

Financial Statements and Supplementary Information

Marshall Islands Judiciary

(A Governmental Fund of the Republic of the Marshall Islands)

Years ended September 30, 2023 and 2022

with Report of Independent Auditors



Marshall Islands Judiciary
(A Governmental Fund of the Republic of the Marshall Islands)

Financial Statements and Supplementary Information

Years ended September 30, 2023 and 2022

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Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the general fund and the fiduciary activities of the Marshall Islands Judiciary (the Judiciary) as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Judiciary'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 respective financial positions of the general fund and the fiduciary activities of the Judiciary as of September 30, 2023 and 2022, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 the Judiciary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Reporting Entity

As discussed in Note 1 to the financial statements, the financial statements referred to above present only the Judiciary 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 opinions are not modified with respect to this matter.

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 the Judiciary'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 the Judiciary'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 the Judiciary'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.

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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Judiciary's basic financial statements. The information on pages 18 and 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the basic 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 ' , 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 financial 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.

Ernst + Young LLP

October 29, 2024

Marshall Islands Judiciary
(A Governmental Fund of the Republic of the Marshall Islands)

Balance Sheets
Governmental Fund

	September 30,	
	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash	\$ 251,893	\$ 212,446
Time certificates of deposit	421,521	413,158
Accounts receivable	<u>5,846</u>	<u>5,731</u>
Total assets	<u>\$ 679,260</u>	<u>\$ 631,335</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Unearned revenue	\$ 13,500	\$ 7,962
Payable to affiliates	4,911	4,025
Other liabilities and accruals	<u>4,510</u>	<u>5,837</u>
Total liabilities	<u>22,921</u>	<u>17,824</u>
Contingencies		
Fund balance:		
Committed:		
Judicial operations	178,347	177,765
Legal aid	<u>477,992</u>	<u>435,746</u>
Total fund balance	<u>656,339</u>	<u>613,511</u>
Total liabilities and fund balance	<u>\$ 679,260</u>	<u>\$ 631,335</u>

See accompanying notes.

Marshall Islands Judiciary
(A Governmental Fund of the Republic of the Marshall Islands)

Statements of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund

	Year ended September 30,	
	2023	2022
Revenues:		
Nitijela appropriation	\$ 1,089,434	\$ 1,021,570
Court fines and fees	136,847	135,386
Interest	8,633	10,510
Other	47,864	2,509
Total revenues	<u>1,282,778</u>	<u>1,169,975</u>
Expenditures:		
Salaries, wages and benefits	859,907	784,408
Leased housing	80,250	72,252
Supplies and materials	64,936	139,126
Travel	54,654	23,207
Communications	46,170	50,850
Utilities	42,662	36,501
Professional and contractual services	30,376	49,178
Repairs and maintenance	16,722	11,552
Petroleum, oil and lube	14,898	13,718
Capital outlay	8,961	23,875
Rentals	5,061	2,782
Insurance	4,047	4,410
Food stuff	3,463	1,532
Training	3,178	1,259
Subscriptions	1,155	1,369
Freight	103	55
Miscellaneous	3,407	1,005
Total expenditures	<u>1,239,950</u>	<u>1,217,079</u>
Net change in fund balance	42,828	(47,104)
Fund balance at the beginning of the year	<u>613,511</u>	<u>660,615</u>
Fund balance at the end of the year	<u><u>\$ 656,339</u></u>	<u><u>\$ 613,511</u></u>

See accompanying notes.

Marshall Islands Judiciary
(A Governmental Fund of the Republic of the Marshall Islands)

Statements of Fiduciary Net Position
Fiduciary Fund - Custodial

	September 30, <u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash	\$ 1,044,239	\$ 3,706,036
Time certificates of deposit	<u>90,373</u>	<u>90,364</u>
Total assets	<u>\$ 1,134,612</u>	<u>\$ 3,796,400</u>
<u>NET POSITION</u>		
Restricted for:		
Individuals, organizations and other governments	<u>\$ 1,134,612</u>	<u>\$ 3,796,400</u>
Total net position	<u>\$ 1,134,612</u>	<u>\$ 3,796,400</u>

See accompanying notes.

Marshall Islands Judiciary
(A Governmental Fund of the Republic of the Marshall Islands)

Statements of Changes in Fiduciary Net Position
Fiduciary Fund - Custodial

	Year ended September 30,	
	2023	2022
Additions:		
Litigation deposits	\$ 58,725	\$ 56,725
Interest	2,895	791
Total additions	<u>61,620</u>	<u>57,516</u>
Deductions:		
Release of bail deposits	2,722,703	3,653
Administrative	705	612
Total deductions	<u>2,723,408</u>	<u>4,265</u>
Net change in fiduciary net position	(2,661,788)	53,251
Net position at the beginning of the year	<u>3,796,400</u>	<u>3,743,149</u>
Net position at the end of the year	<u><u>\$ 1,134,612</u></u>	<u><u>\$ 3,796,400</u></u>

See accompanying notes.

Marshall Islands Judiciary
(A Governmental Fund of the Republic of the Marshall Islands)

Notes to Financial Statements

Years ended September 30, 2023 and 2022

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) was established pursuant to the Republic of the Marshall Islands (RepMar) 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 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's accounting policies are described below.

Measurement Focus and Basis of Accounting

The Judiciary 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. It is concerned only with the measurement of financial position and is 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.

Marshall Islands Judiciary
(A Governmental Fund of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Measurement Focus and Basis of Accounting continued

Separate financial statements are provided for fiduciary funds. Fiduciary fund financial statements include assets of a custodial fund, which is used to account for monies received by the Judiciary for deposits made by defendants of court cases. The Judiciary acts as a custodian of all deposits until court judgements are made available and beneficiaries are rightfully determined.

The general fund is used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies. The Judiciary's general fund consists of the following:

- (i) *Operations Fund* - This fund was established to account for monies received by the Judiciary 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 for the provision of legal aid services to those who cannot afford the cost of legal representation.

Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The general fund is 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 the general fund. 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 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.

The fiduciary fund financial statements are reported using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Marshall Islands Judiciary
(A Governmental Fund of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

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 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'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 does not have a deposit policy for custodial credit risk.

For purposes of the balance sheets/statements of fiduciary net position, 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, 2023 and 2022, the carrying amount and the corresponding bank balances of the general fund's total cash and time certificates of deposit were \$673,414 and \$625,604, respectively, of which \$2,560 and \$3,993, respectively, are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance with the remaining amount of \$670,854 and \$621,611, respectively, being maintained in a financial institution not subject to depository insurance. As of September 30, 2023 and 2022, bank deposits in the amount of \$2,560 and \$3,993, respectively, were FDIC insured.

As of September 30, 2023 and 2022, the carrying amount and the corresponding bank balances of the fiduciary fund's total cash and time certificates of deposit was \$1,134,612 and \$3,796,400, respectively, of which \$1,042,071 and \$3,704,053, respectively, are maintained in a financial institution subject to FDIC insurance with the remaining amount of \$92,541 and \$92,347, respectively, being maintained in a financial institution not subject to depository insurance. As of September 30, 2023 and 2022, bank deposits in the amount of \$250,000 were FDIC insured.

The Judiciary 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

Marshall Islands Judiciary
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Compensated Absences

The Judiciary 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.

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 maximum allowable amount upon approval of the Chief Justice.

Unearned Revenue

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

Fund Balance

Fund balance classifications are based on the extent to which the Judiciary 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.

Marshall Islands Judiciary
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Fund Balance, continued

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 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements

In 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, the Judiciary elected to postpone implementation of these statements.

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

- GASB Statement No. 87, *Leases*, which 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.

Marshall Islands Judiciary
(A Governmental Fund of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period.
- GASB Statement No. 92, *Omnibus 2020*, which enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.
- GASB 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*, which increases consistency and comparability related to the reporting of fiduciary component units; mitigates costs associated with the reporting of certain pension plans and other postemployment benefit (OPEB) plans as fiduciary component units; and enhances 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. 98, *The Annual Comprehensive Financial Report*, which establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.
- GASB Statement No. 99, *Omnibus 2022*, which provides clarification guidance on several of its recent statements that addresses different accounting and financial reporting issues identified during implementation of the new standards and during the GASB's review of recent pronouncements. GASB Statement No. 99:
 - 1) Amends guidance in GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, requiring that the accounting and financial reporting of Supplemental Nutrition Assistance Program (SNAP) transactions should follow the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended. These provisions were effective upon issuance.
 - 2) Requires disclosures related to nonmonetary transactions, in the notes to financial statements, of the measurement attribute(s) applied to the assets transferred rather than the basis of accounting for those assets. These provisions were effective upon issuance.

Marshall Islands Judiciary
(A Governmental Fund of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- 3) Provides guidance on accounting for pledges of future revenues when resources are not received by the pledging government. The guidance addresses the process of blending a component unit created to issue debt on behalf of a primary government when that component unit is required to be presented as a blended component unit. This guidance was effective upon issuance.
 - 4) Provides clarification of provisions in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, related to the focus of the government-wide financial statements. This guidance was effective upon issuance.
 - 5) Provides terminology updates related to certain provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and terminology used in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. These updates were effective upon issuance.
 - 6) GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which amended GASB Statement No. 53 to address transition away from the London Interbank Offered Rate (LIBOR). GASB Statement No. 99 extends the period during which the LIBOR is considered an appropriate benchmark interest rate to when LIBOR ceases to be determined using methodology in place as of December 31, 2021. This guidance was effective upon issuance.
- GASB issued Statement No. 91, *Conduit Debt Obligations*, which 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.
 - GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which 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.

Marshall Islands Judiciary
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- GASB issued Statement No. 99, *Omnibus 2022*, which will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied more easily. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

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

Upcoming Accounting Pronouncements

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

Marshall Islands Judiciary
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

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. The Judiciary is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

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. The Judiciary is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

3. Risk Management

The Judiciary is exposed to various risks of loss related to torts; theft of; errors and omissions; injuries to employees; and natural disasters. The Judiciary 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 has elected not to purchase commercial insurance. Instead, the Judiciary 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's risk management activities for the past year.

Marshall Islands Judiciary
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Notes to Financial Statements, continued

4. Related Party Transactions

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

	<u>2023</u>		<u>2022</u>	
	<u>Expenditures</u>	<u>Payables</u>	<u>Expenditures</u>	<u>Payables</u>
Marshall Islands National				
Telecommunications Authority	\$46,183	\$3,827	\$50,850	\$3,911
Marshalls Energy Company, Inc.	41,656	1,084	33,387	114
Air Marshall Islands, Inc.	5,782	---	10,254	---
Majuro Atoll Waste Company	137	---	348	---
Marshall Islands Postal Service				
Authority	137	---	104	---
Others	<u>4,414</u>	<u>---</u>	<u>---</u>	<u>---</u>
	<u>\$98,309</u>	<u>\$4,911</u>	<u>\$94,943</u>	<u>\$4,025</u>

The Judiciary is a governmental fund of RepMar and is thus affiliated with all RepMar-owned and affiliated entities. During the years ended September 30, 2023 and 2022, the operations of the Judiciary were funded by RepMar appropriations of \$1,089,434 and \$1,021,570, respectively. Of this amount, \$229,527 and \$237,162, respectively, represents cash payments received by the Judiciary while the Judiciary recognized on-behalf payments as contributions from RepMar of \$859,907 and \$784,408, respectively, representing payroll and related expenditures that RepMar paid directly on behalf of 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, 2024, RepMar appropriated funding to the Judiciary in the amount of \$1,186,253 for the purpose of funding programs and activities of the Judiciary.

Supplementary Information

Marshall Islands Judiciary
(A Governmental Fund of the Republic of the Marshall Islands)

Combining Balance Sheet
Governmental Fund

September 30, 2023

	<u>Operations</u>	<u>Legal Aid</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 14,755	\$ 237,138	\$ 251,893
Time certificates of deposit	181,054	240,467	421,521
Accounts receivable	2,511	3,335	5,846
	<u>\$ 198,320</u>	<u>\$ 480,940</u>	<u>\$ 679,260</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Unearned revenue	\$ 13,500	\$ ---	\$ 13,500
Payable to affiliates	4,911	---	4,911
Other liabilities and accruals	1,562	2,948	4,510
	<u>19,973</u>	<u>2,948</u>	<u>22,921</u>
Fund balance:			
Committed	178,347	477,992	656,339
Total liabilities and fund balance	<u>\$ 198,320</u>	<u>\$ 480,940</u>	<u>\$ 679,260</u>

Marshall Islands Judiciary
(A Governmental Fund of the Republic of the Marshall Islands)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund

Year ended September 30, 2023

	<u>Operations</u>	<u>Legal Aid</u>	<u>Total</u>
Revenues:			
Nitijela appropriation	\$ 1,089,434	\$ ---	\$ 1,089,434
Court fines and fees	83,789	53,058	136,847
Interest	4,925	3,708	8,633
Other	46,242	1,622	47,864
	<u>1,224,390</u>	<u>58,388</u>	<u>1,282,778</u>
Total revenues			
Expenditures:			
Salaries, wages and benefits	859,907	---	859,907
Leased housing	80,250	---	80,250
Supplies and materials	64,936	---	64,936
Travel	54,654	---	54,654
Communications	46,170	---	46,170
Utilities	42,662	---	42,662
Professional and contractual services	12,211	18,165	30,376
Repairs and maintenance	16,722	---	16,722
Petroleum, oil and lube	14,898	---	14,898
Capital outlay	8,961	---	8,961
Rentals	5,061	---	5,061
Insurance	4,047	---	4,047
Food stuff	3,463	---	3,463
Training	3,178	---	3,178
Subscriptions	1,155	---	1,155
Freight	103	---	103
Miscellaneous	3,223	184	3,407
	<u>1,221,601</u>	<u>18,349</u>	<u>1,239,950</u>
Total expenditures			
Excess of revenues over expenditures	<u>2,789</u>	<u>40,039</u>	<u>42,828</u>
Other sources (uses):			
Transfer in	---	2,207	2,207
Transfer out	(2,207)	---	(2,207)
	<u>(2,207)</u>	<u>2,207</u>	<u>---</u>
Net change in fund balance	582	42,246	42,828
Fund balance at the beginning of the year	177,765	435,746	613,511
Fund balance at the end of the year	<u>\$ 178,347</u>	<u>\$ 477,992</u>	<u>\$ 656,339</u>

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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Marshall Islands Judiciary (the Judiciary), which comprise the balance sheet as of September 30, 2023 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 October 29, 2024.

Report on 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) 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'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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Judiciary'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.

Ernst + Young LLP

October 29, 2024