



**To the Board of County Commissioners
of Orange County, North Carolina
Hillsborough, North Carolina**

In planning and performing our audit of the financial statements of **Orange County, North Carolina** (the "County") as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. This letter includes comments and suggestions with respect to those matters that came to our attention in connection with our audit of the financial statements of the County as of and for the year ended June 30, 2024. This letter does not affect our report dated February 5, 2025, on the financial statements of the County.

The following is offered as a constructive suggestion to be considered as part of the ongoing process of modifying and improving the County's practices and procedures:

1. Accounting for Special Revenue Funds

During our review of the County's financial statements, we noted the DSS Payee Fund did not have any revenue or expenditure activity for the fiscal year under audit. Based on our review of the general ledger activity, it appears the County is still accounting for this fund as if it was still a custodial fund of the County where all amounts are received as cash and offset with a corresponding liability. With the change in accounting standard that was brought about by GASB Statement No. 84, *Fiduciary Activities*, this fund was reclassified to a special revenue fund in previous years and should be reflecting the inflows it receives during the fiscal year as revenues and conversely, the outflows as expenditures. Due to the fact that the activity for the fiscal year ended June 30, 2024, was not material, an audit adjustment to reclassify the activity was not required. However, we recommend County staff implement additional internal controls or additional annual closeout procedures to ensure the amounts are properly recorded in accordance with generally accepted accounting principles (GAAP).

Closing Thoughts

We have already discussed these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This letter is intended solely for the information and use of the County, and its management and other officials, federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate serving Orange County, North Carolina and would be happy to assist you in addressing and implementing the suggestions in this letter.

Mauldin & Jenkins, LLC

Raleigh, North Carolina
February 5, 2025

