DC PUBLIC CHARTER SCHOOL BOARD

TITLE: **Local Education Agency Audited Financial Statements Guidelines and Expectations (Audit Guidelines for DC PCSB)**	**Fiscal Year (FY) 2027** **(Audit Year)**
	MOST RECENTLY UPDATED: **July 1, 2026**

Purpose and Impacts

The DC Public Charter School Board (DC PCSB) requires each DC local education agency (LEA) to annually conduct and submit a financial audit package (Audit Package). These guidelines document DC PCSB's requirements for LEA audited financial statements, which in some cases may extend beyond the requirements of the accounting principles generally accepted in the United States of America (GAAP) and the standards contained in Government Auditing Standards (GAS) issued by the Comptroller General of the United States of America. All audits shall be conducted in accordance with auditing standards generally accepted in the United States of America (GAAS). In addition, as discussed below, DC PCSB requires each LEA to submit its audit engagement letter for the FY.

Each year, DC PCSB reviews these guidelines and updates them as needed to reflect changes in accounting and reporting standards and based upon DC PCSB's financial oversight needs. DC PCSB may also update these guidelines periodically to provide additional clarification, improve reporting requirements, or address matters identified through the audit review process. These guidelines and the desired outcomes align with DC PCSB's Strategic Roadmap, which includes its efforts in three key areas: Excellent Schools, Enduring Partnerships, and Effective Organization.

All LEAs, LEA auditors, and LEA public charter schools and their students and families, and the DC agencies referenced in the following paragraph are impacted by these guidelines that establish uniform minimum accounting and reporting standards for all LEA audited financial statements and the criteria and process for LEA auditor selection. Students and their families may often refer to the LEA's audited financial statements and related reports when making enrollment decisions.

Approved Auditor List

The School Reform Act dictates that LEAs will select an auditor from an approved auditor list (List), which is developed jointly by DC PCSB, the Office of the Chief

Financial Officer (OCFO), and the Office of the State Superintendent of Education (OSSE) (collectively, the Committee).[1]

To be considered for the List, the Committee requires that the firm affirm that:

1) It has reviewed and will fully comply with these audit guidelines that have changed since prior audit guidelines.
2) It is a certified public accountant licensed to perform audit work in the District of Columbia.
3) It is an active member of the American Institute of Certified Public Accountants (AICPA).
4) It has experience conducting audits that conform to GAAS, GAS and GAAP for not-for-profit organizations.
5) It has experience conducting a Uniform Guidance compliance audit of federal awards, including internal controls over compliance for major programs.
6) It has received a rating of "pass" on its most recent peer review, indicating that the firm's system of quality control provides reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects, and that this report is provided to DC PCSB.
7) The firm is not subject to recent disciplinary actions from the AICPA, Public Company Accounting Oversight Board (PCAOB), the District of Columbia Government, or any applicable federal, state, or city regulatory agency.

Simply meeting the above seven conditions does not guarantee an auditor inclusion on the List. The Committee will also include in its decision other factors, including but not limited to the historical quality of the audits submitted for LEAs, timeliness of submissions, completeness of submissions, evidence of LEA fiscal mismanagement not flagged in the LEA's audit, evidence of persistent poor controls at an LEA not addressed by the auditor, and other indicators of auditor quality.

Audit Timeline

Beginning in the first year of operation,[2] LEAs are responsible for two submissions in conjunction with the audit:

1) The Engagement Letter, due on or before June 2, 2027
2) The Audit Package, as described below, due on or before December 7, 2027.

The above deliverables shall be uploaded to the Quickbase Hub database maintained by DC PCSB.

[1] See DC Code § 38-1802.04(c)(11)(B)(ix).

[2] Audits are not required for the LEA's planning year.

Consequences
If an LEA fails to upload any document and mark the related submission task as complete by the deadline, the LEA's submission will be considered late. Singular or multiple late, incomplete, or inaccurate submissions may 1) be cause for removing an auditor from DC PCSB's Approved Auditor List and 2) lead to consequences described in the DC PCSB's Data and Document Submission Policy, and financial oversight escalations, including inclusion in DC PCSB's Financial Monitoring List, FCAP, and charter revocation or school closure.

Audit Requirements
The audit must be conducted in accordance with GAAS, the standards applicable to financial audits contained in GAS issued by the Comptroller General of the United States, and the auditing standards established pursuant to the District of Columbia School Reform Act. The audited financial statements must be presented on the accrual basis of accounting and prepared in accordance with GAAP.

Any LEA that expends federal funds above certain thresholds established by the Single Audit Act Amendments of 1996, as amended, must submit an audit of its federal funds in accordance with Title 2, Code of Federal Regulations, Part 200, and Uniform Guidance Subpart F Audit Reports (Uniform Guidance).

Audit Reports
Audit Package
A completed Audit Package shall include the following:

One PDF shall contain in the following order:

- Audited Comparative Statements of Financial Position, Audited Comparative Statements of Activities, Audited Comparative Statements of Functional Expenses, and Audited Comparative Statements of Cash Flows, and the Audited Notes to the Financial Statements in compliance with GAAP.
- Audited Supplementary Information – each schedule and item listed in the Audited Supplementary Information section described below.
- Unaudited Supplementary Information – each schedule and item listed in the Unaudited Supplementary Information section described below.

A second PDF shall contain in the following order:

- Statement on Auditing Standards (SAS) 114: Auditor's Communication with Those Charged with Governance (AU-C 260).
- SAS 115: Communicating Internal Control Related Matters Identified in an Audit (AU-C 265), if any.

Direct entry in the Hub:

- Each LEA is required to complete the year end online "Summary" tab inputs required in the Hub. DC PCSB shall complete the "Notes" tab in the Hub, and the LEA's validation shall include reviewing the information in the "Notes" tab.

Excel templates to be uploaded in the Hub:

- If an LEA transacted during the Audit Year with any of its management organizations (MO) or related parties (RP), the LEA is required to populate the MO/RP Template and upload it in the Hub at the same time the LEA uploads a PDF containing the other Audit Package documents described above.
- **If required by DC PCSB**, an LEA shall populate the Audited FS Template and upload it in the Hub at the same time the LEA uploads the other Audit Package documents described above. (**Note**: For FY 2027, as was the case for prior FYs, DC PCSB will have populated and uploaded the Audited FS Template and the LEAs shall validate the information in the Hub.)

Data Validation
Following submission of the Audit Package, DC PCSB will review the audited financial statements and populate the Audited FS Template and upload the data into the Hub.

The LEA is responsible for reviewing and validating the audited financial statement data and the calculated FAR Measures in the Hub. All amounts entered in the Hub from the Audited FS Template must derive from and agree to the audited financial statements and related disclosures for the submission to be considered complete and acceptable to DC PCSB.

In cases of specific questions or concerns, DC PCSB may require additional disclosures related to the work performed during the audit. An auditor that fails to comply with DC PCSB's requests is subject to removal from the List. An LEA that fails to comply with DC PCSB's requests is subject to the Consequences described under Audit Timelines above.

Presentation of Data
The audited financial statements[3] must be prepared in accordance with the following specifications and must include comparative data from the previous year,[4] including the statements, schedules, notes, and the disaggregated items below.

- Audited Comparative Statements of Financial Position
    - Total assets and total liabilities must disaggregate current assets and liabilities from noncurrent assets and liabilities.
    - Cash and cash equivalents must disaggregate current and noncurrent cash and cash equivalents, and further disaggregate those balances that are unrestricted and restricted.
    - Investments must disaggregate current and noncurrent investments, and further disaggregate those balances that are unrestricted and restricted.
    - Total current assets must disaggregate promises and accounts receivable (including government grants and foundation and private contributions), net, from prepaid expenses and other current assets.
    - Noncurrent assets must disaggregate property and equipment, net, and right of use assets, net, from deposits and other noncurrent assets.
    - Current liability balances must disaggregate accounts payable and accrued expenses, lines of credit, current portion of long-term debt, following year balloon payments expected to be refinanced by December 31, and lease liabilities, current portion from other current liabilities.
    - Long-term liabilities must disaggregate long-term debt, net of current portion, and lease liabilities, net of current portion, from other long-term liabilities.
    - Net assets balances must disaggregate net assets without donor restrictions (including Board designated) and net assets with donor restrictions.

[3] The statements and notes shall be consolidated, when applicable, and be accompanied by consolidating statements that report separately the LEA.
[4] Comparative prior year data shall not be required for an LEA whose prior fiscal year was its nonoperating planning year or if it was audited by a different auditor for the prior fiscal year and there are restatements or reclassifications affecting the prior fiscal year which the prior fiscal year auditor does not provide revised prior fiscal year audited statements.

- Audited Comparative Statements of Activities[5]
    - Per pupil funding from the District of Columbia based on audited enrollment and the Uniform Per Student Funding Formula (UPSFF) funding received (limited to the enrollment ceiling approved by DC PCSB) must be disaggregated on the Statement of Activities or in a note by General Education (including stabilization payments), Categorical Enhancements (Special Education, English Language Learners, At-Risk, Residential, Residential Special Education, Residential English Language Learners, Special Education Compliance, Special Education Add-Ons, and Extended School Year), and DC Facilities Allowance.
    - Contribution revenue must be disaggregated in the Statement of Activities or in a note by:
        - Federal entitlements, contributions, grants, awards, and other funds (including federal in-kind contributions), which also must be disaggregated by category of federal funds and detailed separately from other contribution revenue.
        - State and local government contributions and grants, including state and local government in-kind contributions.
        - Private contributions, donations, and grants, including cash donations and private in-kind contributions (interest income, rebates, food sales, program revenue, and miscellaneous revenue should not be included in this line item, but instead should be included in their own line item or other Income).
        - Rental income
        - Other income includes E-Rate revenue, Medicaid revenue, interest and dividend income, rebates, food sales, credit card rebates, vending machine income, and other miscellaneous revenues not specifically included in any of the above revenue line items, or their own line item.

[5] For ease of readability, the disaggregation in this section may be presented within the Statement of Activities or in the notes to the audited financial statements and must list the following elements:

General Education, DC Funding Allocation
Categorical Enhancements, DC Funding Allocation
Facilities Allowance, DC Funding Allocation
Federal Entitlements and Other Federal Funds
State and Local Government Contributions and Grants
Private Contributions, Donations, and Grants
Rental Income
Other Income
Operating Revenues (equals total of above)

- Audited Comparative Statements of Functional Expenses
    - The audited financial statements must include Comparative Statements of Functional Expenses that are disaggregated by Program Services, General and Administrative, and Fundraising, and further disaggregated by at least the following categories, **provided however,** as further discussed below under Audited Supplementary Information, that **the disaggregation of interest expense, depreciation expense, and amortization expense between owned or leased facility occupancy expense and non-facility general expense shall be reported 1) disaggregated only in the Occupancy Expenses and Selected Non-Facility Expenses Schedule that reconciles to the Statements of Functional Expenses, and 2) aggregated and not disaggregated on the Statements of Functional Expenses**:
        - Personnel salaries and benefits: Includes salaries, wages, supplemental pay, and benefits associated with education personnel (instructional staff, student support staff, and school administrators), business/operations salaries and benefits, and administrative/other staff salaries and benefits. Contracted instructional, student support, and school administrator staff who are paid wages and function as regular staff within the school/LEA should be classified within this category.
        - Direct student expense: Includes instructional supports (contracted services, fees, and other miscellaneous expenditures associated with instruction, social/emotional, or extracurricular activities, excluding contracted staff positions paid salaries/wages), educational materials associated with providing instruction and social/emotional learning, or extracurricular activities, and food service (personnel and non-personnel expenditures associated with providing nutritional services for students).
        - Occupancy expense: Includes rent expense, facilities depreciation and amortization, facilities interest, and other occupancy expenses (includes building maintenance and repairs, contracted building services, real estate property insurance, and other occupancy expenses).
        - General expense: Includes non-facilities depreciation and amortization, non-facilities interest expense disaggregated by finance leases (e.g., copiers) and other debt, management organization fee, and other general expenses, including office supplies and materials, office equipment rental and

maintenance, telephone/telecommunications, legal, accounting and payroll services, non-facility insurance, transportation, professional development, PCSB administrative fee, other general expense.

- Audited Comparative Statements of Cash Flows
    - Net cash provided by (used in) financing activities must disaggregate proceeds from debt issuances, balloon principal payments, debt prepayments or curtailments, all other principal payments, and other financing activities.
- **Audited Supplementary Information** (required under GAAP and Single Audits, as defined in AU-C 725,[6] to be presented **in the pages immediately following the audited financial statements**)
    - Comparative Schedules of Occupancy Expenses and Non-Facility Expenses: Although not required under GAAP or Single Audits, must use the protected Excel template downloadable from the **Occupancy Expenses and Selected Non-Facility Expenses Schedule** and convert it to PDF.
    - For LEAs subject to a Single Audit (each LEA must have its own Single Audit), the audits must include a Schedule of Expenditures of Federal Awards (SEFA) and the following findings:[7]
        - When classifying each finding, the auditor must note, as applicable for each finding:
            - Finding Number.
            - Prior Year Finding Number.
            - Federal Program.
            - Catalog of Assistance Listing Number.
            - Federal Agency.
            - District Agency.
            - Compliance Requirement.
        - The (narrative) description of each finding must include:
            - Condition.
            - Criteria.
            - Cause.

[6] AU-C 725 applies whenever the auditor is engaged to report on whether supplementary information presented with audited financial statements is fairly stated, in all material respects, in relation to the financial statements as a whole. The auditor is required to perform certain procedures to opine on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

[7] This schedule shall fully comply with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Financial Statements, SEFA, 2 CFR 200.510(b).

- Effect.
- Context (as required under the Single Audit Act).
- Recommendation.
- Questioned Costs.
- Views of Responsible Officials, including Corrective Action Plan.

▪ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters in Accordance with GAGAS.
▪ Report on Compliance for Each Major Program and on Internal Control over Compliance in accordance with the Uniform Guidance, including a Schedule of Findings and Questioned Costs and a Corrective Action Plan if applicable.
▪ Summary Schedule of Prior Year Findings.

o For LEAs with separate entities that are required to be consolidated under GAAP (e.g., those required for New Markets Tax Credits transactions), the audits must include Consolidating Statements of Financial Position, Consolidating Statements of Activities, Consolidating Statements of Functional Expenses, and Consolidating Statements of Cash Flows by entity.

- **Unaudited Supplementary Information**. For ease of readability, the following unaudited information shall be reported in one or more supplementary schedules:
  - The Supplementary Schedule of Vendors Awarded Contracts Equal to or Above $25,000 During the Fiscal Year should be included in the Audit Package:
    - The schedule must include all the elements listed in Schedule of Contracts Equal to or Exceeding $25,000, namely:
      - Award Date.
      - Vendor Name.
      - Goods and/or Services.
      - Minimum Contract Amount.
      - Maximum Contract Amount.
      - Conflict of Interest ("Yes" or "No") per DC PCSB's Procurement Contract Submission and Conflict of Interest Policy.
    - The schedule should be prepared to include all contracts required to be reported under DC PCSB's Procurement Contract Submission and Conflict of Interest Policy that are greater than

or equal to $25,000 awarded to any single vendor during the audited FY, regardless of the service period.[8]

- The entries in the schedule should include all contracts with **award dates**[9] that fall within the Audit Year.
- Additional guidance concerning DC PCSB's Procurement Contract Submission and Conflict of Interest Policy may be found at Procurement FAQs - Final.
- DC PCSB recognizes the limited audit procedures to be performed on the schedule above that does not necessarily ensure its accuracy; as such, auditors should include a specific representation for the schedule's completeness and accuracy within the management representation letter.
- Further, DC PCSB is not requesting an opinion on the specific schedule, and auditors may refer to AU-C 725 for additional guidance.

- Average usable square footage disaggregated by combined leased or donated facilities and combined owned facilities[10], with the average being the sum of the total usable square footage as of each month end of the FY divided by 12.
- To the extent there are exclusions referenced in the DC PCSB Administrative Fee policy, all revenues and income of the LEAs comprise their Total Income. Components of Total Income not subject to the DC PCSB Administrative Fee must be provided by completing the protected Excel template downloadable from Schedule of Administrative Fee Exclusions and converting it to PDF.

[8] As examples and clarifications: a) if the LEA awards a contract on June 27 of the Audit Year for services that will amount to $25,000 or more throughout the term of the contract, even if services have not begun, nor has anything been paid as of June 30 of the Audit Year, this contract should be included in the schedule for that Audit Year; and b) under the DC PCSB's Procurement Contract Submission and Conflict of Interest Policy, contracts for rent, loan payments, employment, and temporary staffing are among the contracts exempt from the policy's reporting requirements.

[9] Per DC PCSB's Procurement Contract Submission and Conflict of Interest Policy, the award date of a contract is the date that the LEA chooses which vendor or bid to accept. The award date may be documented through a signed contract, a letter of award, or some other written memorandum of the selection. Except as described in footnote 8b above, the award date of a contract precedes the submission date, execution date, and effective date.

[10] If a facility leased by the LEA or donated to the LEA is acquired by the LEA during the fiscal year, then the average usable square footage shall be reported as though the facility had been owned the entire fiscal year.

Additional Required Notes and Disclosures
The following additional notes and disclosures are required in the audited financial statements:

Note	Additional Required Disclosure Details
Financing Agreements	The terms of current or long-term debt (including, but not limited to, lines of credit, notes payable, mortgages, revenue bonds, collateralization requirements, and/or New Markets Tax Credits) should be disclosed, including the interest rate, maturity, and the nature of payments over the life of the loan (interest-only, balloons, etc.). Disclosures should include the purpose of the financing (operating expenses, leasehold improvements, building acquisition, etc.). The existence of debt reporting and financial covenants, and the LEA's known noncompliance with these covenants, also must be disclosed.
Lease Terms	For LEAs that lease facilities, the audit must describe the terms of the lease (even if fully abated), including, if applicable, the costs incurred for additional services provided by the landlord. If the payment terms are set relative to the DC Facilities Allowance, total revenues, or result in a rent asset and/or liability, the audit must disclose this information as well. Total operating lease payments that are payable within 12 months of the LEA's fiscal year end must be disclosed.
Material Changes to the Charter Agreement	The audited financial statements must include a disclosure for LEAs with changes to their charter agreement that may have a material effect on the LEA's financial statements as determined by the auditor. These changes include but are not limited to expansions, new facilities, significant reorganizations, and closures of programs, facilities, campuses, or grades.
Nature of Restricted Assets	The audit must include a note that describes the purpose and nature of externally and internally restricted assets. For any restricted assets above $100,000, the note should include the terms of the restrictions and the counterparties to the transaction.
School Management Organizations (SMOs)	Contracts with SMOs[11] for services to the LEA, including the SMO's name, the relationships between the SMO and the LEA, the services provided, the fees incurred and paid, and any liabilities outstanding at the end of the FY must be disclosed.

[11] Per the Public Charter School Fiscal Transparency Amendment Act of 2015, a Management Organization is an entity that a public charter school identifies in its charter petition or petition for charter revision with which the public charter school contracts to provide management or oversight

Note	Additional Required Disclosure Details
Prior Period Reclassifications and Restatements	Disclosure of any reclassifications and/or restatements to prior period audited financial statements.
Related Party (RP) Transactions	The audit must include a note that details all payments to RPs and whether any payments were made outside of the legal contract governing the relationship between the LEA and its related parties. In determining "RP transactions," auditors shall comply with GAAP and should consider: 1) the definition of "Related Party" as set forth in the latest Financial Analysis Report (FAR) Technical Guide, and 2) the definition and treatment of "Conflicting Interest Contracts" outlined in DC PCSB's Procurement Contract Submission and Conflict of Interest Policy. If a transaction meets the definition of an RP or conflict of interest transaction in any of the three sources described, it should be disclosed. The disclosure must detail the amount paid for services provided or pass-through payments made to RPs, if material and/or over $50,000. It must disclose any amendments or changes to the legal agreement governing the relationship between the LEA and its RPs. Finally, it must also disclose the nature, timing, and extent of debts and debt service due to RPs, including management and staff.

Potential Interventions

DC PCSB shall review each LEA's audit for compliance with these requirements. LEAs that are out of compliance with these requirements may be subject to the Consequences described under Audit Timeline above. While each LEA is ultimately responsible for preparing its financial statements, DC PCSB in certain cases may take corrective action against an auditor for its lack of compliance with these requirements, including removal from the List.

The Committee may conduct a peer and quality control review of any audit submission. The purpose of the review is to determine if the scope of the review and procedures conducted were executed in accordance with professional standards. If

services regarding the local educational agency's expenditures, administration, personnel, or instructional methods. The term "school management organization" does not include an entity with which a public charter school contracts solely to provide administrative support services, such as: (A) Payroll processing or information technology services; (B) Academic support services; or (C) Temporary management services recommended by the eligible chartering authority to improve the performance of a public charter school.

an audit fails a peer review, the Committee may remove the auditor from the List for subsequent years.