



# Memorandum

**To:** Audit Committee of the ISO Board of Governors  
**From:** Ryan Seghesio, Chief Financial Officer and Treasurer  
**Date:** July 17, 2019  
**Re:** **Acceptance of ISO financial statements and FERC Form No. 1 audit reports**

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*This memorandum requires Committee action.*

## EXECUTIVE SUMMARY

Management submits to the Audit Committee of the ISO Board of Governors the audited financial statements and the Federal Energy Regulatory Commission Form No. 1 for the years ended December 31, 2018 and 2017.

The audit reports for the financial statements and the FERC Form No. 1 were issued separately by the ISO's external auditor, PricewaterhouseCoopers, LLP (PwC), on April 17, 2019. Both audit reports were submitted to the Board electronically shortly after issuance. Subsequently, the ISO provided the audited financial statements to external interested parties and filed FERC Form No. 1 on April 18, 2019 to meet the regulatory deadline.

Management presents the reports for the Committee's acknowledgement, with the following motions:

***Moved, that the Audit Committee of the ISO Board of Governors accepts the audited financial statements issued April 17, 2019 by PricewaterhouseCoopers, as attached to the memorandum dated July 17, 2019; and***

***Moved, that the Audit Committee of the ISO Board of Governors accepts the FERC Form No. 1 audit report, issued April 17, 2019 by PricewaterhouseCoopers, as attached to the memorandum dated July 17, 2019.***

## **BACKGROUND**

### ***Corporate financial statements***

Management prepared the financial statements in accordance with generally accepted accounting standards applicable for state and local governmental entities (GASB). The financial statements are prepared and audited in accordance with GASB because the ISO's Board is appointed by state government officials. . The PwC audit opinion is standard and unqualified.

### ***FERC Form No. 1***

The FERC Form No. 1 filing is an annual regulatory requirement for major electric utilities, licensees and others. This report is designed to collect financial and operational information from entities subject to FERC jurisdiction and is available to the public through FERC.

Management prepared the FERC Form No. 1 in accordance with FERC Uniform System of Accounts and the Financial Accounting Standards Board (FASB) reporting requirements. The PwC audit opinion is standard and unqualified.

### ***Financial reporting differences between GASB and FASB financial statements***

There are small differences between the two accounting standards that result in differences on the balance sheet and income statement. Most of the differences are related to the reporting of retirement benefit plans and bond issuance and refunding costs. The result of these reporting differences is that net income is \$2.9 million higher, and both assets and liabilities are \$2.2 million higher under GASB compared to FASB.