

**TRIUMPH GULF COAST, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**DRAFT**

**TRIUMPH GULF COAST, INC.  
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DECEMBER 31, 2020**

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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, 2020, 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, 2020, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**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 March 11, 2021, 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  
March 11, 2021

**TRIUMPH GULF COAST, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2020**

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**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, 2020.

**Financial Highlights**

The assets of the Organization exceeded its liabilities at December 31, 2020, by \$434,348,647.

**Overview of the Financial Statements**

This discussion and analysis are 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'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020**

**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 \$73,785,973 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 remained steady at \$80,000,000, as a result of receiving the second annual settlement payment from the State of Florida, Department of Economic Opportunity (DEO) during 2020. Subsequent payments are scheduled to be received annually through 2033. Funds disbursed decreased from \$21,950,727 in 2019 to \$5,405,503 in 2020. The decrease is attributed to the Organization disbursing \$15,000,000 specifically designated as Hurricane Michael Relief in 2019.

**TRIUMPH GULF COAST, INC.  
STATEMENTS OF NET POSITION  
AS OF DECEMBER 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash and prepaid items	\$ 434,446,485	\$ 361,150,783
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	32,207	27,569
Due to Florida Department of Economic Opportunity	65,631	560,540
Total liabilities	97,838	588,109
<b>NET POSITION</b>		
Restricted	158,690,302	138,415,805
Unrestricted	275,658,345	222,146,869
<b>TOTAL NET POSITION</b>	<b>\$ 434,348,647</b>	<b>\$ 360,562,674</b>

**TRIUMPH GULF COAST, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2020**

**TRIUMPH GULF COAST, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>REVENUES</b>		
General revenue:		
Settlement income appropriation	\$ 80,000,000	\$ 80,000,000
<b>EXPENSES</b>		
Administrative	808,524	747,353
Funds disbursed	5,405,503	21,950,727
Total expenses	6,214,027	22,698,080
<b>CHANGE IN NET POSITION</b>	73,785,973	57,301,920
<b>NET POSITION, BEGINNING OF YEAR</b>	360,562,674	303,260,754
<b>NET POSITION, END OF YEAR</b>	\$ 434,348,647	\$ 360,562,674

**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**

**DRAFT**



**TRIUMPH GULF COAST, INC.  
FUND BALANCE SHEET / STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

	<b>ASSETS</b>	<b>General Fund</b>	<b>Governmental Activities</b>
		<u>          </u>	<u>          </u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		\$ 434,428,282	\$ 434,428,282
Prepaid items		18,203	18,203
<b>TOTAL ASSETS</b>		<u>\$ 434,446,485</u>	<u>434,446,485</u>
	<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses		\$ 32,207	32,207
Due to Florida Department of Economic Opportunity		65,631	65,631
<b>TOTAL LIABILITIES</b>		97,838	<u>97,838</u>
	<b>FUND BALANCE / NET POSITION</b>		
Fund balance - nonspendable		18,203	
Fund balance - restricted		158,690,302	
Fund balance - committed		62,875,524	
Fund balance - unassigned		<u>212,764,618</u>	
<b>TOTAL FUND BALANCE</b>		<u>434,348,647</u>	
<b>TOTAL LIABILITIES AND FUND BALANCE</b>		<u>\$ 434,446,485</u>	
Restricted			158,690,302
Unrestricted			<u>275,658,345</u>
<b>TOTAL NET POSITION</b>			<u>\$ 434,348,647</u>

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, 2020**

	<u>General Fund</u>	<u>Governmental Activities</u>
<b>REVENUES</b>		
Settlement revenue appropriation	\$ 80,000,000	\$ 80,000,000
<b>EXPENDITURES/EXPENSES</b>		
Administrative and general	808,524	808,524
Funds disbursed	5,405,503	5,405,503
Total expenditures/expenses	<u>6,214,027</u>	<u>6,214,027</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	73,785,973	
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>360,562,674</u>	
<b>FUND BALANCE, END OF YEAR</b>	<u>\$434,348,647</u>	
<b>CHANGE IN NET POSITION</b>		73,785,973
<b>NET POSITION, BEGINNING OF YEAR</b>		<u>360,562,674</u>
<b>NET POSITION, END OF YEAR</b>		<u>\$434,348,647</u>

See notes to the financial statements.

**TRIUMPH GULF COAST, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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**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, 2020**

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**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 60 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 purchased within three months of maturity 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, 2020**

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**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.

*Unassigned* – includes amounts that have not been restricted, committed, or assigned to specific purposes. Unassigned amounts are technically available for any purpose.

***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, 2020**

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**1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – 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, 2020, the carrying amounts of cash and money market funds held were \$222,095. 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.

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, 2020, the balance was \$434,206,187. The fair value of the Organization’s position in Florida PRIME is the same as the value of the pool shares.

**TRIUMPH GULF COAST, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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**2. CASH AND CASH EQUIVALENTS – CONTINUED**

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, 2020, 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 AAAM rating for December 31, 2020.

Interest Rate Risk:

The weighted average days to maturity (WAM) of Florida PRIME's investment portfolio was 48 days at December 31, 2020. 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 of the initial settlement appropriation must be allocated equally among the eight disproportionately affected counties. In addition, at least \$3,200,000 of the annual settlement appropriations received, beginning in 2019, must be allocated to each county. As of December 31, 2020, the Organization had a restricted fund balance of \$158,690,302.

**4. COMMITTED FUND BALANCE**

The Board has committed funds in excess of the amounts restricted. As of December 31, 2020, the Organization had a committed fund balance of \$62,875,524.

**TRIUMPH GULF COAST, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**5. FUNDS DISBURSED**

During 2020, funds were disbursed as follows:

Bay County	\$ 2,457,323
Franklin County	487,296
Gulf County	389,733
Okaloosa County	110,967
Santa Rosa County	20,000
Wakulla County	356,068
Walton County	1,504,116
Supplemental - award impacts multiple counties	<u>80,000</u>
	<u><u>\$ 5,405,503</u></u>

**6. 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.



**COMPLIANCE SECTION**

**DRAFT**

**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, 2020, 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 March 11, 2021.

**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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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  
March 11, 2021

DRAFT

March 11, 2021

To the Board of Directors  
Triumph Gulf Coast, Inc.  
4100 Legendary Drive, Suite 200  
Destin, Florida 32541

We have audited the financial statements of the governmental activities and General Fund of Triumph Gulf Coast, Inc. as of and for the year ended December 31, 2020, and have issued our report thereon dated March 11, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 28, 2021. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Triumph Gulf Coast, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements.

##### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 11, 2021.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management’s discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of Triumph Gulf Coast, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Warren Averett, LLC  
Pensacola, Florida