



FINANCE COMMITTEE AGENDA PACKAGE

November 15, 2023

10:00 a.m.

Dial-in Info: 1-321-299-0575

Meeting ID: 254 757 012 702 #

Committee Members

Jim Williams, Leesburg – Chair
Barbara Mika, Fort Pierce
Howard McKinnon, Havana
Barbara Quiñones, Homestead
Karen Nelson, Jacksonville Beach
Jesse Perloff, Key West
Larry Mattern, Kissimmee
Steve Langlely, Mount Dora
Dallas Lee, Newberry
Efren Chavez, New Smyrna Beach
Marie Brooks, Ocala
James Braddock, Wauchula

Meeting Location

**Florida Municipal Power Agency
8553 Commodity Circle
Orlando, FL 32819
(407) 355-7767**



Rich Popp
Chief Financial Officer

MEMORANDUM

TO: FMPA Finance Committee
FROM: Rich Popp
DATE: November 08, 2023
SUBJECT: FMPA Finance Committee Meeting
November 15, 2023 at 10:00am

PLACE: Florida Municipal Power Agency Board Room
8553 Commodity Circle, Orlando, FL 32819

DIAL-IN INFORMATION: 321-299-0575, Meeting # 254 757 012 702

[Click here to join the meeting](#)

(If you have trouble connecting via phone or internet, please call 407-355-7767)

Chairperson Jim Williams, Presiding

AGENDA

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RP/lj

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
November 15, 2023**

**AGENDA ITEM 2 – RECOGNITION OF
GUESTS**

**Finance Committee Meeting
November 15, 2023**

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

**Finance Committee Meeting
November 15, 2023**

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

**Finance Committee Meeting
November 15, 2023**

**AGENDA ITEM 5 – CONSENT
AGENDA**

**a. Approval of Minutes – Finance
Committee Meeting Held August 16,
2023**

**Finance Committee Meeting
November 15, 2023**

CLERKS DULY NOTIFIED August 08, 2023
AGENDA PACKAGE SENT TO MEMBERS..... August 16, 2023

**MINUTES
FINANCE COMMITTEE MEETING
WEDNESDAY, AUGUST 16, 2023
FLORIDA MUNICIPAL POWER AGENCY
8553 COMMODITY CIRCLE
ORLANDO, FL**

**PARTICIPANTS
PRESENT**

Barbara Mika, Fort Pierce (virtual)
Howard McKinnon, Havana
Barbara Quiñones, Homestead (virtual)
Allen Putnam, Jacksonville Beach
Jesse Perloff, Key West
Larry Mattern, Kissimmee (virtual)
Jim Williams, Leesburg
Steve Langlely, Mount Dora (virtual)
Efren Chavez, New Smyrna Beach (virtual) *
Marie Brooks, Ocala (virtual)
James Braddock, Wauchula (virtual)

**PARTICIPANTS
ABSENT**

Dallas Lee, Newberry

**OTHERS
PRESENT**

Michelle Harris, Fort Pierce
Ashlee Gossett, Jacksonville Beach
Tim Westgate, Purvis Gray & Co.
Katy Eno, Purvis Gray & Co.
Craig Dunlap,
Mike Mace, PFM
Linda S. Howard

STAFF PRESENT

Jacob Williams, General Manager and CEO
Jody Finklea, General Counsel and CLO
Ken Rutter, Chief Operating Officer
Dan O'Hagan, Asst. Gen. Counsel & Mgr. of Reg Compliance
Rich Popp, Chief Financial Officer
Sharon Adams, Chief People and Member Services Officer
Jason Wolfe, Financial Planning, Rates and Budget Director
Denise Fuentes, Budget and Financial Analyst II
Danyel Sullivan-Marrero, Controller
Sue Utley, Executive Assistant to CEO/Asst. Secy. to the Board
Lindsay Jack, Senior Administrative & Member Services Assistant
Sena Mitchell, Treasurer and Risk Director
Liyuan Woerner, Audit Manager
Wayne Koback
Mary Kathryn Patterson,

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

Chair Jim Williams called the FMPA Finance Committee Meeting to order at 2:00p.m. on Wednesday, August 16, 2023, in the Frederick M. Bryant Board Room, FMPA, 8553 Commodity Circle, Orlando, Florida. The roll was taken, and a quorum was declared, with 10 of 12 members present.

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 to set the agenda as presented. Jesse Perloff, Key West, seconded the motion. Motion carried 10-0.

ITEM 5 – CONSENT AGENDA

- a. Approval of Meeting Minutes, Meeting held May 17, 2023 & Meeting held June 01, 2023.

MOTION: Howard McKinnon, Havana, moved approval of the Consent Agenda. Barbara Quiñones, Homestead, seconded the motion. Motion carried 10-1.

ITEM 6 – CHAIRPERSON'S REMARKS

Its good to see Linda Howard one last time at the Finance Committee meeting.

ITEM 7 – CFO REPORT

Rich Popp reported on the Depository Account for Florida's ESG requirements.

ITEM 8 – ACTION ITEMS

- a. None

ITEM 9 – INFORMATION ITEMS

*Member Efren Chavez joined the meeting at 2:10pm bringing the quorum to 11, with 11 of 12 members present.

- a. **Review of Risk Policy Compliance Report**

Liyuan Woerner provided the Risk Policy Compliance Report.

b. Fiscal Year 2023 Budget Status through June

Denise Fuentes provided the FY 2023 Budget Status through June.

c. FY 2023 Interim Audit Update

Rich Popp introduced Tim Westgate and Katy Eno of Purvis Gray & Company who presented the FY 2023 Interim Audit Update.

Members had no objections to FMPA staff being present via Teams or in person while Tim Westgate and Katy Eno discussed the FY 2023 Interim Audit Update.

ITEM 10 – REPORTS

a. Investment Reports – As of June 20, 2023

ITEM 11 – COMMENTS

Howard McKinnon, Havana, told Rich Popp that the members have confidence in him as Chief Financial Officer with his years of experience at FMPA.

Larry Mattern, Kissimmee, welcomed Rich to his new role.

Jim Willaims, Leesburg, thanked Linda Howard for her 5 years of service to FMPA.

ITEM 12 – ADJOURNMENT

There being no further business, the meeting was adjourned at 2:33 p.m.

Approved Date _____

RP/lj

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

**Finance Committee Meeting
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AGENDA ITEM 7 – CFO REPORT

**Finance Committee Meeting
November 15, 2023**

AGENDA ITEM 8 – ACTION ITEMS

- a. 2021-2022 St. Lucie Audit
Report (Liyuan Woerner)**

**Finance Committee Meeting
November 15, 2023**



8a – 2021-2022 St. Lucie Audit Report

Finance Committee

November 15, 2023

Scope and Objectives

- Scope - Billings under the St. Lucie Unit 2 Participation (“Participation Agreement”) and the Nuclear Reliability Exchange (“NREA”) Agreements for the two-year period from January 2021 through December 2022.
- Objective – To verify that the billings’ calculations, allocations, and classifications were reasonable and proper.

Audit Performed and Findings

- Audit Sections Performed
 - Capital Additions
 - O&M Expenses
 - A&G Expenses
 - Nuclear Fuel Expenses & Carrying Costs
 - General Plant & Inventory User Charges
 - Multiple Ownership Expenses, etc.
- Based on our audit, there was no audit finding noted

Recommended Motion

- Motion to approve St. Lucie Audit Report



St. Lucie Unit No.2 Audit Report

Billings to Participants under the Participation and Nuclear Reliability Exchange Agreement

Audit Performed By:
Ellen Leatherman, MBA
Veda Sharma, CGAP, MSA
Victor Gaines, CGAP, CIA, PHD
Liyuan Woerner, CPA, MBA

November 15, 2023

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Executive Summary

Florida Municipal Power Agency (“FMPA”) and Orlando Utilities Commission (“OUC”) are co-owners of Florida Power and Light’s (“FPL”) St. Lucie Unit No. 2 and have entered into individual St. Lucie Unit 2 Participation and St. Lucie Nuclear Reliability Exchange Agreements with FPL.

FMPA has audited the actual costs billed under the St. Lucie Unit 2 Participation and Nuclear Reliability Exchange Agreements for the two-year period from January 2021 through December 2022. There is no audit findings and recommended adjustments for the audit period.

Scope and Objectives

The scope of this audit was to review the billings under the St. Lucie Unit 2 Participation (“Participation Agreement”) and the Nuclear Reliability Exchange (“NREA”) Agreements for the two-year period from January 2021 through December 2022.

The objectives of this audit were to determine whether:

- a) Costs billed were supported by adequate documentation.
- b) Costs billed were in compliance with the terms of the Participation and NRE Agreements.
- c) Allocations, which are necessary for billing certain costs, were reasonable and in compliance with the terms of the Participation and NRE Agreements.
- d) Costs billed to Participants were calculated based on the proper ownership shares.
- e) Classification of costs between St. Lucie Site, St. Lucie Common, St. Lucie Unit No. 2 (“SL2”), and St. Lucie Unit No. 1 (“SL1”) were proper and/or equitable.
- f) Changes in billing procedures as a result of previous audits were incorporated into the billing system and were working as intended.

Background Information

There are two nuclear units located on the St. Lucie Site. Both units are operated by FPL. SL1 is wholly owned by FPL, while SL2 is jointly owned by FPL, OUC, and FMPA. SL1 began commercial operation in December 1976 and SL2 began commercial operation in August 1983. The original operating licenses for both units were for a 20-year period. Subsequently, FPL filed for a 20-year license renewal in September 2003. The Nuclear Regulatory Commission approved the license renewal applications of SL1 and SL2 for an additional 20-year terms. This approval extends SL1’s license expiration date to March 1, 2036 and SL2’s license expiration date to April 6, 2043.

Under the Participation Agreements, OUC and FMPA purchased ownership interests in SL2 of 6.08951% and 8.806%, respectively; and are entitled to their proportionate share of Net Energy of SL2. Participants pay their proportionate share of SL2’s operations and maintenance (“O&M”), administrative and general (“A&G”), and capital expenditures. OUC and FMPA have separate Participation Agreements with FPL.

Under the NRE Agreements, the Participants exchange one-half of their total energy entitlements from SL2 for an equal amount from SL1. OUC and FMPA have separate NRE Agreements with FPL. These agreements have some differences in the calculation of O&M and fuel costs.

Under the OUC NRE Agreement, all of the SL1 and SL2 production O&M costs are included in the O&M calculation; whereas, under the FMPA agreement, only one-third of the production O&M costs are included for each unit.

Additionally, OUC’s fuel costs under their NRE Agreement are calculated on a month-by-month basis; whereas, under FMPA’s NRE Agreement, fuel costs for both units are calculated on a 12-operating-month rolling average.

This is the Seventeenth audit of billings under the Participation and NRE Agreements. The total billings to FMPA and OUC during the audit period were approximately \$62.13 million and \$42.89 million, respectively, under the Participation Agreement and approximately (\$1,408,375) and (\$1,804,668), respectively, to FMPA and OUC, under the Nuclear Reliability Exchange Agreement for O&M and fuel expenses.

SL1 and SL2 both completed one refueling outage during this audit period. The current audit included a review of the costs related to SL2 Refueling Outage Cycles 26.

Audit Findings

During prior year’s audit, we reviewed fuel cycle 23-25 and part of cycle 26. NREA fuel and Capital billing errors were corrected, and adjustments were recognized through 2021. Per our audit, there is no material audit findings to report during 2021-2022 audit.

AGENDA ITEM 8 – ACTION ITEMS

**b. Approval of Appendix C
Investment Policy (Liyuan Woerner)**

**Finance Committee Meeting
November 15, 2023**



8b – Approval of Investment Policy

Finance Committee

November 15, 2023

Investment Policy

Major Areas Covered

- Identify, Measure, and Minimize Investment types of risks
- Investment Objectives & Performance
- Custody & Internal Controls
- Reporting

Investment Policy

Changes to the Investment policy

Section	Changes Made
4.0 and 5.2	ESG Language in compliance of the Florida law for House Bill 3.
5.5	Percentage changes to Municipals, Corporate Bonds, SBA, LGIP, and Money Market Mutual Funds.
Appendix A	<ol style="list-style-type: none">1. Additional explanation for St Lucie Decommissioning investments2. Commercial Paper clarified to “two” highest rating categories.
Throughout	Title changes from Treasurer and Risk Director to Treasury Manager.
Glossary of Terms	Deleted definitions not used in Investment Policy.

Recommended Motion

- Motion to recommend approval of these changes to FMPA's Board of Directors

**FLORIDA MUNICIPAL POWER AGENCY
RISK MANAGEMENT POLICY - APPENDIX C
INVESTMENT RISK MANAGEMENT POLICY
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BOD & EC Approved September 2020

INVESTMENT RISK MANAGEMENT POLICY
(Continued)

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

This Investment 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 the investment and management of FMPA’s financial assets. This Policy is Appendix C 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 is hereby authorized to put mechanisms into place, such as those more fully described in Sections 3.0 and 4.0 of this Policy, which will control, transfer, or mitigate these risks to avert an adverse effect on FMPA’s ability to invest funds of the Agency and its Projects in a manner that will balance investment return with principal security, such that FMPA will meet the daily and long term cash flow demands of the Agency and its Projects.

It is the Policy of the EC and BOD that:

- ❖ The investment program shall conform to all federal, state, and local legal requirements.
- ❖ Authority is delegated to the Chief Financial Officer (CFO) to create procedures to administer this Policy.
- ❖ The preservation of capital is the foremost objective of the risk-considered investment practice strategies.
- ❖ Investments using derivatives are prohibited unless specifically approved by the EC or BOD.
- ❖ The CFO shall establish benchmarks against which portfolio performance shall be compared regularly.

INVESTMENT RISK MANAGEMENT POLICY
(Continued)

- ❖ Authority is delegated to the CFO to establish a system of written internal controls to regulate investment activities.
- ❖ The ~~Treasurer and Risk Director~~ Treasury Manager shall provide investment reports for each regular meeting of the EC and BOD.
- ❖ Deviations from this Policy shall be reported to the Finance Committee (FC).

This Policy is created to ensure the prudent management of the Agency and its Projects' funds, and the availability of operating funds, bond proceeds and capital funds as needed. This Policy is applied individually to each Project, not in any combination of Projects. This Policy applies to all monetary assets of the Agency and all Projects with the exception of employee deferred contribution funds. The employees deferred contribution funds are placed with a third party administrator and are self-managed by the employees.

The standard of prudence to be used by FMPA investment staff shall be the "prudent person" rule as defined in Florida Statute 218.415: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment."

2.0 Scope

Investments purchased by the Agency shall conform to all federal, state, and local legal requirements governing the investment of Public Funds, including all bond resolutions and ordinances adopted by the EC or BOD. Responsibility for investment decisions, including day-to-day transactions undertaken, is hereby delegated to the ~~Treasurer and Risk Director~~ Treasury Manager or designated Treasury staff, under the direction of the CFO. No person may engage in an investment transaction except as provided under the terms of this Policy.

FMPA may appoint an outside investment manager as "Agent" for the Agency's cash and investment reserves. The outside investment manager must meet the requirements detailed in the Investment Procedures.

INVESTMENT RISK MANAGEMENT POLICY
(Continued)

3.0 Types of Investment Risk

This Policy is intended to define responsibility, clarify investment goals, establish strategies, achieve stated goals and set up the method of evaluation and control of all investment operations. The CFO will cause Investment 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 risks encountered by FMPA during the normal course of the business cycle, the following provides insight into the major areas of investment risk exposure for FMPA

3.1 Credit Risk:

The risk that a change in the credit quality of an institution will affect the value of a security or portfolio. An example of credit risk might occur if the issuer of a bond that FMPA has purchased as an investment defaults on its obligations, causing the loss of some or all of the investment value. Such risks can be reduced by diversifying securities and maturities.

3.2 Liquidity Risk:

The risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. Some investments are highly liquid and have low liquidity risk (such as money market funds) while other investments are highly illiquid and have high liquidity risk (such as real estate). An example of liquidity risk might occur if FMPA attempted to convert an investment into cash for operating needs, but was unable to do so due to the illiquid nature of the security. Such risk can be reduced by selecting investments with the liquidity to meet FMPA's cash flow needs.

4.0 Investment Objectives and Decisions

Investment ~~selections~~ decisions should be based solely on pecuniary factors and balance those pecuniary factors with the primary objectives of FMPA's investment program. The Treasury Manager or designated staff will prudently assess the risk or returns of an investment based on appropriate investment horizons consistent with applicable investment objectives noted below. FMPA will not consider the furtherance of any social, political, or ideological interest when making investment decisions.

INVESTMENT RISK MANAGEMENT POLICY
(Continued)

In priority order, the objectives are:

4.1 Safety:

Preservation of capital in the overall portfolio is the highest of the risk based investment practice objectives. To attain this objective, investment securities shall be selected from those deemed authorized and suitable as described in Section 5.0 of this Policy. Speculative strategies shall not be undertaken. Management defines speculation as the process of selecting investments in an attempt to profit from fluctuations in prices.

4.2 Liquidity:

The portfolio should be structured so that securities mature concurrent with cash needs to meet anticipated demands. Investments considered to be liquid are those held until maturity where maturity is less than three months. A sufficient level of liquidity must be maintained to meet the next thirty days of expected operating expenses and other disbursements, plus an extra, reasonable amount to meet unusual and unexpected needs.

4.3 Return:

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and the cash flow characteristics of the portfolio. Funds should be invested in high credit quality investment instruments (as allowed by Project Bond Resolutions and summarized in Appendix A) in anticipation of achieving a fair return. The methods used in selecting investments should balance market, credit, and liquidity risks.

5.0 Authorized and Suitable Investment Securities

FMPA is empowered by Ordinance 87-1, as amended, to invest in the types of securities listed in Appendix A for the Agency and its Projects. FMPA may buy or sell securities for other securities to improve yield, maturity, or reduce credit risk. Investment in securities that "derive" their value through financially engineered derivative indices or are highly interest-

INVESTMENT RISK MANAGEMENT POLICY
(Continued)

rate sensitive are not permissible unless specifically recommended in writing and approved by the EC or BOD. FMPA will not allow leveraging (the borrowing of funds for the expressed purpose of reinvesting those funds) or invest in securities with a rating below that required in Appendix A at the time of purchase. The ~~Treasurer and Risk Director~~Treasury Manager must report on a monthly basis any security whose rating has fallen below the rating level identified in Appendix A after purchase and submit a rationale for maintaining such security if it has not been sold

5.1 Authorized Financial Institutions, and Broker/Dealers:

The ~~Treasurer and Risk Director~~Treasury Manager will cause to be maintained a list of financial institutions that meet the qualifications detailed in the Investment Procedures and are authorized to provide investment services. An annual (each fiscal year) review of the ratings from national rating agencies and financial condition of all qualified financial institutions and broker/dealers will be conducted in accordance with Investment Procedures.

5.2 Method of Selection:

FMPA shall select securities that provide the highest rate of return within the risk parameters of this Policy, given the current objectives, diversification, cash--flow needs, ~~and~~ maturity requirements, and other solely pecuniary factors. FMPA will not consider the furtherance of any social, political, or ideological interest when making investment decisions.

Selection of securities shall be made using either competitive bids, wherein FMPA solicits proposals from at least three firms; or comparison to the current market price as indicated by one of the market pricing resources available, including but not limited to Bloomberg. Records will be kept of the bids or offers, the bids or offers accepted and if necessary a brief explanation of the decision which was made regarding the investment.

INVESTMENT RISK MANAGEMENT POLICY
(Continued)

5.3 Maximum Maturities:

The funds of Agency and Project Operating accounts are invested to achieve a market rate of return while meeting the Agency’s and its Projects’ cash flow needs. FMPA will match investment maturities with known cash needs and anticipated cash flow requirements, not to exceed maximum maturity requirements.

Unless matched to a specific cash flow, FMPA shall invest securities maturing in accordance to Appendix B and the following.

Fund/Account	Invested to Mature as Shown
<i>Operations and Maintenance Fund</i>	
1. Operations and Maintenance Account	The month-end duration of the Account will be less than 1.00.
2. Working Capital Account	Within 5 years.
3. Rate Stabilization Account	Within 5 years.
<i>Debt Service Fund</i>	
1. Debt Service Account	Not later than when needed for payment to be made from such Account.
2. Debt Service Reserve	Not later than the final maturity date of any Bonds that are outstanding.
3. Subordinated Debt Fund	Not later than when needed for payment to be made from such Account.
<i>Construction Fund or Proceeds Fund</i>	
	Not later than when needed for payments to be made from such fund.
<i>Reserve and Contingency Fund</i>	
1. Contingency Account	Within 5 years or when needed to make payments.
2. Renewal and Replacement	Within 5 years or when needed to make payments.
<i>General Reserve Fund</i>	
1. General Reserve Account	Within 5 years or when needed to make payments.
<i>Decommissioning</i>	
	Not later than when needed. (Applicable only to St. Lucie)

5.4 Collateralization:

INVESTMENT RISK MANAGEMENT POLICY
(Continued)

Collateralization, as detailed in the Investment Procedures, may be required for investments such as repurchase agreements and any approved investment agreement contract or agreement.

5.5 Diversification:

FMPA must diversify to avoid incurring unreasonable risks associated with over-investing in specific investments, individual financial institutions, maturities and in the future by geographic area or by any other reasonably determinable characteristic. Compliance with the specific diversification requirements shown in the chart below will be measured using market value at the time of purchase and monthly thereafter. In the event that a particular category exceeds the scheduled maximum percentage by 10% (for example, if Repurchase Agreements exceed 22%) for two consecutive months, the ~~Treasurer and Risk Director~~Treasury Manager must report such deviation and submit for approval a strategy for handling each such deviation. For risks potentially resulting from investments with high concentrations of other characteristics not itemized in the chart above, the ~~Treasurer and Risk Director~~Treasury Manager should bring these investments to the attention of the CFO for review. If the concentration risk is deemed significant enough by any one of the three noted here, the CFO must bring this concentration concern to the FC.

Diversification by Investment Type:	Percentage at time of purchase:
US Treasury Obligations	100%
Municipal Bonds	100 <u>50</u> %
US Gov. Agency and US Gov. Sponsored Instrumentality	100%
Banker's Acceptances	50%
Commercial Paper	50%
Corporate Bonds and Notes (A or above)	20 <u>30</u> %*
<u>*(Excess of 20% AA/Aa or better)</u>	
Florida Local Government Surplus Fund Trust Fund (SBA)	50 <u>30</u> %
Local Government Investment Pools	25 <u>30</u> %
Collateralized CDs and Time Deposits	25%
Money Market Mutual Funds	25 <u>30</u> %
Repurchase Agreements	20%
Guaranteed Investment Contracts (GICs)	15%

INVESTMENT RISK MANAGEMENT POLICY
(Continued)

Or as approved by the EC or BOD

Diversification by Institution:	Percentage at time of purchase:
Money Market Mutual Fund	25%
US Gov. Agency by Agency	25%
Municipal Bonds by Issuer	20%
Commercial Banks (CDs, Time Deposits, or Commercial Paper)	10%
Bankers' Acceptance by Bank	10%
Corporate Notes	10%

Diversification by Geographic Location:	Percentage of Portfolio
Within individual state	Not more than 25%

St. Lucie Decommissioning is not subject to the diversification requirements noted above. FMPA established an external Decommissioning Trust fund for the benefit of the NRC (Nuclear Regulatory Commission). Management of these funds are in accordance with 10 CFR 50.75(h) Nuclear Decommissioning Trust Investment Restriction Guidelines. These guidelines include a "prudent investor" standard.

5.5.1 Exceptions:

Diversification percentages can be exceeded by approval from the EC / BOD.

6.0 Custody

All investment security transactions, including collateral for repurchase agreements, entered into by FMPA shall be settled on a delivery versus payment (DVP) basis. Securities will be held by a third party Custodian or Trustee designated by the CFO and evidenced by trade confirmations and bank statements.

INVESTMENT RISK MANAGEMENT POLICY
(Continued)

All securities purchased by FMPA will be properly designated as an asset of the Agency or its Projects and held by a third party Custodial or Trustee institution. The Custodial or Trustee institution shall annually (each fiscal year) provide a copy of their most recent report on internal controls (Statement on Standards for Attestation Engagements No. 16 (SSAE 16). The ~~Treasurer and Risk Director~~Treasury Manager or designated Treasury Staff will provide this report, upon receipt, to the CFO.

7.0 Benchmarking Performance

The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates, taking into account investment risk constraints and cash flow needs. The CFO shall cause to be established a series of appropriate benchmarks against which portfolio performance shall be compared on a regular basis. Guidelines on selecting and managing benchmarks, which may include the use of duration and convexity as performance measurement tools, are contained in the Investment Procedures.

Any external investment managers, if hired, shall not independently select benchmarks. All benchmarks used by external investment managers must be approved by the CFO. Specific description and the source, including date of such benchmarks, should be provided in any external investment manager's performance report along with the exact methodology used in calculating the yields/returns on the portfolio and the benchmark.

8.0 Internal Controls and Ethics

The CFO shall cause to be established a system of written internal controls to regulate investment and related activities, consistent with this Policy and Investment 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 as listed in Florida State Statute Section 218. As part of the year-end audit, the external auditors will be required to state whether the Agency has complied with Florida State Statute Section 218.415, regarding the investment of public funds.

The CFO and the ~~Treasurer and Risk Director~~Treasury Manager, or their designees, may do placement of funds. Accounting staff will not have any responsibility for investing funds.

INVESTMENT RISK MANAGEMENT POLICY
(Continued)

Further internal controls are established in the Investment Procedures to address safekeeping, repurchase agreement, collateral/depository agreements, banking service contracts, delivery vs. payment procedures, and separation of transaction authority from accounting and record-keeping, and may include security controls contained within Treasury software programs.

The Agency 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 Agency Audit Manager identifies areas of concern, the documented internal controls weakness(s) will be communicated to the CFO and FC as appropriate.

8.1 Policy and Procedure Compliance

Internal Audit staff shall ensure that compliance with this Policy and the Investment Procedures are monitored on an ongoing basis. Any unresolved compliance issues will be presented to the FC by the Agency Audit Manager at the next regularly scheduled meeting.

8.2 External Parties

All dealers, financial institutions, investment managers, or individuals, collectively referred to as the parties, investing on behalf of FMPA will be sent a copy of the Investment Policy by the ~~Treasurer and Risk Director~~Treasury Manager, along with a list of employees who are authorized to transact investment trades on behalf of FMPA. These parties will be required to respond, in writing, that the Policy was received, read, understood and will commit to adhere to the Policy. FMPA will pursue full recovery of all associated costs resulting from deviations from the Investment Policy.

8.3 Continuing Education

The CFO, ~~Treasurer and Risk Director~~Treasury Manager and other appropriate investment staff will be required to complete annually (each fiscal year) a minimum of 8 hours of continuing professional education (CPE's), or more as required by State Regulations, in subject courses of study related to investment practices and products.

INVESTMENT RISK MANAGEMENT POLICY
(Continued)

9.0 Reporting

The ~~Treasurer and Risk Director~~Treasury Manager will produce investment reports in accordance with Investment Procedures and provide these reports to the General Manager and the CFO as and when requested, but for no less than each meeting of the EC and/or BOD.

The CFO shall cause any 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 Policy shall be completed by the FC as described in Section 7.0 of the FMPA Risk Management Policy. The ~~Treasurer and Risk Director~~Treasury Manager shall report on the current risk environment affecting FMPA's investment program to the CFO as needed, and initiate and/or participate in any necessary discussion prior to moving items to the FC.

INVESTMENT RISK MANAGEMENT POLICY Glossary of Terms

(See Also Glossary of Terms in FMPA's Risk Management Policy)

Glossary of Terms

ACCRUED INTEREST: The interest to be paid on a security from the last interest accrual date to the settlement date. The buyer of the security pays the market price plus accrued interest. Also called "Purchased Interest".

AGENCY: Florida Municipal Power Agency.

AGENCY SECURITIES: Corporations, such as GNMA, FNMA or FHLMC, which have varying degrees of federal sponsorship and/or regulatory oversight.

ANNUAL AUDIT: The official audit report for FMPA. It includes combined statements for each individual fund and account group prepared in conformity with GAAP.

~~**BASIS POINT:** One one hundredth of a percent (0.01 %).~~

BOND RATINGS: Evaluations by independent services such as Moody's, Fitch, or Standard & Poor's of a bond's investment quality and credit worthiness.

BROKER-DEALER: A broker-dealer firm is in the business of buying and selling securities—stocks, bonds, mutual funds, and certain other investment products—on behalf of its customers (as broker), for its account (as a dealer), or both.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

CONVEXITY: A volatility measure, used in conjunction with duration, of how the price of a bond changes as interest rates change.

CORPORATE BONDS and NOTES: Public or private corporations and organizations issue corporate bonds and notes for the purpose of funding capital improvements,

INVESTMENT RISK MANAGEMENT POLICY
Glossary of Terms
(Continued)

expansions, acquisitions or debt refinancing. Investors essentially are lending money to the issuer.

COUPON RATE: The amount of interest return based upon par value which the issuer agrees to pay the bondholder.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

~~**DEBENTURE:** A bond secured only by the general credit of the issuer (unsecured, no liens or pledges on specific assets).~~

DELIVERY VERSUS PAYMENT: Delivery versus payment is delivery of securities with an exchange of money for the securities.

~~**DELIVERY VERSUS RECEIPT:** (Also called free). Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.~~

~~**DISCOUNT SECURITIES:** Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value; e.g. U. S. Treasury bills.~~

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

~~**DON'T KNOW (DK):** A term designating the lack of knowledge of a delivery in a securities transaction.~~

DURATION: The weighted average time to the receipt of value of the future cash flows of a security weighted by the present value of each of the cash flows in the series. Duration is used as a measure of the relative sensitivity of the price of the security to a change in market required yield.

~~**FACE VALUE:** The dollar amount the issuer promises to pay the bondholder at maturity. Also called par value.~~

INVESTMENT RISK MANAGEMENT POLICY
Glossary of Terms
(Continued)

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$100,000 per deposit.

~~**FEDERAL FUNDS RATE:** The rate of interest at which Federal funds are traded. This rate is currently pegged by the Federal Reserve through open market operations.~~

FEDERAL HOME LOAN BANKS (FHLB): The institutions that regulate and lend to savings and loan associations. The FHLB play a role analogous to that played by the Federal Reserve Banks vis-à-vis member commercial banks.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing & Urban Development, H.U.D. It is the largest single provider of residential mortgage funds in the United States. FNMA is a private stockholder owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans in addition to fixed rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

~~**FEDERAL OPEN MARKET COMMITTEE (FOMC):** Consists of seven members of the Federal Reserve Board and five Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.~~

FEDERAL RESERVE SYSTEM ("FED"): The Central Bank of the United States created by Congress and composed of the presidentially appointed Board of Governors in

INVESTMENT RISK MANAGEMENT POLICY
Glossary of Terms
(Continued)

Washington, D.C., the Federal Open Market Committee, 12 Regional Federal Reserve Banks, numerous private U.S. member banks, and various advisory councils.

FORWARD DELIVERY AGREEMENT (FDA) and FORWARD SALE AGREEMENT (FSA): See “Forward Contracts” in Agency-wide Risk Management Policy Glossary.

~~**FREE DELIVERY:** See "Delivery versus Receipt".~~

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by FHA, VA or FMHM mortgages. The term “pass-through” is often used to describe Ginnie Mae.

GOVERNMENT SECURITIES: Securities that qualify under government securities are issued or guaranteed by more than 15 different entities/agencies of the U.S. government and corporations created by acts of Congress. Some are backed by the full faith and credit of the U.S. and some are not. The direct and guaranteed obligations of the U.S. government, where the securities are backed by the full faith and credits of the U.S., are considered AAA rated. A comprehensive listing of qualified investments for AAA financing is provided in Appendix A.

~~**INTERNAL RATE OF RETURN (IRR):** The discount rate that makes the present value (sum of the discounted values) of a cash flow of an instrument equal to the price of the instrument.~~

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

INVESTMENT RISK MANAGEMENT POLICY
Glossary of Terms
(Continued)

~~**MASTER REPURCHASE AGREEMENT:** A written contract covering all future transactions between the parties to repurchase reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer lender to liquidate the underlying securities in the event of default by the seller borrower.~~

MATURITY: The date a security comes due and fully payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MUNICIPAL BOND: A bond issued by a political unit, such as a state, county, city, town, or village or a political unit's agencies or authorities. In general, interest paid on municipal bonds is exempt from federal income taxes and state and local income taxes within the state of issue.

~~**NASD:** National Association of Securities Dealers.~~

~~**NEW HOUSING AUTHORITY BONDS:** A bond issue by a local public housing authority to finance public housing secured by U.S. Government assistance agreements which guarantees full payment of interest and principal. Also called Public Housing Authority Bonds (PHA's).~~

~~**OPEN MARKET OPERATIONS:** Purchases and sales of government securities and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and flexible monetary policy tool.~~

PAR VALUE: See "Face Value".

~~**PAYMENT DATE:** The date at which the interest on a bond is due.~~

PORTFOLIO: Collection of securities held by an investor.

INVESTMENT RISK MANAGEMENT POLICY
Glossary of Terms
(Continued)

PROJECTS: St Lucie, Stanton, All-Requirements, Tri-City, Stanton II, Pooled Loan, and Solar I & II

PRIMARY DEALER: A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the state- the so-called legal list. In other states the trustee may invest in a security if it is one that would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state which has segregated eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

REPURCHASE AGREEMENT (RP OR REPO): An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement by the first party to repurchase the securities at a specified price from the second party on a specified later date.

~~**RIDING THE YIELD CURVE:** Buying long term bonds in anticipation of capital gains as yields fall with the declining maturity of the bonds.~~

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

INVESTMENT RISK MANAGEMENT POLICY
Glossary of Terms
(Continued)

~~**SEC RULE 15C3-1:** See "Uniform Net Capital Rule".~~

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

~~**SECURITIES ACT OF 1933:** A federal law for the purpose of protecting the public in the issuance and distribution of securities by requiring full disclosure by the issuer.~~

~~**SECURITIES AND EXCHANGE COMMISSION:** The government agency responsible for regulating and supervising the securities industry.~~

~~**SECURITIES EXCHANGE ACT OF 1934:** A federal law for the purpose of protecting the public in the trading of securities on the stock exchanges and the over the counter market.~~

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the yield curve.

TWO HIGHEST CREDIT RATING CATEGORIES: For long-term debt the two highest rating categories, namely AAA and AA, without regard to any gradation of that rating by a numerical, symbol or other such modifier however done by any of the different Rating Agencies. See table below. The two highest credit rating categories are highlighted. Likewise, short-term ratings of the two highest categories by rating firm are also highlighted. Table of ratings categories; partial listing of upper portion of complete table as herein needed:

Moody's		S&P		Fitch	
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
Aaa	P-1	AAA	A-1+	AAA	F1+

INVESTMENT RISK MANAGEMENT POLICY
Glossary of Terms
(Continued)

Aa1	P-1	AA+	A-1+	AA+	F1+
Aa2	P-1	AA	A-1+	AA	F1+
Aa3	P-1	AA-	A-1+	AA-	F1+
A1	P-1	A+	A-1	A+	F1
A2	P-1	A	A-1	A	F1
A3	P-2	A-	A-2	A-	F2
Baa1	P-2	BBB+	A-2	BBB+	F2

Please note, the table shown above is just the relevant part of a comprehensive ratings table in order to clarify the Investment Risk Management Policy meaning for the term “two highest credit rating categories.”

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BOND: Long-term U.S. Treasury securities having initial maturities of more than ten years.

TREASURY NOTES: Intermediate term coupon bearing U.S. Treasury securities having initial maturities of from one to ten years.

Investment Risk Management Policy

Appendix A

Allowable Investments by Project

Appendix A

Agency, All Requirements, St. Lucie, Stanton, Stanton II and Tri-City, Pooled Loan and Solar I & II Projects

Authorized Investments		Credit Rating/Security/Collateral
1.	U.S. Gov. obligations including Federal Agencies unconditionally guaranteed by the U.S. Govt.	Guaranteed by the U. S. Government.
2.	Non-callable bonds or other obligations of any U.S. State, Agency, Instrumentality or local Gov. unit.	Guaranteed by cash or U.S. Gov. securities or rated in the highest category by a nationally recognized bond rating agency.
3.	Bonds, debentures or other indebtedness issued or guaranteed issued by any Agency or Instrumentality of the United States of America.	Issued or guaranteed by any agency or corporation of the U.S. Gov.
4.	New Housing Authority Bonds and Project notes fully secured.	Fully secured by payment agreement with U.S. Gov.
5.	Direct and general obligations of any State, Agency or Instrumentality of the U. S. or any agency, instrumentality or local government.	Rated in either of the two highest credit rating categories.
6.	Obligations of any state agency or instrumentality of the U.S. Gov. or any local government entity (municipals).	Rated in either of the two highest credit rating categories.
7.	Certificates that evidence ownership of the right to payment as long as those securities are those described above, under 1, and are held by a trust company or bank.	Unsecured, uninsured and unguaranteed debt issue ranked in the two highest rating categories.
8.	Certificates that evidence ownership of the right to payment as long as those securities are those described above, under 1, and are held by a trust company or bank.	Guaranteed by the U.S. Gov.
9.	Certificates of deposit and banker's acceptance of the 50 largest banks in the U.S. or commercial paper issued by the parent holding company.	Unsecured, uninsured and unguaranteed debt issue ranked in the two highest rating categories.
10.	Commercial Paper other than that issued by a bank holding co.	Rated in the two highest rating category or issued by a U.S. Corp. which has an unsecured, uninsured and unguaranteed debt issue ranked in the two highest rating categories.
11.	Repurchase agreements with banks or trust companies.	Banks with combined capital of no less than \$50 million or primary dealer secured by securities described under 1, 3, 4, 9, or 10 above.
12.	Shares of Investment Companies organized under Inv. Co. Act 1940, which invests its assets exclusively in obligations described above, under 1, 6, 9, 10, or 11.	
13.	Local Gov. Surplus Trust Fund of the State of Florida.	
14 5	Money Market Funds.	Rated in the highest category of comparable types of obligations.
15 6	Investment agreements or guaranteed investment contracts.	Rated in the highest credit rating category.

**Investment Risk Management Policy
Appendix A**

Allowable Investments by Project
(Continued)

16. 7	CORPORATE BONDS and NOTES: Public or private corporations and organizations issue corporate bonds and notes for the purpose of funding capital improvements, expansions, acquisitions or debt refinancing. Investors essentially are lending money to the issuer.	Minimum rated A without regard to any gradation of that rating by a numerical, symbol or other such modifier, by all rating agencies.
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Decommissioning Funds - St. Lucie Unit No. 2

Authorized Investments		Credit Rating/Security/Collateral
1.	Securities or other obligations of the Federal, State government or any agency or instrumentality.	
2.	Time deposits or demand deposits of the Trustee.	Insured by an agency of the Federal Gov.
3.	Forward delivery agreements.	Guaranteed by any agency of the U.S. Gov.
4.	In accordance with instructions from FMPA subject to the provisions of Section 5 of the Trust Fund Agreement Nuclear Decommissioning Trust Investment Restrictions Guidelines .	

Investment Risk Management Policy

Appendix B

Flow of Funds Under the Resolution

Appendix B

Pursuant to the Resolution, all revenues are deposited with FMPA to the credit of the Revenue Fund established under the Bond Resolution. In each month, funds are to be first transferred from the Revenue Fund to the Operation and Maintenance Fund (i) for credit to the Operation and Maintenance account in the amount, if any, required so that the balance credited to said Account shall equal the amount necessary for the payment of Operation and Maintenance Expenses for the succeeding month, (ii) for credit to the Working Capital Account in the amount budgeted therefore, and (iii) for credit to the Rate Stabilization Account in the amount, if any, budgeted therefore. After these transfers from the Revenue Fund, FMPA will make in each month the following deposits from the Revenue Fund in the order of priority set forth below:

First, to the Debt Service Account held by the Trustee, the amount required so that the balance in such Account (excluding capitalized interest on deposit therein in excess of the amount thereof to be applied to pay interest accrued and to accrue on all outstanding Bonds to the end of the then current calendar month) shall equal the Accrued Aggregate Debt Service;

Second, to the Debt Service Reserve Account held by the Trustee (and each sub account therein), after giving effect to any surety bond, insurance policy, letter of credit or other obligation deposited therein pursuant to the terms of the Resolution, the amount required to be deposited into such Account in such month to make up any deficiency in the Debt Service Reserve Requirement;

Third, to the Subordinated Debt Fund held by FMPA for credit to the various accounts therein, including the Offered Securities Account, the amount, if any, required to pay principal or sinking fund installments of and interest on each issue of Subordinated Debt (including the Offered Securities) and reserves therefore, as required by the supplemental Bond Resolution authorizing such issue of Subordinated Debt;

Fourth, to the Reserve and Contingency Fund held by FMPA (a) for credit to the Renewal and Replacement Account, the amount budgeted therefore, and (b) for credit to the Contingency Account the amount required for such account to equal the Contingency Requirement;

Fifth, for deposit to the Decommissioning Fund (which is not pledged to the Offered Securities), the amount budgeted therefore; (applicable for St. Lucie Project) and

Sixth, for credit to the General Reserve Fund held by FMPA, any remaining monies in the Revenue Fund.

Investment Risk Management Policy

Appendix C

Reporting Calendar

Florida Municipal Power Agency Risk Management Reporting Calendar Investment Risk Management Reporting Requirements				
Reporting Item	Frequency Of Report	Responsible Party	Policy Section Reference	Policy Category Reference
Security Ratings Compliance	Monthly	Treasurer and Risk Director <u>Treasury Manager</u>	Section 5.0	Authorized and Suitable Investment Securities <u>Authorized and Suitable Investment Securities</u>
Financial Condition	Annually	Treasurer and Risk Director <u>Treasury Manager</u>	Section 5.1	Authorized Financial Institutions, and Broker/Dealers <u>Authorized Financial Institutions, and Broker/Dealers</u>
Diversification Percentage	Monthly	Treasury Manager <u>Treasurer and Risk Director</u>	Section 5.5	Diversification <u>Diversification</u>
SSAE 16 Report for Trustees and Custodians	Annually	Treasury Manager <u>Treasurer and Risk Director</u>	Section 6.0	Custody <u>Custody</u>
Policy Compliance Deviations	As Needed	Agency Audit Manager	Section 8.1	Policy and Procedure Compliance <u>Policy and Procedure Compliance</u>
Investment Reports	EC/BOD meetings	Treasury Manager <u>Treasurer and Risk Director</u>	Section 9.0	Reporting <u>Reporting</u>
Policy Operation and	Annually	FC	Section 9.0	Reporting <u>Reporting</u>

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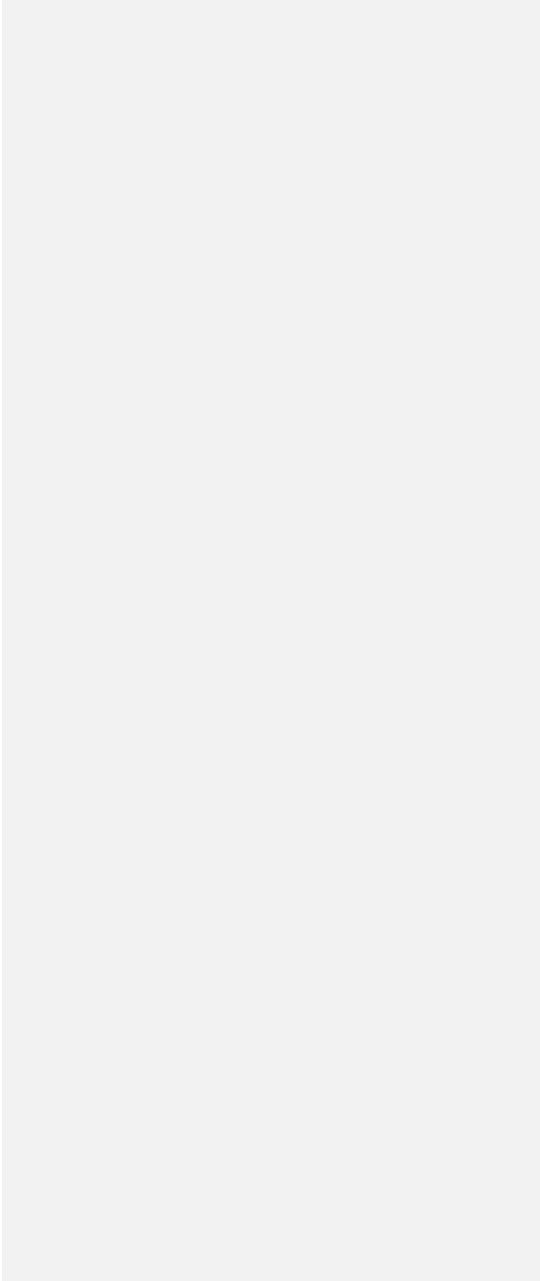
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Effectiveness				
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Appendix C



AGENDA ITEM 8 – ACTION ITEMS

**c. Approval of Calendar Year
2024 Meeting Schedule (Rich Popp)**

**Finance Committee Meeting
November 15, 2023**



8c – Approval of Calendar Year 2024 Meeting Schedule

Finance Committee

November 15, 2023

Proposed Meeting Dates for 2024

Finance Committee

Meeting Dates

January 17

April 17 (Agency Budget)

June 19 (ARP Budget Approval)

August 14

September 18 (If needed)

December 11

Recommended Motion

- Move approval of the recommended meeting schedule for calendar year 2024.

**AGENDA ITEM 9 – INFORMATION
ITEMS**

**a. Review of Risk Policy
Compliance Report (Victor Gaines)**

**Finance Committee Meeting
November 15, 2023**



9a – Review of Risk Policy Compliance Reports

Finance Committee

November 15, 2023

Compliance Covered & Review Result

- Compliance Covered
 - Investment Policy
 - Accounting Policy
- Review Result
 - No Exception Noted

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, 2022 to June, 2023

Responsible Manager(s): Sena Mitchell, Treasurer Manager, Rich Popp, Treasurer and Risk Director / 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		Audit verified
Investments were made only in authorized securities as listed in Appendix A. (Section 5.0)	X		Audit verified
Investments were made only in securities with required rating per Appendix A. (Section 5.0)	X		Audit 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		
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		Audit verified
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)

<i>Policy Compliance continued:</i>			
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		Audit 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		Audit 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		Verified

<i>Internal Control Assessment:</i> 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.

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:

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.

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

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.

Liyuan Woerner

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08/10/2023

Internal Audit Manager

Date

Rich Popp

8F3C20F5CA44E0B613D0640B6D5585E8 readysign

08/10/2023

Risk Director Signature

Date

Rich Popp

8F3C20F5CA44E0B613D0640B6D5585E8 readysign

08/10/2023

Responsible Executive Officer Signature

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 2022 to July, 2023

Responsible Manager(s): Danyl 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
The CFO caused procedures to be written that identify risks in the areas of administrative risk and reputational risk and provide ways to measure, control and mitigate FMPA's exposure to those risks. (Section 3.0)	X		
The Controller presented all current and any new proposed GASB 62 transactions for approval by the FC prior to the end of each fiscal year. (Section 4.1)	X		Included monthly in financial statement package that is approved on the BOD consent agenda.
Accounting staff completed month end closing no later than 30 days after the last day of the previous month. (Section 4.2)	X		
The Internal Audit Manager caused a physical count of inventory to be conducted at least every other year at ARP generation facilities under FMPA control. (Section 4.3)	X		TCEC inventory count is scheduled for September 2023.
The Power Generation Fleet Director maintained procedures which detailed 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		
Invoices showing a credit only were approved by the 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 presented to any governing body included 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. (Section 4.4)	X		Controller sends monthly a late payment report to CFO. Verified with Controller. Audit also performed AP audit to verify.

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

The Controller issued 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 25th day of the billing month. (Section 4.5)	X		
Monthly financial statements were presented to any governing body to 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. (Section 4.5)	X		Included monthly in financial statement package that is approved on the BOD consent agenda.

<i>Policy Compliance continued:</i>			
REQUIREMENT	YES	NO	EXPLANATION
Accounts receivable greater than 12 months old at year-end were evaluated for potential write-off. (Section 4.5)	X		
All write-offs were approved by the General Manager and CEO. Write-offs above the General Manager's spending authority level were approved by the appropriate governing body prior to write-off. (Section 4.5)	X		
Independent audit of books and accounts was conducted once per year by qualified CPA firm within the State of Florida. (Section 5.0)	X		Purvis Gray & Company
The selected firm provided services for no more than one five-year base term. The selected firm provided services beyond the base term for no more than two individual one-year extensions. (Section 5.2)	X		An RFP will be performed in 2024 for the FYE 2024 Audit.
External auditor conducted entrance conference prior to commencing the fiscal year-end audit and exit conferences with the FC to provide results of the year-end audit prior to presenting results to the governing bodies. (Section 5.3)	X		
The CFO caused a system of documented internal controls to safeguard assets, assure reliability of financial reporting, and assure compliance with applicable accounting laws and regulations to be established, consistent with this Policy and associated Procedures, and in accordance with all policies and procedural guidelines established in the FMPA Risk Management Policy. (Section 6.0)	X		
Controller and other appropriate staff completed 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. (Section 6.4)	X		Controller and staff have taken college, CPA review, attended seminars and in-house training which exceeds the CPE minimum..

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

			Details provided to contract audit.
The Controller reported to the FC during December of each year the amount of interest paid for late fees during the preceding fiscal year, if any. (Section 7.1)	X		Late fees for 2022 were reported to the BOD on Dec 8, 2022, thru the Consent Agenda
The CFO caused 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. (Section 7.2)	X		At each meeting held, a financial statement agenda item is included in the meeting packet.
The CFO caused financial statements and accompanying notes to be presented for approval no later than the January EC and BOD meetings. (Section 7.2)	X		Annual Report/Audited FS presented at the January 19, 2023 meeting.
The CFO caused an annual report to be filed within 180 days after the close of the fiscal year to applicable bond trustees. (Section 7.2)	X		Annual Report/Audited FS filed with all applicable trustees after January 20, 2023 meeting.
<i>Policy Compliance continued:</i>			
REQUIREMENT	YES	NO	EXPLANATION
The CFO caused 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 to be reported to the FC no later than August 31st of each year. (Section 7.3)			N/A

<i>Internal Control Assessment:</i> 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 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		

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

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.

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.

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:

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

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.

Liyuan Woerner

44E87DB4176AB1D6637A461E1078F68E

readysign

Internal Audit Manager Signature

09/19/2023

Date

Danyel Sullivan Marrero

EAFF209E311B97564AF076A5BEE900F3

readysign

Responsible Manager Signature

10/02/2023

Date

Richard M. Popp

8F3C20F5CA44E0B613D0640B6D5585E8

readysign

CFO Signature

09/21/2023

Date

**AGENDA ITEM 9 – INFORMATION
ITEMS**

**b. Operational Audit Report (Veda
Sharma)**

**Finance Committee Meeting
November 15, 2023**



9b – Operational Audit Report

Finance Committee

November 15, 2023

Operational Audits



- A/P Audit
- Credit Card Audit
- Procurement Audit

A/P Audit

- Objective and Scope
- Audit Methodology
- Finding and Recommendations



Audit Objective

- Objective: Ensure adequate Policies and procedures in place for proper internal controls

Audit Methodology

- Review policies and procedures
- Document understanding
- Obtain sample transactions
- Perform analytical audit procedures
- Testing selected samples

AP Audit Finding & Recommendations

- AP Audit – No audit finding identified
- Recommendations
 - Delegation of Authority forms be retained in the staff shared folder for at least 3 years
 - Management concurred and Agency Controller created a shared folder for signed forms

Credit Card Audit Findings

- Credit Card Audit – 2 exceptions noted
 - 1 exception related to submittal and approval of receipt
 - 1 exception related to closure of plant employee's Credit card after departing FMMPA

Credit Card Audit Recommendations

- Recommendations – Timely submit and approve receipt and close plant employee's credit card properly after departing FMPA
- Management response:
 - Management concurred with our recommendations.
 - Management will ensure staff submitted receipt timely and credit card is closed properly for employee who departed FMPA.

Procurement Audit Finding & Recommendations

- No audit finding identified
- Recommendations
 - Continue annual procurement training for related personnel
 - Management concurred with our recommendations and training process is in place for FY 2023



Questions?

+



FY2023 Credit Card Review Report

Audit Performed By:
Veda Sharma, MS, CGAP
Victor Gaines, PHD, CGAP, CIA
Liyuan Woerner, MBA, CPA

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EXECUTIVE SUMMARY

The purpose of the credit card review was to determine whether management internal controls were effective. We reviewed information for fiscal year 2023, for the period October 2023 through August 31, 2023.

We have audited procedures related to FMPA credit cards under the following agreements:

- Treasure Coast Energy Center Operation and Maintenance Agreement between Florida Municipal Power Agency (All-Requirements Power Supply Project) and Fort Pierce Utilities Authority, as amended
- Consolidated Operating and Maintenance Contract for the Stock Island Generating Facility between Florida Municipal Power Agency (All-Requirements Power Supply Project) and the Utility Board of the City of Key West, Florida, Doing Business as KEYS Energy Services, as amended
- Consolidated Operating and Joint Ownership Contract for the Cane Island Facilities between Florida Municipal Power Agency (All-Requirements Power Supply Project) and Kissimmee Utility Authority
- FMPA Credit Card Procedures
- FMPA Credit Card User Agreement

Based on our audit procedures, we determined that the agency generally complied with the requirements of the FMPA Credit Card Procedure and related agreements. However, improvements are recommended to strengthen internal controls and ensure that management can properly assess credit card risk in their everyday operation as well as ensure written procedures are continually reviewed and communicated to employees.

BACKGROUND INFORMATION

Issuing an FMPA Credit Card

FMPA staff members may be issued an FMPA credit card. In addition, FMPA may issue FMPA credit cards to employees of FMPA members that work at power generation facilities contractually under FMPA’s operational control. Credit cards will be issued based on need, and the final determination will be made by the CEO* or his/her designee(s).

Monitoring an FMPA Credit Card

FMPA employees must go into Certify to process their credit card expenses. Employees are to upload their receipts and/or other documentation to Certify to support their credit card charges. The procedure states that receipts must be submitted within fifteen (15) business days of the incurred charge, but no later than seven (7) business days following the end of the month that the expense was incurred. Certify has internal control measures to create travel expense and training request forms as necessary. Once the employee acknowledges the charge and provides details, Certify will forward the expense to the appropriate managers for approval.

For non-FMPA users/those not on Certify, the FMPA Accounting Department will send a list of monthly credit card transactions to the authorized users and request the receipts be submitted within 10 days from the date notice was provided of non-FMPA credit card charges (if there was activity on their card). The non-FMPA employee/those not on Certify will sign-off on the transactions and provide corresponding receipts and/or other documentation for all line items. These items are then uploaded to Maximo for approval. Once in Maximo, the monthly credit card transaction list goes through a regular purchase request workflow, which requires the following dollar amount approvals:

- Under \$3,500 is approved by the Plant Manager
- Between \$3,500 to \$50,000 is approved by the FMPA Generation Fleet Director
- Between \$50,000-\$100,000 requires approval from the FMPA Chief Operating Officer (COO)
- Over \$100,000 requires approval from the FMPA Chief Executive Officer (CEO)

On an annual basis, the Credit Card Administrator (CCA) reviews and documents the credit limit for each user for reasonableness of the limits based on actual activity usage.

Terminating an FMPA Credit Card

According to the procedure, “When an employee separates employment with FMPA, the employee’s manager is responsible for collecting all FMPA property, including the employee’s FMPA credit card. The credit card must be collected from the employee no later than the employee’s last day of employment.” For non-FMPA users who separate employment within their organization, the member city’s human resources department must destroy the credit card and/or return it to FMPA within three days and the card is immediately cancelled by the CCA.

AUDIT OBJECTIVE AND SCOPE

The primary objective of this audit is to verify that FMPA managers have assessed credit card risk in their everyday operations. We reviewed information for FY 2023, October 2022– August 2023.

The scope of this audit consisted of the following:

- 1) Reviewed credit card user agreements to ensure all users have an up-to-date signed user agreement on file.
- 2) Obtained a list from Wells Fargo of all authorized credit card users, monitored the monthly credit limit changes performed by the IAD, and reconciled credit card activity using Certify.
- 3) Examined existing credit card procedures for implementation and accuracy.
- 4) Tested procedures for credit card processing.
- 5) Review of receipt submittals for timeliness.

AUDIT METHODOLOGY

The internal audit team utilized a risk-based approach from planning to testing when performing the credit card review. To obtain a thorough understanding of the credit card process, the auditors compiled information through walk-throughs, research, interviews, observations, sample testing, and analytical data reviews.

The following steps were taken to accomplish the audit objective:

- Identified applicable FMPA policies, procedures, and contractual agreements.
- Verified the existence of signed credit card user agreements for all authorized credit card users.
- Interviewed responsible agency management and staff.
- Reviewed agency documentation.
- Verified that management conducted a review of user credit limits and changes to credit limits had appropriate documentation.
- Selected audit samples to verify the credit card transactions.
- Reviewed credit card transactions for evidence that controls, policies, and procedures are being adhered to.

AUDIT FINDINGS AND RECOMMENDATIONS

Receipt and Certify Expense Approval Process Findings:

1. One exception was identified for late receipt submission.

Per the credit card policy, staff are to submit receipts no later than seven (7) business days following the end of the month that the expense was incurred. However, we identified one instance where the receipt was submitted past seven business days. The individual was traveling and later, terminated employment with FMPA. Management stated that this was an oversight by them because the former employee had already left the organization. By not collecting the receipt within the required time, FMPA is exposed to inappropriate charges, creating potential fraud, waste, and abuse.

The Internal Audit Department (IAD) recommends that Management reviews its internal controls surrounding the credit card process to ensure the necessary controls are in place so that all credit card receipts are submitted not later than seven (7) days following the end of the month that the expense was incurred.

Management Response:

Management concurred with our recommendations and will review its internal controls surrounding the credit card process to ensure the necessary controls are in place so that all credit card receipts are submitted per policy requirements.

Closed Credit Cards

2. One exception was identified with respect to a credit card not being appropriately closed.

IAD's review of the credit card closing procedures revealed that after a member operator plant employee had retired, his credit card remained open. This was due to the plant manager not making the CCA (Credit Card Administrator) aware of his departure thus the credit card was not closed. By not ensuring that all credit card accounts are closed once a member plant employee leaves the plant, FMPA is exposed to inappropriate charges, creating potential fraud, waste, and abuse.

IAD recommends that the Plant Manager/Fleet Director inform the CCA when Plant employees depart from FMPA and remind them to ensure that the employee's credit card is closed.

Management Response:

Management concurred with our recommendations by having Plant Manager/Fleet Director inform CCA when Plant employees depart from FMPA and remind them to ensure that the employee's credit card is closed.



Operational Audit

Accounts Payable Review

FY 2023

Audit Performed By:
Veda Sharma, MSA, CGAP
Victor Gaines, PHD, CGAP, CIA
Liyuan Woerner, MBA, CPA

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EXECUTIVE SUMMARY

The Accounts Payable (A/P) review aimed to assess the effectiveness of internal controls governing the A/P process. We conducted an audit of records spanning fiscal year 2023, covering the period from October 2022 through August 2023.

Our audit procedures revealed a significant enhancement in the AP process and associated controls compared to the previous audit. Notably, we did not identify any exceptions during this audit. The internal Audit Department (IAD) extends our heartfelt appreciation to the Management and staff for their valuable cooperation and support during the audit proceedings.

BACKGROUND INFORMATION

The FMPA Accounting Department has direct responsibility over the Accounts Payable (A/P) function. The A/P responsibilities are currently shared among the A/P Coordinator, Accountant III, and the Controller. However, most of the A/P functions are performed by the A/P coordinator including inputting and processing invoices, coding invoices, invoice retention, invoice routing for approval and release to the Treasury Department for payment. The Accountant III is responsible for creating vendors within ERP and performing monthly account reconciliations. The Controller has overall oversight and review responsibilities over the A/P function. The Accounting department utilizes the Acumatica accounting system (for invoice retention, approval and routing) for payment approval electronically. The Treasury department processes the approved invoices and releases the funds for payments.

AUDIT OBJECTIVE AND SCOPE

The objective of the Accounts Payable (A/P) review was to determine the following:

1. Comprehensive written policies and procedures governing all department activities have been established;
2. Transactions are processed in a timely manner and in accordance with Agency's policies and procedures;
3. Appropriate documentation is in place to support transactions;
4. Adequate internal controls have been implemented to limit exposure to unauthorized or inappropriate transactions;
5. Initiatives have been implemented to provide services in the most cost-effective and efficient manner;
6. The Department explores continual improvement opportunities and strives for quality services to internal/external clients.

The scope of this audit is limited to FMPA A/P transactions from October 1, 2022 to July 31, 2023.

AUDIT METHODOLOGY

We utilized a risk-based approach from planning to testing in the A/P review. To obtain a thorough understanding of the A/P process, we compiled information through walkthroughs, research, interviews, observations, and analytical data reviews.

The following steps were taken to accomplish the audit objective:

- Obtained and reviewed applicable FMPA policies, procedures, and any other supporting documents related to the A/P process
- Interviewed personnel related to the A/P function to document our understanding of the A/P process, including any internal controls or weaknesses.
- Determined whether there was adequate segregation of duties in the process and adequate Management oversight for overall review controls.
- Obtained and reviewed a sample of A/P reconciliations to ensure that monthly account balances were reconciled and were properly reviewed by Management.
- Performed analytical reviews of the A/P transaction detail to determine whether there were any duplicate payments, credits or other unusual items.
- Performed testing on a sample of A/P transactions to determine whether payments were supported by adequate documentation, processed timely with the necessary approvals and within policy guidelines.

AUDIT FINDINGS AND RECOMMENDATIONS

Based on our audit procedures, while we have identified no audit findings.

Internal Audit Department does suggest the following recommendation for the A/P process as listed below:

- a. Delegation Forms: Audit's review of FMPA's Delegation of Authority forms noted that there were three instances where the forms were not being saved in staff shared folder. While prudent business practices dictate the need to retain these forms for the purpose of having an audit trail. Administrative Correspondence and Memoranda should be retained for 3 year plus current. Management stated that due to the change in staff, it hindered the Delegation of Authority form collection and retention process.

Because the Delegation of Authority forms were not retained properly, Management does not have the ability to verify whether a manager has properly delegated their authority. Additionally, FMPA could be in violation of Florida's Sunshine Law.

Audit Recommendation: The Internal Audit Department recommends that not only should all staff sign the Delegation of Authority forms, when necessary, but that these forms be retained in the staff shared folder once it is signed by all parties for the period of 3 years as stated in Florida's Sunshine Law.

Management Response: Management stated that they will follow Florida's Sunshine Law by retained the Delegation of Authority forms in the staff shared folder by the Agency Controller once it is signed by all parties for the period of 3 years plus current.



Procurement Policy Compliance Review FY 2023

Audit Performed By:

Veda Sharma, MSA, CGAP
Victor Gaines, PHD, CGAP, CIA
Liyuan Woerner, MBA, CPA

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EXECUTIVE SUMMARY

We have audited the procedures related to the Policy in the following four sites:

- Treasure Coast Energy Center (TCEC)
- Stock Island Generating Facility (KEYS)
- Cane Island Power Plant (CANE)
- FMPA Agency Project

Based on our audit procedures, there were no exceptions noted.

BACKGROUND INFORMATION

Policy

In accordance with the BOD April 2017 approved Procurement Policy within the FMPA Policy and Employee Manual (“Policy”), FMPA is required to purchase goods on a competitively selected basis, unless these goods are \$5,000 or less, or are an exception within the Policy.

Purchasing Thresholds

Unless the purchased goods are \$5,000 or less, or are an exception within the Policy, the goods are required to be purchased under a competitive process using the following thresholds:

Threshold Amount	Competitive Requirement
\$ 5,001 - \$10,000	3 Request for Quotes
\$10,001 - \$50,000	3 Written Quotes
> \$50,001	3 Formal Bids/Proposals

Sole Source Criteria

Under the Policy guidelines, goods and services may be purchased without a competitive process, if at least one of the following criteria is met:

- The provider is the original manufacturer (OEM) of the item,
- The requested good is not interchangeable with those from another manufacturer,
- No other goods are available to meet FMPA’s specialized needs or intended functions,
- Detailed justification establishing that provider is the only source that is practically available to provide the goods, or
- The good must be purchased on an expedited or emergency basis per the Sr. Manager.

Authorization

Purchase requisitions (PR) are authorized in Maximo by utilizing the workflow function. Authorization requirements are as follows:

Position	Current Policy
GM/CEO	Up to \$200,000*
COO	Up to \$100,000
Power Gen. Fleet Manager	Up to \$50,000
Plant Manager	Up to \$5,000

**All expenditures over \$200,000 must be reported to BOD/EC*

AUDIT OBJECTIVE AND SCOPE

The scope of this audit consisted of the following:

- 1) Obtained a list of purchase requisitions and made sample selections by location.
- 2) Tested selections by determining:
 - a. If sole sourced items comply with sole source criteria per Policy.
 - b. If non-sole sourced items are purchased under a competitive process based on threshold amount.
 - c. If the selected items have been properly approved.
- 3) Followed-up with site locations and obtained additional explanations and/or documentations for any discrepancies

The primary objective of this audit is to verify that FMPA Management has assessed the procurement risks in their everyday operations by ensuring its compliance with Agency Policy.

AUDIT METHODOLOGY

The Internal audit team utilized a risk-based approach from planning to testing in the Procurement Policy Compliance review. To obtain a thorough understanding of the Procurement process, the auditors compiled information through walkthroughs, research, interviews, observations, and analytical data reviews.

The following steps were taken to accomplish the audit objective:

- Identified applicable FMPA policies, procedures, and other supporting documents related to the Procurement process
- Interviewed responsible agency management and staff
- Reviewed agency documentation of competitive bids solicited from outside vendors
- Verified that management conducted a review of purchase requisitions had appropriate documentation.
- Reviewed Maximo database for evidence that controls, policies, and procedures are being followed.

AUDIT FINDINGS AND RECOMMENDATIONS

Based on our audit procedures, there were no exceptions noted in the management of FMPA's Procurement policy.

**AGENDA ITEM 9 – INFORMATION
ITEMS**

**c. Pooled Loan Amendment (Sena
Mitchell)**

**Finance Committee Meeting
November 15, 2023**



9c – Pooled Loan Amendment

Finance Committee

November 15, 2023

Pooled Loan Program Update

New and Projected Activity Support Continued Demand of Program

Pooled Loan Capacity #1	Amount Issued	Pooled Loan Capacity #2	Amount Issued
<u>\$25M Established 2019, expired June 2022</u>		<u>\$25M Established 2022, expires October 2025</u>	
Bushnell	7,935,000		
Stanton II	3,921,350	All Requirements	15,000,000
Homestead 2021	8,574,000	Homestead 2022	6,500,000
Clewiston	1,350,000	Agency	1,000,000
Total	21,780,350	Total	22,500,000

- Potential Pooled Loans on the horizon ~ **\$5M**

Pooled Loan Amendment: Increase Capacity

Continue Meeting Member Needs

- Amend terms of pooled loan agreement
 - New \$25M capacity
- All other terms to remain the same
- Process to finalize Amendment
 - Staff negotiate Amendment to Loan Agreement
 - FMPA's Legal and Bond Counsel sign off on Amendment
 - FMPA's Authorized Signatories ([subject to any further information requested by the board](#)) and First Horizon sign Amendment

**AGENDA ITEM 9 – INFORMATION
ITEMS**

- d. Preliminary Fiscal Year 2023
Budget Status (Louis Desimone)**

**Finance Committee Meeting
November 15, 2023**



9d – Preliminary Final Fiscal Year 2023 Budget Status

Finance Committee

Nov. 15, 2023

Summary of Preliminary Final FY 2023 Budget Status

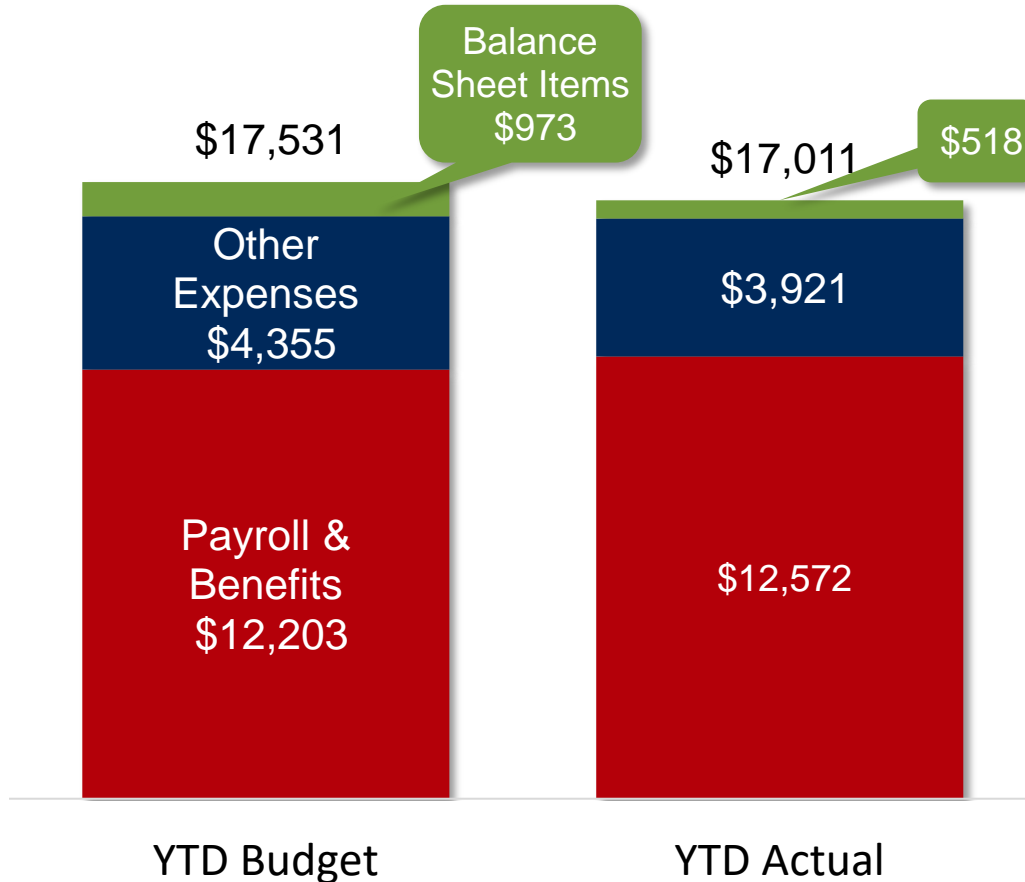
All Budgets Below Approved Spending Authority; All but St. Lucie Finish Below Budget

- Operating and capital expenses ~\$950k < budget help drive total Agency expenses ~\$520k (3%) < budget.
- ARP expenses 1% < budget due to lower fuel and purchased power costs; \$/MWh costs 8% < budget due to higher-than budgeted non-Participant revenues
 - Non-Participant revenues include margins on capacity and energy sales, natural gas sales, and interest earnings, all of which were higher than budgeted.
- Stanton and Tri-City project expenses < budget due to lower fuel and OUC A&G costs. \$/MWh cost also < budget despite generation 13% < budget.
- Stanton II Project expenses 24% < budget due to generation 28% < budget and lower per-unit fuel costs. \$/MWh costs 4% > budget due to lower generation.
- St. Lucie expenses \$200k (1%) > budget, but within approved spending authority due to \$2M contingency.

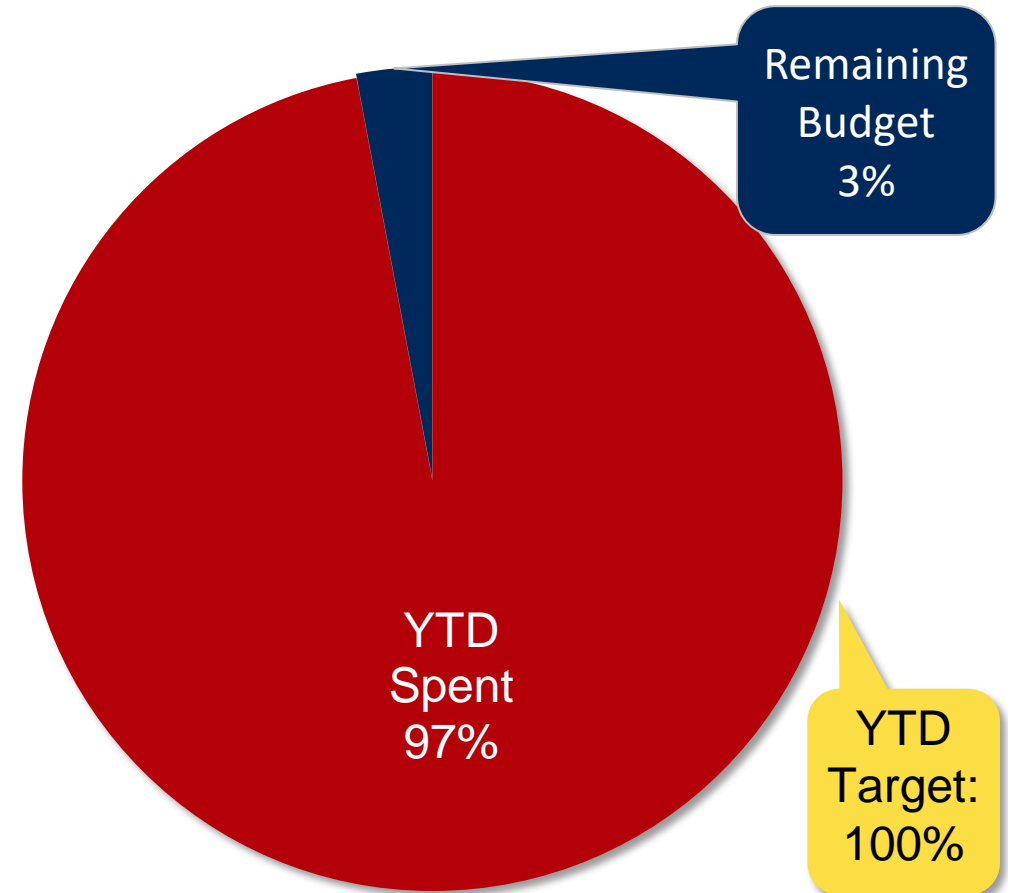
FY23 Agency Costs Finish ~\$520k (3%) < Budget

Capital Expenses \$450k < Budget

YTD Expenses (\$Thousands)



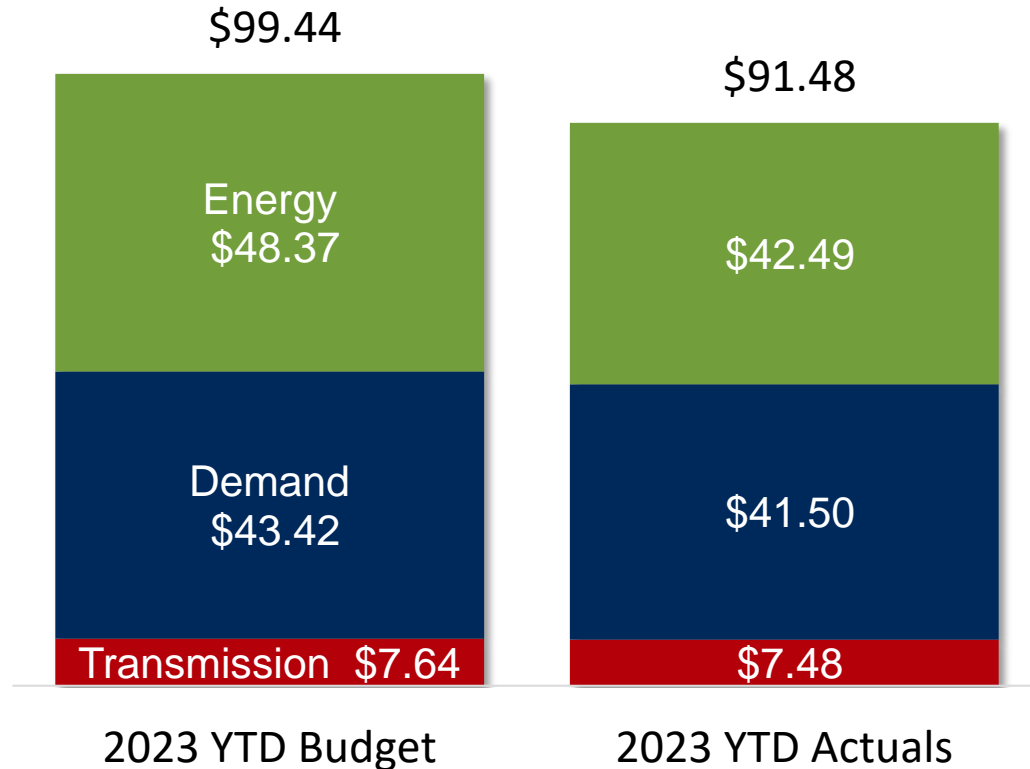
FY 2023 Spending vs. Budget *



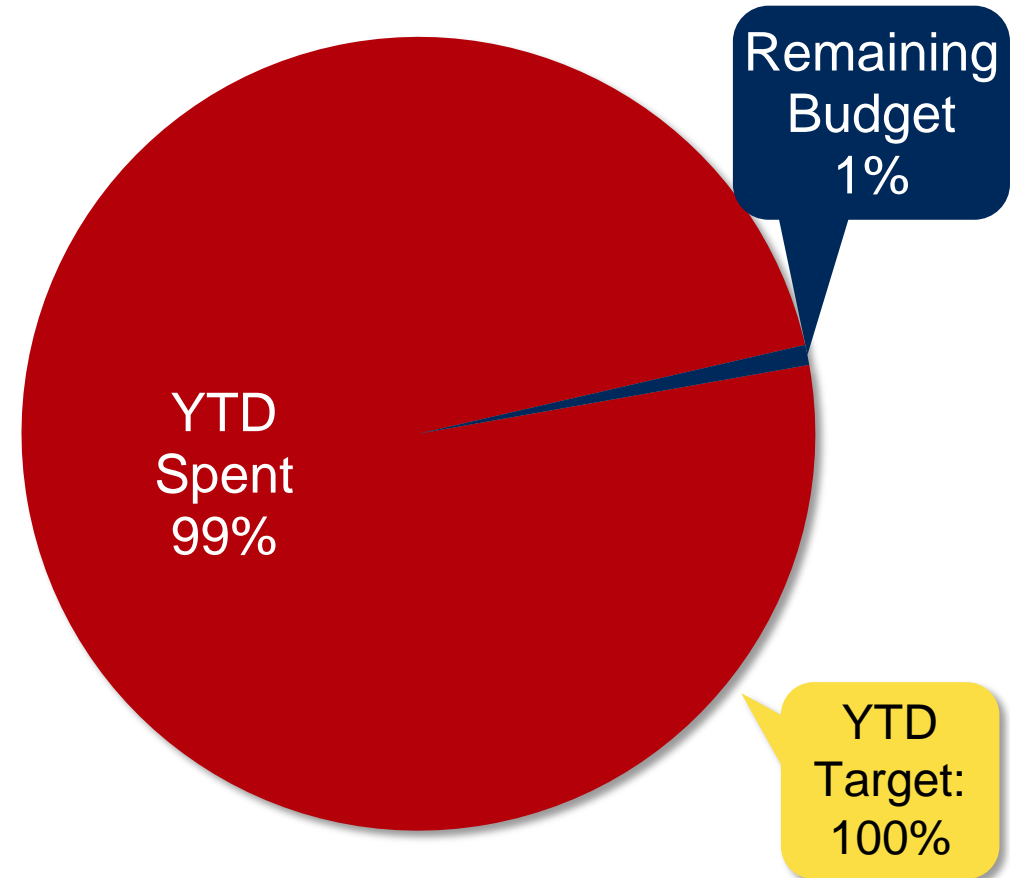
ARP Participant Costs ~\$8/MWh (8%) < Budget

Spending < Budget Due to Decline in Gas Costs, Along with Lower Purchased Power Costs

YTD Participant Costs (\$/MWh)



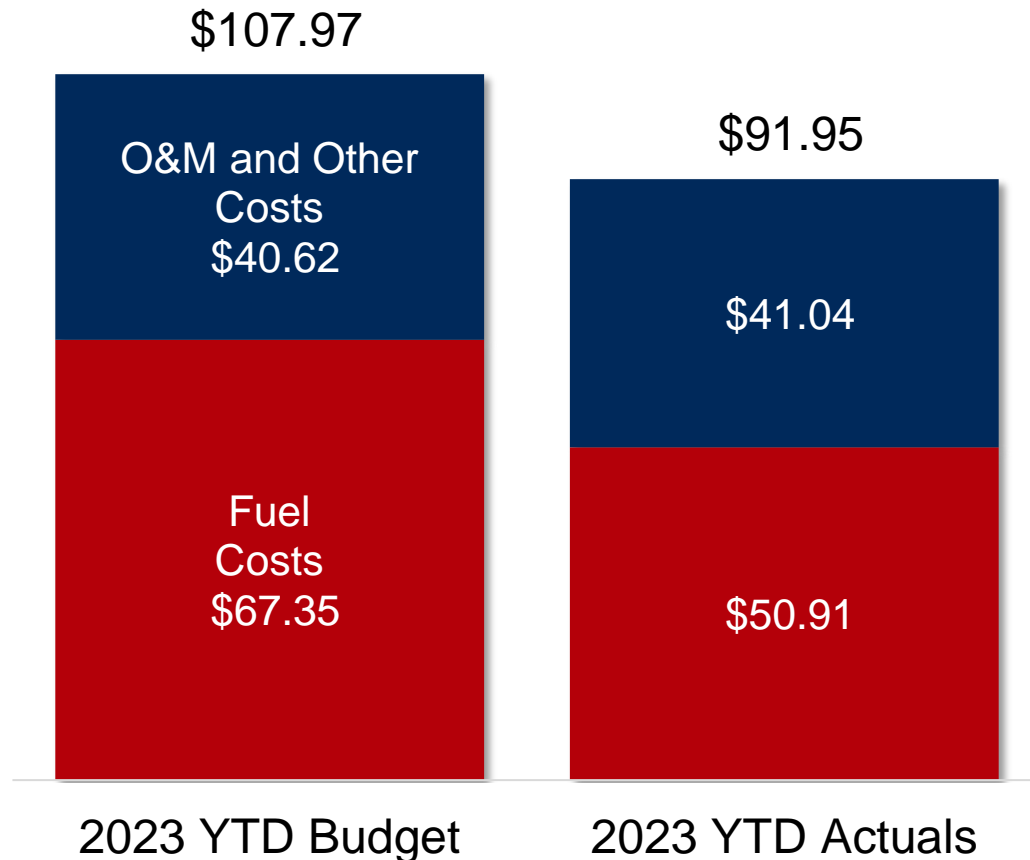
FY 2023 Spending vs. Budget *



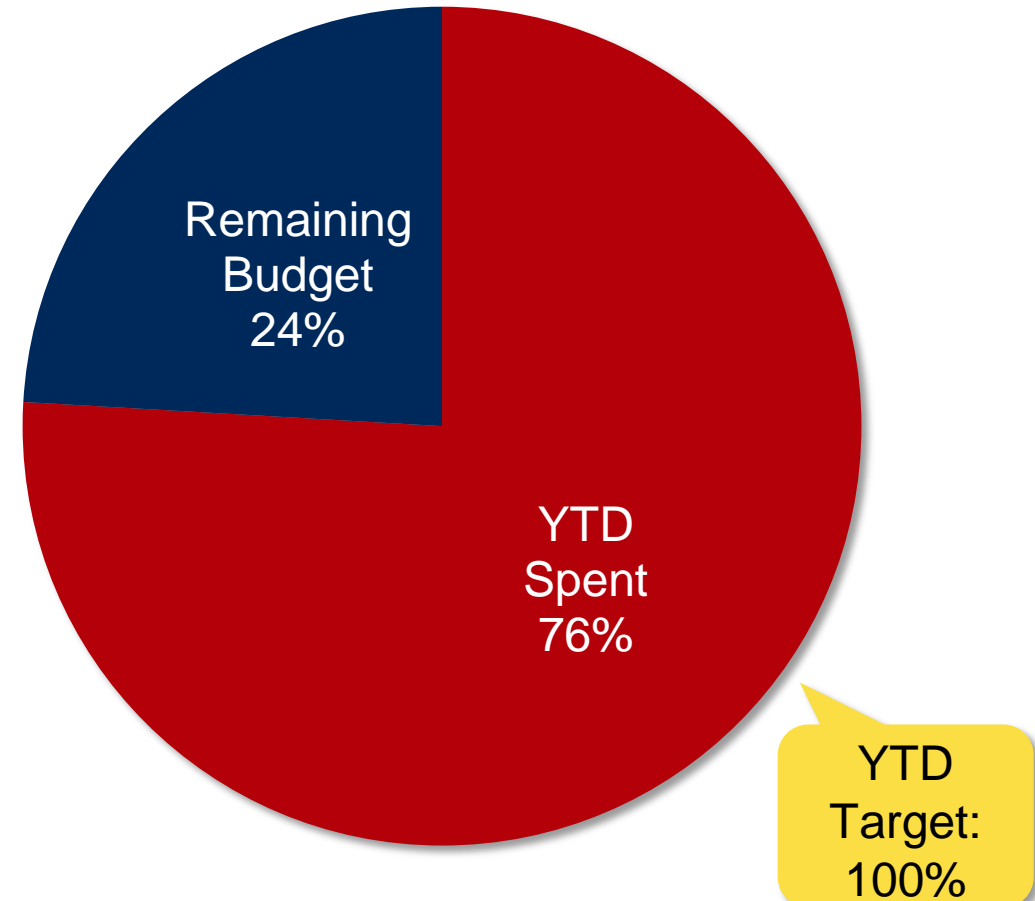
Stanton Participant Costs ~\$16/MWh (15%) < Budget

Lower Fuel Costs Offset Lower Generation

YTD Participant Costs (\$/MWh)



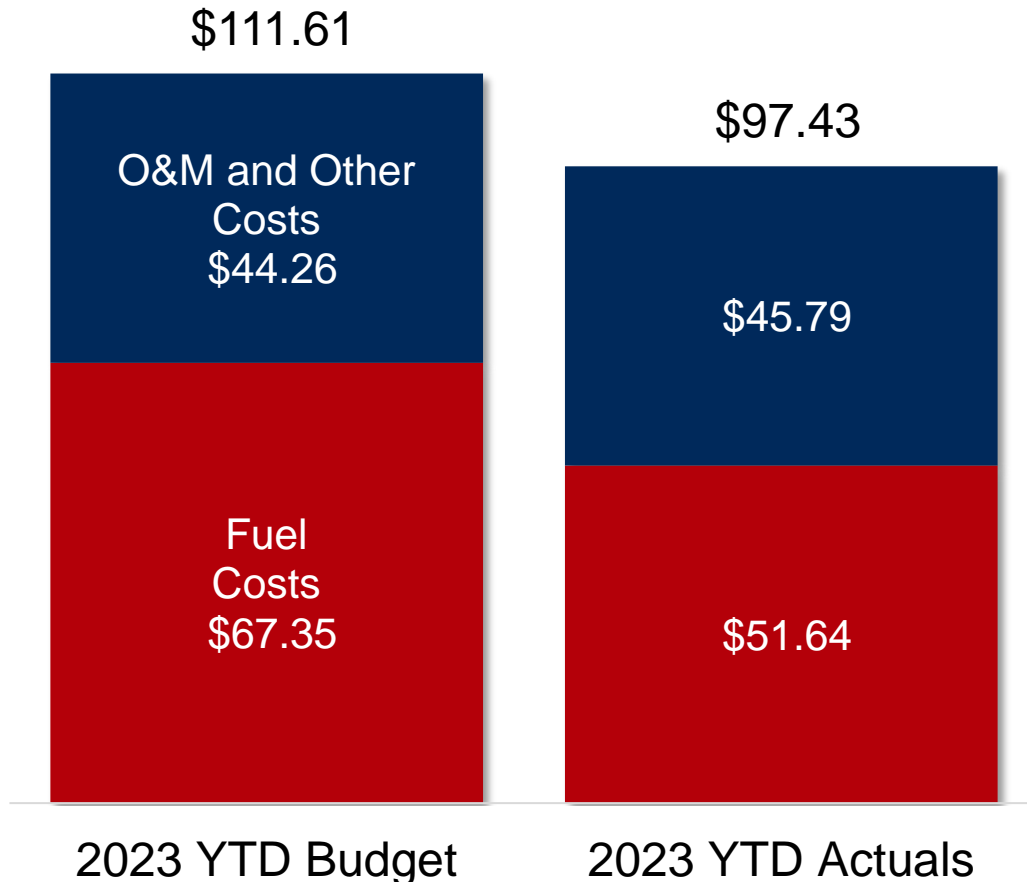
FY 2023 Spending vs. Budget *



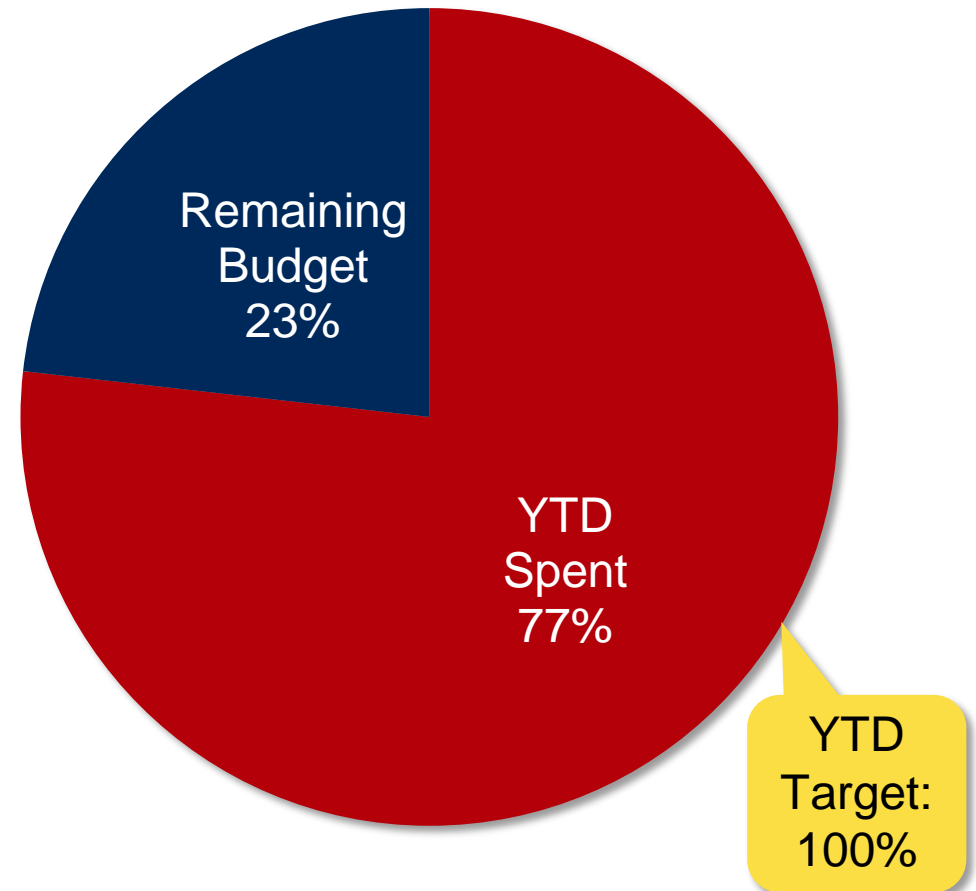
Tri-City Participant Costs ~\$14/MWh (13%) < Budget

Lower Fuel Costs Offset Lower Generation

YTD Participant Costs (\$/MWh)



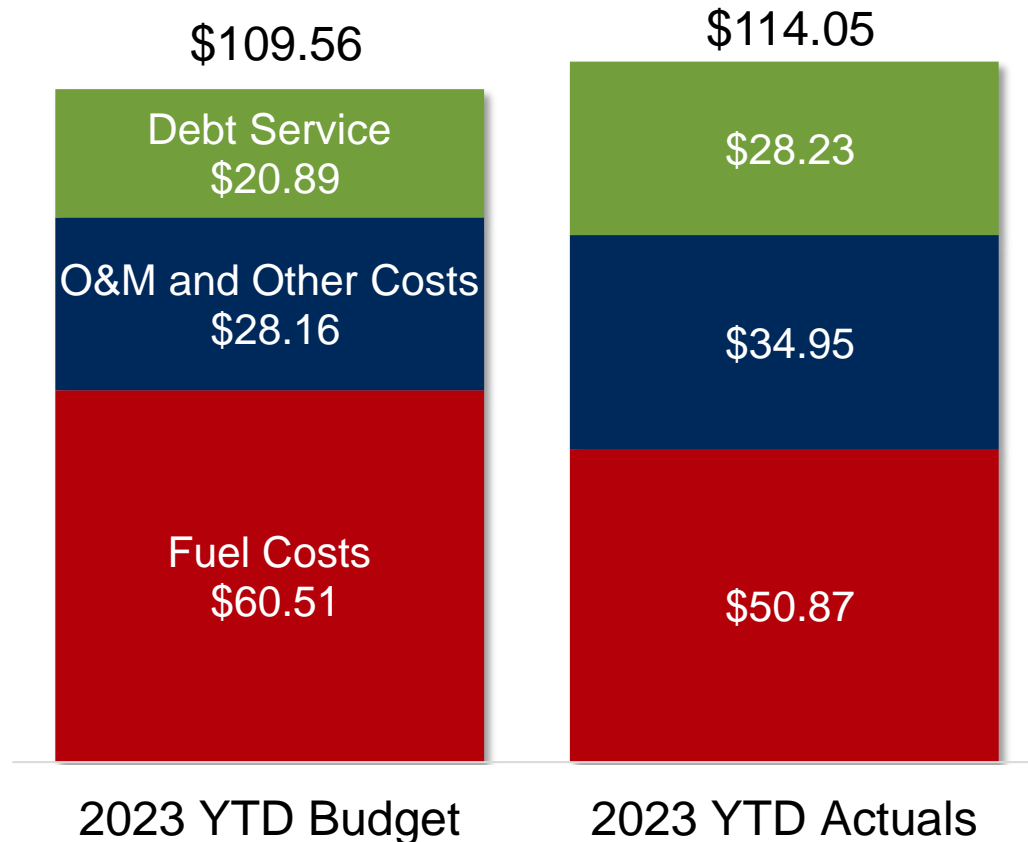
FY 2023 Spending vs. Budget *



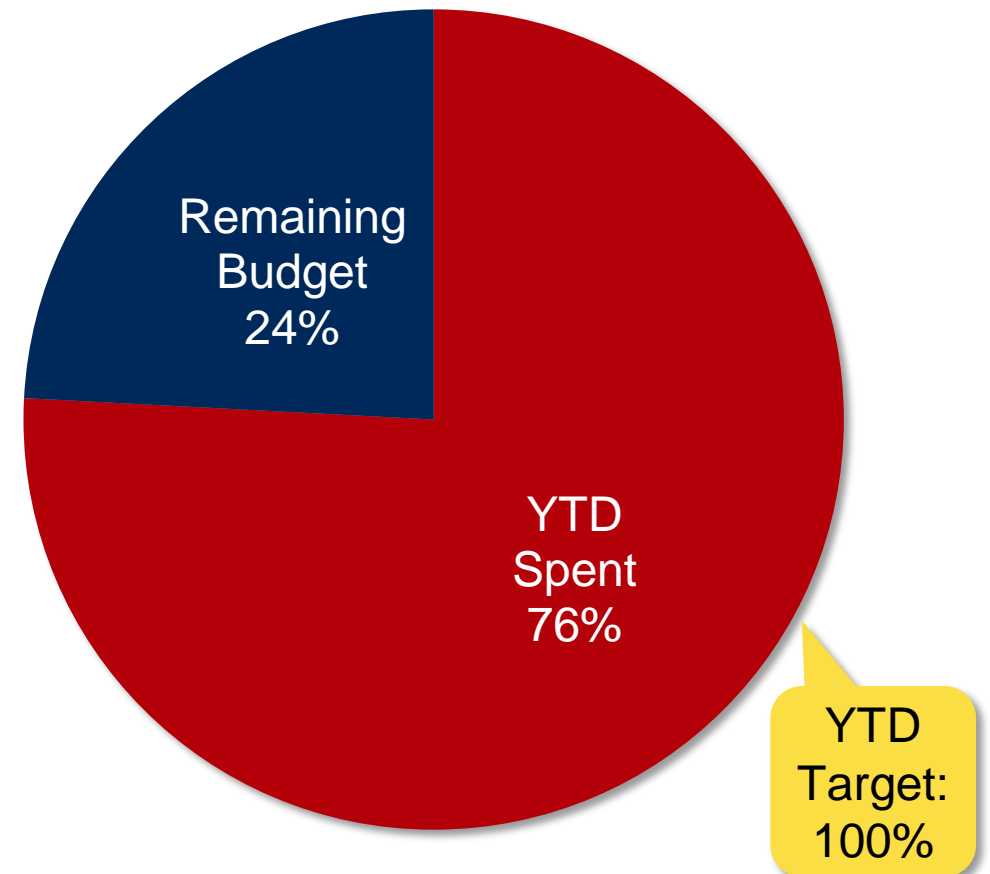
Stanton II Participant Costs ~\$4.50/MWh (4%) > Budget

Primarily Driven by Generation 28% < Budget

YTD Participant Costs (\$/MWh)



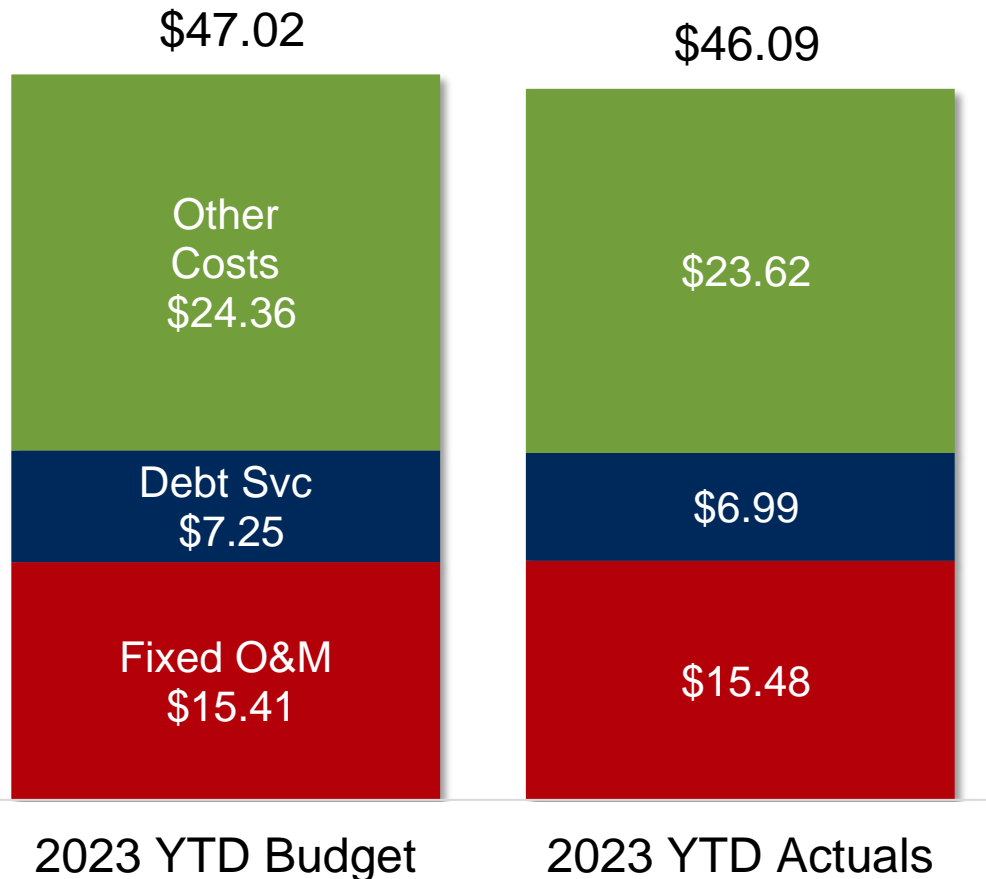
FY 2023 Spending vs. Budget *



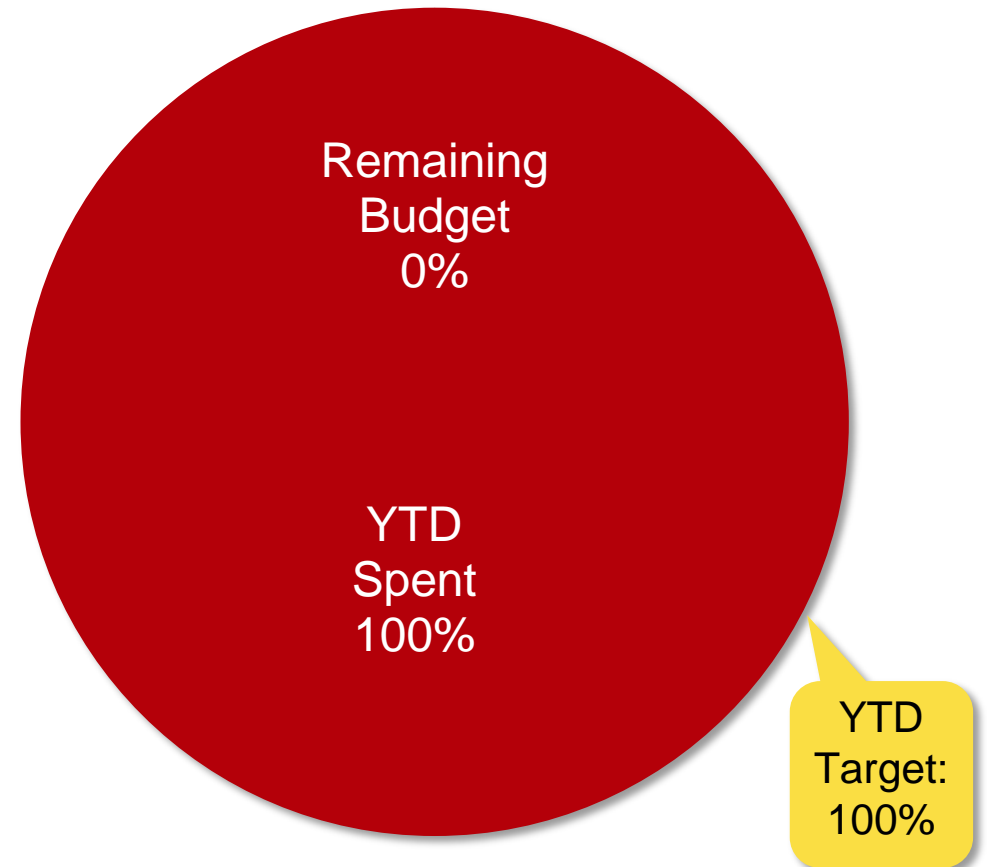
St. Lucie YTD Participant Costs ~\$1/MWh < Budget

\$200k > Budget but Within Approved Spending Authority w/\$2M Contingency

YTD Participant Costs (\$/MWh)



FY 2023 Spending vs. Budget *



Recommended Motion

- For information only. No action requested.

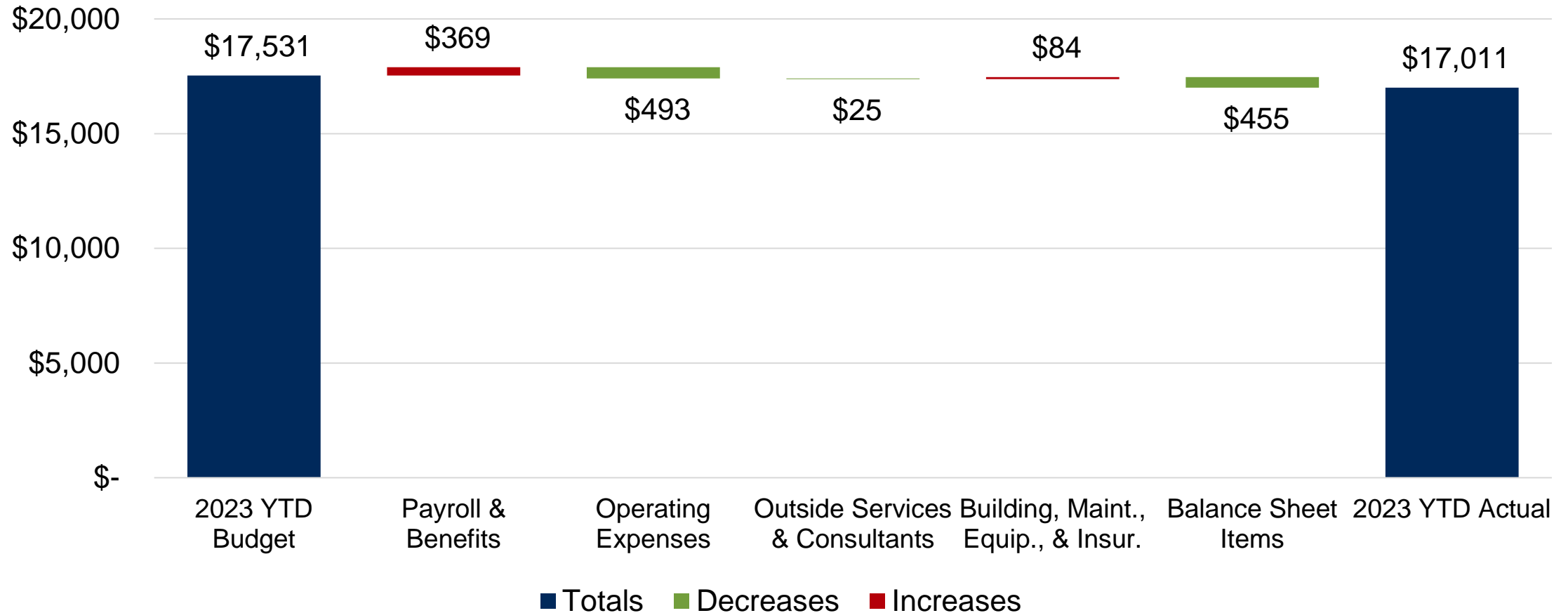


Supplemental Slides

Agency Expenses ~\$0.5M Below Budget

Operating & Capital Expenses Largest Savings

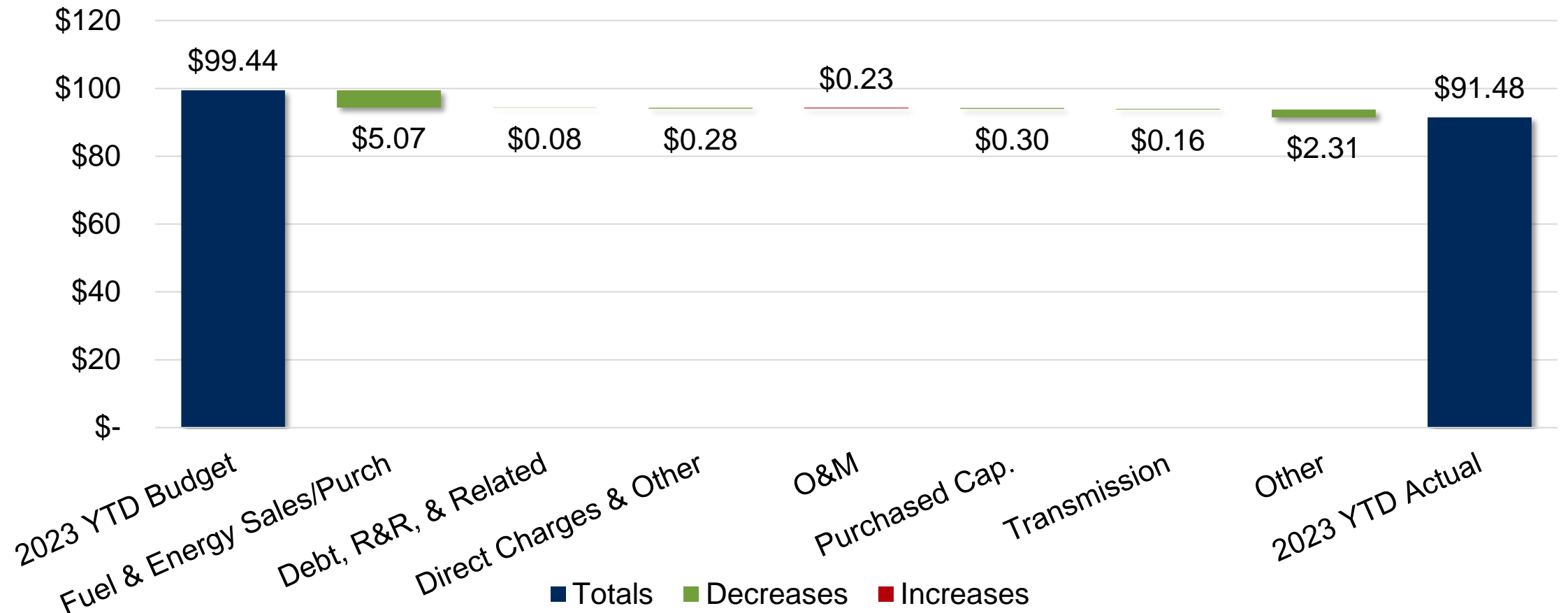
Agency FY 2023 YTD Budget vs. Actual Expenses through Sep. (\$Thousands)



ARP \$/MWh Costs \$8/MWh (8%) < Budget

Driven by Higher Non-Participant Revenues & Lower Fuel Costs

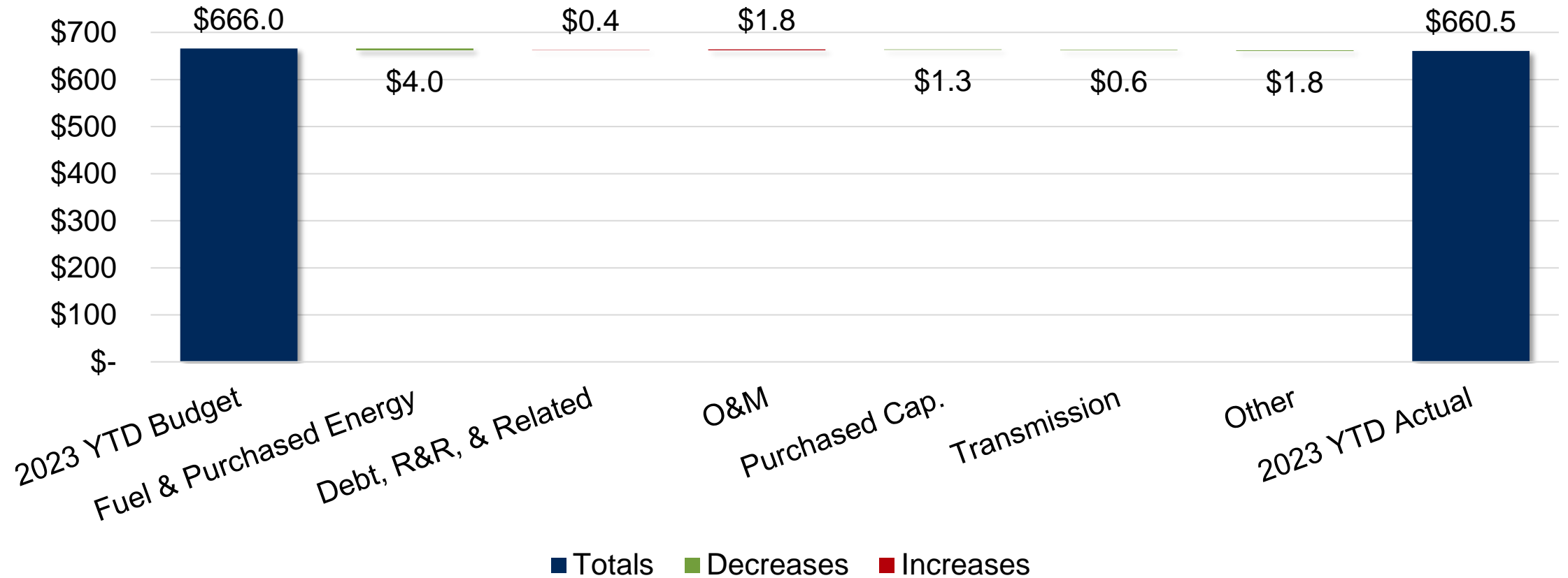
ARP FY 2023 YTD Budget vs. Actual Participant Costs through Sep. (\$/MWh)



ARP Expenses Finish \$5.5M (1%) < Budget

Driven by Decline in Natural Gas Prices and Lower Purchased Power Costs

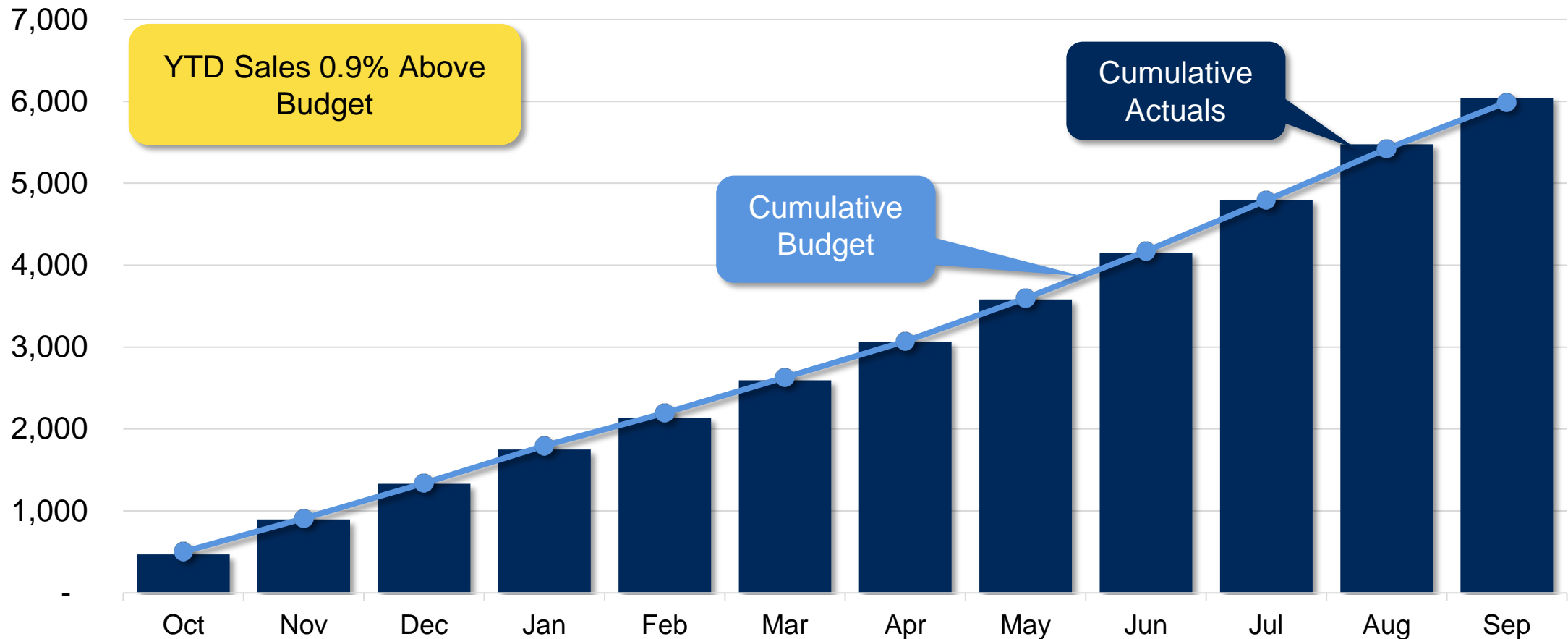
ARP FY 2023 YTD Budget vs. Actual Expenses through Sep. (\$Millions)



FY 2023 ARP Sales 0.9% > Budget

Driven by Record Summer Heat

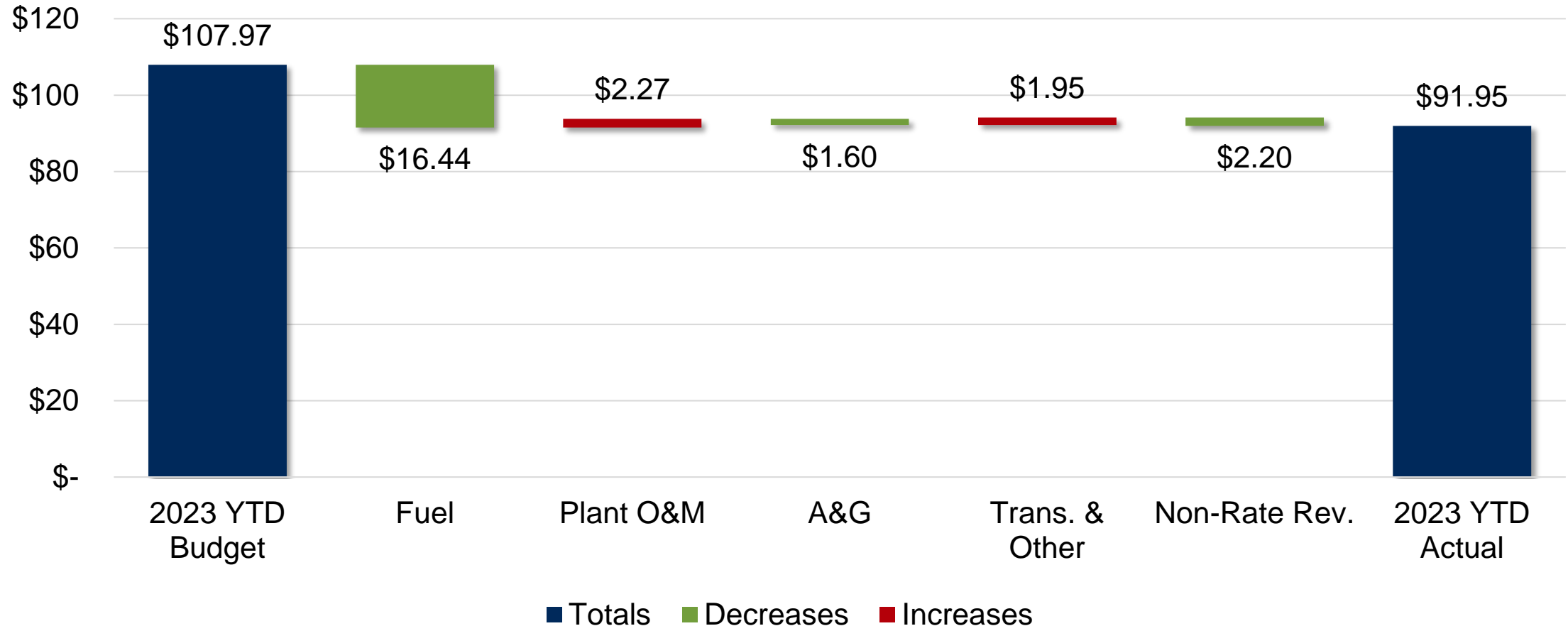
ARP FY 2023 Cumulative Sales through Sep. (GWh)



Stanton \$/MWh Costs Finish 15% < Budget

Driven by Lower \$/MMBtu Fuel Costs than Budgeted

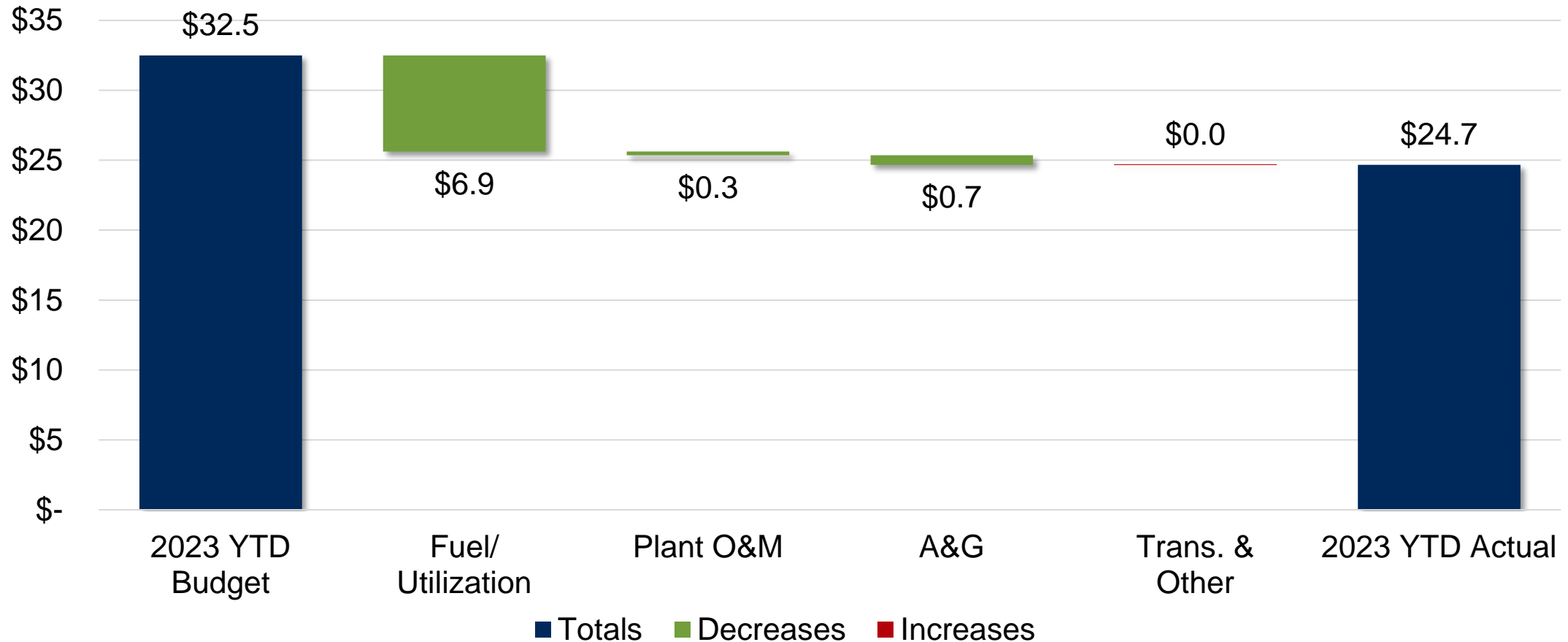
Stanton Project YTD Budget vs. Actual Participant Costs through Sep. (\$/MWh)



Stanton Project Expenses \$8M (24%) < Budget

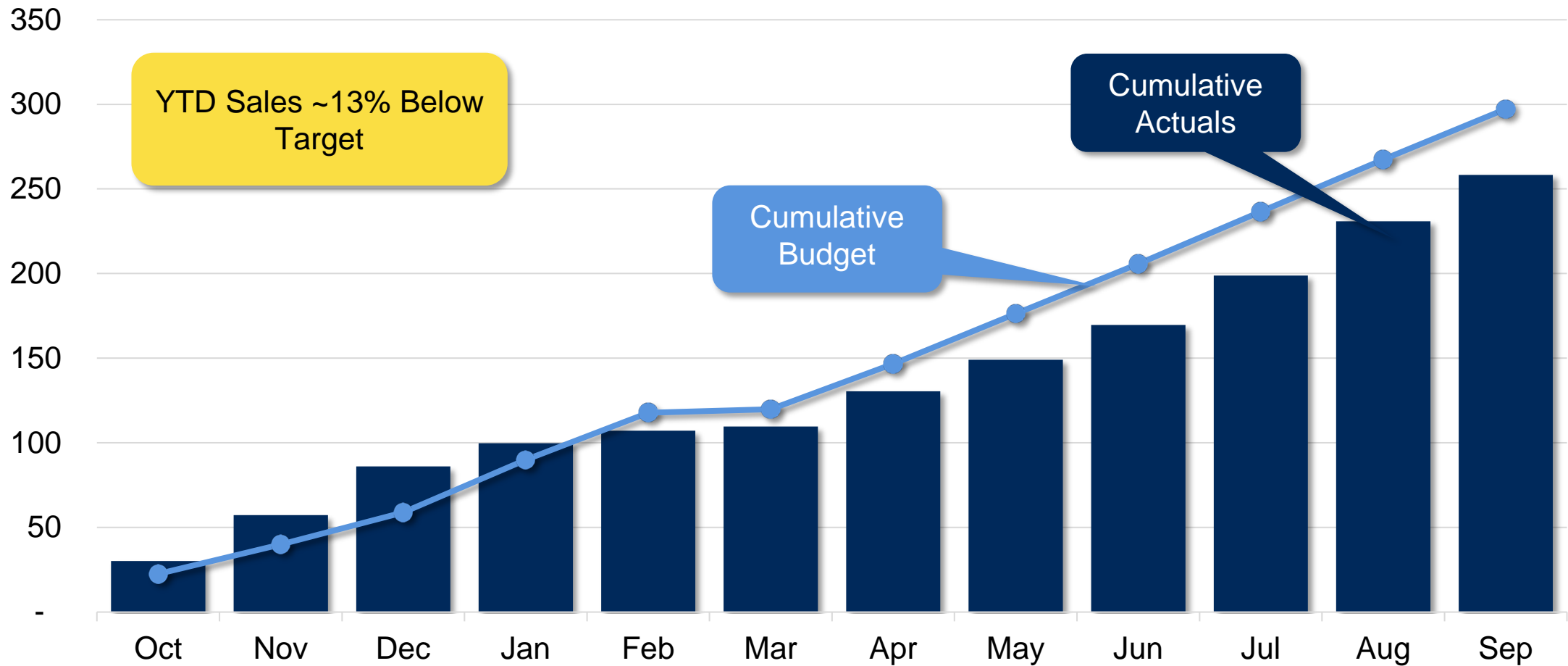
Driven by Lower Fuel Costs w/ Additional OUC A&G Savings

Stanton Project Budget vs. Actual Expenses through Sep. (\$Millions)



Stanton Project Generation 13% < Budget

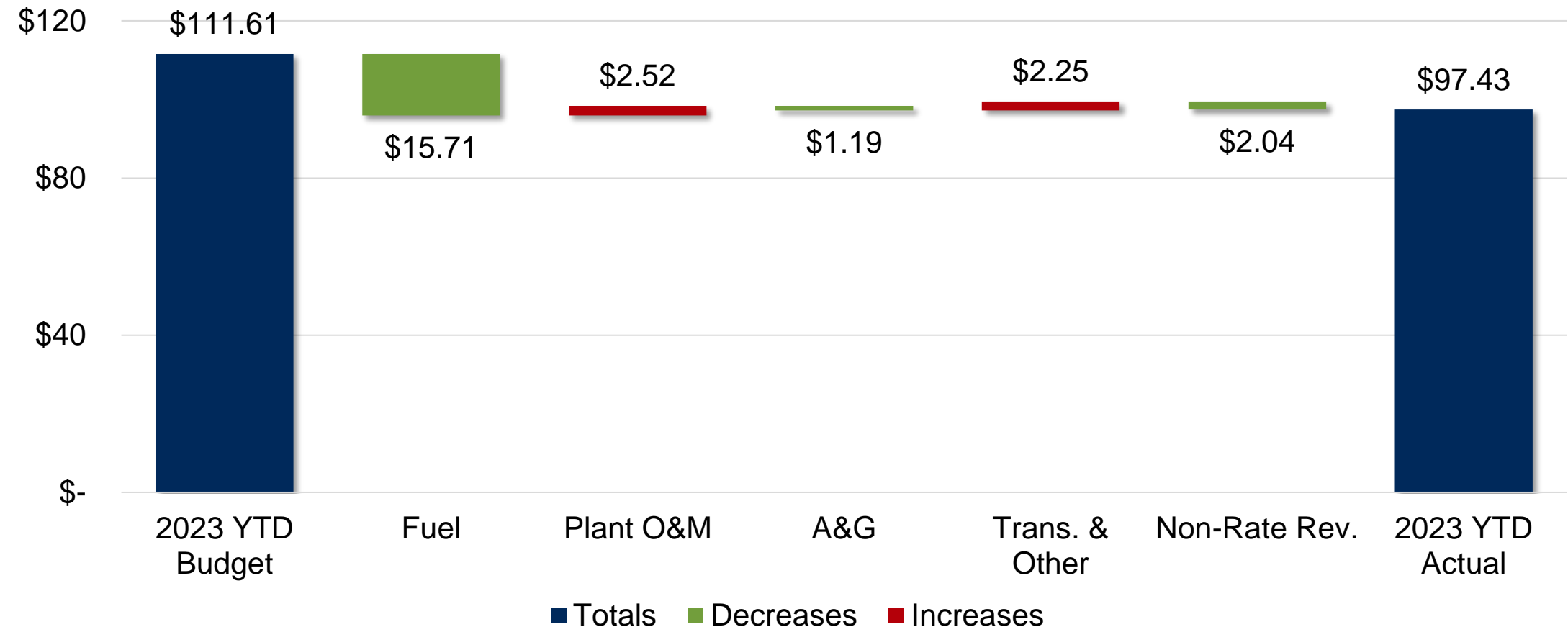
Stanton Project FY 2023 Cumulative Sales through Sep. (GWh)



Tri-City Participant \$/MWh Costs 13% < Budget

Driven by Lower \$/MMBtu Fuel Costs than Budgeted

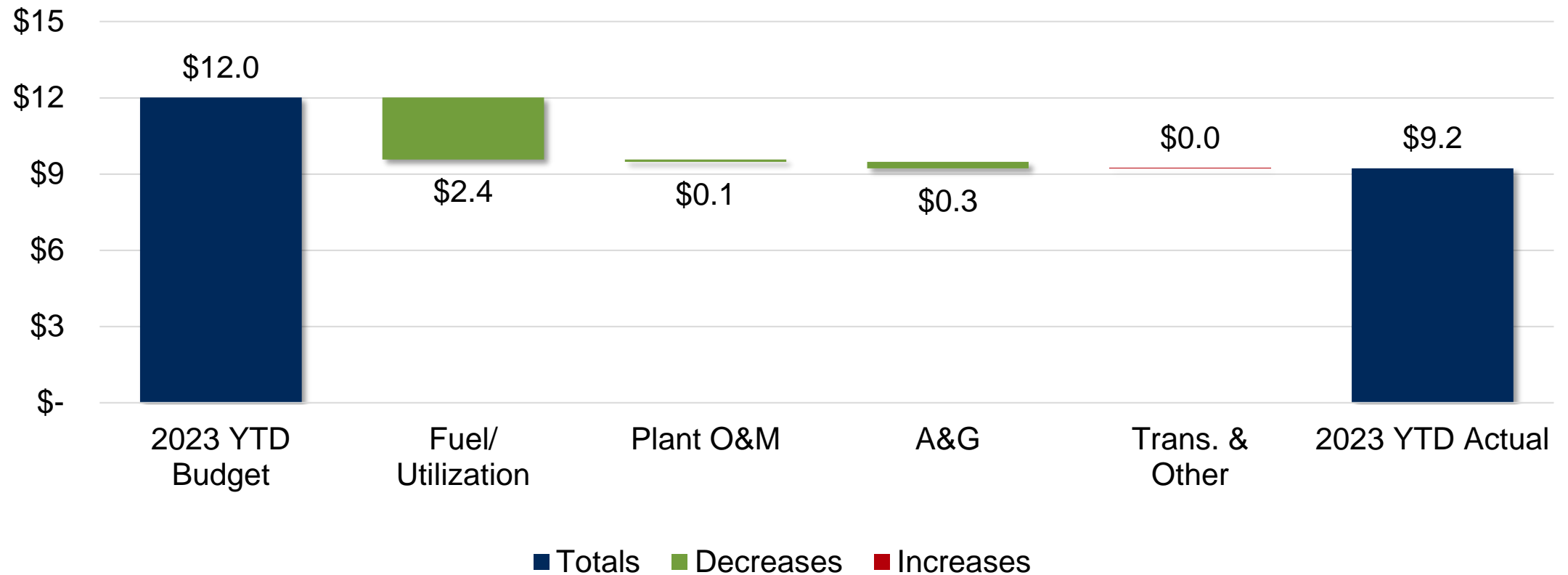
Tri-City Project Budget vs. Actual Participant Costs through Sep. (\$/MWh)



Tri-City Project Expenses \$2.8M (23%) < Budget

Driven by Lower Fuel Costs w/ Additional OUC A&G Savings

Tri-City Project Budget vs. Actual Expenses through Sep. (\$Millions)



Tri-City Project Sales (Generation) 14% < Budget

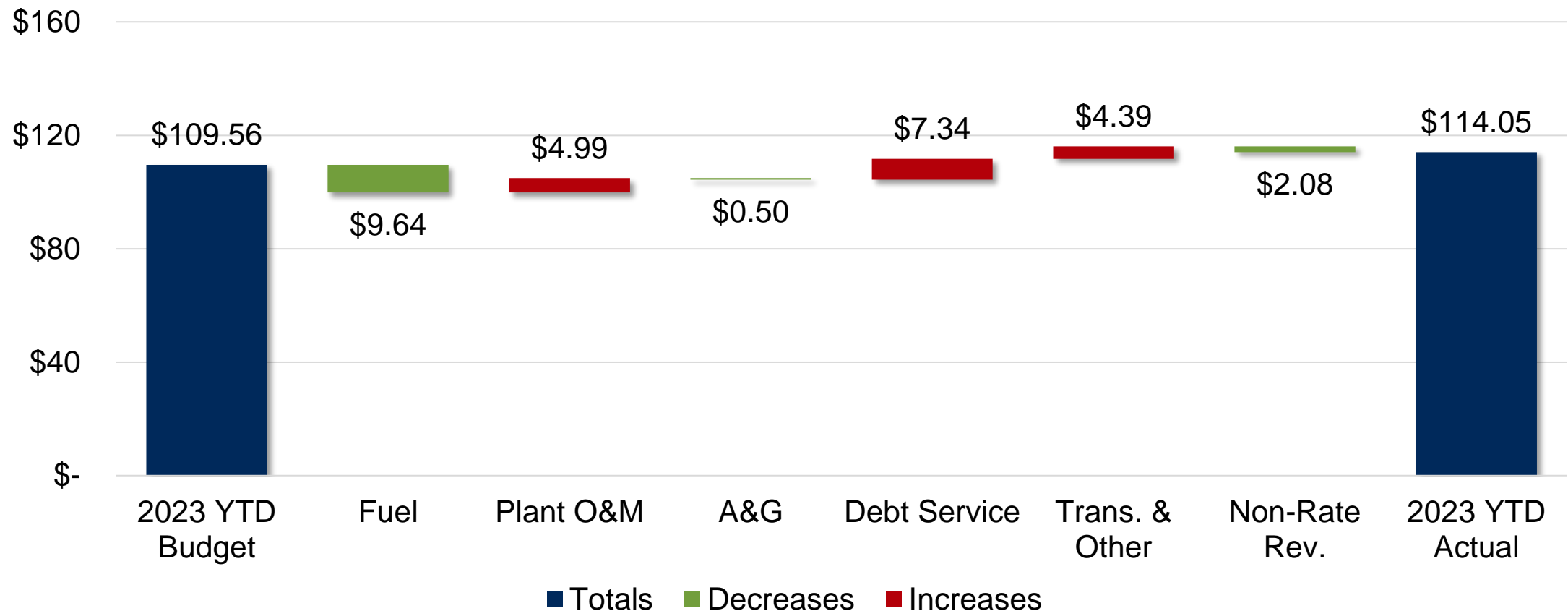
Tri-City Project FY 2023 Cumulative Sales vs. Budget through Sep. (GWh)



Stanton II YTD Participant \$/MWh Costs 4% > Budget

Generation 28% < Budget Offsets Lower Overall Expenses

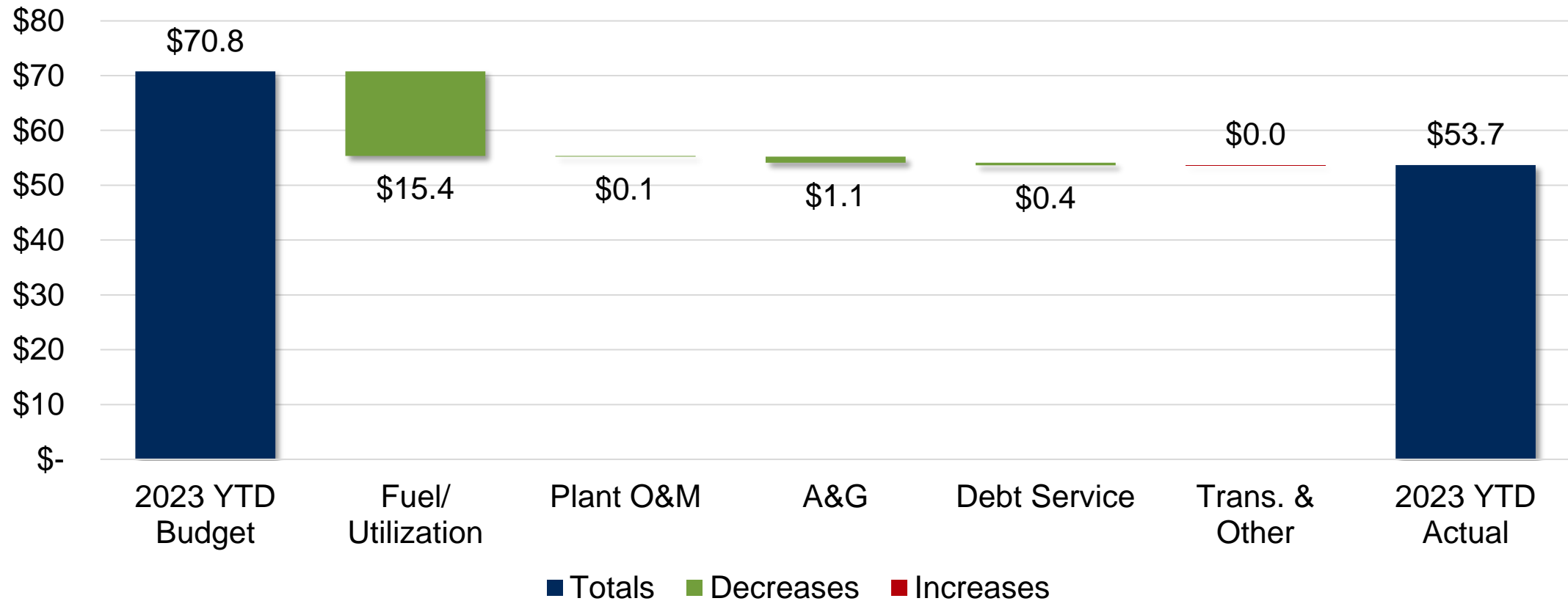
Stanton II Project YTD Budget vs. Actual Participant Costs through Sep. (\$/MWh)



Stanton II Expenses \$17M (24%) < Budget

Fuel Expense \$15M < Budget Due to Lower Per-Unit Fuel Costs and Lower Generation

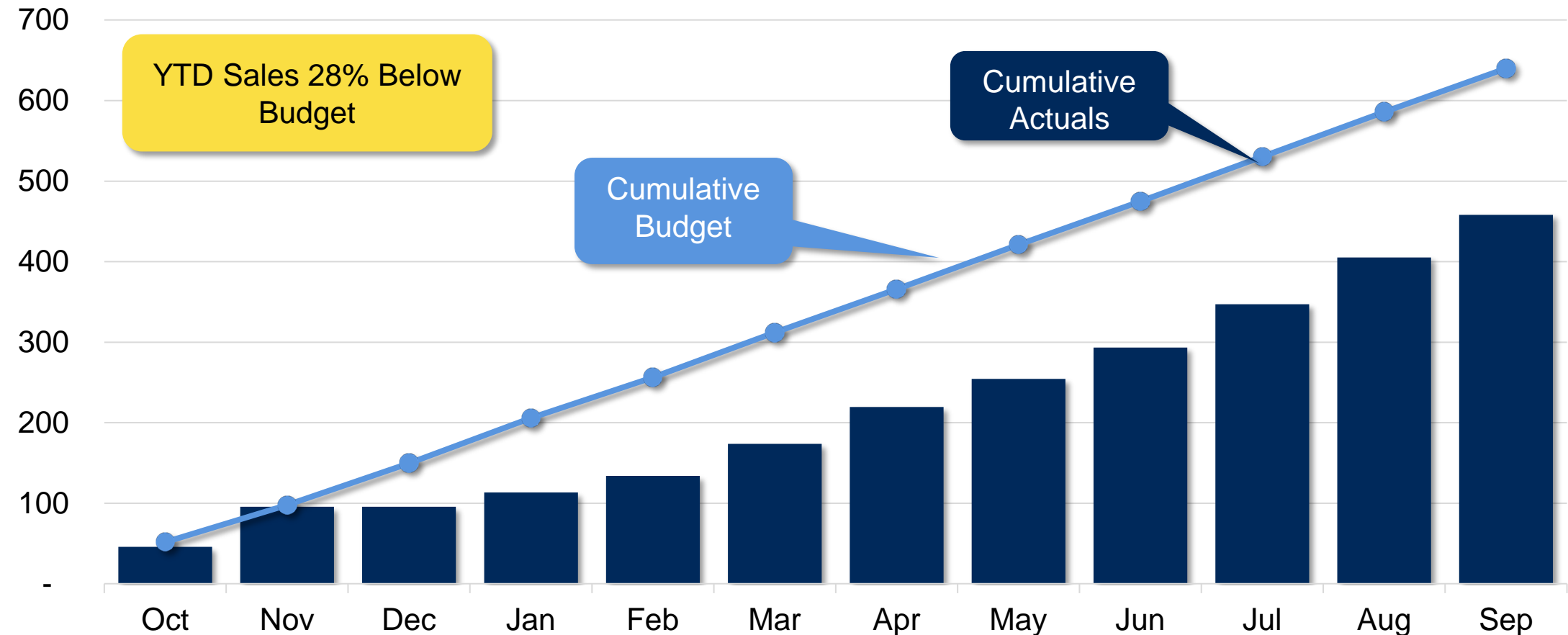
Stanton II Project YTD Budget vs. Actual Expenses through Sep. (\$Millions)



Stanton II Project Sales 28% < Budget

Decline in Gas Prices Reduces Coal Cost Competitiveness

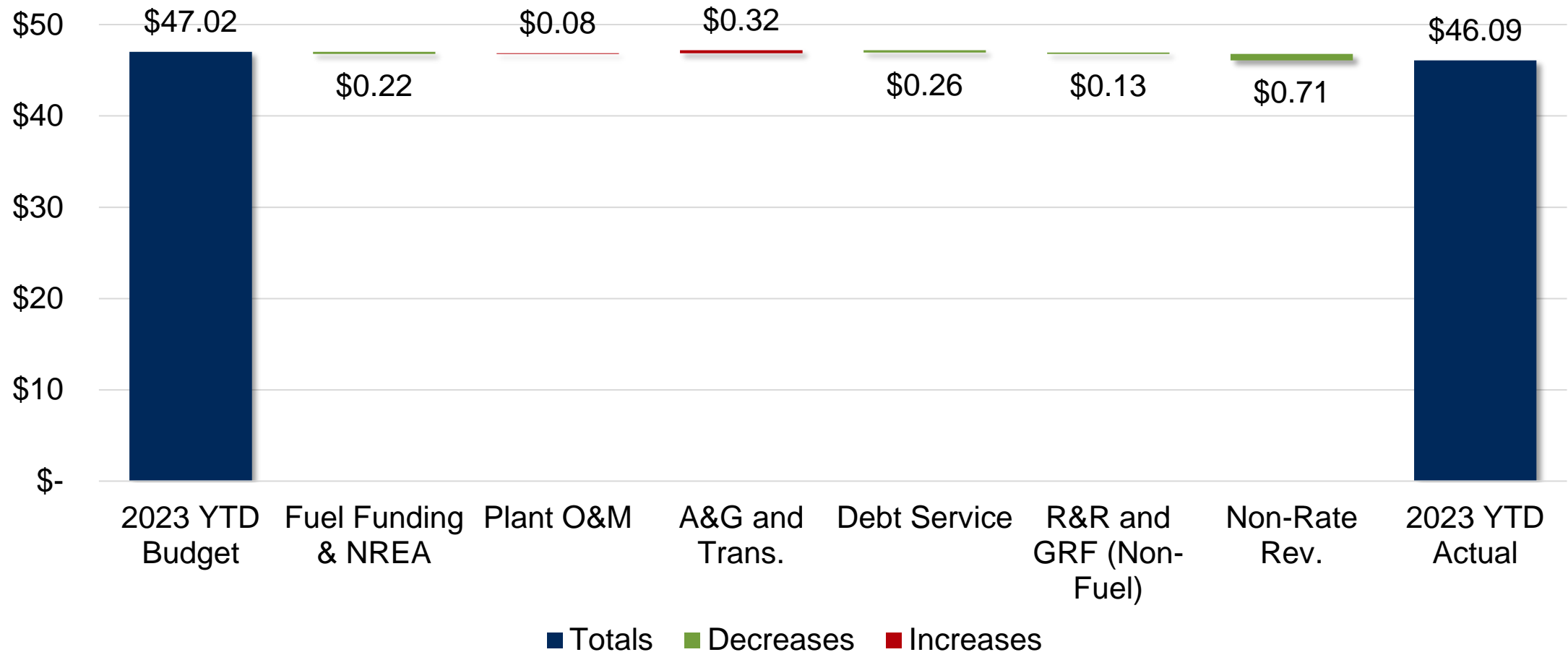
Stanton II Project FY 2023 Cumulative Sales vs. Budget through Sep. (GWh)



St. Lucie Project YTD Part. Costs \$1/MWh < Budget

O&M and A&G Expenses Drive Costs Higher; Offset by Higher Non-Rate Revenues (Reliability Exchange Sales and Interest Income)

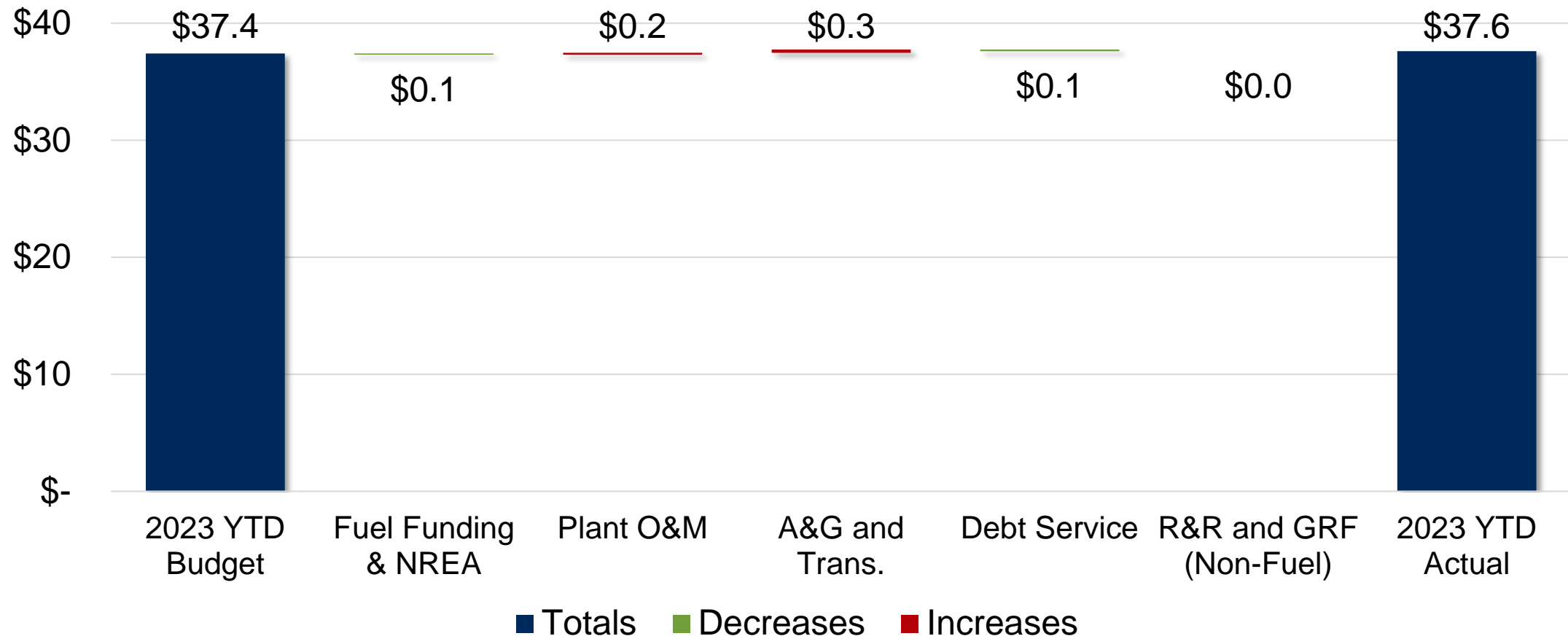
St. Lucie Project YTD Budget vs. Actual Participant Costs through Sep. (\$/MWh)



St. Lucie Project Expenses \$200k > Budget

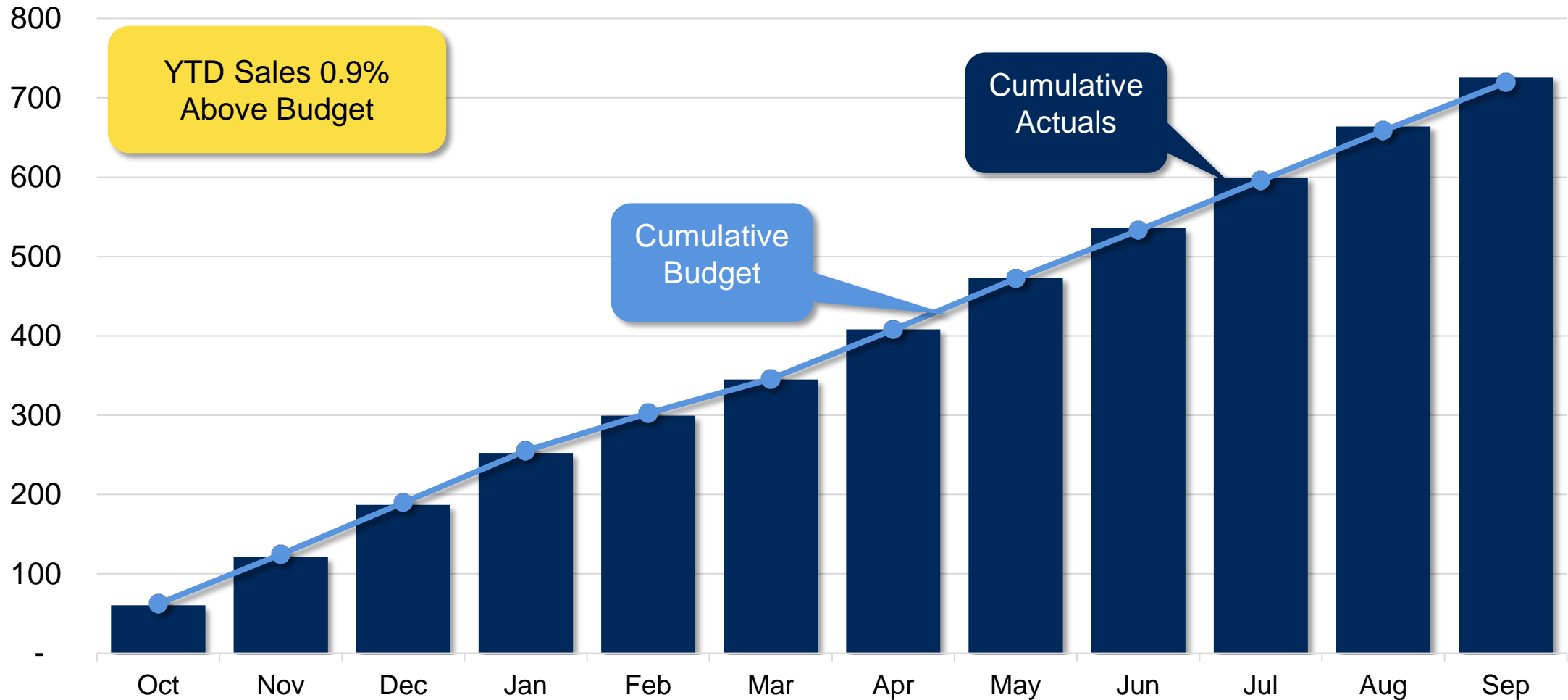
Within Approved Spending Authority Due to \$2M Contingency

St. Lucie Project YTD Budget vs. Actual Participant Costs through Sep. (\$Millions)



St. Lucie Project YTD Sales 1% > Budget

St. Lucie Project FY 2023 Cumulative Sales vs. Budget through Sep. (GWh)



AGENDA ITEM 10 – REPORTS

a. None

**Finance Committee Meeting
November 15, 2023**

AGENDA ITEM 11 – COMMENTS

**Finance Committee Meeting
November 15, 2023**

AGENDA ITEM 12 – ADJOURNMENT

**Finance Committee Meeting
November 15, 2023**