

November 15, 2019

Management representation letter – government – MN school – building company
DAR 6/30/13 ¹ ² ³ ⁴ ⁵

¹ All listed representations should be included in the letter unless not applicable. Yellow shaded text indicates text which may or may not be needed in the specific client circumstances. Edit, retain, or delete as appropriate for the client. Additional representations should be added to address significant or unusual matters.

² Template letter functionality

Five icons were added to the Word quick access toolbar for this template to help you efficiently use it. Since computers have different default settings, you may need to change your settings. Click on “Options” on the quick access toolbar. Ensure “Hidden text” and “Print hidden text” are unchecked.

Red text identifies informational (hidden) text. Click on “Show/Hide” on the quick access toolbar to show or hide hidden text. Hidden text will not print.

Yellow shaded text indicates text which may or may not be needed in the specific client circumstances. Edit, delete, or retain as appropriate for the client.

Endnotes include hidden text. If you want to view the endnote popup, click “Options” on the quick access toolbar, and check “Hidden text” in the “Always show these formatting marks on the screen” section. You will need to uncheck again to hide the text if you want to view the text in order to insert appropriate page breaks before printing.

Click on shaded form fields and type appropriate text. (This replaces the content and eliminates the form field.) Alternatively, click “Lock” in the quick access toolbar to lock the document so you may tab through the form fields in the document to edit the text in the form fields. The locking feature can be toggled on and off with this icon. (Use Shift + Tab to move to the previous field.)

Styles can be used to efficiently format added content copied from another document. (Styles are available on the Home ribbon.) Styles can be used to efficiently change optional text to hidden text to exclude from the letter for the current period but retain for evaluation in subsequent periods. (Use Word’s “Bullets” feature as needed.)

Printing:

- Letters should be printed and provided to the client for copying on client letterhead and signature. If sending electronically, print to Adobe. Ensure the appropriate margins are used to provide adequate space for client letterhead.

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- Complete the date in the header field on the second page.
 - Yellow highlighting needs to be eliminated before printing. From the “Home” ribbon, choose “Select” and “Select All,” to highlight the content of the entire letter; then click on the “Text Highlight Color” arrow on the quick access toolbar and choose “No Color.”
 - Click “Form Field Shading” on the quick access toolbar to eliminate field shading before printing.
 - If hidden text is printing, click on “Options” and uncheck “Print hidden text” under “Printing options.”

³ This letter has been updated for the clarified auditing standards and is based on AU-C 580, Written Representations. PPC’s practical considerations can be viewed on RIA Checkpoint, letter CL-3.5.

⁴ If management refuses to provide required written representations, or if we have concluded that sufficient doubt exists about management’s integrity such that the representations are not reliable, we should disclaim an opinion on the financial statements or withdraw from the engagement.

⁵ The following are representations that may need to be added to the letter to appropriately tailor it for individual client circumstances (list is not all-inclusive). Wording for some of these items is included in the third to last endnote.

General

- We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) Statement No. [Number and Name] , as discussed in Note [Number] . The entity is therefore unable to disclose the impact that adopting GASB Statement No. [Number] will have on its financial position and the results of its operations when the Statement is adopted.
- We believe that [Describe the newly adopted accounting principle.] is preferable to [Describe the former accounting principle.] because [Describe management’s justification for the change in accounting principles.].
- Joint ventures, jointly governed organizations, and other related organizations have been properly disclosed in the financial statements.
- We agree with the findings of specialists in evaluating the [Describe the assertion.] and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

Liabilities

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- The [Describe the governmental unit, e.g., city, county, school district, etc.] has excluded short-term obligations totaling \$[Amount] from current liabilities because it intends to refinance the obligations on a long-term basis. [Complete with appropriate wording detailing how amounts will be refinanced as follows:]
 - The [Describe the governmental unit, e.g., city, county, school district, etc.] has issued a long-term obligation [Debt Security] after the date of the balance sheet but prior to the issuance of the financial statements for the purpose of refinancing the short-term obligations on a long-term basis.
 - The [Describe the governmental unit, e.g., city, county, school district, etc.] has the ability to consummate the refinancing, by using the financing agreement referred to in Note [Number] to the financial statements.

Operations

- In addition to the previous illustrative representations, the auditors should consider adding representations, as appropriate, that relate to the following:
 - Oral transactions.
 - IRS examinations or other matters.
 - Compliance with IRS arbitrage regulations.
 - Pension or OPEB payments made after the governmental unit's year-end.
 - Termination benefits.
 - Compliance with SEC debt issuer reporting requirements (Rule No. 240.15c2-12).
 - Contributions to employee benefit plans or bonuses not documented in the governmental unit's minutes.
 - Management considers the decline in value of debt or equity securities to be temporary.
 - Existence and completeness of derivatives and appropriate characteristics of hedges.
 - Other representations relied on during the audit. (It may be helpful to maintain in the workpapers a list of management representations relied on during the audit.)

Prepays, Deferred Charges, Intangibles, and Other Assets

- Impairment of intangible assets not subject to amortization.

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- Material deferred charges.

Investments and Derivatives

- Existence and completeness of derivative instruments and appropriate characteristics of hedges.

Notes Payable and Long-term Debt

- Management has the intent and ability to refinance short-term debt on a long-term basis.

General

- Acknowledgement of oral communications made by the auditor.
- Transactions for which there is no written supporting documentation.
- Representations needed for a specialized industry.
- Actions allowed by regulatory agencies that are not documented in writing or by legal references.
- GAAP changes/adoption.
- Use of a specialist.
- Restatement made to correct a material misstatement in a prior period that affects the comparative financial statements. (AU 700.52)
- Financial instruments with concentration of credit risk.
- Future plans or commitments.
- Lawsuits, regulatory actions, etc.
- Environmental remediation liabilities and related loss contingencies.
- Other representations relied on during the audit. (It may be helpful to maintain in the workpapers a list of client representations relied on during the audit.)

Other (AU 580.A18 and A19.)

- Whether the selection and application of accounting policies are appropriate
- Whether matters such as the following, when relevant under the applicable financial reporting framework, have been recognized, measured, presented, or disclosed in accordance with that framework:

Please read the guidance in endnote 2 for information to help you efficiently use this new CLA template.

CliftonLarsonAllen LLP
220 South 6th Street, Suite 300
Minneapolis, MN 55402

This representation letter is provided in connection with your audit of the financial statements of BMS Building Corporation (the building company), which is presented as a component unit of Bluffview Montessori School and which comprise the financial position as of June 30, 2019⁶, and the related changes in financial position and results of operations of the building company for the June 30, 2019 then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements of the building company are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).⁷

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of November 15, 2019⁸, the following representations made to you during your audit.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 31, 2019, for the preparation and fair presentation of the financial statements in accordance with
 - Plans or intentions that may affect the carrying value or classification of assets and liabilities
 - Liabilities, both actual and contingent
 - Title to, or control over, assets and the liens or encumbrances on assets and assets pledged as collateral
- Aspects of laws, regulations, and contractual agreements that may affect the financial statements, including noncompliance.
- Whether management has communicated to the auditor all deficiencies in internal control of which management is aware.

⁶ According to AU-C 580, Written Representations, representation letters should include all periods covered by the auditors' report.

⁷ Modify if the applicable reporting framework is not U.S. GAAP.

⁸ This is linked to the "Charge code" in the binder properties.

U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.⁹

- We acknowledge and have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates (including those measured at fair value) and the significant assumptions used in making those accounting estimates are reasonable.^{10 11}

⁹ Modify if the applicable reporting framework is not U.S. GAAP.

¹⁰ According to AU-C 540.A126, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures, audit evidence can include obtaining representations from management about whether it believes that the significant assumptions used in making accounting estimates are reasonable. Additionally, according to AU-C 580.A13, such written representations might address the following:

- The appropriateness and consistency of the measurement processes used by management in determining accounting estimates.
- That the assumptions appropriately reflect management's intent and ability to carry out specific courses of action.
- That the disclosures related to accounting estimates are complete and appropriate.
- That no subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.

¹¹ AU-580.A14 states that for those accounting estimates not recognized or disclosed in the financial statements, written representations also may include representations about the following:

- The appropriateness of the basis used by management for determining that the criteria of the applicable financial reporting framework for recognition or disclosure have not been met.
- The appropriateness of the basis used by management to overcome a presumption relating to the use of fair value set forth under the entity's applicable financial reporting framework for those accounting estimates not measured or disclosed at fair value

- Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.
- Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.¹²
- No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.¹³
- We have not identified or been notified of any uncorrected financial statement misstatements.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, or which would affect federal award programs, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
- Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
- We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

Information Provided

- We have provided you with:

¹² Modify if the applicable reporting framework is not U.S. GAAP.

¹³ AU-C 560, Subsequent Events and Subsequently Discovered Facts, addresses circumstances when the auditor includes an additional date on the auditors' report (that is, dual-dates the auditors' report for a revision relating to a subsequent event). In such circumstances, the auditor may determine that obtaining additional representations relating to the subsequent event is appropriate. (AU-C 560.13)

If a subsequent event has been disclosed in the financial statements, this item may be modified to begin, "Except as disclosed in Note X to the financial statements, . . ."

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- Complete minutes of the meetings of the board of directors and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
- All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with, or deficiencies in, financial reporting practices. Omit if no such communications.
- All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with the provisions of laws, regulations, contracts, and grant agreements. Omit if no such communications.
- Access to all audit or relevant monitoring reports, if any, received from funding sources.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.¹⁴
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:¹⁵
 - Management;
 - Employees who have significant roles in internal control; or
 - Others when the fraud could have a material effect on the financial statements.

¹⁴ Management's representations may be limited to matters that are considered either individually or collectively material to the financial statements, provided management and the auditor have reached an understanding on materiality for this purpose. (AU-C 580.A22)

¹⁵ The wording of this representation may need to change, when necessary, to say "Except as disclosed to you, . . ."

- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.¹⁶
- We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, or which would affect federal award programs, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.¹⁷
- The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.

¹⁶ The wording of this representation may need to change, when necessary, to say "Except as disclosed to you, . . ."

The item could be modified as follows: "Except for the allegation discussed in the minutes of the November 16, 20X1 meeting of the board of directors (or disclosed to you at our meeting on November 16, 20X1), we have no knowledge of any allegations of fraud, or suspected fraud affecting, the entity's financial statements received in communications from employees, former employees, grantors, regulators, or others.."

¹⁷ AU 580.A15 identifies circumstances in which it may be appropriate to obtain written representations about related parties from those charged with governance in addition to management include the following:

- When they have approved specific related party transactions that (a) materially affect the financial statements or (b) involve management
- When they have made specific oral representations to the auditor on details of certain related party transactions
- When they have financial or other interests in the related parties or the related party transactions

In addition, AU 580.A16 states the auditor also may decide to obtain written representations regarding specific assertions that management may have made, such as a representation that specific related party transactions do not involve undisclosed side agreements.

- We have a process to track the status of audit findings and recommendations. [Representation required by Government Auditing Standards.]
- We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented. [Representation required by Government Auditing Standards.]
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to Bluffview Montessori School, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance, except for the following violation of debt covenants: audited financial statements were not submitted to the bond trustee within 150 days of year-end as required per the debt agreement.
- The entity has complied with all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance.
- We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
- We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- The financial statements properly classify all funds and activities.
- Components of net position (net investment in capital assets; restricted; and unrestricted), nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

- Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.
- Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- We have appropriately disclosed the entity's accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- We acknowledge our responsibility for presenting the supplementary information in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.¹⁸

¹⁸ If CLA has been engaged to report on supplementary information, AU-C 725 requires written representations from management. If the supplementary information is prepared in conformity with criteria other than U.S. GAAP, replace the references to U.S. GAAP with the criteria used for preparation of the information.

If the methods of measurement or presentation have changed from those in the prior period, obtain representations for the reasons for such change.

- As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.

If there is no supplementary information, or if CLA has not been engaged to report on the information, delete this item.

- In regards to the financial statement drafting services performed by you, we have:¹⁹
 - Made all management judgments and decisions and assumed all management responsibilities.
 - Designated an individual who possesses suitable skill, knowledge, or and/or experience to understand and oversee the services.
 - Evaluated the adequacy and results of the services performed.
 - Accepted responsibility for the results of the services.

Signature:

Title:

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Signature:

Title:

Signature:

Title:

[INSERT ATTACHMENT RELATED TO PASSED ADJUSTMENTS IF APPLICABLE]

¹⁹ Ethics Interpretation 101-3, Performance of Nonattest Services, requires the client to assume all management responsibilities in connection with nonattest services. If applicable, consider including this representation. Modify as appropriate. Omit if not applicable.

²⁰ The representation letter should be signed by members of management that have overall responsibility for financial and operating matters and knowledge of the matters covered by the representations. This normally includes the executive director and chief financial officer or other equivalent persons for entities that do not use such titles. (AU-C 580.A2)

For small nonprofit organizations, the representation letter is generally signed by the current executive director. If the small nonprofit organization has a controller or chief financial officer, the auditor might consider having that person sign the letter also. Also, it is not unusual to obtain separate representations from board members on certain matters such as related party transactions.

