



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

DATE: June 2, 2026

MEMORANDUM TO: Harrisonburg-Rockingham Community Services Board

FROM: Robinson, Farmer, Cox Associates

REGARDING: FY 2025 Audit

In planning and performing our audit of the financial statements of the Harrisonburg-Rockingham Community Services Board for the year ended June 30, 2025, we considered the Board's internal control over financial reporting to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal controls.

During our audit, we noted certain operational matters that are presented for your consideration. This letter does not affect our report dated June 2, 2026, on the financial statements of the Harrisonburg-Rockingham Community Services Board. Our comments and recommendations, all of which have been discussed with management, are designed to keep management abreast of current accounting standards or result in operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Bank Reconciliation

During our audit of the June 2025 bank reconciliations, we noted the bank reconciliations for the Truist Operating account and Truist Rep Payee account contained several outstanding checks and payments older than one year. Bank reconciliations are one of the most important controls for an organization. We recommend that all bank reconciliations be prepared and reviewed in a timely manner each month, and that any variances with the general ledger be immediately remedied prior to finalizing the reconciliation. Old outstanding checks should be investigated, and payments should be voided and reissued if necessary or remitted to unclaimed property, as appropriate.

Audit Schedules and Adjustments

During the normal course of an audit, it is customary that a reasonable number of adjusting entries will be proposed to properly present the Board's financial statements once the unadjusted trial balance has been received by the auditor. However, our audit procedures resulted in 25 proposed audit adjusting journal entries to properly reflect account balances in the audited financial statements, several of which were material adjustments. Additionally, there were several areas where client-prepaid schedules to support trial balance accounts were not available, resulting in auditor-prepared schedules being necessary to calculate the necessary adjustments, or requests of management to prepare these. We recommend that necessary year-end adjustments be posted prior to the start of the audit and that all necessary schedules be prepared to support account balances for the audit.

Subledger Reconciliation

During our audit, we noted the subledger aging reports for service accounts receivable and accounts payable did not agree to the respective unadjusted trial balance accounts. Accurate subledgers is a crucial function in maintaining reliable accounting records. We recommend that management implement procedures to reconcile the accounts receivable and accounts payable subsidiary ledgers to the general ledger on a regular basis, preferably monthly. Any differences identified during the reconciliation process should be investigated and resolved promptly, with appropriate documentation maintained to support the reconciliation and any resulting adjustments.

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Security for Public Deposits Act Requirements

During our audit procedures, we noted that the Board had not verified its cash accounts for any quarter during fiscal year 2025 in accordance with state requirements. The Commonwealth of Virginia amended its Security for Public Deposits Act (“SPDA”) regulations and now requires Virginia public depositors to use the Treasury web-based Public Funds Search feature to ensure the banks they use are accurately reporting their public funds to the Treasury Board. This verification process must be completed quarterly, and all bank accounts of the Board are subject to the verification process. We recommend the Board implement a formal procedure to verify its public funds in accordance with SPDA regulations.

Intercompany Transactions

During our audit procedures, we noted that the Board recorded rental expense payable to the Rockingham-Harrisonburg Halfway House (a blended component unit of the Board), while the Halfway House recorded corresponding rental revenue. We also noted that the Board paid for capital improvements to a building owned by the Halfway House. During the fiscal year, these transactions, in addition to the rent owed from fiscal year 2024, were not settled through the exchange of cash and instead remained as offsetting due to/due from balances between the entities. While these intercompany balances are eliminated in the preparation of the consolidated financial statements, the lack of periodic settlement creates accounting and financial reporting challenges at the individual entity level. Specifically, the absence of cash settlement may result in the accumulation of intercompany receivables and payables, reduced transparency regarding the economic substance of transactions, and increased complexity in maintaining accurate standalone financial records for both the Board and the Halfway House. We recommend that payments be made in future years to settle the amounts owed between the entities to avoid growing due to/from accounts, as well as to report the cash balances more accurately in the respective trial balances.

Governmental Accounting Standards Board Pronouncements

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of assets (lease assets, subscription assets, intangible right-to-use assets, and other intangible assets) to be disclosed separately in the capital asset note disclosures by major class of underlying asset. It also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025.

Implementation Guide No. 2025-1, *Implementation Guidance Update—2025*, effective for fiscal years beginning after June 15, 2025.