



## **FINANCE COMMITTEE**

### **AGENDA PACKAGE**

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**SEPTEMBER 16, 2020**

**2:00 p.m.**

**Dial-in Info 877-668-4493 or 650-479-3208**

**Meeting Number 730 896 352**

**Password 8553**

#### **Committee Members**

Karen Nelson, Jacksonville Beach – Chairwoman  
Jody Young, Bushnell  
Barbara Mika, Fort Pierce  
Howard McKinnon, Havana  
Barbara Quiñones, Homestead  
Jack Wetzler, Key West  
Larry Mattern, Kissimmee  
Jim Williams, Leesburg  
Steve Langley, Mount Dora  
Dallas Lee, Newberry  
Marie Brooks, Ocala  
James Braddock, Wauchula

#### Meeting Location

Florida Municipal Power Agency 8553  
Commodity Circle Orlando, FL 32819

**(407) 355-7767**



Linda S. Howard, CPA, CTP  
Chief Financial Officer

## MEMORANDUM

TO: FMPA Finance Committee  
FROM: Linda S. Howard  
DATE: September 9, 2020  
SUBJECT: FMPA Finance Committee Meeting  
Wednesday, September 16, 2020 at 2:00pm  
PLACE: Florida Municipal Power Agency Board Room  
8553 Commodity Circle,  
Orlando, FL 32819

**DIAL-IN INFORMATION: 877-668-4493 or 650-479-3208, Meeting 730  
896 352# PASSWORD 8553**  
(If you have trouble connecting via phone or internet, please call 407-355-7767)

*Larry Mattern, Kissimmee, Presiding*

### AGENDA

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LSH/pa

One or more participants in the above referenced public meeting may participate by telephone. At the above location there will be a speaker telephone so that any interested person can attend this public meeting and be fully informed of the discussions taking place either in person or by telephone communication. If anyone chooses to appeal any decision that may be made at this public meeting, such person will need a record of the proceedings and should accordingly ensure that a verbatim record of the proceedings is made, which includes the oral statements and evidence upon which such appeal is based. This public meeting may be continued to a date and time certain, which will be announced at the meeting. Any person requiring a special accommodation to participate in this public meeting because of a disability, should contact FMPA at (407) 355-7767 or 1-(888)-774-7606, at least two (2) business days in advance to make appropriate arrangements.

**AGENDA ITEM 1 - CALL TO ORDER,  
ROLL CALL, DECLARATION OF  
QUORUM**

**Finance Committee Meeting  
September 16, 2020**

**AGENDA ITEM 2 – RECOGNITION OF  
GUESTS**

**Finance Committee Meeting  
September 16, 2020**

**AGENDA ITEM 3 – PUBLIC  
COMMENTS (Individual Public  
Comments Limited to 3 Minutes)**

**Finance Committee Meeting  
September 16, 2020**

**AGENDA ITEM 4 – SET AGENDA (By  
Vote)**

**Finance Committee Meeting  
September 16, 2020**

**AGENDA ITEM 5 – APPROVAL OF  
MINUTES**

- a. Approval of Minutes – Finance  
Committee Minutes – Meeting  
Held August 19, 2020**

**Finance Committee Meeting  
September 16, 2020**



CLERKS DULY NOTIFIED.....August 12,2020  
AGENDA PACKAGE SENT TO MEMBERS.....August 12, 2020

**MINUTES  
FINANCE COMMITTEE MEETING  
WEDNESDAY, AUGUST 19, 2020  
FLORIDA MUNICIPAL POWER AGENCY  
8553 COMMODITY CIRCLE  
ORLANDO, FL**

**PARTICIPANTS  
PRESENT VIA  
TELEPHONE**

Karen Nelson, Jacksonville Beach  
Barbara Mika, Fort Pierce (via telephone)  
Howard McKinnon, Havana  
Barbara Quinones, Homestead  
Jack Wetzler, Key West (via telephone)  
Larry Mattern, Kissimmee (via telephone)  
Jim Williams, Leesburg (via telephone)  
Steve Langley, Mount Dora (via telephone)  
Dallas Lee, Newberry (via telephone)  
Marie Brooks, Ocala (via telephone)  
James Braddock, Wauchula

**PARTICIPANTS  
ABSENT VIA  
TELEPHONE**

Jody Young, Bushnell

**OTHERS  
PRESENT VIA  
TELEPHONE**

Kathryn Eno, Purvis Gray  
Tim Westgate, Purvis Gray  
Craig Dunlap, Dunlap & Associates, Inc.  
John Tompeck, Fort Pierce Utility Authority

**STAFF PRESENT**

Jacob Williams, General Manager and CEO  
Ken Rutter, Chief Operating Officer and COO  
Jody Finklea, General Counsel and CLO  
Linda Howard, Chief Financial Officer  
Mark McCain, AGM of Public Relations and Member Services  
Sharon Adams, HR Director  
Carol Chinn, Chief Security Officer  
Rich Popp, Treasurer and Risk Director  
Dan O'Hagan, Asst General Counsel & Regulatory Compliance Counsel  
Jason Wolfe, Financial Planning Rates and Budget Director  
Danyel Sullivan – Marrero, Controller  
Denise Fuentes, Financial Analyst  
Ed Nunez, Assistant Treasurer – Debt  
Isabel Montoya, IT Specialist  
Liyuan Woerner, Audit Manager  
Sue Utley, Executive Asst. /Asst. Secy. to the Board  
Paige Arnett, HR Assistant

**ITEM 1 – Call to Order, Roll Call and Declaration of Quorum**

Chairperson Karen Nelson, Jacksonville Beach, called the FMPA Finance Committee Meeting to order by telephone at 2:00 pm on Wednesday, August 19, 2020. A speaker telephone was present for public attendance and participation in the Fredrick M. Bryant Board Room, at FMPA, 8553 Commodity Circle, Orlando, Florida. The roll was taken, and a quorum was declared, with 10 of 12 members present. James Braddock, Wuachula, arrived during the discussion of item 8.a., bringin the quorum present to 11.

## **ITEM 2 – RECOGNITION OF GUESTS**

None.

## **ITEM 3 – PUBLIC COMMENTS (INDIVIDUAL PUBLIC COMMENTS LIMITED TO 3 MINUTES)**

None.

## **ITEM 4 – SET AGENDA (BY VOTE)**

**MOTION:** Howard McKinnon, Havana, moved approval of the agenda as presented. Barbara Quinones, Homestead, seconded the motion. Motion carried 11-0.

## **ITEM 5 – APPROVAL OF THE MINUTES**

### **a. Approval of Minutes – Finance Committee Minutes – Meeting Held May 20, 2020, and Meeting Held June 17, 2020**

**MOTION:** Barbara Quinones, Homestead, moved the approval of the minutes presented for the meeting held May 20, 2020. Howard McKinnon, Havana, seconded the motion. Motion carried 10-0.

**MOTION:** Howard McKinnon, Havana, moved the approval of the minutes presented for the meeting held June 17, 2020. Larry Mattern, Kissimmee, seconded the motion. Motion carried 10-0.

## **ITEM 6 – CHAIRPERSON'S REMARKS**

Karen Nelson, Jacksonville Beach welcomed everyone to the meeting and thanked those who participated in the Finance Committee Meeting.

## **ITEM 7 – CFO REPORT**

Linda Howard presented on the following items:

1. Staff changes related to the internal risk policy reviews
2. Purvis Gray will provide an update within the meeting and provide an opportunity for any members who wish to meet with them separately to do so.

Karen Nelson, Jacksonville Beach explained what the Finance Committee procedure has been in the past (for staff to leave the room is the Finance Committee wishes to have separate discussions with the external auditors) and said the same option was available for

this meeting.

## **ITEM 8 – ACTION ITEMS**

### **a. Approval of Policy Structure Changes**

Linda Howard made the presentation. She explained there is an overall Agency Risk Management Policy with 15 sub-policies that come to the Executive Committee and Board of Directors for review and approval. The recommended change is to eliminate ineffective Risk Policies and update Risk Policies where certain policies are more procedural in nature. Risk Policies granting specific staff authority would not change or be eliminated. Detailed discussion ensued.

Howard McKinnon, Havana mentioned he would like more detailed information on the policies that are being recommended for elimination.

Karen Nelson, Jacksonville Beach, noted that for each policy changed, it would come before the Finance Committee for review.

Larry Mattern, Kissimmee, mentioned that he agreed that he would like more detailed information on the policies recommended for removal.

Jody Finklea, mentioned in over fifteen years, the two policies presented have not been substantively amended.

**MOTION:** Howard McKinnon, Havana, moved the approval of moving forward with the restructuring process for recommendation to the Board of Directors and Executive Committee, but staff is to bring back copies of the actual policies suggested for removal to the Finance Committee. Larry Mattern, Kissimmee, seconded the motion. Motion carried 11-0.

### **b. Approval of Wells Fargo Line of Credit Extension**

Rich Popp, explained the market for Lines of Credit have seen an increase in demand causing price increases. New language within the credit agreement underlying the line of credit provides that either Wells Fargo or FMPA can opt out of a LIBOR-based interest rate, before the LIBOR rate is retired (at the end of 2021), if one party presents to the other party a replacement interest rate that has been used in at least five comparative deals that have been executed.

Jack Wetzler, Key West, questioned the need to extend the \$25 million of Lines of Credit capacity for the All-Requirements Project.

**MOTION:** Larry Mattern, Kissimmee, moved the approval of extending the Line of Credit with Wells Fargo for \$25 million with the concurrence of the Debt Finance Team. Howard McKinnon seconded the motion. Motion carried 10-1.

Jack Wetzler, Key West, opposed the motion.

### **c. Approval of Investment Risk Management Policy Changes**

Rich Popp made the presentation. He explained that minor changes were proposed to improve clarity and update the policy to include new FMPA Projects. Other changes were explained.

**MOTION:** Barbara Quinones, Homestead, moved the approval of the Investment Policy changes for recommendation to the Board of Directors and Executive Committee for approval. Howard McKinnon, Havana, seconded the motion. Motion carried 11-0.

### **d. Approval of the Credit Card Audit Report**

Liyuan Woerner made the presentation. Out of 40 transactions, there were two identified missing receipts. Out of the 20 selected transactions for plant users, Audit identified 12 late submissions, and recommended modifying plant procedures for submission time, so they have enough time to submit receipts timely. Recommended controls for timely submission on receipts for all others.

Howard McKinnon, Havana, asked how many transactions were made by the plants. Liyuan Woerner clarified that staff had changed the procedure since the submittal time was not feasible for their operations. Linda Howard mentioned there are controls in place, and late submittals will be communicated to the plant managers as well as missing receipts.

Jack Wetzler, Key West, questioned how you would contact plant management on credit card transactions that are late with their supervisors. Liyuan Woerner responded that Audit spoke with Ken Rutter, who will work with the plant managers.

Larry Mattern, Kissimmee, mentioned the credit card procedure at Cane Island. The first level comes from KUA, and then the statements follow to be signed by Larry Mattern and then signed by the plant managers.

Jacob Williams mentioned items on the iPhone don't provide a receipt and some of the vendors don't provide receipts, as well.

Karen Nelson, Jacksonville Beach mentioned we should look into revising the policy to accommodate new technology without receipts.

**MOTION:** Howard McKinnon, Havana, moved the approval of the credit card audit report for recommendation to the Board of Directors and Executive Committee for approval. Barbara Quinones, Homestead, seconded the motion. Motion carried 11-0.

## **ITEM 9 – INFORMATION ITEMS**

### **a. Budget vs. Actual Update**

Jason Wolfe presented on the budget vs. actual update. The ARP budget is projecting the

lowest power costs for the ARP since 2004. Stanton and St. Lucie projects have low budgets and don't expect an increase. Agency expenses are projected to be below budget.

**b. Report on Interim Audit**

Danyel Sullivan - Marrero, presented on the interim audit report. Purvis Grey conducted interviews with management and went through the controls. No issues were found during audit.

Tim Westgate, Purvis Gray, joined the call to expand on the interim audit report. Mentioned during the fiscal year, FMPA implemented two software programs being Acumatica and Docusign. Implementations went well. Purvis Gray plans to visit Cane Island site for year-end inventory. Year-end audit will begin the week of November 2, 2020.

Kathryn Eno, Purvis Gray explained their process for focusing on specific areas within the audit. Purvis Gray met with managers and directors on FMPA's yearly initiatives.

**c. Exit Conference with External Auditors**

Karen Nelson, Jacksonville Beach, asked the Finance Committee if anyone would like to meet with Purvis gray without staff. Nobody opted for the option.

Linda Howard commented that at year-end the Committee will be offered the same private setting communication.

**ITEM 10 – REPORTS**

**a. FGU April, May, June and July Storage Reports**

The reports were provided for information only. There was no further discussion.

**ITEM 11 – COMMENTS**

None.

**ITEM 12 – ADJOURNMENT**

There being no further business, the meeting was adjourned at 3:24 pm.

Approved: \_\_\_\_\_ Date \_\_\_\_\_ KN/pa

**AGENDA ITEM 6 – CHAIRPERSON'S  
REMARKS**

**Finance Committee Meeting  
September 16, 2020**

## **AGENDA ITEM 7 – CFO REPORT**

**Finance Committee Meeting  
September 16, 2020**

## **AGENDA ITEM 8 – ACTION ITEMS**

- a. Recommended Approval of  
Resolution for Budget  
Amendment for Tri-City Project**

**Finance Committee Meeting  
September 16, 2020**





# **FC 8a - FY 2020 Budget Amendment for Tri-City Project**

Finance Committee

September 16, 2020

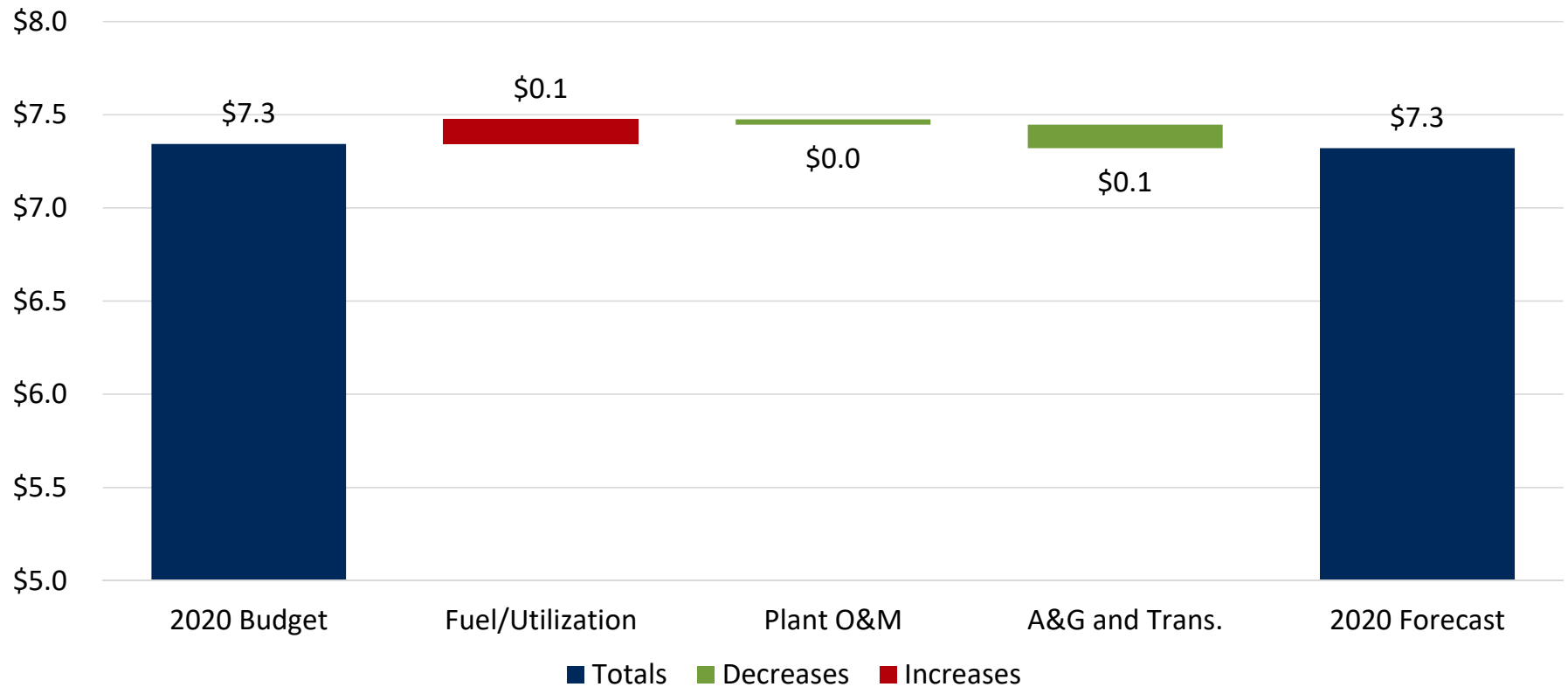
# Summary

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- Tri-City Project expenses projected to end FY 2020 within 0.5% of approved spending authority
- Higher \$/MWh fuel costs than expected are driving fuel expense > budget, offsetting other cost savings
- \$200k additional spending authority requested to cover risk that actual expenses exceed projections
- Additional approved amounts would only be billed to Project Participants if the expenses are actually incurred

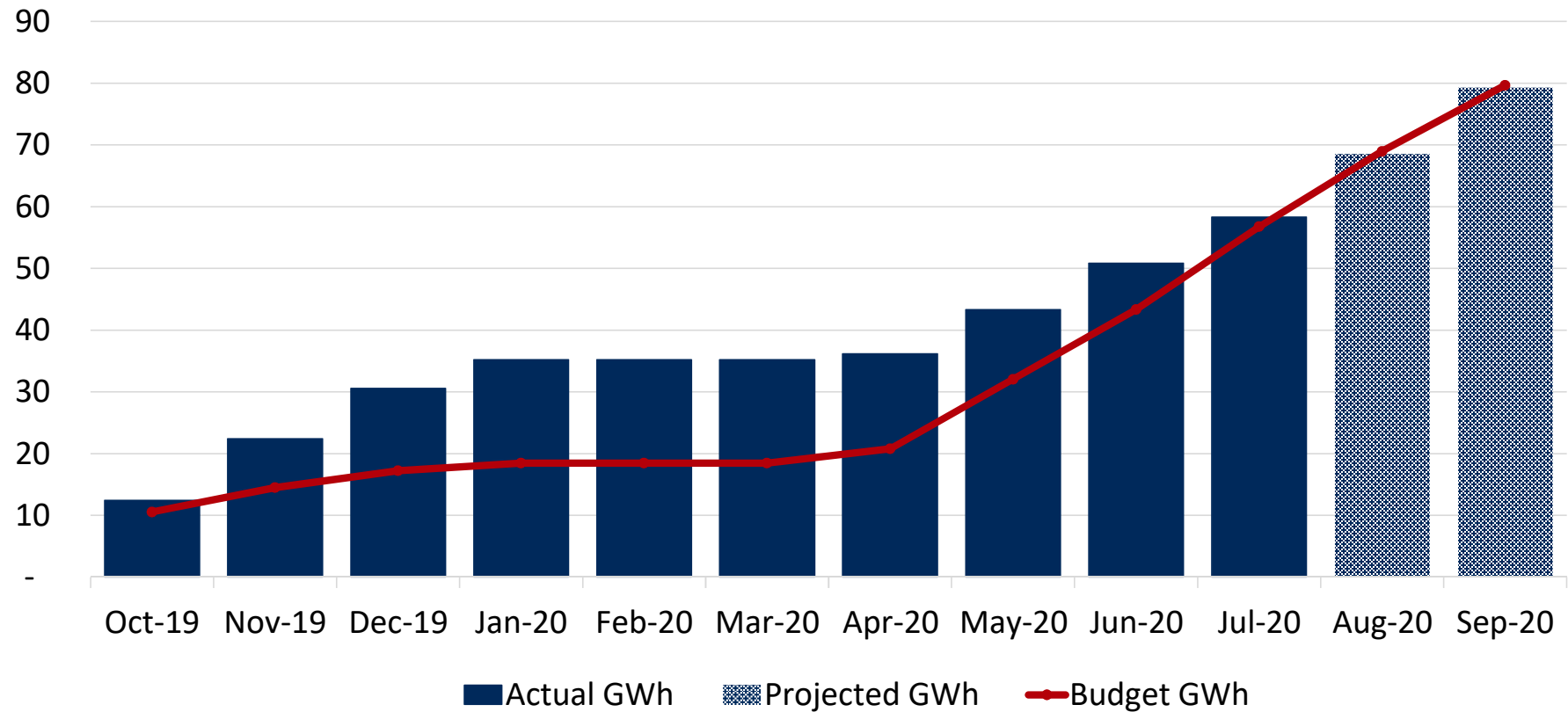
## Fuel Costs Projected Slightly Over Budget, but Savings in Other Areas Leads to Year-End Forecast ~ Budget

Tri-City Project – FY 2020 Budget vs. Forecast Expenses (\$Millions)



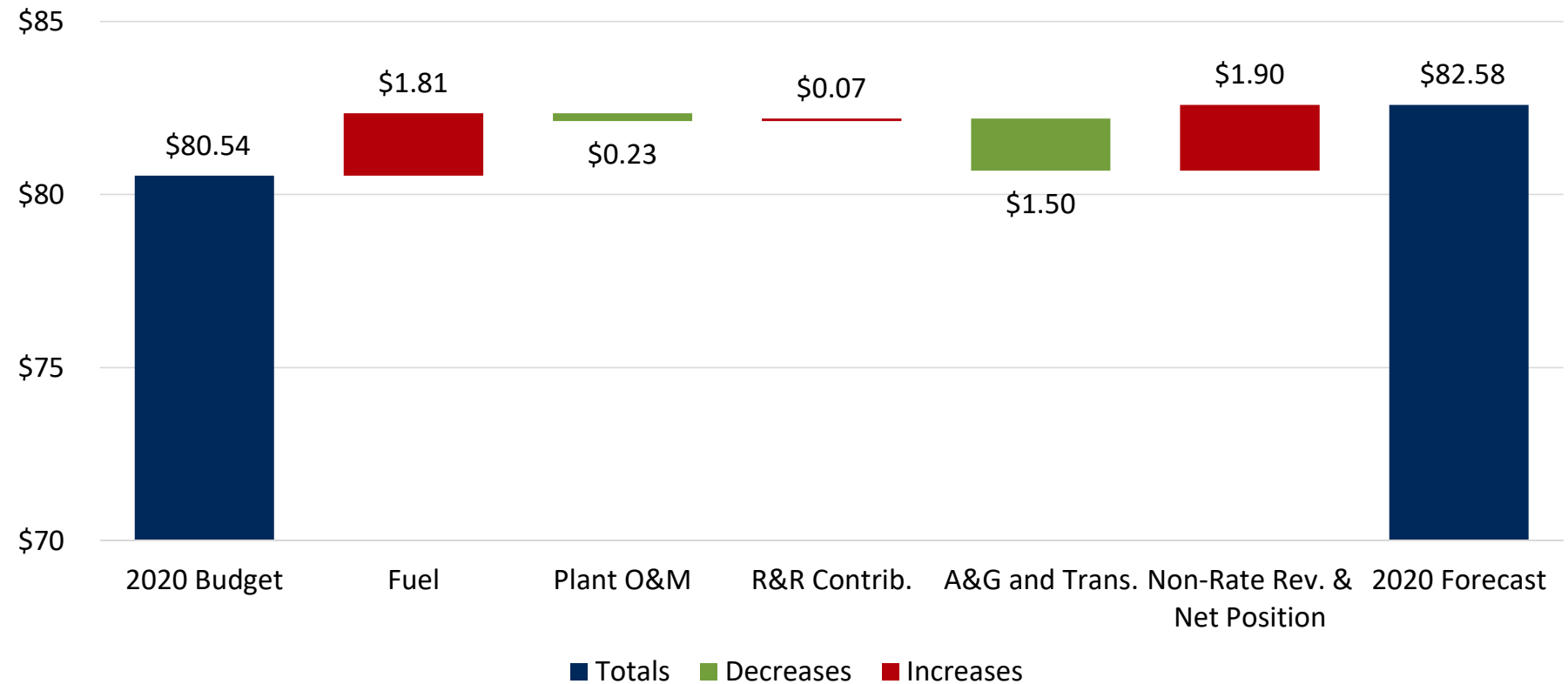
# Tri-City Project Generation Projected ~ Budget

Tri-City Project FY 2020 Cumulative Generation (GWh)



# Year End Forecast Participant Costs ~\$2/MWh > Budget

Tri-City Project – FY 2020 Budget vs. Forecast Participant Cost (\$/MWh)



## Recommended Motion

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- Move approval of recommendation of Resolution 2020-B4 to the Board of Directors for approval to increase the FY 2020 Tri-City Project budget spending authority by \$200,000.

## **AGENDA ITEM 8 – ACTION ITEMS**

- b. Recommend Approval of the  
Elimination of the Statutory &  
Regulatory and Records  
Management Policies**

**Finance Committee Meeting  
September 16, 2020**



# 8b- Recommend Approval of the Elimination of the Statutory & Regulatory and Records Management Policies

Finance Committee

September 16, 2020



# Recommended Changes to the Risk Policy Format

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Keep the umbrella risk management policy in place

Eliminate those existing policies that are procedural in nature, and add pertinent, risk mitigating functions to the risk management umbrella policy

Streamline the number of individual policies to only include those that

- Delineate staff/spending authorization levels
- Set tolerance levels in high risk areas

Emphasize compensating controls

- Internal Audit review
- Management oversight
- Knowledgeable staff
- Written procedures

# Recommend Deleting Statutory & Regulatory Policy

- Statutory & Regulatory Policy obligations
  - Maintain complete records
  - Update BOD & EC on regulatory environment
  - Report violations to BOD & EC
- Staff Actions
  - Quarterly BOD & EC updates
  - Staff performance issue if BOD & EC learn of violations in an untimely manner
- Policy not needed due to compensating controls

# Recommend Deleting Records Management Policy

- Records Management Policy obligations
  - Maintain complete records in accordance to debt requirements or other governmental agencies
  - Follow the Florida Records Retention Schedule
    - GS1-L and GS14
    - Legal will provide final opinion on interpretations of the Schedules
  - Access to certain documents will limited and physically protected
  - Training:
    - HR ensure new employees receive records retention training
    - IT ensures bi-annually all employees are using electronic records management system
    - Legal will annually present formal records retention obligations to all employees

# Recommend Deleting Records Management Policy (contd.)

- Staff Actions
  - Training process fully integrated into Agency culture
  - Employee within the Legal Department has Records Retention responsibilities in their job description
  - On boarding procedure to have all new hires watch FRRS (Florida Records Retention Schedule) training
- Compensating controls in place

# QUESTIONS

# Recommended Motion

- Move to approve of the elimination of both the Statutory & Regulatory Policy and the Records Management Policy from the Agency's Risk Management Exhibits, to the Board of Directors and Executive Committee.

# **FLORIDA MUNICIPAL POWER AGENCY**

## **RISK MANAGEMENT POLICY APPENDIX G**

### **STATUTORY AND REGULATORY MATTERS POLICY**

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## **STATUTORY AND REGULATORY MATTERS RISK MANAGEMENT POLICY FOR FLORIDA MUNICIPAL POWER AGENCY**

This Statutory and Regulatory Matters Policy (the “Policy”) and any effective subordinate procedures establish the governance, framework and the controls under which Florida Municipal Power Agency (FMPA) may engage in activities to identify, measure and minimize future business risk resulting from existing statutory and regulatory matters as well as future changes in the statutory and regulatory environment. This Policy is Appendix G of the FMPA Risk Management Policy.

### **1.0 Policy Statement**

The Board of Directors and Executive Committee of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its members. FMPA is hereby authorized to put mechanisms into place, such as those more fully described in Section 5.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse impact on the financial position or reputation of the Agency.

#### **It is the Policy of the Board of Directors and Executive Committee that:**

- ❖ FMPA will follow all applicable federal, state and local laws.
- ❖ Authority is delegated to the General Counsel to create procedures to administer this policy.
- ❖ General Counsel shall be directly responsible for the handling of all legislative matters and regulatory proceedings involving the state legislature and Congress, and state and federal agencies, including but not limited to the Florida Department of Revenue (DOR), the Florida Public Service Commission (PSC), the Florida Department of Environmental Protection (DEP), US Department of Energy (DOE), US Environmental Protection Agency (EPA), and the Federal Energy Regulatory Commission (FERC).



- ❖ General Counsel shall have responsibility to direct staff of any department as needed to meet the needs of the Agency in responding to or participating in any legislative or regulatory matter as necessary to represent the interests of the Agency.
- ❖ The Director of Regulatory Affairs shall be responsible for the technical aspects of any regulatory proceedings and assist the General Counsel in administering such proceedings. The Director shall also be the case manager on all FERC legislative measures relating to the delivery of power to the FMPA and ARP members.
- ❖ The Regulatory Compliance Officer shall oversee all NAESB, NERC and FRCC compliance measures.
- ❖ Deviations from this Policy shall be reported to the Finance Committee (FC).

## **2.0 Scope**

FMPA has the authority to represent itself and its members on statutory and regulatory issues. All FMPA activities shall meet FERC, NERC, DOE, EPA, DEP, DOR, FPSC, and FRCC requirements.

The General Counsel has ultimate responsibility for administration of FMPA's statutory and regulatory matters policies.

## **3.0 Types of Risk**

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels to ensure the effective and efficient generation of electric power. The General Counsel will cause procedures to be written that identify risks in the areas noted below and provide ways to measure, control and mitigate FMPA's exposure to those risks. While not intended to be a comprehensive listing of risk encountered by FMPA during the normal course of the business cycle, the

following provides insight into the major areas of statutory and regulatory risk exposure for FMPA.

**3.1 Regulatory Risk:** The risk of a potential adverse impact on FMPA from an action and direction from an administrative body such as FERC, DOE, EPA, DOR, or DEP. The risk is that a regulatory or legislative matter harms FMPA. For instance, legislative or regulatory action could make it impossible for FMPA to participate in base load generation projects to serve its All-Requirements Power Supply Project participants. Regulatory risk occurs at the local, state and federal level and could have direct impact on FMPA's strategic, operational or financial decisions.

**3.2 Environmental Risk:** The risk of potential losses associated with a generating or other facilities not complying with federal environmental or other regulations. Examples of environmental non-compliance include emissions violations and toxic spills. When a generating facility is in violation, there is the potential that generating output could be lost. FMPA must replace these generating units with other units or purchase the power at spot market prices that may exceed the cost expected from the failed generator. Substantial damage could also be incurred to the reputation of FMPA.

#### **4.0 Statutory and Regulatory Oversight**

The General Counsel, Director of Regulatory Affairs, and Regulatory Compliance Officer are responsible for overseeing regulatory and legislative matters as described in Section 1.0. This oversight includes the following functions:

**4.1 Maintaining Records:** All documentation of compliance measures taken by the Agency shall be maintained according to regulatory requirements and the Records Management Risk Management Policy.

**4.2 Reporting:** The General Counsel shall report at least annually to Executive Committee and Board of Directors an update on regulatory or legislative matters affecting the Agency. Regulatory or legislative matters that affect the risk exposure of the Agency shall be reported to the Finance Committee (FC) as needed.

**4.3 Violations:** Any violation notices or any other notification of non-compliance with regulatory or legislative matters shall be reported to the Risk Management Department upon receipt and to the FC within 5 working days.

## **5.0 Internal Controls and Ethics**

The General Counsel shall cause to be established a system of written internal controls to ensure compliance with all statutory and regulatory requirements, consistent with this Policy and Statutory and Regulatory Matters Procedures, and in accordance with all policies and procedural guidelines established in the Risk Management Policy.

**5.1 Continuing Education:** The Chief Operating Officer and General Counsel shall ensure that appropriate staff maintains current knowledge regarding the statutory and regulatory matters.

**5.2 Policy Compliance:** Risk Management staff shall assist General Counsel in monitoring compliance with this Policy and associated Procedures.

## **6.0 Reporting**

The General Counsel shall cause any deviations from this Policy to be reported according to the guidelines set forth in the FMPA Risk Management Policy, Section 4.1. The Finance Committee shall cause to be completed an annual report on the

operation and effectiveness of this Asset Management and Operations Policy as described in the FMPA Risk Management Policy, Section 7.0. The General Counsel shall notify the Agency Risk Manager of the current statutory and regulatory risk environment affecting FMPA as appropriate.

## Appendix A

### Florida Municipal Power Agency Risk Management Reporting Calendar Statutory and Regulatory Reporting Requirements

Reporting Item	Frequency of Report	Responsible Party	Policy Reference	Policy Reference
Update to governing bodies	Annually	General Counsel	Section 4.2	Updates
Violations	As needed	General Counsel	Section 4.3	Violations
Deviations from Policy	As needed	General Counsel	Section 6.0	Reporting
Policy operation and effectiveness	Annually	AROCFC	Section 6.0	Reporting

**RISK MANAGEMENT POLICY  
APPENDIX L**

**FLORIDA MUNICIPAL POWER AGENCY**

**RECORDS MANAGEMENT RISK MANAGEMENT POLICY**

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**RECORDS MANAGEMENT  
RISK MANAGEMENT POLICY  
FOR FLORIDA MUNICIPAL POWER AGENCY**

This Records Management Policy (the “Policy”) and any effective subordinate procedures establish the governance, framework and controls under which Florida Municipal Power Agency (“FMPA”) may engage in activities to identify, measure and minimize future business risk resulting from the potential loss of records. Records in this context include written documents, electronic versions of documents, and email. This Policy is Appendix L of the FMPA Risk Management Policy.

**1.0 Policy Statement**

The Board of Directors and Executive Committee of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its members. FMPA is hereby authorized to put mechanisms into place, such as those more fully described in Section 5.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse impact on the financial or legal position of the Agency.

**It is the Policy of the Board of Directors and Executive Committee that:**

- ❖ The records of the Agency be stored, managed, and retained according to applicable laws.
- ❖ The CEO exercises overall responsibility for FMPA’s records management system.
- ❖ The CEO shall cause procedures to be created to implement this Policy.
- ❖ Deviations from this Policy shall be reported to the Finance Committee.

## **2.0 Scope**

This Policy applies to all business records of the Agency including contracts, correspondence (including emails and other electronic communications), and any other corporate records.

The CEO exercises overall responsibility for FMPA's records management system. Each employee of the Agency is responsible for complying with records retention regulations. The Records Management staff in the Information Systems Department is responsible for managing all centrally stored physical and electronic records of the Agency. The Agency has adopted an electronic records management system to reduce legally required records to an electronic format which are stored in the system for easy retrieval. Presently, the Agency follows two Records Retention Schedules established by the State of Florida – GS1-L and GS14.

Records are destroyed only after the retention period established by either GS1-L or GS14 has been satisfied. Records may be retained longer than the state mandated retention period if beneficial to FMPA.

## **3.0 Types of Risk**

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels to safeguard the Agency's assets. The CEO shall cause procedures to be created that identify risks in the areas noted below and provide ways to measure, control and mitigate FMPA's exposure to those risks. While not intended to be a comprehensive listing of risk encountered by FMPA related to Records Management, the following provides insight into the major areas of records management risk exposure for FMPA.

**3.1 Operational Risk:** The risk that the Agency will not be able to conduct business as needed. An example of operational risk would be if the executed



original of a power supply contract was lost and the Agency was unable to enforce a clause in the contract. Operational risk is mitigated if the documents are protected and copied electronically with off-site back-up of the copy.

**3.2 Regulatory Risk:** The risk of potential adverse impact of an action or direction from an administrative body such as FERC, DOE, or Treasury Department. The State of Florida, FRCC, and the IRS require that certain documents be retained and available on demand. Should those documents not be available the Agency could suffer negative financial or other consequences.

**3.3 Legal Risk:** The risk of financial or economic losses incurred by an organization through an unauthorized deviation from any legal obligations imposed by laws, rules, regulations, ordinances, or contracts. As a public agency, FMPA is required to retain certain documents for specific periods of time. Failure to do so is a violation of state or other laws.

#### **4.0 Records Management**

The CEO is designated as the First Assistant Secretary to the Board of Directors and Executive Committee in the Agency's By-Laws. As First Assistant Secretary, the CEO has the responsibility to ensure that all books, documents, and papers of the Agency are kept in accordance with standard record keeping practice for utilities, and as may also be required by law, rule or regulation.

Employees shall use the Florida Records Retention Schedules GS1-L and GS14 as a reference for the minimum maintenance requirements and disposal guidelines for records. The Schedules are available on FMPA's Intranet. The Agency's legal counsel shall provide a final opinion in cases where an employee requests clarification of the Records Retention Schedules.

The Agency utilizes an electronic records management system. The IT Manager shall ensure that all employees are assigned access rights to the electronic records management system appropriate to their position and department. In addition to electronic records, physical copies of some vital business records are kept at the Agency's headquarters in the vault, a secure fire-resistant location. Access to the vault shall be restricted to appropriate staff members.

Each employee is responsible for ensuring documents under their control are properly retained either electronically or physically. Managers and supervisors are responsible for their subordinates' adherence to this Policy. When a subordinate is no longer employed by the Agency, the immediate supervisor is responsible for safeguarding in accordance with this Policy all records that were in the former employee's control, until such time as responsibility for those records is transferred to another employee.

## **5.0 Internal Controls**

The CEO shall cause to be established a system of written internal controls to safeguard the Agency's business records, consistent with this Policy and Records Management Procedures, and in accordance with all policies and procedural guidelines established in the FMPA Risk Management Policy. The controls shall be designed to meet the requirements of all applicable laws, including all applicable Florida records retention schedules. FMPA shall use a cost-benefits analysis when making decisions regarding the implementation of internal controls.

**5.1 System of Controls:** The system of internal controls includes the Employee Manual issued by the Agency to all employees. The FMPA Employee Manual includes guidelines for the Public Records Law Policy. Further internal controls shall be established to govern the input of documents into the records management system and the destruction of documents that have fulfilled the state mandated retention period.

**5.2 Ongoing Training:** The IT Manager shall ensure that technical training on the proper use of the electronic records management system is conducted at least biennially for all employees. The Human Resources Department shall ensure that all new employees receive records retention training during orientation, and shall arrange for FMPA's legal counsel to present formal records retention training annually to all employees. Sufficient records shall be maintained in personnel files to show compliance with these training requirements.

**5.3 Policy Compliance:** Risk Management team shall cause compliance with this Policy to be monitored, which at a minimum shall include performing an annual review. Results of such annual reviews shall be reported to the Finance Committee.

## **6.0 Reporting**

The CEO shall cause any deviations from this Policy to be reported according to the guidelines set forth in the FMPA Risk Management Policy, Section 4.1. The Finance Committee shall cause to be completed an annual report on the operation and effectiveness of this Policy as described in the FMPA Risk Management Policy, Section 7.0. Managers shall report as needed on the current risk environment affecting records management to the Risk Management team, and engage any necessary discussion before moving related items to Finance Committee.

## Appendix A

### Florida Municipal Power Agency Risk Management Reporting Calendar Records Management Reporting Requirements

Reporting Item	Frequency of Report	Responsible Party	Policy Reference	Policy Reference
Records Management Training	Every two years	IT Manager	Section 5.2	Ongoing Training
Records Retention Training	Annually	FMPA's legal counsel	Section 5.2	Ongoing Training
Policy Compliance	Annually	Risk Manager/Internal Audit Department	Section 5.3	Policy Compliance
Deviations from Policy	As Needed	CEO	Section 6.0	Reporting
Policy Operation & Effectiveness	Annually	<b>Finance Committee</b>	Section 6.0	Reporting

## **AGENDA ITEM 8 – ACTION ITEMS**

- c. Review and Approval of the  
Accounting & Internal Controls  
Policy**

**Finance Committee Meeting  
September 16, 2020**

## Verbal Report

**AGENDA ITEM 9 – INFORMATION  
ITEMS**

**a. Review of Internal Audit Policy  
Compliance Reports**

**Finance Committee Meeting  
September 16, 2020**



# **9a – Internal Audit Policy Compliance Reports**

Finance Committee

September 16, 2020



# Compliance Covered This Cycle

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- Investment Policy (appendix C)
- Accounting Policy (appendix J)

# Review Result

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- Based on our review, there were no exceptions noted for Policies covered during this review cycle
- See attached compliance reports



## Discussion

**FMPA Risk Management Department**  
**Policy Compliance Review**  
**Investment Risk Management Policy (Appendix C)**

This Policy compliance review is conducted by the Internal Audit Department (IAD) to assess the status of risk management practices for the time period noted below. The Internal Audit Department completes this form and submits to responsible manager(s) for additional information and comment. Documentation or attestation of compliance may be required during this review. The final form is submitted to the appropriate Executive Officer and the CEO prior to being presented to the Finance Committee (FC) as an information item.

**Review period:** July, 2019 to June, 2020

**Responsible Manager(s):** Rich Popp, Treasurer and Risk Director / Linda Howard, CFO

<i>Policy Compliance:</i> Indicate whether the following items required in the Investment Risk Management Policy were completed during the review period.			
REQUIREMENT	YES	NO	EXPLANATION
Investments conformed to all legal requirements including bond resolutions. (Section 2.0)	X		
The CFO/Treasurer caused Treasury Procedures to be written. (Section 3.0)	X		Verified
Investments were made only in authorized securities as listed in Appendix A. (Section 5.0)	X		Verified
Investments were made only in securities with required rating per Appendix A. (Section 5.0)	X		Verified
The Treasurer reported to Internal Audit Manager securities that fell below the initial required rating after purchase. (Section 5.0)	X		
The Treasurer caused a list of qualified and authorized financial institutions and depositories to be maintained and annually reviewed. (Section 5.1)	X		Depositories should be removed from an Investment Policy, not within scope of investments
Records of securities chosen by competitive bid were maintained. (Section 5.2)	X		
Securities were invested so maturities match Policy requirements. (Section 5.3)	X		
Investments were diversified per Policy requirements and exceptions were reported by the Treasurer to the Internal Audit Manager. (Section 5.5)	X		
Diversification exceptions approved by CFO were reported to the FC within 5 business days. (Section 5.5.1)			N/A, there were no exceptions

**FMPA Risk Management Department**  
**Policy Compliance Review**  
**Investment Risk Management Policy (Appendix C)**

*Policy Compliance continued:*

REQUIREMENT	YES	NO	EXPLANATION
Investments were transacted only on Delivery Versus Payment (DVP) basis. (Section 6.0)	X		
Custodial or Trustee institution provided updated copy of their most recent SSAE 16 and Treasurer provided to Internal Audit Manager (Section 6.0)	X		Verified
CFO caused appropriate benchmarks for portfolio performance to be established. (Section 7.0)	X		
CFO caused internal controls to be established. (Section 8.0)	X		
Treasury staff disclosed any conflicts of interest. (Section 8.1)	X		
External parties were sent a copy of the Policy and confirmed receipt in writing. (Section 8.3)	X		Verified
Treasurer produced investment reports for at least each meeting of the Board of Directors and Executive Committee. (Section 9.0)	X		
Investment staff completed 8 hours of CPE. (Section 8.3)	X		

*Internal Control Assessment:* Evaluate the effectiveness of the current process in achieving the following control objectives. Use a scale of 1 to 4 as defined on attached page.

OBJECTIVE	1	2	3	4	EXPLANATION
Controls are in place to identify and assess risks related to investments and the management of financial assets.			X		
Safety of investments is given highest consideration in investment selection decisions.			X		
Investments/purchases limited to authorized staff.			X		
Controls are in place within Treasury software to ensure security of information and separation of duties.			X		
The "prudent person" rule guides investment staff as the standard of prudence for investment decisions.			X		

FMPA Risk Management Department  
Policy Compliance Review  
**Investment Risk Management Policy (Appendix C)**

Are there any concerns related to investment risk management which should be brought to the attention of the CEO as part of this review? Yes ☒ No ☐ If yes, describe below.

Policy needs to be updated for administrative changes.

Are there internal control concerns related to investment risk management which require immediate attention? Yes ☐ No ☒ If yes, describe below including any change to risk inventory controls score.

Rate the overall functioning of investment risk management practices using a scale of 1 to 4 as defined on attached page.

1	2	3	4	EXPLANATION
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

**Additional comments from responsible Manager(s):**

Are there any emerging risks or environmental changes which impact investment risk management? Yes ☐ No ☒ If yes, describe below including any proposed changes to risk inventory.

**Other comments:**

Treasurer requests changes to remove depositories from Section 5.1, since depositories are not tied to investments. Also, the allowable maturity period for the O&M account should use duration vs. hard maturity date. The change will allow for operational flexibility and not risk the liquidity of the account. Staff will recommend duration no greater than 1 at month-end. Duration allows for the removal of the phrase “depends on cashflow needs.”

**Rating scale for Policy compliance reviews:**

- 1 = Risk management practices not in place.
- 2 = Risk management practices in place are not effective in meeting Policy requirements.
- 3 = Risk management practices in place meet Policy requirements.

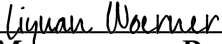


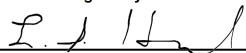
FMPA Risk Management Department  
Policy Compliance Review  
**Investment Risk Management Policy (Appendix C)**

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4 = Risk management practices in place exceed Policy requirements.

Standard of compliance:

Completion of this review indicates that the Risk Management Reviewer has verified existence of applicable procedures or process documentation and believes them to be reasonably sufficient and up-to-date.

DocuSigned by:  _____ Risk Management Reviewer	8/12/2020 _____ Date
DocuSigned by:  _____ Risk Manager Signature	8/12/2020 _____ Date
DocuSigned by:  _____ Responsible Manager Signature	8/12/2020 _____ Date
DocuSigned by:  _____ Responsible Executive Officer Signature	8/12/2020 _____ Date

**FMPA Risk Management Department**  
**Policy Compliance Review**  
**Accounting & Internal Controls Policy (Appendix J)**

This Policy compliance review is conducted by the Internal Audit Department to assess the status of risk management practices for the time period noted below. The Internal Audit Department completes this form and submits to responsible manager(s) for additional information and comment. Documentation or attestation of compliance may be required during this review. The final form is submitted to the appropriate Executive Officer and the CEO prior to being presented to the Finance Committee as an information item.

**Review period:** August 2019 to July, 2020

**Responsible Manager(s):** Danyel Sullivan-Marrero, Controller

<i>Policy Compliance:</i> Indicate whether the following items required in the Accounting & Internal Controls Risk Management Policy were completed during the review period.			
REQUIREMENT	YES	NO	EXPLANATION
CFO established procedures for Policy. (Section 3.0)	X		
All current and proposed new Regulatory Assets and Liabilities transactions presented to FC for approval prior to each fiscal year end. (Section 4.1)		X	Included monthly in financial statement package that is approved on the BOD consent agenda.
Staff shall complete month end closing no later than 30 days after the last day of the previous month. (Section 5.2)	X		
Internal Audit Manager caused a physical inventory count to be conducted every other year at ARP generation facilities. (Section 4.3)	X		Stock Island partial inventory count was completed in September 2019. CI inventory full inventory count was completed in September 2019. TCEC partial inventory count was completed in October 2019.
Generation Fleet Director shall maintain procedures which detail the following for material assets: setting of minimum and maximum inventory levels and appropriate turnover ratios, and controls over changing such levels. (Section 4.3)	X		Discuss with Generation Dept.
Credit invoices were approved by appropriate manager. (Section 4.4)	X		When credit invoices are periodically received, each one is routed for approval by the applicable manager.
Monthly financial statements included report of outstanding accounts payable beyond Policy limits. (Section 4.4)	X		Controller sends monthly a late payment report to CFO. Verified with Controller.



**FMPA Risk Management Department**  
**Policy Compliance Review**  
**Accounting & Internal Controls Policy (Appendix J)**

Project Participants were invoiced by the 10 <sup>th</sup> of each month. (Section 4.5)	X		
Monthly financial statements included report of outstanding accounts receivable beyond Policy limits. (Section 4.5)	X		

*Policy Compliance continued:*

REQUIREMENT	YES	NO	EXPLANATION
Outstanding accounts receivable evaluated for write-off at year-end. (Section 4.5)	X		
Write-offs were approved by CEO, or appropriate governing body if over spending authority. (Section 4.5)	X		
Independent audit of books and accounts was conducted once per year by qualified CPA firm. (Section 5.0)	X		Purvis Gray & Company
Independent auditor selection process was completed no less than every 5 years and followed Policy process. (Section 5.2)	X		An RFP was performed in 2019 for the FYE 2019 Audit. Purvis Gray & Co. was selected by the FC & approved by the B.O.D.
External auditor conducted entrance and exit conferences with FC in executive session each year. (Section 5.3)	X		
CFO caused a documented system of internal controls to be established. (Section 6.0)	X		
Manager and accounting staff completed 8 hours of CPE. (Section 6.4)	X		Manager and staff have taken college, CPA review, attended seminars and in-house training which exceeds the CPE minimum. Verified. Details provided to contract audit.
Controller reported interest paid for late fees to the Executive Committee during December following the close of each fiscal year. (Section 7.1)	X		Recommend change to FC, was reported to the BOD.
CFO caused a statement of the financial condition of the Agency to be presented to the Board of Directors and Executive Committee at regular meetings. (Section 7.2)	X		At each meeting held, a financial statement agenda item is included in the meeting packet.
The CFO presented the last completed annual report to the Board of Directors and Executive Committee by January each year. (Section 7.2)	X		Annual Report/Audited FS presented at the January 16, 2020 meeting

**FMPA Risk Management Department**  
**Policy Compliance Review**  
**Accounting & Internal Controls Policy (Appendix J)**

The last completed annual report was filed within 180 days after close of the fiscal year to applicable bond trustees. (Section 7.2)	X		Annual Report/Audited FS filed with all applicable trustees during January, 2020
<i>Policy Compliance continued:</i>			
<b>REQUIREMENT</b>	<b>YES</b>	<b>NO</b>	<b>EXPLANATION</b>
CFO reported the status of management letter comments to the FC no later than August 31 <sup>st</sup> each year. (Section 7.3)	X		August 21, 2019

*Internal Control Assessment:* Evaluate the effectiveness of the current process in achieving the following control objectives. Use a scale of 1 to 4 as defined on attached page.

<b>OBJECTIVE</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>EXPLANATION</b>
Controls are in place to identify and assess risks related to accounting processes and asset control.			X		
All transactions are recorded in accordance with GAAP, GASB pronouncements, and prudent utility practice.			X		
Access/authorization controls are in place to maintain the integrity of the chart of accounts.			X		
Access to accounting computer systems and spreadsheets is limited to the appropriate individuals.			X		
Duties are appropriately segregated in the closing process.			X		
All invoices are paid by due date and routed through the electronic accounts payable system.			X		

Are there any concerns related to accounting and internal controls risk management which should be brought to the attention of the CEO as part of this review? Yes ☐ No ☒ If yes, describe below.

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Are there internal control concerns related to accounting and internal controls risk management which require immediate attention? Yes ☐ No ☒ If yes, describe below including any change to risk inventory controls score.

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FMPA Risk Management Department  
Policy Compliance Review  
**Accounting & Internal Controls Policy (Appendix J)**

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Rate the overall functioning of accounting and internal controls risk management practices using a scale of 1 to 4 as defined on attached page.

1	2	3	4	EXPLANATION
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

**Additional comments from responsible Manager(s):**

Are there any emerging risks or environmental changes which impact accounting and internal controls risk management?

Yes ☐ No ☒ If yes, describe below including any proposed changes to risk inventory.

**Other comments:**

A credit card audit was performed during this period. The audit will be reported to the FC in August 2020.

**FMPA Risk Management Department**  
**Policy Compliance Review**  
**Accounting & Internal Controls Policy (Appendix J)**

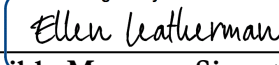
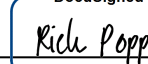
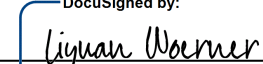
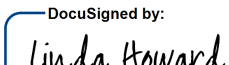
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Rating scale for Policy compliance reviews:

- 1 = Risk management practices not in place.
- 2 = Risk management practices in place are not effective in meeting Policy requirements.
- 3 = Risk management practices in place meet Policy requirements.
- 4 = Risk management practices in place exceed Policy requirements.

Standard of compliance:

Completion of this review indicates that the Risk Management Reviewer has verified existence of applicable procedures or process documentation and believes them to be reasonably sufficient and up-to-date.

<div>DocuSigned by:  Responsible Manager Signature</div>	<div>9/8/2020</div> <div>Date</div>
<div>DocuSigned by:  Risk Management Reviewer</div>	<div>9/9/2020</div> <div>Date</div>
<div>DocuSigned by:  Responsible Manager Signature</div>	<div>9/8/2020</div> <div>Date</div>
<div>DocuSigned by:  CFO Signature</div>	<div>9/8/2020</div> <div>Date</div>

**AGENDA ITEM 10 – REPORTS**

**a. Accounting & Internal Controls  
Policy**

**Finance Committee Meeting  
September 16, 2020**

# FLORIDA MUNICIPAL POWER AGENCY

## RISK MANAGEMENT POLICY - APPENDIX J

### ACCOUNTING AND INTERNAL CONTROLS POLICY

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# **ACCOUNTING AND INTERNAL CONTROLS RISK MANAGEMENT POLICY FOR FLORIDA MUNICIPAL POWER AGENCY**

This Accounting and Internal Controls Risk Management Policy (the “Policy”) and any effective subordinate procedures establish the governance, framework and the controls under which Florida Municipal Power Agency (“FMPA”) may engage in activities to identify, measure, and minimize future business risk resulting from accounting processes and asset control. This Policy is Appendix J of the FMPA Risk Management Policy.

## **1.0 Policy Statement**

The Executive Committee (“EC”) and Board of Directors (“BOD”) of FMPA recognize that FMPA is exposed to various risks in the normal course of business activities. There may be times when FMPA will determine that certain risks are above the preferred risk tolerance level of FMPA and its members. FMPA staff is hereby authorized to put mechanisms into place, such as those more fully described in Sections 4.0 through 6.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse impact on the financial position of the Agency.

The following summarizes the Policy of the EC and BOD:

- ❖ All funds, property and securities of the Agency shall be recorded in accordance with prudent utility practice, generally accepted accounting principles, and all requirements set forth by law and/or regulation as required in Section 2.0.
- ❖ An independent external audit of the Agency’s financial statements shall be completed each year by a certified public accountant as detailed in Section 5.0.
- ❖ Authority is delegated to the Chief Financial Officer (“CFO”) to establish a system of documented internal controls to safeguard assets and assure reliability of financial reporting and compliance with applicable laws and regulations as detailed in Section 6.0.

**ACCOUNTING AND INTERNAL CONTROLS  
RISK MANAGEMENT POLICY  
(Continued)**

- ❖ Authority is delegated to the CFO to create procedures to facilitate the management of all accounting functions and to implement this Policy as described in Section 3.0.
- ❖ The CFO shall render to each regular meeting of the EC and BOD a report on the financial condition of the Agency as detailed in Section 7.2.
- ❖ The Audit Manager shall report deviations from the requirements of this Policy to the Finance Committee (“FC”).

## **2.0 Scope**

This Policy creates a framework that enables the CFO to cause full and accurate records of all transactions of the Agency to be maintained in accordance with all applicable accounting standards, general laws, regulations, bond covenants and other standards or requirements as set forth in the Agency’s Interlocal Agreement and/or By-laws.

The CFO manages the Finance Division within FMPA and is responsible for causing this Policy to be adhered to throughout the Division.

This Policy applies to all material accounting transactions into which FMPA enters. Transactions include, but are not limited to, all project and member revenue billings, sales for resale, accounts receivable, inventory, fixed assets, expenditures, and accounts payable.

The materiality standard for this Policy is FASB Statement of Financial Accounting Concepts No. 8, Qualitative Characteristics of Accounting Information. It states: “The omission or misstatement of an item is material if, in the light of the surrounding circumstances, the magnitude of the item is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced by the inclusion or correction of the item.”

## **3.0 Types of Risk**

This Policy establishes minimum standards to support an Agency-wide atmosphere of proper control levels to safeguard the Agency’s assets. The CFO will cause procedures to be written that identify risks in the areas noted below and provide ways to measure, control and mitigate FMPA’s exposure to those risks. The FMPA Risk Management Policy identifies ten risks



**ACCOUNTING AND INTERNAL CONTROLS  
RISK MANAGEMENT POLICY  
(Continued)**

that compose FMPA's common risk framework. While not intended to be a comprehensive listing of risks encountered by FMPA during the normal course of the business cycle, the framework provides insight into the major areas of risk exposure for FMPA. The following selected risks in the framework are those risks presented by typical financial and contractual transactions.

**3.1 Administrative Risk:**

The potential of financial loss due to deficiencies in internal control structure and management reporting due to human error, fraud or system failure. An example of administrative risk that would affect financial transactions might occur when a failure in the system of controls allows a single employee to falsify or misrepresent a transaction, or other types of fraud. This failure in the control system could cause financial and/or reputation loss to FMPA.

**3.2 Reputational Risk:**

The potential losses incurred when stakeholders or the public negatively perceive an organization. An example of reputational risk might occur if a prior year's audit report is restated due to a material misstatement. Such a restatement could cause negative perception of the Agency by stakeholders such as member cities, bondholders and credit rating agencies, which could result in a financial loss.

## **4.0 Accounting Department**

The Accounting Department is responsible for ensuring that all funds, property and securities of the Agency are recorded in accordance with prudent utility practice, generally accepted accounting principles, bond covenants, and all requirements set forth by law and/or regulation. These activities will be governed by accounting procedures and the following practices.

**4.1 Basis of Accounting:**

FMPA has chosen to follow accounting pronouncements as set forth in the Governmental Accounting Standards Board (GASB). All FMPA Projects' general ledgers and subsidiary ledgers are to be maintained with the Uniform System of

**ACCOUNTING AND INTERNAL CONTROLS  
RISK MANAGEMENT POLICY  
(Continued)**

Accounts of the Federal Energy Regulatory Commission and in conformity with generally accepted accounting principles using the accrual basis of accounting.

The Agency has elected to follow the accounting methods for regulatory operations of GASB 62. This accounting guidance, referred to herein as “GASB 62”, relates to the deferral of revenues and expenses to future periods in which the revenues are earned or the expenses are recovered through the rate-making process.

The Controller shall present all current and any new proposed GASB 62 transactions for approval by the FC prior to the end of each fiscal year.

#### **4.2 Accounting Cycle:**

As established in Article I, Section 4 of the Interlocal Agreement, FMPA’s fiscal year will commence October 1 and end September 30. During the fiscal year-end processing, the year-end closing time will be extended to facilitate the financial statement audit.

After the last day of the month, Accounting staff shall begin month end processing to close out all accounts and prepare any required month end reports and financial statements. Accounting staff will complete month end closing no later than 30 days after the last day of the previous month.

#### **4.3 Inventory:**

- The Audit Manager shall cause a physical count of inventory to be conducted at least every other year at ARP generation facilities under FMPA control. Such count shall include a review for obsolescence.
- The Power Generation Fleet Director shall maintain procedures which detail the following for material assets: setting of minimum and maximum inventory levels and appropriate turnover ratios, and controls over changing such levels.
- Allowable inventory levels for natural gas and fuel oil storage are set in the Fuel Portfolio Risk Management Policy, Appendix A of the FMPA Risk Management Policy.

**ACCOUNTING AND INTERNAL CONTROLS  
RISK MANAGEMENT POLICY  
(Continued)**

**4.4 Accounts Payable:**

- FMPA shall strive to pay all presented invoices by the due date.
- Spending authority levels for all staff are approved during the annual budget process.
- All invoices shall be routed through an electronic A/P system,
- Invoices showing a credit only shall also be approved by the appropriate manager.
- Monthly financial statements presented to any governing body shall include a list showing any outstanding invoices greater than 60 days past receipt of invoice in A/P system including a brief description of the cause for any invoices greater than 90 days past receipt of invoice.

**4.5 Accounts Receivable:**

- The Credit Risk Policy and Contract Management Risk Policy, Appendix E and F respectively, of the FMPA Risk Management Policy define responsibilities for contract initiation and management.
- The Accounting Department is responsible for the collection process of accounts receivable but not the administration and management of contracts.
- The Accounting Department is responsible for Project Participant and power sales billing.
- The Controller will issue Project Participant invoices by the 10th calendar day of each month, using estimates if necessary, to ensure adherence to the respective Bond Resolution requirements of receiving payment by the 25<sup>th</sup> day of the billing month.
- Monthly financial statements presented to any governing body shall include a list showing any outstanding accounts receivable greater than 60 days past due and also include a brief description of the cause for any accounts receivable greater than 90 days due.
- Accounts receivable greater than 12 months old at year-end shall be evaluated for potential write-off. All write-offs must be approved by the General Manager

**ACCOUNTING AND INTERNAL CONTROLS  
RISK MANAGEMENT POLICY  
(Continued)**

and CEO. Write-offs above the General Manager's spending authority level must also be approved by the appropriate governing body prior to write-off.

#### **4.6 Capitalization Threshold:**

Capital purchases are approved as part of the annual budgets approved by the governing bodies. The following thresholds will be used for capitalizing assets:

- Building, structures, facilities and other improvements exceeding \$25,000 in costs. Capitalization should include all costs related directly to the acquisition or construction (materials, labor, overhead during construction, attorney and engineering fees, permits).
- Equipment includes vehicles, office equipment, computer equipment and other equipment having a value of \$5,000 (each) or more and a useful life expectancy of two or more years. Capitalization should include all set-up and labor costs related to preparing the equipment for operations such as the initial installation cost.
- The purchase and/or development of new computer software or major modifications/upgrades to existing software which costs less than \$25,000 shall be expensed. Software over \$25,000 shall be capitalized.
- All capital lease arrangements for land, buildings, structures and equipment shall be capitalized in accordance with GASB 87.
- As of 10/1/2020, interest shall not be capitalized on any construction project in compliance with GASB 89.

#### **5.0 External Audit:**

Article VI, Section 5 of the Interlocal Agreement states: "The EC and BOD, as appropriate, shall at least once per year cause an independent external audit to be made of the Agency's books and accounts by a certified public accountant." This Policy further requires that the audit be performed by a CPA firm licensed to practice within the State of Florida.

**ACCOUNTING AND INTERNAL CONTROLS  
RISK MANAGEMENT POLICY  
(Continued)**

The purpose of the audit is to determine if the Agency's financial statements and associated disclosures fairly present, in all material respects, the financial position and results of operations for the year then ended, in conformity with accounting standards generally accepted in the United States.

**5.1 Auditor Qualification:**

The selected audit firm shall have a well-established audit practice with adequate technical training and proficiency to perform the required audit, as defined in the Statements on Auditing Standards No. 1.

**5.2 Selection of Auditor:**

Qualified accounting firms will be invited to submit a proposal for audit services to be considered for selection. The proposal must document the firm's qualifications, applicable experience, and fee structures. The CFO shall provide submitted proposals to the FC. The FC shall select a firm to be recommended to the EC and BOD for final approval. The CFO will present the recommendation to the EC and BOD for approval.

The selected firm shall provide services for no more than one five-year base term. The selected firm may provide services beyond the base term for no more than two individual one-year extensions. At the end of any contract term (either base or extension), the incumbent firm will not be precluded from submitting a proposal for the subsequent competitive selection process.

**5.3 Auditor Communications:**

The auditor selected is required to conduct an entrance conference with the FC prior to commencing the fiscal year-end audit. The entrance conference should include observations made during the interim audit and their anticipated audit plan for year-end.

**ACCOUNTING AND INTERNAL CONTROLS  
RISK MANAGEMENT POLICY  
(Continued)**

The selected auditor is required to conduct an exit conference with the FC to provide results of the year-end audit prior to the presentation of such results to the governing bodies.

At the discretion of the FC, an entrance and exit conferences can be conducted as executive sessions, meaning that FMPA staff can be excused from the conference by the FC Chairperson.

## **6.0 Internal Controls:**

The CFO shall cause to be established a system of documented internal controls to safeguard assets, assure reliability of financial reporting, and assure compliance with applicable accounting laws and regulations, consistent with this Policy and associated Procedures, and in accordance with all policies and procedural guidelines established in the FMPA Risk Management Policy. FMPA shall use a cost-benefits analysis when making decisions regarding the implementation of internal controls.

The Audit Manager shall be responsible to review all documented internal controls and procedures established to ensure they comply with the FMPA Risk Management Policy and adequately mitigate all applicable risks. If, after review, the Audit Manager identifies areas of concern, the documented internal controls weakness(s) will be communicated to the CFO and FC as appropriate.

### **6.1 System of Controls**

The system of internal controls includes the Employee Manual issued by the Agency to all employees. The FMPA Employee Manual includes an Executive Code of Ethics, employee conduct standards, outside employment guidelines, conflict of interest rules, and the Whistle Blower Act.

Further internal controls shall be established in accounting procedures to address separation of transaction authority from accounting and record-keeping, limitations on expenditures beyond budget authorizations, and safekeeping of records. Operational controls to prevent unauthorized access to financial and accounting

**ACCOUNTING AND INTERNAL CONTROLS  
RISK MANAGEMENT POLICY  
(Continued)**

computer systems shall include password controls and reviews of authorized users, as detailed in the Information Technology Risk Management Policy, Appendix O of the FMPA Risk Management Policy.

**6.2 Policy and Procedure Compliance:**

The Internal Audit Manager shall cause compliance with this Policy and associated procedures to be monitored on an annual basis. Any unresolved compliance issues will be presented to the FC by the Audit Manager.

**6.3 Procurement Review:**

The Internal Audit Manager shall cause an annual review of FMPA's Procurement Policy requirements, including Agency issued credit cards. Any findings will be reported to FMPA's CFO and General Manager and CEO. At the sole discretion of the Agency Risk Manager, the findings may be reported directly to the Chairman of the FC if deemed appropriate.

**6.4 Continuing Education:**

Accounting managers and other appropriate staff shall complete at least 8 hours of continuing education annually (each fiscal year) or more as required by State Regulations, in subject courses of study related to accounting, auditing and/or finance.

## **7.0 Reporting**

The CFO is responsible for causing completion of the following reporting requirements:

**7.1 Annual Report on Late Fees:**

The Controller shall report to the FC during December of each year the amount of interest paid for late fees during the preceding fiscal year, if any.

**7.2 Financial Statements:**

In accordance with Article IV, Section 5 of the Interlocal Agreement creating FMPA and Article IV Section 7 of the Second Revised and Restated By-Laws of FMPA

**ACCOUNTING AND INTERNAL CONTROLS  
RISK MANAGEMENT POLICY  
(Continued)**

(“FMPA Bylaws”), the CFO shall cause to be provided to the EC and BOD, at regular meetings or other times as directed, a statement of the financial condition of the Agency and a report of the financial transactions of the Agency. These financial statements shall include the items required by Section 4.4 and 4.5 of this Policy.

In accordance with Article VIII of the FMPA Bylaws, the General Manager shall, no later than the annual BOD meeting normally scheduled in July, present a full and accurate report of the operation of the Agency during the preceding fiscal year, a statement of the assets and liabilities of the Agency as of the end of such fiscal year, and any other information having a significant bearing on the condition and operation of the Agency. This Policy delegates responsibility to the CFO to cause financial statements and accompanying notes to be presented for approval no later than the January EC and BOD meetings. Approved annual reports shall be posted on FMPA’s public facing website.

In compliance with the Agency’s bond covenants, insurance, swaps and other related debt documents, the CFO shall cause to be filed an annual report within 180 days after the close of the fiscal year to applicable bond trustees. The submittal should include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets for the year then ended, and a Statement of Cash Flows for each Project. In addition to the basic financial statements and accompanying elucidatory notes, the annual report may also present supplemental information.

**7.3 Management Letter Comments:**

The CFO shall cause to be reported to the FC no later than August 31st of each year the status of management’s response to any Management Letter Comments provided by the external auditor in the prior fiscal year’s annual audit report.

**7.4 Oversight Structure**

The Internal Audit Manager shall cause any material deviations from this Policy to be reported according to the guidelines set forth in Section 4.1 of the FMPA Risk Management Policy. An annual report on the operation and effectiveness of this



**ACCOUNTING AND INTERNAL CONTROLS  
RISK MANAGEMENT POLICY  
(Continued)**

Policy shall be presented to the FC as described in Section 7.0 of the FMPA Risk Management Policy. Finance Division directors/managers shall report on the current risk environment affecting FMPA's material financial transactions to the Risk Management Team and conclude any necessary discussion before moving items to the appropriate governing body.

## Appendix A

<b>Florida Municipal Power Agency Risk Management Reporting Calendar Accounting and Internal Controls Reporting Requirements</b>				
Reporting Item	Frequency of Report	Responsible Party	Policy Section Reference	Policy Category Reference
GASB 62 Transactions	Annually	Controller	Section 4.1	Basis of Accounting
Accounts Payable Past Due	Monthly as needed	Controller	Section 4.4	Accounts Payable
Accounts Receivable Past Due	Monthly as needed	Controller	Section 4.5	Accounts Receivable
Entrance/Exit Conference	Annually	CFO/External Auditor	Section 5.3	Auditor Communications
Procurement and Credit Card Review	Annually	Internal Audit Manager	Section 6.3	Procurement Review
Late Fees Report	Annually	Controller	Section 7.1	Annual Report on Late Fees
Financial Statements	Regular EC/BOD meetings	CFO	Section 7.2	Financial Statements
Audited Annual Financials	Annually by January	CFO	Section 5.0	Financial Statements
Annual Bond Trustee Report	Annually	CFO	Section 7.2	Financial Statements
Management Letter Comments Status	Annually	CFO	Section 7.3	Management Letter Comments
Deviations from Policy	As Needed	Internal Audit Manager	Section 7.4	Oversight Structure
Policy Operation and Effectiveness	Annually	FC	Section 7.4	Oversight Structure

**AGENDA ITEM 10 – REPORTS**

**b. FGU August Storage Report**

**Finance Committee Meeting  
September 16, 2020**

# FMPA Storage Management Report

Florida Gas Utility

August 2020



## **Executive Summary – August 2020 Activity**

During August 2020, FGU conducted no physical gas withdrawal/injection activity as FMPA's inventory position remains nearly full and the forward price curve provides a significant economic incentive to store gas until winter 2020/21. With the exception of the days surrounding Hurricane Laura's landfall during the last week of the month, the FGT Zone 3 cash market price maintained a nominal premium over the prompt month NYMEX gas contract during August, but not large enough for an economic withdrawal/injection. During the disruption of Hurricane Laura, pipeline and production restrictions combined with high electric loads in Florida led to an increase in the FGT Zone 3 price premium, which averaged \$0.15/Dth for the week of 8/24/2020. Given the uncertainty of supply disruptions that FGU experienced and the risk of balancing penalties on FGT during the same week, FGU kept the withdrawal rights available for FMPA's operational use and to mitigate supply disruption and pipeline penalty risks. FMPA's optimized storage position, as of August 31, 2020, is long 485,919 Dths of storage inventory (97% full) and short a total of 485,000 Dths of financial hedges (short 235,000 Dths of October 2020 futures and short 250,000 Dths of February 2021 futures). FMPA's overall net optimized storage position increased in value by \$96,920 during the month of August 2020 as the market value of the inventory reflects the increasing value of each subsequent month of the NYMEX forward curve.

After ending July at \$1.799/Dth, NYMEX natural gas prices saw a sharp rally during August that began on August 3<sup>rd</sup> with a \$0.30/Dth increase in the prompt-month (September 2020) contract. The market sustained the trend higher throughout the month to September's final expiration on August 28<sup>th</sup> of \$2.579/Dth. The October 2020 contract ended the month at \$2.63/Dth. The price increase came despite EIA estimates of working gas in storage above the 5-year historical range heading into fall.

The marketplace has generally attributed the recent strength in natural gas prices to the lagging effects of reduced capital expenditures by oil and gas exploration and production companies and the related reduction in active drilling rigs that started during the first quarter in response to the COVID pandemic and related collapse in oil prices. Baker Hughes' estimate of rotary drilling rigs in operation for the United States reflects a reduction in natural gas focused rigs from 110 at the end of February 2020 to 72 as of the end of August 2020. More significant is their estimate of a reduction of oil focused rigs from 678 at the end of February to only 180 at the end of August. The 72 gas rigs and 180 oil rigs compare to 162 and 742 rigs, respectively, estimated by Baker Hughes for the same week in August in 2019. In addition, the recent oil rig-counts mark the lowest number estimated by Baker Hughes since June 2009, when producers responded to the financial crisis and related oil/gas price collapse.

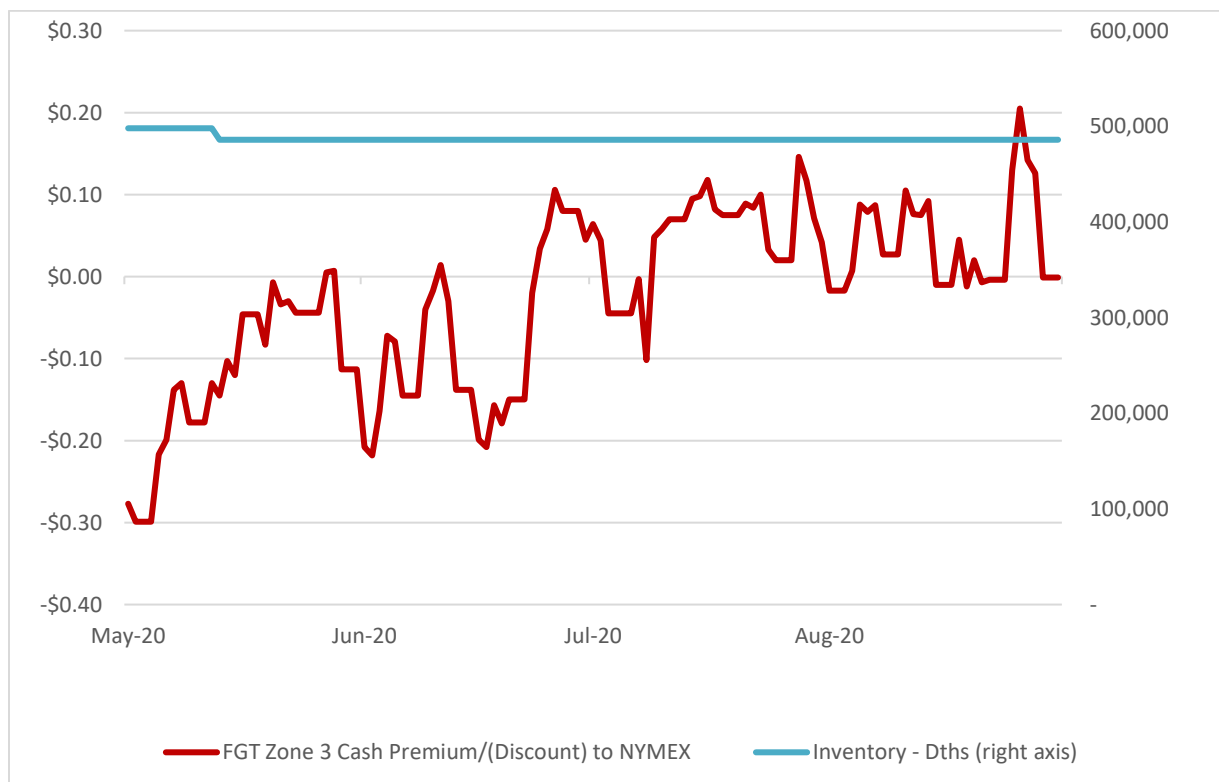
The current reduction in oil production, in response to suppressed global demand and lower prices, is having the ancillary effect of reduced natural gas supply that would have otherwise been associated with and produced from oil focused activities. The EIA projects that the United States will produce an average of 88.7 Bcf/day of dry natural gas in 2020, down from 92.2 Bcf/day average in 2019.

Sustained summer heat for much of the United States and the associated gas burn for electric generation also supported the rise in gas prices during August. The EIA reported that the electric power sector's consumption of natural gas set a new daily record of 47.2 Bcf on July 27, 2020, besting the prior record of 45.4 Bcf set on August 6, 2019. This is in addition to strong gas demand from the sector throughout the month of July that consistently exceeded the historical five-year range of consumption.

### FGT Zone 3 Cash Market vs NYMEX Prompt-Month Futures



### Cash Market Spread to NYMEX Prompt-Month vs FMPA Storage Inventory Level



**Summary of Existing Physical Inventory Position (8/31/2020)**

Total Inventory Volume	Total Inventory Cost	Inventory WACOG	Market Value	Marked to Market	Unrealized Gain/(Loss)
485,919	\$1,215,617	\$2.50	\$2.66	\$1,291,330	\$75,713

**Summary of Existing Financial and Forward Physical Risk Management Positions (8/31/2020)**

Delivery Month	Net Position (Dths)	Realized Gain/(Loss) to Date (\$)	Open Equity (\$)	Total Value (\$)
Nov-19	0	\$8,168	\$0	\$8,168
Dec-19	0	\$17,680	\$0	\$17,680
Jan-20	0	\$96,755	\$0	\$96,755
Feb-20	0	\$282,553	\$0	\$282,553
Mar-20	0	\$623	\$0	\$623
Apr-20	0	\$56,115	\$0	\$56,115
May-20	0	(\$31,785)	\$0	(\$31,785)
Jun-20	0	\$56,455	\$0	\$56,455
Jul-20	0	\$91,098	\$0	\$91,098
Aug-20	0	(\$73,548)	\$0	(\$73,548)
Sep-20	0	(\$153,440)	\$0	(\$153,440)
Oct-20	(235,000)	\$0	\$16,668	\$0
Nov-20	0	\$0	\$0	\$0
Dec-20	0	\$0	\$0	\$0
Jan-21	0	\$0	\$0	\$0
Feb-21	(250,000)	\$0	(\$193,670)	(\$193,670)
Mar-21	0	\$0	\$0	\$0
Apr-21	0	\$0	\$0	\$0

**Summary of Historical Value - Physical and Financial (December 2009 through August 2020)**

Optimization Activity	Net Position (Dths)	Total Realized Gain/(Loss)	Unrealized Gain/(Loss)	Total Storage Net Benefit
Current Physical/Financial Positions (8/31/2020)	919	\$3,065,130	(\$101,290)	\$2,963,840
Fees & Commissions		(\$57,112)		\$2,906,728
NJRES Capacity Release		\$477,598		\$3,384,326
Sale of Call Options (Jan 2015)		\$26,000		\$3,410,326

## Schedule of FMPA Gas and Cash Flows Related to FGU Storage Services

Month	Actual Injection Cost/ NYMEX Curve (8/31/2020)	Actual/ Anticipated Cash Flow (\$)	Net Injection Volume (Dths)	Net Withdrawal Volume (Dths)	Running Inventory Balance at End of Month (Dths)	Running Inventory Cost Balance (\$)	WACOG (\$/Dth)
Feb-20	\$0.00	\$0	0	0	497,948	\$1,245,710	\$2.502
Mar-20	\$0.00	\$0	0	0	497,948	\$1,245,710	\$2.502
Apr-20	\$0.00	\$0	0	0	497,948	\$1,245,710	\$2.502
May-20	\$0.00	(\$30,093)	0	12,029	485,919	\$1,215,617	\$2.502
Jun-20	\$0.00	\$0	0	0	485,919	\$1,215,617	\$2.502
Jul-20	\$0.00	\$0	0	0	485,919	\$1,215,617	\$2.502
Aug-20	\$0.00	\$0	0	0	485,919	\$1,215,617	\$2.502
Sep-20	\$2.58	\$0	0	0	485,919	\$1,215,617	\$2.502
Oct-20	\$2.63	\$0	0	0	485,919	\$1,215,617	\$2.502
Nov-20	\$2.92	\$0	0	0	485,919	\$1,215,617	\$2.502
Dec-20	\$3.25	(\$50,034)	0	20,000	465,919	\$1,165,583	\$2.502
Jan-21	\$3.36	(\$562,879)	0	225,000	240,919	\$602,704	\$2.502
Feb-21	\$3.31	(\$562,879)	0	225,000	15,919	\$39,824	\$2.502
Mar-21*	\$3.17	(\$39,824)	0	15,919	0	\$0	\$0.000
Apr-21	\$2.82	\$0	0	0	0	\$0	\$0.000
May-21	\$2.77	\$0	0	0	0	\$0	\$0.000
Jun-21	\$2.79	\$0	0	0	0	\$0	\$0.000
Jul-21	\$2.83	\$0	0	0	0	\$0	\$0.000
Aug-21	\$2.83	\$0	0	0	0	\$0	\$0.000
Sep-21	\$2.82	\$0	0	0	0	\$0	\$0.000
Oct-21	\$2.84	\$0	0	0	0	\$0	\$0.000
Nov-21	\$2.89	\$0	0	0	0	\$0	\$0.000
Dec-21	\$3.02	\$0	0	0	0	\$0	\$0.000
Jan-22	\$3.12	\$0	0	0	0	\$0	\$0.000
Feb-22	\$3.07	\$0	0	0	0	\$0	\$0.000
Mar-22	\$2.90	\$0	0	0	0	\$0	\$0.000
Apr-22	\$2.46	\$0	0	0	0	\$0	\$0.000
May-22	\$2.41	\$0	0	0	0	\$0	\$0.000

\*FMPA's current storage agreement expires March 31, 2021. FGU assumes no extension of any storage agreement for purposes of projecting cash flows.

Winter months

**Bold = actual data**

- Negative values reflect withdrawals of storage gas that have already been paid for.
- Positive values reflect charges to FMPA for gas purchases to be injected into storage.
- Months above reflect the period of storage activity and the actual charge/credit from FGU would occur the following month.



## **AGENDA ITEM 11 – COMMENTS**

**Finance Committee Meeting  
September 16, 2020**

## **AGENDA ITEM 12 – ADJOURNMENT**

**Finance Committee Meeting  
September 16, 2020**