

Report to the board of directors

Prepared for Midwest Reliability Organization

December 31, 2021

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Presentation overview

- Engagement team
- Audit results
- Required communication
- Accounting and auditing developments



Engagement team



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Audit results and our opinions

- Cooperation was received from members of management
- The financial statements are fairly presented in accordance with Accounting Principles Generally Accepted in the U.S. (GAAP)
- All appropriate disclosures have been properly reflected in the financial statements and footnotes





Required communication

- Our responsibilities
- Management’s responsibilities
- Areas of emphasis
 - Key transaction cycles
 - Areas with significant estimates
 - Revenue recognition
 - Payroll and related expenses
 - Postretirement medical benefit obligation and net periodic postretirement benefit expense
- Significant risks
 - Management override of controls
 - Improper revenue recognition due to fraud
- Conducted audit in accordance with Generally Accepted Auditing Standards



Required communication

- Management selects accounting policies
 - No new policies and no changes to existing policies
- Understand internal controls
- Audit conducted as planned and previously communicated
- No significant and unusual transactions




Required communication

- No other auditors' opinions on GAAP
- Management representation letter
- Sensitive estimates affecting financials:
 - Postretirement medical benefit obligation and net periodic postretirement benefit expense
 - Functional expense allocation
- No significant changes to estimates
- Disclosures are neutral, consistent and clear



Required communication

- We are independent
- Other nonattest services performed
 - Preparation of the tax return
- No difficulties, disagreements or significant issues with management
- Noted no non-compliance with laws and regulations
- No fraud identified



Accounting and auditing updates

– Leases



EVERYTHING YOU NEED TO KNOW NOW

ASC 606,
Revenue Recognition



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now, for tomorrow.

Accounting and auditing developments

ASU No. 2016-02, *Leases (Topic 842)*



Goal is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position.

The ASU will require a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term.



Effective date

Nonpublic companies will be required to apply the standard for fiscal years beginning after December 15, 2021 (calendar 2022).

A person is holding a large white sheet of paper in a modern office setting. The background shows a cityscape with tall buildings and a body of water. The word "Questions?" is written in large black text on the white sheet.

Questions?



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