

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, 2020 AND 2019

MARSHALL ISLANDS JUDICIARY FUND

Years Ended September 30, 2020 and 2019
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	12
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	13
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>	14
Unresolved Prior Year Findings	16

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, 2020 and 2019, 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, 2020 and 2019, 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. Our opinion is not modified with respect to this matter.

COVID-19

As discussed in Note 6 to the financial statements, the Judiciary Fund has determined that the COVID-19 pandemic may negatively impact its operations. The Judiciary Fund is unable to reasonably estimate its ultimate financial impact. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information:

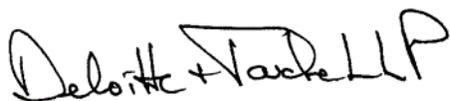
Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 12 and 13 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 12 and 13 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 August 2, 2021, on our consideration of the Judiciary Fund'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 Fund'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 Fund's internal control over financial reporting and compliance.



August 2, 2021

MARSHALL ISLANDS JUDICIARY FUND

Balance Sheets
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash	\$ 204,769	\$ 530,445
Time certificates of deposit	397,032	-
Accounts receivable	3,689	17,452
Total assets	<u>\$ 605,490</u>	<u>\$ 547,897</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Unearned revenue	\$ 2,000	\$ 5,350
Provision for legal assistance	2,235	25,865
Other liabilities and accruals	7,511	18,392
Total liabilities	<u>11,746</u>	<u>49,607</u>
Contingencies		
Fund balance:		
Committed:		
Judicial operations	259,684	229,051
Legal aid	334,060	269,239
Total fund balance	<u>593,744</u>	<u>498,290</u>
Total liabilities and fund balance	<u>\$ 605,490</u>	<u>\$ 547,897</u>

See accompanying notes to financial statements.

MARSHALL ISLANDS JUDICIARY FUND

Statements of Revenues, Expenditures, and Changes in Fund Balance Years Ended September 30, 2020 and 2019

	2020	2019
Revenues:		
Nitijela appropriation	\$ 1,027,664	\$ 1,018,463
Court fines and fees	99,329	114,910
Interest	5,622	2,522
Other	48,613	16,367
Total revenues	1,181,228	1,152,262
Expenditures:		
Salaries, wages and benefits	698,419	694,451
Capital outlay	73,229	-
Leased housing	72,000	71,250
Communications	59,205	46,629
Supplies and materials	57,633	76,144
Utilities	37,347	39,915
Travel	26,441	65,350
Professional services	19,443	25,271
Repairs and maintenance	11,526	12,082
POL	10,746	12,736
Legal aid services	7,346	61,972
Insurance	4,419	4,861
Subscriptions	3,096	1,592
Rentals	2,167	5,716
Food stuff	745	5,263
Freight	173	1,009
Training	-	1,920
Miscellaneous	1,839	289
Total expenditures	1,085,774	1,126,450
Net change in fund balance	95,454	25,812
Fund balance at the beginning of the year	498,290	472,478
Fund balance at the end of the year	\$ 593,744	\$ 498,290

See accompanying notes to financial statements.

MARSHALL ISLANDS JUDICIARY FUND

Notes to Financial Statements
September 30, 2020 and 2019

(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, 2020 and 2019

(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 and Time Certificates of Deposit

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. Deposits maintained in time certificates of deposit with original maturity dates greater than three months are separately classified. As of September 30, 2020 and 2019, the carrying amount of total cash and time certificates of deposit was \$601,801 and \$530,445, respectively, and the corresponding bank balances were \$607,185 and \$537,983, respectively. Of the bank balance amounts, \$8,186 and \$9,145, respectively, are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance with the remaining amounts of \$598,999 and \$528,838, respectively, being maintained in a financial institution not subject to depository insurance. As of September 30, 2020 and 2019, bank deposits in the amount of \$8,186 and \$9,145, 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, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Provision for Legal Assistance

Provision for legal assistance consists of estimates 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

RepMar imposes a gross receipts tax of 3% on revenues. The Judiciary Fund is specifically exempt from this tax.

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, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards

During the year ended September 30, 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, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

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

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

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

MARSHALL ISLANDS JUDICIARY FUND

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

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

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. Except for paragraphs 11b, 13, and 14, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2021. The requirement in paragraphs 11b, 13, and 14 are effective for fiscal year September 30, 2022.

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

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

MARSHALL ISLANDS JUDICIARY FUND

Notes to Financial Statements
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

(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, 2020 and 2019, the Judiciary recognized on-behalf payments as contributions from RepMar, totaling \$698,419 and \$694,451, respectively, representing payroll and related expenditures that RepMar paid directly on behalf of the Judiciary.

During the years ended September 30, 2020 and 2019, the operations of the Judiciary were funded by RepMar appropriations of \$1,027,664 and \$1,018,463, respectively, of which \$329,245 and \$324,012, respectively, represent 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, 2021, RepMar appropriated funding to the Judiciary in the amount of \$1,108,149 for the purpose of funding programs and activities of the Judiciary.

MARSHALL ISLANDS JUDICIARY FUND

Notes to Financial Statements
September 30, 2020 and 2019

(6) COVID-19 Pandemic

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. On October 28, 2020, one confirmed case was identified in the Marshall Islands that was subsequently isolated and contained. On November 17, 2020, an additional three cases were identified and which were isolated and contained. As of August 2, 2021, no community transmission has been identified. The Judiciary Fund has determined that should the pandemic reach the Marshall Islands, it may negatively impact the Judiciary Fund's operations and the Judiciary Fund may become dependent upon the financial support of RepMar. However, the effect of the pandemic on RepMar is also uncertain and future available funding to RepMar component units may be limited. Therefore, while the Judiciary fund expects this matter to potentially have a negative impact on its operations, the related financial impact cannot be reasonably estimated at this time.

MARSHALL ISLANDS JUDICIARY FUND

Combining Balance Sheet
September 30, 2020

	<u>Operations</u>	<u>Legal Aid</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 94,971	\$ 109,798	\$ 204,769
Time certificates of deposit	170,535	226,497	397,032
Accounts receivable	3,689	-	3,689
	<u>\$ 269,195</u>	<u>\$ 336,295</u>	<u>\$ 605,490</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Unearned revenue	\$ 2,000	\$ -	\$ 2,000
Provision for legal assistance	-	2,235	2,235
Other liabilities and accruals	7,511	-	7,511
	<u>9,511</u>	<u>2,235</u>	<u>11,746</u>
Fund balance:			
Committed	<u>259,684</u>	<u>334,060</u>	<u>593,744</u>
Total liabilities and fund balance	<u>\$ 269,195</u>	<u>\$ 336,295</u>	<u>\$ 605,490</u>

See accompanying independent auditors' report.

MARSHALL ISLANDS JUDICIARY FUND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended September 30, 2020

	<u>Operations</u>	<u>Legal Aid</u>	<u>Total</u>
Revenues:			
Nitijela appropriation	\$ 1,006,664	\$ 21,000	\$ 1,027,664
Court fines and fees	50,421	48,908	99,329
Interest	2,474	3,148	5,622
Other	48,613	-	48,613
Total revenues	<u>1,108,172</u>	<u>73,056</u>	<u>1,181,228</u>
Expenditures:			
Salaries, wages and benefits	698,419	-	698,419
Capital outlay	73,229	-	73,229
Leased housing	72,000	-	72,000
Communications	59,205	-	59,205
Supplies and materials	57,633	-	57,633
Utilities	37,347	-	37,347
Travel	26,441	-	26,441
Professional services	19,443	-	19,443
Repairs and maintenance	11,526	-	11,526
POL	10,746	-	10,746
Legal aid services	-	7,346	7,346
Insurance	4,419	-	4,419
Subscriptions	3,096	-	3,096
Rentals	2,167	-	2,167
Food stuff	745	-	745
Freight	173	-	173
Miscellaneous	950	889	1,839
Total expenditures	<u>1,077,539</u>	<u>8,235</u>	<u>1,085,774</u>
Net change in fund balance	30,633	64,821	95,454
Fund balance at the beginning of the year	229,051	269,239	498,290
Fund balance at the end of the year	\$ <u><u>259,684</u></u>	\$ <u><u>334,060</u></u>	\$ <u><u>593,744</u></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, 2020, 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 August 2, 2021.

Internal Control Over Financial Reporting

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

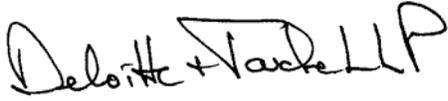
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

August 2, 2021

MARSHALL ISLANDS JUDICIARY FUND

Unresolved Prior Year Findings
Year Ended September 30, 2020

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