



JASON E. MUMPOWER
Comptroller

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

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, 2023; and the related statements of revenues, expenditures, and changes in fund balance and revenues, expenditures, and changes in fund balance (budget to 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Criminal Injuries Compensation Fund as of June 30, 2023, 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.

Basis of Opinion

We conducted our audit 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. 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 Criminal Injuries Compensation Fund 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 opinion.

Responsibilities of Management 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.

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 Criminal Injuries Compensation Fund'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 Responsibility 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 Criminal Injuries Compensation Fund's internal control. Accordingly, no such opinion is expressed.

Criminal Injuries Compensation Fund

- 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 Criminal Injuries Compensation Fund's ability to continue as a going concern for a reasonable period of time.

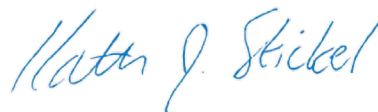
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, 2023, 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 12, 2023, 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.



Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
December 12, 2023

Criminal Injuries Compensation Fund

Criminal Injuries Compensation Fund Balance Sheet June 30, 2023

ASSETS

Cash and Cash Equivalents	\$	8,468,109
Accounts Receivable		481,799
Due from Federal Government		2,301,000

TOTAL ASSETS \$ 11,250,908

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$	56,846
Claims Liability		4,488,312

TOTAL LIABILITIES 4,545,158

FUND BALANCE

Committed for Victims of Drunk Drivers (see Note B.2)		456,162
Committed for Compensation under the Criminal Injuries Compensation Act		6,249,588

TOTAL FUND BALANCE 6,705,750

TOTAL LIABILITIES AND FUND BALANCE \$ 11,250,908

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, 2023

REVENUES

State		
Fines	\$	4,641,083
Fees		2,251,413
Federal		2,301,000
Interest Income		288,776
Bond Forfeitures		924,821
Other		3,653

TOTAL REVENUES 10,410,746

EXPENDITURES

Claim Payments		8,373,818
Victims' Coalition Grant		34,140
Administrative Cost		3,006,663

TOTAL EXPENDITURES 11,414,621

DEFICIENCY OF REVENUES OVER EXPENDITURES (1,003,875)

OTHER FINANCING SOURCES (USES)

Transfer to General Fund for District Attorneys General Grant		<u>(302,200)</u>
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NET CHANGE IN FUND BALANCE (1,306,075)

FUND BALANCE, BEGINNING OF YEAR 8,011,825

FUND BALANCE, END OF YEAR \$ 6,705,750

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, 2023

	Original Budget	Final Budget	Actual (Budgetary Basis)
REVENUES			
State			
Fines	\$ 11,287,100	\$ 11,287,100	\$ 4,641,084
Fees	2,300,000	2,300,000	2,251,412
Federal	2,288,900	2,288,900	2,301,000
Interest Income	0	0	288,776
Other	510,000	510,000	928,474
	16,386,000	16,386,000	10,410,746
TOTAL REVENUES			
EXPENDITURES			
Claim Payments	13,633,800	13,633,800	8,373,818
Victims' Coalition Grant	100,000	100,000	34,140
Administrative Cost	2,350,000	2,350,000	3,006,663
	16,083,800	16,083,800	11,414,621
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	302,200	302,200	(1,003,875)
OTHER SOURCES (USES) OF FINANCIAL RESOURCES			
Transfer to General Fund for District Attorneys General Grant	(302,200)	(302,200)	(302,200)
	0	0	(1,306,075)
NET CHANGE IN FUND BALANCE			
FUND BALANCE, BEGINNING OF YEAR	8,011,825	8,011,825	8,011,825
FUND BALANCE, END OF YEAR	\$ 8,011,825	\$ 8,011,825	\$ 6,705,750

See accompanying Notes to the Financial Statements

Criminal Injuries Compensation Fund

Criminal Injuries Compensation Fund Notes to the Financial Statements June 30, 2023

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 Annual Comprehensive Financial Report* as a special revenue fund. That report is available on the state's website at <https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html>. 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 and Cash Equivalents

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.

Criminal Injuries Compensation Fund

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. That report is available on the state's website at <https://treasury.tn.gov>.

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. The reimbursement percentage applied to the grant certification is 75% of total state expenditures paid.

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 454, of the 112th 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.