

**The Finance & Audit (F&A) Committee is
expected to consider
F&A Committee Agenda Item 9.4:**

***Recommendation Regarding Acceptance of
Financial Statements Audit Report***

**The Board of Directors is expected to hear
the F&A Committee's recommendation on
this matter as part of the F&A Committee
Report at the Board meeting on April 4, 2017.**

**Attached are the Committee and Board
materials in relation to these agenda items.**



**Item 9.4:
Recommendation Regarding Acceptance of
Financial Statements Audit Report**

Sean Taylor
Controller

Finance & Audit Committee Meeting

ERCOT Public
April 3, 2017

Request for Vote

ERCOT staff recommends that the ERCOT Finance and Audit Committee recommend that the ERCOT Board of Directors accept the audited financials and Report on Audit of Financial Statements for the Years Ended December 31, 2016 and 2015 as presented by Baker Tilly Virchow Krause, LLP.

<VOTE>





Date: March 28, 2017
To: Board of Directors
From: Judy Walsh, Finance and Audit (F&A) Committee Chair
Subject: Acceptance of Financial Statements Audit Report

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: April 4, 2017

Item No.: 9.1

Issue:

ERCOT must obtain an annual audit of its financial records pursuant to its Bylaws.

Background/History:

Section 10.6 of the ERCOT Bylaws provides that “[a]t least annually, an audit of the financial statements of ERCOT shall be performed by the Auditor approved by the Board.” Baker Tilly Virchow Krause, LLP (Baker Tilly) was engaged by ERCOT, subsequent to approval by ERCOT’s Board of Directors (Board) in April 2016, to perform the annual audit of ERCOT’s financial books and records.

On April 3, 2017, it is expected that Baker Tilly will meet with the ERCOT F&A Committee to discuss the proposed audit report for the year ended December 31, 2016 and Baker Tilly’s assessment of the internal controls, recommendations and other business items raised by the ERCOT F&A Committee.

The audit opinion is expected to be unmodified or “clean,” and the ERCOT F&A Committee is expected to recommend ERCOT Board acceptance of the audited financial statements as presented by Baker Tilly during its meeting on April 3, 2017.

Key Factors Influencing Issue:

1. ERCOT’s Bylaws requirement;
2. A debt covenant requirement that audited financial statements are provided to the lenders by April 30, 2017; and
3. The expectation that Baker Tilly will issue an unmodified opinion in connection with its audit of ERCOT’s financial statements for the year ended December 31, 2016.

Conclusion/Recommendation:

ERCOT staff recommends, and the ERCOT F&A Committee is expected to recommend, that the ERCOT Board accept the audited financials and Report on Audit of Financial Statements for the years ended December 31, 2016 and 2015.



ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
BOARD OF DIRECTORS RESOLUTION

WHEREAS, after due consideration of the alternatives, the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) deems it desirable and in the best interest of ERCOT to accept the ERCOT audited financial statements and Baker Tilly Virchow Krause, LLP Report on Audit of Financial Statements for the Years Ended December 31, 2016 and 2015 (Report);

THEREFORE, BE IT RESOLVED, that ERCOT is hereby authorized and approved to accept the ERCOT audited financial statements and Report.

CORPORATE SECRETARY'S CERTIFICATE

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its April 4, 2017 meeting, the ERCOT Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of April, 2017.

Vickie G. Leady
Assistant Corporate Secretary