

October 31, 2006

The Honorable Timothy M. Kaine  
Governor of Virginia  
Patrick Henry Building, 3<sup>rd</sup> Floor  
Richmond, Virginia 23219

The Honorable William T. Bolling  
Lieutenant Governor  
102 Governor Street  
Richmond, Virginia 23219

Annual Report of the Virginia Outdoors Foundation for FY2006

Dear Sirs:

This Annual Report is respectfully submitted pursuant to Section § 10.1-1802 of the Code of Virginia (1950), as amended, which states that:

“The Foundation shall submit an annual report to the Governor and General Assembly on or before November 1 of each year. The report shall contain, at a minimum, the annual financial statements of the Foundation for the year ending the preceding June 30.”

**BACKGROUND**

The Virginia Outdoors Foundation (VOF) was created by Act of the General Assembly (Title 10.1, Chapter 18, Section §10.1-1800 et seq.) in 1966 as a state agency and public land conservation foundation. The Open-Space Land Act, also enacted in 1966, provides the legislative authority for public bodies, including VOF, to acquire interests in open-space lands as defined by the Act. Today, VOF holds perpetual conservation easements (a.k.a. scenic easements and opens-space easements) on more properties than any other public land trust in the nation. The seven at-large members of the VOF Board of Trustees are appointed by Virginia Governors for four-year staggered terms. The Governor also appoints the chairman from the Board membership. The legislation that created VOF cites the role and function of the

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Foundation, but a good summation is that VOF can hold any and all interests in cultural and natural resource properties for public benefit purposes. The vast majority of the property interests held by VOF are open-space easements donated by landowners. VOF truly is a steward of the heritage land resources for which Virginia has long been revered.

## OPERATIONS

VOF has eight offices in different geographic regions of the Commonwealth and the current full-time equivalent staffing is approximately 30 positions. Generally speaking, VOF positions can be classified as administrative, technical support, easement, or stewardship. The Office of the Attorney General has opined that VOF has characteristics of both an executive branch agency and an independent instrumentality of the Commonwealth of Virginia. Close coordination with other state agencies has been achieved under auspices of the Secretary of Natural Resources. Section §10.1- 1804 of the Code of Virginia (1950), as amended, states, in pertinent part, that “All state officers, agencies, commissions, departments, and institutions are directed to cooperate with and assist the Virginia Outdoors Foundation in carrying out its purpose...”. The close working relationship between VOF and the Department of Conservation and Recreation has been particularly beneficial in assisting VOF to fulfill its legislative charge and mission. Many other constructive collaborations have also been achieved with federal, state, and local government entities and private non-profit conservation organizations.

## FUNDING

VOF is partially funded by General Fund sources and the line item allocation for VOF has remained flat for FY05 and FY06 at \$1,300,000. Significant other funding comes from a \$1 recordation fee collected on land transfers in any county or city (93) that has one or more recorded VOF open-space easements. The recordation fees yield from \$750,000 to \$1,000,000 per annum based on the number of property sales. VOF also receives grants and donations as a public foundation. The total VOF operations budget is approximately \$2,500,000 from all sources. VOF administers the Open-Space Lands Preservation Trust Fund (OSLPTF), which receives General Fund appropriations, solely for the purpose of providing grants to localities acquiring open-space easements or grants to persons conveying conservation or open-space easements on agricultural, forestall, or other open-space land pursuant to the Open-Space Land Act and , if applicable, the Virginia Conservation Easement Act. A vital role of the OSLPTF is to assist land rich but cash poor landowners and working farmers protect their family properties for the benefit of future generations. Up to \$100,000 per year of any interest generated by this Trust Fund is authorized to be used for VOF administrative expenses, but in FY05 and FY06 VOF did not use any revenues from the Trust Fund to support administrative expenses.

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The Auditor of Public Accounts has reviewed VOF FY06 financial transactions and procedures but has not yet issued a written report. Many recommendations from a previous report by the Auditor of Public Accounts have been implemented or are in the process of being implemented.

#### FISCAL YEAR 2006 PROGRAM ACCOMPLISHMENTS

A document titled Land Conservation Statistics (Fiscal Year 2006) has been recently issued by the Department of Conservation and Recreation. This document notes that the total permanent land conservation achieved in Virginia for FY06 was approximately 65,764 acres (20% of the total was from land acquisition and 80% of the total was in the form of conservation easements). In FY06, VOF recorded 40,247 acres in new open-space easements or 77% of all conservation easements recorded in FY 06 and over 61% of all land conservation.

Looking at the FY06 General Fund appropriation for VOF administration, the cost per acre for new easements is less than \$31 per acre (\$1,300,000 divided by 40,247 acres). The FY06 costs for both new easements and continuing stewardship of all VOF easement properties in the Commonwealth is less than \$1 per acre. Compared to the costs of direct land acquisition and the recurring operations and maintenance expenses for publicly owned lands, conservation of cultural heritage and natural resource lands through voluntary perpetual conservation agreements is extremely effective and cost efficient. Public ownership of some conservation lands is necessary and appropriate for many reasons, but conservation easements can help maintain the critical land base for Virginia's two most important economic sectors - agriculture/forestry and tourism.

Governor Kaine has warned that if Virginia continues the current rate of land conversion to accommodate future population growth, Virginia will lose more natural and working landscapes in the next 40 years than have been lost in the previous 400 years. Conservation easements hold the potential to stem the tide of loss of the cultural heritage and natural resource lands that define Virginia and represent our state's 'uncommon wealth'.

Sincerely,

G. Robert Lee  
Executive Director

GRL/pac  
Attachment: Comprehensive Annual Financial Report for Fiscal Year 2006

Cc: The Honorable L. Preston Bryant, Jr., Secretary of Natural Resources  
Joseph H. Maroon, Director, Virginia Department of Conservation and Recreation  
Katherine L. Imhoff, Chairman, Virginia Outdoors Foundation  
The Honorable Susan Clarke Sharr, Clerk of the Senate  
The Honorable Bruce F. Jamerson, Clerk of the House of Delegates  
Mary S. Clark, Library of Virginia

**Attachment CU4  
Financial Statement Template for Selected Component Units  
Component Unit-VOF FY06**

<b>Component Unit Number or Acronym:</b>	VOF
<b>Component Unit Name:</b>	VIRGINIA OUTDOORS FOUNDATION
<b>Component Unit Contact Name:</b>	ANNA G. CHISHOLM
<b>Component Unit Phone Number:</b>	540-951-0449
<b>Component Unit E-mail Address:</b>	<a href="mailto:achisholm@vofonline.org">achisholm@vofonline.org</a>
<b>Date Completed:</b>	08/31/06

If this submission is a revision to a previous submission for which DOA acknowledged receipt and acceptance, COMPLETE THE REVISION CONTROL LOG TAB.

**Statement of Net Assets  
For the Year Ended June 30, 2006**

	Tab References That Must be Completed	Amount
<b>Assets</b>		
Unrestricted Cash held with the Treasurer of Virginia (GLA 101)	Tab 1A, Part 1	
Unrestricted Cash not with the Treasurer of Virginia	Tab 1A, Part 2 & 3	20,085
Cash Equivalents with the Treasurer of Virginia - Securities Lending		
Unrestricted Local Government Investment Pool - Cash Equivalents	Tab 1A, Part 9a	2,758,862
Unrestricted State Non-Arbitrage Program (SNAP) Pool Funds	Tab 1A, Part 10a	
Unrestricted SNAP Individual Portfolio - Cash Equivalents	Tab 1A, Parts 7 & 10c	
Unrestricted Cash Equivalents with the Treasurer of Virginia (excludes SNAP & LGIP)	Tab 1A, Part 8a	
Unrestricted Cash Equivalents not with the Treasurer of Virginia (excludes SNAP)	Tab 1A, Parts 7 & 11-14, Tab 1B, & 1C	
<b>Cash and Cash Equivalents - Total</b>	Tab 1D	2,778,947
Unrestricted SNAP Individual Portfolio - Investments	Tab 1A, Parts 7 & 10c	
Investments with the Treasurer of Virginia - Securities Lending		
Unrestricted Local Government Investment Pool - Investments	Tab 1A, Part 9a	
Unrestricted Investments with the Treasurer of Virginia (excludes SNAP & LGIP)	Tab 1A, Part 8c	
Unrestricted Investments not with the Treasurer of Virginia (excludes SNAP)	Tab 1A, Parts 7 & 11-14, Tab 1B, & 1C	
<b>Investments - Total</b>	Tab 1D	-
Accounts and Loans Receivable, net	Tab 2	
Taxes Receivable, net	Tab 2	
Other Receivable, net	Tab 2	128
<b>Receivables, Net - Total</b>		128
<b>Due from Primary Government</b> SUPREME COURT OF VA- LAND RECORDATION FEE		84,968
<b>Due from Component Units</b>		
<b>Inventory</b>	Tab 7	
<b>Prepaid Items</b>		15,612
Cash and Travel Advances		
Advances (nonexchange transactions)		
Unamortized Bond Issuance Expense		
Other Assets		
<b>Other Assets - Total</b>		-
Restricted Cash with the Treasurer of Virginia (GLA 101)	Tab 1A, Part 1	
Restricted Cash not with the Treasurer of Virginia	Tab 1A, Part 4 & 5	
Restricted Local Government Investment Pool - Cash Equivalents	Tab 1A, Part 9b	3,748,529
Restricted State Non-Arbitrage Program (SNAP) Pool Funds	Tab 1A, Part 10b	
Restricted SNAP Individual Portfolio - Cash Equivalents	Tab 1A, Parts 7 & 10d	
Restricted Cash Equivalents with the Treasurer of Virginia (excludes LGIP & SNAP)	Tab 1A, Part 8b	
Restricted Cash Equivalents not with the Treasurer of Virginia (excludes SNAP)	Tab 1A, Parts 7 & 11-14, Tab 1B, & 1C	
<b>Restricted Cash and Cash Equivalents - Total</b>	Tab 1D	3,748,529
Restricted SNAP Individual Portfolio - Investments	Tab 1A, Parts 7 & 10d	
Restricted Local Government Investment Pool - Investments	Tab 1A, Parts 9b	
Restricted Investments with the Treasurer of Virginia (excludes LGIP & SNAP)	Tab 1A, Part 8d	
Restricted Investments not with the Treasurer of Virginia (excludes SNAP)	Tab 1A, Parts 7 & 11-14, Tab 1B, & 1C	
<b>Restricted Investments - Total</b>	Tab 1D	-
Restricted Cash and Travel Advances		
Restricted Advances (nonexchange transactions)		
Restricted Unamortized Bond Issuance Expense		
Restricted Other Assets		
<b>Restricted Other Assets - Total</b>		-
<b>Nondepreciable Capital Assets</b>	Tab 3	5,807,350
<b>Depreciable Capital Assets, Net</b>	Tab 3	182,577
<b>TOTAL ASSETS</b>		12,618,111

**Due from Primary Government AND Due from Component Units**  
Identify offsetting entity for the "Due From" in the yellow box to the side of the template line item. DOA may contact the component unit if more information is needed.

**Attachment CU4  
Financial Statement Template for Selected Component Units  
Component Unit-VOF FY06**

Component Unit Number or Acronym: 

VOF
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 Component Unit Name: 

VIRGINIA OUTDOORS FOUNDATION
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**Statement of Net Assets  
For the Year Ended June 30, 2006**

	Tab References That Must be Completed	Amount
<b>Liabilities</b>		
Vendor		28,642
Salaries/Wages		61,542
Retainage Payable		
Other		14,521
Accounts Payable - Total		104,705
Due to Component Units		
Unearned Revenue		500
<b>Obligations Under Securities Lending Program</b>		
Accrued Interest Payable		
Other Liabilities		
Deposits Pending Distribution		
Short-term Debt		
Matured Debt Payable		
Grants Payable		
Other Liabilities - Total		-
<b>Loans Payable to Primary Government</b>		
Bonds Payable - Due Within One Year		
Installment Purchase Obligations - Due within one year	Tab 4 Parts 1 & 2	
Capital Lease Obligations - Due Within One Year	Tab 4 Parts 1 & 3	
Notes Payable - Due Within One Year	Tab 4 Parts 1 & 4	
Compensated Absences - Due Within One Year	Tab 4 Parts 1 & 5	
Pension Liability - Due Within One Year	Tab 4 Part 1	146,102
Bond Anticipation Notes - Due Within One Year	Tab 4 Parts 1 & 6	24,150
Other - Due Within One Year	Tab 4 Part 1	
Long-term Liabilities - Due Within One Year	Tab 4 Parts 1 & 7	170,252
Bonds Payable - Due Greater Than One Year		
Installment Purchase Obligations - Due Greater Than One Year	Tab 4 Parts 1 & 2	
Capital Lease Obligations - Due Greater Than One Year	Tab 4 Parts 1 & 3	
Notes Payable - Due Greater Than One Year	Tab 4 Parts 1 & 4	
Compensated Absences - Due Greater Than One Year	Tab 4 Parts 1 & 5	
Pension Liability - Due Greater Than One Year	Tab 4 Part 1	
Bond Anticipation Notes - Due Greater Than One Year	Tab 4 Parts 1 & 6	6,995
Other - Due Greater Than One Year	Tab 4 Part 1	
Long-term Liabilities - Due Greater Than One Year	Tab 4 Parts 1 & 7	6,995
<b>TOTAL LIABILITIES</b>		282,452
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt		5,989,927
Restricted for:		
Expendable		
Capital Projects Construction		
Capital Acquisition		
Debt Service		
Bond Indenture		
Unrestricted		6,345,732
<b>TOTAL NET ASSETS</b>		12,335,659

**Due to Component Units**  
Identify the offsetting entity for the "Due From" in the yellow box to the side of the template line item. DOA may contact the component unit if more information is needed.

**Total Net Assets**  
Total Net Assets plus Liabilities must equal Total Net Assets. If amounts do not agree, an "ERROR" message will appear. Correct as necessary.

**Attachment CU4  
Financial Statement Template for Selected Component Units  
Component Unit-VOF FY06**

Component Unit Number or Acronym:   
 Component Unit Name:

**Statement of Activities  
For the Year Ended June 30, 2006**

	Tab References That Must be Completed	Amount
<b>Program Revenues</b>		
Charges for Services		18,606
Operating Grants and Contributions		16,980
Capital Grants and Contributions (include capital appropriations here)		
Program Revenues - Total		35,586
<b>Program Expenses</b>		
Operating and Nonoperating Expenses		3,891,277
Loss on Sale/Disposal/Impairment of Capital Assets		
Program Expenses - Total		3,891,277
<b>Net Revenue (Expense)</b>		(3,855,691)
<b>General Revenues</b>		
Operating Appropriations from Primary Government		1,300,000
Unrestricted Grants and Contributions		71,275
Investment Earnings		234,574
Miscellaneous (only enter a positive amount)		1,506
Gain on Sale/Disposal/Impairment of Capital Assets		
Tobacco Master Settlement		
Special Items		
Extraordinary Items		
Transfers from Component Units		4,210,988
General Revenue - Total		5,818,343

**Special Items**  
 Transactions or events within management's control that are **either** unusual in nature **or** infrequent in occurrence should be classified as special items.

**Extraordinary Items**  
 Transactions or events within management's control that are **both** unusual in nature and infrequent in occurrence should be classified as extraordinary items.

Change in Net Assets  
 Net Assets, Beginning  
 Net Assets, Ending

**Beginning Net Assets**  
 If Beginning Net Assets do not equal the prior year's Ending Net Assets per the Statement of Revenues, Expenses, and Changes in Net Assets, complete Tab 8- Restatements.

Tab 6   
 Tab 8 (Section 5)

**Ending Net Assets**  
 Ending Net Assets must equal Total Net Assets on the Statement of Net Assets. If not, an "ERROR" message will appear. Review amounts entered and correct as necessary.  
**Note:** Complete Tab 8 if amount is negative.