

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

In planning and performing our audit of 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 (Town) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected, on a timely basis.

Material weaknesses

We consider the following deficiency in the Town's internal control to be a material weakness.

During the course of our audit, we proposed a material audit adjustment to properly expense a contribution made to the Public Safety Personnel Retirement System pension plan that was recorded as a prepaid expense in error. On June 25, 2017 management wire transferred \$5.0 million to prefund the Public Safety Personnel Retirement System's unfunded pension liability with a settlement date of June 30, 2017. The Town intended to transfer the funds to PSPRS and record an expense in fiscal year 2017-18; however, because the payment was made prior to fiscal year end and was transferred to prefund an outstanding liability, the payments should have been recorded as a governmental fund expenditure in the year the transfer occurred.

We recommend the Town review its internal control policies and procedures to ensure that transactions at or near year-end are investigated and recorded in accordance with GAAP.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various Town personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Phoenix, Arizona
November 28, 2017