# Independent Auditors' Report

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### To the Board of Directors of the Independent Electricity System Operator (IESO)

We have audited the accompanying financial statements of IESO, which comprise the statement of financial position as at December 31, 2017, the statements of operations and accumulated deficit, remeasurement gains and losses, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of IESO as at December 31, 2017, and its results of operations and the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Signature to come

**Chartered Professional Accountants, Licensed Public Accountants**

February 28, 2018
Waterloo, Canada

# Statement of Financial Position

| *As at (in thousands of Canadian dollars)* | December 31, 2017 | December 31, 2016 |
|---|---|---|
| | $ | $ |
| **FINANCIAL ASSETS** | | |
| Cash | 64,214 | 38,914 |
| Accounts receivable | 41,429 | 25,194 |
| Regulated assets **(Note 3)** | 39,529 | 65,064 |
| Long-term investments **(Note 4)** | 45,276 | 40,355 |
| Market accounts – assets **(Note 5)** | 2,005,167 | ~~1,667,221~~ 1,692,752 |
| **TOTAL FINANCIAL ASSETS** | ~~**2,196,894**~~ 2,195,615 | ~~**1,836,748**~~ 1,862,279 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities **(Note 6)** | 37,264 | 38,963 |
| Accrued interest on debt | - | 315 |
| Rebates due to market participants **(Note 7)** | 1,422 | 12,551 |
| Debt **(Note 8)** | 120,000 | 90,000 |
| Accrued pension liability **(Note 9)** | 29,229 | 34,620 |
| Accrued liability for employee future benefits other than pension **(Note 9)** | 96,216 | 90,251 |
| Market accounts – liabilities **(Note 5)** | 2,005,167 | ~~1,667,221~~ 1692752 |
| **TOTAL LIABILITIES** | ~~**2,290,577**~~ 2,289,298 | ~~**1,933,921**~~ 1959,452 |
| **NET DEBT** | (93,683) | (97,173) |
| **NON-FINANCIAL ASSETS** | | |
| Net tangible capital assets **(Note 10)** | 100,794 | 105,047 |
| Prepaid expenses | 6,809 | 6,614 |
| **TOTAL NON-FINANCIAL ASSETS** | **107,603** | **111,661** |
| **ACCUMULATED SURPLUS** | | |
| Accumulated surplus from operations | 3,436 | 6,582 |
| Accumulated remeasurement gains | 10,484 | 7,906 |
| **ACCUMULATED SURPLUS (Note 7)** | **13,920** | **14,488** |

Contingencies **(Note 16)**

See accompanying notes to financial statements

On behalf of the Board:

Carole Workman

**Tim O'Neill**
Chair
Toronto, Canada

**Carole Workman**
Director
Toronto, Canada