

**Limited Review of  
Orange County Fiscal and  
Business Services Division,  
Debt Management Services**

**Report by the  
Office of County Comptroller**

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County Comptroller**

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**Report No. 354  
November 2004**

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November 22, 2004

Richard T. Crotty, County Chairman  
And  
Board of County Commissioners

We have conducted a limited review of the Orange County Fiscal and Business Services Division, Debt Management Services (the Division). The audit was limited to an examination of debt management services, policies, procedures and activities of the Division. The period audited was July 1, 2003 through June 30, 2004. Our audit was conducted in accordance with generally accepted government auditing standards, and included such tests as we considered necessary in the circumstances.

The Division's response to our review is included as an Appendix to this report.

We appreciate the cooperation of the personnel of the Fiscal and Business Services Division during the course of the audit.

Martha O. Haynie, CPA  
County Comptroller

c: Ajit Lalchandani, County Administrator  
Sharon Donoghue, Assistant County Administrator  
Eric Gassman, Director, Fiscal and Business Services  
Fred Winterkamp, Manager, Fiscal and Business Services

# EXECUTIVE SUMMARY

## Executive Summary

We conducted a limited review of the Orange County Fiscal and Business Services Division, Debt Management Services. The scope of our review was limited to an examination and review of policies, procedures and activities relating to bonded debt issued by the County during the audit period. We did not examine or include in our review debt incurred by component units. The period audited was from July 1, 2003 to June 30, 2004.

The objectives of the review were to:

- Evaluate the adequacy of Orange County's debt management policies and procedures; and to
- Assess compliance with Orange County's debt management policies and procedures during the audit period.

We evaluated the adequacy of the County's debt management policies and procedures by comparing the policy to the recommended practices established and issued by the Governmental Finance Officers Association and to the written policies of certain other Florida counties.

We assessed compliance with the County's written policies and procedures by reviewing the supporting documentation for all three bonded debt issuance transactions that occurred in the audit period. We reviewed the selection process for the financial services providers, determined whether the provider's fees paid were in accordance with the contracted agreements and normal and customary in the circumstances. We also determined if the transactions were properly recorded in the County's financial system.

In our opinion, the County has established adequate debt management policies and procedures. Based upon the results of our testing, we found that the County complied with established policies and procedures during the audit period.

# INTRODUCTION

**Background**

The Orange County Fiscal and Business Services Division oversees the County's fiscal administration and debt financing. The Division is responsible for developing, maintaining, and implementing a comprehensive and viable debt management policy. This policy considers the capital improvement needs of the County, as well as the related elements of legal, economic, and market issues.

The Government Finance Officer's Association (GFOA) describes the purposes and need for debt management policies as follows:

Debt management policies are written guidelines and restrictions that affect the amount and type of debt issued by a state or local government, the issuance process, and the management of a debt portfolio. A debt management policy improves the quality of decisions, provides justification for the structure of debt issuance, identifies policy goals, and demonstrates a commitment to long-term financial planning, including a multi-year capital plan. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and should meet its obligations in a timely manner.

Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. An effective debt management policy provides guidelines for a government to manage its debt program in line with those resources.

The Board of County Commissioners last adopted a debt management policy in 1998. The Office of Management and Budget together with the Division are currently reviewing the existing policies and procedures related to debt management services.

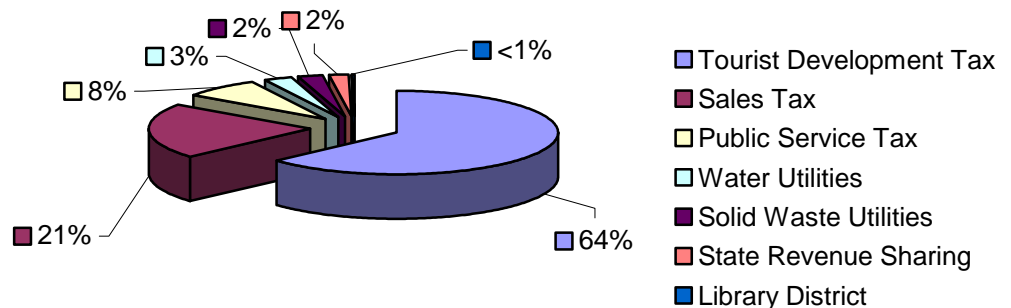
The County for many years has followed the policy that all bonds are issued at fixed rates through competitive bids of underwriters. Management asserts that this conservative



approach to accessing external financing, has been successful in maintaining the County's good financial standings as reported by bond rating agencies such as Standard and Poor's, Moody's, and Fitch.

The County had no outstanding general obligation bonds at the fiscal year ending September 30, 2004. The County reported outstanding revenue bonds principal payable (including refunding issues) at September 30, 2004, totaling \$1,682,643,721 of which \$1,066,820,000 related to pledging of Tourist Development Tax Revenues for the Convention Center Expansions. The following chart summarizes the outstanding bond principal payable by pledged revenue sources and/or activity.

**Total Bonds Outstanding by Pledged Source as of September 30, 2004**



During the audit period, the County executed three bond transactions, issuing the following:

- \$40,660,000 Solid Waste Facility Refunding Revenue Bonds, Series 2003 issued July 3, 2003
- \$117,035,000 Public Service Tax Refunding and Improvement Revenue Bonds, Series 2003, issued October 15, 2003



**Scope, Objectives,  
and Methodology**

- \$17,330,000 Tourist Development Tax Refunding Revenue Bonds, Series 2003A, issued October 8, 2003

The scope of the review was limited to the debt management services, policies, procedures, and activities of the Orange County Fiscal and Business Services Division relating to bonded debt issues of the County (excluding debt incurred by component units.) The audit period was from July 1, 2003 to June 30, 2004.

The objectives of the review were to:

- Evaluate the adequacy of Orange County's debt management policies and procedures; and
- Assess compliance with Orange County's debt management policies and procedures during the audit period.

We evaluated the adequacy of the County's debt management policies and procedures by comparing the County's policy to the recommended practices established and issued by the Governmental Finance Officers Association and to the written policies of certain other Florida counties.

We assessed compliance with the County's written policies and procedures by reviewing the supporting documentation for all three bonded debt issuance transactions that occurred during the audit period. We reviewed the selection process for the financial services providers to determine if the provider's fees were paid in accordance with the contracted agreements and were normal and customary in the circumstances. We also determined if the transactions were properly recorded in the County's financial system.

**Overall Evaluation**

In our opinion, the County has established adequate debt management policies and procedures. Based upon the results of our testing, we found that the County complied

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## INTRODUCTION



Limited Review of  
Debt Management Services

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with established policies and procedures during the audit period. No Recommendations for Improvement are included in this report.

# APPENDIX - MANAGEMENT'S RESPONSE



**FISCAL & BUSINESS SERVICES DIVISION**

**FRED WINTERKAMP, *Manager***

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(407) 836-5442 • FAX (407) 836-5555

**Memorandum**

Date: November 16, 2004

To: Sheila Roberts  
Orange County Comptroller

From: Fred Winterkamp, Manager of Fiscal and Business Services *FW*  
Orange County Board of County Commissioners

Subject: Limited Review of Orange County Fiscal and Business Services Division,  
Debt Management Services

I have reviewed the draft report of the audit referenced above and Fiscal and Business Services (FBS) concurs with the findings. FBS is pleased that the findings are so limited. However, FBS is fortunate to work with a skilled professional team on each issue of County debt, and a group effort takes place to comply with the rules and policies for debt issuance set forth by the IRS, SEC, MSRB, the State of Florida, and Orange County. In addition to FBS, that team includes members of the Comptroller's staff, County Attorneys, County staff from other departments, Bond Counsel, Disclosure Counsel and the Financial Advisor. The County benefits from that team effort and it is gratifying to see those efforts supported by the findings of this audit.

FBS thanks the Comptroller's Audit staff for being so patient and for taking the time to thoroughly examine the voluminous amount of documentation related to these bonded debt issues. It was clear from the questions and comments that the Comptroller's Audit staff put forth a great deal of effort and reviewed the material very closely. The audit reminds FBS of the need to carefully comply with the complicated rules when issuing County debt, and we will continue to seek the assistance and guidance from a team of professionals in the expectation of duplicating these audit results on future issues of County bonded debt.

Cc: Sharon Donoghue  
Eric Gassman