

GULF CONSORTIUM
ANNUAL FINANCIAL REPORT
Year Ended September 30, 2017

CONTENTS

	<u>Page Number</u>
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide/Fund Financial Statements:	
Statement of Net Position and Governmental Fund Balance Sheet	7
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances	8
Budgetary Comparison Schedule - General Fund	9
Notes to Financial Statements	10
COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	16
Independent Accountant's Report	20
Independent Auditor's Management Letter	21



INDEPENDENT AUDITOR'S REPORT

Honorable Members of the
Gulf Consortium

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Gulf Consortium (the "Consortium") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Consortium as of September 30, 2017, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Members of the
Gulf Consortium

Emphasis-of-Matter – Correction of Error

As discussed in Note 8 to the financial statements, in the fiscal year ended September 30, 2016, the Consortium determined that an expenditure was improperly recorded in the General Fund. As a result of this error, the Consortium reported a restatement for the correction of an error as of October 1, 2016. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2018 on our consideration of the Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 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 Consortium's internal control over financial reporting and compliance.



MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Orlando, Florida

April 11, 2018

GULF CONSORTIUM
MANAGEMENT’S DISCUSSION AND ANALYSIS
Year Ended September 30, 2017

As management of the Gulf Consortium (the “Consortium”), our discussion and analysis of the Consortium’s financial performance provides an overview of the Consortium’s financial activities for the fiscal year ended September 30, 2017. It should be read in conjunction with the Consortium’s financial statements which follow this section.

Financial Highlights

- The Consortium’s assets exceeded its liabilities by approximately \$92 thousand (net position) and represents an increase of \$58,118 from the prior year. The total net position of the Consortium is unrestricted.
- Operating revenues consist of membership dues paid by each of the 23 participating counties and grant funds earned from the Oil Spill Impact Program. Total revenues earned during the year ended September 30, 2017 was approximately \$846,400, of which 16.5% was generated from membership dues and 83.5% from a federal grant award.
- Grant-funded expenses of \$706,335 consisted of services approved under task orders to provide grant management services and compilation of Florida’s State Expenditure Plan. Other operating expense of \$81,945, which was paid from membership dues and prior year unrestricted resources related to Consortium management, legal, audit, grant writing, and meeting and travel expenses.

Overview of the Financial Statements

The Gulf Consortium is a public entity created in October 2012 by Inter-local Agreement among Florida’s 23 Gulf Coast counties, from Escambia County in the western panhandle of Florida to Monroe County on the southern tip of Florida and the United States.

Florida’s 23 Gulf Coast counties formed the Consortium to meet requirements of the RESTORE Act to develop a State Expenditure Plan for economic and environmental recovery of the Gulf Coast in Florida following the Deepwater Horizon oil spill. The RESTORE Act was passed by the Congress on June 29, 2012 and signed into law on July 6, 2012 by the President.

The Consortium’s Board of Directors consists of one representative from each of the 23 counties. As a public entity, the Consortium must meet all government transparency requirements in Florida, including open public records and meetings, ethics, and state auditing obligations. Since its inception, the Consortium has met regularly to develop Florida’s State Expenditure Plan.

To foster the development of the State Expenditure Plan, enhance coordination, and to also ensure consistency with the goals and objectives of the Gulf Coast Ecosystem Restoration Council’s Draft Initial Comprehensive Plan: Restoring the Gulf Coast’s Ecosystem and Economy, the Consortium entered into a Memorandum of Understanding (“MOU”) with Florida Governor Rick Scott on June 6, 2013. The MOU outlines cooperation elements between the Governor’s office and the Consortium. The MOU identifies the Consortium as the responsible party for the creation of the State Expenditure Plan.

Governmental financial statements - The governmental financial statements are designed to provide readers with a broad overview of the Consortium’s finances.

GULF CONSORTIUM

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended September 30, 2017

Government-wide and Fund Financial Statements

The basic financial statements of the Consortium are composed of the following:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information on the reporting government as a whole, except for its fiduciary activities. The Consortium only has governmental activity and does not engage in any business-type activities.

The Statement of Activities shows the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly related to a specific function or segment. Program revenue consists of contributions that are restricted to meeting specific requirements of a particular function or segment.

The Statement of Net Position and Governmental Fund presents information on the Consortium's balance sheet, with the difference between its assets and liabilities reported as net position. The Statement of Activities and Governmental Fund present information showing how a government's fund balance changed during the fiscal year. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the Consortium is improving or deteriorating. Net position increases when revenues exceed expenses or there is an increase to assets without a corresponding increase to liabilities, which indicates an improved financial condition.

The governmental fund balance sheet presents information on all of Consortium's assets and liabilities, with the difference between them reported as total liabilities and fund balance. The statement of governmental fund revenues, expenditures, and changes in fund balances presents information showing how a government's fund balance changed during the fiscal year. Over time, increases or decreases in fund balance may serve as a useful indicator of whether the financial condition of the Consortium is improving or deteriorating. Fund balance increases when revenues exceed expenditures or there is an increase to assets without a corresponding increase to liabilities, which indicates an improved financial condition.

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

Required Supplementary Information, other than Management's Discussion and Analysis, is not applicable to the Consortium's form of government and related activities.

Financial Analysis

Table 1 focuses on net position. The Consortium's net position was \$92,058 as of September 30, 2017. Unrestricted net position is intended to cover the Consortium's on-going operating expenses. During the year ended September 30, 2017, the Planning Grant funds were available to the Consortium to pay for any grant-related costs, including legal, management, and meeting expenses. Non-grant legal, management, and meeting and travel expenses were less than budgeted amounts.

GULF CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2017

Table 2 focuses on the change in net position. Operating revenues consist of membership dues paid by each of the 23 participating counties and grant funds earned from the Oil Spill Impact Program. Grant-funded expenses of \$706,335 consisted of services approved under task orders to provide grant management services and compilation of Florida's State Expenditure Plan. Other operating expenses of \$81,945, which were paid from membership dues related to the Consortium's management, legal, audit, grant writing, and meeting and travel expenses.

Table 1
Gulf Consortium
Statement of Net Position
September 30

	2017	2016(*)
Assets:		
Cash and Cash Equivalents	\$ 101,088	\$ 206,465
Due from other Governments	68,930	107,660
Total Current Assets	\$ 170,018	\$ 314,125
Liabilities:		
Accounts Payable	\$ 77,960	\$ 300,886
Total Current Liabilities	77,960	300,886
Net Position		
Unrestricted	92,058	13,239
Total Net Position	\$ 92,058	\$ 13,239

(*) Balances for 2016 have not been restated for adjustments to beginning net position in 2017 due to a correction of an error.

GULF CONSORTIUM
MANAGEMENT’S DISCUSSION AND ANALYSIS
Year Ended September 30, 2017

Table 2
Gulf Consortium
Statement of Activities
September 30

	2017	2016(*)
Revenues:		
Intergovernmental	\$ 846,385	\$ 418,663
Other Income	14	69
Total Revenues	846,399	418,732
Operating Expenses:		
Grant Writing and Other Operating Expenses	788,281	421,308
Total Operating Expenses	788,281	421,308
Change in Net Position	58,118	(2,576)
Total Net Position – Beginning, as Previously Reported	13,239	229,375
Adjustments to Beginning Net Position (*)	20,701	15,815
Net Position – Beginning, as Restated	33,940	15818
Total Net Position – Ending	\$ 92,058	\$ 13,239

(*) Balances for 2016 have not been restated for adjustments to beginning net position in 2017 due to a correction of an error.

Economic Factors and Next Year’s Budgets and Rates

The Consortium’s budget for fiscal year 2018 totals \$13,905,313, which is \$12.24 million higher than the fiscal year 2017 approved budget due to increased grant-funded activity. The Consortium has budgeted \$13,765,263 of federal grant revenue, with grant expenses budgeted in the same amount. Tasks expected to be started and completed during the year ending September 30, 2018 include developing a revised project list, developing project evaluation criteria, project evaluation and refinement, the draft, final draft, and completed State Expenditure Plan, and the Stand-Up State Expenditure Plan. The Consortium also expects the State Expenditure Plan and Stand-Up State Expenditure Plan to be approved by the RESTORE Council during the 2018 fiscal year, at which time grant funds related to projects within the State Expenditure Plan are expected to become available and begin drawdown.

Requests for Information

The financial report is designed to provide a narrative overview and analysis of the financial activities of the Consortium for the fiscal year ended September 30, 2017. Management’s Discussion and Analysis is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Consortium’s financial activities, (c) identify changes in the Consortium’s financial position, and (d) identify individual fund issues or concerns of the Gulf Consortium’s financial activity. Questions concerning any of the information provided in the report or requests for additional information should be addressed to the President, The Balmoral Group, LLC, 165 Lincoln Avenue, Winter Park, Florida 32789.

GULF CONSORTIUM

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

September 30, 2017

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 101,088	\$ -	\$ 101,088
Due from other governments	68,930	-	68,930
TOTAL ASSETS	\$ 170,018	-	170,018
LIABILITIES			
Accounts payable	\$ 77,960	-	77,960
TOTAL LIABILITIES	77,960	-	77,960
FUND BALANCE/NET POSITION			
Fund balance:			
Unassigned	92,058	(92,058)	-
TOTAL FUND BALANCE	92,058	(92,058)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 170,018		
Net position:			
Unrestricted		92,058	92,058
TOTAL NET POSITION		\$ 92,058	\$ 92,058

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

GULF CONSORTIUM

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2017

	General Fund	Adjustments	Statement of Activities
REVENUES			
Intergovernmental:			
Planning grant	\$ 706,335	\$ -	\$ 706,335
Membership dues	140,050	-	140,050
Other income	14	-	14
TOTAL REVENUES	846,399	-	846,399
EXPENDITURES / EXPENSES			
Management fees	82,127	-	82,127
Legal and other professional fees	75,924	-	75,924
Meetings and other operating expenses	21,704	-	21,704
Grant management fees	60,000	-	60,000
Grant writing and State Expenditure Plan development	548,526	-	548,526
TOTAL EXPENDITURES/EXPENSES	788,281	-	788,281
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	58,118	(58,118)	-
CHANGE IN NET POSITION		58,118	58,118
FUND BALANCES/NET POSITION			
Beginning of the year, original	13,239	-	13,239
Correction of an error	20,701	-	20,701
Beginning of the year, restated	33,940	-	33,940
End of the year	\$ 92,058	\$ -	\$ 92,058

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

GULF CONSORTIUM

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
GENERAL FUND				
Intergovernmental:				
Planning grant	\$ 1,493,130	\$ 1,493,130	\$ 706,335	\$ (786,795)
Membership dues	140,050	140,050	140,050	-
Other income	-	-	14	14
TOTAL REVENUES	1,633,180	1,633,180	846,399	(786,781)
EXPENDITURES				
Management fees	60,000	60,000	82,127	(22,127)
Legal and other professional fees	180,000	180,000	75,924	104,076
Meetings and other operating expenses	15,050	15,050	21,704	(6,654)
Grant management fees	50,000	50,000	60,000	(10,000)
Grant writing and State Expenditure Plan development	1,328,130	1,328,130	548,526	779,604
TOTAL EXPENDITURES	1,633,180	1,633,180	788,281	844,899
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	58,118	58,118
FUND BALANCE AT BEGINNING OF YEAR, RESTATED	-	-	33,940	33,940
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ 92,058	\$ 92,058

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

GULF CONSORTIUM

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2017

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of District

The Gulf Consortium (the “Consortium”) was created in response to the United States Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (“RESTORE Act”). The RESTORE Act was established as a mechanism for providing funding to the Gulf Coast region to restore ecosystems and rebuild local economies damaged by the Deepwater Horizon Oil Spill which occurred on April 20, 2010. The RESTORE Act established the Gulf Coast Ecosystem Restoration Council (the “Restoration Council”), an independent entity, which is composed of certain federal officials and the Governors of Alabama, Florida, Mississippi, Louisiana, and Texas. The RESTORE Act charges the Restoration Council with developing a comprehensive plan for ecosystem restoration in the Gulf Coast region (“Council Comprehensive Plan”) that identifies projects and programs aimed at restoring and protecting the natural resources and ecosystems of the Gulf Coast region. The projects and programs are to be funded from a portion of the Gulf Coast Restoration Trust Fund. For Florida, the RESTORE Act, under 33 U.S.C. Chapter 1321(t)(3)(2012), requires a consortia of local political subdivisions to develop a State Expenditure Plan, for which the RESTORE Act provides for Trust Fund expenditures that would fund projects, programs and activities that will improve the ecosystems or economy of the Gulf Coast region that meet the criteria specified in the RESTORE Act. Therefore, pursuant to Section 163.01, Florida Statutes, by Inter-local Agreement among 23 Florida Gulf Coast affected counties, the Gulf Consortium was created on November 19, 2012 to: 1) develop Florida’s State Expenditure Plan, 2) prepare and process proposals for funding under the competitive program to be processed and administered by the Restoration Council, and 3) act as a resource and advocate for Consortium members.

On September 29, 2015, the Restoration Council published its proposed rule on the RESTORE Act, Spill Impact component state allocation formula. The Spill Impact component represents 30% of a portion of civil fines and administrative penalties derived from the Clean Water Act and is expected to be \$1.60 billion. The proposed allocation of the Spill Impact component for the State of Florida was 18.36% of the total designated or approximately \$293.70 million.

During the year ended September 30, 2015, the Gulf Consortium planning grant application to prepare Florida’s State Expenditure Plan (“FSEP”) was submitted to the Restoration Council. As of September 30, 2017, the Restoration Council approved \$4.64 million of the planning grant application and \$916,018 has been earned as of September 30, 2017. The performance period of the grant is August 23, 2014 to June 30, 2018.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Reporting Entity

The Consortium operates independently and is not subject to the oversight of any individual governmental unit and, therefore, is not a component unit of another primary government. Membership of the Consortium is limited to the counties that were impacted by the Deepwater Horizon Oil Spill. As of September 30, 2017, the Consortium's membership consisted of the 23 Florida counties with frontage to the Gulf of Mexico. Each member appoints one Director of the Consortium to act as a representative on its behalf.

Government-wide and Fund Financial Statements

The basic financial statements of the Consortium are composed of the following:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information on the reporting government as a whole, except for its fiduciary activities. The Consortium only has governmental activity and does not engage in any business-type activities.

The Statement of Activities shows the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly related to a specific function or segment. *Program revenue* consists of contributions that are restricted to meeting specific requirements of a particular function or segment.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The 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.

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 Consortium 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 claims and judgments are recorded only when payment is due.

Intergovernmental revenues during the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

The Consortium reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the Consortium and is used to account for all financial resources, except for those required to be accounted for in another fund.

When both restricted and unrestricted resources are available for use, it is the Consortium's policy to use restricted resources first, then unrestricted resources, as they are needed.

Basis of Accounting

The Consortium prepares its financial statements on the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for governmental funds, as applied to governmental units. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Consortium considers most 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.

The assets, liabilities, and fund balance net position of the Consortium are reported in a self-balancing set of accounts, which include unrestricted resources, representing funds available for support of the Consortium's operations.

Intergovernmental Revenues and Expenditures

The Consortium's inter-local revenues and expenditures consist of revenues received per the Inter-local Agreement and expenditures incurred relating to the operations.

Cash and Cash Equivalents

The Consortium's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Budgetary Requirement and Basis

Expenditures are controlled by appropriations in accordance with the budget requirements set forth in the Consortium's Board policy. The budgeted revenues and expenditures in these financial statements reflect all amendments approved by the Board. Budgetary control is required at the fund (or grant) level. The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America ("GAAP").

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Estimates

The preparation of financial statements in conformity with GAAP as applied to governmental entities requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates.

NOTE 2 - CASH

At September 30, 2017, cash consists of \$101,088 in a local commercial bank. The carrying amount is equal to the bank balance.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the government's deposits may not be returned to it or the organization may not be able to recover the value of its investments that are in the possession of an outside party. Funds deposited in the local commercial bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per bank or by collateral pursuant to the Public Depository Security Act of the State of Florida and are, therefore, considered fully insured or collateralized.

NOTE 3 - DUE FROM OTHER GOVERNMENTS

The Consortium's receivable from other governments as of September 30, 2017, is \$68,930 due from the Gulf Coast Ecosystem Restoration Council.

NOTE 4 - RELATED PARTIES

State of Florida

On June 12, 2013, the Consortium entered into a Memorandum of Understanding ("MOU") with the Governor of the State of Florida to collaborate for the benefit of the Gulf of Mexico and the State of Florida, with a focus on maximizing Florida's attainment of funds under the RESTORE Act to restore the Gulf Coast resources and energize the economy recovery in the region. The MOU establishes the process of coordinating with the Governor's office on projects in the State Expenditure Plan for Florida, which will be certified, if appropriate, by the Governor to the Gulf Coast Ecosystem Restoration Council for approval (see Note 1 for information on the Restoration Council). As part of the MOU, the Governor shall appoint six individuals to provide input and guidance to the Consortium on policies and criteria used to determine projects, activities, and programs for consideration in the State Expenditure Plan (the "Plan"). Additionally, the Consortium will consult with the State on the development of the Plan and provide the Plan to the Governor for review prior to submission to the Restoration Council.

NOTE 4 - RELATED PARTIES (Continued)

Florida Association of Counties, Inc.

The Consortium entered into an agreement on October 19, 2012, with the Florida Association of Counties, Inc. ("FAC") for the FAC to serve as the Consortium's interim manager. Services to be provided include administration of Consortium operations, as well as other administrative duties, including the annual budget preparation. The term of the initial agreement was extended effective October 2013. According to the amendment, the contract term shall be extended and continue until sixty (60) days after the effective date of the Consortium's hiring, engaging, or retaining a permanent manager, unless an earlier expiration date is mutually agreed to in writing. The FAC was to be compensated \$5,000 per month for management services. Management expenses related to the FAC for the year ended September 30, 2017, totaled \$35,000. On May 1, 2017, The Balmoral Group, LLC was contracted to succeed the FAC as full-time manager for the Consortium.

Leon County, Florida

The Consortium has an Inter-local Agreement with Leon County, Florida to provide all necessary personnel to develop a competitive procurement policy and procurement services, as needed. The level of effort related to procurement services was not significant during the year ended September 30, 2017 and, as such, no expenses or related in-kind revenue have been recorded.

NOTE 5 - CONCENTRATIONS

The Consortium's revenue is generated from two sources, membership dues and federal grant funds relating to the Gulf Coast Ecosystem Restoration Council Oil Spill Impact Program. During the year ended September 30, 2017, 16.5% of the Consortium's revenue was generated from membership dues and 83.5% from federal grant awards. The Consortium is fiscally dependent upon the federal grant fund and membership revenue sources.

NOTE 6 - FUND BALANCE

In accordance with Accounting Standards, the Consortium's classified governmental fund balances is as follows:

Unassigned Fund Balance - represents the residual classification or fund balance and includes all spendable amounts not contained within the other classifications of the General Fund. There was a \$92,058 unassigned fund balance at September 30, 2017.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Grants

Amounts received or receivable from grant agencies may be subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims may constitute a liability to the grantor agency based upon their determination. At September 30, 2017, no such determination has been made. Management has evaluated certain expenditures relating to sub-contractor payments of approximately \$168,000 for which it has requested additional supporting documentation. At this time, no audit or determination by the grantor agency has occurred related to these or other grant expenditures. Should an audit or other communication occur related to any grant expenditures, the impact of that information would be evaluated and the appropriate financial accounting and reporting would occur by the Consortium.

NOTE 8 - RESTATEMENT OF PRIOR YEAR BALANCES

During the fiscal year ended September 30, 2017, the Consortium discovered that it had improperly recognized an expenditure/expense during the fiscal year ended September 30, 2016. In order to correct this error, the fund balance of the General Fund was restated as of September 30, 2016, as follows.

General Fund:

Fund balance/Net Position, September 30, 2016	\$ 13,239
Correction of an error – see above	<u>20,701</u>
Fund balance/Net Position as restated, September 30, 2016	<u>\$ 33,940</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***

Honorable Members of the
Gulf Consortium

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 financial statements, the governmental activities and general fund of the Gulf Consortium (the “Consortium”) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Consortium’s basic financial statements, and have issued our report thereon dated April 11, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Consortium’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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Consortium’s internal control.

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 over financial reporting 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control that we consider to be material weaknesses.

2017-001 – Documentation of Internal Controls Related to Grants

Type of Finding – Material Weakness

Condition:

During our audit of the current-year financial statements, we noted that internal controls over compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on the Consortium's major program were not documented.

Effect:

Although no instances of noncompliance were noted, lack of documentation of internal controls related to grants may lead to improper grant expenditures, questioned costs and possible loss of future grant funds.

Cause:

Prior management efforts to set up internal controls over grant compliance were not up to the rigorous standards of the Uniform Guidance and not formally modeled after the Committee of Sponsoring Organizations (COSO) model.

Criteria:

Under the Uniform Guidance, management is responsible for establishing and maintaining internal controls over compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Recommendation:

We recommend that the Consortium's management document internal controls and procedures over compliance with grants. This should include identifying all direct and material compliance requirements and documenting internal controls using the COSO model.

Management Response:

Current management has taken deliberate, proactive steps to address the creation of federally-compliant internal controls for the Consortium's grant administration. With guidance from the RESTORE Council, Management submitted a Stand-Up Expenditure Plan (SSEP) which, if approved, will facilitate the setup of the internal control framework required to oversee the State Expenditure Plan and to meet Uniform Guidance standards. The internal controls outlined in the SSEP have been designed, and will be implemented, in accordance with the COSO model framework. Management believes that upon implementation of the SSEP, internal controls over grant compliance will meet Uniform Guidance standards.

2017-002 – Supporting Documentation for Grant Payments

Type of Finding – Material Weakness

Condition:

During our audit of the Consortium, we noted several grant-related payments to one contractor related to a task-based contract. The Consortium did not maintain evidence that substantiated that the related tasks/deliverables had been completed or appropriate progress had been made on a task prior to making payment on the contract.

Effect:

Grant payments made without supporting documentation may lead to possible questioned costs.

Cause:

Prior management made payments to the contractor based on a not-to-exceed contract. They did not verify or require the contractor to provide support that progress on tasks had been performed or provide documentation that the tasks were completed.

Criteria:

Under the Uniform Guidance, all grant-related payments to contractors should be supported by documentation to justify the grant expenditure before reimbursement is requested from the grantor agency in accordance with grant agreements.

Recommendation:

We recommend that the Consortium request supporting documentation that sufficiently supports; goods purchased, services performed or task progress/completion from all vendors prior to making payments.

Management Response:

Current management requires specific deliverable progress documentation and documentation on work effort expended, or time analysis, as appropriate based on the terms of the contract, for any vendor reimbursement request. The Manager is actively working with the vendors to ensure any grant reimbursement payments made prior to the current manager's tenure meet the aforementioned documentation standard. Furthermore, the Stand-Up SEP will further address this issue by implementing enhanced procedures to ensure all the Consortium's reimbursement requirements follow regulatory guidelines and requirements.

Compliance and Other Matters

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

We noted certain other matters that we reported to the Consortium's management in a separate letter dated April 11, 2018.

Honorable Members of the
Gulf Consortium

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 Consortium'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 Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Orlando, Florida

April 11, 2018



Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT

Honorable Members of the
Gulf Consortium

We have examined the Gulf Consortium's (the "Consortium") compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2017. Management is responsible for the Consortium's compliance with those requirements. Our responsibility is to express an opinion on the Consortium's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Consortium complied with those requirements. An examination involves performing procedures to obtain evidence about the Consortium's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Consortium's compliance with specified requirements.

In our opinion, the Consortium complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Orlando, Florida
April 11, 2018



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Members of the
Gulf Consortium

Report on the Financial Statements

We have audited the basic financial statements of the Gulf Consortium (the "Consortium") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated April 11, 2018.

Auditor's Responsibility

We conducted our audit 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 Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have also issued our 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* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated April 11, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our audit, there were no prior year audit findings.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority is disclosed in the notes to the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the Consortium has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, the results of our tests did not indicate that the Consortium met any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the Consortium's financial condition, and our financial condition assessment was based, in part, on representations made by management and the review of financial information provided by same.

Honorable Members of the
Gulf Consortium

Financial Condition and Management (*Continued*)

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. See finding 2017-001 included in our 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*.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, requires that we report the results of our determination as to whether the annual financial audit report for the Consortium for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services, pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d., *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, see findings 2017-001 and 2017-002 in our 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*.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, members of the Consortium, and applicable management and is not intended to be, and should not be, used by anyone other than these specified parties.



MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Orlando, Florida
April 11, 2018