

JEA FINANCE & AUDIT COMMITTEE MINUTES  
March 2, 2016

The Finance & Audit Committee of JEA met on Wednesday, March 2, 2016, in the 8<sup>th</sup> Floor Conference Room, JEA Plaza Tower, 21 W. Church Street, Jacksonville, Florida.

**Agenda Item I – Opening Considerations**

- A. Call to Order – Chair Kelly Flanagan called the meeting to order at 8:00 AM with Member Tom Petway in attendance. Member Ed Burr attended telephonically. Member Husein Cumber was absent and excused. Others in attendance were Paul McElroy, Melissa Dykes, Mike Brost, Angie Hiers, Brian Roche, Joe Orfano, Steve Tuten, Walette Stanford, Janice Nelson, Ryan Wannemacher, Jane Upton, David Jolley, and Judi Spann. Jody Brooks, Office of General Counsel, Mike Pattillo and Chris Edmunds, Ernst & Young, and Robert Campbell, Council Auditors Office, were also in attendance.

*Due to a lack of quorum physically present, agenda items were received for information only. Action items will be brought before the March 15, 2016 full Board for action.*

- B. Adoption of Agenda – Due to a lack of quorum, the agenda was received for information.
- C. Approval of Minutes – Due to a lack of quorum, the August 10, 2015 Minutes were received for information.

**Agenda Item II – New Business**

- A. FY2017 Budget Assumptions – Melissa Dykes, Chief Financial Officer, presented and reviewed the FY2017 Budget Assumptions and process, requesting Committee feedback and discussion. Items covered included key strategic issues, risks, challenges, and assumptions. Strategic issues focus on emphasizing business excellence opportunities, workforce readiness, financial performance and flexibility, with risks relating to future environmental constraints on electric generation, water resource management, and the health of the St. Johns River. Major cost challenges relate to fuel, purchased power, and labor. Ms. Dykes stated staff will prepare a draft budget, as well as related agenda items for review at the May 9, 2016 Finance and Audit Committee. This presentation was received for information.
- B. Audit Services & Enterprise Risk Management (ERM) Report – Steve Tuten, Director, Audit Services, presented the purpose and mission of JEA’s Audit Services department, the departmental structure including three teams: Internal Audit, Ethics and Investigations Audit, and Enterprise Risk Management. Mr. Tuten provided the Committee with key FY2015 highlights, future challenges, FY2016 Internal Audit Plan, structure and risks reviewed by the Enterprise Compliance & Risk Committee (ECRC), ERM Trend Report, and the Ethics Hotline Report. This presentation was received for information.
- C. External Auditors Contract Extension – Janice Nelson, Controller, presented the current contract with Ernst and Young (E&Y) expires on June 30, 2016. At the January 19, 2016 Board Meeting, Board Members approved a one-year extension of the contract with E&Y. The duration of the contract extension will be from July 1, 2016 through June 30, 2017. Ms. Nelson stated staff has completed contract negotiations with E&Y. E&Y’s fees for FY2016 are \$355,000, and includes: first year of comparative financials for the changes implemented in FY2015; complete audit of JEA financial statements; implementation of Governmental Accounting Standards Board (GASB) 72, Fair Value Measurement and Application; and continued emphasis on auditing IT controls in order to achieve a controls base audit approach. The proposed fee for the St. Johns River Power Park (SJPPP) Pension Audit is \$18,500, a \$2,602 increase over the 2015 audit. The primary

driver for the increase is additional audit hours related to GASB 68, Accounting for Pension. The proposed fee for the single audit is \$20,000, a \$4,102 increase over 2015 audit. The increase is due to uniform Office of Management and Budget (OMB) grant guidance, effective for fiscal year 2016. Committee Members held discussions regarding the process for external auditor vendor selection. Due to a lack of quorum, this item was received for information and will be presented at the March 15, 2016 Board Meeting for action.

- D. Report from COJ Auditors Regarding JEA GERP Pension Liability – Janice Nelson, Controller, presented the implementation of GASB 68, Accounting and Financial Reporting for Pensions, which requires component unit auditors to obtain audit evidence from the primary government on the allocation of employer allocations and net pension liability. As a result, Carr Riggs & Ingram (CRI), the auditors for the City of Jacksonville and General Employees Retirement Plan (GERP), audited the employer allocations and net pension liability allocations to support the financial audit of JEA performed by Ernst & Young for FY2015 ended September 30, 2015. This item was received for information.
- E. Resolution Determining the Sufficiency of Revenues – St. Johns River Power Park – Joe Orfano, Treasurer, presented an annual requirement under the St. Johns River Power Park (SJRPP) Bond Resolution for JEA to determine that for the upcoming fiscal year, the Electric System’s revenues will be sufficient to make all required payments under the bond resolution. JEA staff recommends that the Board approve and adopt Resolution No. 2016-8, determining that the estimated revenues for the Fiscal Year ending September 30, 2017, will be sufficient for their intended purposes. Due to a lack of quorum, this item was received for information and will be presented at the March 15, 2016 Board Meeting for action.
- F. JEA Annual Disclosure Policy Report – Melissa Dykes, Chief Financial Officer, presented JEA’s Disclosure Policies and Procedures require that the Chief Financial Officer shall provide the Finance and Audit Committee each year with a report regarding the compliance with those policies, to report any issues or problems complying with those policies in the preceding twelve-month period and to present recommendations, if any, for changes to those policies. Ms. Dykes stated staff is in the process of preparing the Annual Disclosure Reports for the fiscal year ended September 30, 2015, and plans to seek the Board’s approval and authorization to disseminate those reports at its April 19, 2016 Board Meeting. Additionally, in accordance with past practice and prior Boards’ requests, staff intends to provide Board Members with substantially final drafts for their review at the March 15, 2016 Board Meeting. This item was received for information.
- G. Ethics Officer Quarterly Report – The Ethics Officer Quarterly Report, reviewed by Walette Stanford, Ethics Officer and Director, Workforce Strategies, was received for information. Ms. Stanford stated that March is National Ethics Awareness Month and JEA is rolling out its new Business Ethics Computer-Based Training module to employees for 100% completion prior to fiscal year-end 2016. This presentation was received for information.
- H. JEA Energy Market Risk Management Policy Report – Mike Brost, Vice President/General Manager, Electric Systems, reviewed the Energy Market Risk Management Policy Report, which was received for information.
- I. Treasury
  - 1. Electric System and Water and Sewer System Reserve Fund Quarterly Report – Joe Orfano, Treasurer, reviewed the Electric System and Water and Sewer System Reserve Fund Quarterly Report, which was received for information.
- J. Announcements
  - 1. The next Finance and Audit Committee meeting will be held on May 9, 2016, at 8:00 AM.

K. Committee Discussion Sessions

1. Ernst & Young – At 9:51 AM, Ms. Flanagan dismissed staff and the Committee held a general conversation with Mike Pattillo and Chris Edmunds.
2. Director, Audit Services – At 10:00 AM, Ms. Flanagan and the Committee held a general conversation with Steve Tuten, Director, Audit Services.
3. Council Auditor’s Office – At 10:05 AM, Ms. Flanagan and the Committee held a general conversation with Robert Campbell, Council Auditor’s Office.

**Closing Considerations**

With no further business claiming the attention of this Committee, the meeting was declared adjourned at 10:09 AM.

APPROVED BY:

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Kelly Flanagan, Committee Chair  
Date: \_\_\_\_\_

Submitted by:

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Melissa Charleroy  
Executive Assistant