

**VIRGINIA AQUATIC RESOURCES
TRUST FUND
CHARLOTTESVILLE, VIRGINIA**

**FINANCIAL REPORT
YEARS ENDED DECEMBER 31, 2012, 2013, AND 2014**

VIRGINIA AQUATIC RESOURCES TRUST FUND

CONTENTS

	PAGE
Independent auditors' report.....	1
Schedules:	
Fund summary	3
Schedule of fund allocations.....	4
Notes to the schedules	5

Lawrence J. Martin
Phillip W. Shiflett
Dean A. Martinelli
Richard M. Busofsky
W. Keith Haney
Kevin L. Keller
Glenn M. Lankford
Alfred L. Layne, Jr.
Jennifer S. Lehman

P. Frank Berry
Kendra L. Stribling
Jeffrey D. Ulmer
Helene H. Downs
Edward J. Schmitz
Christopher C. Brubaker

• Consultants •
Robert F. German
Robert A. Foster
L. Peyton Humphrey

INDEPENDENT AUDITORS' REPORT

To the Interagency Review Team
Virginia Aquatic Resources Trust Fund
Charlottesville, Virginia

We have audited the accompanying schedules of the VIRGINIA AQUATIC RESOURCES TRUST FUND, which comprise the fund summary and schedule of fund allocations for the three years ended December 31, 2014, and the related notes.

Management's Responsibility for the Financial Schedules

Management is responsible for the preparation and fair presentation of these schedules 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 schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Interagency Review Team
Virginia Aquatic Resources Trust Fund

REPORT OF INDEPENDENT AUDITORS--(Cont'd)

Opinion

In our opinion, the schedules referred to above present fairly, in all material respects, the activities of the VIRGINIA AQUATIC RESOURCES TRUST FUND for the three years ended December 31, 2014, in accordance with accounting principles generally accepted in the United States of America.

Hantymon Wiebel CPA

Charlottesville, Virginia
March 7, 2016

VIRGINIA AQUATIC RESOURCES TRUST FUND

FUND SUMMARY

FOR THE YEARS ENDED DECEMBER 31, 2012, 2013, AND 2014

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>TOTAL</u>
MITIGATION PAYMENTS				
General	\$	\$	\$	\$
Non-Tidal Wetlands	354,873	412,543	678,590	1,446,006
Tidal Wetlands	43,880	195,324	63,100	302,304
Stream USM	684,300	392,600	2,651,425	3,728,325
Stream pre-USM .....	.....	.....	.....	.....
Total mitigation payments	<u>1,083,053</u>	<u>1,000,467</u>	<u>3,393,115</u>	<u>5,476,635</u>
OTHER REVENUES				
General	254,130	56,514	49,855	360,499
Non-Tidal Wetlands .....	.....	.....	.....	.....
Tidal Wetlands .....	.....	.....	.....	.....
Stream USM .....	.....	.....	.....	.....
Stream pre-USM .....	.....	.....	.....	.....
Total other revenues	<u>254,130</u>	<u>56,514</u>	<u>49,855</u>	<u>360,499</u>
Total revenues	<u>1,337,183</u>	<u>1,056,981</u>	<u>3,442,970</u>	<u>5,837,134</u>
EXPENDITURES				
General	255,329	265,635	68,017	588,981
Non-Tidal Wetlands	1,612,260	792,640	761,030	3,165,930
Tidal Wetlands	15,230	34,450	25,283	74,963
Stream USM	401,826	1,462,076	571,407	2,435,309
Stream pre-USM	2,657,983	1,001,397	245,886	3,905,266
Total expenditures	<u>4,942,628</u>	<u>3,556,198</u>	<u>1,671,623</u>	<u>10,170,449</u>
Net change in fund assets	(3,605,445)	(2,499,217)	1,771,347	(4,333,315)
Beginning fund assets	<u>32,853,808</u>	<u>29,248,363</u>	<u>26,749,146</u>	<u>32,853,808</u>
Ending fund assets	29,248,363	26,749,146	28,520,493	28,520,493
Allocated unexpended funds	<u>10,247,213</u>	<u>10,550,306</u>	<u>11,236,335</u>	<u>11,236,335</u>
Unallocated fund balance	<u>\$ 19,001,150</u>	<u>\$ 16,198,840</u>	<u>\$ 17,284,158</u>	<u>\$ 17,284,158</u>

VIRGINIA AQUATIC RESOURCES TRUST FUND

SCHEDULE OF FUND ALLOCATIONS FOR THE YEARS ENDED DECEMBER 31, 2012, 2013, AND 2014

	<u>GENERAL</u>	<u>NON-TIDAL WETLANDS</u>	<u>TIDAL WETLANDS</u>	<u>STREAM USM</u>	<u>STREAM PRE-USM</u>
2011 Allocated unexpended funds	\$ 1,375,000	\$ 3,865,223	\$ 177,716	\$ 401,018	\$ 7,913,896
2012 Allocations	483,784	351,890	3,510	617,804	....
2012 Transfers	(228,455)	105,407	12,808	110,240	....
Total Allocations available to be expensed	<u>1,630,329</u>	<u>4,322,520</u>	<u>194,034</u>	<u>1,129,062</u>	<u>7,913,896</u>
2012 Expenditures	<u>(255,329)</u>	<u>(1,612,260)</u>	<u>(15,230)</u>	<u>(401,826)</u>	<u>(2,657,983)</u>
2012 Allocated unexpended funds	1,375,000	2,710,260	178,804	727,236	5,255,913
2013 Allocations	580,636	58,003	15,744	3,204,908	....
2013 Transfers	(511,390)	263,812	12,464	235,114	....
Total Allocations available to be expensed	<u>1,444,246</u>	<u>3,032,075</u>	<u>207,012</u>	<u>4,167,258</u>	<u>5,255,913</u>
2013 Expenditures	<u>(265,635)</u>	<u>(792,640)</u>	<u>(34,450)</u>	<u>(1,462,076)</u>	<u>(1,001,397)</u>
2013 Allocated unexpended funds	1,178,611	2,239,435	172,562	2,705,182	4,254,516
2014 Allocations	537,703	798,755	20,048	1,001,146	....
2014 Transfers	(498,643)	233,337	12,503	252,803	....
Total Allocations available to be expensed	<u>1,217,671</u>	<u>3,271,527</u>	<u>205,113</u>	<u>3,959,131</u>	<u>4,254,516</u>
2014 Expenditures	<u>(68,017)</u>	<u>(761,030)</u>	<u>(25,283)</u>	<u>(571,407)</u>	<u>(245,886)</u>
2014 Allocated unexpended funds	<u>\$ 1,149,654</u>	<u>\$ 2,510,497</u>	<u>\$ 179,830</u>	<u>\$ 3,387,724</u>	<u>\$ 4,008,630</u>

VIRGINIA AQUATIC RESOURCES TRUST FUND

NOTES TO THE SCHEDULES

NATURE OF ACTIVITIES

The Virginia Aquatic Resources Trust Fund (VARTF or the Fund) is administered by The Nature Conservancy (TNC) and exists to provide compensatory mitigation for impacts to aquatic resources, including wetlands and streams. The goal is to accomplish these mitigation projects in Virginia efficiently, at meaningful scales, and in beneficial ecological contexts, resulting in the best possible net gain of aquatic resource functionality. Current program service areas of the fund include the: Atlantic Ocean, Chesapeake Bay, Chowan River, Lower James River, Middle James River, Upper James River, New River, Potomac River, Rappahannock River, Roanoke River, Shenandoah River, Tennessee River, and York River basins.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The schedules of the Virginia Aquatic Resources Trust Fund have been presented on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Accounting Estimates

The preparation of schedules in conformity with U. S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The transfer of credits occurs simultaneously with the payment for the respective credits, therefore, the Fund recognizes revenue upon receipt of payment in the amount of payment received.

Fund Allocations

When revenue is earned, it creates a mitigation liability, which is the responsibility of TNC to perform environmental mitigation in the area related to the respective revenue. To satisfy the mitigation liability, TNC identifies projects and submits a proposal to the Interagency Review Team (IRT). Once the IRT approves the project and the related costs, funds in the respective area are deemed to be allocated to the approved project.

Income taxes

The Fund is a program service of TNC, a tax-exempt organization, and therefore is not subject to income taxes nor does the Fund have its own separate reporting requirements to the IRS.

VIRGINIA AQUATIC RESOURCES TRUST FUND

NOTES TO THE SCHEDULES--(Cont'd)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(Cont'd)

Subsequent Events

Management has evaluated subsequent events through March 7, 2016, which is the date the financial statements were available to be issued.

RELATED PARTY TRANSACTIONS

TNC receives reimbursement of costs incurred related to completing mitigation projects and administering the Fund. As the Fund's administrator, TNC is entitled to an overhead fee, which is equal to 8% of revenue earned, excluding interest income. For the year ending 2014, 2013, and 2012, the Fund incurred overhead fees due to TNC of \$101,892, \$80,203, and \$271,449, respectively.