

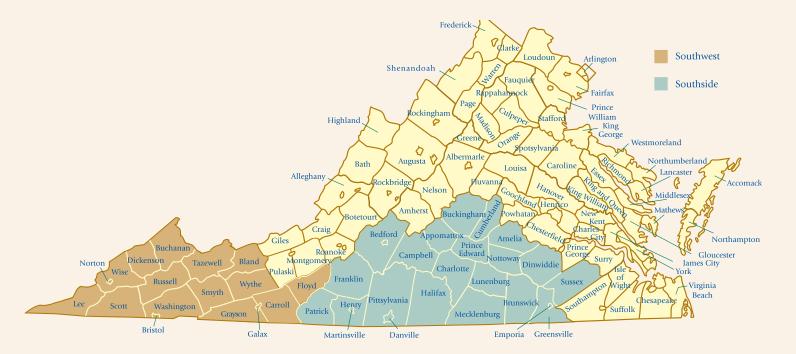


Virginia Tobacco Indemnification and Community Revitalization Commission

Virginia Tobacco Indemnification and Community Revitalization Commission

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Tobacco Commission Counties Southside and Southwest





The Honorable Charles R. Hawkins Chairman

The Honorable Terry G. Kilgore Vice Chairman

Carthan F. Currin, III Executive Director



804-225-2027 Phone

1-877-807-1086 Toll free

804-786-3210 Fax

Virginia Tobacco Indemnification and Community Revitalization Commission

701 E. Franklin Street, Suite 501 • Richmond, Virginia 23219

October 11, 2004

To the Governor and Members of the General Assembly of Virginia:

On June 30, 2004, the Virginia Tobacco Indemnification and Community Revitalization Commission closed its 5th fiscal year of service to the citizens of the tobacco-producing region of the Commonwealth. In those five short years, we have strategically invested nearly \$255 million in an unprecedented transformation of the Commonwealth's oldest and largest farm economy. The last 12 months have been one of the most productive and rewarding periods of our short history, and it is my privilege to bring you this report of the events from the last year.

Under your legislative mandate, funds received by the Commission from the Master Settlement Agreement (MSA) were used exclusively for two purposes: indemnification and revitalization. Thirty-three percent of MSA revenue was committed directly to individual Virginia tobacco farmers as indemnification for their losses, and 60 percent went into revitalization projects, all within the tobacco-producing region. Three percent of the funds remain in reserve. Additional details on these investments are addressed in this report.

The key to ultimately achieving our mission is our Long Range Plan. This strategy was created in early 2003 by a coalition of visionary public and private individuals who understand the economic conditions and hardships experienced by too many Virginians within the region served by the Commission. The Commission has been true to this Plan. In fact, it is a "living document" that will continue to serve as a guide to revitalizing Virginia's tobacco region.

The Commission members and I thank you for your continued participation in and support of our mission, and we look forward to the task of bringing continued prosperity to Virginia.

/ '

Sincerely

Charles R. Hawkins

FY2004 COMMISSION MEETINGS

July 10, 2003 October 22, 2003 January 13, 2004 March 4, 2004

Farmville

Richmond

Richmond

Danville

Wise

Longwood University

University of Virginia's College at Wise

General Assembly Building General Assembly Building

Institute for Advanced Learning and Research

MAIN OFFICE AND STAFF

May 20, 2004

Tobacco Indemnification and Community Revitalization Commission

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COMMISSION MEMBERS

As of June 30, 2004

House of	Delegates	Member
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The Honorable Kathy J. Byron
The Honorable Allen W. Dudley
The Honorable Clarke N. Hogan
The Honorable Joseph P. Johnson
The Honorable Terry G. Kilgore, Vice-Chairman
The Honorable Thomas C. Wright, Jr.

Lynchburg
Rocky Mount
Keysville
Abingdon
Gate City
Victoria

Secretary of Commerce and Trade

The Honorable Michael Schewel Richmond

Secretary of Finance

The Honorable John Bennett Richmond

Commissioner of Agriculture and Consumer Services J. Carlton Courter, III Richmond

Term Expires

Senate Members

The Honorable Charles Hawkins, Chairman

The Honorable Phillip Puckett

The Honorable Frank M. Ruff

The Honorable William Wampler, Jr.

Chatham

Lebanon

Clarksville

Bristol

Active Flue-Cured Tobacco Producers

Mr. Clarence D. Bryant, III	Blairs	6/30/05
Mr. Buddy Mayhew	Blairs	6/30/06
Mr. Thomas E. West	Nathalie	6/30/07

Active Burley Tobacco Producers

rionito Durio, iobacco i rodaccio		
Mr. Stephen S. Banner	Castlewood	6/30/06
Mr. Fred M. Fields	Pennington Gap	6/30/05
Mr. John M. Stallard	Nickelsville	6/30/07

Virginia Farm Bureau Federation Representative

Mr. Jordon M. Jenkins, Jr	Blackstone	6/30/07
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Citizens

Mr. Thomas Arthur	Blairs	6/30/07
Mr. L. Jackson Hite	Clarkesville	6/30/06
The Honorable Isiah G. Hopkins	Lunenburg	6/30/05
The Honorable Harrison A. Moody	Blackstone	6/30/07
Mr. H. Ronnie Montgomery	Jonesville	6/30/07
Mr. Claude B. Owen, Jr.	Danville	6/30/06
The Honorable Edward Owens	South Boston	6/30/05
The Honorable John Thomas Taylor	Clarksville	6/30/05
The Honorable Mary Sue Terry	Critz	6/30/06
Mr. James C. Thompson	Tazewell	6/30/06
The Honorable Gary D. Walker	Charlotte Court House	6/30/05

3

ECONOMIC BEVITALIZATION EFFORT

Innovation

Innovation grants include three areas of funding: Special Projects, Tobacco Region Opportunity Fund (TROF), and Agribusiness.

Grants are awarded under the Special Projects fund for projects that benefit several localities within one region or have the potential to have a significant impact in the tobacco region as a whole. These funds are provided for projects such as research facilities and regional business development that impact the larger geographic area. Nine special projects totaling \$2.1 million were funded this fiscal year.

TROF was created to revitalize the economies of the tobacco region through incentive grants to companies that will create at least 25 new jobs and bring new private capital investment of at least \$1 million to localities within the region. This fund specifically targets the Commission's goal to stimulate economic growth and development in tobacco-dependent localities and is successfully assisting these communities by reducing their dependency on tobacco and tobacco-related business. The Commission works closely with the Virginia Economic Development Partnership to leverage the Governor's Opportunity Fund. The Commission made \$5.0 million in commitments to help attract 29 new companies, create 3,192 new jobs, and provide \$147.5 million in capital investment to the tobacco region.



Virginia Bioinformatics Institute at Virginia Tech.

Agribusiness grants are awarded to assist tobacco producers and the tobacco region's agricultural community diversify into new production opportunities and develop value-added enterprises. Six agribusiness projects received grants totaling \$1.2 million for programs and facilities.

Institute for Advanced Learning and Research

"Grass appears to be growing outside our building," the Executive Director of the Institute for Advanced Learning and Research wrote in the Institute's September 2004 newsletter. The real growth, however, is cropping up within the glass-framed walls of this facility. Technology, partnerships, and ideas are taking shape. The innovations taking place are the result of over three years and more than \$14 million of support from the Virginia Tobacco Commission.

Located in Danville, the Institute for Advanced Learning and Research is a hub for technology research and advancements. As a midpoint to an envisioned "Research Quadarangle," the Institute will serve to bring together ideas from Virginia Tech and Roanoke in the north and universities such as Wake Forest, Duke, North Carolina State, and UNC in the south.



The Institute, opened Spring 2004.

In 2001, the Commission began its commitment with an initial grant of \$3.2 million for a land purchase and preliminary engineering for the establishment of the Institute. Since then, the Commission has provided assistance for construction, equipment, and start-up costs. The Commission will continue its commitment to the Institute by contributing up to \$2 million per year through 2010 for debt service related to construction costs.

Education

Education funds are awarded for various projects that will create a world-class workforce in the tobacco region, including scholarships, community college programs, workforce training, and vocational and adult education programs. Twenty-nine grants totaling \$8.8 million were awarded this fiscal year for educational projects, including \$2.8 million to the tobacco region's seven community colleges for continuing programs, \$3.8 million in scholarships for tobacco region residents who are attending four-year degree-granting institutions, and \$2.2 million in competitive grants for educational projects.



Opening of Southside Virginia Community College's pre-engineering academy.

Lake Country Advanced Knowledge Center

A study conducted by Mecklenburg County in 2001 revealed a reduction in the number of small farms, an unemployment rate of over 8 percent, and a recent loss of over 1,300 jobs due to the downsizing and closing of several local companies. To make matters worse, many of the unemployed farmers and factory workers did not have the skills and training needed for a new generation of jobs.

In March of 2001, the Tobacco Commission awarded \$804,514 to help the County purchase and renovate a 23,620 square-foot building that had remained vacant for over two years in downtown South Hill. This building would become the Lake Country Advanced Knowledge Center—a resource for educating and training workers for the jobs of a changing economy.



Former furniture store transformed into workforce training center.

The following year, the Commission awarded \$888,673 to complete interior classroom renovations for computer and machine-shop training. An additional grant was approved in the spring of 2003 to purchase equipment for the machine shop.

Computer training courses began at the Lake Country Advanced Knowledge Center in the summer of 2003. Classes in welding, machinery, and electronics were offered for the fall 2003 semester. Enrollment in the Center's 36 academic and training programs has steadily increased since its doors opened with over 250 students enrolled for the fall 2004 semester.

Technology

Technology grants are awarded to develop regional fiber optic "backbone" networks that will provide high speed, redundant connectivity at an affordable cost to regional users. These networks will allow the tobacco region to grow businesses that require this connectivity and to more effectively market the region as a location for business development. Four grants totaling \$10.8 million were awarded to build infrastructure in the tobacco region.



Leaders of the Commission, Mid-Atlantic Broadband, and Adesta break ground in southside.

Tempur Productions

Rapidly increasing sales and a strong market forecast left Tempur Productions wondering how it could meet the growing demand of U.S. consumers. The answer: a \$19.6 million expansion and the addition of over 100 jobs at its production facility in the Duffield Regional Industrial Park.



Tempur officials review expansion plans with Commission members – photo by Chris Starnes. LENOWISCO PDC.

Recognizing the need to replace valuable manufacturing jobs that were lost in Southwest Virginia, the Tobacco Commission awarded \$300,000 to Scott County to encourage and assist an expansion that will result in the creation of 112 jobs at the Tempur Productions USA production facility in Duffield, Virginia.

Tempur Productions, a Swedish foam bedding products manufacturer, decided in 1999 to locate its first U.S. manufacturing facility in Scott County, Virginia. After four years of rising demand, the company realized it needed more space and more workers to meet the expanding market.

On April 15, 2003, construction began on a 205,000 square-foot addition to the existing facility in Duffield with production starting in the spring of 2004 in the expanded portion of the facility. This multi-million dollar expansion will increase the number of jobs at the Duffield site from 153 to 265 by 2005. Tempur's Vice President and Duffield plant manager Paul Key expects manufacturing capacity to double with the extension of the facility.



Site preparation at Duffield Regional Industrial Park.

Regional Economic Development

Regional economic development funds for Southside and Southwest are designated for projects that will expand and diversify the economic base in the tobacco-dependent region, creating new employment opportunities and reducing dependence on tobacco-related activities. The funds are used to develop industrial sites, improve water and sewer infrastructure, establish training facilities, and develop tourism infrastructure. Local governments, government entities (such as Planning District Commissions and Industrial Development Authorities), and non-profit organizations are eligible for these grants. Regional economic development grants are awarded through a semi-annual application process. Southside localities and organizations received 33 regional grants totaling \$14.0 million, and Southwest received 22 regional grants totaling \$2.5 million.



Ralph Stanley Museum in Clintwood, an anchor destination on the Crooked Road Heritage Music Trail — photo by Chris Starnes, LENOWISCO PDC.

Cumberland Plateau Regional Industrial Park

The Tobacco Commission awarded \$66,000 to Russell County in 2001 to develop a regional industrial park in the Town of Lebanon. This investment was leveraged with federal grants and loans along with local funds. The Cumberland Plateau Regional Industrial Park has the potential to bring over a thousand jobs to Russell County.

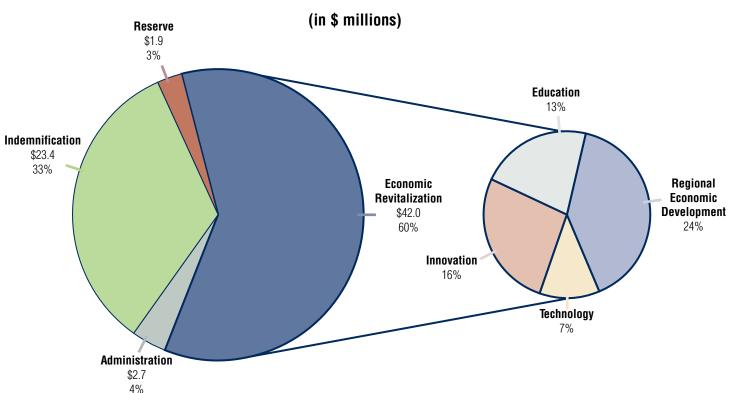
The Cumberland Plateau Regional Industrial Park now serves as an impetus to attract high-tech businesses and jobs to the area. In 2003, AT&T Wireless announced it would locate a customer service center in one of the park's available shell buildings. A Tobacco Region Opportunity Fund grant of \$250,000 helped secure the deal. AT&T invested \$5.4 million in this project and will create as many as 450 jobs in Russell County.

The Commission has awarded over a million dollars to Russell County for telecommunications infrastructure that will link the park and the County's business corridor to a high-speed network. The County received a \$450,000 grant in 2002 and an \$850,000 grant the following year for broadband deployment.

Technology is a key component for economic strength in the emerging knowledge-based economy. The Tobacco Commission is committed to ensuring that the Tobacco Region has a seamless, high-speed advanced communications infrastructure that is among the best in the world.



Fiscal Year 2004 Budget



Motorsports Initiative

With seven racing tracks in Virginia's tobacco region, the multi-billion dollar motorsports industry has the potential to significantly improve economic development in Southside and Southwest Virginia.

Taking the cue from the Governor's "Motorsports Initiative," the Commission funded several motorsports-related programs in 2003 and 2004. It also increased funding for marketing initiatives, with the additional dollars dedicated solely for motorsports marketing. Finally, the Commission approved a new "Motorsports Tobacco Region Opportunity Fund."

In 2003, the Commission approved \$150,000 for marketing and a business plan for a facility to house the Virginia Institute for Performance Engineering and Research (VIPER). VIPER will conduct research in mechanical engineering and offer engineering and testing services to motorsport teams. An additional grant of \$1.3 million the following year will be used to fund start-up costs as well as to install testing and engineering equipment. A \$500,000 grant to Henry County assisted with infrastructure improvements and seating expansion at the Martinsville Speedway, helping to boost tourism for the area.

The Commission voted at its October 2003 meeting to set aside \$150,000 for a Motorsports Tobacco Region Opportunity Fund to encourage growth of the motorsports industry in the tobacco region. These monies will be used to

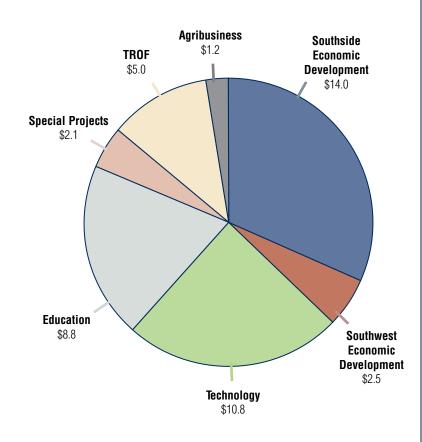
recruit research and design facilities, specialized machine shops, racecar teams and other businesses that support the racing industry. Funds will be awarded as incentive grants for job creation and investment. In 2004, Henry County received the first of these grants to help bring the HT Motorsports Craftsman Series Truck Race team to the Henry County area. The relocation of this one team will create 75 jobs in Henry County.



HT Motorsports #59 Craftsman Truck Series Dodge.

Fiscal Year 2004 Grant Awards

(in \$ millions)



Rural Area Network

The Long Range Plan of the Tobacco Commission is founded upon four pillars: 1) Building Telecommunications Infrastructure; 2) Building Human Infrastructure; 3) Building Conditions for Innovation; and 4) Building Regional Development Capacity. The first of these foundations is being addressed in Southwest Virginia through the LENOWISCO Rural Area Network.

The regional broadband fiber network will serve Scott, Lee, and Wise counties. Communities that will benefit from this network include Jonesville, Dryden, Pennington Gap, Big Stone Gap, Appalachia, Coeburn, and Norton. The Commission has awarded grant and loan funds totaling \$2.8 million for engineering and construction of this infrastructure initiative.

The LENOWISCO network is an equitable, open-access network. It leverages a public/private partnership to utilize 117 miles of the Scott County Telephone Cooperative (SCTC) backbone. In addition, LENOWISCO Planning District Commission will utilize a Commission grant to install fiber conduit concurrently with future public water and sewer projects. This cooperation will significantly reduce construction costs. The high-level network configuration, which will be built in phases, is a ring network architecture that provides redundancy and enhances survivability.

As of June 2004, construction was nearly complete to Jonesville. This line will continue to be built toward Pocket. Construction has also started through Powell Valley toward Wise. The LENOWISCO network will eventually connect with other Commission-funded telecommunications networks in Southwest and Southside Virginia. This infrastructure will dramatically enhance economic revitalization of the Tobacco Region by providing world-class resources to attract new business to the area.



Cable plow installing fiber optic cable.

Organization Project Description	Grant Amount	Organization Project Description	Grant Amount
Agribusiness		Franklin County Franklin County Workforce Development Center Pr	\$150,000
Appalachian Sustainable Development Value Adding Rural Economy Initiative	\$72,000	Halifax County IDA Riverstone Technology Park - Building Two	\$1,180,200
Clinch Mountain Farmers Inc. Transportation and Cooling for Commercial Veget		Halifax County IDA IDA Industrial Park Building	\$53,000
Clinch Mountain Farmers Inc. Wholesale Marketer for Commercial Vegetable Pro Halifax County	\$154,000 oducers \$500,000	Halifax County IDA Purchase and revitalization of 104-acre site.	\$175,000
Southside Value-Added Beef Initiative: A Pilot Pro Heart of Appalachia Tourism Authority		Halifax County IDA Building One in Riverstone Technology Park	\$1,000,000
Appalachian Legacy - Marketing Tourism through Virginia Small Fruit and		Halifax Educational Foundation Expansion of Southern Virginia Higher Education (\$750,000 Center
Special Growers Association <i>Promoting a Vibrant Virginia Small Fruit Industry</i>	\$258,200	Town of Lawrenceville Lawrenceville Infrastructure Improvement	\$448,190
Total Agribusiness	\$1,209,200	Lunenburg County Victoria Water Treatment Plant Upgrade	\$165,664
Amelia County, Virginia	\$154,961	Mecklenburg County Industrial Development Authority	\$1,197,911
Amelia County Business Park Utility Extensions Appomattox County Industrial Park Utility Extension	\$50,177	Lakeside Commerce Park Technology Cluster Nottoway County Nottoway County Community Resource Project	\$290,125
Appomattox County IDA Industrial Park Master Planning	\$31,096	Patrick County Board of Supervisors Virginia Narrow Fabrics Building Purchase	\$240,000
Bedford County Economic Development Auth <i>Lot grading - New London Business and Technolo</i>	nority \$83,274 ogy Center	Pittsylvania County	\$158,500
Blue Ridge Foundation Community Revitalization in Ferrum	\$250,000	Virginia International Raceway (VIR) Regional Sanitary Sewer System and Waterline Pittsylvania County	\$551,889
Town of Brookneal <i>Wastewater System Enhancement</i>	\$81,000	Regional Industrial Park - Phase III	\$1,000,000
Brunswick County/Lake Gaston Tourism Association, Inc. South Brunswick Small Business/Community Pro	\$20,000	Pittsylvania County Institute for Advanced Learning and Research - De Pittsylvania County Regional Sanitary Sewer Pump Station and Force I	bt Service \$314,000
Campbell County Wireless Broadband Internet Access Infrastructure		Prince Edward County High Bridge Rails-to-Trails Project	\$60,000
Campbell County IDA Brookneal Industrial Property	\$125,000	Town of South Boston Route 58 Sewer Interceptor Upgrade	\$737,880
Charlotte County Care Rehab and Orthopedic Products, Inc.	\$1,000,000	Sussex County Route 460 Industrial Park Phase 1 Site Developme	\$249,720
Chase City Community Services Estes Center Project Expansion - Phase II	\$750,000	Total Economic Development-Southside	\$14,044,167
Town of Clarksville Lake Country Cove Project	\$550,000	Economic Development-Southwest	
City of Danville Institute for Advanced Learning and Research - De		Barter Theatre Foundation Stonewall Square Infrastructure Improvements	\$100,000
City of Danville Regional Industrial Park - Phase II	\$551,889	Town of Big Stone Gap Town of Big Stone Gap, Regional Dam Replacemer	\$250,000 nt Project
Dinwiddie County Dinwiddie County Industrial Park, Phase III	\$624,691	City of Bristol Island Road Business Park	\$125,000

Organization Project Description	Grant Amount	Organization Project Description	Grant Amount
Town of Clintwood Ralph Stanley Museum - Phase 2	\$139,000	Crater Regional Partnership Skill Streams for Success - A Workforce Developme	\$90,000 nt Program
Dickenson County Board of Supervisors Dickenson County Wireless Network	\$50,000	Crossroads Rural Entrepreneurial Institute Crossroads Technologies, Educational Solutions for	\$90,000 Southwest Virgin
Historic Crab Orchard Museum and Pioneer Park <i>Phase II Expansion</i>	\$75,000	Cumberland County Public Schools and Cum County Public Schools Foundation, Inc.	\$250.000
Lee County Industrial Development Authority Constitutional Oaks Industrial Park Expansion	\$50,000	Center on Education and Training for Employement (CE Amelia, and Buckingham Counties	
Lee County Industrial Development Authority Structural Renovations - VAMCO #1	\$150,000	Danville Community College Allied Health and Industrial Technology Workforce To	\$268,000 raining
Lincoln Theatre, Inc. Lincoln Theatre Start-Up and Cinema Equipment	\$75,000	Danville Community College Educational Foundation, Inc. Entrepreneurship, Advanced Manufacturing, and Ind	\$400,000 Justrial Maintenar
The Nature Conservancy Rikemo Property Infrastructure Improvements	\$20,000	Entrepreneurship, Advanced Manufacturing, and Ind Programs; Workforce Training; Student Outreach Town of Farmville	¢15 000
Old High School Renovation, Inc. Old Chilhowie High School Construction Renovation	\$59,000	Southside One-Stop Career, Education and Workford Planning Project	ce Training Center
Saltville Foundation Project "Mammoth": Expansion/Development of MoN	\$125,000 <i>1</i> A	Mecklenburg County Business-Education Partnerships, Inc. Mecklenburg County Adult Education Project	\$99,000
Scott County Economic Development Authority Reimbursement Grant for Private Business Expansion	y \$156,750	Mount Rogers Regional Adult Education Program Southwest Virginia Regional RACE to GED Initiative	\$125,000
Scott County Public Service Authority Holston Region Wastewater Treatment Plant Upgrade	\$162,500	Mountain Empire Community College AIMS Higher Scholarship Program	\$50,000
Smyth County Saltville Wastewater Treatment Plant Improvements Pl	\$114,000 roject	Mountain Empire Community College Foundati Scholarships and New Information Technology Prog	on \$400,000 ram
Southwest Virginia Higher Education Center Southwest Export Trade Initiative	\$154,075	Old Dominion University Promoting Economic Development through Science	\$50,000 Education
Tazewell Community Hospital Foundation Four Seasons Wellness Center	\$200,000	Patrick Henry Community College PHCC Plan for Recovery: Building a Competitive W	\$50,000 Yorkforce
University of Appalachia University of Appalachia School of Pharmacy	\$67,500	Patrick Henry Community College Foundation Scholarships; IT Improvements; Motorsports and All	n \$400,000 ied Health Progra
Whites Mill Foundation Whites Mill Tourism Development Project	\$50,000	Smyth Washington Regional Industrial Facilities Authority Workforce Training Deficiencies that Hinder Industrial Identification of Regional Problems and Needs	\$22,500 al Recruitment:
William King Regional Arts Center Capital Improvement Phase 2	\$200,000	Southside Virginia Community College Scholarships; Truck Driver Training Range; Public S.	
Wise County Industrial Development Authority Regional Business/Technology Park - Site Work	\$100,000	Southside Virginia Community College	
Town of Wytheville Regional Visitors Center & Homestead Museum Site	\$50,000	Foundation Engineering/Science/Math Laboratory Southwest Virginia Community College	\$261,000
Total Economic Development-Southwest	\$2,472,825	AIMS Higher Scholarship Program	\$50,000
Education		Southwest Virginia Community College Meeting Critical Nursing Workforce Needs through Flexible Program Delivery	\$150,000
Central Virginia Community College Educational Foundation Scholarships; Technical Training Equipment; Bedford	\$400,000 Center	Southwest Virginia Community College Foundation Scholarships; Rural Distance Learning Centers; Prod	\$400,000
Central Virginia Community College Educational Foundation On-Site Workforce Instructional Capabilities	\$50,000	Southwest Virginia Higher Education Center FY04 Southside VA Tobacco Teacher Scholarship/Lo	\$2,760,000

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Organization Project Description	Grant Amount	Organization Project Description	Grant Amount
Southwest Virginia Higher Education Center FY04 Southwest Burley Scholarship Program	\$1,000,000	Mid-Atlantic Broadband Cooperative, Inc. Professional Telecommunications Outside Plant Engl	\$6,000,000 ineering Services
Tek.Xam Foundation, Inc. Tek.Xam Training and Assessment for Workforce Skil	\$195,000 Il Development	Russell County Board of Supervisors Cumberland Plateau Broadband Project	\$850,000
University of Appalachia University of Appalachia School of Pharmacy	\$20,000	Total Technology	\$10,759,877
Virginia Commonwealth University VCU Rural Nurse Anesthesia Education Project	\$128,000	TROF	
Virginia Department of Education GED Distance Learning	\$217,500	Bland County ABB, Inc.	\$150,000
Virginia Highlands Community College Scholarships; Highlands Educational Literacy Progra	\$400,000	City of Emporia Franklin Braid	\$75,000
Virginia Highlands Community College AIMS Higher Scholarship Program	\$50,000	City of Danville Essel Propack #2	\$100,000
Total Education	\$8,791,000	City of Danville Telvista	\$300,000
Special Projects		City of Danville Luna Nano Materials	\$400,000
Halifax County IDA VIPER	\$150,000	Halifax County Sunshine Mills	\$70,000
Henry County HT Motorsports	\$50,000	Halifax County ABB	\$50,000
Lee County Industrial Development Authority Lee County Airport	\$270,000	Henry County Master Brand Cabinets	\$750,000
Mount Rogers Planning District Commission Water System	\$200,000	Henry County <i>Chenille - Globaltex</i>	\$150,000
Roanoke River Service Authority Roanoke River Regional Water Project	\$150,000	Martinsville Industrial Development Authority MZM, Inc.	y \$250,000
Southside Business Initiative Regional coalition for economic development market	\$550,000 ing and	Mecklenburg County APT	\$70,000
venture capital		Mecklenburg County Basic Sportswear	\$100,000
Southwest Virginia Economic Development Alliance Southwest Virginia Economic Development Alliance	\$265,000	Patrick County Industrial Development Autho Hopkins Lumber	rity \$50,000
Sunnyside Communities Holston Retirement Community	\$40,000	Scott County Economic Development Authority Joy Manufacturing	y \$125,000
Tazewell County Regional Industrial Park	\$150,000	Smyth County Utility Trailers	\$200,000
Washington County Industrial		Tazewell County Blue Ridge Wood Products	\$250,000
Development Authority Oak Park Fire Suppression System-FY04	\$291,490	Wythe County	\$250,000
Total Special Projects	\$2,116,490	Wytheville Technologies Committed funds for projects not yet announced	\$1,633,000
Technology		Total TROF	\$4,7,000
Bristol Virginia Utilities Board BVU High Speed Bandwidth in Rural Areas	\$2,030,000	Grand Total	\$44,366,559
Lenowisco PDC Lenowisco Rural Area Network	\$1,879,877		



Commonwealth of Birginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts P.O. Box 1295 Richmond, Virginia 23218

September 10, 2004

The Honorable Mark R. Warner Governor of Virginia

The Honorable Lacey E. Putney Chairman, Joint Legislative Audit and Review Commission

Commission Members Tobacco Indemnification and Community Revitalization Commission

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying basic financial statements of the governmental activities and the Special Revenue Fund, a major fund of the **Tobacco Indemnification and Community Revitalization Commission**, a component unit of the Commonwealth of Virginia, as of and for the year then ended June 30, 2004, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the Special Revenue Fund of the Tobacco Indemnification and Community Revitalization Commission as of June 30, 2004, and the respective changes in its financial position thereof and the respective budgetary

Lenowisco Rural Area Network

comparison for the Special Revenue Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with <u>Government Auditing Standards</u>, we have also issued our report dated September 10, 2004 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

AUDITOR OF PUBLIC ACCOUNTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Tobacco Indemnification and Community Revitalization Commission ("Commission"), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2004.

Financial Highlights

- The assets of the Commission exceeded its liabilities at the close of FY04 by \$83.7 million (net assets).
- The Commission's total net assets increased by \$8.3 million over the prior year.
- At the end of the fiscal year, the Commission's unreserved fund balance for the special revenue fund was \$83.7 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of two components: 1) combined fund financial statements and government-wide financial statements and 2) notes to the financial statements.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Commission adopts an annual budget within the appropriation set forth in the Appropriation Act. A budgetary comparison statement has been provided to demonstrate compliance with this budget. The Commission approved several transfers and redistributions of funds from prior year balances between designated purposes during the year. This statement

does not reflect all of the grant award commitments made by the Commission in FY04 since grants are paid on a reimbursement basis and eligibility requirements may not have been met as of June 30, 2004.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving of deteriorating.

The statement of activities presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis of the Commission's Governmental Funds

The focus of the Commission's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2004, the Commission's governmental fund balance was \$83.7 million, an increase of \$8.3 million over the prior year. The entire amount is unreserved fund balance, which is available for spending at the Commission's discretion. These funds, however, have already been committed or designated by the Commission for specific purposes in the future.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Commission's financial position. Assets for the Commission exceeded liabilities by \$83.7 million.

Almost all of the Commission's net assets are unrestricted and may be used to meet the Commission's ongoing obligations to citizens and creditors. A small portion of the Commission's net assets reflects investment in capital assets. The Commission uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Commission's Net Assets

Governmental Activities	FY04	FY03
Current and other assets	\$113,161,598	\$83,412,562
Capital assets	14,171	9,766
Total assets	\$113,175,769	\$83,422,328
Long-term liabilities	33,424	28,993
Other liabilities	29,463,957	7,978,327
Total liabilities	\$29,497,381	\$8,007,320
Net assets:		
Invested in capital assets,		
net of related debt	14,171	9,766
Unrestricted	83,664,217	75,405,242
Total net assets	\$83,678,388	\$75,415,008

The Commission's net assets increased by \$8.3 million. Most of this increase is attributable to the cumulative effect of additional community revitalization grants being awarded, resulting in more grant advances and grants payable. Both current assets and other liabilities have increased significantly due to \$22.8 million in the securities lending program administered by the Department of the Treasury.

Commission's Revenue and Expenditures

	FY04	FY03
REVENUES:		
Master settlement		
agreement payments	\$64,198,262	\$75,014,948
Interest, dividends, and		
other investment income	1,571,318	1,266,086
Total revenues	\$65,769,580	\$76,281,034
EXPENDITURES:		
Tobacco Settlement Expense		
Administration	\$1,571,225	\$2,319,760
Indemnification payments	19,483,809	18,686,739
Community Revitalization	36,406,466	14,138,407
Payments for securities		
lending transactions	41,244	51,691
Depreciation	3,456	2,076
Total expenditures	\$57,506,200	\$35,198,673
Excess of revenue		
over expenditures	\$8,263,380	\$41,082,361

Per the terms of the master settlement agreement, payments were adjusted for various factors and initial payments discontinued in 2003, resulting in the Commission's decreased revenue in FY04. The increase in expenditures is primarily attributable to additional community revitalization grants being awarded and disbursed.

Next Year's Budget

For the year ended June 30, 2004, the unreserved fund balance in the special revenue fund increased to \$83.7 million. Of this amount, the Commission has committed \$62.3 million for indemnification payments and community revitalization grant awards.

The following table shows the unpaid commitments on the unreserved fund balance as of June 30, 2004. These unpaid commitments are not reflected in the financial statements since eligibility requirements may not have been met as of June 30, 2004.

	Unreserved Fund Balance	Unpaid Commitments	Reserve for FY05
Indemnification	\$6,550,038	\$4,462,776	\$2,087,262
Community Revitalization	74,177,892	57,797,331	16,380,561
Undesignated	2,969,711	0	2,969,711
TOTAL	\$83,697,641	\$62,260,107	\$21,437,534

The Commission anticipates additional grant awards in the first half of FY05 that will obligate most of the remaining reserve balance.

The Commission has approved a budget of \$64,605,935 for FY05, a 5.1 percent decrease from the final FY04 budget.

Requests for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Tobacco Indemnification and Community Revitalization Commission, 701 East Franklin Street, Suite 501, Richmond, Virginia 23219.

TOBACCO INDEMNIFICATION AND COMMUNITY REVITALIZATION COMMISSION STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET As of June 30, 2004

	Special Revenue Fund					djustments Note 1-F)	Sta	tement of Net Assets
ASSETS:								
Cash held by the Treasurer of Virginia (Note 2)	\$	86,145,957	\$		\$	86,145,957		
Investments held by the Treasurer of Virginia (Note 2)		22,858,600		-		22,858,600		
Interest Receivable		408,972				408,972		
Accounts and Ioans receivable		507,552				507,552		
Prepaid Items		10,510		+		10,510		
Grant advances (Note 6)		3,230,007		07A T070		3,230,007		
Capital assets (Note 1-D)	_		_	14.171	_	14,171		
Total assets	s	113,161,598		14,171	_	113,175,769		
LIABILITIES: Accounts payable Accrued paytoll Grants payable (Note 6) Indemnification payments payable (Note 7) Obligations under securities lending (Note 2) Compensated absences (Note 1-E)	s	45,971 43,664 6,453,836 61,886 22,858,600	\$	33,424	s 	45,971 43,664 6,453,836 61,886 22,858,600 33,424		
Total liabilities	_	29.463,957	_	33,424	_	29,497,381		
FUND BALANCES/NET ASSETS:								
Fund Balances:								
Unreserved		83,697,641		(83,697,641)	_	-		
Total liabilities and fund balances	\$	113,161,598						
Net assets:								
Invested in capital assets, net of related debt				14,171		14,171		
Unrestricted				83,664,217	_	83,664,217		
Total net assets			\$	83,678,388	5	83,678,388		

The accompanying notes are an integral part of the financial statements.

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TOBACCO INDEMNIFICATION AND COMMUNITY REVITALIZATION COMMISSION STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE For the Fiscal Year Ended June 30, 2004

	Special Revenue Fund	Adjustments (Note 1-F)	Statement of Activities	
REVENUES:				
Master settlement agreement payments	\$ 64,198,262	\$ -	\$ 64,198,262	
Interest, dividends, and other investment income (Note 2)	1,571,318		1,571,318	
Total revenues	65,769,580		65,769,580	
EXPENDITURES:				
Tobacco settlement expense:				
Administration (Note 8)	1,574,655	(3,430)	1,571,225	
Indemnification payments (Note 7)	19,483,809	2	19,483,809	
Community revitalization (Note 6)	36,406,466		36,406,466	
Payments for securities lending transactions (Note 2)	41,244	-	41,244	
Depreciation (Note 1-D)		3,456	3,456	
Total expenditures	57,506,174	26	57,506,200	
Excess (deficiency) of revenue over expenditures	8,263,406	(8,263,406)		
Change in net assets	-	8,263,380	8,263,380	
Fund balance/net assets, July 1, 2003	75,434,235	(19,227)	75,415,008	
Fund balance/net assets, June 30, 2004	\$ 83,697,641	\$ (19.253)	\$ 83,678,388	

The accompanying notes are an integral part of the financial statements.

TOBACCO INDEMNIFICATION AND COMMUNITY REVITALIZATION COMMISSION STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGETARY COMPARISON - CASH BASIS SPECIAL REVENUE FUND For the Fiscal Year Ended June 30, 2004

	_	Original Budget	-	Final Budget	-	Actual	1	Variance Favorable nfavorable)
REVENUES:								
Master settlement agreement payments	\$	63,978,078	\$	63,978,078	\$	64,198,262	\$	220,184
Interest, dividends, rents and other								
investment income		1,000,000		1,000,000		1,121,102		121,102
Proceeds from securities lending transactions (Note 2)	_	-	_		_	41,244	_	41.244
Total revenues	_	64,978,078	_	64,978,078	_	65,360,608	_	382,530
EXPENDITURES:								
Administration		2,664,702		2,664,702		2,280,577		384,125
Indemnification payments (Note 5)		23,400,000		23,400,000		19,421,923		3,978,077
Community revitalization (Note 4)		40,000,000		42,022,715		33,328,414		8,694,301
Payments for securities lending transactions (Note 2)	_	- 225			_	41,244	_	(41,244)
Total expenditures	_	66,064,702	_	68,087,417	_	55,072,158		13,015,259
Revenues over (under) expenditures		(1,086,624)		(3,109,339)		10,288,450		13,397,789
Fund balance, July 1, 2003	_	75,857,507		75,857,507		75,857,507		
Fund balance, June 30, 2004	5	74,770,883	5	72,748,168	5	86,145,957	5	13,397,789

The accompanying notes are an integral part of the financial statements.

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TOBACCO INDEMNIFICATION AND COMMUNITY REVITALIZATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2004

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Tobacco Indemnification and Community Revitalization Commission (the Commission) was established on July 1, 1999, by Chapters 880 and 962 of the 1999 Acts of Assembly, and operates as a body corporate and political subdivision of the Commonwealth. The Commission's major activities are to compensate tobacco farmers in the Commonwealth for the decline or elimination of tobacco quota, to promote economic growth and development in tobacco-dependent communities, and to assist such communities in reducing their dependency on tobacco and tobacco-related business.

The Commission is a component unit of the Commonwealth of Virginia. A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The Commission is an integral part of the reporting entity of the Commonwealth of Virginia; accordingly, the financial statements of the Commonwealth as a part of the reporting entity.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement 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. Grant awards and similar items are recognized as expenditures as soon as the recipient has met all eligibility requirements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Interest associated with the current fiscal period is reported on an accrual basis. All other revenue items are considered to be measurable and available only when cash is received by the Commission.

The cash basis of accounting is used during the year.

Fund Accounting

The accounts of the Commission were developed to account for specified financial activities. Resources were allocated to and accounted for in a special revenue fund, "Tobacco Indemnification and Community Revitalization Fund," established under Section 3.1-1111, Subsection B of the Code of Virginia. Special revenue funds account for transactions related to resources received and used for restricted or specific purposes.

D. <u>Capital Assets</u>

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Office and computer equipment, the only capital assets owned by the Commission, are depreciated using the straight-line method over an estimated useful life of five years. Capital asset activity for the year ended June 30, 2004, is summarized as follows:

Beginning Balance	\$16,90
Acquisitions	7,86
Ending Balance	\$24,76
Less Accumulated Depreciation	- 10,59
Net Capital Assets	\$14.17

E. Compensated Absences

Compensated absences represent the amounts of vacation, sick, and compensatory leave earned by the Commission's employees, but not taken at June 30, 2004. Compensated absences were calculated in accordance with Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences," This statement requires the accrual of the following: (1) Sick leave earned by employees who, while not currently vested for payment, will probably attain the years of service required to vest, and (2) Social Security and Medicare taxes to be paid by the Commission on all accrued compensated absences.

F. Adjustments

The adjustments column represents the recording of Capital Assets and Compensated Absences for the Statement of Net Assets and the related effect of these transactions on the Statement of Activities. Governmental fund statements do not reflect Capital Assets and Compensated Absences.

G. Budgets and Budgetary Accounting

The Commission's budget was established by the Commission within the appropriation set forth in the 2003 Appropriation Act. Payments from the Master Settlement Agreement were deposited into the state treasury's general account in accordance with the provisions of Chapter 46 of Title 3.1 of the Code of Virginia and expended for purposes stated in those provisions.

The budget is prepared principally on a cash basis. Since a cash basis budget differs from generally accepted accounting principles (GAAP), a reconciliation of actual data reported on a cash basis to actual data reported on a GAAP (modified accrual) basis is presented in Note 3.

CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, Cash Equivalents and Investments

Cash and cash equivalents are held in the General Account at the Department of the Treasury. Treasury manages the General Account Investment Portfolio. Information related to the composition of this portfolio is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

Cash held by the Treasurer of Virginia	\$ 86,145,957
Investments held by the Treasurer of Virginia	_22,858,600
Total cash cash equivalents and investments	\$109 004 557

Securities Lending Transactions

Investments held by the Treasurer of Virginia represent the Commission's allocated share of cash collateral received and reinvested and securities received for the State Treasury's securities lending program. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

RECONCILIATION OF BUDGETARY FUND BALANCE TO GAAP FUND BALANCE

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balance

– Budgetary Comparison – Cash Basis – Special Revenue Fund presents a comparison of the
legally adopted budget prepared on a cash basis with actual data prepared on a cash basis. To
enhance this comparison, actual data on a cash basis is reconciled to actual data on a GAAP basis
as follows:

Fund balance, Budgetary basis, June 30, 2004	\$86,145,957
Deduct: Accrued expenses	(6,605,357)
Add: Receivables, Advances, and Prepaid Items	4.157.041
Fund balance, GAAP basis, June 30, 2004	\$83,697,641

4. PENSION PLAN AND OTHER RETIREMENT BENEFITS

Employees of the Tobacco Indemnification and Community Revitalization Commission are treated as state employees for purposes of participation in the Virginia Retirement System (VRS), health insurance, and all other employee benefits offered by the Commonwealth to its classified employees. The employees participate in a defined benefit pension plan administered by the VRS. The VRS also administers life insurance and health related plans for retired employees. Information relating to these plans is available at the statewide level only in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR). The Commonwealth, not the Tobacco Indemnification and Community Revitalization Commission, has overall responsibility for contributions to these plans.

OPERATING LEASES

The Commission has entered into two agreements to lease equipment. The operating leases contain the provision that the Commission may renew the operating leases at the expiration date of the lease on a month-to-month basis. Management expects that in the normal course of business, the leases will be renewed or replaced by other leases of a similar nature. Rental expense for the Commission under these operating leases for the year ended June 30, 2004, was \$3,551. The Commission has, as of June 30, 2004, the following minimum rental payments due under the above leases:

2005	\$11,656
2006	11,656
2007	8,10
Total	\$31.41

6. COMMUNITY REVITALIZATION EXPENDITURES

The Commission awarded grants totaling \$44,366,559 in fiscal year 2004 to various localities and other entities for community revitalization projects, including regional economic development projects, educational programs, technology initiatives, and other special projects in Southside and Southwest Virginia. Of the total amount awarded to date, \$54,272,462 is not reflected in these statements since eligibility requirements were not met as of June 30, 2004, in accordance with Governmental Accounting Standards Board Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions." This amount includes grants awarded in prior years that have not yet been paid. The Commission awarded an additional \$3,524,869 in grants in July 2004 that are not reflected in these statements. In April 2002, the Commission adopted new grant disbursement guidelines changing to a reimbursement policy. Grants payable includes amounts awarded to grantees with all contingencies met but unpaid as of June 30, 2004. Grant advances include amounts disbursed to grant recipients who have not incurred expenses as of June 30, 2004.



INDEMNIFICATION PAYMENTS

Indemnification payments represent amounts paid to tobacco producers and quota owners as compensation for the adverse economic effects resulting from the loss in tobacco production opportunities associated with a decline in tobacco quota. Indemnification Payments Payable includes amounts payable to recipients who met the eligibility requirement of submitting the appropriate verification form as of June 10, 2004. At its July 22, 2004, meeting, the Commission approved extending the deadline to accept additional verification forms through August 23, 2004. Indemnification payments for these additional claims will be reflected in next year's financial statements.

8. ADMINISTRATION

Agency Service Costs

Administration expenditures include \$50,000 of Agency Service Costs paid to the Virginia Department of Agriculture and Consumer Services. The Department of Agriculture and Consumer Services (DACS) serves as the fiscal agent for the Commission. Agency Service Costs consist of the amount DACS charges the Commission for the costs DACS incurs to provide fiscal and administrative services to the Commission.

Indemnification Costs

Administration expenditures include \$390,500 of Indemnification Costs paid to Troutman Sanders, L.L.P., representing the contract cost to validate payees and update the database for calculating payment amounts related to the indemnification payments.

RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; non-performance duty; injuries to employees; and natural disasters. The Commission has purchased Virginia Local Government Risk Management Plan liability insurance through the Department of the Treasury, Division of Risk Management. Commercial insurance for property coverage and worker's compensation plans have been purchased from private insurers through the Department of the Treasury since the Commonwealth of Virginia does not provide such coverage for the Commission. The Commission participates in the state employee health care plan administered by the Department of Human Resource Management. The Commission pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.