

COMMITTEE ON NATURAL RESOURCES
113th Congress Disclosure Form
As required by and provided for in House Rule XI, clause 2(g) and
the Rules of the Committee on Natural Resources

Subcommittee on Public Lands and Environmental Regulation
Legislative Hearing on **H.R. 4901 (Bishop)**, the "*Advancing Conservation and Education Act of 2014*"
July 29, 2014

For Individuals:

1. Name:
2. Address:
3. Email Address:
4. Phone Number:

* * * * *

For Witnesses Representing Organizations:

1. Name: James D. Ogsbury
2. Name of Organization(s) You are Representing at the Hearing:
Western Governors' Association
3. Business Address:
4. Business Email Address:
5. Business Phone Number:

For all Witnesses

Name/Organization: Jim Ogsbury - Western Governors' Association

Title/Date of Hearing Subcommittee on Public Lands and Environmental Regulation, Legislative Hearing on **H.R. 4901 (Bishop)**, the "*Advancing Conservation and Education Act of 2014.*"

July 29, 2014

a. Any training or educational certificates, diplomas or degrees or other educational experiences that are relevant to your qualifications to testify on or knowledge of the subject matter of the hearing.

- Not applicable

b. Any professional licenses, certifications, or affiliations held that are relevant to your qualifications to testify on or knowledge of the subject matter of the hearing.

- Not applicable

c. Any employment, occupation, ownership in a firm or business, or work-related experiences that relate to your qualifications to testify on or knowledge of the subject matter of the hearing.

- Clerk and Staff Director – House Appropriations Subcommittee on Energy and Water Development
- Manager, Federal Relations – Salt River Project (nation's third largest public power utility and Arizona's largest water supplier).

d. Any federal grants or contracts (including subgrants or subcontracts) from the Department of the Interior or United States Department of Agriculture that you have received in the current year and previous four years, including the source and the amount of each grant or contract.

| | | |
|-------------------------------------|------|--------------|
| <i>Cohesive Strategies</i> | USFS | \$386,000.00 |
| <i>Forest Health II</i> | USFS | \$769,150.00 |
| <i>Wildlife Habitat Restoration</i> | USFS | \$200,848.00 |
| <i>BLM Wildlife</i> | BLM | \$409,781.85 |
| <i>JFSP Fire/Ozone</i> | BLM | \$370,000.00 |
| <i>JFSP PM Detail</i> | BLM | \$703,682.00 |
| <i>WestJump AQMS BLM</i> | BLM | \$500,000.00 |
| <i>MT/ND/SD Oil Emiss Inv-BLM</i> | BLM | \$230,000.00 |

e. A list of all lawsuits or petitions filed by you against the federal government in the current year and the previous four years, giving the name of the lawsuit or petition, the subject matter of the lawsuit or petition, and the federal statutes under which the lawsuits or petitions were filed.

- None

f. A list of all federal lawsuits filed against you by the federal government in the current year and the previous four years, giving the name of the lawsuit, the subject matter of the lawsuit, and the federal statutes under which the lawsuits were filed.

- None

g. Any other information you wish to convey that might aid the Members of the Committee to better understand the context of your testimony.

- None

Witnesses Representing Organizations

Name/Organization: Jim Ogsbury - Western Governors' Association

Title/Date of Hearing Subcommittee on Public Lands and Environmental Regulation, Legislative Hearing on **H.R. 4901 (Bishop)**, the "*Advancing Conservation and Education Act of 2014.*"

July 29, 2014

h. Any offices, elected positions, or representational capacity held in the organization(s) on whose behalf you are testifying.

- As Executive Director of the WGA, I'm testifying on behalf of the Governors of 19 Western states and three U.S.-flag islands.

i. Any federal grants or contracts (including subgrants or subcontracts) from the Department of the Interior or United States Department of Agriculture that were received in the current year and previous four years by the organization(s) you represent at this hearing, including the source and amount of each grant or contract for each of the organization(s).

| | | |
|-------------------------------------|------|--------------|
| <i>Cohesive Strategies</i> | USFS | \$386,000.00 |
| <i>Forest Health II</i> | USFS | \$769,150.00 |
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| <i>WestJump AQMS BLM</i> | BLM | \$500,000.00 |
| <i>MT/ND/SD Oil Emiss Inv-BLM</i> | BLM | \$230,000.00 |

j. A list of all lawsuits or petitions filed by the organization(s) you represent at the hearing against the federal government in the current year and the previous four years, giving the name of the lawsuit or petition, the subject matter of the lawsuit or petition, and the federal statutes under which the lawsuits or petitions were filed for each of the organization(s).

- None

k. A list of all federal lawsuits filed against the organization(s) you represent at the hearing by the federal government in the current year and the previous four years, giving the name of the lawsuit, the subject matter of the lawsuit, and the federal statutes under which the lawsuits were filed.

- None

l. For tax-exempt organizations and non-profit organizations, copies of the three most recent public IRS Form 990s (including Form 990-PF, Form 990-N, and Form 990-EZ) for each of the organization(s) you represent at the hearing (not including any contributor names and addresses or any information withheld from public inspection by the Secretary of the Treasury under 26 U.S.C. 6104)).

- WGA is an Instrumentality of the Western States and does not file a Form 990. FY13 Audit is attached.

WESTERN GOVERNORS' ASSOCIATION

Combined Financial Statements And
Single Audit As Of June 30, 2013

Together With Independent Auditors' Report

JDS professional
group
certified public accountants, consultants and advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Western Governors' Association:

Report on the Financial Statements

We have audited the accompanying combined financial statements of Western Governors' Association (the "Association") and Western Governors' Foundation (the "Foundation"), (collectively referred to as the "Organization,") as of June 30, 2013, and the related combined statements of activities and cash flows for the year then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audits 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, 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 combined financial statements 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 combined financial statements.

Members:

American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants
10303 E. Dry Creek Road, Suite 400 • Englewood, CO 80112 • 303 771 0123 • 303 771 0078 fax

Independent Auditors' Report (Continued)

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Supplemental Information*

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The schedule of indirect cost rate and schedule of fringe benefits rate for the year ended June 30, 2013, on pages 15 through 16, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 17 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of the management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated January 17, 2014, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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 the 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 Institute's internal control over financial reporting and compliance.

JDS Professional Group

January 17, 2014

WESTERN GOVERNORS' ASSOCIATION

Combined Statement Of Financial Position
As Of June 30, 2013

Page -4-

ASSETS

Current Assets:

| | |
|---------------------------|------------------|
| Cash and cash equivalents | \$ 2,396,583 |
| Accounts receivable - | |
| Federal | 1,262,614 |
| Private | 37,500 |
| Other | 7,777 |
| Promises to give, net | 177,877 |
| Investments | 2,030,984 |
| Prepayments | 73,341 |
| Total Current Assets | <u>5,986,676</u> |

| | |
|-----------------------------|---------------|
| Property and equipment, net | <u>41,307</u> |
|-----------------------------|---------------|

| | |
|---------------------|-----------------------------------|
| TOTAL ASSETS | \$ <u><u>6,027,983</u></u> |
|---------------------|-----------------------------------|

LIABILITIES AND NET ASSETS

Liabilities:

Current liabilities:

| | |
|---------------------------|------------------|
| Accounts payable | \$ 1,151,003 |
| Accrued liabilities | 58,294 |
| Deferred lease incentive | 22,293 |
| Deferred revenue | 90,315 |
| Total Current Liabilities | <u>1,321,905</u> |

| | |
|--------------------------------------|---------------|
| Deferred lease incentive - long term | <u>15,187</u> |
|--------------------------------------|---------------|

| | |
|-------------------|------------------|
| Total Liabilities | <u>1,337,092</u> |
|-------------------|------------------|

Net Assets:

| | |
|------------------------|------------------|
| Unrestricted | 4,498,920 |
| Temporarily restricted | <u>191,971</u> |
| Total Net Assets | <u>4,690,891</u> |

| | |
|---|-----------------------------------|
| TOTAL LIABILITIES AND NET ASSETS | \$ <u><u>6,027,983</u></u> |
|---|-----------------------------------|

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

WESTERN GOVERNORS' ASSOCIATION

Combined Statement Of Activities
For The Year Ended June 30, 2013

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| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|---------------------|
| Support And Revenue: | | | |
| Government contracts | \$ 5,187,800 | \$ | \$ 5,187,800 |
| Private grant contributions | 252,108 | | 252,108 |
| Membership dues | 564,000 | | 564,000 |
| Meeting, conference registrations and sponsorships | 1,274,268 | 177,877 | 1,452,145 |
| Investment income | 98,651 | | 98,651 |
| Other revenue | 385 | | 385 |
| Net assets released from restriction - Satisfaction of program restriction | 120,624 | (120,624) | |
| Total Support And Revenue | <u>7,497,836</u> | <u>57,253</u> | <u>7,555,089</u> |
| Expenses: | | | |
| Program Services - | | | |
| Energy policy | 1,421,404 | | 1,421,404 |
| Environment and natural resources | 2,018,957 | | 2,018,957 |
| Public lands | 1,113,598 | | 1,113,598 |
| Regional development | 1,513,716 | | 1,513,716 |
| Liaison - Washington, D.C. office | 447,608 | | 447,608 |
| Total Program Services | <u>6,515,283</u> | | <u>6,515,283</u> |
| Supporting Services - | | | |
| Fundraising | 677,505 | | 677,505 |
| General administrative | 199,048 | | 199,048 |
| Total Supporting Services | <u>876,553</u> | | <u>876,553</u> |
| Total Expenses | <u>7,391,836</u> | | <u>7,391,836</u> |
| CHANGES IN NET ASSETS | 106,000 | 57,253 | 163,253 |
| Net Assets, Beginning Of Year | <u>4,392,920</u> | <u>134,718</u> | <u>4,527,638</u> |
| NET ASSETS, END OF YEAR | <u>\$ 4,498,920</u> | <u>\$ 191,971</u> | <u>\$ 4,690,891</u> |

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

WESTERN GOVERNORS' ASSOCIATION

Combined Statement Of Cash Flows
For The Year Ended June 30, 2013

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| | |
|--|----------------------------|
| Cash flows from operating activities: | |
| Changes in net assets | \$ 163,253 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation and amortization | 27,878 |
| Net (gain) on investments | (34,785) |
| Allowances for promises to give | 26,084 |
| Changes in operating assets and liabilities - | |
| Decrease in accounts receivable | 109,325 |
| (Increase) in promises to give | (96,213) |
| (Increase) in prepayments | (21,023) |
| Increase in accounts payable | 70,899 |
| (Decrease) in accrued liabilities | (25,704) |
| (Decrease) in deferred lease incentive | (22,488) |
| (Decrease) in deferred revenue | (408,692) |
| Net cash (used in) operating activities | <u>(211,466)</u> |
| Cash flows from investing activities: | |
| Purchase of investments | (2,418,921) |
| Sales of investments | 2,440,500 |
| Purchases of property and equipment | <u>(22,626)</u> |
| Net cash (used in) investing activities | <u>(1,047)</u> |
| (DECREASE) IN CASH AND CASH EQUIVALENTS | (212,513) |
| Cash And Cash Equivalents, Beginning Of Year | <u>2,609,096</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 2,396,583</u> |

WESTERN GOVERNORS' ASSOCIATION

Notes To Financial Statements
For The Year Ended June 30, 2013

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(1) Reporting Entity

Western Governors' Association (the "Association") is an instrumentality of the State of Colorado under Section 170(c)(1) of the Internal Revenue Act of 1954. Its purpose is to provide a means by which the governors of the member states can address regional policy management issues and coordinate joint activities within the region.

The Western Governors' Foundation (the "Foundation") is a nonprofit corporation incorporated in the State of Colorado. It is organized for the benefit of or to support the Association and other publicly supporter organizations which are closely related in purpose or function to the Association.

The Association and the Foundation are controlled by the same Board of Directors and Officers and, therefore, are presented on a combined basis and reported as Western Governors' Association (the "Organization"). Inter-organizational activities have been eliminated in the financial statements.

(2) Summary Of Significant Accounting Policies

Method Of Accounting

The financial statements of the Organization have been prepared on the accrual basis.

Basis Of Presentation

The Organization is required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization does not have any permanently restricted net assets.

Use Of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Fair Value Measurements

The Organization follows *Fair Value Measurements* which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to

valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Exchange Traded Funds and Mutual Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

The carrying amount reported in the statement of financial position for cash and cash equivalents, accounts receivable, promises to give, accounts payable and accrued liabilities, approximate fair value because of the immediate or short-term maturities of these financial instruments.

Cash And Cash Equivalents

The Organization considers all checking, savings, certificates of deposit and money market accounts with original maturities of ninety days or less to be cash and cash equivalents.

Accounts Receivable

The majority of the accounts receivable is from funding from government contracts. As of June 30, 2013, the management of the Organization believes all receivable to be collectable and, accordingly, no allowance for doubtful accounts was deemed necessary.

Promises To Give

Contributions are recognized when the donor makes a promise to give, that is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend on are substantially met and the promises become unconditional.

The allowance method is used to determine uncollectible unconditional promises to give. The allowance is based on the prior years' experience and management's analysis of specific promises. An allowance for uncollectible promises to give has been recorded in the amount of \$107,123 as of June 30, 2013.

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. As of June 30, 2013, all promises to give were expected to be collected within one year, and therefore no discount was computed.

Property And Equipment

Office furniture and equipment of \$500 or more is capitalized at cost. Depreciation, which includes amortization of leasehold improvements, is computed on the straight-line method over the estimated useful life of the property or lease, which is three to ten years.

The costs of normal maintenance and repairs are charged to operating expenses as incurred. Material expenditures, which increase the life of the asset, are capitalized and depreciated over the estimated useful life of the asset.

Deferred Revenue

Revenue from government contracts is deemed to be earned when the Organization has incurred costs or other expenditures which satisfy the terms imposed by the respective grants or contracts. Funds received from government sources in excess of costs incurred are reported as deferred revenues. For costs incurred in excess of funds received from sources, revenue and related receivables are recognized to the extent of such costs.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence of any donor restrictions.

Support, including investment income, that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are released in the Statement of Activities as satisfaction of restrictions.

Revenue Recognition

Membership dues are recognized ratably over the term of the membership period. Revenues from government contracts are recognized to the extent of allowable direct and indirect expenses incurred under the terms of the contracts. Other revenue is recognized as earned.

Functional Allocation Of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefitted.

Subsequent Events

The Organization has performed an evaluation of subsequent events through January 17, 2014, which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes.

(3) Tax Exempt Status

The Foundation has previously received notice from the Internal Revenue Service of exemption from income tax under Section 501(c)(3) of the Internal Revenue Code. The Association is considered an

instrumentality of the State of Colorado, and accordingly, is exempt from income tax. In addition, the Organization qualifies for the charitable contribution deduction and has been classified as an organization other than a private foundation under Section 509(a).

The Foundation follows the *Accounting for Uncertainty in Income Taxes* accounting standard, which requires the Organization to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the year ended June 30, 2013, the Organization's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an effect on its tax-exempt status.

The Foundation is no longer subject to U.S. federal and state income tax audits on its Form 990 and related state return by taxing authorities for years prior to 2010. The years subsequent to these years contain matters that could be subject to differing interpretations of applicable tax laws and regulations as it relates to the amount and/or timing of income, deductions, and tax credits. Although, the outcome of tax audits is uncertain, the Foundation believes no issues would arise.

(4) **Concentration Of Credit Risk**

The Organization's cash demand deposits are held at financial institutions at which deposits are insured up to \$250,000 by the FDIC. Deposits in non-interest bearing accounts are fully insured by the FDIC. As of June 30, 2013, the Organization's deposits in accounts had not exceeded the FDIC limit.

The Organization maintains sweep accounts which are held in U.S. Government money market account. As of June 30, 2013, the amounts held in these accounts were \$1,061,622.

(5) Investments

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2013:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------|---------------------|----------------|----------------|---------------------|
| Investments: | | | | |
| Mutual funds - | | | | |
| Bond funds | \$ 1,084,089 | \$ | \$ | \$ 1,084,089 |
| Alternative funds | 487,380 | | | 487,380 |
| | <u>1,571,469</u> | | | <u>1,571,469</u> |
| Exchange traded funds - | | | | |
| Index | 444,626 | | | 444,626 |
| Commodities | 14,889 | | | 14,889 |
| | <u>459,515</u> | | | <u>459,515</u> |
| Total | <u>\$ 2,030,984</u> | <u>\$</u> | <u>\$</u> | <u>\$ 2,030,984</u> |

Investment income consisted of the following for the year ended June 30, 2013:

| | |
|--|------------------|
| Interest and dividend income | \$ 92,917 |
| Net realized and unrealized gains and losses | 5,734 |
| Total investment income | <u>\$ 98,651</u> |

(6) Property And Equipment

Property and equipment consisted of the following as of June 30, 2013:

| | |
|---|------------------|
| Furniture and equipment | \$ 165,430 |
| Leasehold Improvements | 30,167 |
| | <u>195,597</u> |
| Less: accumulated depreciation and amortization | (154,290) |
| Net property and equipment | <u>\$ 41,307</u> |

(7) Deferred Revenues

As of June 30, 2013, deferred revenue consisted of the following:

| | |
|-----------------|------------------|
| Membership dues | \$ 90,000 |
| Forest health | 315 |
| | <u>\$ 90,315</u> |

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2013, consist of the following:

| | |
|-------------------|-------------------|
| Natural Resources | \$ 14,093 |
| Time restrictions | 177,878 |
| | <u>\$ 191,971</u> |

(10) Commitments**Office Leases**

During the year ended June 30, 2013, rent expense incurred was \$153,573.

The Organization's Denver office lease terminates on February 28, 2015. In addition, the Organization entered into an office lease in Washington, D.C., which will terminate on January 31, 2020. Base rent payable is adjusted in January of each year by 2% for changes in the CPI escalation amounts, property taxes and operating expenses.

The future minimum lease payments below have been reduced by annual minimum sublease rentals of \$81,350 due in the future under subleases which may be terminated.

| <u>Year Ended June 30,</u> | <u>Amount</u> |
|----------------------------|---------------------|
| 2014 | \$ 187,121 |
| 2015 | 159,357 |
| 2016 | 254,638 |
| 2017 | 259,514 |
| 2018 | 264,411 |
| Thereafter | 973,293 |
| | <u>\$ 2,098,334</u> |

Government Contracts

The Organization has entered into contracts with member states and other contractors to achieve the contract and federal awards program objectives. As of June 30, 2013, these commitments totaled \$6,055,849 of which \$2,352,631 is committed to member states. During the year ended June 30, 2013, contract to member states expense incurred was \$1,758,632.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. In that event, the Organization may be required to refund amounts to the federal government.

(11) Tax-Deferred Annuity Plan

The Organization participates in a tax-deferred annuity plan, pursuant to the Internal Revenue Code section 457(b), covering substantially all of its employees. Participants are allowed to contribute a percentage, as calculated by the annuity provider, of their annual salary. The employer is required to contribute a matching amount of a minimum of 3.75% and a maximum of 5% of the employee's annual salary. During the year ended June 30, 2013, pension expense totaled \$69,817.

WESTERN GOVERNORS' ASSOCIATION

Supplementary Schedule Of Indirect Cost Rate
For The Year Ended June 30, 2013

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| | <u>Indirect Expenses</u> |
|--|------------------------------|
| Personnel | \$ 292,032 |
| Fringe benefits | 151,341 |
| Consultants | 71,053 |
| Rent | 129,721 |
| Telephone and internet | 33,079 |
| Office supplies | 9,369 |
| Equipment - maintenance and repair | 8,977 |
| Printing expense | 4,119 |
| Postage and shipping | 1,916 |
| Publications and subscriptions | 3,008 |
| Travel and meeting expenses | 8,254 |
| Insurance | 6,542 |
| Depreciation | <u>27,878</u> |
| Total indirect expenses | <u>\$ 747,289</u> |
| Direct chargeable hours subject to indirect cost allocation | 17,562 |
| Chargeable hours - Headquarters | 12,876 |
| Chargeable hours - Satellite offices | 4,686 |
| Average overhead rate - Headquarters | \$ 46.83 |
| Average overhead rate - Satellite offices | \$ 30.79 |

WESTERN GOVERNORS' ASSOCIATION

Supplementary Schedule Of Fringe Benefits Rate
For The Year Ended June 30, 2013

Page -16-

| | <u>Fringe Benefits</u> |
|---|----------------------------|
| Employee HSA benefit | \$ 33,840 |
| Employee bus passes | 12,176 |
| Health, life, LTD, and dental insurance | 157,299 |
| Payroll taxes | 20,202 |
| Employer pension expense | 69,817 |
| Vacation expense | 85,632 |
| Sick leave expense | 33,818 |
| Holiday leave expense | <u>56,770</u> |
| Total fringe benefit expenses | <u><u>\$ 469,554</u></u> |
| Direct chargeable hours subject to fringe benefits cost allocation | 26,067 |
| Average fringe benefits cost per hour | \$ 18.01 |

WESTERN GOVERNORS' ASSOCIATION

**Supplementary Schedule Of Expenditures Of Federal Awards
For The Year Ended June 30, 2013**

| Federal Grantor and Program Title | CFDA Number | Identifying Number | Program Period | Program Award | Subrecipients | Expended |
|--|-------------|--------------------|----------------|---------------|---------------|----------------|
| U.S. Department of Energy | | | | | | |
| Nuclear Waste, Transport of Hazardous Wastes of WIPP | 81.065 | DE-EM0002359 | 01/04/13 | \$ 20,000 | \$ - | \$ 8,344 |
| Nuclear Waste, Transport of Hazardous Wastes of WIPP | 81.106 | DE-EM0001204 | 07/01/11 | \$ 3,135,978 | \$ 1,155,329 | \$ 1,257,802 |
| Concentrating Solar Power | 81.087 | DE-FC36-04R810726 | 10/01/04 | \$ 90,000 | \$ 12,991 | \$ 12,991 |
| Western Renewable Energy Zone | 81.122 | DE-FC26-08NT01788 | 05/16/08 | \$ 1,280,630 | | \$ 102,287 * |
| ARRA - Western Regional Transmission Expansion Project | 81.122 | DE-OE0000422 | 04/30/10 | \$ 12,000,000 | \$ 1,461,961 | \$ 2,309,702 * |
| Total Electricity Delivery and Energy Reliability, Research, Development and Analysis | | | | | | \$ 2,411,989 |
| U.S. Environmental Protection Agency | | | | | | |
| Western Regional Air Partnership | 66.034 | XA-96999301 | 07/01/08 | \$ 1,467,328 | | \$ 196,519 |
| Western Regional Air Partnership | 66.034 | XA-00T82601 | 01/01/13 | \$ 152,484 | | \$ 9,860 |
| US-Mexico Border Emissions Inventory - passthrough from BECC | 66.034 | | 10/01/11 | \$ 60,000 | | \$ 25,882 |
| Total Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | | | | | | \$ 232,261 |
| U.S. Department of Agriculture | | | | | | |
| Cohesive Strategies | 10.664 | 11-DG-11132543-339 | 06/01/11 | \$ 386,000 | \$ - | \$ 145,306 |
| Forest Health - Fire Strategies | 10.664 | 10-DG-11132543-236 | 08/12/10 | \$ 900,000 | \$ - | \$ 258,479 |
| Total Cooperative Forestry Assistance | | | | | | \$ 403,785 |
| U.S. Department of Interior | | | | | | |
| Mapping Wildlife Corridors and Crucial Habitat - BLM | 15.231 | L11AC20352 | 09/17/11 | \$ 379,782 | | \$ 44,965 |
| National Park Service | 15.000 | #H2350105513 | 09/01/10 | \$ 272,701 | | \$ 51,762 |
| JFSP Project - BLM | 15.232 | L11AC20205 | 07/26/11 | \$ 370,000 | | \$ 220,001 * |
| Particulate Matter Deterministic Empirical Tagging Assessment - BLM | 15.232 | L12AC20618 | 09/01/12 | \$ 703,682 | | \$ 117,673 * |
| Total Wildland Fire Research and Studies Program | | | | | | \$ 337,674 |
| Westwide Air Quality Modeling Study - BLM | 15.236 | L11AC20353 | 09/17/11 | \$ 500,000 | | \$ 295,029 * |
| Oil and Gas Emissions Inventory - BLM | 15.236 | L12AC20349 | 08/27/12 | \$ 230,000 | | \$ 90,698 * |
| Total Environmental Quality and Protection Resource Management | | | | | | \$ 385,727 |
| U.S. Department of Commerce-National Oceanic and Atmospheric Administration | | | | | | |
| Pass through University Corpo for Atmospheric Research | 11.431 | NA06OAR4310119 | 04/22/11 | \$ 145,000 | \$ - | \$ 47,237 |
| | | | | | | \$ 5,194,537 |

* Major accompanying notes are an integral part of the schedule.

WESTERN GOVERNORS' ASSOCIATION

Notes To Supplementary Schedule of Expenditures Of Federal Awards
For The Year Ended June 30, 2013

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(1) **Method of Accounting**

The schedule of expenditures of federal awards has been prepared on an accrual basis.

(2) **Subrecipients**

Western Governors' Association provided federal awards to subrecipients under the following programs:

| <u>Program Title</u> | <u>CFDA No.</u> | <u>Amount</u> |
|---|-----------------|--------------------|
| Nuclear Waste, Transport of Hazardous Wastes of WIPP | 81.106 | |
| California Emergency Management Agency | | \$ 136,551 |
| State of Colorado, Colorado State Patrol | | 230,354 |
| State of Nebraska, Emergency Management Agency | | 77,619 |
| Nevada Agency for Nuclear Projects | | 97,607 |
| State of Utah - Department of Environmental Quality | | 115,515 |
| State of Washington - Washington State Patrol | | 58,522 |
| State of Wyoming - Office of Homeland Security | | 122,156 |
| State of Idaho - Department of Environmental Quality | | 237,205 |
| Oregon Department of Energy | | 79,800 |
| | | <u>\$1,155,329</u> |
| Concentrating Solar Power | 81.087 | |
| Western Interstate Energy Board | | \$ 12,991 |
| Western Regional Transmission Expansion Project -ARRA | 81.122 | |
| Western Interstate Energy Board | | \$ 791,967 |
| Regulatory Assistance Project | | 83,428 |
| Alaska Department of Fish & Game | | 49,252 |
| Arizona Game and Fish | | 77,393 |
| Idaho Department of Fish & Game | | 87,285 |
| Kansas Department of Wildlife, Parks & Tourism | | 30,499 |
| Nebraska Games and Parks | | 18,195 |
| Nevada Department of Wildlife | | 33,479 |
| Oklahoma Department of Wildlife Conservation | | 67,000 |
| South Dakota Department of Game, Fish and Parks | | 65,860 |
| Washington Department of Fish and Wildlife | | 69,392 |
| Wyoming Department of Game and Fish | | 88,211 |
| | | <u>\$1,461,961</u> |

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Western Governors' Association:

We have audited, in accordance with the 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, the combined financial statements of the Western Governors' Association, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Western Governors' Association's basic financial statements, and have issued our report thereon dated January 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered Western Governors' Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Western Governors' Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Governors' Association'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 and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Members:

*American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants
10303 E. Dry Creek Road, Suite 400 • Englewood, CO 80112 • 303 771 0123 • 303 771 0078 fax*

Independent Auditors' Report (Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Western Governors' Association's combined 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JDS Professional Group

January 17, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Western Governors' Association:

Report on Compliance for Each Major Federal Program

We have audited the compliance of Western Governors' Association with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Western Governors' Association's major federal programs for the year ended June 30, 2013. Western Governors' Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Western Governors' Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program identified in accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about Western Governors' Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Western Governors' Association's compliance.

Members:

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Independent Auditor's Report (Continued)**Opinion on Each Major Federal Program**

In our opinion, Western Governors' Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Internal Control Over Compliance

The management of Western Governors' is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Western Governors' Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Western Governors' Association's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration on internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this communication is not suitable for any other purpose.

JDS Professional Group

January 17, 2014

WESTERN GOVERNORS' ASSOCIATION

Schedule Of Findings And Questioned Costs
For The Year Ended June 30, 2013

Section I - Summary Of Auditors' Results

Financial Statements

Type of auditors' report: unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiencies identified
that are not considered to be material
weaknesses? yes X none reported

Noncompliance material to financial
statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiencies identified
that are not considered to be material
weakness(es)? yes X none reported

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133? yes X no

WESTERN GOVERNORS' ASSOCIATION

Schedule Of Findings And Questioned Costs (Continued)
For The Year Ended June 30, 2013

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Identification of major programs:

| <u>CFDA No.</u> | <u>Name of Federal Program</u> |
|-----------------|--|
| 81.122 | Electricity Delivery and Energy Reliability, Research, Development and Analysis Western Renewable Energy Zone Western Regional Transmission Expansion Project - ARRA |
| 15.232 | Wildland Fire Research and Studies Program JFSP Project Particulate Matter Deterministic Empirical Tagging Assessment |
| 15.236 | Environmental Quality and Protection Resource Management Westwide Air Quality Modeling Study Oil and Gas Emissions Inventory |

Dollar threshold used to distinguish
between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings And Questioned Costs

None

WESTERN GOVERNORS' ASSOCIATION

Summary Schedule of Prior Audit Findings
For The Year Ended June 30, 2013

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None.