

**GULF CONSORTIUM
FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

DRAFT

**GULF CONSORTIUM
TABLE OF CONTENTS
SEPTEMBER 30, 2018**

INDEPENDENT AUDITORS' 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 the Financial Statements	10
COMPLIANCE SECTION	
Schedule of Expenditures of Federal Awards	15
Notes to the Schedule of Expenditures of Federal Awards	16
Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, <i>Rules of the Auditor General</i>	17
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 <i>Government Auditing Standards</i>	18
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	20
Schedule of Findings and Questioned Costs	23
Summary Schedule of Prior Audit Findings	24
Management Letter	25

INDEPENDENT AUDITORS' REPORT

To the Honorable Members of 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, 2018, 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 governmental activities of the Consortium, as of September 30, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year ended in conformity 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 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated XXXXX, 2019, 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.

Fort Walton Beach, Florida
2019

**GULF CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

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, 2018. 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 \$132,346 (net position) and represents an increase of \$40,288 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, 2018, were \$2,031,917, of which 93.1% was generated from a federal grant award and 6.9% from membership dues.
- Grant-funded expenses of \$1,891,867 consisted of services approved under task orders to provide grant management services and compilation of Florida's State Expenditure Plan. Other operating expense of \$99,762, 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 held several committee meetings to begin developing Florida's State Expenditure Plan.

To foster the development of the State Expenditure Plan, to enhance coordination, and also to 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.

**GULF CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS – CONTINUED

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

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.

**GULF CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

FINANCIAL ANALYSIS

Table 1 focuses on net position. The Consortium's net position was \$132,346 as of September 30, 2018. Unrestricted net position is intended to cover the Consortium's on-going operating expenses. During the year ended September 30, 2018, 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.

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 \$1,891,867 consisted of services approved under task orders to provide grant management services and compilation of Florida's State Expenditure Plan. Other operating expenses of \$99,762, 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
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2018**

	2018	2017
Assets		
Cash and cash equivalents	\$ 200,955	\$ 101,088
Due from other governments	145,766	68,930
Total Current Assets	\$ 346,721	\$ 170,018
Liabilities		
Accounts payable	\$ 214,375	\$ 77,960
Total Current Liabilities	214,375	77,960
Net position		
Unrestricted	132,346	92,058
Total net position	\$ 132,346	\$ 92,058

**GULF CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

**Table 2
GULF CONSORTIUM
STATEMENTS OF CHANGES IN NET POSITION
AS OF SEPTEMBER 30, 2018**

	<u>2018</u>	<u>2017</u>
REVENUES		
Intergovernmental	\$ 2,031,917	\$ 846,385
Other income	-	14
Total Revenues	<u>2,031,917</u>	<u>846,399</u>
OPERATING EXPENSES		
Grant writing and other operating expenses	<u>1,991,629</u>	<u>788,281</u>
Total Operating Expenses	<u>1,991,629</u>	<u>788,281</u>
CHANGE IN NET POSITION	40,288	58,118
NET POSITION, BEGINNING OF YEAR	<u>92,058</u>	<u>33,940</u>
NET POSITION, END OF YEAR	<u>\$ 132,346</u>	<u>\$ 92,058</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Consortium's budget for fiscal year 2019 totals \$10,768,603, which is \$3.2 million lower than the fiscal year 2018. The fiscal year 2018 budget included the expectation to receive grant revenues relating to the Planning State Expenditure Plan, Stand-Up State Expenditure Plan and Florida State Expenditure Plan. However, funding for the Stand-Up State Expenditure Plan and the Florida State Expenditure Plan did not occur during fiscal year 2018 and expected to occur during fiscal year 2019. The fiscal year 2019 budget includes \$10,698,578 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, 2019, include receiving approval from the RESTORE Council on the State Expenditure Plan and Stand-Up State Expenditure Plan, at which time grant funds related to projects within the State Expenditure Plan are expected to become available and begin drawdown.

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, 2018. 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.

BASIC FINANCIAL STATEMENTS

DRAFT

GULF CONSORTIUM
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 200,955	\$ -	\$ 200,955
Due from other governments	<u>145,766</u>	<u>-</u>	<u>145,766</u>
TOTAL ASSETS	<u><u>\$ 346,721</u></u>	<u>-</u>	<u>346,721</u>
LIABILITIES			
Accounts payable	<u>\$ 214,375</u>	<u>-</u>	<u>214,375</u>
TOTAL LIABILITIES	214,375	- -	214,375
FUND BALANCE/NET POSITION			
Fund balance:			
Unassigned	<u>132,346</u>	<u>(132,346)</u>	<u>-</u>
TOTAL FUND BALANCE	<u>132,346</u>	<u>(132,346)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 346,721</u></u>		
Net position			
Unrestricted		<u>132,346</u>	<u>132,346</u>
TOTAL NET POSITION		<u><u>\$ 132,346</u></u>	<u><u>\$ 132,346</u></u>

See notes to the financial statements.

GULF CONSORTIUM
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES			
Intergovernmental:			
Planning grant	\$ 1,891,867	\$ -	\$ 1,891,867
Membership dues	140,050	-	140,050
TOTAL REVENUES	<u>2,031,917</u>	<u>-</u>	<u>2,031,917</u>
EXPENDITURES/EXPENSES			
Management fees	103,071	-	103,071
Legal and other professional fees	134,037	-	134,037
Meetings and other operating expenses	25,180	-	25,180
Grant management fees	45,000	-	45,000
Grant writing and State Expenditure Plan development	1,684,341	-	1,684,341
TOTAL EXPENDITURES/EXPENSES	<u>1,991,629</u>	<u>-</u>	<u>1,991,629</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>40,288</u>	<u>(40,288)</u>	
CHANGE IN NET POSITION		<u>40,288</u>	<u>40,288</u>
FUND BALANCES/NET POSITION			
Beginning of the year	92,058	-	92,058
End of the year	<u>\$ 132,346</u>	<u>\$ -</u>	<u>\$ 132,346</u>

See notes to the financial statements.

**GULF CONSORTIUM
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
GENERAL FUND				
Intergovernmental:				
Planning grant	\$ 25,577,190	\$ 13,765,263	\$ 1,891,867	\$ (11,873,396)
Membership dues	140,050	140,050	140,050	-
TOTAL REVENUES	25,717,240	13,905,313	2,031,917	(11,873,396)
EXPENDITURES				
Management fees	110,000	110,000	103,071	(6,929)
Legal and other professional fees	180,000	180,000	134,037	(45,963)
Meetings and other operating expenses	15,050	15,050	25,180	10,130
Grant management fees	60,000	60,000	45,000	(15,000)
Grant writing and State Expenditure Plan development	1,684,372	1,684,372	1,684,341	(31)
Stand-up State Expenditure Plan development expense	396,111	221,038	-	(221,038)
Florida State Expenditure Plan implementation expense	23,271,707	11,634,853	-	(11,634,853)
TOTAL EXPENDITURES	25,717,240	13,905,313	1,991,629	(11,913,684)
EXCESS DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES	-	-	40,288	40,288
FUND BALANCE AT BEGINNING OF YEAR	-	-	92,059	92,059
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,347</u>	<u>\$ 132,347</u>

See notes to the financial statements.

**GULF CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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 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 \$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. The Restoration Council subsequently approved \$4.64 million of the planning grant application. The performance period of the grant is August 23, 2014 to November 9, 2018.

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, 2018, 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, 2018**

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

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 and Basis of Accounting

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.

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.

**GULF CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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

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").

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.

**GULF CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

2. CASH

Deposits at year-end were held by financial institutions designated as a "qualified public depository" by the State Treasurer. All deposits were fully insured through a combination of Federal depository insurance and participation of the financial institution in the multiple financial institution collateral pool as specified in Chapter 280, Florida Statutes. At September 30, 2018, the reported amount of the deposits and the bank balance was \$200,955.

3. DUE FROM OTHER GOVERNMENTS

The Consortium's receivable from other governments as of September 30, 2018, is \$145,766 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.

The Balmoral Group, LLC

On May 1, 2017, The Balmoral Group, LLC was contracted to serve as the Consortium's full-time manager. Services provided include administration of Consortium operations, as well as other administrative duties, including financial management, accounting services and the annual budget preparation. According to the agreement, the contract term is for a period of two years and will continue until April 31, 2019. The Balmoral Group was to be compensated \$8,588 per month for management services. Management expenses related to The Balmoral Group for the year ended September 30, 2018, totaled \$103,071.

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 these services were not significant during the year ended September 30, 2018, and, as such, no expenses or related in-kind revenue have been recorded.

**GULF CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

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, 2018, 7% of the Consortium's revenue was generated from membership dues and 93% from federal grant awards. The Consortium is fiscally dependent upon the federal grant fund and membership revenue sources.

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 \$132,346

unassigned fund balance at September 30, 2018.

COMPLIANCE SECTION

DRAFT

**GULF CONSORTIUM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<u>Federal Grantor/Pass-Through Grantor/State Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Contract Number</u>	<u>Expenditures</u>	<u>Pass-Through to Subrecipients</u>
FEDERAL AWARDS				
Gulf Coast Ecosystem Restoration Council (RESTORE Council)				
Gulf Coast Ecosystem Restoration Council Oil Spill Impact Program	87.052	GNTSP16FL0021	\$ 1,891,867	\$ -
TOTAL FEDERAL AWARDS			<u>\$ 1,891,867</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

GULF CONSORTIUM
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of Gulf Consortium (Consortium) and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Consortium, it is not intended to and does not present the net position or changes in net position of the Consortium.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

C. DE MINIMIS INDIRECT COST RATE ELECTION

Consortium has elected to use the 10 percent de minimis indirect cost rate as allowed under *Uniform Guidance*.

**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 investments for the year ended September 30, 2018.

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 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 Client'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, 2018.

Fort Walton Beach, Florida

2019

**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, the governmental activities, and general fund of the Gulf Consortium, as of and for the year ended September 30, 2018, 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 xxxxxxxx, 2019.

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 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*.

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.

Fort Walton Beach, Florida
XXXXXXXX, 2019

DRAFT

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

To the Members of the Gulf Consortium

Report on Compliance for the Major Federal Program

We have audited the compliance of Gulf Consortium (Consortium) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Consortium's major federal program for the year ended September 30, 2018. Consortium's major federal program is identified in the summary of auditor results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Consortium's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 occurred. An audit includes examining, on a test basis, evidence about Consortium'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 the major federal program. However, our audit does not provide a legal determination of Consortium's compliance with those requirements.

Opinion on Major Federal Program

In our opinion, Consortium complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2018.

Report on Internal Control over Compliance

Management of Consortium 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 the internal control over compliance with 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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Consortium'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 noncompliance 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 of the 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.

Purpose of this Report

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Fort Walton Beach, Florida
XXXXXXXX, 2019

**GULF CONSORTIUM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

• Material weakness(es) identified? _____

Yes

 X

No

• Significant deficiency(ies) identified that is/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 deficiency(ies) identified that is/are not considered to be material weaknesses? _____

Yes

 X

None Reported

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

Unmodified

• Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? _____

Yes

 X

No

Identification of major projects:

CFDA Number/ Name of Federal Program or Cluster

Federal CFDA Number

Gulf Coast Ecosystem Restoration Council Oil Spill Impact Program

87.052

Dollar threshold used to distinguish between type A and type B programs for federal awards?

\$750,000

Auditee qualified as low-risk auditee for federal awards? _____

Yes

 X

No

B. FINDINGS – FINANCIAL STATEMENTS

There were no findings, which were required to be reported in accordance with government auditing standards generally accepted in the United States of America.

**GULF CONSORTIUM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM

There were no findings, which were required to be reported in accordance with the Uniform Guidance.

DRAFT

**GULF CONSORTIUM
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Findings Related to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards (GAGAS)

FINDING 2017-001: Documentation of Internal Controls Related to Grants

Condition: This finding was a material weakness stating 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.

Recommendation: The auditor recommended 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 Committee of Sponsoring Organizations (COSO) model.

Current Status: Corrective action was taken.

FINDING 2017-002: Supporting Documentation for Grant Payments

Condition: This finding was a material weakness noting several grant-related payments to one contractor lacked supporting documentation. The Consortium did not maintain evidence that substantiated the related tasks/deliverables had been completed or appropriate progress had been made on a task prior to making payment on the contract.

Recommendation: The auditor recommended the Consortium request supporting documentation to sufficiently supports; goods purchased, services performed or task progress/completion from all vendors prior to making payments.

Current Status: Corrective action was taken.

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, 2018, and the related notes to the financial statements, and have issued our report thereon dated March XXXXXX, 2019.

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; the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, And the Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Florida 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*; Independent Auditors' Report on Compliance of Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; 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 XXXX, 2019, 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. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

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 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 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.

Financial Condition and Management – Continued

Pursuant to Sections 10.554(1)(i)5.b. 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.

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

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, we did not note 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.

Fort Walton Beach, Florida

XXXXXX, 2019