WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY (WHEFA)

FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2022 AND 2021

Wisconsin Health and Educational Facilities Authority
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Wisconsin Health and Educational Facilities Authority (the Authority), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2022 and 2021, and the changes in financial position, and, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Members of the Authority
Wisconsin Health and Educational Facilities Authority

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Proportionate Share of the Net Pension Liability (Asset) – Wisconsin Retirement System and the Schedule of Contributions – Wisconsin Retirement System be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
October 26, 2022

Wisconsin Health and Educational Facilities Authority
Statements of Net Position
June 30, 2022 and 2021

ASSETS	2022	2021
Current assets		
Cash and cash equivalents	$ 194,029	$ 232,862
Investments	1,481,224	1,508,106
Accrued annual fees	369,801	347,463
Receivables and other assets	15,053	23,965
Total current assets	2,060,107	2,112,396
Noncurrent assets		
Capital assets, net	35,670	38,705
Net pension asset	258,870	247,336
Total noncurrent assets	294,540	286,041
Total assets	2,354,647	2,398,437
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	339,595	218,893
LIABILITIES		
Current liabilities		
Accounts payable	27,516	19,579
Accrued payroll and fringe benefits	6,423	4,347
Compensated absences	47,000	47,000
Total current liabilities	80,939	70,926
Long-term liabilities		
Compensated absences	18,006	12,897
Total long-term liabilities	18,006	12,897
Total liabilities	98,945	83,823
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	425,985	307,764
NET POSITION		
Net Position		
Net Investment in capital assets	35,670	38,705
Restricted for pension asset	258,870	247,336
Unrestricted	1,874,772	1,939,702
Total net position	$ 2,169,312	$ 2,225,743

See accompanying notes to the financial statements.

Wisconsin Health and Educational Facilities Authority
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2022 and 2021

	2022	2021
Operating revenues		
Annual fees	$ 775,627	$ 769,872
Total operating revenues	775,627	769,872
Operating expenses		
Salaries and benefits	545,935	523,643
Professional fees	68,214	68,604
Board expense	2,268	702
Rent	57,580	56,640
Insurance	21,127	19,776
Supplies	3,352	3,266
Communications	9,059	5,935
Travel	9,409	358
Membership dues	6,120	6,492
Hosted seminar	-	2,224
Staff education/training	4,259	1,455
Sponsorships	18,831	8,499
Depreciation	12,667	14,299
Other	23,176	16,516
Total operating expenses	781,997	728,409
Operating (loss) income	(6,370)	41,463
Nonoperating income (loss)		
Interest income	18,869	31,397
Gain on sale of capital assets	15,128	-
Change in fair market value of investments	(84,058)	(33,372)
Net nonoperating loss	(50,061)	(1,975)
Change in net position	(56,431)	39,488
Net position, beginning of year	2,225,743	2,186,255
Net position, end of year	$ 2,169,312	$ 2,225,743

See accompanying notes to the financial statements.

Wisconsin Health and Educational Facilities Authority
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Cash received from others	$ 756,101	$ 757,275
Cash paid to vendors for goods and services	(215,909)	(179,504)
Cash paid to employees for services and benefits	(552,765)	(537,891)
Net cash (used in) provided by operating activities	(12,573)	39,880
Cash flows from capital and related financing activities		
Purchases of property and equipment	(36,054)	(15,837)
Proceeds from sale of property and equipment	41,550	-
Net cash provided by (used in) capital and related financing activities	5,496	(15,837)
Cash flows from investing activities		
Purchases of investment securities	(462,454)	(589,484)
Proceeds from sales and maturities of investment securities	405,278	509,993
Interest received	25,420	32,419
Net cash used in investing activities	(31,756)	(47,072)
Net decrease in cash and cash equivalents	(38,833)	(23,029)
Cash and cash equivalents, beginning of year	232,862	255,891
Cash and cash equivalents, end of year	$ 194,029	$ 232,862

Reconciliation of operating (loss) income to net cash provided by operating activities

	2022	2021
Operating (loss) income	$ (6,370)	$ 41,463
Adjustments to reconcile operating (loss) income to net cash used in operating activities:		
Depreciation	12,667	14,299
Effects of changes in operating assets and liabilities:		
Accrued annual fees	(22,338)	(22,858)
Receivables and other assets	2,361	9,161
Accounts payable	7,937	12,063
Accrued payroll and fringe benefits	2,076	1,474
Compensated absences	5,109	(25,289)
Pension activity	(14,015)	9,567
Net cash (used in) provided by operating activities	$ (12,573)	$ 39,880

See accompanying notes to the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies utilized by the Wisconsin Health and Educational Facilities Authority (the Authority).

Reporting Entity

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 is 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 Annual Financial Report.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The purpose of the Authority is to facilitate the issuance of tax-exempt financing for capital expenditures and refinancing of indebtedness for qualified Wisconsin nonprofit institutions.

The tax-exempt instruments (bonds, notes, or other obligations) issued by the Authority 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 excluded these obligations, and the related assets held by trustees, from the financial statements (see Notes 8 and 9).

Basis of Presentation

All activities of the Authority are accounted for within a single proprietary (enterprise) fund using the full accrual basis of accounting whereby revenues are recognized when earned and expenses, including depreciation, are recorded when incurred. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges: or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, deferred outflows of resources and liabilities and deferred inflows of resources 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. Accordingly, actual results could differ from those estimates.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

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

2. ***Investment securities***
   Investments in securities are carried at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded as of the transaction date. Gains or losses on sales of securities are recognized using the specific identification method.

   The Authority has adopted an investment policy with the following permitted investments:

   a. U.S. Government Obligations and bond securities issued or guaranteed as to principal and interest by a commission, board or other instrumentality of the federal government.

   b. Short-term discount obligations of the Federal National Mortgage Association.

   c. Certificates of deposit or time deposits constituting direct obligations of any bank, savings and loan association or saving bank, the full amount of which is insured by the Federal Deposit Insurance Corporation.

   d. Certificates of deposit constituting direct obligations of any credit union the amount of which is insured by the Wisconsin Credit Union Savings Insurance Corporation or the national board (as defined in Wisconsin Statutes Section 186.01(3m).

   e. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in the State if the time deposits mature in not more than three years.

   f. Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the State.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

2. Investment securities (continued)

g. Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven (7) years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investment Service or other similar nationally recognized rating agency, or a security of the same issuer which has such a rating.

h. Securities which are otherwise eligible are not allowable investments after November 1, 1994, except with the consent of the members of the Authority, if they (a) do not pay interest at rates fixed through the final maturity of the investment unless their interest rates vary directly (i) with the prime rate of interest announced from time to time by a bank which has outstanding long-term debt rated AA or better by Standard & Poor's Corporation, (ii) with LIBOR or (iii) with an index designed to reflect existing market interest rates for, or actual interest rates on, fixed-rate U.S. Government obligations having maturities of three months or longer or (b) involve swaps, caps (which does not include a simple interest rate ceiling), collars or similar devices.

i. Securities of an open-end management investment company or investment trust, if the investment company or investment trust does not charge a sales load, if the investment company or investment trust is registered under the investment company act of 1940, 15 USC 80a-64, and if the portfolio of the investment company or investment trust is limited to the following: (a) Bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government. (b) Bonds that are guaranteed as to principal and interest by the federal government or commission, board or other instrumentality of the federal government. (c) Repurchase agreements that are fully collateralized by bonds or securities under subd. j(a) or j(b).

j. Any other obligation or security, with the prior consent of the Authority, which constitutes a permitted investment for money of the Authority as a result of an amendment of the Act subsequent to the writing of this document.

3. Accrued annual fees

The Authority considers accrued annual fees to be fully collectible; accordingly, no allowance is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

4. Capital assets

Capital assets are carried at cost. Maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Depreciation is computed using the straight-line method. The estimated useful lives of office furniture, equipment and leasehold improvements are three to seven years.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

5. ***Deferred outflows of resources***
   In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has one item that qualifies for reporting in this category. This item is related to the Authority's proportionate share of the Wisconsin Retirement System pension plan.

6. ***Deferred inflows of resources***
   In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category in the statements of net position. The deferred inflow of resources relates to the Authority's proportionate share of the Wisconsin Retirement System pension plan.

7. ***Compensated absences***
   Vacation time and sick leave benefits are earned by employees of the Authority based on time in service. Employees have the option to receive payment of a portion of unused vacation time or can choose to use the accumulated vacation time in the future. Employees also have the option to accumulate earned but unused sick leave. An employee is eligible to receive payment of unused sick leave upon eligible retirement. In both cases, the employee's annual salary plus any payment of accumulated vacation time and sick leave benefits cannot exceed the maximum of the salary range then-applicable to that employee as established by Wisconsin Statutes.

8. ***Pensions***
   For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by the WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. ***Net position***
   Net position is classified and displayed in three components:

   Net Investment in capital assets – Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Net position (continued)

Restricted net position – Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, contributors or laws or regulations or other governments or 2) law through constitutional provisions or enabling legislation. The only restriction of net position the Authority presents is related to the net pension asset.

Unrestricted net position – Amount of net position that is neither classified as restricted nor as net investment in capital assets.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

10. Operating revenue – annual fees

Revenues consist primarily of annual fees charged to borrowing institutions. Revenues are recognized when earned. The fee charged to borrowing institutions for the years ended June 30, 2022 and 2021 was 0.8350 of a basis point multiplied by the amount of bonds outstanding at the anniversary date of each bond issue.

11. Income tax status

The Authority is considered a quasi-governmental entity under Chapter 231 of the Wisconsin Statutes and therefore is exempt from federal and state income taxes.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENT SECURITIES

The Authority had the following deposits as of June 30, 2022:

	Carrying Value	Financial Institution Balance	Associated Risks
Petty cash	$ 194	$ -	Not applicable
Demand deposits	45,529	45,529	Custodial credit
Money markets	148,306	148,306	Custodial credit
U.S. agency securities	1,098,754	1,098,754	Credit risk and intetest rate risk
Corporate bonds	382,470	382,470	Credit risk and intetest rate risk
Total cash and investments	$ 1,675,253	$ 1,675,059	

Reconciliation to the Statement of Net Position

Cash and cash equivaents	$ 194,029
Investments	1,481,224
Total cash and investments	$ 1,675,253

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENT SECURITIES (continued)

The Authority had the following deposits as of June 30, 2021:

	Carrying Value	Financial Institution Balance	Associated Risks
Petty cash	$ 372	$ -	Not applicable
Demand deposits	38,027	38,097	Custodial credit
Money markets	194,463	194,463	Custodial credit
U.S. agency securities	1,003,971	1,003,971	Credit risk and intetest rate risk
Corporate bonds	504,135	504,135	Credit risk and intetest rate risk
Total cash and investments	$ 1,740,968	$ 1,740,666	

Reconciliation to the Statement of Net Position	
Cash and cash equivaents	$ 232,862
Investments	1,508,106
Total cash and investments	$ 1,740,968

Custodial Credit Risk

Deposits in each local bank are insured by the FDIC in the amount of $250,000 for demand deposits and $250,000 for time and savings deposits. Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of $400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual governmental agencies. This coverage has not been considered in computing the custodial credit risk.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Authority's deposits may not be returned. The Authority's formal investment policy, as identified in Note 1, addresses custodial credit risk. As of June 30, 2022, none of the Authority's total bank balance of $193,835 was uninsured and uncollateralized. As of June 30, 2021, none of the Authority's total bank balance of $232,560 was uninsured and uncollateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority's formal investment policy, as identified in Note 1, limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENT SECURITIES (continued)

Interest Rate Risk (continued)

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

June 30, 2022					
		Remaining Maturity (in Months)			
Investment Type	Amount	12 Months or Less	13 - 24 Months	25 - 60 Months	More than 60 Months
U.S. government and federal agency obligations	$ 1,098,754	$ 203,967	$ 145,569	$ 653,072	$ 96,146
Corporate bonds	382,470	89,864	180,216	94,944	17,446
Total	$ 1,481,224	$ 293,831	$ 325,785	$ 748,016	$ 113,592

June 30, 2021					
		Remaining Maturity (in Months)			
Investment Type	Amount	12 Months or Less	13 - 24 Months	25 - 60 Months	More than 60 Months
U.S. government and federal agency obligations	$ 1,003,971	$ 312,651	$ 107,606	$ 477,213	$ 106,501
Corporate bonds	504,135	96,459	119,088	242,324	46,264
Total	$ 1,508,106	$ 409,110	$ 226,694	$ 719,537	$ 152,765

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin Statutes limit the purchase of investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of year-end for each investment type. The Authority's formal investment policy, as identified in Note 1, limits investments to meet an established credit quality to manage credit risk.

June 30, 2022					
Investment Type	Amount	Exempt From Disclosure	AAA	Aa	A
U.S. government and federal agency obligations	$ 1,098,754	$ 1,098,754	$ -	$ -	$ -
Corporate bonds	382,470	-	263,830	83,685	34,955
Total	$ 1,481,224	$ 1,098,754	$ 263,830	$ 83,685	$ 34,955

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENT SECURITIES (continued)

Credit Risk (continued)

June 30, 2021					
Investment Type	Amount	Exempt From Disclosure	AAA	Aa	A
U.S. government and federal agency obligations	$ 1,003,971	$ 938,296	$ -	$ 65,675	$ -
Corporate bonds	504,135	-	-	442,104	62,031
Total	$ 1,508,106	$ 938,296	$ -	$ 507,779	$ 62,031

Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer. The Authority holds U.S. Treasury Notes which represent 59.7% of the total investment portfolio at June 30, 2022, and the Authority held U.S. Treasury Notes which represented 60.3% of the total investment portfolio at June 30, 2021.

Fair Value Measurement

The Authority uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The Authority follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Authority has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statements of net position is based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENT SECURITIES (continued)

Fair Value Measurement (continued)

The Authority has the following fair value measurements as of June 30, 2022 and 2021:

	June 30, 2022		
	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
U.S. government and federal agency obligations	$ -	$ 1,098,754	$ -
Corporate bonds	-	382,470	-
Total investments by fair value level	$ -	$ 1,481,224	$ -

	June 30, 2021		
	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
U.S. government and federal agency obligations	$ -	$ 1,003,971	$ -
Corporate bonds	-	504,135	-
Total investments by fair value level	$ -	$ 1,508,106	$ -

NOTE 3 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022 and 2021 was as follows:

	2022	2021
Capital assets, beginning of the year	$ 99,565	$ 108,499
Additions	36,054	32,354
Retirements	(41,008)	(41,288)
Capital assets, end of the year	94,611	99,565
Accumulated depreciation, end of year	(58,941)	(60,860)
Capital assets, net of depreciation, end of year	$ 35,670	$ 38,705

The Authority recognized $12,667 and $14,299 of depreciation expense during the fiscal years 2022 and 2021, respectively.

NOTE 4 COMPENSATED ABSENCES

Compensated absences as of June 30, 2022 and 2021 are comprised of the following:

	2022	2021
Compensated absences, beginning of the year	$ 59,897	$ 85,186
Additions	59,306	67,865
Reductions	(54,197)	(93,154)
Compensated absences, end of the year	$ 65,006	$ 59,897
Compensated absences, current portion	$ 47,000	$ 47,000

NOTE 5 DEFINED BENEFIT PENSION PLAN

Plan Description

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at http://etf.wi.gov/publications/cafr.htm.

Vesting

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits Provided

Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

NOTE 5 DEFINED BENEFIT PENSION PLAN (continued)

Benefits Provided (continued)

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

Postretirement Adjustments

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the floor) set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment		Variable Fund Adjustment	
2012	(7.0)	%	(7.0)	%
2013	(9.6)		9.0	
2014	4.7		25.0	
2015	2.9		2.0	
2016	0.5		(5.0)	
2017	2.0		4.0	
2018	2.4		17.0	
2019	-		(10.0)	
2020	1.7		21.0	
2021	5.1		13.0	

Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees, including Teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

NOTE 5 DEFINED BENEFIT PENSION PLAN (continued)

Contributions (continued)

During the reporting period, the WRS recognized $27,068 in contributions from the Authority.

Contribution rates as of June 30, 2022 are:

Employee Category	Employee	Employer
General (Including Teachers)	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.35%

Pension Asset, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the Authority reported an asset of $258,870 for its proportionate share of the Net Pension Asset. The Net pension Asset was measured as of December 31, 2021, and the Total Pension Liability used to calculate the Net Pension Asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Authority's proportion of the net pension asset was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2021 the Authority's proportion was 0.00224381%, which was a decrease of 0.00000281% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the Authority recognized pension expense (revenue) of ($15,986).

As of June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	$ 292,162	$ 21,068
Net differences between projected and actual earnings on pension plan investments	-	404,588
Changes in assumptions	33,741	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	174	329
Employer contributions subsequent to the measurement date	13,518	-
Total	$ 339,595	$ 425,985

NOTE 5 DEFINED BENEFIT PENSION PLAN (continued)

Pension Asset, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

$13,518 reported as deferred outflows related to pension resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Net Deferred Outflows/(Inflows) of Resources
2023	$ (8,588)
2024	(49,080)
2025	(21,580)
2026	(20,660)
2027	-
Thereafter	-

As of June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	$ 202,998	$ 43,725
Net differences between projected and actual earnings on pension plan investments	-	263,326
Changes in assumptions	3,181	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	713
Employer contributions subsequent to the measurement date	12,714	-
Total	$ 218,893	$ 307,764

$12,714 reported as deferred outflows related to pension resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2022.

NOTE 5 DEFINED BENEFIT PENSION PLAN (continued)

Pension Asset, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Net Deferred Outflows/(Inflows) of Resources
2022	$ (26,319)
2023	(7,238)
2024	(47,782)
2025	(20,246)
2026	-
Thereafter	-

Actuarial Assumptions

The Total Pension Liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2020
Measurement Date of Net Pension Liability:	December 31, 2021
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increase:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Morality:	2020 WRS Experience Mortality Table
Postretirement Adjustments:	1.7%

**No postretirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% is the assumed annual adjustment based on the investment return assumption and the postretirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2021 that covered a three-year period from January 1, 2018 to December 31, 2020. The Total Pension Liability for December 31, 2021 is based upon a roll-forward of the liability calculated from the December 31, 2020 actuarial valuation.

NOTE 5 DEFINED BENEFIT PENSION PLAN (continued)

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	52.0%	6.8%	4.2%
Fixed Income	25.0	4.3	1.8
Inflation Sensitive Assets	19.0	2.7	0.2
Real Estate	7.0	5.6	3.1
Private Equity/Debt	12.0	9.7	7.6
Total Core Fund	115.0	6.6	4.1
Variable Fund Asset Class			
U.S. Equities	70.0%	6.3%	3.7%
International Equities	30.0	7.2	4.6
Total Variable Fund	100.0	6.8	4.2

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets, such as fixed income securities. This results in an asset allocation beyond 100%. Currently, an asset allocation target of 15% policy leverage is used, subject to an allowable range of up to 20%.

NOTE 5 DEFINED BENEFIT PENSION PLAN (continued)

Single Discount Rate

A single discount rate of 6.80% was used to measure the Total Pension Liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 6.80% and a municipal bond rate of 1.84% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2021. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,0000 tax-exempt securities). Because of the unique structure of WRS, the 6.80% expected rate of return implies that a dividend of approximately 1.7% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.80%, as well as what the Authority's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.80%) or 1-percentage-point higher (7.80%) than the current rate:

	1% Decrease to Discount Rate (5.80%)	Current Discount Rate (6.80%)	1% Increase to Discount Rate (7.80%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	$ 50,314	$ (258,870)	$ (481,425)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at http://etf.wi.gov/publications/cafr.htm.

Payables to the Pension Plan

At June 30, 2022, the Authority reported a payable of $-0- for the outstanding amount of contributions to the pension plan.

NOTE 6 NET POSITION

Net position as of June 30, 2022 and 2021 on the statements of net position is comprised of the following:

	2022	2021
Investment in capital assets:		
Capital assets being depreciated	$ 94,611	$ 99,565
Accumulated depreciation	(58,941)	(60,860)
Total investment in capital assets	35,670	38,705
Restricted:		
Pension activity	258,870	247,336
Unrestricted	1,874,772	1,939,702
Total net position	$ 2,169,312	$ 2,225,743

NOTE 7 SHORT-TERM LEASE

The Authority has an agreement to lease its office space through December 31, 2022. The lease agreement provides for a basic monthly rental payment of $2,802 plus operating costs through December 31, 2022. Rental expense related to the office space amounted to $57,580 and $53,328 for the years ended June 30, 2022 and 2021, respectively.

NOTE 8 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 statements of net position of the operating fund, as described in Note 1.

NOTE 9 BONDS OUTSTANDING

As of June 30, 2022, there were 199 revenue bond issues outstanding for a total of $9,341,966,291. As of June 30, 2021, there were 190 revenue bond issues outstanding for a total of $8,761,274,147. A detailed listing of outstanding bond issues is available from the Authority upon request.

REQUIRED SUPPLEMENTARY INFORMATION

WISCONSIN HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/14	0.20581100%	$ (52,053)	$ 286,280	18.18%	102.74%
12/31/15	0.00211920%	33,444	299,842	11.15%	98.20%
12/31/16	0.00212604%	17,524	321,576	5.45%	99.12%
12/31/17	0.00220123%	(65,357)	336,508	19.42%	102.93%
12/31/18	0.00225253%	80,137	348,254	23.01%	96.45%
12/31/19	0.00261490%	(230,732)	360,787	63.95%	102.96%
12/31/20	0.00224662%	(247,336)	371,201	66.63%	105.26%
12/31/21	0.00224381%	(258,870)	389,087	66.53%	106.02%

SCHEDULE OF CONTRIBUTIONS
WISCONSIN RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/15	$ 17,398	$ 17,398	$ -	$ 252,733	6.88%
6/30/16	20,480	20,480	-	305,660	6.70%
6/30/17	22,372	22,372	-	333,952	6.70%
6/30/18	22,299	22,299	-	330,262	6.75%
6/30/19	23,333	23,333	-	348,254	6.70%
6/30/20	26,125	26,125	-	393,248	6.64%
6/30/21	25,367	25,367	-	375,814	6.75%
6/30/22	27,068	27,068	-	408,711	6.62%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes in benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes in assumptions:

12/31/21	No significant change in assumptions were noted from the prior year.
12/31/20	No significant change in assumptions were noted from the prior year.
12/31/19	No significant change in assumptions were noted from the prior year.
12/31/18	Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total Pension Liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.
12/31/17	No significant change in assumptions were noted from the prior year.
12/31/16	No significant change in assumptions were noted from the prior year.
12/31/15	No significant change in assumptions were noted from the prior year.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Wisconsin Health and Educational Facilities Authority (the Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 26, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
October 26, 2022