

Criminal Injuries Compensation Fund



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

Independent Auditor's Report

Members of the General Assembly
The Honorable David H. Lillard, Jr., Treasurer

Report on the Financial Statements

We have audited the accompanying balance sheet of the Criminal Injuries Compensation Fund, a special revenue fund of the State of Tennessee, as of June 30, 2018, the related statements of revenues, expenditures, and changes in fund balance and revenues, expenditures, and changes in fund balance (budget and actual) for the year then ended, and the related notes to the financial statements, which collectively comprise the Criminal Injuries Compensation Fund's basic 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.

Auditor's 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

Criminal Injuries Compensation Fund

no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and 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 Criminal Injuries Compensation Fund of the State of Tennessee as of June 30, 2018, and the changes in financial position and the budgetary comparison thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A.1., the financial statements present only the Criminal Injuries Compensation Fund, a special revenue fund, and do not purport to, and do not, present fairly the financial position of the State of Tennessee, as of June 30, 2018, and the changes in financial position and budgetary comparison thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of the Criminal Injuries Compensation 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 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 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 Criminal Injuries Compensation Fund's internal control over financial reporting and compliance.



Deborah V. Loveless, CPA, Director
Division of State Audit
December 20, 2018

Criminal Injuries Compensation Fund

Criminal Injuries Compensation Fund Balance Sheet June 30, 2018

ASSETS

Cash	\$	8,011,200
Accounts receivable		556,889
Due from federal government		<u>5,203,000</u>
TOTAL ASSETS	\$	<u><u>13,771,089</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$	187,065
Claims liability		<u>6,092,185</u>
TOTAL LIABILITIES		<u>6,279,250</u>

FUND BALANCE

Committed for victims of drunk drivers (see Note B.2)		1,353,378
Committed for compensation under the Criminal Injuries Compensation Act		<u>6,138,461</u>
TOTAL FUND BALANCE		<u>7,491,839</u>
TOTAL LIABILITIES AND FUND BALANCE	\$	<u><u>13,771,089</u></u>

See accompanying Notes to the Financial Statements

Criminal Injuries Compensation Fund

Criminal Injuries Compensation Fund Statement of Revenues, Expenditures, and Changes in Fund Balance For Fiscal Year Ended June 30, 2018

REVENUES

State		
Fines	\$	5,938,355
Fees		1,777,973
Federal		5,203,000
Interest income		96,951
Other		719,847

TOTAL REVENUES 13,736,126

EXPENDITURES

Claim payments		12,301,555
Victims' coalition grant		100,000
Administrative cost		1,836,416

TOTAL EXPENDITURES 14,237,971

DEFICIENCY OF REVENUES OVER EXPENDITURES (501,845)

OTHER FINANCING SOURCES (USES)

Transfer to General Fund for District Attorneys General Grant		(269,065)
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NET CHANGE IN FUND BALANCE (770,910)

FUND BALANCE, BEGINNING OF YEAR 8,262,749

FUND BALANCE, END OF YEAR \$ 7,491,839

See accompanying Notes to the Financial Statements

Criminal Injuries Compensation Fund

Criminal Injuries Compensation Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)
REVENUES			
Fines	\$ 8,584,500	\$ 8,584,500	\$ 5,938,355
Fees	2,353,400	2,353,400	1,777,973
Federal	4,940,000	4,940,000	5,203,000
Interest income	0	0	96,951
Other	472,100	472,100	719,847
TOTAL REVENUES	<u>16,350,000</u>	<u>16,350,000</u>	<u>13,736,126</u>
EXPENDITURES			
Claim payments	14,479,600	14,479,600	12,301,555
Victims' coalition grant	100,000	100,000	100,000
Administrative cost	1,500,000	1,500,000	1,836,416
TOTAL EXPENDITURES	<u>16,079,600</u>	<u>16,079,600</u>	<u>14,237,971</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENIDTURES	270,400	270,400	(501,845)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Transfer to General Fund for District Attorneys General Grant	<u>(270,400)</u>	<u>(270,400)</u>	<u>(269,065)</u>
NET CHANGE IN FUND BALANCE	<u>0</u>	<u>0</u>	<u>(770,910)</u>
FUND BALANCE, BEGINNING OF YEAR	8,262,749	8,262,749	8,262,749
FUND BALANCE, END OF YEAR	<u>\$ 8,262,749</u>	<u>\$ 8,262,749</u>	<u>\$ 7,491,839</u>

See accompanying Notes to the Financial Statements

Criminal Injuries Compensation Fund

Criminal Injuries Compensation Fund Notes to the Financial Statements June 30, 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

The Criminal Injuries Compensation Fund (CICF) is part of the primary government and has been included in the Tennessee Comprehensive Annual Financial Report as a special revenue fund. The Criminal Injuries Compensation Program is funded through fines assessed in courts against certain criminal defendants upon conviction, fees levied against parolees and probationers, proceeds from bond forfeitures in felony cases, donations from individuals serving as jurors, interest income and a federal grant. Payments made under the CIC program are intended to defray the costs of medical services, loss of earnings, burial costs, and other pecuniary losses to either the victim of a crime or to the dependents of deceased victims.

2. Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they become both measurable and available, and expenditures are recognized at the time the fund liabilities are incurred. For revenue recognition purposes, fines and bond forfeitures are considered to be available if received in the first sixty days of the new fiscal year. Federal grants, departmental services, and interest associated with the current fiscal year are all considered to be available if received in six months. All other revenue items are considered to be measurable and available only when cash is received by the Criminal Injuries Compensation Fund.

Generally, the CICF receives both restricted and committed resources. Restricted funds are those that are restricted for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Committed funds can only be used for specific purposes as a result of constraints imposed by the Tennessee General Assembly-the fund's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Tennessee General Assembly removes those constraints by taking the same type of action (i.e., legislation). When both the restricted and other fund balance resources are available for use, it is the policy for the fund to use the restricted resources first, followed by the committed amounts.

3. Cash

The Criminal Injuries Compensation Fund does not maintain its own bank accounts but utilizes the State Pooled Investment Fund for its operating cash needs. The State Pooled Investment Fund is authorized by state statute to invest funds in accordance with policy guidelines approved by the Funding Board of the State of Tennessee. The current resolution of that board gives the Treasurer authority to invest in collateralized certificates of deposit in authorized state depositories, prime commercial paper, prime bankers' acceptances, certain repurchase agreements, and various U.S. Treasury and Agency obligations. The State Pooled Investment Fund is also authorized to enter into securities lending agreements in which U.S. Government Securities may be loaned for a fee. The loaned securities are transferred to the borrower by the custodial agent upon simultaneous receipt of collateral securities. The State Pooled Investment Fund is not rated by a nationally recognized statistical ratings agency. The investment policy and required risk disclosures relative to the State Pooled Investment Fund are presented in the State Pooled Investment Fund Report.

4. Budgetary Process

Legislation requires that annual budgets be adopted for special revenue funds. The proposed CICF budget is included in the budget proposal presented by the Governor to the General Assembly at the beginning of each annual legislative session. The CICF annual budget is prepared on the modified accrual basis of accounting. Budgetary control is maintained at the departmental level. Budget revisions during the year, reflecting program changes or administrative intradepartmental transfers, may be affected with certain executive and legislative branch approval. Only the legislature may transfer appropriations between departments.

B. OTHER ACCOUNTING DISCLOSURES

1. Due from Federal Government

The receivable shown on the Balance Sheet as due from federal government includes funds for a grant awarded to the CICF under the Victims of Crime Act Formula Grant Program by the Department of Justice, Office of Justice Programs.

2. Committed Fund Balance

A portion of the fund balance has been committed for the Victims of Drunk Drivers Compensation Fund (VDDC) which is included in the Criminal Injuries Compensation Fund. A requirement of the CICF and VDDC combination is that a reserve be established annually for an amount equal to three times the awards paid for VDDC during the prior fiscal year. Chapter 761 of the Public Acts of 1992 discusses the fund combination as well as the VDDC reserve requirement.

3. Transfer to General Fund

In accordance with the section 7, item 3 of Public Chapter 460, of the 110th General Assembly of the State of Tennessee, a grant was awarded to the District Attorneys General for domestic violence prevention and drug enforcement activities from the CICF.



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

Independent Auditor's 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*

Members of the General Assembly
The Honorable David H. Lillard, Jr., Treasurer

We have audited the financial statements of the Criminal Injuries Compensation Fund, as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2018. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department of the Treasury's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Criminal Injuries Compensation Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Deborah V. Loveless, CPA, Director
Division of State Audit
December 20, 2018