



Pappas & Company

CERTIFIED PUBLIC ACCOUNTANTS

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September 14, 2006

Board of Education
Jericho Union Free School District
Jericho, New York

Dear Members of the Board:

We have completed the audit of the financial statements of the Jericho Union Free School District for the year ended June 30, 2006 and have issued our report thereon dated August 2, 2006. In connection with this audit we have made a study and evaluation of the District's system of internal accounting control, to the extent that we considered necessary, to evaluate the system, as required by generally accepted auditing standards. Under these standards, the purpose of such evaluation is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his audit of these statements.

The objective of internal accounting control is to provide reasonable, but not absolute assurance as to the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management, either with respect to the execution and recording of transactions, or with respect to the estimates and judgments required in the preparation of financial schedules. Also, projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because changes in conditions and the degree of compliance with procedures may deteriorate.

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Our study and evaluation of the District's system of internal accounting control for the year ended June 30, 2006 was made primarily for the purpose set forth in the first paragraph of this letter and would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data. However, as a result of our study and evaluation, we are pleased to report that there were no material weaknesses in the system of internal accounting control. Nevertheless, during our audit we noted certain matters involving the internal control structure and/or other operational matters that we feel merit your consideration. These comments and recommendations, which have been discussed with appropriate members of the administration, are summarized in the sections which follow.

CAPITALIZATION POLICY:

The capitalization policy approved by the Board and implemented by the Jericho Union Free School District for the District's fixed asset acquisitions seems to be somewhat complex. An excerpt from the policy points this out as follows: "Such threshold shall ensure that at least 80 per cent of the value of all assets is reported. It is recommended that such threshold shall not be greater than \$5,000." However, the regulation states that the threshold for asset capitalization is different depending on the type of equipment. Our recommendation for future years would be to give consideration to making a firm capitalization threshold, perhaps greater for buildings and capital improvements and a lower threshold (i.e.\$1,000) for all other capital assets.

A residual value for assets (salvage value) is stated in the regulation for capital assets. The 15% for Buildings and Capital Improvements has merit. However the 5% on computers and telecommunications and 10% on all other capital assets again complicates the inventory. Generally these assets, when disposed of have little or no value and are discarded leaving the residual value to be treated as a "loss" or an amount to be adjusted through depreciation. Furthermore, in many cases the residual value percentages are not consistently applied throughout the detailed fixed asset records. The District's administrators may want to revisit the use of residual values for depreciation purposes on furniture, equipment and computers.

EXTRACLASSROOM ACTIVITY FUNDS:

During the conduct of our audit of Extraclassroom Activity funds for both the High School and the Middle School, we noted there was a lack of documentation of student involvement in the fiscal accountability of the activity. Students as well as principals and club advisors should sign all deposit and payment vouchers.

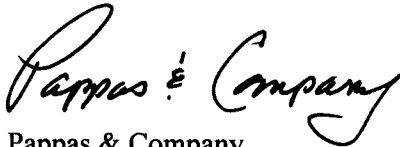
Additionally, many of the receipts sampled included a blue deposit form for the activity with little detail as to the surrounding circumstances of the monies being deposited. A receipt that simply says "Sweatshirt Sale" and the total dollars collected is insufficient; a greater description should be indicated itemizing the number of items sold and the price per unit. All disbursements should be accompanied by supporting documentation which includes original receipts and original invoices. We recommend that for both deposits and payments more detail documentation accompanies each submission.

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The comments contained in this letter were considered in determining the nature, timing and extent of audit tests applied in our audit of the District's financial statements, and do not modify our report on such financial statements.

We would like to express our appreciation for the cooperation and courtesy extended to us by the District's personnel during the audit. Should you have any questions concerning the foregoing comments, we shall be pleased to discuss them with you at your convenience.

Very truly yours,



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