



**PROSPER**  
**PORTLAND**  
Building an Equitable Economy

**DATE:** January 16, 2019  
**TO:** Board of Commissioners Acting in its Capacity as the Prosper Portland Audit Committee  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 19-01  
Accepting and Approving the Comprehensive Annual Financial Report for Fiscal Year 2017-2018 and Accepting the Communication with Those Charged with Governance

#### **BOARD ACTION REQUESTED AND BRIEF DESCRIPTION**

Adopt Resolution No. 7298

The action by the Prosper Portland Board of Commissioners (Board), acting as the Prosper Portland Audit Committee, will accept and approve the completed Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018 (FY 2017-18), and accept the Communication With Those Charged With Governance Letter from accounting firm Moss Adams, LLP (Moss Adams).

#### **STRATEGIC PLAN ALIGNMENT AND OUTCOMES**

The FY 2017-18 CAFR delivers on Prosper Portland's Strategic Plan objective to operate an equitable, innovative, and financially sustainable agency.

#### **BACKGROUND AND CONTEXT**

Prosper Portland's CAFR for FY 2017-18 satisfies Oregon Revised Statute (ORS) 297 Municipal Audit Law, which requires municipal corporations 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.

Moss Adams conducted the audit of Prosper Portland's FY 2017-18 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 2017-18 are fairly presented in accordance with accounting principles generally accepted in the United States of America.

#### **EQUITY IMPACT**

Prosper Portland's clean audit for FY 2017-18 demonstrates that the agency exercises transparent administration of its resources and assets to ensure public funds are effectively invested to achieve agency social equity 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 CAFR; no further costs are anticipated.

**RISK ASSESSMENT**

Adoption of this resolution reduces Prosper Portland’s risk of noncompliance with ORS and governmental accounting standards. Not responding to management issues identified by Moss Adams could result in findings of material weaknesses or deficiencies in subsequent audit cycles.

**ATTACHMENTS**

None

**PROSPER PORTLAND**

Portland, Oregon

**RESOLUTION NO. 7298**

**EXHIBIT B**

**ACCEPTING AND APPROVING THE COMPREHENSIVE ANNUAL  
FINANCIAL REPORT FOR FISCAL YEAR 2017-2018 AND ACCEPTING THE  
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

Exhibit B includes this cover page and contains 7 pages:

- Prosper Portland Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018

COMMUNICATIONS WITH THE BOARD OF COMMISSIONERS

**PORTLAND DEVELOPMENT COMMISSION  
(DBA PROSPER PORTLAND),  
PORTLAND, OREGON**

June 30, 2018

## **Communications with Those Charged with Governance**

To the Board of Commissioners  
Portland Development Commission, (dba Prosper Portland), Portland Oregon  
(A Component Unit of the City of Portland), and  
Mary Hull Caballero, Auditor, City of Portland

We have audited the financial statements of the Portland Development Commission, dba Prosper Portland (a Component Unit of the City of Portland, Oregon) ("Prosper Portland") as of and for the year ended June 30, 2018, and have issued our report thereon dated October 25, 2018. Professional standards require that we provide you with the following information related to our audit.

### **OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA**

As stated in the City of Portland Agreement for Professional, Technical, or Expert Services Contract #30005847 effective May 16, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Prosper Portland's internal control over financial reporting. Accordingly, we considered Prosper Portland's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

## **OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## **PLANNED SCOPE AND TIMING OF THE AUDIT**

We performed the audit according to the planned scope and timing previously communicated to you in our planning meeting held with you on June 4, 2018.

## **SIGNIFICANT AUDIT FINDINGS AND ISSUES**

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Prosper Portland are described in Note I to the financial statements. Prosper Portland adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which established new standards for recognizing and measuring OPEB related liabilities, deferred outflows of resources, deferred inflows of resources, and expense / expenditures. No other new accounting policies were adopted and there were no changes in the application of existing policies during fiscal year 2018. We noted no transactions entered into by Prosper Portland during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### **Significant Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- The determination of the allowance for discounts and uncollectible loans and other receivables,
- Useful lives of property and equipment,
- Claims liability,
- Employee benefit plan accruals, and
- Pollution remediation costs.

Based upon our audit procedures, we concur with the significant estimates and assumptions made by management in the preparation of the financial statements.

### **Financial Statement Disclosures**

The disclosures in the financial statements are consistent, clear and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Loans receivable and the related allowances,
- Properties held for sale,
- Employee pension plan disclosures,
- Contingent liabilities, and
- Environmental risk.

### **Significant Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

**Corrected Misstatements:** No material misstatements were detected as a result of our audit procedures and corrected by management.

**Uncorrected Misstatements:** The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Uncorrected Misstatements:

<b>FUND</b>	<b>Acct #</b>	<b>Acct Desc</b>	<b>Debit</b>	<b>Credit</b>
290	2830	Net Position (beginning balance)	\$ 1,075,557	
290	6335	Capital Outlay		\$ 1,075,557
290	2830	Net Position (beginning balance)	\$ 23,386	
290	6210	Capital Outlay		\$ 23,386

To correct capital outlay expenditures that were recorded in the current period, but incurred in the prior fiscal year.

100	3250	Intergovernmental Revenue	\$ 74,043	
100	1310	Accounts Receivable		\$ 74,043

To correct revenues that were improperly billed to the City of Portland in the current period.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated October 25, 2018.

**Management Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to Prosper Portland’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



**Other Significant Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Prosper Portland's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the audit committee and management of Prosper Portland and is not intended to be and should not be used by anyone other than these specified parties.

*Moss Adams, LLP*

Portland, Oregon  
October 25, 2018