

June 26, 2019

The Honorable Ron DeSantis
Governor
Plaza Level, The Capitol
400 South Monroe Street
Tallahassee, Florida 32399

The Honorable Bill Galvano
President
The Florida Senate
409 The Capitol
404 South Monroe Street
Tallahassee, Florida 32399-1100

The Honorable Jose Oliva
Speaker
The Florida House of Representatives
420 The Capitol
402 South Monroe Street
Tallahassee, Florida 32399-1300

RE: Triumph Gulf Coast, Inc. Semi-Annual Report January 2019 – June 2019

Dear Governor DeSantis, President Galvano and Speaker Oliva:

The Northwest Florida gulf coast has borne the heavy brunt of the worst manmade disaster in US maritime history, the 2010 Deepwater Horizon oil spill, and one of the most deadly and destructive hurricanes in American history, Hurricane Michael, in 2018.

A coastal region recovering from the oil spill was again deeply ruptured by the ongoing impact of the hurricane. The catastrophic effects of Hurricane Michael underscore the serious need to promote a wider and stronger economic base so that dangers arising from the Gulf or political decisions in Washington don't again bring Northwest Florida to its knees.

In the aftermath of Deepwater Horizon, the Legislature directed the Attorney General to seek economic damages from BP and set aside three-fourths of the \$2 billion settlement approved by the federal court to help diversify and strengthen the disproportionately affected coastal economy. (s. 288.8011, F.S. and s. 288.8012, F.S.)

The Legislature established Triumph Gulf Coast as the repository and administrator of \$1.5 billion to be paid by BP over 15 years (s. 288.8013, F.S.) The remaining \$500 million in oil spill damage funds are paid by BP directly to the state for the unrestricted use of the Legislature.

In the twenty-two months since Triumph Gulf Coast received its initial \$300 million payment from BP, we have approved \$209 million in support of 20 projects located in all eight of the counties disproportionately affected by the Deepwater Horizon oil spill (see Attachments A and B)

Fifteen of those projects, accounting for over \$122.2 million, are under contract and underway. The remaining seven projects have been approved by the Triumph board subject to final contracts which are now being completed.

Conforming with s. 288.8017, F.S., Triumph projects approved to date focus on public infrastructure, career and technical workforce training and ad valorem property tax relief.

As validated by Triumph's economist, 5,055 new direct jobs and 7,638 new indirect and induced jobs will be created by infrastructure projects under contract by June 30. The direct jobs are contractually guaranteed, subject to enforceable clawbacks and paying higher than the prevailing wage. For projects under contract, the cost to Triumph per new direct job is \$33,872, which compares favorably with competitive economic development projects around the nation.

The six projects which are primarily focused on career and technical workforce training are contractually required to produce national industry certifications in trades and vocations in high demand in the region, with specific linkage to the aerospace, shipbuilding, manufacturing and transportation projects supported by Triumph. The cost to Triumph per high demand certificate is \$3,176, substantially less than the price students, parents and employers would otherwise pay for the same training.

Triumph is working closely with the counties declared national disaster areas to determine how Hurricane Michael may have changed their priorities for Triumph funding. While we are not FEMA, Congress, the insurance industry or the Legislature, the Triumph board is mindful that our mission of creating and sustaining jobs and a qualified workforce is more important than ever in the post-hurricane economy.

As such, Triumph Gulf Coast committed \$15 million to a Hurricane Michael Major Disaster Recovery fund to be used to offset local government ad valorem tax losses caused by short-term decline in property values. Franklin and Wakulla counties informed Triumph they did not expect such losses. Consequently, the entire \$15 million was distributed to Bay and

Gulf County local governments and school districts for immediate relief. Triumph requires the county commissions of the four hurricane-affected counties to affirm each and every project proposed from those counties as being important to their post-hurricane economic recovery.

Since its first meeting in July 2017, Triumph Gulf Coast has received 200 pre-applications requesting awards that total over \$1,592,000,000. Of those, 68 applicants have elected to submit completed applications requesting over \$583,000,000. All pre-applications and completed applications can be viewed at www.myfloridatriumph.com.

Each proposal is reviewed to determine whether it is qualified under the Triumph statutes and, if so, is then evaluated by our economic advisor for return on investment, including creation of high-paying, sustained jobs. As required by law, proposals are graded "A" through "F" based on detailed economic analysis. Proposals scored as "A" or "B" are eligible for presentation to the board for funding. After receiving initial approval by the board, applicants work with Triumph legal counsel and consultants to agree on a term sheet stipulating metrics of performance, funding schedules and participation of other funding sources. Then an award contract is agreed to by all parties.

Triumph Gulf Coast is not a funding source for corporate welfare or for projects that can't attract support elsewhere. Our board requires that every Triumph dollar be matched by private sector risk capital, local government funds or other resources. To date, the Triumph funding for approved projects has attracted commitments of over \$551,000,000 in matching investment from the private sector and local, state and federal governments.

For infrastructure projects, we expect an average of \$59 dollars in additional personal income for every dollar of Triumph funds expended. For Career/technical education projects, we expect an additional \$41 dollars in personal income for every dollar of Triumph funds expended. These benefit/cost ratio numbers are likely to be conservative as we use a 20-year window to project benefits (i.e., additional personal income), while the work life expectancy of someone received additional certifications may well be longer than 20 years. The same is true for the lifespan of infrastructure funded by Triumph awards.

Under s. 288.8013 (2)(d), F.S., Triumph Gulf Coast operates within overhead limits of $\frac{3}{4}$ of one percent of the funds it receives and manages. This includes one salaried employee, one full-time contract employee, three part-time consultants including an economist, workforce education specialist, legal counsel, accountants and other minimal operating expenses. The seven member board of directors serves without pay.

In addition to its regular and ongoing activities, Triumph's board members and staff worked with the Auditor General's Office on its Inaugural Annual Operational Audit. The audit (Attachment C) took ten months to complete, was transmitted in May and had minimal recommendations. The 2018 Annual Financial Audit (Attachment D) was performed by Warren Averett CPA's and, as well, had no consequential findings.

Triumph Gulf Coast conducts its business in public meetings properly noticed, encourages public comment, complies with all public records laws and is bound by specific ethical and conflict of interest standards (s. 288.8014, F.S.) Board members are appointed from the private sector by the Governor, Attorney General, Chief Financial Officer, Senate President and House Speaker for specified terms and cannot be reappointed. In turn, the board appoints and employs an Executive Director, Ms. Susan Skelton.

The members of the Triumph board are:

Don Gaetz, Chair, health care and development investments, former Senate President, term ending June 30, 2022 (appointed by Speaker of the House)

Allan Bense, Vice Chair, President, GAC Contractors, Inc., former House Speaker, term ending June 3, 2022 (appointed by Senate President)

Stephen Riggs, IV., Treasurer, CPA, Carr, Riggs, Ingram, term ending June 3, 2021 (appointed by CFO)

Dr. Pam Dana, charter boat owner, economist-businessperson, term ending June 3, 2021 (appointed by Attorney General)

Ben Lee, regional banking executive, term ending June 3, 2022 (appointed by Speaker of the House to fill vacancy due to resignation of Bob Bonezzi)

*Jason Shoaf, private utility executive, term ending June 30, 2022 (appointed by Senate President). *Mr. Shoaf was elected to the Florida House of Representatives in a Special Election on June 18, 2019 and has resigned effective that date, creating a vacancy.

Mr. Lewis Bear, Jr., CEO, Bear Distributing, term ending June 3, 2021 (appointed by Governor DeSantis to complete the original term of Mr. Stan Connally, Jr.)

Triumph board members understand and agree to uphold the stewardship obligations we have undertaken in carrying out the Legislature's mandate. We are grateful for the opportunity to serve our communities and our state.

Respectfully,

A handwritten signature in black ink, appearing to read 'Don Gaetz', is written over a horizontal line.

Don Gaetz, Chairman

Cc: The Honorable Ashley Moody.
The Honorable Nikki Fried.
The Honorable Travis Cummings.
The Honorable Chris Sprowls
Triumph Gulf Coast Board Member

The Honorable Jimmy Patronis
The Honorable Rob Bradley
The Honorable Wilton Simpson
Northwest Florida Delegation

ATTACHMENT A

TRIUMPH PROJECTS BY COUNTY

January 2019 – June 2019

BAY

Hurricane Michael Major Disaster Recovery Program Funding for Ad Valorem Tax Loss Replacement for Bay County, the Bay County School Board, and Municipal Taxing Authorities in the county - \$10,728,316. **(Grant Award approved April 29 and funds delivered within two days.)**

Award to the Bay County School District for the Tom P. Haney Technical Center to modernize its HVAC training program. The program includes a pilot program requiring Haney to offer skills upgrade training to graduates using the new equipment and certification programs. The grant request is for \$615,000. **(Grant Award signed on September 25, 2018, and reaffirmed on April 29, 2019 with a Force Majeure extension of one year due to damages from Hurricane Michael)**

A Bay County proposal that had moved to the Contract Negotiation phase immediately prior to Hurricane Michael has been taken back up with the applicant pending recovery from the hurricane. That proposal, \$48,381.40 for the Bay Summer Youth program will provide funding for the continuation of an already successful minority outreach program to give underserved youth in the community real world experience in the business community through internships. The Triumph portion of the program will create a partnership with Gulf Coast State College to provide computer training and certifications to the young people participating in the program. The applicant has asked to restart the program for the Summer of 2020. **(Grant Award negotiations are continuing)**

Triumph Gulf Coast has entered into Grant Award Negotiations with the City of Panama City for \$20,000,000 for a major infrastructure improvement project at the Nelson Street port facility to assist Eastern Shipbuilding Group (ESG) to incentivize the continuation of the U.S. Coast Guard contract to construct vessels for its fleet. The proposal will create 900 new jobs in Bay County. **(Grant Award Agreement approved at June 20, 2019 meeting)**

ESCAMBIA

Triumph's largest award to date is a \$66,000,000 grant to the City of Pensacola in Escambia County for expansion of its Commercial Aviation Maintenance, Repair & Overhaul (MRO) Facility at Pensacola International Airport. This project follows the

recent opening of the first new MRO hangar at the Pensacola International Airport. At full buildout the MRO Aviation Campus's four MRO hangars, administrative building, warehouse and shop space will house over 1,725 new jobs and cost \$334,825,000.00. According to information presented to the Triumph board, jobs created by its award will pay an average annual salary of \$44,461, plus benefits, per employee. Triumph's award represents 17% percent of the total project cost. Additional project funding partners include the City of Pensacola, Escambia County, the State of Florida/Florida Department of Transportation, Florida Job Growth Grant Fund, VT Mobile, Aerospace Engineering, and the Industry Recruitment, Retention and Expansion Fund. **(Grant Award Executed on April 29, 2019.)**

Triumph is in Grant Award Negotiations for a \$2,329,302 workforce education proposal presented by the Escambia County School District that would train skilled workers to fill new job opportunities associated with the MRO project. **(Grant Award Agreement in negotiation.)**

FRANKLIN

Triumph Gulf Coast will partner with the Franklin County School District to support the Franklin Environmental, Career and Technical Center which will train students for targeted industries such as welding, health related fields, environmental fields, and manufacturing once all phases of this project are completed. The center will provide job opportunities for high school graduates above and beyond any that have ever been available to them. The Franklin Environmental, Career and Technical Training Center will serve both Franklin County students and the community. The School District's goal is for all students to graduate having earned industry certifications which will afford them the opportunity to enter the work force at pay levels above those of the typical high school graduate. Triumph will provide \$2,327,322 over a 2.5 year period to assist in providing instruction and training that will result in awarding industry certifications. Lively Technical Center (in Tallahassee), and the Apalachicola Bay Charter School will participate along with the local school district in administering the training program. **(Grant Award Agreement signed January 25, 2019)**

The Board voted to move to term sheet negotiations on a proposal from City of Apalachicola for improvements to the Scipio Creek Basin boat yard, landing docks, and the historic Popham house. This negotiation was placed on hold pending the City's assessment of hurricane damage. Triumph Gulf Coast is still waiting to resume negotiations based on that assessment. The Triumph request of \$1,100,000 represents 24.7 percent of total project cost of \$4,454,596 over the 15-year (2010 – 2025) implementation of the multi-facility Port of Apalachicola strategic plan. **(Term Sheet pending. Applicant has requested post-hurricane changes to original request)**

Triumph Gulf Coast has agreed to partner with the Florida State University to provide focused research and assistance in producing future commercial products to assist in the restoration of the oyster industry and ecosystem in the Apalachicola Bay System. The Florida State University Coastal & Marine Laboratory (FSUCML) in St. Teresa (Franklin County) has requested \$7,998,678 from Triumph Gulf Coast, Inc. to gain insight into the extent of deterioration of the reef system and the underlying causes of the observed decline resulting in a plan of action for recovery of the oyster reefs and the health of the Bay. The overarching objective of Apalachicola Bay System Initiative (ABSI) is to provide information and tools that will facilitate the recovery of the Apalachicola Bay ecosystem, which is critical to the economy of Franklin County. The objective will be met by understanding the trajectory of change in physical structure and water flow over time, monitoring oyster recruitment and survival, and conducting laboratory and field experiments that inform predictive models of oyster productivity. **(Grant Award approved on March 15, 2019)**

GULF

Hurricane Michael Major Disaster Recovery Program Funding for Ad Valorem Tax Loss Replacement for Gulf County, the Gulf County School Board, and Municipal Taxing Authorities in the county - \$4,271,683. **(Grant Award approved April 29 and funds delivered within two days.)**

The Triumph Board approved an agreement with Gulf County School District (GCSD) that will result in industry certifications in subject areas pertaining to unmanned aircraft systems (UAS). The request of \$750,000 represents 53.5 percent of total project cost over a 5-year period. GCSD will provide \$652,000 in instructor salaries and benefits as matching funds. A minimum of 200 students will obtain Small UAS Safety certifications, Agricultural Use of UAS Technology certifications or Visual Line of Sight Operator (VOS) certifications over the five years. UAS is a high demand and growing industry sector that is well-matched to the needs of the local economy. **(Grant Award Agreement Signed on April 29, 2019 and Force Majeure extension of one year approved due to Hurricane Michael Impacts)**

The Gulf County School Board is requesting a \$125,000.00 Triumph Gulf Coast grant to expand the agriscience industry certification program at Wewahitchka High School (WHS). The Triumph grant would be used to purchase equipment for the program. The program is currently being taught in a traditional classroom and plants are being grown in buckets outside the classroom. There is no designated storage area for tools and equipment.

Agriscience programs are comprehensive in nature. The curriculum teaches a variety of skills resulting in students being employable not only in an agriculture-based profession, but in a number of others as well. Students enrolled in the agriscience program will also

be able to obtain certification in Agricultural Use of UAS Technology. The unmanned aircraft (drone) industry certification program being established at WHS through a separate Triumph grant, includes curriculum to support agriculture applications (soil and field analysis, livestock and crop monitoring, health assessment, etc.).

For this project, the gain in projected discounted personal income over the 2019 – 2038 period divided by projected cost to Triumph yields a ratio of \$19 dollars in projected personal income gain for every dollar of Triumph Gulf Coast cost. **(In Term Sheet negotiations as of June 20, 2019 Board Meeting)**

Gulf District School District's request for \$250,000.00 in Triumph Gulf Coast grant funds for the expansion of a welding program at Wewahitchka High School (WHS) will provide welding instruction via a certified welding instructor to high school students and retrofit of an existing vocational building on WHS's campus. The primary objective of the program is to produce high school graduates with industry certification in the field of welding. Prior to Hurricane Michael, this area was ripe for the development of ports, maritime-related companies, and growing shipbuilding industries. A large agriculture company in the community placed job postings for Mechanic/Welder positions. There is an ongoing need for graduates with welding certification and skills. Hurricane Michael left unfathomable damage in its wake, but in doing so created more demand for skilled laborers such as welders.

For this project, the gain in projected discounted personal income over the 2019 – 2038 period is \$67,849 per completer, and the projected cost to Triumph is \$5,000 per completer, for a ratio of \$14 dollars in personal income gain for every dollar of Triumph Gulf Coast cost. **(In Term Sheet negotiations as of June 20, 2019 Board Meeting.)**

OKALOOSA

Triumph Gulf Coast has entered into Term Sheet Negotiations with Okaloosa County to provide \$64,100,000 million or xx% percent of the total costs for the construction of a new bypass road connected to a new I-10 exit southwest of Crestview. The project is expected to alleviate major traffic congestion that threatens the future viability of the military complex in the county. Military missions could be at risk due to extended response times because of traffic congestion in the area. Additionally, the opening of a new interchange on I-10 will create new business opportunities. **(Term Sheet negotiations ongoing.)**

SANTA ROSA

In Santa Rosa County, the Triumph Board's \$8.5M support of site development at Whiting Aviation Park is expected to create over 200 high paying jobs. This project is built on the investment Santa Rosa County made to purchase 267-acres adjacent to NAS Whiting Field and a unique MOU with The Department of the Navy for "through the fence" accesses for

private companies. The total project cost is \$17,704,975 with Triumph contributing 48% of those costs. **(Agreement Executed January 17, 2019)**

WAKULLA

The Wakulla County School Board (WCSB) is requesting funding for \$1,780,000 to initiate an Unmanned Aerial System (UAS) Career Technical Education (CTE) program at Wakulla High School and provide additional computer technology programming for 3-5 graders at all four county elementary schools. With additional workforce development programs in place WCSB seeks to increase the median household income and move toward a state of less poverty in the community.

The major goal of grades 9-12 UAS/VSO CTE program is to provide the opportunity for students to attain industry-recognized credentials in a new and growing industry. It is anticipated students will earn more than one certification increasing their marketable skills. Students will be mentored about job availability at each exit point along their educational career routes. The programs aim to appeal to students' varying degrees of interests and abilities.

The UAS/VSO curriculum teaches students aeronautical components, such as maintenance and testing of flight skills, to earn their certifications. The Florida State University/Florida A & M, College of Engineering and with Inspired Technology, are partnering with WCSB on this project to invest in the education of an underserved, disproportionally affected population.

WCSB expects to enroll students in 200 certificate programs each year with approximately 100 UAS/VSO industry certifications completed each year. Students would receive fundamental digital tool certification prior to/or at the same time as industry certifications in more complex CTE programs such as UAS/VSO. The multi-faceted ability to work in commercial and private industries for consistent growth would provide students new opportunities. Data suggests approximately 50,000 new jobs in Florida with Northwest Florida areas gaining 40% of those.

In addition to anticipated aviation industry careers, the Wakulla High School UAS/VSO program would also provide content aligned with relevant technical training and skills to enhance careers in Transportation, Distribution and Logistics with competency-based applied learning for the jobs after high school.

For students in grades 3-5, the exposure to proper use of computer technology and safety protocols will enhance their awareness of opportunities for continued access in secondary school and translate into post-secondary opportunities. The earning potential for elementary students will be increased due to helping inform them on current trends in the job market. **(In Term Sheet negotiations as of June 20, 2019 meeting.)**

WALTON

Triumph Gulf coast has approved a Grant Award to the Walton County Sheriff's Office for a training and certification program that will benefit both its inmates, with training in welding, HVAC repair and computer skills, and its employees with computer skills training. Both cohorts will benefit by earning certifications in skills that can provide advanced employment opportunities. **(Grant Award Approved March 15, 2019)**

Northwest Florida State College's request for \$2,763,716.00 for the Walton Works Training Center of Excellence at the College's Chautauqua Center in DeFuniak Springs creates a training hub in the northern part of Walton County, designated by the State of Florida as a Rural Area of Opportunity. The project will provide access to relevant training opportunities that are responsive to job demands and create a path to higher educational attainment and careers.

The Walton Works project targets five industry clusters that have high growth opportunities for Walton County and/or are identified in the Northwest Florida Forward, Florida Chamber of Commerce Foundation's Florida Jobs 2030, and West Florida Regional Planning Council's Comprehensive Economic Development Strategy (CEDS) 2018 reports. The programs proposed to be offered at the Walton Works Training Center of Excellence were strategically selected to produce workers with skills that are applicable across multiple occupations and transferrable to additional industry clusters identified as priorities by regional development entities.

The Walton Works Training Center will prepare students for 20 different occupations with an average wage of \$21.24/hr. Because the program will reach a large number of students in subject areas expected to see good job growth, and because the cost per student is low, it is reasonable to expect that the benefit/cost ratio for the program will be exceptionally high. Substantial increases in wages can be expected for program completers relative to wages associated with a standard high school degree. Assuming relatively conservative average annual increments to completers, and modest increments to completion rates, the program will likely drive substantial increases in net new wages, both initially and over the students' work life window. Further, the program is projected to be self-sustaining based on the per-full time equivalent (FTE) increment to funding provided by the state. For this project, the gain in projected discounted personal income over the 2019 – 2038 period is \$67,849 per person, and the projected cost to Triumph is \$1,760 per person, for a ratio of \$39 dollars in personal income gain for every dollar of Triumph Gulf Coast cost.

The project will establish the following workforce training programs:

- Industrial Trades (Electrical, Plumbing, Construction, Welding & Millwright);
- Cybersecurity;
- Unmanned Vehicle Systems Operations;
- Law Enforcement;
- Fire Science; and
- Emergency Medical Technician

(In Grant Award negotiations as of June 20, 2019 Board Meeting.)

ATTACHMENT B
(Document Attached)

List of all Pre-Applications and Applications

July 2017 – June 2019

ATTACHMENT C
(Document Attached)
Auditor General Audit

ATTACHMENT D
(Document Attached)
2018 Financial Audit

#	APPLICANT (169-200 received since 1-1-19)	PROJECT	AMOUNT REQUESTED	COUNTY	Score	Agreement Status	Application Received
1	Bryant Enterprises (BEOP)	Curriculum Development	\$585,000	Multi	C		9/15/18
4	City of Pensacola	CDOT-Port of Pensacola	\$15,000,000	Escambia	A		6/22/18
5	Escambia Co. School Board	Workforce Education Director	\$2,329,303	Escambia	A	In Negotiation	3/26/18
9	Fl Comm. Svcs Corp - Utility	US 331 Water Transmission Line - Phase One	\$4,410,113.77	Walton	C		5/22/18
10	Base IT, Inc.	Mobile STEM Workshops	\$170,000	Bay	C		6/28/18
11	Escambia County	Downtown Sports Complex	\$25,000,000	Escambia	C		3/8/18
14	Northwest FL State College	NWFSC Regional Trifecta Project	\$22,630,000	Multi	WD		4/9/18
19	City of Niceville	Niceville Landing Project	\$180,000	Okaloosa	C		6/28/18
20	Franklin County BOCC	Fort Coombs Armory Renovation	\$1,800,000	Franklin	C		6/6/18
26	City of Apalachicola	Port of Apalachicola Improvements/Mgmt	\$1,100,000	Franklin	A	In Negotiation	5/4/18
27	Gulf County BOCC	Port of Port St Joe Project	\$28,425,000	Gulf	WD		5/22/18
28	Wakulla County School Board	Career and Prep Academy	\$5,396,521	Wakulla	WD		3/5/18
29	Wakulla County School Board	Career and Technical Education Center	\$3,926,867	Wakulla	A	Executed Agreement	2/12/18
32	City of Apalachicola	Johnson Center Renovations	\$1,750,000	Franklin	C		5/30/18
34	City of Apalachicola	Apalachicola Solar Project	\$900,000	Franklin	F		11/16/18
35	City of Apalachicola	Stormwater/Wastewater Improvements	\$2,660,000	Franklin	C		5/30/18
38	Okaloosa County	Bob Sikes Water Reclamation Facility	\$1,500,000	Okaloosa	C		3/22/18
43	Okaloosa County	Hwy 90 East Water and Sewer Expansion	\$1,500,000	Okaloosa	A	Executed Agreement	3/22/18
44	Okaloosa County	N. Gulf of Mexico FAD Network	\$500,000	Okaloosa	C		3/22/18
46	Okaloosa County	Southwest Crestview Bypass	\$64,100,000	Okaloosa	B	In Negotiation	5/22/18
49	Panama City Port Authority	PC Port Authority Eastern Terminal Dev.	\$10,000,000	Bay	A	Agreement Approved	2/23/18
54	Panama City Beach CVB	Sports Park/Stadium Complex	\$20,000,000	Bay			3/12/18
55	Eastern Shipbuilding Group, Inc.	EastShip Manufacturing/Haul Out Facilities	\$20,025,000	Bay	A		6/6/18
56	City of Lynn Haven	Sports Park Expansion	\$15,843,762	Bay	C		7/13/18
58	City of Mexico Beach	Mexico Beach Pier	\$3,700,000	Bay	C		5/15/18
59	Bay District Schools	STEM Workforce Training Center	\$10,000,000	Bay	WD		2/27/18
60	Bay District Schools	Manufacturing Academy Expansion	\$965,000	Bay	WD		2/27/18
61	Bay District Schools	Haney Industrial Pipefitter Prog Expansion	\$584,000	Bay	WD	Funded by Legislature	2/27/18
64	Gulf Coast State College	Advanced Manufacturing Innovation Inst.	\$17,112,356	Bay			9/27/18
65	Bay Youth Summer Work Fnd	BayYouth Summer Work Foundation	\$86,780	Bay	H		3/12/18
69	FSU Marine Lab	Apalachicola Bay System Initiative	\$7,998,678	Franklin	A	Executed Agreement	4/20/18
70	University of West Florida	Innovation Network Project	\$14,500,000	Escambia			3/7/18
72	Santa Rosa County	Whiting Aviation Park	\$8,523,655	Santa Rosa	A	Executed Agreement	4/18/18
73	Santa Rosa County	NW FL Industrial Park@ I-10 - Phase 2	\$5,301,164	Santa Rosa	H		4/18/18
83	City of St. Marks	ADA Compliant Kayak Launch	\$65,000	Wakulla	C		2/27/18
84	City of St. Marks	River Walk	\$1,295,000	Wakulla	C		2/27/18
85	Westonwood Ranch	Autism Job Training Facility	\$1,078,230	Walton			4/3/18
87	City of Milton	N. Santa Rosa Reg. Water Reclamation Fac.	\$9,000,000	Santa Rosa		Application updated 5/19	10/5/18
90	E.O. Wilson Biophilia Center	Camp Longleaf	\$600,000	Walton	C		3/7/18
91	Tallahassee Comm College	WEI Ocean Shellfish Nursery Hatchery Processing Facility	\$13,500,000	Wakulla	C		11/28/18
95	Gulf Specimens Marine Lab	Infrastructure Upgrades and Operations	\$4,950,000	Wakulla	C		9/9/18
98	Walton County Sheriff	Vocational/Technical Training Program	\$2,217,965	Walton	A	Executed Agreement	11/19/18
100	Veterans Lodge	Veterans Lodge Village	\$25,000,000	Walton	F		12/7/18
105	Project Lead The Way	STEM Training	\$4,000,000	Multi	C		5/18/18
108	Walton County BOCC	US 331 & US 90 Water/Wastewater Expansio	\$14,247,468	Walton	C		8/14/18
119	Smart Horizons COHS	Career Online High School (revised)	1,816,562	Multi	C		6/21/18
120	City of Pensacola	Comm. Aircraft Maintenance Campus	\$66,000,000	Escambia	A	Executed Agreement	3/16/18
126	Hsu Educational Foundation	Hsu Innovation Institutes	\$7,160,000	Multi	H		9/18/18
133	FGNW	RISE Fund	\$15,000,000	Multi	C		5/30/18
135	Choctawhatchee Basin Alliance of NWFSC	Gulf Coast Economy Preservation Project	11,273,070	Okaloosa	H		4/9/18
143	Bay District Schools	HVAC	\$614,000	Bay	A	Executed Agreement	4/13/18
147	Gulf District Schools	Culinary Arts Center and Electives Suite	300,000	Gulf	H		8/30/18
148	Gulf District Schools	Agri-Science Program Expansion	125,000.00	Gulf	A	Term Sheet Approved	11/5/18
153	Gulf County School District	Unmanned Systems	750,000.00	Gulf	A	Executed Agreement	8/28/18
154	Panacea Oyster Co-op	Wakulla Oyster and Aquaculture Expansion	19,241,000.00	Wakulla			2/1/19
157	Franklin County School District	Franklin Environmental Career and Technical Training	\$2,327,322	Franklin	A	Executed Agreement	10/8/18
167	Tallahassee Community College	WEI Unmanned Vehicle Systems Center of Excellence	1,500,000.00	Wakulla			11/29/18
168	Tallahassee Community College	WEI Elevated Technology Training (ETT ²)	\$2,593,083	Wakulla	C		11/29/18
169	City of Lynn Haven	Industrial Park Expansion	\$15,764,360	Bay	H		2/27/19
177	Tallahassee Community College	WEI Marine Service Occupational Training Program	\$1,500,000	Wakulla			12/13/18
180	Gulf County School District	WHS Welding Program	\$250,000	Gulf	A	In Negotiation	1/8/19
185	City of Panama City	Panama City Industrial Complex	20,000,000.00	Bay	A	Agreement Approved	2/20/19
186	Gulf County Board of County Commission	Hurricane Michael Recovery Ad Valorem Request	4,271,683	Gulf	A	Executed Agreement	3/7/19
187	Northwest Florida State College	Walton Works Training Center of Excellence	\$2,763,716	Walton	A	Term Sheet Approved	3/7/19
189	Bay County Board of County Commission	Hurricane Michael Recovery Ad Valorem Request	\$10,728,317	Bay	A	Executed Agreement	3/19/19
190	Walton Economic Development Alliance	US 331 Infrastructure	1,742,407	Walton			3/28/19
198	Wakulla County School Board	UAS/VSO Certification Program	1,780,000	Wakulla	A	In Negotiation	5/19/19
200	Franklin County School District	Career and Technical Training, Phase II	1,215,000	Franklin			5/24/19

#	PRE-APPLICANT (178-202 received since 1/1/19)	PROJECT	AMOUNT REQUESTED	COUNTY
2	Miracle Strip Mgmt, LLC	Lynn Haven Office/Warehouse	\$3,670,000	Bay
3	Miracle Strip Mgmt, LLC	Miracle Strip Warehouses	\$4,100,000	Bay
6	Robert Condon	Petrochemical Clean Up Co.	\$2,100,000	Escambia
7	Dr. Phillip Renfro	Airport Multispecialty Medical Clinic	\$3,500,000	Escambia
8	City of Destin	Crosstown Connector	\$5,700,000	Okaloosa
12	Escambia County	OLF8/OLFX Land Swap with DOD	\$29,900,000	Escambia
13	Escambia County	Beulah Interchange Connector	\$11,250,000	Escambia
15	La Vie Et Belle	Papillion Pavillion	\$1,632,700	Walton
16	Cellarus Partners, LLC	Emerald Coast Motorsports Park	\$70,000,000	
17	FSU College of Law	Center for Econ Opportunity for Veterans	\$600,000	Wakulla
18	North Pt St Joe PAC	MLK Boulevard Redevelopment Project	\$5,750,000	Gulf
21	Santa Rosa Co. School Dist.	Innovation High School	\$40,000,000	Santa Rosa
22	City of Carrabelle	Northwest Downtown Rvitalization - Ave B	\$860,000	Franklin
23	City of Carrabelle	Carrabelle Airport Improvements	\$30,000	Franklin
24	City of Carrabelle	Carrabelle City Hall Construction	\$280,000	Franklin
25	City of Carrabelle	Carrabelle Septic Tank Abatement	\$590,000	Franklin
30	Okaloosa Co School District	Vocational Ed in Need of Support Project	\$45,000,000	Okaloosa
31	St. Marks Refuge Association	Lighthouse Repair and Improvements	\$300,000	Wakulla
33	City of Apalachicola	Workforce Housing Revolving Fund	\$400,000	Franklin
36	South Walton Fire District	Training/Maintenance Facility	\$3,300,000	Walton
37	SocialDesk Enterprises	Tri-Net Fiber Optic Project Planning	\$600,000	Multi
39	Okaloosa County	Bridge to Bridge Multi-Use Path	\$5,500,000	Okaloosa
40	Okaloosa County	Digital Okaloosa Phase 1	\$6,352,814	Okaloosa
41	Okaloosa County	Eastern Crestview Bypass	\$4,500,000	Okaloosa
42	Okaloosa County	Forensic Hospital Pilot Diversion Program	\$5,000,000	Okaloosa
45	Okaloosa County	P.J. Adams Parkway Phase IV	See 46	Okaloosa
47	Wakulla County	Wakulla County Library Construction	\$2,900,000	Wakulla
48	Wakulla County	First Response Communications System	\$3,000,000	Wakulla
50	Town of Jay	Water Quality Improvement Project	\$1,000,000	Santa Rosa
51	PC - Bay Co Airport District	ECP Crosswind Runway	\$15,600,000	Bay
52	PC - Bay Co Airport District	ECP SoHo Infrastructure	\$3,400,000	Bay
53	PC - Bay Co Airport District	ECP Hangar Facility and Infrastructure	\$7,000,000	Bay
57	City of Lynn Haven	Emergency Operations Center	\$1,800,000	Bay
62	Bay District Schools	Environmental Sciences Center	\$4,500,000	Bay
63	Bay District Schools	Triumph Pre-K Academy	\$10,000,000	Bay
66	B & C Technologies	Manufacturing Partnership	\$5,000,000	Bay
67	Pumpout USA, Inc.	Gulf Coast Economy Preservation Project	\$11,590,000	Bay
68	Florida State University	FSU-Panhandle Aging Research Center	\$78,000,000	Bay
71	Good Samaritan Institute	Green Jobs for Walton County	\$200,000	Walton
74	Town of Jay	Makerspace Initiative	\$375,000	Santa Rosa
75	City of Lynn Haven	Marina Island Boulevard Project	\$10,000,000	Bay
76	City of Gulf Breeze	TownCenter Infill Redevelopment Project	\$15,817,500	Santa Rosa
77	City of Gulf Breeze	MedicalTechnologyPark Infill Redev Project	\$15,253,125	Santa Rosa
78	City of Pensacola CRA	Youth Environmental Empowerment Prog.	\$1,000,000	Escambia
79	City of Pensacola CRA	West Moreno Stormwater and Streetscape	\$9,100,000	Escambia
80	City of Pensacola CRA	Downtown Infrastructure Project	\$20,800,000	Escambia
81	City of Pensacola CRA	Hollice T. Williams Greenway	\$12,500,000	Escambia
82	City of Pensacola CRA	W Cervantes St - Mobile Hwy Corridor	\$30,000,000	Escambia
86	TechFarms Capital Mgmt	Triumph Angel Fund - TechFarms Capital	\$8,000,000	Multi
88	City of Fort Walton Beach	Landing Ferry System and Dock Expansion	\$7,500,000	Okaloosa
89	City of Fort Walton Beach	Municipal Marina	\$10,000,000	Okaloosa
92	Panacea Oyster Co-op	Oyster Processing Expansion & Ecotourism	\$2,036,000	Wakulla
93	Panacea Oyster Co-op	Value Added Oyster Processing	\$1,720,599	Wakulla
94	Bay Defense Alliance	Defense Technology Innovation Center	\$0	Bay
96	City of Pensacola	Unity Project	\$3,000,000	Escambia
97	City of Pensacola	Affordable Housing Program	\$15,000,000	Escambia
99	Walton County Sheriff	Public Safety Communications Training Fac	\$8,000,000	Walton
101	Alaqua Animal Refuge	Advanced Animal Medical Facility	\$1,750,000	Walton
102	Stone Clinical Laboratories	Clinical Lab and Training Facility	\$6,914,368	Walton
103	Medical Risk Solutions	Primary Care/Pharmacy	\$900,000	Walton
104	Flotilla 1-4	Multi-purpose Vessel	\$437,000	Okaloosa
106	Pens/Escambia PEDC	The Bluffs Corridor-Beck's Lake Rd Segment	\$8,000,000	Escambia
107	Destin Fisherman's Co-op	Fisherman's Boatyard Construction-Freeport	\$1,275,000	Walton

107.1	#107 Amended Destin Fisherman's Co-op	Fisherman's Boatyard Construction-Freeport	\$1,275,000	Walton
109	Walton County BOCC	Education and Research Center at Owls Head	\$10,000,000	Walton
110	St. Andrews Bay Center	The Ark of the Bay	\$584,743	Bay
111	Walton County School District	Emerald Coast Technical College	\$2,931,000	Walton
112	Lake Erie College Osteo Med	Academic Health Clinic Expansion	\$3,623,736	Walton
113	Finch Transportation	Walton County Transit System	\$2,190,000	Walton
114	Walton County BOCC	Broadband Initiative	\$900,000	Walton
115	City of Pensacola	Morris Court Complex	\$18,000,000	Escambia
116	The Seaside School, Inc.	STEM Center of Excellence	5,000,000	Walton
117	Bruce Craul/Dr. Mark Bonn	Hospitality Development Center	\$5,000,000	Okaloosa
118	Ron & Peggy Childs	Port Theater & Cultural Center	\$60,000	Gulf
121	Quiq Silver	Comm. Kitchen Equip. Assembly Plant	\$6,120,000	Bay
122	Fish 2.0	Aquaculture Investment	250,000	
123	FGNW		N/A	
124	Emerald Coast Wildlife Refuge	Wildlife Recovery Funding	\$233,130	Multi
125	NWF Black Business Chamber	MLK Blvd Mixed Use Corridor	\$5,750,000	Bay
127	Pensacola Heritage Foundation	THE GALVEZ MONUMENT PROJECT	\$50,000	Escambia
128	Franklin County Schools	STEM in Education Program	720,000	Franklin
129	Franklin County Schools	Workforce Dev. And Voc Training	2,955,700	Franklin
130	Florida A&M University	Construction & Infra Tech Innovation Center	\$35,000,000	Multi
131	Pensacola State College	Co:Lab Expansion	\$5,000,000	Escambia
132	OWV Company, LLC	Sweetwater Springs Marketing	\$2,898,000.00	Santa Rosa
134	Coast Watch Alliance	Lion Fish Harvesting Program	1,121,600.00	Escambia
136	City of Laurel Hill	Water System Upgrades	872,662	Okaloosa
137	American Marine Research Co. & CWA	Protection for Marine Fisheries Against Lionfish	\$1,242,180	Escambia
138	Division of Aquaculture, FDACS	Shellfish Aquaculture Economic Incubator	\$750,000	Multi
139	Panama City Rescue Mission	Facility Construction and Remodeling	\$3,000,000	Bay
140	Opportunity Place, Inc	Shelter Services and Landscaping of Family Area	\$30,000.00	Okaloosa
141	St. Marks Refuge Association, Inc	Revised St. Marks Lighthouse Restoration Project	300,000	Wakulla
142	Panama City Beach Public Library	Community Program Room Expansion	200,000	Bay
144	North Bay Haven Career Academy	Athletic Field Complex Project	4,500,000.00	Bay
145	Emerald Coast Baseball League	Start-up Expenses	150,000	Walton
146	Navarre Beach Sea Turtle Conservation Center	Construction of New Facility	1,800,000	Santa Rosa
149	Gulf District Schools	School Bus Fleet Expansion	600,000	Gulf
150	Hanning LLC DBA STEMWERX	STEMWERX Mobile STEM Lab	\$1,342,867	Multi
151	Biotech Restorations Holdings, LLC	Biotech Gulf Coast	\$4,000,000.00	Multi
152	Point Washington Medical Center	Operating Funds	N/A	Walton
155	City of Mexico Beach	Artificial Reef	970,000.00	Bay
156	Range Project LLC	Range Project	\$3,000,000	Walton
158	Biotility - University of Florida	Secondary Biotechnology CTE Programs	275,000.00	Multi
159	Panhandle Affordable Housing LLC	Walton County Workforce Housing	5,500,000.00	Walton
160	Casa Laxmi Foundation, Inc.	Centre for Excellence	20,000,000	Bay
161	Children's Home Society of Florida.	Creating Tomorrow's Workforce with Weis	3,596,060	Escambia
162	CareerSource Gulf Coast	Triumph Workforce Consortium	22,283,836	Multi
163	Santa Rosa County	Project Runner Ad Valorem Tax Reduction	2,800,000.00	Santa Rosa
164	The Joe Center for the Arts	Community Arts and Cultural Center	350,000	Gulf
165	Twin Rivers Land & Timber, Inc.	St. Joe Port Project	\$47,066,695	Gulf
166	Gulf County Board of County Commission	Local Government Funding Assistance	\$21,680,000	Gulf
170	N/A	N/A	N/A	N/A
171	N/A	N/A	N/A	N/A
172	Air Force Enlisted Village, Inc.	All-Service Military Retirement Village	\$172,000	Okaloosa
173	Port of Pensacola	Marine Modification Maintenance Repair Overhaul	\$16,329,406	Escambia
174	Bay Economic Development Alliance	Project Clear	\$7,350,000	Bay
175	Bay Economic Development Alliance	Project Purple	\$4,635,000	Bay
176	Fran Vellanti	Mental Health Out Patient Day Treatment Program		N/A
178	City of Apalachicola	Workforce Housing and Infrastructure	\$800,000	Franklin
179	The Oyster Restoration Company & Hatchery	Apalachicola Bay One Billion Oyster Restoration	\$15,000,000	Franklin
181	Coastline Environmental Materials	Artificial Reef Creation Project	\$6,510,000	Franklin
182	Port Authority of the Port of Port St. Joe	Dredging of Shipping Channel	15,000,000	Gulf
183	Liberty Fire District	Aerial Ladder Apparatus for North Walton County	\$720,000.00	Walton
184	Liberty Fire District	North Station	962,500.00	Walton
188	City of Lynn Haven	ACMT Tax Abatement	104,000.00	Bay
191	Franklin County BOCC	Apalachicola Regional Airport Fuel System Upgrade	\$920,000	Franklin
192	FSU Panama City	Engineering, Science, Technology & Workforce Cent	14,700,000.00	Bay

193	City of Destin	Public Beach Initiative Project	12,000,000.00	Okaloosa
194	Port Theater Art and Cultural Center	Art and Cultural Center	\$575,000	Gulf
195	City of Panama City	Panama City Marina Convention Center	40,000,000.00	Bay
196	City of Carrabelle	Carrabelle-Thompson Airport Improvements	2,000,000.00	Franklin
197	Keep Pushing Foundation, Inc	Help Empower Our Youth	\$1,825,000	Okaloosa
199	The BioCarburante Company	Port St. Joe Biorefinery Project	25,250,000	Gulf
201	Wakulla County	Wakulla Community Hub	\$9,625,148	Wakulla
202	Gulf Coast State College - Gulf/Franklin Campus	Tech Center for Emergency Response and Comms	\$3,800,000	Gulf

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2019-215
May 2019

TRIUMPH GULF COAST, INC.



Sherrill F. Norman, CPA
Auditor General

Board of Directors and Executive Director of Triumph Gulf Coast, Inc.

Section 288.8013, Florida Statutes, establishes Triumph Gulf Coast, Inc. (Triumph) as a nonprofit corporation that is not a unit or entity of State Government. Section 288.8014, Florida Statutes, provides for Triumph to be governed by a seven-member Board of Directors (Board). The Board is to include three private sector members appointed by the Governor, the Attorney General, and the Chief Financial Officer, respectively, two private sector members appointed by the President of the Senate, and two private sector members appointed by the Speaker of the House of Representatives. One of the two Board members appointed by the President of the Senate and the Speaker of the House of Representatives must represent one of the four least populous disproportionately affected counties.

During the period June 2017 through June 2018, Susan Skelton served as Executive Director of Triumph and the following individuals served as Board members:

Governor Appointee	Stan W. Connally, Jr. from June 3, 2017
Attorney General Appointee	Pam Dana from June 3, 2017
Chief Financial Officer Appointee	Stephen Riggs, IV from June 3, 2017, Treasurer from July 13, 2017
President of the Senate Appointees	Allan Bense from June 3, 2017, Chair July 13, 2017, through December 31, 2017 Jason Shoaf from June 30, 2017
Speaker of the House of Representatives Appointees	Don Gaetz from June 30, 2017, Vice-Chair July 13, 2017, through December 31, 2017, Chair from January 1, 2018 Benjamin Lee from January 18, 2018 Robert Bonezzi from June 3, 2017, through January 10, 2018

The team leader was William Karalius, CPA, and the audit was supervised by Joshua Barrett, CPA.

Please address inquiries regarding this report to Christi Alexander, CPA, Audit Manager, by e-mail at christialexander@aud.state.fl.us or by telephone at (850) 412-2786.

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TRIUMPH GULF COAST, INC.

SUMMARY

This operational audit of Triumph Gulf Coast, Inc. (Triumph) focused on the administration of Triumph project and program awards and selected administrative activities. Our audit disclosed the following:

Application and Awards Program

Finding 1: Triumph records did not clearly evidence that applicants for awards were notified in writing the specific basis for determining during the pre-application phase that the proposed project or program did not appear eligible to receive Triumph funding.

Selected Administrative Activities

Finding 2: Triumph records did not adequately evidence the basis for compensating the Executive Director and the law firm utilized by Triumph for services rendered pro-bono during the period November 2015 through June 2017.

Finding 3: Triumph controls over electronic funds transfers need enhancement.

BACKGROUND

The Gulf Coast Economic Corridor Act¹ (Act) established Triumph Gulf Coast, Inc. (Triumph) effective May 17, 2013, as a nonprofit corporation that is not a unit or entity of State Government to administer the funds to be used for the economic recovery, diversification, and enhancement of the areas impacted by the 2010 Deepwater Horizon oil spill.²

State law³ specifies that 75 percent of the funds received by the State pursuant to the settlement agreement⁴ with the BP entities must be deposited into a trust account established by Triumph and that at least 40 percent of the funds received by the State before July 1, 2017, are to be allocated equally among the eight disproportionately affected counties (Bay, Escambia, Franklin, Gulf, Okaloosa, Santa Rosa, Wakulla, and Walton).⁵ State law⁶ further provides that Triumph administrative costs may not exceed 0.75 percent of the funds released to Triumph and that the annual salaries of employees and contracted staff may not exceed \$130,000 and associated benefits may not exceed 35 percent of salary.

Chart 1 provides a timeline of Triumph-related milestones, from the April 2010 Deepwater Horizon oil spill through the execution of Triumph's first award agreement in June 2018.

¹ Chapter 2013-39, Laws of Florida. Codified in Sections 288.80 and 288.8011 through 288.8018, Florida Statutes.

² On April 20, 2010, the oil rig Deepwater Horizon exploded in the Gulf of Mexico, resulting in an 87-day oil spill that impacted the coasts of Alabama, Florida, Louisiana, Mississippi, and Texas.

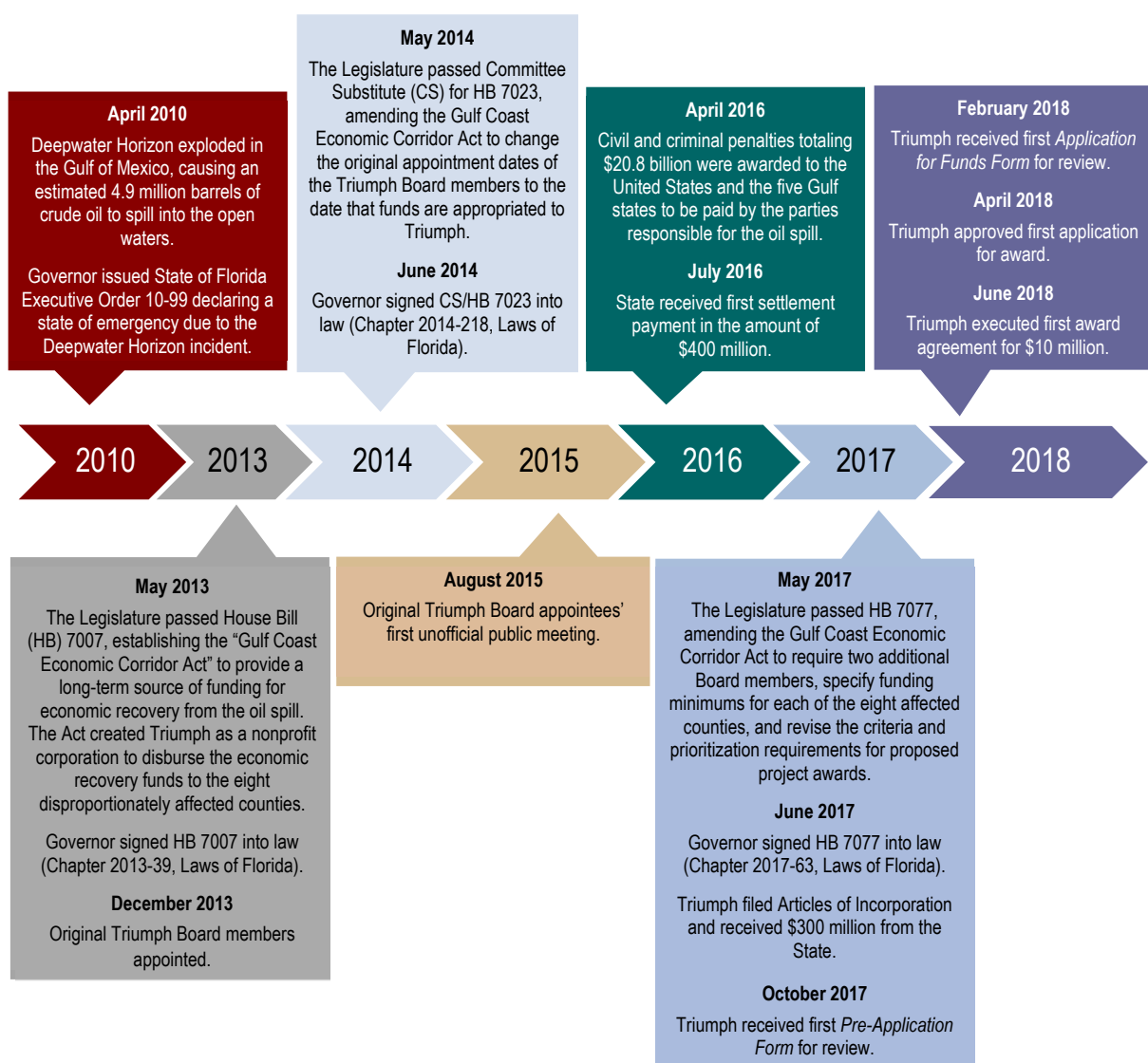
³ Section 288.8013(2), Florida Statutes.

⁴ Section 288.8012(4), Florida Statutes, specifies that the settlement agreement is the agreement entitled, "Settlement Agreement Between the Gulf States and the BP Entities with Respect to Economic and Other Claims Arising from the *Deepwater Horizon* Incident," entered into on October 5, 2015.

⁵ Section 288.8013(2)(b)2., Florida Statutes, specifies that at least 32 percent of settlement agreement funds received after July 1, 2017, are to be allocated equally among the eight disproportionately affected counties.

⁶ Section 288.8013(2)(d) and (3), Florida Statutes.

**Chart 1
Triumph Timeline**



Sources: Triumph and other legislative and Office of the Executive Governor records.

According to Triumph records, as of June 2018, Triumph employed an Executive Director and utilized three independent contractors to carry out Triumph's responsibilities. During the period June 2017 through June 2018, Triumph paid salary and benefit expenses totaling \$226,681.

FINDINGS AND RECOMMENDATIONS

APPLICATION AND AWARDS PROGRAM

Pursuant to State law,⁷ Triumph is responsible for: responsibly and prudently managing all funds received; ensuring funds are used in accordance with all applicable laws, bylaws, or contractual

⁷ Section 288.8016, Florida Statutes.

requirements; administering the awards program created by the Act; and operating in a transparent manner, including providing public access to information, notice of meetings, awards, and the status of projects and programs. State law⁸ requires Triumph to make awards from available funds to projects or programs that meet the priorities for economic recovery, diversification, and enhancement of the disproportionately affected counties, including projects or programs that:

- Provide ad valorem tax rate reductions.
- Meet local match requirements for rural infrastructure projects.⁹
- Construct, expand, or maintain public infrastructure.
- Establish and maintain equipment and trained personnel for local action plans to respond to disasters.
- Prepare students for future occupations and careers at K-20 institutions.
- Provide participants with transferable, sustainable workforce skills that are not confined to a single employer.
- Promote and advertise tourism and Fresh From Florida and promote workforce and infrastructure.

State law¹⁰ specifies that Triumph awards may not finance 100 percent of any project or program and that contracts executed with an awardee must include provisions for a performance report on contracted activities, account for the proper use of awarded funds, and permit the recovery of awards in the event the award was based on fraudulent information or the awardee is not meeting performance requirements. State law¹¹ further specifies that Triumph is to monitor, review, and annually evaluate awardees' projects and programs to determine whether an award should be continued, terminated, reduced, or increased.

State law¹² requires Triumph to establish an application procedure for awards and a scoring process to select projects and programs that have the potential to generate increased economic activity in the disproportionately affected counties. Chart 2 illustrates Triumph's three-phase application process.

⁸ Section 288.8017(1), Florida Statutes.

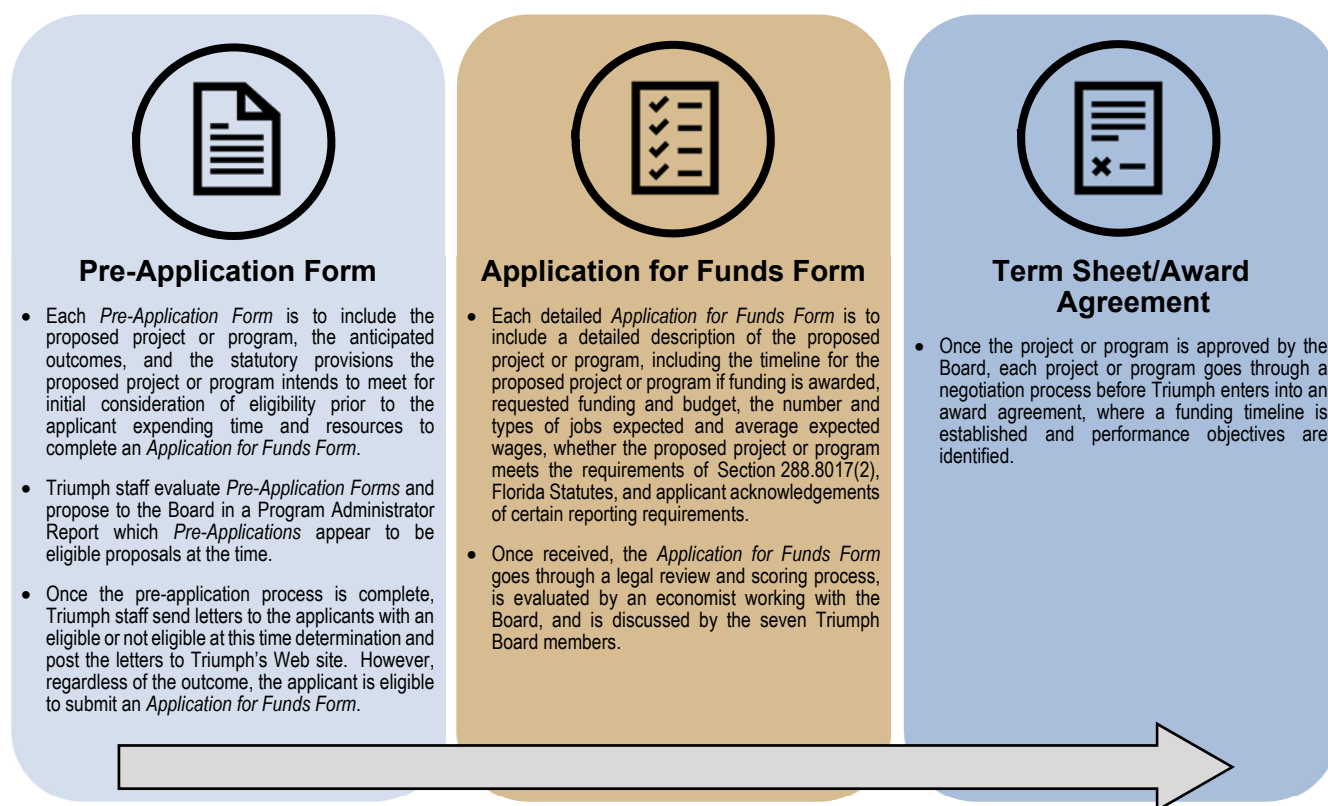
⁹ Section 288.0655(2)(e), Florida Statutes.

¹⁰ Section 288.8017(3) and (4), Florida Statutes.

¹¹ Section 288.8016(3), Florida Statutes.

¹² Section 288.8017(2), Florida Statutes.

Chart 2
Triumph Award Application Process



Source: Triumph records.

According to Triumph records, as of June 2018, Triumph had received 39 *Application for Funds Forms* and approved five awards totaling \$18,873,576.

Finding 1: Pre-Application Review Process

Pursuant to State law,¹³ Triumph is to make awards from available funds to projects or programs that meet the priorities for economic recovery, diversification, and enhancement of the disproportionately affected counties and establish an application procedure for awards. As illustrated in Chart 2, Triumph established a three-phase application review process that included an initial pre-application review to determine whether a proposed project or program appeared eligible for award. Regardless of the initial eligibility determination made during the pre-application review process, applicants for Triumph awards could submit an *Application for Funds Form*.

As part of our audit, we interviewed Triumph management and independent contractors, evaluated Triumph policies, procedures, and processes for evaluating pre-applications, and examined the records for 25 selected pre-applications for awards submitted to Triumph during the period June 2017 through June 2018, including 6 pre-applications deemed by the Board to be ineligible for award at the time of pre-application. Our audit procedures disclosed that, while Triumph notified the 6 applicants in writing

¹³ Section 288.8017(1) and (2), Florida Statutes.

that their proposed project or program did not appear eligible to receive Triumph funding, the notifications did not specify the basis for the determination or provide the applicants sufficient information to allow them the opportunity to address their proposals' shortcomings. According to Triumph management, in lieu of providing written specifics regarding a proposal's ineligibility, applicants were encouraged to contact the Program Administrator with any questions, comments, or concerns regarding the eligibility determination or pre-application process.

Written notifications to applicants for Triumph awards specifying the basis for ineligibility determinations made during the pre-application process would better demonstrate the reasons for the determinations, provide sufficient information to allow applicants the opportunity to address proposal shortcomings, and, should applicants submit an *Application for Funds Form*, facilitate the submission of applications that include all required information to be considered for award.

Recommendation: We recommend that Triumph management enhance pre-application evaluation processes to ensure that Triumph records evidence that, for ineligibility determinations during the pre-application phase, applicants for awards were notified in writing the specific basis for the determination and provided the information necessary to address proposal shortcomings.

SELECTED ADMINISTRATIVE ACTIVITIES

As part of our audit, we evaluated selected Triumph administrative activities and controls, including those related to general and administrative expenses and electronic funds transfers.

Finding 2: Contracted Staff Compensation

State law¹⁴ permits Triumph to hire or contract for all staff, including a legal advisor, necessary to properly execute its powers and duties to implement the Act. Additionally, State law¹⁵ requires Triumph to responsibly and prudently manage all funds received. The use of written employment and contracted services agreements establishes the services to be rendered and compensation to be provided, as well as the terms and conditions of the arrangement.

Although Triumph was established in 2013, until the Governor signed legislation¹⁶ in June 2017 that appropriated funds to Triumph, the Board operated without funding. As part of our audit, we examined Board meeting agendas and minutes and other Triumph records related to staff compensation approved by the Board during the period June 2017 through June 2018 and found that Triumph records did not adequately evidence the basis for compensating the Executive Director and the law firm utilized by Triumph for services rendered pro-bono during the period November 2015 through June 2017.

Specifically, according to the October 28, 2015, Board meeting minutes, the Board Chair asked, and the Executive Director agreed, to serve pro-bono as Interim Executive Director, with the understanding that the part-time pro-bono position may not lead to a paid position once funding was available. Similarly, the Board Chair indicated that a law firm had also agreed to work pro-bono until funding was available, with

¹⁴ Section 288.8014(9), Florida Statutes.

¹⁵ Section 288.8016(1), Florida Statutes.

¹⁶ Chapter 2017-063, Laws of Florida.

the understanding that the firm may not be selected as Triumph's legal advisor once funding was available. While both parties agreed to work pro-bono for an indeterminate period of time, the Board did not execute written contracts with either party specifying the services to be provided, performance expectations, or the basis for potential compensation for services rendered when funds became available.

Subsequently, during the July 13, 2017, Board meeting, the Board authorized the Chair to negotiate an employment package for the Executive Director, as well as to consider some form of remuneration in recognition of the services she already rendered. The Board also authorized the Chair and Vice Chair to work to ensure that some remuneration was made to recognize the work performed by Triumph's law firm to date. Both parties provided the Board Chair a statement of the hours worked on Triumph activities prior to the receipt of funding and the total costs of the services rendered based on the party's current compensation rates. During the January 29, 2018, Board meeting, the Chair brought these costs before the Board, which authorized payments to the Executive Director and law firm totaling \$103,944 and \$90,335, respectively, that were made on February 28, 2018.

While we recognize that the services rendered by the Executive Director and the law firm were necessary to organize and operate Triumph, the absence of executed employment or contracted services agreements detailing the services to be provided and the compensation to be paid by Triumph to the parties, coupled with the official Triumph Board meeting minutes stating that such services were agreed to be provided pro-bono, highlights the need for Triumph records to clearly evidence the basis for all compensation paid and that any such amounts demonstrate prudent management of funds received by Triumph.

Recommendation: We recommend that Triumph ensure that all payments for services rendered by staff or independent contractors be evidenced by a written employment or contracted services agreement or other records detailing the services to be rendered, performance expectations, and compensation to be provided.

Finding 3: Electronic Funds Transfers

State law¹⁷ requires Triumph to establish a trust account at a Federally insured financial institution to hold funds received from the Triumph Gulf Coast Trust Fund and make deposits and payments. Additionally, State law authorizes Triumph to invest surplus funds in the Local Government Surplus Funds (LGSF) Trust Fund and any interest earned by Triumph is to be deposited monthly in the Triumph Gulf Coast Trust Fund. Triumph policies and procedures provided that the Chair, Vice Chair, and Treasurer were the only Board members authorized to initiate electronic funds transfers (EFTs) between the trust account and the LGSF Trust Fund. As of June 30, 2018, Triumph held \$4,419,277 in the trust account and \$299,664,193 in the LGSF Trust Fund.

As part of our audit, we evaluated Triumph EFT controls and examined Triumph records related to 24 EFTs, totaling \$305.6 million, made during the period June 2017 through June 2018. Our audit procedures disclosed that, while Triumph policies and procedures established the Board member positions authorized to initiate EFTs, Triumph did not periodically review bank authorization records to

¹⁷ Section 288.8013(3), Florida Statutes.

ensure that the authorized Board member information was accurate. Consequently, we noted that, as of June 30, 2018, one of the authorized signers had not held the position of Chair, Vice Chair, or Treasurer since January 1, 2018. According to Triumph management, the Board member remained an authorized signer due to Board transition issues and as a matter of convenience in case of emergency given the member's proximity to Triumph's banking institution.

While Triumph had established certain controls over EFTs, such as designating the Board member positions authorized to initiate an EFT, the absence of periodic reviews of bank authorization records increases the risk that EFTs may be initiated by unauthorized persons.

Recommendation: We recommend that Triumph management enhance policies and procedures to require periodic reviews of bank authorization records to ensure that the list of Board members authorized to initiate EFTs is accurate and, if necessary, timely updated.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from June 2018 through January 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit of Triumph Gulf Coast, Inc. (Triumph) focused on the administration of Triumph project and program awards and selected administrative activities. The overall objectives of the audit were:

- To evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and other guidelines.
- To examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable governing laws, rules, or contracts, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of

management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature, does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws to obtain an understanding of the legal framework governing Triumph operations.
- Reviewed applicable laws, Triumph policies and procedures, and other guidelines, and interviewed Triumph personnel to gain an understanding of Triumph controls for administering awards and managing financial and other administrative activities.
- From the population of 150 pre-applications for awards submitted to Triumph during the period June 2017 through June 2018, examined Triumph records for 25 selected pre-applications, including 6 pre-applications deemed ineligible for award, to determine whether pre-applications were evaluated based on the criteria established in Section 288.8017, Florida Statutes, and eligibility decisions were sufficiently documented and communicated to applicants.
- Interviewed Triumph management and reviewed Triumph policies and procedures to determine whether Triumph required management and independent contractors to attest, in writing, that they would comply with established Triumph conflict of interest policies and were independent of, and had no conflicts of interest related to, the applicants they were responsible for evaluating.
- From the population of 15 applications for awards evaluated by Triumph staff during the period June 2017 through June 2018, examined Triumph records for 10 selected applications to determine whether applications were appropriately evaluated based on the criteria established in Section 288.8017, Florida Statutes, and approval or denial decisions were sufficiently documented and communicated to applicants.
- Examined Triumph records for the 5 applications for awards, totaling \$18,873,576, approved by the Board to enter into term sheet negotiations during the period June 2017 through June 2018 to determine whether Triumph staff obtained Board approval prior to negotiating terms with the applicants and whether Triumph posted its intent to award on Triumph's Web site in accordance with Section 288.8016(4), Florida Statutes.

- Examined Triumph records for 3 award agreements, totaling \$15,426,867, executed by Triumph during the period June 2018 through August 2018 to determine whether Triumph included in the award agreements the provisions specified in Section 288.8017, Florida Statutes.
- Interviewed Triumph staff to obtain an understanding of Triumph monitoring procedures for executed award agreements.
- Examined Triumph records for the 3 semi-annual reports due to the Governor, the President of the Senate, and the Speaker of the House of Representatives during the period June 2017 through June 2018 to determine whether Triumph submitted the reports in accordance with Section 288.8013(4), Florida Statutes.
- Examined Triumph policies and procedures and Board meeting agendas and minutes for the period June 2017 through June 2018 to determine whether Triumph ensured that Board meetings were held in accordance with Section 288.8011, Florida Statutes, and whether Board members timely and properly disclosed possible direct and indirect conflicts of interest.
- Examined Triumph records for 10 general expense transactions, totaling \$46,155, selected from the population of 67 general expense transactions, totaling \$205,199, incurred during the period June 2017 through June 2018, to determine whether general expenses were appropriately supported, approved, and timely and accurately recorded to Triumph financial records.
- Examined Triumph records for 10 travel expense transactions, totaling \$9,710, selected from the population of 35 travel expense transactions, totaling \$12,768, incurred during the period June 2017 through June 2018, to determine whether travel expenses complied with applicable provisions of State law and whether expenses were timely and accurately recorded to Triumph financial records.
- Examined Triumph records for 14 contractual service expense transactions, totaling \$45,035, selected from the population of 67 contractual service expense transactions, totaling \$404,819, incurred during the period June 2017 through June 2018, to determine whether contractual service expenses agreed with the contract terms and amounts approved by the Board and were timely and properly recorded to Triumph financial records.
- Examined Triumph records for 5 contracts selected from the population of 12 contracts executed by Triumph during the period June 2017 through June 2018, to determine whether Triumph procured and administered the contracts in accordance with Triumph policies and procedures.
- Interviewed Triumph management, examined Triumph records, and evaluated Triumph processes to determine whether Triumph took steps to reasonably ensure that service organization controls relevant to the services performed on behalf of Triumph were suitably designed and operating effectively during the period June 2017 through June 2018.
- Examined Triumph records and interviewed Triumph management regarding the 7 Board members who served during the period June 2017 through June 2018 to determine whether Triumph had established a process to ensure that Board members filed disclosures of financial interests by July 1 each year in accordance with Section 112.3145, Florida Statutes.
- Observed, documented, and evaluated the effectiveness of selected Triumph processes and procedures for:
 - Budgetary, cash management, revenue, and cash receipt activities.
 - The administration of tangible personal property in accordance with Triumph policies and procedures. As of June 30, 2018, Triumph was responsible for tangible personal property with related acquisition costs totaling \$8,596.
 - The administration of purchasing cards in accordance with Triumph policies and procedures. As of June 30, 2018, Triumph had one active purchasing card.

- The assignment and use of mobile devices with related costs totaling \$900 during the period June 2017 through June 2018.
- The acquisition and management of real property leases in accordance with Triumph policies and procedures. As of June 30, 2018, Triumph was responsible for one real property lease.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Section 288.8013(5), Florida Statutes, requires that the Auditor General conduct an operational audit of Triumph Gulf Coast, Inc. annually. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with the first name "Sherrill" and last name "Norman" clearly legible.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

Triumph Gulf Coast, Inc.
MyFloridaTriumph.com

Scott A. Remington
General Counsel
850.432.2399
sremington@clarkpartington.com

May 14, 2019

Ms. Sherrill F. Norman, CPA
Auditor General, State of Florida
Claude Pepper Building, Suite, G74
111 West Madison Street
Tallahassee, FL 32399-1450

RE: Response to Operational Audit Findings and Recommendations

Dear Ms. Norman,

We have received the list of preliminary and tentative operational audit findings and recommendations and hereby submit our written response.

Finding 1: Pre-Application Review Process

Auditor Recommendation: We recommend that Triumph management enhance pre-application evaluation processes to ensure that Triumph records evidence that, for ineligibility determinations during the pre-application phase, applicants for awards were notified in writing the specific basis for the determination and provided the information necessary to address proposal shortcomings.

Response to Finding: Triumph Gulf Coast agrees with the recommendation, and has already started the process of notifying in writing the specific basis for the determination and providing the information necessary to address proposal shortcomings.

Finding 2: Contracted Staff Compensation

Auditor Recommendation: We recommend that Triumph ensure that all payments for services rendered by staff or independent contractors be evidenced by a written employment or contracted services agreement or other records detailing the services to be rendered, performance expectations, and compensation to be provided.

Response to Finding: Triumph Gulf Coast agrees with the recommendation, and now requires a written employment or contracted services agreement prior to payments for services rendered.

850.387.9405 | P.O. Box 12007, Tallahassee, Florida 32317 | info@myfloridatriumph.com

Finding 3: Electronic Funds Transfers

Auditor Recommendation: We recommend that Triumph management enhance policies and procedures to require periodic reviews of bank authorization records to ensure that the list of Board members authorized to initiate EFTs is accurate and, if necessary, timely updated.

Response to Finding: Triumph Gulf Coast agrees with the recommendation, and is in the process of updating our policies and procedures.

Thank you for your time and insight while working with our staff during this process, as it helps improve the operations of Triumph Gulf Coast.

Very truly yours,



Scott A. Remington
General Counsel

cc: Don Gaetz, Chair
Stephen Riggs, IV
Susan Skelton

TRIUMPH GULF COAST, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018

**TRIUMPH GULF COAST, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Triumph Gulf Coast, Inc.

Report on the Financial Statements

We have audited the accompanying fund balance sheet/statement of net position and the related statement of revenues, expenditures, and changes in fund balance/statement of activities of Triumph Gulf Coast, Inc. (the Organization) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise of the Organization'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

Opinions

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 Triumph Gulf Coast, Inc. as of December 31, 2018, and the respective changes in financial position for the year ended December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 Organization's internal control over financial reporting and compliance.



Pensacola, Florida
May 14, 2019

TRIUMPH GULF COAST, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

General Information

Management is pleased to offer the following assessment of the operations of Triumph Gulf Coast, Inc. (the Organization) for the year ended December 31, 2018.

Financial Highlights

The assets of the Organization exceeded its liabilities at December 31, 2018, by \$303,260,754.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Organization's basic financial statements. The Organization's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Organization's finances in a manner similar to private-sector business. The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities.

The statement of net position presents information on all of the Organization'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 Organization is improving or deteriorating.

The statement of activities presents information showing how the organization'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, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Organization uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Organization maintains one governmental fund, which is the General Fund.

Governmental Funds

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 used in evaluating an organization's near-term financing requirements.

**TRIUMPH GULF COAST, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

Governmental Funds – Continued

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

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.

Government-Wide Financial Analysis

The Organization's net position increased by \$3,590,994 during the year. At the end of the current fiscal year, the Organization is able to report a positive balance in net position. The same situation held true for the prior year. The Organization's revenues decreased by approximately \$296,000,000 from 2017 revenues. This decrease is a result of receiving the initial \$300,000,000 settlement payment from the State of Florida, Department of Economic Opportunity during 2017 and not receiving any settlement payments during 2018. However, subsequent payments are scheduled to be received annually from 2019 until 2033.

**TRIUMPH GULF COAST, INC.
STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Current and other asset	\$ 303,933,819	\$ 300,240,625
Total assets	<u>303,933,819</u>	<u>300,240,625</u>
LIABILITIES		
Accounts payable and accrued expenses	12,265	204,128
Due to Florida Department of Economic Opportunity	<u>660,800</u>	<u>366,737</u>
Total liabilities	<u>673,065</u>	<u>570,865</u>
NET POSITION		
Restricted	119,766,533	120,000,000
Unrestricted	<u>183,494,221</u>	<u>179,669,760</u>
TOTAL NET POSITION	<u><u>\$ 303,260,754</u></u>	<u><u>\$ 299,669,760</u></u>

**TRIUMPH GULF COAST, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

**TRIUMPH GULF COAST, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
REVENUES		
General revenue:		
Interest income rebate	\$ 4,419,277	\$ -
Settlement income appropriation	<u>-</u>	<u>300,000,000</u>
Total revenues	4,419,277	300,000,000
EXPENSES		
Administrative	594,816	330,240
Funds disbursed	<u>233,467</u>	<u>-</u>
Total expenses	<u>828,283</u>	<u>330,240</u>
CHANGE IN NET POSITION	3,590,994	299,669,760
NET POSITION, BEGINNING OF YEAR	<u>299,669,760</u>	<u>-</u>
NET POSITION, END OF YEAR	<u><u>\$ 303,260,754</u></u>	<u><u>\$ 299,669,760</u></u>

Request for Information

This report is designed to provide a general overview of Triumph Gulf Coast, Inc.'s finances for all those with an interest. Questions concerning any of the information in this report or requests for additional information should be addressed as follows:

Triumph Gulf Coast, Inc.
4100 Legendary Drive, Suite 200
Destin, Florida 32541

BASIC FINANCIAL STATEMENTS

TRIUMPH GULF COAST, INC.
FUND BALANCE SHEET / STATEMENT OF NET POSITION
DECEMBER 31, 2018

ASSETS		
	General Fund	Governmental Activities
CURRENT ASSETS		
Cash and cash equivalents	\$ 303,919,429	\$ 303,919,429
Prepays	14,390	14,390
TOTAL ASSETS	\$ 303,933,819	\$ 303,933,819
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 12,265	\$ 12,265
Due to Florida Department of Economic Opportunity	660,800	660,800
TOTAL LIABILITIES	673,065	673,065
FUND BALANCE / NET POSITION		
Fund balance - nonspendable	\$ 14,390	
Fund balance - restricted	119,766,533	
Fund balance - unassigned	183,479,831	
TOTAL FUND BALANCE	\$ 303,260,754	
TOTAL LIABILITIES AND FUND BALANCE	\$ 303,933,819	
Restricted		119,766,533
Unrestricted		183,494,221
TOTAL NET POSITION		\$ 303,260,754

See notes to the financial statements.

**TRIUMPH GULF COAST, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/ STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General Fund</u>	<u>Governmental Activities</u>
REVENUES		
Interest income rebate	\$ 4,419,277	\$ 4,419,277
EXPENDITURES/EXPENSES		
Administrative and general	594,816	594,816
Funds disbursed	<u>233,467</u>	<u>233,467</u>
Total expenditures/expenses	<u>828,283</u>	<u>828,283</u>
EXCESS OF REVENUES OVER EXPENDITURES	3,590,994	
FUND BALANCE, BEGINNING OF YEAR	<u>299,669,760</u>	
FUND BALANCE, END OF YEAR	<u><u>\$ 303,260,754</u></u>	
CHANGE IN NET POSITION		3,590,994
NET POSITION, BEGINNING OF YEAR		<u>299,669,760</u>
NET POSITION, END OF YEAR		<u><u>\$ 303,260,754</u></u>

See notes to the financial statements.

TRIUMPH GULF COAST, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Triumph Gulf Coast, Inc. (the Organization) was organized in June 2017, as a Florida not-for-profit corporation, to oversee the expenditure of 75 percent of all funds received by the State of Florida, Department of Economic Opportunity (DEO) for economic damages to the state that resulted from the 2010 Deepwater Horizon oil spill. The Organization is required to administer the distribution of funds to be used for the recovery, diversification and enhancement of the eight Northwest Florida counties disproportionately affected by the oil spill. Those counties include Escambia, Santa Rosa, Okaloosa, Walton, Bay, Gulf, Franklin and Wakulla.

The Organization is governed by a seven member Board, which is appointed by the Governor (1), the Attorney General (1), the Chief Financial Officer (1), the President of the Senate (2), and the Speaker of the House (2). Appointments and terms of office are established pursuant to Florida Statute 288.8014.

The following is a summary of the more significant accounting policies and practices of the Organization, which affect significant elements of the accompanying financial statements:

Reporting Entity

The accounting policies adopted by the Organization conform to accounting principles generally accepted in the United States of America as applied to not-for-profit organizations reporting using the governmental model. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Organization (the primary government). There were no entities that required inclusion as a component unit within the Organization's financial statements.

Basis of Presentation

Government wide financial statements – While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental fund and reports information on all of the nonfiduciary activities of the Organization. Separate financial statements are provided for the governmental fund.

Fund financial statements – The fund financial statements provide information about the Organization's governmental fund:

- The general fund is established to account for resources devoted to financing the general operations of the Organization. All operating resources are recorded in the general fund.

TRIUMPH GULF COAST, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Measurement Focus and Basis of Accounting

The Organization's financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, which requires the Organization to present *basic financial statements*, which are defined as follows:

The Statement of Net Position and the Statement of Activities report information 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 the related cash flows. These statements focus on the Organization's activities, as a whole, and report all of the assets, liabilities, revenues, expenses, and gains and losses of the entity.

The Fund Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance report information 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 within sixty days after year-end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

GASB Statement No. 34 requires disclosure of the reconciliation adjustments, which convert the *fund financial statements* into *government-wide financial statements*. The Organization has elected to present the respective *fund financial statements* and the *government-wide financial statements* in a combined format containing the reconciliation adjustments.

Assets, Liabilities, and Net Position or Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, as well as investments that are readily convertible to cash. Investments with original maturities of three months or less are considered to be cash equivalents.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded when consumed rather than when purchased.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

TRIUMPH GULF COAST, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Assets, Liabilities, and Net Position or Fund Balance – Continued

Classification of Fund Balance

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which an Organization is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are comprised of the following:

Nonspendable – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories and 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.

Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the Organization's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Organization that can, by passing a motion prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the action remains in place until a similar action is taken to remove or revise the limitation.

Assigned – includes amounts that are intended to be used by the Organization for specific purposes but do not meet the criteria to be classified as committed. The Board of Directors may also assign fund balance when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

Fund Balance/Net Position Flow Assumptions

Sometimes, the Organization will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Organization's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**TRIUMPH GULF COAST, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

Assets, Liabilities, and Net Position or Fund Balance – Continued

Revenue Sources and Agency Transactions

Settlement income is received by the DEO pursuant to the Deepwater Horizon settlement agreement and is recognized when received.

Interest earned by the Organization on invested settlement funds is treated as an agency/custodial type transaction, with no effect on income or expense, and is transferred to the DEO on a monthly basis.

Current statutes require that any amount of interest transferred to the DEO that remains unexpended by the DEO be appropriated back to the Organization. This “rebated” interest income is recognized when received.

Income Taxes

The Organization is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in the accompanying financial statements.

The Organization files income tax returns in the U.S. Federal jurisdiction. Income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

2. CASH AND CASH EQUIVALENTS

The amount reported as cash and cash equivalents consists of cash in a demand account, money market funds, and the SBA Florida PRIME investment account.

At December 31, 2018, the carrying amounts of cash and money market funds held at year end were \$260,322. Custodial credit risk is the risk that the Organization’s deposits might not be recovered. The Organization does not have a deposit policy for custodial credit risk; however, the Organization has not experienced any losses in its cash and money market fund accounts and believes it is not exposed to any significant risk.

TRIUMPH GULF COAST, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. CASH AND CASH EQUIVALENTS – CONTINUED

Cash invested with the SBA represents the Organization's participation in Florida PRIME, which is authorized by Section 218.415(17), Florida Statutes. Florida PRIME operates under investment guidelines established by Section 215.47, Florida Statutes. The Organization's investments in Florida PRIME are reported at amortized cost. As of December 31, 2018, the balance was \$303,659,107. The fair value of the Organization's position in Florida PRIME is the same as the value of the pool shares.

Since Florida PRIME is similar to money market funds where shares are owned in the fund rather than the actual underlying investments, disclosures for foreign currency risk are not applicable. In addition, there are no security lending activities for these funds, as the Organization does not own the underlying shares. In accordance with GASB Statement 79, Florida PRIME qualifies for measuring its investments at amortized cost, and management of the pool believes that the pool is exempt from the GASB 72 fair value hierarchy disclosures. As of December 31, 2018, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value.

The SBA's interpretation of GASB Statement No. 40 is that information related to credit risk and interest rate risk are applicable to the SBA accounts as noted below:

Credit Quality:

Florida PRIME is rated by Standard and Poor's and carries an AAA rating for December 31, 2018.

Interest Rate Risk:

The weighted average days to maturity (WAM) of Florida PRIME's investment portfolio was 33 days at December 31, 2018. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM is relevant as an assessment of the sensitivity of Florida PRIME's investments to interest rate changes.

3. RESTRICTED FUND BALANCE

Per Florida Statute 288.8013, at least \$120,000,000 must be allocated equally among the eight disproportionately affected counties. As of December 31, 2018, the Organization had a restricted fund balance of \$119,766,533.

4. SIGNIFICANT FUNDING SOURCE

The Organization's sole source of funding is received from the DEO. A significant reduction in the level of this funding could have an adverse effect on the Organization.

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5. SUBSEQUENT EVENT

On February 8, 2019, the Organization's Board of Directors adopted a resolution to create the Hurricane Michael Major Disaster Recovery Fund in the amount of \$15,000,000. Funding is to be used for the purpose of ad valorem relief, bridge loans and other possible relief efforts for the four Florida Counties most significantly impacted by Hurricane Michael: Bay, Gulf, Franklin, and Wakulla.

COMPLIANCE SECTION

**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 Board of Directors
Triumph Gulf Coast, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of Triumph Gulf Coast, Inc. (the Organization) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise of the Organization's basic financial statements and have issued our report thereon dated May 14, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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 Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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



Pensacola, Florida
May 14, 2019