

DUKE ENERGY FLORIDA, LLC

Project-Specific Audit of the Hines Energy Complex Land Reclamation Program

Required by Chapter 10.650, Rules of the Auditor General of the State of Florida

December 31, 2021

With Independent Auditor's Reports

Duke Energy Florida, LLC
December 31, 2021

TABLE OF CONTENTS:

Independent Auditor's Report	3-4
Schedule of Expenditures of State Financial Assistance	5
Notes to the Schedule of Expenditures of State Financial Assistance	6
Independent Auditor's Report on Compliance for a Major State Project and Report on Internal Control over Compliance required by Chapter 10.650, Rules of the Auditor General of the State of Florida	7-8
Schedule of Findings and Questioned Costs	9

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Duke Energy Florida, LLC.

Report on the Audit of the Schedule of Expenditures of State Financial Assistance

Opinion

We have audited the schedule of expenditures of state financial assistance for the Hines Energy Complex Land Reclamation Program of Duke Energy Florida, LLC for the year ended December 31, 2021, and the related notes (the schedule).

In our opinion, the accompanying schedule of expenditures of state financial assistance presents fairly, in all material respects, the expenditures of state financial assistance for the Hines Energy Complex Land Reclamation Program of Duke Energy Florida, LLC for the year ended December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States; the requirements of Section 215.97, Florida Statutes and Chapter 10.650 of the Rules of the Auditor General (Guidance). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of Duke Energy Florida, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the schedule in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the schedule, whether due to fraud, or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Duke Energy Florida, LLC's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

September 30, 2022

Duke Energy Florida, LLC
December 31, 2021

Duke Energy Florida, LLC
Schedule of Expenditures of State Financial Assistance
Year Ended December 31, 2021

	<u>State Agency, Program, State Project</u>	<u>CSFA Number</u>	<u>FDEP Contract Number</u>	<u>Total Expenditures</u>
Agency:	Department of Environmental Protection			
Program:	Water Resource Management			
State Project Title:	Mine Reclamation Grants			
Appropriation Category:	Nonmandatory Land Reclamation Projects			
Program Identification:	IMC-N-019	✔ 37.059	MR8326	\$ 1,552,501
Program Identification:	EGC-SC-K (1)	✔ 37.059	MR8325	153,472
	Total CSFA 37.059			<u>1,705,973</u>
	Total Florida Department of Environmental Protection			<u>1,705,973</u>
	Total expenditures of state financial assistance			<u>\$ 1,705,973</u>

Notes to the Schedule of Expenditures of State Financial Assistance:

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance (the "Schedule") includes the state grant activity of Duke Energy Florida, LLC for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General of the State of Florida*. Because the Schedule presents only a selected portion of the operations of the Company, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Florida Single Audit Act wherein certain types of expenditures are unallowable or limited as to reimbursement.

3. SUBRECIPIENTS

There were no state awards provided to subrecipients.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Duke Energy Florida, LLC.

Report on Compliance for the Hines Energy Complex Land Reclamation Program

Opinion on Compliance for the Hines Energy Complex Land Reclamation Program

We have audited Duke Energy Florida, LLC's ("the Company") compliance with the types of compliance requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on its Hines Energy Complex Land Reclamation Program ("the Program") for the year ended December 31, 2021.

In our opinion, the Company complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Program for the year ended December 31, 2021.

Basis for Opinion on the Hines Energy Complex Land Reclamation Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States; the requirements of Section 215.97, Florida Statutes and Chapter 10.650 of the Rules of the Auditor General (Guidance). Our responsibilities under those standards and the Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Program. Our audit does not provide a legal determination of the Company's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Company's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Company's compliance with the requirements of the state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Company's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guidance. Accordingly, this report is not suitable for any other purpose.

Deloitte & Touche LLP

September 30, 2022

Duke Energy Florida, LLC
December 31, 2021

Schedule of Findings and Questioned Costs:

I. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the schedule of expenditures of state financial assistance of Duke Energy Florida, LLC.
2. The auditor's report on compliance for the major state projects for Duke Energy Florida, LLC expresses an unmodified opinion.
3. No material weaknesses or significant deficiencies in internal control over compliance were identified during the audit of the schedule of expenditures of state financial assistance.
4. There were no audit findings that are required to be reported under Chapter 10.650, Rules of the Auditor General of the State of Florida.
5. The state project tested as a major program was:
Florida Department of Environmental Protection
Mine Reclamation Grants – CSFA #37.059

II. Other Issues

1. No corrective action plan is required because there were no findings required to be reported under the Florida Single Audit Act.