

WISCONSIN STATE SENATOR  
**RICHARD GROBSCHMIDT**

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7TH SENATE DISTRICT

Statement of Senator Richard Grobschmidt to  
the Joint Committee on Finance  
April 20, 2001

Co-chairs Burke and Gard and members of the joint committee:

I am here today to ask your support for a provision of the state budget bill that proposes an important revision to the way our state taxes airlines with hub facilities in our state. The proposal is identified as the Tax Exemption for Air Carriers with Hub Terminal Facilities in the Fiscal Bureau summary of the transportation budget. It has also been introduced as Assembly Substitute Amendment 1 to Assembly Bill 100 and has passed the Assembly. But more usually it is referred to as the Midwest Express/Air Wisconsin proposal.

In a brief summary, the proposal creates an exemption from property taxes and ad valorem taxes for air carriers that operate hub facilities in Wisconsin. Under the provisions of the budget bill and amended AB 100, there are currently two airlines – Midwest Express and Air Wisconsin, that would qualify for the exemption.

I have sponsored this proposal both this session and last, because Wisconsin can't afford to lose good businesses and good jobs to other states. Midwest Express is in the process of nearly doubling its fleet in the next five years from its current 52 planes to approximately 100. It can and will do it in Wisconsin if punitive tax policies are lifted. I am very concerned that it will make a business decision to locate outside of Wisconsin if the tax laws are not changed.


Having Midwest Express operate a hub airport in Milwaukee is a catalyst for economic development in our state. Midwest Express serves 80 percent of the major metropolitan areas of our country with non-stop flights. As a member of the Board of Forward Wisconsin I am aware that businesses considering locating in Wisconsin place importance on the convenience of business travel.

Midwest Express is already a large employer in our state and has an outstanding reputation in the airline industry. Midwest Express currently employs over 2,700 Wisconsin residents and could add over 1,000 jobs during its five year expansion.

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Grobschmidt testimony page two

Other state's that are home to major airlines, and Wisconsin's neighboring states, either have tax provisions that have encouraged hub airlines to locate in their borders, or specifically exempt aircraft from personal property taxes. Midwest Express faces a competitive disadvantage in Wisconsin.

The concerns of small airports have been addressed by the new proposal. The proposal creates a hold harmless protection for the local airport aid appropriation and creates a funding formula to assure adequate funding for the future. Also, Congress recently acted to increase federal aid to local airports in amounts that will increase overall funding for local airport projects in Wisconsin in the future.

I would also like to remind the committee that the legislature has previously recognized the importance of Midwest Express as a valuable corporate asset. In 1998 the Legislature approved a partial reduction in the aviation fuel taxes paid by Midwest Express. By Fiscal Bureau estimates, the fuel exemption saves the airline an estimated \$50,000.00 per month in taxes. I was glad to be a strong supporter of that provision and hope that it has contributed to the success of the airline and helped them during this time of rising fuel prices.

As you may be aware, proposals that create tax exemptions are required to be reviewed the Joint Survey Committee on Tax Exemptions before being enacted by the Legislature. Earlier this month I requested action by that joint committee and hope they will provide their recommendation in the near future. I have also expressed my request for quick action on this issue to the Senate Majority Leader.

I believe we need to continue our effort to improve the tax climate for our growing airline industry. I hope the joint committee will support the proposal presented in Governor McCallum's budget.

**Joint Committee on Finance Budget Hearing**  
**March 21, 2001**

Good morning, I am Larry Nines, Executive Director of the Wisconsin Health and Educational Facilities Authority.

I thank you for inviting me today to be a part of this budget bill briefing. I will keep my remarks brief as your agenda today carries many important fiscal and policy matters.

WHEFA has been providing active capital financing assistance to Wisconsin tax-exempt healthcare and higher educational institutions for over 22 years. In that time over 375 financings totaling almost \$7 billion have been completed to finance and refinance the capital needs of these two important sectors of our state's economy and infrastructure. All capital raised for these purposes comes from the private capital markets. The state or WHEFA provide no guarantees. Access to capital and its terms and conditions are determined separately for each eligible borrower. Whether it is a financing for the construction of a nursing home in Niagra or a bond issue for a large multi-site hospital system, whether it is improvements to the Eagle River Hospital (one of Wisconsin's first critical access designated hospitals) or housing and other facilities for a community provider like Lutheran Social Services, WHEFA is there to provide assistance in structuring the best financings possible.

There are three important things to always keep in mind when reviewing WHEFA activities.

First, WHEFA receives no state funding. Our four person staff and \$600,000 annual budget are funded through annual fees collected from borrowers who use our services. There is no direct fiscal impact on the state from our operations.

Second, WHEFA bonds currently only offer investors a federal tax exemption on the interest they earn. Wisconsin is only one of three states (Iowa, Illinois and Wisconsin) which do not complement the effectiveness of this federally tax-exempt financing technique with a state tax exemption for its health care and educational borrowers.

Third, WHEFA statutes currently require that it approve the financing plans for all eligible borrowers who apply and who can be reasonably expected to repay their loans. WHEFA is criticized in some circles for not saying no to certain financings when, in fact, we are statutorily instructed to take such approving action.

Now to the budget bill. The bill offers two amendments to WHEFA's Chapter 231. One would offer WHEFA's financing services to the state's private, tax-exempt primary and secondary schools. The other would empower WHEFA to be one option available to accomplish a portion of the bonding associated with the tobacco securitization plan proposed elsewhere in the bill. WHEFA takes no position on either of these legislative changes. We will, however, commit to you that if either or both changes are approved we will strive as in all of our financings to provide the greatest level of assistance, to engage the most qualified financing professionals and to produce resulting access to capital which we can all be proud of.

I would be happy to entertain any questions.

# WHEEA

*Wisconsin Health and Educational Facilities Authority*

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2000  
Annual Report

## Mission Statement

The Wisconsin Health and Educational Facilities Authority (WHEFA) actively assists all eligible Wisconsin health care and educational institutions to obtain and maintain access to the broadest range of low cost, private capital market financing possible.

WHEFA implements its mission by:

- Promoting its financial advisory and debt issuance capabilities
- Employing qualified staff and financing team members
- Analyzing, developing and implementing numerous financing options
- Actively administering its outstanding bond portfolio
- Communicating the needs and benefits of this low cost financing
- Providing no guaranty of its debt issued
- Not utilizing any public funds
- Financing only qualified, financially feasible projects
- Adhering to the requirements of Chapter 231, Wisconsin Statutes, and applicable federal tax law

## The Authority

The Authority, created by the Legislature in 1973 (Chapter 231, Wisconsin Statutes), has been providing active capital financing assistance to Wisconsin health care institutions since 1979. In 1987, the Authority's charter was expanded to include the issuance of bonds for the benefit of independent colleges and universities and certain continuing care facilities. In 1994, Legislative approval was received to include institutions which have health education as a primary purpose. Interest cost savings from Authority financings are reflected in lower costs to the consumer through the rates, fees and tuitions established by the borrowing institutions.

The Authority staff assists health care and educational institutions in analyzing financing alternatives and in structuring revenue bond issues to meet their needs. This financial advisory service is available to all eligible borrowers even if the Authority is not the ultimate issuer for the financing. Funds for each project are obtained through the sale of revenue bonds of the Authority. Bonds are sold to institutional lenders in "direct placement" transactions and to individual and institutional investors in "public offerings". Bond sale proceeds are loaned by the Authority to the borrowing institution or project sponsor. No state or other public funds are used. Additional benefits and economies are gained when the Authority does system financings, pooled loan programs, or structured financing programs which are utilized by multiple borrowers. Since 1994, the Authority has offered a reinvestment program through which projects that educate or improve the capital finance process for its constituents are eligible for grant funds.

The Authority's bonds are payable solely out of loan repayments from the borrowing institution or sponsor. They are not a debt, liability, or "moral" obligation of the State of Wisconsin or any of its political subdivisions. The Authority has no taxing power.

The credit supporting any Authority bond issue is the credit of the borrowing institutions involved. The availability of financing and its terms and conditions depends in each case upon the credit-worthiness of those institutions. In most cases, interest paid on Authority bonds is exempt from federal income taxation, resulting in materially lower financing costs to the borrowing institution. Interest on bonds issued by the Authority is not exempt from present Wisconsin income taxation.

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## Authority Members

### Joy A. Stubblefield

#### *Chairperson*

Mrs. Stubblefield, a resident of Racine, Wisconsin, is the former Executive Director of Lincoln Lutheran of Racine, Wisconsin, Inc. Mrs. Stubblefield has served as a member of the Authority since its inception in 1975. Her current term expires June 30, 2002.

### Daniel P. Blask

#### *Vice-Chairperson*

Mr. Blask, a resident of Pewaukee, Wisconsin, is the Vice President and Chief Operating Officer of ProHealth Care, Inc., Waukesha. Mr. Blask was appointed as a member in 1996. His current term expires June 30, 2001.

### Edward M. Aprahamian

Mr. Aprahamian, a resident of Mequon, Wisconsin, is the President of Ficht Services, Shorewood. Mr. Aprahamian was appointed as a member in 1999. His current term expires June 30, 2005.

### Paul B. Luber

Mr. Luber, a resident of Whitefish Bay, Wisconsin, is the Chief Executive Officer of Metzger Machine Corporation, Milwaukee. Mr. Luber was appointed as a member in 1999. His current term expired June 30, 2006.

### Dean K. Roe

Mr. Roe, a resident of Brookfield, Wisconsin, is the former President of Froedtert Memorial Lutheran Hospital, Wauwatosa. Mr. Roe was appointed as a member in 1990. His current term expires June 30, 2003.

### Tim Size

Mr. Size, a resident of Madison, Wisconsin, is the Executive Director of the Rural Wisconsin Health Cooperative, Sauk City. Mr. Size was appointed as a member in 1988. His current term expires June 30, 2004.

### Michael O. Stewart, Ph.D.

Mr. Stewart, a resident of Shorewood, Wisconsin, is a Chaplain for Froedtert Memorial Lutheran Hospital, Wauwatosa. Prior to his current position, Mr. Stewart served as a college chief financial officer for 20 years. Mr. Stewart was appointed as a member in 1989. His current term expired June 30, 2000. Effective October 1, 2000 Mr. Stewart resigned as a member of the Authority.

### Paul J. Senty

Subject to confirmation by the State Senate, the Governor's appointee, Mr. Paul J. Senty, will serve. Mr. Senty, of Middleton, Wisconsin, is Corporate Legal Counsel for Park Bank, Madison. His current term will expire on June 30, 2007.

### Past Members of the Authority recognized for their distinguished service include:

Kitty Brennan	Donald Griffin Jr.	Donald Percy
Paul Brown	Allan Iding	Robert Pollock
Manuel Carballo	Stewart Laird	Sister Mary Charles Rydzewski
Robert Durkin	James McKanna	George Schmoller
Sister Antona Ebo	Kenneth Merkel	James Sexton
Marshall Erdman		

## Staff

**Lawrence R. Nines**

*Executive Director*

**Dennis P. Reilly**

*Manager of Operations and Finance*

**Tanya L. Wilson**

*Operations and Finance Analyst*

**Kimberly A. Greuel**

*Administrative Assistant*

## Consultants

**Quarles & Brady LLP**

*General Counsel*

**Deloitte & Touche LLP**

*Independent Auditors*

## The Year In Review

The Wisconsin Health and Educational Facilities Authority is pleased to submit its report on activities for the fiscal year 2000 (July 1, 1999 to June 30, 2000). 2000 represents the Authority's 21st year of providing financing services to Wisconsin's health care and educational institutions.

During fiscal year 2000, 22 financings totaling over \$433.4 million were successfully completed. Nine percent of the dollars issued were used to refinance outstanding debt resulting in substantial debt service savings. Nine borrowers used the Authority for the first time during fiscal year 2000. As of June 30, 2000, the Authority has cumulatively completed 369 bond issues totaling over \$6.5 billion.

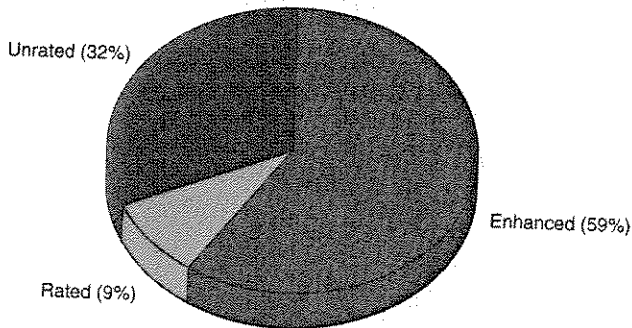
During the year, the Authority completed 3 credit assessments under a program developed with Standard & Poor's to help prospective borrowers assess their credit strengths and weaknesses.

Throughout the year, several institutions also utilized the Authority's financial advisory program in which the Authority provides financial and technical expertise relating to bond financing alternatives.

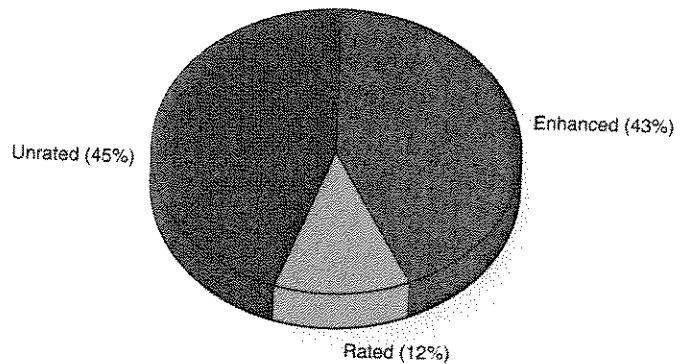


### NUMBER OF ISSUES BY CREDIT STRUCTURE

2000 FISCAL YEAR ACTIVITY



TOTAL WHEFA ACTIVITY



	<u>Enhanced</u>	<u>Rated</u>	<u>Unrated</u>	<u>Total</u>
Fiscal 2000	13	2	7	22
Total Activity	157	45	167	369

## The Year In Review (Continued)

### Individual Financings Included:

#### \$2,555,000 – Grace Lutheran Foundation, Inc. Project

Eau Claire – Proceeds were used to refund bonds previously issued by the Authority in 1988 as well as refund two outstanding taxable bank loans. Proceeds will also be used to finance the renovation, remodeling and equipping of the borrower's existing facilities.

#### \$44,185,000 – FH Healthcare Development, Inc. Project

Wauwatosa – Proceeds will be used to renovate a portion of Froedtert Memorial Lutheran Hospital. Proceeds will further pay for the acquisition of certain equipment and construction of certain building improvements.

#### \$39,390,000 – Mercy Health System Corporation

Janesville, Lake Geneva and Woodstock, Illinois – Proceeds will be used to finance routine capital equipment and renovation expenditures. Proceeds will also be used to finance the renovation and expansion of certain medical centers, fund information system improvements, and relocate the dialysis center at Mercy Hospital.

#### \$13,000,000 Series A and \$630,000 Taxable Series B – Wisconsin Illinois Senior Housing, Inc. Project

Lake Geneva, Elkhorn, Ripon, Wild Rose and Crystal Lake, Illinois – Proceeds will be used to purchase the physical assets and operations of four long term care facilities in Wisconsin and purchase the physical assets of a long term care facility in Illinois. Proceeds will also be used to finance certain renovations of the facilities.

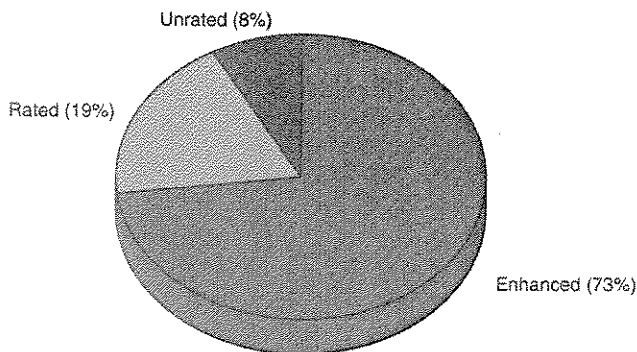
#### \$2,000,000 – Meriter Retirement Services, Inc. Project

Madison – Proceeds will be used to construct a new third elevator for the borrower's existing continuing care facility. Proceeds will also be used to fund renovations to the continuing care facility.

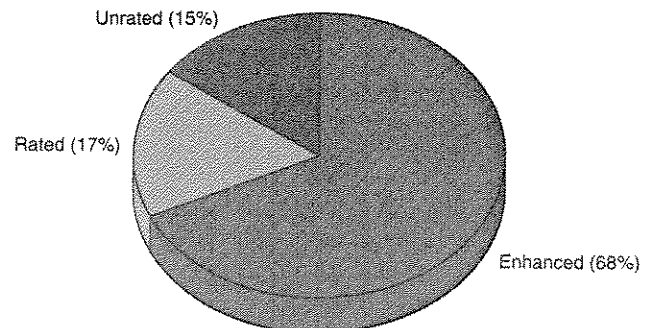


### DOLLARS ISSUED BY CREDIT STRUCTURE

2000 FISCAL YEAR ACTIVITY



TOTAL WHEFA ACTIVITY



	<u>Enhanced</u>	<u>Rated</u>	<u>Unrated</u>	<u>Total</u>
Fiscal 2000	\$315,892,000	\$84,470,000	\$33,084,450	\$433,446,450
Total Activity	\$4,410,491,000	\$1,091,675,000	\$1,004,583,750	\$6,506,749,750



## The Year In Review (Continued)

### \$2,455,000 – Maryhill Manor, Inc. Project

Niagara – Proceeds were used to refund bonds previously issued by the Authority in 1987. Proceeds will also be used to finance the remodeling, renovation and equipping of the borrower's existing nursing home facility.

### \$12,000,000 – Milwaukee Protestant Home Project

Milwaukee – Proceeds will be used to construct and equip a continuing care facility and to remodel and renovate certain of the borrower's existing facilities for use in connection with the continuing care facility adjacent to its existing facilities.

### \$40,285,000 – Ascension Health Credit Group

Milwaukee and Mequon – Proceeds were used to finance the acquisition of St. Mary's Hospital of Milwaukee and St. Mary's Hospital of Ozaukee.

### \$110,000,000 – Ministry Health Care, Inc.

Oshkosh, Rhinelander, Tomahawk and Numerous Other Locations in Wisconsin – Proceeds will be used to finance, or reimburse the borrower for, the payment of costs of acquiring, constructing, renovating, remodeling and equipping certain facilities. The proceeds will finance the remaining portion of the replacement hospital for Mercy Medical Center and will finance a portion of the construction planned at Sacred Heart-St. Mary's Hospital. Bond proceeds will further be used to finance routine capital projects and refund bonds previously issued by the Authority in 1989.

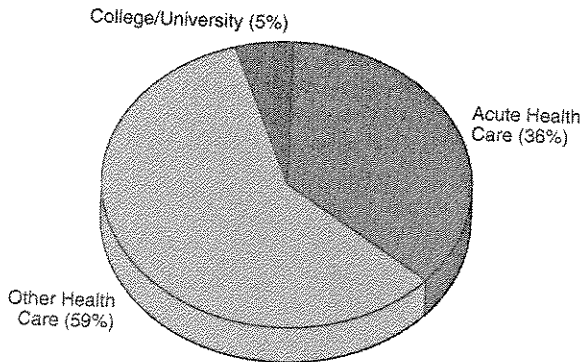
### \$52,095,000 – Marshfield Clinic

Marshfield, Eau Claire, Minocqua and Numerous Other Locations in North Central Wisconsin – Proceeds will be used to finance, or reimburse the borrower for, costs of acquisition, construction, improvement and equipping of various clinic facilities.

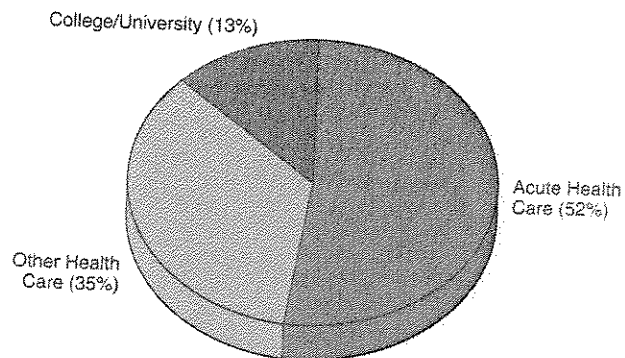


## NUMBER OF ISSUES BY BORROWER TYPE

2000 FISCAL YEAR ACTIVITY



TOTAL WHEFA ACTIVITY



	Acute Health Care	Other Health Care	College/University	Total
Fiscal 2000	8	13	1	22
Total Activity	192	129	48	369

## The Year In Review (Continued)

\$1,820,000 – Oconomowoc Memorial Hospital, Inc.

Oconomowoc – Proceeds will be used to finance the acquisition and installation of a linear accelerator and ancillary equipment.

\$3,087,000 – Mental Health Center of Dane County, Inc. Project

Madison – Proceeds were used to refund bonds previously issued by the Authority in 1989, as well as refund three outstanding taxable bank loans. Proceeds of the bonds will also be used to finance various capital expenditures.

\$729,450 – Flambeau Hospital, Inc.

Park Falls – Proceeds will be used to finance the acquisition and installation of a CT scanner and a mammography unit.

\$2,100,000 – Milwaukee Regional Medical Center, Inc.

Wauwatosa and McHenry, Illinois – Proceeds will be used to purchase two helicopters for the borrower's Flight for Life Program.

\$3,165,000 – Monroe Joint Venture, Inc. Project

Monroe – Proceeds will be used to finance the costs associated with the acquisition, construction and equipping of a continuing care facility.

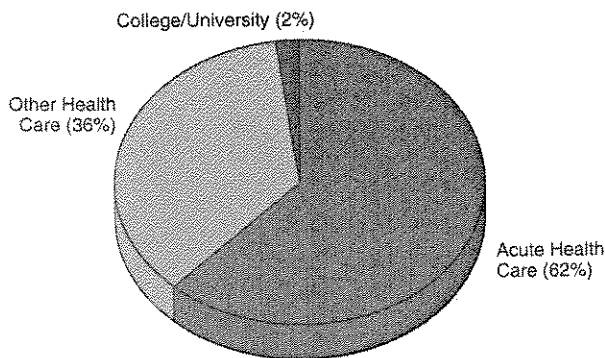
\$8,000,000 – St. Norbert College, Inc.

DePere – Proceeds will be used to finance the costs associated with construction, renovation and equipping of a campus center, an art center and a facility to provide overnight accommodations. The bond proceeds will also pay other ongoing capital expenditures, including an administrative computer system. Proceeds were further used to refund bonds previously issued by the Authority in 1992.

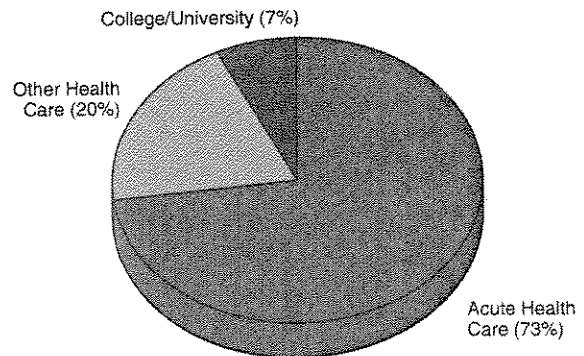


### DOLLARS ISSUED BY BORROWER TYPE

2000 FISCAL YEAR ACTIVITY



TOTAL WHEFA ACTIVITY



	Acute Health Care	Other Health Care	College/University	Total
Fiscal 2000	\$270,409,450	\$155,037,000	\$8,000,000	\$433,446,450
Total Activity	\$4,764,275,750	\$1,272,731,000	\$469,743,000	\$6,506,749,750

## The Year In Review (Continued)

**\$1,200,000 – St. John's United Church of Christ of Monroe, Wisconsin Project**

Monroe – Proceeds will be used to finance the costs associated with the acquisition, construction and equipping of a continuing care facility.

**\$23,000,000 – Wausau Hospital, Inc.**

Wausau – Proceeds will be used to finance the costs associated with acquisition, expansion, construction and equipping of certain improvements to the borrower's facilities. The project will provide for clinical treatment space, including cardiac care and ambulatory surgery. The bond proceeds will also pay for the relocation of a mobile docking facility, the construction of a new patient entrance and other various routine capital expenditures.

**\$4,350,000 – St. Clare Terrace, Inc. Project**

Milwaukee – Proceeds will be used to finance the costs associated with the remodeling, renovation and equipping of the borrower's existing facility. Upon completion, the borrower will operate the facility as a continuing care facility.

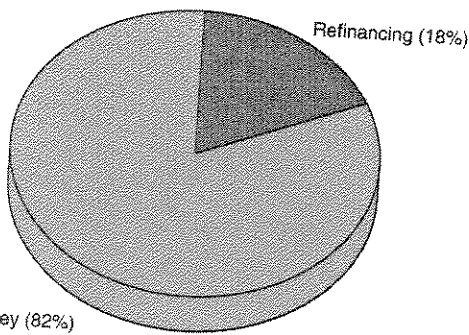
**\$11,000,000 – Rogers Memorial Hospital, Inc.**

Summit, Greenfield and West Allis – Proceeds were used to refund bonds previously issued by the Authority in 1999. In addition, bond proceeds will permanently finance certain outstanding debt, which the hospital has incurred with respect to the acquisition of a psychiatric hospital, and other outstanding taxable bank loans. Proceeds will also fund the construction, renovation, remodeling and equipping of certain of the borrower's healthcare facilities.

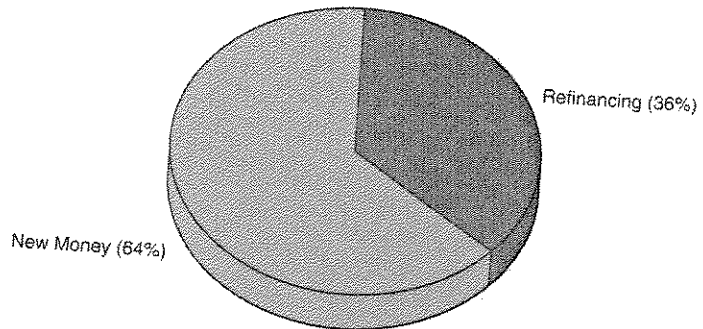


### NUMBER OF ISSUES BY USE

2000 FISCAL YEAR ACTIVITY



TOTAL WHEFA ACTIVITY



	<u>Refinancing</u>	<u>New Money</u>	<u>Total</u>
Fiscal 2000	4	18	22
Total Activity	131	238	369

## The Year In Review (Continued)

### \$50,900,000 – University of Wisconsin Medical Foundation, Inc.

Madison – Proceeds will be used to permanently finance the cost of acquiring certain clinic facilities. In addition, a portion of the bonds will be used to pay or reimburse the borrower for the costs of acquiring, constructing, renovating, remodeling and equipping certain of its health care facilities, including the costs of purchasing magnetic resonance imaging equipment and the costs of constructing new clinic facilities.

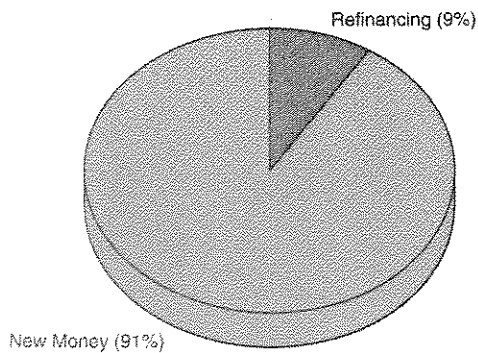
### \$5,500,000 – Madison Family Medicine Residency Corporation, Inc. Project

Madison, Verona and Belleville – Proceeds will be used to finance costs associated with the acquisition, construction, renovation, remodeling and equipping of a clinic facility. In addition, proceeds were used to refund two outstanding taxable bank loans.

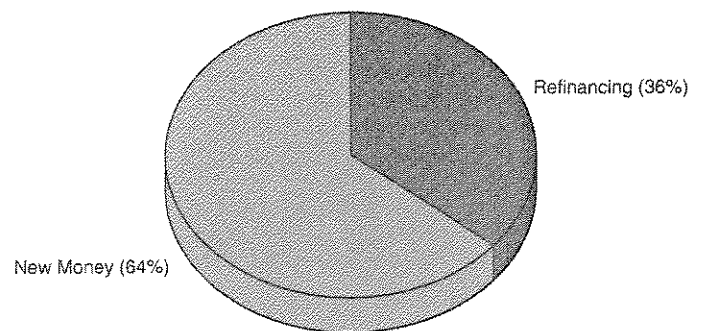


## DOLLARS ISSUED BY USE

2000 FISCAL YEAR ACTIVITY



TOTAL WHEFA ACTIVITY



	<u>Refinancing</u>	<u>New Money</u>	<u>Total</u>
Fiscal 2000	\$39,925,698	\$393,520,752	\$433,446,450
Total Activity	\$2,335,897,692	\$4,170,852,058	\$6,506,749,750

## *Independent Auditors' Report*

To the Members of the Wisconsin Health and  
Educational Facilities Authority  
Brookfield, Wisconsin

We have audited the accompanying balance sheets - operating fund of the Wisconsin Health and Educational Facilities Authority (the "Authority") as of June 30, 2000 and 1999, and the related statements of operations and changes in net assets - operating fund and cash flows - operating fund for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the operating fund of the Authority as of June 30, 2000 and 1999, and the results of its operations and change in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the Authority changed its method of accounting for investments to conform with Statement of Financial Accounting Standards No. 124 and retroactively restated the financial statements for the year ended June 30, 1999 for the change.

*Deloitte & Touche LLP*

Milwaukee, Wisconsin  
August 11, 2000

# Balance Sheets – Operating Fund

June 30, 2000 and 1999

	<u>2000</u>	<u>1999</u>
<b>ASSETS</b>		
Cash and cash equivalents (Note 1) .....	\$ 60,869	\$ 103,575
Investment securities (Notes 1 and 2) .....	2,603,949	2,485,740
Accrued annual fees (Note 1) .....	283,517	344,581
Receivables and other assets .....	82,927	31,370
Office furniture, equipment and leasehold improvements – net of accumulated depreciation of \$43,675 and \$64,516 .....	40,168	25,327
Cash and cash equivalents – restricted (Note 3) .....	<u>51,800</u>	<u>172,669</u>
<b>TOTAL ASSETS</b> .....	<u><u>\$3,123,230</u></u>	<u><u>\$3,163,262</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable .....	\$ 19,143	\$ 25,860
Accrued expenses .....	66,636	66,480
Unclaimed funds .....	51,800	51,800
Rural Hospital Loan Fund (Note 3) .....	<u>—</u>	<u>120,869</u>
Total liabilities .....	137,579	265,009
Net assets – Operating Fund .....	<u>2,985,651</u>	<u>2,898,253</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b> .....	<u><u>\$3,123,230</u></u>	<u><u>\$3,163,262</u></u>

See notes to financial statements.

*Statements of Operations and Changes  
in Net Assets - Operating Fund*  
Years Ended June 30, 2000 and 1999

*Statements of Cash Flows -  
Operating Fund*  
Years Ended June 30, 2000 and 1999

	2000	1999
<b>REVENUES:</b>		
Annual fees (Note 1) . . . . .	\$ 514,589	\$ 670,280
Investment income (Notes 1 and 2):		
Interest . . . . .	166,610	157,012
Net realized investment losses . . . . .	(4,840)	(7,186)
Net unrealized investment losses . . . . .	(29,089)	(47,543)
Total investment income	<u>132,681</u>	<u>102,283</u>
Total revenues . . . . .	<u>647,270</u>	<u>772,563</u>
<b>GENERAL AND ADMINIS- TRATIVE EXPENSES:</b>		
Salaries and benefits . . . . .	303,896	279,907
Professional fees . . . . .	64,480	47,009
Board expense . . . . .	8,791	10,752
Rent (Note 4) . . . . .	40,681	40,745
Insurance . . . . .	19,706	19,810
Supplies . . . . .	19,497	17,389
Telephone . . . . .	11,306	13,927
Travel . . . . .	9,190	8,644
Reinvestment initiatives . . . . .	36,237	40,525
Depreciation . . . . .	11,511	10,045
Other . . . . .	34,577	25,150
Total expenses . . . . .	<u>559,872</u>	<u>513,903</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b> . . . . .	87,398	258,660
<b>NET ASSETS, BEGINNING OF YEAR AS RESTATED (NOTE 2)</b> . . . . .	<u>2,898,253</u>	<u>2,639,593</u>
<b>NET ASSETS, END OF YEAR</b> . . . . .	<u>\$2,985,651</u>	<u>\$2,898,253</u>

	2000	1999
<b>OPERATING ACTIVITIES:</b>		
Excess of revenues over expenses . . . . .	\$ 87,398	\$ 258,660
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation . . . . .	11,511	10,045
Net realized investment losses . . . . .	4,840	7,186
Net unrealized investment losses . . . . .	29,089	47,543
Decrease (increase) in accrued annual fees . . . . .	61,064	(29,456)
(Increase) decrease in receivables and other assets . . . . .	(51,557)	9,759
(Decrease) increase in accounts payable . . . . .	(6,717)	13,288
Increase (decrease) in accrued expenses . . . . .	156	(19,279)
Net cash provided by operating activities . . . . .	<u>135,784</u>	<u>297,746</u>
<b>INVESTING ACTIVITIES:</b>		
Purchases of investment securities . . . . .	(1,002,494)	(1,975,443)
Proceeds from sales and maturities of investment securities . . . . .	971,225	1,748,628
Purchases of office furniture and equipment . . . . .	(34,527)	(13,237)
Proceeds from sale of equipment . . . . .	8,175	—
(Decrease) increase in restricted cash and cash equivalents . . . . .	(120,869)	5,240
Net cash used in investing activities . . . . .	<u>(178,490)</u>	<u>(234,812)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b> . . . . .	(42,706)	62,934
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b> . . . . .	<u>103,575</u>	<u>40,641</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b> . . . . .	<u>\$ 60,869</u>	<u>\$ 103,575</u>

See notes to financial statements.

# Notes to Financial Statements

Years Ended June 30, 2000 and 1999

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

Wisconsin Health and Educational Facilities Authority (the "Authority") is a public body politic and corporate of the State of Wisconsin created and existing under Chapter 231 of the Wisconsin Statutes. The Authority consists of seven members (the "Members"), appointed by the governor, with the advice and consent of the state senate. The Authority is not considered a component unit of the State of Wisconsin for purposes of the state's Comprehensive Annual Financial Report.

The purpose of the Authority is to facilitate financing for capital expenditures and refinancing of indebtedness for Wisconsin health care and educational institutions through the issuance of tax-exempt debt instruments.

The Authority issues tax-exempt instruments (bonds, notes, or other obligations), which do not constitute a debt of the State of Wisconsin or any political subdivision. These debt instruments are limited obligations of the Authority, payable solely from payments made by the related borrowing institutions and related assets held by trustees. The Authority has no general liability with respect to these obligations and has no beneficial interest in the related assets held by trustees. Therefore, the Authority has elected to exclude these obligations, and the related assets held by trustees, from the financial statements (see Notes 6 and 7).

### Cash Equivalents

The Authority considers all highly liquid debt instruments purchased with maturities less than 90 days to be cash equivalents.

### Investments

Effective July 1, 1998, the Authority changed its method of accounting for investments in debt securities. Investments in debt securities are currently carried at estimated fair value, which is determined based on quoted market prices. Prior to July 1, 1998, investments in debt securities were carried at cost, adjusted for amortization of premiums and accretion of discounts. The change has been applied retroactively by restating the financial statements for the year ended June 30, 1999 (see Note 2). Purchases and sales of debt securities are recorded as of the transaction date. Gains or losses on sales of debt securities are recognized using the specific identification method.

### Office Furniture, Equipment and Leasehold Improvements

Office furniture, equipment and leasehold improvements are carried at cost. Depreciation is computed using the straight-line method. The estimated useful lives of office furniture, equipment and leasehold improvements are three to seven years. Leasehold improvements are depreciated over the lesser of their useful life or the life of the lease agreement.

### Revenues

Revenues consist primarily of annual fees charged to borrowing institutions. Revenues are recognized when earned. The fee charged to borrowing institutions through July 31, 1999 was two basis points of the average amount of bonds outstanding during that period on an annualized basis. The fee charged to borrowing institutions was reduced to one and one-half basis points of the average amount of bonds outstanding after July 31, 1999.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Reclassifications

Certain amounts previously reported have been reclassified to conform to the current presentation.



## Notes to Financial Statements (Continued)

### 2. INVESTMENTS

Effective July 1, 1998, the Authority changed its method of accounting for investments to conform with Statement of Financial Accounting Standards ("SFAS") No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations." SFAS No. 124 requires investments to be reported at estimated fair value with gains and losses included in the statements of operations and changes in net assets. The Authority had previously classified its investment in debt securities as held to maturity in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Such investments were stated at cost, adjusted for amortization of premiums and accretion of discounts which were recognized as adjustments to interest income. The change has been applied retroactively by restating the financial statements for the year ended June 30, 1999. The cumulative effect of this restatement was to increase previously reported net assets as of July 1, 1998 by \$6,350.

The effect on previously reported excess of revenues over expenses for the year ended June 30, 1999 was as follows:

Excess of revenues over expenses as previously reported	\$298,348
Effect of change in method of accounting for investments	<u>(39,688)</u>
Excess of revenues over expenses as restated	<u>\$258,660</u>

Investments consist of the following as of June 30, 2000 and 1999:

	June 30, 2000		
	Estimated Fair Value	Cost	Unrealized Losses
U.S. government and federal agency obligations	\$1,497,254	\$1,522,117	\$(24,863)
Mortgage-backed obligations	772,478	804,848	(32,370)
Other asset-backed obligations	<u>334,217</u>	<u>347,266</u>	<u>(13,049)</u>
Total investments	<u>\$2,603,949</u>	<u>\$2,674,231</u>	<u>\$(70,282)</u>

	June 30, 1999		
	Estimated Fair Value	Cost	Unrealized Losses
U.S. government and federal agency obligations	\$1,045,301	\$1,056,367	\$(11,066)
Mortgage-backed obligations	1,173,682	1,196,827	(23,145)
Other asset-backed obligations	<u>266,757</u>	<u>273,739</u>	<u>(6,982)</u>
Total investments	<u>\$2,485,740</u>	<u>\$2,526,933</u>	<u>\$(41,193)</u>

Mortgage-backed obligations are generally backed by governmental agencies, including the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association and the Government National Mortgage Association.

### 3. RURAL HOSPITAL LOAN FUND

As of June 30, 1999, the Authority held \$120,869 of funds received from the State of Wisconsin for a Rural Hospital Loan Fund established by 1989 Wisconsin Act 317. These funds and related investment income were used exclusively for the Rural Hospital Loan Guarantee Program and were not available for operating use by the Authority. In November 1999, the Authority voluntarily returned the then outstanding balance of \$122,576 to the State of Wisconsin following the cancellation of all outstanding guarantees under this program and the program was thereby terminated.

### 4. OPERATING LEASE COMMITMENT

The Authority has an agreement to lease its office space through June 30, 2006. The lease agreement provides for a basic monthly rental payment plus operating costs of \$2,122 through June 30, 2001 and of \$2,054 plus operating costs commencing on July 1, 2001 and ending June 30, 2006. Rental expense related to the office space amounted to \$39,253 and \$39,317 for the years ended June 30, 2000 and 1999, respectively.

## Notes to Financial Statements (Continued)

### 5. RETIREMENT PLAN

All eligible Authority employees participate in the Wisconsin Retirement System (the "System"), a cost-sharing, multiple-employer, public employee retirement system. The Authority's participation in the System is combined with all state departments and agencies. As a result, the plan description, summary of significant accounting policies and plan asset matters, funding status and progress, contributions required and contributions made, and ten-year historical trend information will be presented in the System's June 30, 2000 Comprehensive Annual Financial Report, and is not available on an individual entity basis. The Authority contributed \$30,030 and \$30,253 to the plan for the years ended June 30, 2000 and 1999, respectively.

### 6. ASSETS HELD BY TRUSTEES

Resolutions adopted by the Authority have provided for trust and other agreements that establish specific funds to account for the proceeds of the various bond and note issues, notes receivable, debt service payments, payments by the participating health care and educational institutions, and construction and issuance costs. The investments held in specific funds established by such agreements are held by trustees and are excluded from the balance sheet of the operating fund, as described in Note 1. As of June 30, 2000 and 1999, assets held by trustees were approximately \$1,146,117,000 and \$1,165,404,000, respectively.

### 7. REVENUE BONDS

As of June 30, 2000, the following bond issues had all or a portion of their bonds advance refunded. The amounts outstanding were as follows (Dollars in Thousands):

<u>Advance Refunded Bonds</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Amount</u>
Waukesha Memorial Hospital, Inc., Series 1990A & B	2000-2019	6.90%-7.25%	\$ 34,130
Hinsdale Health System (Chippewa Valley Hospital and Oakview Care Center), Series 1990F	2000-2012	9.50%	4,695
St. Catherine's Hospital, Inc. Project, Series 1990	2000-2001	7.00%-7.10%	1,635
Marshfield Clinic Project, Series 1990	2000-2015	7.05%-7.35%	19,910
Milwaukee Regional Medical Center, Series 1990	2000-2011	7.00%-7.50%	7,590
The Medical College of Wisconsin, Inc. Project, Series 1990D	2000-2015	6.80%-7.35%	21,030
Wausau Hospital, Inc. Project, Series 1991A & B	2000-2020	6.30%-6.70%	56,340
St. Luke's Medical Center Project, Series 1991	2000-2019	6.00%-7.10%	72,130
Novus Health Group, Series 1991B	2000-2020	6.05%-6.75%	41,295
Children's Hospital of Wisconsin, Inc. Project, Series 1992	2000-2021	5.90%-6.50%	47,225
St. Clare Hospital Project, Series 1992	2001-2022	6.50%-7.00%	22,935
Marquette University Project, Series 1992	2000-2011	5.30%-5.50%	31,910
Catholic Health Corporation (St. Catherine's Hospital, Inc. Project), Series 1992	2000-2002	5.60%-5.80%	1,095
Lawrence University Refinancing, Series 1992	2002-2017	5.90%-6.875%	8,465
Felician Health Care, Inc., Series 1992B	2004-2022	6.25%	5,285
Memorial Hospital at Oconomowoc, Inc. Project, Series 1994	2001-2009	5.30%-6.25%	4,005
Marquette University Project, Series 1994	2000-2019	5.30%-7.00%	19,700
Catholic Health Corporation, Series 1994B	2000-2006	5.30%-6.375%	2,765
Catholic Health Corporation, Series 1995A	2000-2005	5.10%-5.50%	2,895
Memorial Hospital at Oconomowoc, Inc. Project, Series 1997	2000-2017	4.80%-6.35%	6,585
Charity Obligated Group - Daughters of Charity National Health System, Series 1997D	2000-2015	(a)	19,165
Total advance refunded bonds outstanding			<u>\$ 430,785</u>

## Notes to Financial Statements (Continued)

As of June 30, 2000, revenue bonds outstanding were as follows (Dollars in Thousands):

### Revenue Bonds Outstanding

	Due	Interest Rate	Amount
Franciscan Health Care, Inc. System Financing, Variable Rate Demand Bonds, Series 1985 A-1	2016	(a)	\$ 22,800
Franciscan Health Care, Inc. System Financing, Variable Rate Demand Bonds, Series 1985 A-2	2016	(a)	22,800
Middleton Village Associates Project/ FHA Insured Mortgage, Series 1986	2001-2016	7.75%-8.00%	1,800
The Board of Trustees of Carroll College Project, Series 1987	2000-2007	(b)	2,596
The Medical College of Wisconsin, Inc. Project, Series 1987	2000-2007	(b)	800
St. Joseph Residence, Inc. Project, Series 1987	2000-2007	(b)	1,280
St. Luke's Medical Center Project, Series 1987	2000-2017	(a)	36,800
Alexian Village of Milwaukee, Inc. Refinancing, Series 1988A	2001-2017	(a)	14,800
Marian College of Fond du Lac, Wisconsin, Inc. Project, Series 1988	2000-2009	(b)	929
Viterbo College, Inc., Series 1988	2001-2008	(b)	750
The Board of Trustees of Beloit College Project, Series 1988	2000-2013	(b)	850
Milwaukee Regional Medical Center, Inc. Project, Series 1988	2000-2018	(b)	1,595
Lawrence University Project, Series 1989	2001-2019	(a)	6,370
Marshfield Medical Research Foundation, Inc. Project, Series 1989	2000-2004	(b)	1,482
United Lutheran Program for the Aging, Inc. Project, Series 1989	2001-2019	(a)	6,830
Community Provider Pooled Loan Program, Series 1989A	2001-2009	7.20%-7.50%	2,744
Community Provider Pooled Loan Program, Series 1989B	2001-2004	10.25%	61
Eau Claire Manor Refinancing, Series 1989	2001-2013	9.625%	1,935
Novus Health Group, Inc. Project, Series 1990	2000	7.35%	607
The Medical College of Wisconsin, Inc. Project, Series 1990B	2000-2015	(b)	8,655
The Board of Trustees of Beloit College, Series 1990	2001-2010	(b)	3,150
Marshfield Clinic Project, Series 1990B	2010	(a)	8,000
Carthage College Project, Series 1991	2000-2011	(b)	2,400
Holy Family Memorial Medical Center, Inc. Project, Series 1991	2000-2011	(b)	1,800
Hospital Sisters Services, Inc. Obligated Group, Series 1991D	2001	6.20%	885
Columbia Hospital, Inc., Series 1991	2000-2021	6.00%-6.50%	46,035
Theaton Franciscan Services, Inc. System Rev. Refunding, Series 1991	2000-2015	6.00%-6.50%	32,840
Waukesha Memorial Hospital, Inc. Project, Series 1992	2000-2021	5.60%-6.25%	13,770
The Long-Term Care Foundation Project, River Falls, Wisconsin, Series 1992	2000-2011	7.125%-7.75%	2,495
Viterbo College, Inc. Project, Series 1992	2001-2012	(b)	700
St. Mary's Hospital of Janesville, Wisconsin, Inc. Project, Series 1992	2000-2022	5.85%-6.60%	27,235
St. Joseph Memorial Community Hospital Association, Series 1992	2000-2004	6.05%	800
St. Joseph's Health Care Obligated Group, Series 1992AA	2001-2020	5.60%-6.50%	53,345
St. Francis, Inc., Series 1992C	2001-2022	5.90%-6.25%	9,965
Franciscan Retirement Services, Series 1992	2000	6.90%	712
St. Joseph's Hospital, Series 1992	2000-2010	5.50%-6.25%	17,965
St. Joseph's Hospital, Series 1992A	2000-2022	5.40% -6.30%	38,685
Theaton Franciscan Services, Series 1993	2000-2022	5.35%-6.10%	86,735
St. Joseph's Hospital of the Sorrowful Mother - Ministry Corporation, Series 1993	2008-2022	6.125%	33,410
St. Joseph's Health Foundation, Inc., Series 1993	2001-2022	10.00%	4,075
St. Joseph's Hospital Congregate Housing, Inc. Project, Series 1993	2001-2023	6.00%-7.00%(c)	6,830
St. Joseph's Health Group, Inc., Series 1993	2000-2008	4.80%-5.50%	9,400
St. Joseph's Hospital - LaCrosse, Inc., Series 1993	2001-2015	5.30%-5.75%	26,025
St. Joseph's Hospital Benevolent Development Fund, Inc., Series 1993A	2001-2009	5.30%-5.60%	6,190

## Notes to Financial Statements (Continued)

Revenue Bonds Outstanding	Due	Interest Rate	Amount
Ripon College, Series 1993	2000-2008	(b)	\$ 3,270
LindenGrove, Inc. Project, Series 1993	2000-2022	5.50%(c)	2,695
Waukesha Memorial Hospital, Inc. Project, Series 1993	2000-2022	4.90%-5.70%	8,160
National Regency of New Berlin, Inc. Project, Series 1993	2000-2022	6.25%-7.85%	10,365
The Board of Trustees of Beloit College Project, Series 1993	2000-2013	(b)	4,484
Northland College Project, Series 1993	2001-2003	5.67%	190
Lutheran Benevolent Development Fund, Inc., Series 1993B	2001-2009	5.05%-5.50%	13,270
Memorial Hospital of Iowa County, Inc., Series 1993	2001-2008	5.15%-5.90%	3,060
Children's Hospital of Wisconsin Inc., Series 1993	2000-2010	4.80%-5.50%(d)	40,200
Marian College Project, Series 1993	2000-2022	(b)	2,195
Bellin Memorial Hospital, Inc. Obligated Group, Series 1993	2001-2022	4.90%-6.625%	35,085
Vernon Memorial Hospital Project, Series 1993	2000-2013	5.75%-7.00%	3,745
Hospital Sisters Services, Inc. Obligated Group, Series 1993	2001-2018	4.80%-5.375%	43,185
Howard Young Medical Center, Inc. Project, Series 1993	2000-2013	4.95%-5.75%	6,570
Catholic Health Corporation Project, Series 1993	2000-2013	4.50%-5.375%	21,510
Edgewood Care Center, Inc. Refunding, Series 1993	2000-2013	5.50%-7.125%	1,815
Beloit Memorial Hospital, Incorporated, Series 1993	2000-2013	5.10%-6.00%	3,580
Mequon Care Center, Inc. Refinancing, Series 1993	2000-2016	4.75%-5.75%	6,195
Aurora Health Care Obligated Group, Series 1993	2000-2023	4.60%-5.40%	141,165
The Medical College of Wisconsin, Inc., Series 1993	2000-2015	4.95%-5.95%	26,310
Sisters of the Sorrowful Mother - Ministry Corporation, Series 1993C & 1993D	2000-2023	4.40%-5.50%	72,625
Janesville Area Visiting Nurses Association, Inc. Project, Series 1994	2001-2009	(b)	6,200
The Blood Center of Southeastern Wisconsin, Inc., Series 1994A & 1994B	2001-2023	5.75%(a)(c)	17,485
The Lutheran Home Project, Series 1994	2001-2019	6.20%-7.25%	3,175
Alverno College, Series 1994B	2001-2007	6.35%-7.00%	2,220
St. Norbert College, Inc. Project, Series 1994	2001-2004	(b)	430
Stoughton Hospital Association Project, Series 1994A	2001-2014	6.40%-7.50%	5,200
Stoughton Hospital Association Project, Series 1994B	2001-2014	8.60%-9.50%	3,465
Ripon College Project, Series 1994	2001-2009	(b)	1,322
Froedtert Memorial Lutheran Hospital, Inc., Series 1994A	2000-2019	4.95%-6.00%	28,910
United Lutheran Program for the Aging, Inc., Series 1994	2000-2009	(b)	3,392
Sinai Samaritan Medical Center, Inc., Series 1994A	2000-2019	(a)	25,345
Lakeland College Project, Series 1994	2000-2001	6.014%	147
Felician Health Care, Inc. Project, Series 1994	2001-2019	(a)	14,900
Columbia Hospital Inc., Series 1994	2000-2004	6.10%-6.50%	6,045
Carthage College Project, Series 1995	2000-2015	(b)	4,000
Madison United Hospital Laundry, Ltd. Project, Series 1995	2001-2010	(a)	2,185
Memorial Hospital of Taylor County, Inc. Project, Series 1995	2001-2010	(b)	2,710
St. Norbert College, Inc. Project, Series 1995	2001-2010	(b)	2,150
SSM Health Care Projects, Series 1995A	2001-2020	4.875%-5.875%	20,000
Sheboygan Retirement Home & Beach Health Care Center, Inc. Project, Series 1995	2001-2020	(b)	1,635
Franciscan Skemp Medical Center, Inc., Series 1995	2000-2020	4.80%-6.25%	26,635
St. Anne's Home and St. Mary's Nursing Home Project, Series 1995	2000-2005	5.10%-5.75%	1,150
Mercy Health System Corporation, Series 1995	2000-2017	4.65%-6.25%	32,655
Lutheran Home for the Aging, Inc. Project, Series 1995	2000-2025	5.50%-7.00%	11,505
Shared Magnetic Resonance Imaging Facility, Inc. Project, Series 1995	2000	5.25%	710

## Notes to Financial Statements (Continued)

### Revenue Bonds Outstanding

	Due	Interest Rate	Amount
Waukesha Memorial Hospital, Inc., Series 1995A	2000-2019	4.55%-5.50%	\$ 41,155
Hess Memorial Hospital Association, Inc. Project, Series 1995	2000-2022	7.20%-7.875%	11,635
Heartland-Edgerton Group, LLC Project, Series 1995	2000-2025	9.00%	2,435
LindenGrove, Inc., Series 1995	2000-2025	5.50%-7.00%	22,500
Franciscan Sisters of Christian Charity Healthcare Ministry, Inc., Series 1995			
National Regency of New Berlin, Inc. Project, Series 1995	2001-2014	4.70%-5.50%	20,930
Aurora Medical Group, Inc. Project, Series 1996	2000-2025	7.50%-8.00%	27,495
Lutheran Homes of Oconomowoc, Series 1996	2001-2025	4.90%-6.00%	140,000
Malachi Corporation Project, Series 1996A & 1996B	2000-2016	4.15%(c)	4,700
Milwaukee Catholic Home, Inc. Project, Series 1996	2001-2026	8.00%-10.75%	2,890
Columbus Community Hospital, Inc., Series 1996	2000-2026	5.80%-7.50%	17,320
Fort Atkinson Memorial Health Services, Inc., Series 1996	2000-2016	5.75%-7.10%	5,720
Congregational Home, Inc. Project, Series 1996	2000-2011	5.50%-6.875%	8,745
Wisconsin Masonic Home, Inc. Obligated Group, Series 1996	2000-2011	(a)	4,155
Masonic Village on the Square, Inc., Series 1996	2000-2026	5.75%-7.00%	5,815
Watertown Memorial Hospital Association, Inc., Series 1996	2000-2026	5.75%-7.00%	7,235
Gundersen Clinic, Ltd. and Lutheran Hospital - LaCrosse, Inc., Series 1996	2000-2016	5.65%-7.00%	5,705
Sinai Samaritan Medical Center, Inc. Project, Series 1996	2000-2025	5.50%-6.50%	46,315
Malachi Corporation - Manitowoc Project, Series 1996A & B	2000-2026	4.65%-5.875%	53,295
Riverview Hospital Association, Series 1996A	2000-2026	8.00%-11.00%	5,465
Riverview Hospital Association, Series 1996B	2000-2003	4.65%-4.95%	2,445
Benchmark Healthcare of Wisconsin, Inc. Project, Series 1996A & 1996B	2000-2026	(a)	6,500
The Medical College of Wisconsin, Inc. Project, Series 1996	2000-2026	8.25%-10.50%	10,160
Meriter Hospital, Inc., Series 1996	2000-2026	4.40%-5.50%	25,715
Wheaton Franciscan Services, Inc. System, Variable Rate Demand Revenue Bonds, Series 1997	2000-2026	4.80%-6.00%	33,750
American Baptist Homes of the Midwest - Tudor Oaks, Series 1997	2000-2016	(a)	100,000
United Health Group, Inc., Series 1997A & 1997B	2000-2016	5.75%-6.75%	8,980
Malachi Corporation - Gillett and Wautoma Project, Series 1997A & 1997B	2000-2020	4.50%-5.75%	51,395
Terbo College, Inc. Project, Series 1997	2001-2027	8.00%-10.75%	4,380
Sisters of the Sorrowful Mother - Ministry Corporation, Series 1997A & 1997B	2001-2017	4.80%-6.00%	2,710
The Medical College of Wisconsin, Inc. Project, Series 1997	2000-2026	4.45%-5.90%	76,875
Residential Services Management, Inc., Series 1997A & 1997B	2001-2027	4.70%-5.75%	12,370
Marshfield Clinic, Series 1997	2001-2022	5.70%-7.00%	4,025
Bedtert Memorial Lutheran Hospital Trust, Series 1997	2001-2027	4.60%-5.75%	86,260
Benchmark Healthcare of Green Bay, Inc. Project, Series 1997A & 1997B	2001-2027	(a)	21,420
Community Memorial Hospital of Menomonee Falls, Inc., Series 1997	2001-2027	7.75%-9.50%	4,770
Memorial Hospital at Oconomowoc, Inc., Series 1997	2001-2018	5.10%-6.00%	8,740
Francis Home of Fond du Lac, Wisconsin, Inc. Project, Series 1997	2000-2002	6.45%	307
14th Street Community Health Center, Inc. Project, Series 1997	2001-2017	(a)	10,680
Madisonburg Area Medical Center, Inc. Project, Series 1997B	2000-2012	(a)	2,055
1st Fellow-Rebekah Home Association, Inc. Project, Series 1997	2008-2017	6.50%-6.75%	3,710
	2000-2017	(c)	2,700

## Notes to Financial Statements (Continued)

Revenue Bonds Outstanding	Due	Interest Rate	Amount
RFDF, Inc. Project, Series 1997	2000-2027	5.40%-7.375%	\$ 5,410
Aurora Health Care, Inc., Series 1997	2001-2027	4.50%-6.00%	225,000
Edgewood College Project, Series 1997	2000-2017	(a)	8,110
Grant Regional Health Center, Inc. Project, Series 1997	2000-2022	6.50%-7.50%	6,435
Alverno College Project, Series 1997	2000-2017	(a)	8,600
Felician Services, Inc. Obligated Group, Series 1997A & 1997B	2001-2027	(a)	51,500
LindenGrove, Inc., Series 1997	2000-2027	4.75%-6.15%	6,180
Cedar Crest, Inc. Project, Series 1997	2000-2022	(a)	8,060
Saint John's Home & Sunrise Care Center, Inc. Obligated Group, Series 1997	2000-2022	4.60%-5.625%	13,770
Wausau Hospital, Inc. Project, Series 1998A	2000-2020	4.25%-5.50%	54,820
Wausau Hospital, Inc. Project, Series 1998B	2000-2013	(a)	20,000
Carroll College, Inc. Project, Series 1998	2000-2009	4.30%-5.00%	8,875
Franciscan Sisters of Christian Charity HealthCare Ministry, Inc., Series 1998A	2001-2028	4.40%-5.50%	14,595
Concordia University Wisconsin, Inc. Project, Series 1998	2000-2018	4.15%-5.125%	5,605
SSM Health Care, Series 1998B	2001-2019	(a)	36,495
Children's Hospital of Wisconsin, Inc., Series 1998	2011-2028	5.50%-5.625%	70,000
United Health Group, Inc., Series 1998	2000-2027	4.25%-5.25%	31,870
The Millennium Housing Foundation, Inc. Project, Series 1998A & 1998B	2001-2028	5.75%-6.75%	10,715
Agnesian Healthcare, Inc., Series 1998	2000-2027	4.10%-5.125%	29,515
The Richland Hospital, Inc. Project, Series 1998A & 1998B	2001-2028	5.375%-8.00%	21,000
St. Camillus Health Center, Inc., Series 1998	2000-2028	4.50%-5.90%	11,460
United Lutheran Program for the Aging, Inc., Series 1998	2001-2028	4.75%-5.70%	18,225
Oakwood Project, Series 1998	2000-2028	4.25%-5.90%	14,320
Beaver Dam Community Hospitals, Inc., Series 1998	2000-2028	4.25%-5.80%	13,990
Lawrence University of Wisconsin, Series 1998	2000-2028	4.00%-5.125%	19,270
Hospital Sisters Services, Inc. - Obligated Group, Series 1998B	2001-2018	3.95%-5.375%	26,460
Mount Mary College Project, Series 1998	2000-2008	(c)	2,500
Clement Manor Refunding, Series 1998	2000-2024	4.25%-5.75%	20,950
Middleton Glen, Inc. Project, Series 1998	2000-2028	4.40%-5.90%	5,225
The Howard Young Medical Center, Inc. Project, Series 1998	2000-2028	3.70%-5.125%	20,100
Milwaukee Regional Medical Center, Inc. Project, Series 1998A	2000-2021	4.25%-5.75%	3,760
Marquette University, Series 1998	2001-2028	3.60%-5.50%	88,980
Shady Lane, Inc. Project, Series 1998	2001-2023	(a)	8,200
Artic Angel Obligated Group, Series 1998	2002-2028	4.75%-6.00%	21,365
McCormick Memorial Home for the Aged, Inc. Project, Series 1998	2000-2028	4.25%-5.875%	2,610
Community Rehabilitation Providers Facilities Acquisition Program, Series 1998	2000-2023	6.125%-6.875%	4,585
Benchmark Healthcare of Dane County, Inc. Project, Series 1999	2000-2028	6.75%-8.25%	3,605
Lutheran Social Services of Wisconsin and Upper Michigan, Inc. Project, Series 1999	2001-2019	3.80%-4.65% (c)	8,785
Stoughton Hospital Association Project, Series 1999	2001-2014	4.60%-5.75%	4,765
The Monroe Clinic, Inc., Series 1999	2001-2022	3.875%-5.375%	27,865
Milwaukee School of Engineering Project, Series 1999C	2000-2017	3.20%-5.125%	2,315
Divine Savior Hospital and Nursing Home, Inc. Project, Series 1999	2001-2028	4.15%-5.70%	12,555
Aurora Health Care, Inc., Series 1999A	2012-2029	5.375%-5.60%	150,000
Carthage College Project, Series 1999A, 1999B, 1999C & 1999D	2010-2029	5.70%-5.95% (c)	25,000

## Notes to Financial Statements (Continued)

### Revenue Bonds Outstanding

	Due	Interest Rate	Amount
ProHealth Care, Inc. Obligated Group, Series 1999	2001-2028	3.70%-5.125%	\$ 45,575
Benedictine Health System - St. Mary's Duluth Clinic Health System Obligated Group, Series 1999B	2001-2029	3.70%-5.125%	23,970
Memorial Hospital of Taylor County, Series 1999	2001-2019	(b)	3,450
Kenosha Hospital and Medical Center, Inc. Project, Series 1999	2002-2029	4.50%-5.70%	34,115
Aurora Health Care, Inc., Series 1999B	2012-2029	5.50%-5.625%	50,000
Aurora Health Care, Inc., Series 1999C	2000-2029	(a)	50,000
The Board of Trustees of Beloit College Project, Series 1999	2000-2019	(b)	5,000
Grace Lutheran Foundation, Inc. Project, Series 1999	2007-2014	(a)	2,555
FH Healthcare Development, Inc. Project, Series 1999	2001-2028	5.00%-6.25%	44,185
Mercy Health System Corporation, Series 1999	2000-2025	3.75%-5.50%	39,390
Wisconsin Illinois Senior Housing, Inc. Project, Series 1999	2000-2029	7.00%-8.00%	13,630
Meriter Retirement Services, Inc. Project, Series 1999	2001-2019	(b)	2,000
Maryhill Manor, Inc. Project, Series 1999	2000-2029	5.00%-6.75%	2,455
Milwaukee Protestant Home Project, Series 1999A	2001-2029	(a)	12,000
Ascension Health Credit Group, Series 1999A	2000-2004	4.50%-4.75%	40,285
Ministry Health Care, Inc., Series 1999A&B	2001-2029	(a)	110,000
Marshfield Clinic, Series 1999	2012-2029	6.25%	52,095
Oconomowoc Memorial Hospital, Inc., Series 1999	2000-2004	(b)	1,659
Mental Health Center of Dane County, Inc. Project, Series 1999	2000-2014	(b)	3,087
Flambeau Hospital, Inc., Series 1999	2000-2004	6.15%	667
Milwaukee Regional Medical Center, Inc., Series 1999	2000-2009	6.18%	2,023
Monroe Joint Venture, Inc. Project, Series 2000	2001-2030	(a)	3,165
St. Norbert College, Inc., Series 2000	2001-2010	(b)	8,000
St. John's United Church of Christ of Monroe, Wisconsin Project, Series 2000	2001-2030	(a)	1,200
Wausau Hospital, Inc., Series 2000	2024	(e)	23,000
St. Clare Terrace, Inc. Project, Series 2000	2002-2010	5.75%-7.00%	4,350
Rogers Memorial Hospital, Inc., Series 2000	2001-2020	(a)	11,000
University of Wisconsin Medical Foundation, Inc., Series 2000	2001-2030	(a)	50,900
Madison Family Medicine Residency Corporation, Inc. Project, Series 2000	2001-2021	(a)	5,500
Total revenue bonds outstanding			3,955,334
Total advance refunded bonds outstanding			430,785
Total bonds outstanding			<u>\$4,386,119</u>

(a) Adjustable rate determined by remarketing agreement or agent.

(b) Adjustable rate as an applicable percentage of the 13-week T-Bill rate; or as an applicable percentage of non-financial commercial paper rate.

(c) Rate is reset at end of applicable term.

(d) Portion of bond issue (approximately \$17.3 million) is "Indexed Cap Bonds" which currently bear interest at a fixed rate plus a supplemental rate.

(e) Adjustable rate as determined by a Periodic Auction Reset.

## Notes to Financial Statements (Continued)

### 8. PRINCIPAL MATURITIES

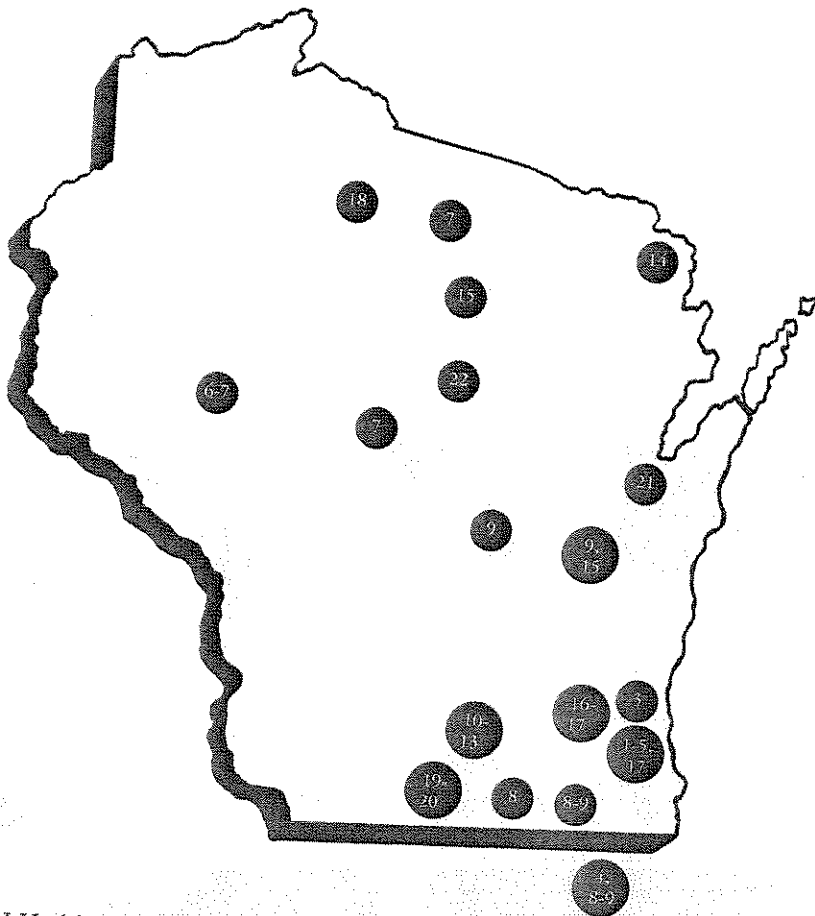
As of June 30, 2000, there were 225 revenue bond issues outstanding. These bonds mature at various dates, with mandatory sinking fund requirements due as follows (Dollars in Thousands):

<u>June 30</u>	<u>Requirements</u>
2001	\$ 180,011
2002	280,549
2003	223,375
2004	119,328
2005	138,738
2006	131,053
2007	115,992
2008	129,000
2009	131,812
2010	145,624
2011	129,421
2012	128,405
2013	132,740
2014	154,728
2015	150,741
2016	189,170
2017	239,054
2018	149,840
2019	142,115
2020	132,599
2021	129,408
2022	125,593
2023	124,038
2024	115,615
2025	144,055
2026	141,990
2027	112,385
2028	152,885
2029	172,025
2030	23,830
Total	<u>\$4,386,119</u>

◆ ◆ ◆ ◆ ◆ ◆



*Locations of WHEFA Financings* — Fiscal Year 2000 (7/01/99 – 6/30/00)



1	FH Healthcare Development	Wauwatosa
2	Milwaukee Protestant Home	Milwaukee
3	Ascension Health	Milwaukee, Mequon
4	Milwaukee Regional Medical Center	Wauwatosa, McHenry, IL
5	St. Clare Terrace	Milwaukee
6	Grace Lutheran Foundation	Eau Claire
7	Marshfield Clinic	Marshfield, Eau Claire, Minocqua, Numerous Other Locations in North Central WI
8	Mercy Health System	Janesville, Lake Geneva, Woodstock, IL
9	Wisconsin Illinois Senior Housing	Lake Geneva, Elkhorn, Ripon, Wild Rose & Crystal Lake, IL
10	Meriter Retirement Services	Madison
11	Mental Health Center of Dane County	Madison
12	University of Wisconsin Medical Foundation	Madison
13	Madison Family Medicine Residency	Madison, Verona, Belleville
14	Maryhill Manor	Niagara
15	Ministry Health Care	Oshkosh, Rhinelander, Tomahawk, Starewide
16	Oconomowoc Memorial Hospital	Oconomowoc
17	Rogers Memorial Hospital	Summit, Greenfield, West Allis
18	Flambeau Hospital	Park Falls
19	Monroe Joint Venture	Monroe
20	St. John's United Church of Christ of Monroe	Monroe
21	St. Norbert College	DePere
22	Wausau Hospital	Wausau

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Web Site: [www.whefa.com](http://www.whefa.com)

## THE AUTHORITY

WHEFA has been providing active capital financing assistance to Wisconsin non-profit healthcare institutions since 1979. The Authority's statute has been subsequently expanded to include the issuance of bonds for the benefit of independent colleges and universities, continuing care facilities and health education centers. Interest cost savings from Authority financings are reflected in lower costs to the consumer through the rates, fees and tuition established by the borrowing institutions.

The Authority staff assists healthcare and educational institutions in analyzing financing alternatives and in structuring revenue bond issues to meet their needs. Funds for each project are obtained through the sale of revenue bonds of the Authority. Bonds are sold to institutional lenders in "direct placement" transactions and to individual and institutional investors in "public offerings". Bond sale proceeds are loaned by the Authority to the borrowing institution or project sponsor. Additional benefits and economies are gained when the Authority does system financings, pooled loan programs, or structured financing programs which are utilized by multiple borrowers.

The credit supporting any Authority bond issue is the credit of the borrowing institutions involved. The availability of financing depends in each case upon the credit-worthiness of those institutions. The Authority's bonds are not a debt, liability, or "moral" obligation of the State of Wisconsin. In most cases, interest paid on Authority bonds is exempt from federal income taxation, resulting in materially lower financing costs to the borrowing institution. Interest on bonds issued by the Authority is not exempt from present Wisconsin income taxation.

## THE BENEFITS OF A WHEFA FINANCING

WHEFA staff assists healthcare and educational institutions in a variety of different ways, which may include:

- Providing front end analysis and advice when borrowers are deciding among financing alternatives and credit enhancements.
- Imparting the knowledge and experiences from one transaction to another.
- Employing high quality professionals, thereby standardizing work at a high level.
- Confirming bond pricing levels are appropriate.
- Expediting the financing process.
- Verifying that costs of issuance are appropriate.
- Having the ability to issue one series of bonds for multiple locations (including contiguous states).
- Providing educational assistance through newsletters and conferences.
- Offering assistance in the determination of eligibility for tax-exempt financing.
- Developing unique financing alternatives.
- Advocating for the continuation and improvement of the tax-exempt financing process.
- Maintaining professional competence through membership in the National Council of Health Facilities Finance Authorities and the National Association of Higher Educational Facilities Authorities.

## WHEFA ACTIVITY

During its fiscal year ending June 30, 2000, WHEFA successfully completed 22 financings totaling \$433.45 million. Nine percent of the bonds issued were used to refinance outstanding debt, thus substantially reducing debt service costs. Nine borrowers used WHEFA for the first time. As of January 1, 2001, WHEFA has participated in 385 bond issues in excess of \$6.7 billion over its 21 year history.

## RECENT WHEFA FINANCINGS

WHEFA has successfully completed a number of financings during fiscal year 2001. Some recent activity includes:

- Oakwood Village, Madison  
New Money - \$42,175,000
- Gundersen Lutheran, LaCrosse  
New Money - \$77,285,000
- Lawrence University, Appleton  
New Money - \$17,350,000
- Lakeland College, Sheboygan  
New Money & Refinancing - \$6,700,000
- Bay Area Medical Center, Marinette  
New Money - \$2,119,000
- Eagle River Memorial Hospital, Eagle River  
New Money - \$11,645,000

## **MISSION STATEMENT**

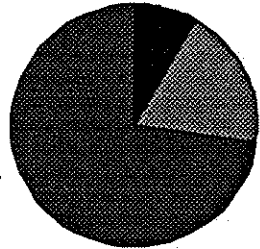
The Wisconsin Health & Educational Facilities Authority actively assists all eligible Wisconsin health care and educational institutions to obtain and maintain access to the broadest range of low cost, private capital market financing possible.

WHEFA implements its mission by:

- promoting its financial advisory and debt issuance capabilities
- employing qualified staff and financing team members
- analyzing, developing and implementing numerous financing options
- actively administering its outstanding bond portfolio
- communicating the needs and benefits of this low cost financing
- providing no guaranty of its debt issued not utilizing any public funds
- financing only qualified, financially feasible projects
- adhering to the requirements of Chapter 231, Wisconsin Statutes, and applicable federal tax law

## **WHEFA ACTIVITY**

**(TOTAL DOLLARS ISSUED - as of 6/30/00)**  
73% Hospitals & Other Acute Health Care



20% Other Health Care

7% Colleges & Universities

## **WHEFA MEMEBERS**

Joy A. Stubblefield, *Chairperson*  
Daniel P. Blask, *Vice-Chairperson*  
Edward M. Aprahamian  
Paul B. Luber  
Dean K. Roe  
Paul J. Senty  
Tim Size

## **WHEFA STAFF**

Lawrence R. Nines, *Executive Director*  
Dennis P. Reilly, *Manager of Operations & Finance*  
Tanya L. Wilson, *Operations & Finance Analyst*  
Kimberly A. Greuel, *Administrative Assistant*

# **WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY**

## **WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY**

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