



CliftonLarsonAllen LLP  
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Town Council and Senior Management  
Town of Paradise Valley, Arizona  
Paradise Valley, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Paradise Valley, Arizona (the Town) as of and for the year ended June 30, 2019, and have issued our report thereon dated November 21, 2019. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings**

#### ***Qualitative aspects of accounting practices***

##### **Accounting policies**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Paradise Valley, Arizona are described in Note 1 to the financial statements.

The Town adopted Governmental Accounting Standards Board Statement (GASB Statement) No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in 2019. However, the implementation of GASB Statement No. 88 had no impact on the Town's financial statements or related disclosures.

We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### **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:

- Management's estimate of the fair value of investments was based on quoted market prices provided by a third party. We evaluated the key factors and assumptions used to develop the fair value of investments in determining the reasonableness in relation to the financial statements taken as a whole.

- Management's estimate of the useful lives and remaining useful lives of capital assets is based on the Town's previous experience with similar assets and the current condition of those assets. We evaluated the key factors and assumptions used to develop the useful lives and estimated useful lives in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the allowance for doubtful accounts is based on historical loss levels for court revenues, sewer, alarm and fire service revenues, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the unfunded pension liability related to the Arizona State Retirement System pension plan and Public Safety Personnel Retirement System benefits are based on actuarial reports prepared by other professionals. We reviewed the key assumptions used to estimate the liability in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the current and long-term portion of the compensated absences liability recorded in the governmental activities is based on those employees who have vested or are expected to vest. We evaluated the key factors and assumptions used to develop the compensated absence balances in determining that it is reasonable in relation to the financial statements taken as a whole.

#### Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- The disclosure to restate beginning net position in the governmental activities government-wide financial statements as described in Note 4.B. to the financial statements. The restatement was due to excess contributions to the public safety personnel retirement system that were recorded as an expense rather than being reported as a deferred outflow of resources in the prior year.

The financial statement disclosures are neutral, consistent, and clear.

#### ***Difficulties encountered in performing the audit***

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

#### ***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

### ***Corrected misstatements***

The following material misstatement detected as a result of audit procedures was corrected by management:

- A restatement of beginning net position in the governmental activities for pension contributions to the public safety personnel retirement system that were recorded as an expense rather than a deferred outflow of resource in error in the prior year.

### ***Disagreements with management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

### ***Management representations***

We have requested certain representations from management that are included in the management representation letter dated November 21, 2019.

### ***Management consultations 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 the Town's financial statements or a determination of the type of auditors' 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.

### ***Significant issues discussed with management prior to engagement***

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

### ***Other information in documents containing audited financial statements***

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the combining statements and schedules (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, 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 or the reasons for such changes, 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. We have issued our report thereon dated November 21, 2019.

The introductory and statistical sections accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

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This communication is intended solely for the information and use of the Town Council and management of the Town of Paradise Valley, Arizona and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
November 21, 2019