695,101)	(26.1)%	\$ 7,304,321
Capital assets	<u>23,669,802</u>	<u>24,295,868</u>	<u>(626,066)</u>	(2.6)%	<u>25,022,999</u>
Total assets	<u>28,476,851</u>	<u>30,798,018</u>	<u>(2,321,167)</u>	(7.5)%	<u>32,327,320</u>
Liabilities:					
Current and other liabilities	3,231,690	4,147,333	(915,643)	(22.1)%	5,030,493
Long-term debt	<u>13,677,823</u>	<u>14,415,223</u>	<u>(737,400)</u>	(5.1)%	<u>15,161,352</u>
Current and other liabilities	<u>16,909,513</u>	<u>18,562,556</u>	<u>(1,653,043)</u>	(8.9)%	<u>20,191,845</u>
Net position:					
Net investment in capital assets	11,741,948	11,175,220	566,728	5.1%	10,870,070
Unrestricted	<u>(174,610)</u>	<u>1,060,242</u>	<u>(1,234,852)</u>	(116.5)%	<u>1,265,405</u>
Total net position	<u>\$ 11,567,338</u>	<u>\$ 12,235,462</u>	<u>\$ (668,124)</u>	(5.5)%	<u>\$ 12,135,475</u>

Total assets of MINTA decreased by \$2,321,167 (or 7.5%) from 2023 to 2024 due to the combined decrease in current and other assets and capital assets of \$1,695,101 and \$626,066, respectively. The decrease in current and other assets is primarily due to a decrease in accounts receivable because of an increase in the allowance for doubtful debts of \$627,976 together with the net collection of accounts receivable of \$470,549.

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

The decrease in capital assets is primarily due to depreciation of \$2,528,665 offset by capital asset additions of \$1,925,576. There were no new projects introduced and the routine replacement of capital assets based on available cashflows was significantly lower than the depreciation on MINTA's capital assets. Total current and other liabilities decreased by \$915,643 (or 22.1%) from 2023 to 2024 due to the aggressive monitoring and payment of contractors and other vendors. Total long-term debt decreased by \$737,400 (or 5.1%) from 2023 to 2024 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 a decrease in net position of \$668,124 (or 5.5%) in 2024 and an increase of \$99,987 (or 0.8%) in 2023. Changes in total net position as presented on the statement of net position based on the activity presented in the statement of revenues, expenses, and changes in net position. The purpose of the statement is to present the revenues received by MINTA, both operating and non-operating, and expenses incurred by MINTA, operating and non-operating, and other revenues, expenses, gains, and losses received or spent by MINTA.

A summary of MINTA's Statements of Revenues, Expenses and Changes in Net Position for 2024 with comparative presentation for 2023 and 2022 is presented below:

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

	<u>2024</u>	<u>2023</u>	<u>\$ Change</u> <u>2024-2023</u>	<u>% Change</u> <u>2024-2023</u>	<u>2022</u>
Operating:					
Operating revenues	\$ 9,131,081	\$ 9,980,671	\$ (849,590)	(8.5)%	\$ 10,258,113
Operating expenses	<u>9,549,088</u>	<u>9,466,879</u>	<u>82,209</u>	0.9%	<u>9,596,076</u>
Operating income (loss)	<u>(418,007)</u>	<u>513,792</u>	<u>(931,799)</u>	(181.4)%	<u>662,037</u>
Nonoperating:					
Nonoperating revenues	18,539	19,863	(1,324)	(6.7)%	18,214
Nonoperating expenses	<u>268,656</u>	<u>433,668</u>	<u>(165,012)</u>	(38.1)%	<u>656,615</u>
	<u>(250,117)</u>	<u>(413,805)</u>	<u>163,688</u>	(39.6)%	<u>(638,401)</u>
Change in net position	(668,124)	99,987	(768,111)	(768.2)%	23,636
Net position - beginning	<u>12,235,462</u>	<u>12,135,475</u>	<u>99,987</u>	0.8%	<u>12,111,839</u>
Net position - ending	<u>\$ 11,567,338</u>	<u>\$ 12,235,462</u>	<u>\$ (668,124)</u>	(5.5)%	<u>\$ 12,135,475</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

Year ended September 30,	<u>2024</u> in \$	<u>2023</u> in \$	Increase/(Decrease) <u>2024 vs 2023</u>	
			in \$	in %
Private line access	\$4,105,834	\$ 4,599,235	\$(493,401)	(11%)
4G LTE services	3,104,892	2,454,414	650,478	27%
Local cellular network services	852,107	1,556,396	(704,289)	(45%)
GSM unlimited plan	833,092	966,630	(133,538)	(14%)
Local network services	380,453	439,202	(58,749)	(13%)
Long distance network services	209,341	98,318	111,023	113%
Wireless television services	43,112	55,696	(12,584)	(23%)
Miscellaneous	<u>230,226</u>	<u>155,113</u>	<u>75,113</u>	<u>48%</u>
Total operating revenue	9,759,057	10,325,004	(565,947)	(5%)
Bad debt expense	(627,976)	(344,333)	(283,643)	82%
Net operating revenue	<u>\$9,131,081</u>	<u>\$ 9,980,671</u>	<u>\$(849,590)</u>	<u>(9%)</u>

Operating revenue declined by \$565,947 (or 5%) from 2023 to 2024, primarily due to the adverse impact of market testing undertaken to assess price elasticity. During this period, 4G LTE service bundles were expanded to include GSM unlimited plans, which encouraged customers to upgrade from 2G to 4G LTE sims. While this transition led to an increase in 4G LTE customer numbers and associated revenue, the growth in 4G LTE services was insufficient to fully offset the decline in GSM unlimited plans and local cellular network revenues. 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 most customers. For Private line access, many business entities have moved to Starlink making it challenging for MINTA, as a business, to cover the recurring costs and commitment with joint venture partners.

Bad debts expense increased by \$283,643 (or 82%) from 2023 to 2024, which was primarily driven by delays in customer payments and a higher incidence of overdue accounts.

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

Year ended September 30,	<u>2024</u>	<u>2023</u>	Increase/(Decrease)	
	in \$	in \$	<u>2024 vs 2023</u>	
			in \$	in %
Plant specific operations	\$3,157,163	\$3,117,212	\$ 39,951	1%
Depreciation and amortization	2,811,646	2,823,847	(12,201)	0%
Plant nonspecific operations	1,929,482	1,978,923	(49,441)	(2%)
Corporate operations	1,059,050	953,540	105,510	11%
Consumer operations	<u>591,747</u>	<u>593,357</u>	<u>(1,610)</u>	<u>0%</u>
Total operating expenses	<u>\$9,549,088</u>	<u>\$9,466,879</u>	<u>\$ 82,209</u>	<u>1%</u>

Operating expenses increased marginally by \$82,209 (or 1%) from 2023 to 2024, driven largely by higher consumer operations costs, including investments in salaries, staff training, and marketing initiatives to support new plan offerings. Furthermore, inventory adjustments were recorded to reconcile physical stock with the accounting records, ensuring that only verified inventory balances were reflected in 2024.

Non-operating Revenues and Expenses

Year ended September 30,	<u>2024</u>	<u>2023</u>	Increase/(Decrease)	
	in \$	in \$	<u>2024 vs 2023</u>	
			in \$	in %
Interest and dividends	\$ 18,039	\$ 19,863	\$ (1,824)	(9%)
Loss on disposal of capital assets	500	(151,786)	152,286	(100%)
Interest expense	<u>(268,656)</u>	<u>(281,882)</u>	<u>13,226</u>	<u>(5%)</u>
Total nonoperating revenues, net	<u>\$(250,117)</u>	<u>\$(413,805)</u>	<u>\$163,688</u>	<u>(40%)</u>

In 2024, there was no loss on disposal of capital assets as compared to 2023. This led to net nonoperating expenses decreasing by \$163,688 (or 40%) from 2023 to 2024.

Capital 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
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Management's Discussion and Analysis, continued

Capital Assets, Investments and Debt Administration, Continued

The Rural Utilities Service (RUS) Reconnect Grant, which was approved in 2023, is a game changer for MINTA. With this grant, MINTA will be able to replace the aging infrastructure and investigate 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 operator and provider.

Capital and Lease Assets

A summary of MINTA's capital and lease assets as of September 30, 2024, compared with 2023 and 2022 is presented below:

Summary Schedule of Capital and Lease Assets
As of September 30

	<u>2024</u>	<u>2023</u>	<u>\$ Change 2024-2023</u>	<u>% Change 2024-2023</u>	<u>2022</u>
Nondepreciable plant assets:					
Plant under construction	\$ 2,722,952	\$ 1,462,110	\$ 1,260,842	86.2%	\$ 1,926,363
Telecommunications plant in service:					
Central office assets	24,697,614	24,222,641	474,973	2.0%	22,148,676
Cable and wire facilities assets	12,271,393	12,271,393	---	0.0%	12,187,767
General support assets	10,967,501	11,020,139	(52,638)	(0.5)%	10,740,628
Wireless phone assets	7,568,896	7,568,896	---	0.0%	7,855,840
Wireless TV assets	1,631,570	1,597,276	34,294	2.1%	1,592,250
	57,136,974	56,680,345	456,629	0.8%	54,525,161
Accumulated depreciation	(36,652,640)	(34,332,080)	(2,320,560)	6.8%	(31,936,995)
	<u>20,484,334</u>	<u>22,348,265</u>	<u>(1,863,931)</u>	(8.3)%	<u>22,588,166</u>
Lease assets:					
Right-to-use assets	531,446	531,446	---	0.0%	531,446
Accumulated amortization	(68,930)	(45,953)	(22,977)	50.0%	(22,976)
	<u>462,516</u>	<u>485,493</u>	<u>(22,977)</u>	(4.7)%	<u>508,470</u>
	<u>\$ 23,669,802</u>	<u>\$ 24,295,868</u>	<u>\$ (626,066)</u>	(2.6)%	<u>\$ 25,022,999</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 \$746,129 (or 4.9%) from 2022 to 2023 and further decreased by \$737,400 (or 5.1%) from 2023 to 2024. The decrease in 2023 and 2024 is the result of principal repayment of RUS debt and lease liabilities recognized under the requirements of GASB Statement No. 87.

A summary of MINTA's long-term debt as of September 30, 2024 compared with 2023 and 2022 is presented below:

Summary Schedule of Long-Term Debt
Years Ended September 30

	<u>2024</u>	<u>2023</u>	\$ Change <u>2024-2023</u>	% Change <u>2024-2023</u>	<u>2022</u>
Notes payable:					
RUS loans	\$ 12,502,481	\$ 13,235,635	\$ (733,154)	(5.5)%	\$ 13,955,898
Lease liabilities:					
Land lease	475,342	479,588	(4,246)	(0.9)%	505,454
Loan payable:					
RepMar	<u>700,000</u>	<u>700,000</u>	<u>---</u>	0.0%	<u>700,000</u>
	<u>\$ 13,677,823</u>	<u>\$ 14,415,223</u>	<u>\$ (737,400)</u>	(5.1)%	<u>\$ 15,161,352</u>

RUS Notes Payable

In 2009, MINTA executed a \$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, 2024, MINTA is non-compliant or in violation with this covenant. This is expected as the outerisland servicing costs are more than the revenues that are being earned. Management is actively working on cost saving strategies and the overall review of prices to turn the ratio around in the next two years.

Marshall Islands National Telecommunications Authority
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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 Joint Economic Management and Financial Accountability Committee (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 and creating bundles, plans to maximize revenue, and add value for its shareholders.

Financial Contact

This MD&A 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 MINTA's 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,	
	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets:		
Cash	\$ 209,689	\$ 571,252
Time certificate of deposit	557,809	540,321
Accounts receivable, net of allowance for doubtful accounts	745,085	1,843,610
Inventory	364,774	350,985
Due from external carriers	8,000	29,176
Other receivables, net of an allowance for doubtful accounts of \$17,179	56,066	45,240
Other current assets	<u>92,254</u>	<u>88,190</u>
Total current assets	2,033,677	3,468,774
Capital assets:		
Nondepreciable capital assets	2,722,952	1,462,110
Capital assets, net of accumulated depreciation	20,484,334	22,348,265
Lease assets, net	462,516	485,493
Indefeasible right of use, net	<u>2,773,372</u>	<u>3,033,376</u>
	<u>\$ 28,476,851</u>	<u>\$ 30,798,018</u>

See accompanying notes.

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

Statements of Net Position, continued

	September 30, 2024	2023
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable - trade	\$ 677,370	\$ 760,978
Accounts payable - affiliates	246,557	518,872
Contracts payable	1,023,403	1,738,801
Advance from RepMar	300,000	300,000
Customer deposits and advance billings	633,524	527,490
Unearned revenues	148,675	88,130
Current portion of lease liabilities	19,395	11,822
Current portion of long-term debt	749,030	733,852
Other accrued liabilities	202,161	213,062
Total current liabilities	4,000,115	4,893,007
Noncurrent liabilities:		
Lease liabilities, net of current portion	455,947	467,766
Long-term debt, net of current portion	12,453,451	13,201,783
Total noncurrent liabilities	12,909,398	13,669,549
Total liabilities	16,909,513	18,562,556
Commitments and contingencies		
Net position:		
Net investment in capital assets	11,741,948	11,175,220
Unrestricted	(174,610)	1,060,242
Total net position	11,567,338	12,235,462
	\$ 28,476,851	\$ 30,798,018

See accompanying notes.

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>2024</u>	<u>2023</u>
Operating revenues:		
Private line access	\$ 4,105,834	\$ 4,599,235
4G LTE services	3,104,892	2,454,414
Local cellular network services	852,107	1,556,396
GSM unlimited plan	833,092	966,630
Local network services	380,453	439,202
Long distance network services	209,341	98,318
Wireless television services	43,112	55,696
Miscellaneous	230,226	155,113
Bad debt expense	(627,976)	(344,333)
Total operating revenues	<u>9,131,081</u>	<u>9,980,671</u>
Operating expenses:		
Plant specific operations	3,157,163	3,117,212
Depreciation and amortization	2,811,646	2,823,847
Plant nonspecific operations	1,929,482	1,978,923
Corporate operations	1,059,050	953,540
Consumer operations	<u>591,747</u>	<u>593,357</u>
Total operating expenses	<u>9,549,088</u>	<u>9,466,879</u>
(Loss) income from operations	<u>(418,007)</u>	<u>513,792</u>

See accompanying notes.

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

Statements of Revenues, Expenses and Changes in Net Position, continued

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Nonoperating revenues (expenses):		
Interest and dividends	18,039	19,863
Gain (loss) on disposal of capital assets	500	(151,786)
Interest expense	(<u>268,656</u>)	(<u>281,882</u>)
Total nonoperating expenses, net	(<u>250,117</u>)	(<u>413,805</u>)
Changes in net position	(668,124)	99,987
Net position at beginning of year	<u>12,235,462</u>	<u>12,135,475</u>
Net position at end of year	<u>\$ 11,567,338</u>	<u>\$ 12,235,462</u>

See accompanying notes.

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

Statements of Cash Flows

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from customers	\$ 10,404,129	\$ 9,853,983
Cash payments to suppliers for goods and services	(5,226,548)	(4,473,104)
Cash payments to employees for services	(1,893,165)	(1,899,401)
Net cash provided by operating activities	<u>3,284,416</u>	<u>3,481,478</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,640,974)	(2,561,530)
Proceeds from sale of capital assets	500	---
Dividends paid	---	(359,532)
Principal paid on RUS long-term debt	(733,154)	(720,263)
Interest paid on RUS long-term debt	(258,911)	(271,801)
Principal paid on lease liabilities	(4,246)	(25,866)
Interest paid on lease liabilities	(9,745)	(10,081)
Net cash used in capital and related financing activities	<u>(3,646,530)</u>	<u>(3,949,073)</u>
Cash flows from investing activities:		
Net change in time certificates of deposit	(17,488)	323,373
Interest received	<u>18,039</u>	<u>19,863</u>
Net cash provided by investing activities	<u>551</u>	<u>343,236</u>
Net change in cash	(361,563)	(124,359)
Cash at beginning of year	<u>571,252</u>	<u>695,611</u>
Cash at end of year	<u><u>\$ 209,689</u></u>	<u><u>\$ 571,252</u></u>

See accompanying notes.

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

Statements of Cash Flows, continued

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Reconciliation of (loss) income from operations to net cash provided by operating activities:		
(Loss) income from operations	\$(418,007)	\$ 513,792
Adjustments to reconcile (loss) income from operations to net cash provided by operating activities:		
Depreciation and amortization	2,811,646	2,823,847
Bad debt expense	627,976	344,333
Changes in assets and liabilities:		
Accounts receivable	470,549	(202,454)
Inventory	(13,789)	(1,114)
Due from external carriers and other receivables	10,350	(6,352)
Other current assets	(4,064)	(13,101)
Accounts payable	(355,923)	309,738
Customer deposits and advanced billings	106,034	(27,856)
Unearned revenue	60,545	(208,250)
Other accrued liabilities	(10,901)	(51,105)
Net cash provided by operating activities	<u>\$ 3,284,416</u>	<u>\$ 3,481,478</u>

See accompanying notes.

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

Notes to Financial Statements

Years ended September 30, 2024 and 2023

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 the 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.

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, 2024 and 2023, 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, 2024 and 2023, unrestricted net position is designated as follows:

	<u>2024</u>	<u>2023</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>(4,547,031)</u>	<u>(3,312,179)</u>
	<u>\$ (174,610)</u>	<u>\$ 1,060,242</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, 2024 and 2023, the carrying amount of cash and cash equivalents and time certificates of deposit were \$767,498 and \$1,111,573, respectively, and the corresponding bank balances were \$777,765 and \$1,093,737, respectively. Of the bank balances, \$193,992 and \$432,857 were maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance as of September 30, 2024 and 2023, respectively. The remaining amounts of \$583,773 and \$660,880, respectively, were maintained in a financial institution not subject to depository insurance.

As of September 30, 2024 and 2023, 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

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.

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

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, 2024 and 2023, 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. 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.

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

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, 2024, MINTA implemented the following pronouncements:

- GASB Statement No. 99, *Omnibus 2022*, which 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. It also provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.
- GASB Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*, which 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.

The implementation of these Statements 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 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 the fiscal year ending September 30, 2025.

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 the 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 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 the 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

Upcoming Accounting Pronouncements. continued

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 requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 104 will be effective for the fiscal year ending September 30, 2026.

In December 2025, GASB issued Statement No. 105, *Subsequent Events*. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 105 will be effective for the fiscal year ending September 30, 2027.

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.

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

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, 2024 and 2023, net of allowance for uncollectible accounts, consists of the following:

	<u>2024</u>	<u>2023</u>
Trade	\$2,428,187	\$2,442,310
Affiliates	538,446	992,466
Employees	<u>29,776</u>	<u>32,182</u>
	2,996,409	3,466,958
Allowance for uncollectible accounts	<u>(2,251,324)</u>	<u>(1,623,348)</u>
	<u>\$ 745,085</u>	<u>\$1,843,610</u>

4. Capital Assets

Capital asset activities for the years ended September 30, 2024 and 2023, were as follows:

	<u>2024</u>			
	<u>October 1, 2023</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2024</u>
Nondepreciable capital assets:				
Plant under construction	\$ <u>1,462,110</u>	\$ <u>1,581,195</u>	\$(<u>320,353</u>)	\$ <u>2,722,952</u>
Depreciable capital assets:				
Central office assets	24,222,641	474,973	---	24,697,614
Cable and wire facilities assets	12,271,393	---	---	12,271,393
General support assets	11,020,139	155,467	(208,105)	10,967,501
Wireless phone assets	7,568,896	---	---	7,568,896
Wireless television assets	<u>1,597,276</u>	<u>34,294</u>	<u>---</u>	<u>1,631,570</u>
	56,680,345	664,734	(208,105)	57,136,974
Less accumulated depreciation	<u>(34,332,080)</u>	<u>(2,528,665)</u>	<u>208,105</u>	<u>(36,652,640)</u>
	<u>22,348,265</u>	<u>(1,863,931)</u>	<u>---</u>	<u>20,484,334</u>
	<u>\$23,810,375</u>	<u>\$(282,736)</u>	<u>\$(320,353)</u>	<u>\$23,207,286</u>

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

Notes to Financial Statements, continued

4. Capital Assets, continued

	2023			
	October <u>1, 2022</u>	<u>Additions</u>	Transfers and <u>Disposals</u>	September <u>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>

5. Lease Assets

Leased asset activities for the years ended September 30, 2024 and 2023, were as follows:

	2024			
	October <u>1, 2023</u>	<u>Additions</u>	Transfers and <u>Disposals</u>	September <u>30, 2024</u>
Lease assets:				
Right-to-use assets	\$ 531,446	\$ ---	\$ ---	\$ 531,446
Less accumulated amortization	<u>(45,953)</u>	<u>(22,977)</u>	<u>---</u>	<u>(68,930)</u>
	\$ <u>485,493</u>	\$ <u>(22,977)</u>	\$ <u>---</u>	\$ <u>462,516</u>
	2023			
	October <u>1, 2022</u>	<u>Additions</u>	Transfers and <u>Disposals</u>	September <u>30, 2023</u>
Lease assets:				
Right-to-use assets	\$ 531,446	\$ ---	\$ ---	\$ 531,446
Less accumulated amortization	<u>(22,976)</u>	<u>(22,977)</u>	<u>---</u>	<u>(45,953)</u>
	\$ <u>508,470</u>	\$ <u>(22,977)</u>	\$ <u>---</u>	\$ <u>485,493</u>

Marshall Islands National Telecommunications Authority
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Notes to Financial Statements, continued

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, 2024:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	21,006	7,751	28,757
2030 - 2034	111,551	32,232	143,783
2035 - 2039	107,890	20,949	128,839
2040 - 2044	108,442	10,433	118,875
2045 - 2046	<u>46,498</u>	<u>1,052</u>	<u>47,550</u>
	<u>\$475,342</u>	<u>\$107,488</u>	<u>\$582,830</u>

7. Infeasible 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, 2024 and 2023, accumulated amortization amounting to \$3,726,719 and \$3,466,715, respectively, have been recorded.

Marshall Islands National Telecommunications Authority
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Notes to Financial Statements, continued

8. Long-term Liabilities

A summary of changes in long-term liabilities for the years ended September 30, 2024 and 2023 are as follows:

	2024				
	<u>October 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2024</u>	<u>Due Within One Year</u>
<u>Notes payable:</u>					
RUS loans	\$13,235,635	\$ ---	\$(733,154)	\$12,502,481	\$749,030
<u>Lease liabilities:</u>					
Land lease	479,588	---	(4,246)	475,342	19,395
<u>Loans payable:</u>					
RepMar	<u>700,000</u>	<u>---</u>	<u>---</u>	<u>700,000</u>	<u>---</u>
	<u>\$14,415,223</u>	<u>\$ ---</u>	<u>\$(737,400)</u>	<u>\$13,677,823</u>	<u>\$768,425</u>
	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>

Notes Payable

Long-term notes payable as of September 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Rural Utilities Service (RUS) Loan A	\$ 3,047,063	\$ 3,299,049
Rural Utilities Service (RUS) Loan C	<u>9,455,418</u>	<u>9,936,586</u>
	<u>\$12,502,481</u>	<u>\$13,235,635</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

Notes Payable, continued

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 an amended loan agreement 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.

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, 2024 and 2023 except for the following. 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 2024, MINTA did not meet the required times interest earned ratio. Management is of the opinion that RUS is aware of this matter.

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

Year ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	811,303	180,762	992,065
2030 - 2034	4,308,159	652,165	4,960,324
2035 - 2039	3,352,359	259,060	3,611,419
2040 - 2041	<u>943,284</u>	<u>14,346</u>	<u>957,630</u>
	<u>\$12,502,481</u>	<u>\$1,987,217</u>	<u>\$14,489,698</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

Notes Payable, continued

Debt Covenants

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

- *Rate covenant* - 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.
- *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.

Marshall Islands National Telecommunications Authority
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Notes to Financial Statements, continued

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.

A summary of related party transactions as of and for the years ended September 30, 2024 and 2023 are as follows:

	2024		
	<u>Expenses</u>	<u>Receivables</u>	<u>Payables</u>
RepMar	\$ 22,820	\$423,407	\$ 17,943
Marshall's Energy Company, Inc.	497,105	4,600	120,804
Marshall Islands Social Security Administration	207,070	1,385	106,605
Others	<u>143,074</u>	<u>109,054</u>	<u>1,205</u>
	<u>\$ 870,069</u>	<u>\$538,446</u>	<u>\$246,557</u>
	2023		
	<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>

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, 2024.

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

Notes to Financial Statements, continued

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/CEO 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, 2024 and 2023, MINTA contributed \$56,848 and \$60,879, respectively, to Plan participant accounts. As of September 30, 2024 and 2023, total Plan assets were \$1,647,298 and \$1,358,966, respectively.

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 2025 through 2026.

Approximate future minimum annual lease payments are as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Total</u>
2025	\$1,440,912
2026	<u>763,552</u>
	<u>\$2,204,464</u>

Marshall Islands National Telecommunications Authority
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Notes to Financial Statements, continued

12. Commitments and Contingencies, continued

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%.

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

<u>Year ending September 30,</u>	<u>Total</u>
2025	\$ 117,909
2026	121,447
2027	125,090
2028	128,843
2029	132,708
2030 - 2034	725,702
2035	<u>78,059</u>
	<u>\$1,429,758</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.

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

U.S. Federal Grants

During the year ended September 30, 2023, MINTA was awarded a grant under Rural Utilities Service ReConnect Program through the U.S. Department of Agriculture in the amount of \$25,000,000. As a condition of this grant, a Guarantee Agreement was executed between RepMar, acting as Guarantor, and the United States of America, acting as Grantor through the Administrator of the Rural Utilities Service. In January 2024, a request to waive the 25% match requirement originally stipulated in the grant agreement was approved increasing the grant award from \$25,000,000 to \$34,796,145.

During the years ended September 30, 2024 and 2023, MINTA incurred expenditures of \$372 and \$42,157, respectively, under this federal program award. This program is subject to financial and compliance audits to ascertain if Federal laws and guidelines have been followed. MINTA's management believes that liabilities, if any, for reimbursement, which may arise because of these audits, will not be material to the financial position of MINTA.

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, 2024, 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 April 10, 2026.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2024-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

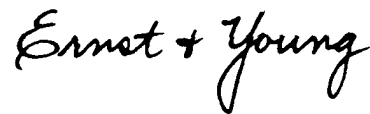
As part of obtaining reasonable assurance about whether MINTA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as item 2024-002.

MINTA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on MINTA's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. MINTA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

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

April 10, 2026

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

Schedule of Findings and Responses

Year ended September 30, 2024

Finding No.: 2024-001

Area: Audit Preparation and Coordination

Criteria: According to generally accepted auditing standards and best practices, an entity should maintain organized and complete financial records and supporting documentation to facilitate an efficient and effective audit process. Management is responsible for ensuring that all relevant financial information is prepared and available in a timely manner for audit examination.

Condition: During the audit, it was noted that key financial records and supporting documents were not readily available or sufficiently organized. Several requested documents were delayed or incomplete, which caused interruptions and extended the audit timeline.

Cause: The lack of readiness appears to be due to insufficient planning and coordination by management in preparing the financial records ahead of the audit. Additionally, there is an absence of a formalized audit readiness process or checklist to ensure all necessary documentation is compiled prior to the audit.

Effect: This lack of preparedness resulted in audit delays and increased audit effort, which led to additional audit costs. It also increases the risk that the audit procedures may not be as thorough or timely as required, potentially impacting the reliability and completeness of the financial statements.

Recommendation: We recommend MINTA's management to strictly implement internal control policies and procedures to facilitate a formal audit readiness program that includes early preparation and organization of financial records, clear documentation of transactions, and internal reviews before the audit commences. Assigning responsibility for audit coordination and developing a checklist of required documents can help ensure all necessary information is available and complete, thereby facilitating a more efficient and effective audit process.

Views of Responsible Officials and Corrective Action Plan: MINTA will consider the recommendations. MINTA's management has implemented a digital transformation strategy by creating key positions to help digitize business processes and source documents. This includes the exploration and implementation of workflow applications to capture purchase order, invoice booking payments thereby automatically showing audit trail of approvals through an electronic workflow. In addition to this, MINTA's management is also in the process of reviewing current systems used for billing and accounting and has identified and will implement migration to systems that are more dynamic and integrate all information systems, limiting the level of manual adjustments required.

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

Schedule of Findings and Responses

Year ended September 30, 2024

Finding No.: 2024-002

Area: RUS Loan Covenants

Criteria: Section 5.12, *TIER Requirement*, of the RUS Loan Agreements stipulates that MINTA shall maintain a TIER rate of 1.5 from December 31, 2012 until the maturity of the loans.

Condition: For the year ended September 30, 2024, MINTA achieved a -0.61 average TIER ratio.

Cause: Lack of sufficient operating revenues to cover operating expenses and to provide operating income to be in compliance with the prescribed ratio requirement.

Effect: Noncompliance with the average coverage ratio requirement prescribed by Section 5.12 of the RUS loan agreement.

Recommendation: We recommend MINTA's management to review MINTA's revenue sources and revisit operating cost efficiencies to assist in compliance with the RUS ratio requirement.

Views of Responsible Officials and Corrective Action Plan: MINTA's management is in the process of reviewing the price of services and will be implementing cost-cutting strategies. The negative TIER ratio was expected as the outer island project was affected by several factors outside of MINTA's control, including onerous contracts and high cost of maintaining outer island infrastructure.