

STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

DECEMBER 2007

Report Prepared by

Office of Financial Management

Victor A. Moore, Director

Accounting Division

Sadie Rodriguez-Hawkins, Senior Assistant Director

Statewide Accounting

Wendy Jarrett, CPA, Manager

Bret Brodersen

Andrea Brown

Suzanne Coit, CPA

Cheryl Hainje

Steve Ketelsen

Andrea Leigh

Steve Nielson

Stefanie Niemela

Patricia Sanborn, CPA

Michael Schaub

Kim Thompson, CPA

Pam Valencia

Wendy Weeks, CPA

Jayda Williams

Additional assistance provided by

Office of the State Treasurer

Office of the State Actuary

Office of the State Auditor

State Investment Board

Department of Retirement Systems

Department of Transportation

State Health Care Authority

All state fiscal personnel



Table of Contents

*Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2007*

Introductory Section

Letter of Transmittal	1
Certificate of Achievement for Excellence in Financial Reporting.....	13
State of Washington Elected Officials.....	14
State Organization Chart	15

Financial Section

Independent Auditor's Report	19
Management's Discussion and Analysis	21
Basic Financial Statements	35
Government-wide Financial Statements	37
Statement of Net Assets	39
Statement of Activities.....	40
Fund Financial Statements	43
Governmental Fund Financial Statements	
Balance Sheet.....	44
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	45
Statement of Revenues, Expenditures, and Changes in Fund Balances	46
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	47
Proprietary Fund Financial Statements	
Statement of Fund Net Assets	48
Statement of Revenues, Expenses and Changes in Fund Net Assets	49
Statement of Cash Flows	50
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets.....	52

Statement of Changes in Fiduciary Net Assets	53
Component Unit Financial Statements	
Statement of Fund Net Assets.....	54
Statement of Revenues, Expenses and Changes in Fund Net Assets	55
Notes to the Financial Statements	56
Required Supplementary Information	139
Budgetary Information	
Budgetary Comparison Schedule.....	140
Budgetary Comparison Schedule - Budget to GAAP Reconciliation.....	141
Notes to Required Supplementary Information	142
Pension Plan Information	
Schedules of Funding Progress	144
Schedules of Contributions from Employers and Other Contributing Entities	147
Notes to Required Supplementary Information – Defined Benefit Pension Plans.....	150
Information About Infrastructure Assets Reported Using the Modified Approach	
Condition Assessment.....	152
Comparison of Budgeted-to-Actual Preservation and Maintenance.....	160
Combining and Individual Fund Financial Statements – Nonmajor Funds	163
Nonmajor Governmental Funds	165
Combining Balance Sheet – by Fund Type	166
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – by Fund Type	167
Nonmajor Special Revenue Funds.....	169
Combining Balance Sheet	170
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	172
Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) – Budget and Actual.....	174
Nonmajor Debt Service Funds	179
Combining Balance Sheet	180
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	181
Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) – Budget and Actual	182
Nonmajor Capital Projects Funds	185
Combining Balance Sheet	186
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	187
Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) – Budget and Actual.....	188

Nonmajor Proprietary Funds

Nonmajor Enterprise Funds	191
Combining Statement of Fund Net Assets	192
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	194
Combining Statement of Cash Flows	196
Internal Service Funds	199
Combining Statement of Fund Net Assets	200
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	202
Combining Statement of Cash Flows	204

Fiduciary Funds..... 207

Private-Purpose Trust Funds	
Combining Statement of Fiduciary Net Assets	208
Combining Statement of Changes in Fiduciary Net Assets	209
Agency Funds	
Combining Statement of Assets and Liabilities	210
Combining Statement of Changes in Assets and Liabilities	211

Nonmajor Component Units..... 213

Combining Statement of Fund Net Assets	214
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	215

Schedules 217

Schedule of Revenues and Other Financing Sources (Uses) – Governmental Funds	218
Schedule of Expenditures - Governmental Funds	219
Workers' Compensation Fund - Basic Plan - Claims Development Information	220
Workers' Compensation Fund - Supplemental Pension Plan	
– Claims Development Information	221
Workers' Compensation Fund - Reconciliation of Claims Liabilities by Plan	222

Statistical Section

Narrative and Table of Contents	225
Financial Trends	227
Revenue Capacity	233
Debt Capacity	235
Demographic Information	238
Operating Information	245

INTRODUCTORY SECTION



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

December 14, 2007

The Honorable Christine Gregoire, Governor
Honorable Members of the Legislature
Citizens of the State
State of Washington
Olympia, Washington 98504

In accordance with Revised Code of Washington (RCW) 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 that ended June 30, 2007. Full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been 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 year ended June 30, 2007. 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.

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

Profile of Washington State

The State of Washington was created by an enabling act of Congress in 1889. The state is located on the Pacific Coast in the northwestern corner of the continental United States. Washington comprises 68,139 square miles and currently has a population of 6.5 million. Washington is famous for its scenery of breathtaking beauty 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 rainiest places in the world. Washington's coastline has hundreds of bays and inlets that make excellent harbors. In the eastern part of the state, the 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 the 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 leader in the computer software industry, makes its home in Redmond. The Weyerhaeuser Company, a major producer of wood and related products, is headquartered in Federal Way.

East of the Cascades Mountain range, farmers raise livestock and grow wheat on large ranches. Washington leads the nation in apple production. The state produces large amounts of lumber, pulp, paper, and other wood products. The mild moist climate in western Washington makes the region excellent for dairy farming and the production of flower bulbs.

Governmental Structure

As established in the State Constitution, the state consists of three branches of government: the Executive Branch, Legislative Branch, and Judicial Branch. The Executive Branch has nine elected officials as follows: the Governor, Lieutenant Governor, Secretary of State, State Treasurer, State Auditor, Attorney General, Superintendent of Public Instruction, Insurance Commissioner, and Commissioner of Public Lands. Forty agency heads are appointed by, and report to, the Governor. Eighty-nine agency heads report to a board appointed in whole or in part by the Governor. The Legislative Branch consists of two legislative bodies: the Senate consisting of forty-nine members, and the House of Representatives with ninety-eight members. The Judicial Branch consists of the State Supreme Court, which is the highest court in the state comprised of nine Justices. Every two years, three Justices are elected for six-year terms. A Chief Justice is chosen from among the most senior Justices.

Types of Services Provided and Reporting Entity

The state provides a wide range of services. These 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, the State of Washington as legally defined, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The determination of "financial accountability" is based on criteria established in Governmental Accounting Standards Board Statement No. 14. Note

1.A to the financial statements explains more fully which organizations 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

Since the nation's economic recovery began in the fourth quarter of 2001, the State of Washington has gained more than 258,000 jobs, or about 9.7 percent growth. The state job recovery started slowly; it picked up speed in Fiscal Year 2006 and maintained that speed through Fiscal Year 2007. A dramatic turnaround in the aerospace industry, persistent growth in the state's housing markets due to continued in-migration, and an increase in disposable household income from home mortgage refinancing have aided the state's recovery.

The relative strength of the state's recovery reflects the growing diversity within the state's economy, elements of which include a vital export base, the presence of knowledge-based industries such as business, professional, health, and financial services, and a high quality of life that continues to support strong population growth.

Washington State's non-farm payroll employment grew by a healthy 2.7 percent in Fiscal Year 2007, moderating a bit from the 3.0 percent pace set in Fiscal Year 2006. The aerospace industry maintained its fast hiring pace through Fiscal Year 2007 that started in Fiscal Year 2006; the sector added 7,300 workers, an increase of more than 10 percent, thanks to strong aircraft sales and a lengthening backlog of orders. Total manufacturing employment grew by 3.5 percent, the third straight year of positive growth during this recovery and expansion period.

Washington's unemployment rate continued to improve in Fiscal Year 2007, reflecting the gains in employment. The unemployment rate fell to 4.8 percent, marking the fourth year of improvement since the 2003 recession year.

Personal income grew at a rate of 7.6 percent in Fiscal Year 2007, attributable to gains in both wage and non-wage income. Real personal income – after factoring out inflation – still grew at a healthy 5.1 percent, well above the 1.2 percent increase in 2006.

Washington's outlook for Fiscal Year 2008 is for more moderate economic growth. Non-farm payroll employment in Washington is forecasted to increase in Fiscal Year 2008 by 2.4 percent, which is slower than the 2.7 percent growth in Fiscal Year 2007 and the 3.0 percent growth in 2006. Personal income is also predicted to grow by 7.0 percent in current terms, and by 4.8 percent in real terms in Fiscal Year 2008.

General Fund-State revenues are forecasted to grow at a 7.6 percent rate in the 2007-09 Biennium, compared to the 18.7 percent increase in the 2005-07 Biennium. Some of this slower growth is due to legislative changes in the tax system that take full effect in the 2007-09 Biennium, including aerospace industry tax credits. Based on the November 2007 revenue forecast, Washington will have an estimated unrestricted reserve of \$954 million by the end of the 2007-09 Biennium, up from \$781 million in the previous biennium. In addition, the 2007 Legislature passed a resolution to send to a vote of the people a constitutional amendment that requires 1 percent of "general state revenue" for each fiscal year be transferred into a new budget stabilization account. The amendment to the state constitution was approved by voters in the November 2007 general election. About \$430 million will be placed in the budget stabilization account by the end of the 2007-09 Biennium. Total reserves are estimated to total \$1.4 billion by the end of the 2007-09 Biennium. These projected reserves assume no further changes in appropriations for the 2007-09 Biennium.

Economic Condition in Fiscal Year 2007

Washington's non-farm payroll employment grew by 2.7 percent in Fiscal Year 2007, significantly faster than the 1.6 percent increase in U.S. non-farm payroll employment. The absolute increase in Washington's non-farm payroll employment was 76,800 during Fiscal Year 2007. Personal income in Washington also grew at a faster rate than U.S. personal income: 7.6 percent in Washington compared to 6.4 percent for the U.S. Because Washington's labor market has been adding jobs at a quicker pace than the national average, it holds that the wage income component of personal income would also outpace the national average in 2007. Real per capita income growth was up in Washington by 3.3 percent over the same period, compared to 3.0 percent for the nation as a whole. Again, strong job growth had a positive impact on Washington's personal income and per capita personal income growth.

Aerospace employment provided the brightest spot in Washington's manufacturing sector in Fiscal Year 2007. After reaching a cyclical low point in 2004, aerospace employment made a modest comeback in Fiscal Year 2005, increasing by 1,300 jobs; growth accelerated in Fiscal Year 2006 with an addition of 5,700 jobs (a 9 percent increase); and

in Fiscal Year 2007, the aerospace industry added 7,300 jobs, more jobs than in the previous two years combined, for a growth rate of over 10 percent. While this increase in aerospace jobs is not as steep as in years past, this is because of the industry's new "global network" production model that shares design and production processes with overseas suppliers.

Manufacturing employment other than aerospace was considerably less vibrant, rising by only 1.2 percent. Most durable manufacturing industries experienced higher employment in Fiscal Year 2007, while nondurable manufacturing employment fell in Fiscal Year 2007.

Employment in durable manufacturing other than aerospace grew by 2 percent in Fiscal Year 2007 (an increase of 2,500 jobs), while employment in durable manufacturing declined by 0.2 percent nationally. Employment patterns in durable manufacturing industries were mixed in Washington during Fiscal Year 2007; employment in lumber and wood products, electrical equipment, and other transportation equipment were down, while primary metal, fabricated metal, computers, machinery, other durable manufacturing, and clay glass sand and cement were up. Washington's lumber industry is dependent upon national home building trends. Even though housing construction in Washington was solid in Fiscal Year 2007, the national markets had weakened, resulting in a fall-off in wood products demand and employment. Employment in other transportation equipment (other than aerospace) fell by 1.6 percent, while employment in fabricated metal products rose by 5.8 percent in Fiscal Year 2007. Machinery manufacturing employment grew 6.6 percent in 2007, and employment in other durable manufacturing was up by 2.6 percent. Primary metals employment rose 9.1 percent, the fastest job increase next to aerospace. Electrical equipment, appliances and components employment had slightly increased by 0.5 percent, while computers and electronic products were up 1.2 percent (an increase of 300 jobs).

Non-durable manufacturing employment in Washington decreased by a modest 0.1 percent in Fiscal Year 2007, a loss of about 100 jobs. Nationally, non-durable manufacturing employment declined by 1.1 percent over the same period. In Washington, food (0.4 percent), paper (3.9 percent), and printing manufacturing (2.2 percent) experienced employment losses in Fiscal Year 2007. Petroleum (0.7 percent) and other non-durable manufacturing (4.1 percent) reported employment gains.

Washington's non-manufacturing employment grew by 2.6 percent during Fiscal Year 2007. The construction industry posted an 8.5 percent gain in employment, thanks to continued overall employment, income, and population growth. Employment in the information sector rose by 5.3 percent; though software publishing accounts for half the employment within this division, their employment rose 2.4 percent. Wholesale trade employment rose by 3.4 percent, while retail trade employment grew by 2.2 percent. Employment increased 3.1 percent in the services sector on the strength of job growth in the professional and business services, which rose 4.4 percent. Transportation, warehousing, and utilities employment increased by 2 percent. Employment also grew in the public sector as state and local government jobs increased by 0.6 percent.

Several non-manufacturing industries recorded job losses. Employment in the financial activities industry declined by 0.1 percent as credit problems from across the nation were felt at locally headquartered firms. Federal government civilian employment also declined by 1 percent in Fiscal Year 2007. Employment in the natural resources industry fell at a rate of 3.7 percent in Fiscal Year 2007 as certain mining operations were impacted by recent legal limitations.

Economic Outlook

The economic forecast for Washington State for Fiscal Year 2008 reflects a maturing of the recovery at both the state and national levels. According to the November 13, 2007 forecast by the state Economic and Revenue Forecast Council, growth in Washington's non-farm payroll employment is predicted to increase by 2.4 percent in Fiscal Year 2008, a rate closer to the state's long-term average employment growth and significantly higher than the expected national growth rate of 0.9 percent for non-farm payroll employment. Washington's personal income is expected to grow by 7.0 percent in Fiscal Year 2008 while U.S. personal income growth is predicted to be 5.8 percent for the same period.

Manufacturing employment in Washington is projected to continue growing in Fiscal Year 2008. The aerospace industry is expected to add another 5,200 workers in Fiscal Year 2008, for a growth rate of 6.9 percent. Those durable manufacturing sectors that provide inputs to the aerospace industry are also expected to show increased employment in Fiscal Year 2008; primary and fabricated metal manufacturers should grow 9.4 and 5.2 percent respectively. Computers, machinery, and electrical equipment manufacturers should post job gains, but only in the 1 percent range. The wood products industry is expected to lose about 1,200 jobs in Fiscal Year 2008 as the nation's home-building market remains lethargic. Other transportation equipment manufacturers are likely to cut payrolls as demand for trucks and boats soften. Clay, glass, sand, and cement producers will provide stability to "other durable goods" manufacturers, thanks to strength in commercial construction.

Most sectors of non-durable manufacturing are expected to be stable or continue to increase employment in Fiscal Year 2008. Employment in food manufacturing is forecasted to grow by 0.2 percent, and employment in other nondurable manufacturing will grow by 0.9 percent. Employment in paper and paper products manufacturing is expected to fall by 5.3 percent in Fiscal Year 2008, a continuation of the payroll losses in 2007.

In the non-manufacturing sectors, the strongest employment growth in Fiscal Year 2008 is predicted to occur in construction, as commercial building and infrastructure projects take up slack from the slowing residential market. Professional and business services (3.7 percent) and information services (3.3 percent) should maintain a quick rate of job growth, thanks to a still healthy economy. Strong foreign currencies will spur higher volumes of exports, and thus, demand for transportation and warehousing, and wholesale trade jobs, which should grow 2.6 percent and 3.1 percent respectively in Fiscal Year 2008. Education and health services employment is expected to add another 9,700 jobs – a 2.8 percent rate of growth – as an aging population continues to drive up the demand for health care services. Increases in personal income will push up demand for leisure and

hospitality services, and retail trade; employment in these industries should grow 3.1 and 1.9 percent correspondingly. Financial services are expected to return to positive employment growth in Fiscal Year 2008 after a weak performance the prior year brought about by the nationwide mortgage credit crisis. State and local government employment is expected to grow 1.6 percent in Fiscal Year 2008 in response to sustained population growth and increases in personal income.

The only non-manufacturing sectors expected to experience employment decreases in Fiscal Year 2008 are natural resources and mining (2.7 percent) and the federal government (0.5 percent).

General Fund-State Revenues

General Fund-State revenues for the 2005-07 Biennium were \$29.8 billion, an increase of 18.7 percent in nominal terms over the previous biennium. Revenue growth is expected to be slow in the 2007-09 Biennium. General Fund-State collections are forecasted to increase by 7.6 percent during that two-year period, generating revenue of \$32 billion. Based on the November 2007 revenue forecast, Washington will have an estimated unrestricted reserve of \$954 million by the end of the 2007-09 Biennium, up from \$781 million in the previous biennium. In addition, the 2007 Legislature passed a resolution to send to a vote of the people a constitutional amendment that requires 1 percent of “general state revenue” for each fiscal year be transferred into a new budget stabilization account. The amendment to the constitution was approved by the voters in the November 2007 general election. About \$430 million will be placed in the budget stabilization account by the end of the 2007-09 Biennium. Total reserves are estimated to total \$1.4 billion by the end of the 2007-09 Biennium. These projected reserves assume no further changes in appropriations for the 2007-09 Biennium.

Major Initiatives

Led by Governor Chris Gregoire, the State of Washington continued to enjoy a strong economy in 2007. This enabled the Governor and Legislature to make critical investments in education, health care and the environment while creating a reserve fund, approved by voters in November 2007, to help meet needs in the future. Strategic policy and budget steps were taken to improve public schools and the state’s higher education system, strengthen the economy for the long-term, expand health coverage to children, and improve the environmental health of Puget Sound. Governor Gregoire and the Legislature also took actions to enhance public safety, help seniors and people with disabilities pay for their prescriptions, and improve services for foster children and developmentally disabled individuals.

Throughout the year, Governor Gregoire maintained her strong commitment to make state government more accountable to citizens and to make state government agencies more mobile, flexible, and better able to deliver services that citizens need. She convened monthly accountability forums, bringing together multiple agencies to improve performance. These efforts have yielded encouraging results.

Education

During the 2007 legislative session, the Governor and Legislature made major new investments in all levels of the education system, from early learning through the K-12 system and continuing through college, job training and beyond. These investments grew out of the Governor's Washington Learns initiative, which is dedicated to building a world-class, learner-focused, and seamless education system.

Early Learning: In 2006, the Legislature granted Governor Gregoire's request for a cabinet-level Department of Early Learning to better ensure that pre-kindergarten children have access to learning programs in venues including day care. The agency is now up and running and supporting several key initiatives enacted during the 2007 legislative session.

These initiatives include an effort to provide early learning information to parents and families, establishing a rating system for child care providers, expanding pre-kindergarten programs and all-day kindergarten, and, in conjunction with the Thrive by Five public-private partnership, investing in early reading programs throughout the State of Washington.

Public Schools: The two-year budget enacted in 2007 was designed to fundamentally change educational expectations, delivery and results with a substantial investment at all levels, from early learning through K-12 to higher education and job training. The budget included an education funding increase of nearly \$900 per student in kindergarten through 12th grade and \$2.5 billion overall.

A major piece of this investment was Governor Gregoire's effort to dramatically strengthen math and science education. The budget called for more funding for teacher training and development, increased pay for teachers who are certified in math and science, and more opportunities for students to participate in hands-on science learning.

Other key education measures included investments to increase equity among school districts and giving voters the opportunity to lower the threshold for school levy approval from 60 percent to 50 percent, which the public approved in November. The budget also made additional key investments in programs to support struggling students and those students participating in special education programs.

Higher Education: The Governor and Legislature provided significant funding and policy actions to open college doors to more high school graduates. In particular, the budget created nearly 10,000 new slots for incoming students over the next two years, offered more scholarship opportunities, expanded eligibility for grant programs, and capped tuition increases at the college level. The budget also made further investments in research programs at state universities with the goal of boosting innovation in fields in which the state has already made critical progress.

Finally, the Governor and Legislature moved forward on the establishment of a new University of Washington campus in north Puget Sound. The new campus will serve as

another point of access to higher education for students from Snohomish, Island and Skagit counties.

Health Care

Governor Gregoire has set a goal of providing access to health insurance to all Washington children by 2010. In 2007, she continued her steady progress toward that goal by increasing access to health insurance for an additional 38,500 Washington children. Some of her other efforts around children's health included raising reimbursement rates for pediatricians to ensure that children actually get in to see a doctor and providing increased childhood immunizations. The Governor also won a stand-off with the federal government to ensure that newborn citizens eligible for Medicaid are indeed covered by the program and not prevented from participation because of unnecessary paperwork.

The Governor and Legislature provided help for seniors and low-income people who are struggling with the high cost of prescription drugs. As of November 2007, over 65,000 Washingtonians have enrolled in the Washington Prescription Drug Program and used it to fill nearly 47,000 prescriptions, saving an average of \$26 per prescription. Additionally, the Governor and Legislature enacted a measure to help low-income seniors and vulnerable people cover the cost of their prescription drug co-payments.

Another policy change that was completed in 2007 required health insurance plans to cover mental illness the same as they cover any other health care condition. The state also started a pilot Center for Foster Care Health Services to ensure that these children receive the care they need. Additionally, the budget provided funding for programs to lure doctors, nurses and dentists to eastern Washington, and reforms were enacted to help small businesses provide health coverage to their employees.

Economic Development

In 2007, the Governor and state leaders introduced an economic development strategy known as The Next Washington. This ten-year business plan for the state calls for growing the economy by investing in the skills employees need to succeed today, building a foundation for success by investing in infrastructure across the state, and developing an "Open for Business" approach to government to make Washington an affordable and efficient place to do business. This strategy calls for making a series of targeted investments in areas where the state can lead the world, including fields like global health, alternative energy, tourism, and the state's ports.

This year, the state increased its investment in tourism by increasing funds and partnering with the private sector to boost tourism promotion. The state took steps to help small businesses prosper by investing in the federal network of small business development centers and supporting local economic development councils for the first time in 16 years. The state also saved business owners and workers over \$315 million through a six-month holiday from workers' compensation insurance. Lower unemployment insurance premiums will save small businesses another \$10 million annually.

Environment

Governor Gregoire and the Legislature continued to show a strong commitment to protecting the state's natural environment in 2007. In addition to their work in 2006 to grow a strong biofuels industry, they took a series of steps to protect and improve Puget Sound and to address climate change. One of the key results of the 2007 legislative session was to create a new state agency solely responsible for the cleanup of Puget Sound. The new Puget Sound Partnership works collaboratively with all levels of government, tribes, businesses and citizen groups in its charge to lead and coordinate efforts to protect and restore Puget Sound by 2020.

Governor Gregoire and the Legislature also moved Washington ahead in an effort to set goals for reducing greenhouse gas emissions and create clean energy jobs, and establish an emissions performance standard for new power plants. These measures were enacted after the Governor signed an executive order in February establishing goals for reductions in climate pollution, increases in jobs, and reductions in expenditures on imported fuel. Governor Gregoire's executive order directs the Washington departments of Ecology and Community, Trade and Economic Development to lead a process that will engage business, community and environmental leaders over the next year in developing a plan to combat climate change.

Human Services

Governor Gregoire led many initiatives to improve human services programs. In particular, important steps were taken to strengthen the state's services for foster children and individuals with developmental disabilities. The budget provides funding for monthly caseworker visits for children in foster care to monitor their safety and well-being, improves reimbursements to foster parents and providers of specialized behavioral rehabilitation services, tries to keep families together by funding more thorough searches for extended family members, and increases funding to meet the mental health treatment needs of foster children.

The budget also meets the immediate needs of people with developmental disabilities by providing additional residential capacity to support people who are leaving hospitals and detention facilities, are aging out of the children's foster care system, or whose caregivers are aging and finding it difficult to continue to provide adequate care. The state will also increase payment rates to community residential service providers to ensure access to quality services.

Public Safety

Governor Gregoire and the Legislature made important progress on enhancing public safety and reducing crime. This year, budget and policy changes took a particular emphasis on reducing repeat criminal activity by better keeping track of offenders upon release and targeting the primary causes of recidivism, emphasizing education, workforce skills and treatment programs that address dependency and mental health issues. They also made investments in employment programs for people leaving prison, reducing the risk that they will commit future crimes. The efforts are projected to eliminate the need for at least one 1,000-bed prison by 2017.

The budget also works to ensure that mentally ill offenders and sex offenders are better managed and receive the treatment they need both before and after release from prison to reduce the risk they pose to the community. Another key initiative seeks to reduce youth criminal behavior by involving families and communities in the criminal justice process, better managing kids in institutions, integrating treatment throughout the juvenile system and using scientifically proven treatment strategies for at-risk youth.

Transportation

In the area of transportation, the state continued to move forward on key infrastructure projects providing funding for critical safety, freight and mobility transportation projects. The state also invested in four 144-car auto passenger ferries and increased funding for vanpools and public transportation, as well as bike and pedestrian improvements.

Government Efficiency

In 2007, Governor Gregoire continued her aggressive effort, begun two years ago, to improve the performance of Washington state government. She undertook this initiative through a process called Government Management, Accountability and Performance (GMAP). Modeled on similar endeavors used successfully in New York City and Baltimore, the process includes forums in which the Governor and key staff work directly with individual cabinet members to identify problems, establish goals, and measure results using hard data.

After two years, the process has yielded measurable improvements, including significant reductions in mid-management positions and in unanticipated leave by state employees, faster responses to traffic tie-ups on state highways, improvements in the protection of vulnerable children and adults, better customer service to citizens and providers seeking information from state hotlines, and expedited grant application processes for municipalities working on water quality improvement projects.

The Governor and Legislature also continued to use strategic budgeting principles first used successfully in 2003. This approach, known as Priorities of Government, involves making strategic spending decisions based on what citizens need most in an environment of limited resources.

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 that ended June 30, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order 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 last twenty 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 commitment of the Governor 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,

A handwritten signature in black ink, appearing to read 'V. A. Moore', written in a cursive style.

Victor A. Moore
Director

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, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

State of Washington Elected Officials as of June 30, 2007



Christine Gregoire
Governor



Brad Owen
Lieutenant Governor



Sam Reed
Secretary of State



Michael Murphy
Treasurer



Brian Sonntag
State Auditor



Rob McKenna
Attorney General



Terry Bergeson
Superintendent of Public Instruction



Doug Sutherland
Commissioner of Public Lands



Mike Kreidler
Insurance Commissioner



2006-2007 Organization Chart

Washington State Government

Legislative Branch

Executive Branch

Judicial Branch

Senate House of Representatives				Supreme Court	
Joint Legislative Audit and Review Committee	Office of the State Actuary	Court of Appeals	Supreme Court Clerk	Law Library	
Legislative Ethics Board	Joint Legislative Systems Committee	Superior Courts	Supreme Court Commissioner	Reporter of Decisions	
Legislative Evaluation and Accountability Program	Redistricting Commission (activated decennially)	District Courts	Administrator for the Courts	Commission on Judicial Conduct	
		Municipal Courts	Office of Public Defense	Office of Civil Legal Aid	

Agencies Managed by Statewide Elected Officers

Commissioner of Public Lands	Insurance Commissioner	Treasurer	Lieutenant Governor	Governor	Attorney General	Superintendent of Public Instruction	Auditor	Secretary of State
Department of Natural Resources Forest Practices Board		Public Deposit Protection Commission State Finance Committee		Office of the Governor Puget Sound Action Team Salmon Recovery Office	Executive Ethics Board Governor's Office of Indian Affairs Office of the Family and Children's Ombudsman	Board of Education Professional Educator Standards Board		Productivity Board State Library

Environment and Natural Resources	General Government	Transportation	Health and Human Services	Education	Community and Economic Development
-----------------------------------	--------------------	----------------	---------------------------	-----------	------------------------------------

Agencies Managed by Governor-appointed Executives

Department of Ecology Department of Agriculture commodity commissions Interagency Committee for Outdoor Recreation Salmon Recovery Funding Board Pollution Liability Insurance Program	Office of Financial Management Department of General Administration Department of Revenue Department of Personnel Personnel Resources Board Department of Retirement Systems Employee Retirement Benefits Board Department of Information Services Integrated Justice Information Board Lottery Commission Department of Financial Institutions Military Department Public Printer Office of Administrative Hearings Board of Accountancy	Department of Transportation State Patrol Department of Licensing occupational regulatory boards Traffic Safety Commission	Department of Social and Health Services Department of Labor and Industries Department of Employment Security Department of Health occupational regulatory boards Department of Corrections Department of Veterans Affairs Council for the Prevention of Child Abuse and Neglect Health Care Authority Public Employees' Benefits Board Department of Services for the Blind	Department of Early Learning School for the Blind School for the Deaf Board of Trustees Workforce Training and Education Coordinating Board	Department of Community, Trade, and Economic Development Economic Development Commission Energy Facility Site Evaluation Council Public Works Board Building Code Council Office of Minority and Women's Business Enterprises Commission on Asian Pacific American Affairs Commission on African-American Affairs Commission on Hispanic Affairs Arts Commission Department of Archaeology and Historic Preservation
---	---	--	--	---	--

Agencies Under Authority of a Board

Fish and Wildlife Commission Department of Fish and Wildlife Parks and Recreation Commission Environmental Hearings Office Environmental and Land Use Hearings Board Pollution Control Hearings Board Shorelines Hearings Board Forest Practices Appeals Board Hydraulic Appeals Board Conservation Commission Columbia River Gorge Commission Growth Management Hearings Boards Eastern Washington Central Puget Sound Western Washington Board of Natural Resources	Liquor Control Board Utilities and Transportation Commission Personnel Appeals Board (abolished 2006) Public Employment Relations Commission Board of Tax Appeals Public Disclosure Commission Board for Volunteer Firefighters and Reserve Officers Gambling Commission Horse Racing Commission Investment Board Statute Law Committee Code Reviser Municipal Research Council Economic and Revenue Forecast Council Caseload Forecast Council Pension Funding Council Forensic Investigations Council Citizens' Commission on Salaries for Elected Officials State Capitol Committee Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Board	Board of Pilotage Commissioners Marine Employees' Commission Transportation Improvement Board Freight Mobility Strategic Investment Board County Road Administration Board	Human Rights Commission Indeterminate Sentence Review Board Board of Industrial Insurance Appeals Criminal Justice Training Commission Sentencing Guidelines Commission Health Care Facilities Authority Board of Health Home Care Quality Authority Tobacco Settlement Authority	Higher Education Coordinating Board Governing Boards of Four Year Institutions of Higher Education University of Washington Washington State University Central Washington University Eastern Washington University Western Washington University The Evergreen State College Board for Community and Technical Colleges Boards of Trustees Community Colleges Technical Colleges Spokane Intercollegiate Research and Technology Institute Higher Education Facilities Authority Washington State Historical Society Eastern Washington State Historical Society	Convention and Trade Center Housing Finance Commission Economic Development Finance Authority Life Sciences Discovery Fund Authority
--	--	--	---	--	---



FINANCIAL SECTION



**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

December 14, 2007

The Honorable Christine Gregoire
Governor, State of Washington

Dear Governor Gregoire:

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 fiscal year ended June 30, 2007, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the state's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Workers' Compensation Fund of the Department of Labor and Industries, Washington's Lottery, Department of Retirement Systems, Local Government Investment Pool, University of Washington, Western Washington University, and the funds managed by the State Investment Board. Those financial statements represent part or all of the total assets, net assets, 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:

<u>Opinion Unit</u>	<u>Percent of Total Assets</u>	<u>Percent of Net Assets</u>	<u>Percent of Total Revenues/ Additions</u>
Governmental Activities	13.4%	18.1%	8.6%
Business-Type Activities	74.6%	100%	62.0%
Higher Education Special Revenue Fund	50.6%	44.3%	48.1%
Higher Education Endowment Fund	96.8%	97.0%	95.0%
Higher Education Student Services Fund	69.4%	74.4%	82.1%
Workers' Compensation Fund	100%	100%	100%
Aggregate Discretely Presented Component Units and Remaining Fund Information	90.0%	92.9%	75.3%

Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, 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 of material misstatement. The financial statements of the Workers' Compensation Fund of the Department of Labor and Industries, Washington's Lottery, Department of Retirement Systems, Local Government

Investment Pool, University of Washington, Western Washington University, and the funds managed by the State Investment Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of 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, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2007, on our consideration of the State of Washington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the required supplementary information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have and the other auditors have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State of Washington's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are for purposes of additional analysis, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements by us and the other auditors and, in our opinion, based on our audit and the reports of other auditors, 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 has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, appearing to read "Brian Sonntag", is positioned above the printed name.

BRIAN SONNTAG, CGFM

STATE AUDITOR

Management's Discussion and 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, 2007. 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 of the state of Washington exceeded its liabilities by \$22.8 billion (reported as *net assets*). Of this amount, \$(3.0) billion was reported as "unrestricted (deficit) net assets." A negative balance indicates that no funds were available for discretionary purposes.
- The state of Washington's governmental funds reported combined ending fund balance of \$12.2 billion, an increase of 16.7 percent compared with the prior year.
- Unreserved fund balance for the General Fund was \$781 million, or 4.1 percent of total General Fund expenditures.
- The state's capital assets increased by \$1.9 billion while total bond debt increased by \$1.2 billion during the current fiscal year.

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.

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

The *Statement of Activities* presents information showing how the state's net assets changed during the most recent fiscal year. All changes in net assets 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 various higher education student services such as housing and dining.

The government-wide financial statements can be found on pages 39-41 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 *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 non-major funds. The state's major governmental funds are the General Fund, Higher Education Special Revenue Fund, and the Higher Education Endowment Permanent Fund. Individual fund data for the state's non-major governmental funds are provided in the form of *combining statements* elsewhere in this report.

The governmental fund financial statements can be found on pages 44-47 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, 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, and the Higher Education Student Services Fund, which are considered to be major funds, as well as an aggregated total for all non-major enterprise funds. The internal service funds are combined for presentation purposes. Individual fund data for the state's non-major proprietary funds are provided in the form of *combining statements* elsewhere in this report.

The proprietary fund financial statements can be found on pages 48-51 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 statement 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 52-53 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 one major component unit, the Washington State Public Stadium Authority, and four non-major component units. Refer to Note 1 on page 58 for more detailed information. Individual fund data for the state's non-major component units are provided in the form of *combining statements* elsewhere in this report.

The financial statements for the state's component units can be found on pages 54-55 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 56-137 of this report.

Other required information - In addition to this discussion and analysis, this report also presents required supplementary information on budgetary comparisons, pension plan funding, and infrastructure assets reported using the modified approach. Required supplementary information can be found on pages 140-161 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 165-215 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the state of Washington, total assets exceed liabilities by \$22.8 billion at June 30, 2007 as compared to \$20.8 billion as reported at June 30, 2006.

The largest portion of the state's net assets (73.7 percent for Fiscal Year 2007 as compared to 77.1 percent for Fiscal Year 2006) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), 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.

State of Washington's Net Assets

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 17,995	\$ 15,537	\$ 20,395	\$ 18,297	\$ 38,390	\$ 33,834
Capital assets	25,834	24,174	1,846	1,587	27,680	25,761
Total assets	43,829	39,711	22,241	19,884	66,070	59,595
Current and other liabilities	3,920	3,510	2,441	1,962	6,361	5,472
Long-term liabilities outstanding	14,379	13,040	22,566	20,285	36,945	33,325
Total liabilities	18,299	16,550	25,007	22,247	43,306	38,797
Net assets:						
Invested in capital assets, net of related debt	16,189	15,434	598	605	16,787	16,039
Restricted	5,072	4,343	3,892	3,164	8,964	7,507
Unrestricted (deficit)	4,269	3,384	(7,256)	(6,132)	(2,987)	(2,748)
Total net assets	\$ 25,530	\$ 23,161	\$ (2,766)	\$ (2,363)	\$ 22,764	\$ 20,798

A portion of the state of Washington's net assets (39.4 percent for Fiscal Year 2007 as compared to 36.1 percent for Fiscal Year 2006) represents resources that are subject to external restrictions on how they may be used. The remaining balance represents *unrestricted (deficit) net assets*. A positive balance indicates that excess assets are available to meet the state's ongoing obligations to citizens and creditors. The state's overall negative balance is caused by the workers' compensation program that provides time-loss, medical, disability and payments to qualifying individuals sustaining work-related injuries. For reporting purposes an actuarially determined liability has been recorded to comply with applicable accounting standards. However, by statute, the supplemental pension cost-of-living adjustments granted for time-loss and disability payments are funded on a pay-as-you-go basis.

State of Washington's Changes in Net Assets

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 3,618	\$ 3,225	\$ 5,472	\$ 6,911	\$ 9,090	\$ 10,136
Operating grants and contributions	8,286	8,260	46	55	8,332	8,315
Capital grants and contributions	745	610	-	-	745	610
General revenues:						
Taxes	16,704	15,499	108	100	16,812	15,599
Interest and investment earnings	818	475	1,316	147	2,134	622
Total revenues	<u>30,171</u>	<u>28,069</u>	<u>6,942</u>	<u>7,213</u>	<u>37,113</u>	<u>35,282</u>
Expenses:						
General government	(1,525)	(1,320)	-	-	(1,525)	(1,320)
Education - K-12	(6,871)	(6,642)	-	-	(6,871)	(6,642)
Education - higher education	(5,244)	(4,804)	-	-	(5,244)	(4,804)
Human services	(10,473)	(10,082)	-	-	(10,473)	(10,082)
Adult corrections	(811)	(749)	-	-	(811)	(749)
Natural resources and recreation	(983)	(777)	-	-	(983)	(777)
Transportation	(1,588)	(1,526)	-	-	(1,588)	(1,526)
Interest on long-term debt	(553)	(533)	-	-	(553)	(533)
Workers' compensation	-	-	(3,841)	(2,267)	(3,841)	(2,267)
Unemployment compensation	-	-	(697)	(736)	(697)	(736)
Higher education student services	-	-	(1,305)	(1,254)	(1,305)	(1,254)
Health insurance programs*	-	-	-	(1,244)	-	(1,244)
Other business-type activities	-	-	(1,102)	(1,042)	(1,102)	(1,042)
Total expenses	<u>(28,048)</u>	<u>(26,433)</u>	<u>(6,945)</u>	<u>(6,543)</u>	<u>(34,993)</u>	<u>(32,976)</u>
Excess (deficiency) of revenues over expenses before contributions to endowments, extraordinary loss, and transfers	2,123	1,636	(3)	670	2,120	2,306
Contributions to endowments	97	131	-	-	97	131
Extraordinary loss (asset impairment)	-	(84)	-	-	-	(84)
Transfers	204	252	(204)	(252)	-	-
Increase (decrease) in net assets	<u>2,424</u>	<u>1,935</u>	<u>(207)</u>	<u>418</u>	<u>2,217</u>	<u>2,353</u>
Net assets - July 1, as restated*	<u>23,106</u>	<u>21,226</u>	<u>(2,559)</u>	<u>(2,781)</u>	<u>20,547</u>	<u>18,445</u>
Net assets - June 30	<u>\$ 25,530</u>	<u>\$ 23,161</u>	<u>\$ (2,766)</u>	<u>\$ (2,363)</u>	<u>\$ 22,764</u>	<u>\$ 20,798</u>

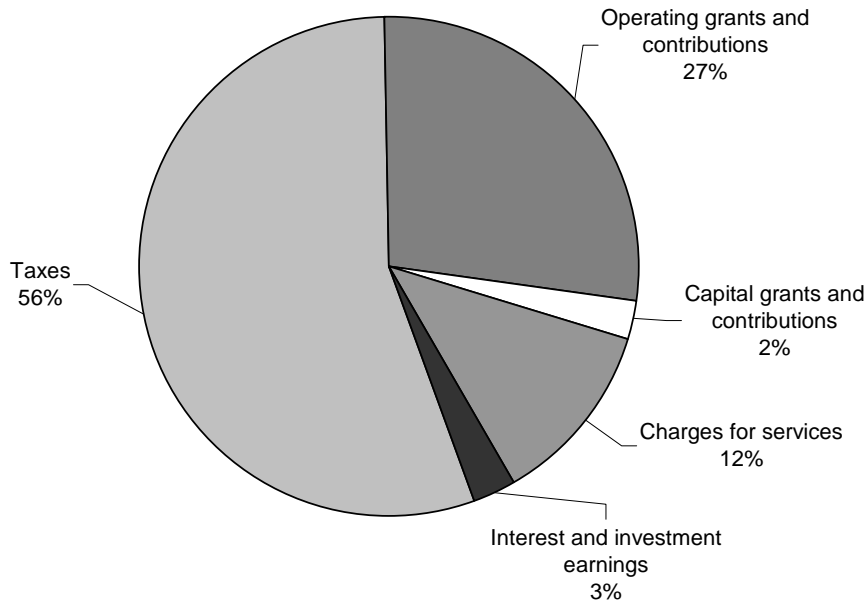
* Fiscal Year 2007 beginning Net Assets balances were restated to reflect fund type reclassifications and prior period error corrections.

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.

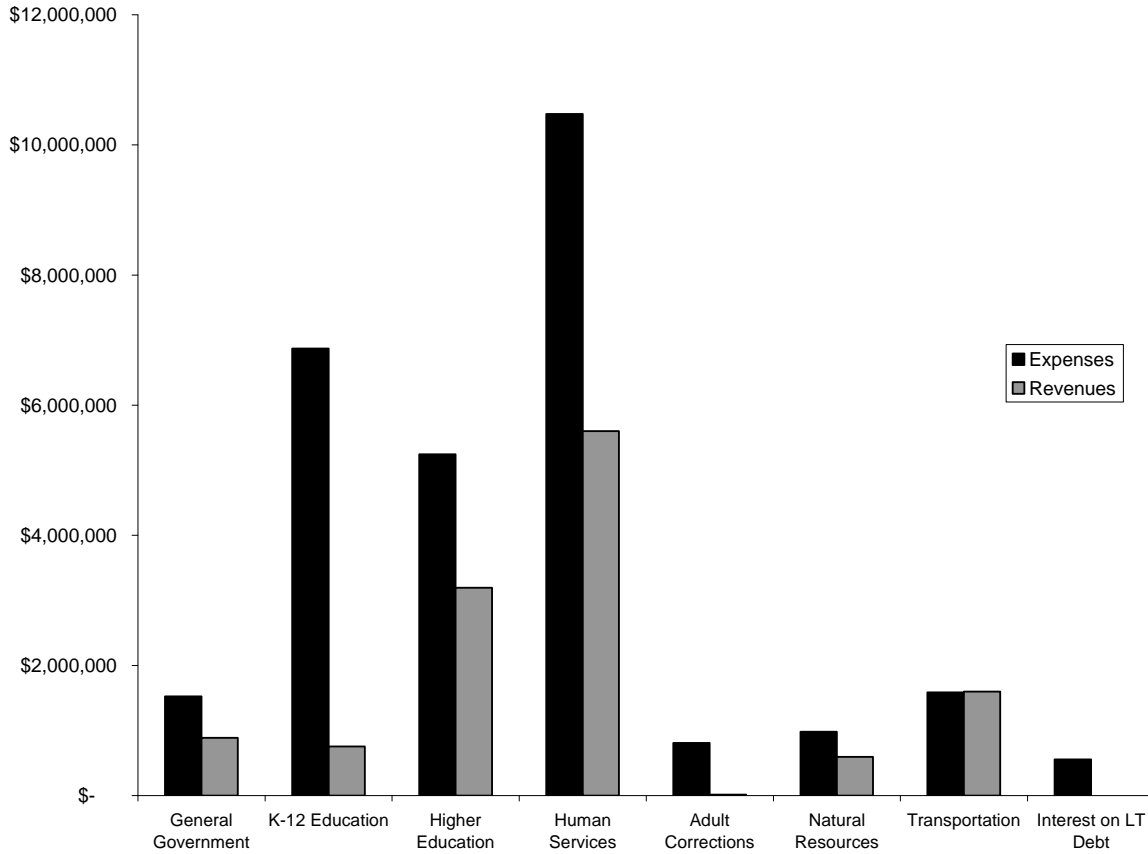
Governmental activities. Governmental activities resulted in an increase in the state of Washington's net assets of \$2.4 billion. Key elements of this increase are as follows:

- Increases in tax revenues reflect strong economic and personal income growth during Fiscal Year 2007 as well as gains in employment.
- Persistent growth in the housing sector due to continued in-migration and an increase in disposable household income from home mortgage refinancing also resulted in increases in tax revenues.
- Interest and investment earnings increased due to both an increase in the average invested balance and higher interest rates and improvement in the performance of the state's investment portfolio.

Revenues by Source – Governmental Activities



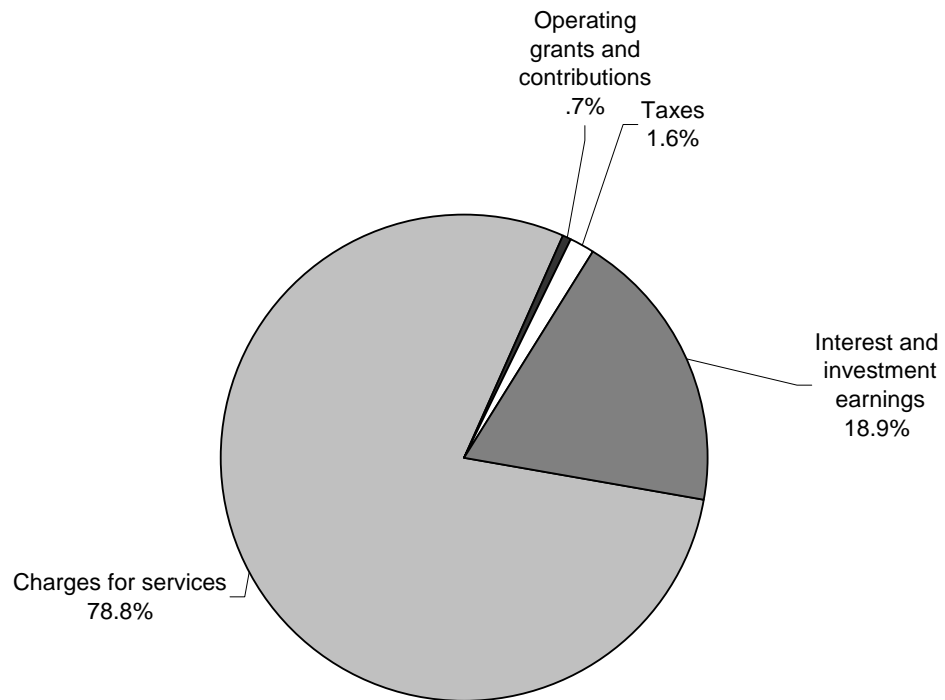
Program Revenues and Expenses - Governmental Activities



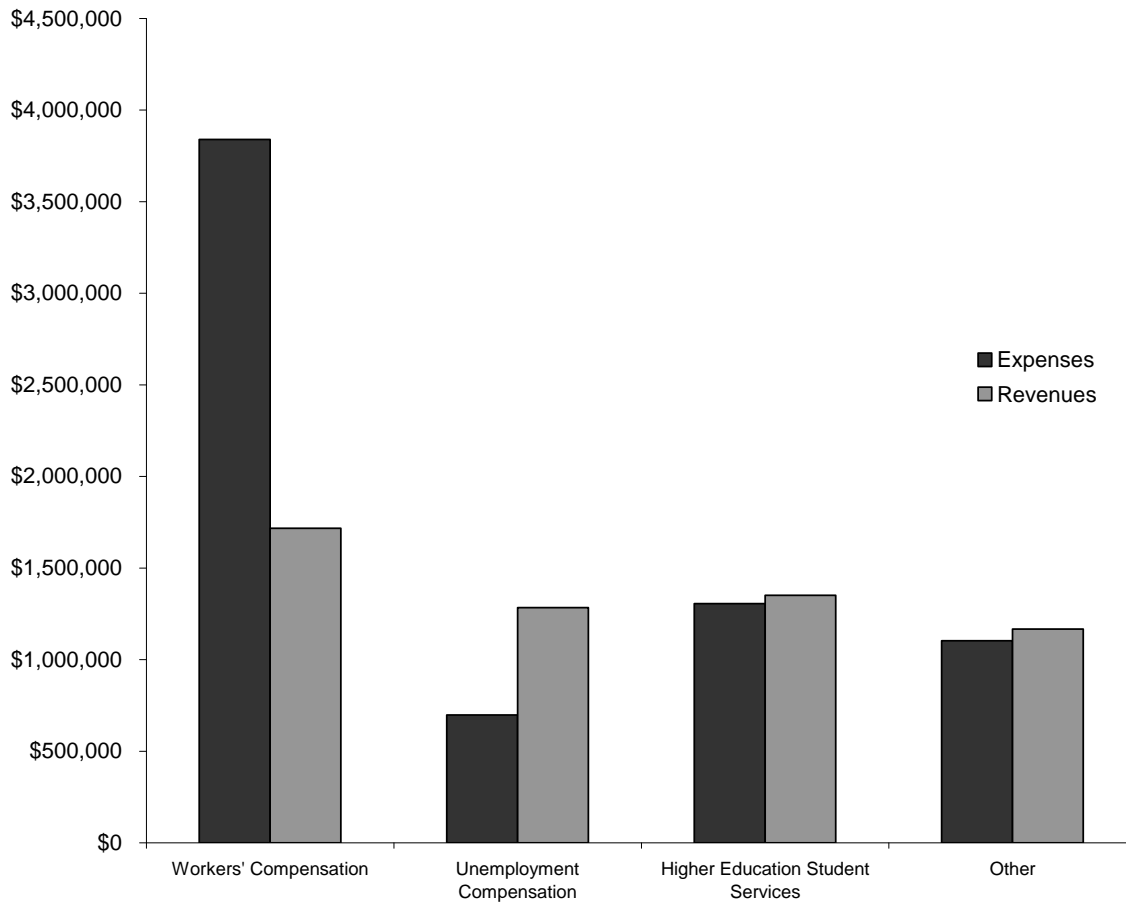
Business-type activities. Business-type activities decreased the state of Washington's net assets by \$207 million which included a \$1.1 billion loss in the Workers' Compensation Fund. Key factors contributing to the operating results of business-type activities are:

- Workers' compensation claims expense increased from \$2.0 billion in Fiscal Year 2006 to \$3.6 billion in Fiscal Year 2007. This increase is primarily related to recent growth in the state's average annual wage which is a factor in the calculation of the supplemental pension cost-of-living adjustments for time loss and disability benefits for injured workers. For Calendar Year 2007 and beyond, the workers' compensation program actuaries are estimating that the state's average annual wage will increase higher than estimates prepared in prior years. On a more positive note, earnings on investments in the Workers' Compensation Fund increased in Fiscal Year 2007 over 2006 by \$1.0 billion, of which a significant portion relates to unrealized investment gains.
- Though moderating somewhat from the prior year, the state's strong economic performance was reflected in a reduction in unemployment costs. Unemployment compensation benefit expenses decreased by 5 percent in Fiscal Year 2007 compared to 2006.

Revenues by Source – Business-type Activities



Program Revenues and Expenses – Business-type Activities



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 balances of *spendable* resources. Such information is useful in assessing the state of Washington's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the state of Washington. At the end of the fiscal year, total fund balance for the General Fund equaled \$1.9 billion. Unreserved fund balance included \$1.0 billion designated for working capital purposes. This amount relates to certain accrued revenues and is not considered by management to be available to spend. The remaining unreserved fund balance of \$781 million is undesignated and is considered available to spend.

The fund balance of the state of Washington's General Fund increased by \$26 million during the current fiscal year.

State of Washington's General Fund

(in millions of dollars)

	Fiscal Year		Difference
	2007	2006	Increase (Decrease)
Revenues			
Taxes	\$ 14,097	\$ 13,165	\$ 932
Federal grants	6,205	6,113	92
Investment revenue	106	73	33
Other	418	369	49
Total	20,826	19,720	1,106
Expenditures			
Human services	10,191	9,809	382
Education	7,765	7,407	358
Other	1,134	1,036	98
Total	19,090	18,252	838
Net transfers in (out)	(1,715)	(1,577)	(138)
Other financing sources	5	17	(12)
Net increase (decrease) in fund balance	\$ 26	\$ (92)	\$ 118

The state's improving economy is reflected in increased tax revenue collection. Expenditure growth continues to be limited to services and programs most vital to citizens – primarily health care, public education, and economic development. Overall revenues were up 5.6 percent while expenditures increased at a slower pace of 4.6 percent when compared to the prior year. In Fiscal Year 2007, the state transferred \$608 million to nonmajor governmental funds for education, pension stabilization, and health services. The state also transferred \$289 million from the General Fund to the Emergency Reserve Fund.

In addition to the General Fund, the state reports the Higher Education Special Revenue and Higher Education Endowment Funds as major governmental funds. The fund balance of the Higher Education Special Revenue Fund increased by \$448 million in Fiscal Year 2007 as compared to \$70 million in Fiscal Year 2006. The increase was predominantly due to a transfer from the General Fund of \$215 million and increased revenues from a stand alone estate tax of \$160 million. The fund balance for the Higher Education Endowment Fund increased by \$447 million which is fairly consistent with the prior year's growth.

The fund balance for non-major governmental funds increased by \$822 million. Increases by individual revenue sources and function of expenditures were fairly consistent with one exception. In Fiscal Year 2007 capital outlays increased by \$556 million over Fiscal Year 2006 and bonds issued reported a corresponding increase of \$520 million over the same period.

Proprietary Funds. The state of Washington's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Workers' Compensation Fund, Unemployment Compensation Fund, and Higher Education Student Services Fund are major proprietary funds. The Workers' Compensation Fund reported a loss of \$1.1 billion in Fiscal Year 2007. As noted previously, this amount is the result of a significant increase in claims expenses related to the actuarial valuation of the supplemental pension cost-of-living adjustments for time loss and

disability benefits offset in part by gains in investment earnings. The Unemployment Compensation Fund reported a 5 percent decrease in unemployment compensation claims as compared to Fiscal Year 2006. This reflects the continuing reduction in the state's unemployment rate. Activity for the various non-major proprietary funds resulted in an increase to net assets of \$106 million.

General Fund Budgetary Highlights

Differences between the original budget of the General Fund and the final amended budget reflect adjustments related to changes in the state's economy during the two fiscal years ended June 30, 2007. During that period, significant changes to estimates are summarized as follows:

- Estimated resources increased by \$2.8 billion over the course of the biennium. The major component was an increase in estimated tax revenues of \$2.4 billion largely due to the state's strong economy. Additionally, federal grants-in-aid increased by \$266 million.
- Appropriated expenditure authority increased by \$2.0 billion over the course of the biennium. The largest component of this increase is reflected in the General Government functional area and is comprised of \$1.2 billion in transfers to nonmajor governmental funds for education, pension stabilization, and health services. Other increases included \$285 million in Education and \$182 million in Human Services.

The state did not overspend its legal spending authority for Fiscal Year 2007, the second year of the 2005-07 Biennium. Actual General Fund revenues and expenditures for the 2005-07 Biennium were approximately 99 percent of final budgeted revenues and appropriations for the 2005-07 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, 2007 amounted to \$27.7 billion (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, museum and historical collections, buildings and other improvements, furnishings and equipment, as well as construction in progress.

Washington's Fiscal Year 2007 investment in capital assets, net of current year depreciation, was \$1.9 billion, including increases to the state's transportation infrastructure of \$1.3 billion and buildings of \$452 million. The state's construction in progress includes both new construction and major improvements to state infrastructure and facilities including state highway system, correctional facilities, ferry vessels and terminals, and buildings on the capitol and college and university campuses. Remaining commitments on these construction projects total \$4.3 billion.

Additional information on the state of Washington's capital assets can be found in Note 6 beginning on page 92 of this report.

State of Washington's Capital Assets
(net of depreciation)
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 1,012	\$ 1,238	\$ 135	\$ 92	\$ 1,147	\$ 1,330
Transportation infrastructure and other assets not depreciated	15,657	14,321	-	-	15,657	14,321
Buildings	5,545	5,247	1,337	1,183	6,882	6,430
Furnishings, equipment, and collections	1,399	1,362	138	115	1,537	1,477
Other improvements and infrastructure	985	942	58	59	1,043	1,001
Construction in progress	1,236	1,064	178	138	1,414	1,202
Total	\$ 25,834	\$ 24,174	\$ 1,846	\$ 1,587	\$ 27,680	\$ 25,761

Infrastructure. The state of Washington first reported infrastructure under the requirements of the Governmental Accounting Standards Board in Fiscal Year 2002. Transportation infrastructure reported includes the state highway system, emergency airfields, and a short rail line. While the rail line is reported net of depreciation, the state highway system and emergency airfields are reported using the modified approach. Under the modified approach, rather than recording depreciation, asset condition is reported.

The state highway system and emergency airfields continue to meet or exceed targeted condition levels and no significant changes in condition levels were noted. Amounts spent during Fiscal Year 2007 to maintain/preserve these infrastructure assets were not significantly different from estimated spending plans according to the biennial budget. The condition of these assets, along with the rating scales for pavement, bridges, rest areas, and airfields, and additional detail comparing budget to actual preservation and maintenance spending are available in the required supplementary information beginning on page 152.

The Washington State Department of Transportation (WSDOT) accomplished a net addition of 74 lane miles and 22 bridges in Fiscal Year 2007. The state transportation system asset value increased by \$1.335 million during the fiscal year. Amounts spent during Fiscal Year 2007 to maintain/preserve these infrastructure assets were not significantly different from estimated spending plans according to the biennial budget.

The state highway system and emergency airfields continue to meet established condition levels. No significant changes in condition levels were noted for pavements or bridges. Detailed information about targeted and actual condition levels for roads, bridges, airfields and rest areas can be found in the Required Supplementary Information section of this report.

The safety of bridge structures is ensured through meticulous inspections and rating of the primary components of bridges by the WSDOT Bridge Preservation Office or local agency staff. The condition of all bridge decks, superstructures and substructures are rated based on these inspections. With the collapse of the I-35W bridge in Minnesota in the summer of 2007, much of the national discussion has focused on bridges being classified as structurally deficient. Structurally deficient means that a bridge requires repair or replacement of a certain component, such as cracked or spalled concrete or the entire bridge itself. If the condition is such that it no longer is able to carry its intended traffic loads, it may be weight restricted. No Washington bridges are rated unsafe for public travel.

Fiscal Year 2008 commitments made for ongoing infrastructure projects that extend beyond Fiscal Year 2007 amount to \$2.9 million representing, 758 projects.

Bond debt. At the end of Fiscal Year 2007, the state of Washington had general obligation bond debt outstanding of \$11.7 billion, an increase of 10.3 percent over Fiscal Year 2006. This debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized \$10.8 billion general obligation debt that remains unissued.

The state had revenue debt outstanding at June 30, 2007, of \$1.5 billion, an increase of \$88 million over Fiscal Year 2006. This increase is related to revenue bonds issued by state colleges and universities. Revenue bond debt is secured by specific sources of revenue.

Four times during the year, the state issued general obligation debt, totaling \$2.45 billion, for various capital and transportation projects as well as for refunding purposes. The state took advantage of the historically low interest rates that prevailed through Fiscal Year 2007 to refund outstanding bonds. These refundings will save taxpayers over \$55.57 million (net present value) in future interest payments. The state ranked 30th in a list of the top 100 issuers ranked by amount financed by municipal issuers in calendar year 2006, according to The Bond Buyer's 2007 Yearbook.

State of Washington's Bond Debt

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation (GO) bonds	\$ 11,573	\$ 10,464	\$ 101	\$ 120	\$ 11,674	\$ 10,584
Accreted interest on zero interest rate GO bonds	264	234	31	27	295	261
Revenue bonds	608	615	889	794	1,497	1,409
Total	\$ 12,445	\$ 11,313	\$ 1,021	\$ 941	\$ 13,466	\$ 12,254

The Washington State Constitution and the Revised Code of Washington limit the amount of general obligation (GO) debt that may be issued. The constraining limit for 2007 is the Constitutional limit. For the fiscal year ended June 30, 2007, the maximum GO debt authorized was \$9.83 billion. This computation excludes specific bond issues and types that are not secured by general state revenues, such as motor vehicle fuel tax and reimbursable bonds. Of the \$11.7 billion general obligation bond debt outstanding at June 30, 2007, \$7.4 billion is subject to the limitation. Based on the debt limitation calculation, the debt service requirements as of June 30, 2007 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 or at http://tre.wa.gov/BondDebt/csd-limit_FY2007.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, 2007, 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.

Additional information on the state's bond debt obligations is presented in Note 7 beginning on page 96 of this report. Additional information on the state's legal debt limit is presented in the statistical section on page 236 of this report.

Conditions with Expected Future Impact

Economic Factors. Legislative leaders and management will consider the following economic factors in preparing the state's budget for future years.

- The economic forecast for Washington reflects a maturing of the recovery at the state and national levels.
- Revenue growth is expected to be slow in the 2007-09 Biennium, due in part to legislative changes in the tax system.
- Washington's personal income is expected to grow at a moderate rate in Fiscal Year 2008.

Initiative 960. In November 2007, the voters of Washington passed Initiative 960 which changes the way that state agencies and the Legislature are required to address tax and fee increases. All tax and fee increases must now receive prior legislative approval. Any legislative action that raises taxes (i.e. increases state tax revenue for any fund) requires a two-thirds vote of the Legislature, unless it is referred to the voters as a referendum. These actions may also be referred to an advisory vote of the people.

New Financial Reporting Requirement. The provisions of the Governmental Accounting Standards Board's (GASB) Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* will be implemented by the state for Fiscal Year 2008 reporting. The other post employment benefits (OPEB) offered by the state are set each biennium as part of the budget process. The state is not legally or contractually required to provide the OPEB and is funding them on a pay-as-you-go basis. An initial actuarial valuation was made by the Office of the State Actuary and is available at http://osa.leg.wa.gov/Actuarial_Services/Publications/pension_studies.htm.

Rainy Day Fund. In November 2007, Washington state voters ratified Engrossed Substitute Senate Joint Resolution 8206, amending the state's Constitution and establishing the Budget Stabilization Account. Beginning July 1, 2008, the state will be required to transfer into the Budget Stabilization Account an amount equal to 1 percent of general state revenues for the fiscal year. Moneys may be withdrawn and appropriated in very limited circumstances that are detailed in the Constitution.

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, PO Box 43113, Olympia, WA 98504-3113.

Basic Financial Statements

Government-wide Financial Statements

State of Washington Statement of Net Assets

June 30, 2007

(expressed in thousands)

	Primary Government			
	Governmental	Business-Type		
	Activities	Activities	Total	Component Units
ASSETS				
Cash and pooled investments	\$ 7,094,531	\$ 6,320,552	\$ 13,415,083	\$ 54,847
Taxes receivable (net of allowance)	2,730,075	4,962	2,735,037	-
Other receivables (net of allowance)	953,543	1,290,247	2,243,790	4,381
Internal balances (net)	49,991	(49,991)	-	-
Due from other governments	3,043,290	49,545	3,092,835	-
Inventories	90,004	81,425	171,429	-
Investments, noncurrent	3,906,597	12,523,958	16,430,555	22,472
Other assets	126,681	174,706	301,387	31,814
Capital assets (Note 6):				
Non-depreciable assets	17,906,120	313,024	18,219,144	35,091
Depreciable assets, net of depreciation	7,928,173	1,532,764	9,460,937	384,729
Total capital assets, net of depreciation	25,834,293	1,845,788	27,680,081	419,820
Total Assets	\$ 43,829,005	\$ 22,241,192	\$ 66,070,197	\$ 533,334
LIABILITIES				
Accounts payable	\$ 1,265,760	\$ 143,506	\$ 1,409,266	\$ 5,551
Contracts and retainage payable	144,776	16,286	161,062	6,956
Accrued liabilities	489,979	264,339	754,318	3,848
Obligations under security lending agreements	825,150	1,953,536	2,778,686	-
Due to other governments	623,472	16,564	640,036	-
Unearned revenue	570,708	47,215	617,923	1,815
Long-term liabilities (Note 7):				
Due within one year	965,526	2,032,290	2,997,816	-
Due in more than one year	13,413,245	20,533,932	33,947,177	38,093
Total Liabilities	18,298,616	25,007,668	43,306,284	56,263
NET ASSETS				
Invested in capital assets, net of related debt	16,189,371	598,073	16,787,444	372,202
Restricted for:				
Unemployment compensation	-	3,891,025	3,891,025	-
Other purposes	1,745,444	-	1,745,444	30,610
Capital projects	270,494	-	270,494	-
Expendable permanent fund principal	1,779,181	-	1,779,181	-
Nonexpendable permanent endowments	1,276,752	-	1,276,752	-
Unrestricted (deficit)	4,269,147	(7,255,574)	(2,986,427)	74,259
Total Net Assets	\$ 25,530,389	\$ (2,766,476)	\$ 22,763,913	\$ 477,071

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

State of Washington Statement of Activities

For the Fiscal Year Ended June 30, 2007
(expressed in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 1,524,568	\$ 575,908	\$ 311,809	\$ 1,098
Education--elementary and secondary (K-12)	6,870,782	14,287	739,990	-
Education--higher education	5,243,929	1,545,093	1,629,165	20,822
Human services	10,473,000	235,553	5,367,161	536
Adult corrections	810,730	10,023	2,643	-
Natural resources and recreation	982,956	393,507	165,060	37,108
Transportation	1,588,496	843,707	69,892	685,050
Interest on long-term debt	553,527	-	-	-
Total governmental activities	28,047,988	3,618,078	8,285,720	744,614
Business-type Activities:				
Workers' compensation	3,840,578	1,709,917	7,258	-
Unemployment compensation	697,182	1,248,273	35,276	-
Higher education student services	1,305,235	1,347,420	3,720	-
Other	1,102,814	1,166,493	5	-
Total business-type activities	6,945,809	5,472,103	46,259	-
Total Primary Government	\$ 34,993,797	\$ 9,090,181	\$ 8,331,979	\$ 744,614
Total Component Units	\$ 29,730	\$ 15,136	\$ 159	\$ 940

General revenues:

Taxes - sales and use

Taxes - business and occupation

Taxes - property

Taxes - motor vehicle and fuel

Taxes - excise

Taxes - other

Interest and investment earnings

Total general revenues

Excess (deficiency) of revenues over expenses before contributions

to endowments, extraordinary loss, and transfers

Contributions to endowments

Transfers

Change in net assets

Net assets -- restated beginning

Net assets -- ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (635,753)	\$ -	\$ (635,753)	
(6,116,505)	-	(6,116,505)	
(2,048,849)	-	(2,048,849)	
(4,869,750)	-	(4,869,750)	
(798,064)	-	(798,064)	
(387,281)	-	(387,281)	
10,153	-	10,153	
(553,527)	-	(553,527)	
(15,399,576)	-	(15,399,576)	
-	(2,123,403)	(2,123,403)	
-	586,367	586,367	
-	45,905	45,905	
-	63,684	63,684	
-	(1,427,447)	(1,427,447)	
(15,399,576)	(1,427,447)	(16,827,023)	
			\$ (13,495)
7,951,469	-	7,951,469	-
2,756,374	-	2,756,374	-
1,688,531	-	1,688,531	-
1,134,622	-	1,134,622	-
1,106,729	56,111	1,162,840	-
2,066,491	52,362	2,118,853	-
817,905	1,315,639	2,133,544	4,832
17,522,121	1,424,112	18,946,233	4,832
2,122,545	(3,335)	2,119,210	(8,663)
97,346	-	97,346	-
204,099	(204,099)	-	-
2,423,990	(207,434)	2,216,556	(8,663)
23,106,399	(2,559,042)	20,547,357	485,734
\$ 25,530,389	\$ (2,766,476)	\$ 22,763,913	\$ 477,071

Fund Financial Statements

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2007

(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Assets:					
Cash and pooled investments	\$ 1,071,194	\$ 729,447	\$ 474,866	\$ 4,213,159	\$ 6,488,666
Investments	-	819,867	2,803,024	225,088	3,847,979
Taxes receivable (net of allowance)	2,599,567	8,874	-	121,634	2,730,075
Other receivables (net of allowance)	241,902	245,817	43,017	539,397	1,070,133
Due from other funds	237,813	155,268	299	456,142	849,522
Due from other governments	841,258	119,299	-	1,960,631	2,921,188
Inventories	23,462	12,175	-	35,700	71,337
Total Assets	\$ 5,015,196	\$ 2,090,747	\$ 3,321,206	\$ 7,551,751	\$ 17,978,900
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 730,798	\$ 96,697	\$ 3	\$ 371,937	\$ 1,199,435
Contracts and retainages payable	23,758	989	3,412	100,353	128,512
Accrued liabilities	157,948	128,121	13,078	92,675	391,822
Obligations under security lending agreements	153,798	129,918	399,997	127,134	810,847
Due to other funds	387,044	58,925	2,384	300,084	748,437
Due to other governments	477,273	14,421	-	92,999	584,693
Deferred revenues	1,161,844	150,787	15,827	605,022	1,933,480
Claims and judgments payable	19,573	-	-	8,782	28,355
Total Liabilities	3,112,036	579,858	434,701	1,698,986	5,825,581
Fund Balances:					
Reserved for:					
Encumbrances	-	-	-	244,822	244,822
Inventories	17,078	12,175	-	35,700	64,953
Permanent funds	-	-	2,886,505	169,428	3,055,933
Other specific purposes	102,609	191,206	-	1,896,024	2,189,839
Unreserved, designated for, reported in:					
Working capital	1,002,963	-	-	-	1,002,963
Higher education	-	155,679	-	-	155,679
Special revenue funds	-	-	-	221	221
Debt service funds	-	-	-	220,474	220,474
Unreserved, undesignated	780,510	1,151,829	-	-	1,932,339
Unreserved, undesignated reported in:					
Special revenue funds	-	-	-	3,040,036	3,040,036
Capital project funds	-	-	-	246,060	246,060
Total Fund Balances	1,903,160	1,510,889	2,886,505	5,852,765	12,153,319
Total Liabilities and Fund Balances	\$ 5,015,196	\$ 2,090,747	\$ 3,321,206	\$ 7,551,751	\$ 17,978,900

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

State of Washington

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2007
(expressed in thousands)

Total fund balances for governmental funds	\$ 12,153,319
--	---------------

Amounts reported for governmental activities in the statement of net assets 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	\$ 17,884,611	
Depreciable assets, net of depreciation	7,504,284	
Total capital assets		25,388,895

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 deferred in the funds.	1,367,255
---	-----------

Accrued current interest on general obligation bonds	(226,241)
--	-----------

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 assets.	171,961
---	---------

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 notes payable	(12,377,386)	
Accrued interest on bonds	(267,436)	
Claims and judgments	(32,242)	
Other obligations	(647,736)	
Total long-term liabilities		(13,324,800)

Net assets of governmental activities	\$ 25,530,389
---------------------------------------	---------------

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

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2007
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Revenues:					
Retail sales and use taxes	\$ 7,870,223	\$ -	\$ -	\$ 81,246	\$ 7,951,469
Business and occupation taxes	2,684,797	-	-	71,577	2,756,374
Property taxes	1,441,949	-	-	246,582	1,688,531
Excise taxes	1,014,513	-	-	92,216	1,106,729
Motor vehicle and fuel taxes	-	-	-	1,134,622	1,134,622
Other taxes	1,085,532	267,498	-	713,312	2,066,342
Licenses, permits, and fees	91,920	563	-	770,193	862,676
Timber sales	2,747	-	14,015	152,394	169,156
Other contracts and grants	132,895	646,561	-	19,960	799,416
Federal grants-in-aid	6,204,585	1,056,354	-	1,056,343	8,317,282
Charges for services	55,702	1,279,179	9	507,637	1,842,527
Investment income (loss)	106,056	104,364	451,388	156,097	817,905
Miscellaneous revenue	71,872	118,024	1,626	395,768	587,290
Escheated property	63,691	-	-	-	63,691
Contribution and donations	-	-	97,346	-	97,346
Total Revenues	20,826,482	3,472,543	564,384	5,397,947	30,261,356
Expenditures:					
Current:					
General government	640,255	-	-	505,213	1,145,468
Human services	10,191,279	-	-	1,051,421	11,242,700
Natural resources and recreation	361,384	-	-	544,419	905,803
Transportation	39,180	1,619	-	1,606,592	1,647,391
Education	7,764,593	3,222,751	88	801,927	11,789,359
Intergovernmental	29,477	-	-	348,852	378,329
Capital outlays	49,111	143,290	4	2,102,828	2,295,233
Debt service:					
Principal	14,829	14,486	-	498,363	527,678
Interest	301	4,087	-	540,582	544,970
Total Expenditures	19,090,409	3,386,233	92	8,000,197	30,476,931
Excess of Revenues Over (Under) Expenditures	1,736,073	86,310	564,292	(2,602,250)	(215,575)
Other Financing Sources (Uses):					
Bonds issued	-	-	-	1,617,361	1,617,361
Refunding bonds issued	-	-	-	834,700	834,700
Payments to refunded bond escrow agents	-	-	-	(887,879)	(887,879)
Other debt issued	5,384	54,644	-	3,051	63,079
Bond issue premium	-	-	-	109,008	109,008
Capital lease acquisitions	65	42	-	-	107
Transfers in	128,186	687,860	5,373	2,486,970	3,308,389
Transfers (out)	(1,843,353)	(381,116)	(123,136)	(738,740)	(3,086,345)
Total Other Financing Sources (Uses)	(1,709,718)	361,430	(117,763)	3,424,471	1,958,420
Net change in fund balances	26,355	447,740	446,529	822,221	1,742,845
Fund Balances - Beginning, as restated	1,876,805	1,063,149	2,439,976	5,030,544	10,410,474
Fund Balances - Ending	\$ 1,903,160	\$ 1,510,889	\$ 2,886,505	\$ 5,852,765	\$ 12,153,319

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

State of Washington **Reconciliation of the Statement of Revenues, Expenditures and** **Changes in Fund Balances of Governmental Funds** **to the Statement of Activities**

For the Fiscal Year Ended June 30, 2007
(expressed in thousands)

Net change in fund balances--total governmental funds	\$ 1,742,845
---	--------------

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. This is the amount by which capital outlays exceeded depreciation in the current period.	1,892,142
--	-----------

Bond proceeds provide current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the statement of net assets. Also, repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,251,326)
--	-------------

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.	28,495
--	--------

Because some revenues will not be collected for several months after the state's fiscal year end, they are not considered "available" revenues in the governmental funds. Deferred revenues decreased by this amount this year.	11,834
---	--------

Change in net assets of governmental activities	\$ 2,423,990
---	--------------

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

PROPRIETARY FUNDS

Statement of Fund Net Assets

June 30, 2007

(expressed in thousands)

	Business-Type Activities Enterprise Funds					Governmental Activities
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets						
Current Assets:						
Cash and pooled investments	\$ 54,868	\$ 3,478,756	\$ 461,136	\$ 307,813	\$ 4,302,573	\$ 583,936
Investments	1,580,659	-	1,572	435,748	2,017,979	14,842
Taxes receivable (net of allowance)	-	-	-	4,962	4,962	-
Other receivables (net of allowance)	703,597	415,218	135,479	35,953	1,290,247	6,427
Due from other funds	59,343	2,245	60,300	18,200	140,088	124,528
Due from other governments	950	12,059	32,795	3,559	49,363	6,930
Inventories	168	-	35,472	45,785	81,425	18,667
Prepaid expenses	30	-	17,509	1,318	18,857	3,483
Total Current Assets	2,399,615	3,908,278	744,263	853,338	7,905,494	758,813
Noncurrent Assets:						
Investments, noncurrent	10,983,401	-	269,715	1,270,842	12,523,958	65,706
Other noncurrent assets	-	-	-	155,848	155,848	183
Capital Assets:						
Land	3,240	-	53,041	79,073	135,354	3,827
Buildings	62,705	-	1,421,492	408,790	1,892,987	122,627
Other improvements	1,289	-	40,620	14,485	56,394	18,294
Furnishings, equipment, and collections	63,895	-	311,037	60,726	435,658	709,343
Infrastructure	-	-	34,247	-	34,247	478
Accumulated depreciation	(58,136)	-	(695,525)	(132,861)	(886,522)	(426,853)
Construction in progress	-	-	166,813	10,857	177,670	17,681
Total Noncurrent Assets	11,056,394	-	1,601,440	1,867,760	14,525,594	511,286
Total Assets	\$ 13,456,009	\$ 3,908,278	\$ 2,345,703	\$ 2,721,098	\$ 22,431,088	\$ 1,270,099
Liabilities						
Current Liabilities:						
Accounts payable	\$ 13,911	\$ -	\$ 78,231	\$ 51,364	\$ 143,506	\$ 62,474
Contracts and retainages payable	2,724	-	7,206	42,056	51,986	16,198
Accrued liabilities	172,813	7,654	68,705	132,970	382,142	22,951
Obligations under security lending agreements	1,580,659	-	-	372,877	1,953,536	14,304
Bonds and notes payable	3,526	-	44,474	51,151	99,151	14,959
Due to other funds	64,653	963	69,700	57,481	192,797	100,207
Due to other governments	-	8,636	47	4,979	13,662	43
Unearned revenues	13,697	-	33,425	93	47,215	4,480
Claims and judgments payable	1,777,527	-	-	2,110	1,779,637	140,046
Total Current Liabilities	3,629,510	17,253	301,788	715,081	4,663,632	375,662
Noncurrent Liabilities:						
Claims and judgments payable	17,968,965	-	-	4,343	17,973,308	539,968
Bonds and notes payable	29,555	-	898,313	249,464	1,177,332	158,054
Other long-term liabilities	13,534	-	140,748	1,229,010	1,383,292	24,454
Total Noncurrent Liabilities	18,012,054	-	1,039,061	1,482,817	20,533,932	722,476
Total Liabilities	21,641,564	17,253	1,340,849	2,197,898	25,197,564	1,098,138
Net Assets:						
Invested in capital assets, net of related debt	39,911	-	388,938	169,224	598,073	272,386
Restricted for:						
Unemployment compensation	-	3,891,025	-	-	3,891,025	-
Unrestricted	(8,225,466)	-	615,916	353,976	(7,255,574)	(100,425)
Total Net Assets (Deficit)	\$ (8,185,555)	\$ 3,891,025	\$ 1,004,854	\$ 523,200	\$ (2,766,476)	\$ 171,961

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

PROPRIETARY FUNDS

Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Fiscal Year Ended June 30, 2007
(expressed in thousands)

	Business-Type Activities Enterprise Funds					Governmental Activities
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds	Total	Internal Service Funds
Operating Revenues:						
Sales	\$ -	\$ -	\$ 125,878	\$ 563,201	\$ 689,079	\$ 147,619
Less: Cost of goods sold	-	-	78,555	398,530	477,085	124,628
Gross profit	-	-	47,323	164,671	211,994	22,991
Charges for services	17	-	1,118,835	78,681	1,197,533	608,563
Premiums and assessments	1,689,071	1,230,735	-	-	2,919,806	1,146,753
Federal aid for unemployment insurance benefits	-	35,178	-	-	35,178	-
Lottery ticket proceeds	-	-	-	492,591	492,591	-
Miscellaneous revenue	21,123	17,538	103,447	8,947	151,055	46,645
Total Operating Revenues	1,710,211	1,283,451	1,269,605	744,890	5,008,157	1,824,952
Operating Expenses:						
Salaries and wages	120,244	-	510,192	81,180	711,616	266,951
Employee benefits	37,794	-	97,694	28,360	163,848	72,250
Personal services	3,800	-	12,128	18,492	34,420	24,286
Goods and services	70,440	-	462,777	122,438	655,655	318,102
Travel	3,482	-	18,311	2,438	24,231	4,782
Premiums and claims	3,585,725	697,182	11	27	4,282,945	1,046,713
Lottery prize payments	-	-	-	304,834	304,834	-
Depreciation and amortization	8,220	-	60,949	16,023	85,192	62,105
Miscellaneous expenses	9,320	-	18,987	47,675	75,982	2,014
Total Operating Expenses	3,839,025	697,182	1,181,049	621,467	6,338,723	1,797,203
Operating Income (Loss)	(2,128,814)	586,269	88,556	123,423	(1,330,566)	27,749
Nonoperating Revenues (Expenses):						
Earnings (loss) on investments	1,000,222	140,304	38,593	136,520	1,315,639	23,017
Interest expense	(1,553)	-	(45,631)	(42,299)	(89,483)	(8,222)
Distributions to other governments	-	-	-	(40,518)	(40,518)	-
Other revenue (expenses)	6,964	98	2,980	131,551	141,593	(1,443)
Total Nonoperating Revenues (Expenses)	1,005,633	140,402	(4,058)	185,254	1,327,231	13,352
Income (Loss) Before						
Contributions and Transfers	(1,123,181)	726,671	84,498	308,677	(3,335)	41,101
Capital contributions	-	-	-	-	-	5,339
Transfers in	430,109	-	110,453	17,192	557,754	104,522
Transfers (out)	(431,714)	-	(109,889)	(220,250)	(761,853)	(122,467)
Net Contributions and Transfers	(1,605)	-	564	(203,058)	(204,099)	(12,606)
Change in Net Assets	(1,124,786)	726,671	85,062	105,619	(207,434)	28,495
Net Assets (Deficit) - Beginning, as restated	(7,060,769)	3,164,354	919,792	417,581	(2,559,042)	143,466
Net Assets (Deficit) - Ending	\$ (8,185,555)	\$ 3,891,025	\$ 1,004,854	\$ 523,200	\$ (2,766,476)	\$ 171,961

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

PROPRIETARY FUNDS

Statement of Cash Flows

Continued

For the Fiscal Year Ended June 30, 2007
(expressed in thousands)

	Business-Type Activities					Governmental
	Enterprise Funds				Activities	
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds	Internal Service Funds	
					Total	
Cash Flows from Operating Activities:						
Receipts from customers	\$ 1,624,571	\$ 1,290,935	\$ 1,189,992	\$ 1,098,925	\$ 5,204,423	\$ 1,877,965
Payments to suppliers	(1,626,432)	(698,705)	(533,592)	(716,784)	(3,575,513)	(1,412,324)
Payments to employees	(155,702)	-	(604,544)	(108,700)	(868,946)	(335,296)
Other receipts (payments)	21,123	50,238	103,448	8,943	183,752	46,629
Net Cash Provided (Used) by Operating Activities	(136,440)	642,468	155,304	282,384	943,716	176,974
Cash Flows from Noncapital Financing Activities:						
Transfers in	430,109	-	110,453	17,192	557,754	104,522
Transfers out	(431,714)	-	(109,889)	(220,250)	(761,853)	(122,467)
Operating grants and donations received	7,213	98	3,945	5	11,261	326
Taxes and license fees collected	5	-	-	131,734	131,739	(4)
Distributions to other governments	-	-	-	(40,518)	(40,518)	-
Other noncapital financing sources	-	-	-	3,240	3,240	-
Net Cash Provided (Used) by Noncapital Financing Activities	5,613	98	4,509	(108,597)	(98,377)	(17,623)
Cash Flows from Capital and Related Financing Activities:						
Interest paid	(1,553)	-	(44,104)	(11,013)	(56,670)	(8,231)
Principal payments on long-term capital financing	(18,286)	-	(35,170)	(29,544)	(83,000)	(27,811)
Proceeds from long-term capital financing	14,535	-	258,014	16,974	289,523	35,948
Proceeds from sale of capital assets	62	-	909	887	1,858	8,781
Acquisitions of capital assets	(11,729)	-	(318,744)	(16,978)	(347,451)	(85,755)
Net Cash or Pooled Investments Provided by (Used in) Capital and Related Financing Activities	(16,971)	-	(139,095)	(39,674)	(195,740)	(77,068)
Cash Flows from Investing Activities:						
Receipt of interest	773,777	140,304	35,700	28,338	978,119	23,081
Proceeds from sale of investment securities	6,283,208	-	62,091	412,047	6,757,346	2,593
Purchases of investment securities	(6,887,539)	-	(15,114)	(496,780)	(7,399,433)	(5,811)
Net Cash Provided by (Used in) Investing Activities	169,446	140,304	82,677	(56,395)	336,032	19,863
Net Increase (Decrease) in Cash and Pooled Investments	21,648	782,870	103,395	77,718	985,631	102,146
Cash and Pooled Investments, July 1	33,220	2,695,886	357,741	230,095	3,316,942	481,790
Cash and Pooled Investments, June 30	\$ 54,868	\$ 3,478,756	\$ 461,136	\$ 307,813	\$ 4,302,573	\$ 583,936
Cash Flows from Operating Activities:						
Operating Income (Loss)	\$ (2,128,814)	\$ 586,269	\$ 88,556	\$ 123,423	\$ (1,330,566)	\$ 27,749
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:						
Depreciation	8,220	-	60,949	16,023	85,192	62,105
Change in Assets: Decrease (Increase)						
Receivables (net of allowance)	(56,677)	57,722	(50,087)	(35,550)	(84,592)	(23,546)
Inventories	1	-	(1,676)	2,593	918	2,837
Prepaid expenses	(24)	-	(728)	(388)	(1,140)	(1,332)
Change in Liabilities: Increase (Decrease)						
Payables	2,040,854	(1,523)	58,290	176,283	2,273,904	109,161
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	\$ (136,440)	\$ 642,468	\$ 155,304	\$ 282,384	\$ 943,716	\$ 176,974

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

PROPRIETARY FUNDS

Statement of Cash Flows

Concluded

For the Fiscal Year Ended June 30, 2007

(expressed in thousands)

	Business-Type Activities Enterprise Funds				Total	Governmental Activities
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds		Internal Service Funds
Noncash Investing, Capital and Financing Activities:						
Contributions of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,339
Amortization of annuity prize liability	-	-	-	(27,100)	(27,100)	-
Increase (decrease) in fair value of investments	212,926	-	2,173	107,518	322,617	(101)
Refunding bonds issued	-	-	5,625	-	5,625	-
Refunded bonds redeemed	-	-	(5,625)	-	(5,625)	-
Amortization of debt premium (issue costs/discount)	-	-	(227)	-	(227)	-
Accretion of interest on zero coupon bonds	-	-	-	(3,596)	(3,596)	-

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

FIDUCIARY FUNDS

Statement of Fiduciary Net Assets

June 30, 2007

(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
Assets:				
Cash and pooled investments	\$ 12,283	\$ 4,796,874	\$ 69,400	\$ 259,775
Investments	-	1,161,617	-	-
Receivables, pension and other employee benefit plans				
Employers	-	-	98,674	-
Members (net of allowance)	-	-	2,984	-
Interest and dividends	-	-	198,517	-
Investment trades pending	-	-	171,611	-
Other receivables, all other funds	5,079	21,659	-	245,526
Due from other funds	5	-	43,014	8,640
Due from other governments	-	-	-	43,257
Total Current Assets	17,367	5,980,150	584,200	557,198
Noncurrent Assets:				
Investments, noncurrent, pension and other employee benefit plans				
Public equity	-	-	35,235,425	-
Fixed income	-	-	13,101,198	-
Private equity	-	-	11,693,976	-
Real estate	-	-	7,044,494	-
Security lending	-	-	5,762,821	-
Liquidity	-	-	2,448,525	-
Other	-	-	43,018	-
Investments, noncurrent, all other funds	110,388	19,711	-	727,375
Other noncurrent assets	-	-	-	42,988
Capital Assets:				
Furnishings, equipment, and collections	81	-	-	-
Accumulated depreciation	(81)	-	-	-
Total Noncurrent Assets	110,388	19,711	75,329,457	770,363
Total Assets	\$ 127,755	\$ 5,999,861	\$ 75,913,657	\$ 1,327,561
Liabilities:				
Accounts payable	\$ 3,271	\$ -	\$ -	\$ 23,410
Contracts and retainages payable	-	-	-	26,775
Accrued liabilities	876	99,476	908,218	1,000,010
Obligations under security lending agreements	-	91,105	5,750,229	9,840
Due to other funds	69,028	44	44,097	11,187
Due to other governments	-	-	-	213,351
Unearned revenues	-	-	1,106	-
Other long-term liabilities	-	-	-	42,988
Total Liabilities	73,175	190,625	6,703,650	\$ 1,327,561
Net Assets:				
Net assets held in trust for:				
Pension benefits	-	-	66,660,109	
Deferred compensation participants	-	-	2,549,898	
Local government pool participants	-	5,809,236	-	
Individuals, organizations & other governments	54,580	-	-	
Total Net Assets	\$ 54,580	\$ 5,809,236	\$ 69,210,007	

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

FIDUCIARY FUNDS

Statement of Changes in Fiduciary Net Assets

For the Fiscal Year Ended June 30, 2007
(expressed in thousands)

	Private- Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans
Additions:			
Contributions:			
Employers	\$ -	\$ -	\$ 639,509
Members	-	-	774,740
State	-	-	53,793
Pool participants	-	12,112,389	175,055
Total Contributions	-	12,112,389	1,643,097
Investment Income:			
Net appreciation (depreciation) in fair value	-	-	9,774,927
Interest and dividends	-	293,302	2,574,616
Less: Investment expenses	-	-	(363,179)
Net Investment Income	-	293,302	11,986,364
Other additions:			
Escheated property	30,859	-	-
Transfers from other pension plans	-	-	5,650
Other contracts, grants and miscellaneous	14	4	687
Total other additions	30,873	4	6,337
Total Additions	30,873	12,405,695	13,635,798
Deductions:			
Pension benefits	-	-	2,343,149
Pension refunds	-	-	178,277
Transfers to other pension plans	-	-	5,650
Administrative expenses	3,356	5,063	1,567
Distributions to pool participants	-	11,668,728	127,198
Payments to or on behalf of individuals, organizations and other governments in accordance with trust agreements	25,656	-	-
Total Deductions	29,012	11,673,791	2,655,841
Net Increase (Decrease)	1,861	731,904	10,979,957
Net Assets - Beginning, as restated	52,719	5,077,332	58,230,050
Net Assets - Ending	\$ 54,580	\$ 5,809,236	\$ 69,210,007

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

COMPONENT UNITS

Statement of Fund Net Assets

June 30, 2007

(expressed in thousands)

	Public Stadium	Nonmajor Component Units	Total
Assets			
Current Assets:			
Cash and pooled investments	\$ 8,153	\$ 7,090	\$ 15,243
Investments	4,868	34,736	39,604
Other receivables (net of allowance)	2,761	1,620	4,381
Prepaid expenses	27	131	158
Total Current Assets	15,809	43,577	59,386
Noncurrent Assets:			
Investments, noncurrent	22,272	200	22,472
Other noncurrent assets	-	31,656	31,656
Capital Assets:			
Land	34,677	-	34,677
Buildings	459,042	-	459,042
Furnishings and equipment	23,442	1,357	24,799
Accumulated depreciation	(98,056)	(1,056)	(99,112)
Construction in Progress	414	-	414
Total Noncurrent Assets	441,791	32,157	473,948
Total Assets	\$ 457,600	\$ 75,734	\$ 533,334
Liabilities			
Current Liabilities:			
Accounts payable	\$ 272	\$ 5,279	\$ 5,551
Contracts and retainages payable	6,956	-	6,956
Accrued liabilities	3,759	89	3,848
Unearned revenues	79	1,736	1,815
Total Current Liabilities	11,066	7,104	18,170
Noncurrent Liabilities:			
Other long-term liabilities	38,093	-	38,093
Total Noncurrent Liabilities	38,093	-	38,093
Total Liabilities	49,159	7,104	56,263
Net Assets:			
Invested in capital assets, net of related debt	371,901	301	372,202
Restricted for deferred sales tax	30,110	-	30,110
Restricted for other purposes	-	500	500
Unrestricted	6,430	67,829	74,259
Total Net Assets (Deficit)	\$ 408,441	\$ 68,630	\$ 477,071

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

COMPONENT UNITS

Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Fiscal Year Ended June 30, 2007
(expressed in thousands)

	Public Stadium	Nonmajor Component Units	Total
Operating Revenues:			
Charges for services	\$ 918	\$ 14,218	\$ 15,136
Total Operating Revenues	918	14,218	15,136
Operating Expenses:			
Salaries and wages	367	4,331	4,698
Employee benefits	61	1,234	1,295
Personal services	166	1,059	1,225
Goods and services	1,289	2,301	3,590
Travel	3	29	32
Depreciation and amortization	18,626	103	18,729
Miscellaneous expenses	-	2	2
Total Operating Expenses	20,512	9,059	29,571
Operating Income (Loss)	(19,594)	5,159	(14,435)
Nonoperating Revenues (Expenses):			
Earnings (loss) on investments	2,745	2,087	4,832
Operating grants and contributions	-	159	159
Distributions of operating grants	-	(159)	(159)
Total Nonoperating Revenues (Expenses)	2,745	2,087	4,832
Income (Loss) Before			
Contributions and Transfers	(16,849)	7,246	(9,603)
Capital grants and contributions	940	-	940
Total Contributions and Transfers	940	-	940
Change in Net Assets	(15,909)	7,246	(8,663)
Net Assets - Restated Beginning	424,350	61,384	485,734
Net Assets - Ending	\$ 408,441	\$ 68,630	\$ 477,071

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

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2007

Index to the Notes to the Basic Financial Statements

	Page
1. Summary of Significant Accounting Policies	
A. Reporting Entity	57
B. Government-wide and Fund Financial Statements	59
C. Measurement Focus and Basis of Accounting.....	61
D. Assets, Liabilities, and Net Assets or Equity.....	62
1. Cash and Investments.....	62
2. Receivables and Payables	62
3. Inventories.....	62
4. Capital Assets.....	62
5. Compensated Absences.....	63
6. Long-Term Liabilities	64
7. Fund Equity.....	64
E. Other Information	64
1. General Budgetary Policies and Procedures	64
2. Insurance Activities.....	64
3. Interfund/Interagency Activities	65
4. Donor-restricted Endowments.....	65
2. Accounting and Reporting Changes.....	66
3. Deposits and Investments.....	67
4. Receivables and Deferred/Unearned Revenues.....	85
5. Interfund Balances and Transfers.....	88
6. Capital Assets	92
7. Long-Term Liabilities	96
8. No Commitment Debt	105
9. Fund Balances Reserved for Other Specific Purposes	105
10. Deficit Net Assets.....	106
11. Retirement Plans	107
12. Other Post Employment Benefits.....	134
13. Commitments and Contingencies.....	135
14. Subsequent Events	137

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. For government-wide and enterprise fund reporting, the state follows only those private-sector standards issued on or before November 30, 1989, unless those pronouncements conflict with or contradict the pronouncements of the GASB. 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); organizations for which the state is financially accountable; and other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete.

Financial accountability exists when the primary government appoints a voting majority of an organization's governing body and is either able to impose its will on that organization or 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 may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or 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.

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, and

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 state 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. Each college's governing board appoints a president to function as chief administrator. The state Legislature approves budgets and budget amendments for the colleges' appropriated funds, 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 are authorized to issue revenue bonds for construction of facilities for certain revenue generating activities such as housing, dining, and parking. 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 assets reside with the state. Colleges 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 are legally part of the state, their financial operations, including their blended component units, are reported in the primary government 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 two 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 state 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 ten of the aforementioned retirement systems are included in the primary government's financial statements.

BLENDED COMPONENT UNIT - 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 (TSA) – The TSA was created by the Washington State 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 to issue bonds to securitize a portion of the state's future tobacco settlement revenue in order to generate funds for increased costs of health care, long-term care, and other programs of the state.

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, The University of Washington Alumni Association, University of Washington Physicians, University of Washington Physicians Network, Community Development Properties C-D, Educational Research Properties, Radford Court Properties, Twenty-Fifth Avenue Properties, TSB Properties, and Washington Biomedical Research Properties I and II are blended component units in the state's financial statements. 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 state 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 state 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 \$420 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 defined 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
Qwest Field & Event Center
800 Occidental Avenue South, #700
Seattle, WA 98134

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The state presents two basic government-wide financial statements: the Statement of Net Assets 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 Assets – The Statement of Net Assets presents the state's non-fiduciary assets and liabilities. As a general rule, balances between governmental and business-type activities are eliminated.

Assets and liabilities are presented in a net assets format in order of liquidity. Net assets are classified into three categories:

- Invested in capital assets, net of related debt 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.
- Restricted net assets result when constraints are placed on net asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories.

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 605 accounts that are combined into 59 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 grants and contracts received for research and other educational purposes. This fund also accounts for charges for services by state institutions of higher education.
- **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.

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 legally restricted 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 non-interstate highway system; K-12 school construction; and construction and loan programs for local public works projects.
- **Debt Service Funds** account for the accumulation of resources for, and the payment of, principal and interest on the state's bonds issued in support of governmental activities.

- **Capital Projects Funds** account for the acquisition, construction, or improvement of major capital facilities including higher education facilities.
- **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; state liquor stores; the guaranteed college tuition program; and the convention and trade center.
- **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 and defined contribution pension plans, and other employee benefit plans.
- **Investment Trust Fund** accounts for the external portion of the Local Government Investment Pool (LGIP), which is reported by the state as the sponsoring government.
- **Private-Purpose Trust Funds** are 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 collected and investment earnings. 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.

Application of Restricted/Unrestricted Resources

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.

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 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 twelve 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 deferred revenue. The lien date on property taxes is January 1 of the tax levy year.

Under modified accrual accounting, expenditures are recognized when the related liability is incurred. Exceptions to the general modified accrual expenditure recognition criteria include unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with available expendable financial resources.

The state reports deferred revenues on its governmental fund balance sheet under certain conditions. Deferred revenues arise when a potential revenue does not meet both the "measurable" and the "available" criteria for revenue recognition in the current period. Deferred revenues also 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 a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of these funds are included on their respective statements of net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. Net assets in proprietary funds are segregated into three components: invested in capital assets, net of related debt; restricted; and unrestricted.

Net assets for trust funds are 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, and Net Assets or Equity

1. Cash and Investments

Investments of surplus or pooled cash balances are reported on the accompanying Statements of Net Assets, 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. As a result, the cash balances of funds with surplus pooled balances are not reduced for these investments. For reporting purposes, pooled cash is 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 SEC’s Rule 2a-7 of the Investment Company Act of 1940, are reported at amortized cost. 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.

Long-term 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. Certain pension trust fund investments, including real estate and private equity, are valued based on appraisals or independent advisors. 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 Assets, 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

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 \$6.4 million in federally donated consumable inventories, which are offset by deferred revenues because they do not constitute an “available” resource until consumed.

4. Capital Assets

Except as noted below, it is the state’s policy to capitalize:

- all land;
- all additions and improvements to the state highway system;
- infrastructure, other than the state highway system, with a cost of \$100,000 or more;
- all other capital assets with a unit cost of \$5,000 or more.

Capital assets acquired by capital leases with a net present value or fair market value, whichever is less, of less than \$10,000 are not capitalized.

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. 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 proprietary and trust funds, net interest costs (if material) incurred during the period of construction are capitalized.

Art collections, library reserve collections, and museum and historical collections, that are considered inexhaustible in that their value does not diminish over time, are not capitalized by the state 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 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
Infrastructure	20-50 years

The cost and related accumulated depreciation of capital assets retired from service, or disposed of, 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 Assets. Depreciation expense related to capital assets is also reported in the Statement of Activities. Capital assets and the related depreciation 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 acquired. No depreciation is reported.

5. Compensated Absences

State employees accrue vested vacation leave at a variable rate based on years of service. In general, accrued vacation leave cannot exceed 30 days 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 60 days 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 leave 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 Assets.

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.

6. 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 Assets. 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. Original issuance premiums and discounts on debt issuance are also reported as other financing sources and uses respectively. Issue costs are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report the difference between fund assets and fund liabilities as "fund balance." Reserved fund balance represents that portion of fund balance that is: (1) not available for appropriation or expenditure, and/or (2) legally segregated for a specific future use. Unreserved, designated fund balance indicates tentative plans for future use of financial resources. Unreserved, undesignated fund balance represents the amount available for appropriation.

In proprietary funds, fund equity is called net assets. Net assets is comprised of three components – invested in capital assets, net of related debt; restricted; and unrestricted.

E. Other Information

1. General Budgetary Policies and Procedures

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 schedules presented as Required Supplementary Information (RSI) are 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 schedules 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 2005-07 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 Report CAF1054 for governmental funds. A copy of this report is available at the Office of Financial Management, 6639 Capitol Boulevard, PO Box 43113, Olympia, Washington 98504-3113. For additional information, refer to the Notes to Budgetary Information section of the RSI.

2. Insurance Activities

Workers' Compensation

Title 51 RCW establishes the state of Washington's workers' compensation program. The statute requires all applicable employers to insure payment of benefits for job related injuries and diseases 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, disability, and pension payments to qualifying individuals sustaining work-related injuries. 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 cost-of-living adjustments (COLA) 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.

Premiums are based on individual employers' reported payroll hours and insurance rates based on each employer's risk classification(s) and past experience. In addition to its regular premium plans, the Workers' Compensation Fund offers a retrospective premium rating plan under which premiums are adjusted annually for up to four years following the plan year based on individual employers' loss experience. Initial adjustments to the standard premiums are paid to or collected from the employers approximately ten months after the end of each plan year.

The Workers' Compensation Fund establishes claims liabilities based on estimates of the ultimate cost of

claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported (IBNR). 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 liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic, legal, and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Risk Management

Washington State operates a risk management 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 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 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 five fiscal years. Otherwise, the risk management 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 risk management liability program in proportion to the anticipated exposure to liability losses.

Health Insurance

The state of Washington administers and provides medical, dental, basic life, and long-term disability insurance coverage for eligible state employees. In addition, the state offers coverage to K-12 school districts, educational service districts, 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 the Employee Insurance Fund, an internal service 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 Notes 2 and 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 54 percent of the eligible subscribers in Fiscal Year 2007. 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.

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 reports endowments in higher education endowment permanent accounts. These accounts are established outside of the state treasury for use by the higher education institutions. State law permits the governing boards of the institutions to appropriate for expenditure as much of the net appreciation, realized and unrealized, in the fair value of the assets of an endowment fund as is deemed prudent under the facts and circumstances prevailing at the time.

Generally, the institutions use a 5 percent spending rate policy for authorizing and spending investment income.

The net appreciation available for authorization for expenditure by governing boards totaled \$178.5 million

and is reported in the nonexpendable portion of the reserve for permanent funds.

Note 2 - Accounting and Reporting Changes

Fund equity at July 1, 2006, has been restated as follows (expressed in thousands):

	Fund equity at June 30, 2006, as previously reported	Fund Reclassification	Prior Period Adjustment	Fund equity as restated, July 1, 2006
Governmental Funds:				
General	\$ 1,876,805	\$ -	\$ -	\$ 1,876,805
Higher Education Special Revenue	1,063,149	-	-	1,063,149
Higher Education Endowment	2,439,976	-	-	2,439,976
Nonmajor Governmental	5,030,382	162	-	5,030,544
Proprietary Funds:				
Enterprise Funds:				
Workers' Compensation	(7,060,769)	-	-	(7,060,769)
Unemployment Compensation	3,164,354	-	-	3,164,354
Higher Education Student Services	919,792	-	-	919,792
Nonmajor Enterprise	613,010	(195,429)	-	417,581
Internal Service Funds	(51,963)	195,429	-	143,466
Fiduciary Funds:				
Private Purpose Trust	52,881	(162)	-	52,719
Local Government Investment Pool	5,077,332	-	-	5,077,332
Pension and Other Employee Benefit Plans	58,230,050	-	-	58,230,050
Component Units:				
Public Stadium	424,350	-	-	424,350
Nonmajor Component Units	61,384	-	-	61,384

Reporting Changes

Effective for Fiscal Year 2007 reporting, the state implemented Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*.

In addition to certain disclosures (refer to Note 12), GASB Statement No. 43 requires the retiree portion of an agency multi-employer other post employment benefits plan be reported in an agency fund if the plan is not funded through a trust fund.

Fund Reclassifications – The Health Insurance Fund was reclassified from an enterprise fund to an internal service fund. After the removal of the balances and activity related to retirees as required by GASB Statement No.

43, the state and its employees became the predominant participants in the fund.

Additionally, during Fiscal Year 2007, it was determined that a certain Nonmajor Governmental Fund was incorrectly being reported as a Private Purpose Trust Fund. To correct this situation, beginning fund balances were restated to effect its proper fund classification as a Special Revenue Fund.

Governmental Capital Assets – The Department of Natural Resources recorded prior period adjustments in the net amount of \$250.5 million to governmental capital assets to correct a number of misstated balances.

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 restrict the State Treasurer 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) constitutes a multiple financial institution collateral pool. Pledged securities under the PDPC collateral pool are held by the PDPC's agent in the name of the collateral pool.

At June 30, 2007, \$1.8 billion of the state's deposits with financial institutions were either insured or collateralized, with the remaining \$37.5 million uninsured/uncollateralized. The Federal Deposit Insurance Corporation (FDIC) covers the state's insured deposits and the PDPC provides collateral protection.

B. Investments – Pension and Other Employee Benefit Trust Funds (Pension Trust Funds)

1. SUMMARY OF INVESTMENT POLICIES

The Washington State Investment Board (WSIB) has been authorized by statute as having the investment management responsibility for the pension trust funds. The WSIB manages pension fund assets to maximize return at a prudent level of risk (RCW 43.33A.110). WSIB establishes asset allocation targets that must be considered at all times when making investment decisions.

Eligible Investments - Pension trust funds are invested in the Commingled Trust Fund (CTF). The CTF is comprised of public market equities, fixed income securities, private equity investments and real estate. The CTF's performance benchmark objective is to exceed the return of a policy benchmark consisting of public market indices weighted according to asset allocation targets. The asset allocation for the CTF is formally reviewed every three to four years.

The public markets equity portion of the retirement fund includes strategies in the U.S., developed international and emerging markets. Since the U.S. equity markets are generally efficient, the domestic equity portfolio is almost entirely (75 percent) passively managed with the rest in an enhanced index strategy. Over time, the domestic equity portfolio should track the return of a broad U.S. market benchmark, the Dow Jones Wilshire 5000 Index. Non-U.S. markets are generally less efficient than the U.S. market: therefore, more active management will be included in the approach taken with international markets. The weightings of the elements of the developed markets and emerging markets of the non-U.S. equity program are similar to the weightings of the MSCI All Country World ex. U.S. Index which serves as the benchmark for the WSIB's entire non-U.S. program.

The fixed income investments of the pension trust funds are actively managed to exceed the return of the Lehman Universal Index, with volatility similar to or less than the index. The portfolio constraints are that no corporate fixed income issue shall exceed 3 percent of cost at the time of purchase or 6 percent of market value thereafter of the fund, and no high yield issues shall exceed 1 percent of cost or 2 percent of market value of the fund. Permissible fixed income market segments include: U.S. Treasuries and government agencies, Treasury Inflation Protection Securities, investment-grade credit bonds, high yield bonds, publicly traded mortgage-backed securities, commercial mortgage-backed securities, privately-placed mortgages, private placements of corporate debt, asset-backed securities, convertible securities, non-dollar bonds, real estate mortgages and Washington State Housing Finance Commission taxable municipal bonds up to a total of \$50 million with a maximum of \$10 million per year.

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 investments, corporate finance (including leveraged, management and employee buyouts), distressed, international and mezzanine investments. Private equity investments are made through limited partnership vehicles. The private equity portfolio has diversified investments in companies in a variety of stages of growth. The portfolio also includes a broad cross-section of opportunities in different industries, and geographic regions.

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 combination of 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. The real estate portfolio is managed to deliver risk-adjusted returns that are consistent with the Board'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 to liquidation, acquisition, and ongoing operational decisions like annual capital expenditures.

2. UNFUNDED COMMITMENTS

The WSIB has entered into a number of agreements that commit the Retirement Funds, upon request, to make additional investment purchases up to predetermined amounts. As of June 30, 2007, the Retirement Funds had unfunded commitments of \$8.1 million and \$6.7 million in private equity and real estate, respectively.

3. SECURITIES LENDING

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

In accordance with GASB Statement 28, the WSIB reports securities lent (the underlying securities) as assets in the statement of net assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Securities received as collateral are reported assets if the WSIB has the ability to pledge or sell them without a borrower default. Liabilities resulting from these transactions are reported in the statement of net assets. Securities lending transactions collateralized by securities that the WSIB does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities.

Securities were loaned and collateralized by the WSIB's agent with cash and U.S. government securities (exclusive of mortgage backed securities and letters of credit), and irrevocable letters of credit. When the

loaned securities were denominated in United States dollars, were securities whose primary trading market was located in the United States or were sovereign debt issued by foreign governments, the collateral requirement was 102 percent of the market value of the securities loaned. When the loaned securities were not denominated in United States dollars or were securities whose primary trading market was not located in the United States, the collateral requirement was 105 percent of the market value of the loaned securities. The collateral held and market value of securities on loan at June 30, 2007 were \$5.7 billion and \$5.6 billion respectively.

During Fiscal Year 2007, securities lending transactions could be terminated on demand by either the WSIB or the borrower. The average term of overall loans was 28 days.

Cash collateral was invested by the WSIB's agents in securities issued or guaranteed by the U.S. government, the WSIB's short-term investment pool (average weighted maturity of 220 days) or term loans. 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. 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. SSB indemnified the WSIB 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. SSB'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 2007, there were no significant violations of legal or contractual provisions, or failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the WSIB incurred no losses during Fiscal Year 2007 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 of debt investments will adversely affect the fair value of an investment. The pension fixed income investments are actively managed to exceed the return of the Lehman Universal Index, with volatility as measured by duration to be similar to or less than the index. Pension trust funds are invested in U.S. agencies and corporate debt variable-rate securities, most of which reset periodically to the market interest rate. Because these securities

frequently reprice to prevailing market rates, interest rate risk is substantially reduced at each periodic reset date.

The following schedule presents the pension fund investments by type and provides information about the interest rate risks associated with the pension trust funds

investments as of June 30, 2007. The schedule displays various asset classes held by maturity in years and credit ratings. Variable-rate securities are presented according to the length of time until the next reset date rather than the stated maturity.

Pension Trust Funds						
June 30, 2007						
(expressed in thousands)						
Investment Type	Fair Value	Maturity				Credit Rating
		Less than 1 year	1-5 years	6-10 years	More than 10 years	
Asset Backed Securities	\$ 41,662	\$ -	\$ 1,023	\$ -	\$ 40,639	Multiple
Mortgages:						
Collateralized Mortgage Obligations	1,960,964	-	424,556	879,596	656,812	Multiple
Pass Throughs	2,469,699	927	1,142,050	1,174,496	152,226	Multiple
Non-Standard Mortgages	3,281	-	-	2,264	1,017	Aaa
Commercial Mortgage Backed Securities	579,979	-	296,293	281,277	2,409	Multiple
Corporate Bonds - Domestic	5,788,251	235,985	1,949,355	2,513,078	1,089,833	Multiple
Corporate Bonds - Foreign	270,542	-	37,335	101,075	132,133	Multiple
Government Securities - Domestic:						
US Government Treasuries	1,076,656	-	326,765	624,892	124,999	Aaa
US Government Agencies	2,189	-	2,189	-	-	Aaa
Treasury Inflation Protected Securities	1,394,067	-	674,892	715,062	4,113	Aaa
Variable Rate Notes	623,696	10,336	132,388	53,583	427,389	Multiple
	<u>\$ 14,210,986</u>	<u>\$ 247,248</u>	<u>\$ 4,986,846</u>	<u>\$ 6,345,323</u>	<u>\$ 2,631,570</u>	
Corporate Stock - Domestic						
Corporate Stock - Foreign	9,783,325					
Commingled Index Funds - Domestic	13,936,461					
Commingled Index Funds - Foreign	5,439,787					
Money Market Funds	1,858,693					
Cash Overlay	497,074					
Private Equity	11,693,976					
Real Estate	7,044,494					
Innovation	43,018					
Currencies	92,890					
Securities Lending Collateral Balances	5,745,330					
Defined Contribution Plans Assets:						
Short-Horizon	55,539					
Mid-Horizon	180,386					
Long-Horizon	196,727					
Mutual Funds:						
Domestic Equity Passive	1,462,805					
Non-US Passive Developed	353,121					
Domestic Equity Active	1,201,278					
Non-US Active Developed	169,010					
Washington State Bond Fund	296,946					
Savings Pool	729,829					
Money Market Mutual Funds	330,219					
Total	<u>\$ 75,321,894</u>					

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, 2007								
(expressed in thousands)								
Moody's Equivalent Credit Rating	Investment Type							Total
	Asset-backed Securities	Corporate Bonds - Domestic	Corporate Bonds - Foreign	Variable Rate Notes	Collateralized Mortgage Obligations	Pass Throughs	Commercial Mortgage Backed Securities	
Aaa	\$ 18,835	\$ 863,912	\$ 56,597	\$ 270,612	\$ 1,945,665	\$ 2,386,042	\$ 554,468	\$ 6,096,131
Aa1	-	155,136	-	15,189	-	-	23,103	193,428
Aa2	-	484,096	-	6,258	-	-	-	490,354
Aa3	-	830,022	-	25,348	-	-	-	855,370
A1	-	480,454	37,335	8,900	-	-	-	526,689
A2	-	450,533	-	20,054	-	-	-	470,587
A3	-	511,498	-	13,711	-	-	-	525,209
Baa1	-	506,929	36,737	24,665	-	-	-	568,331
Baa2	-	655,797	-	11,714	-	-	-	667,511
Baa3	22,827	849,874	139,873	227,245	15,299	83,657	-	1,338,775
NR	-	-	-	-	-	-	2,408	2,408
Total	\$ 41,662	\$ 5,788,251	\$ 270,542	\$ 623,696	\$ 1,960,964	\$ 2,469,699	\$ 579,979	\$ 11,734,793

5. CREDIT RISK

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The WSIB investment policy mitigates credit risk by limiting holdings of below investment grade fixed income securities. Rated debt investments of the pension trust funds as of June 30, 2007, 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 WSIB policy states no corporate fixed income issue shall exceed 3 percent of cost at the time of purchase or 6 percent of market value thereafter of the fund, and no high yield issues shall exceed 1 percent of cost or 2 percent of market value of the fund. There was no concentration of credit risk exceeding these policy guidelines as of June 30, 2007.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of failure of the custodian, the WSIB would not be able to recover its investment securities or collateral securities that are in the possession of the

custodian. The WSIB has no formal policy regarding custodial credit risk. However, as all of the pension fund system assets are registered and held in the state of Washington's name, they are not subject to custodial credit risk.

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 WSIB does not have a formal policy to limit foreign currency risk. The WSIB 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, which are stated in U.S. dollars. The pension trust funds also had \$5.4 billion invested in an international commingled equity index fund. As such, these currency denominations are not presented in the following schedule.

Pension Trust Funds
Foreign Currency Risk
June 30, 2007

(expressed in thousands)

Foreign Currency Denomination	Investment Type					Total
	Short Term	Fixed Income	Equity	Private Equity	Real Estate	
Australia-Dollar	\$ 2,832	\$ -	\$ 467,673	\$ -	\$ -	\$ 470,505
Brazil-Real	6	175,945	79,910	-	-	255,861
Britain-Pound	16,141	-	1,698,431	67,733	71,000	1,853,305
Canada-Dollar	5,294	-	371,285	-	573	377,152
China-Renminbi	41	-	-	-	-	41
Denmark-Krone	2	-	47,733	-	-	47,735
E.M.U.-Euro	36,336	-	3,514,913	1,049,132	1,162,812	5,763,193
Egypt-Pound	136	-	10,537	-	-	10,673
Hong Kong-Dollar	985	-	284,182	-	-	285,167
Hungary-Forint	38	-	48,813	-	-	48,851
Indonesia-Rupiah	-	-	13,085	-	-	13,085
Israel-Shekel	-	-	5,216	-	-	5,216
Japan-Yen	28,756	-	1,517,465	-	1,910,879	3,457,100
Lithuania-Litas	138	-	-	-	-	138
Malaysia-Ringgit	499	-	14,562	-	-	15,061
Mexico-Peso	-	37,602	37,232	-	1,149	75,983
New Zealand-Dollar	15	-	23,338	-	-	23,353
Norway-Krone	38	-	126,606	-	-	126,644
Pakistan-Rupee	5	-	11,804	-	-	11,809
Philippines-Peso	30	-	226	-	-	256
Poland-Zloty	-	-	60,104	-	-	60,104
Singapore-Dollar	271	-	218,106	-	-	218,377
South Africa-Rand	1	-	40,764	-	-	40,765
South Korea-Won	142	-	53,296	-	2,208,662	2,262,100
Sweden-Krona	1,077	-	192,095	62,054	-	255,226
Switzerland-Franc	57	-	547,318	-	-	547,375
Taiwan-Dollar	-	-	-	-	15,670	15,670
Thailand-Baht	45	-	2,196	-	-	2,241
Turkey-Lira	5	56,994	33,908	-	-	90,907
Total	\$ 92,890	\$ 270,541	\$ 9,420,798	\$ 1,178,919	\$ 5,370,745	\$ 16,333,893

7. DERIVATIVES

WSIB is authorized to utilize various derivative financial instruments, including mortgage-backed securities, 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 varying degrees of market and credit risk. WSIB 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.

Consistent with the WSIB authority to invest in derivatives, international active equity managers may make limited investments in financial futures, forward contracts or other derivative securities to manage exposure to currency rate risk and equitize excess cash holdings. No such derivative securities were held as of June 30, 2007. 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, 2007, the only derivative securities held directly by WSIB were collateralized mortgage obligations (CMOs) of \$1.9 billion.

8. REVERSE REPURCHASE AGREEMENTS

State law permits WSIB to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers margin against a decline in market value of the securities. If the dealers default on their obligations to resell these securities to the state or provide securities or cash of equal value, WSIB would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. There were no reverse repurchase agreements during the year and there were no liabilities outstanding as of June 30, 2007.

C. Investments – Workers’ Compensation Fund

1. SUMMARY OF INVESTMENT POLICIES

Under RCW 43.33A.030, trusteeship over the investment of the workers’ compensation fund investments is vested in the WSIB. The Legislature established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB must comply with other state laws, such as the Ethics in Public Service Act, RCW 42.52, as it makes investment decisions and seeks to meet its investment objectives.

In accordance with state laws, workers’ compensation fund investments are to be 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 those above, achieve a maximum return at a prudent level of risk.

Eligible Investments – Eligible investments include:

- U.S. Equities.
- International Equities.
- U.S. Treasuries and Government Agencies.
- Credit Bonds.
- Mortgage-Backed Securities rated BBB- or higher by Standard & Poor’s and Baa3 or higher by Moody’s Investor’s Service (Moody’s).
- Asset-Backed Securities rated BBB- or higher by Standard & Poor’s and Baa3 or higher by Moody’s.
- Commercial Mortgage-Backed Securities rated BBB- or higher by Standard & Poor’s and Baa3 or higher by Moody’s.
- Investment Grade Non-U.S. Dollar Bonds.

Investment Restrictions - To meet stated objectives, investments of workers’ compensation funds are subject to the following constraints:

- Asset allocation between equity and fixed income investments must fall within prescribed limits and are to be reviewed every three to four years or sooner if there are significant changes in funding levels or the liability durations.

- No corporate fixed income issue cost shall exceed 3 percent of the fund's market value at the time of purchase, nor shall its market value exceed 6 percent of the fund's market value at any time.
- Allocation of equity investments between U.S. and International must fall within prescribed limits. The benchmark and structure for U.S. equities is the broad U.S. stock market as defined by the Dow Jones-Wilshire 5000. The benchmark and structure for international equities is the Morgan Stanley Capital Indexes Europe, Australia, Far East (MSCI EAFE) index. Both portfolios are 100 percent passively managed in commingled index funds. The commingled funds may use futures for hedging or establishing a long position.
- The fixed income portfolios' structure varies depending upon the required duration target. The duration targets are reviewed every three years, or sooner, if there are significant changes in the funding levels or the liability durations.
- Sector allocation of fixed income investments must be managed within the prescribed ranges. 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 as soon as it is practical to the target allocations.
- Total holdings of below investment grade credit bonds (rated BB+ or below by Standard & Poor's or rated Ba1 or below by Moody's) should not exceed 5 percent of total fixed income holdings.

2. SECURITIES LENDING

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

The Securities Lending Collateral Balances included are from securities required to be listed under GASB 3 Category 3 – Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the government's name. (This includes the amount of any repurchase agreement that exceeds the market value of the underlying securities.)

In accordance with GASB Statement 28, the WSIB reports securities lent (the underlying securities) as assets in the statement of net assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Securities received as collateral are reported assets if the WSIB has the ability to pledge or sell them without a borrower default. Liabilities resulting from these transactions are reported in the statement of net assets. Securities lending transactions collateralized by securities that the WSIB does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities.

Securities were loaned and collateralized by the WSIB's agent with cash and U.S. government securities (exclusive of mortgage backed securities and letters of credit), and irrevocable letters of credit. When the loaned securities were denominated in United States dollars, were securities whose primary trading market was located in the United States or were sovereign debt issued by foreign governments, the collateral requirement was 102 percent of the market value of the securities loaned. When the loaned securities were not denominated in United States dollars or were securities whose primary trading market was not located in the United States, the collateral requirement was 105 percent of the market value of the loaned securities. The collateral held and market value of securities on loan at June 30, 2007 was \$1.58 billion and \$1.55 billion respectively.

During Fiscal Year 2007, securities lending transactions could be terminated on demand by either the WSIB or the borrower. The average term of overall loans was 28 days.

Cash collateral was invested by the WSIB's agents in securities issued or guaranteed by the U.S. government, the WSIB's short-term investment pool (average weighted maturity of 220 days) or term loans. 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. 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. SSB indemnified the WSIB 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. SSB'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 2007, 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 WSIB incurred no losses during Fiscal Year 2007 resulting from a default by either the borrowers or the securities lending.

3. INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The workers' compensation fixed income

investments are actively managed to exceed the return of the Lehman Aggregate Index, with volatility as measured by duration to be similar to or less than the index. As of June 30, 2007, the durations of the various fixed income classes were within the duration targets of the Lehman Aggregate Index.

The workers' compensation fund investments include both U.S. agencies and corporate debt variable-rate securities, most of which reset periodically to the market interest rate. Because these securities frequently reprice to prevailing market rates, interest rate risk is substantially reduced at each periodic reset date.

The following schedule presents the workers' compensation fund investments by type and provides information about the interest rate risks associated with the investments as of June 30, 2007. The schedule displays various asset classes held by maturity in years and credit ratings. Variable-rate securities are presented according to the length of time until the next reset date rather than the stated maturity.

Workers' Compensation Fund

June 30, 2007

(expressed in thousands)

(expressed in thousands)

Investment Type	Fair Value	Maturity				Credit Rating
		Less than 1 year	1-5 years	6-10 years	More than 10 years	
Mortgages:						
Collateralized Mortgage Obligations	\$ 1,720,253	\$ -	\$ 158,435	\$ 280,229	\$ 1,281,589	Aaa
Pass Throughs	2,045	135	1,621	289	-	Aaa
Non-Standard Mortgages	11,091	-	9,381	-	1,710	Aaa
Commercial Mortgage Backed Securities	640,287	13,958	230,567	395,762	-	Aaa
Corporate Bonds - Domestic	4,732,794	202,091	882,666	1,388,602	2,259,435	Multiple
Government Securities-Domestic:	-					
US Government Treasuries	948,232	16,974	259,815	-	671,443	Aaa
US Government Agencies	209,807	-	-	-	209,807	Aaa
Treasury Inflation Protected Securities	472,661	-	-	227,350	245,311	Aaa
	8,737,170	\$ 233,158	\$ 1,542,485	\$ 2,292,232	\$ 4,669,295	
Commingled Index Funds-Domestic	1,740,566					
Commingled Index Funds-Foreign	316,883					
Money Market Funds	188,793					
Securities Lending Collateral Balances	1,580,386					
Total	\$ 12,563,798					

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, 2007

(expressed in thousands)

Moody's Equivalent Credit Rating	Investment Type			Total
	Corporate Bonds - Domestic	Non-Standard Mortgages	Commercial Mortgage Backed Securities	
Aaa	\$ 494,086	\$ 11,062	\$ 582,341	\$ 1,087,489
Aa1	83,022	-	57,946	140,968
Aa2	193,679	29	-	193,708
Aa3	718,821	-	-	718,821
A1	553,968	-	-	553,968
A2	494,673	-	-	494,673
A3	614,322	-	-	614,322
Baa1	407,075	-	-	407,075
Baa2	821,683	-	-	821,683
Baa3	351,465	-	-	351,465
Total	\$ 4,732,794	\$ 11,091	\$ 640,287	\$ 5,384,172

4. CREDIT RISK

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The WSIB investment policy mitigates credit risk by limiting holdings of below investment grade fixed income securities. The rated debt investments of the workers' compensation funds as of June 30, 2007, 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 WSIB policy states that the cost of no corporate fixed income issue shall exceed 3 percent of the fund's market value at the time of purchase, nor shall its market value exceed 6 percent of the fund's market value at any time. There was no concentration of credit risk as of June 30, 2007.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of failure of the custodian, the WSIB would not be able to recover its investment securities or collateral securities that are in the possession of the custodian. The WSIB has no formal policy regarding custodial credit risk. However, as all of the workers' compensation fund assets are registered and held in the state of Washington's name, they are not subject to custodial credit risk.

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 WSIB does not have a formal policy to limit foreign currency risk. The workers' compensation funds had \$316.9 million invested in an international commingled equity index fund. As such, no currency denomination is presented.

6. DERIVATIVES

WSIB is authorized to utilize various derivative financial instruments, including mortgage-backed securities, 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. WSIB 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.

Consistent with the WSIB authority to invest in derivatives, international active equity managers may make limited investments in financial futures, forward contracts or other derivative securities to manage exposure to currency rate risk and equitize excess cash holdings. No such derivative securities were held as of June 30, 2007. 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, 2007, the only derivative securities held directly by WSIB were collateralized mortgage obligations (CMOs) of \$1.7 billion.

7. REVERSE REPURCHASE AGREEMENTS

State law permits WSIB to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers margin against a decline in market value of the securities. If the dealers default on their obligations to resell these securities to the state or provide securities or cash of equal value, WSIB would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. There were no reverse repurchase agreements during Fiscal Year 2007 and there were no liabilities outstanding as of June 30, 2007.

D. Investments – Local Government Investment Pool (LGIP)

1. SUMMARY OF INVESTMENT POLICIES

The LGIP is managed and operated by the Office of the State Treasurer (OST). The OST is responsible for establishing the investment policy for the pool. It is reviewed annually 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.

Investment Objectives - The LGIP is comparable to 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.

The objectives of the LGIP investment policy, in priority order, are safety, liquidity, and return on investment. To provide for the safety and liquidity of 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 the policy.
- Limit the purchase of investments in securities so that the weighted average maturity of the portfolio, as defined in Section VI of the policy, does not exceed 90 days.
- Limit the purchase of investments to securities that have a maximum final maturity of 397 days, with the exceptions listed in section VI of the policy.
- Limit the purchase of investments in securities other than those issued by the U.S. government or its agencies.
- Prepare regular reports of portfolio activity.

The primary objective of safety will be measured in cash, as opposed to accounting terms, where different, and in terms of the portfolio, as a whole, as opposed to the terms of any individual transaction. This means, for example, that a single transaction that generated an accounting loss but actually increased the amount of cash received in the portfolio would be considered to have increased capital, and not decreased it.

Within the restrictions necessary to ensure the safety and liquidity of funds, the investment portfolio of the LGIP will be structured to attain a market rate of return throughout an economic cycle.

Eligible Investments - Eligible investments are only those securities and deposits authorized by statute (RCW 39.58, 39.59, 43.84.080 and 43.250). 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 WSIB regarding commercial paper (RCW 43.84.080(7)).

- Certificates of deposit with financial institutions qualified by the Washington Public Deposit Protection Commission.
- Obligations of the state of Washington or its political sub-divisions.

Investment Restrictions - To provide for the safety and liquidity of LGIP Funds, the investment portfolio will be subject to the following restrictions:

- All money market securities are required to be rated A-1 by Standard and Poor's Corporation and P-1 by Moody's Investors Services, Inc.
- Investments are restricted to fixed rate securities that mature in 397 days or less, and floating and variable rate securities that mature in 762 days or less.
- The weighted average maturity of the portfolio may not exceed 90 days.
- 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

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 2007, 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 with the lending agent requires them 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 neither violations of legal or contractual provisions nor any losses resulting from a default of a borrower or lending agent during the year.

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 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. The cash is invested by the lending agent in repurchase agreements or money market instruments, 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. At June 30, 2007, all LGIP securities on loan were collateralized by cash and other securities and the average life of both the loans and the investment of cash received as collateral was two days.

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 policy places a 90-day maximum on the weighted average maturity. Further, the maximum maturity of any security may not exceed 397 days, except securities utilized in repurchase agreements and U.S. Agency floating or variable rate notes with reset dates less than a year and which on any reset date can reasonably be expected to have a market value that approximates its amortized cost. As of June 30, 2007, the LGIP had a weighted average maturity of 46 days.

The following schedule presents the LGIP investments by type and provides information about the interest rate risks associated with the LGIP investments as of June 30, 2007.

Local Government Investment Pool (LGIP)			
June 30, 2007			
(expressed in thousands)			
Investment Type	Fair Value	Maturity	
		Less than 1 year	1-5 years
U.S. Agency Obligations	\$ 1,585,558	\$ 1,565,847	\$ 19,711
U.S. Government Obligations	149,795	149,795	-
Certificates of Deposit	634,076	634,076	-
Repurchase Agreements	3,820,672	3,820,672	-
Securities Lending Collateral	91,105	91,105	-
Total	\$ 6,281,206	\$ 6,261,495	\$ 19,711

4. CREDIT RISK

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a failure of the counter party, 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. All securities held as collateral were rated AAA. The market value of securities held for collateral 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 percentage of the portfolio invested with any one issuer.

5. FOREIGN CURRENCY RISK - None

6. DERIVATIVES – None

7. REVERSE REPURCHASE AGREEMENTS

State law also 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.

Repurchase agreements are collateralized at 102 percent. The collateral is priced daily and held by the LGIP's custodian in the state's name. Collateral for mortgage-backed repurchase agreements with a maturity date longer than seven days will be priced at 105 percent of fair value, plus accrued interest. Collateralized Mortgage Obligations (CMO) used as collateral for repurchase agreements must pass the Federal Financial Institutions Examination Council (FFIEC) test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency.

During the Fiscal Year 2007, the LGIP did not enter into any reverse repurchase agreements and there were no obligations under reverse repurchase agreements outstanding at year-end.

E. Investments – Higher Education Special Revenue and Endowment Funds

1. SUMMARY OF INVESTMENT POLICIES

The investments of the University of Washington represent 78 percent of the total investments in Higher Education Special Revenue and Endowment 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 (UWINCO), comprised of Board members and investment professionals, advise 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 lent securities, mutual funds, venture capital, private equity, distressed, marketable alternatives, mortgages, real estate, and miscellaneous investments.

The University combines most short-term cash balances in the Invested Funds Pool. At June 30, 2007, the Invested Funds Pool totaled \$796.1 million. The fund also owns units in the Consolidated Endowment Fund valued at \$414.3 million on June 30, 2007. By University policy, departments with qualifying funds in the Invested Funds Pool receive one of four rates of return based on the realized yield of the portfolio. Campus depositors received 4.25 percent for Fiscal Year 2007. 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 subscribe to or dispose of 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. The CEF income distribution is 5 percent of the average fair value of the CEF for the previous three years. State law allows for the spending of appreciation in the CEF.

The University records its permanent endowments at the lower of original value or current market value in the Restricted Nonexpendable Net Assets category. Of the total of approximately \$1.209 million permanent endowment funds (at market value) as of June 30, 2007, the aggregate amount of the deficiencies for all funds for which the fair value of the assets is less than the original gifts is \$0.

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 approximately \$58.9 million at June 30, 2007. Income received from these trusts was \$2.2 million for the year ended June 30, 2007.

2. UNFUNDED COMMITMENTS

The University enters into contracts with investment managers to fund alternate investments. As of June 30, 2007, the University had unfunded commitments in the amount of \$286 million.

3. SECURITIES LENDING

The University's investment policies permit it to lend its securities to broker dealers and other entities. The University's custodian lends securities for collateral in the form of cash or other securities, with the simultaneous agreement to return the collateral for the same securities in the future. U.S. securities are loaned and secured by collateral valued at 102 percent of the fair value of the securities plus any accrued interest. Non-U.S. securities are loaned and secured by collateral valued at 105 percent of the fair value of the securities plus any accrued interest. At year-end, the University had no credit risk exposure to borrowers because the amounts the University owes the borrowers exceed the amounts the borrowers owe the University.

The contract with the custodian requires it to indemnify the University if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the University for income distributions by the securities' issuers while the securities are on loan.

Either the University or the borrower can terminate all securities loans on demand, although the average term of overall loans is 140 days. Cash collateral is invested in a short-term investment pool that had an average weighted maturity of 37 days as of June 30, 2007. The relationship between the maturities of the investment pool and the University's loans is affected by the maturities of the securities loaned by other entities that use the custodian's pool. The University cannot determine the maturities of these loaned securities. The University cannot sell or pledge non-cash collateral unless the borrower defaults. Non-cash collateral at June 30, 2007, was \$5.69 million.

Securities on loan at June 30, 2007, totaled \$393.2 million, and are presented by investment type in the following schedule. The securities lending program resulted in net revenues of \$0.6 million for the year ended June 30, 2007.

The following schedule presents the fair value of the University of Washington's investments by type at June 30, 2007.

University of Washington June 30, 2007 (expressed in thousands)	
Investment Type	Fair Value
Cash Equivalents	\$ 234,184
Domestic Fixed Income	633,653
Domestic Fixed Income-Loaned	289,793
Foreign Fixed Income	126,720
Domestic Equity	581,928
Domestic Equity-Loaned	74,626
Foreign Equity	484,540
Foreign Equity-Loaned	28,802
Non-Marketable Alternatives	509,590
Marketable Alternatives	323,931
Real Estate	6,039
Miscellaneous	5,773
Total Investments	3,299,579
Collateral from Securities Lending - Cash	396,657
Total	\$ 3,696,236

4. INTEREST RATE RISK

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 the ample freedom for the manager to perform, while controlling the interest rate risk in the portfolio. Modified duration, which estimates the sensitivity of a bond's price to interest rate changes, is based on Macaulay duration. Macaulay duration is the basic calculation developed for a portfolio of bonds assembled to fund a fixed liability. Macaulay duration is calculated as follows: sum of discounted time-weighted cash flows / bond price. Modified duration is calculated using the following formula: Macaulay duration / (1 + yield-to-maturity/ number of coupon payments per year).

The Interest Rate Risk Schedule presents the modified duration of the University's investments for which duration is measured.

Approximately \$244.2 million of additional domestic fixed income securities (including loaned) and \$98.8 million of additional foreign fixed income securities, which in total makeup 10.4 percent of the University's investments, are not included in the duration figures below. These investments, some of which are managed by the University and others by the University's affiliates, are not invested under the same investment strategy or with the same custodian as those detailed in the following schedule.

University of Washington
Interest Rate Risk

Duration as of June 30, 2007

(expressed in thousands, modified duration in years)

	Consolidated Endowment Fund		Invested Funds Pool	
	Asset Value	Duration	Asset Value	Duration
Domestic Fixed Income				
Asset Backed	\$ 4,280	1.95	\$ 55,968	0.86
Cash Equivalents (Short-term Money Market)	40,702	-	54,035	0.04
Corporate Bonds	9,534	5.25	8,943	1.64
Government & Agencies	43,362	6.78	192,095	3.32
Mortgage Related	29,867	3.70	240,465	2.81
Subtotal	127,745	3.62	551,506	2.50
Foreign Fixed Income				
International Fixed	27,256	4.67	705	3.06
Total	\$ 155,001	3.81	\$ 552,211	2.50

5. CREDIT RISK

The University investment policies limit fixed income exposure to investment grade assets. The Investment Policy for the University's operating funds reflects a higher level of credit risk/loss sensitivity and requires each manager to maintain a specific average AA rating as issued by a nationally recognized rating organization. Additionally, the investment policy requires the operating funds to have 50 percent of the assets invested in government and government agency issues. 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 assets are held in the name of the University of Washington 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 University mitigates concentration of credit risk by maintaining a portfolio of investment grade assets and by the due diligence of each manager.

6. FOREIGN CURRENCY RISK

The University's investment policies permit investments in international equity and other asset classes that can include foreign currency exposure.

The University's investment strategy within the Invested Funds Pool is to hedge exposure to foreign currency. Within this pool, the University enters into foreign currency forward contracts, futures contracts, and options to hedge the foreign currency exposure.

At June 30, 2007, the University had net outstanding forward commitments to sell foreign currency with a total fair value of \$9.3 million, which equals 0.3 percent of the total portfolio.

As part of the investment strategy, the University does not hedge foreign currency exposure within the equity portion of the Consolidated Endowment Fund.

The following schedule details the market value of foreign denominated securities by currency type in the Consolidated Endowment Fund.

University of Washington Consolidated Endowment Fund Foreign Currency Risk June 30, 2007 (expressed in thousands)	
Foreign Currency	Market Value
Britain-Pound	\$ 77,162
Canada-Dollar	47,221
China - Renminbi	73,377
E.M.U.-Euro	280,762
Hong Kong-Dollar	27,818
India-Rupee	26,677
Japan-Yen	135,921
Korea-Won	42,311
Taiwan-Dollar	31,165
Other (less than 3% each)	227,170
Total	\$ 969,584

7. DERIVATIVES

The University's investments include certain derivative instruments and structured notes that derive their value from a security, asset, or index. Such investments are governed by the University's Investment Policies and Guidelines, which effectively constrain their use by establishing (a) duration parameters which limit price sensitivity to interest rate fluctuations (market risk), (b) minimum quality ratings at both the security and portfolio level, and (c) a market index as a performance benchmark.

8. REVERSE REPURCHASE AGREEMENTS - None

F. Investments – Office of the State Treasurer (OST) Cash Management Account

1. SUMMARY OF INVESTMENT POLICIES

The 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 (RCW 39.58, 39.59, 43.84.080 and 43.250). 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 State Treasurer adheres with policies and procedures of the 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, for proceeds of bonds or other debt obligations, when the investments are made in order to comply with the Internal Revenue Code of 1986, as amended.
- Obligations of the state of Washington or its political sub-divisions.

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 (CMO) requires prior approval from the treasurer or assistant treasurer; CMO securities must pass the Federal Institutions Examination Council (FFIEC) test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency.
- The allocation to investments subject to high 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 a lending agent to lend securities, earns a fee 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 repurchase agreements or money market instruments, 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. 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, 2007, securities on loan approximated \$286 million. All OST securities on loan were collateralized by cash and other securities and the average life of both the loans and the investment of cash received as collateral was two days.

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 2007, 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 two main portfolios. The OST's investment policy limits the weighted average maturity of its investments, according to the objectives of each portfolio.

The following schedule presents the fair value of the OST's investments by type at June 30, 2007.

Office of the State Treasurer (OST) Cash Management Account June 30, 2007 (expressed in thousands)				
Investment Type	Fair Value	Maturity		
		Less than 1 year	1-5 years	6-10 years
U.S. Government Obligations	\$ 55,247	\$ 55,247	\$ -	\$ -
U.S. Agency Obligations	3,318,278	1,244,532	1,172,406	901,340
Certificates of Deposit	616,292	616,292	-	-
Repurchase Agreements	1,672,000	1,672,000	-	-
Securities Lending Collateral	294,279	294,279	-	-
Total	\$ 5,956,096	\$ 3,882,350	\$ 1,172,406	\$ 901,340

4. CREDIT RISK

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 certificates of deposit with qualified public depositories.

Custodial Credit Risk - The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The OST investment policy requires that securities purchased by the office to 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 2007, the non-governmental securities of a single issuer held by the Cash Management Account did not exceed 5 percent of the total portfolio.

5. FOREIGN CURRENCY RISK - None

6. DERIVATIVES - None

7. 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.

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 (CMO) utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council (FFIEC) test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency.

During the Fiscal Year 2007, the OST did not enter into any reverse repurchase agreements and there were no obligations under reverse repurchase agreements outstanding at year-end.

Note 4 - Receivables and Deferred/Unearned Revenues

A. Governmental Funds

Taxes Receivable

Taxes receivable at June 30, 2007, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property	\$ 870,409	\$ -	\$ -	\$ 362	\$ 870,771
Sales	1,338,116	5,742	-	22,785	1,366,643
Business and occupation	413,134	-	-	-	413,134
Estate	5,646	3,132	-	-	8,778
Fuel	-	-	-	98,563	98,563
Other	2,522	-	-	207	2,729
Subtotals	2,629,827	8,874	-	121,917	2,760,618
Less: Allowance for uncollectible receivables	30,260	-	-	283	30,543
Total Taxes Receivable	\$ 2,599,567	\$ 8,874	\$ -	\$ 121,634	\$ 2,730,075

Other Receivables

Other receivables at June 30, 2007, consisted of the following (expressed in thousands):

Other Receivables	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Public assistance (1)	\$ 1,180,721	\$ -	\$ -	\$ -	\$ 1,180,721
Accounts receivable	31,158	123,352	1,047	72,347	227,904
Interest	-	8,698	8,623	6,742	24,063
Loans (2)	6,450	127,784	-	296,001	430,235
Long-term contracts (3)	3,215	-	15,549	91,025	109,789
Miscellaneous	7,498	4,090	17,872	101,313	130,773
Subtotals	1,229,042	263,924	43,091	567,428	2,103,485
Less: Allowance for uncollectible receivables (1)	987,140	18,107	74	28,031	1,033,352
Total Other Receivables	\$ 241,902	\$ 245,817	\$ 43,017	\$ 539,397	\$ 1,070,133

- Note: (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 \$106 million in the Higher Education Special Revenue Fund for student loans and \$289 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.

Deferred Revenues

Deferred revenues at June 30, 2007, consisted of the following (expressed in thousands):

Deferred Revenues	General	Nonmajor			Total
		Higher Education Special Revenue	Higher Education Endowment	Governmental Funds	
Property taxes	\$ 851,227	\$ -	\$ -	\$ 155	\$ 851,382
Other taxes	232,301	2,474	-	133	234,908
Timber sales	-	-	15,549	82,030	97,579
Charges for services	25,506	140,386	278	29,531	195,701
Donable goods	6,384	-	-	-	6,384
Miscellaneous	46,426	7,927	-	493,173	547,526
Total Deferred Revenues	\$ 1,161,844	\$ 150,787	\$ 15,827	\$ 605,022	\$ 1,933,480

B. Proprietary Funds

Taxes Receivable

Taxes receivable at June 30, 2007, consisted of \$5 million in liquor taxes reported in Nonmajor Enterprise Funds.

Other Receivables

Other receivables at June 30, 2007, consisted of the following (expressed in thousands):

Other Receivables	Business-Type Activities				Total	Governmental
	Enterprise Funds					Activities
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds		Internal Service Funds
Accounts receivable	\$ 117,881	\$ -	\$ 210,999	\$ 30,221	\$ 359,101	\$ 5,212
Interest	114,987	-	1,968	5,248	122,203	381
Loans	-	-	5	-	5	-
Miscellaneous	550,442	503,309	2,489	555	1,056,795	1,039
Subtotals	783,310	503,309	215,461	36,024	1,538,104	6,632
Less: Allowance for uncollectible receivables	79,713	88,091	79,982	71	247,857	205
Total Other Receivables	\$ 703,597	\$ 415,218	\$ 135,479	\$ 35,953	\$ 1,290,247	\$ 6,427

Unearned Revenues

Unearned revenues at June 30, 2007, consisted of the following (expressed in thousands):

Unearned Revenues	Business-Type Activities				Total	Governmental
	Enterprise Funds					Activities
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds		Internal Service Funds
Charges for services	\$ 5	\$ -	\$ 32,818	\$ 90	\$ 32,913	\$ 2,707
Other taxes	2,031	-	-	3	2,034	-
Miscellaneous	11,661	-	607	-	12,268	1,773
Total Unearned Revenues	\$ 13,697	\$ -	\$ 33,425	\$ 93	\$ 47,215	\$ 4,480

C. Fiduciary Funds

Other Receivables

Other receivables at June 30, 2007, consisted of the following (expressed in thousands):

Other Receivables	Private- Purpose Trust	Local		Agency Funds
		Government Investment Pool	Pension and Other Employee Benefit Plans	
Accounts receivable	\$ -	\$ -	\$ -	\$ 15,126
Interest	-	21,659	-	53,260
Loans	-	-	-	1
Miscellaneous	5,079	-	-	177,914
Subtotals	5,079	21,659	-	246,301
Less: Allowance for uncollectible receivables	-	-	-	775
Total Other Receivables	\$ 5,079	\$ 21,659	\$ -	\$ 245,526

Unearned Revenues

Unearned revenues at June 30, 2007, consisted of \$1.1 million for service credit restorations reported in Pension and Other Employee Benefit Plans Funds.

Note 5 - Interfund Balances and Transfers

A. Interfund Balances

The following balances at June 30, 2007, represent due from and due to balances among all funds and state agencies (expressed in thousands):

Due To	Due From						
	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
General	\$ 69,896	\$ 7,912	\$ -	\$ 61,071	\$ 321	\$ -	\$ -
Higher Educ. Special Revenue	30,518	23,053	-	16,647	137	-	34,268
Higher Education Endowment	-	-	70	227	-	-	-
Nonmajor Governmental Funds	237,824	495	2,314	175,638	26	963	2
Workers' Compensation	205	-	-	2	58,965	-	-
Unemployment Compensation	822	676	-	372	42	-	6
Higher Educ. Student Services	246	17,761	-	9,375	100	-	32,752
Nonmajor Enterprise Funds	5,058	135	-	3,948	94	-	6
Internal Service Funds	27,415	1,166	-	17,346	4,714	-	27
Fiduciary Funds	15,060	7,727	-	15,458	254	-	2,639
Totals	\$ 387,044	\$ 58,925	\$ 2,384	\$ 300,084	\$ 64,653	\$ 963	\$ 69,700

Except as noted, 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. A long-term receivable is recorded in the General Fund for the long-term portion of escheat resources due from Other Private-Purpose Trust Funds.

Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Totals
\$ 2,156	\$ 1,196	\$ 95,261	\$ 237,813
30,962	18,217	1,466	155,268
-	-	2	299
13,887	9,219	15,774	456,142
88	42	41	59,343
52	58	217	2,245
-	3	63	60,300
7,469	1,412	78	18,200
2,492	69,996	1,372	124,528
375	64	10,082	51,659
<hr/>			
\$ 57,481	\$ 100,207	\$ 124,356	\$ 1,165,797

B. Interfund Transfers

Interfund transfers as reported in the financial statements reflect transfers between agencies and accounts reported within the same fund.

Net transfers between funds for the year ended June 30, 2007, consisted of the following (expressed in thousands):

Transferred From	Transferred To						
	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation	Higher Education Student Services	Nonmajor Enterprise Funds
General	\$ -	\$ 379,704	\$ -	\$ 1,429,973	\$ -	\$ -	\$ 74
Higher Educ. Special Revenue	-	191,081	914	148,221	-	39,035	-
Higher Education Endowment	-	90,619	1,411	31,092	-	14	-
Nonmajor Governmental Funds	19,270	19,508	2,821	694,268	-	-	2,633
Workers' Compensation	-	-	-	1,605	430,109	-	-
Higher Educ. Student Services	-	6,346	227	32,826	-	70,170	-
Nonmajor Enterprise Funds	58,916	-	-	146,849	-	-	14,485
Internal Service Funds	50,000	602	-	2,136	-	1,234	-
Totals	\$ 128,186	\$ 687,860	\$ 5,373	\$ 2,486,970	\$ 430,109	\$ 110,453	\$ 17,192

Additionally, there were transfers of \$5.7 million within the state's Pension trust funds. The transfers from Pension trust funds were into other Pension trust funds.

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 Liquor Revolving Account and the State Lottery Account as

required by law, and 5) transfer amounts to and from the General Fund as required by law.

In Fiscal Year 2007, in accordance with budget and other legal provisions, state transfers from the General Fund to nonmajor governmental funds included \$392.9 million for education, \$115 million for pension stabilization, and \$100 million for health services. The state also recorded transfers of \$289.1 million from the General Fund to the Emergency Reserve Account and \$50 million from the Health Insurance Fund, an internal service fund, to the General Fund.

<hr/> <hr/>	
Internal	
Service	
Funds	Totals
\$ 33,602	\$ 1,843,353
1,865	381,116
-	123,136
240	738,740
-	431,714
320	109,889
-	220,250
68,495	122,467
<hr/>	
\$ 104,522	\$ 3,970,665
<hr/> <hr/>	

Note 6 - Capital Assets

A. Governmental Capital Assets

The following is a summary of governmental capital asset activity for the year ended June 30, 2007 (expressed in thousands):

Capital Assets	Balances July 1, 2006	Additions	Deletions	Balances June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 1,238,341	54,322	(280,603)	\$ 1,012,060
Transportation Infrastructure	14,212,743	1,335,466	-	15,548,209
Construction in Progress	1,063,772	559,667	(387,078)	1,236,361
Art Collections, Library Reserves, and Museum and Historical Collections	108,233	3,779	(2,522)	109,490
Total capital assets, not being depreciated	16,623,089			17,906,120
Capital assets, being depreciated:				
Buildings	7,825,170	513,774	(27,622)	8,311,322
Accumulated depreciation	(2,578,371)	(219,120)	31,294	(2,766,197)
Net buildings	5,246,799			5,545,125
Furnishings, equipment, and collections*	3,426,394	283,610	(101,364)	3,608,640
Accumulated depreciation*	(2,063,988)	(223,713)	77,577	(2,210,124)
Net furnishings, equipment and collections	1,362,406			1,398,516
Other improvements	938,322	67,354	(2,757)	1,002,919
Accumulated depreciation	(353,330)	(35,522)	436	(388,416)
Net other improvements	584,992			614,503
Infrastructure (other)	537,981	125,700	(761)	662,920
Accumulated depreciation	(181,112)	(111,813)	34	(292,891)
Net infrastructure (other)	356,869			370,029
Total capital assets, being depreciated, net	7,551,066			7,928,173
Governmental activities capital assets, net	\$ 24,174,155			\$ 25,834,293

*Beginning balances restated to reflect change in fund reclassification.

B. Business-type Capital Assets

The following is a summary of business-type capital asset activity for the year ended June 30, 2007, (expressed in thousands):

Capital Assets	Balances July 1, 2006	Additions	Deletions	Balances June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 92,181	43,173	(35)	\$ 135,319
Construction in Progress	138,328	138,529	(99,187)	177,670
Art Collections	35	-	-	35
Total capital assets, not being depreciated	230,544			313,024
Capital assets, being depreciated:				
Buildings	1,696,232	200,637	(3,882)	1,892,987
Accumulated depreciation	(512,805)	(45,271)	1,712	(556,364)
Net buildings	1,183,427			1,336,623
Furnishings, equipment, and collections*	395,374	70,112	(29,828)	435,658
Accumulated depreciation*	(280,332)	(35,498)	17,970	(297,860)
Net furnishings, equipment, and collections	115,042			137,798
Other Improvements	53,726	4,413	(1,745)	56,394
Accumulated depreciation	(17,118)	(2,486)	480	(19,124)
Net other improvements	36,608			37,270
Infrastructure (other)	33,198	1,049	-	34,247
Accumulated depreciation	(11,787)	(1,387)	-	(13,174)
Net infrastructure (other)	21,411			21,073
Total capital assets, being depreciated, net	1,356,488			1,532,764
Business-type activities capital assets, net	\$ 1,587,032			\$ 1,845,788

*Beginning balances restated to reflect change in fund reclassification.

C. Depreciation

Depreciation expense for the year ended June 30, 2007, was charged to functions of the primary government as follows (expressed in thousands):

	Amount
Governmental Activities:	
General Government	\$ 50,214
Education - Elementary and Secondary (K-12)	2,270
Education - Higher Education	256,354
Human Services	32,144
Adult Corrections	26,734
Natural Resources and Recreation	38,492
Transportation	79,388
Total Depreciation Expense - Governmental Activities	\$ 485,596 *
Business-Type Activities:	
Workers' Compensation	\$ 8,220
Unemployment Compensation	-
Higher Education Student Services	60,949
Other	16,023
Total Depreciation Expense - Business-Type Activities	\$ 85,192

*Includes \$62 million internal service fund depreciation that was allocated to functions as a part of the net internal service fund activity.

D. Construction in Progress

Major construction commitments of the state at June 30, 2007, are as follows (expressed in thousands):

Agency/Project Commitments	Construction In Progress June 30, 2007	Remaining Project Commitments
Department of General Administration:		
Legislative and other buildings rehab., repairs & expansion, and other projects	\$ 231,388	\$ 6,788
Liquor Control Board:		
Distribution Center expansion project	10,857	5,303
Military Department:		
Renovation and remodeling of readiness facilities and other projects	5,191	2,641
Department of Social and Health Services:		
State hospital & juvenile rehab construction & renovations, and other projects	109,869	18,164
Department of Corrections:		
Correctional centers construction, improvements, and other projects	220,791	432,838
Department of Transportation:		
State highway office and maintenance facilities, and ferry vessels and terminals	223,155	102,618
Transportation infrastructure	-	2,865,000
Parks and Recreation Commission:		
State park facilities projects	9,290	3,106
Department of Fish and Wildlife:		
Skookumchuck Hatchery, hatchery renovations, and other projects	8,132	4,919
Higher Education Facilities:		
University of Washington	195,553	158,051
Washington State University	122,368	374,562
Eastern Washington University	22,190	10,258
Central Washington University	7,333	-
The Evergreen State College	4,997	638
Western Washington University	26,881	28,785
Community and Technical Colleges	212,008	304,964
Other Agencies Miscellaneous Projects	4,028	2,713
Total Construction in Progress	\$ 1,414,031	\$ 4,321,348

Note 7 – Long-Term Liabilities

A. Bonds Payable

Bonds payable at June 30, 2007, 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 State Legislature or by a body designated by statute (presently the State Finance Committee). Legislative authorization arises from an affirmative vote of 60 percent of both legislative houses without voter consent, or from an affirmative vote of more than 50 percent of both legislative houses and a majority of the voters voting thereon. The State Finance Committee debt authorization does not require voter approval; however, it is limited to providing for: (1) temporary deficiencies in the state treasury (must be discharged within 12 months of the date of incurrence); for appropriations already made by the legislature; or (2) refunding of outstanding obligations of the state.

Legal Debt Limitation

The State Constitution and current statutes generally limit debt authorized in the preceding procedures. The limitations prohibit the issuance of new debt if it would cause the maximum annual debt service, on all thereafter-outstanding general obligation debt, to exceed a specified percentage of the arithmetic mean of general state revenues for the preceding three fiscal years. These limitations are on the incurrence of new debt, not on the amount of debt service that may be paid by the state in future years.

As certified by the State Treasurer, the maximum debt authorization subject to limitation for Fiscal Year 2007 was \$9.8 billion, under the constitutional limitation. This computation excludes specific bond issues and types, which are not secured by general state revenues. Of the \$11.7 billion general obligation bond debt outstanding at June 30, \$7.4 is subject to the limitation. Based on the debt limitation calculation, the debt service requirements

as of June 30, 2007, 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 or at http://tre.wa.gov/BondDebt/csd-limit_FY2007.pdf.

Authorized but unissued

The state had a total of \$10.8 billion in bonds authorized but unissued as of June 30, 2007, for the purpose of public building and schools construction and renovation, higher education purposes, and highways construction and improvement.

Interest rates

Interest rates on fixed rate general obligation bonds ranged from 2.5 to 7.75 percent. Variable rate demand obligations (VRDO) of \$215.3 million as of June 30, 2007, are remarketed on a weekly basis. Interest rates on revenue bonds range from 2.0 to 6.63 percent.

DEBT SERVICE REQUIREMENTS TO MATURITY

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

- Acquisition and construction of capital facilities for public and common schools, higher education, public and mental health, corrections, natural resource conservation;
- Construction and improvements of highways, roads, bridges, ferries, and other transit improvements;
- Assistance to municipalities for construction of water and sewage treatment facilities and corrections facilities; and
- Refunding of general obligation bonds outstanding.

Outstanding general obligations bonds are presented in the Washington State Treasurer's Annual Report for 2007. 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.

Total debt service requirements to maturity for general obligation bonds, as of June 30, 2007, are as follows (expressed in thousands):

General Obligation Bonds	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
By Fiscal Year:						
2008	\$ 536,366	\$ 534,634	\$ 20,690	\$ 3,196	\$ 557,056	\$ 537,830
2009	539,600	527,809	11,265	4,897	550,865	532,706
2010	526,631	506,497	8,912	4,481	535,543	510,978
2011	509,838	484,184	8,196	4,140	518,034	488,324
2012	499,905	464,599	7,484	3,767	507,389	468,366
2013-2017	2,861,169	2,000,759	30,105	26,097	2,891,274	2,026,856
2018-2022	2,712,332	1,448,576	14,107	34,682	2,726,439	1,483,258
2023-2027	2,200,521	802,826	-	-	2,200,521	802,826
2028-2032	1,169,174	302,122	-	-	1,169,174	302,122
2033-2037	16,985	382	-	-	16,985.0	382.0
Total Debt Service Requirements	\$ 11,572,521	\$ 7,072,388	\$ 100,759	\$ 81,260	\$ 11,673,280	\$ 7,153,648

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. These bonds pledge income derived from acquired or constructed assets for retirement of the debt and payment of the related interest.

Governmental activities include revenue bonds outstanding at June 30, 2007 of \$490.2 million issued by the Tobacco Settlement Authority (TSA), which is a blended component unit of the state. 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, and undistributed TSA bond proceeds. 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.

Governmental activities also include revenue bonds outstanding at June 30, 2007 of \$56.8 million issued by the Tumwater Office Properties (TOP), which is a blended component unit of the state. The bonds 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.

The state's colleges and universities issue revenue bonds for the purpose of housing, dining, parking, and student facilities construction. These bonds are reported within governmental and business-type activities as applicable.

Total debt service requirements for revenue bonds to maturity as of June 30, 2007, are as follows (expressed in thousands):

Revenue Bonds	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
By Fiscal Year:						
2008	\$ 13,270	\$ 33,835	\$ 32,410	\$ 43,982	\$ 45,680	\$ 77,817
2009	13,777	35,622	23,175	42,253	36,952	77,875
2010	13,236	35,286	25,551	41,153	38,787	76,439
2011	17,113	34,649	27,113	39,950	44,226	74,599
2012	18,392	33,679	28,511	38,686	46,903	72,365
2013-2017	93,999	143,324	156,970	171,399	250,969	314,723
2018-2022	101,802	123,849	205,229	130,898	307,031	254,747
2023-2027	142,469	87,780	153,046	86,940	295,515	174,720
2028-2032	188,508	35,362	140,484	46,183	328,992	81,545
2033-2037	5,154	498	96,733	15,331	101,887	15,829
Total Debt Service Requirements	\$ 607,720	\$ 563,884	\$ 889,222	\$ 656,775	\$ 1,496,942	\$ 1,220,659

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 has been removed from the government-wide statement of net assets.

CURRENT YEAR DEFEASANCES

Governmental Activities:

On November 14, 2006, the state issued \$321.0 million of Various Purpose General Obligation Refunding Bonds (series R-2007A) with an average interest rate of 5.0 percent to refund \$322.2 million of Various Purpose General Obligation Bonds from several series with an average interest rate of 5.58 percent. The refunding resulted in a \$23.8 million gross debt service savings over the next 20 years and a net present value savings of \$21.4 million.

On November 14, 2006, the state issued \$63.8 million of Motor Vehicle Fuel Tax Refunding Bonds (series R-2007B) with an average interest rate of 5.0 percent to refund \$64.9 million of Motor Vehicle Fuel Tax Bonds from several series with an average interest rate of 5.51 percent. The refunding resulted in a \$5.1 million gross debt service savings over the next 20 years and a net present value savings of \$4.6 million.

On May 30, 2007, the state issued \$376.8 million of Various Purpose General Obligation Refunding Bonds (series R-2007C) with an average interest rate of 5.0

percent to refund \$392.2 million of Various Purpose General Obligation Bonds from several series with an average interest rate of 5.0 percent. The refunding resulted in a \$33.4 million gross debt service savings over the next 16 years and a net present value savings of \$24.8 million.

On May 30, 2007, the state issued \$73.0 million of Motor Vehicle Fuel Tax Refunding Bonds (series R-2007D) with an average interest rate of 4.96 percent to refund \$75.4 million of Motor Vehicle Fuel Tax Bonds from several series with an average interest rate of 5.03 percent. The refunding resulted in a \$7.9 million gross debt service savings over the next 17 years and a net present value savings of \$4.8 million.

Business-Type Activities:

On October 11, 2006, Eastern Washington University issued \$33.7 million in Services and Activities Fee Revenue Bonds, 2006. The bonds were sold as one issue and allocated between \$28.1 million for the Recreation Center and \$5.6 million refunding of current debt with an average interest rate of 4 percent to refund \$5.6 million of Services and Activities Fee Revenue Bonds, 1993 with an average interest rate of 4.98 percent. The refunding resulted in \$417 thousand gross debt service savings over the next seven years and an economic gain of \$330 thousand.

PRIOR YEAR DEFEASANCES

In prior years, the state defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the prior bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the state's financial statements.

General Obligation Bond Debt:

On June 30, 2007, \$894.0 million of general obligation bonded debt outstanding is considered defeased.

Revenue Bond Debt:

On June 30, 2007, \$97.1 million of revenue bonded debt outstanding is considered defeased.

B. Certificates of Participation

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, 2007, are as follows (expressed in thousands):

Certificates of Participation	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
By Fiscal Year:						
2008	\$ 41,198	\$ 22,865	\$ 40,381	\$ 15,226	\$ 81,579	\$ 38,091
2009	37,374	14,545	20,936	9,887	58,310	24,432
2010	34,938	13,051	20,406	9,003	55,344	22,054
2011	32,245	11,610	19,962	8,118	52,207	19,728
2012	30,883	10,216	19,774	7,225	50,657	17,441
2013-2017	150,736	29,901	83,009	21,704	233,745	51,605
2018-2022	37,686	8,385	28,384	6,315	66,070	14,700
2023-2027	16,890	1,777	12,720	1,339	29,610	3,116
2028-2032	-	-	-	-	-	-
2033-2037	-	-	-	-	-	-
Total Debt Service Requirements	\$ 381,950	\$ 112,350	\$ 245,572	\$ 78,817	\$ 627,522	\$ 191,167

C. Claims and Judgments

Claims and judgments are materially related to three activities: workers' compensation, risk management, and health insurance. Workers' compensation and health insurance are business-type activities, and risk

management is a governmental activity. 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 1E.

Workers' Compensation

Changes in the balances of workers' compensation claims liabilities during Fiscal Years 2006 and 2007 were as follows (expressed in thousands):

Workers' Compensation Fund	Balances	Incurred		Balances
	Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year
FY 2006	\$ 17,278,895	2,131,407	(1,655,201)	\$ 17,755,101
FY 2007	\$ 17,755,101	3,721,024	(1,729,633)	\$ 19,746,492

At June 30, 2007, \$32.6 billion of unpaid claims and claim adjustment expenses are presented at their net present and settlement value of \$19.7 billion. These claims are discounted at assumed interest rates of 2.5 percent (time loss and medical) to 6.5 percent (pensions) to arrive at a settlement value that is net of third party recoveries.

The claims and claim adjustment liabilities of \$19.7 billion, as of June 30, 2007, include \$10.5 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 \$9.2 billion are fully funded by long-term investments, net of obligations under securities lending agreements.

Risk Management

Changes in the balances of risk management claims liabilities during Fiscal Years 2006 and 2007 were as follows (expressed in thousands):

	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Tort Defense Payments	Balances End of Fiscal Year
Risk Management Fund					
FY 2006	\$ 508,113	72,512	(36,750)	(16,677)	\$ 527,198
FY 2007	\$ 527,198	102,693	(36,057)	(17,271)	\$ 576,563

Risk Management reports claims and judgment liabilities 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. It also includes an actuarial estimate of loss adjustment expenses for tort defense. Because actual claims 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. Claims 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 property and casualty matters. As of June 30, 2007, outstanding and actuarially determined claims against the state and its public authorities including actuarially projected defense costs were \$576.6 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 claims. At June 30, 2007, the Risk Management Fund held \$132.5 million in cash and pooled investments designated for payment of these claims under the state's Self Insurance Liability Program.

Health Insurance

Changes in the balances of Health Insurance claim liabilities during Fiscal Years 2006 and 2007 were as follows (expressed in thousands):

	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Balances End of Fiscal Year
Health Insurance Fund				
FY 2006	\$ 78,429	599,782	(606,765)	\$ 71,446
FY 2007*	\$ 53,584	503,994	(501,260)	\$ 56,318

* Beginning balance restated - refer to Note 2.

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, 2007, health insurance claims liabilities totaling \$56.3 million are fully funded with cash and investments, net of obligations under securities lending agreements.

D. Leases

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 state 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.

Leased land, buildings and equipment under capital leases as of June 30, 2007, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Land (non-depreciable)	\$ 1,918	\$ -
Buildings	14,130	1,759
Equipment	34,685	30,524
Less: Accumulated Depreciation	(32,588)	(19,161)
Totals	\$ 18,145	\$ 13,122

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2007, (expressed in thousands):

Capital and Operating Leases	Capital Leases		Operating Leases	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
By Fiscal Year:				
2008	\$ 6,360	\$ 6,401	\$ 78,221	\$ 23,635
2009	6,385	6,275	71,718	23,621
2010	3,647	4,006	64,018	24,202
2011	2,458	2,525	52,315	24,127
2012	1,306	971	38,584	22,950
2013-2017	1,953	1,925	126,631	21,697
2018-2022	451	1,925	48,068	22,360
2023-2027	-	47	37,336	23,476
2028-2032	-	-	24,691	24,648
2033-2037	-	-	25,655	25,881
Total Future Minimum Payments	22,560	24,075	567,237	236,597
Less: Executory costs and interest costs	2,210	3,037	-	-
Net Present Value of future minimum lease payments	\$ 20,350	\$ 21,038	\$ 567,237	\$ 236,597

The total operating lease rental expense for Fiscal Year 2007 was \$190.8 million.

E. Long-Term Liability Activity

Long-term liability activity for the Fiscal Year 2007 (expressed in thousands) was as follows:

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts Due Within One Year
Governmental Activities:					
Long-term Debt:					
GO Bonds Payable -					
General obligation (GO) bonds	\$ 9,675,385	\$ 2,420,420	\$ 1,312,705	\$ 10,783,100	\$ 515,085
GO - zero coupon bonds (principal)	788,258	16,181	15,018	789,421	21,281
Subtotal - GO Bonds payable	10,463,643	2,436,601	1,327,723	11,572,521	536,366
Accreted Interest - GO - zero coupon bonds	234,296	30,515	-	264,811	-
Revenue Bonds Payable *	615,035	-	7,315	607,720	13,270
Less: Deferred amounts for issuance discounts	(11,307)	-	(596)	(10,711)	-
Less: Unamortized bond issuance costs	(1,905)	-	(100)	(1,805)	-
Total Bonds Payable	11,299,762	2,467,116	1,334,342	12,432,536	549,636
Other Liabilities -					
Certificates of participation	333,280	79,974	31,304	381,950	41,198
Claims and judgments	699,599	776,155	735,144	740,610	172,463
Installment contracts	4,057	-	1,089	2,968	-
Leases *	17,582	3,826	1,058	20,350	5,582
Compensated absences	466,131	397,194	347,028	516,297	56,430
Unfunded pension obligations	77,281	20,071	637	96,715	-
Other	213,707	365,774	392,136	187,345	140,217
Total Other Liabilities	1,811,637	1,642,994	1,508,396	1,946,235	415,890
Total	\$ 13,111,399	\$ 4,110,110	\$ 2,842,738	\$ 14,378,771	\$ 965,526

* Beginning balances have been restated to reflect reclassification of the debt of Tumwater Office Properties, a blended component unit of the state, from a lease obligation to a revenue bond obligation.

For Governmental Activities, payments on the certificates of participation are being repaid directly from various governmental funds. The compensated absences liability will be liquidated approximately 52.8 percent by the General Fund, 23.7 percent by the Higher Education Special Revenue Funds, and the balance by various other

governmental funds. The claims and judgments liability will be liquidated primarily through the risk management fund, an internal service fund. Leases, installment contract obligations, and other liabilities will be repaid from various other governmental funds.

	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts Due Within One Year
Business-Type Activities					
Long-term Debt					
GO Bonds Payable					
General obligation (GO) bonds	\$ 91,185	\$ 15,460	\$ 35,145	\$ 71,500	\$ 20,690
GO - zero coupon bonds (principal)	29,259	-	-	29,259	-
Subtotal - GO Bonds payable	120,444	15,460	35,145	100,759	20,690
Accreted Interest - GO - zero coupon bonds	27,123	3,494	-	30,617	-
Revenue Bonds Payable	793,548	117,765	22,091	889,222	32,410
Less: Deferred gain/loss on bond refunding	(8,925)	(425)	(830)	(8,520)	-
Plus: Unamortized amounts issuance premiums	5,031	154	371	4,814	-
Less: Deferred amounts for issuance discounts	(1,774)	(112)	(93)	(1,793)	-
Less: Unamortized bond issuance costs	(3,046)	(998)	(278)	(3,766)	-
Total Bonds Payable	932,401	135,338	56,406	1,011,333	53,100
Other liabilities -					
Certificates of participation	239,170	27,997	21,595	245,572	40,381
Less: Deferred amounts for issuance discounts	(1,604)	144	-	(1,460)	-
Claims and judgments	17,759,792	3,726,187	1,733,034	19,752,945	1,779,637
Lottery prize annuities payable	421,847	109,054	142,192	388,709	62,630
Tuition benefits payable	768,300	229,956	67,856	930,400	35,700
Leases	20,718	3,384	3,064	21,038	5,670
Compensated absences	47,594	27,173	22,577	52,190	20,846
Other	24,602	977,144	836,251	165,495	34,326
Total Other Liabilities	19,280,419	5,101,039	2,826,569	21,554,889	1,979,190
Total	\$ 20,212,820	\$ 5,236,377	\$ 2,882,975	\$ 22,566,222	\$ 2,032,290

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

Financing Authorities	Principal Balance
Washington State Housing Finance Commission	\$ 3,692,045
Washington Higher Education Facilities Authority	522,389
Washington Health Care Facilities Authority	3,709,000
Washington Economic Development Finance Authority	633,597
Total No Commitment Debt	\$ 8,557,031

Note 9 – Fund Balances Reserved for Other Specific Purposes

The nature and purposes of fund balances reserved for other specific purposes as of June 30, 2007, are listed below (expressed in thousands):

Fund Balances	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Totals
Reserved for Other Specific Purposes:					
Long-term student loans	\$ -	\$ 98,033	\$ -	\$ -	\$ 98,033
Investments with trustees	654	-	-	493	1,147
Long-term receivables	101,283	163	-	1,598,374	1,699,820
Long-term investments	-	87,314	-	2,445	89,759
Emergency reserve	-	-	-	293,878	293,878
Petty cash	672	5,696	-	833	7,202
Total Reserved for Other Specific Purposes	\$ 102,609	\$ 191,206	\$ -	\$ 1,896,024	\$ 2,189,839

Note 10 - Deficit Net Assets

At June 30, 2007, there were two proprietary funds with deficit net assets.

The Workers' Compensation Fund, a major enterprise fund, had deficit net assets of \$8.2 billion at June 30, 2007. The fund is used to account for the workers' compensation program, which provides time-loss, medical, disability, and pension payments to qualifying individuals sustaining work-related injuries. 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 cost-of-living adjustments (COLA) 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.

The following schedule details the changes in total net assets for the Workers' Compensation Fund during the fiscal year ended June 30, 2007 (expressed in thousands):

Workers' Compensation Fund	Net Assets (Deficit)
Balance, July 1, 2006	\$ (7,060,769)
Fiscal Year 2007 activity	(1,124,786)
Balance, June 30, 2007	\$ (8,185,555)

The Risk Management Fund, an internal service fund, had deficit net assets of \$446.9 million at June 30, 2007. The Risk Management Fund is used to account for the claims, torts, and judgments generally arising from automobile and general government operations, and loss adjustment expenses for tort defense. These costs are supported by premium assessments to state agencies that are designed to cover current and future claim losses. Outstanding and incurred but not reported claims are actuarially determined and accrued, resulting in the deficit net assets.

The Self Insurance Liability Program, initiated in 1990, is intended to provide funds for the payment of all claims and loss adjustment expenses for tort defense.

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 claims.

The following schedule details the changes in net assets for the Risk Management Fund during the fiscal year ended June 30, 2007 (expressed in thousands):

Risk Management Fund	Net Assets (Deficit)
Balance, July 1, 2006	\$ (413,957)
Fiscal Year 2007 activity	(32,914)
Balance, June 30, 2007	\$ (446,871)

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 assets. 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 0.18 percent of employee salaries. Administration of the JRS and Judges plans is funded by means of legislative appropriations.

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 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

In addition to the retirement plans administered by the state of Washington, eligible higher education state employees may participate in a Higher Education Retirement Plan, privately administered defined contribution plans.

Plan descriptions, funding policies, and a table of employer contributions required and paid for defined benefit plans follow at Notes 11.B through D respectively. For information related to defined

contribution plans, refer to Note 11.I. Details on plan net assets and changes in plan net assets of pension plans administered by the state are presented at Note 11.J.

Membership of each state administered plan consisted of the following at September 30, 2006, the date of the latest actuarial valuation for all plans except for VFFRPF which had an actuarial valuation performed on December 31, 2006.

Number of Participating Members					
Plans Administered by the State	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	54,834	2,675	13,245	968	71,722
PERS 2	14,881	20,604	82,969	35,372	153,826
PERS 3	486	2,331	9,001	13,472	25,290
TRS 1	35,745	1,224	7,248	134	44,351
TRS 2	1,574	2,542	6,505	478	11,099
TRS 3	933	4,045	25,809	27,562	58,349
SERS 2	1,815	3,627	16,418	2,046	23,906
SERS 3	943	3,267	13,924	18,430	36,564
LE OFF 1	8,172	5	595	1	8,773
LE OFF 2	779	597	12,116	3,602	17,094
WSPRS 1	808	110	896	10	1,824
WSPRS 2	-	-	1	115	116
PSERS 2	-	-	-	2,073	2,073
JRS	132	1	11	-	144
Judges	15	-	-	-	15
JRA	-	184	34	-	218
VFFRPF	3,309	4,966	4,694	6,933	19,902
Total	124,426	46,178	193,466	111,196	475,266

Following is a summary of the number of government employers participating in state administered retirement plans as of June 30, 2007.

Number of Participating Employers				
Plan	State Agencies	School Districts	Counties/ Municipalities	Other Political Subdivisions
PERS 1	147	245	183	214
PERS 2	175	-	271	464
PERS 3	162	-	195	257
TRS 1	67	286	-	-
TRS 2	22	275	-	-
TRS 3	30	303	-	-
SERS 2	-	292	-	-
SERS 3	-	294	-	-
LE OFF 1	-	-	74	18
LE OFF 2	7	-	219	153
WSPRS 1	1	-	-	-
WSPRS 2	1	-	-	-
PSERS 2	8	-	61	-
JRS	3	-	-	-
Judges	-	-	-	-
JRA	3	-	-	-
VFFRPF	-	-	-	650

Employers can participate in multiple systems and/or plans.

B. Plan Descriptions

Public Employees' Retirement System (PERS)

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 participants 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 exercise 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. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3.

PERS is comprised of three separate plans for reporting purposes: 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 2 defined benefit plans accrue interest at a rate specified by DRS. During Fiscal Year 2007, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in PERS Plan 1 and 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment. PERS Plan 3 defined contribution benefits are financed from employee contributions and investment earnings. Employees 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.

The Legislature established 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. The Higher Education Retirement Plans are not administered by DRS. Approximately 50 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in state statute and may be amended only by the state Legislature.

PERS Plan 1 retirement benefits are vested after an employee completes 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. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Benefits are also actuarially reduced when a Plan 1 member chooses a survivor option. The annual benefit is 2 percent of the average final compensation (AFC) per year of service (AFC is based on the greatest compensation during any 24 eligible consecutive compensation months), capped at 60 percent. A cost-of-living allowance is granted at age 66 based upon years of service times the COLA amount (indexed to the Seattle Consumer Price Index), capped at 3 percent annually. Plan 1 members may also elect to receive an additional COLA amount (indexed to the Seattle Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of

service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, PERS Plan 3 members may be vested either after 10 years of service or after five years of service, as long as 12 consecutive months of service were accrued after attainment of age 44. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. Refer to section I of this note for a description of the defined contribution component of PERS Plan 3.

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 payable to the age of 60. The allowance 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. A member with five years of membership service is eligible for non-duty disability retirement. Prior to the age of 55, the allowance 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 to reflect the choice of a survivor option. A cost-of-living allowance is granted at age 66 based upon years of service times the COLA amount (indexed to the Seattle Consumer Price Index), capped at 3 percent annually. Plan 1 members may also elect to receive an additional COLA amount (indexed to the Seattle Consumer Price Index), capped at 3 percent annually. To offset the costs of this annual adjustment, the benefit is reduced.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the AFC for each year of service. For Plan 3 the allowance amount is 1 percent of the AFC for each year of service. Benefits 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 cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index) capped at 3 percent annually.

Beneficiaries of a PERS Plan 2 or 3 member with 10 years of service who is killed in the course of employment receive retirement benefits without actuarial

reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of Labor and Industries.

In addition, a \$150,000 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 sustained in the course of employment, if found eligible by the Department of Labor and Industries.

Legislation passed in recent sessions effective in Fiscal Year 2007:

The Public Safety Employees' Retirement System (PSERS) Plan 2 was created in Chapter 242, Laws of 2004. It first opened to membership on July 1, 2006. PSERS is a cost-sharing multiple-employer retirement system. Membership requirements are defined in RCW 41.37. Qualified members of PERS 2/3 may join PSERS prospectively if they made the election to join between July 1 and September 30, 2006. If they did choose to, they become inactive in PERS and their past service credit remains in PERS. All qualifying employees who are first employed after July 1, 2006, will automatically become members of PSERS.

Effective July 1, 2006, PERS Plan 2 and Plan 3 members who apply for early retirement may, at the time of retirement, purchase up to five years of additional service credit. The cost of the additional service credit is the actuarial equivalent value of the resulting increase in the members benefit (Chapter 172, Laws of 2004).

Effective July 1, 2006, the minimum benefit established in 2004 for PERS Plan 1 retirees who have at least 25 years of service and have been retired for at least 20 years or more is increased by 3 percent annually. The benefit for those PERS Plan 1 retirees, who have at least 20 years of service and have been retired 25 years or more, is also extended and likewise increased (Chapter 244, Laws of 2006).

Effective July 1, 2006, PERS members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement, and cannot be used to qualify for any retirement eligibility or benefit reductions based upon years of service. This credit is to be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance (Chapter 214, Laws of 2006).

Beginning January 1, 2007 through December 31, 2007 judicial members of PERS may choose to participate in the Judicial Benefit Multiplier (JBM) Program (Chapter 189, Laws of 2006). Current justices or judges in PERS

Plan 1 and 2 may make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of average final compensation. Judges in PERS Plan 3 can elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of average final compensation.

Members who choose to participate will:

- Accrue service credit at the higher multiplier beginning with the date of their election.
- Be subject to the benefit cap of 75 percent of AFC.
- Stop contributing to the Judicial Retirement Account (JRA).
- Pay higher contributions.
- Be given the option to increase the multiplier on past judicial service.

Members who do not choose to participate will:

- Continue to accrue service credit at the regular multiplier (i.e. 1 percent, 2 percent, or 3 percent).
- Continue to participate in JRA, if applicable.
- Never be a participant in the JBM program.
- Continue to pay contributions at the regular PERS rate.

Justices and judges who are newly elected or appointed to judicial service and choose to become PERS members on or after January 1, 2007, or who have not previously opted into PERS membership, are required to participate in the JBM program. Members required to join the JBM program will:

- Return to prior PERS Plan if membership had previously been established.
- Be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member.
- Accrue the higher multiplier for all judicial service.
- Not contribute to JRA.
- Not have the option to increase the multiplier for past judicial service.

There were no other material changes in PERS benefit provisions for the Fiscal Year ended June 30, 2007.

PERS pension benefit provisions are established by chapter 41.40 and 41.34 RCW.

Teachers' Retirement System (TRS)

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 combination defined benefit/defined contribution plan. TRS participants 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 participants joining the system on or after July 1, 1996, and those who exercised their transfer option, are members of TRS Plan 3.

TRS is comprised of three separate plans for reporting purposes: 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 2 defined benefit plans accrue interest at a rate specified by DRS. During Fiscal Year 2007, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in TRS Plan 1 and 2 can elect to withdraw total employee contributions and interest thereon upon separation from TRS-covered employment. 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 was legislatively established in 1938. Eligibility for membership requires service as a certificated public school employee in an instructional, administrative or supervisory capacity. TRS is comprised principally of non-state employees. TRS retirement benefit provisions are established in state statute and may be amended only by the state Legislature.

TRS Plan 1 retirement benefits are vested after an employee completes 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 annual pension is 2 percent of the average final compensation (AFC) per year of service (AFC is based on the greatest compensation during the highest of any consecutive two compensation contract years), capped at 60 percent.

TRS Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, TRS Plan 3 members may be vested either after 10 years of service or after five years of service, as long as 12 consecutive months of service were accrued after attainment of age 44. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. Refer to section I of this note for a description of the defined contribution component of TRS Plan 3.

TRS Plan 1 provides death and temporary disability benefits. TRS Plan 1 members receive the following additional lump sum death benefits: retired members-\$400 (if retired with ten years of full-time membership), \$400 (if inactive with ten years of membership), active members \$600 (if employed full-time at time of death). 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 an allowance based on their salary and service to date of disability. Members enrolled in TRS prior to April 25, 1973, may elect a benefit based on the formula in effect at that time.

TRS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the AFC for each year of service. For Plan 3, the allowance amount is 1 percent of the AFC for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option.

Beneficiaries of a TRS Plan 2 or Plan 3 member with 10 years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

In addition, a \$150,000 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 sustained in the course of employment, if found eligible by the Department of Labor and Industries.

Legislation passed in recent sessions effective in Fiscal Year 2007:

Beginning January 1, 2007 through December 31, 2007 judicial members of TRS may choose to participate in the Judicial Benefit Multiplier (JBM) Program (Chapter 189, Laws of 2006). Current justices or judges in TRS Plan 1 may make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of average final compensation.

Members who choose to participate will:

- Accrue service credit at the higher multiplier beginning with the date of their election.
- Be subject to the benefit cap of 75 percent of AFC.
- Stop contributing to the Judicial Retirement Account (JRA).
- Pay higher contributions.
- Be given the option to increase the multiplier on past judicial service.

Members who do not choose to participate will:

- Continue to accrue service credit at the regular multiplier (i.e. 2 percent).
- Continue to be a participant in the JRA, if applicable.
- Never be a participant in the JBM program.
- Continue to pay contributions at the regular TRS rate.

Justices and judges who are newly elected or appointed to judicial service and choose to become TRS members on or after January 1, 2007, or who have not previously opted into TRS membership, are required to participate in the JBM program. Members required to join the JBM program will:

- Return to prior TRS Plan if membership had previously been established.
- Accrue the higher multiplier for all judicial service.
- Not contribute to JRA.

- Not have the option to increase the multiplier for past judicial service.

Effective July 1, 2006, the minimum benefit established in 2004 for TRS Plan 1 retirees who have at least 25 years of service and have been retired 20 years or more is increased by 3 percent annually. The benefit of those TRS Plan 1 retirees, who have at least 20 years of service and have been retired 25 years or more, is also extended and likewise increased (Chapter 224, Laws of 2006).

Effective July 1, 2006, TRS members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement, and cannot be used to qualify for any retirement eligibility or benefit reductions based upon years of service. This credit is to be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance (Chapter 214, Laws of 2006).

Effective January 1, 2007, active TRS Plan 2 and Plan 3 members may make a one-time purchase of up to seven years of service credit for education experience earned in a state or federal public school outside the state of Washington. Completion of at least five years of service under TRS is required (Chapter 257, Laws of 2006).

There were no other material changes in TRS benefit provisions for the Fiscal Year ended June 30, 2007.

TRS pension benefit provisions are established by chapters 41.32 and 41.34 RCW.

School Employees' Retirement System (SERS)

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 combination defined benefit/defined contribution plan. 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. SERS participants joining the system on or after September 1, 2000, and those who exercised their transfer option, are members of SERS Plan 3.

SERS is comprised of two separate plans for reporting purposes: 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 a 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 DRS. During Fiscal Year 2007, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in SERS Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from SERS-covered employment. 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.

The Legislature established SERS in 2000. Membership in the system includes all classified employees of school districts or educational service districts. SERS is comprised principally of non-state employees. SERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

SERS Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the average final compensation (AFC) per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle 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. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, allows SERS Plan 3 members to be vested either after 10 years of service or after five years of service, as long as 12 consecutive months of

service were accrued after attainment of age 44. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. Refer to section I of this note for a description of the defined contribution component of SERS Plan 3.

SERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the AFC for each year of service. For Plan 3 the allowance amount is 1 percent of the AFC for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option.

Beneficiaries of a SERS Plan 2 or Plan 3 member with 10 years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

In addition, a \$150,000 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 sustained in the course of employment, if found eligible by the Department of Labor and Industries.

Legislation passed in recent sessions effective in Fiscal Year 2007:

Effective July 1, 2006, SERS Plan 2 and Plan 3 members who apply for early retirement may, at the time of retirement, purchase up to five years of additional service credit. The cost of the additional service credit is the actuarial equivalent value of the resulting increase in the member's benefit (Chapter 172 Laws of 2004).

Effective July 1, 2006, SERS members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement, and cannot be used to qualify for any retirement eligibility or benefit reductions based upon years of service. This credit is to be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance (Chapter 214, Laws of 2006).

There were no other material changes in SERS benefit provisions for the Fiscal Year ended June 30, 2007.

SERS pension benefit provisions are established by chapter 41.35 and 41.34 RCW.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants 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.

LEOFF defined benefit 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 state legislative appropriations. Employee contributions to the LEOFF Plan 1 and 2 defined benefit plans accrue interest at a rate specified by DRS. During Fiscal Year 2007, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in LEOFF Plan 1 and 2 can elect to withdraw total employee contributions and interest earnings thereon upon separation from LEOFF-covered employment.

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included prospectively effective July 27, 2003, being a major exception. LEOFF retirement benefit provisions are established in state statute and may be amended only by the state Legislature. 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 for the LEOFF Plan 2 retirement plan.

LEOFF Plan 1 retirement benefits are vested after an employee completes 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. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of FAS. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index). LEOFF Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the FAS per year of service (FAS is based on the highest consecutive 60 months). Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit commences prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 1 provides death and disability benefits. Death benefits for 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 surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS. In addition, a duty death benefit of \$150,000 is provided to Plan 1 and Plan 2 members.

The LEOFF Plan 1 disability allowance 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 allowance or service retirement allowance.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, and to reflect the choice of a survivor option.

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 can receive a retirement allowance, not actuarially reduced, of at least 10 percent of FAS. If the unreduced 2 percent per year of service disability benefit results in a greater benefit than the minimum 10 percent, the member receives the greater benefit. The first 10 percent of the line-duty disability benefit is not subject to federal income tax. The line-duty disability benefit applies to all LEOFF Plan 2 members disabled in the line of duty on or after

January 1, 2001. Alternatively, members of LEOFF 2 who leave service because of a line of duty disability that is totally disabling can receive a retirement allowance, not actuarially reduced, of 70 percent of FAS. This amount is offset by Labor and Industries and Social Security benefits so that when all benefits are combined, they do not exceed 100 percent of FAS.

Beneficiaries of a LEOFF Plan 2 member with 10 years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applied to any member killed in the course of employment, or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

In addition, a \$150,000 death benefit is provided to the estate (or duly designated nominee) of a LEOFF member who dies as a result of injuries sustained in the course of employment or dies from a duty-related illness such as an infectious disease or cancer resulting from a job-related exposure, if found eligible by the Department of Labor and Industries.

Legislation passed in recent sessions effective in Fiscal Year 2007:

Effective July 1, 2006, the benefit cap of 60 percent of a LEOFF Plan 1 member's FAS is removed for a member enrolled on or after February 19, 1974 (Chapter 350, Laws of 2006).

Effective July 1, 2006, LEOFF Plan 2 members may purchase up to five years of additional service credit at retirement (Chapter 21, Laws of 2005).

Effective July 1, 2006, LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement, and cannot be used to qualify for any retirement eligibility or benefit reductions based upon years of service. This credit is to be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance (Chapter 214, Laws of 2006).

There were no other material changes in LEOFF benefit provisions for the Fiscal Year ended June 30, 2007.

LEOFF pension benefit provisions are established by chapter 41.26 RCW.

Washington State Patrol Retirement System (WSPRS)

WSPRS is a single-employer defined benefit retirement system. WSPRS participants 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 DRS. During Fiscal Year 2007, the DRS-established rate on employee contributions was 5.5 percent annually, compounded monthly. Employees in WSPRS can elect to withdraw total employee contributions and interest earnings thereon upon separation from WSPRS-covered employment.

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 state statute and may be amended only by the state Legislature.

WSPRS retirement benefits are vested after an employee completes 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. The annual pension is 2 percent of the average final salary (AFS), capped at 75 percent, per year of service. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

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. In addition, a duty death benefit of \$150,000 is provided to all WSPRS members.

For WSPRS Plan 1 members, AFS is based on the average of the two highest-paid service credit years and excludes voluntary overtime. Death benefits for Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the AFS, plus 5 percent of the AFS for each surviving child, with a limitation on the combined allowances 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.

For WSPRS Plan 2 members, AFS is based on the average of the five consecutive highest-paid service credit years and excludes both voluntary overtime and cash-outs of annual and holiday leave. At retirement, Plan 2 members also have the option of selecting an actuarially reduced benefit in order to provide for post-retirement survivor benefits. Death benefits for active-

duty Plan 2 members consist of the following: (1) If the member is single or has less than 10 years of service, the return of the member's accumulated contributions; or (2) If the member is married, has an eligible child, or has completed 10 years of service, a reduced benefit allowance reflecting a joint and 100 percent survivor option or 150 percent of the member's accumulated contributions, at the survivor's option.

Beneficiaries of a WSPRS Plan 2 member with 10 years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not of normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

Benefits for surviving spouses of disabled state troopers will be based on the current salaries of members of the same rank the member held at the time of disablement (Chapter 94, Laws of 2006).

Effective July 1, 2006, WSPRS members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement, and cannot be used to qualify for any retirement eligibility or benefit reductions based upon years of service. This credit is to be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance (Chapter 214, Laws 2006).

There were no other material changes in WSPRS benefit provisions for the Fiscal Year ended June 30, 2007.

WSPRS pension benefit provisions are established by chapter 43.43 RCW.

Public Safety Employees' Retirement System (PSERS)

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS was created by the 2004 legislature and became effective July 1, 2006.

PSERS Plan 2 membership includes:

- Full-time employees of a covered employer on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election 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, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, and Liquor Control Board;
- Washington state counties; and,
- Washington cities except for Seattle, Tacoma and Spokane.

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. PSERS retirement benefit provisions are established in state statute and may be amended only by the state Legislature.

PSERS Plan 2 benefits are vested after an employee completes five years of eligible service. PSERS Plan 2 members may retire at the age 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, with an allowance of 2 percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member’s 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 retirees 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. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. Eligibility is based on the member being totally incapacitated for continued employment with a PSERS employer and leaving that employment as a result of the disability. The disability allowance is 2

percent of the average final compensation (AFC) for each year of service. AFC is based on the member’s 60 consecutive highest creditable months of service. Service credit is the total years and months of service credit at the time the member separates from employment. 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).

Beneficiaries of a PSERS Plan 2 member with 10 years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, if found eligible by the Director of Labor and Industries.

In addition, a \$150,000 death benefit is provided to the estate (or duly designated nominee) of a PSERS member who dies as a result of injuries sustained in the course of employment, if found eligible by the Department of Labor and Industries.

Legislation passed in recent sessions effective in Fiscal Year 2007:

Effective July 1, 2006, PSERS members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at time of retirement, and cannot be used to qualify for any retirement eligibility or benefit reductions based upon years of service. This credit is to be used exclusively to provide the member with a monthly annuity that is paid in addition to the member’s retirement allowance (Chapter 214, Laws of 2006).

PSERS pension benefit provisions have been established by chapter 41.37 RCW.

Judicial Retirement System (JRS)

JRS is an agent multiple-employer retirement system comprised of a single defined benefit plan. JRS retirement benefits are financed on a pay-as-you-go basis from a combination of investment earnings, employer contributions, employee contributions, and a special funding situation in which the state pays the remaining contributions.

During Fiscal Year 2007, the DRS established rate on employee contributions was 5.5 percent, compounded quarterly. JRS employees who are vested in the plan may not elect to withdraw their contributions upon termination. However, any JRS member that left the system before July 1, 1988, or his/her spouse, who was ineligible to receive a benefit at that time, may apply and receive a refund of such contributions from DRS, if said

contributions have not been already refunded via a sundry claims appropriation from the state legislature.

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 Plan 2. JRS retirement benefit provisions are established in state statute and may be amended only by the state Legislature.

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 average final compensation (AFC) is as follows:

Term of Service	Percent of AFC
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 a 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 AFC. For members with 10 or more years of service, a disability benefit of 50 percent of AFC is provided.

There were no material changes in JRS benefit provisions for the Fiscal Year ended June 30, 2007.

JRS pension benefit provisions are established by chapter 2.10 RCW.

Judges' Retirement Fund (Judges)

The Judges' Retirement Fund is an agent multiple-employer retirement system comprised of a single defined benefit plan. There are currently no active members in this plan. Retirement benefits were financed on a pay-as-you-go basis from a combination of past employee contributions, past employer contributions, and a special funding situation in which the state paid the remaining contributions. Retirees did not earn interest on their contributions, nor could they elect to withdraw their contributions upon termination.

The Judges' Retirement Fund was created by the Legislature on March 22, 1937, pursuant to RCW 2.12, to provide retirement benefits to judges of the Supreme Court, Court of Appeals, or Superior Courts of the state of Washington. Subsequent legislation required that all

judges first appointed or elected to office on or after August 9, 1971, enter the Judicial Retirement System. Judges' retirement benefit provisions are established in state statute and may be amended only by the state Legislature.

Judges' members are eligible for retirement at the age of 70 with ten years of service, or at any age with 18 years of service. Members are eligible to receive a partial retirement allowance after 12 years of credited service as a judge. With the exception of a partial retirement allowance, the member receives a benefit equal to one-half of the monthly salary being received as a judge at the time of retirement, or at the end of the term immediately prior to retirement if retirement occurs after the expiration of the member's term in office. A partial retirement allowance is based on the proportion of the member's 12 or more years of service in relation to 18 years of service.

There were no material changes in Judges' benefit provisions for the Fiscal Year ended June 30, 2007.

Judges' pension benefit provisions are established by chapter 2.12 RCW.

The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF)

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 a special funding situation where the state pays the remaining contributions. VFFRPF members accrue no interest on contributions and may elect to withdraw their contributions upon termination.

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 state statute and may be amended only by the state Legislature. Since retirement benefits cover volunteer service, benefits are paid based on years of service not salary. Members are vested after ten years of service.

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 \$152,000. 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 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. Benefit provisions for VFFRPF are established under the authority of chapter 41.24 RCW.

Effective July 1, 2001, the disability income benefits and the maximum survivor benefits under the Relief Plan are increased for increases in the CPI.

There were no material changes in VFFRPF benefit provisions for the Fiscal Year ended June 30, 2007.

C. Funding Policies

Contributions towards the amortization of the PERS 1 and TRS 1 unfunded actuarial accrued liability (UAAL) were suspended for the 2003-05 and 2005-07 biennia. Legislation during the 2006 session provided for resumption of UAAL payments beginning September 1, 2006 for TRS and SERS, and January 1, 2007 for PERS.

The Legislature provided for minimum contribution rates (Chapter 365, Laws of 2006 and Chapter 300, Laws of 2007). The LEOFF 2 Board provided for minimum contribution rates. These minimum rates will go into effect beginning with the 2009-11 biennium.

Public Employees' Retirement System (PERS)

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. Employee contribution rates for Plan 1 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. 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. All employers are required to contribute at the level established by the Legislature. There are no employer contributions to PERS Plan 3 defined contribution. Employees who participate in the defined contribution portion of PERS Plan 3 contribute to the defined contribution plan instead

of the defined benefit portion of PERS Plan 3. The employee chooses from six rate options provided in statute ranging from 5 to 15 percent, two of the options are graduated rates dependent on the employee's age. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates.

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 that participate in the program. These new higher rates are detailed below:

Required employer contribution rates:

- PERS employer of Supreme Court justices – PERS contribution rate plus 2.5 percent of pay.
- PERS employer of Court of Appeals and Superior Court judges – PERS contribution rate only (member pays the 2.5 percent difference).

Required member contribution rates:

- PERS 1 Supreme Court justices – PERS contribution rate of 6.0 percent plus 3.76 percent.
- PERS 1 Court of Appeals and Superior Court judges – PERS 1 rate of 6.0 percent plus 3.76 percent, plus the difference of 2.5 percent from employer listed above.
- PERS 2 Supreme Court justices – 250 percent of the PERS 2 member contribution rate less 2.5 percent of pay.
- PERS 2 Court of Appeals and Superior Court judges – 250 percent of the PERS 2 member contribution rate.
- PERS 3 Supreme Court justices, Court of Appeals and Superior Court judges – variable based on member's selection, subject to a 7.5 percent minimum.

The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2007 were as follows:

PERS Actual Contribution Rates

	<u>Plan 1</u>	<u>Plan 2</u>	<u>Plan 3</u>
Members Not Participating in JBM:			
Employer Rates:			
State agencies*	5.46%	5.46%	5.46%**
Local governmental units*	5.46%	5.46%	5.46%**
State gov't elected officials*	8.10%	5.46%	5.46%**
Employee Rates:			
State agencies	6.00%	3.50%	***
Local governmental units	6.00%	3.50%	***
State gov't elected officials	7.50%	3.50%	***
Members Participating in JBM:			
Employer Rates:			
State agencies*	7.96%	7.96%	7.96%**
Local governmental units*	5.46%	5.46%	5.46%**
Employee Rates:			
State agencies	9.76%	6.25%	7.50%****
Local governmental units	12.26%	8.75%	7.50%****

*Includes an administrative expense rate of 0.18 %.

**Plan 3 defined benefit portion only.

***Variable from 5% to 15% based on rate selected by the member.

**** Minimum Rate.

Teachers' Retirement System (TRS)

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. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state elected officials. 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. All employers are required to contribute at the level established by the Legislature. There are no employer contributions to TRS Plan 3 defined contribution. Employees who participate in the defined contribution portion of TRS Plan 3 contribute to the defined contribution plan instead of the defined benefit portion of TRS Plan 3. The employee chooses from six rate options provided in statute ranging from 5 to 15 percent, two of the options are graduated rates dependent on the employee's age. The Employee Retirement Benefits Board sets Plan 3 employee 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.

As a result of the implementation of the Judicial Benefit Multiplier (JBM) Program in January 2007, a second tier of employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those judges that participate in the program. The required employer contribution rate for a TRS employer of Supreme Court Justices, Court of Appeals Judges and Superior Court Judges equals the TRS contribution rate. The required member contribution rate of TRS 1 Supreme Court Justices, Court of Appeals Judges and Superior Court Judges is the TRS 1 rate of 6.0 percent plus 6.26 percent of pay. These higher rates, along with investment earnings, are intended to fund the increased retirement benefits of those judges that choose to participate in the JBM program.

Required contribution rates (expressed as a percentage of current-year covered payroll) at the close of Fiscal Year 2007 were as follows:

TRS Actual Contribution Rates

	<u>Plan 1</u>	<u>Plan 2</u>	<u>Plan 3</u>
Members Not Participating in JBM:			
Employer Rates *	4.74%	4.74%	4.74%**
Employee Rates:			
State agencies	6.00%	3.01%	***
Local governmental units	6.00%	3.01%	***
State gov't elected officials	7.50%	3.01%	***
Members Participating in JBM:			
Employer Rates *	4.74%	n/a	n/a
Employee Rates:			
State agencies	12.26%	n/a	n/a

*Includes an administrative expense rate of 0.18 %.

** Plan 3 defined benefit portion only.

*** Variable from 5% to 15% based on rate selected by the member.

School Employees' Retirement System (SERS)

Each biennium the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. 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. All employers are required to contribute at the level established by the Legislature. There are no employer contributions to SERS Plan 3 defined contribution. Employees who participate in the defined contribution portion of SERS Plan 3 contribute to the defined contribution plan instead of the defined benefit portion of SERS Plan 3. The employee chooses from six rate options provided in statute ranging from 5 to 15 percent, two of the options are graduated rates dependent on the employee's age. The Employee

Retirement Benefits Board sets Plan 3 employee contribution rates.

The methods used to determine the contribution requirements are established under state statute in chapters 41.35 and 41.45 RCW.

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2007 were as follows:

SERS Actual Contribution Rates		
	Plan 2	Plan 3
Employer Rates:		
State agencies*	4.85%	4.85% **
Local governmental units*	4.85%	4.85% **
Employee Rates:		
State agencies	3.79%	***
Local governmental units	3.79%	***

*Includes an administrative expense rate of 0.18 %.

**Plan 3 defined benefit portion only.

***Variable from 5% to 15% based on rate selected by the member.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

Beginning July 1, 2000, Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF 2 Board. All employers are required to contribute at the level required by state statute.

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2007 were as follows:

LEOFF Actual Contribution Rates		
	Plan 1	Plan 2
Employer Rates:		
Ports and Universities*	NA	8.03%
Local governmental units* (cities, counties, fire districts, etc)	0.18%	4.90%
Employee Rates:		
Ports and Universities	NA	7.85%
Local governmental units (cities, counties, fire districts, etc)	0.18%	7.85%
State of Washington	NA	3.13%

*Includes an administrative expense rate of 0.18 %.

The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 1 and Plan 2 in accordance with the requirements of the Pension Funding Council

and the LEOFF 2 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 2007, the state contributed \$37.9 million to LEOFF Plan 2.

Washington State Patrol Retirement System (WSPRS)

Each biennium, the state Pension Funding Council adopts the employee and the state contribution rates. The 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 2 percent. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 43.43 and 41.45 RCW.

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2007 were as follows:

WSPRS Actual Contribution Rates		
	Plan 1	Plan 2
Employer rate*	4.69%	4.69%
Employee rate	4.51%	4.51%

*Includes an administrative expense rate of 0.18 %.

Public Safety Employees' Retirement System (PSERS)

Each biennium the state Pension Funding Council adopts Plan 2 employers and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature.

The methods used to determine the contribution requirements are established under state statute in chapters 41.37 and 41.45 RCW.

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2007 were as follows:

PSERS Actual Contribution Rates	
	Plan 2
Employer Rates:	
State agencies*	8.53%
Local governmental units*	8.53%
Employee Rates:	
State agencies	6.57%
Local governmental units	6.57%

*Includes an administrative expense rate of 0.18 %.

Judicial Retirement System (JRS)

Contributions made are based on rates set in chapter 2.10 RCW. By statute, employees are required to contribute 7.5 percent with an equal amount contributed by the state. In addition, the state guarantees the solvency of the JRS on a pay-as-you-go basis. Each biennium, the Legislature, through biennial appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For Fiscal Year 2007, the state contributed \$9.5 million.

Judges' Retirement Fund (Judges)

Contributions made are based on rates set in chapter 2.12 RCW. By statute, employees are required to contribute 6.5 percent with an equal amount contributed by the state. In addition, the state guarantees the solvency of the Judges' Retirement Fund on a pay-as-you-go basis. As of June 30, 2007, there are no active members remaining in the Judges Retirement Fund and member contributions are no longer collected. Each biennium, the Legislature, through biennial appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For Fiscal Year 2007, the state contributed \$0.3 million.

The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF)

The retirement provisions of VFFRPF is funded through member contributions of \$30 per year, employer contributions of \$30 per year, and 40 percent of the Fire Insurance Premium Tax, as per chapter 41.24 RCW. VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination. The death and disability provisions of VFFRPF are funded by an employer contribution rate, which as of July 24, 2005 increased from \$10 to \$30 per member (Chapter 37, Laws of 2005).

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.

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.

	2007	2006	2005
PERS Plan 1	59.9	\$15.0	\$11.3
PERS Plan 2/3	118.3	73.1	36.7
TRS Plan 1	2.1	0.5	0.3
TRS Plan 2/3	0.6	0.5	0.2
SERS Plan 2/3	0.0	0.0	0.0
PSERS Plan 2	2.8	n/a	n/a
LEOFF Plan 1	0.0	0.0	0.0
LEOFF Plan 2	38.6	31.7	21.6
VFFRPF	6.0	4.6	4.4

There are no long-term contracts for contributions for any of the retirement plans administered by the state.

E. 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 and agent multiple-employer defined benefit plans are as follows (amounts in millions):

	WSPRS	JRS	Judges
Annual Pension Cost and Net Pension Obligation:			
Annual required contribution	\$ 5.3	\$37.3	\$ 0.0
Interest on NPO	(1.4)	5.4	(0.2)
Adjustment to annual required contribution	<u>2.2</u>	<u>(28.8)</u>	<u>0.7</u>
Annual pension cost	6.1	13.9	0.5
Less contributions made	<u>3.3</u>	<u>9.6</u>	<u>0.3</u>
Increase (decrease) in NPO	2.8	4.3	0.2
NPO at beginning of year	<u>(16.9)</u>	<u>68.0</u>	<u>(2.2)</u>
NPO at end of year	<u><u>\$(14.1)</u></u>	<u><u>\$72.3</u></u>	<u><u>\$(2.0)</u></u>
Actuarial Assumptions:			
Valuation date	9/30/06	9/30/06	9/30/06
Actuarial cost method	Aggregate*	Entry age	Entry age
Amortization method	n/a	Level \$	Level \$
Remaining amortization period (closed)	n/a	12/31/08	12/31/08
Asset valuation method	8 year graded smoothed fair value	Market	Market
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
Projected salary increases	4.5%**	4.5%	4.5%
Includes inflation at	3.5%	3.5%	3.5%
Cost-of-living adjustments	CPI increase, maximum 3%	3%	none

* The aggregate cost method does not identify or separately amortize unfunded actuarial accrued liabilities.

** WSPRS also assumes a variable salary merit increase for a merit period of 20 years.

F. Three Year Historical Trend Information

The following table presents three-year trend information in millions for the plans listed:

	2007	2006	2005
WSPRS			
Annual Pension Cost	\$5.3	\$7.1	\$4.4
% of APC contributed	61.8	44.0	0.0
NPO	\$(14.1)	\$(16.2)	\$(20.2)
JRS			
Annual Pension Cost	\$13.9	\$13.3	\$12.1
% of APC contributed	69.1	50.5	50.8
NPO	\$72.3	\$68.0	\$61.4
Judges			
Annual Pension Cost	\$0.5	\$0.7	\$0.5
% of APC contributed	60.0	42.9	100.0
NPO	\$(2.0)	\$(2.2)	\$(2.6)

There are no long-term contracts for contributions for any of the retirement plans administered by the state.

G. Changes in Actuarial Assumptions and Methods

The demographic assumptions for LEOFF Plan 2 were modified for a disability benefit enhancement.

LEOFF Plan 1 retirement rates were increased at all ages for members with at least 30 year of service to reflect the removal of the 60 percent benefit cap for that plan. Further, the Office of the State Actuary assumed that members with at least 30 years of service would select the now uncapped retirement benefit in lieu of the disability benefit.

H. Changes in Benefit Provisions

The 2007 legislative session provided the following changes in benefit provisions.

- The “base salary” of eligible dual members will now include previously excluded forms of payment that are reportable (for contribution purposes) in each of a dual member's retirement systems. The “maximum benefit rule” is lifted for dual members who have (a) less than 15 years of service in one capped plan; and (b) service in one uncapped plan. LEOFF 2 is added to the list of plans that are able to combine service under portability to receive indexing of the term-vested benefit for members with at least 20 years of service. (Chapter 207, Laws of 2007).
- Judges who are members of PERS Plans 1, 2, and 3 or TRS Plan 1 may elect to have their benefit multipliers increased through a combination of increased contribution rates, lump sum payments, and redirected JRA contributions, where applicable (Chapter 123, Laws of 2007).
- PERS 1 and TRS 1 Uniform COLA eligibility requirements include all retirees who have been retired at least one year and will have attained age 66 by December 31 of the calendar year in which the increase is given (Chapter 89, Laws of 2007).
- Gain-sharing is repealed effective January 2, 2008, for Plans 1 and 3 of PERS, TRS, and SERS. Plans 2 and 3 members with at least 30 years of service will receive improved early retirement reduction factors. New entrants in TRS and SERS will have the choice to become members of Plan 2 or Plan 3. Plan 1 members will receive an additional increase in the Uniform COLA amount (Chapter 491, Laws of 2007).
- The TRS 1 post-retirement employment program was amended to be more consistent with the PERS 1 program (Chapter 50, Laws of 2007).
- The \$150,000 duty-related death benefit for LEOFF Plan 2 was expanded to cover more duty-related illnesses (Chapter 490, Laws of 2007).
- Surviving spouses of WSPRS Plan 2 members killed in the line of duty are

provided continued health care coverage through the Public Employees’ Benefits Board and reimbursed for the premiums paid for those benefits (Chapter 488, Laws of 2007).

- WSPRS mandatory retirement age was increased from age 60 to age 65 (Chapter 87, Laws of 2007).
- WSPRS member contribution rates will be no more than 7 percent of pay plus half the cost of any future benefit improvements (Chapter 300, Laws of 2007).

There were no other material pension benefit changes during the 2007 session.

Pension funding legislation was adopted during the 2005 legislative session (Chapter 370, Laws of 2005), which created a short-term change in funding policy. The policy is to adopt annual contribution rates over a four-year “phase-in” period from 2005-2009, to suspend payments on the Plan 1 Unfunded Actuarial Accrued Liability (UAAL) in PERS and TRS during the 2005-07 biennium and to delay recognition of the cost of future gain-sharing benefits until the 2007-09 biennium. Legislation adopted during the 2007 legislative session (Chapter 491, Laws of 2007) repealed gain-sharing after the 2008 event. Additional legislation adopted a phase-in period to smooth the Plan 1 UAAL contribution rate increases from 2006-2009 (Chapter 56, Laws of 2006).

Legislation for 2006 and 2007 provided for target funding ratios and contribution rate floors for PERS, TRS, SERS, and WSPRS (Chapter 365, Laws of 2006 and Chapter 300, Laws of 2007). The LEOFF 2 Board in 2006 provided for minimum contribution rates. These changes will become effective July 1, 2009.

The estimated value of the 2008 gain-sharing event is included in the liabilities for both accounting disclosure and funding purposes.

I. Defined Contribution Plans

Public Employees’ Retirement System Plan 3 (PERS 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). Eligible employees include: 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. PERS participants 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 exercise an option to transfer their membership to Plan 3. PERS participants who joined 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. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. 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 RCW 41.40, 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 solely dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions as authorized by the Employee Retirement Benefits Board. Any expenses caused in conjunction with self-directed investments are to be paid by members. Absent a member's self-direction, PERS Plan 3 investments are made in the same portfolio as that of the PERS 2/3 defined benefit plan.

For Fiscal Year 2007, employee contributions required and made were \$71.7 million, and plan refunds paid out were \$35.3 million.

Teachers' Retirement System Plan 3 (TRS 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). Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity. TRS participants 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 participants joining the system on or after July 1, 1996, and those who exercised their transfer option, are members of TRS Plan 3. 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 RCW 41.34, 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 TRS Plan 3.

TRS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions as authorized by the Employee Retirement Benefits Board. Any expenses caused in conjunction with self-directed investments are to be paid by members. Absent a member's self-direction, TRS Plan 3 investments are made in the same portfolio as that of the TRS 2/3 defined benefit plan.

For Fiscal Year 2007, employee contributions required and made were \$213.9 million and plan refunds paid out were \$62.8 million.

School Employees' Retirement System Plan 3 (SERS 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). Eligible employees include classified employees of school districts and educational service districts who joined PERS Plan 2 on or after October 1, 1977, and by August 31, 2000, and were transferred to SERS Plan 2 on September 1, 2000. Members transferred from PERS Plan 2 to SERS Plan 2 may exercise an option to transfer their membership to SERS Plan 3. SERS participants joining the system on or after September 1, 2000, are also members of SERS Plan 3. 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 RCW 41.35, 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 SERS Plan 3.

SERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions as authorized by the Employee Retirement Benefits Board. Any expenses caused in conjunction with self-directed investments are to be paid by members. Absent a member's self-direction, SERS Plan 3 investments are made in the same portfolio as that of the SERS 2/3 defined benefit plan.

For Fiscal Year 2007, employee contributions required and made were \$54.2 million and plan refunds paid out were \$32.1 million.

Judicial Retirement Account (JRA)

The Judicial Retirement Account 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, 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 the PERS for their services as a judge. Vesting is full and immediate. There are three participating employers in JRA.

Member contributions equal 2.5 percent of covered salary and the state, as employer, matches this amount. Contributions are collected by the Administrative Office of the Courts. 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 State Legislature.

Beginning 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 may make a one-time irrevocable election to discontinue future contributions to JRA, in lieu of prospective contributions to the Judicial Benefit Multiplier Program (JBM). Beginning January 1, 2007 any newly elected or appointed Supreme Court justice, Court of Appeals judge or Superior Court judge shall not participate in JRA and shall be enrolled in the Judicial Benefit Multiplier Program (SHB 2691, Chapter 189, Laws 2006). As of June 30, 2007, 167 JRA member judges have elected to enroll in JBM.

Current-year covered payroll for JRA employees was \$29.6 million for the Fiscal Year ended June 30, 2007. For Fiscal Year 2007, the contribution requirement for JRA was \$857 thousand. Actual employer and employee contributions were \$427 and \$430 thousand respectively, for a total of \$857 thousand. Plan benefits paid out for Fiscal Year 2007 totaled \$110 thousand.

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 shall be paid to the member's estate, or such person or persons, trust or organization as the member has nominated by written designation.

The Administrator of JRA has entered an agreement with DRS for accounting and reporting services, and the Washington State Investment Board (SIB) for investment services. DRS is responsible for all record keeping, accounting, and reporting of member accounts. The SIB has the full power to establish investment policy, develop participant investment options, and manage the investment funds from the JRA plan, consistent with the provisions of RCW 2.14.080 and RCW 43.84.150.

Higher Education Retirement Plans

The Higher Education Retirement Plans are privately administered defined contribution plans with a supplemental plan component. As authorized by RCW 28B.10, the plans cover higher education faculty and other positions as designated by each institution. The state and regional universities, the state college, and the state community and technical colleges each participate in a plan. 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, and the state board for community colleges.

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. For Fiscal Year 2007, covered payroll was \$1.57 billion. Employer and employee contributions were \$130.7 million each, for a total of \$261.4 million. These contribution amounts represent approximately 8 percent each of covered payroll for employers and employees.

The plans have a supplemental payment component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. Institutions make direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals. The supplemental component is financed on a pay-as-you-go basis.

An actuarial evaluation of the supplemental component of the Higher Education Retirement plans was done at the end of Fiscal Year 2007. The previous evaluation was performed in 2004. The Unfunded Actuarial Accrued Liability (UAAL) calculated as of June 30, 2007 and 2004 was \$120.2 million and \$48.1 million, respectively, and is amortized over a 16.5-year period. The Annual Required Contribution (ARC) of \$16.6

million consists of amortization of the UAL (\$8.3 million) and normal cost (or current cost) (\$7.8 million). The UAL and ARC were established using the entry age normal cost method. The actuarial assumptions included an investment rate of return of 6 to 8 percent and projected salary increases ranging from 2 to 4 percent. Approximately \$1.5 billion and \$1.1 billion of payroll were covered under these plans during 2007 and 2004, respectively.

The following table reflects the activity in the Net Pension Obligation for the years ended June 30 (in millions):

	2007	2006	2005
Annual required contribution	\$ 16.6	\$ 5.1	\$ 5.1
Payments to beneficiaries	<u>(1.9)</u>	<u>(1.6)</u>	<u>(2.1)</u>
Increase (decrease) in NPO	14.7	3.5	3.0
NPO at beginning of year	<u>9.3</u>	<u>5.8</u>	<u>2.8</u>
NPO at end of year	\$ 24.0	\$ 9.3	\$ 5.8

J. Plan Net Assets and Changes in Plan Net Assets

The Combining Statement of Plan Net Assets that follows presents the principal components of receivables, investments, and liabilities. The Combining Statement of Changes in Plan Net Assets presents the additions and deductions to plan net assets.

Combining Statement of Plan Net Assets

Pension and Other Employee Benefit Funds

June 30, 2007

continued

(expressed in thousands)

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit	TRS Plan 3 Defined Contribution
Assets:						
Cash and pooled investments	\$ 2,364	\$ 11,916	\$ 112	\$ 4,056	\$ 7,555	\$ 2,248
Receivables:						
Employer accounts receivable	5,656	33,001	3,585	3,993	11,534	18,910
Member accounts receivable (net of allowance)	557	125	-	307	2	-
Due from other funds	2,461	425	9,140	301	2,907	17,044
Interest and dividends	35,851	54,099	2,439	30,319	19,109	7,189
Investment trades pending	30,878	46,977	2,116	25,969	16,563	6,231
Total Receivables	75,403	134,627	17,280	60,889	50,115	49,374
Investments, Noncurrent:						
Public equity	5,445,528	8,281,870	920,788	4,579,712	2,917,415	2,710,493
Fixed income	2,358,434	3,586,842	162,658	1,983,453	1,263,519	477,411
Private equity	2,104,177	3,200,154	145,122	1,769,622	1,127,302	425,942
Real estate	1,267,564	1,927,784	87,422	1,066,026	679,091	256,589
Security lending	1,034,459	1,572,977	71,300	870,069	554,380	209,268
Liquidity	427,884	662,274	24,816	403,774	245,882	81,852
Other	7,741	11,772	534	6,510	4,147	1,567
Total Investments, Noncurrent	12,645,787	19,243,673	1,412,640	10,679,166	6,791,736	4,163,122
Total Assets	\$ 12,723,554	\$ 19,390,216	\$ 1,430,032	\$ 10,744,111	\$ 6,849,406	\$ 4,214,744
Liabilities:						
Obligations under security lending agreements	\$ 1,034,460	\$ 1,573,385	\$ 70,892	\$ 870,069	\$ 555,036	\$ 208,613
Accrued liabilities	167,286	245,564	11,028	140,987	86,642	32,455
Due to other funds	83	12,077	159	85	17,750	2,856
Deferred revenues	199	449	-	424	4	-
Total Liabilities	1,202,028	1,831,475	82,079	1,011,565	659,432	243,924
Net Assets						
Net Assets Held in Trust for:						
Pension Benefits (Schedule of funding progress by plan begins on page 144)	11,521,526	17,558,741	1,347,953	9,732,546	6,189,974	3,970,820
Deferred Compensation Participants	-	-	-	-	-	-
Total Net Assets	\$ 11,521,526	\$ 17,558,741	\$ 1,347,953	\$ 9,732,546	\$ 6,189,974	\$ 3,970,820

Combining Statement of Plan Net Assets

Pension and Other Employee Benefit Funds

June 30, 2007

continued

(expressed in thousands)

	SERS Plan 2/3 Defined Benefit	SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2	WSPRS Plan 1/2	PSERS Plan 2
Assets:						
Cash and pooled investments	\$ 1,321	\$ 676	\$ -	\$ 1,905	\$ 688	\$ 408
Receivables:						
Employer accounts receivable	5,662	4,836	-	10,106	285	1,097
Member accounts receivable (net of allowance)	-	-	67	40	-	-
Due from other funds	2,535	8,041	7	16	3	2
Interest and dividends	7,758	2,420	19,912	15,966	2,985	37
Investment trades pending	6,724	2,096	17,222	13,847	2,586	30
Total Receivables	22,679	17,393	37,208	39,975	5,859	1,166
Investments, Noncurrent:						
Public equity	1,183,847	629,123	3,037,097	2,442,033	455,836	5,215
Fixed income	512,719	160,906	1,315,353	1,057,633	197,421	2,258
Private equity	457,444	143,559	1,173,549	943,613	176,137	2,015
Real estate	275,566	86,481	706,950	568,436	106,106	1,214
Security lending	224,856	70,532	576,740	463,722	86,590	1,011
Liquidity	100,635	26,205	231,970	200,484	35,296	2,002
Other	1,683	528	4,317	3,471	648	7
Total Investments, Noncurrent	2,756,750	1,117,334	7,045,976	5,679,392	1,058,034	13,722
Total Assets	\$ 2,780,750	\$ 1,135,403	\$ 7,083,184	\$ 5,721,272	\$ 1,064,581	\$ 15,296
Liabilities:						
Obligations under security lending agreements	\$ 225,191	\$ 70,197	\$ 576,740	\$ 463,723	\$ 86,593	\$ 1,011
Accrued liabilities	35,191	10,921	90,211	72,147	13,649	154
Due to other funds	8,264	2,527	17	170	6	87
Deferred revenues	3	-	13	14	-	-
Total Liabilities	268,649	83,645	666,981	536,054	100,248	1,252
Net Assets						
Net Assets Held in Trust for:						
Pension Benefits	2,512,101	1,051,758	6,416,203	5,185,218	964,333	14,044
(Schedule of funding progress by plan begins on page 144)						
Deferred Compensation Participants	-	-	-	-	-	-
Total Net Assets	\$ 2,512,101	\$ 1,051,758	\$ 6,416,203	\$ 5,185,218	\$ 964,333	\$ 14,044

Combining Statement of Plan Net Assets

Pension and Other Employee Benefit Funds

June 30, 2007

concluded

(expressed in thousands)

	JRS	JRA	Judges	VFFRPF	Deferred Compensation	Total
Assets:						
Cash and pooled investments	\$ 111	\$ 6	\$ 3,996	\$ 31,424	\$ 614	\$ 69,400
Receivables:						
Employer accounts receivable	9	-	-	-	-	98,674
Member accounts receivable (net of allowance)	1	1	-	-	1,884	2,984
Due from other funds	1	-	16	114	1	43,014
Interest and dividends	4	-	-	428	1	198,517
Investment trades pending	-	-	-	372	-	171,611
Total Receivables	15	1	16	914	1,886	514,800
Investments, Noncurrent:						
Public equity	-	20,324	-	58,724	2,547,420	35,235,425
Fixed income	-	-	-	22,591	-	13,101,198
Private equity	-	-	-	25,340	-	11,693,976
Real estate	-	-	-	15,265	-	7,044,494
Security lending	13	-	197	26,675	32	5,762,821
Liquidity	453	-	-	4,998	-	2,448,525
Other	-	-	-	93	-	43,018
Total Investments, Noncurrent	466	20,324	197	153,686	2,547,452	75,329,457
Total Assets	\$ 592	\$ 20,331	\$ 4,209	\$ 186,024	\$ 2,549,952	\$ 75,913,657
Liabilities:						
Obligations under security lending agreements	\$ 14	\$ -	\$ 206	\$ 14,068	\$ 31	\$ 5,750,229
Accrued liabilities	33	-	3	1,940	7	908,218
Due to other funds	-	-	-	-	16	44,097
Deferred revenues	-	-	-	-	-	1,106
Total Liabilities	47	-	209	16,008	54	6,703,650
Net Assets						
Net Assets Held in Trust for:						
Pension Benefits	545	20,331	4,000	170,016	-	66,660,109
(Schedule of funding progress by plan begins on page 144)						
Deferred Compensation Participants	-	-	-	-	2,549,898	2,549,898
Total Net Assets	\$ 545	\$ 20,331	\$ 4,000	\$ 170,016	\$ 2,549,898	\$ 69,210,007

Combining Statement of Changes in Plan Net Assets

Pension and Other Employee Benefit Funds

For the Fiscal Year Ended June 30, 2007

continued

(expressed in thousands)

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit	TRS Plan 3 Defined Contribution
Additions:						
Contributions:						
Employers	\$ 118,660	\$ 242,544	\$ -	\$ 60,462	\$ 102,180	\$ -
Members	49,685	211,672	71,712	34,654	12,894	213,879
State	-	-	-	-	-	-
Participants	-	-	-	-	-	-
Total Contributions	168,345	454,216	71,712	95,116	115,074	213,879
Investment Income:						
Net appreciation (depreciation) in fair value	1,689,861	2,476,276	177,526	1,427,296	873,319	548,119
Interest and dividends	462,171	674,830	35,860	390,445	238,479	96,678
Less: Investment expenses	(65,585)	(96,589)	(4,911)	(55,358)	(33,765)	(14,302)
Net Investment Income	2,086,447	3,054,517	208,475	1,762,383	1,078,033	630,495
Transfers from other pension plans	519	292	1,572	84	201	581
Other additions	-	-	-	-	-	-
Total Additions	2,255,311	3,509,025	281,759	1,857,583	1,193,308	844,955
Deductions:						
Pension benefits	978,995	143,802	-	802,344	28,534	18
Pension refunds	6,214	26,465	35,254	1,878	2,726	62,810
Transfers to other pension plans	28	3,899	439	-	437	254
Administrative expenses	463	541	-	121	45	-
Distributions to participants	-	-	-	-	-	-
Total Deductions	985,700	174,707	35,693	804,343	31,742	63,082
Net Increase (Decrease)	1,269,611	3,334,318	246,066	1,053,240	1,161,566	781,873
Net Assets - Beginning	10,251,915	14,224,423	1,101,887	8,679,306	5,028,408	3,188,947
Net Assets - Ending	\$ 11,521,526	\$ 17,558,741	\$ 1,347,953	\$ 9,732,546	\$ 6,189,974	\$ 3,970,820

Combining Statement of Changes in Plan Net Assets Pension and Other Employee Benefit Funds

For the Fiscal Year Ended June 30, 2007
(expressed in thousands)

continued

	SERS Plan 2/3 Defined Benefit	SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2	WSPRS Plan 1/2	PSERS Plan 2
Additions:						
Contributions:						
Employers	\$ 45,950	\$ -	\$ 56	\$ 58,191	\$ 3,278	\$ 6,612
Members	17,484	54,175	597	97,387	3,278	6,664
State	-	-	-	37,928	-	-
Participants	-	-	-	-	-	-
Total Contributions	63,434	54,175	653	193,506	6,556	13,276
Investment Income:						
Net appreciation (depreciation) in fair value	352,885	141,462	934,448	723,726	138,925	595
Interest and dividends	96,458	33,071	254,516	197,481	37,847	242
Less: Investment expenses	(13,683)	(4,563)	(36,237)	(28,780)	(5,390)	(25)
Net Investment Income	435,660	169,970	1,152,727	892,427	171,382	812
Transfers from other pension plans	1,998	239	-	-	164	-
Other additions	-	-	-	-	-	-
Total Additions	501,092	224,384	1,153,380	1,085,933	178,102	14,088
Deductions:						
Pension benefits	17,641	-	300,452	20,812	31,393	-
Pension refunds	2,516	32,077	11	7,995	290	23
Transfers to other pension plans	274	289	-	30	-	-
Administrative expenses	29	-	150	139	21	21
Distributions to participants	-	-	-	-	-	-
Total Deductions	20,460	32,366	300,613	28,976	31,704	44
Net Increase (Decrease)	480,632	192,018	852,767	1,056,957	146,398	14,044
Net Assets - Beginning	2,031,469	859,740	5,563,436	4,128,261	817,935	-
Net Assets - Ending	\$ 2,512,101	\$ 1,051,758	\$ 6,416,203	\$ 5,185,218	\$ 964,333	\$ 14,044

Combining Statement of Changes in Plan Net Assets

Pension and Other Employee Benefit Funds

For the Fiscal Year Ended June 30, 2007

concluded

(expressed in thousands)

	JRS	JRA	Judges	VFFRPF	Deferred Compensation	Total
Additions:						
Contributions:						
Employers	\$ 111	\$ 427	\$ -	\$ 1,038	\$ -	\$ 639,509
Members	111	430	-	118	-	774,740
State	9,539	-	300	6,026	-	53,793
Participants	-	-	-	-	175,055	175,055
Total Contributions	9,761	857	300	7,182	175,055	1,643,097
Investment Income:						
Net appreciation (depreciation) in fair value	-	2,090	-	20,216	268,183	9,774,927
Interest and dividends	145	386	194	6,716	49,097	2,574,616
Less: Investment expenses	(6)	(25)	(9)	(850)	(3,101)	(363,179)
Net Investment Income	139	2,451	185	26,082	314,179	11,986,364
Transfers from other pension plans	-	-	-	-	-	5,650
Other additions	-	6	-	1	680	687
Total Additions	9,900	3,314	485	33,265	489,914	13,635,798
Deductions:						
Pension benefits	9,356	110	581	9,111	-	2,343,149
Pension refunds	-	-	-	18	-	178,277
Transfers to other pension plans	-	-	-	-	-	5,650
Administrative expenses	-	-	-	37	-	1,567
Distributions to participants	-	-	-	-	127,198	127,198
Total Deductions	9,356	110	581	9,166	127,198	2,655,841
Net Increase (Decrease)	544	3,204	(96)	24,099	362,716	10,979,957
Net Assets - Beginning	1	17,127	4,096	145,917	2,187,182	58,230,050
Net Assets - Ending	\$ 545	\$ 20,331	\$ 4,000	\$ 170,016	\$ 2,549,898	\$ 69,210,007

Note 12 – Other Post Employment Benefits

In addition to pension benefits as described in Note 11, the state, through the Health Care Authority (HCA), administers an agency multiple-employer other post employment 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), 53 of the state's K-12 school and educational service districts and 206 political subdivisions. Additionally, the PEBB plan is available to the retirees of the remaining 253 K-12 and educational service districts (ESDs). As of June 2007 membership in the PEBB plan consisted of the following:

	Active <u>Employees</u>	<u>Retirees</u> ¹	<u>Total</u>
State	107,253	24,452	131,705
K-12 and ESDs ²	2,031	25,212	27,243
Political Subdivisions	11,209	834	12,043
Total	<u>120,493</u>	<u>50,498</u>	<u>170,991</u>

¹Retirees include retired employees, surviving spouses, and terminated members entitled to a benefit.

²In Fiscal Year 2007, there were 105,348 active employees in the 253 K-12 and educational service districts that elected to limit participation in PEBB only to their retirees.

For Fiscal Year 2007, the estimated monthly cost for PEBB benefits for active employees (average across all plans and tiers) is as follows:

Required Premium ³	
Medical	\$676
Dental	70
Life	4
Long-term disability	3
Total	<u>\$753</u>
Employer contribution	\$ 680
Employee contribution	73
Total	<u>\$ 753</u>

³ Per 2007 Conference Budget Legislative Model 2.3

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 2006, the average weighted implicit subsidy was valued at \$235.61 per member per month, and in Calendar Year 2007, the average weighted implicit subsidy is projected to be \$251.46 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 Health Care Authority administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. In Calendar Year 2006, the explicit subsidy was \$131.87 per member per month, and in Calendar Year 2007, the explicit subsidy is \$149.67 per member per month.

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 2007, the cost of the subsidies was approximately 6.6 percent of the cost of benefits for active employee. 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 employers individual plan and actuarial methods and assumptions used.

The PEBB OPEB plan is accounted for as an agency fund on an accrual basis. Information related to investment valuations is presented in Note 3.

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/publications/pension_studies.htm.

Washington will be implementing GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" for Fiscal Year 2008 financial reporting.

Note 13 - Commitments and Contingencies

A. Construction and Other Commitments

Outstanding commitments related to state infrastructure and facility construction, improvement, and/or renovation totaled \$4.3 billion at June 30, 2007.

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. At any given point, there may be numerous lawsuits involving the implementation of specific state programs that could significantly impact expenditures and potentially have future budgetary impact.

The state is the defendant in a number of cases seeking damages totaling \$209 million involving claims of inadequate funding for care of foster children, disabled adults, and the elderly as well as for indigent emergency medical services. The state is also defending a number of cases alleging inadequacies and inequities in K-12 funding. Adverse rulings in these cases could result in significant future costs.

The Department of Revenue routinely has claims for refunds in various stages of administrative and legal review that could result in refunds up to \$5 million individually.

The Washington State Department of Transportation (WSDOT) is a defendant in a number of lawsuits related to environmental clean-up and habitat restoration/enhancement associated with highway construction projects and storm water discharge from state highways. While estimates are not available for all lawsuits, claims for damages exceed \$18 million. If the efforts of the plaintiffs are successful, the financial impact could be significant and would need to be addressed in future budgets. The WSDOT also faces a

lawsuit related to the state's procurement of four new ferry boats.

The state is the defendant in numerous lawsuits by employees accusing the state of various infractions of law or contract. These suits claim back pay and damages in excess of \$27 million. Additionally, the state is being sued as a result of the recent legislative repeal of the gain sharing provision associated with select state pension plans. No estimate of damage is currently available.

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 is expected to be approximately \$143 million in Fiscal Year 2008 and is subject to various offsets, reductions, and adjustments. Beginning in 2008, Washington will receive the first of ten "strategic contribution payments" under the MSA. This payment, which is subject to the same offsets, reductions, and adjustments as are applicable to the base payment, is estimated to be approximately \$48-\$49 million.

Early in 2006, a determination was made that disadvantages experienced as a result of participating in the MSA were a significant factor contributing to the market share loss by manufacturers. This determination related to 2003 sales data. Earlier this year a similar determination was made for the year 2004. Washington faces a potential "NPM adjustment" of between \$0 and \$130 million for the year 2003 and \$0 and \$137 million for the year 2004.

Washington and 37 other states each filed court actions seeking a declaration that they had diligently enforced their escrow statutes. In the Consent Decree, the King

County superior Court retained jurisdiction to enforce and interpret the MSA as to Washington. The participating manufacturers oppose having the diligent enforcement issue decided by numerous state courts. They believe the issue is governed by an arbitration clause in the MSA that they claim requires a panel of arbitrators to decide, in a single national proceeding, whether individual states diligently enforced their own statutes.

The King County Superior Court heard Washington's motion and, in late September 2006, entered an order compelling arbitration and dismissing the state's action. The court's ruling was not entirely unexpected given that 18 other state courts had entered orders compelling arbitration and only one court, North Dakota, has agreed that the courts should determine the issue. Washington's appeal was dismissed and the trial court's order compelling arbitration is now final. A decision on the merits before any arbitral panel is unlikely to be issued before the next MSA payment is due in April 2008. The Settling States and the Participating Manufacturers have been engaged in settlement discussions but no negotiated resolution has been achieved to date.

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 does estimate and recognize a claims and judgments liability 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. State agencies and universities responsible for investments from bond proceeds carefully monitor their investments to restrict earnings to a yield less than the bond issue, and therefore limit any state arbitrage liability. 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 2007, the state had guaranteed 189 school districts' voter-approved general obligation debt with a total outstanding principal of \$6.4 billion. The state estimates that school bond guarantee liability, if any, will be immaterial to its overall financial condition.

Local Option Capital Asset Lending Program (LOCAL)

On September 1, 1998, the state lease-purchase program was extended to local governments seeking low cost financing of essential equipment. The 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 COP's do not constitute a debt or pledge of the 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, 2007, outstanding certificates of participation notes totaled \$59 million for 187 local governments participating in LOCAL. The state estimates that LOCAL program liability, if any, will be immaterial to its overall financial condition.

Note 14 - Subsequent Events

A. Bond Issues

In August 2007, the University of Washington issued \$138.4 million in General Revenue Bonds to fund various University projects.

In September 2007, the state issued \$512.9 million in Various Purpose General Obligation Bonds, Series 2008A, \$387 million in Motor Vehicle Fuel Tax General Obligation Bonds, Series 2008B and \$70 million in General Obligation Taxable Bonds, Series 2008T.

B. Certificates of Participation

In September 2007, the state issued \$6.4 million in Certificates of Participation for various state and local

government equipment purchases and a real estate purchase, Series 2007E.

In November 2007, the state issued \$18.2 million in Certificates of Participation for a state real estate purchase, Series 2007F.

In December 2007, the state plans to issue \$10.5 million in Certificates of Participation for various state and local government equipment and real estate purchases, Series 2007G.

Required Supplementary Information

Budgetary Information

Budgetary Comparison Schedule

General Fund

For the Biennium Ended June 30, 2007

(expressed in thousands)

	General Fund			
	Original Budget 2005-07 Biennium	Final Budget 2005-07 Biennium	Actual 2005-07 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 869,659	\$ 869,659	\$ 869,659	\$ -
Resources:				
Taxes	24,760,740	27,111,751	27,204,240	92,489
Licenses, permits, and fees	157,669	172,507	176,854	4,347
Other contracts and grants	246,203	245,208	245,675	467
Timber sales	6,485	5,625	5,570	(55)
Federal grants-in-aid	11,272,200	11,538,498	10,973,676	(564,822)
Charges for services	96,035	109,565	106,772	(2,793)
Interest income	85,659	167,023	178,238	11,215
Miscellaneous revenue	91,786	144,640	118,401	(26,239)
Escheated property	-	-	100,131	100,131
Transfers from other funds	427,316	422,988	372,719	(50,269)
Total Resources	38,013,752	40,787,464	40,351,935	(435,529)
Charges to appropriations:				
General government	2,687,901	4,141,389	4,114,086	27,303
Human services	18,937,160	19,119,125	18,735,785	383,340
Natural resources and recreation	582,257	658,106	591,892	66,214
Transportation	75,415	83,030	79,986	3,044
Education	15,270,796	15,555,602	15,472,116	83,486
Capital outlays	241,483	251,598	116,097	135,501
Transfers to other funds	119,429	131,683	467,486	(335,803)
Total Charges to appropriations	37,914,441	39,940,533	39,577,448	363,085
Excess available for appropriation				
Over (Under) charges to appropriations	99,311	846,931	774,487	(72,444)
Reconciling Items:				
Changes in reserves (net)	-	-	(19,649)	(19,649)
Entity adjustments (net)	-	-	25,672	25,672
Total Reconciling Items	-	-	6,023	6,023
Budgetary Fund Balance, June 30	\$ 99,311	\$ 846,931	\$ 780,510	\$ (66,421)

Budgetary Information

Budgetary Comparison Schedule

Budget to GAAP Reconciliation

General Fund

For the Biennium Ended June 30, 2007
(expressed in thousands)

	General Fund
Sources/inflows of resources	
Actual amounts (budgetary basis) "Total Resources"	
from the Budgetary Comparison Schedule	\$ 40,351,935
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not revenue for financial reporting purposes:	
Transfers from other funds	(372,719)
Budgetary fund balance at the beginning of the biennium	(869,659)
The following items are not inflows of budgetary resources but are revenue for financial reporting purposes:	
Noncash commodities and electronic food stamp benefits	1,339,073
Unanticipated receipts	36,777
Noncash revenues	201
Revenues collected for other governments	60,723
Biennium total revenues	40,546,331
Fiscal Year 2006 total revenues	(19,719,849)
Total revenues (GAAP basis) as reported on the Statement of Revenues,	
Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 20,826,482
Uses/outflows of resources	
Actual amounts (budgetary basis) "Total Charges to Appropriations"	
from the Budgetary Comparison Schedule.	\$ 39,577,448
Differences - budget to GAAP:	
Budgeted expenditure transfers are recorded as expenditures in the budget statement but are recorded as other financing source (use) for financial reporting purposes.	(3,197,761)
The following items are outflows of budgetary resources but are not expenditures for financial reporting purposes.	
Transfers to other funds	(467,486)
Loan disbursements	(3,940)
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	1,313,602
Expenditures related to unanticipated receipts	36,777
Capital lease acquisitions	22,698
Distributions to other governments	60,723
Biennium total expenditures	37,342,061
Fiscal Year 2006 total expenditures	(18,251,652)
Total expenditures (GAAP basis) as reported on the Statement of Revenues,	
Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 19,090,409

Budgetary Information

Notes to Required Supplementary Information

General Budgetary Policies and Procedures

The Governor is required to submit a budget to the state 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 schedules are 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 schedules 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 2005-07 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 Report CAF1054 for governmental funds. A copy of this report is available at the Office of Financial Management, 6639 Capitol Boulevard, 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. According to statute RCW 43.88.110(2), except under limited circumstances, the original allotments are approved by the Governor and may be revised on a quarterly basis and must be accompanied by an explanation of the reasons for significant changes. Because allotments are not the strict legal limit on expenditures/expenses, the budgetary schedules presented as required supplementary information (RSI) are 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, although RCW 43.88.110(3) requires that the Legislature be provided an explanation of major variances.

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 reservations of fund balance.

Budgetary Reporting versus 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 fixed 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.

Additionally, 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, Tobacco Settlement Securitization Bond Debt Service Fund, federal surplus food commodities, electronic food stamp benefits, capital

leases, note proceeds, and resources collected and distributed to other governments.

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. The factors contributing to the differences between the Budgetary Comparison Schedule and the Statement of Revenues, Expenditures, and Changes in Fund Balance are noted in the previous Budget to GAAP reconciliation.

Budgetary Fund Balance includes the following as reported on the Governmental Funds Balance Sheet: Unreserved, undesignated fund balance; and Reserved for encumbrances.

Pension Plan Information

Public Employees' Retirement System - Plan 1

Schedule of Funding Progress

Valuation Years 2006 through 2001 (dollars in millions)

	2006	2005	2004	2003	2002	2001
Actuarial Valuation Date	9/30/2006	9/30/2005	9/30/2004	9/30/2003	9/30/2002	9/30/2001
Actuarial Value of Plan Assets	\$ 9,591	\$ 9,707	\$ 9,928	\$ 10,227	\$ 10,757	\$ 10,990
Actuarial Accrued Liability	13,129	13,704	12,855	12,692	12,560	12,088
Unfunded Actuarial Liability	3,538	3,997	2,927	2,465	1,803	1,098
Percentage Funded	73%	71%	77%	81%	86%	91%
Covered Payroll	725	786	863	945	1,023	1,085
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	488%	509%	339%	261%	176%	101%

Source: Washington State Office of the State Actuary

Teachers' Retirement System - Plan 1

Schedule of Funding Progress

Valuation Years 2006 through 2001 (dollars in millions)

	2006	2005	2004	2003	2002	2001
Actuarial Valuation Date	9/30/2006	9/30/2005	9/30/2004	9/30/2003	9/30/2002	9/30/2001
Actuarial Value of Plan Assets	\$ 8,275	\$ 8,450	\$ 8,728	\$ 9,086	\$ 9,365	\$ 9,342
Actuarial Accrued Liability	10,359	10,894	10,401	10,325	10,235	9,895
Unfunded Actuarial Liability	2,084	2,444	1,673	1,239	869	553
Percentage Funded	80%	78%	84%	88%	91%	94%
Covered Payroll	478	546	616	692	741	800
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	436%	448%	272%	179%	117%	69%

Source: Washington State Office of the State Actuary

Pension Plan Information

Law Enforcement Officers' and Fire Fighters' Retirement System- Plan 1 Schedule of Funding Progress

Valuation Years 2006 through 2001 (dollars in millions)

	2006	2005	2004	2003	2002	2001
Actuarial Valuation Date	9/30/2006	9/30/2005	9/30/2004	9/30/2003	9/30/2002	9/30/2001
Actuarial Value of Plan Assets	\$ 5,018	\$ 4,800	\$ 4,666	\$ 4,803	\$ 5,095	\$ 5,369
Actuarial Accrued Liability	4,309	4,243	4,266	4,275	4,259	4,153
Unfunded (Assets in Excess of)						
Actuarial Liability	(709)	(557)	(400)	(528)	(836)	(1,216)
Percentage Funded	116%	113%	109%	112%	120%	129%
Covered Payroll	48	56	64	71	80	87
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 available.

Source: Washington State Office of the State Actuary

Judicial Retirement System

Schedule of Funding Progress

Valuation Years 2006 through 2001 (dollars in millions)

	2006	2005	2004	2003	2002	2001
Actuarial Valuation Date	9/30/2006	9/30/2005	9/30/2004	9/30/2003	9/30/2002	9/30/2001
Actuarial Value of Plan Assets	\$ 0.3	\$ 2	\$ 4	\$ 6	\$ 8	\$ 10
Actuarial Accrued Liability	88	89	89	91	92	92
Unfunded Actuarial Liability	88	87	85	85	84	82
Percentage Funded	0%	2%	4%	7%	9%	11%
Covered Payroll	1.4	1.7	2.4	2.6	3.0	3.0
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	6286%	5118%	3542%	3269%	2800%	2733%

Source: Washington State Office of the State Actuary

Pension Plan Information

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund Schedule of Funding Progress

Valuation Years 2006 through 2001 (dollars in millions)

	2006	2005	2004	2003	2002	2001
Actuarial Valuation Date	12/31/2006	12/31/2005	12/31/2004	12/31/2003	12/31/2002	12/31/2001
Actuarial Value of Plan Assets	\$ 140	\$ 127	\$ 120	\$ 120	\$ 124	\$ 129
Actuarial Accrued Liability*	142	140	115	112	110	99
Unfunded (Assets in Excess of)						
Actuarial Liability	2	13	(5)	(8)	(14)	(30)
Percentage Funded	99%	91%	104%	107%	113%	130%
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.

N/A indicates data not available.

Source: Washington State Office of the State Actuary

Judges' Retirement Fund Schedule of Funding Progress

Valuation Years 2006 through 2001 (dollars in millions)

	2006	2005	2004	2003	2002	2001
Actuarial Valuation Date	9/30/2006	9/30/2005	9/30/2004	9/30/2003	9/30/2002	9/30/2001
Actuarial Value of Plan Assets	\$ 4.1	\$ 4.2	\$ 4.4	\$ 4.5	\$ 4.7	\$ 4.9
Actuarial Accrued Liability	4.0	4.5	4.7	5.2	5.5	6.0
Unfunded (Assets in Excess of)						
Actuarial Liability	(0.1)	0.3	0.3	0.7	0.8	1.1
Percentage Funded	103%	93%	94%	87%	85%	82%
Covered Payroll	-	-	-	-	0.1	0.1
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	N/A	N/A	N/A	N/A	0%	0%

N/A indicates data not available.

Source: Washington State Office of the State Actuary

Pension Plan Information

Schedules of Contributions from Employers and Other Contributing Entities

For the Fiscal Years Ended June 30, 2007 through 2002
(expressed in millions)

	2007	2006	2005	2004	2003	2002
Public Employees' Retirement Plan System - Plan 1						
Employers' Annual Required Contribution	\$ 397.3	\$ 438.5	\$ 340.3	\$ 295.1	\$ 228.9	\$ 164.3
Employers' Actual Contribution	118.7	29.6	22.4	22.8	56.6	68.6
Percentage Contributed	30%	7%	7%	8%	25%	42%
Public Employees' Retirement Plan System - Plan 2/3						
Employers' Annual Required Contribution	\$ 331.3	\$ 307.6	\$ 227.7	\$ 192.6	\$ 141.7	\$ 72.0
Employers' Actual Contribution	242.5	149.6	74.7	69.4	38.2	51.0
Percentage Contributed	73%	49%	33%	36%	27%	71%
Teachers' Retirement System - Plan 1						
Employers' Annual Required Contribution	\$ 249.8	\$ 287.5	\$ 224.3	\$ 185.7	\$ 153.4	\$ 119.8
Employers' Actual Contribution	60.5	15.1	8.8	11.4	20.4	59.5
Percentage Contributed	24%	5%	4%	6%	13%	50%
Teachers' Retirement System - Plan 2/3						
Employers' Annual Required Contribution	\$ 167.7	\$ 166.4	\$ 117.4	\$ 96.2	\$ 79.5	\$ 66.7
Employers' Actual Contribution	102.2	75.4	33.8	29.9	18.2	46.4
Percentage Contributed	61%	45%	29%	31%	23%	70%
School Employees' Retirement System - Plan 2/3						
Employers' Annual Required Contribution	\$ 71.5	\$ 81.4	\$ 64.0	\$ 52.3	\$ 44.2	\$ 19.5
Employers' Actual Contribution	45.9	30.4	10.2	9.1	6.2	11.3
Percentage Contributed	64%	37%	16%	17%	14%	58%

Source: Washington State Office of the State Actuary

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 gains and losses. The methods used to derive the ARC for this accounting disclosure are different from that 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 Annual Required Contributions.

Pension Plan Information

Schedules of Contributions from Employers and Other Contributing Entities

For the Fiscal Years Ended June 30, 2007 through 2002
(expressed in millions)

	2007	2006	2005	2004	2003	2002
Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 1						
Employers' Annual Required Contribution	\$ 0.1	\$ -	\$ -	\$ -	\$ -	\$ -
Employers' Actual Contribution	0.1	0.1	-	-	0.1	0.1
Percentage Contributed	100%	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	\$ 56.9	\$ 60.8	\$ 48.5	\$ 41.5	\$ 34.1	\$ 26.2
Employers' Actual Contribution	58.2	48.5	32.8	30.8	25.6	24.0
Percentage Contributed	102%	80%	68%	74%	75%	92%
State Annual Required Contribution	38.0	40.5	32.3	27.7	22.7	17.5
State Actual Contribution	37.9	31.7	21.3	20.2	16.4	15.6
Percentage Contributed	100%	78%	66%	73%	72%	89%
Washington State Patrol Retirement System						
Employers' Annual Required Contribution	\$ 5.3	\$ 6.1	\$ 3.4	\$ 2.6	\$ -	\$ -
Employers' Actual Contribution	3.3	3.1	-	-	-	-
Percentage Contributed	62%	51%	0%	0%	N/A	N/A

N/A indicates data not available.

Source: Washington State Office of the State Actuary

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 gains and losses. The methods used to derive the ARC for this accounting disclosure are different from that 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 Annual Required Contributions.

Pension Plan Information

Schedules of Contributions from Employers and Other Contributing Entities

For the Fiscal Years Ended June 30, 2007 through 2002
(expressed in millions)

	2007	2006	2005	2004	2003	2002
Public Safety Employees' Retirement Plan System - Plan 2						
Employers' Annual Required Contribution	\$ 7.1	-	-	-	-	-
Employers' Actual Contribution	6.6	-	-	-	-	-
Percentage Contributed	93%	N/A	N/A	N/A	N/A	N/A
Judicial Retirement System						
Employers' Annual Required Contribution	\$ 37.3	\$ 27.7	\$ 21.7	\$ 18.5	\$ 16.2	\$ 14.2
Employers' Actual Contribution	9.6	6.7	6.2	6.2	6.2	6.2
Percentage Contributed	26%	24%	29%	34%	38%	44%
Judges' Retirement Fund						
Employers' Annual Required Contribution	\$ -	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.1	\$ 0.2
Employers' Actual Contribution	0.3	0.3	0.5	0.5	0.3	0.3
Percentage Contributed	N/A	300%	500%	250%	300%	150%
Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund						
Employers' Annual Required Contribution	\$ 1.0	\$ 1.0	\$ 0.7	\$ 0.8	\$ 0.8	\$ 0.8
Employers' Actual Contribution	1.0	1.0	0.7	0.8	0.8	0.8
Percentage Contributed	100%	100%	100%	100%	100%	100%
State Annual Required Contribution	2.0	3.6	1.8	1.5	0.7	-
State Actual Contribution	6.0	4.6	4.4	4.4	3.3	3.3
Percentage Contributed	300%	128%	244%	293%	471%	N/A

N/A indicates data not available.

Source: Washington State Office of the State Actuary

Pension Plan Information

Notes to the Required Supplementary Information

Defined Benefit Pension Plans

For the Fiscal Year Ended June 30, 2007

The information presented in the required supplementary schedules 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
Valuation Date	9/30/2006	9/30/2006	9/30/2006	9/30/2006
Actuarial Cost Method	frozen initial liability ¹	aggregate ²	frozen initial liability ¹	aggregate ²
Amortization Method				
Funding	level % ³	n/a	level % ³	n/a
GASB	level \$	n/a	level \$	n/a
Remaining amortization period (closed)	7/01/2007 - 6/30/2024	n/a	7/01/2007 - 6/30/2024	n/a
Asset valuation method	8-year graded smoothed fair value ⁴	8-year graded smoothed fair value ⁴	8-year graded smoothed fair value ⁴	8-year graded smoothed fair value ⁴
Actuarial assumptions:				
Investment Rate of Return	8.00%	8.00%	8.00%	8.00%
Projected Salary Increases				
Salary Inflation at 4.5%, plus the merit increases described below:				
initial salary merit (grades down to 0%)	6.1%	6.1%	6.2%	6.2%
merit period (years of service)	17 yrs	17 yrs	17 yrs	17 yrs
Includes inflation at	3.50%	3.50%	3.50%	3.50%
Cost of living adjustments	Uniform COLA ⁵ Gainsharing COLA ⁵	CPI increase, maximum 3%	Uniform COLA ⁵ Gainsharing COLA ⁵	CPI increase, maximum 3%

N/A indicates data not applicable.

1 Based on a variation of the Frozen Initial Liability (FIL) cost method.

2 The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities.

3 Level percent of payroll, including system growth.

4 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):

Annual Gain/Loss			Annual Gain/Loss		
Rate of Return	Smoothing Period	Annual Recognition	Rate of Return	Smoothing Period	Annual Recognition
15% and up	8 years	12.50%	6-7%	2 years	50.00%
14-15%	7 years	14.29%	5-6%	3 years	33.33%
13-14%	6 years	16.67%	4-5%	4 years	25.00%
12-13%	5 years	20.00%	3-4%	5 years	20.00%
11-12%	4 years	25.00%	2-3%	6 years	16.67%
10-11%	3 years	33.33%	1-2%	7 years	14.29%
9-10%	2 years	50.00%	1% and lower	8 years	12.50%
7-9%	1 year	100.00%			

The actuarial value of assets is subject to a 30% market value corridor, so it will lie between 70% and 130% of the market value of assets.

SERS Plan 2/3	LE OFF Plan 1	LEOFF Plan 2	PSERS Plan 2	VFFRPF
9/30/2006	9/30/2006	9/30/2006	9/30/2006	12/31/2006
aggregate ²	frozen initial liability ¹	aggregate ²	aggregate ²	entry age
n/a	level % ³	n/a	n/a	level \$
n/a	level \$	n/a	n/a	level \$
n/a	7/01/2007 - 6/30/2024	n/a	n/a	1/1/2007 - 12/31/2017
8-year graded smoothed fair value ⁴	8-year graded smoothed fair value ⁴	8-year graded smoothed fair value ⁴	8-year graded smoothed fair value ⁴	4-year smoothed fair value
8.00%	8.00%	8.00%	8.00%	7.00%
7.0%	11.7%	11.7%	6.1%	n/a
17 yrs	21 yrs	21 yrs	17 yrs	n/a
3.50%	3.50%	3.50%	3.50%	n/a
CPI increase, maximum 3%	CPI increase	CPI increase, maximum 3%	CPI increase, maximum 3%	none

5 The Uniform COLA and Gainsharing COLA

In a given year all PERS and TRS Plan 1 members who attain at least age 66 (by December 31) and who have been retired at least one year (by July 1) receive an increase in their monthly benefit on July 1 of the given year. This increase is called the Uniform COLA. If certain extraordinary investment gains are achieved, an additional gain-sharing COLA is paid on January 1 of even-numbered years. Each year the Uniform COLA amount equals the Uniform COLA amount from the previous year plus any additional amount attributable to gain-sharing, all increased by 3%. The 2007 Legislature repealed gain-sharing effective January 2, 2008 - after the 2008 event.

Date	Prior Uniform COLA	+ Gainsharing COLA	X 1.03	= Uniform COLA
7/1/2002	\$1.11	0.00		\$1.14
7/1/2003	\$1.14	0.00		\$1.18
7/1/2004	\$1.18	0.00		\$1.21
7/1/2005	\$1.21	0.00		\$1.25
7/1/2006	\$1.25	0.00		\$1.29
7/1/2007	\$1.29	0.00		\$1.29

Information about Infrastructure Assets Reported Using the Modified Approach

Condition Assessment

The state's highway system is divided into three main categories: pavement, bridges and rest areas. Condition information about each as well as the state's emergency airfields follows.

Pavement Condition

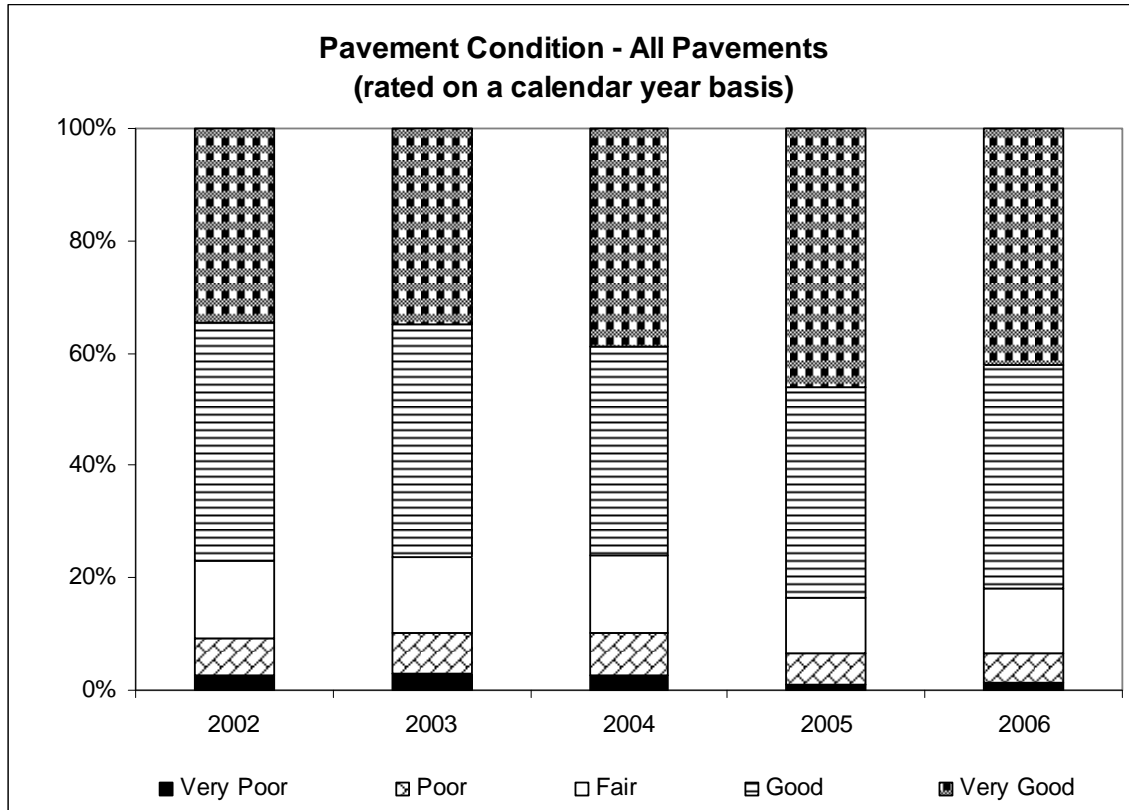
The Washington State Department of Transportation (WSDOT) owns and maintains 20,173 lane miles of highway, including ramps, collectors and special use lanes. Special use lanes include High Occupancy Vehicle (HOV), climbing, chain-up, holding, slow vehicle turnout, two-way turn, weaving/speed change, bicycle, transit, truck climbing shoulder, turn and acceleration lanes. Special use and ramp/collector lane miles make up 1,784 of the total lane miles.

WSDOT has been rating pavement condition since 1969. Pavement rated in *good* condition is smooth and has few defects. Pavement in *poor* condition is characterized by cracking, patching, roughness and rutting. Pavement condition is rated using three factors: Pavement Structural Condition (PSC), International Roughness Index (IRI), and Rutting.

In 1993 the Legislature required WSDOT to rehabilitate pavements at the Lowest Life Cycle Cost (LLCC), which has been determined to occur at a PSC range between 40

and 60, or when triggers for roughness or rutting are met. The trend over the last five years has shown that the percentage of pavements in poor or very poor condition has remained fairly stable at 9 to 10 percent with a slight improvement to 7 percent in 2005 and 6 percent in 2006. WSDOT uses LLCC analysis to manage its pavement preservation program. The principles behind LLCC are basic – if rehabilitation is done too early, pavement life is wasted; if rehabilitation is done too late, very costly repair work may be required, especially if the underlying structure is compromised. WSDOT continually looks for ways to best strike the balance between these two basic principles.

While the goal for pavements is zero miles in 'poor' condition, marginally good pavements may deteriorate into poor condition during the lag time between assessment and actual rehabilitation. As a result, a small percentage of marginally good pavements will move into the 'poor' condition category for any given assessment period.



The Department of Transportation manages state highways targeting the LLCC per the Pavement Management System due date. While the department has a long-term goal of no pavements in poor condition (a pavement condition index less than 40, on a 100 point scale), the current policy is to maintain 90 percent of all highway pavement types at a pavement condition index

of 40 or better with no more than 10 percent of its highways at a pavement condition below 40. The most recent assessment found that state highways were within the prescribed parameters with only 7 percent of all pavement types with a pavement condition index below 40.

WSDOT uses the following scale for Pavement Structural Condition (PSC):

Category	PSC Range	Description
Very Good	80 – 100	Little or no distress. Example: Flexible pavement with 5% of wheel track length having “hairline” severity alligator cracking will have a PSC of 80.
Good	60 - 80	Early stage deterioration. Example: Flexible pavement with 15% of wheel track length having “hairline” alligator cracking will have a PSC of 70.
Fair	40 - 60	This is the threshold value for rehabilitation. Example: Flexible pavement with 25% of wheel track length having “hairline” alligator cracking will have a PSC of 50.
Poor	20 - 40	Structural deterioration. Example: Flexible pavement with 25% of wheel track length having “medium (spalled)” severity alligator cracking will have a PSC of 30.
Very Poor	0 - 20	Advanced structural deterioration. Example: Flexible pavement with 40% of wheel track length having “medium (spalled)” severity alligator cracking will have a PSC of 10. May require extensive repair and thicker overlays.

The PSC is a measure based on distresses such as cracking and patching, which are related to the pavement’s ability to carry loads. Pavements develop structural deficiencies due to truck traffic and cold weather. WSDOT attempts to program rehabilitation for pavement segments when they are projected to reach a PSC of 50. A PSC of 50 can occur due to various amounts and severity of distress. For rigid pavements (such as Portland cement concrete), a PSC of 50 represents 50 percent of the concrete slabs exhibiting joint faulting with a severity of 1/8 to 1/4 inch (faulting is the elevation difference at slab joints and results in a rough ride – particularly in large trucks). Further, a PSC of 50 can also be obtained if 25 percent of concrete slabs exhibit two to three cracks per panel.

The International Roughness Index (IRI) uses a scale in inches per mile. WSDOT considers pavements with a ride performance measure of greater than 220 inches per mile to be in poor condition. For example, new asphalt overlays typically have ride values below 75 inches per mile, which is very smooth.

Rutting is measured in millimeters: a pavement with more than 12 millimeters of rutting is considered in poor condition. The three indices (PSC, IRI, and Rutting) are combined to rate a section of pavement, which is assigned the lowest category of any of the three ratings.

The following table shows the combined explanatory categories and the ratings for each index.

Category	PSC	IRI	Rutting
Very Good	100 – 80	< 95	< 4
Good	80 – 60	95 – 170	4 – 8
Fair	60 – 40	170 – 220	8 – 12
Poor	40 – 20	220 – 320	12 – 16
Very Poor	0 – 20	> 320	> 16

Since 1999, WSDOT has used an automated pavement distress survey procedure. In the automated survey, high-resolution video images are collected at highway speed and these video images are then rated on special workstations at 3-6 mph speed. This change has also resulted in a more detailed classification and recording of various distresses that are rated.

Pavement condition surveys are generally conducted in the fall of each year and analyzed during the winter and spring, with the previous year’s results available in July each year. In 2006, WSDOT rated pavement condition on 17,896 of the 20,173 lane miles of highway. The chart on the following page shows recent pavement condition ratings for the State Highway System, using the combination of the three indices described above.

Percentage of Pavement in Fair or Better Condition

	<u>2006*</u>	<u>2005*</u>	<u>2004*</u>	<u>2003*</u>	<u>2002*</u>
Statewide - Chip Seals	94%	91%	86%	86%	89%
Statewide - Asphalt	91%	95%	92%	91%	91%
Statewide - Concrete	93%	91%	85%	93%	92%
Statewide - All Pavements	94%	93%	90%	90%	91%

Percentage of Pavement in Poor or Very Poor Condition

	<u>2006*</u>	<u>2005*</u>	<u>2004*</u>	<u>2003*</u>	<u>2002*</u>
Statewide - Chip Seals	6%	9%	14%	14%	11%
Statewide - Asphalt	9%	5%	8%	9%	9%
Statewide - Concrete	7%	9%	15%	7%	8%
Statewide - All Pavements	6%	7%	10%	10%	9%

* Calendar year data. Assessments are typically made in the summer and fall of each year, and processed during the winter and spring, with final results released in July. Years indicated are when the physical assessment was done in the summer and fall.

Note: The All Pavements percentages are calculated from total database averages, not a statistical average of the three pavement type percentages. Numbers are rounded to full percentage points. IRI or rutting is not used for sections identified as under construction in rating distress.

More information about pavement management at the Department of Transportation may be obtained at:
<http://www.wsdot.wa.gov/biz/mats/pavement/>

Bridge Condition

During Fiscal Year 2007 there were 3,110 state-owned vehicular structures over 20 feet in length with a total area of 44,232,755 square feet. In addition to bridges, the 3,110 structures include 89 culverts and 31 ferry terminal structures (while ferry terminals are included in a depreciable asset category, they are included here with bridge condition information since they are evaluated by the WSDOT Bridge Office on a periodic basis). All bridges are inspected on a two to four year interval, with no more than 10 percent of the bridges inspected less than every three years. Divers inspect underwater bridge components at least once every five years in accordance with Federal Highway Administration requirements. Special emphasis is given to the ongoing inspection and maintenance of major bridges representing a significant public investment due to size, complexity or strategic location. Information related to public bridges is maintained in the Washington State Bridge Inventory System (WSBIS). This system is used to develop preservation strategies and comprehensive recommendations for maintenance and construction, and for reporting to the Federal Highway Administration (FHWA).

WSDOT's policy is to maintain 95 percent of its bridges at a structural condition of at least fair, meaning that all primary structural elements are sound. The most recent assessment found that state-owned bridges were within the prescribed parameters with 97.4 percent having a condition rating of fair or better and only 2.6 percent of

bridges having a condition rating of poor. Bridges rated as poor may have structural deficiencies that restrict the weight and type of traffic allowed. No bridges that are currently rated as poor are unsafe for public travel. Any bridges determined to be unsafe are closed to traffic. WSDOT had no closed bridges at June 30, 2007.

WSDOT's Bridge Seismic Retrofit Program prioritizes state bridges for seismic retrofit, and performs these retrofits as funding permits. Retrofit priorities are based on seismic risk of a site, structural detail deficiencies, and route importance. The Seismic Retrofit Program includes 921 bridges that have been classified as needing retrofitting. From 1991 to the end of June 2007, WSDOT has fully or partially retrofitted 360 bridges. Of those, 210 are completely retrofitted, 150 are partially retrofitted. There are also 26 bridges under contract to be retrofitted.

The following condition rating data is based on the structural sufficiency standards established in the FHWA "Recording and Coding Guide for the Structural Inventory and Appraisal of the Nation's Bridges." This structural rating relates to the evaluation of bridge superstructure, deck, substructure, structural adequacy and waterway adequacy. Three categories of condition were established in relation to the FHWA criteria as follows:

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.

Note: Bridges rated in poor condition may be restricted for the weight and type of traffic allowed.

Condition Rating of Washington State Department of Transportation's Bridges

Percentage of Bridges in Fair or Better Condition					
<u>Bridge Type</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Reinforced Concrete (1,289 bridges in FY 2007)	98.3%	98.6%	98.6%	98.0%	98.0%
Prestressed Concrete (1,320 bridges in FY2007)	99.3%	99.4%	99.5%	99.5%	99.5%
Steel (360 bridges* in FY 2007)	94.7%	94.1%	94.3%	93.0%	93.0%
Timber (61 bridges in FY 2007)	66.3%	68.1%	69.2%	70.0%	69.0%
Statewide - All Bridges (3,030 out of 3,110 bridges in FY 2007)	97.4%	97.5%	97.6%	97.4%	97.0%

Percentage of Bridges in Poor Condition					
<u>Bridge Type</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Reinforced Concrete (18 bridges in FY 2007)	1.7%	1.4%	1.4%	2.0%	2.0%
Prestressed Concrete (9 bridges in FY 2007)	0.7%	0.7%	0.5%	0.5%	0.5%
Steel (20 bridges* in FY 2007)	5.3%	5.9%	5.7%	6.5%	7.0%
Timber (31 bridges in FY 2007)	33.7%	31.9%	30.8%	30.0%	3.1%
Statewide - All Bridges (82 out of 3,110 bridges in FY 2007)	2.6%	2.5%	2.4%	2.6%	3.0%

*The steel bridge ratings for Fiscal Year 2007 include 29 ferry terminal structures rated as fair or better and two ferry terminal structures rated as poor.

Note: Bridges rated as poor may have structural deficiencies that restricted the weight and type of traffic allowed. WSDOT currently has 13 posted bridges and 152 restricted bridges. Posted bridges have signs posted

which inform of legal weight limits. Restricted bridges are those where overweight permits will not be issued for travel by overweight vehicles. Refer to <http://www.wsdot.wa.gov/commercialvehicle/bridgelist.cfm> for more information. Any bridges determined to be unsafe are closed to traffic. WSDOT had no closed bridges as of June 30, 2007.

Additional information regarding the Department of Transportation's bridge inspection program may be obtained at:
<http://www.wsdot.wa.gov/eesc/bridge/index.cfm>

Safety Rest Area Condition

The Washington State Department of Transportation (WSDOT) owns, operates, and maintains 42 developed safety rest area (SRA) facilities. Within these facilities, the department manages the following assets: 83 buildings, 566 acres, 29 on-site public drinking water systems, 36 on-site sewage pre-treatment/treatment systems, and 19 recreational vehicle sanitary disposal facilities.

In 2005 WSDOT performed the second round of SRA building and site condition assessments to determine the facility deficiencies. This biennial process, which began in 2003, helps prioritize renovation and replacement projects. Sites and buildings are divided into functional components that are assessed with a numerical rating of 1 to 5 based on guideline criteria (1 meets current standards, 5 is poor). In addition, a weighting multiplier is applied based on the criticality of the individual component. For instance, a safety deficiency adds a

weighting multiplier of 10 while a department image deficiency has a weighting multiplier of two. The combined total building and site ratings are used to determine each facility's overall condition, and fall into one of five categories. WSDOT has conducted the 2007 condition assessment but the information is not yet available.

WSDOT SRA condition assessment rating parameters are not based on other state or national guidelines for safety rest areas. The model used is based on the capital facility program software already in use, with minor modifications to the rating parameters to better match the unique needs of SRA facilities.

The SRA Program goal is to have no more than 5 percent of the facilities rated Poor.

	<u>2003</u>	<u>2005</u>
Percentage of facilities in Fair or Good condition	95%	95%
Percentage of facilities in Poor condition	5%	5%

Category	Definition	Number of Safety Rest Areas in Category
Good Condition	Facility is new construction and/or meets current standards.	11
Fair-High Condition	Facility meets current standards and/or is in adequate condition with minimal component deficiencies.	2
Fair-Mid Condition	Facility is functional, and in adequate condition with minor component deficiencies.	9
Fair-Low Condition	Facility has multiple system deficiencies.	18
Poor	Facility is at or beyond its service life, with multiple major deficiencies.	2

Emergency Air Field Condition

The Washington State Department of Transportation (WSDOT), through its Aviation Division is authorized by RCW 47.68.100 to acquire and maintain airports.

Under this authority, WSDOT owns eight emergency airfields and leases several others. Most of the airfields are located near or adjacent to state highways and range in character from paved to gravel or turf. The primary purpose for the airports is to provide emergency facilities in remote locations. They serve as landing sites for medical evacuations, forest firefighting operations, and search and rescue. In addition, they allow access to local communities and recreation areas. Two airfields are in

operational condition 12 months of the year, with five operational from June to October each year. One is only available for emergency search and rescue use. In accordance with WSDOT policy, maintenance is done on each airfield annually to keep it at its existing condition of use. Each airfield is inspected a minimum of three times per year.

The definitions below form the rating criteria for the current airfield condition ratings that follow.

Category	Definition
General Use Community Airport	An airport with a paved runway capable of handling aircraft with a maximum gross certificated takeoff weight of 12,500 pounds.
Limited Use Community Airport	An airport with an unpaved runway capable of handling aircraft with a maximum gross certificated takeoff weight of 12,500 pounds.
General Recreational Use Airport	An airport with a turf (unpaved) runway near access to recreational opportunities with capacity for aircraft less than 12,500 pounds.
Limited Search and Rescue Forward Operating Location	An airport with a landing pad only capable of accommodating rotorcraft.

Condition Rating of Washington State Emergency Airfields

		<u>Number of Airports</u>				
Owned airports:						
Acceptable for general use as a community airport	1					
Acceptable for limited use as a community airport	1					
Acceptable for general recreation use	5					
Limited search and rescue forward operating location	1					
Total owned airports	8					
		<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Percentage of airports acceptable for general recreational use or better		88%	88%	88%	88%	88%
Percentage of airports not acceptable for general recreational use or better		12%	12%	12%	12%	12%

Note: One airport is open only as a limited search and rescue operating location and is expected to remain in that status. For pictures of specific airfields, refer to the Department of Transportation's website at:

<http://www.wsdot.wa.gov/Aviation/airports/>

Information about Infrastructure Assets Reported Using the Modified Approach

Comparison of Budgeted-to-Actual Preservation and Maintenance

For the Fiscal Years Ended June 30, 2003 through 2007
(expressed in thousands)

	2003			2004		
Highway System						
Pavement	Budget	Actual	Variance	Budget	Actual	Variance
Preservation	\$ 119,160	\$ 123,883	\$ (4,723)	\$ 116,902	\$ 107,229	\$ 9,673
Maintenance	22,796	24,123	(1,327)	21,254	18,064	3,190
Total	\$ 141,956	\$ 148,006	\$ (6,050)	\$ 138,156	\$ 125,293	\$ 12,863
Bridges						
Preservation	\$ 22,460	\$ 23,988	\$ (1,528)	\$ 30,637	\$ 24,780	\$ 5,857
Maintenance	11,222	12,853	(1,631)	11,292	11,267	25
Total	\$ 33,682	\$ 36,841	\$ (3,159)	\$ 41,929	\$ 36,047	\$ 5,882
Rest Areas						
Preservation	\$ 390	\$ 386	\$ 4	\$ 331	\$ 222	\$ 109
Maintenance	4,744	4,688	56	4,268	4,833	(565)
Total	\$ 5,134	\$ 5,074	\$ 60	\$ 4,599	\$ 5,055	\$ (456)
Emergency Air Fields						
Preservation & Maint.	\$ 70	\$ 58	\$ 12	\$ 70	\$ 71	\$ (1)

In addition to increasing and improving the state highway system, WSDOT places a high priority on preserving and maintaining the current highway system. WSDOT breaks out preservation and maintenance into two separate functions. Preservation can be described as projects that maintain the structural integrity of the existing highway system including roadway pavements, safety features, bridges, and other structures/facilities. The Maintenance function handles the day-to-day needs that occur such as guardrail replacement, patching pot holes, installing signs, vegetation control, etc.

In 1996 WSDOT embarked on an initiative to use outcome based performance measures for evaluating the effectiveness of the Maintenance Program. The Maintenance Accountability Process (MAP) is a comprehensive planning, measuring and managing process that provides a means for communicating the impacts of policy and budget decisions on program service delivery. WSDOT uses it to identify investment choices and affects of those choices in communicating with the legislature and other stakeholders. The MAP measures and communicates the outcomes of 34 distinct highway maintenance activities. Maintenance results are measured via field condition surveys and reported as Level of Service (LOS) ratings, which range from A to

F. LOS targets are defined in terms of the condition of various highway features (i.e. percent of guardrail on the highway system that is damaged) and are set commensurate with the level of funding provided for the WSDOT highway maintenance program. More information about MAP may be obtained at: <http://www.wsdot.wa.gov/maintenance/mgmt/accountability.htm>.

Notes: Numbers for the Pavement and Bridges budget amounts are calculated based on biennial plans as shown in the WSDOT *Monthly Financial Report* for subprograms P1 (Roadway Preservation), P2 (Structures Preservation), and M2 (Roadway, Bridge & Tunnel Maintenance). For Fiscal Year 2007, the annual budget was calculated as half the biennial amount. This results in the biennial budget being distributed 50 percent in each fiscal year in anticipation of an even spending pattern. The spending pattern for subprogram P2, Bridges, was not approximately 50 percent in each year.

*For Fiscal Year 2006, the Bridge Preservation budget has been restated to reflect the approximately one-third, two-thirds expenditure pattern for Fiscal Year 2006 and Fiscal Year 2007 respectively.

2005			2006			2007		
Budget	Actual	Variance	Budget*	Actual	Variance	Budget	Actual	Variance
\$ 118,055	\$ 122,868	\$ (4,813)	\$ 108,409	\$ 130,340	\$ (21,931)	\$ 111,195	\$ 99,416	\$ 11,779
20,657	18,715	1,942	19,219	18,586	633	19,152	16,255	2,897
\$ 138,712	\$ 141,583	\$ (2,871)	\$ 127,628	\$ 148,926	\$ (21,298)	\$ 130,347	\$ 115,671	\$ 14,676
\$ 16,768	\$ 14,332	\$ 2,436	\$ 8,434	\$ 20,338	\$ (11,904)	\$ 21,055	\$ 20,138	\$ 917
11,159	11,151	8	11,552	11,820	(268)	11,553	11,051	502
\$ 27,927	\$ 25,483	\$ 2,444	\$ 19,986	\$ 32,158	\$ (12,172)	\$ 32,608	\$ 31,189	\$ 1,419
\$ 381	\$ 333	\$ 48	\$ 188	\$ 129	\$ 59	\$ 188	\$ 173	\$ 15
4,268	5,527	(1,259)	5,021	5,187	(166)	5,056	5,359	(303)
\$ 4,649	\$ 5,860	\$ (1,211)	\$ 5,209	\$ 5,316	\$ (107)	\$ 5,244	\$ 5,532	\$ (288)
\$ 108	\$ 129	\$ (21)	\$ 83	\$ 67	\$ 16	\$ 83	\$ 200	\$ (117)

The Preservation budgeted and actual amounts were adjusted for capitalized infrastructure and equipment in Fiscal Year 2006.

The Emergency Airfields (program F3, State Airport Construction and Maintenance) budget amount came from the same sources as for pavements and bridges described above but is only one-fourth of the biennial total because the budget is split evenly between state owned and leased airports.

The Rest Areas Maintenance budget is based on the biennial plan as shown in the WSDOT *Monthly Financial Report* for subprogram M2 under maintenance

group "Rest Area Maintenance". For Fiscal Year 2007, the annual budget was calculated as half the biennial amount. The Rest Areas Preservation budget is part of the P3 subprogram and consists of programmed rest area preservation projects of a non-capitalized nature. For Fiscal Years 2003 through 2005, the budget amounts are based on biennial plans as shown in the WSDOT *Monthly Financial Report* for subprogram P3 (Other Preservation), the annual budgets were calculated as half of the biennial amount times the percentage of non-capitalized rest area costs to the total costs in subprogram P3. Fiscal Year 2006's budget amount was provided by the rest area program manager.

**Combining and Individual Fund
Financial Statements –
Nonmajor Funds**

Nonmajor Governmental Funds

The nonmajor governmental funds fall into the four categories as described below.

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 legally restricted to expenditures for specified purposes.

Debt Service Funds account for the accumulation of resources for, and the payment of, principal and interest on the state's bonds issued in support of governmental activities.

Capital Projects Funds account for the acquisition, construction, or improvement of major capital facilities including higher education facilities (other than those financed by proprietary funds for individuals, private organizations, or other governments).

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.

Combining Balance Sheet - by Fund Type

Nonmajor Governmental Funds

June 30, 2007

(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
Assets:					
Cash and pooled investments	\$ 3,576,083	\$ 195,806	\$ 411,980	\$ 29,290	\$ 4,213,159
Investments	29,807	7,654	18,163	169,464	225,088
Taxes receivable (net of allowance)	121,634	-	-	-	121,634
Other receivables (net of allowance)	507,940	20,615	9,174	1,668	539,397
Due from other funds	430,248	1,843	24,051	-	456,142
Due from other governments	1,957,601	-	3,030	-	1,960,631
Inventories	35,700	-	-	-	35,700
Total Assets	\$ 6,659,013	\$ 225,918	\$ 466,398	\$ 200,422	\$ 7,551,751
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 324,614	\$ -	\$ 47,322	\$ 1	\$ 371,937
Contracts and retainages payable	65,028	-	35,325	-	100,353
Accrued liabilities	87,301	34	4,062	1,278	92,675
Obligations under security lending agreements	90,282	5,410	2,365	29,077	127,134
Due to other funds	268,383	-	31,063	638	300,084
Due to other governments	91,422	-	1,577	-	92,999
Deferred revenues	586,360	-	18,662	-	605,022
Claims and judgments payable	8,782	-	-	-	8,782
Total Liabilities	1,522,172	5,444	140,376	30,994	1,698,986
Fund Balances:					
Reserved for:					
Encumbrances	166,101	-	78,721	-	244,822
Inventories	35,700	-	-	-	35,700
Permanent funds	-	-	-	169,428	169,428
Other specific purposes	1,894,783	-	1,241	-	1,896,024
Unreserved, designated for, reported in:					
Special revenue funds	221	-	-	-	221
Debt service funds	-	220,474	-	-	220,474
Unreserved, undesignated reported in:					
Special revenue funds	3,040,036	-	-	-	3,040,036
Capital project funds	-	-	246,060	-	246,060
Total Fund Balances	5,136,841	220,474	326,022	169,428	5,852,765
Total Liabilities and Fund Balances	\$ 6,659,013	\$ 225,918	\$ 466,398	\$ 200,422	\$ 7,551,751

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - by Fund Type

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2007
(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
Revenues:					
Retail sales and use taxes	\$ 81,246	\$ -	\$ -	\$ -	\$ 81,246
Business and occupation taxes	71,577	-	-	-	71,577
Property taxes	246,582	-	-	-	246,582
Excise taxes	92,216	-	-	-	92,216
Motor vehicle and fuel taxes	1,134,622	-	-	-	1,134,622
Other taxes	713,312	-	-	-	713,312
Licenses, permits, and fees	770,193	-	-	-	770,193
Timber sales	146,733	-	5,661	-	152,394
Other contracts and grants	17,948	-	2,012	-	19,960
Federal grants-in-aid	1,051,051	-	5,276	16	1,056,343
Charges for services	467,903	-	39,734	-	507,637
Investment income (loss)	136,123	5,453	3,034	11,487	156,097
Miscellaneous revenue	330,331	48,123	16,883	431	395,768
Total Revenues	5,259,837	53,576	72,600	11,934	5,397,947
Expenditures:					
Current:					
General government	410,707	116	94,390	-	505,213
Human services	1,045,129	-	6,292	-	1,051,421
Natural resources and recreation	478,461	-	65,958	-	544,419
Transportation	1,595,799	-	10,793	-	1,606,592
Education	652,155	-	149,772	-	801,927
Intergovernmental	348,852	-	-	-	348,852
Capital outlays	1,364,769	-	738,059	-	2,102,828
Debt service:					
Principal	2,230	496,133	-	-	498,363
Interest	5,427	535,034	121	-	540,582
Total Expenditures	5,903,529	1,031,283	1,065,385	-	8,000,197
Excess of Revenues Over (Under) Expenditures	(643,692)	(977,707)	(992,785)	11,934	(2,602,250)
Other Financing Sources (Uses):					
Bonds issued	637,544	-	979,817	-	1,617,361
Refunding bonds issued	-	834,700	-	-	834,700
Payments to refunded bond escrow agents	-	(887,879)	-	-	(887,879)
Other debt issued	3,051	-	-	-	3,051
Bond issue premium	13,482	55,701	39,825	-	109,008
Transfers in	1,357,373	1,033,109	96,488	-	2,486,970
Transfers (out)	(644,382)	(43,678)	(43,132)	(7,548)	(738,740)
Total Other Financing Sources (Uses)	1,367,068	991,953	1,072,998	(7,548)	3,424,471
Net change in fund balances	723,376	14,246	80,213	4,386	822,221
Fund Balances - Beginning, as restated	4,413,465	206,228	245,809	165,042	5,030,544
Fund Balances - Ending	\$ 5,136,841	\$ 220,474	\$ 326,022	\$ 169,428	\$ 5,852,765

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 legally restricted to expenditures for specified purposes. The nonmajor Special Revenue Funds are described below:

Motor Vehicle Fund revenues are generated from vehicle fuel taxes, vehicle licenses, and federal transportation agencies. This fund accounts for the following: (1) highway activities of the Washington State Patrol; (2) operations of the state ferry system; and (3) maintenance of non-interstate highways and bridges, completion and preservation of the interstate system, and other transportation improvements.

Multimodal Transportation Fund revenues are derived principally from motor vehicle operators. This fund accounts for activities relating to drivers' licensing, driver improvement, financial responsibility, maintenance of driving records, and other non-highway transportation improvements.

School Construction Fund revenues are obtained principally from the sale of timber and investment earnings. This fund provides financing to local school districts and higher education for construction of school facilities.

The Central Administrative and Regulatory Fund accounts for operating expenditures of certain administrative and regulatory agencies.

The Human Services Fund accounts for the following: (1) funds provided to local governments for the construction or substantial remodeling of detention and correctional facilities; and (2) defraying the cost of administering unemployment compensation.

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.

The Local Construction and Loan Fund accounts for construction and loan programs for local public works projects.

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2007

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	School Construction	Central Administrative and Regulatory	Human Services
Assets:					
Cash and pooled investments	\$ 650,428	\$ 147,282	\$ 125,750	\$ 1,317,895	\$ 614,595
Investments	175	-	-	3,383	16,644
Taxes receivable (net of allowance)	98,340	3	-	4,099	17,821
Other receivables (net of allowance)	30,482	4,190	37,266	64,292	301,076
Due from other funds	129,415	12,380	81,042	90,860	38,323
Due from other governments	90,237	36,983	62	25,862	186,053
Inventories	34,983	182	-	142	20
Total Assets	\$ 1,034,060	\$ 201,020	\$ 244,120	\$ 1,506,533	\$ 1,174,532
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 170,343	\$ 25,254	\$ 279	\$ 25,962	\$ 62,342
Contracts and retainages payable	23,831	3,915	6,632	2,805	5,499
Accrued liabilities	36,488	1,749	60	5,439	16,505
Obligations under security lending agreements	27,977	6,760	5,601	4,690	24,544
Due to other funds	128,626	10,021	11,087	30,408	32,495
Due to other governments	49,913	13,660	1,903	10,737	3,519
Deferred revenues	22,610	5,151	31,567	100,857	356,919
Claims and judgments payable	-	-	-	8,782	-
Total Liabilities	459,788	66,510	57,129	189,680	501,823
Fund Balances:					
Reserved for:					
Encumbrances	-	-	-	62	-
Inventories	34,983	182	-	142	20
Other specific purposes	1,344	1,569	-	302,835	47,416
Unreserved, designated for, reported in:					
Special revenue funds	-	-	-	-	125
Unreserved, undesignated	537,945	132,759	186,991	1,013,814	625,148
Total Fund Balances	574,272	134,510	186,991	1,316,853	672,709
Total Liabilities and Fund Balances	\$ 1,034,060	\$ 201,020	\$ 244,120	\$ 1,506,533	\$ 1,174,532

Wildlife and Natural Resources	Local Construction and Loan	Total
\$ 498,148	\$ 221,985	\$ 3,576,083
9,605	-	29,807
1,207	164	121,634
62,412	8,222	507,940
63,581	14,647	430,248
553,447	1,064,957	1,957,601
373	-	35,700
\$ 1,188,773	\$ 1,309,975	\$ 6,659,013

\$ 26,129	\$ 14,305	\$ 324,614
22,285	61	65,028
8,128	18,932	87,301
11,281	9,429	90,282
44,539	11,207	268,383
11,589	101	91,422
56,251	13,005	586,360
-	-	8,782
180,202	67,040	1,522,172

159,638	6,401	166,101
373	-	35,700
516,328	1,025,291	1,894,783
-	96	221
332,232	211,147	3,040,036
1,008,571	1,242,935	5,136,841
\$ 1,188,773	\$ 1,309,975	\$ 6,659,013

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2007

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	School Construction	Central Administrative and Regulatory	Human Services
Revenues:					
Retail sales and use taxes	\$ -	\$ 60,807	\$ -	\$ 20,249	\$ 163
Business and occupation taxes	-	-	-	-	71,577
Property taxes	-	-	-	246,582	-
Excise taxes	-	24	-	-	27,622
Motor vehicle and fuel taxes	1,120,768	2,646	-	-	-
Other taxes	23	-	-	116,905	414,458
Licenses, permits, and fees	369,136	135,269	-	97,424	55,451
Timber sales	-	-	72,162	5,701	-
Other contracts and grants	6,286	25	-	2,602	5,285
Federal grants-in-aid	518,635	226,979	-	83,316	178,987
Charges for services	183,761	49,714	-	53,021	178,141
Investment income (loss)	27,111	5,674	2,634	47,493	17,573
Miscellaneous revenue	16,385	24,778	18,059	22,374	162,537
Total Revenues	2,242,105	505,916	92,855	695,667	1,111,794
Expenditures:					
Current:					
General government	7,657	101	-	244,881	117,088
Human services	-	-	1,257	67,798	971,935
Natural resources and recreation	775	-	-	8,975	1,456
Transportation	1,160,728	395,609	-	30,692	7,370
Education	-	-	196,512	402,271	51,303
Intergovernmental	247,121	2,078	-	98,482	1,077
Capital outlays	1,240,414	82,570	6,701	8,272	3,621
Debt service:					
Principal	245	194	-	850	294
Interest	578	175	-	1,082	214
Total Expenditures	2,657,518	480,727	204,470	863,303	1,154,358
Excess of Revenues Over (Under) Expenditures	(415,413)	25,189	(111,615)	(167,636)	(42,564)
Other Financing Sources (Uses):					
Bonds issued	594,591	15,420	-	-	-
Other debt issued	-	-	-	-	71
Bond issue premium	12,157	1,031	-	-	-
Transfers in	106,384	45,240	268,657	619,115	268,969
Transfers (out)	(336,360)	(41,222)	(76,484)	(43,547)	(126,334)
Total Other Financing Sources (Uses)	376,772	20,469	192,173	575,568	142,706
Net change in fund balances	(38,641)	45,658	80,558	407,932	100,142
Fund Balances - Beginning, as restated	612,913	88,852	106,433	908,921	572,567
Fund Balances - Ending	\$ 574,272	\$ 134,510	\$ 186,991	\$ 1,316,853	\$ 672,709

Wildlife and Natural Resources	Local Construction and Loan	Total
\$ 27	\$ -	\$ 81,246
-	-	71,577
-	-	246,582
-	64,570	92,216
11,208	-	1,134,622
137,826	44,100	713,312
112,459	454	770,193
68,870	-	146,733
3,750	-	17,948
43,134	-	1,051,051
3,266	-	467,903
19,076	16,562	136,123
84,609	1,589	330,331
484,225	127,275	5,259,837
15,311	25,669	410,707
4,139	-	1,045,129
449,537	17,718	478,461
1,400	-	1,595,799
2,069	-	652,155
94	-	348,852
22,736	455	1,364,769
647	-	2,230
3,378	-	5,427
499,311	43,842	5,903,529
(15,086)	83,433	(643,692)
15,025	12,508	637,544
2,980	-	3,051
150	144	13,482
44,852	4,156	1,357,373
(16,279)	(4,156)	(644,382)
46,728	12,652	1,367,068
31,642	96,085	723,376
976,929	1,146,850	4,413,465
\$ 1,008,571	\$ 1,242,935	\$ 5,136,841

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

Nonmajor Special Revenue Funds

For the Biennium Ended June 30, 2007

(expressed in thousands)

	Motor Vehicle			
	Original Budget 2005-07 Biennium	Final Budget 2005-07 Biennium	Actual 2005-07 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 368,226	\$ 368,226	\$ 368,226	\$ -
Resources:				
Taxes	1,725,162	1,657,548	1,655,075	(2,473)
Licenses, permits, and fees	651,094	721,780	725,136	3,356
Other contracts and grants	-	9,676	10,308	632
Timber sales	3	90	78	(12)
Federal grants-in-aid	723,616	902,180	888,254	(13,926)
Charges for services	348,158	324,593	343,957	19,364
Interest income	10,726	42,513	45,126	2,613
Miscellaneous revenue	19,417	68,150	39,342	(28,808)
Transfers from other funds	272,792	665,937	230,634	(435,303)
Total Resources	4,119,194	4,760,693	4,306,136	(454,557)
Charges to appropriations:				
General government	32,940	17,751	10,652	7,099
Human services	-	-	-	-
Natural resources and recreation	1,305	1,306	1,304	2
Transportation	1,369,892	1,429,957	1,416,582	13,375
Education	-	-	-	-
Capital outlays	3,579,456	3,541,937	2,900,647	641,290
Transfers to other funds	550,615	673,323	641,274	32,049
Total Charges to appropriations	5,534,208	5,664,274	4,970,459	693,815
Excess available for appropriation				
Over (Under) charges to appropriations	(1,415,014)	(903,581)	(664,323)	239,258
Reconciling items:				
Bond sale proceeds	1,627,566	920,492	1,161,593	241,101
Bond issue premium	8,364	32,409	44,566	12,157
Changes in reserves (net)	-	-	(5,791)	(5,791)
Entity adjustments (net)	-	-	1,900	1,900
Total Reconciling Items	1,635,930	952,901	1,202,268	249,367
Budgetary Fund Balance, June 30	\$ 220,916	\$ 49,320	\$ 537,945	\$ 488,625

Continued

Multimodal Transportation				Common School Construction			
Original Budget 2005-07 Biennium	Final Budget 2005-07 Biennium	Actual 2005-07 Biennium	Variance with Final Budget	Original Budget 2005-07 Biennium	Final Budget 2005-07 Biennium	Actual 2005-07 Biennium	Variance with Final Budget
\$ 83,257	\$ 83,257	\$ 83,257	\$ -	\$ 69,673	\$ 69,673	\$ 69,673	\$ -
117,848	122,890	123,514	624	-	-	-	-
121,691	218,797	226,313	7,516	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	474,831	195,822	132,310	(63,512)
25,967	36,918	29,291	(7,627)	261	-	-	-
1,028	-	152	152	-	-	-	-
1,712	6,811	6,795	(16)	4,040	4,861	4,621	(240)
25,304	32,538	26,946	(5,592)	24,090	34,202	36,597	2,395
5,385	43,088	37,800	(5,288)	571,692	597,283	495,511	(101,772)
382,192	544,299	534,068	(10,231)	1,144,587	901,841	738,712	(163,129)
399	425	101	324	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
256,603	274,330	268,325	6,005	-	-	-	-
-	-	-	-	-	-	-	-
136,912	143,967	80,917	63,050	814,853	880,696	533,139	347,557
26,766	80,067	79,363	704	14,886	13,575	18,940	(5,365)
420,680	498,789	428,706	70,083	829,739	894,271	552,079	342,192
(38,488)	45,510	105,362	59,852	314,848	7,570	186,633	179,063
46,038	16,350	15,420	(930)	(8,035)	-	-	-
1,062	-	1,031	1,031	-	-	-	-
-	-	(419)	(419)	-	-	3,605	3,605
-	-	11,365	11,365	-	-	(3,247)	(3,247)
47,100	16,350	27,397	11,047	(8,035)	-	358	358
\$ 8,612	\$ 61,860	\$ 132,759	\$ 70,899	\$ 306,813	\$ 7,570	\$ 186,991	\$ 179,421

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

Nonmajor Special Revenue Funds

For the Biennium Ended June 30, 2007

(expressed in thousands)

	Central Administrative and Regulatory			
	Original Budget 2005-07 Biennium	Final Budget 2005-07 Biennium	Actual 2005-07 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 231,910	\$ 231,910	\$ 231,910	\$ -
Resources:				
Taxes	756,879	571,614	529,787	(41,827)
Licenses, permits, and fees	166,135	182,758	115,590	(67,168)
Other contracts and grants	1,843	7,349	2	(7,347)
Timber sales	11,798	9,478	8,630	(848)
Federal grants-in-aid	89,979	90,677	66,923	(23,754)
Charges for services	85,109	87,325	83,933	(3,392)
Interest income	25,803	66,095	68,590	2,495
Miscellaneous revenue	38,422	39,023	24,593	(14,430)
Transfers from other funds	161,475	1,081,358	1,395,954	314,596
Total Resources	1,569,353	2,367,587	2,525,912	158,325
Charges to appropriations:				
General government	293,245	335,720	268,737	66,983
Human services	98,479	110,890	110,374	516
Natural resources and recreation	20,448	21,285	21,122	163
Transportation	49,707	57,503	52,017	5,486
Education	629,356	668,776	668,776	-
Capital outlays	16,192	17,454	12,315	5,139
Transfers to other funds	145,304	104,741	112,902	(8,161)
Total Charges to appropriations	1,252,731	1,316,369	1,246,243	70,126
Excess available for appropriation				
Over (Under) charges to appropriations	316,622	1,051,218	1,279,669	228,451
Reconciling items:				
Bond sale proceeds	2,765	12,000	-	(12,000)
Bond issue premium	473	-	-	-
Changes in reserves (net)	-	-	(292,083)	(292,083)
Entity adjustments (net)	-	-	26,290	26,290
Total Reconciling Items	3,238	12,000	(265,793)	(277,793)
Budgetary Fund Balance, June 30	\$ 319,860	\$ 1,063,218	\$ 1,013,876	\$ (49,342)

Continued

Human Services				Wildlife and Natural Resources			
Original Budget 2005-07 Biennium *	Final Budget 2005-07 Biennium	Actual 2005-07 Biennium	Variance with Final Budget	Original Budget 2005-07 Biennium	Final Budget 2005-07 Biennium	Actual 2005-07 Biennium	Variance with Final Budget
\$ 338,407	\$ 338,407	\$ 338,407	\$ -	\$ 484,597	\$ 484,597	\$ 484,597	\$ -
944,060	1,021,448	1,011,419	(10,029)	213,365	290,154	294,656	4,502
117,825	109,176	106,980	(2,196)	212,196	220,143	148,528	(71,615)
1,350	6,335	4,223	(2,112)	13,848	8,211	7,027	(1,184)
-	-	-	-	136,727	194,868	135,878	(58,990)
415,930	395,878	245,628	(150,250)	182,845	85,767	76,138	(9,629)
213,916	303,819	222,905	(80,914)	3,713	5,394	5,746	352
13,295	25,476	23,560	(1,916)	25,479	32,758	30,550	(2,208)
444,218	292,221	285,745	(6,476)	300,494	211,219	165,329	(45,890)
298,994	605,582	596,736	(8,846)	48,639	98,998	75,596	(23,402)
2,787,995	3,098,342	2,835,603	(262,739)	1,621,903	1,632,109	1,424,045	(208,064)
203,642	218,562	198,243	20,319	4,969	5,242	5,175	67
1,696,122	1,746,318	1,691,140	55,178	7,123	7,146	7,146	-
2,777	2,788	2,778	10	558,252	572,971	522,085	50,886
18,829	16,163	14,763	1,400	1,544	1,469	1,367	102
2,950	2,950	2,902	48	-	-	-	-
109,291	140,571	62,156	78,415	690,420	780,250	375,926	404,324
326,568	280,206	283,318	(3,112)	55,632	62,560	43,838	18,722
2,360,179	2,407,558	2,255,300	152,258	1,317,940	1,429,638	955,537	474,101
427,816	690,784	580,303	(110,481)	303,963	202,471	468,508	266,037
-	-	-	-	32,000	11,525	23,525	12,000
-	-	-	-	-	-	205	205
-	-	13,583	13,583	-	-	9,246	9,246
-	-	31,387	31,387	-	-	(9,614)	(9,614)
-	-	44,970	44,970	32,000	11,525	23,362	11,837
\$ 427,816	\$ 690,784	\$ 625,273	\$ (65,511)	\$ 335,963	\$ 213,996	\$ 491,870	\$ 277,874

*Amount changed due to fund reclassification.

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

Nonmajor Special Revenue Funds

Concluded

For the Biennium Ended June 30, 2007

(expressed in thousands)

	Local Construction and Loan Fund			
	Original Budget 2005-07 Biennium	Final Budget 2005-07 Biennium	Actual 2005-07 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 173,260	\$ 173,260	\$ 173,260	\$ -
Resources:				
Taxes	186,154	337,871	211,312	(126,559)
Licenses, permits, and fees	416	440	-	(440)
Other contracts and grants	-	-	-	-
Timber sales	-	-	-	-
Federal grants-in-aid	-	-	-	-
Charges for services	-	-	-	-
Interest income	5,189	25,122	30,182	5,060
Miscellaneous revenue	403,272	258,541	165,088	(93,453)
Transfers from other funds	12,812	12,812	12,812	-
Total Resources	781,103	808,046	592,654	(215,392)
Charges to appropriations:				
General government	4,209	4,269	4,194	75
Human services	-	-	-	-
Natural resources and recreation	384	386	377	9
Transportation	-	-	-	-
Education	-	-	-	-
Capital outlays	791,376	801,507	372,205	429,302
Transfers to other funds	21,212	21,212	21,212	-
Total Charges to appropriations	817,181	827,374	397,988	429,386
Excess available for appropriation				
Over (Under) charges to appropriations	(36,078)	(19,328)	194,666	213,994
Reconciling items:				
Bond sale proceeds	43,674	22,012	22,010	(2)
Bond issue premium	-	-	144	144
Changes in reserves (net)	-	-	1,693	1,693
Entity adjustments (net)	-	-	(869)	(869)
Total Reconciling Items	43,674	22,012	22,978	966
Budgetary Fund Balance, June 30	\$ 7,596	\$ 2,684	\$ 217,644	\$ 214,960

Nonmajor Debt Service Funds

Debt Service Funds account for the accumulation of resources 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:

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.

The Transportation General Obligation Bond Fund accounts for the accumulation of resources for, and payment of, general obligation transportation bond principal and interest.

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.

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2007

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Total
Assets:				
Cash and pooled investments	\$ 14,628	\$ 118,815	\$ 62,363	\$ 195,806
Investments	7,654	-	-	7,654
Other receivables (net of allowance)	527	-	20,088	20,615
Due from other funds	1,512	331	-	1,843
Total Assets	\$ 24,321	\$ 119,146	\$ 82,451	\$ 225,918
Liabilities and Fund Balances				
Liabilities:				
Accrued liabilities	\$ 7	\$ 12	\$ 15	\$ 34
Obligations under security lending agreements	709	4,701	-	5,410
Total Liabilities	716	4,713	15	5,444
Fund Balances:				
Unreserved, designated	23,605	114,433	82,436	220,474
Total Fund Balances	23,605	114,433	82,436	220,474
Total Liabilities and Fund Balances	\$ 24,321	\$ 119,146	\$ 82,451	\$ 225,918

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Debt Service Funds

For the Fiscal Year Ended June 30, 2007

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Total
Revenues:				
Investment income (loss)	\$ 718	\$ 2,082	\$ 2,653	\$ 5,453
Miscellaneous revenue	9,361	-	38,762	48,123
Total Revenues	10,079	2,082	41,415	53,576
Expenditures:				
General government	-	-	116	116
Debt service:				
Principal	384,533	104,285	7,315	496,133
Interest	391,086	112,016	31,932	535,034
Total Expenditures	775,619	216,301	39,363	1,031,283
Excess of Revenues Over (Under) Expenditures	(765,540)	(214,219)	2,052	(977,707)
Other Financing Sources (Uses):				
Refunding bonds issued	697,860	136,840	-	834,700
Payments to refunded bond escrow agents	(742,613)	(145,266)	-	(887,879)
Bond issue premium	46,603	9,098	-	55,701
Transfers in	813,000	220,109	-	1,033,109
Transfers (out)	(43,678)	-	-	(43,678)
Total Other Financing Sources (Uses)	771,172	220,781	-	991,953
Net change in fund balances	5,632	6,562	2,052	14,246
Fund Balances - Beginning	17,973	107,871	80,384	206,228
Fund Balances - Ending	\$ 23,605	\$ 114,433	\$ 82,436	\$ 220,474

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

Nonmajor Debt Service Funds

For the Biennium Ended June 30, 2007

(expressed in thousands)

	General Obligation Bond			
	Original Budget 2005-07 Biennium	Final Budget 2005-07 Biennium	Actual 2005-07 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 20,243	\$ 20,243	\$ 20,243	\$ -
Resources:				
Charges for services	9,013	14,899	-	(14,899)
Interest income	428	717	-	(717)
Miscellaneous revenue	29,728	14,124	-	(14,124)
Transfers from other funds	283,572	181,337	140,566	(40,771)
Total Resources	342,984	231,320	160,809	(70,511)
Charges to appropriations:				
General government	147,315	139,375	139,248	127
Transfers to other funds	32,601	60,601	1,318	59,283
Debt service	1,748	1,748	3,598	(1,850)
Total Charges to appropriations	181,664	201,724	144,164	57,560
Excess available for appropriation				
Over (Under) charges to appropriations	161,320	29,596	16,645	(12,951)
Reconciling items:				
Proceeds of refunding bonds	243,155	461,170	1,159,030	697,860
Payments to refunded bond escrow agents	(255,622)	(499,777)	(1,242,391)	(742,614)
Bond issue premium	14,214	40,355	86,959	46,604
Entity adjustments (net)	-	-	3,362	3,362
Total Reconciling Items	1,747	1,748	6,960	5,212
Budgetary Fund Balance, June 30	\$ 163,067	\$ 31,344	\$ 23,605	\$ (7,739)

Transportation General Obligation Bond			
Original Budget 2005-07 Biennium	Final Budget 2005-07 Biennium	Actual 2005-07 Biennium	Variance with Final Budget
\$ 76,894	\$ 76,894	\$ 76,894	\$ -
-	-	-	-
1,986	2,995	3,503	508
-	-	-	-
397,858	440,176	432,470	(7,706)
476,738	520,065	512,867	(7,198)
424,822	398,877	398,410	467
-	6,525	-	6,525
1,422	-	672	(672)
426,244	405,402	399,082	6,320
50,494	114,663	113,785	(878)
213,520	-	136,840	136,840
(225,378)	-	(145,266)	(145,266)
13,280	-	9,098	9,098
-	-	(24)	(24)
1,422	-	648	648
\$ 51,916	\$ 114,663	\$ 114,433	\$ (230)

Nonmajor Capital Projects Funds

Capital Projects Funds account for the acquisition, construction, or improvement of major capital facilities (other than those financed by proprietary funds for individuals, private organizations, or other governments). The Capital Projects Funds are described below:

The State Facilities Fund accounts for the construction and remodeling of public buildings.

The Higher Education Facilities Fund accounts for the acquisition, construction, and remodeling of higher education facilities.

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2007

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
Assets:			
Cash and pooled investments	\$ 220,565	\$ 191,415	\$ 411,980
Investments	-	18,163	18,163
Other receivables (net of allowance)	5,423	3,751	9,174
Due from other funds	20,334	3,717	24,051
Due from other governments	1,512	1,518	3,030
Total Assets	\$ 247,834	\$ 218,564	\$ 466,398
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 30,411	\$ 16,911	\$ 47,322
Contracts and retainages payable	33,926	1,399	35,325
Accrued liabilities	3,964	98	4,062
Obligations under security lending agreements	39	2,326	2,365
Due to other funds	14,621	16,442	31,063
Due to other governments	1,577	-	1,577
Deferred revenues	5,382	13,280	18,662
Total Liabilities	89,920	50,456	140,376
Fund Balances:			
Reserved for:			
Encumbrances	78,721	-	78,721
Other specific purposes	1,241	-	1,241
Unreserved, undesignated	77,952	168,108	246,060
Total Fund Balances	157,914	168,108	326,022
Total Liabilities and Fund Balances	\$ 247,834	\$ 218,564	\$ 466,398

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Capital Projects Funds

For the Fiscal Year Ended June 30, 2007

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
Revenues:			
Timber sales	\$ 5,661	\$ -	\$ 5,661
Other contracts and grants	-	2,012	2,012
Federal grants-in-aid	-	5,276	5,276
Charges for services	-	39,734	39,734
Investment income (loss)	-	3,034	3,034
Miscellaneous revenue	7,751	9,132	16,883
Total Revenues	13,412	59,188	72,600
Expenditures:			
Current:			
General government	92,880	1,510	94,390
Human services	6,292	-	6,292
Natural resources and recreation	65,958	-	65,958
Transportation	10,793	-	10,793
Education	102,625	47,147	149,772
Capital outlays	520,666	217,393	738,059
Debt service:			
Interest	44	77	121
Total Expenditures	799,258	266,127	1,065,385
Excess of Revenues Over (Under) Expenditures	(785,846)	(206,939)	(992,785)
Other Financing Sources (Uses):			
Bonds issued	839,817	140,000	979,817
Bond issue premium	32,437	7,388	39,825
Transfers in	1,302	95,186	96,488
Transfers (out)	(8,940)	(34,192)	(43,132)
Total Other Financing Sources (Uses)	864,616	208,382	1,072,998
Net change in fund balances	78,770	1,443	80,213
Fund Balances - Beginning	79,144	166,665	245,809
Fund Balances - Ending	\$ 157,914	\$ 168,108	\$ 326,022

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

Nonmajor Capital Projects Funds

For the Biennium Ended June 30, 2007

(expressed in thousands)

	State Facilities			
	Original Budget 2005-07 Biennium	Final Budget 2005-07 Biennium	Actual 2005-07 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 155,462	\$ 155,462	\$ 155,462	\$ -
Resources:				
Timber sales	-	11,856	12,194	338
Charges for services	-	-	-	-
Interest income	-	119	1	(118)
Miscellaneous revenue	273	16,814	16,851	37
Transfers from other funds	2,730	2,398	2,259	(139)
Total Resources	158,465	186,649	186,767	118
Charges to appropriations:				
General government	5,156	8,205	6,597	1,608
Capital outlays	1,833,540	1,941,927	1,312,281	629,646
Transfers to other funds	17,649	17,922	17,726	196
Total Charges to appropriations	1,856,345	1,968,054	1,336,604	631,450
Excess available for appropriation				
Over (Under) charges to appropriations	(1,697,880)	(1,781,405)	(1,149,837)	631,568
Reconciling items:				
Bond sale proceeds	1,853,832	1,843,083	1,250,585	(592,498)
Bond issue premium	27,475	60,000	56,690	(3,310)
Changes in reserves (net)	-	-	(739)	(739)
Entity adjustments (net)	-	-	(26)	(26)
Total Reconciling Items	1,881,307	1,903,083	1,306,510	(596,573)
Budgetary Fund Balance, June 30	\$ 183,427	\$ 121,678	\$ 156,673	\$ 34,995

Higher Education Facilities			
Original Budget 2005-07 Biennium	Final Budget 2005-07 Biennium	Actual 2005-07 Biennium	Variance with Final Budget
\$ 133,890	\$ 133,890	\$ 133,890	\$ -
120	199	-	(199)
83,409	74,190	76,903	2,713
4,973	3,442	3,283	(159)
5,399	253	261	8
79,730	82,000	104,946	22,946
307,521	293,974	319,283	25,309
1,667	1,847	1,400	447
538,626	568,895	399,964	168,931
21,754	15,391	38,297	(22,906)
562,047	586,133	439,661	146,472
(254,526)	(292,159)	(120,378)	171,781
512,777	461,320	241,320	(220,000)
5,368	14,549	13,937	(612)
-	-	35,879	35,879
-	-	(2,650)	(2,650)
518,145	475,869	288,486	(187,383)
\$ 263,619	\$ 183,710	\$ 168,108	\$ (15,602)

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 described below:

The Liquor Fund accounts for the administration and operation of state liquor stores, warehouses, and the distribution of net proceeds.

The Convention and Trade Fund accounts for the acquisition, design, construction, promotion, and operation of the State Convention and Trade Center.

The Lottery Fund accounts for lottery ticket revenues, administrative and operating expenses of the Lottery Commission, and the distribution of revenue.

The Institutional Fund accounts for the enterprise activities (industries) carried out through vocational/education programs at the correctional institutions.

The Other Activities Fund accounts for the following: (1) the guaranteed college tuition program; (2) the operation of computer systems for legislative information; (3) the production and sale of statute law publications and official reports; and (4) Judicial Information System users.

Combining Statement of Fund Net Assets

Nonmajor Enterprise Funds

June 30, 2007

(expressed in thousands)

	Liquor	Convention and Trade	Lottery	Institutional
Assets				
Current Assets:				
Cash and pooled investments	\$ 36,963	\$ 68,398	\$ 37,269	\$ 9,343
Investments	-	-	62,871	-
Taxes receivable (net of allowance)	4,962	-	-	-
Other receivables (net of allowance)	6,473	5,284	17,770	656
Due from other funds	6,685	204	798	9,352
Due from other governments	-	-	-	403
Inventories	37,248	-	339	8,198
Prepaid expenses	66	266	848	127
Total Current Assets	92,397	74,152	119,895	28,079
Noncurrent Assets:				
Investments, noncurrent	-	-	338,585	-
Other noncurrent assets	-	-	-	-
Capital Assets:				
Land	177	77,356	-	1,540
Buildings	16,634	379,328	-	12,828
Other improvements	134	11,788	535	1,844
Furnishings, equipment, and collections	27,807	5,150	517	18,439
Accumulated depreciation	(20,888)	(92,564)	(664)	(11,605)
Construction in progress	10,857	-	-	-
Total Noncurrent Assets	34,721	381,058	338,973	23,046
Total Assets	\$ 127,118	\$ 455,210	\$ 458,868	\$ 51,125
Liabilities				
Current Liabilities:				
Accounts payable	\$ 38,526	\$ 364	\$ 4,782	\$ 4,629
Contracts and retainages payable	-	6,356	-	-
Accrued liabilities	19,560	3,226	89,723	1,917
Obligations under security lending agreements	-	-	-	-
Bonds and notes payable	2,040	19,897	-	434
Due to other funds	7,947	335	6,401	1,132
Due to other governments	-	-	51	-
Unearned revenues	3	66	-	24
Claims and judgments payable	-	-	-	-
Total Current Liabilities	68,076	30,244	100,957	8,136
Noncurrent Liabilities:				
Claims and judgments payable	-	-	-	-
Bonds and notes payable	14,485	226,303	-	8,650
Other long-term liabilities	3,997	-	326,911	1,312
Total Noncurrent Liabilities	18,482	226,303	326,911	9,962
Total Liabilities	86,558	256,547	427,868	18,098
Net Assets:				
Invested in capital assets, net of related debt	18,198	134,858	388	13,962
Unrestricted	22,362	63,805	30,612	19,065
Total Net Assets (Deficit)	\$ 40,560	\$ 198,663	\$ 31,000	\$ 33,027

Other Activities	Total
\$ 155,840	\$ 307,813
372,877	435,748
-	4,962
5,770	35,953
1,161	18,200
3,156	3,559
-	45,785
11	1,318
<u>538,815</u>	<u>853,338</u>
932,257	1,270,842
155,848	155,848
-	79,073
-	408,790
184	14,485
8,813	60,726
(7,140)	(132,861)
-	10,857
<u>1,089,962</u>	<u>1,867,760</u>
<u>\$ 1,628,777</u>	<u>\$ 2,721,098</u>
\$ 3,063	\$ 51,364
35,700	42,056
18,544	132,970
372,877	372,877
28,780	51,151
41,666	57,481
4,928	4,979
-	93
2,110	2,110
<u>507,668</u>	<u>715,081</u>
4,343	4,343
26	249,464
<u>896,790</u>	<u>1,229,010</u>
<u>901,159</u>	<u>1,482,817</u>
<u>1,408,827</u>	<u>2,197,898</u>
1,818	169,224
<u>218,132</u>	<u>353,976</u>
<u>\$ 219,950</u>	<u>\$ 523,200</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2007

(expressed in thousands)

	Liquor	Convention and Trade	Lottery	Institutional
Operating Revenues:				
Sales	\$ 500,507	\$ -	\$ -	\$ 62,694
Less: Cost of goods sold	348,981	-	-	49,549
Gross profit	151,526	-	-	13,145
Charges for services	1,296	18,113	-	-
Lottery ticket proceeds	-	-	492,591	-
Miscellaneous revenue	347	3	24	2,109
Total Operating Revenues	153,169	18,116	492,615	15,254
Operating Expenses:				
Salaries and wages	37,148	6,692	6,909	11,522
Employee benefits	14,810	2,939	1,946	3,557
Personal services	704	5,819	9,898	-
Goods and services	47,015	5,640	54,230	792
Travel	718	27	477	153
Premiums and claims	-	-	-	27
Lottery prize payments	-	-	304,834	-
Depreciation and amortization	5,204	8,266	114	1,447
Miscellaneous expenses	41	-	19	21
Total Operating Expenses	105,640	29,383	378,427	17,519
Operating Income (Loss)	47,529	(11,267)	114,188	(2,265)
Nonoperating Revenues (Expenses):				
Earnings (loss) on investments	-	-	26,629	10
Interest expense	(257)	(14,590)	(27,100)	(350)
Distributions to other governments	(35,988)	-	(4,530)	-
Other revenue (expenses)	63,141	56,111	9	2
Total Nonoperating Revenues (Expenses)	26,896	41,521	(4,992)	(338)
Income (Loss) Before Contributions and Transfers	74,425	30,254	109,196	(2,603)
Transfers in	4,005	-	11,691	129
Transfers (out)	(89,047)	(5,150)	(125,081)	(434)
Net Contributions and Transfers	(85,042)	(5,150)	(113,390)	(305)
Change in Net Assets	(10,617)	25,104	(4,194)	(2,908)
Net Assets (Deficit) - Beginning, as restated	51,177	173,559	35,194	35,935
Net Assets (Deficit) - Ending	\$ 40,560	\$ 198,663	\$ 31,000	\$ 33,027

Other Activities	Total
\$ -	\$ 563,201
-	398,530
-	164,671
59,272	78,681
-	492,591
6,464	8,947
65,736	744,890
18,909	81,180
5,108	28,360
2,071	18,492
14,761	122,438
1,063	2,438
-	27
-	304,834
992	16,023
47,594	47,675
90,498	621,467
(24,762)	123,423
109,881	136,520
(2)	(42,299)
-	(40,518)
12,288	131,551
122,167	185,254
97,405	308,677
1,367	17,192
(538)	(220,250)
829	(203,058)
98,234	105,619
121,716	417,581
\$ 219,950	\$ 523,200

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2007

(expressed in thousands)

	Liquor	Convention and Trade	Lottery	Institutional
Cash Flows from Operating Activities:				
Receipts from customers	\$ 499,715	\$ 15,592	\$ 490,512	\$ 61,182
Payments to suppliers	(364,516)	(8,123)	(427,516)	(46,408)
Payments to employees	(51,652)	(9,553)	(8,636)	(14,925)
Other receipts (payments)	347	3	24	2,106
Net Cash Provided (Used) by Operating Activities	83,894	(2,081)	54,384	1,955
Cash Flows from Noncapital Financing Activities:				
Transfers in	4,005	-	11,691	129
Transfers out	(89,047)	(5,150)	(125,081)	(434)
Operating grants and donations received	5	-	-	-
Taxes and license fees collected	63,167	56,111	20	-
Distributions to other governments	(35,988)	-	(4,530)	-
Other noncapital financing sources	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(57,858)	50,961	(117,900)	(305)
Cash Flows from Capital and				
Interest paid	(257)	(10,404)	-	(350)
Principal payments on long-term capital financing	(10,133)	(18,977)	-	(385)
Proceeds from long-term capital financing	16,525	-	-	449
Proceeds from sale of capital assets	31	175	115	283
Acquisitions of capital assets	(11,454)	(2,516)	(368)	(2,304)
Net Cash or Pooled Investments Provided by (Used in) Capital and Related Financing Activities	(5,288)	(31,722)	(253)	(2,307)
Cash Flows from Investing Activities:				
Receipt of interest	-	-	2,757	10
Proceeds from sale of investment securities	-	-	163,149	-
Purchases of investment securities	-	-	(103,894)	-
Net Cash Provided by (Used in) Investing Activities	-	-	62,012	10
Net Increase (Decrease) in Cash	20,748	17,158	(1,757)	(647)
Cash and Pooled Investments, July 1	16,215	51,240	39,026	9,990
Cash and Pooled Investments, June 30	\$ 36,963	\$ 68,398	\$ 37,269	\$ 9,343
Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ 47,529	\$ (11,267)	\$ 114,188	\$ (2,265)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:				
Depreciation	5,204	8,266	114	1,447
Change in Assets: Decrease (Increase)				
Receivables (net of allowance)	(2,067)	(2,543)	(2,066)	(1,515)
Inventories	(373)	-	(88)	3,054
Prepaid expenses	(66)	1	(326)	2
Change in Liabilities: Increase (Decrease)				
Payables	33,667	3,462	(57,438)	1,232
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	\$ 83,894	\$ (2,081)	\$ 54,384	\$ 1,955
Noncash Investing, Capital, and Financing Activities:				
Amortization of annuity prize liability	\$ -	\$ -	\$ (27,100)	\$ -
Increase (decrease) in fair value of investments	-	-	23,871	-
Accretion of interest on zero coupon bonds	-	(3,596)	-	-

Other Activities	Total
\$ 31,924	\$ 1,098,925
129,779	(716,784)
(23,934)	(108,700)
6,463	8,943
144,232	282,384
1,367	17,192
(538)	(220,250)
-	5
12,436	131,734
-	(40,518)
3,240	3,240
16,505	(108,597)
(2)	(11,013)
(49)	(29,544)
-	16,974
283	887
(336)	(16,978)
(104)	(39,674)
25,571	28,338
248,898	412,047
(392,886)	(496,780)
(118,417)	(56,395)
42,216	77,718
113,624	230,095
\$ 155,840	\$ 307,813
\$ (24,762)	\$ 123,423
992	16,023
(27,359)	(35,550)
-	2,593
1	(388)
195,360	176,283
\$ 144,232	\$ 282,384
\$ -	\$ (27,100)
83,647	107,518
-	(3,596)

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:

The General Services Fund accounts for the cost of providing the following services to state agencies: (1) legal services; (2) operation and management of real estate; (3) facilities and related services; (4) central stores; (5) operations of the motor pool; (6) auditing of state and local governmental units; (7) administration of the state civil service law; (8) administrative hearings; and (9) archives and records management.

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.

The Printing Services Fund accounts for the operation of the state printing plant.

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.

The Risk Management Fund accounts for the administration of liability, property, and vehicle claims, including investigation, claim processing, negotiation and settlement, and other expenses relating to settlements and judgments against the state not otherwise budgeted.

The Health Insurance Fund accounts for premiums collected and payments for employees' insurance benefits.

Combining Statement of Fund Net Assets

Internal Service Funds

June 30, 2007

(expressed in thousands)

	General Services	Data Processing Revolving	Printing Services	Higher Education Revolving
Assets				
Current Assets:				
Cash and pooled investments	\$ 33,500	\$ 37,769	\$ 1,950	\$ 104,632
Investments	213	-	-	547
Other receivables (net of allowance)	2,694	94	-	3,189
Due from other funds	30,086	45,693	3,870	7,473
Due from other governments	1,778	3,460	95	14
Inventories	6,505	493	596	11,073
Prepaid expenses	7	3,231	204	41
Total Current Assets	74,783	90,740	6,715	126,969
Noncurrent Assets:				
Investments, noncurrent	-	-	-	1,127
Other noncurrent assets	183	-	-	-
Capital Assets:				
Land	3,797	-	-	30
Buildings	117,172	-	-	5,455
Other improvements	12,915	5,282	-	97
Furnishings, equipment, and collections	395,245	211,235	9,574	89,196
Infrastructure	478	-	-	-
Accumulated depreciation	(216,822)	(129,743)	(6,345)	(72,480)
Construction in progress	15,989	1,665	27	-
Total Noncurrent Assets	328,957	88,439	3,256	23,425
Total Assets	\$ 403,740	\$ 179,179	\$ 9,971	\$ 150,394
Liabilities				
Current Liabilities:				
Accounts payable	\$ 8,692	\$ 16,682	\$ 3,537	\$ 6,758
Contracts and retainages payable	934	-	-	5
Accrued liabilities	7,960	1,768	316	12,754
Obligations under security lending agreements	222	-	-	-
Bonds and notes payable	6,705	7,411	184	644
Due to other funds	7,307	29,333	76	23,589
Due to other governments	31	7	-	5
Unearned revenues	1,878	2,173	-	86
Claims and judgments payable	-	-	-	7,000
Total Current Liabilities	33,729	57,374	4,113	50,841
Noncurrent Liabilities:				
Claims and judgments payable	-	-	-	40,133
Bonds and notes payable	119,937	33,985	1,384	2,681
Other long-term liabilities	14,036	4,706	473	4,697
Total Noncurrent Liabilities	133,973	38,691	1,857	47,511
Total Liabilities	167,702	96,065	5,970	98,352
Net Assets:				
Invested in capital assets, net of related debt	202,133	47,043	1,688	18,974
Unrestricted	33,905	36,071	2,313	33,068
Total Net Assets (Deficit)	\$ 236,038	\$ 83,114	\$ 4,001	\$ 52,042

Risk Management	Health Insurance	Total
\$ 132,538	\$ 273,547	\$ 583,936
-	14,082	14,842
9	441	6,427
1,133	36,273	124,528
4	1,579	6,930
-	-	18,667
-	-	3,483
133,684	325,922	758,813
-	64,579	65,706
-	-	183
-	-	3,827
-	-	122,627
-	-	18,294
14	4,079	709,343
-	-	478
(4)	(1,459)	(426,853)
-	-	17,681
10	67,199	511,286
\$ 133,694	\$ 393,121	\$ 1,270,099
\$ 360	\$ 26,445	\$ 62,474
-	15,259	16,198
153	-	22,951
-	14,082	14,304
-	15	14,959
3,311	36,591	100,207
-	-	43
80	263	4,480
76,728	56,318	140,046
80,632	148,973	375,662
499,835	-	539,968
-	67	158,054
98	444	24,454
499,933	511	722,476
580,565	149,484	1,098,138
10	2,538	272,386
(446,881)	241,099	(100,425)
\$ (446,871)	\$ 243,637	\$ 171,961

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Internal Service Funds

For the Fiscal Year Ended June 30, 2007

(expressed in thousands)

	General Services	Data Processing Revolving	Printing Services	Higher Education Revolving
Operating Revenues:				
Sales	\$ 23,428	\$ 42,868	\$ 34,322	\$ 47,001
Less: Cost of goods sold	19,507	40,834	28,272	36,015
Gross profit	3,921	2,034	6,050	10,986
Charges for services	277,476	137,726	-	190,895
Premiums and assessments	-	-	-	-
Miscellaneous revenue	35,344	3,759	20	7,507
Total Operating Revenues	316,741	143,519	6,070	209,388
Operating Expenses:				
Salaries and wages	129,343	34,005	2,304	93,643
Employee benefits	35,371	8,715	708	25,512
Personal services	9,917	8,117	36	3,746
Goods and services	113,979	79,670	1,621	82,015
Travel	2,639	336	27	1,638
Premiums and claims	-	-	-	-
Depreciation and amortization	30,843	22,833	420	7,837
Miscellaneous expenses	100	1,266	-	648
Total Operating Expenses	322,192	154,942	5,116	215,039
Operating Income (Loss)	(5,451)	(11,423)	954	(5,651)
Nonoperating Revenues (Expenses):				
Earnings (loss) on investments	487	-	61	6,473
Interest expense	(5,496)	(1,584)	(67)	(1,075)
Other revenue (expenses)	(100)	1	(137)	(1,207)
Total Nonoperating Revenues (Expenses)	(5,109)	(1,583)	(143)	4,191
Income (Loss) Before				
Contributions and Transfers	(10,560)	(13,006)	811	(1,460)
Capital contributions	5,339	-	-	-
Transfers in	2,724	36,477	-	18,762
Transfers (out)	(7,312)	(57)	-	(18,517)
Net Contributions and Transfers	751	36,420	-	245
Change in Net Assets	(9,809)	23,414	811	(1,215)
Net Assets (Deficit) - Beginning, as restated	245,847	59,700	3,190	53,257
Net Assets (Deficit) - Ending	\$ 236,038	\$ 83,114	\$ 4,001	\$ 52,042

Risk Management	Health Insurance	Total
\$ -	\$ -	\$ 147,619
-	-	124,628
-	-	22,991
2,466	-	608,563
84,716	1,062,037	1,146,753
3	12	46,645
87,185	1,062,049	1,824,952
1,444	6,212	266,951
353	1,591	72,250
335	2,135	24,286
32,560	8,257	318,102
26	116	4,782
85,377	961,336	1,046,713
4	168	62,105
-	-	2,014
120,099	979,815	1,797,203
(32,914)	82,234	27,749
-	15,996	23,017
-	-	(8,222)
-	-	(1,443)
-	15,996	13,352
(32,914)	98,230	41,101
-	-	5,339
-	46,559	104,522
-	(96,581)	(122,467)
-	(50,022)	(12,606)
(32,914)	48,208	28,495
(413,957)	195,429	143,466
\$ (446,871)	\$ 243,637	\$ 171,961

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2007

(expressed in thousands)

	General Services	Data Processing Revolving	Printing Services	Higher Education Revolving
Cash Flows from Operating Activities:				
Receipts from customers	\$ 314,578	\$ 150,610	\$ 34,018	\$ 236,858
Payments to suppliers	(149,332)	(101,829)	(29,602)	(115,681)
Payments to employees	(163,325)	(42,239)	(2,971)	(117,325)
Other receipts (payments)	35,344	3,743	20	7,507
Net Cash Provided (Used) by Operating Activities	37,265	10,285	1,465	11,359
Cash Flows from Noncapital Financing Activities:				
Transfers in	2,724	36,477	-	18,762
Transfers out	(7,312)	(57)	-	(18,517)
Operating grants and donations received	7	-	-	319
Other noncapital financing sources	(4)	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(4,585)	36,420	-	564
Cash Flows from Capital and				
Interest paid	(5,505)	(1,584)	(67)	(1,075)
Principal payments on long-term capital financing	(16,962)	(8,701)	(177)	(1,971)
Proceeds from long-term capital financing	22,514	12,145	-	1,207
Proceeds from sale of capital assets	4,276	179	15	4,311
Acquisitions of capital assets	(42,390)	(27,531)	(138)	(13,068)
Net Cash or Pooled Investments Provided by (Used in) Capital and Related Financing Activities	(38,067)	(25,492)	(367)	(10,596)
Cash Flows from Investing Activities:				
Receipt of interest	486	-	61	6,455
Proceeds from sale of investment securities	-	-	-	2,148
Purchases of investment securities	-	-	-	(1,675)
Net Cash Provided by (Used in) Investing Activities	486	-	61	6,928
Net Increase (Decrease) in Cash	(4,901)	21,213	1,159	8,255
Cash and Pooled Investments, July 1	38,401	16,556	791	96,377
Cash and Pooled Investments, June 30	\$ 33,500	\$ 37,769	\$ 1,950	\$ 104,632
Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ (5,451)	\$ (11,423)	\$ 954	\$ (5,651)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:				
Depreciation	30,843	22,833	420	7,837
Change in Assets: Decrease (Increase)				
Receivables (net of allowance)	14,003	(28,820)	(304)	(1,040)
Inventories	941	(132)	(125)	2,153
Prepaid expenses	16	(1,248)	(82)	(18)
Change in Liabilities: Increase (Decrease)				
Payables	(3,087)	29,075	602	8,078
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	\$ 37,265	\$ 10,285	\$ 1,465	\$ 11,359
Noncash Investing, Capital, and Financing Activities:				
Contributions of capital assets	\$ 5,339	\$ -	\$ -	\$ -
Increase (decrease) in fair value of investments	1	-	-	13

Risk Management	Health Insurance	Total
\$ 87,088	\$ 1,054,813	\$ 1,877,965
(68,505)	(947,375)	(1,412,324)
(1,745)	(7,691)	(335,296)
3	12	46,629
16,841	99,759	176,974
-	46,559	104,522
-	(96,581)	(122,467)
-	-	326
-	-	(4)
-	(50,022)	(17,623)
-	-	(8,231)
-	-	(27,811)
-	82	35,948
-	-	8,781
-	(2,628)	(85,755)
-	(2,546)	(77,068)
-	16,079	23,081
-	445	2,593
-	(4,136)	(5,811)
-	12,388	19,863
16,841	59,579	102,146
115,697	213,968	481,790
\$ 132,538	\$ 273,547	\$ 583,936
\$ (32,914)	\$ 82,234	\$ 27,749
4	168	62,105
(158)	(7,227)	(23,546)
-	-	2,837
-	-	(1,332)
49,909	24,584	109,161
\$ 16,841	\$ 99,759	\$ 176,974
\$ -	\$ -	\$ 5,339
-	(115)	(101)

Fiduciary Funds

Fiduciary Funds account for assets held in a trustee or agent capacity for outside parties, including individuals, private organizations, and other governments.

Private-Purpose Trust Funds

Private-Purpose Trust Funds are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments. The Private-Purpose Trust Funds are described below:

The Human Services Trust Fund accounts for miscellaneous human services activities such as recoveries on behalf of children receiving support payments from non-custodial parents.

The Other Private-Purpose Trust Fund accounts for various assets held in trust for other governments, individuals, or the public at large, such as the administration of unclaimed property.

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:

The Suspense Fund accounts for receipts where final disposition is pending.

The Local Government Distributions Fund accounts for the receipt and allocation of taxes and fees imposed by local governments.

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.

The Retiree Health Insurance Fund accounts for premiums collected and payments for retiree insurance benefits.

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.

Combining Statement of Fiduciary Net Assets

Private-Purpose Trust Funds

June 30, 2007

(expressed in thousands)

	Human Services Trust	Other Private-Purpose Trust	Total
Assets			
Current Assets:			
Cash and pooled investments	\$ 107	\$ 12,176	\$ 12,283
Other receivables (net of allowance)	5,079	-	5,079
Due from other funds	-	5	5
Total Current Assets	5,186	12,181	17,367
Noncurrent Assets:			
Investments, noncurrent	-	110,388	110,388
Capital Assets:			
Furnishings, equipment, and collections	-	81	81
Accumulated depreciation	-	(81)	(81)
Total Noncurrent Assets	-	110,388	110,388
Total Assets	\$ 5,186	\$ 122,569	\$ 127,755
Liabilities:			
Accounts payable	\$ 3,015	\$ 256	\$ 3,271
Accrued liabilities	815	61	876
Due to other funds	-	69,028	69,028
Total Liabilities	3,830	69,345	73,175
Net Assets:			
Net assets held in trust for:			
Individuals, organizations & other governments	1,356	53,224	54,580
Total Net Assets	\$ 1,356	\$ 53,224	\$ 54,580

Combining Statement of Changes in Fiduciary Net Assets

Private-Purpose Trust Funds

For the Fiscal Year Ended June 30, 2007

(expressed in thousands)

	Human Services Trust	Other Private-Purpose Trust	Total
Additions:			
Escheated property	\$ -	\$ 30,859	\$ 30,859
Other contracts, grants and miscellaneous	1	13	14
Total Additions	1	30,872	30,873
Deductions:			
Payments to or on behalf of individuals, organizations and other governments in accordance with trust agreements	-	25,656	25,656
Administrative expenses	14	3,342	3,356
Total Deductions	14	28,998	29,012
Net Increase (Decrease)	(13)	1,874	1,861
Net Assets - Beginning, as restated	1,369	51,350	52,719
Net Assets - Ending	\$ 1,356	\$ 53,224	\$ 54,580

Combining Statement of Assets and Liabilities

Agency Funds

June 30, 2007

(expressed in thousands)

	Suspense	Local Gov't Distrib.	Pooled Investments	Retiree Health Insurance	Other Agency	Total
Assets:						
Cash and pooled investments	\$ 14,548	\$ 193,077	\$ -	\$ -	\$ 52,150	\$ 259,775
Other receivables	15	-	231,269	3	14,239	245,526
Due from other funds	223	868	3,874	-	3,675	8,640
Due from other governments	9	135	25,306	13,176	4,631	43,257
Investments, pension (and other employee benefit plans), noncurrent	-	9,284	699,341	18,305	445	727,375
Other noncurrent assets	-	-	-	-	42,988	42,988
Total Assets	\$ 14,795	\$ 203,364	\$ 959,790	\$ 31,484	\$ 118,128	\$ 1,327,561
Liabilities:						
Accounts payable	\$ 2,042	\$ -	\$ 7,033	\$ 6,334	\$ 8,001	\$ 23,410
Contracts and retainages payable	-	-	3,856	20,901	2,018	26,775
Accrued liabilities	6,465	-	942,731	4,249	46,565	1,000,010
Obligations under security lending agreements	-	9,689	-	-	151	9,840
Due to other funds	2,931	-	6,170	-	2,086	11,187
Due to other governments	3,357	193,675	-	-	16,319	213,351
Other long-term liabilities	-	-	-	-	42,988	42,988
Total Liabilities	\$ 14,795	\$ 203,364	\$ 959,790	\$ 31,484	\$ 118,128	\$ 1,327,561

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Continued

For the Fiscal Year Ended June 30, 2007
(expressed in thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<u>Suspense Fund</u>				
Assets:				
Cash and pooled investments	\$ 22,580	\$ 1,181,916	\$ 1,189,948	\$ 14,548
Other receivables (net of allowance)	64	50,689	50,738	15
Due from other funds	33	11,518	11,328	223
Due from other governments	63	45	99	9
Investments, noncurrent	-	271	271	-
Total Assets	\$ 22,740	\$ 1,244,439	\$ 1,252,384	\$ 14,795
Liabilities:				
Accounts payable	\$ 2,352	\$ 20,237	\$ 20,547	\$ 2,042
Accrued liabilities	15,683	271,218	280,436	6,465
Due to other funds	1,366	3,035	1,470	2,931
Due to other governments	3,339	73,753	73,735	3,357
Total Liabilities	\$ 22,740	\$ 368,243	\$ 376,188	\$ 14,795
<u>Local Government Distributions Fund</u>				
Assets:				
Cash and pooled investments	\$ 194,387	\$ 7,925,712	\$ 7,927,022	\$ 193,077
Due from other funds	790	13,968	13,890	868
Due from other governments	-	135	-	135
Investments, noncurrent	10,086	30	832	9,284
Total Assets	\$ 205,263	\$ 7,939,845	\$ 7,941,744	\$ 203,364
Liabilities:				
Accrued liabilities	\$ -	\$ 9	\$ 9	\$ -
Obligations under security lending agreements	10,499	21	831	9,689
Due to other funds	5,313	-	5,313	-
Due to other governments	189,451	2,662,249	2,658,025	193,675
Other long-term obligations	-	1,949	1,949	-
Total Liabilities	\$ 205,263	\$ 2,664,228	\$ 2,666,127	\$ 203,364
<u>Pooled Investments Fund</u>				
Assets:				
Cash and pooled investments	\$ -	\$ 644,762,089	\$ 644,762,089	\$ -
Investments	-	339,913	339,913	-
Other receivables (net of allowance)	249,801	380,808	399,340	231,269
Due from other funds	34,037	2,487	32,650	3,874
Due from other governments	18,386	11,842	4,922	25,306
Investments, noncurrent	-	988,699	289,358	699,341
Total Assets	\$ 302,224	\$ 646,485,838	\$ 645,828,272	\$ 959,790
Liabilities:				
Accounts payable	\$ 4,543	\$ 4,343	\$ 1,853	\$ 7,033
Contracts and retainages payable	3,932	308,163	308,239	3,856
Accrued liabilities	236,839	1,266,443	560,551	942,731
Due to other funds	56,910	-	50,740	6,170
Total Liabilities	\$ 302,224	\$ 1,578,949	\$ 921,383	\$ 959,790

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Concluded

For the Fiscal Year Ended June 30, 2007
(expressed in thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Retiree Health Insurance Fund *				
Assets:				
Cash and pooled investments	\$ -	\$ 358,682	\$ 358,682	\$ -
Other receivables (net of allowance)	4	71	72	3
Due from other governments	13,046	356,465	356,335	13,176
Investments, noncurrent	17,861	444	-	18,305
Total Assets	\$ 30,911	\$ 715,662	\$ 715,089	\$ 31,484
Liabilities:				
Accounts payable	\$ 10,114	\$ 181,934	\$ 185,714	\$ 6,334
Contracts and retainages payable	20,766	175,083	174,948	20,901
Accrued liabilities	31	360,821	356,603	4,249
Total Liabilities	\$ 30,911	\$ 717,838	\$ 717,265	\$ 31,484
Other Agency Funds				
Assets:				
Cash and pooled investments	\$ 55,372	\$ 13,562,205	\$ 13,565,427	\$ 52,150
Other receivables (net of allowance)	6,296	72,567	64,624	14,239
Due from other funds	5,047	-	1,372	3,675
Due from other governments	4,632	155	156	4,631
Investments, noncurrent	999	37	591	445
Other noncurrent assets	52,924	-	9,936	42,988
Total Assets	\$ 125,270	\$ 13,634,964	\$ 13,642,106	\$ 118,128
Liabilities:				
Accounts payable	\$ 10,404	\$ 1,003,687	\$ 1,006,090	\$ 8,001
Contracts and retainages payable	10,549	36,376	44,907	2,018
Accrued liabilities	42,575	4,639,376	4,635,386	46,565
Obligations under security lending agreements	728	14	591	151
Due to other funds	1,121	965	-	2,086
Due to other governments	6,969	78,357	69,007	16,319
Other long-term obligations	52,924	-	9,936	42,988
Total Liabilities	\$ 125,270	\$ 5,758,775	\$ 5,765,917	\$ 118,128
Totals - All Agency Funds *				
Assets:				
Cash and pooled investments	\$ 272,339	\$ 667,790,604	\$ 667,803,168	\$ 259,775
Investments	-	339,913	339,913	-
Other receivables (net of allowance)	256,165	504,135	514,774	245,526
Due from other funds	39,907	27,973	59,240	8,640
Due from other governments	36,127	368,642	361,512	43,257
Investments, noncurrent	28,946	989,481	291,052	727,375
Other noncurrent assets	52,924	-	9,936	42,988
Total Assets	\$ 686,408	\$ 670,020,748	\$ 669,379,595	\$ 1,327,561
Liabilities:				
Accounts payable	\$ 27,413	\$ 1,210,201	\$ 1,214,204	\$ 23,410
Contracts and retainages payable	35,247	519,622	528,094	26,775
Accrued liabilities	295,128	6,537,867	5,832,985	1,000,010
Obligations under security lending agreements	11,227	35	1,422	9,840
Due to other funds	64,710	4,000	57,523	11,187
Due to other governments	199,759	2,814,359	2,800,767	213,351
Other long-term obligations	52,924	1,949	11,885	42,988
Total Liabilities	\$ 686,408	\$ 11,088,033	\$ 10,446,880	\$ 1,327,561

* Beginning balance restated. Refer to Note 2 for additional information.

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:

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.

The Washington Health Care Facilities Authority makes funds available to qualified, nonprofit health care facilities in the state.

The Washington Higher Education Facilities Authority provides funding to qualified, nonprofit higher education institutions in the state.

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.

Combining Statement of Fund Net Assets

Nonmajor Component Units

June 30, 2007

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
Assets					
Current Assets:					
Cash and pooled investments	\$ 5,322	\$ 301	\$ 1,410	\$ 57	\$ 7,090
Investments	30,697	3,520	-	519	34,736
Other receivables (net of allowance)	1,219	387	14	-	1,620
Prepaid expenses	83	30	18	-	131
Total Current Assets	37,321	4,238	1,442	576	43,577
Noncurrent Assets:					
Investments, noncurrent	-	200	-	-	200
Other noncurrent assets	31,656	-	-	-	31,656
Capital Assets:					
Furnishings, equipment, and collections	1,357	-	-	-	1,357
Accumulated depreciation	(1,056)	-	-	-	(1,056)
Total Noncurrent Assets	31,957	200	-	-	32,157
Total Assets	\$ 69,278	\$ 4,438	\$ 1,442	\$ 576	\$ 75,734
Liabilities					
Current Liabilities:					
Accounts payable	\$ 5,213	\$ 17	\$ 49	\$ -	\$ 5,279
Accrued liabilities	-	46	-	43	89
Unearned revenues	1,550	86	100	-	1,736
Total Current Liabilities	6,763	149	149	43	7,104
Total Liabilities	6,763	149	149	43	7,104
Net Assets:					
Invested in capital assets, net of related debt	301	-	-	-	301
Restricted for other purposes	500	-	-	-	500
Unrestricted	61,714	4,289	1,293	533	67,829
Total Net Assets (Deficit)	\$ 62,515	\$ 4,289	\$ 1,293	\$ 533	\$ 68,630

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Nonmajor Component Units

For the Fiscal Year Ended June 30, 2007

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
Operating Revenues:					
Charges for services	\$ 12,389	\$ 849	\$ 605	\$ 375	\$ 14,218
Total Operating Revenues	12,389	849	605	375	14,218
Operating Expenses:					
Salaries and wages	3,919	287	-	125	4,331
Employee benefits	1,123	81	-	30	1,234
Personal services	884	110	65	-	1,059
Goods and services	1,756	203	274	68	2,301
Travel	-	13	-	16	29
Depreciation and amortization	103	-	-	-	103
Miscellaneous expenses	-	2	-	-	2
Total Operating Expenses	7,785	696	339	239	9,059
Operating Income (Loss)	4,604	153	266	136	5,159
Nonoperating Revenues (Expenses):					
Earnings (loss) on investments	1,834	180	53	20	2,087
Operating grants and contributions	159	-	-	-	159
Distributions of operating grants	(159)	-	-	-	(159)
Total Nonoperating Revenues (Expenses)	1,834	180	53	20	2,087
Income (Loss) Before					
Contributions and Transfers	6,438	333	319	156	7,246
Change in Net Assets	6,438	333	319	156	7,246
Net Assets - Beginning	56,077	3,956	974	377	61,384
Net Assets - Ending	\$ 62,515	\$ 4,289	\$ 1,293	\$ 533	\$ 68,630

Schedules

Schedule of Revenues and Other Financing Sources (Uses) - Governmental Funds

For the Fiscal Year Ended June 30, 2007
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Taxes:					
Retail sales	\$ 7,366,249	\$ -	\$ -	\$ 74,243	\$ 7,440,492
Business and occupation	2,784,542	-	-	73,395	2,857,937
Use (compensating)	504,161	-	-	7,003	511,164
Motor vehicle and fuel	-	-	-	1,134,622	1,134,622
Liquor, beer, and wine	154,084	-	-	53,348	207,432
Cigarette and tobacco	57,590	88,461	-	292,970	439,021
Insurance premiums	249,027	-	-	142,922	391,949
Public utility	395,420	-	-	12,411	407,831
Property	1,441,949	-	-	246,582	1,688,531
Other excise	1,014,513	-	-	92,216	1,106,729
Gift and inheritance	3,816	179,037	-	-	182,853
Other taxes	225,597	-	-	215,324	440,921
Subtotal	14,196,948	267,498	-	2,345,036	16,809,482
Tax Credits:					
Business and occupation	(99,745)	-	-	(1,818)	(101,563)
Use (compensating)	(187)	-	-	-	(187)
Other tax credits	(2)	-	-	(3,663)	(3,665)
Total Taxes	14,097,014	267,498	-	2,339,555	16,704,067
Licenses, Permits, and Fees:					
Business and professions	70,804	-	-	93,904	164,708
Hunting and fishing	1,379	-	-	29,800	31,179
Motor vehicle	3,626	563	-	454,968	459,157
Motor vehicle operators	-	-	-	61,148	61,148
Other fees	16,111	-	-	130,373	146,484
Total Licenses, Permits, and Fees	91,920	563	-	770,193	862,676
Federal Grants-In-Aid:					
Department of Health and Human Services	4,225,545	546,674	-	5,406	4,777,625
Department of Labor	94,678	2,915	-	100,388	197,981
Department of Agriculture	938,081	28,361	-	94,989	1,061,431
Department of Transportation	2,655	4,514	-	740,488	747,657
Department of Education	593,839	235,378	-	13,937	843,154
Other federal grants-in-aid	349,787	238,512	-	101,135	689,434
Total Federal Grants-In-Aid	6,204,585	1,056,354	-	1,056,343	8,317,282
Charges For Services:					
Tuition and student fees	81	1,029,647	-	39,967	1,069,695
Other charges	55,621	249,532	9	467,670	772,832
Total Charges For Services	55,702	1,279,179	9	507,637	1,842,527
Miscellaneous Revenue:					
Investment income	106,056	104,364	451,388	156,097	817,905
Timber sales	2,747	-	14,015	152,394	169,156
Fines and forfeitures	4,243	6,842	-	113,857	124,942
Other contracts and grants	132,895	646,561	-	19,960	799,416
Other	131,320	111,182	98,972	281,911	623,385
Total Miscellaneous Revenue	377,261	868,949	564,375	724,219	2,534,804
Total Revenues	20,826,482	3,472,543	564,384	5,397,947	30,261,356
Other Financing Sources (Uses):					
Bonds issued	-	-	-	1,617,361	1,617,361
Refunding bonds issued	-	-	-	834,700	834,700
Payments to refunded bond escrow agents	-	-	-	(887,879)	(887,879)
Other debt issued	5,384	54,644	-	3,051	63,079
Bond issue premium	-	-	-	109,008	109,008
Transfers in	128,186	687,860	5,373	2,486,970	3,308,389
Transfers (out)	(1,843,353)	(381,116)	(123,136)	(738,740)	(3,086,345)
Capital lease acquisitions	65	42	-	-	107
Total Other Financing Sources (Uses)	(1,709,718)	361,430	(117,763)	3,424,471	1,958,420
Total Revenues and Other Financing Sources (Uses)	\$ 19,116,764	\$ 3,833,973	\$ 446,621	\$ 8,822,418	\$ 32,219,776

Schedule of Expenditures - Governmental Funds

For the Fiscal Year Ended June 30, 2007

(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
By Function:					
General government	\$ 678,414	\$ -	\$ -	\$ 1,911,534	\$ 2,589,948
Human services	10,214,121	-	-	1,235,795	11,449,916
Natural resources and recreation	386,066	-	-	645,021	1,031,087
Transportation	39,539	1,619	-	2,932,980	2,974,138
Education	7,772,269	3,384,614	92	1,274,867	12,431,842
Total Expenditures	\$ 19,090,409	\$ 3,386,233	\$ 92	\$ 8,000,197	\$ 30,476,931
By Object:					
Salaries and wages	\$ 2,672,641	\$ 1,173,198	\$ 4	\$ 980,908	\$ 4,826,751
Employee benefits	728,245	416,935	1	285,470	1,430,651
Personal services	126,145	38,349	-	99,505	263,999
Goods and services	1,116,583	765,240	26	836,664	2,718,513
Travel	42,309	78,083	3	38,517	158,912
Subtotal	4,685,923	2,471,805	34	2,241,064	9,398,826
Grants and Subsidies:					
K-12 basic education	6,298,470	14,858	-	432,814	6,746,142
Public assistance	7,184,264	-	-	407,960	7,592,224
Other miscellaneous	828,034	737,707	54	1,427,734	2,993,529
Total Grants and Subsidies	14,310,768	752,565	54	2,268,508	17,331,895
Intergovernmental	29,477	-	-	348,852	378,329
Capital Outlays:					
Equipment	27,634	66,053	4	39,777	133,468
All other	21,477	77,237	-	2,063,051	2,161,765
Total Capital Outlays	49,111	143,290	4	2,102,828	2,295,233
Debt Service:					
Principal	14,829	14,486	-	498,363	527,678
Interest	301	4,087	-	540,582	544,970
Total Debt Service	15,130	18,573	-	1,038,945	1,072,648
Total Expenditures	\$ 19,090,409	\$ 3,386,233	\$ 92	\$ 8,000,197	\$ 30,476,931

Workers' Compensation Fund - Basic Plan

Claims Development Information

Fiscal Years 1998 through 2007 (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 9/30/02 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).
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 new 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.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1. Net earned required contribution and investment revenues	\$ 2,013	\$ 927	\$ 1,057	\$ 1,449	\$ 1,197	\$ 2,111	\$ 1,337	\$ 2,452	\$ 1,392	\$ 2,406
2. Estimated incurred claims and expenses, end of policy year	1,700	1,732	1,902	1,925	2,124	2,284	2,505	2,308	2,141	2,196
3. Paid (cumulative) as of:										
End of policy year	196	205	218	230	226	233	244	260	278	295
One year later	420	438	473	494	500	501	528	556	589	
Two years later	545	564	608	646	653	650	681	715		
Three years later	627	643	706	747	756	751	784			
Four years later	684	707	777	825	834	824				
Five years later	731	758	837	890	896					
Six years later	770	800	889	943						
Seven years later	805	840	933							
Eight years later	838	876								
Nine years later	868									
4. Reestimated incurred claims and expenses:										
End of policy year	1,700	1,732	1,902	1,925	2,124	2,284	2,505	2,308	2,141	2,196
One year later	1,627	1,690	1,838	1,963	2,158	2,277	2,203	1,989	2,053	
Two years later	1,651	1,694	1,913	2,067	2,277	2,045	1,971	1,939		
Three years later	1,643	1,770	1,977	2,226	2,079	1,853	1,864			
Four years later	1,678	1,794	2,088	2,039	1,906	1,767				
Five years later	1,690	1,839	1,881	1,864	1,859					
Six years later	1,687	1,682	1,778	1,835						
Seven years later	1,554	1,578	1,755							
Eight years later	1,503	1,560								
Nine years later	1,478									
5. Increase (decrease) in estimated incurred claims and expenses from end of policy year	(222)	(172)	(147)	(90)	(265)	(517)	(641)	(369)	(88)	

Source: Washington State Department of Labor and Industries

Workers' Compensation Fund - Supplemental Pension Plan

Claims Development Information

Fiscal Years 1998 through 2007 (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 9/30/02 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).
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 new 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.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1. Net earned required contribution and investment revenues	\$ 170	\$ 193	\$ 225	\$ 267	\$ 281	\$ 293	\$ 288	\$ 326	\$ 305	\$ 283
2. Estimated incurred claims and expenses, end of policy year	790	548	635	628	807	1,029	1,228	724	804	968
3. Paid (cumulative) as of:										
End of policy year	-	-	-	-	-	-	-	-	-	-
One year later	6	7	8	5	2	5	2	1	3	
Two years later	14	12	12	8	11	4	3	4		
Three years later	17	18	17	22	6	6	6			
Four years later	24	24	30	15	9	8				
Five years later	30	37	27	19	12					
Six years later	41	37	33	23						
Seven years later	44	43	38							
Eight years later	51	50								
Nine years later	59									
4. Reestimated incurred claims and expenses:										
End of policy year	790	548	635	628	807	1,029	1,228	724	804	968
One year later	527	666	730	786	945	1,045	722	721	927	
Two years later	727	754	844	910	1,046	676	720	848		
Three years later	798	860	959	1,064	701	667	811			
Four years later	860	932	1,099	727	682	759				
Five years later	924	1,034	746	671	811					
Six years later	971	732	722	792						
Seven years later	695	678	834							
Eight years later	670	780								
Nine years later	759									
5. Increase (decrease) in estimated incurred claims and expenses from end of policy year	(31)	232	199	164	4	(270)	(417)	124	123	

Source: Washington State Department of Labor and Industries

Workers' Compensation Fund

Reconciliation of Claims Liabilities by Plan

Fiscal Years 2007 and 2006 (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 2007	FY 2006	FY 2007	FY 2006	FY 2007	FY 2006
Unpaid claims and claim adjustment expenses at beginning of year	\$ 8,756,329	\$ 8,555,911	\$ 8,998,772	\$ 8,722,984	\$ 17,755,101	\$ 17,278,895
Incurred claims and claim adjustment expenses:						
Provision for insured events of the current year	1,957,158	1,833,937	745,752	615,713	2,702,908	2,449,650
Increase (decrease) in provision for insured events of prior years	(52,451)	(268,051)	1,070,567	(50,192)	1,018,116	(318,243)
Total incurred claims and claim adjustment expenses	1,904,707	1,565,886	1,816,319	565,521	3,721,024	2,131,407
Payments:						
Claims and claim adjustment expenses attributable:						
To events of the current year	294,879	277,626	-	-	294,878	277,626
To insured events of prior years	1,133,389	1,087,842	301,366	289,733	1,434,755	1,377,575
Total payments	1,428,268	1,365,468	301,366	289,733	1,729,633	1,655,201
Total unpaid claims and claim adjustment expenses at fiscal year end	\$ 9,232,768	\$ 8,756,329	\$ 10,513,725	\$ 8,998,772	\$ 19,746,492	\$ 17,755,101

Source: Washington State Department of Labor and Industries

STATISTICAL SECTION

Statistical Section Narrative and Table of Contents

This part 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.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the state’s financial performance and fiscal health has changed over time. The schedules presented from an entity wide perspective only include Fiscal Year 2002 and forward, coinciding with the implementation of GASB 34. Fund perspective schedules are presented for the last ten years, except where noted. Schedules included are:

Entity Wide Perspective:

Schedule 1 - Net Assets by Component, Last Six Fiscal Years	227
Schedule 2 - Changes in Net Assets, Last Six Fiscal Years	228

Fund Perspective:

Schedule 3 - Fund Balances, Governmental Funds, Last Six Fiscal Years	230
Schedule 4 - Revenues, Expenditures, and Other Financing Sources (Uses), All Governmental Fund Types Last Ten Fiscal Years.....	231
Schedule 5 - Revenues, Expenditures, and Other Financing Sources (Uses), General Fund Last Ten Fiscal Years.....	232

Revenue Capacity

These schedules contain information to help the reader assess the state’s most significant revenue sources: retail sales tax and business and occupation tax. Schedules included are:

Schedule 6 - Sales Subject to Retail Sales Tax by Category, Last Ten Calendar Years	233
Schedule 7 - Number of Retail Sales Tax Payers by Category, Current Year and Nine Years Ago	233
Schedule 8 - Taxable Sales by Business and Occupation Tax Classification, Last Ten Calendar Years.....	234
Schedule 9 - Number of Business and Occupation Tax Payers by Category, Current Year and Nine Years Ago	234

Debt Capacity

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. Schedules included are:

Schedule 10 - Ratios of Outstanding Debt by Type, Last Ten Fiscal Years.....	235
Schedule 11 - Legal Debt Margin Information, Last Ten Fiscal Years	236
Schedule 12 - Revenue Bond Coverage, Last Ten Fiscal Years	237

Demographic Information

These schedules offer demographic and economic indicators to help the reader understand the environment in which the state's financial activities take place. Schedules included are:

Schedule 13 - Personal Income Comparison, Washington vs. United States, Last Ten Calendar Years.....	238
Schedule 14 - Personal Income by Component, Last Ten Calendar Years.....	238
Schedule 15 - Total Resident Population and Components of Change, Last Ten Calendar Years	239
Schedule 16 - Annual Average Civilian Labor Force Unemployment Rates, Washington vs. United States, Last Ten Calendar Years	239
Schedule 17 - Employment by Sector, Last Ten Calendar Years	240
Schedule 18 - Average Annual Wage Rates, Last Ten Calendar Years	240
Schedule 19 - Principal Employers by Major Industry, Ranked by Number of Employees.....	241
Schedule 20 - Fortune 500 Companies Headquartered in Washington	241
Schedule 21 - Rank Order of Principal Commodities Value, Last Ten Calendar Years.....	242
Schedule 22 - International Trade Facts, All Washington Ports, Last Ten Calendar Years	243
Schedule 23 - Major Export Trading Partners, Last Ten Calendar Years.....	243
Schedule 24 - Major Import Trading Partners, Last Ten Calendar Years.....	243
Schedule 25 - Property Value and Construction, Last Ten Calendar Years	244
Schedule 26 - Residential Building Activity, Last Ten Calendar Years	244

Operating Information

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. Schedules included are:

Schedule 27 - Full-Time Equivalent Staff Comparison, Budgeted Funds, Last Ten Fiscal Years	245
Schedule 28 - Full-Time Equivalent Staff Comparison, General Fund State, Last Ten Fiscal Years	245
Schedule 29 - Operating & Capital Asset Indicators by Function, General Government, Last Ten Fiscal Years.....	246
Schedule 30 - Operating & Capital Asset Indicators by Function, Human Services, Last Ten Fiscal Years	248
Schedule 31 - Operating & Capital Asset Indicators by Function, Transportation, Last Ten Fiscal Years.....	250
Schedule 32 - Operating & Capital Asset Indicators by Function, Natural Resources and Recreation, Last Ten Fiscal Years	252
Schedule 33 - Operating & Capital Asset Indicators by Function, Education, Last Ten Academic Years.....	254

Schedule 1

Net Assets by Component

Last Six Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2007	2006	2005	2004	2003	2002
Primary Government						
Governmental activities						
Invested in capital assets, net of related debt	\$ 16,189.4	\$ 15,434.3	\$ 14,974.6	\$ 14,287.5	\$ 13,512.7	\$ 12,794.2
Restricted	5,071.9	4,343.0	4,351.3	3,505.0	2,995.4	2,694.3
Unrestricted	4,269.1	3,384.0	1,900.0	1,853.9	2,346.3	2,654.3
Total governmental activities net assets	\$ 25,530.4	\$ 23,161.3	\$ 21,225.9	\$ 19,646.4	\$ 18,854.4	\$ 18,142.8
Business-type activities						
Invested in capital assets, net of related debt	\$ 598.1	\$ 604.3	\$ 510.3	\$ 522.3	\$ 543.3	\$ 355.1
Restricted	3,891.0	3,164.4	2,340.8	1,624.2	1,513.4	1,883.7
Unrestricted	(7,255.6)	(6,132.3)	(5,632.5)	(6,199.6)	(6,025.1)	(5,413.2)
Total business-type activities net assets	\$ (2,766.5)	\$ (2,363.6)	\$ (2,781.4)	\$ (4,053.1)	\$ (3,968.4)	\$ (3,174.4)
Total Primary government						
Invested in capital assets, net of related debt	\$ 16,787.4	\$ 16,038.6	\$ 15,484.9	\$ 14,809.8	\$ 14,056.0	\$ 13,149.3
Restricted	8,962.9	7,507.4	6,692.1	5,129.2	4,508.8	4,578.0
Unrestricted	(2,986.4)	(2,748.3)	(3,732.5)	(4,345.7)	(3,678.8)	(2,758.9)
Total primary government net assets	\$ 22,763.9	\$ 20,797.6	\$ 18,444.5	\$ 15,593.3	\$ 14,886.0	\$ 14,968.4
Component Units						
Invested in capital assets, net of related debt	\$ 372.2	\$ 391.5	\$ 409.9	\$ 428.1	\$ 448.1	\$ 436.1
Restricted	30.6	25.3	24.4	22.2	21.3	14.9
Unrestricted	74.3	68.9	60.9	57.7	56.5	57.3
Total component units net assets	\$ 477.1	\$ 485.7	\$ 495.2	\$ 508.0	\$ 525.9	\$ 508.3

Source: State of Washington Agency Financial Reporting System

Schedule 2

Changes in Net Assets

Continued

Last Six Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2007	2006	2005	2004	2003	2002
Expenses						
Governmental Activities:						
General Government	\$ 1,524.6	\$ 1,320.1	\$ 925.3	\$ 918.2	\$ 812.3	\$ 997.3
Education--elementary and secondary (K-12)	6,870.8	6,642.2	6,283.4	6,085.8	5,959.9	5,747.1
Education--higher education	5,243.9	4,804.1	4,454.5	4,216.0	3,750.1	3,920.2
Human services	10,473.0	10,081.7	9,851.7	9,347.7	8,971.4	8,903.5
Adult corrections	810.7	748.9	639.7	643.8	657.6	600.3
Natural resources and recreation	983.0	777.2	229.1	651.3	731.5	563.7
Transportation	1,588.5	1,526.3	1,456.6	1,309.9	1,422.3	1,263.7
Intergovernmental grants	-	-	334.8	329.5	341.4	349.6
Interest on long-term debt	553.5	532.9	504.8	478.2	415.0	578.3
Total governmental activities expenses	28,048.0	26,433.5	24,680.0	23,980.3	23,061.5	22,923.9
Business-type Activities:						
Workers' compensation	3,840.6	2,266.9	2,406.7	2,388.8	2,616.6	2,146.6
Unemployment compensation	697.2	736.2	870.5	1,744.7	2,328.8	1,871.8
Higher education student services	1,305.2	1,254.1	1,170.3	1,130.5	911.9	809.9
Health insurance programs *	-	1,244.1	1,137.7	1,043.7	1,051.3	994.0
Other	1,102.8	1,042.2	987.7	951.2	937.7	923.8
Total business-type activities expenses	6,945.8	6,543.4	6,572.8	7,258.9	7,846.3	6,746.1
Total primary government expenses	34,993.8	32,976.8	31,252.7	31,239.2	30,907.8	29,670.0
Program Revenues						
Governmental activities:						
Charges for services:						
General government	575.9	513.1	439.4	448.5	412.9	439.4
Education--elementary and secondary (K-12)	14.3	13.1	13.7	10.9	7.8	6.3
Education--higher education	1,545.1	1,281.4	1,315.6	1,250.4	1,095.3	986.4
Human services	235.6	233.7	310.7	358.8	335.1	523.3
Adult corrections	10.0	6.4	10.7	5.6	7.3	13.0
Natural resources and recreation	393.5	390.4	385.3	339.4	321.4	361.9
Transportation	843.7	786.7	685.5	677.4	620.9	576.1
Operating grants and contributions	8,285.7	8,260.1	8,237.9	7,942.4	7,128.3	6,632.2
Capital grants and contributions	744.6	610.4	675.4	518.6	588.0	549.6
Total governmental activities program revenues	12,648.4	12,095.3	12,074.1	11,551.9	10,517.0	10,088.1
Business-type activities:						
Charges for services:						
Workers' compensation	1,709.9	1,790.4	1,718.7	1,515.4	1,315.6	1,069.6
Unemployment compensation	1,248.3	1,410.8	1,458.0	1,345.0	1,130.3	1,161.0
Higher education student services	1,347.4	1,265.8	1,187.5	1,128.0	932.2	823.5
Health insurance programs *	-	1,341.4	1,200.2	1,041.6	1,069.5	982.2
Other	1,166.5	1,102.4	1,050.2	1,027.6	991.6	950.3
Operating grants and contributions	46.3	55.1	71.2	468.5	769.5	268.8
Capital grants and contributions	-	0.1	(2.2)	4.3	60.3	-
Total business-type activities program revenues	5,518.4	6,966.0	6,683.5	6,530.4	6,269.0	5,255.4
Total primary government program revenues	18,166.9	19,061.3	18,757.6	18,082.3	16,786.0	15,343.5
Net (Expense)/Revenue						
Governmental activities	(15,399.6)	(14,338.1)	(12,605.9)	(12,428.4)	(12,544.5)	(12,835.8)
Business-type activities	(1,427.4)	422.6	110.8	(728.5)	(1,577.3)	(1,490.7)
Total primary government net (expense)/revenue	\$ (16,827.0)	\$ (13,915.6)	\$ (12,495.1)	\$ (13,156.9)	\$ (14,121.7)	\$ (14,326.5)

Schedule 2

Changes in Net Assets

Concluded

Last Six Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2007	2006	2005	2004	2003	2002
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes:						
Sales and use tax	\$ 7,951.5	\$ 7,428.9	\$ 6,736.2	\$ 6,234.5	\$ 5,974.4	\$ 5,879.3
Business and occupation	2,756.4	2,483.8	2,291.0	2,078.3	1,940.0	1,934.0
Property	1,688.5	1,629.6	1,590.3	1,527.2	1,483.1	1,426.2
Other	4,307.8	3,957.1	3,370.1	3,252.6	2,805.0	2,790.8
Interest and investment earnings	817.9	474.8	362.8	294.4	251.9	189.3
Contributions to endowments	97.3	131.2	69.1	45.9	36.1	29.3
Extraordinary loss (asset impairment)	-	(84.2)	-	-	-	-
Transfers	204.1	251.9	183.8	199.2	618.7	147.8
Total governmental activities	17,823.6	16,273.0	14,603.3	13,632.0	13,109.3	12,396.7
Business-type activities:						
Taxes - other	108.5	99.7	94.7	116.2	85.7	82.7
Interest and investment earnings	1,315.6	147.4	1,249.2	285.9	1,316.4	613.2
Transfers	(204.1)	(251.9)	(183.8)	(199.2)	(618.7)	(147.8)
Total business-type activities	1,220.0	(4.8)	1,160.2	202.9	783.3	548.1
Total primary government	19,043.6	16,268.2	15,763.5	13,834.9	13,892.6	12,944.8
Change in Net Assets						
Governmental activities	2,424.0	1,934.8	1,997.4	1,203.6	564.9	(439.1)
Business-type activities	(207.4)	417.8	1,270.9	(525.6)	(794.0)	(942.6)
Total change in net assets - primary government	2,216.6	2,352.6	3,268.3	678.0	(229.1)	(1,381.7)
Total Component Units						
Total expenses	29.7	28.7	28.7	29.9	27.8	11.3
Program Revenues:						
Charges for services	15.1	13.0	11.6	11.1	10.1	10.1
Operating grants and contributions	0.2	0.5	0.6	0.4	0.2	55.2
Capital grants and contributions	0.9	0.7	0.6	0.5	31.2	-
Total program revenues	16.2	14.2	12.8	12.0	41.5	65.3
Net (expense) / revenue	(13.5)	(14.5)	(15.9)	(17.9)	13.7	54.0
General revenues - Sales and use taxes	-	-	-	-	1.9	1.3
General revenues - Interest and investment earnings	4.8	2.6	3.2	-	2.1	3.4
Change in net assets - Total component units	\$ (8.7)	\$ (11.9)	\$ (12.7)	\$ (17.9)	\$ 17.7	\$ 58.7

* Health Insurance programs is zero starting in 2007 due to fund reclassifications.

Source: State of Washington Agency Financial Reporting System

Schedule 3

Fund Balances, Governmental Funds

Last Six Fiscal Years (expressed in thousands)

(modified accrual basis of accounting)

	2007	2006	2005	2004	2003	2002
General Fund						
Reserved	\$ 119,687	\$ 230,848	\$ 55,602	\$ 166,043	\$ 48,687	\$ 91,031
Unreserved, designated for:						
Working capital	1,002,963	1,076,631	1,004,131	964,631	908,194	848,153
Unrealized gains	-	-	-	-	6,944	-
Unreserved, undesignated	780,510	569,326	865,443	385,436	404,376	398,374
Total General Fund	1,903,160	1,876,805	1,925,176	1,516,110	1,368,201	1,337,558
All Other Governmental Funds						
Reserved	5,435,860	5,061,345	4,546,263	4,209,890	3,682,240	3,874,727
Unreserved, designated for:						
Unrealized gains	-	-	-	3,809	4,814	2,343
Higher education	155,679	155,679	155,679	155,679	-	-
Special revenue funds	221	229	165	174	-	-
Debt service funds	220,474	206,228	177,961	288,231	100,354	101,557
Other specific purpose	-	-	-	-	155,847	155,816
Unreserved, undesignated	1,151,829	454,714	573,576	515,597	569,134	284,873
Unreserved, undesignated, reported in:						
Nonmajor special revenue funds	3,040,036	2,585,037	1,528,463	1,474,023	1,211,403	1,343,467
Nonmajor capital projects funds	246,060	70,275	166,393	-	109,627	31,649
Total all other governmental funds	10,250,159	8,533,507	7,148,500	6,647,403	5,833,419	5,794,432
Total Governmental Fund Balances	\$ 12,153,319	\$ 10,410,312	\$ 9,073,676	\$ 8,163,513	\$ 7,201,620	\$ 7,131,990

Source: State of Washington Agency Financial Reporting System

Schedule 4

Revenues, Expenditures, and Other Financing Sources (Uses)

All Governmental Fund Types

Last Ten Fiscal Years (expressed in millions)

	2007	2006	2005	2004*	2003*	2002*	2001	2000	1999	1998
Revenues:										
Taxes:										
Retail sales	\$ 7,440.5	\$ 6,957.9	\$ 6,285.2	\$ 5,841.0	\$ 5,605.1	\$ 5,499.6	\$ 5,525.0	\$ 5,432.5	\$ 4,989.0	\$ 4,652.4
Business and occupation	2,756.4	2,483.8	2,291.0	2,078.3	1,940.0	1,934.0	2,018.3	1,829.5	1,850.4	1,862.9
Use (compensating)	511.0	471.0	451.1	393.5	369.3	379.7	409.6	380.0	333.3	330.3
Motor vehicle and fuel	1,134.6	1,030.0	931.0	925.7	752.4	742.7	736.1	964.0	717.8	708.2
Liquor, beer, and wine	207.4	197.2	152.2	144.4	134.0	129.3	125.3	119.2	91.0	129.7
Cigarette and tobacco	439.0	468.6	354.0	352.5	362.4	330.7	264.9	277.3	278.5	276.7
Insurance premiums	391.9	378.8	357.4	345.6	316.7	291.3	279.7	261.2	239.0	228.8
Public utility	407.8	380.7	344.5	329.8	309.0	306.5	302.6	282.1	249.0	242.3
Property	1,688.5	1,629.6	1,590.3	1,527.2	1,483.1	1,426.2	1,366.7	1,332.8	1,276.8	1,230.9
Excise	1,106.7	1,067.3	901.5	687.3	583.3	501.8	509.4	631.5	1,134.7	1,060.8
Gift and inheritance	182.9	18.6	(37.7)	139.9	124.4	114.2	106.3	82.6	69.7	82.2
Other (less credits)	437.3	418.9	360.5	335.1	222.8	258.4	263.8	215.3	193.5	193.1
Total Taxes	16,704.1	15,502.4	13,980.8	13,100.3	12,202.6	11,914.4	11,907.7	11,808.1	11,422.7	10,998.3
Licenses, permits, and fees	862.7	788.1	706.7	665.6	650.9	612.3	614.2	596.2	556.0	510.7
Federal grants-in-aid	8,317.3	8,095.3	8,010.1	7,701.6	6,973.9	6,574.3	5,757.5	5,303.9	4,763.0	4,623.5
Charges and miscellaneous revenue	3,559.4	3,345.1	3,350.4	3,184.2	2,936.6	2,769.4	2,146.0	2,015.4	1,724.6	1,683.1
Interest income	817.9	474.8	362.8	294.4	251.9	189.2	228.1	202.3	203.3	192.7
Total Revenues	30,261.4	28,205.7	26,410.8	24,946.0	23,015.9	22,059.6	20,653.6	19,925.9	18,669.7	18,008.3
Expenditures:										
Current:										
General government	1,145.5	989.5	933.9	860.3	803.1	870.1	881.4	706.7	720.4	739.2
Human services	11,242.7	10,777.2	10,485.9	9,962.4	9,537.8	9,339.1	8,379.4	7,708.6	7,045.0	6,827.7
Natural resources and recreation	905.8	729.1	704.1	643.0	689.2	640.0	637.2	552.3	553.0	529.4
Transportation	1,647.4	1,488.8	1,486.5	1,297.0	1,362.7	1,283.1	1,093.7	872.8	873.2	787.0
Education	11,789.4	11,102.7	10,538.7	10,084.8	9,472.0	9,001.8	8,469.8	7,962.1	7,609.7	7,246.3
Intergovernmental	378.3	359.2	334.7	329.5	341.4	349.6	321.1	645.9	441.8	424.4
Capital outlays	2,295.2	1,710.1	1,741.3	1,541.7	1,488.6	1,205.6	1,192.5	1,188.8	1,179.2	991.3
Debt service										
Principal	527.7	499.6	460.8	414.7	441.0	428.9	399.9	388.2	351.1	336.0
Interest	545.0	508.6	497.1	467.7	417.6	401.6	394.9	359.1	350.1	338.2
Total Expenditures	30,476.9	28,164.8	27,183.0	25,601.1	24,553.4	23,519.8	21,769.9	20,384.5	19,123.5	18,219.5
Revenues Over (Under) Expenditures	(215.6)	40.9	(772.2)	(655.1)	(1,537.5)	(1,460.2)	(1,116.2)	(457.1)	(453.8)	(211.2)
Other Financing Sources (Uses):										
Bonds issued, net of refunding	1,673.2	1,162.1	1,189.8	1,214.2	796.7	937.8	820.5	581.1	519.8	739.8
Other debt issued	63.1	44.3	26.4	18.1	32.1	9.9	23.3	25.9	12.9	15.6
Transfer In	3,308.4	3,311.8	2,771.4	2,099.9	2,775.1	2,758.3	2,286.2	1,843.9	1,768.3	1,673.1
Transfer Out	(3,086.3)	(3,067.5)	(2,500.8)	(1,863.6)	(2,146.3)	(2,613.6)	(1,906.5)	(1,646.4)	(1,613.7)	(1,531.3)
Capital lease acquisitions	0.1	0.1	0.1	-	7.0	-	10.3	-	-	1.5
Net Other Financing Sources (Uses)	1,958.4	1,450.8	1,486.9	1,468.6	1,464.6	1,092.4	1,233.7	804.4	687.3	898.7
Net Change in Fund Balances	\$ 1,742.8	\$ 1,491.6	\$ 714.7	\$ 813.5	\$ (72.9)	\$ (367.8)	\$ 117.5	\$ 347.3	\$ 233.5	\$ 687.5
Debt service as a percentage of noncapital expenditures	4.0%	4.0%	3.9%	3.8%	3.9%	3.9%	4.0%	4.1%	4.1%	4.1%

*Certain fund type reclassifications occurred in Fiscal Years 2002, 2003 and 2004.

Source: State of Washington Agency Financial Reporting System

Schedule 5

Revenues, Expenditures, and Other Financing Sources (Uses)

General Fund

Last Ten Fiscal Years (expressed in millions)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Revenues:										
Taxes:										
Retail sales	\$ 7,366.2	\$ 6,892.2	\$ 6,228.8	\$ 5,785.8	\$ 5,578.8	\$ 5,464.2	\$ 5,502.4	\$ 5,419.5	\$ 4,988.4	\$ 4,651.1
Business and occupation	2,684.8	2,411.9	2,227.9	2,018.7	1,893.0	1,889.3	2,031.2	1,838.3	1,846.5	1,867.7
Use (compensating)	504.0	464.6	445.6	388.2	369.3	379.0	410.3	380.8	334.0	331.4
Liquor, beer, and wine	154.1	147.2	105.4	100.2	93.3	90.2	87.7	83.7	79.8	77.2
Cigarette and tobacco	57.6	61.1	61.3	62.2	63.2	76.7	97.6	102.0	86.6	84.5
Insurance premiums	249.0	241.6	228.0	217.6	202.9	182.5	177.8	173.4	158.3	153.9
Public utility	395.4	369.4	333.7	318.2	298.2	296.3	302.6	282.1	249.0	242.3
Property	1,441.9	1,384.4	1,394.8	1,393.0	1,349.2	1,293.1	1,366.7	1,332.8	1,276.8	1,230.9
Excise	1,014.5	977.1	807.7	623.0	514.6	431.1	476.5	552.7	815.8	815.4
Gift and inheritance	3.8	(0.8)	(37.7)	139.9	124.4	114.2	106.3	82.6	69.7	82.2
Other (less credits)	225.6	216.5	192.3	178.4	122.9	125.6	116.3	91.9	114.0	87.9
Total Taxes	14,097.0	13,165.1	11,987.8	11,225.1	10,609.7	10,342.2	10,675.4	10,339.7	10,019.0	9,624.5
Licenses, permits, and fees	91.9	84.9	79.0	75.5	74.9	75.5	123.9	131.2	122.4	101.5
Federal grants-in-aid	6,204.6	6,113.4	6,012.0	5,916.8	5,353.9	5,130.9	4,633.6	4,304.6	3,864.0	3,794.5
Charges and miscellaneous revenue	326.9	283.5	429.3	387.8	424.5	337.8	500.7	487.2	451.5	473.1
Interest income	106.1	72.9	35.8	4.8	35.5	19.6	111.4	106.6	99.1	90.1
Total Revenues	20,826.5	19,719.8	18,543.8	17,609.9	16,498.5	15,906.0	16,045.0	15,369.3	14,556.0	14,083.7
Expenditures:										
Current:										
General government	640.2	602.3	552.4	514.6	495.6	526.6	673.7	551.0	569.3	610.6
Human services	10,191.3	9,808.6	9,518.8	8,988.7	8,538.4	8,303.8	7,653.1	7,055.2	6,502.7	6,338.9
Natural resources and recreation	361.4	291.5	271.1	268.1	270.5	262.9	368.4	296.6	299.3	274.4
Transportation	39.2	41.7	26.7	27.0	16.0	28.6	48.3	45.5	41.3	26.5
Education	7,764.6	7,407.2	7,243.1	6,977.4	6,910.8	6,777.8	6,608.2	6,241.0	5,982.8	5,755.4
Intergovernmental	29.5	28.4	27.7	26.7	26.8	23.1	57.1	172.4	185.7	179.6
Capital outlays	49.1	55.7	78.1	67.4	65.1	57.5	95.4	71.5	85.1	72.2
Debt service										
Principal	14.8	15.0	12.3	10.1	15.8	10.5	15.8	15.9	16.2	21.5
Interest	0.3	1.2	2.3	0.1	0.2	1.7	2.7	3.8	2.3	4.4
Total Expenditures	19,090.4	18,251.6	17,732.5	16,880.1	16,339.2	15,992.5	15,522.7	14,452.9	13,684.7	13,283.5
Revenues Over (Under) Expenditures	1,736.1	1,468.2	811.3	729.8	159.3	(86.5)	522.3	916.4	871.3	800.2
Other Financing Sources (Uses):										
Other debt issued	5.4	17.2	15.5	5.0	11.4	7.0	5.7	4.0	3.5	2.0
Transfer In	128.2	247.9	524.4	308.1	587.9	675.6	432.0	432.4	429.1	526.2
Transfer Out	(1,843.4)	(1,825.3)	(942.2)	(895.0)	(727.9)	(740.3)	(1,044.0)	(1,091.0)	(1,017.9)	(962.3)
Capital lease acquisitions	0.1	0.1	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	(1,709.7)	(1,560.1)	(402.3)	(581.9)	(128.6)	(57.7)	(606.3)	(654.6)	(585.3)	(434.1)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ 26.4	\$ (91.9)	\$ 409.0	\$ 147.9	\$ 30.7	\$ (144.2)	\$ (84.0)	\$ 261.9	\$ 285.9	\$ 366.1

Source: State of Washington Agency Financial Reporting System

Schedule 6

Sales Subject to Retail Sales Tax by Category¹

Last Ten Calendar Years (dollars in millions)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Retail: Building materials, garden equipment & supplies	\$ 5,379	\$ 4,936	\$ 4,437	\$ 3,883	\$ 3,501	\$ 3,271	\$ 3,254	\$ 3,227	\$ 3,021	\$ 2,861
Retail: General merchandise	9,538	8,907	8,289	7,773	7,557	7,354	7,132	6,721	6,282	5,968
Retail: Motor vehicles & parts	12,461	12,049	11,482	11,073	10,595	10,226	10,253	9,281	8,636	7,921
All other retail trade	22,308	20,296	18,516	17,429	16,959	16,912	17,252	16,604	15,734	14,938
Construction	21,818	18,515	15,934	14,076	13,719	13,878	14,297	13,053	11,615	10,376
Accommodations & food services	10,253	9,520	8,836	8,259	7,935	7,772	7,614	7,149	6,708	6,346
Wholesale trade	8,601	8,240	7,584	7,176	7,225	7,662	8,035	7,907	7,500	7,084
Manufacturing	2,699	2,492	2,268	2,118	2,061	2,116	2,201	2,139	2,211	2,069
Information/Telecommunications	4,614	4,628	4,409	4,325	4,323	4,334	4,168	3,846	3,294	3,393
All other industries	13,771	12,571	11,681	11,547	11,486	11,374	11,132	10,300	9,576	9,018
Total	\$ 111,442	\$ 102,154	\$ 93,436	\$ 87,659	\$ 85,361	\$ 84,899	\$ 85,338	\$ 80,227	\$ 74,577	\$ 69,974
State direct sales tax rate ²	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%

¹ Based on North American Industry Classification System (NAICS) codes.

² State tax rate only; excludes local sales tax rate.

Source: Quarterly Business Review, Washington State Department of Revenue

Schedule 7

Number of Retail Sales Tax Payers by Category¹

Current Year and Nine Years Ago

	2006			1997		
	Number of Businesses	Rank	Percentage of Total Businesses	Number of Businesses	Rank	Percentage of Total Businesses
All other industries	64,140	1	33.3%	56,699	1	32.0%
All other retail trade	44,639	2	23.1%	44,108	2	24.9%
Construction	39,121	3	20.3%	32,805	3	18.5%
Accommodations & food services	16,943	4	8.8%	13,970	4	8.0%
Wholesale trade	10,142	5	5.3%	11,345	5	6.4%
Manufacturing	8,575	6	4.4%	8,194	6	4.6%
Retail: Motor vehicles & parts	3,406	7	1.8%	3,541	7	2.0%
Information/Telecommunications	2,890	8	1.5%	2,671	9	1.5%
Retail: Building materials, garden equipment & supplies	2,564	9	1.3%	3,259	8	1.8%
Retail: General merchandise	422	10	0.2%	516	10	0.3%
Total	192,842		100%	177,108		100%

¹ Based on North American Industry Classification System (NAICS) codes.

Note: 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.

Source: Washington State Department of Revenue

Schedule 8

Taxable Sales by Business and Occupation Tax Classification

Last Ten Calendar Years (dollars in millions)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Retailing	\$ 146,018	\$ 133,888	\$ 121,453	\$ 112,158	\$ 108,462	\$ 108,329	\$ 108,312	\$ 101,136	\$ 94,738	\$ 89,057
Wholesaling	113,614	110,516	98,988	91,610	90,567	109,153	111,698	106,634	98,889	91,335
Service and Other Activities	69,571	63,270	56,575	51,968	48,204	48,834	47,610	41,857	31,611	38,297
Manufacturing	29,101	29,988	31,814	25,333	25,036	27,471	32,941	31,894	33,533	34,311
Retailing of Interstate Transportation Equipment	961	8,398	10,996	10,389	13,401	3,849	3,794	4,722	3,531	2,834
Other Business & Occupation Classifications	60,894	35,551	29,043	27,416	26,504	24,043	22,413	20,969	19,260	22,376
Total	\$ 420,159	\$ 381,611	\$ 348,869	\$ 318,875	\$ 312,175	\$ 321,678	\$ 326,766	\$ 307,212	\$ 281,561	\$ 278,209
State B&O tax rate range	.1 - 1.6%	.1 - 1.6%	.138 - 1.5%	.138 - 1.5%	.138 - 1.5%	.138 - 1.5%	.138 - 1.5%	.138 - 1.5%	.138 - 1.5%	.011 - 1.5%

Source: Quarterly Business Review, Washington State Department of Revenue

Schedule 9

Number of Business and Occupation Tax Payers by Category

Current Year and Nine Years Ago

	2006			1997		
	Number of Businesses	Rank	Percentage of Total Businesses	Number of Businesses	Rank	Percentage of Total Businesses
Retailing	176,243	1	42.1%	159,635	1	43.3%
Service and Other Activities	128,590	2	30.8%	77,491	2	21.0%
Wholesaling	83,879	3	20.0%	76,074	3	20.6%
Other Business & Occupation Classifications	18,958	4	4.5%	44,909	4	12.2%
Manufacturing	10,237	5	2.4%	9,433	5	2.6%
Retailing of Interstate Transportation Equipment	976	6	0.2%	1,114	6	0.3%
Total	418,883		100%	368,656		100%

Note: The State of Washington is legally prohibited from disclosing 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

Schedule 10

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years (expressed in millions, except per capita)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Governmental Activities Debt										
General Obligation Bonds	\$ 11,573	\$ 10,464	\$ 9,842	\$ 9,173	\$ 8,376	\$ 7,997	\$ 7,475	\$ 7,055	\$ 6,645	\$ 6,357
Revenue Bonds	608	615	564	511	518	N/A	N/A	N/A	N/A	N/A
Certificates of Participation	382	333	315	274	276	249	214	190	169	156
Capital leases/Installment contracts	20	18	24	28	32	35	18	8	5	6
Total Governmental Activities Debt	12,583	11,430	10,745	9,986	9,202	8,281	7,706	7,252	6,819	6,519
Business-Type Activities Debt										
General Obligation Bonds	101	120	138	155	172	187	205	222	237	250
Higher Education Revenue Bonds	889	794	585	520	455	327	278	218	181	146
Certificates of Participation	246	239	251	247	248	236	275	274	96	83
Capital Leases	21	21	21	14	6	2	2	2	2	2
Total Business-Type Activities Debt	1,257	1,174	995	936	881	752	759	716	516	481
Total Primary Government Debt	\$ 13,840	\$ 12,604	\$ 11,740	\$ 10,922	\$ 10,083	\$ 9,033	\$ 8,465	\$ 7,968	\$ 7,335	\$ 7,000

Debt Ratios

Total Primary Government

Ratio of Total Debt to Personal Income ¹	5.68%	5.65%	5.26%	5.46%	5.07%	4.65%	4.51%	4.54%	4.48%	4.66%
Total Debt Per Capita ²	\$ 2,171	\$ 1,977	\$ 1,873	\$ 1,767	\$ 1,650	\$ 1,495	\$ 1,417	\$ 1,352	\$ 1,258	\$ 1,217

General Bonded Debt

Ratio of General Bonded Debt to Retail

Sales Subject to Tax ³	10.53%	9.55%	9.77%	9.98%	9.75%	9.59%	9.05%	8.53%	8.58%	8.86%
General Bonded Debt Per Capita ²	\$ 1,809	\$ 1,641	\$ 1,538	\$ 1,438	\$ 1,318	\$ 1,261	\$ 1,184	\$ 1,122	\$ 1,061	\$ 1,018

¹ Personal income data can be found in Schedule 13. 2007 Personal Income data not available.

Used 2006 Personal Income to calculate 2007 ratio.

² Population data can be found in Schedule 15.

³ Retail sales subject to tax can be found in Schedule 6. 2006 Retail sales subject to tax used to calculate 2007 ratio.

Source: Washington State Office of Financial Management, Accounting Division

Schedule 11

Legal Debt Margin Information ¹

Last Ten Fiscal Years (dollars in millions)

Legal Debt Limitation Calculation for Fiscal Year 2007 (Constitutional Debt Limitation)

Three year mean, general state revenues	\$ 10,315
Legal Debt Limitation:	
Debt service limitation (9 percent of above)	928
Less: Projected maximum annual debt service of outstanding bonds as of June 30 of the preceding fiscal year	772
Debt service capacity	<u>\$ 156</u>
Remaining State general obligation debt capacity ²	\$ 2,390
Plus: Debt outstanding bond issued & projected sales subject to limitation as of June 30 of the preceding fiscal year	7,439
Maximum Debt Authorization Subject to Limitation	<u>\$ 9,829</u>

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Debt service limitation	\$ 928	\$ 839	\$ 695	\$ 639	\$ 622	\$ 606	\$ 581	\$ 554	\$ 529	\$ 510
Total debt service applicable to limit	772	740	623	594	560	567	560	531	504	480
Debt service capacity	<u>\$ 156</u>	<u>\$ 99</u>	<u>\$ 72</u>	<u>\$ 45</u>	<u>\$ 62</u>	<u>\$ 39</u>	<u>\$ 21</u>	<u>\$ 23</u>	<u>\$ 25</u>	<u>\$ 30</u>
Debt service capacity as a % of total debt service limitation	16.8%	11.8%	10.4%	7.0%	10.0%	6.4%	3.6%	4.2%	4.7%	5.9%
Remaining State general obligation debt capacity ³	\$ 2,390	\$ 1,484	\$ 993	\$ 607	\$ 846	\$ 550	\$ 299	\$ 294	\$ 375	\$ 417
Debt outstanding bonds issued & projected sales subject to debt service limitation	7,439	7,304	6,047	5,693	5,622	5,406	5,114	4,870	4,647	4,231
Maximum debt authorization subject to limitation	<u>\$ 9,829</u>	<u>\$ 8,788</u>	<u>\$ 7,040</u>	<u>\$ 6,300</u>	<u>\$ 6,468</u>	<u>\$ 5,956</u>	<u>\$ 5,413</u>	<u>\$ 5,164</u>	<u>\$ 5,022</u>	<u>\$ 4,648</u>
Remaining debt capacity as a % of maximum debt authorized	24.3%	16.9%	14.1%	9.6%	13.1%	9.2%	5.5%	5.7%	7.5%	9.0%

¹ The constraining limit for 2007 is the constitutional limitation.

² Interest rate assumption for 2007 is 4.19 percent.

³ The remaining debt capacity each year is the calculated present value of the debt service capacity utilizing a yearly interest rate assumption.

Source: Office of the State Treasurer, Certification of the Debt Limitation of the State of Washington

Schedule 12

Revenue Bond Coverage ¹

Last Ten Fiscal Years (expressed in millions)

Fiscal Year	Gross Revenues ²	Less:	Net	Debt Service		Coverage
		Operating Expenses ³	Available Revenue	Principal	Interest	
Governmental Activities*						
2007	\$ 48	\$ 5	\$ 43	\$ -	\$ 37	1.42
2006	41	2	39	-	35	1.21
2005	41	-	41	1	34	1.16
2004	39	-	39	-	33	1.16
2003	N/A	N/A	-	N/A	N/A	-
2002	N/A	N/A	-	N/A	N/A	-
2001	N/A	N/A	-	N/A	N/A	-
2000	N/A	N/A	-	N/A	N/A	-
1999	N/A	N/A	-	N/A	N/A	-
1998	N/A	N/A	-	N/A	N/A	-
Business-Type Activities**						
2007	\$ 1,308	\$ 1,120	\$ 188	\$ 16	\$ 39	3.42
2006	1,195	1,071	124	14	29	2.91
2005	1,102	998	104	12	26	2.74
2004	1,068	971	97	10	16	3.73
2003	1,015	917	98	8	17	3.92
2002	912	854	58	8	12	2.90
2001	838	806	32	6	12	1.78
2000	775	716	59	5	10	3.93
1999	758	674	84	6	8	6.00
1998	712	603	109	6	8	7.79

¹ The majority of the state's revenue bonds are issued by higher education agencies which pledge income from acquired or constructed assets. Governmental activities include \$490 million of Tobacco Settlement Authority (TSA) revenue bonds. These 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, and undistributed TSA bond proceeds. Governmental activities also include \$56.8 million of Tumwater Office Properties (TOP) revenue bonds.

² Total revenues (including earnings on investments).

³ Total operating expenses exclusive of depreciation.

N/A - No revenue bonds outstanding for governmental activities prior to 2004.

* There are no state revenues pledged for the Tobacco Settlement Authority bonds.

** The state's higher education revenue bonds pledge income from acquired or constructed assets.

Source: Washington State Office of Financial Management, Accounting Division

Schedule 13

Personal Income Comparison

Washington vs. United States

Last Ten Calendar Years (dollars in billions)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
In Current Dollars:										
Washington										
Amount	\$ 243.5	\$ 224.8	\$ 218.4	\$ 202.9	\$ 197.5	\$ 193.5	\$ 187.9	\$ 175.5	\$ 163.8	\$ 150.1
Percent change	8.3%	2.9%	7.6%	2.8%	2.0%	3.0%	7.1%	7.1%	9.1%	7.4%
Per Capita	37,934	35,675	35,207	33,136	32,567	32,250	31,709	29,973	28,329	26,353
United States										
Amount	\$ 10,983.4	\$ 10,301.1	\$ 9,727.2	\$ 9,163.6	\$ 8,881.9	\$ 8,724.1	\$ 8,429.7	\$ 7,802.4	\$ 7,423.0	\$ 6,915.1
Percent change	6.6%	5.9%	6.2%	3.2%	1.8%	3.5%	8.0%	5.1%	7.3%	6.1%
Per Capita	36,595	34,643	33,033	31,418	30,753	30,518	29,807	27,891	26,840	25,295
Washington Rate as % of U.S. Rate	103.7%	103.0%	106.6%	105.5%	105.9%	105.7%	106.4%	107.5%	105.5%	104.2%

Source: Economic Forecast, November 2007, Washington State Economic and Revenue Forecast Council

Schedule 14

Personal Income by Component

Last Ten Calendar Years (dollars in billions)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Total personal income	\$ 243.5	\$ 224.8	\$ 218.4	\$ 202.9	\$ 197.5	\$ 193.5	\$ 187.9	\$ 175.5	\$ 163.8	\$ 150.1
Percent change	8.3%	2.9%	7.6%	2.8%	2.0%	3.0%	7.1%	7.1%	9.1%	7.4%
Total earnings	\$ 189.1	\$ 175.6	\$ 166.2	\$ 157.3	\$ 153.0	\$ 150.0	\$ 147.0	\$ 138.2	\$ 126.7	\$ 115.1
Percent change	7.7%	5.7%	5.7%	2.8%	2.0%	2.0%	6.4%	9.1%	10.1%	7.9%
Wages and salaries	\$ 136.3	\$ 125.8	\$ 119.2	\$ 114.1	\$ 111.4	\$ 110.6	\$ 110.0	\$ 103.8	\$ 94.2	\$ 85.2
Percent change	8.3%	5.6%	4.5%	2.4%	0.7%	0.5%	6.0%	10.2%	10.6%	10.4%
Other labor income	\$ 33.5	\$ 31.3	\$ 29.2	\$ 26.8	\$ 25.5	\$ 23.2	\$ 22.9	\$ 21.3	\$ 20.1	\$ 18.5
Percent change	6.8%	7.3%	8.8%	5.3%	9.7%	1.3%	7.5%	6.0%	8.6%	3.9%
Farm proprietor's income	\$ 0.1	\$ 0.2	\$ 0.5	\$ 0.7	\$ 0.4	\$ 0.2	\$ 0.4	\$ 0.4	\$ 0.7	\$ 0.7
Percent change	-48.0%	-58.5%	-25.3%	83.8%	85.3%	-50.0%	0.0%	-42.9%	0.0%	-30.0%
Nonfarm proprietor's income	\$ 19.2	\$ 18.2	\$ 17.3	\$ 15.6	\$ 15.7	\$ 15.9	\$ 13.7	\$ 12.8	\$ 11.6	\$ 10.7
Percent change	5.5%	5.3%	10.5%	-0.5%	-1.5%	16.1%	7.0%	10.3%	8.4%	0.0%
Less:										
Contributions for social insurance	\$ 23.1	\$ 21.6	\$ 20.3	\$ 19.0	\$ 18.2	\$ 17.8	\$ 18.2	\$ 17.0	\$ 16.1	\$ 14.6
Percent change	6.8%	6.4%	7.1%	4.3%	1.9%	-2.2%	7.1%	5.6%	10.3%	5.8%
Plus:										
Residence adjustment	\$ 2.9	\$ 2.7	\$ 2.5	\$ 2.4	\$ 2.4	\$ 2.3	\$ 2.2	\$ 1.9	\$ 1.8	\$ 1.7
Percent change	5.7%	9.3%	3.2%	0.7%	3.2%	4.5%	15.8%	5.6%	5.9%	6.2%
Dividends, interest, and rent	\$ 42.6	\$ 38.5	\$ 41.9	\$ 34.3	\$ 33.6	\$ 33.9	\$ 34.5	\$ 31.4	\$ 31.5	\$ 28.9
Percent change	10.9%	-8.1%	22.2%	2.0%	-0.9%	-1.7%	9.9%	-0.3%	9.0%	7.8%
Transfer payments	\$ 31.9	\$ 29.6	\$ 28.1	\$ 27.9	\$ 26.6	\$ 25.1	\$ 22.3	\$ 21.0	\$ 19.8	\$ 19.1
Percent change	7.7%	5.6%	0.5%	4.9%	6.2%	12.6%	6.2%	6.1%	3.7%	3.8%

Note: Figures may not total due to rounding.

Source: Economic Forecast, November 2007, Washington State Economic and Revenue Forecast Council

Schedule 15

Total Resident Population and Components of Change

Last Ten Calendar Years (figures in thousands)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
United States Population¹	NA	299,398.5	296,507.1	293,638.2	290,796.0	288,126.0	285,226.3	282,217.0	279,040.1	275,854.1
Percent Change ¹	NA	1.0%	1.0%	1.0%	0.9%	1.0%	1.1%	1.1%	1.2%	1.2%
Washington Population	6,488.0	6,375.6	6,256.4	6,167.8	6,098.3	6,041.7	5,974.9	5,894.1	5,830.8	5,750.0
Percent Change	1.8%	1.9%	1.4%	1.1%	0.9%	1.1%	1.4%	1.1%	1.4%	1.5%
Washington Population change:										
Number	112.4	119.2	88.6	69.5	56.6	66.8	80.8	63.3	80.8	86.3
Births number	85.4	82.9	81.8	81.0	79.1	79.3	80.7	79.9	79.8	78.8
Deaths number	47.6	46.2	45.6	46.0	44.7	44.9	43.9	43.7	43.1	41.6
Net migration number	74.6	82.5	52.4	34.6	22.3	32.4	44.0	27.2	44.2	49.0

Notes: Washington population figures are as of April 1 of each year.

Births, deaths, and migration year figures are April through March.

Birth and death figures are estimated for 2006 and 2007.

¹ 2007 U.S. Population number not available.

Sources: 2007 Population Trends, Washington State Office of Financial Management, Forecasting Division
FactFinder, U.S. Census Bureau

Schedule 16

Annual Average Civilian Labor Force Unemployment Rates

Washington vs. United States

Last Ten Calendar Years (figures in thousands)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Washington State:										
Civilian Labor Force	3,327	3,271	3,209	3,149	3,105	3,053	3,050	3,066	3,032	2,967
Employment	3,160	3,090	3,008	2,916	2,877	2,864	2,899	2,918	2,887	2,822
Total Unemployment	167	181	201	233	228	189	151	148	145	145
Unemployment Percentage Rate	5.0%	5.5%	6.3%	7.4%	7.3%	6.2%	5.0%	4.8%	4.8%	4.9%
United States:										
Civilian Labor Force	151,400	149,300	147,400	146,500	145,100	143,900	142,600	139,400	137,700	136,300
Employment	144,400	141,700	139,200	137,700	136,500	136,900	136,900	133,500	131,500	129,600
Total Unemployment	7,000	7,600	8,200	8,800	8,600	7,000	5,700	5,900	6,200	6,700
Unemployment Percentage Rate	4.6%	5.1%	5.5%	6.0%	5.8%	4.9%	4.0%	4.2%	4.5%	4.9%
Washington Rate as % of U.S. Rate	108.7%	107.8%	114.5%	123.3%	125.9%	126.5%	125.0%	114.3%	106.7%	100.0%

Source: Economic Forecast, November 2007, Washington State Economic and Revenue Forecast Council

Schedule 17

Employment by Sector

Last Ten Calendar Years (figures in thousands)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Nonagricultural Wage and Salary Workers Employed in Washington State										
Manufacturing:										
Food	33.7	33.8	34.1	34.8	35.3	37.3	38.9	38.6	38.3	39.1
Wood products	20.2	20.0	18.8	17.8	18.0	19.0	21.9	21.2	21.9	22.9
Paper and paper products	12.0	12.2	12.7	13.3	13.2	14.1	14.4	15.2	15.6	15.6
Primary and fabricated metals	24.3	23.1	22.3	22.1	23.5	27.0	29.8	30.0	31.4	30.7
Computer and electronic equipment	22.4	22.2	22.1	23.4	26.2	32.4	34.4	33.3	35.0	33.5
Machinery and electrical equipment	19.0	17.8	17.0	16.3	16.7	18.5	19.8	19.2	18.3	17.8
Aerospace	73.3	65.6	61.5	65.3	75.7	87.2	86.2	98.3	112.0	105.1
Other manufacturing	80.6	77.9	75.2	74.2	76.4	80.7	86.6	87.7	88.0	85.7
Total Manufacturing	285.5	272.6	263.7	267.2	285.0	316.2	332.0	343.5	360.5	350.4
Nonmanufacturing:										
Natural resources	8.7	9.0	9.1	8.6	9.4	9.8	10.0	10.6	10.3	10.8
Construction	195.0	177.3	164.2	156.2	154.2	158.8	160.6	153.8	143.4	137.3
Transportation, warehousing and utilities	93.9	92.2	89.7	87.9	88.3	92.4	95.4	94.3	93.5	90.1
Trade	448.4	438.3	428.6	421.9	421.0	431.4	436.5	424.8	412.5	400.7
Information	98.4	94.7	92.8	92.3	93.6	99.0	97.6	85.2	77.2	72.4
Financial activities	156.3	154.5	151.8	151.9	146.1	145.2	142.3	141.9	136.3	128.5
Services	1,042.3	1,011.5	977.3	951.0	940.3	939.2	951.2	919.4	895.2	866.0
State and local government	460.5	457.2	454.0	450.5	446.9	437.5	413.5	406.8	398.7	390.2
Federal civilian government	69.3	69.6	69.8	70.2	69.2	67.9	69.9	67.6	67.2	67.9
Total Nonmanufacturing	2,572.8	2,504.3	2,437.3	2,390.5	2,369.0	2,381.2	2,377.0	2,304.4	2,234.3	2,163.9
Total Wage and Salary Workers	2,858.2	2,776.9	2,700.9	2,657.4	2,654.0	2,697.4	2,709.0	2,647.8	2,594.9	2,514.2

Note: Figures may not total due to rounding.

Source: Economic Forecast, November 2007, Washington State Economic and Revenue Forecast Council

Schedule 18

Average Annual Wage Rates

Last Ten Calendar Years

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Mining	\$ 56,777	\$ 53,604	\$ 52,334	\$ 50,540	\$ 48,322	\$ 48,328	N/A	N/A	N/A	N/A
Construction	47,136	44,658	43,063	41,956	41,969	41,007	N/A	N/A	N/A	N/A
Manufacturing	59,004	55,576	52,684	50,939	51,433	48,206	N/A	N/A	N/A	N/A
Transportation, warehousing and utilities	47,602	45,996	45,532	42,828	42,092	40,887	N/A	N/A	N/A	N/A
Retail trade	30,638	29,765	28,444	27,529	26,916	25,896	N/A	N/A	N/A	N/A
Wholesale trade	57,887	54,989	54,176	50,645	49,516	48,683	N/A	N/A	N/A	N/A
Information	95,761	88,944	92,212	101,543	102,215	110,669	N/A	N/A	N/A	N/A
Financial activities	59,497	55,311	54,943	51,544	48,111	46,715	N/A	N/A	N/A	N/A
Services	39,271	37,371	36,590	35,218	34,025	32,899	N/A	N/A	N/A	N/A
State and local government	40,440	38,746	37,513	36,578	35,557	34,192	33,878	32,373	31,292	30,252
Federal civilian government	59,611	57,699	56,021	52,858	50,209	47,260	44,716	42,754	42,336	41,203

Note: Employment and wages are reported on by North American Industry Classification System (NAICS). Wages are not available before 2001 on a NAICS basis for most industry sectors.

Source: Washington State Office of Financial Management, Forecasting Division

Schedule 19

Principal Employers by Major Industry (Ranked by Number of Employees)

Ranking	Industry	2006		
		Number of Employees	Percentage of Total ¹	Number of Employers
1	Government (including public education)	505,762	18.3%	2,032
2	Retail Trade	306,214	11.1%	14,264
3	Health Care and Social Assistance	283,559	10.3%	13,172
4	Manufacturing	274,495	10.0%	7,146
5	Accommodation and Food Services	212,922	7.7%	11,803
6	Construction	167,075	6.1%	23,203
7	Professional, Scientific, and Technical Services	139,540	5.1%	15,716
8	Wholesale Trade	121,246	4.4%	12,305
9	Other Services	109,672	4.0%	45,244
10	Finance and Insurance	103,728	3.8%	5,753

¹ The percentage is based on total employment of 2,758,666.

Note: 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.

Source: Washington State Labor Market and Economic Report, Employment Security Department

Schedule 20

Fortune 500 Companies Headquartered in Washington

Ranking			Revenues (in millions)	Profits (in millions)	Employees Worldwide	Headquarters/ Location
2006	2005	Company				
32	28	Costco Wholesale Corp.	\$ 60,151	\$ 1,103	99,000	Issaquah
49	48	Microsoft Corp.	44,282	12,599	71,000	Redmond
81	99	Washington Mutual Inc.	26,561	3,558	49,824	Seattle
105	90	Weyerhaeuser Co.	22,250	453	46,700	Federal Way
141	157	Paccar Inc.	16,454	1,496	21,000	Bellevue
237	272	Amazon.com Inc.	10,711	190	13,900	Seattle
286	293	Nordstrom Inc.	8,561	678	52,900	Seattle
310	338	Starbucks Corp.	7,787	564	145,800	Seattle
363	339	Safeco Corp.	6,290	880	7,208	Seattle
477	506	Expeditors Intl. of Wash.	4,626	235	11,600	Seattle

Source: Fortune, April 30, 2007

Schedule 21

Rank Order of Principal Commodities Value

Last Ten Calendar Years (dollars in millions)

Commodities	Rank	% Change	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
	2006	2006 Vs 2005										
Apples	1	34.3	\$1,386	\$1,032	\$742	\$1,178	\$1,023	\$900	\$750	\$856	\$700	\$821
Milk (4)	2	(17.7)	688	836	861	675	674	827	716	825	847	732
Wheat	3	37.3	626	456	524	521	497	424	443	345	414	561
Cattle and calves	4	(2.2)	588	601	476	476	451	493	561	454	459	469
Potatoes	5	5.0	562	535	460	489	512	552	446	476	447	432
Hay, all	6	8.4	398	367	380	344	375	375	355	307	313	362
Nursery & greenhouse products (1)	7	1.5	331	326	329	310	299	288	288	282	274	263
Cherries, all	8	(19.0)	273	337	242	176	151	148	157	116	129	133
Pears, all	9	12.7	160	142	128	129	116	109	106	121	108	124
Onions, all	10	41.7	146	103	36	91	113	67	65	52	84	100
Grapes, all	11	2.9	144	140	122	144	135	138	127	114	105	124
Forest products, farm (2)	12	(6.7)	140	150	140	120	140	171	225	235	247	255
Aquaculture (includes trout eggs & fish)(5)	13	(9.1)	90	99	89	84	90	83	N/A	N/A	N/A	N/A
Hops	14	21.9	89	73	76	72	83	92	95	81	73	89
Broilers (3)	15	(24.3)	78	103	98	75	65	82	N/A	N/A	N/A	N/A
Sweet corn, all	16	1.4	71	70	67	76	72	66	70	64	66	62
Corn, silage	17	1.7	60	59	52	46	53	48	41	41	44	45
Corn, grain	18	23.9	57	46	62	41	38	27	47	42	47	54
Mint oil	19	15.6	52	45	46	42	43	36	34	37	55	53
Christmas trees	20	2.0	51	50	55	60	60	59	60	60	48	45

Note: (1) Includes floriculture.

(2) Value of forest products sold from operations meeting the USDA farm definition.

(3) Washington Fryer Commission total weight multiplied by USDA US average bird liveweight price per pound.

(4) 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.

(5) Excludes value of distributed fish.

N/A indicates data not available.

Source: United States Department of Agriculture (USDA), Washington Agricultural Statistics Service

Schedule 22

International Trade Facts

All Washington Ports

Last Ten Calendar Years (dollars in millions)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Exports (1)	\$ 68,202	\$ 51,533	\$ 46,051	\$ 41,776	\$ 41,730	\$ 42,935	\$ 42,100	\$ 46,513	\$ 48,780	\$ 47,685
Imports	81,953	81,308	65,135	55,762	54,059	58,144	64,991	59,676	55,604	53,193
Trade balance	(13,752)	(29,775)	(19,084)	(13,987)	(12,329)	(15,209)	(22,891)	(13,163)	(6,824)	(5,508)
Two-way trade	150,155	132,841	111,186	97,538	95,789	101,079	107,091	106,189	104,384	100,878

Note: (1) These figures indicate total international trade from the state of Washington, including bonded shipments to other states and Canada (includes Boeing Company figures).

Source: Washington State Department of Community, Trade and Economic Development (U.S. Census Bureau)

Schedule 23

Major Export Trading Partners

Last Ten Calendar Years (dollars in millions)

Partners	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Canada	\$ 12,894	\$ 10,581	\$ 8,758	\$ 7,141	\$ 6,414	\$ 6,525	\$ 7,210	\$ 6,904	\$ 6,836	\$ 7,131
Japan	9,810	9,272	8,779	7,988	6,865	5,938	6,837	7,868	8,754	9,871
China (mainland)	8,030	6,576	4,219	2,968	3,032	3,445	2,540	2,453	3,852	2,273
United Arab Emirates	4,352	2,218	109	683	950	215	248	715	373	620
Taiwan	3,332	3,822	2,761	2,503	1,464	1,970	2,076	1,278	2,409	2,246
Korea	3,161	2,467	3,296	3,014	3,712	3,605	3,445	2,923	1,837	4,290
Singapore	2,805	1,395	1,602	2,186	2,459	2,770	690	1,434	1,745	1,968
Ireland	1,762	1,873	1,530	903	617	586	492	422	100	80
France	1,760	1,361	2,011	597	1,883	1,157	950	1,337	836	250
Malaysia	1,537	428	696	277	939	742	414	529	1,469	1,354
India	1,488	516	148	237	288	333	242	356	401	256
Netherlands	1,410	796	1,700	2,027	914	834	1,518	1,482	877	1,216
Thailand	1,239	332	359	796	223	619	578	711	943	1,347
Australia	1,041	999	918	1,278	2,124	481	517	617	576	599
United Kingdom	1,022	878	1,029	1,369	1,165	2,721	3,203	4,312	4,451	4,551

Note: 1997-1999 statistics based on all Washington State ports, all methods of transportation.

Source: Washington State Department of Community, Trade and Economic Development (U.S. Census Bureau)

Schedule 24

Major Import Trading Partners

Last Ten Calendar Years (dollars in millions)

Partners	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
China (mainland)	\$ 24,198	\$ 22,653	\$ 16,138	\$ 13,955	\$ 12,155	\$ 9,875	\$ 10,651	\$ 9,288	\$ 8,428	\$ 7,612
Japan	18,555	21,390	18,291	15,917	15,658	17,074	20,022	19,622	19,303	20,833
Canada	15,980	15,245	13,367	11,425	10,389	12,659	14,690	11,961	10,429	9,663
Korea	4,264	4,270	3,468	2,788	2,637	2,558	2,793	2,507	2,337	2,354
Taiwan	3,451	3,519	2,776	2,160	2,382	3,200	4,021	3,845	4,105	3,217
Thailand	1,389	1,296	918	813	841	1,015	1,332	1,152	1,195	1,179
Malaysia	1,365	1,091	955	690	724	772	958	808	816	599
Indonesia	1,100	1,069	816	627	879	880	781	739	762	647
United Kingdom	913	746	758	842	1,256	2,342	1,645	2,478	2,172	1,744
Vietnam	904	819	473	301	177	37	38	35	34	35
Hong Kong	788	1,092	978	882	913	1,634	1,345	1,116	1,183	1,380
France	752	873	507	472	750	859	726	736	341	121
Angola	599	167	34	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Australia	567	501	470	395	738	633	904	841	714	844
Saudi Arabia	558	382	160	324	32	13	7	2	2	2

Note: Based on all Washington State ports, all methods of transportation.
N/A indicates data not available.

Source: Washington State Department of Community, Trade and Economic Development (U.S. Census Bureau)

Schedule 25

Property Value and Construction

Last Ten Calendar Years (dollars in millions)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
--	------	------	------	------	------	------	------	------	------	------

Value of All Taxable Property:

Assessed value	\$ 738,395	\$ 634,883	\$ 573,677	\$ 535,208	\$ 506,838	\$ 478,687	\$ 441,192	\$ 404,657	\$ 378,587	\$ 378,587
----------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------

Property Value of Exemptions:

Senior citizen	\$ 6,604	\$ 5,267	\$ 3,839	\$ 3,362	\$ 3,327	\$ 4,066	\$ 4,187	\$ 4,609	\$ 4,796	\$ 2,883
Head of household	44	68	47	56	56	53	47	43	47	44
Total Exemptions	\$ 6,648	\$ 5,335	\$ 3,886	\$ 3,418	\$ 3,383	\$ 4,119	\$ 4,234	\$ 4,652	\$ 4,843	\$ 2,927

New Construction and Improvements:

Value	\$ 19,680	\$ 15,393	\$ 12,872	\$ 11,356	\$ 10,724	\$ 10,896	\$ 10,527	\$ 9,542	\$ 9,195	\$ 8,497
-------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	----------	----------	----------

Source: Property Tax Statistics, Washington State Department of Revenue

Schedule 26

Residential Building Activity

Last Ten Calendar Years (dollars in millions)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
--	------	------	------	------	------	------	------	------	------	------

Permits	50,033	52,988	50,089	42,825	40,200	38,345	39,021	42,752	45,727	41,089
Valuations	\$ 8,540	\$ 8,742	\$ 7,535	\$ 6,346	\$ 5,473	\$ 4,689	\$ 4,426	\$ 4,578	\$ 4,745	\$ 4,225

Source: U.S. Census Bureau

Schedule 27

Full-Time Equivalent Staff Comparison

Budgeted Funds

Last Ten Fiscal Years

Function	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General government	9,508	9,330	9,272	9,004	8,867	8,761	8,637	8,510	8,416	8,179
Human services	33,669	32,918	33,368	32,964	32,909	33,080	32,884	32,587	32,003	30,665
Natural resources and recreation	6,507	6,254	6,253	6,245	6,275	6,307	6,190	5,955	5,921	5,910
Transportation	11,025	10,662	10,549	10,373	10,410	10,531	10,250	10,254	10,140	9,827
Education	47,984	47,477	47,327	46,491	45,802	45,139	44,081	42,623	41,426	40,448
Total	108,693	106,641	106,769	105,077	104,263	103,818	102,042	99,929	97,906	95,029
Percentage Change	1.9%	-0.1%	1.6%	0.8%	0.4%	1.7%	2.1%	2.1%	3.0%	1.4%

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.

FTE staff years can be computed two ways:

- (1) By accumulating all FTE staff months for a full year and dividing by 12.
- (2) By accumulating all paid hours for one full year and dividing by 2,088 (the available work hours in a year).

Figures include operating and capital FTEs and FTEs of nonbudgeted Higher Education funds.

Source: Washington State Office of Financial Management, Accounting Division

Schedule 28

Full-Time Equivalent Staff Comparison

General Fund State

Last Ten Fiscal Years

Function	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General government	3,175	3,108	3,102	3,022	3,030	2,904	2,925	2,874	2,870	2,763
Human services	17,548	17,051	17,130	17,167	17,701	17,398	17,132	16,122	16,242	16,159
Natural resources and recreation	2,193	2,175	2,166	2,226	2,066	2,189	2,157	1,902	1,787	1,637
Transportation	343	428	307	334	188	391	416	405	407	211
Education	20,171	19,587	19,265	19,297	18,512	18,555	18,464	17,944	17,681	17,358
Total	43,430	42,349	41,970	42,046	41,497	41,437	41,094	39,247	38,987	38,128
Percentage Change	2.6%	0.9%	-0.2%	1.3%	0.1%	0.8%	4.7%	0.7%	2.3%	2.0%

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.

FTE staff years can be computed two ways:

- (1) By accumulating all FTE staff months for a full year and dividing by 12.
- (2) By accumulating all paid hours for one full year and dividing by 2,088 (the available work hours in a year).

Figures include operating and capital FTEs.

Source: Washington State Office of Financial Management, Accounting Division

Schedule 29

Operating and Capital Asset Indicators by Function

General Government

Last Ten Fiscal years

	2007	2006	2005	2004	2003
Department of Revenue (1)					
Number of state excise taxpayer registered accounts *	N/A	75,9235	718,224	692,845	652,373
Number of taxable real estate excise tax (REET) sales *	N/A	364,906	364,900	344,056	316,635
General Administration (GA) (2)					
Number of leases for office space **	610	604	549	529	568
Gross square feet of leased office space (in 000's)**	8,662	7,789	6,753	6,650	6,667
Number of GA owned buildings	44	44	44	44	44
Gross square feet of GA owned office space (in 000's)	3,101	3,101	2,893	2,893	2,878
Liquor Control Board (3)					
Retail licensees	13,006	12,650	12,331	12,121	11,791
Non-retail licensees	2,367	1,954	1,933	1,409	1,393
Number of state owned liquor stores	160	161	159	161	157
Number of contracted stores	152	154	153	154	155
Convention and Trade Center (4)					
Number of national/international/regional events	42	46	53	45	41
Attendance of national/international/regional events	182,406	176,904	179,493	161,101	141,090
Number of local events	559	520	454	499	481
Attendance of local events	216,149	320,549	219,191	266,717	284,242

* Data available on a calendar year basis.

** Data not available prior to 2000.

Sources:

- (1) Tax Statistics, Washington State Department of Revenue
- (2) Washington State Department of General Administration
- (3) Washington State Liquor Control Board
- (4) Annual Report, Washington State Convention and Trade Center

2002	2001	2000	1999	1998
617,491	580,599	543,380	511,828	481,526
287,851	272,480	279,597	289,890	277,638
557	621	665	N/A	N/A
6,588	7,174	7,515	N/A	N/A
44	44	42	42	40
2,878	2,878	2,718	2,718	2,653
11,453	11,337	11,244	11,195	11,151
1,166	1,178	1,013	946	949
157	157	154	157	156
157	157	159	159	159
36	38	34	33	39
111,163	129,600	118,440	143,201	200,644
407	347	337	284	326
260,702	235,000	280,149	411,949	278,062

Schedule 30

Operating and Capital Asset Indicators by Function

Human Services

Last Ten Fiscal Years

	2007	2006	2005	2004	2003
Department of Social and Health Services (1)					
Mental Health Programs					
Mental health state facilities	4	4	4	4	4
Mental health state facilities available beds	1,409	1,280	1,247	1,218	1,287
Mental health state facilities average daily census	1,292	1,262	1,207	1,192	1,225
Community mental health facilities	150	150	150	150	150
Community mental health programs total clients served	121,792	120,770	125,945	131,069	127,967
Medical Assistance Programs					
Monthly average caseload certified eligible	888,179	843,683	851,109	862,935	864,389
Income Assistance Programs					
Temporary Assistance for Needy Families (TANF) caseload	51,936	55,515	57,024	55,610	54,659
Food assistance caseload *	279,981	273,542	251,453	220,130	192,310
Department of Corrections (2)					
Number of correctional institutions	15	15	15	15	15
Prison population	18,008	17,817	15,810	16,046	15,580
Prison operating capacity	15,222	15,002	15,002	15,341	13,262
Department of Health (3)					
Licensed health professionals **	331,147	287,512	284,439	275,023	265,607
Department of Labor & Industries (4)					
Claims filed, injured or ill workers	140,308	140,887	139,365	137,835	140,710
Electrical wiring jobs inspected	282,100	172,402	180,401	162,503	153,874
Workplaces inspected each year by WISHA program ***	N/A	6,634	7,535	6,728	7,688

* Data reflects state fiscal year average, total participating households.

** Includes certified, licensed and registered health professionals. The counts for years 1998, 2000 and 2002 are averages of the years before and after because, during that time period, the Department of Health reported this information every other year. Emergency medical technicians were not included in the counts for previous years, but are included in the total for 2007.

*** Data available on a calendar year basis. (WISHA is the Washington Industrial Safety and Health Act.)

Sources:

- (1) Washington State Department of Social and Health Services
- (2) Washington State Department of Corrections
- (3) Washington State Department of Health
- (4) Washington State Department of Labor and Industries

2002	2001	2000	1999	1998
4	4	4	4	4
1,379	1,398	1,398	1,315	1,315
1,328	1,343	1,340	1,317	1,276
150	150	150	153	164
125,524	120,742	112,105	106,911	106,737
840,018	790,244	727,964	728,307	746,110
55,068	54,759	58,797	66,145	84,029
164,531	144,661	139,341	154,662	182,563
15	15	15	14	14
15,405	14,242	13,736	13,473	12,814
13,262	12,867	12,587	11,828	11,529
256,173	246,834	236,497	226,160	219,519
149,061	167,071	180,310	177,707	181,906
133,828	128,048	134,042	136,052	132,542
7,868	6,864	7,339	7,059	7,171

Schedule 31

Operating and Capital Asset Indicators by Function

Transportation

Last Ten Fiscal Years

	2007	2006	2005	2004	2003
Department of Transportation (1)					
Number of ferries	28	28	28	28	29
Vehicles on ferries (in 000s) *	10,712	10,827	10,810	10,867	10,812
Passengers on ferries (in 000s) *	13,090	12,960	13,071	13,541	13,703
Miles of Travel					
Rural (in 000s) **	N/A	11,397	11,293	11,354	12,900
Urban (in 000s) **	N/A	20,367	20,336	20,203	18,763
Lane Miles					
Rural	13,668	13,652	13,641	14,337	13,978
Urban	6,505	6,447	6,362	5,633	5,226
Total	20,173	20,099	20,003	19,970	19,204
Pavement patching and repair *** (square feet)					
	92,216	160,280	116,357	N/A	N/A
Pavement striping maintenance *** (miles)					
	20,328	23,145	27,389	N/A	N/A
Anti-icing & de-icing liquid application *** (gallons in 000s)					
	4,541	3,507	3,446	N/A	N/A
Litter pickup *** (cubic yards)					
	17,234	22,916	41,115	N/A	N/A
Department of Licensing (2)					
Vehicle registrations (in 000s)	4,114	4,056	3,974	3,924	3,805
Licensed drivers (in 000s)	4,880	4,791	4,682	4,505	4,441
State Patrol (3)					
Total contacts ****	635,421	1,270,727	1,356,300	1,482,090	1,508,647
Citations issued ****	311,476	571,043	506,462	518,721	571,272
Motorist assists ****	147,633	325,621	352,615	329,896	409,954
Collisions investigated ****	18,437	40,510	40,175	36,449	32,874
Number of traffic officers ****	599	630	651	686	684

* 2007 data based on average estimated figures.

** Data available on a calendar year basis.

*** Data not available prior to 2005.

**** Data available on a calendar year basis. 2007 data through June 30, 2007.

N/A data not available.

Sources:

- (1) Washington State Department of Transportation
- (2) Washington State Department of Licensing
- (3) Washington State Patrol

2002	2001	2000	1999	1998
29	29	29	29	25
11,141	11,463	11,543	11,379	11,214
14,489	15,140	15,330	15,118	14,701
12,732	12,399	12,272	12,168	11,904
18,754	18,272	18,163	17,917	17,416
13,962	13,663	13,665	13,661	13,655
5,203	4,369	4,330	4,320	4,318
19,165	18,032	17,995	17,981	17,973
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
3,749	3,719	3,799	3,315	3,394
4,400	4,355	4,299	4,160	4,157
1,442,087	1,449,618	782,548	813,350	840,913
N/A	395,747	377,283	359,220	365,677
N/A	541,105	447,206	438,155	428,946
31,401	41,977	41,804	38,606	42,861
811	N/A	N/A	N/A	N/A

Schedule 32

Operating and Capital Asset Indicators by Function Natural Resources and Recreation

Last Ten Fiscal Years

	2007	2006	2005	2004	2003
State Parks and Recreation Commission (1)					
Number of developed state parks	120	120	114	120	120
Number of owned or managed properties	231	226	227	229	231
Acreage of state parks ***	120,146	260,487	260,028	259,453	259,244
Attendance at state parks (in 000s)	39,297	40,026	40,331	40,410	45,960
Department of Fish and Wildlife (2)					
Recreational hunting licenses issued *	359,510	342,230	330,453	321,906	324,544
Recreational fishing licenses issued *	954,478	929,884	963,088	1,031,213	955,037
Hatchery salmon releases (pounds in 000s)	4,750	4,747	4,795	4,971	5,296
Hatchery trout releases (pounds in 000s)	1,422	1,566	1,417	1,484	1,462
Department of Natural Resources (3)					
Common schools trust land acreage (in 000s)	1,757	1,757	1,758	1,752	1,748
Total trust land acreage (in 000s)	2,877	2,876	2,875	2,882	2,862
Timber acres harvested *	29,695	N/A	30,529	27,629	24,405
Timber volume harvested (mbf) **	493,341	657,962	694,999	616,051	494,266
Timber volume sold (mbf) **	570,531	527,609	598,445	547,749	542,607
Natural area preserve sites	52	51	49	49	48
Natural area preserve acreage	29,991	29,975	29,871	30,074	29,786
Natural resources conservation area sites	31	30	28	28	28
Natural resources conservation area acreage	88,862	87,793	87,357	86,401	84,795

* Data not available prior to 2000.

** mbf: thousand board feet.

*** 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.

N/A data not available.

Sources:

- (1) Washington State Parks and Recreation Commission
- (2) Washington State Department of Fish and Wildlife
- (3) Washington State Department of Natural Resources

2002	2001	2000	1999	1998
126	126	126	126	126
238	239	240	241	241
262,393	262,564	262,292	262,012	261,711
48,864	47,774	46,444	48,138	52,732
332,769	372,858	336,961	N/A	N/A
1,068,136	1,161,682	970,668	N/A	N/A
5,798	6,137	6,571	6,665	6,015
1,503	1,569	1,308	1,418	1,278
1,745	1,746	1,750	1,774	1,785
2,860	2,860	2,863	2,885	2,895
23,921	26,955	32,383	N/A	N/A
492,173	514,951	627,992	627,031	553,506
494,798	460,753	501,431	570,367	579,494
47	47	47	48	47
27,787	27,058	25,253	24,795	23,430
27	27	27	24	24
85,408	84,006	82,020	54,953	50,973

Schedule 33

Operating and Capital Asset Indicators by Function Education

Last Ten Academic Years

	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
K-12 Enrollment * (1)						
K-8	648,966	649,655	648,526	650,269	650,596	651,692
9-12	313,409	311,684	307,451	302,091	298,912	295,890
Private & Homebased	21	22	52	89	100	169
Summer	325	332	473	438	352	467
Running Start	10,811	10,256	9,761	9,351	8,814	8,305
UW Transition	100	109	109	105	71	43
Total	973,632	972,058	966,371	962,343	958,845	956,566
High school graduates**	N/A	56,874	57,449	57,926	60,525	54,359
Higher Education *** (2)						
Community and Technical Colleges						
Number of campuses	34	34	34	34	34	34
Enrollment (1)	132,316	130,933	131,489	138,241	139,753	133,962
Associate degrees granted	20,678	21,450	21,632	22,326	20,403	18,516
Public Universities (3)						
Number of campuses	10	11	11	11	11	11
Enrollment**** (1)	92,245	91,571	91,358	90,075	89,511	87,969
Baccalaureate degrees granted	21,442	20,989	20,882	20,456	19,454	18,635
Masters degrees granted	4,711	4,748	4,750	4,685	4,591	4,285
Doctors degrees granted	838	814	739	670	638	613
Professional degrees granted	718	681	649	648	634	642

* A Full-Time Equivalent student 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.

** 2006-07 high school graduates data not available at time of report.

*** A Full-Time Equivalent student is defined as:

Undergraduate student -- 15 credit hours per term.

Graduate student -- 10 credit hours per term.

Beginning in 1997-98, figures include Private Career College (PCC) enrollments.

**** Includes all 4-year public institutions and branch campuses.

Notes:

Preliminary data. Data not complete until final report is received in January 2008.

Figures may not total due to rounding.

Sources:

(1) Washington State Office of Financial Management, Forecasting Division and Office of Superintendent of Public Instruction

(2) Washington State Board of Community and Technical Colleges

(3) Washington Higher Education Coordinating Board

2000-01	1999-00	1998-99	1997-98
650,126	649,978	652,518	648,748
292,309	290,515	286,311	280,856
185	139	125	189
434	347	383	347
7,938	7,467	7,001	6,251
40	38	41	43
951,032	948,484	946,379	936,434
56,277	58,939	55,418	54,472
34	33	32	32
128,093	125,131	121,302	117,925
17,526	17,949	17,611	18,155
11	11	11	11
84,832	82,778	81,991	80,605
17,522	18,211	17,663	18,006
4,051	4,008	3,747	3,771
641	604	663	649
645	588	566	472
