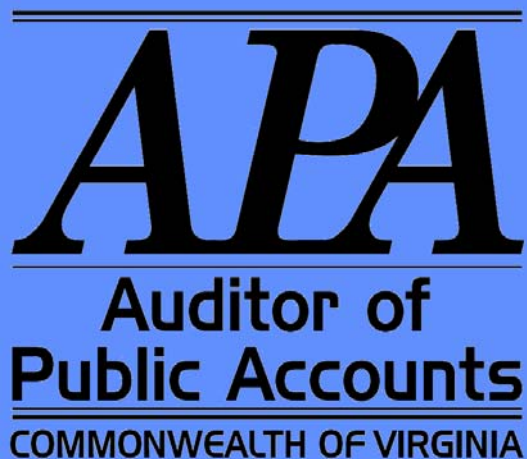


**VIRGINIA TOBACCO INDEMNIFICATION
AND
COMMUNITY REVITALIZATION COMMISSION**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2010**



AUDIT SUMMARY

Our audit of the Virginia Tobacco Indemnification and Community Revitalization Commission (Commission) for the year ended June 30, 2010, found:

- the financial statements are presented fairly, in all material respects;
- no material weaknesses in internal control over financial reporting; and
- no instances of noncompliance or other matters required to be reported under Government Auditing Standards.

We have audited the basic financial statements of the Commission as of and for the year ended June 30, 2010 and issued our report thereon, dated October 7, 2010. Our report is included in the Commission's Annual Financial Statements that will be released on October 29, 2010.

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Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

October 7, 2010

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
And Review Commission

Commission Members
Virginia Tobacco Indemnification and Community Revitalization Commission

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited the basic financial statements of the **Virginia Tobacco Indemnification and Community Revitalization Commission** (Commission) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 7, 2010. 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, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures 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 Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of 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.

Report Distribution and Exit Conference

The "Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters" is intended solely for the information and use of the Governor and General Assembly of Virginia, the Commission, and management, and is not intended to be and should not be used by anyone, other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We discussed this report with management on October 20, 2010.

AUDITOR OF PUBLIC ACCOUNTS

AWP/alh

VIRGINIA TOBACCO INDEMNIFICATION AND
COMMUNITY REVITALIZATION COMMISSION

Terry G. Kilgore, Chairman
Frank M. Ruff, Vice-Chairman
Charles R. Hawkins, Chairman Emeritus

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Gayle F. Barts	Harrison A. Moody
Richard D. Brown	Connie L. Nyholm
Kathy J. Byron	Israel O'Quinn
John Cannon	Edward Owens
James S. Cheng	Phillip P. Puckett
David R. Cundiff	David S. Redwine
Linda P. DiYorio	Kenneth O. Reynolds
Burgess Hamlet	W. Roscoe Reynolds
Scott Harwood	John Stallard
Todd P. Haymore	Cindy M. Thomas
Jordon M. Jenkins, Jr.	William C. Wampler, Jr.
Joseph P. Johnson	Thomas C. Wright

Executive Director

Neal E. Noyes

Director of Finance

Stephanie S. Kim