

MARSHALL ISLANDS JUDICIARY FUND
(A GOVERNMENTAL FUND OF THE REPUBLIC
OF THE MARSHALL ISLANDS)

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

MARSHALL ISLANDS JUDICIARY FUND

Years Ended September 30, 2019 and 2018
Table of Contents

| | <u>Page No.</u> |
|--|-----------------|
| I. INDEPENDENT AUDITORS' REPORT | 1 |
| II. FINANCIAL STATEMENTS: | |
| Balance Sheets | 3 |
| Statements of Revenues, Expenditures and Changes in Fund Balance | 4 |
| Notes to Financial Statements | 5 |
| III. OTHER SUPPLEMENTARY INFORMATION: | |
| Combining Balance Sheet | 11 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balance | 12 |
| IV. INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS | |
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 13 |
| Unresolved Prior Year Findings | 15 |

INDEPENDENT AUDITORS' REPORT

Honorable Carl B. Ingram
Chief Justice of the High Court
Republic of the Marshall Islands:

Report on the Financial Statements

We have audited the accompanying financial statements of the Marshall Islands Judiciary Fund (the Judiciary Fund), a governmental fund of the Republic of the Marshall Islands, which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of revenues, expenditures, and changes in fund balance for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Judiciary Fund as of September 30, 2019 and 2018, and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matters

Reporting Entity

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the Judiciary Fund and are not intended to present fairly the financial position and results of operations of the Republic of the Marshall Islands in conformity with accounting principles generally accepted in the United States of America.

COVID-19

As discussed in Note 6 to the financial statements, the Judiciary has determined that the COVID-19 pandemic may negatively impact its operations. The Judiciary is unable to reasonably estimate its ultimate financial impact.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information:

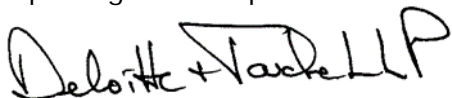
Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Other Supplementary Information on pages 11 and 12 is presented for purposes of additional analysis and is not a required part of the financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information on pages 11 and 12 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2020, on our consideration of the Judiciary'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 the Judiciary's internal control over financing reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Judiciary's internal control over financial reporting and compliance.



July 6, 2020

MARSHALL ISLANDS JUDICIARY FUND

Balance Sheets
September 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|-------------------------------------|-------------------|-------------------|
| <u>ASSETS</u> | | |
| Cash | \$ 530,445 | \$ 471,257 |
| Accounts receivable | 17,452 | 2,146 |
| Total assets | <u>\$ 547,897</u> | <u>\$ 473,403</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| Liabilities: | | |
| Provision for legal assistance | \$ 25,865 | \$ - |
| Unearned revenue | 5,350 | - |
| Other liabilities and accruals | 18,392 | 925 |
| Total liabilities | <u>49,607</u> | <u>925</u> |
| Contingencies | | |
| Fund balance: | | |
| Committed: | | |
| Judicial operations | 229,051 | 197,147 |
| Legal aid | 269,239 | 275,331 |
| Total fund balance | <u>498,290</u> | <u>472,478</u> |
| Total liabilities and fund balance | <u>\$ 547,897</u> | <u>\$ 473,403</u> |

See accompanying notes to financial statements.

MARSHALL ISLANDS JUDICIARY FUND

Statements of Revenues, Expenditures, and Changes in Fund Balance
Years Ended September 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|--------------------------|--------------------------|
| Revenues: | | |
| Nitijela appropriation | \$ 1,018,463 | \$ 1,006,252 |
| Court fines and fees | 114,910 | 129,334 |
| Interest | 2,522 | 2,322 |
| Other | <u>16,367</u> | <u>15,617</u> |
| Total revenues | <u>1,152,262</u> | <u>1,153,525</u> |
| Expenditures: | | |
| Salaries, wages and benefits | 694,451 | 679,065 |
| Professional services | 87,243 | 40,774 |
| Supplies and materials | 76,144 | 48,167 |
| Leased housing | 71,250 | 72,000 |
| Travel | 65,350 | 42,473 |
| Communications | 46,629 | 45,244 |
| Utilities | 39,915 | 37,239 |
| POL | 12,736 | 10,802 |
| Repairs and maintenance | 12,082 | 6,362 |
| Rentals | 5,716 | 1,622 |
| Food stuff | 5,263 | 1,945 |
| Insurance | 4,861 | 5,554 |
| Training | 1,920 | 6,289 |
| Subscriptions | 1,592 | 5,060 |
| Freight | 1,009 | 1,500 |
| Capital outlay | - | 106,021 |
| Miscellaneous | <u>289</u> | <u>2,051</u> |
| Total expenditures | <u>1,126,450</u> | <u>1,112,168</u> |
| Net change in fund balance | 25,812 | 41,357 |
| Fund balance at the beginning of the year | <u>472,478</u> | <u>431,121</u> |
| Fund balance at the end of the year | <u><u>\$ 498,290</u></u> | <u><u>\$ 472,478</u></u> |

See accompanying notes to financial statements.

MARSHALL ISLANDS JUDICIARY FUND

Notes to Financial Statements
September 30, 2019 and 2018

(1) Organization

The Marshall Islands Constitution vests the country's judicial power in an independent judiciary. The Marshall Islands Judiciary (the Judiciary) includes the Supreme Court, High Court, Traditional Rights Court, District Court, and community courts as well as a judicial service commission and court staff. The Judiciary officially commenced operations on March 3, 1982, assuming judicial functions in the Marshall Islands that had been discharged by the Trust Territory of the Pacific Islands courts.

The Marshall Islands Judiciary Fund (the Judiciary Fund), a governmental fund of the Republic of the Marshall Islands (RepMar), was established pursuant to the Judiciary Fund Act of 1989, as amended. The objective of the Judiciary Fund is to establish a more efficient means for administration of funds received by the Judiciary and for related purposes. The Judiciary Fund is primarily funded through operational appropriations from the Nitijela (the RepMar Legislature).

The Chief Justice of the High Court and the Clerk of the Courts acting together are responsible for opening and maintaining bank accounts as is necessary for the efficient operation of the Judiciary and for setting policy, strategy and financial guidelines for the day-to-day operations of the Judiciary.

The accompanying financial statements relate solely to those accounting records maintained by the Judiciary, and do not incorporate any accounts related to any other departments or agencies of RepMar that may be accounted for by RepMar's Treasury. The Judiciary Fund is considered to be a blended component unit (a governmental fund) of RepMar.

(2) Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Judiciary Fund's accounting policies are described below.

Measurement Focus and Basis of Accounting

The Judiciary Fund reports its financial position and the results of operations in one governmental fund. A fund is a separate accounting entity with a self-balancing set of accounts. They are concerned only with the measurement of financial position and are not involved with measurement of results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds). The Judiciary Fund's special revenue fund consists of the following:

- (i) Operations Fund - This fund was established to account for monies received by the Judiciary Fund for operational purposes appropriated by RepMar as well as general fees, fines or other sums collected by the Court; and
- (ii) Legal Aid Fund - This fund was established to account for monies received by the Judiciary Fund for the provision of legal aid services to those who cannot afford the cost of legal representation.

MARSHALL ISLANDS JUDICIARY FUND

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Judiciary Fund considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred.

Budget

An annual appropriated budget has not been formally adopted on a legal basis or a basis consistent with GAAP. Accordingly, a budget to actual presentation is not required or presented.

Cash

The deposit and investment policies of the Judiciary Fund are governed by 3 MIRC 7, *Investments of Public Funds*, and 11 MIRC 1, *Financial Management*. Custodial credit risk is the risk that in the event of a bank failure, the Judiciary Fund'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. The Judiciary Fund does not have a deposit policy for custodial credit risk.

For purposes of the balance sheets, cash is defined as cash on hand and cash held in demand accounts. As of September 30, 2019 and 2018, the carrying amounts of cash were \$530,445 and \$471,257, respectively, and the corresponding bank balances were \$537,983 and \$471,336, respectively. Of the bank balances, \$9,145 and \$5,998, respectively, are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance with the remaining amounts of \$528,838 and \$465,338, respectively, being maintained in a financial institution not subject to depository insurance. As of September 30, 2019 and 2018, bank deposits in the amount of \$9,145 and \$5,998, respectively, were FDIC insured. The Judiciary Fund does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Compensated Absences

The Judiciary Fund recognizes expenditures for annual leave and sick leave when leave is actually taken. Accordingly, unused annual leave and sick leave are not included as an obligation within the balance sheet unless such leave is expected to be liquidated with expendable available financial resources, at which time expenditures and related fund liabilities would be recognized.

MARSHALL ISLANDS JUDICIARY FUND

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Provision for Legal Assistance

Provision for legal assistance are estimates made by the Judiciary for unbilled services performed by court-appointed attorneys to provide legal aid services. Legal aid has a maximum amount of \$7,500 per case. Where instances permit, legal aid per case may exceed the amount upon approval of the Chief Justice.

Unearned Revenue

Unearned revenue represents advance payments received from third parties and are earned as revenue upon performance of services.

Fund Balance

Fund balance classifications are based on the extent to which the Judiciary Fund is bound to honor constraints on the specific purposes for which amounts in those funds can be spent and are reported under the following fund balance classifications:

- Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed.
- Unassigned includes negative fund balances in other governmental funds.

Restricted/committed amounts are spent first when both the restricted and unrestricted fund balance are available unless there are legal documents/contracts that prohibit doing this. In addition, committed, then assigned, and lastly unassigned amounts of the unrestricted fund balance are expended in that order. No external restrictions are imposed with respect to fund balance amounts recorded by the Legal Aid Fund. Instead, fund balance amounts of the Legal Aid Fund are considered committed for designated purposes internally imposed by the Court.

A formal minimum fund balance policy has not been adopted.

Taxes

The Judiciary Fund and related transactions are not subject to any tax, rate, charge, or impost under any other law.

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 liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MARSHALL ISLANDS JUDICIARY FUND

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

During the year ended September 30, 2019, the Judiciary Fund implemented the following pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

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

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies 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 provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

MARSHALL ISLANDS JUDICIARY FUND

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90 and 91 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

Reclassifications

Certain balances in the 2018 financial statements have been reclassified to conform to the 2019 presentation.

(3) Risk Management

The Judiciary Fund is exposed to various risks of loss related to torts; theft of; errors and omissions; injuries to employees; and natural disasters. The Judiciary Fund has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed with respect to the use of motor vehicles. For other risks of loss to which it is exposed, the Judiciary Fund has elected not to purchase commercial insurance. Instead, the Judiciary Fund believes it is more economical to manage its risks internally. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No material losses have resulted from the Judiciary Fund's risk management activities for the past years.

(4) Related Party Transactions

The Judiciary Fund is a governmental fund of RepMar and is thus affiliated with all RepMar-owned and affiliated entities. During the years ended September 30, 2019 and 2018, the Judiciary recognized on-behalf payments as contributions from RepMar, totaling \$694,451 and \$679,065, respectively, representing payroll and related expenditures that RepMar paid directly on behalf of the Judiciary.

During the years ended September 30, 2019 and 2018, the operations of the Judiciary were funded by RepMar appropriations of \$1,018,463 and \$1,006,252, respectively, of which \$324,012 and \$327,187, respectively, represented cash payments received by the Judiciary.

(5) Contingencies

The Judiciary receives a substantial amount of its revenue from annual RepMar appropriations. A significant reduction in the level of RepMar budgetary support, if this were to occur, may have an effect on the Judiciary's programs and activities. For the year ended September 30, 2020, RepMar appropriated funding to the Judiciary in the amount of \$1,206,678 for the purpose of funding programs and activities of the Judiciary.

As of September 30, 2019, the provision for legal assistance pertains to estimated liabilities for services performed by court-appointed attorneys and the amount of \$25,865 may pertain to unbilled services incurred for the year ended September 30, 2019 and earlier.

MARSHALL ISLANDS JUDICIARY FUND

Notes to Financial Statements
September 30, 2019 and 2018

(6) Subsequent Event

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of July 6, 2020, there have been no confirmed cases of COVID-19 in the Marshall Islands. The Judiciary has determined that should the pandemic reach the Marshall Islands, it may negatively impact the Judiciary's programs and activities due to the Judiciary's dependency on RepMar appropriations. The effect of the pandemic to RepMar is also uncertain and future available funding through RepMar appropriations may be limited. Therefore, while the Judiciary expects this matter to potentially cause disruptions to operations, the related financial impact cannot be reasonably estimated at this time.

MARSHALL ISLANDS JUDICIARY FUND

Combining Balance Sheet
September 30, 2019

| | <u>Operations</u> | <u>Legal Aid</u> | <u>Total</u> |
|---|-------------------|----------------------|-------------------|
| <u>ASSETS</u> | | | |
| Cash | \$ 226,671 | \$ 303,774 | \$ 530,445 |
| Accounts receivable | 17,452 | - | 17,452 |
| | <u>\$ 244,123</u> | <u>\$ 303,774</u> | <u>\$ 547,897</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | | |
| Liabilities: | | | |
| Provision for legal assistance | \$ - | \$ 25,865 | \$ 25,865 |
| Unearned revenue | 5,350 | - | 5,350 |
| Other liabilities and accruals | 9,722 | 8,670 | 18,392 |
| | <u>15,072</u> | <u>34,535</u> | <u>49,607</u> |
| Fund balance: | | | |
| Committed | <u>229,051</u> | <u>269,239</u> | <u>498,290</u> |
| Total liabilities and fund balance | <u>\$ 244,123</u> | <u>\$ 303,774</u> | <u>\$ 547,897</u> |

See accompanying independent auditors' report.

MARSHALL ISLANDS JUDICIARY FUND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended September 30, 2019

| | <u>Operations</u> | <u>Legal Aid</u> | <u>Total</u> |
|---|-------------------|----------------------|-------------------|
| Revenues: | | | |
| Nitijela appropriation | \$ 999,713 | \$ 18,750 | \$ 1,018,463 |
| Court fines and fees | 78,945 | 35,965 | 114,910 |
| Interest | 1,119 | 1,403 | 2,522 |
| Other | 16,367 | - | 16,367 |
| | <u>1,096,144</u> | <u>56,118</u> | <u>1,152,262</u> |
| Expenditures: | | | |
| Salaries, wages and benefits | 694,451 | - | 694,451 |
| Professional services | 25,271 | 61,972 | 87,243 |
| Supplies and materials | 76,144 | - | 76,144 |
| Leased housing | 71,250 | - | 71,250 |
| Travel | 65,350 | - | 65,350 |
| Communications | 46,629 | - | 46,629 |
| Utilities | 39,915 | - | 39,915 |
| POL | 12,736 | - | 12,736 |
| Repairs and maintenance | 12,082 | - | 12,082 |
| Rentals | 5,716 | - | 5,716 |
| Food stuff | 5,263 | - | 5,263 |
| Insurance | 4,861 | - | 4,861 |
| Training | 1,920 | - | 1,920 |
| Subscriptions | 1,592 | - | 1,592 |
| Freight | 1,009 | - | 1,009 |
| Miscellaneous | 51 | 238 | 289 |
| | <u>1,064,240</u> | <u>62,210</u> | <u>1,126,450</u> |
| Net change in fund balance | 31,904 | (6,092) | 25,812 |
| Fund balance at the beginning of the year | 197,147 | 275,331 | 472,478 |
| Fund balance at the end of the year | \$ <u>229,051</u> | \$ <u>269,239</u> | \$ <u>498,290</u> |

See accompanying independent auditors' report.

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

Honorable Carl B. Ingram
Chief Justice of the High Court
Republic of the Marshall Islands:

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 Marshall Islands Judiciary Fund (the Judiciary Fund), which comprise the balance sheet as of September 30, 2019, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 6, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Judiciary's internal control over financial reporting (internal control) to determine the 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 the Judiciary's internal control. Accordingly, we do not express an opinion on the effectiveness of the Judiciary's internal control.

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

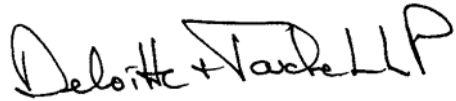
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Judiciary Fund'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 determination of financial statement amounts. 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 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.

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

July 6, 2020

MARSHALL ISLANDS JUDICIARY FUND

Unresolved Prior Year Findings
Year Ended September 30, 2019

There are no unresolved prior year findings from prior year audits of the Judiciary.