

Financial Statements and Supplementary Information

Marshall Islands Judiciary

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

Years ended September 30, 2024 and 2023

with Report of Independent Auditors



**Shape the future
with confidence**

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

Financial Statements and Supplementary Information

Years ended September 30, 2024 and 2023

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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, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Judiciary's basic financial statements as listed in the table of contents (collectively referred to as the "financial statements").

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, 2024 and 2023, 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 audits. 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

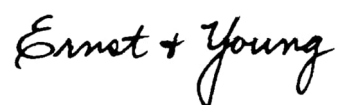
Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Judiciary's basic financial statements. The information on pages 17 through 18 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 audits 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 GAAS. 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 June 11, 2026, 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.

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

June 11, 2026

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

Balance Sheets
Governmental Fund

	September 30,	
	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Cash	\$ 281,344	\$ 251,893
Time certificates of deposit	334,230	421,521
Other receivable	<u>4,199</u>	<u>5,846</u>
Total assets	<u>\$ 619,773</u>	<u>\$ 679,260</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Unearned revenue	\$ 56,230	\$ 13,500
Payable to affiliates	7,277	4,911
Other liabilities and accruals	<u>10,865</u>	<u>4,510</u>
Total liabilities	<u>74,372</u>	<u>22,921</u>
Contingencies		
Fund balance:		
Committed:		
Judicial operations	63,523	178,347
Legal aid	<u>481,878</u>	<u>477,992</u>
Total fund balance	<u>545,401</u>	<u>656,339</u>
Total liabilities and fund balance	<u>\$ 619,773</u>	<u>\$ 679,260</u>

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,	
	2024	2023
Revenues:		
Nitijela appropriation	\$ 1,083,234	\$ 1,089,434
Court fines and fees	127,393	136,847
Interest	11,272	8,633
Other	20,224	47,864
Total revenues	<u>1,242,123</u>	<u>1,282,778</u>
Expenditures:		
Salaries, wages and benefits	854,906	859,907
Leased housing	78,750	80,250
Capital outlay	76,270	8,961
Professional and contractual services	65,349	30,376
Utilities	61,310	42,662
Travel	56,347	54,654
Supplies and materials	55,221	64,936
Communications	47,043	46,170
Repairs and maintenance	18,872	16,722
Petroleum, oil and lube	14,685	14,898
Subscriptions	7,507	1,155
Insurance	5,743	4,047
Rentals	4,804	5,061
Training	2,883	3,178
Food stuff	1,248	3,463
Freight	---	103
Miscellaneous	2,123	3,407
Total expenditures	<u>1,353,061</u>	<u>1,239,950</u>
Net change in fund balance	(110,938)	42,828
Fund balance at the beginning of the year	<u>656,339</u>	<u>613,511</u>
Fund balance at the end of the year	<u>\$ 545,401</u>	<u>\$ 656,339</u>

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

Fiduciary Fund - Custodial

	September 30, 2024	2023
<u>ASSETS</u>		
Cash	\$ 1,096,626	\$ 1,044,239
Time certificates of deposit	90,400	90,373
Total assets	<u>\$ 1,187,026</u>	<u>\$ 1,134,612</u>
<u>NET POSITION</u>		
Restricted for:		
Individuals, organizations and other governments	<u>\$ 1,187,026</u>	<u>\$ 1,134,612</u>
Total net position	<u>\$ 1,187,026</u>	<u>\$ 1,134,612</u>

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

Fiduciary Fund - Custodial

	Year ended September 30,	
	<u>2024</u>	<u>2023</u>
Additions:		
Litigation deposits	\$ 57,189	\$ 58,725
Interest	628	2,895
Total additions	<u>57,817</u>	<u>61,620</u>
Deductions:		
Release of bail deposits	5,050	2,722,703
Administrative	353	705
Total deductions	<u>5,403</u>	<u>2,723,408</u>
Net change in fiduciary net position	52,414	(2,661,788)
Net position at the beginning of the year	<u>1,134,612</u>	<u>3,796,400</u>
Net position at the end of the year	<u>\$ 1,187,026</u>	<u>\$ 1,134,612</u>

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

Notes to Financial Statements

Years ended September 30, 2024 and 2023

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 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 sheets. 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, 2024 and 2023, the carrying amount of the general fund's total cash and time certificates of deposit were \$615,574 and \$673,414, respectively, and the corresponding bank balances were \$618,050 and \$676,818, respectively. Of the bank balances, \$6,821 and \$6,192, respectively, are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance with the remaining amount of \$611,229 and \$670,626, respectively, being maintained in a financial institution not subject to depository insurance. As of September 30, 2024 and 2023, bank deposits in the amount of \$6,821 and \$6,192, respectively, were FDIC insured.

As of September 30, 2024 and 2023, the carrying amount of the fiduciary fund's total cash and time certificates of deposit were \$1,187,026 and \$1,134,612, respectively, and the corresponding bank balances were \$1,187,207 and \$1,134,606, respectively. Of the bank balances, \$1,094,471 and \$1,042,065, respectively, are maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance with the remaining amount of \$92,736 and \$92,541, respectively, being maintained in a financial institution not subject to depository insurance. As of September 30, 2024 and 2023, bank deposits in the amount of \$250,000 were FDIC insured.

The Judiciary does not require collateralization of its cash deposits; therefore, deposit levels more than FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

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

Compensated Absences

The Judiciary recognizes expenditures for annual leave and sick leave when leave is taken. Accordingly, unused annual leave and sick leave are not included as an obligation within the balance sheets 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
(A Governmental Fund of the Republic of the Marshall Islands)

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

During the year ended September 30, 2024, the Judiciary implemented the following pronouncements:

- GASB Statement No. 99, *Omnibus 2022*, which modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures. It also provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The implementation of this Statement did not have a material effect on the accompanying financial statements.

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. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*, which enhances accounting and financial reporting requirements for accounting changes and error corrections and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Requirements applicable to changes in accounting principles apply to the implementation of a new pronouncement if there is no specific transition guidance in the new pronouncement. The Statement also requires that aggregate amounts of adjustments to, and restatements of, beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. The implementation of this Statement did not have a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The 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. GASB Statement No. 101 will be effective for the fiscal year ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The 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. GASB Statement No. 102 will be effective for the fiscal year ending September 30, 2025.

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

Upcoming Accounting Pronouncements, continued

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

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement also requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. GASB Statement No. 104 will be effective for the fiscal year ending September 30, 2026.

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

Upcoming Accounting Pronouncements, continued

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

The Judiciary is evaluating the effect that these Statements, upon implementation, will have on the financial statements.

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.

4. Related Party Transactions

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

	<u>2024</u>		<u>2023</u>	
	<u>Expenditures</u>	<u>Payables</u>	<u>Expenditures</u>	<u>Payables</u>
Marshall's Energy Company, Inc.	\$ 57,136	\$3,554	\$41,656	\$1,084
Marshall Islands National Telecommunications Authority	45,614	3,723	46,183	3,827
Air Marshall Islands, Inc.	6,028	---	5,782	---
Others	<u>5,455</u>	<u>---</u>	<u>4,688</u>	<u>---</u>
	<u>\$114,233</u>	<u>\$7,277</u>	<u>\$98,309</u>	<u>\$4,911</u>

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

Notes to Financial Statements, continued

4. Related Party Transactions, continued

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, 2024 and 2023, the operations of the Judiciary were funded by RepMar appropriations of \$1,083,234 and \$1,089,434, respectively. Of this amount, \$228,328 and \$229,527, respectively, represents cash payments received by the Judiciary while the Judiciary recognized on-behalf payments as contributions from RepMar of \$854,906 and \$859,907, 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 influence the Judiciary's programs and activities. For the year ended September 30, 2025, 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

Combining Balance Sheets Governmental Fund

September 30, 2024

	<u>Operations</u>	<u>Legal Aid</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 5,517	\$ 275,827	\$ 281,344
Time certificates of deposit	86,513	247,717	334,230
Other receivable	865	3,334	4,199
	<u>\$ 92,895</u>	<u>\$ 526,878</u>	<u>\$ 619,773</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Unearned revenue	\$ 11,230	\$ 45,000	\$ 56,230
Payable to affiliates	7,277	---	7,277
Other liabilities and accruals	10,865	---	10,865
	<u>29,372</u>	<u>45,000</u>	<u>74,372</u>
Fund balance:			
Committed	<u>63,523</u>	<u>481,878</u>	<u>545,401</u>
Total liabilities and fund balance	<u>\$ 92,895</u>	<u>\$ 526,878</u>	<u>\$ 619,773</u>

Marshall Islands Judiciary

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

Year ended September 30, 2024

	<u>Operations</u>	<u>Legal Aid</u>	<u>Total</u>
Revenues:			
Nitijela appropriation	\$ 1,083,234	\$ ---	\$ 1,083,234
Court fines and fees	101,893	25,500	127,393
Interest	4,022	7,250	11,272
Other	17,704	2,520	20,224
Total revenues	<u>1,206,853</u>	<u>35,270</u>	<u>1,242,123</u>
Expenditures:			
Salaries, wages and benefits	854,906	---	854,906
Leased housing	78,750	---	78,750
Capital outlay	76,270	---	76,270
Professional and contractual services	34,278	31,071	65,349
Utilities	61,310	---	61,310
Travel	56,347	---	56,347
Supplies and materials	55,221	---	55,221
Communications	47,043	---	47,043
Repairs and maintenance	18,872	---	18,872
Petroleum, oil and lube	14,685	---	14,685
Subscriptions	7,507	---	7,507
Insurance	5,743	---	5,743
Rentals	4,804	---	4,804
Training	2,883	---	2,883
Food stuff	1,248	---	1,248
Miscellaneous	<u>1,810</u>	<u>313</u>	<u>2,123</u>
Total expenditures	<u>1,321,677</u>	<u>31,384</u>	<u>1,353,061</u>
Net change in fund balance	(114,824)	3,886	(110,938)
Fund balance at the beginning of the year	<u>178,347</u>	<u>477,992</u>	<u>656,339</u>
Fund balance at the end of the year	<u>\$ 63,523</u>	<u>\$ 481,878</u>	<u>\$ 545,401</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, 2024 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 June 11, 2026.

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.

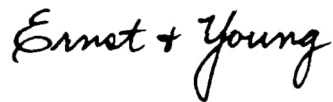
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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

June 11, 2026