



DATE: December 17, 2025
TO: Board of Commissioners
FROM: Cornell Wesley, Executive Director
SUBJECT: Report Number 25-34
Accepting and Approving the Annual Comprehensive Financial Report for Fiscal Year 2024-25, Accepting the Communication with Those Charged with Governance, and Adopting a Corrective Plan of Action.

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7630

The action by the Prosper Portland Board of Commissioners (Board), acting as the Prosper Portland Audit Committee, will accept and approve the completed Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025 (FY 2024-25), and accept the Communication with Those Charged with Governance Letter from accounting firm Baker Tilly, LLP (Baker Tilly), the firm hired by the City of Portland Auditor's Office to conduct Prosper Portland's annual comprehensive independent audit. The action will also formally adopt for purposes of ORS 297.466, the Corrective Plan of Action, which is required in response to a material weakness finding regarding the Pollution Remediation Liability estimate calculation.

STRATEGIC ALIGNMENT AND OUTCOMES

The FY 2024-25 ACFR delivers on Prosper Portland's objective to operate an equitable, innovative, and financially sustainable agency.

BACKGROUND AND CONTEXT

Prosper Portland's ACFR for FY 2024-25 satisfies Oregon Revised Statute (ORS) 297 – Municipal Audit Law, which requires municipal corporations to undergo an annual audit and subsequently publish financial statements that include the auditor's opinion on the financial condition and results of operation for the period under audit. Additionally, Prosper Portland's charter requires the agency undergo an annual independent audit by a licensed municipal auditor. The annual process and independent auditor contract are managed by the City Auditor's Office.

Baker Tilly conducted the audit of Prosper Portland's FY 2024-25 financial statements. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion that Prosper Portland's financial statements for FY 2024-25 are fairly presented in accordance with accounting principles generally accepted in the United States of America. However, Baker Tilly did identify a material weakness regarding the Pollution Remediation Liability estimate that requires a corrective plan of action to be adopted by the Board in accordance with ORS 297.466(2).

The Pollution Remediation Liability estimate is a year-end technical calculation that estimates the total, potential cost of pollution clean-up on Prosper Portland held real estate assets. This liability does not

impact the fund balance of any specific Tax Increment Finance District or other fund. However, it is applied to the total, consolidated financial statements on a Generally Accepted Accounting Principles (GAAP) basis, thereby impacting the consolidated net position reported by Prosper Portland.

The material weakness in internal control over the Pollution Remediation Liability was caused by an error in the pollution liability calculation that was not identified until after the entry was posted and provided to Baker Tilly for review. Following identification of the workbook error, staff identified and corrected the entry for inclusion in the financial statement for FY 2024-25. The Plan of Action, included as Exhibit C to Resolution No. 7629, identifies specific steps staff will put in place by January 31, 2026, to improve the process for preparation of the FY 2025-26 liability estimate and in future years.

Prosper Portland is required to annually submit the ACFR and audit opinion to the Oregon Secretary of State. Further, the Plan of Action will be filed with the Oregon Secretary of State as required by ORS 297.466(3). Baker Tilly has determined that since Prosper Portland is a component unit of the City of Portland and Prosper Portland's annual financial statements are consolidated within the City of Portland's financial statements, that Portland City Council (Council) must adopt the corrective action for any Prosper Portland findings in addition to any City of Portland findings. Prosper Portland's Plan of Action will be incorporated as part of the City's Annual Financial Report presentation, anticipated to go before Council on December 18, 2025. Acceptance of the City's ACFR and adoption of the City and Prosper Portland Plans of Actions are anticipated to be scheduled for the Council Finance Committee on January 5, 2026, and for acceptance by Council on January 14, 2026.

EQUITY IMPACT

Prosper Portland's clean audit for FY 2024-25 demonstrates that the agency exercises transparent administration of its resources and assets to ensure public funds are effectively invested to achieve agency objectives.

COMMUNITY PARTICIPATION AND FEEDBACK

There was no community participation or feedback to this proposed action.

BUDGET AND FINANCIAL INFORMATION

Financial costs have already been incurred to complete the audit cycle and produce the ACFR as part of the prior year and current year budgets. No further costs are anticipated.

RISK ASSESSMENT

This action reduces Prosper Portland's risk of noncompliance with state law and governmental accounting standards. Not responding to findings identified by Baker Tilly could result in findings of material weaknesses or deficiencies in subsequent audit cycles and non-compliance with ORS 267.466.

ATTACHMENTS

None.