

GULF CONSORTIUM

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

**GULF CONSORTIUM
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SEPTEMBER 30, 2016**

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INDEPENDENT AUDITORS' REPORT

To the Members of the Gulf Consortium

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Gulf Consortium (the Consortium), as of and for the year ended September 30, 2016, 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 from 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Gulf Consortium, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-6 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 March 22, 2017, on our consideration of the Gulf 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 Gulf Consortium's internal control over financial reporting and compliance.



Fort Walton Beach, Florida
March 22, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2016. 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 \$13 thousand (net position) and represents a decrease of \$2,500 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, 2016 was approximately \$418,000 of which 33% was generated from membership dues and 66% from a federal grant award.
- Grant funded expenses of \$278,613 consisted of approved pre-award costs of \$170,953 and \$107,660 of services approved under task orders to provide grant management services and compilation of the preliminary project list. Other operating expense of \$142,695 which were paid from membership dues and prior year unrestricted resources related to interim 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 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 held several committee meetings to begin developing Florida's State Expenditure Plan.

To avoid duplication and to effectively utilize available resources, Florida's local governments are working in partnership with the State of Florida to fully recover the Gulf of Mexico following the Deepwater Horizon disaster. 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 has entered into a Memorandum of Understanding with Florida Governor Rick Scott.

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

As a result of the nature of the funding the Gulf Consortium will receive, this function is considered a business-type activity and is accounted for in an enterprise fund in accordance with generally accepted accounting principles for governments as established by the Governmental Accounting Standards Board (GASB). As such, the required components of the Consortium's financial statements are as follows:

- Management's Discussion and Analysis
- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Fund Net Position
- Statement of Cash Flows
- Notes to the 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.

The statement of net position and the statement of revenues, expenses, and changes in fund net position report information about the Consortium using the accrual basis of accounting, similar to most private-sector companies, as required for enterprise funds. The statement of net position presents information on the Consortium's (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources, with the difference between the two reported as net position. In the statement of revenues, expenses, and changes in net position, the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The statement of cash flows provides information as to the sources and uses of the Consortium's funds.

FINANCIAL ANALYSIS

Table 1 focuses on net position. The Consortium's net position was \$13,239 as of September 30, 2016. Unrestricted net position is intended to cover Consortium on-going operating expenses. During the year ended September 30, 2016 the Consortium budgeted to use \$15,000 of previous year net position to fund current year operating costs; however actual expenses only exceeded operating revenue by \$2,576. Legal, meeting and travel expenses were less than budgeted amounts.

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 \$278,613 consisted of approved pre-award costs of \$170,953 and \$107,660 of services approved under task orders to provide grant management services and compilation of the preliminary project list. Other operating expense of \$142,695 which were paid from membership dues and prior year unrestricted resources related to interim Consortium management, legal, audit, grant writing and meeting and travel expenses.

Table 1
GULF CONSORTIUM
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2016 AND 2015

	Business-Type Activities	
	2016	2015
Current and other assets	\$ 314,125	\$ 47,949
Total assets	314,125	47,949
Accounts payable	300,886	32,134
Total liabilities	300,886	32,134
Net position		
Unrestricted	13,239	15,815
Total net position	\$ 13,239	\$ 15,815

Table 2
GULF CONSORTIUM
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	Business-Type Activities	
	2016	2015
REVENUES		
Operating revenues	\$ 418,732	\$ 140,071
EXPENSES		
Operating expenses	421,308	132,550
CHANGE IN NET POSITION	(2,576)	7,521
NET POSITION AT BEGINNING OF YEAR	15,815	8,294
NET POSITION AT END OF YEAR	\$ 13,239	\$ 15,815

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Consortium's budget for fiscal year 2017 totals \$1,663,180, which is \$1.2 million higher than the fiscal year 2016 approved budget due to increased grant funded activity. The Consortium has budgeted \$1,493,130 of federal grant revenue with grant expenses budgeted in the same amount. Tasks expected to be started during the year ended September 30, 2017 include analysis of the preliminary project list, perform gaps, overlaps and opportunities analysis, develop project evaluation criteria, project evaluation and refinement, project leveraging analysis and project oversight including grant reporting and draw requests and other management tasks.

REQUESTS FOR INFORMATION

This financial report is designed to provide a narrative overview and analysis of the financial activities of the Consortium for the fiscal year that ended September 30, 2016. 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 Executive Director, Florida Association of Counties, 100 South Monroe Street, Tallahassee, Florida 32301.

**GULF CONSORTIUM
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

ASSETS

Current assets	
Cash	\$ 35,512
Restricted assets	
Cash	170,953
Due from other governments	<u>107,660</u>

TOTAL ASSETS 314,125

LIABILITIES

Current liabilities	
Accounts payable	22,273
Accounts payable from restricted assets	<u>278,613</u>

TOTAL LIABILITIES 300,886

NET POSITION

Unrestricted	<u>13,239</u>
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TOTAL NET POSITION \$ 13,239

See notes to the financial statements.

GULF CONSORTIUM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016

OPERATING REVENUES

Planning grant	\$ 278,613
Membership dues	140,050
Other	<u>69</u>
Total operating revenues	<u>418,732</u>

OPERATING EXPENSES

Management	60,000
Legal and other professional fees	337,703
Meetings and travel	<u>23,605</u>
Total operating expenses	<u>421,308</u>

CHANGE IN NET POSITION (2,576)

NET POSITION AT BEGINNING OF YEAR 15,815

NET POSITION AT END OF YEAR \$ 13,239

See notes to the financial statements.

**GULF CONSORTIUM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from members	\$ 140,050
Grant receipts	107,660
Payments to vendors for services	(89,263)
Receipts from other sources	69
	158,516
Net cash provided by operating activities	158,516
NET INCREASE IN CASH	158,516
CASH AT BEGINNING OF YEAR	47,949
	206,465
CASH AT END OF YEAR	\$ 206,465

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED IN OPERATING ACTIVITIES

Operating income	\$ (2,576)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease (increase) in assets:	
Due from other governments	(107,660)
Increase (decrease) in liabilities:	
Accounts payable	(9,861)
Accounts payable from restricted assets	278,613
	158,516
Net cash provided by operating activities	\$ 158,516
CASH AT YEAR END CONSIST OF:	
Current assets	\$ 35,512
Restricted assets	170,953
	206,465
Total	\$ 206,465

See notes to the financial statements.

**GULF CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF DISTRICT

Description of District

The Gulf Consortium (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 Interlocal 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 \$1.32 billion. The proposed allocation of the Spill Impact component for the State of Florida was 18.36% of the total designated or approximately \$242 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, 2016 the Restoration Council approved \$4.64 million of the planning grant application and \$278,613 has been earned. The performance period of the grant is August 23, 2014 to June 30, 2018. Of the total award \$1,500,000 is earmarked for conceptual design and feasibility studies. Such costs are considered allowable activities under the grant however the Restoration Council is not requiring every project in the FSEP to meet specific percentages in the design level. As such the \$1,500,000 is reserved for those counties desiring to use planning grant funds for project conceptual design concurrent with the development of the FSEP.

The 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, 2016, 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.

**GULF CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF DISTRICT –
CONTINUED**

Measurement Focus and Basis of Accounting

The Consortium is accounted for as an enterprise fund. Enterprise funds are used to account for activities similar to those found in the private sector, where the determination of the excess of revenues over expenses is necessary or useful to sound financial accountability. The accounting records of the Consortium are organized on the basis of funds as prescribed by generally accepted accounting principles (GAAP) for governments as established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used by the Consortium. Revenues are recognized when they are earned and expenses when they are incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal and ongoing operations. The Consortium was formed to develop a State Expenditure Plan for economic and environmental recovery of the Gulf Coast in Florida following the Deepwater Horizon Oil Spill. As such the Consortium considers its principal operating revenue to encompass member dues and grant funding earned to prepare the State Expenditure Plan. Operating expenses include legal, management and other day to day operational costs along with services performed by consultants and other third parties related to the preparation of the State Expenditure Plan.

Assets, Liabilities, and Net Position or Equity

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.

Restricted Assets

Grant proceeds received but not disbursed and grant revenue receivable is restricted by the terms of the planning grant agreement.

Net Position

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

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events were evaluated through March 22, 2017, which is the date the financial statements were available to be issued.

**GULF CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

2. CASH

At September 30, 2016, cash consists of \$206,465 with local commercial banks. 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.

3. DUE FROM OTHER GOVERNMENTS

The Consortium receivable from other governments as of September 30, 2016, is \$107,660 due from the Gulf Coast Ecosystem Restoration Council.

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.

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. FAC is to be compensated \$5,000 per month for these services. Management expenses for the year ended September 30, 2016, totaled \$60,000.

**GULF CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

4. RELATED PARTIES – CONTINUED

Leon County, Florida

The Consortium has an interlocal 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 these services were not significant during the year ended September 30, 2016, and as such no expenses or related in-kind revenue have been recorded.

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, 2016 33% of the Consortium's revenue was generated from membership dues and 66% from federal grant awards. The Consortium is fiscally dependent upon these revenue sources.

6. COMMITMENTS AND CONTINGENCIES

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Consortium expects such amount, if any, to be immaterial.

7. SUBSEQUENT EVENTS

The Board of Directors approved a recommendation from the Evaluation Team for permanent management services of the Consortium in February, 2017 based on a competitive bid process. The contract will come before the Board for approval and execution in April, 2017.

**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION OF
COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER
10.550, RULES OF THE AUDITOR GENERAL**

To the Members of the Gulf Consortium

We have examined the Gulf Consortium's (the Consortium) compliance with Florida Statute 218.415 in regards to the investments for the year ended September 30, 2016:

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 and, accordingly, included examining, on a test basis, evidence about the Consortium's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides 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 Gulf Consortium complied, in all material respects, with Florida Statute 218.415 in regards to the investments for the year ended September 30, 2016.

Warren Averett, LLC

Fort Walton Beach, Florida
March 22, 2017

INDEPENDENT AUDITORS' 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 Members of the Gulf Consortium

We have audited, 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, the financial statements of the business-type activities of the Gulf Consortium, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Gulf Consortium's basic financial statements and have issued our report thereon dated March 22, 2017.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Gulf Consortium's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Gulf Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Gulf 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Gulf Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is 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.

Warren Averett, LLC

Fort Walton Beach, Florida

March 22, 2017

MANAGEMENT LETTER

To the Members of the Gulf Consortium

Report on the Financial Statements

We have audited the financial statements of the Gulf Consortium (the Consortium), as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 22, 2017.

Auditors' Responsibility

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 and Chapter 10.550, *Rules of the Florida Auditor General*.

Other Report

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards* and Independent Accountants' Report on Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in this report, which is dated March 22, 2017, 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 report. There were no recommendations made in the preceding audit report.

Official Title and Legal Authority

Section 10.554(l)(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 official title and legal authority for the Consortium has been disclosed in Note 1 to the financial statements. The Consortium has no component units.

Financial Condition

Section 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, we determined that the Consortium did not meet 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.

Annual Financial Report

Section 10.554(1)(i)5.b. 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 the annual financial report for the Consortium, for the fiscal year ended September 30, 2016, 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, 2016. 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. The Consortium has no special districts that are component units.

Other Matters

Section 10.554(1)(i)2., *Rules of Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., *Rules of 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, we did not have any such findings.

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 Gulf Consortium, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We greatly appreciate the assistance and cooperation extended to us during our audit.

Warren Averett, LLC

Fort Walton Beach, Florida
March 22, 2017