State of Washington

Office of Financial Management

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2013

November 2013

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State of Washington
Office of Financial Management

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For the Fiscal Year Ended June 30, 2013

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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013

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INTRODUCTORY SECTION

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STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT
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November 8, 2013

The Honorable Jay Inslee, Governor
Honorable Members of the Legislature
Citizens of the State
State of Washington
Olympia, Washington 98504

In accordance with Revised Code of Washington 43.88.027, the Office of Financial Management has prepared this Comprehensive Annual Financial Report (CAFR) of the state of Washington for the fiscal year ending June 30, 2013. Full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose, rests with the state. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The State Auditor has issued an unqualified ("clean") opinion on the Washington State financial statements for the fiscal year ending June 30, 2013. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Following the MD&A are the basic financial statements, including the government-wide financial statements, the fund financial statements, and the notes to the financial statements. The required supplementary information, combining and individual fund financial statements, schedules, and the statistical section complete the CAFR.

Profile of Washington State

Washington State was created in 1889 by an enabling act of Congress. The state is located on the Pacific Coast, in the northwestern corner of the continental United States, and comprises 71,303 square miles. Its current population is 6.9 million. Washington is famous for its breathtakingly beautiful scenery and sharp contrasts. On the west side of the state, high mountains rise above coastal waters. The forests of the Olympic Peninsula are among the world's rainiest places. The state's coastline has hundreds of bays and inlets that make excellent harbors, while in the eastern part, flat semi-desert land stretches for long distances without a single tree.

Washington's location makes it a gateway for land, sea, and air travel to Alaska and Pacific Rim countries. Ships from all parts of the world dock at Washington ports. Costco Wholesale Corporation, headquartered in Issaquah, operates an international chain of membership warehouses. Microsoft, a global leader in the computer software industry, makes its home in Redmond. Major internet retailer, Amazon.com, and worldwide renowned coffee company, Starbucks, are both headquartered in Seattle. The Weyerhaeuser Company, a major producer of wood and related products, is headquartered in Federal Way.

East of the Cascade Mountain range, farmers raise livestock and grow a variety of crops such as wheat, potatoes, and tree fruits. Washington leads the nation in apple and hops production, makes world-class wine, and produces large amounts of lumber, pulp, paper, and other wood products. Western Washington's mild, moist climate makes that region excellent for dairy farming and the production of flower bulbs.

GOVERNMENTAL STRUCTURE

As established in the State Constitution, Washington State has Executive, Legislative, and Judicial branches of government. The Executive Branch has nine elected officials: the Governor, Lieutenant Governor, Secretary of State, State Treasurer, State Auditor, Attorney General, Superintendent of Public Instruction, Insurance Commissioner, and Commissioner of Public Lands. Thirty-nine agency heads are appointed by, and report to, the Governor. Eighty-one agency heads report to boards appointed, in whole or in part, by the Governor. The Legislative Branch consists of the Senate (with forty-nine members) and the House of Representatives (with ninety-eight members). The Judicial Branch consists of the State Supreme Court, the highest court in the state, which has nine Justices. Every two years, three Justices are elected for six-year terms. A Chief Justice is chosen from among the most senior Justices. The Judicial Branch also includes the state's superior courts, justices of the peace, and such inferior courts as the Legislature may provide.

TYPES OF SERVICES PROVIDED AND REPORTING ENTITY

The state provides a wide range of services that include education, transportation, environmental and natural resource protection, and social and health services.

The accompanying report includes all funds and subsidiary accounts of the primary government, Washington State as legally defined, as well as its component units. Component units are legally separate entities for which the primary government is financially accountable or ones that have relationships with the state such that exclusion would cause the state's financial statements to be misleading or incomplete. The determination of "financial accountability" is based on criteria established in Governmental Accounting Standards Board Statements No. 14 and No. 61. Note 1.A to the financial statements explains more fully component units which are included in the reporting entity.

THE BUDGET CYCLE

Washington enacts budgets for a two-year cycle, beginning on July 1 of each odd-numbered year. By law, the Governor must propose a biennial budget in December, the month before the Legislature convenes in regular session. The biennial budget enacted by the Legislature can be modified in any legislative session through changes to the original appropriations. Since the inception of annual legislative sessions in 1979, it has become common for the Legislature to enact annual revisions to the state's biennial budget. These revisions are referred to as supplemental budgets.

Operating appropriations are generally made at the fund/account and agency level; however, in a few cases, appropriations are made at the fund/account and agency/program level. Operating appropriations cover either the entire biennium or a single fiscal year within the biennium. Capital appropriations are biennial and are generally made at the fund/account, agency and project level. The legal level of budgetary control is at the fund/account, agency and appropriation level, with administrative controls established at lower levels of detail in certain instances.

Washington State's Economy and Revenue Outlook

SUMMARY

From the time the nation's recession began, in December 2007, to its lowest point in February 2010, Washington State lost almost 206,000 jobs, or about 6.9 percent of total nonfarm payroll employment. While the state lagged the nation into this slowdown, local losses accelerated in late 2008 and, for the most part, began to match national trends. By June 2009, the nation was officially out of recession and national economic indicators were signaling a recovery in economic output. However, employment was noticeably restrained as employers sought to increase output through productivity gains rather than by hiring additional workers. Employment patterns were inconsistent throughout 2010 as the use of temporary Census workers in the late spring and summer masked the below-average hiring trends in the remainder of the economy. Employment growth turned positive in the last quarter of 2010 and advanced slowly through 2011. Employment maintained its positive track through 2012 and 2013 though at a growth rate less than half the historic norm. Job growth advanced at a 2.1 percent annual pace in 2013, a marked improvement on the 1.5 percent rate in 2012. Because of Washington's export-dependent economy, and because of the cautiously optimistic Asian outlook, Washington is still expected to outpace the nation over the next several years in terms of job and income growth.

It is expected that Washington's recovery and expansion will build upon the diversity of the state's economy, whose elements include a vital export base; the presence of knowledge-based industries such as information services, professional and business services, health services, and financial services; and attractive natural attributes. All these elements should continue to support population growth.

Washington's nonfarm payroll employment grew by 2.1 percent in fiscal year 2013, 1.5 percent in fiscal year 2012, 0.6 percent in fiscal year 2011, and -3.9 percent in fiscal year 2010. Throughout this span the aerospace industry was able to perform better than average despite weakness in the global airline industry, thanks primarily to a long backlog of orders. Adding workers to address the production difficulties with the Boeing 787, and increasing the delivery pace for the large backlog of orders in fiscal year 2013 helped keep employment on the upswing. Total manufacturing employment grew 3.8 percent in fiscal year 2013 as production schedules ramped up and a favorable dollar gave Washington products an advantage in the international markets. With Boeing 787 production difficulties solved in late fiscal year 2013, the ramping down of aerospace employment in fiscal year 2014 and further easing of payrolls are projected for the future.

Washington's unemployment rate fell by 1.2 percentage points in fiscal year 2013, as a growing national economy, rebounding housing markets, and moderating energy costs helped support the labor markets. As the annual unemployment rate eased down to 7.5 percent from 8.7 percent in the previous fiscal year, Washington's jobless rate tracked closely with the national average throughout this period.

Personal income grew 4.4 percent in fiscal year 2013, despite the below-average pace of hiring. Real personal income – after factoring out inflation – grew by 3 percent in fiscal year 2013 after gaining 2.7 percent in fiscal year 2012 and 3 percent in fiscal year 2011. In comparison, real personal income fell 3.1 percent in fiscal year 2010.

Washington's outlook for fiscal year 2014 is for modest gains in economic growth as the recovery and expansion from the financial crisis and national and international recessions take hold in the local economy. Nonfarm payroll employment in Washington is forecasted to increase by 1.9 percent in fiscal year 2014. Personal income in fiscal year 2014 is predicted to grow by 4.2 percent in current terms, and by 2.9 percent in real terms.

General Fund-State revenues are forecasted to grow at a 7.6 percent rate in the 2013-15 biennium compared to the 8.7 percent gain in the 2011-13 biennium. The slowly rebounding economy, a pick up in hiring, and recovering housing markets have had a positive effect on revenue growth. Further economic growth and a continued rebound in the housing market will keep revenues growing at a moderate pace.

ECONOMIC CONDITION IN FISCAL YEAR 2013

Washington's nonfarm payroll employment grew by 2.1 percent in fiscal year 2013, compared to the 1.6 percent growth in U.S. nonfarm payroll employment. The absolute increase in Washington's nonfarm payroll employment was 59,300 during fiscal year 2013. Personal income in Washington grew 4.4 percent, leading the U.S. gain of 3.7 percent. Because Washington's personal income had not fallen to the same degree as the nation's in fiscal year 2010, the rebound effect in Washington was somewhat lessened during the subsequent recovery (i.e., the state did not have near as deep a hole from which to extract itself). Real per capita income grew by 1.9 percent in Washington over the same period, again leading the nation, which experienced a 1.5 percent gain.

Aerospace employment provided an anchor for Washington's manufacturing sector in fiscal year 2013. Even though aerospace employment did ratchet down a modest amount in fiscal year 2010, fiscal year 2011 saw a return to aerospace employment gains with an additional 1,400 workers, a growth rate of 1.7 percent. Employment during fiscal year 2012 was a vigorous 10.1 percent with a gain of 8,400 new workers. The ramping up of production schedules and the adding of an additional line to help boost aircraft deliveries helped boost employment by another 5,800 jobs in fiscal year 2013, a 6.4 percent gain. With a more complete resolution to the Boeing 787 production difficulties in late fiscal year 2013, it is expected that aerospace payrolls will ease throughout the remainder of the forecast period.

Manufacturing employment, other than aerospace, was not near as hearty but still grew by 2.6 percent. Durable manufacturing industries, which had experienced pullbacks in employment in fiscal year 2010, turned up in fiscal year 2011 as the national economy and export market began to strengthen, and carried that momentum into 2012 and 2013. Nondurable manufacturing employment, which had declined 4.6 percent in fiscal year 2010, eased upward by 0.9 percent in fiscal year 2011, and gained another 1.5 percent in fiscal year 2012 as demand for processed food and paper products solidified. Durable goods employment continued to grow in fiscal year 2013 but at a more leisurely 0.9 percent pace.

In comparative terms, employment in durable manufacturing in Washington grew by 4.9 percent in fiscal year 2013, while employment in durable manufacturing nationwide increased by 1.5 percent, formerly one of the few bright spots in the nation's labor market. Employment patterns in durable manufacturing industries posted gains across the board in Washington during fiscal year 2013. Even employment in lumber and wood products, which had been very hard hit by the recession and housing bust, posted solid gains thanks to the nascent rebound in the housing markets.

Washington's lumber industry is dependent upon local and national home building trends. The housing market in Washington had begun to soften in fiscal year 2008, and the national markets had been weak since the end of fiscal year 2007. The rebound in home building resulted in a 3.3 percent gain in wood products employment in fiscal year 2013. Employment in other transportation equipment (other than aerospace) grew by 5.1 percent as demand for heavy trucks, ships and boats rebounded thanks to renewed wholesale and other distribution activity. As aerospace employment strengthened, employment in primary and fabricated metal products – major suppliers to aerospace – grew by 5 percent in fiscal year 2013, despite the more intense use of composite materials in newer aircraft. Machinery manufacturing employment also increased 6.2 percent in fiscal year 2013. Computers and electronic products jobs were up 0.9 percent, while employment in other durable manufacturing was up by 2.1 percent.

Nondurable manufacturing employment in Washington increased by 0.9 percent in fiscal year 2013, a gain of about 800 jobs. Nationally, nondurable manufacturing employment gained just 0.3 percent over the same period. In Washington, employment in food manufacturing grew 1.7 percent in fiscal year 2013 as a result of continued growing demand in the export markets. Printing and paper products employment dropped 5.5 percent in fiscal year 2013 as a result of declining national demand for magazines and newspapers and the growing use of on-line information sources.

Washington's non-manufacturing employment advanced 1.9 percent in fiscal year 2013. All major nonfarm services sectors, including government, posted payroll gains for fiscal year 2013 with construction employment outpacing the field with a growth of 5 percent.

The construction industry's healthy gain in fiscal year 2013 was a result of a rebound in the housing market as median house prices strengthened throughout most of the year and as building permits gained momentum. The housing market was bolstered by continued record low mortgage interest rates which were likely a major factor that helped stem the decline in housing prices. An excess of homes from the housing bubble will likely keep new home sales at a relatively modest pace while existing home sales should continue to post moderate gains.

For many years, employment growth in the information sector has relied almost exclusively on the strength of software publishing. However in fiscal year 2010, after a run of 27 years, software employment fell 2.6 percent because of restructuring at Microsoft. The sector's employment stabilized in the last half of fiscal year 2010 and began a slow upturn in fiscal year 2011, growing 0.8 percent. Job gains in fiscal year 2012 were twice that pace at 1.6 percent. Fiscal year 2013 was better still with a 1.8 percent increase.

Wholesale trade grew by 1.9 percent in fiscal year 2013, and retail trade employment increased by 2.6 percent, a characteristic job gain for this point in the economic recovery. Professional and business service jobs advanced by 3 percent in fiscal year 2013, as the great majority of activities within the sector gained strength over the year; only waste management and remediation services remained in the doldrums because of the ending of several contract activities at the Hanford nuclear reservation the previous year. Education and health services reported an increase of 1.1 percent during fiscal year 2013 – much slower than this sector has posted in the past; uncertainty surrounding the Affordable Care Act has likely caused some caution in this sector. Leisure and hospitality services recorded a 2.9 percent increase as demand for food and beverage services strengthened and as hotels and motels experienced higher occupancy rates. Even the public sector posted a 0.3 percent gain thanks primarily to growth in local government payrolls.

ECONOMIC OUTLOOK

The forecast for Washington State for fiscal year 2014 reflects the continuation of slow but steady employment growth at both the state and national levels. According to the September 18, 2013, forecast by the state Economic and Revenue Forecast Council, Washington's nonfarm payroll employment is predicted to increase by 1.9 percent in fiscal year 2014, one-tenth quicker than that of the nation. Up until the middle of fiscal year 2010, the economic recovery was characterized by an expansion of existing workers' hours rather than new hiring. In addition, an aggressive cycle of productivity gains through the early period of economic recovery also kept hiring at bay. With the end of the productivity surge in early 2011, employers began to expand their payrolls to increase output in 2012. This pattern held in fiscal year 2013 and should do so again in fiscal year 2014.

Manufacturing employment in Washington is projected to continue its upward course in fiscal year 2014 though with some significant changes. The aerospace industry, which added 15,500 jobs between 2010 and 2013, is expected to pare jobs in 2014 in response to the easing of production problems on the Boeing 787 lines. Additional workers had been brought aboard over the last several years not only to address the teething problems but also to build production to a designated pace. With the resolution of the production problems and pace of production, the need for additional workers has lessened. An average of 1,100 fewer workers are expected to be employed in aerospace in fiscal year 2013. Durable manufacturing, aside from the aerospace sector, is expected to grow by 1,700 jobs as business investment and exports boost demand. As a result, primary and fabricated metals, machinery and electrical equipment, computer and electronic products, and other transportation equipment are all expected to solidify their employment bases.

The wood products industry was hard hit by both the housing bubble and the slowdown in international trade. But after five years of downward trending employment, the wood products sector began to hold its own in fiscal year 2012 and expand in fiscal year 2013 as the nation's multi-family housing market and increased residential remodeling helped shore up demand for wood products. With the rebound in the housing market, payroll gains of 6.8 percent are expected in fiscal year 2014 as demand for new apartments and single-family homes strengthens. This will also carry into the construction sector, resulting in job gains of 6.2 percent.

Nondurable manufacturing gains should be mixed in fiscal year 2014, but at an overall quicker pace than durable goods. Employment in food manufacturing is expected to post a solid 4.2 percent gain. Employment in paper and paper products manufacturing, however, is expected to decline by 0.3 percent while other nondurable manufacturing should fall by 0.2 percent.

In the other non-manufacturing sectors, the strongest employment growth in fiscal year 2014 is predicted to occur in professional and business services, which is expected to expand 3.1 percent as business-to-business related activity increases, particularly computer systems design and employment services. Software publishers, retail trade employment, and leisure and hospitality services jobs are all expected to grow at a 2.4 percent annual rate. Transportation, warehousing, and utilities jobs should gain 2.2 percent thanks to the continued strength of international trade through Washington's ports.

Wholesale and retail trade should post moderate job gains of 1.5 percent and 2.4 percent respectively in fiscal year 2014. Increased international trade volumes will help boost demand for wholesale trade activity. Retail payrolls will likely be urged on by both growth in income and overall nonfarm payroll employment.

Education and health service jobs should also post a moderate 1.7 percent gain in fiscal year 2014. Health care services have proven to be much less susceptible to economic downturns than other sectors of the economy, although in this recovery employment gains have been below average. The coverage provided by public and private insurers provides the economic buffer for this sector.

Leisure and hospitality jobs are projected to grow 2.4 percent in fiscal year 2014. Travel and dining-out activities were put on hold during the recession. Recent gains have been modest because of the slow growth in overall employment and incomes. Because both overall income and employment are expected to post moderate gains in 2014, so too should the leisure and hospitality sector.

Construction declined by almost 70,000 jobs between fiscal year 2008 and fiscal year 2012. After these four consecutive years of decline the construction sector finally experienced a modest rebound in fiscal year 2013 thanks to the emerging rebound in the housing markets. Payrolls are expected to increase by 6.2 percent in fiscal year 2014 because of the growing demand for rental apartments and moderate increases in single-family construction and remodeling.

Employment in financial activities will remain slow because of continued difficulties among state chartered banks, many of whom were over-exposed in commercial building loans when the market weakened. Those banks that survived the shake-out have been directed by the Federal Deposit Insurance Corporation to strengthen their balance sheets, which in some ways has been detrimental to small business lending activity. Payrolls are expected to post a 0.8 percent gain in fiscal year 2014.

Federal government payrolls in Washington State will decline by 1.5 percent in fiscal year 2014 because of the easing of defense-related federal expenditures, sequestered activities, and budget conflicts. State and local government employment will increase by 0.5 percent, primarily on the local government side, as the moderate rebound in the labor markets and increases in consumer spending result in similar gains in revenue collections.

Washington's personal income is expected to grow by 4.2 percent in fiscal year 2014, a bit quicker than the 3.5 percent growth in U.S. personal income for the same period. Employment is expected to maintain its current rate of growth in fiscal year 2014, and, as a result, the wage component of personal income should grow at a 4 percent pace. Because of the declines in unemployment, slow though they may be, the use of unemployment compensation, an important component of personal income, will actually decline by over 12 percent in fiscal year 2014. Proprietors' income is projected to grow at a 4 percent clip in fiscal year 2014 as entrepreneurs capture gains as the economy grows. Dividends, interest, and rents will grow at a 7.7 percent pace as financial markets extend their recovery.

Major Initiatives

Entering the Great Recession later than most states, Washington is recovering at a somewhat slower pace. There are signs that the state's economy and revenue collections are stabilizing, but significant challenges remain as Washington implements its 2013–15 biennial budget and develops its 2014 supplemental budget.

Washington State, with its heavy reliance on sales taxes and sectors such as home construction, was particularly hard hit by the Great Recession. In the first year of the downfall, total taxable retail sales in Washington dropped by 10.4 percent and fell another 6 percent the following year. To put that in perspective, the previous biggest decrease in taxable retail sales since at least the 1950s was a 1.4 percent decline in the year following the September 11, 2001, attacks.

In previous recessions, the national and state economies typically began to recover within a year. But in the Great Recession, which already was far deeper than any downturn since the Great Depression, the turnaround took much longer. Tax collections in the state did not even begin to rebound for three years.

Over a four-year period, nearly every quarterly state revenue forecast brought more bad news. In all, Washington's revenue projections for the 2009–11 and 2011–13 biennia fell by $10 billion — a nearly 16 percent decline compared to original forecasts. During that time, then-Governor Gregoire and the Legislature reduced existing and projected spending by more than $11 billion.

For future budgets, Washington's new governor, Jay Inslee, and the Legislature will face new challenges. Under legislation approved in 2012, and beginning with the 2013–15 biennium, Washington became the only state in the nation required to pass a budget that balances spending against anticipated revenue over a four-year period. To this end, the Legislature created a State Budget Outlook Work Group to develop longer-term revenue and expenditure outlooks. The work group is composed of members from the Office of Financial Management, Legislative Evaluation and Accountability Program, Office of the State Treasurer, Economic and Revenue Forecast Council, Caseload Forecast Council, and legislative budget committees.

When Governor Inslee took office in January 2013, Washington faced a budget shortfall of about $1 billion. On top of that shortfall, the state would need to spend at least $1 billion over the biennium to comply with the requirements of the Washington Supreme Court's 2012 McCleary ruling that for years the state has failed to meet its constitutional "paramount duty" to amply fund basic education.

Despite continuing fiscal challenges, Governor Inslee emphasized that the state's "number one priority is revitalizing Washington's economy and building a 21st century workforce. To do that, we must start with a strong commitment to education — and we must ensure that our investments get results."

The following summarizes how Governor Inslee's priorities hold the line on most government spending, adding enhancements only to protect the most vulnerable, ensure public safety and address shortfalls in a few critical areas, and to meet the requirements of the McCleary decision.

BETTER MANAGEMENT OF STATE GOVERNMENT

Governor Inslee is building upon the successes of his predecessors to manage state government transparently, efficiently and effectively on behalf of all Washingtonians. He holds his Cabinet and agency leadership responsible for achieving results that the taxpayers deserve and to which he is committed. To this end, his "Results Washington" initiative launched this past September focuses on key goals that will strengthen our economy, improve our schools and make Washington an ideal place to live and do business. By setting clear objectives and continually tracking results, the state will be better equipped to engage its employees, partners and the public in building a healthier, better-educated and more prosperous Washington.

Results Washington will use the latest technology to routinely gather, review and display performance data to make it easier for citizens to see for themselves how well state government and its many partners — such as school districts, local governments and community organizations — are delivering services and meeting key performance goals.

Washington's businesses and health care industries have discovered the value of Lean management as a way of doing business and are achieving tremendous results. Lean is a system of proven principles, methods and tools that encourages employee creativity and problem solving. As part of Results Washington, the state is creating a new Lean fellowship program, led by a Lean expert, to work side-by-side with agencies on performance improvement plans. Lean efforts will help state agencies more efficiently serve the people and businesses of Washington.

In recent years, Washington has adopted reforms that will significantly bend state government's cost curve. These include pension reforms projected to save more than $10 billion in state and local funds over the next 25 years. Unemployment insurance reform measures passed in 2011 were projected to save businesses, especially small businesses, $300 million in 2012 alone.

Under bipartisan legislation approved in 2011, and starting in fiscal year 2016, the State Finance Committee will gradually lower the state debt limit from 8.75 percent to 7.75 percent by fiscal year 2022. The committee may adjust the working debt limit due to extraordinary economic conditions, and is authorized to delay or reduce bond issuance to not exceed the recommended working debt limit.

EDUCATION

To meet the state's obligations under McCleary, the Governor proposed a series of actions for public schools. At the end of one regular and two special sessions, significant gains had been made:

- In early learning, full-day kindergarten was extended to more schools with high levels of poverty.
- In K-12, class sizes were reduced for K-1 and transportation costs were fully funded.

In addition, the biennial budget was passed with no tuition increases in the public higher education sector, bringing relief to thousands of students and families across the state.

HEALTH CARE

Legislation setting up a health benefit exchange in Washington was passed in 2011. The bill represented the next step in Washington's development of an exchange, called for under the federal Patient Protection and Affordable Care Act (PPACA) to give individuals and small businesses a means to choose affordable, high-quality health insurance coverage. The exchange governing board has the authority to make the exchange operational and self-sustaining, and to ensure the quality and value of the insurance plans offered. The law keeps plans in the exchange from being overwhelmed by high-cost enrollees and becoming unaffordable. The advantages of the exchange were highlighted this fall with the October 1 open enrollment date. While the exchanges of other states experienced less-than-anticipated traffic, Washington's was heavily accessed. As a result, within the first month, more than 25,000 enrollments had been completed, with another 37,000 applications done but awaiting processing of the purchasers' first payments. Washington also decided to expand its Medicaid program under the PPACA to serve more individuals.

ECONOMIC DEVELOPMENT

Governor Inslee crafted a "Working Washington Agenda" to revitalize the state's economy, create jobs and ensure we have workers with the knowledge and skills to fill those jobs. In pursuit of the agenda, the Governor is convening a new Science, Technology, Engineering & Mathematics (STEM) alliance between the public and private sectors to bring together the best thinkers from around the state to build a more coherent and comprehensive model for engagement and interdisciplinary opportunities. He is also setting up a one-stop portal for business by providing the Legislature with a plan for establishing performance benchmarks as well as for measuring successes. The Governor is advancing the state's leadership in aerospace by continuing funding for the Joint Center for Aerospace Technology Innovation, which helps support more than 1,200 aerospace-related jobs in Washington. The Governor signed into law a measure he supported to level the playing field between Washington and other states or countries by eliminating uncompetitive tax policies. The Governor is also leading efforts to increase entrepreneurship among underserved or disadvantaged communities by signing executive orders to require greater contracting with small businesses owned by veterans and persons with disabilities.

ENVIRONMENT AND ENERGY

Governor Inslee invited lawmakers to join a bipartisan discussion on how to tackle the issue of carbon pollution, a cornerstone of his agenda. The legislation calls for convening a group to recommend how to meet the state's greenhouse gas emission standards. His Yakima Basin Jobs, Water and Fish bill commits the state to implementing an integrated plan for managing water in this major watershed. And his Clean Energy Fund includes $40 million to invest in clean energy technologies to save money and cut energy costs, reduce harmful air emissions, increase energy independence and create jobs.

Notable among the Governor's environmental priorities is the Climate Legislative and Executive Workgroup, which is charged with recommending actions and policies to reduce greenhouse gas emissions that, if implemented, would ensure achievement of the state's emissions targets. The recommendations must be prioritized to ensure the greatest amount of environmental benefit for each dollar spent and based on measures of environmental effectiveness, including consideration of current best science, the effectiveness of the program and policies in terms of costs, benefits and results, and how best to administer the program and policies. The work group recommendations must include a timeline for actions and funding needed to implement the recommendations. The goal is for the workgroup to report its recommendations to the Legislature by December 31, 2013.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Washington State for its CAFR for the fiscal year ending June 30, 2012. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, with contents conforming to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Washington State has received a Certificate of Achievement for the past 26 years. The Office of Financial Management considers this report to be in conformity with the Certificate of Achievement Program requirements, and will submit it to the GFOA.

The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of each state agency and institution of higher education and the Office of Financial Management. This CAFR reflects the Governor's commitment to the Legislature, the citizens of Washington State and the financial community to maintain financial statements in conformance with the highest standards of financial accountability.

Sincerely,

David Schumacher
Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Washington

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Statewide Elected Officials

As of June 30, 2013

Governor
Jay Inslee

Lieutenant Governor
Brad Owen

Secretary of State
Kim Wyman

Treasurer
Jim McIntire

State Auditor
Troy Kelley

Attorney General
Bob Ferguson

Superintendent of Public Instruction
Randy Dorn

Commissioner of Public Lands
Peter J. Goldmark

Insurance Commissioner
Mike Kreidler

2013 Organization Chart

Washington State Government

Legislative Branch

Senate and House of Representatives

- Joint Legislative Audit & Review Committee
- Joint Legislative Systems Committee
- Joint Transportation Committee
- Legislative Ethics Board
- Office of Legislative Support Services
- Legislative Evaluation & Accountability Program (LEAP) Committee
- Office of the State Actuary
- Redistricting Commission *(activated decennially)*
- Statute Law Committee *(Code Reviser's Office)*

Executive Branch

Judicial Branch

Supreme Court

- Administrative Office of the Courts
- Office of Civil Legal Aid
- Court of Appeals
- Commission on Judicial Conduct
- District Courts
- Law Library
- Municipal Courts
- Office of Public Defense
- Superior Courts

Agencies Managed by Statewide Elected Officials

Commissioner of Public Lands
- *Dept. of Natural Resources*
- *- Board of Natural Resources*
- *- Forest Practices Board*

Insurance Commissioner

Treasurer
- *Public Deposit Protection Commission*
- *State Finance Committee*

Lieutenant Governor

Governor

Office of the Governor
- *Office for Regulatory Innovation & Assistance*
- *Results Washington*
- *Office of the Education Ombuds*
- *Office of the Family & Children's Ombuds*

Attorney General
- *Executive Ethics Board*

Superintendent of Public Instruction
- *Board of Education*
- *Professional Educator Standards Board*

Auditor

Secretary of State
- *Productivity Board*
- *State Library*

Agencies Led by Governor-Appointed Executives

Environment and Natural Resources
- Dept. of Agriculture *(commodity commissions)*
- Dept. of Ecology
- Pollution Liability Insurance Program
- Puget Sound Partnership
- Recreation and Conservation Office

General Government
- Board of Accountancy
- Office of Administrative Hearings
- Dept. of Archaeology and Historic Preservation
- Consolidated Technology Services
- Dept. of Enterprise Services
  - *Building Code Council*
- Dept. of Financial Institutions
- Office of Financial Management
  - *Personnel Resources Board*
  - *Sentencing Guidelines Comm.*
  - *Washington Commission on National and Community Service*
  - *Office of Chief Information Officer*
  - *Technology Services Board*
- Governor's Office of Indian Affairs
- State Lottery
- Military Department
- Dept. of Retirement Systems
- Dept. of Revenue

Transportation
- Dept. of Licensing *(occupational regulatory boards)*
- State Patrol
- Traffic Safety Comm.
- Dept. of Transportation

Health and Human Services
- Dept. of Corrections
  - *Indeterminate Sentence Review Board*
- Employment Security Dept.
  - *Governor's Committee on Disability Issues and Employment*
- Dept. of Health
  - *Board of Health*
  - *(occupational regulatory boards)*
- Health Care Authority
  - *Public Employees Benefits Board*
- Dept. of Labor and Industries
- Dept. of Services for the Blind
- Dept. of Social and Health Services
- Dept. of Veterans Affairs

Education
- Center for Childhood Deafness and Hearing Loss
  - *Board of Trustees*
- Dept. of Early Learning
- School for the Blind
- Workforce Training and Education Coordinating Board

Community and Economic Development
- Commission on African-American Affairs
- Arts Commission
- Commission on Asian Pacific American Affairs
- Dept. of Commerce
  - *Community Economic Revitalization Board*
  - *Developmental Disabilities Council*
  - *Energy Facility Site Evaluation Council*
  - *Public Works Board*
- Commission on Hispanic Affairs
- Office of Minority and Women's Business Enterprises

Agencies Under Authority of a Board, Council, or Commission

Environment and Natural Resources
- Columbia River Gorge Commission
- Conservation Commission
- Environmental and Land Use Hearings Office
  - *Growth Management Hearings Board*
  - *Pollution Control Hearings Board*
  - *Shorelines Hearings Board*
- Dept. of Fish and Wildlife
  - *Fish and Wildlife Commission*
- Parks and Recreation Commission
- Washington Materials Management and Financing Authority

General Government
- Caseload Forecast Council
- Citizens' Commission on Salaries for Elected Officials
- Economic and Revenue Forecast Council
- Forensic Investigations Council
- Gambling Commission
- Horse Racing Commission
- Innovate Washington
- Investment Board
- Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board
- Liquor Control Board
- Public Disclosure Commission
- Public Employment Relations Commission
- Board of Tax Appeals
- Utilities and Transportation Commission
- Board of Volunteer Firefighters and Reserve Officers

Transportation
- County Road Administration Board
- Freight Mobility Strategic Investment Board
- Board of Pilotage Commissioners
- Transportation Improvement Board
- Transportation Commission

Health and Human Services
- Criminal Justice Training Commission
- Health Care Facilities Authority
- Human Rights Commission
- Board of Industrial Insurance Appeals
- Tobacco Settlement Authority

Education
- Charter School Commission
- State Board for Community and Technical Colleges
  - *Boards of Trustees for 34 community and technical colleges*
- Governing Boards of Four-Year Institutions of Higher Education:
  - *Central Washington University*
  - *Eastern Washington University*
  - *The Evergreen State College*
  - *University of Washington*
  - *Washington State University*
  - *Western Washington University*
- Washington Student Achievement Council
- Eastern Washington State Historical Society
- Washington State Historical Society
- Higher Education Facilities Authority

Community and Economic Development
- Economic Development Finance Authority
- Housing Finance Commission
- Life Sciences Discovery Fund Authority

PREPARED BY
OFFICE OF FINANCIAL MANAGEMENT
OCTOBER 2013

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FINANCIAL SECTION

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Washington State Auditor
Troy Kelley

INDEPENDENT AUDITOR'S REPORT

November 8, 2013

The Honorable Jay Inslee
Governor, State of Washington

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Department of Retirement Systems, Local Government Investment Pool, University of Washington, and the funds managed by the State Investment Board. Those financial statements represent part or all of the total assets, net position, and revenues or additions of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information as follows:

Opinion Unit	Percent of Total Assets	Percent of Net Position	Percent of Total Revenues/ Additions
Governmental Activities	12.3%	22.4%	8.9.%
Business-Type Activities	75.4%	100%	31.4%
Higher Education Special Revenue Fund	56.2%	52.0%	47.9%
Higher Education Endowment Fund	97.5%	96.0%	100.0%
Higher Education Student Services Fund	68.5%	71.7%	82.0%

Workers' Compensation Fund	97.2%	100%	9.3%
Guaranteed Education Tuition Program Fund	82.4%	100%	52.4%
Aggregate Discretely Presented Component Units and Remaining Fund Information	91.9%	93.6%	70.8%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the above mentioned entities and funds, are based solely on the reports of other auditors.

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State's preparation and fair presentation of the financial statements 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 State's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As explained in Note 1.D.1, the financial statements include pension trust fund investments valued at $26.5 billion which comprise 27.0% of total assets and 29.7% of net position of the aggregate discretely presented component units and remaining fund information. The fair values of these investments have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or, in the case of investments in partnerships, the general partners. Our opinion is not modified with respect to this matter.

As described in Note 2, during the year ended June 30, 2013, the State has implemented the Governmental Accounting Standards Board Statement No. 61, The Financial Reporting Entity:

Omnibus - an amendment of GASB Statements No. 14 and No. 34, Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 25 through 37, budgetary comparison information on pages 163 through 166, information on postemployment benefits other than pensions on page 176, infrastructure modified approach information on pages 177 through 180 and pension trust fund information on pages 167 through 175 be presented to supplement the basic 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 basic financial statements in an appropriate operational, economic or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying information listed as combining financial statements and supplementary information on pages 183 through 239 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the introductory and statistical sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the State. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated November 8, 2013, on our consideration of the State'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. That report will be issued under separate cover in the State's Single Audit Report. The purpose of that report is 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 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 State's internal control over financial reporting and compliance.

Sincerely,

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

MD&A
Management's Discussion and Analysis

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MD&A

Management's Discussion & Analysis

As managers of the state of Washington, we offer this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. We present this information in conjunction with the information included in our letter of transmittal, which can be found preceding this narrative, and with the state's financial statements, which follow. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total assets and deferred outflows of the state of Washington exceeded its liabilities by $21.48 billion (reported as net position). Of this amount, $(8.96) billion was reported as "unrestricted net position." A negative balance indicates that no funds were available for discretionary purposes.

- The state of Washington's governmental funds reported a combined ending fund balance of $12.43 billion, an increase of 6.8 percent compared with the prior year.

- While the state's capital assets increased by $1.51 billion and total bond debt increased by $729.9 million during the current fiscal year, the state's net investment in capital assets is $20.45 billion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the state of Washington's basic financial statements, which include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The focus is on both the state as a whole (government-wide) and the major individual funds. The dual perspectives allow the reader to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government), and enhance the state's accountability.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the state of Washington's finances, in a manner similar to a private sector business.

Statement of Net Position. The *Statement of Net Position* presents information on all of the state of Washington's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the state of Washington is improving or deteriorating.

Statement of Activities. The *Statement of Activities* presents information showing how the state's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The Statement of Activities is focused on both the gross and net cost of various activities (including governmental, business-type, and component unit). This is intended to summarize and simplify the reader's analysis of the revenues and costs of various state activities and the degree to which activities are subsidized by general revenues.

Both of these government-wide financial statements distinguish functions of the state of Washington that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the state of Washington include education, human services, transportation, natural resources, adult corrections, and general government.

The business-type activities of the state of Washington include the workers' compensation and unemployment compensation programs, as well as Washington's lottery, the guaranteed education tuition program and various higher education student services such as housing and dining.

The government-wide financial statements can be found on pages 41-43 of this report.

FUND FINANCIAL STATEMENTS

A fund is a group of related accounts used to maintain control over resources that are segregated for specific activities or objectives. The state of Washington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the state can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on fund balances at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for three major funds and an aggregate total for all nonmajor funds. The state's major governmental funds are the General Fund, Higher Education Special Revenue Fund, and the Higher Education Endowment Fund. Individual fund data for the state's nonmajor governmental funds are provided in the form of combining statements elsewhere in this report. The governmental fund financial statements can be found on pages 46-49 of this report.

Proprietary Funds. The state of Washington maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds represent an accounting device used to accumulate and allocate costs internally among the state of Washington's various functions. The state of Washington uses internal service funds to account for general services such as motor pool, central stores, data processing services, risk management, employee health insurance, and printing services. Because internal service funds predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, but in greater detail. The proprietary fund financial statements provide separate information for the Workers' Compensation Fund, Unemployment Compensation Fund, the Higher Education Student Services Fund, and the Guaranteed Education Tuition Program Fund, which are considered to be major funds, as well as an aggregated total for all nonmajor enterprise funds.

The internal service funds are combined for presentation purposes. Individual fund data for the state's nonmajor proprietary funds are provided in the form of combining statements elsewhere in this report. The proprietary fund financial statements can be found on pages 50-57 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the state of Washington's own programs. Washington's fiduciary funds include state administered pension plans. The accounting used for fiduciary funds is much like that used for proprietary funds. Individual fund data for the state's fiduciary funds are provided in the form of combining statements elsewhere in this report. The fiduciary fund financial statements can be found on pages 58-59 of this report.

Component Units. Component units that are legally separate from the state and primarily serve or benefit those outside the state are discretely presented. They are either financially accountable to the state, or have relationships with the state such that exclusion would cause the state's financial statements to be misleading or incomplete. The state discretely reports two major component units, the Washington State Public Stadium Authority and the Health Benefit Exchange, as well as four nonmajor component units. Refer to Note 1 on pages 65-66 for more detailed information. Individual fund data for the state's nonmajor component units are provided in the form of combining statements elsewhere in this report. The component unit financial statements can be found on pages 60-61 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 63-159 of this report.

OTHER REQUIRED INFORMATION

In addition to this discussion and analysis, this report also presents required supplementary information on budgetary comparisons, pension plans and other postemployment benefits schedules of funding progress and contributions, and infrastructure assets reported using the modified approach.

Required supplementary information can be found on pages 161-180 of this report.

The combining statements referred to earlier are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 181-233 of this report.

STATE OF WASHINGTON

Statement of Net Position

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
ASSETS						
Current and other assets	$ 19,999	$ 18,354	$ 22,119	$ 21,429	$ 42,118	$ 39,783
Capital assets	35,435	34,298	2,761	2,390	38,196	36,688
Total assets	55,434	52,652	24,880	23,819	80,314	76,471
DEFERRED OUTFLOWS OF RESOURCES	-	-	16	-	16	-
LIABILITIES						
Current and other liabilities	4,585	3,446	912	527	5,497	3,973
Long-term liabilities outstanding	24,508	24,116	28,842	27,869	53,350	51,985
Total liabilities	29,093	27,562	29,754	28,396	58,847	55,958
NET POSITION						
Net Investment in capital assets	19,706	19,561	740	797	20,446	20,358
Restricted	6,524	5,296	3,469	3,225	9,993	8,521
Unrestricted	111	233	(9,067)	(8,599)	(8,956)	(8,366)
Total net position	$ 26,341	$ 25,090	$ (4,858)	$ (4,577)	$ 21,483	$ 20,513

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the state of Washington, total assets and deferred outflows of resources exceed liabilities by $21.48 billion at June 30, 2013, as compared to $20.51 billion as reported at June 30, 2012.

The largest portion of the state's net position (95.2 percent for fiscal year 2013 as compared to 99.2 percent for fiscal year 2012) reflects its net investment in capital assets (e.g., land, buildings, equipment and intangible assets), less any related debt used to acquire those assets that is still outstanding. The state of Washington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the state of Washington's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the state of Washington's net position (46.5 percent for fiscal year 2013 as compared to 41.5 percent for fiscal year 2012) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $(8.96) billion represents unrestricted net position. The state's overall negative balance in unrestricted net position is caused by deficits in business-type activities.

In governmental activities, net position increased from $25.09 billion in fiscal year 2012 to $26.34 billion in fiscal year 2013. The increase reflects increases in charges for services and tax revenues that outpaced the increases in expenses.

In business-type activities, the majority of the deficit is caused by the workers' compensation program that provides time-loss, medical, disability, and pension payments to qualifying individuals who sustain work-related injuries or develop occupational diseases as a result of their required work activities.

The main benefit plans of the workers' compensation program are funded on rates that will keep the plans solvent in accordance with recognized actuarial principles. The supplemental pension cost-of-living adjustments (COLAs) granted for time-loss and disability payments, however, are funded on a pay-as-you-go basis. By statute, the state is only allowed to collect enough revenue to fund the current COLA payments.

As previously mentioned, the state's activities are divided between governmental and business-type. The majority of support for governmental activities comes from taxes and intergovernmental grants, while business-type activities are supported primarily through user charges.

STATE OF WASHINGTON

Changes in Net Position

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012*	2013	2012	2013	2012
REVENUES						
Program revenues:						
Charges for services	$ 5,749	$ 5,032	$ 6,166	$ 6,393	$ 11,915	$ 11,425
Operating grants and contributions	12,027	11,984	870	1,443	12,897	13,427
Capital grants and contributions	997	944	-	1	997	945
General revenues:						
Taxes	17,072	16,341	23	72	17,095	16,413
Interest and investment earnings (loss)	397	169	523	1,150	920	1,319
Other general revenues	-	-	-	30	-	30
Total revenues	36,242	34,470	7,582	9,089	43,824	43,559
EXPENSES						
General government	(1,537)	(1,219)	-	-	(1,537)	(1,219)
Education - K-12	(8,238)	(8,257)	-	-	(8,238)	(8,257)
Education - Higher education	(6,992)	(6,526)	-	-	(6,992)	(6,526)
Human services	(13,181)	(13,168)	-	-	(13,181)	(13,168)
Adult corrections	(844)	(886)	-	-	(844)	(886)
Natural resources and recreation	(1,096)	(982)	-	-	(1,096)	(982)
Transportation	(2,379)	(2,396)	-	-	(2,379)	(2,396)
Interest on long-term debt	(955)	(911)	-	-	(955)	(911)
Workers' compensation	-	-	(3,330)	(1,919)	(3,330)	(1,919)
Unemployment compensation	-	-	(1,983)	(2,817)	(1,983)	(2,817)
Higher education student services	-	-	(1,927)	(1,834)	(1,927)	(1,834)
Liquor control	-	-	-	(566)	-	(566)
Washington's lottery	-	-	(437)	(407)	(437)	(407)
Guaranteed education tuition program	-	-	105	(96)	105	(96)
Other business-type activities	-	-	(126)	(115)	(126)	(115)
Total expenses	(35,222)	(34,345)	(7,698)	(7,754)	(42,920)	(42,099)
Excess (deficiency) of revenues over expenses before contributions to endowments and transfers	1,020	125	(116)	1,335	904	1,460
Contributions to endowments	63	47	-	-	63	47
Transfers	114	165	(114)	(165)	-	-
Increase (decrease) in net position	1,197	337	(230)	1,170	967	1,507
Net position - July 1, as restated	25,144	24,753	(4,628)	(5,747)	20,516	19,006
Net position - June 30	$ 26,341	$ 25,090	$ (4,858)	$ (4,577)	$ 21,483	$ 20,513

* Prior year balances restated for comparability

Governmental Activities. Governmental activities resulted in an increase in the state of Washington's net position of $1.20 billion. A number of factors contributed to the increase:

- Tax revenues increased by $731.0 million in fiscal year 2013 as compared to fiscal year 2012 reflecting positive growth in the economy. Sales and use taxes reported an increase of $360.5 million. Sales and use taxes are the main tax revenue for governmental activities. Business and occupation tax, the second largest source of tax revenue in governmental activities, increased by $144.8 million in fiscal year 2013 over 2012. It is a tax on the gross receipts of all businesses operating in Washington. Real estate excise tax revenue increased by $156.9 million. Real estate excise taxes are levied on the sale of real estate. These tax revenue increases reflect the slowly rebounding economy, recovering housing markets, and improving employment picture in Washington.

- Charges for services increased by $727.1 million in fiscal year 2013 compared to fiscal year 2012. Tuition and fee increases at higher education institutions accounted for $308.6 million of the increase.

- Operating and capital grants and contributions, and investment earnings in fiscal year 2013 were fairly consistent with fiscal year 2012.

- Expenses grew moderately in fiscal year 2013 as compared to fiscal year 2012. Higher education activities accounted for $466.2 million of the increase which is consistent with the tuition and fee revenue increase.

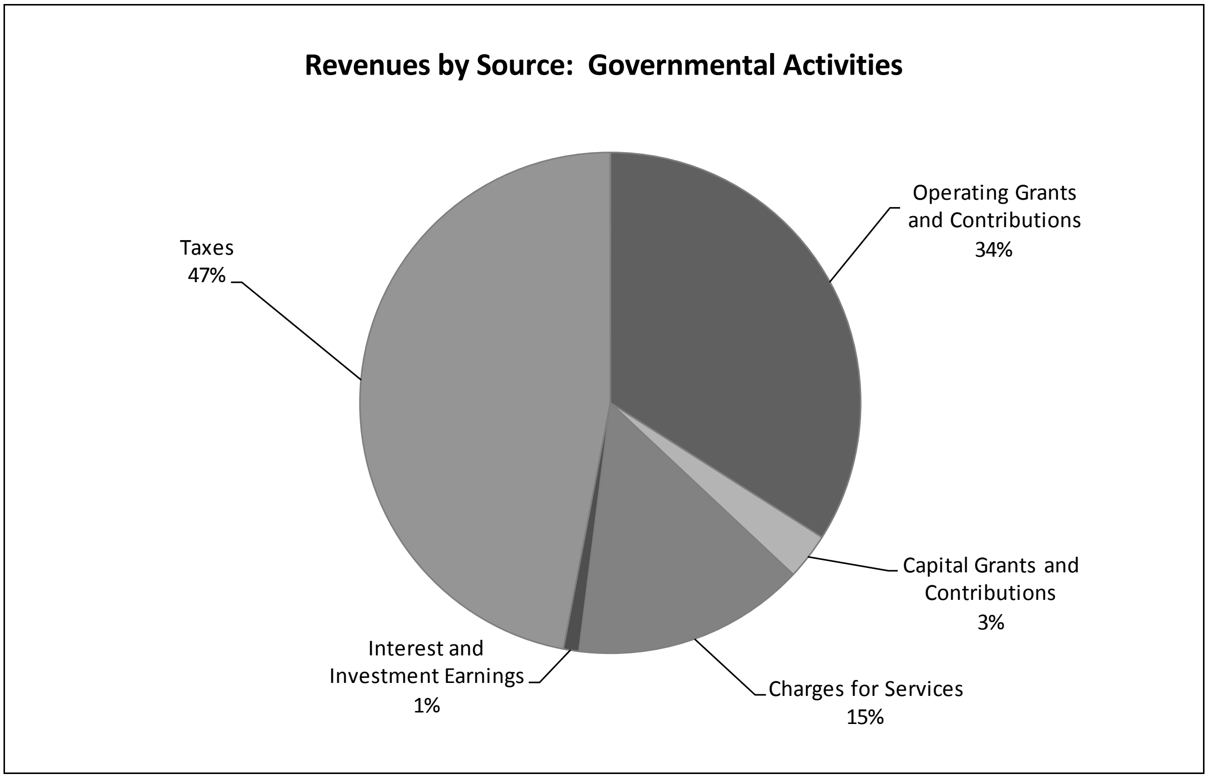
Business-Type Activities. Business-type activities decreased the state of Washington's net position by $230.1 million which was comprised of a decrease in the workers' compensation activity offset by gains in both the unemployment compensation and guaranteed education tuition activities. Key factors contributing to the operating results of business-type activities are:

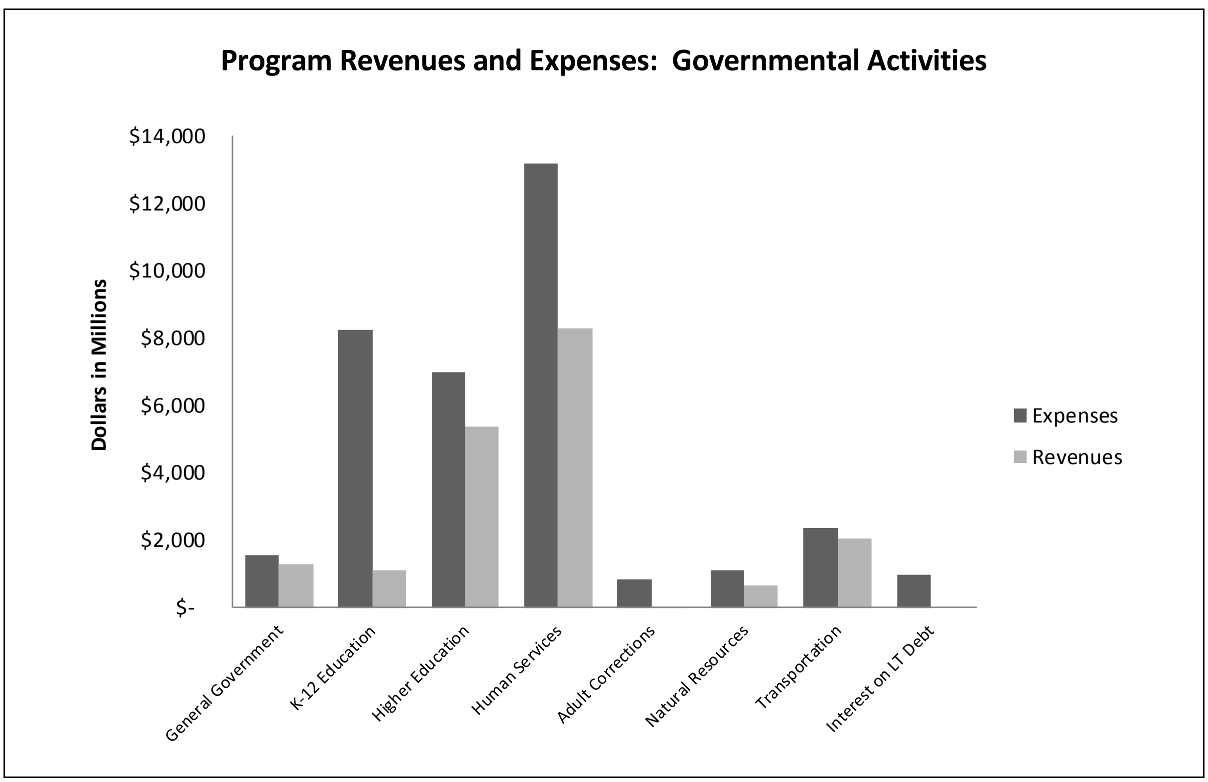
- The workers' compensation activity decrease in net position in fiscal year 2013 was $925.9 million compared to an increase of $1.16 billion in fiscal year 2012. Premium revenue increased by $108.6 million as a result of an increase in the number of hours reported by employers. Claim costs increased by $1.54 billion in fiscal year 2013 compared with fiscal year 2012 reflecting an increase in the actuarial valuation of the present value of future claims costs. Factors increasing the valuation of the supplemental pension plan included actual mortality experience exceeding expected mortality rates; higher actual cost-of-living increase than assumed coupled with a change in future cost-of-living escalation assumption; and a decrease in the discount rate. The key factor increasing the valuation of future obligations associated with the basic plan was an increase in the expected number of claimants receiving medical benefits at older ages. Nonoperating investment income decreased by $785.9 million due predominately to decreases in unrealized losses. While the equity markets experienced significant appreciation from the prior year, the fixed income market experienced significant depreciation. The workers' compensation portfolio is 85.4 percent fixed income investments.

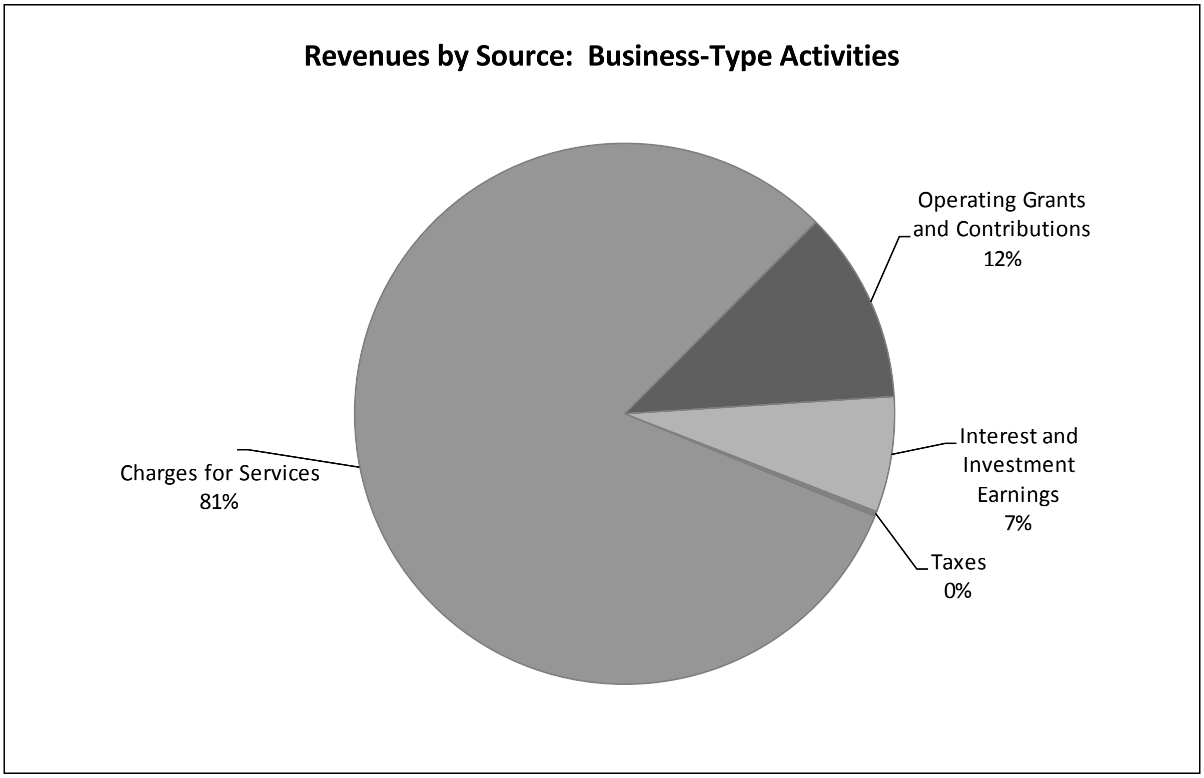
- The unemployment compensation activity reported an operating income in fiscal year 2013 of $174.3 million, compared to $51.8 million operating loss in fiscal year 2012. Washington's unemployment insurance program is an experience-based system with the largest part of an individual employer's tax rate being based on the employer's layoff history over the past four years. The economic recovery in the state has stabilized employment and resulted in a decline in unemployment insurance benefits of $833.6 million in fiscal year 2013 over fiscal year 2012. The decrease in benefit costs was the result of a decline in the number of claims and the duration of claims. The unemployment rate for the state for June 2013 was 7.0 percent, down from 8.4 percent in June 2012, and the insured rate declined to 2.2 percent in fiscal year 2013 from 2.4 percent in fiscal year 2012. Since the state's unemployment insurance premiums are experienced based, the declining unemployment rate resulted in a 2.8 percent decrease in premium revenue. The $569.4 million decline in federal aid also reflects the decrease in the unemployment rate.

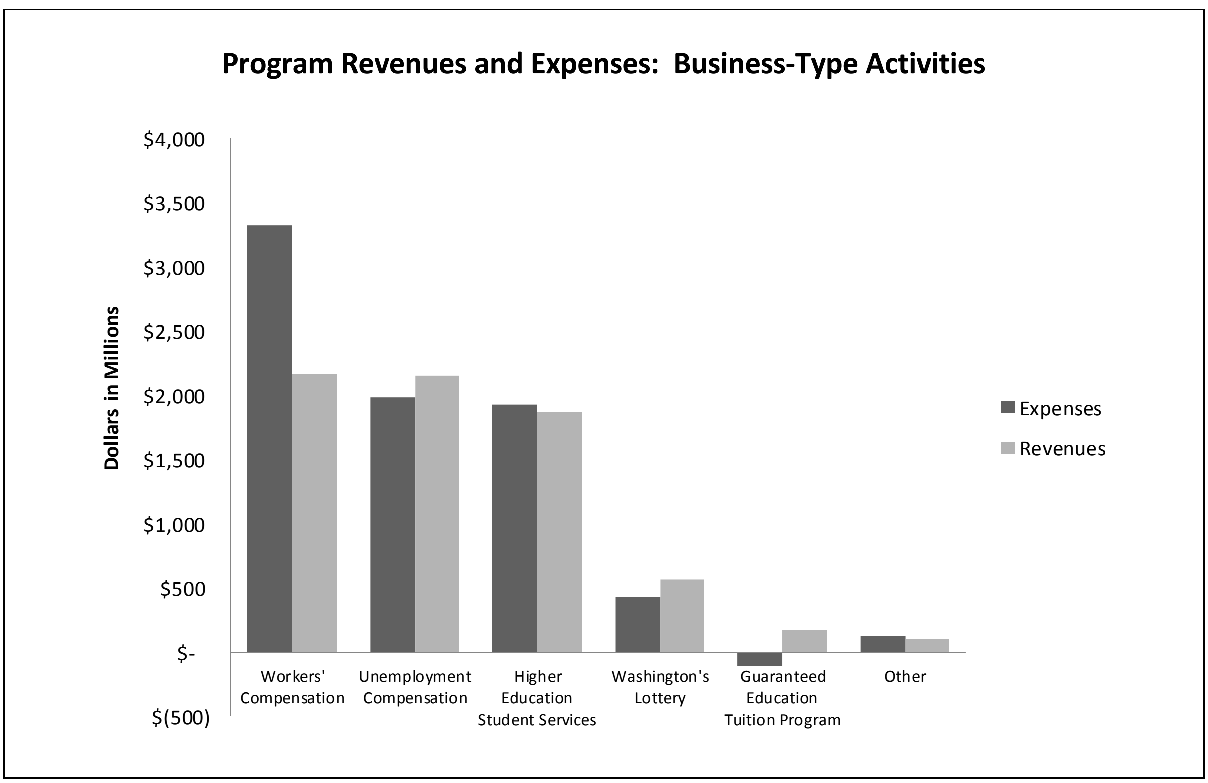
- The guaranteed education tuition activity reported an increase in net position of $470.4 million. The increase is the result of the actuarial reduction of the present value of the future tuition obligation. The reduction was caused by a number of factors including: (1) the actual investment rate of return of 9.6 percent exceeded the expected rate of 6.0 percent; (2) the actual annualized rate of tuition growth was 0.0 percent which was less than the assumed rate of 12.0 percent; and (3) tuition unit sales exceeded expectations by 12.0 percent.

- The remaining business-type activities reported relatively proportional increases in both expenses and charges for services when compared to the prior year.


Revenues by Source: Governmental Activities
Operating Grants and Contributions 34%
Taxes 47%
Capital Grants and Contributions 3%
Interest and Investment Earnings 1%
Charges for Services 15%


Program Revenues and Expenses: Governmental Activities
Dollars in Millions
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$-
General Government
K-12 Education
Higher Education
Human Services
Adult Corrections
Natural Resources
Transportation
Interest on LT Debt
Expenses
Revenues


Revenues by Source: Business-Type Activities
Operating Grants and Contributions 12%
Interest and Investment Earnings 7%
Taxes 0%
Charges for Services 81%


Program Revenues and Expenses: Business-Type Activities
Dollars in Millions
$4,000
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$-
$(500)
Workers' Compensation
Unemployment Compensation
Higher Education Student Services
Washington's Lottery
Guaranteed Education Tuition Program
Other
Expenses
Revenues

Financial Analysis of the Government's Funds

As noted earlier, the state of Washington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. As previously discussed, the focus of the state of Washington's governmental funds is to provide information on near-term inflows, outflows, and fund balances. Such information is useful in assessing the state of Washington's financing requirements.

Adjustments to Beginning Fund Balances. As described in Note 2 to the financial statements on pages 75 and 76, beginning fund balances of governmental funds were adjusted, including the reclassification of the Liquor Revolving Fund from a business-type activity to a governmental activity.

Fund Balances. At June 30, 2013, the state's governmental funds reported combined ending fund balances of $12.43 billion. Of this amount, $2.34 billion or 18.8 percent is nonspendable, either due to its form or legal constraints, and $4.19 billion or 33.8 percent is restricted for specific programs by external constraints, constitutional provisions or contractual obligations. An additional $5.00 billion or 40 percent of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. An additional $835.2 million or 6.7 percent of total fund balance has been assigned to specific purposes by management.

The General Fund is the chief operating fund of the state of Washington. As noted in the table below, fund balance improved as a result of operations by $375.0 million in fiscal year 2013, as compared to a $214.0 million loss in fiscal year 2012. Increased tax revenue and relatively stable expenditures were the key contributing factors. Assigned fund balance of $835.2 million is reported for fiscal year 2013 and relates to certain accrued revenues which are not considered by management to be available for budgetary purposes.

STATE OF WASHINGTON

General Fund

(in millions of dollars)

	Fiscal Year		Difference Increase
	2013	2012	(Decrease)
REVENUES			
Taxes	$ 15,295	$ 14,547	$ 748
Federal grants	8,780	8,824	(44)
Investment revenue (loss)	(17)	(6)	(11)
Other	644	618	26
Total	24,702	23,983	719
EXPENDITURES			
Human services	13,235	13,209	26
Education	9,115	9,169	(54)
Other	1,392	1,350	42
Total	23,742	23,728	14
Net transfers in (out)	(716)	(560)	(156)
Other financing sources	131	91	40
Net increase (decrease) in fund balance	$ 375	$ (214)	$ 589

General Fund expenditures continue to be concentrated in services and programs most vital to citizens – primarily human services and public education.

In addition to the General Fund, the state reports the Higher Education Special Revenue and the Higher Education Endowment Funds as major governmental funds. Significant changes are as follows:

- The fund balance of the Higher Education Special Revenue Fund increased by $347.5 million in fiscal year 2013. Increases in charges for services offset the increased costs of higher education activities.

- The fund balance for the Higher Education Endowment Fund increased by $282.5 million compared to a decrease of $61.9 in fiscal year 2012. Support from donors increased by $15.4 million and investment earnings increased by $309.5 million compared to fiscal year 2012.

Proprietary Funds. The state of Washington's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail. Significant changes are as follows:

- The Workers' Compensation Fund reported a decrease in net position of $925.9 million in fiscal year 2013. Operating revenues increased by $107.9 million and operating expenses increased by $1.41 billion as compared to fiscal year 2012. As previously reported, operating revenues increased due to an increase in reported hours and claims expense increased due to the changes to actuarial projections. Investment income decreased as compared to fiscal year 2012 due to net realized and unrealized capital losses.

- Washington's Unemployment Compensation Fund reported an increase in net position of $244.8 million. As reported previously, the decrease in the unemployment rate impacted both revenues and expenses. Premium revenues decreased by $32.6 million in fiscal year 2013 over 2012, and federal aid decreased by $569.4 million over the same period. These were offset by a decrease in unemployment benefit claims by $833.6 million in fiscal year 2013 as compared to 2012.

- The Guaranteed Education Tuition (GET) Program Fund reported an increase in net position of $470.4 million in fiscal year 2013. As previously reported, the increase is largely the result of an actuarial reduction of the present value of the future tuition obligation.

- The Higher Education Student Services Fund reported increases to tuition and fee revenue, and operating expenses. While net operating income for fiscal year 2013 was $9.5 million higher than fiscal year 2012, the change in net position for fiscal year 2013 was $37.3 million less than fiscal year 2012 due to a reduction in transfers in from other funds.

- Nonmajor enterprise funds reported decreased revenue and expenses in fiscal year 2013 compared to fiscal year 2012 largely due to the transfer of liquor distribution and retail sales to the private sector at the end of fiscal year 2012. The net position of the nonmajor enterprise funds declined by $11.9 million in fiscal year 2013 after reporting an increase of $19.6 million in fiscal year 2012. The major contributing factor was the decrease in investment income reported by the Lottery Fund which was caused by market value adjustments. The Lottery Fund funds long term prize obligations with U.S. Treasury securities for which changes in interest rates can have a marked effect on current valuations.

General Fund Budgetary Highlights

Differences between the original budget of the General Fund and the final amended budget reflect adjustment to a slower paced economic recovery during the biennium ended June 30, 2013. Changes to estimates are summarized as follows:

- Estimated biennial resources decreased by $1.25 billion over the course of the biennium. The major decrease in estimated resources is reported in taxes reflecting that the pace of the economic recovery was slower than initially anticipated. Actual revenues are $929.2 million less than the revised estimates.

- Appropriated expenditure authority decreased by $583.1 million over the course of the biennium in response to the decline in estimated revenues. The major decrease in appropriation authority was in human services. Actual expenditures were $1.28 billion less than the final appropriation authority.

The state did not overspend its legal spending authority for the 2011-2013 biennium. Actual General Fund revenues and expenditures were 98.1 and 97.3 percent of final budgeted revenues and appropriations, respectively, for the 2011-2013 biennium.

Capital Assets, Infrastructure, Bond Debt Administration, and Economic Factors

Capital Assets. The state of Washington's investment in capital assets for its governmental and business-type activities as of June 30, 2013, totaled $38.20 billion (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, museum and historical collections, buildings and other improvements, furnishings, equipment, and intangibles, as well as construction in progress.

Washington's fiscal year 2013 investment in capital assets, net of current year depreciation, increased $1.51 billion over fiscal year 2012, including increases to the state's transportation infrastructure of $812.4 million. The state's construction in progress includes both new construction and major improvements to state capital facilities and infrastructure. Remaining commitments on these construction projects total $2.82 billion.

Additional information on the state of Washington's capital assets can be found in Note 6 beginning on page 104 of this report.

Infrastructure. The state uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated and certain maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 20,680 lane miles of pavement, 3,267 bridges, and 48 highway safety rest areas.

STATE OF WASHINGTON
Capital Assets - Net of Depreciation
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$ 2,388	$ 2,358	$ 61	$ 63	$ 2,449	$ 2,421
Transportation infrastructure						
and other assets not depreciated	21,805	20,991	5	-	21,810	20,991
Buildings	7,610	7,511	1,988	1,402	9,598	8,913
Furnishings, equipment and						
intangible assets	1,480	1,480	182	162	1,662	1,642
Other improvements and infrastructure	1,218	1,145	83	81	1,301	1,226
Construction in progress	934	813	442	681	1,376	1,494
Total	$ 35,435	$ 34,298	$ 2,761	$ 2,389	$ 38,196	$ 36,687

The state's goal is to maintain 90 percent of pavement, 95 percent of bridges, and 95 percent of safety rest areas at a condition level of fair or better. The condition of these assets, along with the rating scales for pavement, bridges, rest areas, and additional detail comparing planned to actual preservation and maintenance spending are available in the required supplementary information beginning on page 177.

Pavement is assessed on a two year cycle. The most recent pavement condition assessment indicated that 91.2 percent of pavement was in fair or better condition. The condition of pavement has declined in the last three assessment periods. Over the past five fiscal years, the state has invested fewer resources on preservation and maintenance of pavement than was planned. The average variance between actual and planned was 8.2 percent over the five years, and 20.9 percent for fiscal year 2013.

Bridges are assessed on a two year cycle. The most recent bridge condition assessment indicated that 95.4 percent of bridges were in fair or better condition. The condition of bridges has declined over the last three assessment periods. Over the past five fiscal years, the state has invested fewer resources on preservation and maintenance of bridges than was planned. The average variance between actual and planned was 22.3 percent over the five years, and 11.4 percent for fiscal year 2013.

Bond Debt. At the end of fiscal year 2013, the state of Washington had general obligation bond debt outstanding of $18.21 billion, an increase of 2 percent from fiscal year 2012. This debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized $6.33 billion general obligation debt that remains unissued.

During fiscal year 2013, the state issued general obligation debt totaling $2.73 billion for various capital and transportation projects as well as to refund outstanding bonds. Bonds totaling $2.37 billion were retired during the year. Washington's refunding activity produced a savings of $213.9 million in future debt service costs.

General obligation debt is subject to the limitation prescribed by the State Constitution. The aggregate debt contracted by the state as of June 30, 2013, does not exceed that amount for which payments of principal and interest in any fiscal year would require the state to expend more than 9 percent of the arithmetic mean of its general state revenues for the three immediately preceding fiscal years. The arithmetic mean of its general state revenues for fiscal years 2011, 2012, and 2013 is $12.53 billion. The debt service limitation, 9 percent of this mean, is $1.13 billion. The state's maximum annual debt service as of June 30, 2013, subject to the constitutional debt limitation is $1.06 billion, or $71.6 million less than the debt service limitation.

For further information on the debt limit, refer to the Certification of the Debt Limitation of the State of Washington, available from the Office of the State Treasurer at: http://www.tre.wa.gov/documents/debt_cdl2013.pdf.

By statutory provision, the State Finance Committee (SFC) is authorized to supervise and control the issuance of all state bonds, notes, or other evidences of indebtedness. The SFC is composed of the Governor, Lieutenant Governor, and State Treasurer, the latter serving as chairman.

As of June 30, 2013, the state of Washington's general obligation debt was rated Aa1 by Moody's Investor Service, AA+ by Standard & Poor's Rating Group (S & P), and AA+ by Fitch Ratings.

STATE OF WASHINGTON

Bond Debt

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012*	2013	2012*	2013	2012*
General obligation (GO) bonds	$ 18,200	$ 17,838	$ 11	$ 15	$ 18,211	$ 17,853
Accreted interest on zero interest rate GO bonds	439	415	-	-	439	415
Revenue bonds	1,705	1,650	2,031	1,738	3,736	3,388
Total	$ 20,344	$ 19,903	$ 2,042	$ 1,753	$ 22,386	$ 21,656

* Prior year balances restated for comparability

The state had revenue debt outstanding at June 30, 2013, of $3.74 billion, an increase of $347.4 million over fiscal year 2012. This increase is primarily related to revenue bonds issued by state colleges and universities. This debt is not supported or intended to be supported by the full faith and credit of the state. Revenue bond debt is generally secured by specific sources of revenue. The exception is the University of Washington which issues general revenue bonds that are payable from general revenues of the university.

Additional information on the state's bond debt obligations is presented in Note 7 beginning on page 108 of this report.

Additional information on the state's legal debt limit is presented in the statistical section on page 264 of this report.

Conditions with Expected Future Impact

Economic Outlook. The forecast for Washington for the 2013-2015 biennium reflects the continuation of moderate growth. The September 2013 state's revenue forecast of General Fund state revenue increased expected revenue for the 2013 – 2015 biennium by $222.0 million. Additionally, forecasted revenues increased by $123.0 million due to legislation passed in the June 2013 special session.

That said, in the coming year, legislative leaders and management will be facing a number of challenges including:

- The state's economy continues to be adversely impacted by violence in the Middle East and weak Asian and European economies.

- The political discord in the nation's capital and uncertainty surrounding U.S. tax and budget policy also threaten the U.S. and Washington economies. Political wrangling around the federal debt ceiling and the federal budget impasse have the potential to dampen recent gains in consumer confidence.

- As the federal stimulus winds down, government spending has been declining which puts additional pressure on state and local governments.

- The state's operating budget for the 2013-2015 biennium included a $1.03 billion increase in K-12 education funding to address the requirements of the January 2012 Washington Supreme Court's McCleary ruling for the state to fund basic education. The state will be challenged to fully meet the K-12 funding requirements in future biennia.

- Under legislation approved in 2012, and beginning with the 2013-2015 biennium, Washington became the only state in the nation required to pass a budget that balances spending against anticipated revenue over a four year period.

Rainy Day Account. In November 2007, Washington state voters ratified Engrossed Substitute Senate Joint Resolution 8206, amending the state's Constitution and establishing the Budget Stabilization Account (BSA). The Constitution details a limited number of circumstances under which funds can be appropriated from the BSA, one of which is a favorable vote of at least three-fifths of the members of each house of the Legislature.

On June 20, 2013, $139.2 million was transferred to the BSA from the General Fund in accordance with the provisions of the Constitution. The BSA has a fund balance of $269.7 million as of June 30, 2013.

Requests for Information

This financial report is designed to provide a general overview of the state of Washington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Financial Management, Accounting Division, P.O. Box 43113, Olympia, WA 98504-3113.

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Basic Financial Statements

Government-wide Financial Statements

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Statement of Net Position

June 30, 2013

(expressed in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and pooled investments	$ 4,846,863	$ 4,189,390	$ 9,036,253	$ 76,013
Taxes receivable (net of allowance for uncollectibles)	3,303,301	-	3,303,301	-
Other receivables (net of allowance for uncollectibles)	1,446,164	1,567,216	3,013,380	15,511
Internal balances	306,212	(306,212)	-	-
Due from other governments	4,076,147	155,206	4,231,353	-
Inventories	95,368	65,762	161,130	-
Restricted cash and investments	592,168	13,237	605,405	3,770
Investments, noncurrent	5,193,256	15,991,570	21,184,826	-
Restricted investments, noncurrent	-	54,873	54,873	10,963
Restricted receivables, noncurrent	111,197	-	111,197	-
Other assets	28,557	388,304	416,861	106,838
Capital assets:				
Non-depreciable assets	25,127,230	507,008	25,634,238	35,088
Depreciable assets (net of accumulated depreciation)	10,307,302	2,254,210	12,561,512	301,821
Total capital assets	35,434,532	2,761,218	38,195,750	336,909
Total Assets	55,433,765	24,880,564	80,314,329	550,004
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	15,848	15,848	-
Total Deferred Outflows ofRresources	-	15,848	15,848	-
Total Assets and Deferred Outflows of Resources	$ 55,433,765	$ 24,896,412	$ 80,330,177	$ 550,004
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable	$ 1,543,845	$ 134,186	$ 1,678,031	$ 44,976
Contracts and retainage payable	192,792	28,068	220,860	4,364
Accrued liabilities	966,783	380,783	1,347,566	5,612
Obligations under security lending agreements	193,915	88,057	281,972	-
Due to other governments	1,376,191	234,272	1,610,463	-
Unearned revenues	311,801	46,613	358,414	17,458
Long-term liabilities:				
Due within one year	1,193,811	2,161,454	3,355,265	-
Due in more than one year	23,313,815	26,680,743	49,994,558	13,206
Total Liabilities	29,092,953	29,754,176	58,847,129	85,616
NET POSITION				
Net investment in capital assets	19,706,029	739,824	20,445,853	320,369
Restricted for:				
Unemployment compensation	-	3,469,741	3,469,741	-
Expendable endowment funds	1,455,021	-	1,455,021	-
Nonexpendable permanent endowments	2,121,711	-	2,121,711	-
Transportation	783,133	-	783,133	-
Wildlife and natural resources	875,766	-	875,766	-
Budget stabilization	269,651	-	269,651	-
Loan programs	135,655	-	135,655	-
Other purposes	882,395	-	882,395	13,429
Unrestricted	111,451	(9,067,329)	(8,955,878)	130,590
Total Net Position	26,340,812	(4,857,764)	21,483,048	464,388
Total Liabilities and Net Position	$ 55,433,765	$ 24,896,412	$ 80,330,177	$ 550,004

The notes to the financial statements are an integral part of this statement.

Statement of Activities

For the Fiscal Year Ended June 30, 2013

(expressed in thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
PRIMARY GOVERNMENT				
Governmental Activities:				
General government	$ 1,536,943	$ 976,944	$ 298,393	$ 8,612
Education - elementary and secondary (K-12)	8,237,450	13,718	1,083,034	-
Education - higher education	6,992,422	2,760,015	2,567,009	25,570
Human services	13,181,579	544,435	7,744,199	-
Adult corrections	843,550	7,795	1,658	-
Natural resources and recreation	1,095,814	421,286	191,400	64,258
Transportation	2,378,860	1,025,183	141,328	898,246
Interest on long-term debt	955,158	-	-	-
Total Governmental Activities	35,221,776	5,749,376	12,027,021	996,686
Business-Type Activities:				
Workers' compensation	3,329,444	2,154,318	8,797	175
Unemployment compensation	1,982,958	1,308,089	849,214	-
Higher education student services	1,927,051	1,857,364	11,737	-
Washington's lottery	437,298	569,580	-	-
Guaranteed education tuition program	(105,192)	173,771	-	-
Other	126,100	102,760	337	-
Total Business-Type Activities	7,697,659	6,165,882	870,085	175
Total Primary Government	$ 42,919,435	$ 11,915,258	$ 12,897,106	$ 996,861
COMPONENT UNITS	$ 46,307	$ 32,898	$ 28,495	$ 2,481
Total Component Units	$ 46,307	$ 32,898	$ 28,495	$ 2,481

General Revenues:

Taxes, net of related credits:

Sales and use

Business and occupation

Property

Motor vehicle and fuel

Excise

Cigarette and tobacco

Public utilities

Insurance premium

Other

Interest and investment earnings

Total general revenues

Excess (deficiency) of revenues over expenses before contributions to endowments and transfers

Contributions to endowments

Transfers

Change in Net Position

Net Positon - Beginning, as restated

Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (252,994)	$ -	$ (252,994)	
(7,140,698)	-	(7,140,698)	
(1,639,828)	-	(1,639,828)	
(4,892,945)	-	(4,892,945)	
(834,097)	-	(834,097)	
(418,870)	-	(418,870)	
(314,103)	-	(314,103)	
(955,158)	-	(955,158)	
(16,448,693)	-	(16,448,693)	
-	(1,166,154)	(1,166,154)	
-	174,345	174,345	
-	(57,950)	(57,950)	
-	132,282	132,282	
-	278,963	278,963	
-	(23,003)	(23,003)	
-	(661,517)	(661,517)	
(16,448,693)	(661,517)	(17,110,210)	
			$ 17,567
			17,567
7,709,900	-	7,709,900	-
3,294,179	-	3,294,179	-
1,939,883	-	1,939,883	-
1,194,910	-	1,194,910	-
651,458	22,605	674,063	-
465,148	-	465,148	-
439,731	-	439,731	-
436,118	-	436,118	-
940,255	-	940,255	-
397,068	523,071	920,139	386
17,468,650	545,676	18,014,326	386
1,019,957	(115,841)	904,116	17,953
62,589	-	62,589	-
114,266	(114,266)	-	-
1,196,812	(230,107)	966,705	17,953
25,144,000	(4,627,657)	20,516,343	446,435
$ 26,340,812	$ (4,857,764)	$ 21,483,048	$ 464,388

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Basic Financial Statements

Fund Financial Statements

Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2013
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	$ 640,834	$ -	$ 99,367	$ 3,279,464	$ 4,019,665
Investments	6,608	1,417,834	3,312,686	239,185	4,976,313
Taxes receivable (net of allowance)	3,170,338	14,655	-	118,308	3,303,301
Other receivables (net of allowance)	153,516	407,719	24,536	833,125	1,418,896
Due from other funds	154,362	871,008	703	503,431	1,529,504
Due from other governments	1,211,297	154,714	1	2,322,237	3,688,249
Inventories and prepaids	12,910	14,402	-	50,994	78,306
Restricted assets:					
Cash and investments	54,631	1,781	-	535,736	592,148
Receivables	1,748	77,336	-	10,775	89,859
Total Assets	$ 5,406,244	$ 2,959,449	$ 3,437,293	$ 7,893,255	$ 19,696,241
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 862,305	$ 85,467	$ 42,581	$ 491,468	$ 1,481,821
Contracts and retainages payable	33,316	4,419	2,118	151,845	191,698
Accrued liabilities	184,394	291,745	182	63,881	540,202
Obligations under security lending agreements	73,830	1,143	1,068	101,296	177,337
Due to other funds	408,472	40,230	2,177	616,928	1,067,807
Due to other governments	857,470	12,457	-	177,442	1,047,369
Unearned revenue	79,276	149,544	385	80,265	309,470
Claims and judgments payable	32,173	-	-	7,994	40,167
Total Liabilities	2,531,236	585,005	48,511	1,691,119	4,855,871
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	1,492,418	11,718	9,911	901,176	2,415,223
Total Deferred Inflows of Resources	1,492,418	11,718	9,911	901,176	2,415,223
Fund Balances (Deficits):					
Nonspendable fund balance	49,819	60,425	1,991,845	237,229	2,339,318
Restricted fund balance	299,165	-	1,387,026	2,507,991	4,194,182
Committed fund balance	59,579	2,302,301	-	2,635,027	4,996,907
Assigned fund balance	835,152	-	-	40	835,192
Unassigned fund balance	138,875	-	-	(79,327)	59,548
Total Fund Balances (Deficits)	1,382,590	2,362,726	3,378,871	5,300,960	12,425,147
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	$ 5,406,244	$ 2,959,449	$ 3,437,293	$ 7,893,255	$ 19,696,241

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Balance Sheet
to the Statement of Net Position
GOVERNMENTAL FUNDS

June 30, 2013
(expressed in thousands)

Total Fund Balances for Governmental Funds		$ 12,425,147
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Non-depreciable assets	$ 25,079,284	
Depreciable assets	17,409,544	
Less: Accumulated depreciation	(7,803,972)	
Total capital assets		34,684,856
Some of the state's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are considered deferred inflows in the funds.		2,415,223
Certain pension trust funds have been funded in excess of the annual required contributions, creating a year-end asset. This asset is not a financial resource and therefore is not reported in the funds.		20,000
Unmatured interest on general obligation bonds is not recognized in the funds until due.		(379,945)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		271,285
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds and other financing contracts payable	$ (19,957,617)	
Accreted interest on bonds	(438,787)	
Compensated absences	(529,793)	
Other postemployment benefits obligations	(1,389,683)	
Unfunded pension obligations	(340,441)	
Claims and judgments	(40,249)	
Pollution remediation obligations	(171,816)	
Other obligations	(227,368)	
Total long-term liabilities		(23,095,754)
Net Position of Governmental Activities		$ 26,340,812

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
REVENUES					
Retail sales and use taxes	$ 7,628,507	$ -	$ -	$ 81,393	$ 7,709,900
Business and occupation taxes	3,290,839	-	-	3,340	3,294,179
Property taxes	1,939,883	-	-	-	1,939,883
Excise taxes	581,861	-	-	69,597	651,458
Motor vehicle and fuel taxes	-	-	-	1,194,910	1,194,910
Other taxes	1,852,719	102,659	-	298,583	2,253,961
Licenses, permits, and fees	105,317	299	-	1,493,238	1,598,854
Timber sales	2,080	-	15,065	104,897	122,042
Other contracts and grants	242,955	815,191	-	76,765	1,134,911
Federal grants-in-aid	8,780,167	1,735,344	71	1,373,215	11,888,797
Charges for services	31,960	2,566,134	1	628,572	3,226,667
Investment income (loss)	(17,396)	23,871	330,476	60,117	397,068
Miscellaneous revenue	195,332	91,545	2,071	418,139	707,087
Unclaimed property	68,162	-	-	-	68,162
Contributions and donations	-	-	62,589	-	62,589
Total Revenues	24,702,386	5,335,043	410,273	5,802,766	36,250,468
EXPENDITURES					
Current:					
General government	721,375	-	105	440,842	1,162,322
Human services	13,235,429	385	-	721,162	13,956,976
Natural resources and recreation	419,911	-	1	622,964	1,042,876
Transportation	47,394	-	-	1,750,002	1,797,396
Education	9,114,825	4,901,076	3,447	531,874	14,551,222
Intergovernmental	108,341	-	-	331,455	439,796
Capital outlays	76,300	196,599	630	2,182,487	2,456,016
Debt service:					
Principal	18,251	35,032	-	730,483	783,766
Interest	118	11,609	-	908,871	920,598
Total Expenditures	23,741,944	5,144,701	4,183	8,220,140	37,110,968
Excess of Revenues Over (Under) Expenditures	960,442	190,342	406,090	(2,417,374)	(860,500)
OTHER FINANCING SOURCES (USES)					
Bonds issued	121,789	39,725	-	1,039,386	1,200,900
Refunding bonds issued	-	-	-	1,636,990	1,636,990
Payments to escrow agents for refunded bond debt	-	-	-	(1,893,883)	(1,893,883)
Issuance premiums	4,063	12,850	-	383,428	400,341
Other debt issued	4,469	108,876	-	44,135	157,480
Refunding COPs issued	-	10,590	-	-	10,590
Payments to escrow agents for refunded COP debt	-	(11,950)	-	-	(11,950)
Transfers in	596,496	217,936	1,299	2,335,874	3,151,605
Transfers out	(1,312,231)	(220,885)	(124,918)	(1,393,538)	(3,051,572)
Total Other Financing Sources (Uses)	(585,414)	157,142	(123,619)	2,152,392	1,600,501
Net Change in Fund Balances	375,028	347,484	282,471	(264,982)	740,001
Fund Balances - Beginning, as restated	1,007,562	2,015,242	3,096,400	5,565,942	11,685,146
Fund Balances - Ending	$ 1,382,590	$ 2,362,726	$ 3,378,871	$ 5,300,960	$ 12,425,147

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2013
(expressed in thousands)

Net Change in Fund Balances - Total Governmental Funds		$ 740,001
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlays	$ 1,700,805	
Less: Depreciation expense	(607,458)	1,093,347
Some revenues in the Statement of Activities do not provide current financial resources, and therefore, are unavailable in governmental funds. Also, revenues related to prior periods that became available during the current period are reported in governmental funds but are eliminated in the Statement of Activities. This amount is the net adjustment.		37,130
Pension trust funding in excess of annual required contributions uses current financial resources, but does not qualify as an expense.		2,800
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is reported with governmental activities.		242,627
Bond proceeds and other financing contracts provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net position. In the current period, these amounts consist of:		
Bonds and other financing contracts issued	$ (3,006,835)	
Principal payments on bonds and other financing contracts	2,471,587	
Accreted interest on bonds	(24,068)	(559,316)
Some expenses/revenue reductions reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized in governmental funds. Also payments of certain obligations related to prior periods are recognized in governmental funds but are eliminated in the Statement of Activities. In the current period, the net adjustments consist of:		
Compensated absences	$ (11,128)	
Other postemployment benefits obligations	(295,498)	
Unfunded pension obligations	(58,018)	
Pollution remediation obligations	(6,582)	
Claims and judgments	(1,161)	
Accrued interest	(10,595)	
Unclaimed property	22,546	
Other obligations	659	(359,777)
Change in Net Position of Governmental Activities		$ 1,196,812

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
PROPRIETARY FUNDS
June 30, 2013

(expressed in thousands)

	Business-Type Activities Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets:			
Cash and pooled investments	$ 64,403	$ 2,840,701	$ 1,043,445
Investments	27,592	-	6,050
Other receivables (net of allowance)	701,964	645,475	191,194
Due from other funds	20	4,442	4,302
Due from other governments	1,098	76,725	56,792
Inventories	185	-	57,480
Prepaid expenses	3	-	12,605
Restricted assets:			
Cash and investments	736	-	12,501
Total Current Assets	796,001	3,567,343	1,384,369
Noncurrent Assets:			
Investments, noncurrent	13,381,438	-	166,932
Restricted investments, noncurrent	2,781	-	52,092
Restricted receivables, noncurrent	-	-	-
Other noncurrent assets	-	-	89,146
Capital assets:			
Land and other non-depreciable assets	3,240	-	60,401
Buildings	65,134	-	2,674,121
Other improvements	1,289	-	91,631
Furnishings, equipment, and intangibles	92,218	-	531,974
Infrastructure	-	-	41,944
Accumulated depreciation	(98,921)	-	(1,164,988)
Construction in progress	6,202	-	435,625
Total Noncurrent Assets	13,453,381	-	2,978,878
Total Assets	14,249,382	3,567,343	4,363,247
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow on refundings	-	-	15,848
Total Deferred Outflows of Resources	-	-	15,848
Total Assets and Deferred Outflows of Resources	$ 14,249,382	$ 3,567,343	$ 4,379,095
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 6,260	$ -	$ 113,000
Contracts and retainages payable	6,706	51	21,312
Accrued liabilities	141,840	13,689	210,919
Obligations under security lending agreements	27,592	-	-
Bonds and notes payable	3,605	-	85,952
Due to other funds	7,247	1,058	430,024
Due to other governments	5	82,804	53
Unearned revenue	6,567	-	39,795
Claims and judgments payable	1,851,660	-	-
Total Current Liabilities	2,051,482	97,602	901,055
Noncurrent Liabilities:			
Claims and judgments payable	21,775,900	-	-
Bonds and notes payable	7,870	-	1,995,281
Other long-term liabilities	38,949	-	123,550
Total Noncurrent Liabilities	21,822,719	-	2,118,831
Total Liabilities	23,874,201	97,602	3,019,886
NET POSITION			
Net investment in capital assets	57,687	-	667,190
Restricted for:			
Unemployment compensation	-	3,469,741	-
Unrestricted	(9,682,506)	-	692,019
Total Net Position	(9,624,819)	3,469,741	1,359,209
Total Liabilities and Net Position	$ 14,249,382	$ 3,567,343	$ 4,379,095

The notes to the financial statements are an integral part of this statement.

Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 1,104	$ 111,231	$ 4,060,884	$ 818,014
60,465	34,399	128,506	27,854
6,172	22,411	1,567,216	27,187
2	9,804	18,570	88,649
-	4,664	139,279	15,817
-	8,097	65,762	20,793
-	549	13,157	4,826
-	-	13,237	20
67,743	191,155	6,006,611	1,003,160
2,274,568	168,632	15,991,570	198,273
-	-	54,873	-
-	-	-	21,338
286,000	1	375,147	81
-	1,540	65,181	6,475
-	12,828	2,752,083	468,647
-	2,597	95,517	16,213
89	29,675	653,956	854,733
-	-	41,944	1,933
(88)	(25,293)	(1,289,290)	(639,796)
-	-	441,827	41,471
2,560,569	189,980	19,182,808	969,368
2,628,312	381,135	25,189,419	1,972,528
-	-	15,848	-
-		15,848	-
$ 2,628,312	$ 381,135	$ 25,205,267	$ 1,972,528
$ 2,193	$ 12,733	$ 134,186	$ 62,024
151,000	-	179,069	1,094
10,166	71,369	447,983	57,735
60,465	-	88,057	16,578
-	433	89,990	69,224
316	19,046	457,691	111,236
-	2,574	85,436	89,862
-	251	46,613	2,331
-	1,603	1,853,263	167,818
224,140	108,009	3,382,288	577,902
-	9,607	21,785,507	514,472
-	5,967	2,009,118	485,354
2,565,279	158,340	2,886,118	123,515
2,565,279	173,914	26,680,743	1,123,341
2,789,419	281,923	30,063,031	1,701,243
1	14,946	739,824	251,218
-	-	3,469,741	-
(161,108)	84,266	(9,067,329)	20,067
(161,107)	99,212	(4,857,764)	271,285
$ 2,628,312	$ 381,135	$ 25,205,267	$ 1,972,528

Statement of Revenues, Expenses, and Changes in Net Position
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

(expressed in thousands)

	Business-Type Activities Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
OPERATING REVENUES			
Sales	$ -	$ -	$ 106,586
Less: Cost of goods sold	-	-	70,425
Gross profit	-	-	36,161
Charges for services	37	-	1,630,465
Premiums and assessments	2,123,483	1,286,170	-
Federal aid for unemployment insurance benefits	-	849,214	-
Lottery ticket proceeds	-	-	-
Miscellaneous revenue	30,863	21,919	121,975
Total Operating Revenues	2,154,383	2,157,303	1,788,601
OPERATING EXPENSES			
Salaries and wages	140,203	-	695,821
Employee benefits	44,598	-	196,461
Personal services	8,895	-	13,024
Goods and services	79,316	-	704,457
Travel	4,068	-	23,200
Premiums and claims	3,014,795	1,982,958	-
Lottery prize payments	-	-	-
Depreciation and amortization	8,428	-	127,404
Guaranteed education tuition program expense	-	-	-
Miscellaneous expenses	28,485	-	19,217
Total Operating Expenses	3,328,788	1,982,958	1,779,584
Operating Income (Loss)	(1,174,405)	174,345	9,017
NONOPERATING REVENUES (EXPENSES)			
Earnings (loss) on investments	240,161	70,506	24,470
Interest expense	(656)	-	(77,042)
Tax and license revenue	91	-	-
Other revenues (expenses)	8,732	-	10,075
Total Nonoperating Revenues (Expenses)	248,328	70,506	(42,497)
Income (Loss) Before Contributions and Transfers	(926,077)	244,851	(33,480)
Capital contributions	175	-	-
Transfers in	-	-	120,369
Transfers out	-	(61)	(94,402)
Net Contributions and Transfers	175	(61)	25,967
Change in Net Position	(925,902)	244,790	(7,513)
Net Position - Beginning, as restated	(8,698,917)	3,224,951	1,366,722
Net Position - Ending	$ (9,624,819)	$ 3,469,741	$ 1,359,209

The notes to the financial statements are an integral part of this statement.

Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ -	$ 68,794	$ 175,380	$ 110,930
-	49,168	119,593	104,225
-	19,626	55,787	6,705
173,771	29,358	1,833,631	617,270
-	1,329	3,410,982	1,303,370
-	-	849,214	-
-	569,587	569,587	-
-	3,246	178,003	118,280
173,771	623,146	6,897,204	2,045,625
2,203	47,396	885,623	275,856
518	17,603	259,180	101,574
127	12,067	34,113	20,306
1,620	83,508	868,901	346,806
40	1,436	28,744	3,571
-	-	4,997,753	965,310
-	339,366	339,366	-
4	1,466	137,302	80,950
(109,704)	-	(109,704)	-
-	362	48,064	2,058
(105,192)	503,204	7,489,342	1,796,431
278,963	119,942	(592,138)	249,194
191,480	(3,547)	523,070	1,913
-	(11,026)	(88,724)	(26,227)
-	22,514	22,605	21
-	364	19,171	1,095
191,480	8,305	476,122	(23,198)
470,443	128,247	(116,016)	225,996
-	-	175	2,398
-	13,164	133,533	70,424
-	(153,336)	(247,799)	(56,191)
-	(140,172)	(114,091)	16,631
470,443	(11,925)	(230,107)	242,627
(631,550)	111,137	(4,627,657)	28,658
$ (161,107)	$ 99,212	$ (4,857,764)	$ 271,285

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013
(expressed in thousands)

	Business-Type Activities Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 2,126,896	$ 1,211,376	$ 2,133,835
Payments to suppliers	(2,122,727)	(1,963,583)	(900,509)
Payments to employees	(186,823)	-	(864,892)
Other receipts	30,863	871,007	121,975
Net Cash Provided (Used) by Operating Activities	(151,791)	118,800	490,409
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	120,369
Transfers out	-	(61)	(94,402)
Operating grants and donations received	8,843	-	6,492
Taxes and license fees collected	91	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	8,934	(61)	32,459
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	(717)	-	(53,163)
Principal payments on long-term capital financing	(3,400)	-	(29,206)
Proceeds from long-term capital financing	-	-	245,328
Proceeds from sale of capital assets	-	-	4,941
Acquisitions of capital assets	(9,896)	-	(492,209)
Net Cash Provided (Used) by Capital and Related Financing Activities	(14,013)	-	(324,309)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	568,442	70,506	17,533
Proceeds from sale of investment securities	5,240,820	-	134,714
Purchases of investment securities	(5,630,653)	-	(32,618)
Net Cash Provided (Used) by Investing Activities	178,609	70,506	119,629
Net Increase (Decrease) in Cash and Pooled Investments	21,739	189,245	318,188
Cash and Pooled Investments, July 1, as restated	43,400	2,651,456	737,758
Cash and Pooled Investments, June 30	$ 65,139	$ 2,840,701	$ 1,055,946
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	$ (1,174,405)	$ 174,345	$ 9,017
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:			
Depreciation	8,428	-	127,404
Revenue reduced for uncollectible accounts	24,859	-	647
Change in Assets: Decrease (Increase)			
Receivables	4,496	(74,920)	392,910
Inventories	35	-	(6,932)
Prepaid expenses	(3)	-	(549)
Change in Liabilities: Increase (Decrease)			
Payables	984,799	19,375	(32,088)
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ (151,791)	$ 118,800	$ 490,409

The notes to the financial statements are an integral part of this statement.

Continued

Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 171,774	$ 665,218	$ 6,309,099	$ 2,109,634
(116,293)	(529,308)	(5,632,420)	(1,576,751)
(2,631)	(62,112)	(1,116,458)	(361,449)
-	3,238	1,027,083	121,908
52,850	77,036	587,304	293,342
-	13,164	133,533	70,424
-	(153,336)	(247,799)	(56,191)
-	338	15,673	504
-	22,514	22,605	21
-	(117,320)	(75,988)	14,758
-	(283)	(54,163)	(26,275)
-	(658)	(33,264)	(44,821)
-	-	245,328	35,483
-	19	4,960	14,658
-	(1,336)	(503,441)	(96,907)
-	(2,258)	(340,580)	(117,862)
44,101	66	700,648	4,293
782,433	79,335	6,237,302	159,476
(878,831)	(39,867)	(6,581,969)	(362,400)
(52,297)	39,534	355,981	(198,631)
553	(3,008)	526,717	(8,393)
551	114,239	3,547,404	826,427
$ 1,104	$ 111,231	$ 4,074,121	$ 818,034
$ 278,963	$ 119,942	$ (592,138)	$ 249,194
4	1,466	137,302	80,950
-	74	25,580	455
(1,997)	(4,103)	316,386	77,434
-	409	(6,488)	(1,226)
-	182	(370)	247
(224,120)	(40,934)	707,032	(113,712)
$ 52,850	$ 77,036	$ 587,304	$ 293,342

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013
(expressed in thousands)

	Business-Type Activities Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Contributions of capital assets	$ 175	$ -	$ -
Acquisition of capital assets through Certificates of Participation/capital leases	-	-	36,419
Amortization of annuity prize liability	-	-	-
Increase (decrease) in fair value of investments	(327,470)	-	144
Debt refunding deposited with escrow agent	-	-	87,195
Amortization of debt premium/discount	-	-	13,476
Increase in ownership of joint venture	-	-	6,831

The notes to the financial statements are an integral part of this statement.

Concluded

Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ -	$ -	$ 175	$ 2,398
-	10	36,429	14,216
-	10,743	10,743	-
146,865	3,613	(176,848)	(2,797)
-	-	87,195	-
-	-	13,476	-
-	-	6,831	-

Statement of Net Position
FIDUCIARY FUNDS
June 30, 2013
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
ASSETS				
Current Assets:				
Cash and pooled investments	$ 4,839	$ 3,017,843	$ 40,891	$ 88,344
Investments	-	5,464,589	-	-
Receivables, pension and other employee benefit plans:				
Employers	-	-	137,172	-
Members (net of allowance)	-	-	2,624	-
Interest and dividends	-	-	199,782	-
Investment trades pending	-	-	1,661,905	-
Due from other pension and other employee benefit funds	-	-	1,652	-
Other receivables, all other funds	-	691	-	7,991
Due from other funds	-	-	-	22
Due from other governments	-	-	-	19,533
Total Current Assets	4,839	8,483,123	2,044,026	115,890
Noncurrent Assets:				
Investments, noncurrent, pension and other employee benefit plans:				
Public equity	-	-	32,403,661	-
Fixed income	-	-	14,105,540	-
Private equity	-	-	16,064,517	-
Real estate	-	-	9,380,236	-
Security lending	-	-	1,196,761	-
Liquidity	-	-	1,581,812	-
Tangible assets	-	-	1,031,887	-
Investments, noncurrent, all other funds	-	478,132	-	156
Other noncurrent assets	-	-	-	55,479
Capital assets:				
Furnishings, equipment, and intangibles	33	-	-	-
Accumulated depreciation	(29)	-	-	-
Total Noncurrent Assets	4	478,132	75,764,414	55,635
Total Assets	4,843	8,961,255	77,808,440	$ 171,525
LIABILITIES				
Accounts payable	111	-	-	$ 8,140
Contracts and retainages payable	-	-	-	27,686
Accrued liabilities	166	204,097	1,736,344	54,921
Obligations under security lending agreements	-	-	1,199,842	5,871
Due to other funds	-	-	-	11
Due to other pension and other employee benefit funds	-	-	1,652	-
Due to other governments	-	23,002	-	19,417
Unearned revenue	-	-	726	-
Other long-term liabilities	-	-	-	55,479
Total Liabilities	277	227,099	2,938,564	$ 171,525
NET POSITION				
Net position held in trust for:				
Pension benefits	-	-	71,668,018	
Deferred compensation participants	-	-	3,201,858	
Local government pool participants	-	8,734,156	-	
Individuals, organizations, and other governments	4,566	-	-	
Total Net Position	$ 4,566	$ 8,734,156	$ 74,869,876	

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Net Position
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2013
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans
ADDITIONS			
Contributions:			
Employers	$ -	$ -	$ 1,197,445
Members	-	-	1,031,974
State	-	-	60,204
Participants	-	14,032,653	182,305
Total Contributions	-	14,032,653	2,471,928
Investment Income:			
Net appreciation (depreciation) in fair value	-	-	6,574,645
Interest and dividends	-	16,329	1,850,861
Less: Investment expenses	-	-	(258,468)
Net Investment Income (Loss)	-	16,329	8,167,038
Other Additions:			
Unclaimed property	72,472	-	-
Transfers from other pension plans	-	-	5,625
Other contracts, grants and miscellaneous	21	-	528
Total Other Additions	72,493	-	6,153
Total Additions	72,493	14,048,982	10,645,119
DEDUCTIONS			
Pension benefits	-	-	3,259,510
Pension refunds	-	-	368,806
Transfers to other pension plans	-	-	5,625
Administrative expenses	3,577	904	4,449
Distributions to participants	-	13,310,671	178,638
Payments to or on behalf of individuals, organizations and other governments in accordance with state unclaimed property laws	70,177	-	-
Total Deductions	73,754	13,311,575	3,817,028
Net Increase (Decrease)	(1,261)	737,407	6,828,091
Net Position - Beginning, as restated	5,827	7,996,749	68,041,785
Net Position - Ending	$ 4,566	$ 8,734,156	$ 74,869,876

The notes to the financial statements are an integral part of this statement.

Statement of Net Position
COMPONENT UNITS
June 30, 2013
(expressed in thousands)

	Public Stadium	Health Benefit Exchange	Nonmajor Component Units	Total
ASSETS				
Current Assets:				
Cash and pooled investments	$ 7,003	$ 41	$ 27,323	$ 34,367
Investments	-	-	41,646	41,646
Investments, restricted	3,770	-	-	3,770
Other receivables (net of allowance)	1,197	6,830	7,484	15,511
Prepaid expenses	22	40	117	179
Total Current Assets	11,992	6,911	76,570	95,473
Noncurrent Assets:				
Restricted investments, noncurrent	10,963	-	-	10,963
Other noncurrent assets	-	986	105,673	106,659
Capital assets:				
Land	34,677	-	-	34,677
Buildings	460,636	-	-	460,636
Furnishings, equipment and intangible assets	19,436	11,133	1,608	32,177
Accumulated depreciation	(187,928)	(1,485)	(1,579)	(190,992)
Construction in progress	-	411	-	411
Total Noncurrent Assets	337,784	11,045	105,702	454,531
Total Assets	$ 349,776	$ 17,956	$ 182,272	$ 550,004
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 68	$ 4,851	$ 40,057	$ 44,976
Contracts and retainages payable	4,364	-	-	4,364
Accrued liabilities	3,497	2,060	55	5,612
Unearned revenue	-	-	17,458	17,458
Total Current Liabilities	7,929	6,911	57,570	72,410
Noncurrent Liabilities:				
Other long-term liabilities	12,220	986	-	13,206
Total Noncurrent Liabilities	12,220	986	-	13,206
Total Liabilities	20,149	7,897	57,570	85,616
NET POSITION				
Net investment in capital assets	310,281	10,059	29	320,369
Restricted for deferred sales tax	12,346	-	-	12,346
Restricted for other purposes	-	-	1,083	1,083
Unrestricted	7,000	-	123,590	130,590
Total Net Position	329,627	10,059	124,702	464,388
Total Liabilities and Net Position	$ 349,776	$ 17,956	$ 182,272	$ 550,004

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Net Position
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2013
(expressed in thousands)

	Public Stadium	Health Benefit Exchange	Nonmajor Component Units	Total
OPERATING REVENUES				
Charges for services	$ 1,067	$ -	$ 31,831	$ 32,898
Total Operating Revenues	1,067	-	31,831	32,898
OPERATING EXPENSES				
Salaries and wages	403	1,256	4,277	5,936
Employee benefits	120	389	1,445	1,954
Personal services	194	7,945	1,465	9,604
Goods and services	304	239	2,288	2,831
Travel	2	-	20	22
Depreciation and amortization	15,231	1,485	45	16,761
Miscellaneous expenses	-	180	2,030	2,210
Total Operating Expenses	16,254	11,494	11,570	39,318
Operating Income (Loss)	(15,187)	(11,494)	20,261	(6,420)
NONOPERATING REVENUES (EXPENSES)				
Earnings (loss) on investments	304	-	82	386
Operating grants and contributions	-	18,116	8,249	26,365
Distributions of operating grants	-	-	(7,602)	(7,602)
Naming rights	2,130	-	-	2,130
Other	(15)	628	-	613
Total Nonoperating Revenues (Expenses)	2,419	18,744	729	21,892
Income (Loss) before Contributions	(12,768)	7,250	20,990	15,472
Capital grants and contributions	(328)	2,809	-	2,481
Total Contributions	(328)	2,809	-	2,481
Change in Net Position	(13,096)	10,059	20,990	17,953
Net Position - Beginning, as restated	342,723	-	103,712	446,435
Net Position - Ending	$ 329,627	$ 10,059	$ 124,702	$ 464,388

The notes to the financial statements are an integral part of this statement.

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Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

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Note 1

Summary of Significant Accounting Policies

The accompanying financial statements of the state of Washington have been prepared in conformity with generally accepted accounting principles (GAAP). The Office of Financial Management (OFM) is the primary authority for the state's accounting and reporting requirements. OFM has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles nationally. Following is a summary of the significant accounting policies:

A. REPORTING ENTITY

In defining the state of Washington for financial reporting purposes, management considers: all funds, organizations, institutions, agencies, departments, and offices that are legally part of the state (the primary government) and organizations for which the state is financially accountable. Additionally, other organizations that do not meet the financial accountability criteria may be included in the reporting entity if the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading.

Financial accountability exists when the primary government appoints a voting majority of an organization's governing body and is either (1) able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government is also financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board. An organization is fiscally dependent if it is unable to determine its budget without another government having the substantive authority to approve or modify that budget, to levy taxes or set rates or charges without substantive approval by another government, or to issue bonded debt without substantive approval by another government. The organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists: (1) the primary government is legally entitled to or can access the organization's resources; (2) the primary government is legally obligated or has otherwise assumed the obligation to finance or provide financial support to the organization; (3) the primary government is obligated in some manner for the debt of the organization.

Based on these criteria, the following are included in the financial statements of the primary government:

State Agencies. Except as otherwise described herein, all state elected offices, departments, agencies, commissions, boards, committees, authorities, councils (agencies) and all funds and subsidiary accounts of the state are included in the primary government. Executives of these agencies are either elected, directly appointed by the Governor, appointed by a board which is appointed by the Governor, or appointed by a board which is in part appointed by the Governor. Additionally, a small number of board positions are established by statute or independently elected.

The Legislature creates these agencies, assigns their programs, approves operational funding, and requires financial accountability. The Legislature also authorizes all bond issuances for capital construction projects for the benefit of state agencies. The legal liability for these bonds and the ownership of agency assets resides with the state.

Colleges and Universities. The governing boards of the five state universities, the state college, and the 34 state community and technical colleges are appointed by the Governor. The governing board of each college and university appoints a president to function as chief administrator. The Legislature approves budgets and budget amendments for the appropriated funds of each college and university, which include the state's General Fund as well as certain capital projects funds. The State Treasurer issues general obligation debt for major campus construction projects. However, the colleges and universities are authorized to issue revenue bonds.

The University of Washington issues general revenue bonds that are payable from general revenues, including student tuition and fees, grant indirect cost recovery, sales and services revenue, and investment income. All other revenue bonds issued by colleges and universities pledge the income derived from acquired or constructed assets such as housing, dining, and parking facilities. These revenue bonds are payable solely from, and secured by, fees and revenues derived from the operation of constructed facilities; the legal liability for the bonds and the ownership of the college and university assets reside with the state.

Colleges and universities do not have separate corporate powers and sue and are sued as part of the state with legal representation provided through the state Attorney General's Office. Since the colleges and universities are legally part of the state, their financial operations, including their blended component units, are reported in the state's financial statements using the fund structure prescribed by GASB.

Retirement Systems. The state of Washington, through the Department of Retirement Systems, administers eight retirement systems for public employees of the state and political subdivisions: the Public Employees' Retirement System, the Teachers' Retirement System, the School Employees' Retirement System, the Law Enforcement Officers' and Fire Fighters' Retirement System, the Washington State Patrol Retirement System, the Public Safety Employees' Retirement System, the Judicial Retirement System, and the Judges' Retirement Fund. The director of the Department of Retirement Systems is appointed by the Governor.

There are three additional retirement systems administered outside of the Department of Retirement Systems. The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund is administered through the Board for Volunteer Fire Fighters, which is appointed by the Governor. The Judicial Retirement Account is administered through the Administrative Office of the Courts under the direction of the Board for Judicial Administration. The Higher Education Retirement Plan Supplemental Defined Benefit Plans are administered by the state's colleges and universities.

The Legislature establishes laws pertaining to the creation and administration of all public retirement systems. The participants of the public retirement systems, together with the state, provide funding for all costs of the systems based upon actuarial valuations. The state establishes benefit levels and approves the actuarial assumptions used in determining contribution levels.

All of the aforementioned retirement systems are included in the primary government's financial statements.

Blended Component Units. Blended component units, although legally separate entities, are part of the state's operations in substance. Accordingly, they are reported as part of the state and blended into the appropriate funds. The following entities are blended in the state's financial statements:

Tobacco Settlement Authority. The Tobacco Settlement Authority (TSA) was created by the Legislature in March 2002 as a public instrumentality separate and distinct from the state. It is governed by a five-member board appointed by the Governor. It was created solely for the purpose of issuing bonds to securitize a portion of the state's future tobacco settlement revenue. Proceeds of the debt instrument were transferred to the state to help fund health care, long-term care, and other programs of the state. Refer to Note 7.A for additional information.

Financial reports for the TSA may be obtained from the authority at the following address:

Tobacco Settlement Authority
1000 Second Avenue, Suite 2700
Seattle, WA 98104-1046

Other Blended Component Units. Tumwater Office Properties, FYI Properties, the University of Washington (UW) Physicians, UW Medicine Neighborhood Clinics, TSB Properties, Washington Biomedical Research Properties I and II, and Washington Biomedical Research Facilities 3 are blended component units in the state's financial statements. All the aforementioned blended component units provide services entirely or almost entirely to the state. Financial information for these blended component units may be obtained from their respective administrative offices.

Discrete Component Units. Discretely presented component units are reported in a separate column in the government-wide financial statements. Discretely presented component units are legally separate from the state and primarily serve or benefit those outside of the state. They are financially accountable to the state, or have relationships with the state such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These entities are reported as discrete component units because state officials either serve on or appoint the members of the governing bodies of the authorities. The state also has the ability to influence the operations of the authorities through legislation. The following entities are discretely presented in the financial statements of the state in the component unit's column:

The Washington State Housing Finance Commission, the Washington Higher Education Facilities Authority, the Washington Health Care Facilities Authority, and the Washington Economic Development Finance Authority (financing authorities) were created by the Legislature in a way that specifically prevents them from causing the state to be liable or responsible for their acts and obligations, including, but not limited to, any obligation to pay principal and interest on financing authority bonds. The financing authorities cannot obligate the state, either legally or morally, and the state has not assumed any obligation of, or with respect to, the financing authorities.

Financial reports of these financing authorities may be obtained from each authority at the following addresses:

Washington Health Care Facilities Authority
410 11th Avenue SE, Suite 201
PO Box 40935
Olympia, WA 98504-0935

Washington State Housing Finance Commission
Washington Higher Education Facilities Authority
Washington Economic Development Finance Authority
1000 Second Avenue, Suite 2700
Seattle, WA 98104-1046

The Washington State Public Stadium Authority (PSA) was created by the Legislature to acquire, construct, own, and operate a football/soccer stadium, exhibition center, and parking garage. Construction was completed in 2002. PSA capital assets, net of accumulated depreciation, total $327 million. The state issued general obligation bonds for a portion of the cost of the stadium construction. The total public share of the stadium and exhibition center cost did not exceed $300 million from all state and local government funding sources, as required in statute.

Project costs in excess of $300 million were the responsibility of the project's private partner, First & Goal, Inc. The bonds are being repaid through new state lottery games, a state sales tax credit, extension of the local hotel/motel tax, and parking and admissions taxes at the new facility.

Financial reports of the PSA may be obtained at the following address:

Washington State Public Stadium Authority
CenturyLink Field & Event Center
800 Occidental Avenue South, #700
Seattle, WA 98134

The Washington Health Benefit Exchange (Exchange) was created by the Legislature to implement a central marketplace for individuals, families, and small employers to shop for health insurance and access federal tax credits pursuant to the Patient Protection and Affordable Care Act of 2010. Federal grant funding is financing the Exchange design, development, and implementation phases as well as the first full year of operation during 2014. Beginning in 2015 the Exchange must be self-sustaining through state funding appropriations, premium tax assessments, and administrative fees.

Financial reports of the Exchange may be obtained at the following address:

Washington Health Benefit Exchange
810 Jefferson Street SE
Olympia, WA 98501

The state's component units each have a year-end of June 30 with the exception of the Washington Economic Development Finance Authority and the Washington Health Benefit Exchange which have a December 31 year-end.

Joint Venture. In 1998, the University of Washington Medical Center (Medical Center) entered into an agreement with Seattle Children's Hospital and Fred Hutchinson Cancer Research Center to establish the Seattle Cancer Care Alliance (SCCA). Each member of the SCCA has a one-third interest. The mission of the SCCA is to eliminate cancer as a cause of human suffering and death and to become recognized as the premier cancer research and treatment center in the Pacific Northwest. The SCCA integrates the cancer research, teaching, and clinical cancer programs of all three institutions to provide state-of-the-art cancer care. Under the agreement, the Medical Center provides the patient care to all adult inpatients of the SCCA.

Inpatient Services – The SCCA operates a 20-bed unit located within the Medical Center in which its adult inpatients receive care. The fiscal intermediary has determined that the 20-bed unit qualifies as a hospital within a hospital for Medicare reimbursement purposes. The SCCA provides medical oversight and management of the inpatient unit. Under agreements, the Medical Center provides inpatient care services to the SCCA including necessary personnel, equipment, and ancillary services.

Outpatient Services – The SCCA operates an ambulatory cancer care service facility in Seattle. The Medical Center provides various services to the SCCA's outpatient facility including certain pharmacy, laboratory, and pathology services as well as billing, purchasing, and other administrative services.

The state accounts for the Medical Center's interest in SCCA under the equity method of accounting. Income of $6.8 million was recorded in fiscal year 2013, bringing the total equity investment to $89.1 million which is recognized in the state's financial statements in the Higher Education Student Services Fund.

Separate financial statements for SCCA may be obtained from:

Seattle Cancer Care Alliance
825 Eastlake Avenue East
PO Box 19023
Seattle, WA 98109-1023

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The state presents two basic government-wide financial statements: the Statement of Net Position and the Statement of Activities. These government-wide financial statements report information on all non-fiduciary activities of the primary government and its component units. The financial information for the primary government is distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

Statement of Net Position. The Statement of Net Position presents the state's non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. As a general rule, balances between governmental and business-type activities are eliminated.

Statement of Activities. The Statement of Activities reports the extent to which each major state program is supported by general state revenues or is self-financed through fees and intergovernmental aid. For governmental activities, a major program is defined as a function. For business-type activities, a major program is an identifiable activity.

Program revenues offset the direct expenses of major programs. Direct expenses are those that are clearly identifiable within a specific function or activity. Program revenues are identified using the following criteria:

- Charges to customers for goods and services of the program. A customer is one who directly benefits from the goods or services or is otherwise directly affected by the program, such as a state citizen or taxpayer, or other governments or nongovernmental entities.

- Amounts received from outside entities that are restricted to one or more specific programs. These amounts can be operating or capital in nature.

- Earnings on investments that are restricted to a specific program are also considered program revenues.

General revenues consist of taxes and other items not meeting the definition of program revenues.

Generally the effect of internal activities is eliminated. Exceptions to this rule include charges between the workers' compensation insurance programs and various other state programs and functions. Elimination of these charges would distort the direct costs and revenues reported for the various activities involved.

Fund Financial Statements

The state uses 630 accounts that are combined into 52 rollup funds. The state presents separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements, with nonmajor funds being combined into a single column regardless of fund type. Internal service and fiduciary funds are reported by fund type. Major funds include:

Major Governmental Funds:

- **General Fund** is the state's primary operating fund. This fund accounts for all financial resources and transactions not accounted for in other funds.

- **Higher Education Special Revenue Fund** primarily accounts for tuition, student fees, and grants and contracts received for research and other educational purposes.

- **Higher Education Endowment Permanent Fund** accounts for gifts and bequests that the donors have specified must remain intact. Each gift is governed by various restrictions on the investment and use of the funds.

Major Enterprise Funds:

- **Workers' Compensation Fund** accounts for the workers' compensation program that provides medical, time-loss, and disability benefit payments to qualifying individuals sustaining work-related injuries.

- **Unemployment Compensation Fund** accounts for the unemployment compensation program. It accounts for the deposit of funds, requisitioned from the Federal Unemployment Trust Fund, to provide services to eligible participants within the state and to pay unemployment benefits.

- **Higher Education Student Services Fund** is used by colleges and universities principally for bookstore, cafeteria, parking, student housing, food service, and hospital business enterprise activities.

- **Guaranteed Education Tuition Program Fund** accounts for Washington's Guaranteed Education Tuition (GET) Program. GET is a qualified tuition program under Section 529 of the Internal Revenue Code.

The state includes the following governmental and proprietary fund types within nonmajor funds:

Nonmajor Governmental Funds:

- **Special Revenue Funds** account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are restricted or committed to expenditures for specific purposes. These include a variety of state programs including public safety and health assistance programs; natural resource and wildlife protection and management programs; the state's transportation programs which include the operation of the state's ferry system, and maintenance and preservation of interstate and non-interstate highway systems; driver licensing, highway and non-highway operations, and capital improvements; K-12 school construction; and construction and loan programs for local public works projects.

- **Debt Service Funds** account for the accumulation of resources that are restricted or committed to expenditures for, and the payment of, principal and interest on the state's bonds issued in support of governmental activities.

- **Capital Projects Funds** account for financial resources that are restricted or committed to expenditures for the acquisition, construction, or improvement of major state-owned capital facilities (other than highway infrastructure or those financed by proprietary funds).

- **Common School Permanent Fund** accounts for the principal derived from the sale of timber. Interest earned is used for the benefit of common schools.

Nonmajor Proprietary Funds:

- **Enterprise Funds** account for the state's business type operations for which a fee is charged to external users for goods or services including: the state lottery; vocational/education programs at correctional institutions, and other activities.

Internal Service Funds account for the provision of legal, motor pool, data processing, risk management, health insurance, and other services by one department or agency to other departments or agencies of the state on a cost-reimbursement basis.

The state reports the following fiduciary funds:

- **Pension (and other employee benefit) Trust Funds** are used to report resources that are required to be held in trust by the state for the members and beneficiaries of defined benefit pension plans, defined contribution pension plans, and other employee benefit plans.

- **Investment Trust Fund** accounts for the external portion of the Local Government Investment Pool, which is reported by the state as the sponsoring government.

- **Private-Purpose Trust Fund** is used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments such as the administration of unclaimed property.

- **Agency Funds** account for resources held by the state in a custodial capacity for other governments, private organizations, or individuals.

Operating and Nonoperating Revenues and Expenses. The state's proprietary funds make a distinction between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing goods and services directly related to the principal operations of the funds. For example, operating revenues for the state's workers' compensation and health insurance funds consist of premiums and assessments collected. Operating expenses consist of claims paid to covered individuals, claims adjustment expenses, costs of commercial insurance coverage, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating, including interest expense and investment gains and losses.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

For government-wide reporting purposes, the state uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

For fund statement reporting purposes, the state uses the current financial resources measurement focus and modified accrual basis of accounting for governmental funds. With the current financial resources measurement focus, generally only current assets and current liabilities and deferred outflows of resources and deferred inflows of resources are included on the governmental funds balance sheet. Operating statements for these funds present inflows (i.e., revenues and other financing sources) and outflows (i.e., expenditures and other financing uses) of expendable financial resources.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be reasonably estimated. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary revenues that are determined to be susceptible to accrual include sales taxes, business and occupation taxes, motor fuel taxes, federal grants-in-aid, and charges for services.

Revenues from property taxes are determined to be available if collectible within 60 days. Taxes imposed on exchange transactions are accrued when the underlying exchange transaction occurs if collectible within one year. Revenue for timber cutting contracts is accrued when the timber is harvested. Revenues from licenses, permits, and fees are recognized when received in cash. Revenues related to expenditure-driven grant agreements are recognized when the qualifying expenditures are made, provided that the availability criteria is met. Expenditure-driven grant revenue is considered available if it can be collected by the state at the same time cash is disbursed to cover the associated grant expenditure. Pledges are accrued when the eligibility requirements are met and resources are available. All other accrued revenue sources are determined to be available if collectible within 12 months.

Property taxes are levied in December for the following calendar year. The first half-year collections are due by April 30, and the second half-year collections are due by October 31. Since the state is on a fiscal year ending June 30, the first half-year collections are recognized as revenue, if collectible within 60 days of the fiscal year end. The second half-year collections are recognized as receivables offset by unavailable revenue. The lien date on property taxes is January 1 of the tax levy year.

Under modified accrual accounting, expenditures are generally recognized when the related liability is incurred. However, unmatured interest on general long-term obligations is recognized when due, and certain liabilities including compensated absences, other postemployment benefits, and claims and judgments are recognized when the obligations are expected to be liquidated with available expendable financial resources.

The state reports both unavailable and unearned revenues on its governmental fund balance sheet. Unavailable revenues arise when a potential revenue does not meet both the "measurable" and the "available" criteria for revenue recognition in the current period. Unearned revenues arise when resources are received by the state before it has a legal claim to them, such as when grant monies are received prior to incurring qualifying expenditures/expenses.

All proprietary and trust funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets and liabilities and deferred outflows of resources and deferred inflows of resources associated with the operations of these funds are included on their respective statements of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Net position for trust funds is held in trust for external individuals and organizations.

All proprietary and trust funds are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

1. Cash and Investments

Investments of surplus or pooled cash balances are reported on the accompanying Statements of Net Position, Balance Sheets and Statements of Cash Flows as "Cash and Pooled Investments." The Office of the State Treasurer invests state treasury cash surpluses where funds can be disbursed at any time without prior notice or penalty. For reporting purposes, pooled investments are stated at fair value or amortized cost, which approximates fair value. For purposes of reporting cash flows, the state considers cash and pooled investments to be cash equivalents. Pooled investments include short-term, highly-liquid investments that are both readily convertible to cash and are so near their maturity dates that they present insignificant risk of changes in value because of changes in interest rates.

The method of accounting for noncurrent investments varies depending upon the fund classification. Investments in the state's Local Government Investment Pool (LGIP), an external investment pool operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940, are reported at amortized cost which approximates fair value. The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, phone number (360) 902-9000 or TTY (360) 902-8963.

Certain pension trust fund investments, including real estate and private equity, are reported at fair value based on appraisals or estimates in the absence of readily ascertainable fair values. At June 30, 2013, these alternative investments are valued at $26.48 billion. Because of the inherent uncertainties in the estimation of fair value, it is possible that the estimates will change.

All other noncurrent investments are reported at fair value. Fair values are based on published market prices, quotations from national security exchanges and security pricing services, or by the respective fund managers for securities that are not actively traded. Privately held mortgages are valued at cost, which approximates fair value. Additional disclosure describing investments is provided in Note 3.

2. Receivables and Payables

Receivables in the state's governmental fund type accounts consist primarily of taxes and federal revenues. Receivables in all other funds have arisen in the ordinary course of business. Receivables are recorded when either the asset or revenue recognition criteria (refer to Note 1.C) have been met. All receivables are reported net of an allowance for accounts estimated to be uncollectible.

For government-wide reporting purposes, amounts recorded as interfund/interagency receivables and payables are eliminated in the governmental and business-type activities columns on the Statement of Net Position, except for the net residual balances due between the governmental and business-type activities, which are reported as internal balances. Amounts recorded in governmental and business-type activities as due to or from fiduciary funds have been reported as due to or from other governments.

3. Inventories and Prepaids

Consumable inventories, consisting of expendable materials and supplies held for consumption, are valued and reported in the state's financial statements if the fiscal year-end balance on hand within an agency is estimated to be $25,000 or more. Consumable inventories are generally valued at cost using the first-in, first-out method. Donated consumable inventories are recorded at fair market value.

All merchandise inventories are considered reportable for financial statement purposes. Merchandise inventories are generally valued at cost using the first-in, first-out method.

Inventories of governmental funds are valued at cost and recorded using the consumption method. Proprietary funds expense inventories when used or sold.

For governmental fund financial reporting, inventory balances are also recorded as a reservation of fund balance indicating that they do not constitute "available spendable resources" except for $6.3 million in federally donated consumable inventories, which are offset by unearned revenue because they are not earned until they are distributed to clients.

Prepaid items are those certain types of supplies and/or services (not inventory) that are acquired or purchased during an accounting period but not used or consumed during that accounting period.

In governmental fund type accounts, prepaid items are generally accounted for using the purchases method. Under the purchases method, prepaid items are treated as expenditures when purchased and residual balances, if any, at year end are not accounted for as assets.

In proprietary and trust fund type accounts, prepaid items are accounted for using the consumption method. The portion of supplies or services consumed or used during a period is recorded as an expense. The balance that remains is reported as an asset until consumed or used.

4. Restricted Assets

Certain cash, investments, and other assets are classified as restricted assets on the Statement of Net Position and Balance Sheet because their use is limited by bond covenants, escrow arrangements, or other regulations.

5. Capital Assets

Capital assets are tangible and intangible assets held and used in state operations, which have a service life of more than one year and meet the state's capitalization policy.

It is the state's policy to capitalize:

- All land, including land use rights with indefinite lives acquired with the purchase of the underlying land, and ancillary costs;
- The state highway system operated by the Department of Transportation;
- Infrastructure, other than the state highway system, with a cost of $100,000 or more;
- Buildings, building improvements, improvements other than buildings, and leasehold improvements with a cost of $100,000 or more;
- Intangible assets, either purchased or internally developed, with a cost of $1.0 million or more that are identifiable by meeting one of the following conditions:
    - The asset is capable of being separated or divided and sold, transferred, licensed, rented, exchanged;
    - The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable;
- All capital assets acquired with Certificates of Participation, a debt financing program administered by the Office of the State Treasurer; and

All other capital assets with a unit cost (including ancillary costs) of $5,000 or greater, or collections with a total cost of $5,000 or greater except for assets held by the University of Washington (UW). The capitalization threshold for all other capital assets held by the UW is $2,000.

Assets acquired by capital leases are capitalized if the asset's fair market value meets the state's capitalization threshold described above.

Purchased capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Capital asset costs include the purchase price plus those costs necessary to place the asset in its intended location and condition for use (ancillary costs). Normal maintenance and repair costs that do not materially add to the value or extend the life of the state's capital assets are not capitalized.

Donated capital assets are valued at their estimated fair market value on the date of donation, plus all appropriate ancillary costs. When the fair market value is not practically determinable due to lack of sufficient records, estimated cost is used. Where necessary, estimates of original cost and fair market value are derived by factoring price levels from the current period to the time of acquisition.

The value of assets constructed by agencies for their own use includes all direct construction costs and indirect costs that are related to the construction. In enterprise and trust funds, net interest costs (if material) incurred during the period of construction are capitalized. In fiscal year 2013, $21.8 million net interest costs were capitalized.

State agencies are not required to capitalize art collections, library reserve collections, and museum and historical collections that are considered inexhaustible, in that their value does not diminish over time, if all of the following conditions are met:

- The collection is held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
- The collection is protected, kept unencumbered, cared for, and preserved.
- The collection is subject to policy requirements that the proceeds from sales of collection items be used to acquire other items for the collection.

Depreciation/amortization is calculated using the straight-line method over the estimated useful lives of the assets.

Generally, estimated useful lives are as follows:

Buildings & building components	5-50 years
Furnishings, equipment & collections	3-50 years
Other improvements	3-50 years
Intangibles	3-50 years
Infrastructure	20-50 years

The cost and related accumulated depreciation/amortization of disposed capital assets are removed from the accounting records.

The state capitalizes the state highway system as a network but does not depreciate it since the system is being preserved approximately at or above a condition level established by the state. That condition level is documented and disclosed. Additionally, the highway system is managed using an asset management system that includes:

- Maintenance of an up-to-date inventory of system assets;
- Performance of condition assessments of the assets at least every three years with summarization of the results using a measurement scale; and
- Annual estimation of the amount to maintain and preserve the assets at the condition level established and disclosed.

All state highway system expenditures that preserve the useful life of the system are expensed in the period incurred. Additions and improvements that increase the capacity or efficiency of the system are capitalized. This approach of reporting condition instead of depreciating the highway system is called the modified approach.

For government-wide financial reporting purposes, capital assets of the state are reported as assets in the applicable governmental or business-type activities column on the Statement of Net Position. Depreciation/amortization expense related to capital assets is reported in the Statement of Activities.

Capital assets and the related depreciation/amortization expense are also reported in the proprietary fund financial statements.

In governmental funds, capital assets are not capitalized in the accounts that acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in the year assets are acquired or construction costs are incurred. No depreciation/amortization is reported.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund equity that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The state only has one item that qualifies for reporting in this category. It is the deferred outflow of resources on refunding reported in the government-wide and proprietary fund statements of net position. A deferred outflow on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The state is reporting as a deferred inflow unavailable revenue, which arises only under the modified accrual basis of accounting, and so is reported only on the governmental funds balance sheet. Governmental funds report unavailable revenues primarily from two sources: taxes and long-term receivables. These amounts are recognized as inflows of resources in the periods that the amounts become available.

7. Compensated Absences

State employees accrue vested vacation leave at a variable rate based on years of service. In general, accrued vacation leave cannot exceed 240 hours at the employee's anniversary date.

Employees accrue sick leave at the rate of one day per month without limitation on the amount that can be accumulated. Sick leave is not vested; i.e., the state does not pay employees for unused sick leave upon termination except upon employee death or retirement. At death or retirement, the state is liable for 25 percent of the employee's accumulated sick leave. In addition, the state has a sick leave buyout option in which, each January, employees who accumulate sick leave in excess of 480 hours may redeem sick leave earned but not taken during the previous year at the rate of one day's pay in exchange for each four days of sick leave.

It is the state's policy to liquidate unpaid compensated absences outstanding at June 30 with future resources rather than advance funding it with currently available expendable financial resources.

For government-wide reporting purposes, the state reports compensated absences obligations as liabilities in the applicable governmental or business-type activities columns on the Statement of Net Position.

For fund statement reporting purposes, governmental funds recognize an expenditure for annual and sick leave when it is payable, i.e., upon employee's use, resignation, or retirement. Proprietary and trust funds recognize the expense and accrue a liability for annual leave and estimated sick leave buyout, including related payroll taxes and benefits as applicable, as the leave is earned.

8. Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term obligations of the state are reported as liabilities on the Statement of Net Position. Bonds payable are reported net of applicable original issuance premium or discount. When material, bond premiums, discounts, and issue costs are deferred and amortized over the life of the bonds.

For governmental fund financial reporting, the face (par) amount of debt issued is reported as other financing sources. Premiums and discounts on original debt issuance are also reported as other financing sources and uses, respectively. Issue costs are reported as debt service expenditures.

9. Fund Equity

In governmental fund type accounts, fund equity is called "fund balance." Fund balance is reported in classifications which reflect the extent to which the state is bound to honor constraints on the purposes for which the amounts can be spent. Classifications include:

- **Nonspendable** fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.

- **Restricted** fund balance represents amounts for which constraints are placed on their use by the constitution, enabling legislation, or external resource providers such as creditors, grantors, or laws or regulations of other governments.

- **Committe**d fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the state Legislature through a statute or appropriation.

- **Assigned** fund balance represents amounts that are intended for a specific purpose by management, but are neither restricted nor committed. Generally assignment is expressed by joint legislative and executive staff action.

- **Unassigned** fund balance represents the residual amount for the General Fund that is not contained in the other classifications. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

When resources meeting more than one of the classifications (excluding nonspendable) are comingled in an account, assuming that an expenditure meets the constraints of the classification, the assumed order of spending is restricted first, committed second, and finally assigned.

For government-wide reporting as well as in proprietary funds, fund equity is called net position. Net position is comprised of three components: net investment in capital assets; restricted; and unrestricted.

- **Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- **Restricted** net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

- **Unrestricted** net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

E. OTHER INFORMATION

1. Insurance Activities

Workers' Compensation. Title 51 RCW establishes the state of Washington's workers' compensation program. The statute requires all employers to secure coverage for job-related injuries and diseases, with few exceptions, through the Workers' Compensation Fund or through self-insurance. Direct private insurance is not authorized, although self-insurers are permitted to reinsure up to 80 percent of their obligations through private insurers.

The Workers' Compensation Fund, an enterprise fund, is used to account for the workers' compensation program which provides time-loss, medical, vocational, disability, and pension benefits to qualifying individuals sustaining work-related injuries or illnesses. The main benefit plans of the workers' compensation program are funded based on rates that will keep these plans solvent in accordance with recognized actuarial principles. The supplemental pension plan supports cost-of-living adjustments (COLA) granted for time-loss and disability payments; however, these are funded on a pay-as-you-go basis. By statute, the state is only allowed to collect enough revenue to fund the current COLA payments.

Premiums are based on individual employers' reported payroll hours and insurance rates based on each employer's risk classification(s) and past experience, except for the Supplemental Pension Fund premiums which are based on a flat rate per hours worked independent of risk class or past experience. In addition to its regular premium plan which is required for all employers, the Workers' Compensation Fund offers a voluntary retrospective premium rating plan under which premiums are subject to three annual adjustments based on group and individual employers' loss experience. Initial adjustments to the standard premiums are paid to or collected from the groups and individual employers approximately ten months after the end of each plan year.

The Department of Labor and Industries, as administrator of the workers' compensation program, establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have already occurred. The length of time for which such costs must be estimated varies depending on the benefit involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liabilities, claims adjudication, and judgments, the process used in computing claims liabilities does not necessarily result in an exact amount.

Claims payable are recomputed quarterly using a variety of actuarial and statistical techniques. These techniques are used to produce current estimates that reflect recent settlements, claim frequency, expected inflation, and other economic, legal, and social factors. Adjustments to claims payable are charged or credited to claims expense in the periods in which they are made.

Risk Management. The state of Washington operates a self-insurance liability program pursuant to RCW 4.92.130. The state manages its tort claims as an insurance business activity rather than a general governmental activity. The state's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, the state's management believes it is more economical to manage its risks internally and set aside assets for claims settlement in the Risk Management Fund, an internal service fund. A limited amount of commercial insurance is purchased for liabilities arising from the operations of the Washington state ferries, employee bonds, and to limit the exposure to catastrophic losses. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past ten fiscal years. Otherwise, the self-insurance liability program services all claims against the state for injuries and property damage to third parties. The majority of state funds and agencies participate in the self-insurance liability program in proportion to their anticipated exposure to liability losses.

Health Insurance. The state of Washington administers and provides medical, dental, basic life, and basic long-term disability insurance coverage for eligible state employees. In addition, the state offers coverage to K-12 school districts, educational service districts, tribal governments, political subdivisions, and employee organizations representing state civil service workers. The state establishes eligibility requirements and approves plan benefits of all participating health care organizations. Because the state and its employees are the predominant participants in the employee health insurance program, it is accounted for in an internal service fund, the Employee Insurance Fund.

The state's share of the cost of coverage for state employees is based on a per capita amount determined annually by the Legislature and allocated to state agencies.

The Health Care Authority, as administrator of the health care benefits program, collects this monthly "premium" from agencies for each active employee enrolled in the program. State employees self-pay for coverage beyond the state's contribution. Cost of coverage for non-state employees is paid by their respective employers. Most coverage is available on a self-paid basis to former employees and employees who are temporarily not in pay status.

Most coverage is also available on a self-paid basis to eligible retirees. In accordance with the provisions of GASB Statement No. 43, an agency fund, the Retiree Health Insurance Fund, is used to account for the retiree health insurance program. For additional information, refer to Note 12.

The state secures commercial insurance for certain coverage offered, but self-insures the risk of loss for the Uniform Medical Plan. The Uniform Medical Plan enrolled 64 percent of the eligible subscribers in fiscal year 2013. Claims are paid from premiums collected, and claims adjudication is contracted through a third-party administrator.

Considerations in calculating liabilities include frequency of claims, administrative costs, industry inflation trends, advances in medical technology, and other social and economic factors. Liabilities include an amount for claims incurred but not reported.

2. Postemployment Benefits

COBRA. In compliance with federal law, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), the state offers health and dental benefits on a temporary basis to qualified beneficiaries whose benefit coverage would otherwise end because of a qualifying event such as loss of employment. COBRA coverage is available on a self-paid basis and is the same medical and dental coverage available to state employees.

Medical Expense Plan. As disclosed in Note 1.D, at the time of separation from state service due to retirement or death, the state offers a 25 percent buyout of an employee's accumulated sick leave. Individual state agencies may offer eligible employees a medical expense plan (MEP) that meets the requirements of the Internal Revenue Code. Agencies offering an MEP deposit the retiring employee's sick leave buyout in the MEP for reimbursement of medical expenses.

Retirement Benefits. Refer to Note 11 Retirement Plans and Note 12 Other Postemployment Benefits.

3. Interfund/Interagency Activities

The state engages in two major categories of interfund/ interagency activity: reciprocal and nonreciprocal. Reciprocal interfund/interagency activity is the internal counterpart to exchange and exchange-like transactions and includes both interfund loans and services provided and used. Nonreciprocal activity is nonexchange in nature and includes both transfers and reimbursements.

4. Donor-restricted Endowments

The state of Washington reports endowments in higher education endowment permanent accounts. These accounts are established outside of the state treasury for use by the higher education institutions. There is no state law that governs endowment spending; rather, the policies of individual university and college boards govern the spending of net appreciation on investments.

Under the current spending policy, distributions to programs approximate an annual percentage rate of 4 percent of a five-year rolling average of the endowment's market valuation.

The net appreciation available for authorization for expenditure by governing boards totaled $393.7 million. This amount is reported as restricted for expendable endowment funds on the government-wide Statement of Net Position.

Note 2

Accounting, Reporting, and Entity Changes

Reporting Changes. Effective for fiscal year 2013 reporting, the state adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements*. GASB Statement No. 60 addresses service concession arrangements (SCAs), which are a type of public-private or public-public partnership.

Statement No. 61 *The Financial Reporting Omnibus – an amendment of GASB Statements No. 14 and No. 34*. GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity.

Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 incorporates into the GASB's authoritative literature accounting and financial reporting guidance issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 introduces and defines deferred outflows and deferred inflows of resources as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively.

Statement No. 65 *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities and recognizes these items as outflows of resources or inflows of resources.

Fund Reclassification. During fiscal year 2013, it was determined that one activity reported in the Pension and Other Employee Benefit Plans Fund did not meet the definition of a pension plan and would be more appropriately reported as governmental activity in the General Fund. Accordingly, beginning fund balances were restated by a reduction of $2.9 million in Pension and Other Employee Benefit Plans and an increase of $2.9 million in the Administrative Account in the General Fund.

Due to the passage of Initiative 1183, the distribution and retail sale of spirits was transferred to the private sector on June 1, 2012. As a result, the remaining activities of the Liquor Revolving Fund include promoting public safety by enforcing laws and regulating alcohol and tobacco sales. Since these activities are not supported by charges for goods or services, the Liquor Revolving Fund was reclassified from the Nonmajor Enterprise Fund and reported in the Nonmajor Governmental Fund. Accordingly, fiscal year 2013 beginning fund balances were restated by a reduction of $50.9 million in Nonmajor Enterprise and an increase of $47.2 million in Nonmajor Governmental. The remaining amounts of $24.5 million and $20.7 million relate to governmental capital assets and long-term obligations, respectively, to effect proper fund classification of the activities.

Fund equity at July 1, 2012, has been restated as follows (expressed in thousands):

	Fund equity (deficit) at June 30, 2012, as previously reported	Fund Reclassification	Fund equity (deficit) as restated, July 1, 2012
Governmental Funds:			
General	$ 1,004,623	$ 2,939	$ 1,007,562
Higher Education Special Revenue	2,015,242	-	2,015,242
Higher Education Endowment	3,096,400	-	3,096,400
Nonmajor Governmental	5,518,784	47,158	5,565,942
Proprietary Funds:			
Enterprise Funds:			
Workers' Compensation	(8,698,917)	-	(8,698,917)
Unemployment Compensation	3,224,951	-	3,224,951
Higher Education Student Services	1,366,722	-	1,366,722
Guaranteed Education Tuition Program	(631,550)	-	(631,550)
Nonmajor Enterprise *	162,036	(50,899)	111,137
Internal Service Funds	28,658	-	28,658
Fiduciary Funds:			
Private Purpose Trust	5,827	-	5,827
Local Government Investment Pool	7,996,749	-	7,996,749
Pension and Other Employee Benefit Plans **	68,044,724	(2,939)	68,041,785
Component Units:			
Public Stadium	342,723	-	342,723
Nonmajor Component Units	103,712	-	103,712

* The Liquor Revolving Fund was reported in the Nonmajor Enterprise Fund in fiscal year 2012, but is reported in the Nonmajor Governmental Fund for fiscal year 2013.

** The Higher Education Retirement Plan Supplemental Benefit Account was reported in the Pension and Other Employee Benefit Plans Fund in fiscal year 2012, but is reported as an Administrative Account within the General Fund in fiscal year 2013.

Note 3
Deposits and Investments

A. DEPOSITS

Custodial Credit Risk. Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, it is the risk that the state would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties.

The state minimizes custodial credit risk by restrictions set forth in state law. Statutes require state agencies to deposit funds in financial institutions that are physically located in Washington unless otherwise expressly permitted by statute and authorized by the Washington Public Deposit Protection Commission (PDPC). The PDPC, established under chapter 39.58 of the Revised Code of Washington (RCW), makes and enforces regulations and administers a collateral pool program to ensure public funds are protected if a financial institution becomes insolvent. Securities pledged are held by a trustee agent for the benefit of the collateral pool.

At June 30, 2013, $1.12 billion of the state's deposits with financial institutions were insured or collateralized, with the remaining $13.8 million uninsured/ uncollateralized.

B. INVESTMENTS – PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS (PENSION TRUST FUNDS)

1. Summary of Investment Policies

Under RCW 43.33A.030, trusteeship of the pension trust funds is vested within the voting members of the Washington State Investment Board (WSIB). The Legislature has established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, chapter 42.52 RCW, in making investment decisions and seeking to meet investment objectives.

The pension trust funds consist of retirement contributions from employer and employee participants in the Washington State Retirement System and related earnings on those contributions. The Retirement System is administered by the Department of Retirement Systems. The WSIB has exclusive control of the investment of all money invested in the pension trust funds.

In accordance with RCW 43.33A.110, the WSIB manages the pension fund portfolio to achieve maximum return at a prudent level of risk. The WSIB establishes asset allocation targets that must be considered at all times when making investment decisions. The asset mix may deviate from the target. Deviations greater than predetermined acceptable levels require rebalancing back to the target. When an asset class exceeds its range, the goal of rebalancing is to meet the target allocation within consideration of the other remaining asset classes.

Eligible Investments. The WSIB is authorized by statute as having investment management responsibility for pension funds. The WSIB is authorized to invest as provided by statute (chapter 43.33A RCW) and WSIB policy in the following: U.S. treasury bills; discount notes; repurchase agreements; reverse repurchase agreements; banker's acceptances; commercial paper; guaranteed investment contracts; U.S. government and agency (government sponsored corporations eligible for collateral purposes at the Federal Reserve) securities; non-U.S. dollar bonds; investment grade corporate bonds; non-investment grade corporate bonds; publicly traded mortgage-backed securities; privately placed mortgages; private placements of corporate debt; U.S. and foreign common stock; U.S. preferred stock; convertible securities; private equity including but not limited to investment corporations, partnerships, and limited liability companies for venture capital, leveraged buy-outs, real estate, and other tangible assets, or other forms of private equity; asset-backed securities; and derivative securities including futures, options, options on futures, forward contracts, and swap transactions. There were no violations of these investment restrictions during fiscal year 2013.

Commingled Trust Fund. Pension trust funds are invested in the Commingled Trust Fund (CTF). The CTF is a diversified pool of investments used as an investment vehicle for 14 separate retirement plans and one supplemental pension funding account. These plans hold shares in the CTF, which represent a percentage ownership in the pool of investments. Plans are allowed to purchase or sell shares in the CTF, based on the fair value of the underlying assets, on the first business day of each month.

In addition to share ownership in the CTF, each retirement plan holds short-term investments that are used to manage each plan's cash needs.

The CTF consists of the Public Employees' Retirement System (PERS) Plans 1 and 2/3; Teachers' Retirement System (TRS) Plans 1 and 2/3; School Employees' Retirement System (SERS) Plans 2/3; Law Enforcement Officers' and Fire Fighters' Retirement Plans 1 and 2; Washington State Patrol Retirement System Plans 1 and 2; Public Safety Employees' Retirement System Plan 2; Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund; and the Higher Education Retirement Supplemental Benefit Account. PERS Plan 3, TRS Plan 3, and SERS Plan 3 are hybrid defined benefit/defined contribution plans. The participants of those plans have the option to direct their contributions to the CTF or invest their defined contributions in other external options not managed by the WSIB.

CTF Investment Policies and Restrictions. The CTF is comprised of public markets equities, fixed income securities, private equity investments, tangible assets, real estate, and an innovation portfolio. The CTF's performance objective is to exceed the return of two custom benchmarks, each consisting of public market indices weighted according to asset allocation targets.

The asset allocation for the CTF is formally reviewed at least every four years. The allocation policy is reviewed more frequently if there has been a fundamental change in the structure of the capital markets or in the underlying cash flow or liability structure of the pension trust funds.

When market values fall outside policy ranges, assets are rebalanced first by using normal cash flows and then through reallocations of assets across asset classes. In cases of a major rebalancing, the pension trust funds can utilize futures, forward contracts, and options in order to maintain exposure within each asset class and reduce transaction costs. Major rebalancing can occur to bring asset classes within their target ranges or when the pension trust funds are transitioning managers.

To achieve the performance and diversification objectives of the pension trust funds, the public markets equity program seeks to achieve the highest return possible from active management consistent with prudent risk management and the desire for downside protection with passive management as the default; provide diversification to the pension trust funds overall investment program; maintain liquidity in public equity; and maintain transparency into all public equity strategies to the extent possible.

The public markets equity portion of the pension trust funds invests in publicly traded equities globally, including equity securities in the U.S., developed non-U.S., and emerging markets. The program has a global benchmark, currently the Morgan Stanley Capital International All Country World Investable Market Index. A mix of external managers approved by the WSIB is used to manage the program. Passive management delivers broad diversified equity market exposure at low cost and is used when active managers cannot be identified and monitored with existing resources. Passive management is also used when it is considered an appropriate alternative to active management, typically in more efficient markets. Active management is used when the pension trust funds can identify, access, and monitor successful managers in markets that are less efficient. Active management seeks to enhance the risk/return profile of the program.

The fixed income segment is managed to achieve the highest return possible consistent with the desire to control asset volatility, emphasize high yield to maturity opportunities to add value through active management, provide diversification to the overall investment program, and to meet or exceed the return of the Barclays Capital Universal Bond Index, with volatility similar to or less than the index.

RCW 43.33A.140 prohibits a corporate fixed income issue cost from exceeding 3 percent of the CTF's market value at the time of purchase, and 6 percent of its market value thereafter. However, the WSIB manages with a more restrictive concentration constraint, limiting exposure to any corporate issuer to 3 percent of the CTF fixed income portfolio's market value at all times.

The fixed income portfolio is constrained by policy from investing more than 1 percent of the portfolio's par holdings in any single issuer with a quality rating below investment grade (as defined by Barclays Capital Global Family of Fixed Income Indices). Total market value of below investment grade credit bonds (as defined by Barclays Capital Global Family of Fixed Income Indices) shall not exceed 15 percent of the market value of the fixed income portfolio. Although below investment grade mortgage-backed, asset-backed, or commercial mortgage-backed securities may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held. The total market value of below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities shall not exceed 5 percent of the market value of the fixed income portfolio. The duration of the portfolio (the sensitivity of the portfolio's fair value to changes in the level of interest rates) is targeted to be within plus or minus 20 percent of the duration of the Barclays Capital Universal Index.

The major sector allocations of the fixed income portfolio are limited to the following ranges: U.S treasuries and government agencies – 10 percent to 45 percent, credit bonds – 10 percent to 60 percent, asset-backed securities – 0 percent to 10 percent, commercial mortgage-backed securities – 0 percent to 10 percent, and mortgage-backed securities – 5 percent to 45 percent.

Pension trust funds can be invested in any appropriate private equity investment opportunity that has the potential for returns superior to traditional investment opportunities and which is not prohibited by the WSIB's policies or by law. These investment types include venture capital, corporate finance, growth equity, special situations, distressed, mezzanine, and other investments. Private equity investments are made through limited partnership or direct investment vehicles.

The private equity investment portfolio is managed to meet or exceed the returns of the Russell 3000 by 300 basis points in the long term. To meet the return and plan objectives, the private equity portfolio has diversified investments in companies in a variety of growth stages. The portfolio also includes a broad cross-section of opportunities in different industries and geographic regions.

The primary goal of the tangible asset portfolio is to generate a long-term, high quality, stable income stream. The secondary goal is to generate appreciation approximately commensurate with inflation. The structure of the investments are primarily targeted to those funds, separate accounts, or tangible asset operating companies providing the WSIB with the most robust governance provisions related to acquisitions, dispositions, debt levels, and ongoing operational decisions for annual capital expenditures. The tangible asset portfolio invests in a number of sectors, but the primary focus is infrastructure, timber, and natural resource rights (oil and natural gas).

The WSIB's current return objective for tangible assets calls for a target benchmark of 4 percent above the U.S. Consumer Price Index over a long-term investment horizon defined as at least five years.

The WSIB's real estate program is an externally managed pool of selected partnership investments, intended to provide alternative portfolio characteristics when compared to traditional stock and bond investments. The majority of the WSIB's partnerships invest in institutional-quality real estate assets that are leased to third parties. The income generated from bond-like lease payments coupled with the hard asset qualities of commercial real estate combine to generate returns that are expected to fall between the return expectations for fixed income and equities over the long term. The real estate portfolio is managed to deliver risk-adjusted returns that are consistent with the WSIB's long-term return expectations for the asset class.

The WSIB's real estate partnerships typically invest in private real estate assets that are held for long-term income and appreciation. Many of the WSIB's investment partnerships do not involve co-investment with other financial entities, thereby providing the WSIB with control provisions, related transactions, and ongoing operational decisions for annual capital expenditures.

Volatility in the real estate portfolio is minimized through a combination of factors. First, the majority of the WSIB's partners own real estate assets in a private investment form which are not subject to public market volatility. Second, real estate capital is diversified among a host of partners with varying investment styles. Third, partnership assets are invested in numerous economic regions, including foreign markets, and in various property types. Finally, the WSIB's partners invest at different points within the properties' capital structure and life cycle.

The WSIB's real estate portfolio current benchmark seeks to earn an 8 percent annual investment return over a rolling 10-year period.

The innovation portfolio investment strategy is to provide the WSIB with the ability to invest in assets that fall outside of traditional asset classes and to provide the WSIB with comfort and demonstrated success before committing large dollar amounts to the strategy. The overall benchmark for the innovation portfolio is the weighted average of the underlying benchmark for each asset in the portfolio.

Currently, there are three investment strategies in the innovation portfolio, two involving private partnerships and one investing in public equities.

2. Unfunded Commitments

The WSIB has entered into a number of agreements that commit the pension trust funds, upon request, to make additional investment purchases up to predetermined amounts. As of June 30, 2013, the pension trust funds had unfunded commitments of $10.16 billion, $7.77 billion, $783.4 million, and $52.3 million in private equity, real estate, tangible assets, and the innovation portfolio, respectively.

3. Securities Lending

State law and Board policy permit the pension trust funds to participate in securities lending programs to augment investment income. The WSIB has entered into an agreement with State Street Corporation to act as agent for the pension trust funds in securities lending transactions. As State Street Corporation is the custodian bank for the pension trust funds, it is counterparty to securities lending transactions.

The fair value of the securities on loan at June 30, 2013, was approximately $1.40 billion. The pension trust funds report securities on loan in their respective categories in the Statement of Net Position. At June 30, 2013, cash collateral received totaling $1.20 billion is reported as securities lending obligation, and the fair value of the reinvested cash collateral totaling $1.20 billion is reported as security lending collateral in the Statement of Net Position. Securities received as collateral for which the pension trust funds do not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position.

Fixed income securities were loaned during the fiscal year and collateralized by the pension trust funds' agent with cash, U.S. government or U.S. agency securities (exclusive of mortgage-backed securities and letters of credit). When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest, of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest, of the loaned securities.

As of June 30, 2013, the pension trust funds held the following cash and securities as lending collateral (in thousands):

Cash and cash equivalents	$ 275,286
Commercial paper	217,356
Repurchase agreements	670,261
U.S. Treasury and agency securities	298,862
Miscellaneous	33,992
Total collateral held	$1,495,757

During fiscal year 2013, securities lending transactions could be terminated on demand by either the pension trust funds or the borrower. As of June 30, 2013, the collateral held had an average duration of 22.42 days and an average weighted final maturity of 57.44 days.

Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold absent borrower default. No more than 20 percent of the total on loan value could be held by a specific borrower. There are no restrictions on the amount of securities that can be lent.

Securities were lent with the agreement that they would be returned in the future for exchange of the collateral. State Street Corporation indemnified the pension trust funds by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return the loaned securities or pay distributions thereon. State Street Corporation's responsibilities included performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable federal regulations concerning securities lending.

During fiscal year 2013, there were no significant violations of legal or contractual provisions and no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the pension trust funds incurred no losses during fiscal year 2013 resulting from a default by either the borrowers or the securities lending agents.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. The risk is managed within the portfolios using effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of those investments.

While the pension trust funds do not have a formal policy relating to interest rate risk, the pension trust funds' fixed income investments are actively managed to meet or exceed the return of the Barclays Capital Universal Index, with a duration target within plus or minus 20 percent of the duration of the portfolio's performance benchmark. As of June 30, 2013, the duration of the pension trust funds' fixed income investments was within the duration target of this index.

The schedule below provides information about the interest rate risks associated with the pension trust funds' investments as of June 30, 2013. The schedule displays various asset classes held by maturity in years and credit ratings. Residential mortgage-backed, commercial mortgage-backed, and asset-backed securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities taking into account possible prepayments of principal. All other securities on this schedule are reported using the stated maturity date. Certain foreign investments are recorded in U.S. dollars (USD), while others are recorded in non U.S. dollars (Non USD) but have been converted to U.S. dollars for reporting purposes.

Pension Trust Funds
Schedule of Maturities and Credit Quality
June 30, 2013
(expressed in thousands)

		Maturity				
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**	**More than 10 Years**	**Credit Rating**
Asset-backed securities	$ 11	$ -	$ -	$ -	$ 11	Multiple
Residential mortgage-backed securities	1,121,501	382,311	739,132	58	-	Multiple
Commercial mortgage-backed securities	213,136	-	203,617	9,519	-	Aaa
Corporate bonds - domestic (USD)	861,611	65,980	285,681	365,864	144,086	Multiple
Corporate bonds - domestic (Non USD)	54,629	36,341	18,288	-	-	Multiple
Corporate bonds - foreign (USD)	3,928,374	50,399	731,493	2,647,272	499,210	Multiple
Corporate bonds - foreign (Non USD)	270,496	-	186,658	53,409	30,429	Multiple
U.S. government treasuries	5,001,554	861,218	3,086,878	1,053,458	-	Aaa
Foreign government and agencies (USD)	1,247,989	27,128	159,094	867,914	193,853	Multiple
Foreign government and agencies (Non USD)	888,202	40,147	319,179	283,297	245,579	Multiple
Supranational securities (Non USD)	519,629	137,683	287,107	94,839	-	Aaa
Total investments categorized	14,107,132	$ 1,601,207	$ 6,017,127	$ 5,375,630	$ 1,113,168	
Investments not required to be categorized						
Corporate stock (USD)	3,461,808					
Corporate stock (Non USD)	10,792,860					
Commingled equity index funds	11,408,159					
Alternative investments	26,479,630					
Liquidity	1,579,719					
Total investments not categorized	53,722,176					
Total Investments	$ 67,829,308					

Investments with multiple credit ratings are presented using the Moody's rating scale as follows:

Pension Trust Funds
Investments with Multiple Credit Ratings
June 30, 2013
(expressed in thousands)

	Investment Type								
Moody's Equivalent Credit Rating	**Asset-Backed Securities**	**Residential Mortgage-Backed Securities**	**Corporate Bonds - Domestic (USD)**	**Corporate Bonds - Domestic (Non USD)**	**Corporate Bonds - Foreign (USD)**	**Corporate Bonds - Foreign (Non USD)**	**Foreign Government and Agencies (USD)**	**Foreign Government and Agencies (Non USD)**	**Total**
Aaa	$ -	$ 1,106,243	$ -	$ -	$ -	$ -	$ 8,883	$ 172,785	$ 1,287,911
Aa1	11	-	-	-	-	-	17,964	63,322	81,297
Aa2	-	-	16,833	-	27,860	-	28,000	-	72,693
Aa3	-	-	38,047	-	35,324	-	169,265	60,397	303,033
A1	-	1,855	19,392	-	75,686	10,538	246,563	40,146	394,180
A2	-	1,713	184,773	18,288	110,549	57,739	22,929	16,282	412,273
A3	-	-	52,881	-	257,644	-	25,195	96,051	431,771
Baa1	-	-	240,424	36,341	422,302	18,198	86,574	74,822	878,661
Baa2	-	11,690	152,218	-	1,058,678	84,984	259,732	80,193	1,647,495
Baa3	-	-	53,380	-	1,077,594	81,813	239,017	235,280	1,687,084
Ba1 or lower	-	-	103,663	-	862,737	17,224	143,867	48,924	1,176,415
Total	$ 11	$ 1,121,501	$ 861,611	$ 54,629	$ 3,928,374	$ 270,496	$ 1,247,989	$ 888,202	$ 8,372,813

5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The pension trust funds' investment policies limit the fixed income securities to investment grade or higher at the time of purchase. Investment grade securities are those fixed income securities with a Moody's rating of Aaa to Baa or a Standard and Poor's rating of AAA to BBB. The rated debt investments of the pension trust funds as of June 30, 2013, were rated by Moody's and/or an equivalent national rating organization.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The policy of the pension trust funds states no corporate fixed income issue cost shall exceed 3 percent of cost at the time of purchase or 6 percent of fair value thereafter of the fund, and no high yield issues shall exceed 1 percent of cost or 2 percent of fair value of the fund. There was no concentration of credit risk exceeding these policy guidelines as of June 30, 2013.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the pension trust funds would not be able to recover the value of their deposits, investments, or collateral securities that are in the possession of an outside party. The pension trust funds do not have a policy relating to custodial credit risk. The WSIB mitigates custodial credit risk by having its investment securities (excluding cash and cash equivalents and repurchase agreements held as securities lending collateral) registered and held in the name of the WSIB for the benefit of the pension trust funds.

6. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The pension trust funds do not have a formal policy to limit foreign currency risk. The pension trust funds manages their exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios by sector and by issuer to limit foreign currency and security risk.

The following schedule presents the exposure of pension fund investments to foreign currency risk. The schedule provides information on deposits and investments held in various foreign currencies. Private equity and real estate are presented according to the financial reporting currency of the individual funds. This is not a presentation of currency exposure relating to the underlying holdings. The schedule is stated in U.S. dollars.

Pension Trust Funds
Foreign Currency Exposure by Country
June 30, 2013
(expressed in thousands)

Foreign Currency Denomination	Investment Type					
	Currency	Fixed Income	Common Stock	Private Equity	Real Estate	Total
Australia-Dollar	$ 4,464	$ 408,094	$ 565,325	$ -	$ -	$ 977,883
Brazil-Real	195	340,301	78,776	-	-	419,272
Canada-Dollar	12,409	-	725,351	-	-	737,760
Chile-Peso	-	155,555	421	-	-	155,976
Columbia-Peso	-	135,553	-	-	-	135,553
Denmark-Krone	50	-	86,011	-	-	86,061
E.M.U.-Euro	14,314	-	2,660,647	2,349,429	201,710	5,226,100
Hong Kong-Dollar	3,391	-	405,601	-	-	408,992
India-Rupee	384	135,355	100,154	-	-	235,893
Indonesia-Rupiah	118	63,812	72,289	-	-	136,219
Japan-Yen	28,318	-	1,995,729	-	-	2,024,047
Malaysia-Ringgit	345	67,808	18,253	-	-	86,406
Mexico-Peso	(25)	85,066	42,971	-	-	128,012
Singapore-Dollar	853	-	159,026	-	-	159,879
South Korea-Won	531	-	123,101	-	-	123,632
Sweden-Krona	4,474	-	280,693	-	-	285,167
Switzerland-Franc	133	-	855,134	-	-	855,267
Thailand-Baht	80	48,427	60,265	-	-	108,772
Turkey-Lira	227	93,795	78,912	-	-	172,934
United Kingdom-Pound	20,902	-	2,222,583	-	-	2,243,485
Other-Miscellaneous	5,195	199,190	261,618	-	-	466,003
Total	$ 96,358	$ 1,732,956	$ 10,792,860	$ 2,349,429	$ 201,710	$ 15,173,313

7. Derivatives

Pension trust funds are authorized to utilize various derivative financial instruments, including financial futures, forward contracts, interest rate swaps, credit default swaps, equity swaps, and options. Derivative transactions involve, to varying degrees, market and credit risk. In connection with the cash overlay program, at June 30, 2013, the pension trust funds held investments in financial futures and forward currency contracts that are recorded at fair value with changes in value recognized in investment income in the Statement of Changes in Net Position in the period of change. The derivative instruments are considered investments and not hedges.

Derivatives are generally used to achieve the desired market exposure of a security, index, or currency; adjust portfolio duration; or rebalance the total portfolio to the target asset allocation. Derivative contracts are instruments that derive their value from underlying assets, indices, reference interest rates, or a combination of these factors.

A derivative instrument could be a contract negotiated on behalf of the pension trust funds and a specific counterparty. This would typically be referred to as an "over the counter (OTC) contract" such as forward contracts. Alternatively, a derivative instrument, such as futures, could be listed and traded on an exchange and referred to as "exchange traded."

Inherent in the use of OTC derivatives, the pension trust funds are exposed to counterparty credit risk on all open OTC positions. Counterparty credit risk is the risk that a derivative counterparty may fail to meet its payment obligation under the derivative contract. As of June 30, 2013, the pension trust funds counterparty risk was not deemed to be significant.

Futures contracts are standardized, exchange-traded contracts to purchase or sell a specific financial instrument at a predetermined price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. The exchange assumes the risk that the counterparty will not pay and generally requires margin payments to minimize such risk. Futures are generally used to achieve the desired market exposure of a security or index or to rebalance the total portfolio.

Forward currency contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. These forward commitments are not standardized and carry counterparty credit risk due to the possible nonperformance by one of the counterparties. The maximum potential loss is the aggregate face value in U.S. dollars at the time the contract was opened; however, the likelihood of such loss is remote.

At June 30, 2013, the pension trust funds had outstanding forward currency contracts with a net unrealized gain of $9.2 million which is included in the Statement of Changes in Net Position. The contracts have varying maturity dates ranging from July 1, 2013, to September 18, 2013.

At June 30, 2013, the pension trust funds' fixed income portfolio held derivative securities consisting of collateralized mortgage obligations with a fair value of $312.0 million. Domestic and foreign passive equity index fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative securities by passive equity index fund managers is unavailable.

Derivatives which are exchange traded are not subject to credit risk.

The following schedule presents the significant terms for derivatives held as investments by the pension trust funds:

Pension Trust Funds
Derivative Investments
June 30, 2013
(expressed in thousands)

	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional
Futures Contracts:			
Bond index futures	$ (19,140)	$ (8,137)	$ 565,700
Equity index futures	7,755	(689)	7,297
Total	$ (11,385)	$ (8,826)	$ 572,997
Forward Currency Contracts:			
Australia-Dollar	$ 3,286	$ 5,374	$ 87,700
Canada-Dollar	(2,556)	(2,746)	103,134
Denmark-Krone	(340)	(1,712)	141,820
E.M.U.-Euro	(4,967)	5,554	377,771
Hong Kong-Dollar	(38)	105	195,827
Israel-Shekel	(311)	17	2,674
Japan-Yen	6,978	3,241	148,777
Mexico-Peso	(61)	(72)	3,013
New Zealand-Dollar	(4,014)	(1,997)	87,298
Norway-Krone	287	340	8,473
Singapore-Dollar	(280)	(338)	21,581
South Africa-Rand	(101)	(124)	4,335
Sweden-Krona	336	753	45,162
Switzerland-Franc	549	493	42,005
United Kingdom-Pound	(1,144)	361	46,013
Total	$ (2,376)	$ 9,249	$ 1,315,583

8. Reverse Repurchase Agreements – None.

C. INVESTMENTS – WORKERS' COMPENSATION FUND

1. Summary of Investment Policies

Under RCW 43.33A.030, trusteeship of the Workers' Compensation Fund investments is vested in the voting members of the WSIB. The Legislature established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, chapter 42.52 RCW, in making investment decisions and seeking to meet investment objectives.

The Workers' Compensation Fund consists of contributions from employers and their employees participating in the state workers' compensation program and related earnings on those contributions. The workers' compensation program provides medical, time-loss, and disability benefit payments to qualifying individuals sustaining work-related injuries.

In accordance with state laws, the Workers' Compensation Fund investments are managed to limit fluctuations in the industrial insurance premiums and, subject to this purpose, achieve a maximum return at a prudent level of risk. Based on this requirement, the order of the objectives is:

- Maintain the solvency of the funds.
- Maintain premium rate stability.
- Ensure sufficient assets are available to fund the expected liability payments.
- Subject to the objectives above, achieve a maximum return at a prudent level of risk.

Eligible Investments. Eligible investments are securities and deposits that are in accordance with the WSIB's investment policy and chapter 43.33A RCW. Eligible investments include:

- U.S. equities.
- International equities.
- Treasury inflation protection securities (TIPS).
- U.S. treasuries and government agencies.
- Credit bonds.
- Mortgage-backed securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.
- Asset-backed securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.
- Commercial mortgage-backed securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.
- Investment grade non-U.S. dollar bonds.

Investment Restrictions. To meet stated objectives, investments of the Workers' Compensation Fund are subject to the following constraints:

- All assets under the management of the WSIB are to be invested to maximize return at a prudent level of risk in accordance with RCW 43.33A.110 and RCW 43.33A.140.
- No corporate fixed income issue cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time.
- Asset allocations are to be reviewed every three to four years or sooner if there are significant changes in funding levels or the liability durations.
- Assets are to be rebalanced across asset classes when the fair value of the assets falls outside the policy ranges. The timing of any rebalancing will be based on market opportunities, cash flows, and the consideration of transaction costs; therefore, they need not occur immediately.
- Sector allocation for U.S. equities should be within a range of 55 percent to 65 percent. Allocation for international equities should be within a range of 35 percent to 45 percent.
- The benchmark and structure for U.S. equities will be the broad U.S. stock market as defined by the Morgan Stanley Capital International (MSCI) U.S. Investable Market Index passive mandate. The benchmark and structure for international equities will be the MSCI All Country World Ex U.S. Investable Market Index. Both portfolios will be 100 percent passively managed in commingled index funds. The commingled funds may use futures for hedging or establishing a long position.
- TIPS will be managed to plus or minus 20 percent of the duration of the Barclays Capital U.S. TIPS Index.
- Sector allocation of fixed income investments must be managed within the following prescribed ranges: U.S. treasuries and government agencies – 5 percent to 25 percent, credit bonds – 20 percent to 70 percent, asset-

backed securities – 0 percent to 10 percent, commercial mortgage-backed securities – 0 percent to 10 percent and mortgage-backed securities – 0 percent to 25 percent. These targets are long-term in nature. Deviations may occur in the short term as a result of interim market conditions. However, if a range is exceeded the portfolios must be rebalanced to the target allocations as soon as it is practical.

- Total market value of below investment grade credit bonds (as defined by Barclays Capital Global Family of Fixed Income Indices) shall not exceed 5 percent of the total market value of the funds. Although below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held.

- Total holdings of below investment grade credit bonds (as defined by Barclays Capital Global Family of Fixed Income Indices) should not exceed 5 percent of total fixed income holdings.

2. Securities Lending

State law and WSIB policy permit the Workers' Compensation Fund to participate in securities lending programs to augment investment income. The WSIB has entered into an agreement with State Street Corporation to act as agent for the Workers' Compensation Fund in securities lending transactions. As State Street Corporation is the custodian bank for the Workers' Compensation Fund, it is counterparty to securities lending transactions.

The fair value of the securities on loan at June 30, 2013, was approximately $26.2 million. The Workers' Compensation Fund reports securities on loan in the Statement of Net Position in their respective categories. At June 30, 2013, cash collateral received totaling $26.4 million is reported as a securities lending obligation, and the fair value of the reinvested cash collateral totaling $26.4 million is reported as security lending collateral in the Statement of Net Position. Securities received as collateral for which the Workers' Compensation Fund does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position.

During fiscal year 2013, fixed income securities were loaned and collateralized by the Workers' Compensation Fund's agent with cash and U.S. government or U.S. agency securities (exclusive of mortgage-backed securities and letters of credit). When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest, of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest, of the loaned securities.

As of June 30, 2013, the Workers' Compensation Fund held the following cash and securities as lending collateral (in thousands):

Cash and cash equivalents	$ 6,068
Commercial paper	4,791
Repurchase agreements	14,773
Miscellaneous	749
Total collateral held	$26,381

Securities lending transactions could be terminated on demand by either the Workers' Compensation Fund or the borrower. As of June 30, 2013, the collateral held had an average duration of 22.42 days and an average weighted final maturity of 57.44 days. Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold absent borrower default. No more than 20 percent of the total on loan value can be held by a specific borrower. There are no restrictions on the amount of securities that can be lent.

Securities were lent with the agreement that they would be returned in the future for exchange of the collateral. State Street Corporation indemnified the Workers' Compensation Fund by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return the loaned securities or pay distributions thereon. State Street Corporation's responsibilities included performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable federal regulations concerning securities lending.

During fiscal year 2013, there were no significant violations of legal or contractual provisions, no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the Workers' Compensation Fund incurred no losses during fiscal year 2013 resulting from a default by either the borrowers or the securities lending agents.

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment.

While the Workers' Compensation Fund does not have a formal policy relating to interest rate risk, the risk is managed within the Workers' Compensation Fund portfolio using effective duration which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of those investments. As of June 30, 2013, the Workers' Compensation Fund portfolio durations were within the prescribed duration targets.

The schedule below provides information about the interest rate risks associated with the Workers' Compensation Fund investments as of June 30, 2013. The schedule displays various asset classes held by maturity in years and credit ratings. Residential mortgage-backed, commercial mortgage-backed, and asset-backed securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities taking into account possible prepayments of principal. All other securities on the schedule are reported using the stated maturity date.

Workers' Compensation Fund
Schedule of Maturities and Credit Quality
June 30, 2013
(expressed in thousands)

		Maturity				
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**	**More than 10 Years**	**Credit Rating**
Residential mortgage-backed securities	$ 1,571,705	$ 23,168	$ 1,133,536	$ 384,248	$ 30,753	Aaa
Commercial mortgage-backed securities	388,249	13,785	339,825	34,639	-	Multiple
Corporate bonds-domestic	2,915,263	59,546	569,409	972,528	1,313,780	Multiple
Corporate bonds-foreign (USD)	2,510,029	51,555	671,293	889,082	898,099	Multiple
Foreign government and agencies (USD)	1,042,639	1,006	431,110	332,664	277,859	Multiple
Supranational securities (USD)	161,055	-	161,055	-	-	Aaa
U.S. government treasuries	1,113,738	205,133	614,574	294,031	-	Aaa
U.S. treasury inflation protected securities	1,726,900	27,864	600,201	418,228	680,607	Aaa
Total investments categorized	11,429,578	$ 382,057	$ 4,521,003	$ 3,325,420	$ 3,201,098	
Investments not required to be categorized						
Commingled index funds-domestic	1,062,288					
Commingled index funds-foreign	668,182					
Money market funds	221,518					
Total investments not categorized	1,951,988					
Total	$ 13,381,566					

USD: Reported in U.S. dollars

Investments with multiple credit ratings are presented using the Moody's rating scale as follows:

Workers' Compensation Fund
Investments with Multiple Credit Ratings
June 30, 2013
(expressed in thousands)

	Investment Type				
Moody's Equivalent Credit Rating	**Commercial Mortgage-Backed Securities**	**Corporate Bonds - Domestic**	**Corporate Bonds-Foreign (USD)**	**Foreign Government and Agencies (USD)**	**Total**
Aaa	$ 336,369	$ 5,580	$ 1,012	$ 139,846	$ 482,807
Aa2	-	32,539	-	51,791	84,330
Aa3	51,880	170,665	266,429	251,228	740,202
A1	-	145,241	176,194	205,971	527,406
A2	-	720,940	48,543	-	769,483
A3	-	374,226	302,844	-	677,070
Baa1	-	671,081	424,204	58,376	1,153,661
Baa2	-	619,912	594,511	123,235	1,337,658
Baa3	-	129,744	541,891	135,867	807,502
Ba1 or lower	-	45,335	154,401	76,325	276,061
Total	$ 388,249	$ 2,915,263	$ 2,510,029	$ 1,042,639	$ 6,856,180

4. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Workers' Compensation Fund investment policies limit the fixed income securities to investment grade or higher at the time of purchase. Investment grade securities are those fixed income securities with a Moody's rating of Aaa to Baa or a Standard and Poor's rating of AAA to BBB.

The rated debt investments of the Workers' Compensation Fund as of June 30, 2013, were rated by Moody's and/or an equivalent national rating organization.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Workers' Compensation Fund policy states that no corporate fixed income issue cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time. There was no concentration of credit risk as of June 30, 2013.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the Workers' Compensation Fund would not be able to recover the value of its deposits, investments, or collateral securities. The Workers' Compensation Fund does not have a policy relating to custodial credit risk. The WSIB mitigates custodial credit risk by having its investment securities (excluding cash and cash equivalents and repurchase agreements held as securities lending collateral) registered and held in the name of the WSIB for the benefit of the Workers' Compensation Fund.

5. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Workers' Compensation Fund does not have a formal policy to limit foreign currency risk. At June 30, 2013, the only security held by the Workers' Compensation Fund with foreign currency exposure consists of $668.2 million invested in an international commingled equity index fund.

6. Derivatives

The Workers' Compensation Fund is authorized to utilize various derivative financial instruments including collateralized mortgage obligations, financial futures, forward contracts, interest rate and equity swaps, and options to manage its exposure to fluctuations in interest and currency rates while increasing portfolio returns. Derivative transactions involve, to varying degrees, market and credit risk. The Workers' Compensation Fund mitigates market risks arising from derivative transactions by requiring collateral in cash and investments to be maintained equal to the securities positions outstanding, and thereby prohibiting the use of leverage or speculation. Credit risks arising from derivative transactions are mitigated by selecting and monitoring creditworthy counterparties and collateral issuers.

Domestic and foreign passive equity index fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative securities by passive equity index fund managers is unavailable.

At June 30, 2013, the only derivative securities held directly by the Workers' Compensation Fund were collateralized mortgage obligations of $1.57 billion.

7. Reverse Repurchase Agreements – None.

D. INVESTMENTS – LOCAL GOVERNMENT INVESTMENT POOL

1. Summary of Investment Policies

The Local Government Investment Pool (LGIP) is managed and operated by the Office of the State Treasurer (OST). The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The OST is responsible for establishing the investment policy for the pool and reviews the policy annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP.

The state treasurer and designated investment officers shall adhere to all restrictions on the investment of funds established by law and by policy.

The LGIP portfolio is invested in a manner generally consistent with a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk.

Investments, other than bank deposits, are valued at amortized cost. The bank deposits are valued at historical cost. Both valuation methods approximate fair value. Security transactions are reported on a trade date basis in accordance with generally accepted accounting principles.

Investment Objectives. The objectives of the LGIP investment policy, in priority order, are safety, liquidity, and return on investment.

Safety of principal is the primary objective. Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio.

The investment portfolio will remain liquid to enable the state treasurer to meet all cash requirements that might reasonably be anticipated.

The LGIP will be structured with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk parameters and the cash flow characteristics of the pool.

Eligible Investments. Eligible investments are only those securities and deposits authorized by statute (chapters 39.58, 39.59, and 43.84.080 RCW). Eligible investments include:

- Obligations of the U.S. government.
- Obligations of U.S. government agencies or of corporations wholly owned by the U.S. government.
- Obligations of government-sponsored corporations that are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve.
- Banker's acceptances purchased on the secondary market rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. If the banker's acceptance is rated by more than two NRSROs, it must have the highest rating from all of the organizations.
- Commercial paper provided that the OST adheres with policies and procedures of the Washington State Investment Board regarding commercial paper (RCW 43.84.080(7)).
- Certificates of deposit or demand deposits with financial institutions qualified by the Washington Public Deposit Protection Commission.
- Obligations of the state of Washington or its political subdivisions.

Investment Restrictions. To provide for safety and liquidity of funds, the LGIP policy places the following restrictions on the investment portfolio:

- Investments are restricted to fixed rate securities that mature in 397 days or less, except securities utilized in repurchase agreements and U.S. agency floating or variable rate notes which may have a maximum maturity of 762 days, provided they have reset dates within one year and that on any reset date can reasonably be expected to have a fair value that approximates their amortized cost.
- The weighted average maturity of the portfolio will not exceed 60 days.
- The weighted average life of the portfolio will not exceed 120 days.
- The purchase of investments in securities other than those issued by the U.S. government or its agencies will be limited.
- Cash generated through securities lending or reverse repurchase agreement transactions will not increase the dollar amount of specified investment types beyond stated limits.

2. Securities Lending

State statutes permit the LGIP to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The LGIP, which has contracted with Citibank as a lending agent to lend securities in the LGIP, earns a fee for this activity. The lending agent lends securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent. Cash collateral received from the lending of non coupon-bearing securities shall not be valued at less than 102 percent of market value, not to exceed par.

The cash is invested by the lending agent in accordance with investment guidelines approved by the LGIP. The securities held as collateral and the securities underlying the cash collateral are held by the LGIP's custodian. One option available to the lending agent is to invest cash collateral with the LGIP. Maturities of investments made with cash collateral are generally matched to maturities of securities loaned.

During fiscal year 2013, the LGIP lent U.S. treasury securities in exchange for cash collateral. The cash collateral was reinvested in repurchase agreements. At fiscal year end, there were no securities on loan.

The LGIP investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the LGIP. During fiscal year 2013, the LGIP had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the LGIP. Furthermore, the contract requires the lending agent to indemnify the LGIP if the borrowers fail to return the securities (and if collateral is inadequate to replace the securities lent) or if the borrower fails to pay the LGIP for income distribution by the securities' issuers while the securities are on loan.

The LGIP cannot pledge or sell collateral securities received unless the borrower defaults. The LGIP investment policy limits the amount of reverse repurchase agreements and securities lending to 30 percent of the total portfolio. There were no violations of legal or contractual provisions and no losses resulting from a default of a borrower or lending agent during the year.

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The LGIP portfolio is invested in a manner generally consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940, i.e., money market funds. To a great extent, the Rule 2a-7 investment guidelines and LGIP policy restrictions are directed towards limiting interest rate risk in order to maintain a stable net asset value. As of June 30, 2013, the LGIP had a weighted average maturity of 58 days and a weighted average life of 98 days.

The following schedule presents the LGIP investments, deposits, and related maturities, by type, and provides information about the associated interest rate risks as of June 30, 2013:

Local Government Investment Pool (LGIP)
June 30, 2013
(expressed in thousands)

		Maturity	
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**
U.S. agency obligations	$ 6,513,556	$ 6,035,424	$ 478,132
U.S. government obligations	1,399,598	1,399,598	-
Repurchase agreements	1,797,874	1,797,874	-
Interest bearing bank accounts	879,635	879,635	-
Certificates of deposit and other	42,738	42,738	-
Total	$ 10,633,401	$ 10,155,269	$ 478,132

4. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The LGIP investment policy limits the types of securities available for investment to obligations of the U.S. government or its agencies, obligations of government-sponsored corporations, banker's acceptances, commercial paper, deposits with qualified public depositaries, and obligations of the state of Washington or its political subdivisions.

Banker's acceptances and commercial paper must be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations at the time of purchase. The LGIP currently does not have any banker's acceptances, commercial paper, or municipal bonds in its portfolio.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of a failure of the counterparty, the LGIP will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The LGIP investment policy requires that securities purchased by the office be held by the master custodian, acting as an independent third party, in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the LGIP's exposure to risk and insure the safety of the investment. All securities utilized in repurchase agreements were rated AAA by Moody's and AA+ by Standard & Poor's. The fair value of securities utilized in repurchase agreements must be at least 102 percent of the value of the repurchase agreement.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The LGIP mitigates concentration of credit risk by limiting the purchase of securities of any one issuer, with the exception of U.S. treasury and U.S. agency securities, to no more than 5 percent of the portfolio.

Repurchase agreements comprise 16.9 percent of the total portfolio as of June 30, 2013. The LGIP limits the securities utilized in repurchase agreements to U.S. treasury and U.S. agency securities. The LGIP requires delivery of all securities utilized in repurchase agreements and the securities are priced daily.

As of June 30, 2013, U.S. treasury securities comprised 13.2 percent of the total portfolio. U.S. agency securities comprised 61.2 percent of the total portfolio, including Federal Home Loan Bank (31.9 percent), Federal Home Loan Mortgage Corporation (15.1 percent), Federal Farm

Credit Bank (7.5 percent), and Federal National Mortgage Association (6.7 percent).

5. Foreign Currency Risk - None.

6. Derivatives - None.

7. Repurchase and Reverse Repurchase Agreements

State law permits the LGIP to enter into reverse repurchase agreements which are, by contract, sales of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest.

The fair value of the securities pledged as collateral by the LGIP underlying the reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in the fair value of the securities.

If the dealers default on their obligations to resell these securities to the LGIP or to provide equal value in securities or cash, the LGIP would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. During fiscal year 2013, there was no credit risk for the LGIP due to the fair value plus accrued interest of the underlying securities being less than the fair value plus accrued interest of the reinvested cash. On June 30, 2013, there were no obligations under reverse repurchase agreements.

The fair value plus accrued income of mortgage-backed securities utilized in repurchase agreements with more than seven days remaining until maturity will be 105 percent of the value of the repurchase agreement. The fair value plus accrued income of securities utilized in all other repurchase agreements will be 102 percent of the value of the repurchase agreement.

The securities utilized in repurchase agreements are priced daily and held by the LGIP's custodian in the state's name. Collateralized Mortgage Obligations utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency. As of June 30, 2013, repurchase agreements totaled $1.80 billion.

E. INVESTMENTS – HIGHER EDUCATION SPECIAL REVENUE, ENDOWMENT, AND STUDENT SERVICES FUNDS

1. Summary of Investment Policies

The investments of the University of Washington represent 71 percent of the total investments in Higher Education Special Revenue, Endowment, and Student Services Funds.

The Board of Regents of the University of Washington is responsible for the management of the University's investments. The Board establishes investment policy, which is carried out by the Chief Investment Officer.

The University of Washington Investment Committee, comprised of Board members and investment professionals, advises on matters relating to the management of the University's investment portfolios.

The majority of the University's investments are insured, registered, and held by the University's custodial bank as an agent for the University. Investments not held by the custodian include venture capital, private equity, opportunistic investments, marketable alternatives, mortgages, real assets, and miscellaneous investments.

The University combines most short-term cash balances in the Invested Funds Pool. At June 30, 2013, the Invested Funds Pool totaled $1.56 billion. The fund also owns units in the Consolidated Endowment Fund valued at $468.2 million on June 30, 2013.

By University policy, departments with qualifying funds in the Invested Funds Pool receive distributions based on their average balances and on the type of balance. Campus depositors received 2 percent in fiscal year 2013. Endowment operating and gift accounts received 3 percent in fiscal year 2013 with the distributions directed to University Advancement. The difference between the actual earnings of the Invested Funds Pool and the calculated distributions is used to support activities benefiting all University departments.

The majority of the endowed funds are invested in a pooled fund called the Consolidated Endowment Fund (CEF). Individual endowments purchase units in the pool on the basis of a per unit valuation of the CEF at fair value on the last business day of the calendar quarter. Income is distributed based on the number of units held. Chapter 24.55 RCW and the Uniform Prudent Management of Institutional Funds Act allow for the spending of appreciation in the CEF under comprehensive prudent standards.

Under the CEF spending policy approved by the Board of Regents, quarterly distributions to programs are based on an annual percentage rate of 4 percent applied to the five-year rolling average of the CEF's market valuation. Additionally, the policy allows for an administrative fee of 1 percent supporting campus-wide fundraising and stewardship activities and offsetting the internal cost of managing endowment assets.

The University records its permanent endowments at the lower of original gift value or current market value in the Restricted Nonexpendable Net Position category. For those endowments where the original gift value exceeded market value as of June 30, 2013, there was a net deficiency of $18.3 million from the original gift value.

Funds in irrevocable trusts managed by trustees other than the University are not reported in the financial statements. The fair value of these funds was $49.6 million at June 30, 2013. Income received from these trusts, which is included in investment income, was $2.2 million for the year ended June 30, 2013.

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. The University realized net gains of $72.8 million in 2013 from the sale of investments.

The calculation of realized gains and losses is independent of the net appreciation of the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and are sold in the current year include the net appreciation of these investments reported in the prior year(s). The net appreciation in the fair value of investments during the year ended June 30, 2013, was $264.1 million.

The following schedule presents the fair value of the University's investments by type at June 30, 2013:

University of Washington
June 30, 2013
(expressed in thousands)

Investment Type	Fair Value
Cash equivalents	$ 256,781
Fixed income	1,655,711
Equity	1,287,084
Non-marketable alternatives	362,632
Absolute return	404,416
Real assets	165,792
Miscellaneous	5,917
Total	$ 4,138,333

2. Funding Commitments

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2013, the University had outstanding commitments to fund alternative investments in the amount of $191.7 million.

3. Securities Lending

The University's investment policies permit it to lend its securities to broker dealers and other entities. Due to market conditions, the University terminated this program in September 2008, and as of June 30, 2013, the University had no securities on loan.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income securities. The University manages interest rate risk through its investment policies and the investment guidelines established with each manager. Each fixed income manager is assigned a maximum boundary for duration as compared to the manager's relevant benchmark index. The goal is to allow ample freedom for the manager to perform while controlling the interest rate risk in the portfolio.

Effective duration is a commonly used measure of interest rate risk. The longer the duration, the more sensitive the portfolio is to changes in interest rates. The weighted average effective duration of the University's fixed income portfolio was 2.95 years at June 30, 2013.

5. Credit Risk

Fixed income securities are subject to credit risk, which is the risk that the issuer or other counterparty to a financial instrument will not fulfill its obligations, or negative perceptions of the issuer's ability to make these payments will cause prices to decline.

The University investment policies include guidelines for fixed income investments. In the case of the University's Invested Funds, the Cash Pool must maintain an average credit rating of "AA" as issued by a nationally recognized rating organization, while the Liquidity Pool must maintain an average credit rating of "A." Additionally, the Liquidity Pool must have at least 25 percent of its funds invested in obligations of the U.S. government and its agencies.

The CEF investments policy for fixed income specifies bonds and other high quality investment vehicles that support current spending needs and stability to protect capital in down markets. The investment policy for the CEF reflects its long-term nature by specifying average quality rating levels by individual manager, but still restricting investments to investment grade credits.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the University will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The University does not have a formal policy regarding custodial credit risk. However, all University investments in the CEF and the Invested Funds Pool are held in the name of the University and are not subject to custodial credit risk.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The CEF investment policy limits concentration by manager, country (other than U.S.), and market sector. The University further mitigates concentration of credit risk through the due diligence of each manager and careful monitoring of asset concentrations.

The composition of the fixed income securities at June 30, 2013, along with credit quality and effective duration measures is summarized below. The schedule excludes $53.5 million of fixed income securities held outside the CEF and the Invested Funds Pool, which makes up 2.80 percent of the University's investments.

University of Washington
Invested Funds Pool and Consolidated Endowment Fund
Fixed Income Credit Quality and Effective Duration
June 30, 2013
(expressed in thousands, duration in years)

Investments	U.S. Government	Investment Grade	Non-Investment Grade	Not Rated	Total	Duration (in years)
U.S. treasuries	$ 730,492	$ -	$ -	$ -	$ 730,492	2.42
U.S. government agency	661,159	-	-	-	661,159	3.41
Mortgage-backed	-	98,779	94,196	9,067	202,042	4.33
Asset-backed	-	164,394	9,743	3,908	178,045	2.44
Corporate and other	-	86,585	-	628	87,213	2.51
Total	$ 1,391,651	$ 349,758	$ 103,939	$ 13,603	$ 1,858,951	2.95

6. Foreign Currency Risk

Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University's investment policies permit investments in international equity and other asset classes that can include foreign currency exposure. To manage foreign currency exposure, the University also enters into foreign currency forward contracts, futures contracts, and options. The University held non-U.S. denominated securities at June 30, 2013, of $771.1 million.

The following schedule details the market value of foreign denominated securities by currency type:

University of Washington
Consolidated Endowment Fund
Foreign Currency Risk
June 30, 2013
(expressed in thousands)

Foreign Currency	**Amount**
E.M.U.-Euro	$ 114,213
China-Renminbi	73,109
India-Rupee	65,686
Britain-Pound	51,193
Brazil-Real	47,956
Russia-Ruble	47,302
Japan-Yen	45,735
Switzerland-Franc	36,888
South Korea-Won	29,477
Canada-Dollar	27,109
Hong Kong-Dollar	24,285
Taiwan-Dollar	23,796
Philippines-Peso	22,737
Indonesia-Rupiah	19,301
Remaining currencies	142,283
Total	$ 771,070

7. Derivatives

The University's investment policies allow investing in various derivative instruments, including futures, swaps, and forwards, to manage exposures within or across the portfolio and to improve the portfolio's risk/return profile. Futures are financial contracts obligating the buyer to purchase an asset at a predetermined future date and price. Total return swaps involve commitments to pay interest in exchange for a market linked return, both based on notional amounts. Derivative instruments are recorded on the contract date and are carried at fair value using listed price quotations or amounts that approximate fair value.

Credit exposure represents exposure to counterparties relating to financial instruments where gains exceed collateral held by the University or losses are less than the collateral posted by the University. There was no credit exposure as of June 30, 2013. No derivative instruments have been reclassified from a hedging instrument to an investment instrument.

Details on foreign currency derivatives are disclosed under Foreign Currency Risk.

The following schedule presents the significant terms for derivatives held as investments by the University:

University of Washington
Derivative Investments
June 30, 2013
(expressed in thousands)

Category	**Changes in Fair Value - Included in Investment Income (Loss) Amount**	**Fair Value - Investment Derivative Amount**	**Notional**
Futures contracts	$ 184	$ 34,278	$ 34,462

8. Reverse Repurchase Agreements – None.

F. INVESTMENTS - OFFICE OF THE STATE TREASURER CASH MANAGEMENT ACCOUNT

1. Summary of Investment Policies

The Office of the State Treasurer (OST) operates the state's Cash Management Account for investing Treasury/Trust Funds in excess of daily requirements.

The overall objective of the OST investment policy is to construct, from eligible investments noted below, an investment portfolio that is optimal or efficient. An optimal or efficient portfolio is one that provides the greatest expected return for a given expected level of risk, or the lowest expected risk for a given expected return.

The emphasis on "expected" is to recognize that investment decisions are made under conditions of risk and uncertainty. Neither the actual risk nor return of any investment decision is known with certainty at the time the decision is made.

Eligible Investments. Eligible investments are only those securities and deposits authorized by statute, including chapters 39.58, 39.59, and 43.84.080 RCW. Eligible investments include:

- Obligations of the U.S. government.
- Obligations of U.S. government agencies or of corporations wholly owned by the U.S. government.
- Obligations of government-sponsored corporations that are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve.
- Banker's acceptances purchased on the secondary market rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. If the banker's acceptance is rated by more than two NRSROs, it must have the highest rating from all of the organizations.
- Commercial paper provided that the OST adheres to policies and procedures of the Washington State Investment Board regarding commercial paper (RCW 43.84.080(7)).
- Certificates of deposit with financial institutions qualified by the Washington Public Deposit Protection Commission.
- Local Government Investment Pool (LGIP).
- Obligations of the state of Washington or its political subdivisions.

Investment Restrictions. To provide for the safety and liquidity of Treasury/Trust Funds, the Cash Management Account investment portfolio is subject to the following restrictions:

- The final maturity of any security will not exceed ten years.
- Purchase of collateralized mortgage obligations is not allowed.
- The allocation to investments subject to high price sensitivity or reduced marketability will not exceed 15 percent of the daily balance of the portfolio.

Additionally, investments in non-government securities, excluding collateral of repurchase agreements, must fall within prescribed limits.

2. Securities Lending

State statutes permit the OST to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The OST, which has contracted with Citibank as a lending agent to lend securities, receives earnings for this activity.

The OST lending agent lends U.S. government and U.S. agency securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent.

The cash is invested by the lending agent in accordance with investment guidelines approved by the OST. The securities held as collateral and the securities underlying the cash collateral are held by the custodian. One option available to the lending agent is to invest cash collateral into an OST account in the LGIP. At June 30, 2013, cash collateral totaled $204.0 million, all of which was invested in the LGIP.

The contract with the lending agent requires them to indemnify the OST if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or if the borrower fails to pay the OST for income distribution by the securities' issuers while the securities are on loan. The OST cannot pledge or sell collateral securities received unless the borrower defaults. At June 30, 2013, the fair value of securities on loan totaled $199.8 million.

The OST investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the OST. During fiscal year 2013, the OST had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the OST.

There were no violations of legal or contractual provisions or any losses resulting from a default of a borrower or lending agent during the fiscal year.

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of the investment. The Treasury/Trust investments are separated into portfolios with objectives based primarily on liquidity needs.

The OST's investment policy limits the weighted average maturity of its investments based on cash flow expectations. Policy also directs due diligence to be exercised with timely reporting of material deviation from expectations and actions taken to control adverse developments as may be possible.

The following schedule presents the fair value of the OST's investments by type at June 30, 2013:

Office of the State Treasurer (OST)
Cash Management Account
June 30, 2013
(expressed in thousands)

		Maturity	
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**
U.S. agency obligations	$ 1,547,870	$ 303,903	$ 1,243,967
U.S. government obligations	560,632	-	560,632
Repurchase agreements	1,000,000	1,000,000	-
Certificates of deposit	154,266	154,266	-
Investments with LGIP	1,361,414	1,361,414	-
Interest bearing bank accounts	310,773	310,773	-
Total	$ 4,934,955	$ 3,130,356	$ 1,804,599

4. Credit Risk

The OST limits credit risk by adhering to the OST investment policy which restricts the types of investments the OST can participate in, such as: U.S. government and agency securities, banker's acceptances, commercial paper, and deposits with qualified public depositaries.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The OST investment policy requires that securities purchased by the office be held by the master custodian, acting as an independent third party, in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the OST's exposure to risk and insure the safety of the investment.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. For non-governmental securities, the OST limits its exposure to concentration of credit risk by restricting the amount of investments to no more than 5 percent of the portfolio to any single issuer. During fiscal year 2013, the OST did not own any non-governmental securities subject to this restriction.

5. Foreign Currency Risk - None.

6. Derivatives - None.

7. Repurchase and Reverse Repurchase Agreements

State law also permits the OST to enter into reverse repurchase agreements, which are, by contract, sales of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities pledged as collateral by the OST underlying the reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in the fair value of the securities.

If the dealers default on their obligations to resell these securities to the OST or to provide equal value in securities or cash, the OST would suffer an economic loss equal to the differences between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. The OST investment policy limits the amount of reverse repurchase agreements to 30 percent of the total portfolio. There were no reverse repurchase agreements during fiscal year 2013.

The market value, plus accrued income, of mortgage-backed securities utilized in repurchase agreements with more than seven days remaining until maturity will be 105 percent of the value of the repurchase agreement.

The market value, plus accrued income, of securities utilized in all other repurchase agreements will be 102 percent of the value of the repurchase agreement. The securities utilized in repurchase agreements are priced daily and held by the Treasury/Trust custodian in the state's name. Collateralized mortgage obligations utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council test or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency. As of June 30, 2013, repurchase agreements totaled $1.0 billion.

Note 4
Receivables, Unearned and Unavailable Revenues

A. GOVERNMENTAL FUNDS

Taxes Receivable
Taxes receivable at June 30, 2013, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property	$ 994,026	$ -	$ -	$ 224	$ 994,250
Sales	1,554,619	-	-	-	1,554,619
Business and occupation	656,357	-	-	-	656,357
Estate	1,112	14,655	-	-	15,767
Fuel	-	-	-	108,742	108,742
Liquor		-	-	9,490	9,490
Other	10,576	-	-	641	11,217
Subtotals	3,216,690	14,655	-	119,097	3,350,442
Less: Allowance for uncollectible receivables	46,352	-	-	789	47,141
Total Taxes Receivable	$ 3,170,338	$ 14,655	$ -	$ 118,308	$ 3,303,301

Other Receivables
Other receivables at June 30, 2013, consisted of the following (expressed in thousands):

Other Receivables	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Public assistance (1)	$ 769,720	$ -	$ -	$ -	$ 769,720
Accounts receivable	29,379	203,473	630	97,091	330,573
Interest	2,157	8,327	4,386	5,619	20,489
Loans (2)	5,540	130,653	-	442,534	578,727
Long-term contracts (3)	1,003	-	9,911	77,046	87,960
Miscellaneous	120,593	92,895	9,612	236,350	459,450
Subtotals	928,392	435,348	24,539	858,640	2,246,919
Less: Allowance for uncollectible receivables	774,876	27,629	3	25,515	828,023
Total Other Receivables	$ 153,516	$ 407,719	$ 24,536	$ 833,125	$ 1,418,896

Notes:

(1) Public assistance receivables mainly represent amounts owed the state as a part of the Support Enforcement Program at the Department of Social and Health Services for the amounts due from persons required to pay support for individuals currently on state assistance, and have a low realization expectation. Accordingly, the receivable is offset by a large allowance for uncollectible receivables.

(2) Significant long-term portions of loans receivable include $104.7 million in the Higher Education Special Revenue Fund for student loans and $433.4 million in Nonmajor Governmental Funds for low income housing, public works, and economic development/revitalization loans.

(3) Long-term contracts in Nonmajor Governmental Funds are for timber sales contracts.

Unearned Revenue

Unearned revenue at June 30, 2013, consisted of the following (expressed in thousands):

Unearned Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Other taxes	$ 1,843	$ -	$ -	$ -	$ 1,843
Charges for services	37,488	143,096	385	37,849	218,818
Donable goods	-	-	-	6,283	6,283
Grants and donations	14,964	952	-	4,930	20,846
Loan programs		-	-	16	16
Seizure of forfeited assets	-	-	-	5,238	5,238
Miscellaneous	24,981	5,496	-	25,949	56,426
Total Unearned Revenue	$ 79,276	$ 149,544	$ 385	$ 80,265	$ 309,470

Unavailable Revenue

Unavailable revenue at June 30, 2013, consisted of the following (expressed in thousands):

Unavailable Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property taxes	$ 972,650	$ -	$ -	$ 80	$ 972,730
Other taxes	514,807	11,718	-	364	526,889
Timber sales	1,003	-	9,911	77,046	87,960
Charges for services	3,857	-	-	1,065	4,922
Grants and donations	93	-	-	-	93
Loan programs	7	-	-	796,314	796,321
Miscellaneous	1	-	-	26,307	26,308
Total Unavailable Revenue	$ 1,492,418	$ 11,718	$ 9,911	$ 901,176	$ 2,415,223

B. PROPRIETARY FUNDS

Other Receivables

Other receivables at June 30, 2013, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds						Governmental Activities
Other Receivables	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Total	Internal Service Funds
Accounts receivable	$ 150,933	$ -	$ 244,009	$ 1	$ 22,581	$ 417,524	$ 11,308
Interest	108,971	-	553	6,104	-	115,628	541
Miscellaneous	591,050	746,821	20,560	67	4	1,358,502	15,902
Subtotals	850,954	746,821	265,122	6,172	22,585	1,891,654	27,751
Less: Allowance for uncollectible receivables	148,990	101,346	73,928	-	174	324,438	564
Total Other Receivables	$ 701,964	$ 645,475	$ 191,194	$ 6,172	$ 22,411	$ 1,567,216	$ 27,187

Unearned Revenue

Unearned revenue at June 30, 2013, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds						Governmental Activities
Unearned Revenue	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Total	Internal Service Funds
Charges for services	$ -	$ -	$ 37,188	$ -	$ 251	$ 37,439	$ 2,316
Other taxes	181	-	-	-	-	181	-
Miscellaneous	6,386	-	2,607	-	-	8,993	15
Total Unearned Revenue	$ 6,567	$ -	$ 39,795	$ -	$ 251	$ 46,613	$ 2,331

C. FIDUCIARY FUNDS

Other Receivables

Other receivables at June 30, 2013, consisted of the following (expressed in thousands):

Other Receivables	Local Government Investment Pool	Agency Funds
Interest	$ 691	$ 53
Other	-	12,290
Subtotals	691	12,343
Less: Allowance for uncollectible receivables	-	4,352
Total Other Receivables	$ 691	$ 7,991

Unearned Revenue

Unearned revenue at June 30, 2013, consisted of $726,000 for service credit restorations reported in Pension and Other Employee Benefit Plans.

Note 5
Interfund Balances and Transfers

A. INTERFUND BALANCES

Interfund balances as reported in the financial statements at June 30, 2013, consisted of the following (expressed in thousands):

	Due From				
Due To	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	$ -	$ 34,657	$ -	$ 101,147	$ 254
Higher Education Special Revenue	47,361	-	-	318,698	516
Higher Education Endowment	-	-	-	703	-
Nonmajor Governmental Funds	326,973	696	2,177	169,215	891
Workers' Compensation	5	-	-	9	-
Unemployment Compensation	1,510	1,264	-	1,492	48
Higher Education Student Services	820	2,084	-	1,130	268
Guaranteed Education Tuition Program	2	-	-	-	-
Nonmajor Enterprise Funds	5,536	374	-	1,693	495
Internal Service Funds	26,265	1,147	-	22,835	4,775
Fiduciary Funds	-	8	-	6	-
Totals	$ 408,472	$ 40,230	$ 2,177	$ 616,928	$ 7,247

Nearly all interfund balances are expected to be paid within one year from the date of the financial statements. These balances resulted from the time lag between the dates that (1) interfund goods and services were provided and when the payments occurred and (2) interfund transfers were accrued and when the liquidations occurred. Interfund balances include: (1) a $24.5 million loan from a nonmajor governmental fund to the General Fund which is expected to be paid over the next six years; and (2) a $3.1 million loan between nonmajor governmental funds which is expected to be paid over the next eight years.

In addition to the interfund balances noted in the schedule above, there are interfund balances of $1.7 million within the state's Pension Trust Funds.

			Due From			
Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Totals
$ -	$ -	$ 111	$ 17,266	$ 927	$ -	$ 154,362
-	429,515	200	16	74,691	11	871,008
-	-	-	-	-	-	703
1,058	4	-	148	2,269	-	503,431
-	-	-	1	5	-	20
-	32	-	20	76	-	4,442
-	-	-	-	-	-	4,302
-	-	-	-	-	-	2
-	446	-	1,127	133	-	9,804
-	27	5	460	33,135	-	88,649
-	-	-	8	-	-	22
$ 1,058	$ 430,024	$ 316	$ 19,046	$ 111,236	$ 11	$ 1,636,745

B. INTERFUND TRANSFERS

Interfund transfers as reported in the financial statements for the year ended June 30, 2013, consisted of the following (expressed in thousands):

	Transferred To				
Transferred From	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	$ -	$ 1,851	$ -	$ 1,295,354	$ -
Higher Education Special Revenue	26,122	-	420	67,790	-
Higher Education Endowment	-	95,702	-	29,216	-
Nonmajor Governmental Funds	440,129	20,066	879	932,464	-
Workers' Compensation	-	-	-	-	-
Unemployment Compensation	61	-	-	-	-
Higher Education Student Services	-	94,079	-	323	-
Guaranteed Education Tuition Program	-	-	-	-	-
Nonmajor Enterprise Funds	130,147	-	-	10,704	-
Internal Service Funds	37	6,238	-	23	-
Totals	$ 596,496	$ 217,936	$ 1,299	$ 2,335,874	$ -

Except as noted below, transfers are used to 1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) move receipts designated for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, 3) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 4) move profits from the Lottery Fund as required by law, and 5) transfer amounts to and from the General Fund as required by law.

On June 20, 2013, $139.2 million was transferred from the General Fund Basic Account to the Budget Stabilization Account (BSA) in accordance with the provisions of the Constitution. The BSA is reported as an Administrative Account within the General Fund. The Constitution details a limited number of circumstances under which funds can be appropriated from the BSA, one of which is a favorable vote of at least three-fifths of the members of each house of the Legislature.

In addition to the transfers noted in the schedule above, there were transfers of $5.6 million within the state's Pension Trust Funds.

Transferred To					
Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Internal Service Funds	Totals
$ -	$ -	$ -	$ 679	$ 14,347	$ 1,312,231
-	120,369	-	-	6,184	220,885
-	-	-	-	-	124,918
-	-	-	-	-	1,393,538
-	-	-	-	-	-
-	-	-	-	-	61
-	-	-	-	-	94,402
-	-	-	-	-	-
-	-	-	12,485	-	153,336
-	-	-	-	49,893	56,191
$ -	$ 120,369	$ -	$ 13,164	$ 70,424	$ 3,355,562

Note 6
Capital Assets

Capital assets at June 30, 2013, are reported by the state of Washington within Governmental Activities and Business-Type Activities, as applicable.

A. GOVERNMENTAL CAPITAL ASSETS

The following is a summary of governmental capital asset activity for the year ended June 30, 2013 (expressed in thousands):

Capital Assets	Balances July 1, 2012*	Additions	Deletions / Adjustments	Balances June 30, 2013
Capital assets, not being depreciated:				
Land	$ 2,358,301	$ 48,944	$ (19,684)	$ 2,387,561
Transportation infrastructure	20,867,495	812,401	-	21,679,896
Intangible assets - indefinite lives	1,520	1,246	-	2,766
Art collections, library reserves, and museum and historical collections	122,672	616	(13)	123,275
Construction in progress	812,601	531,112	(409,981)	933,732
Total capital assets, not being depreciated	24,162,589			25,127,230
Capital assets, being depreciated:				
Buildings	11,490,063	456,631	(61,369)	11,885,326
Accumulated depreciation	(3,956,662)	(331,407)	12,608	(4,275,463)
Net buildings	7,533,401			7,609,863
Other improvements	1,266,062	105,919	(1,058)	1,370,923
Accumulated depreciation	(582,593)	(49,468)	115	(631,946)
Net other improvements	683,469			738,977
Furnishings, equipment and intangible assets	4,454,654	314,267	(206,569)	4,562,353
Accumulated depreciation	(2,973,048)	(278,151)	168,501	(3,082,698)
Net furnishings, equipment and intangible assets	1,481,606			1,479,655
Infrastructure	886,216	46,855	(601)	932,470
Accumulated depreciation	(424,474)	(29,381)	192	(453,663)
Net infrastructure	461,742			478,807
Total capital assets, being depreciated, net	10,160,218			10,307,302
Governmental Activities Capital Assets, Net	$ 34,322,807			$ 35,434,532

* Beginning balances reflect the prior period adjustment to reclassify the Liquor Revolving Fund from business-type to governmental, which resulted in an increase in capital assets of $46.4 million and an increase in accumulated depreciation of $21.9 million.

B. BUSINESS-TYPE CAPITAL ASSETS

The following is a summary of business-type capital asset activity for the year ended June 30, 2013 (expressed in thousands):

Capital Assets	Balances July 1, 2012*	Additions	Deletions / Adjustments	Balances June 30, 2013
Capital assets, not being depreciated:				
Land	$ 62,584	$ -	$ (2,018)	$ 60,566
Intangible assets - indefinite lives	-	4,580	-	4,580
Art collections	35	-	-	35
Construction in progress	681,414	135,832	(375,419)	441,827
Total capital assets, not being depreciated	744,033			507,008
Capital assets, being depreciated:				
Buildings	2,073,812	694,857	(16,586)	2,752,083
Accumulated depreciation	(694,283)	(84,860)	14,671	(764,472)
Net buildings	1,379,529			1,987,611
Other improvements	87,544	7,978	(5)	95,517
Accumulated depreciation	(31,502)	(3,966)	3	(35,465)
Net other improvements	56,042			60,052
Furnishings, equipment and intangible assets	600,490	69,181	(15,715)	653,956
Accumulated depreciation	(440,313)	(47,001)	15,767	(471,547)
Net furnishings, equipment and intangible assets	160,177			182,409
Infrastructure	41,682	262	-	41,944
Accumulated depreciation	(16,331)	(1,475)	-	(17,806)
Net infrastructure	25,351			24,138
Total capital assets, being depreciated, net	1,621,099			2,254,210
Business-Type Activities Capital Assets, Net	$ 2,365,132			$ 2,761,218

* Beginning balances reflect the prior period adjustment to reclassify the Liquor Revolving Fund from business-type to governmental, which resulted in a decrease in capital assets of $46.4 million and a decrease in accumulated depreciation of $21.9 million.

C. DEPRECIATION

Depreciation expense for the year ended June 30, 2013, was charged by the primary government as follows (expressed in thousands):

		Amount
Governmental Activities:		
General government	$	71,423
Education - elementary and secondary (K-12)		9,703
Education - higher education		403,564
Human services		25,477
Adult corrections		47,097
Natural resources and recreation		34,430
Transportation		96,713
Total Depreciation Expense - Governmental Activities *	$	688,407
Business-Type Activities:		
Workers' compensation	$	8,428
Unemployment compensation		-
Higher education student services		127,404
Guaranteed education tuition program		4
Other		1,466
Total Depreciation Expense - Business-Type Activities	$	137,302

* Includes $81.0 million internal service fund depreciation that was allocated to governmental activities as a component of net internal service fund activity.

D. CONSTRUCTION IN PROGRESS

Major construction commitments of the state at June 30, 2013, are as follows (expressed in thousands):

Agency / Project Commitments	Construction In Progress June 30, 2013	Remaining Project Commitments
Department of Enterprise Services:		
O'Brien Building improvement, legislative building improvements, Capitol Campus high voltage system, and other projects	$ 69,178	$ 4,131
Department of Labor and Industries:		
Data warehouse enhancement, occupational health, and stay at work projects	6,202	1,922
Department of Social and Health Services:		
Residential housing unit renovations, and other projects	31,201	8,741
Department of Veterans Affairs:		
Walla Walla Veterans Home	10,683	36,495
Department of Corrections:		
Prison intake center	-	252,226
Correctional center housing units and kitchen expansion, and other projects	52,077	-
Department of Transportation:		
State ferry vessels and terminals, and other projects	255,248	129,598
Transportation infrastructure	-	1,615,292
Department of Fish and Wildlife:		
Voights Creek Hatchery, Carpenter Creek Estuary, Deschutes Watershed Center, and other projects	20,946	88,021
Employment Security Department:		
Next generation TAXIS system project	38,622	4,702
University of Washington:		
Ethnic Cultural Center and HUB renovation	1,923	2,029
Husky ballpark and Husky stadium projects	254,505	10,333
UWMC expansion	14,715	28,673
Maple and Terry Hall renovations, Lander and Mercer Hall replacement, and new projects	134,151	63,329
UW Tacoma and Bothell campus, and other projects	75,714	71,428
Washington State University:		
Agricultural Animal Health Research Facility	250	22,150
Biomedical and Health Sciences Building	56,214	22,401
Martin Stadium improvements and athletics indoor practice facility	19,494	60,706
Clean Technology Laboratory	2,503	55,197
Chief Joseph village renovation	-	20,000
Smart Grid energy and other projects	7,742	25,628
Eastern Washington University:		
Patterson Hall renovation, residence hall project, and other projects	63,844	19,772
Central Washington University:		
New residence hall construction, and other projects	5,890	9,282
The Evergreen State College:		
Housing and other projects	15,638	6,358
Western Washington University:		
Carver and Fraser Hall renovation, housing and dining, and other projects	23,728	2,643
Community and Technical Colleges:		
Everett index replacement and CCEC renovation	32,321	2,904
Green River Trades and Industry, and SMT renovation	16,734	29,448
Seattle Community College District Employment Residence Center, Georgetown PSIEC, and wood construction replacement	32,900	873
South Puget Sound Building 22 renovation	24,021	5,810
Tacoma Health Careers Center	13,916	27,107
Other miscellaneous community college projects	81,812	169,774
Other Agency Projects	13,387	24,684
Total Construction in Progress	$ 1,375,559	$ 2,821,657

Note 7
Long-Term Liabilities

A. BONDS PAYABLE

Bonds payable at June 30, 2013, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

The State Constitution and enabling statutes authorize the incurrence of state general obligation debt, to which the state's full faith, credit, and taxing power are pledged, either by the Legislature or by a body designated by statute (presently the State Finance Committee).

Legislative authorization arises from:

- An affirmative vote of 60 percent of the members of each house of the Legislature, without voter approval, in which case the amount of such debt is generally subject to the constitutional debt limitation described below;

- When authorized by law for a distinct work or object and approved by a majority of the voters voting thereon at a general election, or a special election called for that purpose, in which case the amount of the debt so approved is not subject to the constitutional debt limitations described below;

- By the State Finance Committee without limitation as to amount, and without approval of the Legislature or approval of the voters.

The State Finance Committee debt authorization does not require voter approval; however, it is limited to providing for: (1) meeting temporary deficiencies of the state treasury if such debt is discharged within 12 months of the date of incurrence and is incurred only to provide for appropriations already made by the Legislature; or (2) refunding of outstanding obligations of the state.

Legal Debt Limitation

The State Constitution limits the amount of state debt that may be incurred by restricting the amount of general state revenues which may be allocated to pay principal and interest on debt subject to these limitations. More specifically, the constitutional debt limitation prohibits the issuance of new debt if it would cause the maximum annual debt service on all thereafter outstanding debt to exceed 9 percent of the arithmetic mean of general state revenues for the preceding three fiscal years. This limitation restricts the incurrence of new debt and not the amount of debt service that may be paid by the state in future years.

The State Constitution and current statutes require the State Treasurer to certify the debt service limitation for each fiscal year. In accordance with these provisions, the debt service limitation for fiscal year 2013 is $1.13 billion.

This computation excludes specific bond issues and types, which are not secured by general state revenues. Of the $18.21 billion general obligation bond debt outstanding at June 30, 2013, $10.73 billion is subject to the limitation.

Based on the debt limitation calculation, the debt service requirements as of June 30, 2013, did not exceed the authorized debt service limitation.

For further information on the debt limit refer to the Certification of the Debt Limitation of the State of Washington available from the Office of the State Treasurer at:
http://www.tre.wa.gov/documents/debt_cdl2013.pdf,
or to Schedule 11 in the Statistical Section of this report.

Authorized But Unissued

The state had a total of $6.33 billion in general obligation bonds authorized but unissued as of June 30, 2013, for the purpose of capital construction, higher education, and transportation projects throughout the state.

Interest Rates

Interest rates on fixed rate general obligation bonds ranged from 0.35 to 6.75 percent. Interest rates on revenue bonds range from 1.6 to 7.4 percent.

Debt Service Requirements to Maturity

General Obligations Bonds

General obligation bonds have been authorized and issued primarily to provide funds for:

- Acquisition and construction of state and common school capital facilities;
- Transportation construction and improvement projects;
- Assistance to local governments for public works capital projects; and
- Refunding of general obligation bonds outstanding.

Outstanding general obligation bonds are presented in the Washington State Treasurer's Annual Report for 2013. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, phone number (360) 902-9000 or TTY (360) 902-8963, or by visiting their website at:
http://www.tre.wa.gov/aboutUs/publications/annualReports.shtml

Total debt service requirements to maturity for general obligation bonds as of June 30, 2013, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
General Obligation Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2014	$ 787,632	$ 852,186	$ 3,605	$ 527	$ 791,237	$ 852,713
2015	817,385	832,051	3,820	325	821,205	832,376
2016	837,837	802,332	4,050	110	841,887	802,442
2017	864,744	788,311	-	-	864,744	788,311
2018	857,009	748,173	-	-	857,009	748,173
2019-2023	4,232,725	3,114,731	-	-	4,232,725	3,114,731
2024-2028	4,112,620	2,085,926	-	-	4,112,620	2,085,926
2029-2033	3,510,413	1,063,905	-	-	3,510,413	1,063,905
2034-2038	1,595,285	310,216	-	-	1,595,285	310,216
2039-2043	584,054	54,268	-	-	584,054	54,268
Total Debt Service Requirements	$ 18,199,704	$ 10,652,099	$ 11,475	$ 962	$ 18,211,179	$ 10,653,061

Revenue Bonds

Revenue bonds are authorized under current state statutes, which provide for the issuance of bonds that are not supported, or not intended to be supported, by the full faith and credit of the state.

The University of Washington issues general revenue bonds that are payable from general revenues, including student tuition and fees, grant indirect cost recovery, sales and services revenue, and investment income. General revenue bonds outstanding as of June 30, 2013, include $237.4 million in governmental activities and $1.42 billion in business-type activities.

The remainder of the state's revenue bonds pledge income derived from acquired or constructed assets for retirement of the debt and payment of the related interest.

Total debt service requirements for revenue bonds to maturity as of June 30, 2013, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Revenue Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2014	$ 33,498	$ 96,138	$ 80,581	$ 85,778	$ 114,079	$ 181,916
2015	30,478	94,116	45,597	83,221	76,075	177,337
2016	80,141	91,618	47,859	81,275	128,000	172,893
2017	84,452	87,527	49,604	79,255	134,056	166,782
2018	83,341	83,199	49,970	77,201	133,311	160,400
2019-2023	484,871	367,181	274,884	397,409	759,755	764,590
2024-2028	394,221	237,354	285,385	315,657	679,606	553,011
2029-2033	296,605	141,475	287,951	233,411	584,556	374,886
2034-2038	100,734	72,575	386,688	146,079	487,422	218,654
2039-2043	123,262	14,701	421,777	40,479	545,039	55,180
Total Debt Service Requirements	$ 1,711,603	$ 1,285,884	$ 1,930,296	$ 1,539,765	$ 3,641,899	$ 2,825,649

Governmental activities include revenue bonds outstanding at June 30, 2013, of $369.9 million issued by the Tobacco Settlement Authority (TSA), which is a blended component unit of the state. In November 2002, the TSA issued $517.9 million in bonds and transferred $450.0 million to the state to be used for increased health care, long-term care, and other programs.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. The bonds are obligations of the TSA and are secured solely by the TSA's right to receive 29.2 percent of the state's tobacco settlement revenues, restricted investments of the TSA, undistributed TSA bond proceeds, and the earnings thereon held under the indenture authorizing the bonds. Total principal and interest remaining on the bonds is $647.8 million, payable through 2032. For the current year, pledged revenue and debt service were $44.2 million and $44.4 million, respectively.

Governmental activities include grant anticipation revenue bonds outstanding at June 30, 2013, of $500.4 million issued for the Washington State Department of Transportation. The bonds were issued to finance a portion of the costs of constructing the State Route 520 Floating Bridge and Eastside Project.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is $684.2 million, payable through 2025. For the current year both pledged revenue and debt service were $18.3 million.

Governmental activities include revenue bonds outstanding at June 30, 2013, of $245.1 million issued by Washington State University. The bonds were issued to fund various capital construction projects.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is $396.1 million, payable through 2038. For the current year, pledged revenue and debt service were $30.8 million and $12.3 million, respectively.

Governmental activities include revenue bonds outstanding at June 30, 2013, of $51.7 million issued by the Tumwater Office Properties (TOP), which is a blended component unit of the state. The bonds, issued in 2004, are payable solely from the trust estate pledged under the indenture, including rental payments. The bonds were used to construct an office building in Tumwater, Washington which the state occupied beginning in fiscal year 2006.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is $79.1 million, payable through 2028. For the current year, both pledged revenue and debt service were $4.1 million.

Governmental activities include revenue bonds outstanding at June 30, 2013, of $298.6 million issued by FYI Properties, a blended component unit of the state. The bonds, issued in 2009, are payable solely from the trust estate pledged under the indenture, including rental payments. The bonds were used to construct an office building in Olympia, Washington which the state occupied beginning in fiscal year 2012.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is $562.1 million, payable through 2039. For the current year, both pledged revenue and debt service were $21.2 million.

Additionally, governmental activities include revenue bonds outstanding at June 30, 2013, of $8.5 million issued by the City of Aberdeen. The bonds were used to extend utilities to the state Department of Corrections Stafford Creek Corrections Center (SCCC). The Department of Corrections entered into an agreement with the City of Aberdeen to pay a system development fee sufficient to pay the debt service on the bonds. The bonds were issued in 1998 and 2002, and refunded by the City in 2010, and are payable solely from current operating appropriations.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on these bonds is $10.1 million, payable through 2022. For the current year, both pledged revenue and debt service were $1.5 million.

The state's colleges and universities issue bonds for the purpose of housing, dining, parking, and student facilities construction. These bonds are reported within business-type activities and are secured by a pledge of specific revenues. These bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds.

Total pledged specific revenues for the state's colleges and universities to repay the principal and interest of revenue bonds as of June 30, 2013, are as follows (expressed in thousands):

Source of Revenue Pledged	Housing and Dining Revenues (Net of Operating Expenses)	Student Facilities Fees and Earnings on Invested Fees	Parking Revenues (Net of Operating Expenses)	Bookstore Revenues
Current revenue pledged	$ 39,619	$ 42,189	$ 2,821	$ 184
Current year debt service	20,976	19,747	776	148
Total future revenues pledged *	448,449	438,564	8,535	3,570
Description of debt	Housing and dining bonds issued in 1998-2013	Student facilities bonds issued in 2002-2012	Parking system revenue bonds issued in 2005	Student union and recreation center bonds issued in 2004
Purpose of debt	Construction and renovation of student housing and dining projects	Construction, renovation and improvements to student activity facilities and sports stadium	Construction of parking garage and improvements	Construct new bookstore as part of new student union and recreation center building
Term of commitment	2026-2042	2030-2038	2024	2034
Percentage of debt service to pledged revenues (current year)	52.94%	46.81%	27.50%	80.16%

* Total future principal and interest payments.

B. CERTIFICATES OF PARTICIPATION

Certificates of participation at June 30, 2013, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

Current state law authorizes the state to enter into long-term financing contracts for the acquisition of real or personal property and for the issuance of certificates of participation in the contracts. These certificates of participation do not fall under the general obligation debt limitations and are generally payable only from annual appropriations by the Legislature.

Other specific provisions could also affect the state's obligation under certain agreements. The certificates of participation are recorded for financial reporting purposes if the possibility of the state not meeting the terms of the agreements is considered remote.

Total debt service requirements for certificates of participation to maturity as of June 30, 2013, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Certificates of Participation	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2014	$ 98,894	$ 32,399	$ 4,011	$ 1,314	$ 102,905	$ 33,713
2015	58,852	19,502	4,200	1,392	63,052	20,894
2016	55,112	17,520	3,933	1,250	59,045	18,770
2017	41,430	15,518	2,957	1,108	44,387	16,626
2018	37,959	14,008	2,709	1,000	40,668	15,008
2019-2023	149,068	50,233	10,639	3,585	159,707	53,818
2024-2028	109,220	21,786	7,795	1,555	117,015	23,341
2029-2033	37,883	3,102	2,704	221	40,587	3,323
Total Debt Service Requirements	$ 588,418	$ 174,068	$ 38,948	$ 11,425	$ 627,366	$ 185,493

C. DEBT REFUNDINGS

When advantageous and permitted by statute and bond covenants, the State Finance Committee authorizes the refunding of outstanding bonds and certificates of participation. Colleges and universities may also refund revenue bonds.

When the state refunds outstanding bonds, the net proceeds of each refunding issue are used to purchase U.S. government securities that are placed in irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds.

As a result, the refunded bonds are considered defeased and the liability is removed from the government-wide statement of net position.

Current Year Defeasances

Bonds

Governmental Activities.
On July 26, 2012, the state issued $78.3 million of taxable general obligation refunding bonds with an average interest rate of .47 percent to refund $77.9 million of various purpose general obligation bonds with an average interest rate of 5.4 percent. The refunding resulted in a $6.4 million gross debt service savings over the next 4 years and a net present value savings of $6.4 million.

On September 6, 2012, the state issued $380.4 million of motor vehicle fuel tax general obligation refunding bonds with an average interest rate of 4.26 percent to refund $388.1 million of motor vehicle fuel tax general obligation bonds with an average interest rate of 4.98 percent. The refunding resulted in a $50.6 million gross debt service savings over the next 18 years and a net present value savings of $39.7 million.

Also on September 6, 2012, the state issued $352.2 million of various purpose general obligation refunding bonds with an average interest rate of 4.33 percent to refund $357.6 million of various purpose general obligation bonds with an average interest rate of 5.0 percent. The refunding resulted in a $43.4 million gross debt service savings over the next 18 years and a net present value savings of $34.7 million.

On February 5, 2013, the state issued $159.4 million of motor vehicle fuel tax general obligation refunding bonds with an average interest rate of 3.93 percent to refund $158.3 million of motor vehicle fuel tax general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a $23.2 million gross debt service savings over the next 19 years and a net present value savings of $18.5 million.

Also on February 5, 2013, the state issued $666.7 million of various purpose general obligation refunding bonds with an average interest rate of 4.22 percent to refund $703.9 million of various purpose general obligation bonds with an average interest rate of 4.72 percent. The refunding resulted in a $73.7 million gross debt service savings over the next 19 years and a net present value savings of $57.7 million.

Business-Type Activities.
On July 19, 2012, Western Washington University issued $9.2 million in business-type activity revenue refunding bonds with an average interest rate of 3.56 percent to refund $9.5 million of business-type activity revenue bonds with an average interest rate of 4.58 percent. The refunding resulted in a $877,313 gross debt service savings over the next 11 years and an economic gain of $760,746.

On March 28, 2013, Central Washington University issued $53.4 million in business-type activity revenue refunding bonds with an average interest rate of 3.76 percent to refund $53.8 million of business-type activity revenue bonds with an average interest rate of 5.25 percent. The refunding resulted in a $10.8 million gross debt service savings over the next 21 years and an economic gain of $7.9 million.

On April 2, 2013, Washington State University issued $9.8 million in general revenue bonds with an average interest rate 4.52 percent to refund $10.9 million of housing and dining revenue bonds with an average interest rate of 4.64 percent. The refunding resulted in $1.6 million gross debt service savings over the next 12 years and an economic gain of $1.3 million.

Certificates of Participation (COPs)

On March 19, 2013, the state issued $25.4 million in refunding certificates of participation with an average interest rate of 4.23 percent to refund $31.6 million of certificates of participation with interest rates between 4.18 and 4.34 percent. The refunding resulted in a $3.3 million gross debt service savings over the next 11 years and a net present value savings of $5.7 million.

Prior Year Defeasances

In prior years, the state defeased certain general obligation bonds, revenue bonds, and certificates of participation by placing the proceeds of new bonds and certificates in an irrevocable trust to provide for all future debt service payments on the prior bonds and certificates.

Accordingly, the trust account assets and the liability for the defeased bonds and certificates are not included in the state's financial statements.

General Obligation Bond Debt

On June 30, 2013, $2.95 billion of general obligation bonded debt outstanding is considered defeased.

Revenue Bond Debt

On June 30, 2013, $90.6 million of revenue bonded debt outstanding is considered defeased.

Certificates of Participation Debt

On June 30, 2013, $80.7 million of certificates of participation debt outstanding is considered defeased.

D. LEASES

Leases at June 30, 2013, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

The state leases land, office facilities, office and computer equipment, and other assets under a variety of agreements. Although lease terms vary, most leases are subject to appropriation from the Legislature to continue the obligation. If the possibility of receiving no funding from the Legislature is remote, leases are considered noncancelable for financial reporting purposes. Leases that represent acquisitions are classified as capital leases, and the related assets and liabilities are recorded in the financial records at the inception of the lease.

Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease. Certain operating leases are renewable for specified periods. In most cases, management expects that the leases will be renewed or replaced by other leases.

Land, buildings, and equipment under capital leases as of June 30, 2013, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Land (non-depreciable)	$ 1,918	$ -
Buildings	14,022	4,512
Equipment	18,249	13,244
Less: Accumulated depreciation	(19,422)	(5,271)
Totals	$ 14,767	$ 12,485

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2013 (expressed in thousands):

	Capital Leases		Operating Leases	
Capital and Operating Leases	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
By Fiscal Year:				
2014	$ 3,075	$ 2,304	$ 130,583	$ 33,528
2015	2,745	2,288	115,551	30,874
2016	1,442	2,274	90,497	22,509
2017	1,031	2,265	68,379	14,132
2018	470	2,002	53,885	7,934
2019-2023	1,979	6,711	153,596	27,572
2024-2028	-	-	82,842	18,055
2029-2033	-	-	63,994	20,921
2034-2038	-	-	64,399	24,242
2039-2043	-	-	65,132	22,645
Total Future Minimum Payments	10,742	17,844	888,858	222,412
Less: Executory Costs and Interest Costs	(588)	(2,356)	-	-
Net Present Value of Future Minimum Lease Payments	$ 10,154	$ 15,488	$ 888,858	$ 222,412

The total operating lease rental expense for fiscal year 2013 for governmental activities was $327.4 million, of which $582,391 was for contingent rentals. The total operating lease rental expense for fiscal year 2013 for business-type activities was $32.9 million, of which $61,385 was for contingent rentals.

E. CLAIMS AND JUDGMENTS

Claims and judgments are materially related to three activities: workers' compensation, risk management, and health insurance. Workers' compensation is a business-type activity, and risk management and health insurance are governmental activities. A description of the risks to which the state is exposed by these activities, and the ways in which the state handles the risks, is presented in Note 1.E.

Workers' Compensation

At June 30, 2013, $34.75 billion of unpaid claims and claim adjustment expenses are presented at their net present and settlement value of $23.63 billion. These claims are discounted at assumed interest rates of 1.5 percent (time loss and medical) to 6.5 percent (pensions) to arrive at a settlement value.

The claims and claim adjustment liabilities of $23.63 billion as of June 30, 2013, include $11.29 billion for supplemental pension cost of living adjustments (COLAs) that by statute are not to be fully funded.

These COLA payments are funded on a pay-as-you-go basis, and the workers' compensation actuaries have indicated that future premium payments will be sufficient to pay these claims as they come due.

The remaining claims liabilities of $12.34 billion are fully funded by long-term investments, net of obligations under securities lending agreements.

Changes in the balances of workers' compensation claims liabilities during fiscal years 2012 and 2013 were as follows (expressed in thousands):

Workers' Compensation Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Balances End of Fiscal Year
2012	$ 22,943,311	1,731,341	(2,078,302)	$ 22,596,350
2013	$ 22,596,350	3,150,517	(2,119,307)	$ 23,627,560

Risk Management

The Risk Management Fund administers tort and sundry claims filed against Washington state agencies, except the University of Washington and the Department of Transportation Ferries Division. The Fund reports a tort liability when it becomes probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an actuarially determined amount for tort claims that have been incurred but not reported. It also includes an actuarial estimate of loss adjustment expenses for tort defense.

Because actual liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, it should be recognized that future loss emergence will likely deviate, perhaps materially, from the actuarial estimates. Liabilities are re-evaluated annually to take into consideration recently settled claims, the frequency of claims, and other economic or social factors.

The state is a defendant in a significant number of lawsuits pertaining to general and automobile liability matters.

As of June 30, 2013, outstanding and actuarially determined claims against the state and its agencies, with the exception of the University of Washington, including actuarially projected defense costs were $542.7 million for which the state has recorded a liability. The state is restricted by law from accumulating funds in the Self Insurance Liability Program in excess of 50 percent of total outstanding and actuarially determined liabilities.

At June 30, 2013, the Risk Management Fund held $60.2 million in cash and pooled investments designated for payment of these claims under the state's Self Insurance Liability Program.

Changes in the balances of risk management claims liabilities during fiscal years 2012 and 2013 were as follows (expressed in thousands):

Risk Management Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Tort Defense Payments	Balances End of Fiscal Year
2012	$ 702,632	170,437	(42,747)	(16,949)	$ 813,373
2013	$ 813,373	(187,481)	(65,548)	(17,635)	$ 542,709

Health Insurance

The Health Insurance Fund establishes a liability when it becomes probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an actuarially determined amount for claims that have been incurred but not reported. Because actual claims liabilities depend on various complex factors, the process used in computing claims liabilities does not always result in an exact amount.

Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

At June 30, 2013, health insurance claims liabilities totaling $59.9 million are fully funded with cash and investments, net of obligations under securities lending agreements.

Changes in the balances of health insurance claims liabilities during fiscal years 2012 and 2013 were as follows (expressed in thousands):

Health Insurance Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Balances End of Fiscal Year
2012	$ 84,990	771,328	(787,411)	$ 68,907
2013	$ 68,907	816,965	(825,999)	$ 59,873

F. POLLUTION REMEDIATION

The state reports pollution remediation obligations in accordance with GASB Statement No. 49. The liability reported involves estimates of financial responsibility and amounts recoverable as well as remediation costs.

The liability could change over time as new information becomes available and as a result of changes in remediation costs, technology and regulations governing remediation efforts. Additionally, the responsibilities and liabilities discussed in this disclosure are intended to refer to obligations solely in the accounting context. This disclosure does not constitute an admission of any legal responsibility or liability. Further, it does not establish or affect the rights or obligations of any person under the law, nor does this disclosure impose upon the state any new mandatory duties or obligations.

The state and its agencies are participating as potentially responsible parties in numerous pollution remediation projects under the provisions of the federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA, generally referred to as Superfund) and the state Model Toxics Control Act.

There are 28 projects in progress for which the state has recorded a liability of $43.7 million.

The state has also voluntarily agreed to conduct certain remediation activities to the extent of funding paid to the state by third parties for such purposes. At June 30, 2013, the state has recorded a liability of $128.1 million for remaining project commitments.

Overall, the state has recorded a pollution remediation liability of $171.8 million, measured at its estimated amount, using the expected cash flow technique. The overall estimate is based on professional judgment, experience, and historical cost data. For some projects, the state can reasonably estimate the range of expected outlays early in the process because the site situation is common or similar to other sites with which the state has experience. In other cases, the estimates are limited to an amount specified in a settlement agreement, consent decree, or contract for remediation services.

The pollution remediation activity at some sites for which the state would otherwise have a reportable obligation is at a point where certain costs are not reasonably estimable. For example, a site assessment, remedial investigation, or feasibility study is in progress and the cleanup methodology has not yet been determined; consequently, associated future costs cannot be estimated.

The state's reported liability does not include remediation costs for future activities where costs are not yet reasonably estimable.

G. LONG-TERM LIABILITY ACTIVITY

Long-term liability activity at June 30, 2013, is reported by the state of Washington within governmental activities and business-type activities, as applicable. Long-term liability activity for governmental activities for fiscal year 2013 is as follows (expressed in thousands):

Governmental Activities:	Beginning Balance July 1, 2012*	Additions	Reductions	Ending Balance June 30, 2013	Amounts Due Within One Year
Long-Term Debt:					
GO Bonds Payable:					
General obligation (GO) bonds	$ 17,206,550	$ 2,729,170	$ 2,331,825	$ 17,603,895	$ 748,765
GO - zero coupon bonds (principal)	631,301	-	35,492	595,809	38,867
Subtotal - GO bonds payable	17,837,851	2,729,170	2,367,317	18,199,704	787,632
Accreted interest - GO - zero coupon bonds	414,719	24,068	-	438,787	-
Revenue bonds payable	1,657,156	108,720	54,273	1,711,603	33,498
Less: Deferred issuance discounts	(6,684)	840	-	(5,844)	-
Total Bonds Payable	19,903,042	2,862,798	2,421,590	20,344,250	821,130
Other Liabilities:					
Certificates of participation	473,941	405,267	290,790	588,418	98,894
Claims and judgments	1,021,984	70,701	329,980	762,705	211,003
Installment contracts	6,799	-	4,482	2,317	-
Leases	7,151	6,143	3,140	10,154	2,854
Compensated absences	555,974	311,246	297,876	569,344	59,919
Unfunded pension obligations	282,423	58,018	-	340,441	-
Other postemployment benefits obligations	1,146,490	321,635	-	1,468,125	-
Pollution remediation obligations	165,234	21,723	15,141	171,816	-
Unclaimed property refunds	129,252	-	22,585	106,667	11
Other	131,096	45,956	33,663	143,389	-
Total Other Liabilities	3,920,344	1,240,689	997,657	4,163,376	372,681
Total Long-Term Debt	$ 23,823,386	$ 4,103,487	$ 3,419,247	$ 24,507,626	$ 1,193,811

* Beginning balances reflect the prior period adjustment to reclassify the Liquor Revolving Fund from business-type activity to a governmental, which resulted in an increase in certificates of participation of $5.3 million and an increase in compensated absences of $2.0 million.

For governmental activities, certificates of participation are being repaid approximately 49 percent from the General Fund, 33 percent from the Higher Education Special Revenue Fund, and the balance from various governmental funds. The compensated absences liability will be liquidated approximately 43 percent by the General Fund, 34 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The claims and judgments liability will be liquidated approximately 71 percent by the Risk Management Fund (an internal service fund), 10 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The other postemployment benefits obligations liability will be liquidated approximately 44 percent by the General Fund, 33 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The pollution remediation liability will be liquidated approximately 75 percent by the Wildlife and Natural Resources Fund, a nonmajor governmental fund, and the balance by various other governmental funds. The unclaimed property refunds will be liquidated against future unclaimed property deposited to the General Fund. Leases, installment contract obligations, and other liabilities will be repaid from various other governmental funds.

Long-term liability activity for business-type activities for fiscal year 2013 is as follows (expressed in thousands):

Business-Type Activities	Beginning Balance July 1, 2012*	Additions	Reductions	Ending Balance June 30, 2013	Amounts Due Within One Year
Long-Term Debt:					
General obligation bonds payable	$ 14,875	$ -	$ 3,400	$ 11,475	$ 3,605
Revenue bonds payable	1,681,830	332,749	84,283	1,930,296	80,581
Plus: Unamortized issuance premiums	72,661	36,680	8,864	100,477	-
Less: Deferred issuance discounts	(416)	147	-	(269)	-
Total Bonds Payable	1,768,950	369,576	96,547	2,041,979	84,186
Other Liabilities:					
Certificates of participation	46,834	14,864	22,750	38,948	4,011
Plus: Deferred issuance premiums	1,248	1,581	136	2,693	-
Claims and judgments	22,607,953	2,040,428	1,009,611	23,638,770	1,853,263
Lottery prize annuities payable	206,579	50,835	81,384	176,030	33,438
Tuition benefits payable	2,942,000	195,002	421,002	2,716,000	151,000
Leases	5,722	10,311	545	15,488	1,793
Compensated absences	63,565	25,028	22,188	66,405	33,763
Other postemployment benefits obligations	132,891	29,389	16,630	145,650	-
Other	25,349	40	25,155	234	-
Total Other Liabilities	26,032,141	2,367,478	1,599,401	26,800,218	2,077,268
Total Long-Term Debt	$ 27,801,091	$ 2,737,054	$ 1,695,948	$ 28,842,197	$ 2,161,454

* Beginning balances reflect the prior period adjustment to reclassify the Liquor Revolving Fund from business-type activity to a governmental, which resulted in a decrease in certificates of participation of $5.3 million and a decrease in compensated absences of $2.0 million.

Note 8
No Commitment Debt

The Washington State Housing Finance Commission, Washington Higher Education Facilities Authority, Washington Health Care Facilities Authority, and Washington Economic Development Finance Authority (financing authorities) were created by the Legislature. For financial reporting purposes, they are discretely presented as component units. These financing authorities issue bonds for the purpose of making loans to qualified borrowers for capital acquisitions, construction, and related improvements.

These bonds do not constitute either a legal or moral obligation of the state or these financing authorities, nor does the state or these financing authorities pledge their full faith and credit for the payment of such bonds.

Debt service on the bonds is payable solely from payments made by the borrowers pursuant to loan agreements. Due to their no commitment nature, the bonds issued by these financing authorities are excluded from the state's financial statements.

The schedule below presents the June 30, 2013, balances for the "No Commitment" debt of the state's financing authorities (expressed in thousands):

Financing Authorities	Principal Balance
Washington State Housing Finance Commission	$ 3,490,997
Washington Higher Education Facilities Authority	706,243
Washington Health Care Facilities Authority	5,484,000
Washington Economic Development Finance Authority	758,663
Total No Commitment Debt	$ 10,439,903

Note 9
Governmental Fund Balances

A. GOVERNMENTAL FUND BALANCES

The state's governmental fund balances are reported according to the relative constraints that control how amounts can be spent. Net position restricted as a result of enabling legislation totaled $43.7 million. Classifications include nonspendable, restricted, committed, and assigned, which are further described in Note 1.D.9.

A summary of governmental fund balances at June 30, 2013, is as follows (expressed in thousands):

Fund Balances	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Nonspendable:					
Permanent funds	$ -	$ -	$ 1,929,641	$ 192,070	$ 2,121,711
Consumable inventories	12,904	11,332	-	44,050	68,286
Petty cash	565	2,660	-	744	3,969
Investments	-	46,433	62,204	365	109,002
Other receivables – long-term	36,350	-	-	-	36,350
Total Nonspendable Fund Balance	$ 49,819	$ 60,425	$ 1,991,845	$ 237,229	$ 2,339,318
Restricted for:					
Higher education	$ -	$ -	$ 1,361,921	$ 93,037	$ 1,454,958
Education	-	-	24,896	12,975	37,871
Transportation	-	-	-	783,142	783,142
Other purposes	683	-	-	9,472	10,155
Human services	-	-	209	251,275	251,484
Wildlife and natural resources	28,155	-	-	847,611	875,766
Local grants and loans	-	-	-	273	273
School construction	676	-	-	143,208	143,884
Budget stabilization	269,651	-	-	-	269,651
Debt service	-	-	-	86,231	86,231
Pollution remediation	-	-	-	127,703	127,703
Operations and maintenance	-	-	-	6,410	6,410
Repair and Replacement	-	-	-	1,875	1,875
Unspent GARVEE bond proceeds	-	-	-	142,593	142,593
Third tier debt service	-	-	-	2,186	2,186
Total Restricted Fund Balance	$ 299,165	$ -	$ 1,387,026	$ 2,507,991	$ 4,194,182
Committed for:					
Higher education	$ 20,981	$ 2,302,301	$ -	$ 49,338	$ 2,372,620
Education	-	-	-	2,036	2,036
Transportation	-	-	-	160,233	160,233
Other purposes	-	-	-	169,147	169,147
Human services	2,778	-	-	277,159	279,937
Wildlife and natural resources	35,820	-	-	466,629	502,449
Local grants and loans	-	-	-	996,518	996,518
State facilities	-	-	-	1,724	1,724
Debt service	-	-	-	512,243	512,243
Total Committed Fund Balance	$ 59,579	$ 2,302,301	$ -	$ 2,635,027	$ 4,996,907
Assigned for:					
Working capital	$ 835,152	$ -	$ -	$ -	$ 835,152
Other purposes	-	-	-	40	40
Total Assigned Fund Balance	$ 835,152	$ -	$ -	$ 40	$ 835,192

B. BUDGET STABILIZATION ACCOUNT

In accordance with Article 7, Section 12 of the Washington State Constitution, the state maintains the Budget Stabilization Account ("Rainy Day Fund"). The Budget Stabilization Account is reported in the General Fund.

By June 30 of each fiscal year, an amount equal to 1.0 percent of the general state revenues for that fiscal year is transferred to the Budget Stabilization Account.

The Budget Stabilization Account balance can only be used as follows: (a) If the governor declares a state of emergency resulting from a catastrophic event that necessitates government action to protect life or public safety, then for that fiscal year money may be withdrawn and appropriated from the Budget Stabilization Account, via separate legislation setting forth the nature of the emergency and containing an appropriation limited to the above-authorized purposes as contained in the declaration, by a favorable vote of a majority of the members elected to each house of the Legislature; (b) If the employment growth forecast for any fiscal year is estimated to be less than 1 percent, then for that fiscal year money may be withdrawn and appropriated from the Budget Stabilization Account by the favorable vote of a majority of the members elected to each house of the Legislature; (c) Any amount may be withdrawn and appropriated from the Budget Stabilization Account at any time by the favorable vote of at least three-fifths of the members of each house of the Legislature.

When the balance in the Budget Stabilization Account, including investment earnings, equals more than 10 percent of the estimated general state revenues in that fiscal year, the Legislature by the favorable vote of a majority of the members elected to each house of the Legislature may withdraw and appropriate the balance to the extent that the balance exceeds 10 percent of the estimated general state revenues. These appropriations may be made solely for deposit to the Education Construction Fund.

At June 30, 2013, the Budget Stabilization Account had restricted fund balance of $269.7 million.

Note 10
Deficit Net Position

Risk Management Fund

The Risk Management Fund, an internal service fund, had a deficit net position of $486.3 million at June 30, 2013. The Risk Management Fund is used to administer the Self-Insurance Liability Program (SILP). The SILP was initiated in 1990 and is intended to provide funds for the payment of all tort claims and defense expenses. The program investigates, processes, and adjudicates tort and sundry claims filed against Washington state agencies, with the exception of the University of Washington and the Department of Transportation Ferries Division.

The Risk Management Fund is supported by premium assessments to state agencies. The state is restricted by law from accumulating funds in the SILP in excess of 50 percent of total outstanding and actuarially determined claims. As a consequence, when outstanding and incurred but not reported claims are actuarially determined and accrued, the result is a deficit net position.

The net position in the Risk Management Fund improved in the fiscal year ended June 30, 2013. The actuarial projection of the expected claims liability is based on actual experience for the past five years. The projected liability decreased due to the decrease in the number of claims filed and the relative stability in the severity of the claims.

The following schedule details the change in net position for the Risk Management Fund during the fiscal year ended June 30, 2013 (expressed in thousands):

Risk Management Fund	Net Position
Balance, July 1, 2012	$ (709,742)
Fiscal year 2013 activity	223,491
Balance, June 30, 2013	$ (486,251)

State Facilities Fund

The State Facilities Fund had a deficit fund balance of $79.3 million at June 30, 2013.

The State Facilities Fund is used to pay for various capital projects throughout the state. It is primarily supported by bond proceeds, income from property, and sales of property.

Costs were incurred during fiscal year 2013 but the bonds to support these projects were not issued until after June 30, 2013, resulting in a deficit fund balance.

The following schedule details the change in fund balance for the State Facilities Fund during the fiscal year ended June 30, 2013 (expressed in thousands):

State Facilities Fund	**Fund Balance**
Balance, July 1, 2012	$ 270,318
Fiscal year 2013 activity	(349,645)
Balance, June 30, 2013	$ (79,327)

Note 11
Retirement Plans

A. GENERAL

The state of Washington, through the Department of Retirement Systems, the Board for Volunteer Fire Fighters, and the Administrative Office of the Courts, administers 13 defined benefit retirement plans, three combination defined benefit/defined contribution retirement plans, and one defined contribution retirement plan covering eligible employees of the state and local governments.

Basis of Accounting

Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan.

Investments

Pension plan investments are presented at fair value. Fair values are based on published market prices, quotations from national security exchanges and security pricing services, or by the respective fund managers for securities that are not actively traded. Privately held mortgages are valued at cost, which approximates fair value. Certain pension trust fund investments, including real estate and private equity, are valued based on appraisals or independent advisors. The pension funds have no investments of any commercial or industrial organization whose market value exceeds 5 percent of each plan's net position. Additional disclosure describing investments is provided in Note 3.

Department of Retirement Systems. As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers eight retirement systems comprising 12 defined benefit pension plans and three combination defined benefit/defined contribution plans as follows:

- Public Employees' Retirement System (PERS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
  - Plan 3 - defined benefit/defined contribution

- Teachers' Retirement System (TRS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
  - Plan 3 – defined benefit/defined contribution

- School Employees' Retirement System (SERS)
  - Plan 2 - defined benefit
  - Plan 3 - defined benefit/defined contribution

- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit

- Washington State Patrol Retirement System (WSPRS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit

- Public Safety Employees' Retirement System (PSERS)
  - Plan 2 - defined benefit

- Judicial Retirement System (JRS)
  - Defined benefit plan

- Judges' Retirement Fund (Judges)
  - Defined benefit plan

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

Administration of the PERS, TRS, SERS, LEOFF, WSPRS, and PSERS systems and plans was funded by an employer rate of 0.16 percent of employee salaries. Administration of the JRS and Judges plans is funded by means of legislative appropriations.

In January 2012, the Department of Retirement Systems began collecting contributions from state institutions of higher education for deposit in the Higher Education Retirement Plan (HERP) Supplemental Benefit Fund. The contributions are to begin prefunding the unfunded future obligations related to the supplemental benefits of the HERP. The HERP Supplemental Benefit Fund was not created as a pension trust fund and is reported by the state as an administrative account in the General Fund.

Pursuant to RCW 41.50.770, the state offers its employees and employees of those political subdivisions that elect to participate, a deferred compensation program in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, disability, death or unforeseeable financial emergency. This deferred compensation plan is administered by the Department of Retirement Systems.

The Department of Retirement Systems prepares a stand-alone financial report. Copies of the report that include financial statements and required supplementary information may be obtained by writing to Washington

State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or by visiting their website at: http:\\www.drs.wa.gov.

Board for Volunteer Fire Fighters. As established in chapter 41.24 RCW, the Washington Board for Volunteer Fire Fighters administers the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF), a defined benefit plan. Administration of VFFRPF is funded through legislative appropriation.

Administrative Office of the Courts. As established in chapter 2.14 RCW, the Administrative Office of the Courts administers the Judicial Retirement Account (JRA), a defined contribution plan. Administration of JRA is funded through member fees.

Higher Education. As established in chapter 28B.10 RCW, eligible higher education state employees may participate in Higher Education Retirement Plans. These plans are privately administered defined contribution plans with a supplemental defined benefit component.

Plan Disclosures

Plan descriptions, funding policies, a table of employer contributions required and paid for defined benefit plans, schedules of funded status and funding progress, defined benefit pension plans valuations, annual pension cost, and three year trend information follow in Note 11.B through H, respectively. Information related to changes in actuarial assumptions and methods, and changes in benefit provisions are provided in Note 11.I and J. For information related to defined contribution plans, refer to Note 11.K. Details on plan net position and changes in plan net position of pension plans and other employee benefit funds administered by the state are presented in Note 11.L.

Membership of each state administered plan consisted of the following at June 30, 2012, the date of the latest actuarial valuation for all plans:

Number of Participating Members

Plans	Retirees and Beneficiaries Receiving Benefits	Terminated Members Entitled To But Not Yet Receiving Benefits	Active Plan Members Vested	Active Plan Members Nonvested	Total Members
PERS 1	52,672	1,594	6,275	360	60,901
PERS 2	27,820	24,953	88,630	27,247	168,650
PERS 3	1,750	3,968	11,412	16,666	33,796
TRS 1	36,054	477	2,989	30	39,550
TRS 2	3,060	2,348	5,431	5,418	16,257
TRS 3	3,804	6,720	34,558	16,931	62,013
SERS 2	4,437	4,992	13,209	7,637	30,275
SERS 3	3,214	5,928	20,139	10,573	39,854
LEOFF 1	7,845	-	186	-	8,031
LEOFF 2	2,344	689	14,087	2,633	19,753
WSPRS 1	915	120	712	-	1,747
WSPRS 2	-	8	195	159	362
PSERS 2	27	60	2,083	2,167	4,337
JRS	119	-	2	-	121
Judges	12	-	-	-	12
JRA	1	156	7	-	164
VFFRPF	3,971	6,174	3,955	6,477	20,577
Total	148,045	58,187	203,870	96,298	506,400

Following is a summary of the number of government employers participating in state administered retirement plans as of June 30, 2013:

Number of Participating Employers

Plans	State Agencies	School Districts	Counties/ Municipalities	Other Political Subdivisions	Total Employers
PERS 1	135	216	172	183	706
PERS 2	167	-	276	491	934
PERS 3	157	-	209	298	664
TRS 1	49	295	-	-	344
TRS 2	36	304	-	-	340
TRS 3	38	303	-	-	341
SERS 2	-	302	-	-	302
SERS 3	-	301	-	-	301
LEOFF 1	-	-	41	10	51
LEOFF 2	8	-	212	154	374
WSPRS 1	1	-	-	-	1
WSPRS 2	1	-	-	-	1
PSERS 2	9	-	65	1	75
JRS	1	-	-	-	1
Judges	1	-	-	-	1
JRA	3	-	-	-	3
VFFRPF	-	-	-	642	642
Total	606	1,721	975	1,779	5,081

Employers can participate in multiple systems and/or plans. The actual total number of participating employers as of June 30, 2013 is 1,958.

B. PLAN DESCRIPTIONS

Public Employees' Retirement System

The Legislature established the Public Employees' Retirement System (PERS) in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/ defined contribution plan.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, and by either, February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3.

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

PERS is comprised of and reported as three separate plans: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for reporting purposes.

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During fiscal year 2013, the rate was 5.5 percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. PERS Plan 3 defined contribution retirement benefits are financed from employee contributions and investment earnings. Members in PERS Plan 3 can elect to withdraw total employee contributions adjusted by earnings and losses from the investment of those contributions upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service capped at 60 percent. AFC is the monthly average of the 24 consecutive highest-paid service credit months. If a survivor option is chosen, the benefit is reduced.

PERS Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any worker's compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced if a survivor option is chosen. Plan 1 members may elect to receive an optional COLA amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit, and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old, can retire under one of two provisions if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 benefits are actuarially reduced if a survivor option is chosen.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit, and Plan 3 provides the same COLA as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least 10 service credit years and are 55 years old, the benefit is reduced by an ERF that varies according to age, for each year before age 65;

- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 retirement benefits are actuarially reduced if a survivor option is chosen.

Refer to section J of this note for a description of the defined contribution component of PERS Plan 3.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Director of the Department of Labor and Industries.

Portability of retirement benefits allows for PERS members' compensation that is reportable in all dual members' systems, except in WSPRS, to be included in the calculation of all dual members' benefits, and removing the "maximum benefit rule" for dual members who have less than 15 years of service in one capped plan and service in one uncapped plan.

Effective after the January 2008 distribution, gain sharing for PERS Plan 1 and Plan 3 members was discontinued.

Additional COLAs were provided to PERS Plan 1 retirees in July 2009 and new alternative early retirement provisions were created for PERS Plan 2 and Plan 3 members.

From January 1, 2007, through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit is capped at 75 percent of AFC.

Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM program.

Material changes, if any, in PERS benefit provisions for the fiscal year ended June 30, 2013, are listed in the table at the end of this section.

Teachers' Retirement System

The Legislature established the Teachers' Retirement System (TRS) in 1938. Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity. TRS is comprised principally of non-state agency employees. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature.

TRS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

TRS members who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS members joining the system on or after July 1, 1996, and those who exercised their transfer option, are members of TRS Plan 3.

Legislation passed in 2007 gives TRS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of TRS Plan 2 or Plan 3. At the end of 90 days, any member who has not made a choice, becomes a member of Plan 3.

TRS is comprised of and reported as three separate plans: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for reporting purposes.

TRS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the TRS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During fiscal year 2013, the rate was 5.5 percent compounded quarterly. Members in TRS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from TRS-covered employment.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. TRS Plan 3 defined contribution benefits are financed from employee contributions and investment earnings. Employees in TRS Plan 3 can elect to withdraw total employee contributions adjusted by earnings and losses from the investment of those contributions upon separation from TRS-covered employment.

TRS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) for each year of service credit, up to a maximum of 60 percent. AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

TRS Plan 1 members may elect to receive an optional COLA amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

TRS Plan 1 provides death, as well as, permanent and temporary disability benefits.

TRS Plan 1 members on temporary disability receive a monthly payment of $180 payable for up to two years, for the same occurrence. After five years of service, members on a disability retirement receive a benefit based on their salary and service to date of disability.

TRS Plan 2 retirement benefits are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit; and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

TRS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

TRS Plan 2 members who have 30 or more years of service credit, were hired prior to May 1, 2013, and are at least 55 years old, can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

TRS Plan 2 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

TRS Plan 2 retirement benefits are actuarially reduced if a survivor option is chosen.

The defined benefit portion of TRS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit, and Plan 3 provides the same COLA as Plan 2.

TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in TRS Plan 2 by July 1, 1996. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested TRS Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least 10 service credit years and are 55 years old, the benefit is reduced by an ERF that varies according to age, for each year before age 65;
- If they have 30 service credit years, were hired prior to May 1, 2013, and are at least 55 years old, they have the choice of a benefit that is reduced 3 percent for each year before age 65, or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

TRS Plan 3 retirement benefits are actuarially reduced if a survivor option is chosen.

TRS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

TRS members meeting specific eligibility requirements, have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a TRS member who dies in the line of service as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Director of the Department of Labor and Industries.

Portability of retirement benefits allows for TRS members' compensation that is reportable in all dual members' systems, except in WSPRS, to be included in the calculation of all dual members' benefits, and removing the "maximum benefit rule" for dual members who have less than 15 years of service in one capped plan and service in one uncapped plan.

Effective after the January 2008 distribution, gain sharing for TRS Plan 1 and Plan 3 members was discontinued.

Additional COLAs were provided to TRS Plan 1 retirees in July 2009 and new alternative early retirement provisions were created for TRS Plan 2 and Plan 3 members.

From January 1, 2007, through December 31, 2007, judicial members of TRS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in TRS Plan 1 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit is capped at 75 percent of AFC.

Newly elected or appointed justices and judges who chose to become TRS members on or after January 1, 2007, were required to participate in the JBM Program.

Material changes, if any, in TRS benefit provisions for the fiscal year ended June 30, 2013, are listed in the table at the end of this section.

School Employees' Retirement System

The Legislature established the School Employees' Retirement System (SERS) effective in 2000. Membership in the system includes classified employees of school districts and educational service districts. SERS is comprised principally of non-state agency employees. SERS retirement benefit provisions are established in chapters 41.34 and 41.35 RCW and may be amended only by the Legislature.

SERS is a cost-sharing multiple-employer retirement system comprised of two separate plans for membership purposes: Plan 2 is a defined benefit plan and Plan 3 is a defined benefit plan with a defined contribution component.

As of September 1, 2000, the membership of classified school employees in PERS Plan 2 was transferred to SERS Plan 2. Those who joined on or after October 1, 1977, and by August 31, 2000, are SERS Plan 2 members unless they exercised an option to transfer their membership to Plan 3.

Until June 30, 2007, SERS members joining the system on or after September 1, 2000 became members of SERS Plan 3. Legislation passed in 2007 gives SERS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of either SERS Plan 2 or Plan 3. At the end of the 90 days, any member who has not made a choice, becomes a member of Plan 3.

SERS is comprised of and reported as two separate plans: Plan 2/3 and Plan 3. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be single plan for reporting purposes.

SERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the SERS Plan 2 defined benefit plan accrue interest at a rate specified by the Director of DRS. During fiscal year 2013, the rate was 5.5 percent compounded quarterly. Members in SERS Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from SERS-covered employment.

SERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service. AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

SERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. SERS Plan 3 defined contribution benefits are financed from employee contributions and investment earnings. Employees in SERS Plan 3 can elect to withdraw total employee contributions adjusted by earnings and losses from the investment of those contributions upon separation from SERS-covered employment.

SERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

SERS Plan 2 members hired prior to May 1, 2013, who have 30 service credit years and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65; or

- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

SERS Plan 2 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

SERS Plan 2 retirement benefits are actuarially reduced if a survivor option is chosen.

The defined benefit portion of SERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit, and Plan 3 provides the same COLA as Plan 2.

Effective June 7, 2006, SERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by September 1, 2000. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested SERS Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least 10 service credit years and are 55 years old, the benefit is reduced by an ERF that varies according to age, for each year before age 65;

- If they have 30 service credit years, are at least 55 years old, and hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of five percent for each year before age 65.

SERS Plan 3 retirement benefits are also actuarially reduced if a survivor option is chosen.

SERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

SERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a SERS member who dies in the line of service as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Director of the Department of Labor and Industries.

Portability of retirement benefits allows for SERS members' compensation that is reportable in all dual members' systems, except in WSPRS, to be included in the calculation of all dual members' benefits, and removing the "maximum benefit rule" for dual members who have less than 15 years of service in one capped plan and service in one uncapped plan.

Material changes, if any, in SERS benefit provisions for the fiscal year ended June 30, 2013, are listed in the table at the end of this section.

Law Enforcement Officers' and Fire Fighters' Retirement System

The Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians.

LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During fiscal year 2013, the rate was 5.5 percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of FAS
20+	2.0%
10-19	1.5%
5-9	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A COLA is granted based on the Consumer Price Index.

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Director of the Department of Labor and Industries.

The LEOFF Plan 1 disability benefit is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of a survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of the FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

Beginning in 2011, when state General Fund revenues increase by at least 5 percent over the prior biennium's revenues, the State Treasurer will transfer, subject to legislative appropriation, specific amounts into a Local Public Safety Enhancement Account. Half of this transfer will be proportionately distributed to all jurisdictions with LEOFF Plan 2 members. The other half will be transferred to a LEOFF Retirement System Benefits Improvement Account to fund benefit enhancements for LEOFF Plan 2 members.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Director of the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington-state-registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

Portability of retirement benefits allows for LEOFF Plan 2 members' compensation that is reportable in all dual members' systems, except in WSPRS, to be included in the calculation of all dual members' benefits, and removing the "maximum benefit rule" for dual members who have less than 15 years of service in one capped plan and service in one uncapped plan.

Material changes, if any, in LEOFF benefit provisions for the fiscal year ended June 30, 2013, are listed in the table at the end of this section.

Washington State Patrol Retirement System

The Washington State Patrol Retirement System (WSPRS) was established by the Legislature in 1947. Any commissioned employee of the Washington State Patrol is eligible to participate. WSPRS benefits are established in chapter 43.43 RCW and may be amended only by the Legislature.

WSPRS is a single-employer defined benefit retirement system. WSPRS members who joined the system by December 31, 2002, are Plan 1 members. Those who joined on or after January 1, 2003, are Plan 2 members. For financial reporting and investment purposes, however, both plans are accounted for in the same pension fund.

WSPRS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to WSPRS accrue interest at a rate specified by the Director of DRS. During fiscal year 2013, the rate was 5.364 percent annually, compounded monthly. Members in WSPRS can elect to withdraw total employee contributions and interest earnings thereon upon separation from WSPRS-covered employment.

WSPRS member contribution rates will be no more than 7 percent of pay plus half the cost of any future benefit improvements. The employer will pay the contribution rate required to cover all system costs that are not covered by the member contribution rate. Also a minimum total contribution rate is established for WSPRS, beginning July 1, 2010.

There is no vesting requirement for active WSPRS members. Inactive WSPRS members are vested after the completion of five years of eligible service. Members are eligible for retirement at the age of 55 with five years of service, or after 25 years of service, and must retire at age 65. This mandatory requirement does not apply to the Chief of the Washington State Patrol.

Effective June 7, 2012, those WSPRS members who have service credit within PERS Plan 2 have options to transfer their service credit earned as commercial vehicle enforcement officers or as communications officers into the WSPRS, provided the member pays the full actuarial cost of the transfer.

The monthly benefit is 2 percent of the average final salary (AFS) per year of service, capped at 75 percent. A cost-of-living allowance is granted, based on the Consumer Price Index, capped at 3 percent annually.

For WSPRS Plan 1 members, AFS is based on the average of the 24 highest-paid service credit months and excludes voluntary overtime. Death benefits for these members, if on active duty, consist of the following: (1) If eligible spouse, 50 percent of the AFS, plus 5 percent of the AFS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the AFS; or (2) If no eligible spouse, 30 percent of AFS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of AFS, or (3) If no spouse or eligible children, beneficiary gets refund of contributions and interest.

For WSPRS Plan 2 members, AFS is based on the average of the 60 consecutive highest-paid service credit months and excludes both voluntary overtime and cash-outs of annual and holiday leave. At retirement, these members also have the option of selecting an actuarially reduced benefit in order to provide for post-retirement survivor benefits.

WSPRS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

WSPRS benefit provisions include death benefits; however, the system provides no disability benefits. Disability benefits may be available from the Washington State Patrol. If disability benefits are received, the member may be eligible to acquire service credit for the period of disability.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a WSPRS member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Director of the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of WSPRS members killed in the course of employment include the payment of on-going eligible health care insurance premiums.

Compensation for members of WSPRS Plans 1 and 2 who become totally disabled in the line of duty includes any payments for premiums for employer-provided medical insurance.

Legislation passed in 2009 provides to the Washington-state-registered domestic partners of WSPRS members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

Material changes, if any, in WSPRS benefit provisions for the fiscal year ended June 30, 2013, are listed in the table at the end of this section.

Public Safety Employees' Retirement System

The Public Safety Employees' Retirement System (PSERS) was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions are established by chapter 41.37 RCW and may be amended only by the Legislature.

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS membership includes:

- Full-time employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006, to September 30, 2006; and,

- Full-time employees hired on or after July 1, 2006, by a covered employer, that meet at least one of the PSERS eligibility criteria.

A "covered employer" is one that participates in PSERS. Covered employers include:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol;

- Washington state counties;

- Corrections departments of Washington state cities except for Seattle, Tacoma, and Spokane; and,

- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

To be eligible for PSERS, an employee must work on a full-time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or

- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or

- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or

- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During fiscal year 2013, the rate was 5.5 percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PSERS-covered employment.

PSERS members are vested after an employee completes five years of eligible service. PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. There is no cap on years of service credit; and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit amount is 2 percent of the AFC for each year of service. AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with 10 or more service credit years in PSERS), or less than 65 (with fewer than 10 service credit years). There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Director of the Department of Labor and Industries.

Portability of retirement benefits allows for PSERS members' compensation that is reportable in all dual members' systems, except in WSPRS, to be included in the calculation of all dual members' benefits, and removing the "maximum benefit rule" for dual members who have less than 15 years of service in one capped plan and service in one uncapped plan.

Material changes, if any, in PSERS benefit provisions for the fiscal year ended June 30, 2013, are listed in the table at the end of this section.

Judges' Retirement Fund

The Judges' Retirement Fund was created by the Legislature on March 22, 1937, pursuant to chapter 2.12 RCW, to provide retirement benefits to judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts of the state of Washington. The system was closed to new entrants on August 8, 1971, with new judges joining the Judicial Retirement System. Judges' retirement benefit provisions are established in chapter 2.12 RCW and may be amended only by the Legislature.

Judges' Retirement Fund is a single-employer defined benefit retirement system. There are currently no active members in this plan. Retirement benefits are financed on a pay-as-you-go basis from a combination of investment earnings and employer contributions.

Material changes, if any, in benefit provisions for Judges for the fiscal year ended June 30, 2013, are listed in the table at the end of this section.

Judicial Retirement System

The Judicial Retirement System (JRS) was established by the Legislature in 1971. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts on or after August 9, 1971. The system was closed to new entrants on July 1, 1988, with new judges joining PERS. JRS retirement benefit provisions are established in chapter 2.10 RCW and may be amended only by the Legislature.

JRS is a single-employer defined benefit retirement system. JRS retirement benefits are financed on a pay-as-you-go basis from a combination of investment earnings, employer contributions, and employee contributions.

Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During fiscal year 2013, the rate on employee contributions was 5.5 percent compounded quarterly. JRS members who are vested in the plan may not elect to withdraw their contributions upon termination.

JRS members are eligible for retirement at the age of 60 with 15 years of service, or at the age of 60 after 12 years of service (if the member left office involuntarily) with at least 15 years after beginning judicial service.

The benefit per year of service calculated as a percent of final average salary (FAS) is shown in the table below. This benefit is capped at 75 percent of FAS, exclusive of cost-of-living increases.

Term of Service	Percent of FAS
15+	3.5%
10-14	3.0%

Death and disability benefits are also provided. Eligibility for death benefits while on active duty requires 10 or more years of service. A monthly spousal benefit is provided which is equal to 50 percent of the benefit that the member would have received if retired. If the member is retired, the surviving spouse receives the greater of 50 percent of the member's retirement benefit or 25 percent of the FAS. For members with 10 or more years of service, a disability benefit of 50 percent of FAS is provided.

Material changes, if any, in JRS benefit provisions for the fiscal year ended June 30, 2013, are listed in the table at the end of this section.

The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

The Volunteer Fire Fighters' Relief Act was created by the Legislature in 1935 and the pension portion of the act was added in 1945. Membership in the system requires volunteer firefighter service with a fire department of an electing municipality of Washington State, emergency work as an emergency medical technician with an emergency medical service district, or work as a commissioned reserve law enforcement officer. Retirement benefits are established in chapter 41.24 RCW and may be amended only by the Legislature.

The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) is a cost-sharing multiple-employer retirement system that provides death and active duty disability benefits to all members, and optional defined benefit pension plan payments.

VFFRPF retirement benefits are financed from a combination of investment earnings, member contributions, municipality contributions, and state contributions. Since retirement benefits cover volunteer service, benefits are paid based on years of service not salary. Members are vested after ten years of service. VFFRPF members accrue no interest on contributions and may elect to withdraw their contributions upon termination.

After 25 years of active membership, members having reached the age of 65 and who have paid their annual retirement fee for 25 years are entitled to receive a monthly benefit of $50 plus $10 per year of service. The maximum monthly benefit is $300. Reduced pensions are available for members under the age of 65 or with less than 25 years of service.

Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of $214,000. Funeral and burial expenses are also paid in a lump sum of $2,000 for members on active duty. Members receiving disability benefits at the time of death shall be paid $500.

Members injured while on active duty shall receive disability payments of $2,550 per month for up to six months; thereafter, payments are reduced. Disabled members receive $1,275 per month, their spouse $255, and dependent children $110.

Effective July 1, 2001, the disability income benefits and the maximum survivor benefits under the Relief Plan are increased for increases in the Consumer Price Index.

Effective July 22, 2007, vocational rehabilitation may be paid for disabled members who are unable to return to their previous employment. Members who qualify are subject to a $4,000 maximum limit and are required to follow certain conditions established by the board and authorized by chapter 41.24 RCW.

Effective June 10, 2010, members of the VFFRPF retirement system with vested pensions who have reached age 65 may, under certain conditions, retire from service, draw their pensions, and return to service. Additional service does not count toward the pension, and members cannot draw disability compensation. Departments opting to allow their members to participate in the retire-rehire program agree to pay for annual physicals and an additional surcharge.

Effective June 7, 2012 at any time prior to retirement or at the time of retirement, a member of the VFFRPF may purchase retirement pension coverage for years of eligible service prior to the member's enrollment in the system or for years of service credit lost due to the withdrawal of the member's pension fee contributions. A member choosing to purchase such retirement pension coverage must make a contribution to the system equal to the actuarial value of the resulting benefit increase.

Material changes, if any, in VFFRPF benefit provisions for the fiscal year ended June 30, 2013, are listed in the table at the end of this section.

Material Legislative Changes to Pension Plans
For the Fiscal Year Ended June 30, 2013

System/Plan Affected	Effective Date	Description of the changes
All systems, plans	6/7/12*	This legislation allows same-gender couples to marry, and automatically converts certain domestic partnerships to marriages unless the couple marries or dissolves the partnership before June 30, 2014. Under the provisions of this bill, survivor benefits may be available to certain members of the state's retirement systems sooner than under current law. (Chapter 3, Laws of 2012) * This law was on hold pending the results of the referendum which passed in November, 2012.

C. FUNDING POLICIES

All employers are required to contribute at the level established by the Legislature. The table at the end of this section provides the required contribution rates for all plans (expressed as a percentage of current year covered payroll) at the close of fiscal year 2013.

Public Employees' Retirement System

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

- Plan 1 - Employee contribution rates are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials.

- Plan 2/3 - The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3.

- Plan 3 – The employee contribution rates range from 5 to 15 percent, based on member choice.

As a result of the implementation of the Judicial Benefit Multiplier (JBM) Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges who participate in the program.

Teachers' Retirement System

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.32 and 41.45 RCW.

- Plan 1 - Employee contribution rates are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials.

- Plan 2/3 – The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3.

- Plan 3 – The employee contribution rates range from 5 to 15 percent, based on member choice.

As a result of the implementation of the Judicial Benefit Multiplier (JBM) Program in January 2007, a second tier of employee rates were developed to fund the increased retirement benefits of those judges who participate in the program.

School Employees' Retirement System

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.35 and 41.45 RCW.

- Plan 2/3 – The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3.

- Plan 3 – The employee contribution rates range from 5 to 15 percent, based on member choice.

Law Enforcement Officers' and Fire Fighters' Retirement System

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board.

However, this special funding situation is not mandated by the State Constitution and this funding requirement could be returned to the employers by a change of statute. For fiscal year 2013, the state contributed $54.2 million to LEOFF Plan 2.

Washington State Patrol Retirement System

Each biennium, the state Pension Funding Council adopts the employee and the state contribution rates, subject to revision by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 43.43 and 41.45 RCW.

The preliminary employee and the state contribution rates are developed by the Office of the State Actuary to fully fund the plan. State statute also requires employees to contribute at a rate of at least 4.85 percent.

Public Safety Employees' Retirement System

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.37 and 41.45 RCW.

The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2.

Judges' Retirement Fund

There are no active members remaining in the Judges' Retirement Fund. Past contributions were made based on rates set in chapter 2.12 RCW. By statute, employees were required to contribute 6.5 percent with an equal amount contributed by the state.

The state guarantees the solvency of the Judges' Retirement Fund on a pay-as-you-go basis. Each biennium, the Legislature, through appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For fiscal year 2013, no such appropriations or contributions were made.

Judicial Retirement System

There are no active members remaining in the Judicial Retirement System. Past contributions were made based on rates set in chapter 2.10 RCW. By statute, employees were required to contribute 7.5 percent with an equal amount contributed by the state.

The state guarantees the solvency of the Judicial Retirement System on a pay-as-you-go basis. Each biennium, the Legislature, through appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For fiscal year 2013, the state contributed $10.1 million.

The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

The retirement provisions of Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) are funded through member contributions of $30 per year, varying employer contributions, and 40 percent of the Fire Insurance Premium Tax, per chapter 41.24 RCW. For fiscal year 2013, the insurance premium tax contribution was $6.0 million.

Employers consist of fire departments, emergency medical service districts and law enforcement agencies. The contribution rate for fire districts is set by the Legislature and was $30 per member for the years 2011, 2012, and 2013. The rate for emergency medical service districts and law enforcement agencies is set each year by the State Board for Volunteer Fire Fighters' and Reserve Officers' Relief and Pension, based on the actual cost of participation as determined by the Office of the State Actuary. For the year 2013, the rate was $90 per member. Employers may opt to pay the member's fee on their behalf.

VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination.

Administrative expenses are funded through fire insurance premium taxes and are maintained in a separate fund. Amounts not needed for administrative expenses are transferred to VFFRPF.

Required contribution rates (expressed as a percentage of current year covered payroll) for all retirement plans at the close of fiscal year 2013 were as follows:

Required Contribution Rates	Employer			Employee		
	Plan 1	Plan 2	Plan 3	Plan 1	Plan 2	Plan 3
PERS						
Members Not Participating in JBM						
State agencies*	7.21%	7.21%	7.21%**	6.00%	4.64%	***
Local governmental units*	7.21%	7.21%	7.21%**	6.00%	4.64%	***
State govt elected officials*	10.74%	7.21%	7.21%**	7.50%	4.64%	***
Members Participating in JBM						
State agencies*	9.71%	9.71%	9.71%**	9.76%	9.10%	7.50%****
Local governmental units*	7.21%	7.21%	7.21%**	12.26%	11.60%	7.50%****
TRS						
Members Not Participating in JBM						
State agencies*	8.05%	8.05%	8.05%**	6.00%	4.69%	***
Local governmental units*	8.05%	8.05%	8.05%**	6.00%	4.69%	***
State govt elected officials*	8.05%	8.05%	8.05%**	7.50%	4.69%	***
Members Participating in JBM						
State agencies*	8.05%	N/A	N/A	9.76%	N/A	N/A
SERS						
State agencies*	N/A	7.59%	7.59%**	N/A	4.09%	***
Local governmental units*	N/A	7.59%	7.59%**	N/A	4.09%	***
LEOFF						
Ports and universities*	N/A	8.62%	N/A	N/A	8.46%	N/A
Local governmental units*	0.16%	5.24%	N/A	N/A	8.46%	N/A
State of Washington	N/A	3.38%	N/A	N/A	N/A	N/A
WSPRS						
State agencies*	8.07%	8.07%	N/A	6.59%	6.59%	N/A
PSERS						
State agencies*	N/A	8.87%	N/A	N/A	6.36%	N/A
Local governmental units*	N/A	8.87%	N/A	N/A	6.36%	N/A
JRS						
State agencies*	7.50%	N/A	N/A	7.50%	N/A	N/A

* Includes an administrative expense rate of 0.16%.

** Plan 3 defined benefit portion only.

*** Variable from 5% to 15% based on rate selected by the member.

**** Minimum rate.

N/A indicates data not applicable.

D. EMPLOYER CONTRIBUTIONS REQUIRED AND PAID

The following table presents the state of Washington's required contributions in millions of dollars to cost-sharing plans in accordance with the funding policy. All contributions required by the funding method were paid.

Plans	2013	2012	2011
PERS Plan 1	$ 125.6	$ 124.0	$ 72.3
PERS Plan 2/3	182.9	182.8	158
TRS Plan 1	3.7	3.1	4.4
TRS Plan 2/3	1.2	1.1	0.7
PSERS Plan 2	7.5	7.4	8.0
LEOFF Plan 2	54.2	52.8	52.9
VFFRPF	6.0	5.6	5.7

There are no long-term contracts for contributions for any of the retirement plans administered by the state.

E. FUNDED STATUS AND FUNDING PROGRESS

The funded status of each plan as of June 30, 2012, the most recent actuarial valuation date, is as follows (dollars in millions):

Plans	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
PERS Plan 1	$ 8,520.6	$ 12,359.7	$ 3,839.0	69%	$ 370.8	1035%
PERS Plan 2/3*	22,652.6	22,779.9	127.4	99%	8,192.6	2%
TRS Plan 1	7,144.5	9,038.4	1,893.9	79%	228.5	829%
TRS Plan 2/3*	7,757.9	7,478.2	(279.7)	104%	4,076.9	0%
SERS Plan 2/3*	3,100.3	3,103.3	3.0	100%	1,478.8	0%
LEOFF Plan 1	5,561.6	4,120.3	(1,441.2)	135%	18.8	0%
LEOFF Plan 2*	7,221.9	6,352.9	(869.0)	114%	1,560.1	0%
WSPRS Plan 1/2*	981.7	884.2	(97.5)	111%	80.2	0%
PSERS Plan 2*	180.5	158.7	(21.8)	114%	238.0	0%
JRS	3.5	104.0	100.5	3%	0.3	33779%
Judges	1.9	3.6	1.7	52%	N/A	N/A
VFFRPF	170.3	170.3	-	100%	N/A	N/A

N/A indicates data not applicable.

Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

* These plans use the aggregate actuarial cost method which does not identify or separately amortize unfunded actuarial liabilities. For this reason, the information shown above has been prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress of these plans.

Source: Washington State Office of the State Actuary

Defined Benefit Pension Plans Administered by the State

For the Fiscal Year Ended June 30, 2013

The information was determined as part of the actuarial valuations at the dates indicated below. Additional information as of the latest valuation follows.

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3	SERS Plan 2/3
Valuation date	6/30/2012	6/30/2012	6/30/2012	6/30/2012	6/30/2012
Actuarial cost method	Entry age normal [1]	Aggregate [2]	Entry age normal [1]	Aggregate [2]	Aggregate [2]
Amortization method					
Funding	Level % [4]	N/A	Level % [4]	N/A	N/A
GASB	Level $	N/A	Level $	N/A	N/A
Remaining amortization years (closed)	10-year rolling	Open plan	10-year rolling	Open plan	Open plan
Remaining amortization period (closed)	N/A	N/A	N/A	N/A	N/A
Asset valuation method	8-year graded smoothed fair value [5]	8-year graded smoothed fair value [5]	8-year graded smoothed fair value [5]	8-year graded smoothed fair value [5]	8-year graded smoothed fair value [5]
Actuarial assumptions					
Investment rate of return [7]	7.90%	7.90%	7.90%	7.90%	7.90%
Projected salary increases					
Salary inflation at 3.75%, plus the merit increases described below:					
Initial salary merit (grades down to 0%)	6.1%	6.1%	5.8%	5.8%	6.9%
Merit period (years of service)	17 yrs	17 yrs	26 yrs	26 yrs	20 yrs
Includes inflation at	N/A	3.00%	N/A	3.00%	3.00%
cost of living adjustments	Minimum COLA [6]	CPI increase, maximum 3%	Minimum COLA [6]	CPI increase, maximum 3%	CPI increase, maximum 3%

N/A indicates data not applicable.

(1) PERS and TRS Plans 1 use a variation of the entry age normal (EAN) cost method, whereas LEOFF Plan 1 uses a variation of the frozen initial liability (FIL) cost method.

(2) The aggregate cost method does not identify or separately amortize unfunded actuarial accrued liabilities.

(3) Pay as you go basis for funding.

(4) Level percent of system payroll, including system growth.

(5) Asset Valuation Method - 8 year smoothed fair value: The actuarial value of assets is calculated under an adjusted market value method by starting with the market value of assets. For subsequent years, the actuarial value of assets is determined by adjusting the market value of assets to reflect the difference between the actual investment return and the expected investment return during each of the last 8 years or, if fewer, the completed years since adoption, at the following rates per year (annual recognition). The VFFRPF annual gain/loss is centered around a 7% expected rate of return instead of 8% and LEOFF Plan 2 around 7.5%.

Annual Gain/Loss			Annual Gain/Loss		
Rate of Return	**Smoothing Period**	**Annual Recognition**	**Rate of Return**	**Smoothing Period**	**Annual Recognition**
14.9% and Up	8 years	12.50%	5.9-6.9%	2 years	50.00%
13.9-14.9%	7 years	14.29%	4.9-5.9%	3 years	33.33%
12.9-13.9%	6 years	16.67%	3.9-4.9%	4 years	25.00%
11.9-12.9%	5 years	20.00%	2.9-3.9%	5 years	20.00%
10.9-11.9%	4 years	25.00%	1.9-2.9%	6 years	16.67%
9.9-10.9%	3 years	33.33%	1.9-2.9%	7 years	14.29%
8.9-9.9%	2 years	50.00%	0.9% and lower	8 years	12.50%
6.9-8.9%	1 year	100.00%			

LEOFF Plan 1	LEOFF Plan 2	PSERS Plan 2	WSPRS	JRS	Judges	VFFRPF
6/30/2012	6/30/2012	6/30/2012	6/30/2012	6/30/2012	6/30/2012	6/30/2012
Frozen initial liability (1)	Aggregate (2)	Aggregate (2)	Aggregate (2)	Entry age (3)	Entry age (3)	Entry age
Level % (4)	N/A	N/A	N/A	N/A	N/A	Level $
Level $	N/A	N/A	N/A	Level $	Level $	Level $
12	Open plan	Open plan	Open plan	5-year rolling	5-year rolling	Open plan
6/30/2024	N/A	N/A	N/A	N/A	N/A	15-year rolling
8-year graded smoothed fair value (5)	8-year graded smoothed fair value (5)	8-year graded smoothed fair value (5)	8-year graded smoothed fair value (5)	Market	Market	8-year graded smoothed fair value (5)
7.90%	7.50%	7.90%	7.90%	4.00%	4.00%	7.00%
11.0%	11.0%	6.1%	7.1%	0.0%	0.0%	N/A
21 yrs	21 yrs	17 yrs	26 yrs	N/A	N/A	N/A
3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	N/A
CPI increase	CPI increase maximum 3%	CPI increase, maximum 3%	CPI increase, maximum 3%	CPI increase, maximum 3%	None	None

(6) The PERS Plan 1 and TRS Plan 1 COLA: Qualifying retirees receive an increase in their monthly benefit once a year. The COLA on minimum benefit levels is calculated as the last unrounded minimum COLA amount increased by 3%, rounded to the nearest penny. These are some historical monthly COLA amounts per year of service:

Date	COLA Type	Amount
7/1/2009	Uniform	$1.83
7/1/2010	Uniform	$1.88
7/1/2011	Minimum	$1.94
7/1/2012	Minimum	$2.00
7/1/2013	Minimum	$2.06

(7) The Legislature prescribes the assumed rate of investment return for all plans except Judicial, Judges, and VFFRPF.

F. ANNUAL PENSION COST AND OTHER RELATED INFORMATION

Current year annual pension cost, net pension obligation (NPO) and related information for the current year for the state's single employer defined benefit plans are as follows (dollars in millions):

Annual Pension Cost and Net Pension Obligation	WSPRS	JRS	Judges
Annual required contribution	$2.5	$21.7	$0.4
Interest on NPO	(1.3)	2.8	(0.0)
Adjustment to annual required contribution	2.1	(15.3)	0.1
Annual pension cost	3.3	9.2	0.5
Less: Contributions made	6.5	10.1	0.0
Increase (decrease) in NPO	(3.2)	(0.9)	0.5
NPO at beginning of year	(16.8)	71.0	(0.4)
NPO at end of year	$(20.0)	$70.1	$0.1

G. THREE YEAR HISTORICAL TREND INFORMATION

The following table presents three-year trend information for the state's single employer defined benefit plans (dollars in millions):

Single Employer Plans	2013	2012	2011
WSPRS			
Annual pension cost	$3.3	$3.6	$2.8
% of APC contributed	197.0	180.6	187.5
NPO	$(20.0)	$(16.8)	$(13.9)
JRS			
Annual pension cost	$9.2	$10.5	$7.7
% of APC contributed	109.8	77.1	141.6
NPO	$70.1	$71.0	$68.6
Judges			
Annual pension cost	$0.5	$0.4	$0.3
% of APC contributed	0.0	0.0	0.0
NPO	$0.1	($0.4)	($0.8)

There are no long-term contracts for contributions for any of the retirement plans administered by the state.

H. HIGHER EDUCATION RETIREMENT PLAN SUPPLEMENTAL DEFINED BENEFIT PLAN

The higher education defined contribution retirement plans have a supplemental payment component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. State institutions of higher education make direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals.

An actuarial valuation of the supplemental component of the Higher Education Retirement plans was done at the end of fiscal year 2013. The previous valuation was performed in 2011.

The Unfunded Actuarial Accrued Liability (UAL) calculated as of June 30, 2013, and 2011, was $459.5 million and $357.4 million, respectively, and is amortized over an 11 year period. The Annual Required Contribution (ARC) of $63.7 million includes amortization of the UAL ($44.3 million) and normal cost (or current cost) ($18.2 million).

The UAL and ARC were established using the entry age normal cost method. The actuarial assumptions included an investment rate of return of 4.3 to 7.3 percent and projected salary increases ranging from 2 to 4 percent. Approximately $1.76 billion and $1.91 billion of payroll were covered under these plans during 2013 and 2011, respectively.

A 0.25 percent of pay employer contribution rate was initiated in January 1, 2012 for employees covered by higher education retirement plans. The contributions are deposited in the Higher Education Retirement Plan Supplemental Benefit Fund administered by the Department of Retirement Systems and invested by the Washington State Investment Board. The contribution rate increased to 0.5 percent of pay beginning January 1, 2013. The Higher Education Retirement Plan Supplemental Benefit Fund was not created as a pension trust fund and is reported by the state as an administrative account in the General Fund.

The following table reflects the activity in the Net Pension Obligation (NPO) for the years ended June 30 (expressed in millions):

Net Pension Obligation	2013	2012	2011
Annual required contribution	$ 63.7	$ 49.8	$ 49.8
Payments to beneficiaries	(4.9)	(4.1)	(3.7)
Increase (decrease) in NPO	58.8	45.7	46.1
NPO at beginning of year	211.4	165.7	119.6
NPO at end of year	$ 270.2	$ 211.4	$ 165.7

I. CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

There were no changes in actuarial assumptions for the fiscal year 2013 reporting period.

The method for the entry age normal cost as a level percentage was changed to spread over the member's career rather than the period from entry to the last decrement age where each benefit is available.

The method for the entry age used in the entry age normal calculation was changed to the age the member entered into the current plan rather than the age the member entered service in any state plan.

J. CHANGES IN BENEFIT PROVISIONS

There were no changes in benefit provisions for the fiscal year 2013 reporting period.

K. DEFINED CONTRIBUTION PLANS

Public Employees' Retirement System Plan 3

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to section B of this note for PERS plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For fiscal year 2013, covered payroll was $1.50 billion, employee contributions required and made were $99.0 million, and plan refunds paid out were $69.4 million.

Teachers' Retirement System Plan 3

The Teachers' Retirement System (TRS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to section B of this note for TRS plan descriptions.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of TRS Plan 3.

TRS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, TRS Plan 3 investments are made in the retirement strategy fund that assumes the member will retire at age 65.

For fiscal year 2013, covered payroll was $3.46 billion, employee contributions required and made were $262.3 million and plan refunds paid out were $177.6 million.

School Employees' Retirement System Plan 3

The School Employees' Retirement System (SERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to section B of this note for SERS plan descriptions.

SERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of SERS Plan 3.

SERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, SERS Plan 3 investments are made in the retirement strategy fund that assumes the member will retire at age 65.

For fiscal year 2013, covered payroll was $903 million, employee contributions required and made were $59.3 million and plan refunds paid out were $66.1 million.

Judicial Retirement Account

The Judicial Retirement Account (JRA) Plan was established by the Legislature in 1988 to provide supplemental retirement benefits. It is a defined contribution plan administered by the state Administrative Office of the Courts (AOC), under the direction of the Board for Judicial Administration. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts, and who are members of PERS for their services as a judge. Vesting is full and immediate. At June 30, 2013, there were seven active members and 157 inactive members in JRA. The state, through the AOC, is the sole participating employer.

From January 1, 2007 through December 31, 2007, any judicial members of the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) eligible to participate in JRA were able to make a one-time irrevocable election to discontinue future contributions to JRA, in lieu of prospective contributions to the Judicial Benefit Multiplier (JBM) Program. Beginning January 1, 2007, any newly elected or appointed Supreme Court justice, Court of Appeals judge or Superior Court judge could no longer participate in JRA and would be enrolled in the JBM Program (enacted in 2006).

JRA plan members are required to contribute 2.5 percent of covered salary. The state, as employer, contributes an equal amount on a monthly basis. The employer and employee obligations to contribute are established per chapter 2.14 RCW. Plan provisions and contribution requirements are established in state statute and may be amended only by the Legislature.

A JRA member who separates from judicial service for any reason is entitled to receive a lump-sum distribution of the accumulated contributions. The administrator of JRA may adopt rules establishing other payment options. If a member dies, the amount of accumulated contributions standing to the member's credit at the time of the member's death is to be paid to the member's estate, or such person or persons, trust or organization as the member has nominated by written designation.

For fiscal year 2013, covered payroll was $1.1 million and the contribution requirement was $63,198. Actual employer and employee contributions were $31,599 and $31,599 respectively. Plan benefits paid out for fiscal year 2013 totaled $1.1 million.

The Administrator of JRA has entered an agreement with DRS for accounting and reporting services, and the Washington State Investment Board (WSIB) for investment services. Under this agreement, DRS is responsible for all record keeping, accounting, and reporting of member accounts and the WSIB is granted the full power to establish investment policy, develop participant investment options and manage the investment funds for the JRA plan, consistent with the provisions of RCW 2.14.080 and 43.84.150.

Higher Education Retirement Plans

The Higher Education Retirement Plans are privately administered defined contribution plans with a supplemental defined benefit plan component. The state and regional universities, the state college, the state community and technical colleges and the Student Achievement Council each participate in a plan. As authorized by chapter 28B.10 RCW, the plans cover faculty and other positions as designated by each participating employer.

Contributions to the plans are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have, at all times, a 100 percent vested interest in their accumulations.

RCW 28B.10.400 et. seq. assigns the authority to establish and amend benefit provisions to: the board of regents of the state universities, the boards of trustees of the regional universities and the state college, the state board for community colleges, and the Student Achievement Council.

Employee contribution rates, based on age, range from 5 to 10 percent of salary. The employers match the employee contributions. The employer and employee obligations to contribute are established per chapter 28B.10 RCW.

Effective July 29, 2009, domestic partners registered with the state will be treated the same as married spouses, to the extent that treatment is not in conflict with federal laws.

For fiscal year 2013, covered payroll was $2.16 billion. Employer and employee contributions were $169.5 and $169.5 million respectively, for a total of $339.0 million. These contribution amounts represent approximately 7.86 percent each of covered payroll for employers and employees.

L. PLAN NET POSITION AND CHANGES IN PLAN NET POSITION

The Combining Statement of Plan Net Position that follows presents the principal components of receivables, investments, and liabilities. The Combining Statement of Changes in Plan Net Position presents the additions and deductions to plan net position.

Combining Statement of Plan Net Position
Pension and Other Employee Benefit Funds

June 30, 2013
(expressed in thousands)

continued

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit
ASSETS					
Cash and pooled investments	$ 932	$ 4,151	$ 327	$ 813	$ 5,556
Receivables:					
Employer accounts receivable	3,152	47,762	4,671	1,740	26,086
Member accounts receivable (net of allowance)	732	241	-	199	27
Due from other pension and other employee benefit funds	37	61	671	201	306
Interest and dividends	21,618	68,832	3,310	18,036	23,736
Investment trades pending	179,772	572,656	27,538	149,987	197,465
Total Receivables	205,311	689,552	36,190	170,163	$ 247,620
Investments, Noncurrent:					
Public equity	2,775,713	8,841,941	1,250,196	2,315,826	3,048,883
Fixed income	1,525,839	4,860,510	233,731	1,273,034	1,676,004
Private equity	1,737,748	5,535,538	266,191	1,449,833	1,908,767
Real estate	1,014,689	3,232,257	155,432	846,573	1,114,549
Security lending	129,457	412,382	19,831	108,008	142,198
Liquidity	166,659	530,466	30,660	138,443	189,071
Tangible assets	111,622	355,569	17,099	93,128	122,608
Total Investments, Noncurrent	7,461,727	23,768,663	1,973,140	6,224,845	8,202,080
Total Assets	7,667,970	24,462,366	2,009,657	6,395,821	8,455,256
LIABILITIES					
Obligations under security lending agreements	129,999	412,381	20,215	108,405	142,198
Accrued liabilities	190,780	590,057	31,357	159,890	203,604
Due to other pension and other employee benefit funds	236	671	-	-	201
Unearned revenues	192	196	-	66	26
Total Liabilities	321,207	1,003,305	51,572	268,361	346,029
NET POSITION					
Net position held in trust for:					
Pension Benefits (Schedule of Funding Progress by Plan begins on Page 167)	7,346,763	23,459,061	1,958,085	6,127,460	8,109,227
Deferred compensation participants	-	-	-	-	-
Total Net Position	$ 7,346,763	$ 23,459,061	$ 1,958,085	$ 6,127,460	$ 8,109,227

Combining Statement of Plan Net Position
Pension and Other Employee Benefit Funds

June 30, 2013
(expressed in thousands)

continued

	TRS Plan 3 Defined Contribution	SERS Plan 2/3 Defined Benefit	SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2
ASSETS					
Cash and pooled investments	$ 4,536	$ 3,397	$ 1,059	$ 293	$ 1,022
Receivables:					
Employer accounts receivable	22,350	9,745	5,028	545	13,692
Member accounts receivable (net of allowance)	-	19	-	158	52
Due from other pension and other employee benefit funds	-	376	-	-	-
Interest and dividends	10,318	9,404	3,066	15,120	22,386
Investment trades pending	85,832	78,236	25,504	125,763	186,238
Total Receivables	118,500	97,780	33,598	141,586	222,368
Investments, Noncurrent:					
Public equity	3,661,769	1,207,960	764,117	1,941,801	2,875,545
Fixed income	728,509	664,029	216,468	1,067,429	1,580,718
Private equity	829,685	756,249	246,531	1,215,674	1,800,248
Real estate	484,461	441,582	143,952	709,844	1,051,183
Security lending	61,809	56,338	18,366	90,564	134,113
Liquidity	95,357	73,126	27,390	114,735	182,365
Tangible assets	53,294	48,577	15,836	78,087	115,637
Total Investments, Noncurrent	5,914,884	3,247,861	1,432,660	5,218,134	7,739,809
Total Assets	6,037,920	3,349,038	1,467,317	5,360,013	7,963,199
LIABILITIES					
Obligations under security lending agreements	62,278	56,338	18,578	90,714	134,205
Accrued liabilities	91,755	80,795	30,072	129,525	191,361
Due to other pension and other employee benefit funds	306	-	201	-	-
Unearned revenues	-	1	-	-	245
Total Liabilities	154,339	137,134	48,851	220,239	325,811
NET POSITION					
Net position held in trust for:					
Pension Benefits	5,883,581	3,211,904	1,418,466	5,139,774	7,637,388
(Schedule of Funding Progress by Plan begins on Page 167)					
Deferred compensation participants	-	-	-	-	-
Total Net Position	$ 5,883,581	$ 3,211,904	$ 1,418,466	$ 5,139,774	$ 7,637,388

Combining Statement of Plan Net Position
Pension and Other Employee Benefit Funds

June 30, 2013
(expressed in thousands)

continued

	WSPRS Plan 1/2	PSERS Plan 2	JRS	JRA	Judges
ASSETS					
Cash and pooled investments	$ 721	$ 286	$ 3,936	$ 212	$ 1,400
Receivables:					
Employer accounts receivable	521	1,880	-	-	-
Member accounts receivable (net of allowance)	2	-	-	2	-
Due from other pension and other employee benefit funds	-	-	-	-	-
Interest and dividends	2,807	652	-	-	-
Investment trades pending	23,350	5,419	1	-	-
Total Receivables	26,680	7,951	1	2	-
Investments, Noncurrent:					
Public equity	360,519	83,676	-	12,269	-
Fixed income	198,182	45,998	-	-	-
Private equity	225,705	52,386	-	-	-
Real estate	131,791	30,589	-	-	-
Security lending	16,815	3,903	-	-	-
Liquidity	21,646	7,487	155	8	54
Tangible assets	14,498	3,365	-	-	-
Total Investments, Noncurrent	969,156	227,404	155	12,277	54
Total Assets	996,557	235,641	4,092	12,491	1,454
LIABILITIES					
Obligations under security lending agreements	16,867	3,917	174	9	60
Accrued liabilities	24,177	5,580	34	203	2
Due to other pension and other employee benefit funds	-	37	-	-	-
Unearned revenues	-	-	-	-	-
Total Liabilities	41,044	9,534	208	212	62
NET POSITION					
Net position held in trust for:					
Pension Benefits (Schedule of Funding Progress by Plan begins on Page 167)	955,513	226,107	3,884	12,279	1,392
Deferred compensation participants	-	-	-	-	-
Total Net Position	$ 955,513	$ 226,107	$ 3,884	$ 12,279	$ 1,392

Combining Statement of Plan Net Position
Pension and Other Employee Benefit Funds

June 30, 2013

(expressed in thousands)

concluded

	VFFRPF	Deferred Compensation	Total
ASSETS			
Cash and pooled investments	$ 8,289	$ 3,961	$ 40,891
Receivables:			
Employer accounts receivable	-	-	137,172
Member accounts receivable (net of allowance)	-	1,192	2,624
Due from other pension and other employee benefit funds	-	-	1,652
Interest and dividends	497	-	199,782
Investment trades pending	4,143	1	1,661,905
Total Receivables	4,640	1,193	2,003,135
Investments, Noncurrent:			
Public equity	63,832	3,199,614	32,403,661
Fixed income	35,089	-	14,105,540
Private equity	39,962	-	16,064,517
Real estate	23,334	-	9,380,236
Security lending	2,977	-	1,196,761
Liquidity	4,039	151	1,581,812
Tangible assets	2,567	-	1,031,887
Total Investments, Noncurrent	171,800	3,199,765	75,764,414
Total Assets	184,729	3,204,919	77,808,440
LIABILITIES			
Obligations under security lending agreements	3,335	169	1,199,842
Accrued liabilities	4,260	2,892	1,736,344
Due to other pension and other employee benefit funds	-	-	1,652
Unearned revenues	-	-	726
Total Liabilities	7,595	3,061	2,938,564
NET POSITION			
Net position held in trust for:			
Pension Benefits (Schedule of Funding Progress by Plan begins on Page 167)	177,134	-	71,668,018
Deferred compensation participants	-	3,201,858	3,201,858
Total Net Position	$ 177,134	$ 3,201,858	$ 74,869,876

Combining Statement of Changes in Plan Net Position
Pension and Other Employee Benefit Funds

For the Fiscal Year Ended June 30, 2013
(expressed in thousands)

continued

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit
ADDITIONS					
Contributions:					
Employers	$ 266,270	$ 389,020	$ -	$ 118,569	$ 228,975
Members	29,289	335,586	99,007	16,157	35,846
State	-	-	-	-	-
Participants	-	-	-	-	-
Total Contributions	295,559	724,606	99,007	134,726	264,821
Investment Income:					
Net appreciation (depreciation) in fair value	685,103	2,018,298	177,137	572,037	693,242
Interest and dividends	206,500	622,516	30,567	172,394	213,759
Less: investment expenses	(28,418)	(84,685)	(4,796)	(23,725)	(29,438)
Net investment income (loss)	863,185	2,556,129	202,908	720,706	877,563
Transfers from other pension plans	38	292	1,539	-	34
Other additions	-	-	-	-	-
Total Additions	1,158,782	3,281,027	303,454	855,432	1,142,418
DEDUCTIONS					
Pension benefits	1,181,381	460,771	-	914,609	118,231
Pension refunds	3,998	34,982	69,368	1,989	1,345
Transfers to other pension plans	17	3,832	428	-	315
Administrative expenses	759	676	-	618	67
Distributions to participants	-	-	-	-	-
Total Deductions	1,186,155	500,261	69,796	917,216	119,958
Net Increase (Decrease)	(27,373)	2,780,766	233,658	(61,784)	1,022,460
Net Position - Beginning	7,374,136	20,678,295	1,724,427	6,189,244	7,086,767
Net Position - Ending	$ 7,346,763	$ 23,459,061	$ 1,958,085	$ 6,127,460	$ 8,109,227

Combining Statement of Changes in Plan Net Position
Pension and Other Employee Benefit Funds

For the Fiscal Year Ended June 30, 2013
(expressed in thousands)

continued

	TRS Plan 3 Defined Contribution	SERS Plan 2/3 Defined Benefit	SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2
ADDITIONS					
Contributions:					
Employers	$ -	$ 78,399	$ -	$ 556	$ 82,397
Members	262,293	26,727	59,258	1,436	143,777
State	-	-	-	-	54,246
Participants	-	-	-	-	-
Total Contributions	262,293	105,126	59,258	1,992	280,420
Investment Income:					
Net appreciation (depreciation) in fair value	547,836	275,636	123,072	464,542	651,033
Interest and dividends	94,618	84,986	28,192	141,271	201,350
Less: investment expenses	(14,711)	(11,664)	(4,072)	(19,339)	(28,243)
Net investment income (loss)	627,743	348,958	147,192	586,474	824,140
Transfers from other pension plans	839	5	466	-	1,833
Other additions	-	-	-	-	-
Total Additions	890,875	454,089	206,916	588,466	1,106,393
DEDUCTIONS					
Pension benefits	-	66,890	-	351,796	100,532
Pension refunds	177,621	2,191	66,107	14	8,677
Transfers to other pension plans	522	315	190	-	2
Administrative expenses	-	63	-	76	291
Distributions to participants	-	-	-	-	-
Total Deductions	178,143	69,459	66,297	351,886	109,502
Net Increase (Decrease)	712,732	384,630	140,619	236,580	996,891
Net Position - Beginning	5,170,849	2,827,274	1,277,847	4,903,194	6,640,497
Net Position - Ending	$ 5,883,581	$ 3,211,904	$ 1,418,466	$ 5,139,774	$ 7,637,388

Combining Statement of Changes in Plan Net Position
Pension and Other Employee Benefit Funds

For the Fiscal Year Ended June 30, 2013
(expressed in thousands)

continued

	WSPRS Plan 1/2	PSERS Plan 2	JRS	JRA	Judges
ADDITIONS					
Contributions:					
Employers	$ 6,478	$ 15,649	$ 10,112	$ 32	$ -
Members	6,567	15,879	12	32	-
State	-	-	-	-	-
Participants	-	-	-	-	-
Total Contributions	13,045	31,528	10,124	64	-
Investment Income:					
Net appreciation (depreciation) in fair value	84,358	17,633	(24)	950	(9)
Interest and dividends	25,827	5,585	14	84	5
Less: investment expenses	(3,523)	(750)	-	(18)	-
Net investment income (loss)	106,662	22,468	(10)	1,016	(4)
Transfers from other pension plans	575	4	-	-	-
Other additions	-	-	-	2	-
Total Additions	120,282	54,000	10,114	1,082	(4)
DEDUCTIONS					
Pension benefits	43,521	148	9,698	1,071	474
Pension refunds	304	2,186	-	-	-
Transfers to other pension plans	-	4	-	-	-
Administrative expenses	28	1	-	-	-
Distributions to participants	-	-	-	-	-
Total Deductions	43,853	2,339	9,698	1,071	474
Net Increase (Decrease)	76,429	51,661	416	11	(478)
Net Position - Beginning	879,084	174,446	3,468	12,268	1,870
Net Position - Ending	$ 955,513	$ 226,107	$ 3,884	$ 12,279	$ 1,392

Combining Statement of Changes in Plan Net Position
Pension and Other Employee Benefit Funds

For the Fiscal Year Ended June 30, 2013
(expressed in thousands) concluded

	VFFRPF	Deferred Compensation	Total
ADDITIONS			
Contributions:			
Employers	$ 988	$ -	$ 1,197,445
Members	108	-	1,031,974
State	5,958	-	60,204
Participants	-	182,305	182,305
Total Contributions	7,054	182,305	2,471,928
Investment Income:			
Net appreciation (depreciation) in fair value	14,597	249,204	6,574,645
Interest and dividends	4,536	18,657	1,850,861
Less: investment expenses	(613)	(4,473)	(258,468)
Net investment income (loss)	18,520	263,388	8,167,038
Transfers from other pension plans	-	-	5,625
Other additions	-	526	528
Total Additions	25,574	446,219	10,645,119
DEDUCTIONS			
Pension benefits	10,388	-	3,259,510
Pension refunds	24	-	368,806
Transfers to other pension plans	-	-	5,625
Administrative expenses	1,870	-	4,449
Distributions to participants	-	178,638	178,638
Total Deductions	12,282	178,638	3,817,028
Net Increase (Decrease)	13,292	267,581	6,828,091
Net Position - Beginning	163,842	2,934,277	68,041,785
Net Position - Ending	$ 177,134	$ 3,201,858	$ 74,869,876

Note 12
Other Postemployment Benefits

Plan Description and Funding Policy

In addition to pension benefits as described in Note 11, the state, through the Health Care Authority (HCA), administers an agent multiple-employer other postemployment benefit plan (OPEB). Per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the Health Care Authority, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. PEBB programs include medical, dental, life and long-term disability.

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 54 of the state's K-12 schools and educational service districts (ESDs), and 207 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 243 K-12 schools and ESDs. As of June 2013, membership in the PEBB plan consisted of the following:

	Active Employees	Retirees [(1)]	Total
State	107,003	28,633	135,636
K-12 schools and ESDs [(2)]	1,838	30,354	32,192
Political subdivisions	11,840	1,392	13,232
Total	120,681	60,379	181,060

[(1)] Retirees include retired employees, surviving spouses, and terminated members entitled to a benefit.
[(2)] In fiscal year 2013, there were 101,189 full-time equivalent active employees in the 243 K-12 schools and ESDs that elected to limit participation in PEBB only to their retirees.

For fiscal year 2013, the estimated monthly cost for PEBB benefits for active employees (average across all plans and tiers) is as follows:

Required Premium [(3)]	
Medical	$ 913
Dental	82
Life	4
Long-term disability	2
Total	$1,001
Employer contribution	$ 865
Employee contribution	136
Total	$1,001

[(3)] Per 2013 Index Rate Model 7.2.

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to PEBB plans depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, PSERS, TRS, SERS, WSPRS, and Higher Education.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2012, the average weighted implicit subsidy was valued at $330 per member per month, and in calendar year 2013, the average weighted implicit subsidy is projected to be $294 per member per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. In calendar year 2012, the explicit subsidy was $150 per member per month, and it remained $150 per member per month in calendar year 2013.

Administrative costs as well as implicit and explicit subsidies are funded by required contributions from participating employers. The subsidies provide monetary assistance for medical and life insurance benefits.

Contributions are set each biennium as part of the budget process. In fiscal year 2013, the cost of the subsidies was approximately 6.0 percent of the cost of benefits for active employees. The benefits are funded on a pay-as-you-go basis.

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

The PEBB OPEB plan is accounted for as an agency fund on an accrual basis. The plan has no investments or other assets. The PEBB OPEB plan does not issue a publicly available financial report.

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to:
http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm.

Annual OPEB Cost and Net OPEB Obligation

The state's (general government agencies and higher education institutions) annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the state as the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following tables show the components of the state's annual OPEB cost for fiscal year 2013, the amount contributed to the plan, and changes in the state's Net OPEB Obligation (NOO) (expressed in thousands):

Annual required contribution	$ 342,283
Interest on Net OPEB Obligation	53,434
Amortization of Net OPEB Obligation	(48,684)
Annual OPEB cost (expense)	347,033
2012 Adjustment	56,476
Contributions made	(69,114)
Increase in Net OPEB Obligation	334,394
Net OPEB Obligation - beginning of year	1,279,381
Net OPEB Obligation - end of year*	$1,613,775
*estimated	

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2011, 2012, and 2013 were as follows (expressed in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/13	$347,033	19.9%	$1,613,775
6/30/12	330,286	23.8%	1,279,381
6/30/11	328,568	23.9%	1,027,767

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2013, the latest date for which information is available, was as follows (expressed in thousands):

Actuarial accrued liability (AAL)	$3,706,856
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$3,706,856

Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	$5,786,960
UAAL as a percentage of covered payroll	64.1%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions were as follows:

Actuarial valuation date	January 1, 2013
Actuarial cost method	Projected Unit Credit (PUC)
Amortization method	Closed, level percentage of projected payroll amortization method
Remaining amortization period	30 years
Asset valuation method	N/A - no assets
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	3.75%
Health care inflation rate	8.0% initial rate, 5.0% ultimate rate in 2093
Inflation rate	3.0%

Note 13
Commitments and Contingencies

A. CONSTRUCTION AND OTHER COMMITMENTS

Capital Commitments

Outstanding commitments related to state infrastructure and facility construction, improvement, and/or renovation totaled $2.82 billion at June 30, 2013.

Encumbrances

Encumbrances, which represent commitments related to unperformed contracts for goods or services, are included in restricted, committed or assigned fund balance, as appropriate. Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at the end of fiscal year 2013 are (in thousands):

General Fund	$ 41,541
Higher Education Special Revenue Fund	2,133
Nonmajor Governmental Funds	335,855

B. SUMMARY OF SIGNIFICANT LITIGATION

Pending Litigation

The state and its agencies are parties to numerous routine legal proceedings that normally occur in governmental operations. In addition, at any given point, there may be numerous lawsuits involving the implementation, reduction, or elimination of specific state programs that could significantly impact expenditures, revenues, and potentially have future budgetary impact. This summary considers significant litigation not covered by tort insurance. Tort case liabilities are disclosed in Note 7E, Claims and Judgments, Risk Management.

The state is the defendant in a number of cases alleging inadequate funding of state programs or services. Claims include: funding inadequacies and inequities in basic education; inadequate funding for care of foster children, the disabled and elderly; and inadequate funding for the provision of, daily personal care, medical and mental health services to children, the elderly and the disabled. Collective claims in these programmatic and service cases exceed $551 million exclusive of the basic education case, which could be substantial but is difficult to quantify at this juncture. In addition, adverse rulings in some of these cases could result in significant future costs.

The state is also a defendant in a number of cases contesting: the denial of health care benefits to seasonal and part-time state employees, the methodologies used to calculate reimbursement rates to certain health care providers, and the scope of covered care. Claims in this category exceed $183 million.

The Department of Revenue routinely has claims for refunds in various stages of administrative and legal review. Cases involving claims for refunds currently total approximately $192 million, though an adverse ruling could result in additional claims being brought by similarly situated taxpayers. In addition, the state is defending cases challenging the constitutionality of certain taxes that fund discrete state programs.

The state is a defendant in a number of lawsuits related to: habitat restoration and environmental clean-up arising out of highway/roadway construction and maintenance and historic mining activity. While estimates are not available for all lawsuits, claims for damages equate to approximately $254 million.

The state is a defendant in a number of lawsuits by employees and employee unions alleging various infractions of law or contract. These suits claim back pay, damages, or future entitlements in excess of $784 million. Of the $784 million, $237 million is associated with a single case challenging the legislative repeal of the so-called gain-sharing benefit offered to members of certain state retirement plans. Pursuant to the legislative repeal, replacement benefits were offered in lieu of gain-sharing. It is estimated that if the gain-sharing benefit is restored and replacement benefits are retained, the biennial cost to state employers participating in the relevant plans would be approximately $237 million for the 2013-15 biennium. A second retirement benefits case challenges the legislative discontinuation of annual cost of living increases for PERS and TRS Plan 1 retirees. The anticipated biennial cost-savings to the state associated with the challenged legislation is estimated to be approximately $501 million for the 2013-15 biennium. The estimated impact of restoring both benefits together ($766 million) exceeds the cost of restoring both benefits separately due to the interaction of the two benefits. Both of the aforementioned cases were argued to the state Supreme Court on October 24, 2013.

The state is contesting these lawsuits and the outcomes are uncertain at this time.

Tobacco Settlement

In November 1998, Washington joined 45 other states in a Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers to provide restitution for monies spent under health care programs for the treatment of smoking-related illnesses. Washington's share of the settlement was approximately $112.8 million in fiscal year 2013 and is subject to various offsets, reductions, and adjustments. Beginning in 2008, Washington received the first of ten "strategic contribution payments" under the MSA. This payment is subject to the same offsets, reductions, and adjustments as are applicable to the base payment. The 2013 strategic contribution payment was approximately $37.8 million.

In 2006, 2007, 2008, and 2009, determinations were made that disadvantages experienced by manufacturers as a result of participating in the MSA were a "significant factor" contributing to market share losses by those manufacturers. These determinations related to sales data for the years 2003, 2004, 2005, and 2006. Washington faces a potential "nonparticipating manufacturer (NPM) adjustment" in its share of between $0 and $130 million for the year 2003, $0 and $137 million for the year 2004, $0 and $131 million for the year 2005, and $0 and $119 million for the year 2006.

In addition, the states and the participating manufacturers have entered into an agreement under which the states will not contest that the disadvantages experienced by manufacturers as a result of participating in the MSA were a significant factor contributing to market share losses for the years 2007, 2008, and 2009, respectively. Washington faces a potential NPM adjustment of between $0 and $123 million for the year 2007, $0 and $173 million for the year 2008, and $0 and $176 million for the year 2009.

Washington and 37 other states each filed court actions seeking declarations that they had diligently enforced their escrow statutes – a defense to the adjustment claim. Thirty-six of the 37 states are participating in a single national arbitration of the NPM adjustment dispute.

The arbitration panel issued a decision in Washington's favor, unanimously concluding that Washington proved that it diligently enforced the qualifying statute during calendar year 2003 and, therefore, for that calendar year is not subject to an NPM adjustment under the MSA. Of the 15 states that went to an arbitration hearing, only nine were found to have diligently enforced.

There is approximately $723.6 million in the MSA Disputed Payment Account (DPA) related to the 2003 calendar year. Washington's share of that amount should be about $14.8 million. The timing of the distribution of that money is subject to certain variables. Some states (the ones that lost the arbitration) may take the position that no money should be released because, until possible appeals are exhausted, the dispute will not be "resolved with finality" and thus disputed payments should not be released. But absent an injunction that prevents the MSA independent auditor from releasing the money from the DPA, the state anticipates that it should receive its money no later than April 2014, when the next MSA annual and strategic contribution payments are distributed.

Finally, the panel's decision addresses only the 2003 calendar year. Washington and other states are engaged in negotiations with participating manufacturers regarding potential arbitration proceedings involving the 2004 calendar year.

C. FEDERAL ASSISTANCE

The state has received federal financial assistance for specific purposes that are generally subject to review or audit by the grantor agencies.

Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the state.

The state estimates and recognizes claims and judgments liabilities for disallowances when determined by the grantor agency or for probable disallowances based on experience pertaining to these grants; however, these recognized liabilities and any unrecognized disallowances are considered immaterial to the state's overall financial condition.

D. ARBITRAGE REBATE

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue.

The rebatable arbitrage must be paid to the federal government. The state estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition.

E. OTHER COMMITMENTS AND CONTINGENCIES

School Bond Guarantee Program

Washington voters passed a constitutional amendment in November 1999, creating the Washington State School Bond Guarantee Program.

The program's purpose is to provide savings to state taxpayers by pledging the full faith and credit of the state of Washington to the full and timely payment of voter-approved school district general obligation bonds in the event a school district is unable to make a payment.

The issuing school district remains responsible for the repayment of the bonds, including any payment the state makes under the guarantee.

The State Treasurer introduced the School Bond Guarantee Program in March 2000. At the end of fiscal year 2013, the state had guaranteed 213 school districts' voter-approved general obligation debt with 180 districts having a total outstanding principal of $8.55 billion. The state estimates that the school bond guarantee liability, if any, will be immaterial to its overall financial condition.

Local Option Capital Asset Lending Program

On September 1, 1998, the state lease-purchase program was extended to local governments seeking low cost financing of essential equipment and in the year 2000 for real estate. The Local Option Capital Assets Lending (LOCAL) program allows local governments to pool their financing requests together with Washington state agencies in Certificates of Participation (COPs). Refer to Note 7.B for the state's COP disclosure.

These COPs do not constitute a debt or pledge of the full faith and credit of the state; rather, local governments pledge their full faith and credit in a general obligation pledge.

In the event that any local government fails to make any payment, the state is obligated to withhold an amount sufficient to make such payment from the local government's share, if any, of state revenues or other amounts authorized or required by law to be distributed by the state to such local government, if otherwise legally permissible.

Upon failure of any local government to make a payment, the state is further obligated, to the extent of legally available appropriated funds to make such payment on behalf of such local government. The local government remains obligated to make all COP payments and reimburse the state for any conditional payments.

As of June 30, 2013, outstanding certificates of participation notes totaled $78.1 million for 165 local governments participating in LOCAL. The state estimates that the LOCAL program liability, if any, will be immaterial to its overall financial condition.

Note 14
Subsequent Events

A. BOND ISSUES

In August 2013, the state issued:

- $276.5 million in motor vehicle fuel tax general obligation bonds for various transportation projects.

- $535.3 million in general obligation bonds for various capital projects.

- $55.5 million in taxable general obligation bonds for various capital projects.

In September 2013, the University of Washington issued $146.4 million in general revenue bonds to partially finance renovations to Husky Stadium, Husky Ballpark, housing and food services and pay off commercial paper.

In September 2013, the state issued $285.9 million in Federal Highway Grant Anticipation Revenue (GARVEE) Bonds for the State Route 520 Corridor Program.

In October 2013, the state issued:

- $117.9 million in refunding general obligation bonds.

- $106.0 million in refunding motor vehicle fuel tax general obligation bonds.

In October 2013, the Tobacco Settlement Authority, a blended component unit of the state, issued $334.7 million in tobacco settlement revenue refunding bonds.

B. CERTIFICATES OF PARTICIPATION

In August 2013, the state issued $35.0 million in Certificates of Participation.

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RSI
Required Supplementary Information

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BUDGETARY COMPARISON SCHEDULE

General Fund

Budgetary Comparison Schedule
General Fund
For the Biennium Ended June 30, 2013
(expressed in thousands)

	Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 62,736	$ 62,736	$ 62,736	$ -
Resources				
Taxes	31,065,106	29,614,048	29,627,123	13,075
Licenses, permits, and fees	176,925	199,135	204,358	5,223
Other contracts and grants	523,672	535,322	465,516	(69,806)
Timber sales	7,280	6,501	6,584	83
Federal grants-in-aid	15,009,646	15,019,506	14,065,536	(953,970)
Charges for services	60,097	66,388	62,112	(4,276)
Investment income (loss)	3,563	(18,779)	(17,241)	1,538
Miscellaneous revenue	395,704	412,620	350,343	(62,277)
Unclaimed property	108,623	182,082	179,381	(2,701)
Transfers from other funds	1,897,780	1,978,280	2,122,236	143,956
Total Resources	49,311,132	48,057,839	47,128,684	(929,155)
Charges To Appropriations				
General government	3,550,365	3,755,334	3,592,729	162,605
Human services	24,280,399	23,514,370	22,966,408	547,962
Natural resources and recreation	639,392	663,520	596,710	66,810
Transportation	101,879	103,401	93,001	10,400
Education	18,765,529	18,559,381	18,299,145	260,236
Capital outlays	627,393	747,691	341,096	406,595
Transfers to other funds	939,890	978,063	1,148,839	(170,776)
Total Charges To Appropriations	48,904,847	48,321,760	47,037,928	1,283,832
Excess Available For Appropriation Over (Under) Charges To Appropriations	406,285	(263,921)	90,756	354,677
Reconciling Items				
Debt service	-	-	(26)	(26)
Bond sale proceeds	103,825	111,089	194,555	83,466
Issuance premiums	-	183	6,350	6,167
Refunding COPs issued	-	-	3,270	3,270
Pmts to escrow agents for refunded debt	-	-	(3,565)	(3,565)
Assumed reversions	-	165,888	-	(165,888)
Working capital adjustment	-	238,000	238,000	-
Changes in reserves (net)	-	-	29,762	29,762
Entity adjustments (net)	-	-	(62,166)	(62,166)
Total Reconciling Items	103,825	515,160	406,180	(108,980)
Budgetary Fund Balance, June 30	$ 510,110	$ 251,239	$ 496,936	$ 245,697

BUDGETARY COMPARISON SCHEDULE
Budget to GAAP Reconciliation

General Fund
For the Biennium Ended June 30, 2013
(expressed in thousands)

	General Fund
Sources/Inflows of Resources	
Actual amounts (budgetary basis) "Total Resources" from the Budgetary Comparison Schedule	$ 47,128,684
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not revenue for financial reporting purposes:	
Transfers from other funds	(2,122,236)
Budgetary fund balance at the beginning of the biennium	(62,736)
Appropriated loan principal repayment	(2,760)
The following items are not inflows of budgetary resources but are revenue for financial reporting purposes:	
Noncash commodities and electronic food stamp benefits	3,524,819
Revenues collected for other governments	215,056
Unanticipated receipts	11,626
Noncash revenues	(20,766)
Other	6,563
Biennium total revenues	48,678,250
Fiscal year 2012 total revenues, as restated	(23,986,435)
Nonappropriated activity	10,571
Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 24,702,386
Uses/Outflows of Resources	
Actual amounts (budgetary basis) "Total Charges to Appropriations" from the Budgetary Comparison Schedule	$ 47,037,928
Differences - budget to GAAP:	
The following items are outflows of budgetary resources but are not expenditures for financial reporting purposes:	
Appropriated transfers to other funds	(2,820,218)
Other transfers to other funds	(1,148,839)
Appropriated loan disbursements	(325)
The following items are not outflows of budgetary resources but are recorded as current expenditures for financial reporting purposes:	
Noncash commodities and electronic food stamp benefits	3,524,819
Distributions to other governments	215,056
Certificates of participation and capital lease acquisitions	22,021
Expenditures related to unanticipated receipts	11,626
Interest on debt service	26
Other	12,280
Biennium total expenditures	46,854,374
Fiscal year 2012 total expenditures, as restated	(23,727,637)
Nonappropriated activity	615,207
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 23,741,944

BUDGETARY INFORMATION
Notes to Required Supplementary Information

GENERAL BUDGETARY POLICIES AND PROCEDURES

The Governor is required to submit a budget to the Legislature no later than December 20 of the year preceding odd-numbered year sessions of the Legislature.

The budget is a proposal for expenditures in the ensuing biennial period based upon anticipated revenues from the sources and rates existing by law at the time of submission of the budget. The Governor may additionally submit, as an appendix to the budget, a proposal for expenditures in the ensuing biennium from revenue sources derived from proposed changes in existing statutes.

The appropriated budget and any necessary supplemental budgets are legally required to be adopted through the passage of appropriation bills by the Legislature and approved by the Governor. Operating appropriations are generally made at the fund/account and agency level; however, in a few cases, appropriations are made at the fund/account and agency/program level. Operating appropriations cover either the entire biennium or a single fiscal year within the biennium. Capital appropriations are biennial and are generally made at the fund/account, agency, and project level.

The legal level of budgetary control is at the fund/account, agency, and appropriation level, with administrative controls established at lower levels of detail in certain instances. The accompanying budgetary schedule is not presented at the legal level of budgetary control. This is due to the large number of appropriations within individual agencies that would make such a presentation in the accompanying financial schedule extremely cumbersome. Section 2400.121 of the GASB Codification of Governmental Accounting and Financial Reporting Standards provides for the preparation of a separate report in these extreme cases.

For the state of Washington, a separate report has been prepared for the 2011-13 biennium to illustrate legal budgetary compliance. Appropriated budget versus actual expenditures, and estimated versus actual revenues and other financing sources (uses) for appropriated funds at agency and appropriation level are presented in the Budget-to-Actual Detail Report for governmental funds. A copy of this report is available at the Office of Financial Management, PO Box 43113, Olympia, Washington 98504-3113.

Legislative appropriations are strict legal limits on expenditures/expenses, and over-expenditures are prohibited. All appropriated and certain nonappropriated funds are further controlled by the executive branch through the allotment process. This process allocates the expenditure/expense plan into monthly allotments by program, source of funds, and object of expenditure. Because allotments are not the strict legal limit on expenditures/expenses, the accompanying budgetary schedule is shown on an appropriation versus actual comparison rather than an allotment versus actual comparison.

Proprietary funds typically earn revenues and incur expenses (i.e., depreciation or budgeted asset purchases) not covered by the allotment process. Budget estimates are generally made outside the allotment process according to prepared business plans. These proprietary fund business plan estimates are adjusted only at the beginning of each fiscal year.

Additional fiscal control is exercised through various means. OFM is authorized to make expenditure/expense allotments based on availability of unanticipated receipts, mainly federal government grant increases made during a fiscal year. State law does not preclude the over-expenditure of allotments.

Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at fiscal year-end are reported as restricted, committed, or assigned fund balance.

Budgetary Reporting vs. GAAP Reporting

Governmental funds are budgeted materially in conformance with GAAP. However, the presentation in the accompanying budgetary schedules is different in certain respects from the corresponding Statements of Revenues, Expenditures, and Changes in Fund Balance (governmental operating statement). In the accompanying budgetary schedules, budget and actual expenditures are reported only for appropriated activities. Expenditures are classified based on whether the appropriation is from the operating or capital budget. Expenditures funded by operating budget appropriations are reported as current expenditures classified by the function of the agency receiving the appropriation. Expenditures funded by capital budget appropriations are reported as capital outlays.

However, in the governmental operating statements, all governmental funds are included and expenditures are classified according to what was actually purchased. Capital outlays are capital asset acquisitions such as land, buildings, and equipment. Debt service expenditures are principal and interest payments. Current expenditures are all other governmental fund expenditures classified based on the function of the agency making the expenditures.

Certain governmental activities are excluded from the budgetary schedules because they are not appropriated. These activities include activities designated as nonappropriated by the Legislature, such as the Higher Education Special Revenue Fund, Higher Education Endowment Fund, and Tobacco Settlement Securitization Bond Debt Service Fund. Additionally, certain items including federal surplus food commodities, electronic food stamp benefits, and resources collected and distributed to other governments are also excluded because they are not appropriated.

Further, certain expenditures are appropriated as operating transfers. These transfers are reported as operating transfers on the budgetary schedules and as expenditures on the governmental operating statements.

In the General Fund, Budgetary Fund Balance equals unassigned fund balance as reported on the Governmental Funds Balance Sheet. In all other funds except Wildlife and Natural Resources, Budgetary Fund Balance equals total fund balance less nonspendable fund balance as reported on the Governmental Funds Balance Sheet. The Budgetary Fund Balance in the Wildlife and Natural Resources fund is further reduced by a portion of restricted fund balance that is not available for budgeting.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress
Public Employees' Retirement System - Plan 1
Valuation Years 2012 through 2007
(dollars in millions)

	2012	2011	2010	2009	2008	2007
Actuarial valuation date	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007
Actuarial value of plan assets	$ 8,521	$ 8,883	$ 9,293	$ 9,776	$ 9,853	$ 9,715
Actuarial accrued liability	12,360	12,571	12,538	13,984	13,901	13,740
Unfunded actuarial liability	3,839	3,688	3,245	4,208	4,048	4,025
Percentage funded	69%	71%	74%	70%	71%	71%
Covered payroll	371	432	507	580	638	676
Unfunded actuarial liability as a percentage of covered payroll	1035%	854%	640%	726%	634%	595%

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Public Employees' Retirement System - Plan 2/3
Valuation Years 2012 through 2007
(dollars in millions)

	2012	2011	2010	2009	2008	2007
Actuarial valuation date	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007
Actuarial value of plan assets	$ 22,653	$ 20,997	$ 19,474	$ 18,260	$ 16,693	$ 14,888
Actuarial accrued liability	22,780	21,627	20,029	18,398	16,508	14,661
Unfunded actuarial liability	127	630	555	138	(185)	(227)
Percentage funded	99%	97%	97%	99%	101%	102%
Covered payroll	8,193	8,148	8,206	8,132	7,869	7,157
Unfunded actuarial liability as a percentage of covered payroll	2%	8%	7%	2%	0%	0%

PERS Plan 2/3 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress
Teachers' Retirement System - Plan 1
Valuation Years 2012 through 2007
(dollars in millions)

	2012	2011	2010	2009	2008	2007
Actuarial valuation date	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007
Actuarial value of plan assets	$ 7,145	$ 7,485	$ 7,791	$ 8,146	$ 8,262	$ 8,302
Actuarial accrued liability	9,038	9,232	9,201	10,820	10,754	10,826
Unfunded actuarial liability	1,894	1,747	1,410	2,674	2,492	2,524
Percentage funded	79%	81%	85%	75%	77%	77%
Covered payroll	228	284	344	389	432	426
Unfunded actuarial liability as a percentage of covered payroll	829%	615%	410%	687%	577%	592%

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Teachers' Retirement System - Plan 2/3
Valuation Years 2012 through 2007
(dollars in millions)

	2012	2011	2010	2009	2008	2007
Actuarial valuation date	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007
Actuarial value of plan assets	$ 7,758	$ 7,141	$ 6,593	$ 6,160	$ 5,681	$ 5,277
Actuarial accrued liability	7,478	7,194	6,558	6,048	5,264	4,682
Unfunded (assets in excess of) actuarial liability	(280)	53	(36)	(112)	(417)	(595)
Percentage funded	104%	99%	101%	102%	108%	113%
Covered payroll	4,077	4,085	3,966	3,957	3,621	3,318
Unfunded actuarial liability as a percentage of covered payroll	0%	1%	0%	0%	0%	0%

TRS Plan 2/3 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress
School Employees' Retirement System - Plan 2/3
Valuation Years 2012 through 2007
(dollars in millions)

	2012	2011	2010	2009	2008	2007
Actuarial valuation date	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007
Actuarial value of plan assets	$ 3,100	$ 2,872	$ 2,664	$ 2,503	$ 2,303	$ 2,133
Actuarial accrued liability	3,103	2,956	2,706	2,493	2,207	1,998
Unfunded (assets in excess of) actuarial liability	3	84	41	(10)	(96)	(135)
Percentage funded	100%	97%	98%	100%	104%	107%
Covered payroll	1,479	1,490	1,475	1,467	1,379	1,283
Unfunded actuarial liability as a percentage of covered payroll	0%	6%	3%	0%	0%	0%

SERS Plan 2/3 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 1
Valuation Years 2012 through 2007
(dollars in millions)

	2012	2011	2010	2009	2008	2007
Actuarial valuation date	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007
Actuarial value of plan assets	$ 5,562	$ 5,565	$ 5,561	$ 5,612	$ 5,592	$ 5,298
Actuarial accrued liability	4,120	4,145	4,393	4,492	4,368	4,340
Unfunded (assets in excess of) actuarial liability	(1,441)	(1,420)	(1,168)	(1,120)	(1,224)	(958)
Percentage funded	135%	134%	127%	125%	128%	122%
Covered payroll	19	25	29	33	37	43
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	0%	0%	0%	0%

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress
Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 2
Valuation Years 2012 through 2007
(dollars in millions)

	2012	2011	2010	2009	2008	2007
Actuarial valuation date	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007
Actuarial value of plan assets	$ 7,222	$ 6,621	$ 6,043	$ 5,564	$ 5,053	$ 4,360
Actuarial accrued liability	6,353	5,941	5,164	4,641	3,998	3,626
Unfunded (assets in excess of) actuarial liability	(869)	(680)	(879)	(923)	(1,055)	(734)
Percentage funded	114%	111%	117%	120%	126%	120%
Covered payroll	1,560	1,535	1,490	1,442	1,345	1,234
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	0%	0%	0%	0%

LEOFF Plan 2 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Washington State Patrol Retirement System - Plan 1/2
Valuation Years 2012 through 2007
(dollars in millions)

	2012	2011	2010	2009	2008	2007
Actuarial valuation date	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007
Actuarial value of plan assets	$ 982	$ 949	$ 920	$ 900	$ 870	$ 800
Actuarial accrued liability	884	859	812	790	745	702
Unfunded (assets in excess of) actuarial liability	(97)	(90)	(108)	(110)	(125)	(98)
Percentage funded	111%	110%	113%	114%	117%	114%
Covered payroll	80	82	83	83	79	72
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	0%	0%	0%	0%

WSPRS Plan 1/2 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress
continued

Schedule of Funding Progress
Public Safety Employees' Retirement System - Plan 2
Valuation Years 2012 through 2007
(dollars in millions)

	2012	2011	2010	2009	2008	2007
Actuarial valuation date	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007
Actuarial value of plan assets	$ 180	$ 141	$ 103	$ 69	$ 39	$ 14
Actuarial accrued liability	159	127	94	64	37	19
Unfunded (assets in excess of) actuarial liability	(22)	(14)	(9)	(5)	(2)	6
Percentage funded	114%	111%	109%	108%	106%	74%
Covered payroll	238	233	227	223	200	134
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	0%	0%	0%	0%

PSERS Plan 2 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Judicial Retirement System
Valuation Years 2012 through 2007
(dollars in millions)

	2012	2011	2010	2009	2008	2007
Actuarial valuation date	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007
Actuarial value of plan assets	$ 3.5	$ 5.0	$ 4.0	$ 2.0	$ 1.0	$ 1.0
Actuarial accrued liability	104	109	84	89	92	85
Unfunded actuarial liability	101	104	80	87	91	84
Percentage funded	3%	5%	5%	2%	1%	1%
Covered payroll	0.3	0.5	0.7	0.9	1.3	1.3
Unfunded actuarial liability as a percentage of covered payroll	33779%	22574%	11565%	9667%	7000%	6462%

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress

concluded

Schedule of Funding Progress
Judges' Retirement Fund
Valuation Years 2012 through 2007
(dollars in millions)

	2012	2011	2010	2009	2008	2007
Actuarial valuation date	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007
Actuarial value of plan assets	$ 1.9	$ 2.3	$ 2.8	$ 3.3	$ 3.6	$ 4.0
Actuarial accrued liability	3.6	3.9	3.2	3.4	3.5	3.9
Unfunded (assets in excess of) actuarial liability	1.7	1.6	0.4	0.1	(0.1)	(0.1)
Percentage funded	52%	61%	87%	97%	103%	103%
Covered payroll *	N/A	N/A	N/A	N/A	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

N/A indicates data not applicable.

* Covered payroll is not applicable because there are no active plan members.

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund
Valuation Years 2012 through 2007
(dollars in millions)

	2012	2011	2010	2009	2008	2007
Actuarial valuation date	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007
Actuarial value of plan assets***	$ 170	$ 168	$ 166	$ 166	$ 161	$ 151
Actuarial accrued liability*	170	168	166	163	153	141
Unfunded (assets in excess of) actuarial liability	-	-	-	(3)	(8)	(10)
Percentage funded	100%	100%	100%	102%	105%	107%
Covered payroll**	N/A	N/A	N/A	N/A	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

* Pension plan liability only - excludes relief benefits.

**Covered payroll is not presented because it is not applicable since this is a volunteer organization.

*** Board for Volunteer Fire Fighters adopted a new funding policy as of 2010 where assets above the accrued pension liability are allocated to fund relief benefits.

N/A indicates data not applicable.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION

Schedules of Contributions from Employers and Other Contributing Entities (cont'd)

Schedules of Contributions from Employers and Other Contributing Entities
For the Fiscal Years Ended June 30, 2013 through 2008
(dollars in millions)

	2013	2012	2011	2010	2009	2008
PUBLIC EMPLOYEES' RETIREMENT PLAN SYSTEM - PLAN 1						
Employers' annual required contribution	$ 534.2	$ 508.0	$ 439.3	$ 627.8	$ 620.2	$ 453.1
Employers' actual contribution	266.3	257.2	145.6	154.0	325.2	221.8
Percentage contributed	50%	51%	33%	25%	52%	49%
PUBLIC EMPLOYEES' RETIREMENT PLAN SYSTEM - PLAN 2/3						
Employers' annual required contribution	$ 408.3	$ 407.7	$ 408.6	$ 383.1	$ 369.7	$ 363.3
Employers' actual contribution	389.0	385.3	328.3	327.5	439.7	318.7
Percentage contributed	95%	95%	80%	85%	119%	88%
TEACHERS' RETIREMENT SYSTEM - PLAN 1						
Employers' annual required contribution	$ 275.4	$ 254.0	$ 205.9	$ 406.1	$ 391.0	$ 294.7
Employers' actual contribution	118.6	111.9	96.8	112.7	178.9	113.1
Percentage contributed	43%	44%	47%	28%	46%	38%
TEACHERS' RETIREMENT SYSTEM - PLAN 2/3						
Employers' annual required contribution	$ 231.6	$ 232.2	$ 232.3	$ 221.1	$ 186.9	$ 208.9
Employers' actual contribution	229.0	213.9	168.3	165.0	160.8	109.5
Percentage contributed	99%	92%	72%	75%	86%	52%
SCHOOL EMPLOYEES' RETIREMENT SYSTEM - PLAN 2/3						
Employers' annual required contribution	$ 86.6	$ 85.2	$ 88.6	$ 82.3	$ 71.5	$ 75.8
Employers' actual contribution	78.4	74.6	62.3	62.1	63.5	52.1
Percentage contributed	91%	88%	70%	75%	89%	69%

The Annual Required Contribution (ARC) changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic experience gains and losses. The methods used to derive the ARC for this reporting disclosure are different from the methods used to derive the actual contributions required by law. These differences include the use of different actuarial valuations (actual contributions may be based on an earlier valuation), and different actuarial cost methods. For these reasons the actual contributions will not match the ARCs. Starting in 2009, the ARC for PERS and TRS Plans 1 was calculated using the Entry Age Normal cost method with a rolling 10-year amortization (excluding the temporary rate ceilings). Starting in 2011, the calculation of the ARC reflects the underlying actuarial cost method (excluding minimum contribution rates).

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION

Schedules of Contributions from Employers and Other Contributing Entities (cont'd)

Schedules of Contributions from Employers and Other Contributing Entities
For the Fiscal Years Ended June 30, 2013 through 2008
(dollars in millions)

	2013	2012	2011	2010	2009	2008
LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM - PLAN 1						
Employers' annual required contribution	$ -	$ -	$ -	$ -	$ -	$ -
Employers' actual contribution	0.6	-	-	-	-	-
Percentage contributed	N/A	N/A	N/A	N/A	N/A	N/A
State annual required contribution	$ -	$ -	$ -	$ -	$ -	$ -
State actual contribution	-	-	-	-	-	-
Percentage contributed	N/A	N/A	N/A	N/A	N/A	N/A
LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM - PLAN 2						
Employers' annual required contribution*	$ 56.8	$ 59.1	$ 50.4	$ 67.3	$ 63.2	$ 61.3
Employers' actual contribution	82.4	80.5	79.7	77.0	77.8	73.4
Percentage contributed	145%	136%	158%	114%	123%	120%
State annual required contribution*	$ 37.9	$ 38.2	$ 33.6	$ 44.4	$ 42.1	$ 40.8
State actual contribution	54.2	52.8	52.0	51.4	51.1	45.9
Percentage contributed	143%	138%	155%	116%	121%	113%
WASHINGTON STATE PATROL RETIREMENT SYSTEM						
Employers' annual required contribution	$ 2.5	$ 2.9	$ 2.3	$ 6.6	$ 5.0	$ 6.8
Employers' actual contribution	6.5	6.5	5.3	5.3	6.4	6.1
Percentage contributed	260%	224%	230%	80%	128%	90%

N/A indicates data not applicable

*The Annual Required Contribution (ARC) for the LEOFF Plan 2 presented is the Office of the State Actuary's recommended figure.

The Annual Required Contribution (ARC) changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic experience gains and losses. The methods used to derive the ARC for this reporting disclosure are different from the methods used to derive the actual contributions required by law. These differences include the use of different actuarial valuations (actual contributions may be based on an earlier valuation), and different actuarial cost methods. For these reasons the actual contributions will not match the ARCs. Starting in 2009, the ARC for PERS and TRS Plans 1 was calculated using the Entry Age Normal cost method with a rolling 10-year amortization (excluding the temporary rate ceilings). Starting in 2011, the calculation of the ARC reflects the underlying actuarial cost method (excluding minimum contribution rates).

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Schedules of Contributions from Employers and Other Contributing Entities (concl'd)

Schedules of Contributions from Employers and Other Contributing Entities
For the Fiscal Years Ended June 30, 2013 through 2008
(dollars in millions)

	2013	2012	2011	2010	2009	2008
PUBLIC SAFETY EMPLOYEES' RETIREMENT PLAN SYSTEM - PLAN 2						
Employers' annual required contribution	$ 15.1	$ 14.7	$ 14.7	$ 14.8	$ 14.3	$ 12.4
Employers' actual contribution	15.6	15.3	15.6	15.2	14.5	11.7
Percentage contributed	103%	104%	106%	103%	101%	94%
JUDICIAL RETIREMENT SYSTEM						
Employers' annual required contribution	$ 21.7	$ 22.6	$ 18.6	$ 20.4	$ 21.2	$ 26.6
Employers' actual contribution	10.1	8.1	10.9	11.6	10.2	9.6
Percentage contributed	47%	36%	59%	57%	48%	36%
JUDGES' RETIREMENT FUND						
Employers' annual required contribution	$ 0.4	$ 0.3	$ 0.1	$ -	$ -	$ -
Employers' actual contribution	-	-	-	-	-	-
Percentage contributed	N/A	N/A	N/A	N/A	N/A	N/A
VOLUNTEER FIRE FIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION FUND						
Employers' annual required contribution	$ 0.9	$ 1.0	$ 1.1	$ 1.0	$ 1.1	$ 1.0
Employers' actual contribution	0.9	1.0	1.1	1.0	1.0	1.0
Percentage contributed	100%	100%	100%	100%	91%	100%
State annual required contribution	$ 3.7	$ 3.7	$ 4.2	$ 1.8	$ 1.4	$ 0.9
State actual contribution	6.0	5.6	5.8	5.7	5.2	5.0
Percentage contributed	162%	151%	138%	317%	371%	556%

N/A indicates data not applicable

The Annual Required Contribution (ARC) changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic experience gains and losses. The methods used to derive the ARC for this reporting disclosure are different from the methods used to derive the actual contributions required by law. These differences include the use of different actuarial valuations (actual contributions may be based on an earlier valuation), and different actuarial cost methods. For these reasons the actual contributions will not match the ARCs. Starting in 2009, the ARC for PERS and TRS Plans 1 was calculated using the Entry Age Normal cost method with a rolling 10-year amortization (excluding the temporary rate ceilings). Starting in 2011, the calculation of the ARC reflects the underlying actuarial cost method (excluding minimum contribution rates).

Source: Washington State Office of the State Actuary

OTHER POSTEMPLOYMENT BENEFITS INFORMATION
Schedule of Funding Progress

Schedule of Funding Progress
Other Postemployment Benefits
Valuation Years 2013 through 2009
(dollars in millions)

	2013	2011	2009
Actuarial valuation date	1/1/2013	1/1/2011	1/1/2009
Actuarial value of plan assets	$ -	$ -	$ -
Actuarial accrued liability (AAL)*	3,707	3,492	3,787
Unfunded actuarial accrued liability (UAAL)	3,707	3,492	3,787
Funded ratio	0%	0%	0%
Covered payroll	5,787	5,937	5,678
UAAL as a percentage of covered payroll	64%	59%	67%

* Based on projected unit credit actuarial cost method.

Source: Washington State Office of the State Actuary

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

Condition Assessment

The state of Washington reports certain networks of infrastructure assets under the modified approach of the Governmental Accounting Standards Board Statement No. 34. Expenditures to maintain and preserve these assets are budgeted, recorded, and reported in lieu of depreciation expense. The state must meet the following requirements to report networks of assets under the modified approach:

- Maintain an up-to-date inventory of eligible infrastructure assets in an asset management system.
- Disclose the condition level established by administrative or executive policy, or by legislative action at which assets are to be preserved or maintained.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Document that assets are being preserved approximately at or above the disclosed condition level.
- Annually estimate the cost to maintain and preserve the assets at the established condition level.

Assets accounted for under the modified approach include the state's network of highway pavements, bridges, and rest areas. In fiscal year 2013, the state was responsible to maintain and preserve 20,680 pavement lane miles, 3,267 bridges and tunnels, and 48 rest areas.

PAVEMENT CONDITION

The Washington State Department of Transportation (WSDOT) performs highway pavement assessments over a two year cycle utilizing three measurements to develop a scaled condition assessment: Pavement Structural Condition (PSC), International Roughness Index (IRI), and rutting.

The WSDOT uses the following rating scale for PSC:

Category	PSC Range	Description
Very Good	80 – 100	Little or no distress. Example: Flexible pavement with 5 percent of wheel track length having "hairline" severity alligator cracking will have a PSC of 80.
Good	60 – 79	Early stage deterioration. Example: Flexible pavement with 15 percent of wheel track length having "hairline" alligator cracking will have a PSC of 70.
Fair	40 – 59	This is the threshold value for rehabilitation. Example: Flexible pavement with 25 percent of wheel track length having "hairline" alligator cracking will have a PSC of 50.
Poor	20 – 39	Structural deterioration. Example: Flexible pavement with 25 percent of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 30.
Very Poor	0 – 19	Advanced structural deterioration. Example: Flexible pavement with 40 percent of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 10. May require extensive repair and thicker overlays.

The IRI scale is measured in inches per mile. The WSDOT assesses pavements with a ride performance measure less than 221 inches per mile to be in fair or better condition.

Rutting is measured in inches with a measurement of 0.58 inches or less assessed at a condition of fair or better.

PSC, IRI, and rutting are combined to rate a section of pavement which is assigned the lowest condition of any of the three indices.

The WSDOT's policy is to maintain 90 percent of pavements at a condition level of fair or better. The following table shows the combined conditions and the ratings for pavement for each index:

Category	PSC	IRI	Rutting
Very Good	80 – 100	< 96	< 0.24
Good	60 – 79	96 – 170	0.24 – 0.41
Fair	40 – 59	171 – 220	0.42 – 0.58
Poor	20 – 39	221 – 320	0.59 – 0.74
Very Poor	0 – 19	> 320	> 0.74

The following table shows payment condition ratings for state highways:

Pavement Percentage in Fair or Better Condition Calendar Year		
2011	**2009**	**2007**
91.2%	92.7%	93.0%

The following table reflects the state's estimated and actual expenditures necessary to preserve state highways at the established condition level:

Pavement Preservation and Maintenance - Planned to Actual - Fiscal Year *(expressed in thousands)*					
	2013	**2012**	**2011**	**2010**	**2009**
Planned	$ 137,779	$ 148,811	$ 122,203	$ 168,204	$ 144,897
Actual	$ 108,972	$ 148,366	$ 117,811	$ 159,441	$ 128,449

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about pavements, refer to the WSDOT's website at: http://www.wsdot.wa.gov/Business/MaterialsLab/Pavements/default.htm.

BRIDGE CONDITION

The WSDOT performs sample condition assessments on state owned bridges in excess of 20 feet in length each year with all bridges inspected over a two year cycle. Underwater bridge components are inspected at least once every five years in accordance with Federal Highway Administration (FHWA) requirements.

The WSDOT uses a performance measure which classifies a bridge as good, fair, or poor using the National Bridge Inspection Standards (NBIS) codes for bridge superstructure, substructure, and deck. The following categories for condition rating are based on the structural sufficiency standards established in FHWA's "Recording and Coding Guide for the Structural Inventory and Appraisal of the Nation's Bridges."

Category	National Bridge Inventory Code	Description
Good	6, 7, or 8	A range from no problems noted to some minor deterioration of structural elements.
Fair	5	All primary structural elements are sound but may have deficiencies such as minor section loss, deterioration, cracking, spalling or scour.
Poor	4 or less	Advanced deficiencies such as section loss, deterioration, cracking, spalling, scour or seriously affected primary structural components.

The WSDOT's policy is to maintain 95 percent of bridges at a condition level of fair or better. The following table shows bridge condition ratings:

Bridges Percentage in Fair or Better Condition Calendar Year		
2011	**2009**	**2007**
95.4%	97.7%	97.2%

The following table reflects the state's estimated and actual expenditures necessary to preserve the bridges at the established condition level:

Bridges Preservation and Maintenance - Planned to Actual - Fiscal Year *(expressed in thousands)*					
	2013	**2012**	**2011**	**2010**	**2009**
Planned	$ 98,519	$ 66,510	$ 46,708	$ 54,490	$ 76,801
Actual	$ 87,306	$ 61,026	$ 43,709	$ 44,436	$ 29,992

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about bridges, refer to the WSDOT's website at:
http://www.wsdot.wa.gov/eesc/bridge/index.cfm.

SAFETY REST AREA CONDITION

The WSDOT performs safety rest area condition assessments every two years. Sites are given a good to poor numerical rating for each of the following functional components: ADA compliance; proximity to the next rest area; traffic flow/access from/to the highway; security (fencing, visibility, and lighting); facility size (vehicle/pedestrian circulation, parking, potential facility expansion); drainage; landscaping maintenance; signage; water supply (rate flow, potable, hydrant system), and sanitation (municipal or on-site). A weighting multiplier is applied based on the criticality of each component.

The WSDOT's policy is to maintain 95 percent of safety rest areas in a condition of fair or better. The following table shows the safety rest area condition ratings:

Safety Rest Areas Percentage in Fair or Better Condition Calendar Year		
2011	**2009**	**2007**
100.0%	97.6%	95.2%

The following table reflects the state's estimated and actual expenditures necessary to preserve the safety rest areas at the established condition level:

Safety Rest Areas Preservation and Maintenance - Planned to Actual - Fiscal Year *(expressed in thousands)*					
	2013	**2012**	**2011**	**2010**	**2009**
Planned	$ 6,607	$ 6,278	$ 6,259	$ 5,815	$ 6,007
Actual	$ 6,676	$ 6,467	$ 6,514	$ 5,925	$ 5,824

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about safety rest areas, refer to WSDOT's website at: http://www.wsdot.wa.gov/safety/restareas.

Nonmajor Funds
Combining and Individual Fund Financial Statements

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Nonmajor

Governmental Funds

The Nonmajor Governmental Funds fall into the four categories as described below:

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are restricted or committed to expenditures for specified purposes.

Debt Service Funds

Debt Service Funds account for the accumulation of resources that are restricted or committed to expenditures for, and the payment of, principal and interest on the state's bonds issued in support of governmental activities.

Capital Projects Funds

Capital Projects Funds account for financial resources that are restricted or committed to expenditures for the acquisition, construction, or improvement of major state-owned capital facilities (other than highway infrastructure or those financed by proprietary funds).

Permanent Funds

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the state or its citizenry. The Common School Permanent Fund, the state's only Nonmajor Permanent Fund, accounts for the principal derived from the sale of timber. Interest earned is used for the benefit of common schools.

NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet - by Fund Type
June 30, 2013
(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
ASSETS					
Cash and pooled investments	$ 2,636,175	$ 277,408	$ 365,815	$ 66	$ 3,279,464
Investments	39,086	-	949	199,150	239,185
Taxes receivable (net of allowance)	118,308	-	-	-	118,308
Other receivables (net of allowance)	795,572	21,565	15,357	631	833,125
Due from other funds	253,041	236,966	13,424	-	503,431
Due from other governments	2,315,075	-	7,161	1	2,322,237
Inventories and prepaids	50,994	-	-	-	50,994
Restricted assets:					
Cash and investments	375,615	52,387	107,734	-	535,736
Receivables	10,658	-	117	-	10,775
Total Assets	$ 6,594,524	$ 588,326	$ 510,557	$ 199,848	$ 7,893,255
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 451,049	$ -	$ 40,419	$ -	$ 491,468
Contracts and retainages payable	130,373	-	21,472	-	151,845
Accrued liabilities	56,175	3,110	4,593	3	63,881
Obligations under security lending agreements	89,188	10,895	1,213	-	101,296
Due to other funds	279,310	431	336,574	613	616,928
Due to other governments	160,184	-	17,258	-	177,442
Unearned revenue	66,698	-	13,567	-	80,265
Claims and judgments payable	7,994	-	-	-	7,994
Total Liabilities	1,240,971	14,436	435,096	616	1,691,119
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	893,410	-	7,766	-	901,176
Total Deferred Inflows of Resources	893,410	-	7,766	-	901,176
Fund Balances (Deficits):					
Nonspendable fund balance	45,159	-	-	192,070	237,229
Restricted fund balance	2,314,723	88,417	97,689	7,162	2,507,991
Committed fund balance	2,100,221	485,473	49,333	-	2,635,027
Assigned fund balance	40	-	-	-	40
Unassigned fund balance	-	-	(79,327)	-	(79,327)
Total Fund Balances (Deficits)	4,460,143	573,890	67,695	199,232	5,300,960
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	$ 6,594,524	$ 588,326	$ 510,557	$ 199,848	$ 7,893,255

NONMAJOR GOVERNMENTAL FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - by Fund Type

For the Fiscal Year Ended June 30, 2013

(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
REVENUES					
Retail sales and use taxes	$ 81,393	$ -	$ -	$ -	$ 81,393
Business and occupation taxes	3,340	-	-	-	3,340
Excise taxes	69,597	-	-	-	69,597
Motor vehicle and fuel taxes	1,194,910	-	-	-	1,194,910
Other taxes	298,583	-	-	-	298,583
Licenses, permits, and fees	1,493,238	-	-	-	1,493,238
Timber sales	101,162	-	3,735	-	104,897
Other contracts and grants	70,588	-	6,177	-	76,765
Federal grants-in-aid	1,371,144	-	1,992	79	1,373,215
Charges for services	535,904	16,738	75,930	-	628,572
Investment income (loss)	52,934	(1,109)	404	7,888	60,117
Miscellaneous revenue	329,005	72,448	16,074	612	418,139
Total Revenues	5,601,798	88,077	104,312	8,579	5,802,766
EXPENDITURES					
Current:					
General government	365,517	483	74,813	29	440,842
Human services	712,332	-	8,830	-	721,162
Natural resources and recreation	522,917	-	100,047	-	622,964
Transportation	1,749,847	-	155	-	1,750,002
Education	147,668	-	384,206	-	531,874
Intergovernmental	331,455	-	-	-	331,455
Capital outlays	1,719,753	-	462,734	-	2,182,487
Debt service:					
Principal	4,656	722,732	3,095	-	730,483
Interest	5,174	896,835	6,862	-	908,871
Total Expenditures	5,559,319	1,620,050	1,040,742	29	8,220,140
Excess of Revenues Over (Under) Expenditures	42,479	(1,531,973)	(936,430)	8,550	(2,417,374)
OTHER FINANCING SOURCES (USES)					
Bonds issued	577,930	-	461,456	-	1,039,386
Refunding bonds issued	-	1,636,990	-	-	1,636,990
Payments to escrow agents for refunded bond debt	-	(1,893,883)	-	-	(1,893,883)
Issuance premiums	55,880	264,980	62,568	-	383,428
Other debt issued	44,135	-	-	-	44,135
Transfers in	330,230	1,855,884	149,760	-	2,335,874
Transfers out	(1,262,729)	(39,066)	(84,234)	(7,509)	(1,393,538)
Total Other Financing Sources (Uses)	(254,554)	1,824,905	589,550	(7,509)	2,152,392
Net Change in Fund Balances	(212,075)	292,932	(346,880)	1,041	(264,982)
Fund Balances - Beginning, as restated	4,672,218	280,958	414,575	198,191	5,565,942
Fund Balances - Ending	$ 4,460,143	$ 573,890	$ 67,695	$ 199,232	$ 5,300,960

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Nonmajor

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are restricted or committed to expenditures for specified purposes. The Nonmajor Special Revenue Funds are described below:

Motor Vehicle Fund

The Motor Vehicle Fund accounts for highway activities of the Washington State Patrol; operations of the state ferry system; completion and preservation of the interstate system; other transportation improvements; and maintenance of non-interstate highways and bridges.

Multimodal Transportation Fund

The Multimodal Transportation Fund accounts for activities relating to drivers' licensing; driver improvement and financial responsibility; maintenance of driving records, charges for transportation services; and other highway and non-highway operations and capital improvements.

Central Administrative & Regulatory Fund

The Central Administrative and Regulatory Fund accounts for the operating expenditures of certain administrative and regulatory agencies.

Human Services Fund

The Human Services Fund accounts for activities related to safe and reliable drinking water; life sciences research; housing for persons and families with special housing needs; and the collection of tobacco settlement monies.

Wildlife and Natural Resources Fund

The Wildlife and Natural Resources Fund accounts for the protection and management programs of the state's wildlife, habitats, and natural resources, including forests, water, and parks.

Local Construction & Loan Fund

The Local Construction and Loan Fund accounts for construction and loan programs for local public works projects.

NONMAJOR SPECIAL REVENUE FUNDS

Combining Balance Sheet

June 30, 2013

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Central Administrative and Regulatory	Human Services	Wildlife and Natural Resources
ASSETS					
Cash and pooled investments	$ 773,863	$ 237,889	$ 240,082	$ 388,604	$ 784,961
Investments	-	-	1,030	38,056	-
Taxes receivable (net of allowance)	107,968	-	9,830	-	-
Other receivables (net of allowance)	47,315	35,005	95,408	501,402	79,447
Due from other funds	127,343	11,903	14,498	11,855	84,407
Due from other governments	79,448	67,698	25,497	314,686	671,252
Inventories and prepaids	41,836	1,074	7,395	26	663
Restricted assets:					
Cash and investments	154,257	214,282	6,452	-	624
Receivables	10,658	-	-	-	-
Total Assets	$ 1,342,688	$ 567,851	$ 400,192	$ 1,254,629	$ 1,621,354
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 170,602	$ 103,988	$ 7,645	$ 120,411	$ 18,496
Contracts and retainages payable	76,815	19,410	2,524	3,686	22,663
Accrued liabilities	31,792	2,213	4,899	5,436	11,774
Obligations under security lending agreements	35,473	17,834	2,012	8,530	16,623
Due to other funds	127,445	19,084	24,971	64,251	42,821
Due to other governments	64,180	49,077	8,188	3,914	21,973
Unearned revenue	9,857	23,036	19,864	7,371	6,570
Claims and judgments payable	-	-	7,994	-	-
Total Liabilities	516,164	234,642	78,097	213,599	140,920
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	17,317	8,665	86,456	516,781	41,758
Total Deferred Inflows of Resources	17,317	8,665	86,456	516,781	41,758
Fund Balances:					
Nonspendable fund balance	41,688	1,117	1,205	431	718
Restricted fund balance	740,652	193,369	9,936	251,274	976,011
Committed fund balance	26,867	130,058	224,458	272,544	461,947
Assigned fund balance	-	-	40	-	-
Total Fund Balances	809,207	324,544	235,639	524,249	1,438,676
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,342,688	$ 567,851	$ 400,192	$ 1,254,629	$ 1,621,354

Local Construction and Loan	Total
$ 210,776	$ 2,636,175
-	39,086
510	118,308
36,995	795,572
3,035	253,041
1,156,494	2,315,075
-	50,994
-	375,615
-	10,658
$ 1,407,810	$ 6,594,524
$ 29,907	$ 451,049
5,275	130,373
61	56,175
8,716	89,188
738	279,310
12,852	160,184
-	66,698
-	7,994
57,549	1,240,971
222,433	893,410
222,433	893,410
-	45,159
143,481	2,314,723
984,347	2,100,221
-	40
1,127,828	4,460,143
$ 1,407,810	$ 6,594,524

NONMAJOR SPECIAL REVENUE FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2013

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Central Administrative and Regulatory	Human Services	Wildlife and Natural Resources
REVENUES					
Retail sales and use taxes	$ -	$ 57,501	$ 23,774	$ 73	$ 45
Business and occupation taxes	-	-	-	360	2,980
Excise taxes	-	28	61	33,758	-
Motor vehicle and fuel taxes	1,179,125	2,657	-	-	13,128
Other taxes	26	-	74,629	3,853	204,985
Licenses, permits, and fees	420,583	165,097	369,229	393,799	144,409
Timber sales	-	-	4,113	-	61,379
Other contracts and grants	41,357	14,692	3,019	8,936	2,584
Federal grants-in-aid	656,372	320,356	93,871	247,471	53,074
Charges for services	223,461	57,086	66,422	181,322	7,613
Investment income (loss)	(1,755)	(1,379)	30,035	6,472	12,544
Miscellaneous revenue	43,525	23,384	24,163	91,437	114,786
Total Revenues	2,562,694	639,422	689,316	967,481	617,527
EXPENDITURES					
Current:					
General government	10,404	941	307,263	40,831	1,212
Human services	-	-	6,913	702,497	2,922
Natural resources and recreation	1,157	-	5,757	826	515,167
Transportation	1,214,572	500,133	28,146	6,302	694
Education	-	-	39,490	55,776	674
Intergovernmental	237,196	1,954	90,858	1,381	66
Capital outlays	1,264,294	436,143	2,263	3,395	13,658
Debt service:					
Principal	382	315	3,336	73	550
Interest	324	101	891	62	3,796
Total Expenditures	2,728,329	939,587	484,917	811,143	538,739
Excess of Revenues Over (Under) Expenditures	(165,635)	(300,165)	204,399	156,338	78,788
OTHER FINANCING SOURCES (USES)					
Bonds issued	542,350	35,580	-	-	-
Issuance premiums	51,520	4,241	-	-	119
Other debt issued	43,073	-	-	-	1,062
Transfers in	146,316	62,159	23,836	33,663	52,141
Transfers out	(611,477)	(143,625)	(269,186)	(126,898)	(50,033)
Total Other Financing Sources (Uses)	171,782	(41,645)	(245,350)	(93,235)	3,289
Net Change in Fund Balances	6,147	(341,810)	(40,951)	63,103	82,077
Fund Balances - Beginning, as restated	803,060	666,354	276,590	461,146	1,356,599
Fund Balances - Ending	$ 809,207	$ 324,544	$ 235,639	$ 524,249	$ 1,438,676

Local Construction and Loan	Total
$ -	$ 81,393
-	3,340
35,750	69,597
-	1,194,910
15,090	298,583
121	1,493,238
35,670	101,162
-	70,588
-	1,371,144
-	535,904
7,017	52,934
31,710	329,005
125,358	5,601,798
4,866	365,517
-	712,332
10	522,917
-	1,749,847
51,728	147,668
-	331,455
-	1,719,753
-	4,656
-	5,174
56,604	5,559,319
68,754	42,479
-	577,930
-	55,880
-	44,135
12,115	330,230
(61,510)	(1,262,729)
(49,395)	(254,554)
19,359	(212,075)
1,108,469	4,672,218
$ 1,127,828	$ 4,460,143

NONMAJOR SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

For the Biennium Ended June 30, 2013

(expressed in thousands)

	Motor Vehicle			
	Original Budget 2011-13 Biennium	**Final Budget 2011-13 Biennium**	**Actual 2011-13 Biennium**	**Variance with Final Budget**
Budgetary Fund Balance, July 1, as restated	$ 783,363	$ 783,363	$ 783,363	$ -
Resources				
Taxes	1,934,323	2,024,716	1,869,975	(154,741)
Licenses, permits, and fees	775,333	789,451	802,875	13,424
Other contracts and grants	74,801	110,174	67,723	(42,451)
Timber sales	-	-	-	-
Federal grants-in-aid	1,199,009	1,398,901	1,244,945	(153,956)
Charges for services	402,248	414,766	425,224	10,458
Investment income (loss)	17,776	13,618	10,036	(3,582)
Miscellaneous revenue	50,541	51,889	79,402	27,513
Dividend income	-	-	-	-
Transfers from other funds	276,574	249,007	305,082	56,075
Total Resources	5,513,968	5,835,885	5,588,625	(247,260)
Charges To Appropriations				
General government	18,008	17,918	17,127	791
Human services	-	-	-	-
Natural resources and recreation	2,171	2,171	2,166	5
Transportation	1,682,533	1,676,612	1,625,158	51,454
Education	-	-	-	-
Capital outlays	4,357,732	4,173,403	3,205,330	968,073
Transfers to other funds	1,094,904	1,017,057	1,142,163	(125,106)
Total Charges To Appropriations	7,155,348	6,887,161	5,991,944	895,217
Excess Available For Appropriation Over (Under) Charges To Appropriations	(1,641,380)	(1,051,276)	(403,319)	647,957
Reconciling Items				
Debt service	-	-	-	-
Bond sale proceeds	1,991,328	1,235,090	1,071,140	(163,950)
Issuance premiums	-	-	88,982	88,982
Refunding COPs Issued	-	-	-	-
Payments to refunded COP escrow agents	-	-	-	-
Entity adjustments (net)	-	-	11,497	11,497
Changes in reserves (net)	-	-	(781)	(781)
Total Reconciling Items	1,991,328	1,235,090	1,170,838	(64,252)
Budgetary Fund Balance, June 30	$ 349,948	$ 183,814	$ 767,519	$ 583,705

Continued

Multimodal Transportation				Central Administrative and Regulatory			
Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget	Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget
$ (58,292)	$ (58,292)	$ (58,292)	$ -	$ 221,811	$ 221,811	$ 221,811	$ -
115,858	115,896	116,549	653	58,865	10,848	19,491	8,643
284,117	305,773	300,469	(5,304)	232,285	470,041	149,137	(320,904)
6,461	2,917	1,609	(1,308)	4,002	3,272	-	(3,272)
-	-	-	-	10,712	7,802	8,135	333
417,209	459,212	111,285	(347,927)	93,899	123,122	77,979	(45,143)
118,719	118,720	85,514	(33,206)	111,796	115,257	30,415	(84,842)
1,539	701	1,604	903	47,407	58,753	58,533	(220)
42,066	43,198	40,471	(2,727)	521,636	275,337	23,672	(251,665)
-	-	-	-	-	4	-	(4)
86,354	93,986	86,059	(7,927)	47,044	51,792	27,350	(24,442)
1,014,031	1,082,111	685,268	(396,843)	1,349,457	1,338,039	616,523	(721,516)
1,307	7,137	4,865	2,272	494,954	527,860	463,902	63,958
-	-	-	-	13,895	14,261	11,628	2,633
-	-	-	-	17,242	15,551	14,476	1,075
394,070	388,984	362,839	26,145	54,932	56,678	50,125	6,553
-	-	-	-	9,427	9,352	9,351	1
1,528,607	1,513,707	967,463	546,244	7,684	3,876	3,202	674
185,729	228,314	235,715	(7,401)	295,072	414,845	77,483	337,362
2,109,713	2,138,142	1,570,882	567,260	893,206	1,042,423	630,167	412,256
(1,095,682)	(1,056,031)	(885,614)	170,417	456,251	295,616	(13,644)	(309,260)
-	-	-	-	-	-	(33)	(33)
1,187,949	1,398,660	1,054,755	(343,905)	-	-	-	-
-	69,910	154,091	84,181	-	-	133	133
-	-	-	-	-	-	3,749	3,749
-	-	-	-	-	-	(3,846)	(3,846)
-	-	(2,911)	(2,911)	-	-	242,246	242,246
-	-	3,106	3,106	-	-	5,829	5,829
1,187,949	1,468,570	1,209,041	(259,529)	-	-	248,078	248,078
$ 92,267	$ 412,539	$ 323,427	$ (89,112)	$ 456,251	$ 295,616	$ 234,434	$ (61,182)

NONMAJOR SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

For the Biennium Ended June 30, 2013

(expressed in thousands)

	Human Services			
	Original Budget 2011-13 Biennium	**Final Budget 2011-13 Biennium**	**Actual 2011-13 Biennium**	**Variance with Final Budget**
Budgetary Fund Balance, July 1, as restated	$ 331,843	$ 331,843	$ 331,843	$ -
Resources				
Taxes	71,246	69,660	60,745	(8,915)
Licenses, permits, and fees	745,995	787,607	684,015	(103,592)
Other contracts and grants	4,504	6,756	2,951	(3,805)
Timber sales	-	-	-	-
Federal grants-in-aid	532,641	547,976	384,291	(163,685)
Charges for services	160,382	372,682	270,050	(102,632)
Investment income (loss)	2,549	1,569	9,113	7,544
Miscellaneous revenue	354,480	184,111	146,927	(37,184)
Dividend income	808	404	-	(404)
Transfers from other funds	74,845	62,892	46,024	(16,868)
Total Resources	2,279,293	2,365,500	1,935,959	(429,541)
Charges To Appropriations				
General government	110,139	113,273	84,227	29,046
Human services	1,159,132	1,206,167	1,128,470	77,697
Natural resources and recreation	1,668	1,655	1,613	42
Transportation	14,582	14,923	12,598	2,325
Education	-	142	34	108
Capital outlays	230,134	291,610	68,653	222,957
Transfers to other funds	254,208	253,347	245,140	8,207
Total Charges To Appropriations	1,769,863	1,881,117	1,540,735	340,382
Excess Available For Appropriation Over (Under) Charges To Appropriations	509,430	484,383	395,224	(89,159)
Reconciling Items				
Debt service	-	-	-	-
Bond sale proceeds	-	-	-	-
Issuance premiums	-	-	-	-
Refunding COPs Issued	-	-	-	-
Payments to refunded COP escrow agents	-	-	-	-
Entity adjustments (net)	-	-	(4,677)	(4,677)
Changes in reserves (net)	-	-	133,271	133,271
Total Reconciling Items	-	-	128,594	128,594
Budgetary Fund Balance, June 30	$ 509,430	$ 484,383	$ 523,818	$ 39,435

Concluded

Wildlife and Natural Resources				Local Construction and Loan			
Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget	Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget
$ 591,536	$ 591,536	$ 591,536	$ -	$ 111,597	$ 111,597	$ 111,597	$ -
342,573	434,896	436,693	1,797	164,246	88,980	88,283	(697)
277,683	275,892	187,036	(88,856)	397	397	-	(397)
2,805	8,145	3,825	(4,320)	-	-	-	-
131,755	122,076	82,739	(39,337)	143,469	62,152	68,536	6,384
124,863	62,252	106,823	44,571	-	-	-	-
23,784	17,712	15,542	(2,170)	-	-	-	-
4,661	2,552	26,343	23,791	923	1,230	17,770	16,540
311,955	338,843	273,219	(65,624)	624,212	1,106,008	271,810	(834,198)
-	-	-	-	-	-	-	-
101,252	109,187	94,809	(14,378)	14,405	68,266	73,141	4,875
1,912,867	1,963,091	1,818,565	(144,526)	1,059,249	1,438,630	631,137	(807,493)
208	208	207	1	3,522	3,487	3,465	22
5,420	5,463	5,268	195	-	-	-	-
634,717	669,664	599,027	70,637	-	-	-	-
1,417	1,414	1,325	89	-	-	-	-
450	450	450	-	-	-	-	-
764,641	870,809	339,760	531,049	872,901	1,045,060	295,696	749,364
85,903	89,065	88,118	947	92,914	122,915	124,951	(2,036)
1,492,756	1,637,073	1,034,155	602,918	969,337	1,171,462	424,112	747,350
420,111	326,018	784,410	458,392	89,912	267,168	207,025	(60,143)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(35,896)	(35,896)	-	-	(939)	(939)
-	-	688,929	688,929	-	-	921,742	921,742
-	-	653,033	653,033	-	-	920,803	920,803
$ 420,111	$ 326,018	$ 1,437,443	$ 1,111,425	$ 89,912	$ 267,168	$ 1,127,828	$ 860,660

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Nonmajor

Debt Service Funds

Debt Service Funds account for the accumulation of resources that are restricted or committed to expenditures for, and the payment of, principal and interest on the state's bonds issued in support of governmental activities. Debt Service Funds are described below:

General Obligation Bond Fund

The General Obligation Bond Fund accounts for the accumulation of resources for, and the payment of, non-transportation related general obligation bond principal and interest.

Transportation General Obligation Bond Fund

The Transportation General Obligation Bond Fund accounts for the accumulation of resources for, and payment of, general obligation transportation bond principal and interest.

Tobacco Settlement Securitization Bond Fund

The Tobacco Settlement Securitization Bond Fund accounts for the accumulation of resources for, and the payment of, principal and interest on bonds issued by the Tobacco Settlement Authority, a blended component unit of the state.

Transportation Revenue Bond Fund

The Transportation Revenue Bond Fund accounts for the accumulation of resources for, and the payment of, revenue transportation bond principal and interest.

NONMAJOR DEBT SERVICE FUNDS

Combining Balance Sheet

June 30, 2013

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Transportation Revenue Bond	Total
ASSETS					
Cash and pooled investments	$ 29,423	$ 233,241	$ 12,475	$ 2,269	$ 277,408
Other receivables (net of allowance)	1	238	21,326	-	21,565
Due from other funds	236,778	188	-	-	236,966
Restricted assets:					
Cash and investments	6,853	-	45,534	-	52,387
Total Assets	$ 273,055	$ 233,667	$ 79,335	$ 2,269	$ 588,326
LIABILITIES					
Accrued liabilities	$ 3,018	$ 18	$ 74	$ -	$ 3,110
Obligations under security lending agreements	1,209	9,593	-	93	10,895
Due to other funds	154	277	-	-	431
Total Liabilities	4,381	9,888	74	93	14,436
Fund Balances:					
Restricted fund balance	6,980	-	79,261	2,176	88,417
Committed fund balance	261,694	223,779	-	-	485,473
Total Fund Balances	268,674	223,779	79,261	2,176	573,890
Total Liabilities and Fund Balances	$ 273,055	$ 233,667	$ 79,335	$ 2,269	$ 588,326

NONMAJOR DEBT SERVICE FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2013

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Transportation Revenue Bond	Total
REVENUES					
Investment income (loss)	$ (97)	$ (1,055)	$ 39	$ 4	$ (1,109)
Charges for services	16,738	-	-	-	16,738
Miscellaneous revenue	-	28,319	44,129	-	72,448
Total Revenues	16,641	27,264	44,168	4	88,077
EXPENDITURES					
Current:					
General government	-	-	483	-	483
Debt service:					
Principal	526,982	176,875	18,875	-	722,732
Interest	535,640	291,395	25,493	44,307	896,835
Total Expenditures	1,062,622	468,270	44,851	44,307	1,620,050
Excess of Revenues Over (Under) Expenditures	(1,045,981)	(441,006)	(683)	(44,303)	(1,531,973)
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	1,097,195	539,795	-	-	1,636,990
Payments to escrow agents for refunded bond debt	(1,270,493)	(623,390)	-	-	(1,893,883)
Issuance premiums	178,697	86,283	-	-	264,980
Transfers in	1,318,124	493,453	-	44,307	1,855,884
Transfers out	(39,066)	-	-	-	(39,066)
Total Other Financing Sources (Uses)	1,284,457	496,141	-	44,307	1,824,905
Net Change in Fund Balances	238,476	55,135	(683)	4	292,932
Fund Balances - Beginning	30,198	168,644	79,944	2,172	280,958
Fund Balances - Ending	$ 268,674	$ 223,779	$ 79,261	$ 2,176	$ 573,890

NONMAJOR DEBT SERVICE FUNDS

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

For the Biennium Ended June 30, 2013

(expressed in thousands)

	General Obligation Bond			
	Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 24,011	$ 24,011	$ 24,011	$ -
Resources				
Charges for services	10,770	34,910	-	(34,910)
Investment income (loss)	269	112	-	(112)
Miscellaneous revenue	5	92	-	(92)
Transfers from other funds	203,942	222,080	163,551	(58,529)
Total Resources	238,997	281,205	187,562	(93,643)
Charges To Appropriations				
General government	167,917	161,467	(73,898)	235,365
Transfers to other funds	35,208	63,973	2,086	61,887
Total Charges To Appropriations	203,125	225,440	(71,812)	297,252
Excess Available For Appropriation Over (Under) Charges To Appropriations	35,872	55,765	259,374	203,609
Reconciling Items				
Debt service	-	-	(9,399)	(9,399)
Proceeds of refunding bonds	-	-	2,292,280	2,292,280
Payments to escrow agents for refunded bond debt	-	-	(2,661,948)	(2,661,948)
Issuance premiums	-	-	379,068	379,068
Entity adjustments (net)	-	-	9,299	9,299
Total Reconciling Items	-	-	9,300	9,300
Budgetary Fund Balance, June 30	$ 35,872	$ 55,765	$ 268,674	$ 212,909

Transportation General Obligation Bond				Transportation Revenue Bond			
Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget	Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget
$ 161,407	$ 161,407	$ 161,407	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
1,048	383	517	134	-	3	18	15
-	-	56,639	56,639	-	-	-	-
899,637	929,285	914,611	(14,674)	50,000	59,561	61,729	2,168
1,062,092	1,091,075	1,133,174	42,099	50,000	59,564	61,747	2,183
968,905	911,111	908,525	2,586	48,441	59,562	59,561	1
-	-	-	-	-	-	-	-
968,905	911,111	908,525	2,586	48,441	59,562	59,561	1
93,187	179,964	224,649	44,685	1,559	2	2,186	2,184
-	-	(4,128)	(4,128)	-	-	-	-
-	-	853,180	853,180	-	-	-	-
-	-	(991,393)	(991,393)	-	-	-	-
-	-	142,341	142,341	-	-	-	-
-	-	(870)	(870)	-	-	(10)	(10)
-	-	(870)	(870)	-	-	(10)	(10)
$ 93,187	$ 179,964	$ 223,779	$ 43,815	$ 1,559	$ 2	$ 2,176	$ 2,174

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Nonmajor
Capital Projects Funds

Capital Projects Funds account for financial resources that are restricted or committed to expenditures for the acquisition, construction, or improvement of major state-owned capital facilities (other than highway infrastructure or those financed by proprietary funds). The Capital Projects Funds are as follows:

State Facilities Fund
The State Facilities Fund accounts for the acquisition, construction and remodeling of state buildings.

Higher Education Facilities Fund
The Higher Education Facilities Fund accounts for the acquisition, construction, and remodeling of higher education facilities.

NONMAJOR CAPITAL PROJECTS FUNDS

Combining Balance Sheet

June 30, 2013

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
ASSETS			
Cash and pooled investments	$ -	$ 365,815	$ 365,815
Investments	-	949	949
Other receivables (net of allowance)	7,504	7,853	15,357
Due from other funds	8,525	4,899	13,424
Due from other governments	1,423	5,738	7,161
Restricted assets:			
Cash and investments	4,552	103,182	107,734
Receivables	-	117	117
Total Assets	$ 22,004	$ 488,553	$ 510,557
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 25,894	$ 14,525	$ 40,419
Contracts and retainages payable	17,331	4,141	21,472
Accrued liabilities	2,334	2,259	4,593
Obligations under security lending agreements	-	1,213	1,213
Due to other funds	31,991	304,583	336,574
Due to other governments	17,258	-	17,258
Unearned revenue	742	12,825	13,567
Total Liabilities	95,550	339,546	435,096
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	5,781	1,985	7,766
Total Deferred Inflows of Resources	5,781	1,985	7,766
Fund Balances (Deficits):			
Restricted fund balance	-	97,689	97,689
Committed fund balance	-	49,333	49,333
Unassigned fund balance	(79,327)	-	(79,327)
Total Fund Balances (Deficits)	(79,327)	147,022	67,695
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	$ 22,004	$ 488,553	$ 510,557

NONMAJOR CAPITAL PROJECTS FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2013

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
REVENUES			
Timber sales	$ 3,414	$ 321	$ 3,735
Other contracts and grants	-	6,177	6,177
Federal grants-in-aid	-	1,992	1,992
Charges for services	-	75,930	75,930
Investment income (loss)	(16)	420	404
Miscellaneous revenue	6,819	9,255	16,074
Total Revenues	10,217	94,095	104,312
EXPENDITURES			
Current:			
General government	74,813	-	74,813
Human services	8,830	-	8,830
Natural resources and recreation	100,047	-	100,047
Transportation	155	-	155
Education	292,844	91,362	384,206
Capital outlays	319,432	143,302	462,734
Debt service:			
Principal	-	3,095	3,095
Interest	-	6,862	6,862
Total Expenditures	796,121	244,621	1,040,742
Excess of Revenues Over (Under) Expenditures	(785,904)	(150,526)	(936,430)
OTHER FINANCING SOURCES (USES)			
Bonds issued	392,461	68,995	461,456
Issuance premiums	55,282	7,286	62,568
Transfers in	658	149,102	149,760
Transfers out	(12,142)	(72,092)	(84,234)
Total Other Financing Sources (Uses)	436,259	153,291	589,550
Net Change in Fund Balances	(349,645)	2,765	(346,880)
Fund Balances - Beginning	270,318	144,257	414,575
Fund Balances (Deficit) - Ending	$ (79,327)	$ 147,022	$ 67,695

NONMAJOR CAPITAL PROJECTS FUNDS

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

For the Biennium Ended June 30, 2013

(expressed in thousands)

	State Facilities			
	Original Budget 2011-13 Biennium	**Final Budget 2011-13 Biennium**	**Actual 2011-13 Biennium**	**Variance with Final Budget**
Budgetary Fund Balance, July 1, as restated	$ 78,342	$ 78,342	$ 78,342	$ -
Resources				
Timber sales	16,430	11,830	11,628	(202)
Charges for services	-	-	-	-
Investment income (loss)	34	21	10	(11)
Miscellaneous revenue	9,502	9,108	10,766	1,658
Transfers from other funds	494	943	1,609	666
Total Resources	104,802	100,244	102,355	2,111
Charges To Appropriations				
General government	2,862	5,777	5,390	387
Education	-	-	-	-
Capital outlays	1,618,142	2,037,147	1,385,192	651,955
Transfers to other funds	81,664	81,589	24,171	57,418
Total Charges To Appropriations	1,702,668	2,124,513	1,414,753	709,760
Excess Available For Appropriation Over (Under) Charges To Appropriations	(1,597,866)	(2,024,269)	(1,312,398)	711,871
Reconciling Items				
Bond sale proceeds	1,603,915	2,162,403	1,094,050	(1,068,353)
Issuance premiums	-	-	136,370	136,370
Changes in reserves (net)	-	-	5,664	5,664
Entity adjustments (net)	-	-	(3,013)	(3,013)
Total Reconciling Items	1,603,915	2,162,403	1,233,071	(929,332)
Budgetary Fund Balance, June 30	$ 6,049	$ 138,134	$ (79,327)	$ (217,461)

Higher Education Facilities			
Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget
$ 116,380	$ 116,380	$ 116,380	$ -
500	321	321	-
131,153	135,722	139,416	3,694
463	201	2	(199)
1,107	9,395	1,561	(7,834)
88,544	98,948	82,614	(16,334)
338,147	360,967	340,294	(20,673)
2	26	26	-
13,640	12,793	12,023	770
233,891	254,327	197,276	57,051
5,298	5,298	12,522	(7,224)
252,831	272,444	221,847	50,597
85,316	88,523	118,447	29,924
4,260	6,790	6,790	-
-	787	788	1
-	-	-	-
-	-	20,997	20,997
4,260	7,577	28,575	20,998
$ 89,576	$ 96,100	$ 147,022	$ 50,922

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Nonmajor

Enterprise Funds

Enterprise Funds account for any activity for which a fee is charged to external users for goods or services. If an activity's principal revenue source meets any one of the following criteria, it is required to be reported as an enterprise fund: (1) an activity financed with debt that is secured solely by pledge of the net revenues from fees and charges for the activity; (2) laws or regulations which require that the activity's costs of providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues; or (3) pricing policies which establish fees and charges designed to recover the activity's costs, including capital costs. The Nonmajor Enterprise Funds are as follows:

Lottery Fund

The Lottery Fund accounts for lottery ticket revenues, administrative and operating expenses of the Lottery Commission, and the distribution of revenue.

Institutional Fund

The Institutional Fund accounts for the enterprise activities carried out through vocational/education programs at state institutions.

Other Activities

The Other Activities Fund accounts for the operation of the pollution liability insurance program, the judicial information system, the local Certificate of Participation (COP) financing program, the local government audit program, and the Secretary of State's corporate public records program.

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Net Position

June 30, 2013

(expressed in thousands)

	Lottery	Institutional	Other Activities	Total
ASSETS				
Current Assets:				
Cash and pooled investments	$ 23,704	$ 5,053	$ 82,474	$ 111,231
Investments	34,399	-	-	34,399
Other receivables (net of allowance)	21,208	804	399	22,411
Due from other funds	948	8,064	792	9,804
Due from other governments	-	894	3,770	4,664
Inventories	216	7,760	121	8,097
Prepaid expenses	436	93	20	549
Total Current Assets	80,911	22,668	87,576	191,155
Noncurrent Assets:				
Investments, noncurrent	168,632	-	-	168,632
Other noncurrent assets	1	-	-	1
Capital assets:				
Land and other non-depreciable assets	-	1,540	-	1,540
Buildings	-	12,828	-	12,828
Other improvements	680	1,815	102	2,597
Furnishings, equipment, and intangibles	847	19,070	9,758	29,675
Accumulated depreciation	(1,123)	(15,283)	(8,887)	(25,293)
Total Noncurrent Assets	169,037	19,970	973	189,980
Total Assets	$ 249,948	$ 42,638	$ 88,549	$ 381,135
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 6,396	$ 4,937	$ 1,400	$ 12,733
Accrued liabilities	60,969	2,308	8,092	71,369
Bonds and notes payable	-	425	8	433
Due to other funds	17,060	1,525	461	19,046
Due to other governments	-	-	2,574	2,574
Unearned revenue	-	251	-	251
Claims and judgments payable	-	-	1,603	1,603
Total Current Liabilities	84,425	9,446	14,138	108,009
Noncurrent Liabilities:				
Claims and judgments payable	-	-	9,607	9,607
Bonds and notes payable	-	5,965	2	5,967
Other long-term liabilities	145,471	5,077	7,792	158,340
Total Noncurrent Liabilities	145,471	11,042	17,401	173,914
Total Liabilities	229,896	20,488	31,539	281,923
NET POSITION				
Net investment in capital assets	404	13,579	963	14,946
Unrestricted	19,648	8,571	56,047	84,266
Total Net Position	20,052	22,150	57,010	99,212
Total Liabilities and Net Position	$ 249,948	$ 42,638	$ 88,549	$ 381,135

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2013

(expressed in thousands)

	Lottery	Institutional	Other Activities	Total
OPERATING REVENUES				
Sales	$ -	$ 68,602	$ 192	$ 68,794
Less: Cost of goods sold	-	49,061	107	49,168
Gross profit	-	19,541	85	19,626
Charges for services	-	1,533	27,825	29,358
Premiums and assessments	-	-	1,329	1,329
Lottery ticket proceeds	569,587	-	-	569,587
Miscellaneous revenue	1	6	3,239	3,246
Total Operating Revenues	569,588	21,080	32,478	623,146
OPERATING EXPENSES				
Salaries and wages	7,319	12,576	27,501	47,396
Employee benefits	2,851	4,930	9,822	17,603
Personal services	10,754	-	1,313	12,067
Goods and services	65,619	760	17,129	83,508
Travel	452	240	744	1,436
Lottery prize payments	339,366	-	-	339,366
Depreciation and amortization	132	574	760	1,466
Miscellaneous expenses	62	56	244	362
Total Operating Expenses	426,555	19,136	57,513	503,204
Operating Income (Loss)	143,033	1,944	(25,035)	119,942
NONOPERATING REVENUES (EXPENSES)				
Earnings (loss) on investments	(3,562)	-	15	(3,547)
Interest expense	(10,743)	(283)	-	(11,026)
Tax and license revenue	2,890	-	19,624	22,514
Other revenues (expenses)	(8)	(6)	378	364
Total Nonoperating Revenues (Expenses)	(11,423)	(289)	20,017	8,305
Income (Loss) Before Transfers	131,610	1,655	(5,018)	128,247
Transfers in	12,314	733	117	13,164
Transfers out	(151,541)	(1,678)	(117)	(153,336)
Net Transfers	(139,227)	(945)	-	(140,172)
Change in Net Position	(7,617)	710	(5,018)	(11,925)
Net Position - Beginning, as restated	27,669	21,440	62,028	111,137
Net Position - Ending	$ 20,052	$ 22,150	$ 57,010	$ 99,212

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2013

(expressed in thousands)

	Lottery	Institutional	Other Activities	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 569,046	$ 67,501	$ 28,671	$ 665,218
Payments to suppliers	(456,882)	(48,298)	(24,128)	(529,308)
Payments to employees	(9,642)	(16,750)	(35,720)	(62,112)
Other receipts	-	6	3,232	3,238
Net Cash Provided (Used) by Operating Activities	102,522	2,459	(27,945)	77,036
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	12,314	733	117	13,164
Transfers out	(151,541)	(1,678)	(117)	(153,336)
Operating grants and donations received	-	-	338	338
Taxes and license fees collected	2,890	-	19,624	22,514
Net Cash Provided (Used) by Noncapital Financing Activities	(136,337)	(945)	19,962	(117,320)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid	-	(283)	-	(283)
Principal payments on long-term capital financing	-	(644)	(14)	(658)
Proceeds from sale of capital assets	7	12	-	19
Acquisitions of capital assets	(191)	(524)	(621)	(1,336)
Net Cash Provided (Used) by Capital and Related Financing Activities	(184)	(1,439)	(635)	(2,258)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of interest	51	-	15	66
Proceeds from sale of investment securities	79,335	-	-	79,335
Purchases of investment securities	(39,867)	-	-	(39,867)
Net Cash Provided (Used) by Investing Activities	39,519	-	15	39,534
Net Increase (Decrease) in Cash and Pooled Investments	5,520	75	(8,603)	(3,008)
Cash and Pooled Investments, July 1, as restated	18,184	4,978	91,077	114,239
Cash and Pooled Investments, June 30	$ 23,704	$ 5,053	$ 82,474	$ 111,231
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	$ 143,033	$ 1,944	$ (25,035)	$ 119,942
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:				
Depreciation	132	574	760	1,466
Revenue reduced for uncollectible accounts	61	13	-	74
Change in Assets: Decrease (Increase)				
Receivables	(542)	(2,884)	(677)	(4,103)
Inventories	156	277	(24)	409
Prepaid expenses	182	8	(8)	182
Change in Liabilities: Increase (Decrease)				
Payables	(40,500)	2,527	(2,961)	(40,934)
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 102,522	$ 2,459	$ (27,945)	$ 77,036
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Acquisition of capital assets through Certificates of Participation/capital leases	$ -	$ -	$ 10	$ 10
Amortization of annuity prize liability	10,743	-	-	10,743
Increase (decrease) in fair value of investments	3,613	-	-	3,613

Internal Service Funds

Internal Service Funds account for state activities that provide goods and services to other state departments or agencies on a cost-reimbursement basis. The Internal Service Funds are described below:

General Services Fund

The General Services Fund accounts for the cost of providing the following services to state agencies: (1) legal services; (2) state Certificate of Participation (COP) financing program; (3) facilities, equipment and related services; (4) printing; (5) audits of state agencies; (6) administration of the state civil service law and labor relations; (7) administrative hearings; and (8) archives and records management.

Data Processing Revolving Fund

The Data Processing Revolving Fund accounts for distribution and apportionment of the full cost of data processing and data communication services to other state agencies, and for the payment of other costs incidental to the acquisition, operation, and administration of acquired data processing services, supplies, and equipment.

Higher Education Revolving Fund

The Higher Education Revolving Fund accounts for stores, data processing, educational, operational printing and duplication, motor pool, and other support service activities at colleges and universities.

Risk Management Fund

The Risk Management Fund administers tort and sundry claims filed against Washington state agencies, except for the University of Washington and the Washington State Department of Transportation Ferries Division.

Health Insurance Fund

The Health Insurance Fund accounts for premiums collected and payments for employees' insurance benefits.

INTERNAL SERVICE FUNDS

Combining Statement of Net Position

June 30, 2013

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
ASSETS			
Current Assets:			
Cash and pooled investments	$ 190,506	$ 31,505	$ 246,408
Investments	401	-	465
Other receivables (net of allowance)	12,057	2,885	4,292
Due from other funds	36,850	28,854	11,742
Due from other governments	1,587	9,447	3,926
Inventories	8,556	-	12,237
Prepaid expenses	2,932	1,889	5
Restricted assets:			
Cash and investments	16	-	4
Total Current Assets	252,905	74,580	279,079
Noncurrent Assets:			
Investments, noncurrent	-	-	9,785
Restricted receivables, noncurrent	-	21,338	-
Other noncurrent assets	81	-	-
Capital assets:			
Land and other non-depreciable assets	3,942	-	2,533
Buildings	138,278	275,407	54,962
Other improvements	12,947	3,169	97
Furnishings, equipment, and intangibles	479,016	232,637	140,431
Infrastructure	1,818	-	115
Accumulated depreciation	(310,824)	(195,187)	(131,352)
Construction in progress	38,153	-	3,318
Total Noncurrent Assets	363,411	337,364	79,889
Total Assets	$ 616,316	$ 411,944	$ 358,968
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 11,092	$ 13,681	$ 15,019
Contracts and retainages payable	718	-	346
Accrued liabilities	18,762	3,042	35,052
Obligations under security lending agreements	448	-	-
Bonds and notes payable	43,991	19,105	6,128
Due to other funds	5,741	8,827	82,002
Due to other governments	89,862	-	-
Unearned revenue	345	1,283	238
Claims and judgments payable	-	-	12,274
Total Current Liabilities	170,959	45,938	151,059
Noncurrent Liabilities:			
Claims and judgments payable	-	-	67,434
Bonds and notes payable	122,289	319,417	43,648
Other long-term liabilities	67,455	22,450	30,750
Total Noncurrent Liabilities	189,744	341,867	141,832
Total Liabilities	360,703	387,805	292,891
NET POSITION			
Net investment in capital assets	230,675	-	20,328
Unrestricted	24,938	24,139	45,749
Total Net Position	255,613	24,139	66,077
Total Liabilities and Net Position	$ 616,316	$ 411,944	$ 358,968

Risk Management	Health Insurance	Total
$ 60,171	$ 289,424	$ 818,014
-	26,988	27,854
-	7,953	27,187
937	10,266	88,649
-	857	15,817
-	-	20,793
-	-	4,826
-	-	20
61,108	335,488	1,003,160
-	188,488	198,273
-	-	21,338
-	-	81
-	-	6,475
-	-	468,647
-	-	16,213
2	2,647	854,733
-	-	1,933
-	(2,433)	(639,796)
-	-	41,471
2	188,702	969,368
$ 61,110	$ 524,190	$ 1,972,528
$ 41	$ 22,191	$ 62,024
-	30	1,094
66	813	57,735
-	16,130	16,578
-	-	69,224
3,901	10,765	111,236
-	-	89,862
166	299	2,331
95,671	59,873	167,818
99,845	110,101	577,902
447,038	-	514,472
-	-	485,354
478	2,382	123,515
447,516	2,382	1,123,341
547,361	112,483	1,701,243
2	213	251,218
(486,253)	411,494	20,067
(486,251)	411,707	271,285
$ 61,110	$ 524,190	$ 1,972,528

INTERNAL SERVICE FUNDS

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2013

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
OPERATING REVENUES			
Sales	$ 32,081	$ 64,431	$ 14,418
Less: Cost of goods sold	27,329	64,420	12,476
Gross profit	4,752	11	1,942
Charges for services	246,438	160,704	205,000
Premiums and assessments	626	-	-
Miscellaneous revenue	106,665	7,074	4,520
Total Operating Revenues	358,481	167,789	211,462
OPERATING EXPENSES			
Salaries and wages	132,180	42,280	94,365
Employee benefits	51,813	13,948	33,206
Personal services	6,876	2,202	10,051
Goods and services	138,732	95,605	87,273
Travel	2,104	120	1,288
Premiums and claims	-	-	-
Depreciation and amortization	27,730	34,175	19,012
Miscellaneous expenses	1,561	33	464
Total Operating Expenses	360,996	188,363	245,659
Operating Income (Loss)	(2,515)	(20,574)	(34,197)
NONOPERATING REVENUES (EXPENSES)			
Earnings (loss) on investments	56	-	3,915
Interest expense	(5,590)	(18,766)	(1,871)
Tax and license revenue	21	-	-
Other revenues (expenses)	(297)	(177)	1,572
Total Nonoperating Revenues (Expenses)	(5,810)	(18,943)	3,616
Income (Loss) Before Contributions and Transfers	(8,325)	(39,517)	(30,581)
Capital contributions	2,398	-	-
Transfers in	6,354	17,020	47,050
Transfers out	(1,063)	(8,000)	(47,128)
Net Contributions and Transfers	7,689	9,020	(78)
Change in Net Position	(636)	(30,497)	(30,659)
Net Position - Beginning, as restated	256,249	54,636	96,736
Net Position - Ending	$ 255,613	$ 24,139	$ 66,077

Risk Management	Health Insurance	Total
$ -	$ -	$ 110,930
-	-	104,225
-	-	6,705
5,128	-	617,270
51,538	1,251,206	1,303,370
-	21	118,280
56,666	1,251,227	2,045,625
1,173	5,858	275,856
410	2,197	101,574
78	1,099	20,306
18,927	6,269	346,806
17	42	3,571
(187,430)	1,152,740	965,310
-	33	80,950
-	-	2,058
(166,825)	1,168,238	1,796,431
223,491	82,989	249,194
-	(2,058)	1,913
-	-	(26,227)
-	-	21
-	(3)	1,095
-	(2,061)	(23,198)
223,491	80,928	225,996
-	-	2,398
-	-	70,424
-	-	(56,191)
-	-	16,631
223,491	80,928	242,627
(709,742)	330,779	28,658
$ (486,251)	$ 411,707	$ 271,285

INTERNAL SERVICE FUNDS

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2013

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 285,018	$ 255,294	$ 223,486
Payments to suppliers	(108,449)	(158,120)	(26,908)
Payments to employees	(175,485)	(54,005)	(122,861)
Other receipts	110,292	7,074	4,521
Net Cash Provided (Used) by Operating Activities	111,376	50,243	78,238
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	6,354	17,020	47,050
Transfers out	(1,063)	(8,000)	(47,128)
Operating grants and donations received	2	(108)	610
Taxes and license fees collected	21	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	5,314	8,912	532
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	(5,639)	(18,766)	(1,870)
Principal payments on long-term capital financing	(20,718)	(17,609)	(6,494)
Proceeds from long-term capital financing	20,386	15,097	-
Proceeds from sale of capital assets	7,869	5,337	1,452
Acquisitions of capital assets	(43,941)	(43,704)	(9,069)
Net Cash Provided (Used) by Capital and Related Financing Activities	(42,043)	(59,645)	(15,981)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	111	-	3,914
Proceeds from sale of investment securities	-	-	370
Purchases of investment securities	-	-	(3,773)
Net Cash Provided (Used) by Investing Activities	111	-	511
Net Increase (Decrease) in Cash and Pooled Investments	74,758	(490)	63,300
Cash and Pooled Investments, July 1, as restated	115,764	31,995	183,112
Cash and Pooled Investments, June 30	$ 190,522	$ 31,505	$ 246,412
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	$ (2,515)	$ (20,574)	$ (34,197)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:			
Depreciation	27,730	34,175	19,012
Revenue reduced for uncollectible accounts	455	-	-
Change in Assets: Decrease (Increase)			
Receivables	6,564	28,877	4,084
Inventories	(738)	1,146	(1,634)
Prepaid expenses	595	(348)	-
Change in Liabilities: Increase (Decrease)			
Payables	79,285	6,967	90,973
Net Cash or Cash Equivalents Provided by (Used In) Operating Activities	$ 111,376	$ 50,243	$ 78,238
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Contributions of capital assets	$ 2,398	$ -	$ -
Acquisition of capital assets through Certificates of Participation/capital leases	-	-	14,216
Increase (decrease) in fair value of investments	55	-	3

Risk Management	Health Insurance	Total
$ 56,273	$ 1,289,563	$ 2,109,634
(102,498)	(1,180,776)	(1,576,751)
(1,506)	(7,592)	(361,449)
-	21	121,908
(47,731)	101,216	293,342
-	-	70,424
-	-	(56,191)
-	-	504
-	-	21
-	-	14,758
-	-	(26,275)
-	-	(44,821)
-	-	35,483
-	-	14,658
(3)	(190)	(96,907)
(3)	(190)	(117,862)
-	268	4,293
-	159,106	159,476
-	(358,627)	(362,400)
-	(199,253)	(198,631)
(47,734)	(98,227)	(8,393)
107,905	387,651	826,427
$ 60,171	$ 289,424	$ 818,034
$ 223,491	$ 82,989	$ 249,194
-	33	80,950
-	-	455
(499)	38,408	77,434
-	-	(1,226)
-	-	247
(270,723)	(20,214)	(113,712)
$ (47,731)	$ 101,216	$ 293,342
$ -	$ -	$ 2,398
-	-	14,216
-	(2,855)	(2,797)

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Fiduciary Funds

Fiduciary Funds account for assets held in a trustee or agent capacity for outside parties, including individuals, private organizations, and other governments.

AGENCY FUNDS

Agency Funds account for resources held by the state in a custodial capacity for other governments, private organizations, or individuals. The Agency Funds are described below:

Suspense Fund

The Suspense Fund accounts for receipts where final disposition is pending.

Local Government Distributions Fund

The Local Government Distributions Fund accounts for the receipt and allocation of taxes and fees imposed by local governments.

Pooled Investments Fund

The Pooled Investments Fund is used to administer the pooling and investing of surplus state funds, and the accumulation and allocation of interest earned among the various accounts and funds from which such investments and investment deposits were made. These balances are distributed to the owner funds at June 30.

Retiree Health Insurance Fund

The Retiree Health Insurance Fund accounts for premiums collected and payments for retiree insurance benefits.

Other Agency Fund

The Other Agency Fund accounts for (1) assets held for employees, foster children, inmates, patients, and residents of state institutions; (2) the local government share of contracted timber sales; and (3) monies held under other custodial responsibilities of the state.

AGENCY FUNDS

Combining Statement of Assets and Liabilities

June 30, 2013

(expressed in thousands)

	Suspense	Local Government Distributions	Retiree Health Insurance	Other Agency	Total
ASSETS					
Cash and pooled investments	$ 5,559	$ 10,572	$ 15,805	$ 56,408	$ 88,344
Other receivables	31	-	417	7,543	7,991
Due from other funds	-	-	-	22	22
Due from other governments	-	-	16,107	3,426	19,533
Investments, noncurrent	-	-	-	156	156
Other noncurrent assets	-	-	-	55,479	55,479
Total Assets	$ 5,590	$ 10,572	$ 32,329	$ 123,034	$ 171,525
LIABILITIES					
Accounts payable	$ 8	$ -	$ 7,540	$ 592	$ 8,140
Contracts and retainages payable	-	-	19,206	8,480	27,686
Accrued liabilities	5,582	-	405	48,934	54,921
Obligations under security lending agreements	-	278	5,178	415	5,871
Due to other funds	-	-	-	11	11
Due to other governments	-	10,294	-	9,123	19,417
Other long-term liabilities	-	-	-	55,479	55,479
Total Liabilities	$ 5,590	$ 10,572	$ 32,329	$ 123,034	$ 171,525

AGENCY FUNDS

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2013

(expressed in thousands)

Continued

Suspense Fund	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
ASSETS				
Cash and pooled investments	$ 4,539	$ 1,241,631	$ 1,240,611	$ 5,559
Other receivables	30	6,849	6,848	31
Due from other funds	-	2,341	2,341	-
Due from other governments	-	3,843	3,843	-
Investments, noncurrent	-	353	353	-
Total Assets	$ 4,569	$ 1,255,017	$ 1,253,996	$ 5,590
LIABILITIES				
Accounts payable	$ -	$ 22,021	$ 22,013	$ 8
Contracts and retainages payable	-	5	5	-
Accrued liabilities	4,491	250,502	249,411	5,582
Due to other funds	-	5	5	-
Due to other governments	78	144,626	144,704	-
Total Liabilities	$ 4,569	$ 417,159	$ 416,138	$ 5,590
Local Government Distributions Fund				
ASSETS				
Cash and pooled investments	$ 240,874	$ 8,845,904	$ 9,076,206	$ 10,572
Other receivables	876	-	876	-
Due from other funds	-	1,521,690	1,521,690	-
Investments, noncurrent	344	-	344	-
Total Assets	$ 242,094	$ 10,367,594	$ 10,599,116	$ 10,572
LIABILITIES				
Accrued liabilities	$ 1,406	$ -	$ 1,406	$ -
Obligations under security lending agreements	-	278	-	278
Due to other governments	240,688	3,156,890	3,387,284	10,294
Total Liabilities	$ 242,094	$ 3,157,168	$ 3,388,690	$ 10,572
Pooled Investments Fund				
ASSETS				
Cash and pooled investments	$ -	$ 835,230,719	$ 835,230,719	$ -
Other receivables	-	13,964,685	13,964,685	-
Due from other funds	-	487	487	-
Investments, noncurrent	-	197,550	197,550	-
Total Assets	$ -	$ 849,393,441	$ 849,393,441	$ -
LIABILITIES				
Accounts payable	$ -	$ 261	$ 261	$ -
Accrued liabilities	-	14,223,213	14,223,213	-
Due to other funds	-	1,206	1,206	-
Total Liabilities	$ -	$ 14,224,680	$ 14,224,680	$ -

AGENCY FUNDS

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2013

(expressed in thousands)

Concluded

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Retiree Health Insurance Fund				
ASSETS				
Cash and pooled investments	$ 10,261	$ 534,204	$ 528,660	$ 15,805
Other receivables	436	147,636	147,655	417
Due from other governments	15,564	380,155	379,612	16,107
Total Assets	$ 26,261	$ 1,061,995	$ 1,055,927	$ 32,329
LIABILITIES				
Accounts payable	$ 5,661	$ 349,176	$ 347,297	$ 7,540
Contracts and retainages payable	20,373	180,198	181,365	19,206
Accrued liabilities	227	187	9	405
Obligations under security lending agreements	-	5,178	-	5,178
Total Liabilities	$ 26,261	$ 534,739	$ 528,671	$ 32,329
Other Agency Funds				
ASSETS				
Cash and pooled investments	$ 53,146	$ 16,053,639	$ 16,050,377	$ 56,408
Restricted Cash and investments	-	41	41	-
Other receivables	3,899	334,887	331,243	7,543
Due from other funds	2	45,698	45,678	22
Due from other governments	3,636	10,156	10,366	3,426
Investments, noncurrent	212	9,382	9,438	156
Other noncurrent assets	46,978	8,501	-	55,479
Total Assets	$ 107,873	$ 16,462,304	$ 16,447,143	$ 123,034
LIABILITIES				
Accounts payable	$ 3,775	$ 1,191,907	$ 1,195,090	$ 592
Contracts and retainages payable	8,632	660,341	660,493	8,480
Accrued liabilities	44,011	5,478,734	5,473,811	48,934
Obligations under security lending agreements	-	415	-	415
Due to other funds	73	341,542	341,604	11
Due to other governments	4,404	61,068	56,349	9,123
Other long-term obligations	46,978	8,501	-	55,479
Total Liabilities	$ 107,873	$ 7,742,508	$ 7,727,347	$ 123,034
Totals - All Agency Funds				
ASSETS				
Cash and pooled investments	$ 308,820	$ 861,906,097	$ 862,126,573	$ 88,344
Restricted Cash and investments	-	41	41	-
Other receivables	5,241	14,454,057	14,451,307	7,991
Due from other funds	2	1,570,216	1,570,196	22
Due from other governments	19,200	394,154	393,821	19,533
Investments, noncurrent	556	207,285	207,685	156
Other noncurrent assets	46,978	8,501	-	55,479
Total Assets	$ 380,797	$ 878,540,351	$ 878,749,623	$ 171,525
LIABILITIES				
Accounts payable	$ 9,436	$ 1,563,365	$ 1,564,661	$ 8,140
Contracts and retainages payable	29,005	840,544	841,863	27,686
Accrued liabilities	50,135	19,952,636	19,947,850	54,921
Obligations under security lending agreements	-	5,871	-	5,871
Due to other funds	73	342,753	342,815	11
Due to other governments	245,170	3,362,584	3,588,337	19,417
Other long-term obligations	46,978	8,501	-	55,479
Total Liabilities	$ 380,797	$ 26,076,254	$ 26,285,526	$ 171,525

Nonmajor
Component Units

Discrete component units are entities which are legally separate from the state but which are financially accountable to the state. The nonmajor component units are described below:

Washington State Housing Finance Commission
The Washington State Housing Finance Commission makes funds available to help provide housing throughout the state, and to finance or refinance nursing homes and capital facilities owned and operated by nonprofit corporations.

Washington Health Care Facilities Authority
The Washington Health Care Facilities Authority makes funds available to qualified, nonprofit health care facilities in the state.

Washington Higher Education Facilities Authority
The Washington Higher Education Facilities Authority provides funding to qualified, nonprofit higher education institutions in the state.

Washington Economic Development Finance Authority
The Washington Economic Development Finance Authority makes funds available to qualified, small and medium-sized businesses in the state for qualifying manufacturing and processing facilities and projects.

NONMAJOR COMPONENT UNITS

Combining Statement of Net Position

June 30, 2013

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
ASSETS					
Current Assets:					
Cash and pooled investments	$ 24,599	$ 264	$ 2,428	$ 32	$ 27,323
Investments	37,950	3,450	-	246	41,646
Other receivables (net of allowance)	7,231	249	4	-	7,484
Prepaid expenses	94	9	14	-	117
Total Current Assets	69,874	3,972	2,446	278	76,570
Noncurrent Assets:					
Other noncurrent assets	105,673	-	-	-	105,673
Capital assets:					
Furnishings, equipment and intangible assets	1,608	-	-	-	1,608
Accumulated depreciation	(1,579)	-	-	-	(1,579)
Total Noncurrent Assets	105,702	-	-	-	105,702
Total Assets	$ 175,576	$ 3,972	$ 2,446	$ 278	$ 182,272
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 39,859	$ 32	$ 166	$ -	$ 40,057
Accrued liabilities	-	52	-	3	55
Unearned revenue	17,429	29	-	-	17,458
Total Current Liabilities	57,288	113	166	3	57,570
Total Liabilities	57,288	113	166	3	57,570
NET POSITION					
Net investment in capital assets	29	-	-	-	29
Restricted for other purposes	1,083	-	-	-	1,083
Unrestricted	117,176	3,859	2,280	275	123,590
Total Net Position	118,288	3,859	2,280	275	124,702
Total Liabilities and Net Position	$ 175,576	$ 3,972	$ 2,446	$ 278	$ 182,272

NONMAJOR COMPONENT UNITS

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2013

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
OPERATING REVENUES					
Charges for services	$ 30,389	$ 857	$ 532	$ 53	$ 31,831
Total Operating Revenues	30,389	857	532	53	31,831
OPERATING EXPENSES					
Salaries and wages	3,795	328	-	154	4,277
Employee benefits	1,314	88	-	43	1,445
Personal services	994	400	71	-	1,465
Goods and services	1,779	209	249	51	2,288
Travel	-	14	-	6	20
Depreciation and amortization	45	-	-	-	45
Miscellaneous expenses	2,030	-	-	-	2,030
Total Operating Expenses	9,957	1,039	320	254	11,570
Operating Income (Loss)	20,432	(182)	212	(201)	20,261
NONOPERATING REVENUES (EXPENSES)					
Earnings (loss) on investments	24	54	3	1	82
Operating grants and contributions	8,249	-	-	-	8,249
Distributions of operating grants	(7,602)	-	-	-	(7,602)
Total Nonoperating Revenues (Expenses)	671	54	3	1	729
Income (Loss)	21,103	(128)	215	(200)	20,990
Change in Net Position	21,103	(128)	215	(200)	20,990
Net Position - Beginning, as restated	97,185	3,987	2,065	475	103,712
Net Position - Ending	$ 118,288	$ 3,859	$ 2,280	$ 275	$ 124,702

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SCHEDULES

COMBINING SCHEDULE FOR GENERAL FUND ACCOUNTS

Balance Sheet

June 30, 2013

(expressed in thousands)

	General Fund Basic Account	Administrative Accounts	Total
ASSETS			
Cash and pooled investments	$ 245,237	$ 395,597	$ 640,834
Investments	-	6,608	6,608
Taxes receivable (net of allowance)	3,170,338	-	3,170,338
Other receivables (net of allowance)	147,768	5,748	153,516
Due from other funds	132,968	21,394	154,362
Due from other governments	1,204,002	7,295	1,211,297
Inventories and prepaids	12,910	-	12,910
Restricted assets:			
Cash and investments	3,398	51,233	54,631
Receivables	1,748	-	1,748
Total Assets	$ 4,918,369	$ 487,875	$ 5,406,244
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 844,582	$ 17,723	$ 862,305
Contracts and retainages payable	29,864	3,452	33,316
Accrued liabilities	160,931	23,463	184,394
Obligations under security lending agreements	59,133	14,697	73,830
Due to other funds	317,366	91,106	408,472
Due to other governments	849,476	7,994	857,470
Unearned revenue	79,267	9	79,276
Claims and judgments payable	32,173	-	32,173
Total Liabilities	2,372,792	158,444	2,531,236
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	1,492,418	-	1,492,418
Total Deferred Inflows of Resources	1,492,418	-	1,492,418
Fund Balances (Deficits):			
Nonspendable fund balance	49,818	1	49,819
Restricted fund balance	683	298,482	299,165
Committed fund balance	-	59,579	59,579
Assigned fund balance	835,152	-	835,152
Unassigned fund balance	167,506	(28,631)	138,875
Total Fund Balances (Deficits)	1,053,159	329,431	1,382,590
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	$ 4,918,369	$ 487,875	$ 5,406,244

COMBINING SCHEDULE FOR GENERAL FUND ACCOUNTS

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2013

(expressed in thousands)

	General Fund Basic Account	Administrative Accounts	Total
REVENUES			
Retail sales and use taxes	$ 7,628,507	$ -	$ 7,628,507
Business and occupation taxes	3,290,839	-	3,290,839
Property taxes	1,939,883	-	1,939,883
Excise taxes	581,861	-	581,861
Other taxes	1,852,719	-	1,852,719
Licenses, permits, and fees	105,111	206	105,317
Timber sales	2,080	-	2,080
Other contracts and grants	242,939	16	242,955
Federal grants-in-aid	8,779,357	810	8,780,167
Charges for services	31,960	-	31,960
Investment income (loss)	(16,490)	(906)	(17,396)
Miscellaneous revenue	189,949	5,383	195,332
Unclaimed property	68,162	-	68,162
Total Revenues	24,696,877	5,509	24,702,386
EXPENDITURES			
Current:			
General government	671,527	49,848	721,375
Human services	13,198,885	36,544	13,235,429
Natural resources and recreation	343,984	75,927	419,911
Transportation	44,608	2,786	47,394
Education	8,751,251	363,574	9,114,825
Intergovernmental	34,811	73,530	108,341
Capital outlays	75,047	1,253	76,300
Debt service:			
Principal	18,108	143	18,251
Interest	103	15	118
Total Expenditures	23,138,324	603,620	23,741,944
Excess of Revenues Over (Under) Expenditures	1,558,553	(598,111)	960,442
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	121,789	121,789
Issuance premiums	276	3,787	4,063
Other debt issued	4,027	442	4,469
Transfers in	455,297	141,199	596,496
Transfers out	(1,765,333)	453,102	(1,312,231)
Total Other Financing Sources (Uses)	(1,305,733)	720,319	(585,414)
Net Change in Fund Balances	252,820	122,208	375,028
Fund Balances - Beginning, as restated	800,339	207,223	1,007,562
Fund Balances - Ending	$ 1,053,159	$ 329,431	$ 1,382,590

GENERAL FUND ACCOUNTS

Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

For the Biennium Ended June 30, 2013

(expressed in thousands)

	General Fund Basic Account			
	Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ (91,994)	$ (91,994)	$ (91,994)	$ -
Resources				
Taxes	31,210,941	29,759,722	29,772,446	12,724
Licenses, permits, and fees	176,311	198,499	203,887	5,388
Other contracts and grants	523,659	535,242	465,500	(69,742)
Timber sales	7,280	6,501	6,584	83
Federal grants-in-aid	15,009,121	15,018,136	14,065,536	(952,600)
Charges for services	60,097	66,388	62,112	(4,276)
Investment income (loss)	2,664	(19,375)	(18,424)	951
Miscellaneous revenue	403,657	373,888	359,285	(14,603)
Unclaimed property	108,623	182,082	179,381	(2,701)
Transfers from other funds	877,879	927,328	1,034,250	106,922
Total Resources	48,288,238	46,956,417	46,038,563	(917,854)
Charges To Appropriations				
General government	3,512,627	3,720,552	3,585,833	134,719
Human services	24,216,993	23,446,544	22,899,976	546,568
Natural resources and recreation	634,398	658,275	592,534	65,741
Transportation	97,374	98,908	88,847	10,061
Education	18,538,529	18,297,569	18,037,460	260,109
Capital outlays	357,021	389,796	153,307	236,489
Transfers to other funds	681,290	660,209	748,996	(88,787)
Total Charges To Appropriations	48,038,232	47,271,853	46,106,953	1,164,900
Excess Available For Appropriation Over (Under) Charges To Appropriations	250,006	(315,436)	(68,390)	247,046
Reconciling Items				
Debt service	-	-	(26)	(26)
Bond sale proceeds	-	-	-	-
Issuance premiums	-	-	321	321
Refunding COPs issued	-	-	3,270	3,270
Payments to escrow agents for refunded debt	-	-	(3,565)	(3,565)
Assumed reversions	-	165,888	-	(165,888)
Working capital adjustment	-	238,000	238,000	-
Changes in reserves (net)	-	-	23,524	23,524
Entity adjustments (net)	-	-	(25,628)	(25,628)
Total Reconciling Items	-	403,888	235,896	(167,992)
Budgetary Fund Balance, June 30	$ 250,006	$ 88,452	$ 167,506	$ 79,054

Administrative Accounts in the General Fund			
Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget
$ 154,730	$ 154,730	$ 154,730	$ -
(145,835)	(145,674)	(145,323)	351
614	636	471	(165)
13	80	16	(64)
-	-	-	-
525	1,370	-	(1,370)
-	-	-	-
899	596	1,183	587
(7,953)	38,732	(8,942)	(47,674)
-	-	-	-
1,019,901	1,050,952	1,087,986	37,034
1,022,894	1,101,422	1,090,121	(11,301)
37,738	34,782	6,896	27,886
63,406	67,826	66,432	1,394
4,994	5,245	4,176	1,069
4,505	4,493	4,154	339
227,000	261,812	261,685	127
270,372	357,895	187,789	170,106
258,600	317,854	399,843	(81,989)
866,615	1,049,907	930,975	118,932
156,279	51,515	159,146	107,631
-	-	-	-
103,825	111,089	194,555	83,466
-	183	6,029	5,846
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	6,238	6,238
-	-	(36,538)	(36,538)
103,825	111,272	170,284	59,012
$ 260,104	$ 162,787	$ 329,430	$ 166,643

Schedule of Revenues and Other Financing Sources (Uses)
Governmental Funds

For the Fiscal Year Ended June 30, 2013

(expressed in thousands)

Continued

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
REVENUES					
Taxes, net of related credits:					
Retail sales and use	$ 7,628,507	$ -	$ -	$ 81,393	$ 7,709,900
Business and occupation	3,290,839	-	-	3,340	3,294,179
Motor vehicle and fuel	-	-	-	1,194,910	1,194,910
Liquor, beer, and wine	340,386	-	-	24,409	364,795
Cigarette and tobacco	465,148	-	-	-	465,148
Insurance premiums	426,400	-	-	9,718	436,118
Public utilities	423,090	1,547	-	15,094	439,731
Property	1,939,883	-	-	-	1,939,883
Excise	581,861	-	-	69,597	651,458
Gift and inheritance	3,452	100,806	-	-	104,258
Other taxes	194,243	306	-	249,362	443,911
Total Taxes	15,293,809	102,659	-	1,647,823	17,044,291
Licenses, Permits, and Fees:					
Business and professions	87,050	-	-	393,680	480,730
Recreational hunting and fishing	-	-	-	41,701	41,701
Motor vehicle	3,543	299	-	506,013	509,855
Motor vehicle operators	-	-	-	91,793	91,793
Other fees	14,724	-	-	460,051	474,775
Total Licenses, Permits, and Fees	105,317	299	-	1,493,238	1,598,854
Federal Grants-In-Aid:					
Department of Health & Human Services	5,420,659	649,339	-	8,324	6,078,322
Department of Labor	83,039	11,287	-	154,303	248,629
Department of Agriculture	2,154,820	48,830	-	94,942	2,298,592
Department of Transportation	3,155	4,005	-	973,251	980,411
Department of Education	723,297	711,352	-	2,017	1,436,666
Other federal grants-in-aid	395,197	310,531	71	140,378	846,177
Total Federal Grants-In-Aid	8,780,167	1,735,344	71	1,373,215	11,888,797
Charges for Services:					
Tuition and student fees	-	2,035,765	-	92,711	2,128,476
Other charges	31,960	530,369	1	535,861	1,098,191
Total Charges For Services	31,960	2,566,134	1	628,572	3,226,667
Miscellaneous Revenue:					
Investment earnings (loss)	(17,396)	23,871	330,476	60,117	397,068
Timber sales	2,080	-	15,065	104,897	122,042
Fines and forfeitures	98,518	5,642	14	68,049	172,223
Other contracts and grants	242,955	815,191	-	76,765	1,134,911
Contributions and donations	-	-	62,589	-	62,589
Unclaimed property	68,162	-	-	-	68,162
Other	96,814	85,903	2,057	350,090	534,864
Total Miscellaneous Revenue	491,133	930,607	410,201	659,918	2,491,859
Total Revenues	24,702,386	5,335,043	410,273	5,802,766	36,250,468

Schedule of Revenues and Other Financing Sources (Uses)
Governmental Funds

For the Fiscal Year Ended June 30, 2013

(expressed in thousands)

Concluded

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
OTHER FINANCING SOURCES (USES)					
Bonds issued	121,789	39,725	-	1,039,386	1,200,900
Refunding bonds issued	-	-	-	1,636,990	1,636,990
Payments to escrow agents for refunded bond debt	-	-	-	(1,893,883)	(1,893,883)
Issuance premiums	4,063	12,850	-	383,428	400,341
Other debt issued	4,469	108,876	-	44,135	157,480
Refunding COPs issued	-	10,590	-	-	10,590
Payments to escrow agents for refunded COP debt	-	(11,950)	-	-	(11,950)
Transfers in	596,496	217,936	1,299	2,335,874	3,151,605
Transfers out	(1,312,231)	(220,885)	(124,918)	(1,393,538)	(3,051,572)
Total Other Financing Sources (Uses)	(585,414)	157,142	(123,619)	2,152,392	1,600,501
Total Revenues and Other Financing Sources (Uses)	$ 24,116,972	$ 5,492,185	$ 286,654	$ 7,955,158	$ 37,850,969

Schedule of Expenditures
Governmental Funds
For the Fiscal Year Ended June 30, 2013
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
EXPENDITURES					
By Function:					
General government	$ 846,687	$ -	$ 105	$ 2,399,236	$ 3,246,028
Human services	13,272,787	385	-	768,892	14,042,064
Natural resources and recreation	446,869	-	630	664,737	1,112,236
Transportation	49,711	-	1	3,453,098	3,502,810
Education	9,125,890	5,144,316	3,447	934,177	15,207,830
Total Expenditures	$ 23,741,944	$ 5,144,701	$ 4,183	$ 8,220,140	$ 37,110,968
By Object:					
Salaries and wages	$ 2,335,811	$ 1,990,861	$ -	$ 1,070,066	$ 5,396,738
Employee benefits	829,572	640,268	-	346,536	1,816,376
Personal services	192,799	60,195	303	65,608	318,905
Goods and services	1,267,659	878,463	3,052	933,636	3,082,810
Travel	37,882	100,287	-	29,635	167,804
Subtotal	4,663,723	3,670,074	3,355	2,445,481	10,782,633
Grants and Subsidies:					
K-12 basic education	7,449,362	378	-	54,845	7,504,585
Public assistance	9,845,313	385	-	284,876	10,130,574
Other miscellaneous	1,580,536	1,230,624	198	1,281,642	4,093,000
Total Grants and Subsidies	18,875,211	1,231,387	198	1,621,363	21,728,159
Intergovernmental	108,341	-	-	331,455	439,796
Capital Outlays:					
Equipment	27,132	69,194	-	93,444	189,770
All other	49,168	127,405	630	2,089,043	2,266,246
Total Capital Outlays	76,300	196,599	630	2,182,487	2,456,016
Debt Service:					
Principal	18,251	35,032	-	730,483	783,766
Interest	118	11,609	-	908,871	920,598
Total Debt Service	18,369	46,641	-	1,639,354	1,704,364
Total Expenditures	$ 23,741,944	$ 5,144,701	$ 4,183	$ 8,220,140	$ 37,110,968

CLAIMS DEVELOPMENT INFORMATION

Workers' Compensation Fund
Basic Plan

Fiscal Years 2004 through 2013
(expressed in millions)

The table below illustrates how the fund's earned revenues (net of reinsurance) and investment income compare to the related costs of losses (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of each of the last ten fiscal years. The state has not purchased reinsurance since September 30, 2002 and has never had a qualifying event that generated a recovery.

The rows of the table are defined as follows:

1. This line shows each fiscal year's earned contribution revenues and investment revenues.
2. This line shows the fund's incurred claims (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). Claim values are reported as undiscounted.
3. This section shows the cumulative amounts paid as of the end of successive years for each policy year.
4. This section shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of claims not previously known.
5. This line compares the latest reestimated incurred claims amount to the amount originally established (line 2) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimates is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the table show data for successive fiscal years.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1. Net earned required contribution and investment revenues	$ 1,337	$ 2,452	$ 1,392	$ 2,406	$ 1,697	$ 1,692	$ 2,798	$ 2,525	$ 2,581	$ 1,928
2. Estimated incurred claims and expenses, end of policy year	2,505	2,308	2,141	2,196	2,256	2,363	2,312	2,254	2,086	2,105
3. Paid (cumulative) as of:										
End of policy year	244	260	278	295	310	322	298	289	284	296
One year later	528	556	589	625	679	667	604	584	580	
Two years later	681	715	754	817	890	863	772	747		
Three years later	784	821	873	953	1,042	1,000	890			
Four years later	860	906	964	1,059	1,162	1,107				
Five years later	925	977	1,038	1,144	1,258					
Six years later	982	1,039	1,103	1,216						
Seven years later	1,031	1,094	1,159							
Eight years later	1,076	1,142								
Nine years later	1,118									
4. Reestimated incurred claims and expenses:										
End of policy year	2,505	2,308	2,141	2,196	2,256	2,363	2,312	2,254	2,086	2,105
One year later	2,203	1,989	2,053	2,234	2,559	2,535	2,271	2,139	2,026	
Two years later	1,971	1,939	2,055	2,390	2,647	2,538	2,261	2,066		
Three years later	1,864	1,954	2,151	2,441	2,724	2,485	2,137			
Four years later	1,886	2,025	2,196	2,526	2,662	2,411				
Five years later	1,941	2,067	2,244	2,445	2,576					
Six years later	1,966	2,111	2,198	2,388						
Seven years later	2,016	2,056	2,186							
Eight years later	1,965	2,058								
Nine years later	1,941									
5. Increase (decrease) in estimated incurred claims and expenses from end of policy year	(564)	(250)	45	192	320	48	(175)	(188)	(60)	-

Source: Washington State Department of Labor and Industries

CLAIMS DEVELOPMENT INFORMATION

Workers' Compensation Fund
Supplemental Pension Plan

Fiscal Years 2004 through 2013

(expressed in millions)

The table below illustrates how the fund's supplemental pension cost-of-living adjustments earned revenues (net of reinsurance) and investment income compare to the related costs of losses (net of loss assumed by reinsurers) as of the end of the last ten fiscal years. The state has not purchased reinsurance since September 30, 2002 and has never had a qualifying event that generated a recovery. The unallocated and other expenses of this plan are paid by the Workers' Compensation Basic Plan. This claims development information is reported separate from the basic plan for the following reasons: (1) This plan covers self-insured, while the basic does not; (2) This plan is not experienced rated while the basic plan is; and (3) Statutes restrict the funding of this plan to expected payments of the current year.

The rows of the table are defined as follows:

1. This line shows each fiscal year's earned contribution revenues and investment revenues.
2. This line shows the fund's incurred claims (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). Claim values are reported as undiscounted.
3. This section shows the cumulative amounts paid as of the end of successive years for each policy year.
4. This section shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of claims not previously known.
5. This line compares the latest reestimated incurred claims amount to the amount originally established (line 2) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimates is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the table show data for successive fiscal years.

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1.	Net earned required contribution and investment revenues	$ 288	$ 326	$ 305	$ 283	$ 334	$ 349	$ 372	$ 440	$ 444	$ 419
2.	Estimated incurred claims and expenses, end of policy year	1,228	724	804	968	1,093	966	1,082	843	519	441
3.	Paid (cumulative) as of:										
	End of policy year	-	-	-	-	-	-	-	-	-	-
	One year later	2	1	3	6	8	6	3	1	1	
	Two years later	3	4	7	12	14	10	4	3		
	Three years later	6	8	14	21	21	14	7			
	Four years later	11	15	22	30	28	20				
	Five years later	16	22	30	37	36					
	Six years later	24	30	38	46						
	Seven years later	31	38	46							
	Eight years later	38	46								
	Nine years later	47									
4.	Reestimated incurred claims and expenses:										
	End of policy year	1,228	724	804	968	1,093	966	1,082	843	519	441
	One year later	722	721	927	1,176	1,121	1,174	843	577	490	
	Two years later	720	848	1,065	1,125	1,316	980	601	507		
	Three years later	811	971	998	1,272	1,152	718	607			
	Four years later	940	897	1,119	1,116	847	703				
	Five years later	858	990	958	831	739					
	Six years later	919	862	736	684						
	Seven years later	822	652	610							
	Eight years later	623	587								
	Nine years later	555									
5.	Increase (decrease) in estimated incurred claims and expenses from end of policy year	(673)	(137)	(194)	(284)	(354)	(263)	(475)	(336)	(29)	-

Source: Washington State Department of Labor and Industries

CLAIMS DEVELOPMENT INFORMATION

Workers' Compensation Fund

Reconciliation of Claims Liabilities by Plan

Fiscal Years 2013 and 2012

(expressed in thousands)

The schedule below presents the changes in claims liabilities for the past two fiscal years for the fund's two benefit plans: Workers' Compensation Basic Plan and Workers' Compensation Supplemental Pension Plan.

	Basic Plan		Supplemental Pension Plan		Grand Total	
	FY 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Unpaid claims and claim adjustment expenses at beginning of year	$ 11,738,930	$ 11,288,310	$ 10,857,420	$ 11,655,001	$ 22,596,350	$ 22,943,311
INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES [1]						
Provision for insured events of the current year	1,631,274	1,524,878	292,737	298,647	1,924,011	1,823,525
Increase (decrease) in provision for insured events of prior years [2]	677,906	614,321	548,600	(706,505)	1,226,506	(92,184)
Total incurred claims and claim adjustment expenses	2,309,180	2,139,199	841,337	(407,858)	3,150,517	1,731,341
PAYMENTS						
Claims and claim adjustment expenses Attributable:						
To events of the current year	296,347	283,763	-	-	296,347	283,763
To insured events of prior years [3]	1,416,526	1,404,816	406,434	389,723	1,822,960	1,794,539
Total payments	1,712,873	1,688,579	406,434	389,723	2,119,307	2,078,302
Total unpaid claims and claim adjustment expenses at fiscal year end	$ 12,335,237	$ 11,738,930	$ 11,292,323	$ 10,857,420	$ 23,627,560	$ 22,596,350

(1) Incurred claims and claim adjustment expenses are reported net of discounts.

(2) Includes claims and claim adjustment expenses for all prior accident periods.

(3) Includes payments for all prior accident periods.

Source: Washington State Department of Labor and Industries

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STATISTICAL SECTION

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Statistical Section

This section of the state of Washington's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health.

Financial Trends........ 244-255

These schedules contain trend information to help the reader understand how the state's financial performance and fiscal health has changed over time.

Revenue Capacity........ 256-261

These schedules contain information to help the reader assess the state's most significant revenue sources: Retail sales tax and business and occupation tax.

Debt Capacity........ 262-266

These schedules present information to help the reader assess the affordability of the state's current levels of outstanding debt, and the state's ability to issue additional debt in the future.

Demographic Information........ 267-275

These schedules offer demographic and economic indicators to help the reader understand the environment in which the state's financial activities take place.

Operating Information........ 276-287

These schedules offer operating data to help the reader understand how the information in the state's financial report relates to the services it provides and the activities it performs.

FINANCIAL TRENDS

Schedule 1 – Net Position by Component

Last Ten Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2013	2012	2011	2010	2009
GOVERNMENTAL ACTIVITIES					
Net investment in capital assets	$ 19,706	$ 19,561	$ 18,723	$ 18,201	$ 17,551
Restricted	6,524	5,296	4,847	5,214	4,887
Unrestricted	111	233	1,160	(217)	1,417
Total governmental activities net position	$ 26,341	$ 25,090	$ 24,730	$ 23,198	$ 23,855
BUSINESS-TYPE ACTIVITIES					
Net investment in capital assets	$ 740	$ 797	$ 718	$ 913	$ 721
Restricted	3,469	3,225	3,199	2,930	3,800
Unrestricted	(9,067)	(8,599)	(9,662)	(10,864)	(9,737)
Total business-type activities net position	$ (4,858)	$ (4,577)	$ (5,745)	$ (7,021)	$ (5,216)
PRIMARY GOVERNMENT					
Net investment in capital assets	$ 20,446	$ 20,358	$ 19,441	$ 19,114	$ 18,272
Restricted	9,993	8,521	8,046	8,144	8,687
Unrestricted	(8,956)	(8,366)	(8,502)	(11,081)	(8,320)
Total primary government net position	$ 21,483	$ 20,513	$ 18,985	$ 16,177	$ 18,639
COMPONENT UNITS					
Net investment in capital assets	$ 320	$ 322	$ 332	$ 343	$ 354
Restricted	13	16	20	21	23
Unrestricted	131	109	102	96	87
Total component units net position	$ 464	$ 446	$ 454	$ 460	$ 464

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

2008	2007	2006	2005	2004
$ 17,029	$ 16,189	$ 15,434	$ 14,975	$ 14,288
5,524	5,072	4,343	4,351	3,505
3,544	4,269	3,384	1,900	1,854
$ 26,097	$ 25,530	$ 23,161	$ 21,226	$ 19,647
$ 521	$ 598	$ 604	$ 510	$ 522
4,406	3,891	3,164	2,341	1,624
(9,211)	(7,256)	(6,132)	(5,632)	(6,200)
$ (4,284)	$ (2,767)	$ (2,364)	$ (2,781)	$ (4,053)
$ 17,550	$ 16,787	$ 16,039	$ 15,485	$ 14,810
9,930	8,963	7,507	6,692	5,129
(5,667)	(2,986)	(2,748)	(3,732)	(4,346)
$ 21,813	$ 22,764	$ 20,798	$ 18,445	$ 15,593
$ 365	$ 372	$ 392	$ 410	$ 428
24	31	25	24	22
82	74	69	61	58
$ 471	$ 477	$ 486	$ 495	$ 508

FINANCIAL TRENDS

Schedule 2 – Changes in Net Position

Last Ten Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2013	2012	2011	2010	2009
EXPENSES					
Governmental activities:					
General government	$ 1,537	$ 1,219	$ 1,674	$ 1,738	$ 1,815
Education - elementary and secondary (K-12)	8,237	8,257	8,055	8,468	8,549
Education - higher education	6,992	6,526	6,257	6,051	6,044
Human services	13,182	13,168	13,363	12,946	12,436
Adult corrections	844	886	935	938	1,044
Natural resources and recreation	1,096	982	996	1,084	1,062
Transportation	2,379	2,396	1,981	2,073	1,883
Intergovernmental grants (1)	-	-	-	-	-
Interest on long-term debt	955	910	882	810	728
Total governmental activities expenses	35,222	34,345	34,144	34,108	33,561
Business-type activities:					
Workers' compensation	3,329	1,919	1,219	4,268	2,544
Unemployment compensation	1,983	2,817	3,690	4,729	2,360
Higher education student services	1,927	1,834	1,820	1,628	1,502
Health insurance programs (2)	-	-	-	-	-
Liquor control (3)(4)	-	566	556	552	540
Washington's lottery (3)	437	407	393	389	401
Guaranteed education tuition program (5)	(105)	-	-	-	-
Other	126	210	784	345	391
Total business-type activities expenses	7,697	7,754	8,463	11,911	7,738
Total primary government expenses	$ 42,919	$ 42,099	$ 42,607	$ 46,019	$ 41,299
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	$ 977	$ 702	$ 645	$ 534	$ 600
Education - elementary and secondary (K-12)	14	10	16	12	19
Education - higher education	2,760	2,662	2,379	2,210	2,170
Human services	544	531	462	345	300
Adult corrections	8	8	7	18	9
Natural resources and recreation	421	434	478	564	400
Transportation	1,025	878	914	899	900
Operating grants and contributions	12,027	11,790	12,609	12,193	10,565
Capital grants and contributions	997	944	833	939	706
Total governmental activities program revenues	18,773	17,960	18,343	17,716	15,669
Business-type activities:					
Charges for services:					
Workers' compensation	2,154	2,046	2,019	1,755	1,856
Unemployment compensation	1,308	1,346	1,573	1,288	1,011
Higher education student services	1,857	1,762	1,615	1,698	1,556
Health insurance programs (2)	-	-	-	-	-
Liquor control (3)(4)	-	582	596	593	574
Washington's lottery (3)	570	535	511	491	488
Guaranteed education tuition program (5)	174	-	-	-	-
Other	103	121	152	162	156
Operating grants and contributions	870	1,443	2,305	2,468	572
Capital grants and contributions	-	1	13	-	-
Total business-type activities program revenues	7,036	7,836	8,784	8,455	6,212
Total primary government program revenues	$ 25,809	$ 25,796	$ 27,127	$ 26,171	$ 21,881
NET (EXPENSE)/REVENUE					
Governmental activities	$ (16,449)	$ (16,385)	$ (15,800)	$ (16,392)	$ (17,892)
Business-type activities	(661)	83	321	(3,456)	(1,526)
Total primary government net expense	$ (17,110)	$ (16,302)	$ (15,479)	$ (19,848)	$ (19,418)

(Refer to footnotes on page 250.)

continued

2008	2007	2006	2005	2004
$ 1,609	$ 1,525	$ 1,320	$ 925	$ 918
7,476	6,871	6,642	6,283	6,086
5,710	5,244	4,804	4,454	4,216
11,260	10,473	10,082	9,852	9,348
1,020	811	749	640	644
931	983	777	229	651
1,894	1,588	1,527	1,457	1,310
-	-	-	335	329
643	553	533	505	478
30,543	28,048	26,434	24,680	23,980
4,068	3,841	2,267	2,407	2,389
791	697	736	870	1,745
1,470	1,305	1,254	1,170	1,130
-	-	1,244	1,138	1,044
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,204	1,103	1,042	988	951
7,533	6,946	6,543	6,573	7,259
$ 38,076	$ 34,994	$ 32,977	$ 31,253	$ 31,239
$ 651	$ 576	$ 513	$ 439	$ 449
13	14	13	14	11
1,718	1,545	1,282	1,316	1,250
251	236	234	311	359
10	10	6	11	6
376	393	390	385	339
894	844	787	685	677
8,725	8,286	8,260	8,238	7,942
746	744	610	675	519
13,384	12,648	12,095	12,074	11,552
1,596	1,710	1,790	1,719	1,515
1,094	1,248	1,411	1,458	1,345
1,444	1,347	1,266	1,188	1,128
-	-	1,342	1,200	1,042
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,230	1,166	1,102	1,050	1,028
42	46	55	71	468
-	-	-	(2)	4
5,406	5,518	6,966	6,684	6,530
$ 18,790	$ 18,166	$ 19,061	$ 18,758	$ 18,082
$ (17,159)	$ (15,400)	$ (14,339)	$ (12,606)	$ (12,428)
(2,127)	(1,427)	423	111	(729)
$ (19,286)	$ (16,827)	$ (13,916)	$ (12,495)	$ (13,157)

FINANCIAL TRENDS

Schedule 2 – Changes in Net Position

Last Ten Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2013	2012	2011	2010	2009
GENERAL REVENUES & OTHER CHANGES IN NET POSITION					
Governmental activities:					
Taxes:					
Sales and use tax	$ 7,710	$ 7,349	$ 7,349	$ 6,871	$ 7,306
Business and occupation	3,294	3,149	3,077	2,597	2,614
Property	1,940	1,897	1,858	1,822	1,785
Other	4,128	3,946	3,881	3,692	4,296
Interest and investment earnings (loss)	397	169	474	449	(212)
Contributions to endowments	63	47	69	52	57
Extraordinary loss (asset impairment)	-	-	-	-	-
Transfers	114	165	231	252	(190)
Total governmental activities	17,646	16,722	16,939	15,735	15,656
Business-type activities:					
Taxes - other	22	72	174	160	113
Interest and investment earnings	523	1,150	1,611	1,742	291
Transfers	(114)	(165)	(231)	(252)	190
Other general revenue	-	30	-	-	-
Special item - transfer of Convention and Trade Center to another government	-	-	(223)	-	-
Total business-type activities	431	1,088	1,331	1,650	594
Total primary government	$ 18,077	$ 17,810	$ 18,270	$ 17,385	$ 16,250
CHANGE IN NET POSITION					
Governmental activities	$ 1,197	$ 337	$ 1,140	$ (657)	$ (2,236)
Business-type activities	(230)	1,171	1,653	(1,806)	(932)
Total primary government	$ 967	$ 1,508	$ 2,793	$ (2,463)	$ (3,168)
COMPONENT UNITS					
Total expenses	$ 46	$ 60	$ 131	$ 68	$ 29
Program revenues:					
Charges for services	33	18	17	16	15
Operating grants and contributions	29	32	105	44	1
Capital grants and contributions	2	1	1	1	1
Total program revenues	64	51	123	61	17
Net (expense) / revenue	18	(9)	(8)	(7)	(12)
General revenues - interest and investment earnings	-	2	2	3	5
Total component units - change in net position	$ 18	$ (8)	$ (6)	$ (4)	$ (7)

[1] Intergovernmental grants is zero beginning in 2006 due to reclassification to the appropriate governmental activity.

[2] Health insurance programs is zero beginning in 2007 due to fund reclassifications.

[3] Liquor control and Washington's lottery were separated from other business-type activities in 2009.

[4] The Liquor Control distribution and sale of spirits ceased with the passage of Initative 1183. The remaining activities of the Liquor fund for enforcement and regulation of alcohol and tobacco sales were reclassified to a governmental activity.

[5] Guaranteed education tuition program was separated from other business-type activities in 2013.
Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

concluded

2008	2007	2006	2005	2004
$ 8,341	$ 7,951	$ 7,429	$ 6,736	$ 6,234
2,851	2,756	2,484	2,291	2,078
1,742	1,689	1,630	1,590	1,527
3,959	4,308	3,957	3,370	3,253
464	818	475	363	294
95	97	131	69	46
-	-	(84)	-	-
272	204	252	184	199
17,724	17,824	16,273	14,603	13,632
115	108	100	95	116
767	1,316	147	1,249	286
(272)	(204)	(252)	(184)	(199)
-	-	-	-	-
-	-	-	-	-
610	1,220	(5)	1,160	203
$ 18,334	$ 19,044	$ 16,268	$ 15,763	$ 13,835
$ 565	$ 2,424	$ 1,934	$ 1,997	$ 1,204
(1,517)	(207)	418	1,271	(526)
$ (952)	$ 2,216	$ 2,352	$ 3,268	$ 678
$ 30	$ 30	$ 29	$ 29	$ 30
16	15	13	12	11
-	-	-	1	-
1	1	1	1	1
17	16	14	13	12
(13)	(14)	(15)	(16)	(18)
7	5	3	3	-
$ (6)	$ (9)	$ (12)	$ (13)	$ (18)

FINANCIAL TRENDS

Schedule 3 – Fund Balances, Governmental Funds (1)

Last Ten Fiscal Years (expressed in thousands)
(modified accrual basis of accounting)

	2013	2012	2011	2010	2009
GENERAL FUND					
Nonspendable	$ 49,819	$ 54,726	$ 89,916	N/A	N/A
Restricted	299,165	161,689	23,273	N/A	N/A
Committed	59,579	78,117	98,077	N/A	N/A
Assigned	835,152	710,091	1,114,699	N/A	N/A
Unassigned	138,875	-	(107,764)	N/A	N/A
Reserved	N/A	N/A	N/A	$ 76,164	$ 74,929
Unreserved, designated for:					
Working capital	N/A	N/A	N/A	863,652	897,763
Unrealized gains	N/A	N/A	N/A	-	-
Unreserved, undesignated	N/A	N/A	N/A	(561,067)	189,258
Total General Fund	1,382,590	1,004,623	1,218,201	378,749	1,161,950
ALL OTHER GOVERNMENTAL FUNDS					
Nonspendable	2,289,499	2,207,007	3,664,194	N/A	N/A
Restricted	3,895,017	4,919,729	3,790,577	N/A	N/A
Committed	4,937,328	3,503,646	2,052,523	N/A	N/A
Assigned	40	44	45	N/A	N/A
Unassigned	(79,327)	-	(174,472)	N/A	N/A
Reserved	N/A	N/A	N/A	6,298,440	4,993,402
Unreserved, designated for:					
Unrealized gains	N/A	N/A	N/A	-	-
Higher education	N/A	N/A	N/A	107,624	155,679
Special revenue funds	N/A	N/A	N/A	157	165
Debt service funds	N/A	N/A	N/A	170,200	267,470
Other specific purpose	N/A	N/A	N/A	-	-
Unreserved, undesignated	N/A	N/A	N/A	2,297,145	814,231
Unreserved, undesignated, reported in:					
Nonmajor special revenue funds	N/A	N/A	N/A	1,219,705	1,848,410
Nonmajor capital project funds	N/A	N/A	N/A	69,192	307,556
Total all other governmental funds	11,042,557	10,630,426	9,332,867	10,162,463	8,386,913
Total governmental fund balances	$ 12,425,147	$ 11,635,049	$ 10,551,068	$ 10,541,212	$ 9,548,863

(1) Beginning in fiscal year 2011, fund balance categories were reclassified as a result of implementing GASB Statement No. 54. Fund balance was not restated to the new categories for prior years.

N/A indicates data not available.

Source: Washington State Office of Financial Management, Accounting Division

2008	2007	2006	2005	2004
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
$ 200,794	$ 119,687	$ 230,848	$ 55,602	$ 166,043
1,040,563	1,002,963	1,076,631	1,004,131	964,631
-	-	-	-	-
677,431	780,510	569,326	865,443	385,436
1,918,788	1,903,160	1,876,805	1,925,176	1,516,110
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
6,549,844	5,435,860	5,061,345	4,546,263	4,209,890
-	-	-	-	3,809
155,679	155,679	155,679	155,679	155,679
220	221	229	165	174
362,122	220,474	206,228	177,961	288,231
-	-	-	-	-
1,006,121	1,151,829	454,714	573,576	515,597
2,432,112	3,040,036	2,585,037	1,528,463	1,474,023
106,741	246,060	70,275	166,393	-
10,612,839	10,250,159	8,533,507	7,148,500	6,647,403
$ 12,531,627	$ 12,153,319	$ 10,410,312	$ 9,073,676	$ 8,163,513

FINANCIAL TRENDS

Schedule 4 – Revenues, Expenditures, and Other Financing Sources (Uses)
All Governmental Fund Types

Last Ten Fiscal Years (expressed in millions)

	2013	2012	2011	2010	2009
REVENUES					
Taxes:					
Retail sales and use	$ 7,710	$ 7,349	$ 7,349	$ 6,871	$ 7,306
Business and occupation	3,294	3,149	3,077	2,597	2,614
Motor vehicle and fuel	1,195	1,178	1,206	1,219	1,183
Liquor, beer, and wine	365	323	229	223	222
Cigarette and tobacco	465	471	494	426	432
Insurance premiums	436	430	413	406	408
Public utilities	440	438	450	416	430
Property	1,940	1,897	1,858	1,822	1,785
Excise	651	495	447	471	487
Gift and inheritance	104	105	123	82	139
Other taxes	444	424	438	418	361
Total Taxes	17,044	16,260	16,084	14,951	15,368
Licenses, permits, and fees	1,599	1,244	1,072	987	899
Federal grants-in-aid	11,889	11,905	12,599	12,388	10,548
Charges and miscellaneous revenue	5,321	4,852	4,722	4,460	4,145
Investment income (loss)	397	169	474	449	(212)
Total Revenues	36,250	34,431	34,951	33,235	30,748
EXPENDITURES					
Current:					
General government	1,162	1,169	1,375	1,474	1,377
Human services	13,957	13,903	14,134	13,736	13,154
Natural resources and recreation	1,043	920	966	889	999
Transportation	1,797	1,788	1,809	1,876	1,847
Education	14,551	14,275	14,086	13,989	13,826
Intergovernmental	440	399	393	382	383
Capital outlays	2,456	2,224	2,403	2,260	2,446
Debt service:					
Principal	784	728	697	671	645
Interest	921	884	830	740	670
Total Expenditures	37,111	36,288	36,692	36,016	35,348
Revenues Over (Under) Expenditures	(861)	(1,858)	(1,741)	(2,782)	(4,599)
OTHER FINANCING SOURCES (USES):					
Bonds issued, net of refunding	1,344	2,759	989	3,416	1,781
Other debt issued, net of refunding	156	21	154	112	49
Transfers in	3,152	2,669	3,860	3,699	4,125
Transfers out	(3,051)	(2,517)	(3,636)	(3,452)	(4,340)
Net Other Financing Sources (Uses)	1,601	2,931	1,367	3,774	1,615
Net Change in Fund Balances	$ 740	$ 1,074	$ (374)	$ 993	$ (2,985)
Debt service as a percentage of noncapital expenditures	4.9%	4.7%	4.5%	4.2%	4.0%

(1) Certain fund type reclassifications occurred in fiscal year 2004.

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

2008	2007	2006	2005	2004 (1)
$ 8,341	$ 7,952	$ 7,429	$ 6,736	$ 6,235
2,851	2,756	2,484	2,291	2,078
1,170	1,135	1,030	931	926
214	207	197	152	144
413	439	469	354	353
415	392	379	357	346
428	408	381	345	330
1,742	1,688	1,630	1,590	1,527
781	1,107	1,067	902	687
111	183	19	(38)	140
427	437	419	360	335
16,892	16,704	15,502	13,981	13,100
911	863	788	707	666
8,767	8,317	8,095	8,010	7,702
3,869	3,559	3,345	3,350	3,184
464	818	475	363	294
30,903	30,261	28,206	26,411	24,946
1,254	1,146	990	934	860
12,115	11,242	10,777	10,486	9,962
897	906	729	704	643
1,803	1,647	1,489	1,487	1,297
12,860	11,789	11,103	10,539	10,085
379	378	359	335	330
2,264	2,296	1,710	1,741	1,542
586	528	500	461	415
589	545	509	497	468
32,748	30,477	28,165	27,183	25,601
(1,845)	(216)	41	(772)	(655)
1,957	1,674	1,162	1,190	1,214
19	63	44	26	18
2,628	3,308	3,312	2,771	2,100
(2,382)	(3,086)	(3,068)	(2,501)	(1,864)
2,222	1,959	1,451	1,487	1,469
$ 377	$ 1,743	$ 1,492	$ 715	$ 814
3.9%	3.8%	3.8%	3.8%	3.7%

FINANCIAL TRENDS

Schedule 5 – Revenues, Expenditures, and Other Financing Sources (Uses)
General Fund

Last Ten Fiscal Years (expressed in millions)

	2013	2012	2011	2010	2009
REVENUES					
Taxes:					
Retail sales and use	$ 7,629	$ 7,274	$ 7,275	$ 6,802	$ 7,234
Business and occupation	3,291	3,145	3,072	2,593	2,530
Liquor, beer, and wine	340	296	202	198	163
Cigarette and tobacco	465	471	498	349	68
Insurance premiums	426	421	404	397	253
Public utilities	423	427	449	400	417
Property	1,940	1,897	1,858	1,822	1,529
Excise	583	434	414	418	433
Gift and inheritance	3	-	1	-	-
Other taxes	194	183	250	192	163
Total Taxes	15,294	14,547	14,424	13,169	12,791
Licenses, permits, and fees	105	99	88	86	95
Federal grants-in-aid	8,780	8,824	9,597	9,648	8,311
Charges and miscellaneous revenue	540	520	556	481	326
Investment income (loss)	(17)	(6)	(15)	(9)	64
Total Revenues	24,702	23,983	24,650	23,375	21,587
EXPENDITURES					
Current:					
General government	721	745	923	822	726
Human services	13,236	13,209	13,473	13,209	11,912
Natural resources and recreation	420	373	388	360	340
Transportation	48	42	41	44	37
Education	9,115	9,169	9,211	9,243	9,044
Intergovernmental	108	105	102	30	32
Capital outlays	76	67	49	54	69
Debt service:					
Principal	18	16	16	20	18
Interest	-	1	1	1	1
Total Expenditures	23,742	23,728	24,203	23,783	22,179
Revenues Over (Under) Expenditures	960	256	447	(408)	(592)
OTHER FINANCING SOURCES (USES)					
Bonds issued, net of refunding	127	76	340	-	-
Other debt issued, net of refunding	4	15	14	4	27
Transfers in	596	496	939	1,187	952
Transfers out	(1,312)	(1,056)	(1,154)	(1,566)	(1,144)
Net Other Financing Sources (Uses)	(585)	(470)	139	(375)	(165)
Net Change in Fund Balances	$ 375	$ (214)	$ 586	$ (783)	$ (757)

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

2008	2007	2006	2005	2004
$ 8,256	$ 7,870	$ 7,357	$ 6,675	$ 6,174
2,760	2,685	2,412	2,228	2,019
157	154	147	105	100
47	58	61	61	62
261	249	242	228	218
415	395	369	334	318
1,495	1,442	1,384	1,395	1,393
707	1,014	977	808	623
4	4	(1)	(38)	140
205	226	216	192	178
14,307	14,097	13,165	11,988	11,225
97	92	85	79	76
6,557	6,204	6,113	6,012	5,917
364	327	283	429	388
123	106	73	36	5
21,449	20,826	19,720	18,544	17,610
663	640	602	552	515
10,921	10,191	9,809	9,519	8,989
336	361	292	271	268
42	39	42	27	27
8,235	7,765	7,407	7,243	6,977
31	30	28	28	27
57	49	56	78	67
15	15	15	12	10
-	-	1	2	-
20,300	19,090	18,252	17,733	16,880
1,149	1,736	1,468	811	730
-	-	-	-	-
12	5	17	16	5
72	128	248	524	308
(1,217)	(1,843)	(1,825)	(942)	(895)
(1,133)	(1,710)	(1,560)	(402)	(582)
$ 16	$ 26	$ (92)	$ 409	$ 148

REVENUE CAPACITY

Schedule 6 – Sales Subject to Retail Sales Tax by Industry

Last Ten Calendar Years (expressed in millions)

Industry [1]	2012	2011	2010	2009	2008
Retail trade:					
Building materials, garden equipment and supplies	$ 4,537	$ 4,280	$ 4,290	$ 4,234	$ 4,894
General merchandise stores	10,311	10,063	10,086	9,872	9,802
Motor vehicles & parts	11,359	10,178	9,504	9,218	10,562
All other retail trade	24,261	23,436	22,464	21,640	23,272
Total retail sales	50,468	47,957	46,344	44,964	48,530
Construction	16,628	15,445	15,704	17,771	23,540
Accommodations & food services	12,611	11,866	11,293	10,871	11,237
Wholesale trade	8,266	8,048	7,618	7,498	8,703
Information	5,117	4,997	4,957	4,762	4,915
Manufacturing	2,114	2,207	2,084	2,106	2,644
All other industries	13,849	13,221	12,808	12,907	14,439
Total sales subject to retail sales tax	$ 109,053	$ 103,741	$ 100,808	$ 100,879	$ 114,008
Direct retail sales tax rate [2]	6.5%	6.5%	6.5%	6.5%	6.5%

[1] Industry classifications are based on North American Industry Classification System (NAICS) codes.

[2] State retail sales tax rate only; excludes local retail sales tax rate.

Source: Washington State Department of Revenue, Quarterly Business Review

	2007	2006	2005	2004	2003
	$ 5,377	$ 5,379	$ 4,936	$ 4,437	$ 3,883
	9,980	9,538	8,907	8,289	7,773
	12,741	12,461	12,049	11,482	11,073
	23,565	22,308	20,296	18,516	17,429
	51,663	49,686	46,188	42,724	40,158
	24,435	21,818	18,515	15,934	14,076
	11,033	10,253	9,520	8,836	8,259
	9,328	8,601	8,240	7,584	7,176
	4,766	4,614	4,628	4,409	4,325
	3,085	2,699	2,492	2,268	2,118
	14,647	13,771	12,571	11,681	11,547
	$ 118,957	$ 111,442	$ 102,154	$ 93,436	$ 87,659
	6.5%	6.5%	6.5%	6.5%	6.5%

REVENUE CAPACITY

Schedule 7 – Number of Retail Sales Taxpayers by Industry

Current Calendar Year and Nine Years Ago

	2012			2003		
Industry [1]	**Number of Businesses**	**Rank**	**Percent of Total Businesses**	**Number of Businesses**	**Rank**	**Percent of Total Businesses**
Retail trade	50,426	1	25.8%	48,447	1	27.1%
Construction	36,954	2	18.9%	35,469	2	19.8%
Other services [2]	20,350	3	10.4%	19,686	3	11.0%
Management, education & health services	19,206	4	9.8%	15,538	5	8.7%
Accommodations & food services	18,343	5	9.4%	15,547	4	8.7%
Professional, scientific & technical services	13,145	6	6.7%	10,422	7	5.8%
All other industries [3]	11,850	7	6.0%	12,260	6	6.8%
Wholesale trade	10,541	8	5.4%	10,063	8	5.6%
Manufacturing	9,725	9	5.0%	8,070	9	4.5%
Arts, entertainment & recreation	5,197	10	2.6%	3,492	10	2.0%
Total	195,737		100%	178,994		100%

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes. The state of Washington is legally prohibited from disclosing the names of individual taxpayers. The information in this table is intended to assist readers in understanding the degree to which the state's retail sales tax revenue may be concentrated.

(2) Other services consist of repair and maintenance, personal service, and religious, civic and other organizations.

(3) All other industries include real estate and rental leasing, transportation and warehousing, and information.

Source: Washington State Department of Revenue

REVENUE CAPACITY

Schedule 8 – Number of Business and Occupation (B&O) Taxpayers by Industry

Current Calendar Year and Nine Years Ago

	2012			2003		
Industry [1]	**Number of Businesses**	**Rank**	**Percent of Total Businesses**	**Number of Businesses**	**Rank**	**Percent of Total Businesses**
Retailing	195,138	1	41.8%	158,380	1	42.6%
Service and other activities, and gambling contests less than $50,000/year	154,641	2	33.2%	109,902	2	29.5%
Wholesaling	86,466	3	18.5%	75,371	3	20.3%
Manufacturing	9,435	4	2.0%	9,748	4	2.6%
Other B&O tax classifications	5,972	5	1.3%	5,185	5	1.4%
Insurance agents/insurance brokers commissions	4,838	6	1.0%	4,338	6	1.2%
Royalties and child care	3,959	7	0.8%	2,881	8	0.8%
Warehousing, radio and TV broadcasting, public road construction, and government contracting	2,388	8	0.5%	3,298	7	0.9%
Processing for hire, and printing and publishing	1,794	9	0.4%	1,817	9	0.5%
Travel agent commissions/international charter, freight brokers, and stevedoring	1,660	10	0.3%	1,160	10	0.3%
Total	466,291		100%	372,080		100%

[1] Industry classifications are based on North American Industry Classification System (NAICS) codes. The state of Washington is legally prohibited from disclosing the names of individual taxpayers. The information in this table is intended to assist readers in understanding the degree to which the state's business and occupation tax revenue may be concentrated.

Source: Washington State Department of Revenue

REVENUE CAPACITY

Schedule 9 – Taxable Sales by Business and Occupation Tax Classification

Last Ten Calendar Years (expressed in millions)

Industry [1]	2012	2011	2010	2009	2008
Retailing	$ 153,467	$ 146,698	$ 138,995	$ 136,738	$ 153,775
Wholesaling	131,471	125,471	110,041	105,659	135,935
Service and other activities	83,537	78,617	75,069	74,061	77,880
Manufacturing, wholesaling, and retailing of airplanes and components	48,788	35,414	32,383	33,323	25,770
Manufacturing	26,556	26,020	23,260	21,725	27,177
Other business & occupation tax classifications	46,974	46,173	42,825	40,721	44,125
Total	$ 490,793	$ 458,393	$ 422,573	$ 412,227	$ 464,662
State B&O tax rate range	0.1 - 1.9%	0.1 - 1.9%	0.1 - 1.9%	0.1 - 1.6%	0.1 - 1.6%

[1] Industry classifications are based on North American Industry Classification System (NAICS) codes.

N/A indicates data not available.

Source: Washington State Department of Revenue, Quarterly Business Review

2007	2006	2005	2004	2003
$ 155,997	$ 146,018	$ 133,888	$ 121,453	$ 112,158
128,820	113,614	110,516	98,988	91,610
75,729	69,571	63,270	56,575	51,968
32,672	27,277	5,006	N/A	N/A
25,829	29,101	29,988	31,814	25,333
41,031	34,578	38,943	40,039	37,805
$ 460,078	$ 420,159	$ 381,611	$ 348,869	$ 318,875
0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.5%	0.1 - 1.5%

DEBT CAPACITY

Schedule 10 – Ratios of Outstanding Debt by Type [1]

Last Ten Fiscal Years (expressed in millions, except per capita)

	2013	2012	2011	2010	2009
Governmental Activities					
General obligation bonds	$ 18,638	$ 17,838	$ 16,750	$ 16,540	$ 14,049
Revenue bonds	1,706	1,657	740	743	616
Certificates of participation	588	469	482	449	395
Capital leases/installment contracts	12	7	6	14	10
Total Governmental Activities Debt	20,944	19,971	17,978	17,746	15,070
Business-Type Activities					
General obligation bonds	11	15	18	60	69
Revenue bonds	2,031	1,682	1,423	1,084	1,074
Certificates of participation	42	52	62	293	310
Capital leases	15	6	6	6	10
Total Business-Type Activities Debt	2,099	1,755	1,509	1,443	1,463
Total Primary Government Debt	$ 23,043	$ 21,726	$ 19,487	$ 19,189	$ 16,533
DEBT RATIOS					
Total Primary Government					
Ratio of total debt to personal income [2]	7.4%	7.2%	6.5%	6.8%	6.0%
Total debt per capita [3]	$ 3,348	$ 3,187	$ 2,879	$ 2,854	$ 2,478
General Bond Debt					
Ratio of general bonded debt to retail sales subject to tax [4]	17.1%	17.2%	16.2%	16.5%	14.0%
General bonded debt per capita [3]	$ 2,710	$ 2,619	$ 2,478	$ 2,469	$ 2,116

(1) Refer to Note 7 for long-term liability activity.

(2) Personal income data can be found in Schedule 13. 2013 personal income data not available, used 2012 data to calculate 2013 ratio. The Bureau of Economic Analysis periodically revises its personal income data for periods up to 10 years.

(3) Population data can be found in Schedule 14.

(4) Retail sales subject to tax can be found in Schedule 6. 2013 retail sales data not available, used 2012 data to calculate 2013 ratio.

Source: Washington State Office of Financial Management, Accounting Division

	2008	2007	2006	2005	2004
	$ 12,927	$ 11,573	$ 10,464	$ 9,842	$ 9,173
	555	608	615	564	511
	383	382	333	315	274
	15	20	18	24	28
	13,880	12,583	11,430	10,745	9,986
	80	101	120	138	155
	1,115	889	794	585	520
	261	246	239	251	247
	15	21	21	21	14
	1,471	1,257	1,174	995	936
	$ 15,351	$ 13,840	$ 12,604	$ 11,740	$ 10,922
	5.3%	5.1%	5.0%	5.1%	4.9%
	$ 2,323	$ 2,121	$ 1,963	$ 1,864	$ 1,759
	11.4%	9.8%	9.5%	9.8%	10.0%
	$ 1,968	$ 1,789	$ 1,649	$ 1,584	$ 1,502

DEBT CAPACITY

Schedule 11 – Legal Debt Margin Information

Last Ten Fiscal Years (expressed in millions)

	2013	2012	2011	2010	2009
Legal Debt Limitation Calculation (1)					
Three year mean, general state revenues	$ 12,533	$ 12,080	$ 12,176	$ 12,518	$ 14,422
Times: Percentage of three year mean, general state revenues (2)	9%	9%	9%	9%	7%
Equals: Debt service limitation	$ 1,128	$ 1,087	$ 1,096	$ 1,127	$ 1,010
Debt service limitation	$ 1,128	$ 1,087	$ 1,096	$ 1,127	$ 1,010
Less: Projected maximum annual debt service of outstanding bonds as of June 30	1,056	1,031	995	971	797
Equals: Debt service capacity	$ 72	$ 56	$ 101	$ 156	$ 213
Remaining state general obligation debt capacity (3)	$ 1,142	$ 874	$ 1,425	$ 2,267	$ 2,791
Plus: Debt outstanding, bonds issued & projected sales subject to debt service limitation as of June 30	10,730	10,708	10,470	10,163	8,032
Equals: Maximum debt authorization subject to limitation	$ 11,872	$ 11,582	$ 11,895	$ 12,430	$ 10,823
Debt service capacity as a percentage of total debt service limitation	6.4%	5.2%	9.2%	13.8%	21.1%
Remaining debt capacity as a percentage of maximum debt authorized	9.6%	7.5%	12.0%	18.2%	25.8%

(1) The legal debt limitation limits the amount of state debt that may be incurred by restricting the amount of general state revenues which may be allocated to pay principal and interest on debt subject to these limitations.

(2) Prior to 2010, the level of debt incurred by the state was constrained by two different calculations - one constitutional and one statutory. Effective for 2010, the statutory debt limit was modified to be the same as the constitutional debt limit.

(3) The remaining debt capacity each year is the calculated present value of the debt service capacity utilizing a yearly interest rate assumption. Interest rate assumption for 2013 is 3.8 percent.

Source: Office of the State Treasurer, Certification of the Debt Limitation of the State of Washington

2008	2007	2006	2005	2004
$ 13,545	$ 10,315	$ 9,323	$ 9,932	$ 9,130
7%	9%	9%	7%	7%
$ 948	$ 928	$ 839	$ 695	$ 639
$ 948	$ 928	$ 839	$ 695	$ 639
747	772	740	623	594
$ 201	$ 156	$ 99	$ 72	$ 45
$ 2,889	$ 2,390	$ 1,484	$ 993	$ 607
7,244	7,439	7,304	6,047	5,693
$ 10,133	$ 9,829	$ 8,788	$ 7,040	$ 6,300
21.2%	16.8%	11.8%	10.4%	7.0%
28.5%	24.3%	16.9%	14.1%	9.6%

DEBT CAPACITY

Schedule 12 – Revenue Bond Coverage (1)

Last Ten Fiscal Years (expressed in millions)

Fiscal Year	Gross Revenues (2)	Less: Operating Expenses (3)	Net Available Revenue	Scheduled Debt Service (4)		Coverage Ratio
				Principal	Interest	
Governmental Activities						
2013	$ 83	$ 8	$ 75	$ 36	$ 55	0.82
2012	77	5	78	29	48	1.01
2011	60	3	57	21	36	1.00
2010	61	3	58	25	36	0.95
2009	73	3	70	34	38	0.97
2008	67	2	65	25	36	1.07
2007	48	2	46	7	37	1.05
2006	41	1	40	5	35	1.00
2005	41	-	41	8	34	0.98
2004	39	-	39	7	33	0.98
Business-Type Activities						
2013	$ 1,789	$ 1,652	$ 137	$ 18	$ 86	1.32
2012	1,689	1,597	92	53	63	0.79
2011	1,522	1,575	(53)	40	50	(0.59)
2010	1,604	1,376	228	38	51	2.56
2009	1,478	1,281	197	26	54	2.46
2008	1,355	1,264	91	32	44	1.20
2007	1,270	1,120	150	16	39	2.73
2006	1,176	1,072	104	14	29	2.42
2005	1,102	998	104	12	26	2.74
2004	1,047	971	76	10	16	2.92

(1) Refer to Note 7 for information on the nature of revenue bonds issued by the state.

(2) Total operating revenues.

(3) Total operating expenses exclusive of depreciation.

(4) With the exception of Tobacco Settlement Authority (TSA) bonds, scheduled debt service amounts are based on previous fiscal year disclosure information collected from individual agencies and reported in Note 7. TSA revenue bonds contain a "turbo" repayment requirement, so the actual principal payments are used on this schedule.

Source: Washington State Office of Financial Management, Accounting Division

DEMOGRAPHIC INFORMATION

Schedule 13 – Personal Income Comparison
Washington State vs. United States

Last Ten Calendar Years (expressed in billions, except per capita)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Washington State										
Personal income	$ 313	$ 300	$ 283	$ 277	$ 289	$ 273	$ 252	$ 230	$ 222	$ 207
Percent change	4%	6%	2%	-4%	6%	8%	10%	4%	7%	4%
Per capita	$ 45,413	$ 43,878	$ 42,024	$ 41,504	$ 44,106	$ 42,192	$ 39,570	$ 36,766	$ 35,998	$ 33,909
United States										
Personal income	$ 13,744	$ 13,191	$ 12,435	$ 12,082	$ 12,431	$ 11,996	$ 11,390	$ 10,610	$ 10,049	$ 9,488
Percent change	4%	6%	3%	-3%	4%	5%	7%	6%	6%	5%
Per capita	$ 42,693	$ 41,560	$ 39,791	$ 38,637	$ 40,947	$ 39,506	$ 37,725	$ 35,452	$ 33,909	$ 32,295
Washington Per Capita Rate as % of United States Per Capita Rate	106%	106%	106%	107%	108%	107%	105%	104%	106%	105%

Note: The Bureau of Economic Analysis periodically revises its personal income data for periods up to 10 years.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Schedule 14 – Population and Components of Change
Washington State vs. United States

Last Ten Calendar Years (expressed in thousands)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Washington State (1)										
Population	6,882.4	6,817.8	6,767.9	6,724.5	6,672.2	6,608.3	6,525.1	6,420.3	6,298.8	6,208.5
Net increase	64.6	49.9	43.4	52.4	63.9	83.2	104.8	121.4	90.3	81.6
Percent change	0.9%	0.7%	0.6%	0.8%	1.0%	1.3%	1.6%	1.9%	1.5%	1.3%
Components of change:										
Births	88.4	87.5	86.4	88.4	89.8	89.6	87.8	83.2	81.8	81.0
Deaths	50.5	49.7	48.8	47.7	48.1	47.9	46.2	45.3	45.6	46.0
Net migration	26.8	12.1	5.8	11.6	22.2	41.5	63.2	83.6	54.1	46.7
United States (2)										
Population	N/A	313,914	311,588	309,350	306,772	304,094	301,231	298,380	295,517	292,805
Percent change	N/A	0.7%	0.7%	0.8%	0.9%	1.0%	1.0%	1.0%	0.9%	0.9%

(1) Washington State population estimates are as of April 1 each year. Population estimates for 2009 through 2004 have been revised to reflect intercensal estimates. Intercensal estimates are estimates of population between official census dates. Intercensal estimates are more accurate than postcensal estimates because they are bracketed on both sides by decennial or state-certified special census counts. Estimates for 2010 have been replaced with the 2010 U.S. Census Bureau count. Estimates for 2011 through 2013 are postcensal estimates developed by the Washington State Office of Financial Management.

(2) United States population intercensal estimates are as of July 1 of each year. Population estimates not available for 2013.

Some figures may not total due to rounding.

N/A indicates data not available.

Sources:
Washington State Office of Financial Management
U.S. Census Bureau, Population Division

DEMOGRAPHIC INFORMATION

Schedule 15 – Annual Average Civilian Labor Force Unemployment Rates Washington State vs. United States

Last Ten Calendar Years

	2012	2011	2010	2009	2008
Washington State (in thousands)					
Civilian labor force	3,482	3,482	3,515	3,535	3,479
Employment	3,198	3,162	3,167	3,206	3,286
Total unemployment	284	320	348	329	193
Unemployment percentage rate	8.2%	9.2%	9.9%	9.3%	5.5%
United States (in millions)					
Civilian labor force	155.0	153.6	153.9	154.2	154.3
Employment	142.5	139.9	139.1	139.9	145.4
Total unemployment	12.5	13.7	14.8	14.3	8.9
Unemployment percentage rate	8.1%	8.9%	9.6%	9.3%	5.8%
Washington Unemployment Rate as % of United States Unemployment Rate	101.2%	103.4%	103.1%	100.0%	94.8%

Note: The Washington State Economic and Revenue Forecast Council periodically revises its civilian labor force and employment data for periods up to five years.

Source: Washington State Economic and Revenue Forecast, September 2013

2007	2006	2005	2004	2003
3,393	3,319	3,259	3,200	3,146
3,237	3,155	3,080	3,000	2,913
156	164	179	200	233
4.6%	5.0%	5.5%	6.3%	7.4%
153.1	151.4	149.3	147.4	146.5
146.0	144.4	141.7	139.2	137.7
7.1	7.0	7.6	8.2	8.8
4.6%	4.6%	5.1%	5.6%	6.0%
100.0%	108.7%	107.8%	112.5%	123.3%

DEMOGRAPHIC INFORMATION

Schedule 16 –Annual Average Wage Rates by Industry

Last Ten Calendar Years

	Annual Average Wages [2]				
Industry [1]	**2012**	**2011**	**2010**	**2009**	**2008**
Information	$ 131,875	$ 119,968	$ 109,777	$ 105,715	$ 104,053
Management of companies and enterprises	105,625	102,009	95,731	87,642	87,431
Utilities	84,042	82,058	77,591	84,410	76,945
Professional, scientific, and technical services	79,986	77,178	75,376	71,837	70,120
Finance and insurance	77,406	73,154	70,137	71,304	72,653
Manufacturing	69,304	68,065	64,925	62,931	61,260
Wholesale trade	68,494	65,831	63,348	61,569	61,041
Mining	58,817	58,871	55,654	52,981	54,718
Construction	53,038	52,304	51,127	51,043	49,443
Government	52,869	52,174	51,394	50,420	48,705
Transportation and warehousing	50,899	49,628	47,743	46,522	45,433
Health care and social assistance	47,077	45,852	44,673	43,561	41,424
Administrative and support services [3]	43,384	42,942	41,466	39,571	37,536
Real estate, rental and leasing	42,080	39,816	38,359	36,777	36,669
Education services	36,222	35,576	35,158	34,505	33,550
Retail trade	32,384	30,917	30,021	29,356	29,268
Agriculture, forestry, fishing, and hunting	26,273	25,097	24,034	23,675	24,491
Other services	25,651	24,549	24,227	24,881	25,637
Arts, entertainment, and recreation	25,293	25,023	25,121	25,527	26,949
Accommodation and food services	18,696	18,062	17,632	17,063	16,430

(1) Industry classifications and wages are based on North American Industry Classification System (NAICS) codes.

(2) Wages include only employment covered by unemployment insurance. Wages may not include private firms or disclosure of individual employers.

(3) Wages classified under administrative and support services include waste management and remediation services.

Source: Washington State Employment Security Department, Quarterly Census of Employment and Wages

	2007	2006	2005	2004	2003
	$ 96,240	$ 91,081	$ 82,647	$ 78,918	$ 104,042
	86,867	85,031	75,236	75,776	69,743
	73,736	70,404	65,615	63,915	59,570
	70,104	63,687	61,181	58,486	56,933
	70,044	66,684	62,382	62,091	57,954
	59,568	58,196	54,953	51,788	50,546
	59,345	56,572	53,458	52,027	49,070
	58,056	54,924	52,592	51,454	49,517
	46,783	43,746	41,482	40,171	39,468
	46,914	44,745	42,915	41,756	40,546
	45,320	44,078	42,798	41,780	40,219
	39,474	37,654	36,162	34,919	33,444
	36,463	34,533	33,649	33,466	33,314
	36,334	34,948	32,744	30,582	29,552
	32,076	30,901	29,860	28,453	27,738
	29,082	28,174	27,330	26,602	26,047
	23,413	22,239	21,122	20,495	20,152
	24,385	23,009	22,010	26,467	25,692
	27,643	27,139	25,724	24,331	22,622
	16,019	15,469	15,014	14,765	14,309

DEMOGRAPHIC INFORMATION

Schedule 17 – Principal Employers by Industry

Current Calendar Year and Nine Years Ago

Industry [1]	2012 Annual Averages			2003 Annual Averages		
	Number of Employees [2]	Percent of Total	Number of Employers	Number of Employees [2]	Percent of Total	Number of Employers
Government	516,204	17.7%	2,088	495,281	18.9%	2,023
Health care and social assistance	330,491	11.3%	14,496	264,997	10.1%	12,997
Retail trade	314,440	10.9%	14,046	299,362	11.5%	15,364
Manufacturing	277,378	9.6%	6,735	262,211	10.1%	7,437
Accommodation and food services	228,446	7.9%	12,859	202,564	7.8%	11,521
Professional, scientific, and technical services	166,613	5.8%	18,681	129,250	5.0%	15,509
Administrative and support services [3]	139,014	4.8%	9,542	119,922	4.6%	8,476
Other services	132,105	4.6%	70,393	73,724	2.8%	10,559
Construction	129,802	4.5%	19,344	143,768	5.5%	22,991
Wholesale trade	121,721	4.2%	13,017	111,686	4.3%	12,582
Information	104,481	3.6%	2,557	91,108	3.5%	2,379
Agriculture, forestry, fishing, and hunting	95,589	3.3%	7,030	78,969	3.0%	8,853
Finance and insurance	87,631	3.0%	5,395	101,492	3.9%	5,435
Transportation and warehousing	82,657	2.9%	3,994	77,533	3.0%	3,999
Arts, entertainment, and recreation	45,357	1.6%	2,412	41,735	1.6%	2,314
Real estate, rental and leasing	43,561	1.5%	6,014	47,000	1.8%	6,366
Mgmt. of companies and enterprises	36,242	1.3%	639	32,200	1.2%	619
Education services	35,879	1.2%	2,600	27,556	1.1%	1,864
Utilities	4,863	0.2%	228	4,355	0.2%	233
Mining	1,938	0.1%	133	2,914	0.1%	166
Total average employment [4]	2,894,412	100.0%	212,203	2,607,627	100.0%	151,687

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes. The state of Washington is legally prohibited from disclosing the names of individual employers. The information in this table is intended to assist readers in understanding the degree of concentration in the state's employment base.

(2) The number of employees is based on annual averages and represents only employees covered by unemployment insurance.

(3) Employment classified under administrative and support services include waste management and remediation services.

(4) Total employment is based on annual averages and may not include private firms or disclosure of individual employers.

Source: Washington State Employment Security Department, Quarterly Census of Employment and Wages

DEMOGRAPHIC INFORMATION

Schedule 18 – Fortune 500 Companies Headquartered in Washington

Last Two Calendar Years
(Ranked by Company Revenues)

Rank 2012	Rank 2011	Company	Revenues (in millions)	Profit / (Loss) (in millions)	Employees Worldwide	Headquarters
22	24	Costco Wholesale	$ 99,137	$ 1,709	135,000	Issaquah
35	37	Microsoft	73,723	16,978	94,000	Redmond
49	56	Amazon.com	61,093	(39)	88,400	Seattle
168	159	Paccar	17,051	1,112	21,800	Bellevue
208	227	Starbucks	13,300	1,384	160,000	Seattle
227	242	Nordstrom	12,148	735	61,000	Seattle
363	374	Weyerhaeuser	7,059	385	13,200	Federal Way
428	395	Expeditors Intl. of Washington	5,981	333	13,728	Seattle

Source: Fortune Magazine, May 20, 2013

Schedule 19 – Principal Agricultural Commodities Value [1]

Last Ten Calendar Years (dollars in millions)

Commodities	% Change 2012 vs. 2011	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Apples	22.9	$ 2,251	$ 1,831	$ 1,541	$ 1,413	$ 1,288	$ 1,780	$ 1,403	$ 1,032	$742	$ 1,178
Wheat	3.7	1,180	1,138	925	594	745	949	618	456	524	521
Milk [2]	(9.2)	1,160	1,277	950	684	1,002	1,062	688	836	861	675
Potatoes	(9.2)	700	771	654	646	693	675	562	535	460	489
Hay, all	(5.2)	679	716	509	452	581	498	401	367	380	344
Cattle/calves	5.4	624	592	568	473	496	574	584	601	476	476
Cherries, all	(6.6)	499	534	367	231	297	327	273	338	242	176
Nursery [3]	(0.3)	305	306	300	300	321	318	304	326	329	310
Grapes, all	24.9	236	189	214	209	199	174	147	141	122	144
Pears, all	10.8	206	186	188	158	171	178	159	142	128	129

(1) Acreage and/or yield data is preliminary. The value may not be finalized until up to two years after production.

(2) Value at average returns per 100 pounds of milk in combined marketings of milk and cream plus value of milk used for home consumption and milk fed to calves.

(3) Includes greenhouse products and floriculture.

Source: United States Department of Agriculture, National Agricultural Statistics Service

DEMOGRAPHIC INFORMATION

Schedule 20 – International Trade Facts (All Washington Ports)

Last Ten Calendar Years (expressed in millions)

International Trade	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Exports [1]	$ 84,187	$ 77,284	$ 64,723	$ 58,468	$ 77,088	$ 78,453	$ 68,202	$ 51,533	$ 46,051	$ 41,776
Imports	93,614	86,997	80,020	67,896	87,511	85,469	81,953	81,308	65,135	55,762
Trade balance	$ (9,427)	$ (9,713)	$ (15,297)	$ (9,428)	$ (10,422)	$ (7,016)	$ (13,752)	$ (29,775)	$ (19,084)	$ (13,987)
Two-way trade	$ 177,801	$ 164,281	$ 144,743	$ 126,364	$ 164,599	$ 163,922	$ 150,155	$ 132,841	$ 111,186	$ 97,538

(1) Export figures indicate total international trade from the state of Washington, including bonded shipments to other states and Canada (includes Boeing Company figures).

Some figures may not total due to rounding.

Source: Washington State Department of Commerce

Schedule 21 – Value of Trade with Major Export Trading Partners

Last Ten Calendar Years (expressed in millions)

Export Partners [1]	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Canada	$18,135	$ 17,353	$ 14,936	$ 13,326	$ 17,049	$ 15,267	$ 12,894	$ 10,581	$ 8,758	$ 7,141
China (Mainland)	14,027	11,962	11,695	7,607	8,614	9,357	8,030	6,576	4,219	2,968
Japan	9,850	8,036	7,368	6,475	10,677	10,567	9,810	9,272	8,779	7,988
United Arab Emirates	5,017	2,715	909	2,897	2,160	2,119	2,980	1,855	102	682
Korea	3,903	4,096	3,378	2,584	4,003	3,683	3,161	2,467	3,296	3,014
Hong Kong	2,533	2,386	1,205	1,950	1,231	1,269	792	754	754	697
Mexico	1,911	662	80	101	198	254	646	169	163	-
Taiwan	1,866	2,070	2,556	1,917	3,142	3,702	3,332	3,822	2,761	2,503
Germany	1,730	1,591	1,656	1,413	1,011	1,163	814	623	514	758
United Kingdom	1,452	1,921	1,083	1,356	1,316	1,753	1,022	878	1,029	1,369

(1) Export figures are based on all Washington state ports, all methods of transportation.

Source: Washington State Department of Commerce

Schedule 22 – Value of Trade with Major Import Trading Partners

Last Ten Calendar Years (expressed in millions)

Import Partners [1]	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
China (Mainland)	$33,820	$ 31,100	$ 32,228	$ 27,341	$ 30,632	$ 28,684	$ 24,198	$ 22,653	$ 16,138	$ 13,955
Japan	19,129	16,198	13,886	11,656	17,274	15,858	15,980	15,245	13,367	11,425
Canada	16,430	16,284	13,948	10,916	15,877	16,925	18,555	21,390	18,291	15,917
Korea	4,380	3,760	3,315	2,719	3,875	4,235	4,264	4,270	3,468	2,788
Taiwan	3,442	3,291	3,141	2,414	4,072	3,610	3,451	3,519	2,776	2,160
Vietnam	1,637	1,421	1,234	1,160	1,092	1,130	904	819	473	301
Russia	1,401	2,275	366	414	324	575	394	429	384	350
Thailand	1,050	959	974	804	1,154	1,221	1,389	1,296	918	813
United Kingdom	1,013	697	625	633	581	792	913	746	758	842
Indonesia	998	957	819	750	842	1,065	1,100	1,069	816	627

(1) Import figures are based on all Washington state ports, all methods of transportation.

N/A indicates data not available.

Source: Washington State Department of Commerce

DEMOGRAPHIC INFORMATION

Schedule 23 – Property Value and Construction

Last Ten Calendar Years (expressed in millions)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Value of all taxable property:										
Assessed value	$ 767,064	$ 793,703	$ 824,885	$ 862,108	$ 919,505	$ 841,309	$ 738,395	$ 634,883	$ 573,677	$ 535,208
Property value of exemptions:										
Senior citizen	$ 2,689	$ 4,170	$ 5,362	$ 6,491	$ 8,715	$ 8,022	$ 6,604	$ 5,267	$ 3,839	$ 3,362
Head of household	61	65	72	77	84	105	44	68	47	56
Total exemptions	$ 2,750	$ 4,236	$ 5,434	$ 6,568	$ 8,799	$ 8,127	$ 6,648	$ 5,335	$ 3,886	$ 3,418
New construction and improvements:										
Assessed value	$ 6,598	$ 7,207	$ 9,001	$ 13,443	$ 19,435	$ 20,861	$ 19,680	$ 15,393	$ 12,872	$ 11,356

Source: Washington State Department of Revenue, Property Tax Statistics Report

Schedule 24 – Residential Building Activity

Last Ten Calendar Years (dollars in millions)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Permits	28,118	20,864	20,691	17,011	28,919	47,397	50,033	52,988	50,089	42,825
Valuations	$ 5,649	$ 4,036	$ 3,891	$ 3,186	$ 5,063	$ 8,130	$ 8,540	$ 8,742	$ 7,535	$ 6,346

Source: U.S. Census Bureau

OPERATING INFORMATION

Schedule 25 – Full-Time Equivalent Staff Comparison (Budgeted Funds)

Last Ten Fiscal Years

Function	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General government	8,268	9,082	9,196	9,696	9,899	9,734	9,508	9,330	9,272	9,004
Human services	32,205	31,766	32,133	34,034	35,015	34,720	33,669	32,918	33,368	32,964
Natural resources	6,232	6,011	5,928	6,120	6,479	6,596	6,507	6,254	6,253	6,245
Transportation	10,457	10,458	10,783	11,037	11,264	11,300	11,025	10,662	10,549	10,373
Education	50,406	48,603	49,454	49,086	49,889	49,070	47,984	47,477	47,327	46,491
Total	107,568	105,920	107,494	109,973	112,546	111,420	108,693	106,641	106,769	105,077
Percentage change	1.6%	-1.5%	-2.3%	-2.3%	1.0%	2.5%	1.9%	-0.1%	1.6%	0.8%

Notes: A Full-Time Equivalent (FTE) is one full calendar year of paid employment, or the equivalent of 2,088 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in state government. It is a computed average number of state employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year. Figures include budgeted operating and capital FTEs and FTEs for nonbudgeted higher education funds.

Source: Washington State Office of Financial Management

OPERATING INFORMATION

Schedule 26 – Full-Time Equivalent Staff Comparison (General Fund State)

Last Ten Fiscal Years

Function	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General government	2,870	2,845	3,060	3,234	3,285	3,225	3,175	3,108	3,102	3,022
Human services	17,569	17,192	16,962	16,984	17,699	17,944	17,548	17,051	17,130	17,167
Natural resources	1,667	1,595	1,712	2,080	2,505	2,462	2,193	2,175	2,166	2,226
Transportation	354	367	371	418	373	449	343	428	307	334
Education	14,969	14,941	16,535	17,675	21,269	21,082	20,171	19,587	19,265	19,297
Total	37,429	36,940	38,640	40,391	45,131	45,162	43,430	42,349	41,970	42,046
Percentage change	1.3%	-4.4%	-4.3%	-10.5%	-0.1%	4.0%	2.6%	0.9%	-0.2%	1.3%

Notes: A Full-Time Equivalent (FTE) is one full calendar year of paid employment, or the equivalent of 2,088 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in state government. It is a computed average number of state employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year. Figures include operating and capital FTEs.

Source: Washington State Office of Financial Management

OPERATING INFORMATION

Schedule 27– Operating and Capital Asset Indicators by Function
General Government

Last Ten Fiscal Years

	2013	2012	2011	2010	2009
Department of Revenue					
Number of state excise taxpayer registered accounts	790,312	816,922	824,588	793,056	804,145
Number of taxable real estate excise tax (REET) sales	241,595	209,442	206,805	215,233	198,515
Department of Enterprise Services (1)					
Number of leases for office space (2)	532	521	580	619	569
Gross square feet of leased office space (in thousands)	7,624	7,467	9,046	8,874	7,521
Number of owned buildings (3)	37	38	38	38	46
Gross square feet of owned office space (in thousands)	2,990	3,004	3,004	3,004	3,102
Liquor Control Board (4)					
Retail licensees	15,655	15,044	13,628	13,450	13,040
Non-retail licensees	5,364	4,916	3,244	3,051	2,798
Number of state owned liquor stores	-	-	166	164	161
Number of contracted liquor stores	-	-	162	159	155

(1) As a result of the 2011 legislation to consolidate central service functions of state government, the Department of General Administration became part of the newly created Washington State Department of Enterprise Services on October 1, 2011.

(2) The number of leases for office space only includes leases that the Department of Enterprise Services has acquired. The number of leases does not include leases done under a delegation of authority by another state agency, and does not include space that may include multiple uses, such as warehouse and office, office and classrooms, etc.

(3) In fiscal year 2010, five small buildings on the Wheeler site were demolished to make way for construction of a new office building.

(4) With the passage of Initiative 1183, which privatized the distribution and retail sale of liquor, the Washington State Liquor Control Board closed its state liquor stores and ceased liquor distribution operations on June 1, 2012.

Sources:

Washington State Department of Revenue, Tax Statistics
Washington State Department of Enterprise Services
Washington State Liquor Control Board

2008	2007	2006	2005	2004
782,010	774,295	759,235	718,224	692,845
250,971	316,432	364,906	364,900	344,056
626	610	604	549	529
7,764	8,662	7,789	6,753	6,650
46	44	44	44	44
3,102	3,101	3,101	2,893	2,893
12,925	13,006	12,650	12,331	12,121
2,519	2,471	1,954	1,690	1,409
161	161	161	159	161
154	154	154	153	154

OPERATING INFORMATION

Schedule 28 – Operating and Capital Asset Indicators by Function
Human Services
Last Ten Fiscal Years

	2013	2012	2011	2010	2009
Department of Social and Health Services [(1)]					
Mental health programs:					
Mental health state facilities [(2)]	3	3	3	3	3
Mental health state facilities available beds	1,161	1,161	1,176	1,197	1,264
Mental health state facilities average daily census [(3)]	1,087	1,077	1,078	1,101	1,172
Community outpatient mental health facilities [(4)]	161	161	184	177	149
Community outpatient mental health programs, clients served [(5)]	143,798	137,998	137,757	132,117	124,582
Income assistance programs:					
Temporary assistance for needy families caseload	48,617	54,433	65,140	64,451	56,459
Food assistance caseload [(6)]	597,251	581,020	536,635	458,123	351,617
Health Care Authority [(7)]					
Medical assistance programs:					
Monthly average caseload certified eligible	1,231,712	1,226,396	1,218,534	1,158,205	1,066,606
Department of Corrections					
Number of correctional institutions [(8)]	12	12	12	13	15
Offenders in confinement [(9)]	17,930	17,697	18,483	18,457	18,627
Prison and work release operating capacity	17,101	16,855	17,060	16,856	16,756
Department of Health					
Licensed health professionals [(10)]	387,765	378,041	372,657	357,766	335,830
Department of Labor and Industries					
Claims filed, injured or ill workers	103,328	101,524	100,690	102,734	116,616
Electrical inspections performed	189,027	173,358	171,861	189,763	216,305
Workplaces inspected each year by the Washington Industrial Safety and Health (WISHA) program	4,585	5,214	5,812	7,435	7,284

(1) Due to reporting lags and corrections, the Department of Social and Health Services (DSHS) periodically revises historical data.

(2) Facitilities include: Eastern State Hospital, Western State Hospital, and Child Study and Treatment Center. Beginning January 2008, the mental health state facilities count no longer includes the Program for Assisted Living Skills (PALS) as it became funded by community dollars, and was subsequently closed in February 2011.

(3) The average daily census is based on the count of individuals in residence at midnight.

(4) The increased number of community outpatient mental health facilities in fiscal year 2010 is due to funding shifts and legislation.

(5) The community outpatient mental health program, clients served data excludes involuntary clients, stabilization services and mental health residential services. Reporting for excluded services varies across the state. The number of clients served in community outpatient mental health

(6) Data reflects state fiscal year average, total participating households.

(7) The medical assistance programs transferred from the Department of Social and Health Services to the Health Care Authority in July 2011. Due to reporting lags, the Health Care Authority periodically revises its data for periods up to five years.

(8) In 2011, McNeil Island Corrections Center closed. In 2010, Ahtanum View Corrections Center and Pine Lodge Corrections Center for Women closed.

(9) Offenders in confinement include offenders in prison, work release, and in-state rented beds.

(10) Includes certified, licensed, and registered health professionals. Emergency medical technicians were not included in the counts for years prior to 2007.

Sources:
Washington State Department of Social and Health Services
Washington State Health Care Authority
Washington State Department of Corrections
Washington State Department of Health
Washington State Department of Labor and Industries

2008	2007	2006	2005	2004
4	4	4	4	4
1,359	1,380	1,280	1,247	1,218
1,251	1,292	1,262	1,207	1,192
144	150	150	150	150
122,557	119,391	119,843	124,794	130,002
50,122	51,939	55,524	57,026	55,610
288,281	279,985	273,551	251,455	220,130
972,444	887,966	894,804	857,599	862,935
15	15	15	15	15
18,551	18,471	17,905	17,580	16,046
15,785	15,222	15,013	15,002	15,341
330,850	331,147	287,512	284,439	275,023
136,791	140,308	140,887	139,365	137,835
265,564	282,100	172,402	180,401	162,503
5,217	6,454	7,170	7,216	6,859

OPERATING INFORMATION

Schedule 29 – Operating and Capital Asset Indicators by Function
Transportation

Last Ten Fiscal Years

	2013	2012	2011	2010	2009
Department of Transportation					
Number of ferries	22	23	21	22	22
Vehicles on ferries (in thousands)	10,045	9,983	9,973	10,134	9,910
Passengers on ferries (in thousands)	12,350	12,236	12,374	12,504	12,598
State highway miles of travel (1)					
Rural (in thousands)	N/A	11,252	11,353	11,521	11,362
Urban (in thousands)	N/A	19,963	20,103	20,243	20,093
State highway lane miles					
Rural	13,798	13,814	13,795	13,744	13,724
Urban	6,882	6,817	6,792	6,755	6,668
Total	20,680	20,631	20,587	20,499	20,392
Pavement patching & repair (square feet) (2)	82,415	113,304	135,952	179,585	128,076
Pavement striping maintenance (miles) (2)	17,203	18,763	26,608	16,801	18,140
Anti & de-icing liquid application (gallons in thousands) (2)	2,154	2,421	1,774	2,834	4,724
Litter pickup (cubic yards) (2)	29,428	25,537	27,320	26,739	12,230
Department of Licensing (3)					
Total vehicle registrations (in thousands)	7,061	6,904	6,974	6,752	6,862
Licensed drivers (in thousands)	5,310	5,230	5,181	5,109	4,905
Washington State Patrol (4)					
Total contacts	1,262,570	1,256,569	1,272,526	1,258,637	1,257,774
Citations issued	516,573	518,315	520,447	523,786	540,181
Motorist assists	296,166	301,511	310,013	296,887	305,421
Collisions investigated	33,989	34,995	37,106	34,182	36,922
Number of traffic officers	635	626	624	636	633

(1) N/A indicates data is not available for fiscal year 2013. Data is available only on a calendar year basis.

(2) N/A indicates data is not available prior to 2005.

(3) Vehicle count includes all registered vehicles for which registration fees were paid. Driver count includes all licensed drivers.

(4) Prior to 2006, data was available only on a calendar year basis. Due to time and activity adjustments, the Washington State Patrol periodically revises its data up to three years.

Sources:
Washington State Department of Transportation
Washington State Department of Licensing
Washington State Patrol

2008	2007	2006	2005	2004
24	28	28	28	28
10,391	10,827	10,597	10,810	10,867
12,901	13,163	12,960	13,071	13,541
10,988	11,564	11,397	11,293	11,354
19,754	20,406	20,367	20,336	20,203
13,685	13,668	13,652	13,641	14,337
6,566	6,505	6,447	6,362	5,633
20,251	20,173	20,099	20,003	19,970
100,124	92,216	160,280	116,357	N/A
20,020	20,328	23,145	27,389	N/A
3,938	4,541	3,507	3,446	N/A
18,452	17,234	22,916	41,115	N/A
7,028	6,732	6,638	6,494	6,419
4,842	4,774	4,690	4,587	4,412
1,237,584	1,255,500	1,309,510	1,356,300	1,482,090
570,691	592,122	541,287	506,462	518,721
306,650	309,864	344,249	352,615	329,896
39,289	40,666	40,535	40,175	36,449
616	626	626	651	686

OPERATING INFORMATION

Schedule 30 – Operating and Capital Asset Indicators by Function
Natural Resources and Recreation

Last Ten Fiscal Years

	2013	2012	2011	2010	2009
State Parks and Recreation Commission					
Number of official, developed state parks	116	116	116	118	120
Number of owned or managed properties	243	243	241	183	219
Acreage of state parks [1]	123,952	121,711	121,547	121,506	121,152
Attendance at state parks (in thousands)	35,625	35,338	38,896	44,315	41,535
Department of Fish and Wildlife					
Recreational licenses issued					
Hunting licenses	317,822	316,509	349,676	363,357	364,810
Fishing licenses	1,203,754	1,229,981	1,147,059	1,156,707	1,009,075
Hatchery releases (pounds in thousands) [2]					
Salmon releases	4,103	4,029	4,183	4,413	4,330
Trout releases [3]	1,420	1,493	1,395	1,380	1,414
Department of Natural Resources [2]					
Common schools trust land acreage (in thousands)	1,780	1,794	1,803	1,810	1,813
Total trust land acreage (in thousands)	3,072	2,918	2,929	2,944	2,947
Timber acres harvested	19,639	22,250	20,609	26,841	27,168
Timber volume harvested (thousand board feet)	480,900	514,039	669,442	805,946	504,939
Timber volume sold (thousand board feet)	497,686	549,229	597,083	741,666	545,634
Natural area preserve sites	55	55	54	54	53
Natural area preserve acreage	36,156	38,284	36,896	35,585	35,365
Natural resources conservation area sites	35	35	31	30	30
Natural resources conservation area acreage	113,032	111,136	108,100	97,293	96,989

(1) Prior to 2007, acreage owned by the U.S. Bureau of Land Management, leased jointly by State Parks and the Department of Fish and Wildlife (DFW), and managed by DFW was included.

(2) Fiscal year 2013 data is preliminary.

(3) Trout releases do not include trout lodge fish purchased by DFW.

Sources:

Washington State Parks and Recreation Commission

Washington State Department of Fish and Wildlife

Washington State Department of Natural Resources

2008	2007	2006	2005	2004
120	120	120	114	120
231	231	226	227	229
121,010	120,146	260,487	260, 028	259,453
41,590	39,297	40,026	40,331	40,410
370,235	359,510	342,230	330,453	321,906
943,904	954,478	929,884	963,088	1,031,213
4,433	4,786	4,702	4,749	4,786
1,410	1,522	1,410	1,494	1,512
1,799	1,757	1,757	1,758	1,752
2,923	2,877	2,876	2,875	2,882
24,625	29,687	N/A	30,529	27,629
504,796	493,341	657,962	694,999	616,051
660,247	570,531	527,609	598,445	547,749
52	52	51	49	49
31,207	29,991	29,975	29,871	30,074
29	31	30	28	28
93,534	88,862	87,793	87,357	86,401

OPERATING INFORMATION

Schedule 31 – Operating and Capital Asset Indicators by Function
Education

Last Ten Academic Years

	2012-13	2011-12	2010-11	2009-10	2008-09
K-12 Enrollment [1]					
K-8	680,697	676,539	673,558	668,055	663,124
9-12	306,826	307,949	312,691	314,318	312,954
Private and home based	4	12	9	14	12
Summer [2]	845	821	1,155	1,222	642
Running start	13,621	12,767	12,824	12,487	11,824
UW transition	114	113	108	104	102
Total	1,002,107	998,201	1,000,345	996,200	988,658
High school graduates [3]	N/A	60,552	59,732	60,835	58,687
Higher Education					
Community and Technical Colleges:					
Number of campuses	34	34	34	34	34
Enrollment [1] [4]	147,433	153,395	162,328	160,778	148,000
Associate degrees granted	28,191	27,846	26,434	22,368	21,295
Baccalaureate degrees granted [5]	192	155	138	51	35
Student achievement points [6]	342,424	361,715	390,300	393,135	352,419
Public Universities [7]					
Number of campuses	11	10	10	10	10
Enrollment [1]	105,112	104,702	103,214	101,165	98,292
Baccalaureate degrees granted	N/A	24,430	24,527	22,798	22,061
Masters degrees granted	N/A	5,607	5,490	5,138	4,772
Doctors degrees granted	N/A	915	955	880	878
Professional degrees granted	N/A	778	738	717	684

(1) K-12 enrollment figures are preliminary for academic year 2012-13. Enrollment is based on a full-time equivalent student, which is defined as:

- Kindergarten - 4 classroom hours/day for 90 days or 2 classroom hours/day for 180 days.
- Grades 1 through 3 - 4 classroom hours/day for 180 days.
- Grades 4 through 12 - 5 classroom hours/day for 180 days.
- Undergraduate student - 15 credit hours per term.
- Graduate student - 10 credit hours per term.

(2) The increase in skills center summer students beginning in 2009-10 is due to reporting and funding changes.

(3) Beginning with the 2010-2011 academic year, high school graduates are calculated using an adjusted (four-year) cohort method that tracks students expected to graduate high school within a four year period of time. Total high school graduates consist of students who received high school diplomas, graduated with Associates degrees, and graduated under Individualized Education Plans (IEPs). Prior to 2010-11, high school graduates were calculated using the traditional estimated (four-year) on-time cohort method which was based on students enrolled within a single school year. High school graduates for academic year 2012-13 not available at time of report.

(4) Enrollment figures include all non-Running Start students, which may include students under the age of 18. Beginning in academic year 2006-07, figures also include students enrolled in baccalaureate partnership programs.

(5) Baccalaureate degrees awarded by community and technical colleges, beginning in academic year 2008-09.

(6) Student achievement points are the number of intermediate steps achieved by students that are shown to be predictors of the degree or certificate outcome. Student achievement points are essential to the Student Achievement Initiative within the community and technical college system. The initiative was implemented in 2007 to increase educational attainment in Washington state, therefore data is not available for prior academic years.

(7) Public Universities include all 4-year public institutions and branch campuses. In 2006, the Spokane campus of Washington State University (WSU) was combined with the Pullman campus. In 2013 the WSU Spokane campus was reported separately. Degrees granted for academic year 2012-13 not available at time of report.

2007-08	2006-07	2005-06	2004-05	2003-04
653,862	648,975	649,655	648,526	650,269
313,598	313,370	311,684	307,451	302,091
19	23	22	52	89
538	333	332	473	438
11,176	10,811	10,256	9,761	9,351
103	100	109	109	105
979,296	973,612	972,058	966,372	962,343
58,005	58,875	56,874	57,449	57,926
34	34	34	34	34
136,723	132,346	130,933	131,489	138,241
20,911	20,763	21,450	21,632	22,326
N/A	N/A	N/A	N/A	N/A
308,800	295,259	N/A	N/A	N/A
10	10	11	11	11
94,310	92,215	91,571	91,358	90,075
21,641	21,442	20,989	20,882	20,456
4,715	4,711	4,748	4,750	4,685
811	838	814	739	670
691	718	681	649	648

N/A indicates data not available.

Sources:
- Washington State Office of Financial Management
- Washington State Office of Superintendent of Public Instruction
- Washington State Board for Community and Technical Colleges
- Washington Student Achievement Council

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