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AGENDA

THE GULF CONSORTIUM
Risk and Audit Committee Meeting

Thursday, May 30, 2024 2:00 p.m. ET

Teams Meeting
United States: +1 (469) 262-1735
Access Code: 139-934-62#

Committee Members

Chair – LaWanda Pemberton (Taylor County), Commissioner Robert Carroll (Bay County),
Patricia Wilken (Sarasota), Richard Arthur (Charlotte County)

Staff

Valerie Seidel, Richard Bernier, Dan Dourte (The Balmoral Group)
Lynn Hoshihara, Evan Rosenthal (NGN)

Guests

Angela Balent, CPA
Warren Averett

Item 1. Call to Order.

Chair Pemberton will call the meeting to order.

Item 2. Roll Call.

Valerie Seidel will call the roll.

Item 3. Additions or Deletions.

Any additions or deletions to the committee meeting agenda will be announced.

RECOMMEND: Approval of a final agenda.

Item 4. Public Comments.

The public is invited to provide comments on issues that are on today's agenda.

Item 5. Consortium Audit.

A summary of the audit will be provided verbally to the Audit Committee. Angela Balent from Warren Averett will present the audit results for the year.

(Please see backup pages 5-46)



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RECOMMEND: Recommendation to approve the Auditors report for full Board review.

Item 6. Public Comments.

The public is invited to provide comments on relevant issues.

Item 7. Committee Member Comments.

Members of the Gulf Consortium Audit Committee are invited to provide comments on relevant issues

Item 8. Next Meetings.

N/A

Item 9. Adjourn.

AGENDA ITEM 4

Gulf Consortium Audit Committee Meeting

May 30, 2024

**Agenda Item 4
Public Comments**

Statement of Issue:

The public is invited to provide comments on issues that are on today's agenda.

Attachments:

None

Prepared by:

Richard Bernier
The Balmoral Group
Controller
On: May 21, 2024

**Gulf Consortium Audit Committee Meeting
May 30, 2024**

**Agenda Item 5
Consortium Audit**

Statement of Issue:

Board acceptance of the findings of the Consortium's Audit and Federal Single Audit.

Background:

A summary of the audit will be provided verbally to the Audit Committee. Angela Balent from Warren Averett will present the audit results for the year. Committee members will have the opportunity to speak with audit team members without staff present.

Options:

- (1) Approve the Auditors report for full Board review
- (2) Audit Committee Direction

Recommendation:

Motion to approve Option 1.

Attachments:

Annual Financial Report and Independent Audit Report, through September 30, 2023

Prepared by:

Valerie Seidel
The Balmoral Group
On: May 21, 2024

Action Taken:

Motion to: _____, Made by: _____;

Seconded by: _____.

Approved ____; Approved as amended ____; Defeated _____.

GULF CONSORTIUM

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

DRAFT

**GULF CONSORTIUM
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INDEPENDENT AUDITORS' REPORT

To the Honorable Members of
Gulf Consortium

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of Gulf Consortium (the Consortium), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Consortium's basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Consortium and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Consortium's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Consortium's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Consortium's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the general fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Consortium's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 basic 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 [REPORT DATE], 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

[REPORT DATE]

**GULF CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

As management of Gulf Consortium (the Consortium), our discussion and analysis provides an overview of the Consortium's financial performance and activities for the fiscal year ended September 30, 2023. 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 \$4,836,996 (net position), which represents an increase of \$4,790,314 from the prior year. Of this amount, \$4,725,817 is restricted for restoration and recovery projects and \$111,179 is unrestricted and may be used to meet the Consortium's ongoing obligations to its members and creditors.
- Program revenues consist of membership assessments paid by each of the 23 member counties, grant awards expended from the Oil Spill Impact Program, and a class action settlement payment related to the *Deepwater Horizon* oil spill. Total revenues recognized during fiscal year 2023 were \$7,985,424.
- The Consortium's governmental fund (the general fund) reported ending fund balance of \$4,836,996, which represents an increase of \$4,790,314 from the prior year. Ending unassigned fund balance of \$111,179 is available for spending at the discretion of the Board of Directors. Unassigned fund balance represents 3.5% of total expenditures for the general fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Consortium is a legal entity and public body created pursuant to the provisions of Chapter 163, Florida Statutes (the Interlocal Act) in 2012 through an interlocal agreement between the 23 Florida counties with frontage along the Gulf of Mexico (the member counties), from Escambia County in the western panhandle of Florida to Monroe County on the southern tip of Florida.

The member counties formed the Consortium to join together for the purposes of implementing the consortia of local political subdivisions contemplated by the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (the RESTORE Act). The Consortium's primary purpose is to develop a State Expenditure Plan (SEP) for the expenditure of the Oil Spill Restoration Impact Allocation required by the RESTORE Act following the *Deepwater Horizon* oil spill event in 2010.

The Consortium's Board of Directors consists of one representative from each of the member counties. As a public agency, the Consortium must meet all state transparency requirements, including the Public Records Law and the Florida Sunshine Law. The Board of Directors meets on a quarterly basis to carry out its duties in administering the oil spill funds.

The Consortium executed a memorandum of understanding (MOU) with Florida Governor Rick Scott in 2013 to foster the development of the SEP, to enhance coordination and also to ensure consistency with the goals and objectives of the Gulf Coast Ecosystem Restoration Council's (the Restoration Council) Initial Comprehensive Plan. The MOU outlines cooperation elements between the Governor's Office and the Consortium and identifies the Consortium as the party responsible for the creation of the SEP.

**GULF CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

This discussion and analysis intends to serve as an introduction to the Consortium's basic financial statements. The Consortium's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

Designed to be corporate-like, the government-wide financial statements report on governmental activities. This provides readers with a broad overview of the Consortium's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the Consortium's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Consortium is improving or deteriorating. The statement of activities presents information showing how the Consortium's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The basic government-wide financial statements are found on pages 9-10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities of objectives. The Consortium, like other government agencies, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only fund maintained by the Consortium is the general fund, which is classified as a governmental fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. Found on pages 11-12 of this report are the basic governmental fund financial statements.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Beginning on page 13 of this report are the notes to the financial statements.

**GULF CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the Consortium, assets exceeded liabilities by \$4,836,996 (net position) as of September 30, 2023, as reported in Table 1.

**TABLE 1
GULF CONSORTIUM
STATEMENTS OF NET POSITION - GOVERNMENTAL ACTIVITIES
AS OF SEPTEMBER 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 467,010	\$ 42,451
Due from other governments	367,490	60,761
Other receivables	4,725,817	-
Prepaid items	21,828	16,184
TOTAL ASSETS	<u>5,582,145</u>	<u>119,396</u>
LIABILITIES		
Accounts payable	745,149	68,743
Accrued liabilities	-	3,971
TOTAL LIABILITIES	<u>745,149</u>	<u>72,714</u>
NET POSITION		
Restricted - restoration and recovery projects	4,725,817	-
Unrestricted	111,179	46,682
TOTAL NET POSITION	<u>\$ 4,836,996</u>	<u>\$ 46,682</u>

**GULF CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

The overall increase in the Consortium's net position was \$4,790,314 for fiscal year 2023. The increase in net position was primarily attributable to a nonrecurring class action settlement with Halliburton and Transocean related to punitive damages and assigned claims for the *Deepwater Horizon* oil spill. Table 2 highlights the key elements of the increase in net position.

**TABLE 2
GULF CONSORTIUM
STATEMENTS OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
REVENUES		
Program revenues		
Charges for services		
Membership assessments	\$ 124,122	\$ 124,122
Class action settlement	4,725,817	-
Total charges for services	<u>4,849,939</u>	<u>124,122</u>
Operating grants and contributions	<u>3,135,485</u>	<u>9,455,010</u>
TOTAL REVENUES	<u>7,985,424</u>	<u>9,579,132</u>
EXPENSES		
General government		
Grant-funded expenses	3,135,485	9,455,010
Non-grant funded expenses	<u>59,625</u>	<u>92,603</u>
TOTAL EXPENSES	<u>3,195,110</u>	<u>9,547,613</u>
CHANGE IN NET POSITION	4,790,314	31,519
NET POSITION, BEGINNING OF YEAR	<u>46,682</u>	<u>15,163</u>
NET POSITION, END OF YEAR	<u>\$ 4,836,996</u>	<u>\$ 46,682</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The fiscal year 2024 budget adopted by the Board of Directors is \$44,706,638, which represents a decrease of 11.8% from the adopted budget for fiscal year 2023. The 2024 budget includes appropriations of \$124,122 for membership expenditures, \$82,516 for adaptive planning grant expenditures, and \$44,500,000 for SEP grant expenditures.

**GULF CONSORTIUM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Consortium's financial activities for the fiscal year ended September 30, 2023. Questions concerning any of the information provided in the report or requests for additional information should be addressed to The Balmoral Group, LLC, 165 Lincoln Avenue, Winter Park, Florida 32789.

DRAFT

**GULF CONSORTIUM
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 467,010
Due from other governments	367,490
Prepaid items	21,828
Restricted assets	
Other receivables	4,725,817
TOTAL ASSETS	5,560,317
LIABILITIES	
Accounts payable	745,149
NET POSITION	
Restricted - restoration and recovery projects	4,725,817
Unrestricted	111,179
TOTAL NET POSITION	\$ 4,836,996

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See notes to the financial statements.

**GULF CONSORTIUM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

<u>Function / Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities					
General government	\$ 3,195,110	\$ 4,849,939	\$ 3,135,485	\$ -	\$ 4,790,314
					46,682
					\$ 4,836,996

DRAFT

See notes to the financial statements.

**GULF CONSORTIUM
GOVERNMENTAL FUND – GENERAL FUND
BALANCE SHEET
SEPTEMBER 30, 2023**

ASSETS

Cash and cash equivalents	\$ 467,010
Due from other governments	367,490
Other receivables	4,725,817
Prepaid items	<u>21,828</u>

TOTAL ASSETS

\$ 5,582,145

LIABILITIES

Accounts payable	<u>\$ 745,149</u>
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FUND BALANCE

Restricted for restoration and recovery projects	4,725,817
Unassigned	<u>111,179</u>

TOTAL FUND BALANCE

4,836,996

TOTAL LIABILITIES AND FUND BALANCE

\$ 5,582,145

DRAFT

See notes to the financial statements.

**GULF CONSORTIUM
GOVERNMENTAL FUND – GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

REVENUES

Intergovernmental:	
Planning grants	\$ 37,347
State expenditure plan (SEP) grants	3,098,138
Charges for services:	
Membership assessments	124,122
Fines and forfeitures:	
Class action settlement	<u>4,725,817</u>
Total revenues	<u>7,985,424</u>

EXPENDITURES

Current	
General government	
Membership expenditures	
Management fees	42,842
Legal and other professional fees	6,405
Meetings and other operating expenditures	<u>10,378</u>
Total membership expenditures	59,625
Grant expenditures	
Planning grants	37,347
SEP grants	<u>3,098,138</u>
Total grant expenditures	<u>3,135,485</u>
Total expenditures	<u>3,195,110</u>
NET CHANGE IN FUND BALANCE	4,790,314
FUND BALANCE AT BEGINNING OF YEAR	<u>46,682</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ 4,836,996</u></u>

See notes to the financial statements.

**GULF CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CONSORTIUM

Description of the Consortium

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 (the RESTORE Act). The RESTORE Act was established as a mechanism for providing funding to the affected Gulf Coast states 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 state 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 (the 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 funded from a portion of the Gulf Coast Restoration Trust Fund, which is derived from administrative and civil penalties from responsible parties in connection with the explosion on, and sinking of, the mobile offshore drilling unit, *Deepwater Horizon*. In Florida, the RESTORE Act, pursuant to 33 U.S.C. Chapter 1321(t)(3), requires a consortia of local political subdivisions to develop a State Expenditure Plan (SEP), for the expenditure of the Oil Spill Restoration Impact Allocation Component of the Gulf Coast Restoration Trust Fund (the Trust Fund), as established in the RESTORE Act.

The Consortium was established as a separate legal entity pursuant to the provisions of Chapter 163, Florida Statutes (the Interlocal Act), in 2012 through an interlocal agreement between the 23 Florida counties with frontage along the Gulf of Mexico (the member counties). The Consortium's primary purpose is to 1) develop Florida's SEP; 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 the member counties.

In 2015, the Restoration Council published its final rule on the RESTORE Act, Spill Impact Component allocation formula. The Spill Impact Component is comprised of 30% of funds in the Trust Fund. Amounts held in the Trust Fund represent 80% of the civil and administrative penalties paid out by the responsible parties as authorized by the Clean Water Act. The Spill Impact Component funding is expected to total \$1.6 billion. Florida's allocation of the Spill Impact Component is 18.36% of the total Spill Impact Component funding, or approximately \$293 million.

In 2015, the Consortium's planning grant application to prepare the SEP was submitted to the Restoration Council and was subsequently approved. The Consortium's SEP was approved by the Restoration Council in September 2018, and the Board of Directors (the Board) received approval to commence implementation activities in February 2019. The Board approved the first group of grant applications in March 2019, and the first project was awarded in September 2019. As of September 30, 2023, 34 projects have been awarded pursuant to the SEP.

**GULF CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

The Reporting Entity

The Consortium was organized as an independent special district under the laws and regulations of the State of Florida. Membership in the Consortium is limited to the counties that were impacted by the *Deepwater Horizon* oil spill. Each member county appoints one director to the Consortium to act as its representative. 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.

Government-wide and Fund Financial Statements

Government-wide financial statements, including the statement of net position and statement of activities, present information about the Consortium as a whole. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Council's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include assessments paid by member counties, grants and contributions that are restricted to meeting the requirements of a particular program and other revenues from exchange transactions. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Consortium.

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.

**GULF CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

The financial transactions of the Consortium are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual net position or fund balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The Consortium reports the following major governmental fund:

General Fund – The general fund is the chief 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.

Cash and Cash Equivalents

The Consortium considers cash on hand, demand deposits, and short-term investments purchased within three months of maturity to be cash and cash equivalents.

Deposits

Section 218.415, Florida Statutes, requires the investment of surplus public funds and prescribes the instruments in which those investments are authorized. The Consortium adheres strictly to the provisions of those cited statutes, as well as Chapter 280, Florida Statutes, which requires the Consortium to maintain deposits only with *Qualified Public Depositories*.

Membership Assessments

The Consortium levies an annual assessment on member counties to fund general administrative and management activities of the Consortium. The amount of the annual assessment is different for large counties than small counties. For the fiscal year ended September 30, 2023, the annual assessment for the 15 large member counties was \$7,334, and the annual assessment for the 8 small member counties was \$1,764.

Intergovernmental Revenues

The Consortium's intergovernmental revenues consist of federal program grant funding allocated for eligible projects. Once an eligible project is approved for funding by the Restoration Council, revenue is recognized by the Consortium when eligible grant expenditures are incurred. Revenues and expenditures for pre-award management and administrative costs are recognized when invoiced by the contracted service provider up to the limits specified in each grant agreement.

Grant Activities

When grants are awarded, the entire amount of the award is recorded as a grant receivable with an offsetting accrued grant liability. This is done to track the total amount remaining on each grant award. Although this is the Consortium's policy, it is not in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Management records journal entries at year-end to adjust these amounts to be reported in accordance with U.S. GAAP.

Net Position

Net position in the government-wide financial statements is categorized as restricted or unrestricted. Restricted net position consists of restricted assets reduced by liabilities related to those assets. The Consortium considers restricted amounts to be used first when both restricted and unrestricted net position is available.

**GULF CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

Fund Balance

GASB establishes fund balance classifications using a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Fund balance classifications used by the Consortium are comprised of the following:

- Nonspendable – includes amounts that are (a) not in a spendable form, or (b) legally or contractually required to be maintained intact. For the Consortium, nonspendable fund balance typically consists of prepaid items.
- Restricted – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Assigned – includes amounts intended to be used by the Consortium for specific purposes that not restricted. Intent is expressed by the Board to assign amounts to be used for specific purposes.
- Unassigned – is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, assigned, and unassigned.

Estimates

The preparation of financial statements in conformity with GAAP 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.

Reclassifications

Certain amounts presented for the prior year have been reclassified in order to be consistent with the current year presentation. Such reclassifications have no effect on fund balance or net position previously reported.

Subsequent Events

The Consortium has evaluated events and transactions that occurred between September 30, 2023, and [REPORT DATE], which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**GULF CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

2. DEPOSITS

Deposits may be exposed to custodial credit risk, which is the risk that, in the event of a bank failure, the government's deposits may not be returned. The Consortium maintains its deposits only with *Qualified Public Depositories*, as defined in Chapter 280, Florida Statutes. The provisions of this statute allow *Qualified Public Depositories* to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All *Qualified Public Depositories* must place with (or in the name of) the Chief Financial Officer of the State of Florida, collateral in the amount of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125 percent of the average daily balance of public deposits greater than capital. In the event of default by a *Qualified Public Depository*, excess losses over insurance and collateral will be recovered through assessments to all *Qualified Public Depositories* of the same type as the depository in default. Under this method, all Consortium's deposits are considered fully insured. On September 30, 2023, the Consortium had deposits totaling \$467,010. All of which were held by *Qualified Public Depositories*.

3. RECEIVABLES

The amounts reported as due from other governments consist of reimbursements due from the Restoration Council for qualified expenditures incurred for cost-reimbursement grants. On September 30, 2023, the amount due from the Restoration Council was \$367,490.

The amount reported as other receivables consists of proceeds from a class action settlement with the parties responsible for the *Deepwater Horizon* oil spill. See Note 6 of this report for additional information.

4. COMMITMENTS AND CONTINGENCIES

State of Florida

In 2013, the Consortium entered into a memorandum of understanding (MOU) with the Florida Governor's Office 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 ecosystems and energize the economic recovery in the region. The MOU requires coordination with the Governor's Office on projects in the SEP, which will be certified, if appropriate, by the Governor to the Restoration Council for approval. 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 SEP. Additionally, the Consortium consults with various state agencies on the development of the SEP and provides the SEP to the Governor for review prior to submission to the Restoration Council.

**GULF CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

Management Contract

In 2017, the Consortium engaged The Balmoral Group, LLC (Balmoral) to serve as its full-time general manager. Contract services provided include administration of the Consortium's operations, as well as other administrative duties, including financial management, accounting services and annual budget preparation. The compensation for these services that are not eligible for reimbursement under federal grant awards is at a rate of \$175 per hour, not to exceed \$100,000 per fiscal year. Non-grant related expenditures under this contract for the year ended September 30, 2023, totaled \$42,842. The contract also recognizes certain management services may be eligible for grant reimbursement which can also be billed at a rate of \$175 per hour, not to exceed \$350,000 per fiscal year. Management expenditures relating to activities eligible for grant reimbursement for the year ended September 30, 2023, totaled \$241,635. In January 2021, the management contract with Balmoral was extended through April 30, 2023, with an additional one-year automatic renewal period through April 30, 2024.

Procurement Services

The Consortium has an interlocal agreement with Leon County, Florida, to provide competitive procurement services, as needed. The level of effort related to these services was not significant during the year ended September 30, 2023, and as such, no expenditures or related revenue have been recorded.

Fiscal Management Services

The Consortium has an interlocal agreement with the Leon County Clerk of Circuit Court and Comptroller (Clerk) to provide distribution and paying agent services for payment of costs and expenditures associated with developing and implementing the SEP. Effective in March 2019, the Clerk performs these responsibilities for three basis points on each transaction processed. For the year ending September 30, 2023, the Clerk charged the Consortium \$858 for processing services under this agreement.

Grants

Amounts received or receivable from the Restoration Council are subject to audit and adjustment. If expenditures are disallowed as a result of these audits, the claim for reimbursement to the Restoration Council would become a liability of the Consortium. In the opinion of management, any such adjustments would not be significant, and therefore, do not have a material adverse effect on the Consortium's financial position.

As of September 30, 2023, the Consortium had outstanding federal grant awards of approximately \$49.3 million for approved projects by the Restoration Council. The federal grant funding is not available to the Consortium until expenditures are incurred and, therefore, are not recorded as receivables. The grant expenditures are subject to audit to ensure compliance with conditions precedent to the awarding of grant funds. Any liability for reimbursement that may arise as the result of these audits is not believed to be material by management.

The schedule that follows shows the amounts expended and the funding remaining for open grant awards as of September 30, 2023:

**GULF CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

Grantee(s)	Federal Award Identification Number	Award Amount	Funds Expended to Date	Award Funds Remaining
OPEN GRANTS				
Gulf	GNSSP20FL0010	\$ 3,065,101	\$ 152,175	\$ 2,912,926
Hillsborough	GNSSP20FL0012	5,132,239	3,334,756	1,797,483
Levy	GNSSP20FL0013	2,080,054	35,837	2,044,217
Adaptive planning	GNSSP21FL0020	604,602	161,743	442,859
Manatee	GNSSP21FL0022	689,687	21,260	668,427
Pinellas	GNSSP21FL0023	2,085,262	620,181	1,465,081
Escambia	GNSSP21FL0025	1,121,773	366,027	755,746
Manatee	GNSSP21FL0028	344,885	17,685	327,200
Franklin	GNSSP21FL0029	6,107,397	6,029,675	77,722
Citrus	GNSSP22FL0034	5,997,571	259,046	5,738,525
Santa Rosa	GNSSP22FL0036	3,460,834	73,651	3,387,183
Taylor	GNSSP22FL0037	1,075,161	12,320	1,062,841
Wakulla	GNSSP22FL0039	7,721,441	16,523	7,704,918
Okaloosa	GNSSP22FL0040	1,431,554	14,180	1,417,374
Pasco	GNSSP22FL0041	5,090,277	13,982	5,076,295
Manatee	GNSSP22FL0044	2,039,612	13,248	2,026,364
Taylor	GNSSP23FL0046	383,665	8,665	375,000
Citrus	GNSSP23FL0047	1,246,249	9,540	1,236,709
Pinellas	GNSSP23FL0048	3,374,518	6,233	3,368,285
Taylor	GNSSP23FL0049	621,686	7,190	614,496
Gulf	GNSSP23FL0050	889,017	19,416	869,601
Okaloosa	GNSSP23FL0052	1,620,624	11,594	1,609,030
Okaloosa	GNTSP20FL0090	1,066,139	465,029	601,110
Pinellas	GNTSP20FL0091	1,237,121	1,040,483	196,638
Sarasota	GNTSP20FL0092	1,107,192	21,611	1,085,581
Collier	GNTSP20FL0097	820,516	253,853	566,663
Bay	GNTSP20FL0098	545,139	304,254	240,885
Walton	GNTSP20FL0105	679,029	19,649	659,380
Citrus	GNTSP20FL0107	695,024	181,010	514,014
Hernando	GNTSP20FL0110	778,622	342,793	435,829
TOTALS		<u>\$ 63,111,991</u>	<u>\$ 13,833,609</u>	<u>\$ 49,278,382</u>

**GULF CONSORTIUM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

5. CONCENTRATIONS

For the fiscal year ended September 30, 2023, \$3,135,485, or approximately 39%, of the Consortium's revenues were derived from federal grants awarded by the Restoration Council. The Consortium is fiscally dependent upon the federal grant funding from the Restoration Council to carry out its strategic objectives.

6. CLASS ACTION SETTLEMENT

In August 2023, the final amended settlement order for closure of claims and punitive damages related to a class action lawsuit against the responsible parties for the *Deepwater Horizon* oil spill was executed by the U.S. District Court for the Eastern District of Louisiana. Under the terms of the settlement, the remaining settlement proceeds to be paid by Halliburton Energy Services, Inc. (HESI) and Transocean were allocated to the states disproportionately affected by the incident. The Consortium, as the designated agency for the State of Florida, received 17% of settlement proceeds, which totaled \$4,725,817. The settlement proceeds and any interest accrued thereon are to be utilized for purposes of Gulf Coast restoration and recovery on projects and programs approved and implemented pursuant to the RESTORE Act and the Spill Impact Component thereof.

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REQUIRED SUPPLEMENTARY INFORMATION

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GULF CONSORTIUM
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental:				
Planning grants	\$ 232,470	\$ 232,470	\$ 37,347	\$ (195,123)
State expenditure plan (SEP) grants	100,963,600	100,963,600	3,098,138	(97,865,462)
Charges for services:				
Membership assessments	124,120	124,120	124,122	2
Fines and forfeitures:				
Class action settlement	-	-	4,725,817	4,725,817
TOTAL REVENUES	<u>101,320,190</u>	<u>101,320,190</u>	<u>7,985,424</u>	<u>(93,334,766)</u>
EXPENDITURES				
Membership expenditures				
Management fees	65,450	65,450	42,842	22,608
Legal and other professional fees	20,000	20,000	6,405	13,595
Meetings and other operating expenditures	20,215	20,215	10,378	9,837
Total membership expenditures	105,665	105,665	59,625	46,040
Grant expenditures				
Planning grants	108,504	108,504	37,347	71,157
SEP grants	50,481,800	50,481,800	3,098,138	47,383,662
Total grant expenditures	50,590,304	50,590,304	3,135,485	47,454,819
TOTAL EXPENDITURES	<u>50,695,969</u>	<u>50,695,969</u>	<u>3,195,110</u>	<u>47,500,859</u>
EXCESS OF REVENUES OVER EXPENDITURES	50,624,221	50,624,221	4,790,314	(45,833,907)
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>46,682</u>	<u>46,682</u>
FUND BALANCE AT END OF YEAR	<u>\$ 50,624,221</u>	<u>\$ 50,624,221</u>	<u>\$ 4,836,996</u>	<u>\$ (45,787,225)</u>

See notes to the required supplementary information.

**GULF CONSORTIUM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Budgetary Requirement and Basis

Expenditures are controlled by appropriations in accordance with the budget requirements set forth in the Consortium Board's policy. The budgeted revenues and expenditures 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).

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COMPLIANCE SECTION

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**GULF CONSORTIUM
 OTHER SUPPLEMENTARY INFORMATION
 SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS
 RELATED TO THE *DEEPWATER HORIZON* OIL SPILL
 FOR THE YEAR ENDED SEPTEMBER 30, 2023**

<u>Source</u>	<u>Amounts Received in the 2022-23 Fiscal Year</u>	<u>Amounts Expended in the 2022-23 Fiscal Year</u>
Gulf Coast Restoration Trust Fund Oil Spill Impact Program ¹	<u>\$ -</u>	<u>\$ -</u>

¹ NOTE: This does not include funds related to the *Deepwater Horizon* oil spill that are considered federal awards. The schedule of expenditures of federal awards includes \$3,132,614 of expenditures of federal awards (included for Assistance Listing No. 87.052), that are related to the *Deepwater Horizon* oil spill.

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS RELATED TO THE *DEEPWATER HORIZON* OIL SPILL

To the Honorable Members of
Gulf Consortium

We have audited the financial statements of the Gulf Consortium (the Consortium) as of and for the year ended September 30, 2023, and have issued our report thereon dated **DATE**, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The Schedule of Receipts and Expenditures of Funds related to the *Deepwater Horizon* Oil Spill, as listed in the table of contents, is presented for the purpose of additional analysis as required by Chapter 288.8018, Florida Statutes, and Chapter 10.557(3)(f), *Rules of the Auditor General*, and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Fort Walton Beach, Florida
DATE

**GULF CONSORTIUM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Federal Agency / Program Title	Assistance Listing Number	Contract/Grant Number	Expenditures	Passed Through to Subrecipients
Gulf Coast Ecosystem Restoration Council (RESTORE Council)				
Direct programs				
Oil Spill Impact Program	87.052	GNSSP20FL0010	\$ 18,816	\$ 12,914
Oil Spill Impact Program	87.052	GNSSP20FL0012	18,793	-
Oil Spill Impact Program	87.052	GNSSP20FL0013	9,609	-
Oil Spill Impact Program	87.052	GNSSP21FL0020	37,348	-
Oil Spill Impact Program	87.052	GNSSP21FL0022	3,038	-
Oil Spill Impact Program	87.052	GNSSP21FL0023	603,780	597,199
Oil Spill Impact Program	87.052	GNSSP21FL0025	351,500	348,287
Oil Spill Impact Program	87.052	GNSSP21FL0028	6,084	-
Oil Spill Impact Program	87.052	GNSSP21FL0029	1,004,808	1,000,000
Oil Spill Impact Program	87.052	GNSSP21FL0030	2,714	-
Oil Spill Impact Program	87.052	GNSSP22FL0034	243,922	240,884
Oil Spill Impact Program	87.052	GNSSP22FL0036	62,909	44,260
Oil Spill Impact Program	87.052	GNSSP22FL0037	1,676	-
Oil Spill Impact Program	87.052	GNSSP22FL0039	3,807	-
Oil Spill Impact Program	87.052	GNSSP22FL0040	3,195	-
Oil Spill Impact Program	87.052	GNSSP22FL0041	3,801	-
Oil Spill Impact Program	87.052	GNSSP22FL0044	4,060	-
Oil Spill Impact Program	87.052	GNSSP23FL0046	8,665	-
Oil Spill Impact Program	87.052	GNSSP23FL0047	9,540	-
Oil Spill Impact Program	87.052	GNSSP23FL0048	6,233	-
Oil Spill Impact Program	87.052	GNSSP23FL0049	7,190	-
Oil Spill Impact Program	87.052	GNSSP23FL0050	19,416	5,800
Oil Spill Impact Program	87.052	GNSSP23FL0052	11,594	-
Oil Spill Impact Program	87.052	GNTSP20FL0090	186,230	183,374
Oil Spill Impact Program	87.052	GNTSP20FL0091	3,240	-
Oil Spill Impact Program	87.052	GNTSP20FL0092	5,519	-
Oil Spill Impact Program	87.052	GNTSP20FL0097	69,283	61,562
Oil Spill Impact Program	87.052	GNTSP20FL0098	117,853	103,125
Oil Spill Impact Program	87.052	GNTSP20FL0105	1,969	-
Oil Spill Impact Program	87.052	GNTSP20FL0107	1,882	-
Oil Spill Impact Program	87.052	GNTSP20FL0110	304,140	300,899
			<u>\$ 3,132,614</u>	<u>\$ 2,898,304</u>

See notes to the schedule of expenditures of federal awards.

GULF CONSORTIUM
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Gulf Consortium (the Consortium) under programs of the federal government for the year ended September 30, 2023. 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the 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 modified-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.

Once an eligible project is approved for funding by the Restoration Council, revenue is recognized by the Consortium when eligible grant expenditures are incurred. Revenues and expenditures for pre-award management and administrative costs are recognized when invoiced by the contracted service provider up to the limits specified in each grant agreement.

C. DE MINIMIS INDIRECT COST RATE ELECTION

The Consortium has elected not to use the ten 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 Honorable Members of
Gulf Consortium

We have examined the Gulf Consortium's (the Consortium's) compliance with the following requirements for the year ended September 30, 2023:

- 1) Section 218.415, Florida Statutes, in regard to investments.
- 2) Section 218.8018, Florida Statutes, in regard to the *Deepwater Horizon* oil spill receipts and expenditures.

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, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Consortium complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material 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.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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 specified requirements for the year ended September 30, 2023.

Fort Walton Beach, Florida
[REPORT DATE]

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

To the Honorable Members of
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 of the governmental activities and general fund of the Gulf Consortium (the Consortium), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Consortium’s basic financial statements, and have issued our report thereon dated [REPORT DATE].

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Consortium’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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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

[REPORT DATE]

DRAFT

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Members of
Gulf Consortium

Report on Compliance for the Oil Spill Impact Program

Opinion on the Oil Spill Impact Program

We have audited the Gulf Consortium’s (the Consortium) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Consortium’s Oil Spill Impact Program (the Program) for the year ended September 30, 2023.

In our opinion, the Consortium complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Program for the year ended September 30, 2023.

Basis for Opinion on the Oil Spill Impact Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors’ Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Consortium and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Consortium’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Consortium’s federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Consortium's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Consortium's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Consortium's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Consortium's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Consortium's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
[REPORT DATE]

DRAFT

**GULF CONSORTIUM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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? ___ Yes X None Reported
- Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified? ___ Yes X None Reported

Type of auditors' report issued on compliance for federal program: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? ___ Yes X No

Identification of major program:

Name of Federal Program or Cluster	Assistance Listing Num.
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?	<u> X </u> Yes <u> </u> No

**GULF CONSORTIUM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

B. FINANCIAL STATEMENT FINDINGS

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

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

DRAFT

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, 2023, and the related notes to the financial statements and have issued our report thereon dated [REPORT DATE]

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 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*; Independent Auditors' Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance; Schedule of Findings and Questioned Costs; and Independent Accountants' 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 and schedule, which are dated [REPORT DATE], 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 corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. There were no findings or 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 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.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 make any such recommendations to improve financial management.

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, *Rules of the Auditor General*, the Consortium reported:

- a. No Consortium employees were compensated in the last pay period of the district's fiscal year.
- b. No independent contractors to whom nonemployee compensation was paid in the last month of the Consortium's fiscal year.
- c. No compensation was earned by or awarded to employees, whether paid or accrued, regardless of contingency.
- d. No compensation was earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency.
- e. No construction projects with a total of at least \$65,000 were approved by the Consortium that are scheduled to begin on or after October 1 of the fiscal year being reported.
- f. No budget variances or amendments based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported.

The specific information reported in the previous paragraph has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate 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 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, the Board of Directors and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Fort Walton Beach, Florida

[REPORT DATE]

DRAFT

AGENDA ITEM 6

Gulf Consortium Audit Committee Meeting

May 30, 2024

**Agenda Item 6
Public Comments**

Statement of Issue:

The public is invited to provide comments on relevant issues.

Attachments:

None

Prepared by:

Richard Bernier
The Balmoral Group
Controller
On: May 21, 2024

AGENDA ITEM 7

**Gulf Consortium Audit Committee Meeting
May 30, 2024**

**Agenda Item 7
Audit Committee Member Comments**

Statement of Issue:

Members of the Audit Committee are invited to provide comments on relevant issues.

Attachments:

None

Prepared by:

Richard Bernier
The Balmoral Group
Controller
On: May 21, 2024