

**-COUNTY OF MILWAUKEE-
INTEROFFICE COMMUNICATION**

DATE : July 2, 2012

TO : Marina Dimitrijevic, Chairwoman, County Board of Supervisors

FROM : Scott Manske, Comptroller, Comptroller's Office

SUBJECT : Amendment to Airport General Resolution Regarding Audit Compliance
Language Relating to the Airport Revenue Bonds

REQUEST

The Comptroller's Office is requesting approval of the attached resolution which amends the Airport General Resolution for the issuance of Airport Revenue Bonds. The amendment to the general resolution will better reflect the role of the County's external financial auditor, when performing due diligence on Airport Revenue Bonds.

BACKGROUND/ANALYSIS

In 2000, Milwaukee County (the "County") established the parameters for the issuance of Revenue Bonds as outlined in the Wisconsin State Statutes. This included the adoption of a general resolution that included the following language in section 7.8 (sentence 3):

"The report of the auditor shall state whether there has come to the attention of the auditor in the course of its examination any default by the County with respect to the Resolution or the Bonds and, if so, the nature of the default."

Since 2000, the County's outside auditor has providing the compliance letter. Our current external auditor, Baker Tilly & Company, (formerly known as Virchow Krause and Company LLP) has provided a compliance letter to US Bank (the trustee for the Airport Revenue Bonds) since 2002. The following language was included in their 2010 letter to comply with the General Resolution:

In connection with our audit, nothing came to our attention that caused us to believe that the County of Milwaukee had failed to comply with the terms, covenants, provisions or conditions contained in the Airport Revenue Bonds, Series 2000A, dated June 1, 2000; the Airport Revenue Bonds, Series 2003A, dated January 1, 2003; the Airport Revenue Bonds, Series 2004A, dated March 31, 2004; the Airport Revenue Bonds, Series 2005A, dated December 22, 2005; the Airport Revenue Refunding Bonds, Series 2005B, dated December 22, 2005; the Airport Revenue Bonds, Series 2006A, dated November 16, 2006; the Airport Revenue Refunding Bonds, Series 2006B, dated November 16, 2006; the Airport Revenue Bonds, Series 2007A, dated November 15, 2007; the Airport Revenue Bonds, Series 2009A, dated December 21, 2009; the Airport Revenue

1. Virchow Krause was the County's outside auditor since 2002. In 2009, the firm changed its name to Virchow Krause Baker Tilly, LLP in 2009.

Refunding Bonds, Series 2009B, dated December 21, 2009; the Airport Revenue Bonds, Series 2010A dated October 14, 2010; and the Airport Revenue Refunding Bonds, Series 2010B, dated October 14, 2010, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.


Until 2010 this response had been satisfactory to US Bank, trustee for the Milwaukee County Revenue Bonds. In 2010, US Bank, as trustee, reviewed the compliance statements for all of their clients and communicated to the County that the external auditor compliance letter will need to include the language contained in the general resolution verbatim. Baker Tilly has informed Milwaukee County that the verbatim language would be inconsistent with the standards established by the Government Accounting Standards Board. Therefore, the Comptroller's Office requested Chapman and Cutler, the County's Bond Counsel, to prepare a supplemental resolution amending the existing general resolution in a manner which would provide a workable solution for all parties. The supplemental resolution amends the language to read as follows:

"The report of the auditor shall contain a statement to the effect whether, in the course of the audit, anything has come to the attention of the auditor that causes the auditor to believe that the County has failed to comply with the terms, covenants, provisions or conditions contained in the Resolution or the Bonds, insofar as they relate to accounting matters, and, if so, the nature of the non-compliance."

RECOMMENDATION

The Comptroller's Office recommends approval of the attached supplemental resolution that modifies the language of the Milwaukee County General Resolution Authorizing Issuance of Airport Revenue Bonds relating to the Report on Compliance with Revenue Bond Agreement Covenants to better reflect the external auditors role and comply with the bond covenants.

Prepared by:
Pamela Bryant



Scott Manske
Comptroller's Office

Pc: Frank Busalacchi, Director, Department of Transportation
Barry Bateman, Director, Department of Transportation - Airport Division
Craig Kammholz, Fiscal and Budget Administrator, DAS
Kelly Bablitch, Chief of Staff, Board of Supervisors
Debbie Bachun, Director of Finance, Department of Transportation
Pat Walslager, Deputy Airport Director
Pamela Bryant, Capital Finance Manager, Comptroller's Office
Stephen Cady, Fiscal and Budget Analyst, County Board
Justin Rodriguez, Capital Finance Planning Analyst, Comptroller's Office
James Martin, Fiscal and Budget Analyst, DAS