



Acceptance of Audit of California ISO Retiree Medical Plan for 2012, 2011 and 2010

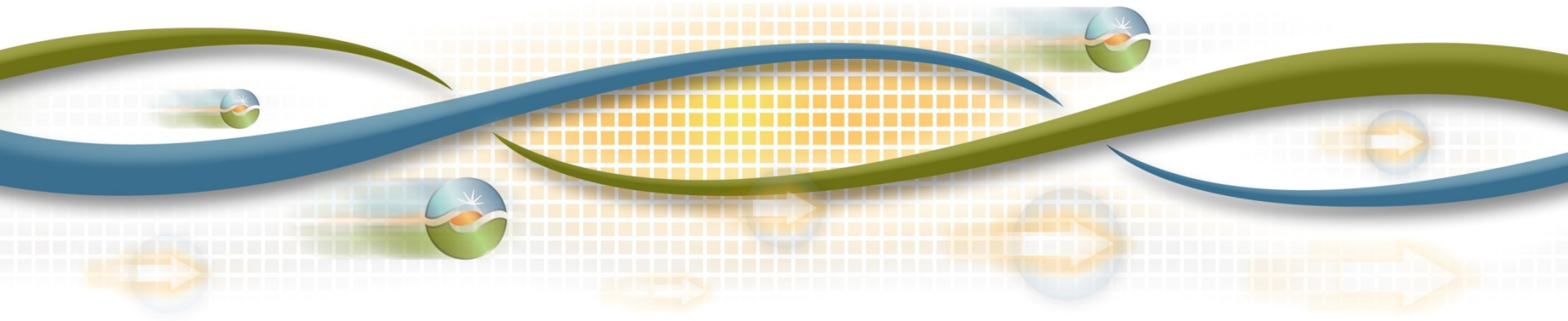
Ryan Seghesio, CFO and Treasurer

Brad Wall, Moss Adams LLP, Certified Public Accountants

Audit Committee Meeting

General Session

December 18 - 19, 2013



The ISO maintains a Retiree Medical Plan to help eligible retirees with ongoing medical benefit costs.

- Plan assists employees who have met the eligibility requirements with medical benefit costs in retirement.
- Department of Labor audit guidelines
 - Annual audit required if 100 or more participants
 - Prior to informational filing of IRS Form 5500
- Management elects to voluntarily perform audit every three years in preparation for annual requirement.

Brad Wall
Moss Adams LLP, Certified Public Accountants

Highlights of the Plan at the end of 2012

- Total Plan assets held in trust for benefits was \$6.6M
- The actuarial accrued liability was \$13.5M
- 67 total participants, including 29 retirees and 38 fully eligible employees
- Sponsor funded the Retiree Medical Plan custody account
- Plan fully funded in the third quarter of 2013, based on 12/31/12 actuarial report
- Separate investment policy for Plan assets

Format of audited financials

- Financial statements prepared in accordance with Governmental Accounting Standards Board (GASB)
- The auditor's opinion is modified in accordance with the Department of Labor (DOL)
 - Limited scope audit opinion - An audit of the Plan's investments and associated income/loss is not required if the investments are held by an institution that is subject to federal and state oversight.

Scope of Audit

- Audit scope included:
 - The statement of net position available for benefits for the 3 years December 31, 2012, 2011 and 2010
 - The statement of changes in net position available for benefits for the 3 years ended December 31, 2012, 2011 and 2010
- Audit procedures designed to test:
 - Retiree and Employer contributions to the Plan
 - Premiums paid for participants
 - Participant data
 - Eligibility
 - Enrollment in correct HMO/PPO option
- Audit opinion – limited scope on investments, conclude statements are in accordance with DOL and ERISA

The following auditor communications are required as part of the rules of professional responsibility:

Communication

Auditor responsibility

Significant accounting policies

Management judgments and estimates

Deficiencies in internal controls

Fraud and illegal acts

Difficulties Encountered During Audit

Disagreements with management

Consultations with other accountants

Material uncertainties

Response

To perform audit; management is responsible for the financial statements

There is some new GASB accounting guidance as far as reporting requirements.

Fair value of investments, actuarial assumptions

None identified

None identified

None

None

None

None

The following auditor communications are required as part of the rules of professional responsibility:

Communication

Response

Significant issues discussed prior to retention

None

Audit adjustments recorded

One reclassification entry each year to record benefits paid, and gross up participant and employer contributions to agree to actuarial reports

Independence

No issues

Audit adjustments unrecorded

None

Internal control matter

Recommendation related to participant reimbursement inconsistent with coverage enrolled in