

**PHILADELPHIA INTERMEDIATE
UNIT NO. 26**

AUDITOR'S REPORT

FISCAL 2007



CITY OF PHILADELPHIA

OFFICE OF THE CONTROLLER
1230 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, PA 19102-1679
(215) 686-6680 FAX (215) 686-3832

ALAN BUTKOVITZ
City Controller

ALBERT F. SCAPEROTTO
Deputy City Controller

December 17, 2008

Sandra Dungee Glenn, Chair
and Members of the School Reform Commission
440 N. Broad Street
Philadelphia, PA 19130

Audits of the Philadelphia Intermediate Unit No. 26 - Transportation Fiscal Report, and Final Expenditure Report Special Education Core Programs for fiscal 2007 were conducted pursuant to the requirements of the Department of Education of the Commonwealth of Pennsylvania.

Our audits determined that the above noted reports presented fairly, in all material respects, the financial activity of the Philadelphia Intermediate Unit No. 26 required to be included on those reports, for the period ended June 30, 2007 in conformity with accounting principles generally accepted in the United States of America. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses or instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We would like to express our thanks to the management and staff of the School District of Philadelphia for their courtesy and cooperation in the conduct of the audits.

Respectfully submitted,

ALAN BUTKOVITZ
City Controller

cc: Dr. Arlene C. Ackerman, Chief Executive Officer
Michael Masch, Chief Business Officer

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Deputy City Controller

Independent Auditor's Report On Philadelphia Intermediate Unit No. 26 Form PDE-2099 Transportation Fiscal Report

To the Chair and Members of the
School Reform Commission of the
School District of Philadelphia

We have audited the accompanying Form PDE-2099 - Intermediate Unit Transportation Fiscal Report (Form PDE-2099) - of the Philadelphia Intermediate Unit No. 26, Philadelphia, Pennsylvania, for the year ended June 30, 2007. Form PDE-2099 is the responsibility of the Philadelphia Intermediate Unit's management. Our responsibility is to express an opinion on this form based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether Form PDE-2099 is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Form PDE-2099. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of Form PDE-2099. We believe that our audit provides a reasonable basis for our opinion.

Form PDE-2099 was prepared to report certain financial activity relating to the transportation of exceptional children as described in Note 1, and is not intended to represent a complete presentation of all financial activity of the Philadelphia Intermediate Unit No. 26.

In our opinion, Form PDE-2099, referred to above, presents fairly, in all material respects, the financial activity of the Transportation Accounts of the Philadelphia Intermediate Unit No. 26, Philadelphia, Pennsylvania, for the year ended June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

CITY OF PHILADELPHIA
OFFICE OF THE CONTROLLER

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2008, on our consideration of the Philadelphia Intermediate Unit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the School Reform Commission, management of the Philadelphia Intermediate Unit No. 26 and for filing with the Department of Education of the Commonwealth of Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties.

September 19, 2008

ALBERT F. SCAPEROTTO, CPA
Deputy City Controller

Intermediate Unit Name

Intermediate Unit Name
Philadelphia IU 26

ALIN

1-26-00-000-0

The accompanying notes to Form PDE-2009 are an integral part of this form.

Revenues and Expenditures for School Year 2006-2007

PDE-2099 (6/07)

Intermediate Unit Name
Philadelphia IU 26

AUN
1-26-00-000-0

Fund Balance, July 1, 2006 **-\$407,736.10 (1)**

6500 Earnings on Investments **\$483,322.92**
6900 Other Local Revenue
7310 Transportation Revenue Received from State **\$46,515,736.10**
7810 State Share of Social Security & Medicare Taxes
7820 State Share of Retirement Contributions

Total Operating Revenues **\$46,999,059.02 (2)**

Subtotal: Fund Balance plus Revenues (1) + (2) **\$46,591,322.92 (3)**

Less: Total Expenditures (from page 1) **\$46,722,338.40 (4)**

Fund Balance, June 30, 2007 **(\$131,015.48) (3 - 4)**

BUDGET RESOLUTION: Resolved, that the Board of School Directors of Intermediate Unit 26 hereby authorizes the expenditures as set forth herein for the school year 2006-2007 and certifies that such expenditures will be in accordance with the School Laws of Pennsylvania and budget controls of the Pennsylvania Department of Education.

Executive Director Charles Lowitz	Secretary of Board John M. Bay
Contact Person Charles Lowitz	Telephone Number (215) 400-5305
	E-mail Address clowitz@phila.k12.pa.us

Due Date: **September 14, 2007**

Return To: Pennsylvania Department of Education
Bureau of Budget and Fiscal Management
Division of Subsidy Data and Administration
333 Market Street, 4th Floor
Harrisburg, PA 17126-0333

The accompanying notes to Form PDE-2099 are an integral part of this form.

School District of Philadelphia (IU 26)
Transportation
Notes to Form PDE-2099
Fiscal Year Ended June 30, 2007

1. PURPOSE OF FORM PDE-2099

Form PDE-2099 was prepared to report certain financial activity of the Philadelphia Intermediate Unit No. 26 to the Pennsylvania Department of Education in compliance with the Public School Code of 1949, Section 2509 as amended. This form presents only the revenues and expenditures associated with the transportation of exceptional children to and from school, the transportation of eligible young children to and from an early intervention program, and the transportation of exceptional children in accordance with programs and services specified in their Individualized Education Programs. The form is not intended to represent a complete presentation of all financial activity of the Philadelphia Intermediate Unit No. 26.

2. BASIS OF ACCOUNTING

Form PDE-2099 has been prepared in accordance with the modified accrual basis of accounting. Under this method, expenditures generally are recorded when a liability is incurred. Revenues are recorded when they are both measurable and available. Revenues are considered available when they are collectible within the current fiscal period or soon thereafter to pay liabilities of the current period.



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ALAN BUTKOVITZ
City Controller

ALBERT F. SCAPEROTTO
Deputy City Controller

Independent Auditor's Report On Philadelphia Intermediate Unit No. 26 Form PDE-2115 - Final Expenditure Report Special Education Programs - IU Core

To the Chair and Members of the
School Reform Commission of the
School District of Philadelphia

We have audited the accompanying Form PDE-2115 - Final Expenditure Report Special Education Programs - IU Core (Form PDE-2115) of the Philadelphia Intermediate Unit No. 26, Philadelphia, Pennsylvania, for the year ended June 30, 2007. Form PDE-2115 is the responsibility of the Philadelphia Intermediate Unit's management. Our responsibility is to express an opinion on this form based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether Form PDE-2115 is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Form PDE-2115. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of Form PDE-2115. We believe that our audit provides a reasonable basis for our opinion.

Form PDE-2115 was prepared to report certain financial activity related to providing special education and intervention services as described in Note 1, and is not intended to represent a complete presentation of all financial activity of the Philadelphia Intermediate Unit No. 26.

In our opinion, Form PDE-2115, referred to above, presents fairly, in all material respects, the financial activity of the Special Education Programs - IU Core of the Philadelphia Intermediate Unit No. 26, Philadelphia, Pennsylvania for the year ended June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

CITY OF PHILADELPHIA
OFFICE OF THE CONTROLLER

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2008, on our consideration of the Philadelphia Intermediate Unit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the School Reform Commission, management of the Philadelphia Intermediate Unit No. 26 and for filing with the Department of Education of the Commonwealth of Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties.

September 19, 2008

ALBERT F. SCAPEROTTO, CPA
Deputy City Controller

**FINAL EXPENDITURE REPORT
SPECIAL EDUCATION PROGRAMS**

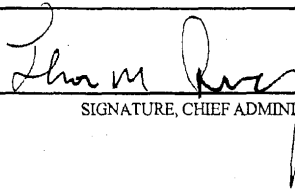
	LEA NAME AND ADDRESS PHILADELPHIA I.U. # 26 440 NORTH BROAD STREET PHILADELPHIA, PENNSYLVANIA 19130	CHECK ONE: <input checked="" type="checkbox"/> TU CORE <input type="checkbox"/> INSTITUTIONALIZED
	PHONE NUMBER 215-400-5520	

INSTRUCTIONS: SUBMIT AN ORIGINAL AND TWO COPIES.

THE REPORT IS DUE: OCTOBER 31

DATE SUBMITTED	OPERATING PERIOD
	JULY 1, 2006 to JUNE 30, 2007

FUNCTION	SUMMARY	AMOUNT
6000	- TOTAL LOCAL REVENUE (1)	189,765,442.00
	- SOCIAL SECURITY (STATE SHARE)	6,304,008.00
	- RETIREMENT (STATE SHARE)	4,190,290.00
	- SPECIAL EDUCATION APPROPRIATION	4,242,823.00
	- PRIOR YEAR ENCUMBRANCES	532,628.00
7000	- TOTAL AMOUNT RECEIVED FROM COMMONWEALTH	15,269,749.00
	- TOTAL AVAILABLE FOR INSTRUCTION	205,035,191.00
	- TOTAL EXPENDITURES (2)	203,733,140.00
	- ENCUMBERED FOR INSTRUCTION	1,302,051.00
	- EXPENDITURES AND ENCUMBRANCES	205,035,191.00
	- UNEXPENDED FUNDS (MUST BE RETURNED WITH REPORT)	0.00
(1) PLEASE PROVIDE SPECIFICALLY DETAILED SUPPORTING SCHEDULES		
(2) INCLUDE ALL PRIOR YEAR ENCUMBRANCES ACTUALLY LIQUIDATED		

	11/29/2007
SIGNATURE, CHIEF ADMINISTRATIVE OFFICER	DATE

The accompanying notes to Form PDE-2115 are an integral part of this form.

PDE RESERVES THE RIGHT, AT ANY LATER DATE, TO CONDUCT AN AUDIT OF EXPENDITURES CLAIMED.

PDE-2115 (5-99)

PAGE 1 OF 3

OBJECTS		FUNCTIONS								
	1200	2100	2200	2300	2400	2500	2600	5200		TOTAL
100 - PERSONAL SERVICES - SALARIES										
110					SPECIAL EDUCATION DIRECTOR ONLY					0
110				353,003						353,003
120	119,637,085	8,206,279	0							127,843,364
130										0
140										0
150				0			0			0
160										0
170										0
180							16,660			16,660
190	(3,655,530)									(3,655,530)
TOTAL	115,981,555	8,206,279	0	353,003	0	0	16,660		0	124,557,497
200 - PERSONAL SERVICES - EMPLOYEE BENEFITS										
210	18,668,452	1,025,397	0	55,855			4,139			19,753,843
220	8,896,771	626,544	0	25,965			1,289			9,550,569
230	7,303,339	518,381	0	22,818			1,424			7,845,962
240	0	0	0	0			0			0
250	714,679	49,974	0	2,187			86			766,926
260	3,022,285	208,110	0	8,812			251			3,239,458
290	16,571,646	886,357	0	34,543			3,720			17,496,266
TOTAL	55,177,173	3,314,763	0	150,180	0	0	10,909		0	58,653,024
300 - PURCHASED PROFESSIONAL & TECHNICAL SERVICES										
310										0
320	7,553,971	0	0	0						7,553,971
330										0
340										0
390										0
TOTAL	7,553,971	0	0	0	0	0	0		0	7,553,971
400 - PURCHASED PROPERTY SERVICES										
410										0
420										0
430	14,194	0	0	0			0			14,194
440										0
460										0
490										0
TOTAL	14,194	0	0	0	0	0	0		0	14,194

The accompanying notes to Form PDE-2115 are an integral part of this form.

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COMMONWEALTH OF PENNSYLVANIA

PDE-2115(5-99)

OBJECTS		FUNCTIONS								
	1200	2100	2200	2300	2400	2500	2600	5200		TOTAL
500 - OTHER PURCHASED										
510										0
520										0
530										0
540										0
550										0
560										0
580	125,350	165	0	0			0			125,515
590										0
TOTAL	125,350	165	0	0	0	0	0		0	125,515
600 - SUPPLIES										
610	1,202,398	135,737	0	100						1,338,235
620										0
630										0
640	1,191,237	310,905	0	0						1,502,142
TOTAL	2,393,635	446,642	0	100	0	0	0		0	2,840,377
700 - PROPERTY										
750	409,404	1,777	0	0						411,181
760										0
TOTAL	409,404	1,777	0	0			0		0	411,181
800 - OTHER OBJECTS										
800	577,381	0	0	0						577,381
900 - FUND TRANSFERS										
900								9,000,000		9,000,000
GRAND TOTALS - INCLUDE NOTE AS APPLICABLE										
	182,232,663	11,969,626	0	503,283	0	0	27,569	9,000,000	0	203,733,140

NOTE: PRIOR YEAR ENCUMBRANCE LIQUIDATION

310									0
320	292,301			0					292,301
330									0
340									0
390									0
300 TL	292,301	0	0	0	0	0	0	0	292,301
440	0								0
400 TL	0	0	0	0	0	0	0	0	0
500 TL	11,845	0							11,845
610	10,424	(12)		0	0	0	0		10,412
640	225,559	3,140	0	0					228,699
600 TL	235,983	3,128	0	0	0	0	0	0	239,111
750	0			0					0
760	(10,376)	(253)							(10,629)
700 TL	(10,376)	(253)	0	0	0	0	0	0	(10,629)
800 TL	0								0
TOTAL	529,753	2,875	0	0	0	0	0	0	532,628

The accompanying notes to Form PDE-2115 are an integral part of this form.

PDE-2115 (5-99)

PAGE 3 OF 3

**SCHOOL DISTRICT OF PHILADELPHIA
INTERMEDIATE UNIT # 26
LOCAL REVENUE
FISCAL YEAR 2006/2007**

Billed to Other Districts	\$	302,467.00
School District Contribution to the I.U.		<u>189,462,975.00</u>
Total Local Revenue	\$	<u><u>189,765,442.00</u></u>

The accompanying notes to Form PDE-2115 are an integral part of this form.

School District of Philadelphia (IU 26)
Special Education Programs - IU Core
Notes to Form PDE-2115
Fiscal Year Ended June 30, 2007

1. PURPOSE OF FORM PDE-2115

Form PDE-2115 was prepared to report certain financial activity of the Philadelphia Intermediate Unit No. 26 to the Pennsylvania Department of Education in compliance with the Public School Code of 1949, Section 2509.1 as amended. This form presents only the revenues, expenditures and encumbrances relating to providing special education services to exceptional children, and eligible young children in an early intervention program. The form is not intended to represent a complete presentation of all financial activity of the Philadelphia Intermediate Unit No. 26.

2. BASIS OF ACCOUNTING

Form PDE-2115 has been prepared in accordance with the modified accrual basis of accounting. Under this method, expenditures generally are recorded when a liability is incurred. Revenues are recorded when they are both measurable and available. Revenues are considered available when they are collectible within the current fiscal period or soon thereafter to pay liabilities of the current period.



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Deputy City Controller

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF PENNSYLVANIA DEPARTMENT OF EDUCATION FORMS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Chair and Members of the
School Reform Commission of the
School District of Philadelphia

We have audited Form PDE-2099 – Intermediate Unit Transportation Fiscal Report and Form PDE – 2115 – Final Expenditure Report Special Education Programs – IU Core (PDE Forms) of the Philadelphia Intermediate Unit No. 26, Philadelphia, Pennsylvania, for the year ended June 30, 2007, and have issued our reports thereon dated September 19, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Philadelphia Intermediate Unit No. 26, Philadelphia, Pennsylvania's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the PDE Forms, but not for the purpose of expressing an opinion on the effectiveness of the Philadelphia Intermediate Unit No. 26's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Philadelphia Intermediate Unit No. 26's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting

CITY OF PHILADELPHIA
OFFICE OF THE CONTROLLER

principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in a more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Philadelphia Intermediate Unit No. 26's PDE Forms are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of PDE Form amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the School Reform Commission, management of the Philadelphia Intermediate Unit No. 26, others within the entity, and for filing with the Department of Education of the Commonwealth of Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties.

September 19, 2008

ALBERT F. SCAPEROTTO, CPA
Deputy City Controller