OFFICE OF FINANCIAL MANAGEMENT

STATE OF WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

DECEMBER 2003

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For the Fiscal Year Ended June 30, 2003

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STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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

December 19, 2003

The Honorable Gary Locke, Governor
Citizens of the State
Members of the Fifty-Eighth Legislature
State of Washington
Olympia, Washington 98504

In accordance with Chapter 43.88.027 of the Revised Code of Washington, 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, 2003. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the state. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and subsidiary accounts of the state. All disclosures necessary to enable the reader to gain an understanding of the state's financial activities have been included.

The report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter. The Financial Section begins with the independent auditor's report and contains management's discussion and analysis (MD&A), government-wide financial statements, fund financial statements, notes to the financial statements, required supplementary information, combining financial statements, and schedules. This letter of transmittal is designed to compliment the MD&A, which presents a narrative introduction, overview, and analysis of the financial statements. The Statistical Section includes selected financial, economic, and demographic data.

The state provides a wide range of services. These include education, social, health, transportation, environmental, law, public safety, resource and recreation development, public improvement, and general administrative 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.

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 5.8 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. The Boeing Company, a leading producer of commercial airliners and spacecraft, has plants in Auburn, Kent, Renton, Everett, and Spokane. 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. Costco Wholesale Corporation, headquartered in Issaquah, operates an international chain of membership warehouses.

East of the Cascade Mountain Range, farmers raise livestock and 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, the Legislative Branch, and the 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, Commissioner of Public Lands, and Insurance Commissioner. Forty agency heads are appointed by, and report to, the Governor. Eighty-eight 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 49 members, and the House of Representatives with 98 members. The Judicial Branch consists of the State Supreme Court that 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.

Washington State's Economy and Revenue Outlook

The National Bureau of Economic Research determined that the end of the 2001 national recession occurred in November 2001. The recession lasted eight months, slightly less than average for recessions since World War II. However, the recovery is the longest without a sustained increase in employment in postwar history. Washington State has been affected in much the same way as the nation. Wage and salary employment in Washington State is not expected to regain its Fiscal Year 2001 peak until Fiscal Year 2005.

Even though Washington State's wage and salary employment stabilized in Fiscal Year 2003, it was still slightly lower than wage and salary employment in Fiscal Year 2002. Personal income grew at a more robust rate of 4.3 percent in Fiscal Year 2003. That performance was an improvement over the state's personal income growth of only 2.3 percent in Fiscal Year 2002. The aerospace industry continued its job layoffs into Fiscal Year 2003 with a decline of 15.3 percent. The recent recession hit other manufacturing employment hard in Washington as well as the rest of the U.S. Washington manufacturing employment excluding aerospace fell by 5.2 percent in Fiscal Year 2003. Fiscal Year 2003 will be the fifth fiscal year in a row that manufacturing employment in Washington has declined. In Fiscal Year 2003, Washington's unemployment rate reached 7.2 percent. As recently as Fiscal Year 2000, the state's unemployment rate was below 5 percent. Washington continues to have one of the highest unemployment rates of all the states in the nation.

Washington's outlook anticipates recovery in Fiscal Year 2004 and slightly less than average growth in Fiscal Year 2005. Wage and salary employment in Washington is forecast to increase by only 0.1 percent in Fiscal Year 2004 but reach a more normal growth rate of 2.0 percent in Fiscal Year 2005. Personal income is expected to rebound sooner than employment, growing by 3.8 percent in Fiscal Year 2004 and 4.9 percent in Fiscal Year 2005. General Fund-State revenues are forecast to increase by 7.9 percent in the 2003-05 Biennium compared to a 0.6 percent decline in the 2001-03 Biennium due to the recession.

Economic Condition in Fiscal Year 2003

Washington's wage and salary employment declined at the rate of 0.2 percent in Fiscal Year 2003, a smaller decline than the 0.5 percent fall in U.S. wage and salary employment. Washington wage and salary employment fell by more than 6,200 during Fiscal Year 2003. Personal income in Washington grew slightly faster than U.S. personal income, 4.3 percent in Washington compared to 3.1 percent for the U.S. Real per capita income growth was up in Washington by 2.4 percent over the same period as compared to only 1.2 percent for the nation as a whole.

Aerospace employment was a major factor in the year's slow employment growth. After adding more than 15,000 employees in Fiscal Year 1998, employment in the aerospace industry fell by a total of 28,200 in Fiscal Years 1999 through 2002. Aerospace employment continued its decline in Fiscal Year 2003, falling by 12,700. Just as the aerospace employment decline accelerated in Fiscal Year 2003, a host of other manufacturing industries also continued to decline. Manufacturing employment excluding aerospace in Washington declined by 11,400 jobs in Fiscal Year 2003, a reduction of 5.2 percent.

Employment in durable manufacturing other than aerospace fell by 6.4 percent in Fiscal Year 2003 (a decline of 8,200 jobs) while employment in durable manufacturing nationally declined by 8.0 percent. Employment increased in only two durable manufacturing industries in Washington during Fiscal Year 2003. Employment in electrical equipment, appliances, and components grew by 1.5 percent and employment in other transportation equipment (transportation equipment other than aerospace) increased by 0.7 percent. All other durable manufacturing sectors experienced declining employment. The smallest decrease (1.5 percent) occurred in wood products. Employment in other durable manufacturing fell by 2.3 percent while employment in fabricated metal products decreased by 3.3 percent in Fiscal Year 2003. Machinery manufacturing experienced declining employment at the rate of 9.1 percent during Fiscal Year 2003. The largest percentage declines occurred in the primary metals industry, down 20.0 percent (a decline of 1,500 jobs), and the computer and electronic products industry, down 14.3 percent (loss of 4,100 jobs). Non-durable manufacturing employment in Washington decreased by 2.1 percent in Fiscal Year 2003, a loss of 3,100 jobs. Nationally, non-durable manufacturing employment declined by 3.5 percent. In Washington, most non-durable manufacturing industries experienced employment losses in Fiscal Year 2003. The largest percentage losses in employment occurred in printing, a 7.2 percent decline, and paper and paper products, a 4.7 percent loss. Employment in petroleum products declined by 1.0 percent, and employment in food products decreased by 0.6 percent. Other nondurable manufacturing employment decreased by 5.9 percent.

Washington's non-manufacturing employment grew by 0.8 percent during Fiscal Year 2003, with construction employment growing by 0.8 percent, services employment increasing by 1.2 percent, and employment in the financial activities industry rising at a rate of 2.0 percent. Government employment also increased with state and local government employment growing by 1.6 percent and federal government civilian employment increasing by 2.7 percent in Fiscal Year 2003. On the other hand, wholesale trade employment declined by 1.8 percent, retail trade employment fell by 0.2 percent, and transportation, warehousing, and utilities employment decreased by 1.6 percent.

Economic Outlook

The economic forecast for Washington State for Fiscal Years 2004 and 2005 reflects the impact of the long-awaited recovery at both the state and national levels. According to the November 2003 forecast by the state Economic and Revenue Forecast Council, growth in Washington's wage and salary employment is predicted to increase by only 0.1 percent in Fiscal Year 2004 but return to growth of 2.0 percent in Fiscal Year 2005, a rate closer to the long-term average. Washington's employment performance is expected to be comparable to national growth rates for both of those fiscal years.

Washington's personal income growth is expected to rebound in Fiscal Years 2004 and 2005 with growth of 3.8 percent and 4.9 percent, respectively. However, Washington's personal income growth will lag slightly behind U.S. personal income growth, which is predicted to be 4.2 percent in Fiscal Year 2004 and 5.5 percent in Fiscal Year 2005. Slow recovery in the aerospace industry is a major factor affecting the state's personal income growth.

Manufacturing employment in Washington is projected to continue its decline in Fiscal Years 2004 and 2005. The current decline in aerospace employment is expected to carry forward into Fiscal Year 2004 with a further reduction of 12.2 percent, slowing to a decline of 4.0 percent in 2005. Other manufacturing sectors are expected to decline by about 3,400 jobs (1.7 percent decrease) in Fiscal Year 2004. However, growth is expected to return in Fiscal Year 2005 with an increase in manufacturing employment excluding aerospace of 0.5 percent in Fiscal Year 2005, an increase of about 1,000 jobs.

In the non-manufacturing sectors, the strongest growth is predicted to occur in the information sector. Information employment is forecast to start growing again with a small increase of 0.8 percent in Fiscal Year 2004 but then to rebound significantly with 6.1 percent growth in Fiscal Year 2005. Financial activities employment growth is expected to be another bright spot in the recovery. Employment in that sector should grow by a relatively robust 2.5 percent in Fiscal Year 2004, and continue that trend into Fiscal Year 2005 with growth of 2.3 percent.

Retail trade employment is forecast to show slightly positive growth of 0.7 percent in Fiscal Year 2004 and 0.9 percent growth in Fiscal Year 2005. Wholesale trade employment is expected to increase by 0.6 percent in Fiscal Year 2004 and rebound in a stronger way with 3.4 percent in Fiscal Year 2005. Construction employment should grow modestly with increases of 1.6 percent in Fiscal Year 2004 and 1.7 percent in Fiscal Year 2005. Employment growth in transportation, warehousing, and utilities employment is expected to have no growth in Fiscal Year 2004 but bounce back strongly with 4.3 percent growth in Fiscal Year 2005. Employment in the services industries is forecast to grow by 0.9 percent in Fiscal Year 2004 and 3.1 percent in Fiscal Year 2005.

Some Washington industries are predicted to continue to experience slow or no growth going into Fiscal Years 2004 and 2005. State and local government employment is expected to begin showing the impacts of serious budget cuts with a decline of 0.6 percent in Fiscal Year 2004 and a very modest increase of 0.5 percent in Fiscal Year 2005. Federal government civilian employment is forecast to fall in Fiscal Year 2004, by 1.6 percent, and then grow slightly by 0.3 percent in Fiscal Years 2005. The worst growth performance among the non-manufacturing sectors is predicted to occur in the natural resources and mining industry. Employment in this industry is expected to fall by 7.8 percent in Fiscal Year 2004 and decline by 1.8 percent in Fiscal Year 2005.

General Fund-State Revenues

General Fund-State revenues for the 2001-03 Biennium were $21.1 billion, a decrease of 0.6 percent in nominal terms over the previous biennium. Without the effect of voter-approved initiatives and legislated tax cuts, which lowered taxes and diverted revenues from the General Fund, revenues would have grown by 1.9 percent in the 2001-03 Biennium.

Revenue growth is expected to rebound in the 2003-05 Biennium. General Fund-State collections are forecast to increase by 7.9 percent during that two-year period, generating revenue of $22.8 billion. A series of revenue enhancements including the addition of more auditors to the Department of Revenue, an increase in fines and penalties related to delinquent taxes, and the delay of transfers of the state property tax to local school districts to reduce class sizes, helped buoy revenues. Without those additions, General Fund-State revenue would have grown by only 6.1 percent in the 2003-05 Biennium.

Based on the November revenue forecast, Washington will have an estimated reserve of $543.8 million by the end of the 2003-05 Biennium, up slightly from $470.0 million in the previous biennium. These projected reserves assume no further changes in appropriations for the 2003-05 Biennium.

Major Initiatives

Led by Governor Gary Locke, the state of Washington in 2003 closed a challenging budget shortfall and laid the groundwork for continued fiscal discipline. The Governor's two-year, $23 billion "Priorities of Government" General Fund budget focused on and funded programs and services most vital to citizens – ranging from public education to health care and economic development. The Governor also won passage of a 10-year, $4.2 billion package to expand and repair Washington's crowded highway system and to improve the state's mass transportation facilities. The package is funded through new transportation taxes, primarily a five-cent increase in the gasoline tax. The Governor also made important strides to stimulate economic development, protect the environment, make state government more efficient, and improve health care for seniors and low-income citizens.

State Budget

Facing a biennial budget shortfall that grew to $2.6 billion, Governor Locke convinced the 2003 Washington Legislature to follow an innovative approach in order to balance the biennial General Fund budget, which pays for the vast majority of programs and services. With help from the private sector and cross-agency teams of state workers, the Governor proposed a $23 billion budget based upon a transparent process to identify government services and programs most vital to citizens. Other programs, while popular, were cut back or eliminated. The Legislature embraced the approach and passed a bipartisan budget virtually identical to the Governor's proposal. The approach, called "Priorities of Government," has won national recognition for its effectiveness. The approach not only gave Washington citizens a clear understanding of what its government could afford, but laid the groundwork for priority based budgeting in the future.

Transportation

Governor Locke worked with the Washington Legislature to achieve a bipartisan solution to strengthen transportation, the backbone of Washington's economy. The package authorizes spending nearly $4.2 billion over 10 years to build and expand highway lanes and interchanges, make highways safer, get freight to market more quickly, and provide commuters with transit, rail, and other alternatives to driving. The funding package includes $3.4 billion for highway and road projects; $605 million to provide alternatives to driving alone including investments in transit, vanpools, passenger rail, and new ferry terminals that will have better connections to transit, commuter rail, and other transportation services; and $100 million to preserve existing vessels and terminals, and to complete acquisition of four new auto ferries. The package is funded with a gas tax increase of 5 cents per gallon to a total of 28 cents per gallon, trucking fee increases of 15 percent, and a 0.3 percent sales tax surcharge added to motor vehicles.

Economic Development

Amid a difficult economic period, the Governor and Legislature agreed on several important steps to spur economic development in Washington beyond an improved transportation system. These ranged from regulatory reform through creation of an Office of Regulatory Assistance to help cut red tape, to a large tax incentive package to the Boeing Company provisioned on whether it chooses to build next generation aircraft in Washington. Other economic development steps included tax incentives to retain and expand semiconductor manufacturing and to encourage development of bio-diesel and alcohol fuel development, and $2.57 billion in capital construction funding to create thousands of family wage jobs immediately and build badly needed facilities for colleges, universities, and prisons to meet growing demand. Steps also included new laws to reduce the cost of unemployment insurance for employers, to reduce regulatory conflicts over water rights and water management, and to give growing cities, towns, and agriculture more certainty regarding water supplies.

Education

The Governor and Legislature continued their commitment to education, providing $10.6 billion for education services for one million public school students, including basic education programs, special education, school-bus transportation, levy equalization, bilingual education, and help for schools where students are challenged by poverty. The Governor and Legislature also continued to recognize higher education's role in strengthening the state economy. Spending including $535 million in construction that builds for the future by addressing overcrowded classrooms at community colleges and investing in major projects at four-year institutions. The capital budget for state colleges and universities is $238 million higher than expected because of an innovative plan to bond a portion of state lottery revenue. In addition, the budget provides funding to pay for scholarships for top-performing high school students, and to increase enrollment by 1,550 students in high-demand fields such as health care, computer science, math, and special education.

Environment

Along with substantial funding to continue Washington's campaign to protect wild salmon runs, the Legislature and Governor provided additional tools to better ensure sufficient water quality and quantity to meet growing human demand. The year also saw passage of a program to safely dispose of and reduce mercury in the environment, along with tax incentives for bio-diesel fuel, and permanent funding for a rescue tug to protect against oil spills in the Strait of Juan de Fuca.

Health

Despite difficult budget choices, the Governor and Legislature provided health care for more than a million children and needy adults. In addition, they approved programs to help elders and people with disabilities buy prescription drugs at more affordable prices, and took steps to reduce the overall cost of state-purchased drugs.

Digital Government

Washington continued to make important strides to better serve citizens and businesses while reducing government costs through use of the Internet. Among successes in 2003, the Washington Department of Licensing surpassed its one-millionth online transaction in just two-and-a-half years. Citizens can renew car tabs online, and companies can apply for and renew business licenses. Among other services now on line include the ability to check the background of and disciplinary actions against health care providers, the ability of parents to make child support payments electronically, the ability to reserve a campsite at a state park, and continued improvements in the ability of businesses to pay their taxes electronically.

Looking Ahead

In his final year of eight years at the helm, Governor Locke intends to push for better-financed public school and higher education systems. He and the Legislature, still struggling with a lackluster economy, will work together to continue identifying and funding priorities within available revenue, building a foundation for continued fiscal discipline in the years to come.

Steps to accommodate economic development will again be a priority, as will measures to protect Washington's most vulnerable adults and children. Also on the agenda are more measures to use Washington's water wisely in order to meet the needs of a growing population.

Financial Management Information

Internal Controls

The state is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the state are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Washington State continues to assess the adequacy of its internal control structure and make improvements where weaknesses are found. These actions will help assure that the state maintains public accountability for years to come.

Budgetary Controls

Budgetary control is maintained through legislative appropriations and the executive branch allotment process. The Governor is required to submit a biennial budget to the Legislature. The budget is legally required to be adopted through passage of appropriation bills by the Legislature with approval by the Governor. Appropriated funds are controlled by the executive branch through an allotment process. This expenditure plan details the appropriation into monthly estimates by program, source of funds, and object of expenditure. Nonappropriated governmental funds are also subject to allotment control by the executive branch. Additionally, the state maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at the end of the appropriation. However, capital encumbrances are generally reappropriated as part of the following biennial budget.

The state's budgetary policies and procedures, fund accounting structure, and basis of accounting are explained in detail in the notes to the financial statements and notes to the required supplementary information.

Retirement Plans

The state administers twelve 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. Note 11 to the financial statements presents plan descriptions, information on funding policies, and combining statements of plan net assets and changes in plan net assets.

Insurance Activities

The state has three insurance programs operated and accounted for as insurance businesses. Notes 1.L and 7.C to the financial statements disclose the specific programs and claims liability changes during Fiscal Year 2003 for each insurance program.

Liabilities of the workers' compensation insurance activity amount to $15.9 billion as of June 30, 2003. The liability includes $7.9 billion for supplemental pension cost of living adjustments (COLA) that, by statute, is not to be fully funded. This COLA is funded on a pay-as-you-go basis, and the Department of Labor and Industries' actuaries have indicated that future premium payments will be sufficient to pay these claims as they come due. The remaining $8.0 billion in claims liability is fully funded by long-term investments, net of obligations under securities lending agreements, held for payment of claims.

The risk management insurance activity liabilities amount to $498.9 million as of June 30, 2003. The funding for this liability is limited by statute to a maximum of 50 percent. This liability is currently funded by $14.3 million in cash and pooled investments.

Health insurance activities have liabilities as of June 30, 2003, amounting to $47.9 million that are fully funded with cash and investments, net of obligations under securities lending agreements.

Other Information

Independent Audit

State statutes require an annual audit by the Office of the State Auditor. The State Auditor is an independently elected public official. The state is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The State Auditor conducts the audit of all state agencies. In addition to meeting the requirements set forth in state statutes, the audit is also designed to meet the requirements of the federal Single Audit Act. The Auditor's report on the basic financial statements is included in the financial section of this report. The Auditor's report related to the single audit, including the schedule of federal financial assistance, findings and recommendations, and reports on internal control structure and compliance with applicable laws and regulations, will be published in a separate report. When completed, the report will be available on the Office of Financial Management website at: http://www.ofm.wa.gov.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Washington State for its Comprehensive Annual Financial Report for the fiscal year that ended June 30, 2002. 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 Comprehensive Annual Financial Report, 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 sixteen years. The Office of Financial Management considers this report to be in conformance with the Certificate of Achievement Program requirements, and will submit it to the GFOA.

Acknowledgment

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 Comprehensive Annual Financial Report 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,

Marty Brown
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, 2002

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

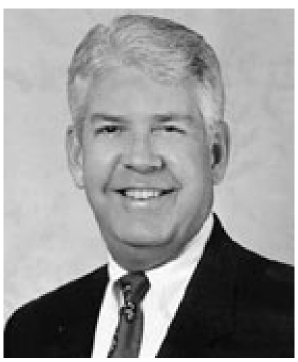
Executive Director

State of Washington Elected Officials as of June 30, 2003

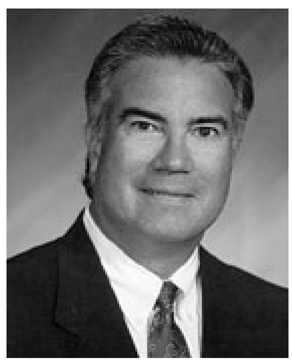
Gary Locke
Governor

Brad Owen
Lieutenant Governor

Sam Reed
Secretary of State



Michael Murphy
Treasurer



Brian Sonntag
State Auditor

Christine Gregoire
Attorney General

Terry Bergeson
Superintendent of Public Instruction

Doug Sutherland
Commissioner of Public Lands

Mike Kreidler
Insurance Commissioner

2003-2004 Organization Chart

Washington State Government

Legislative Branch

Senate **House of Representatives**

- Joint Legislative Audit and Review Committee
- Legislative Transportation Committee
- Legislative Ethics Board
- Legislative Evaluation and Accountability Program
- Office of the State Actuary
- Joint Legislative Systems Committee
- Redistricting Commission
  - *(activated decennially)*

Executive Branch

Judicial Branch

Supreme Court

- Court of Appeals
- Superior Courts
- District Courts
- Municipal Courts
- Supreme Court Clerk
- Supreme Court Commissioner
- Administrator for the Courts
- Office of Public Defense
- Law Library
- Reporter of Decisions
- Commission on Judicial Conduct

Agencies Managed by Statewide Elected Officers

Commissioner of Public Lands
- *Department of Natural Resources*
- *Forest Practices Board*

Insurance Commissioner

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

Lieutenant Governor

Governor
- **Office of the Governor**
  - *Puget Sound Water Quality Action Team*
  - *Salmon Recovery Office*
  - *Governor's Office of Indian Affairs*
  - *Office of the Family and Children's Ombudsman*

Attorney General
- *Executive Ethics Board*

Superintendent of Public Instruction
- *Board of Education*
- *Academic Achievement and Accountability Commission*
- *Professional Educator Standards Board*

Auditor

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

Agencies Managed by Governor-appointed Executives

Environment and Natural Resources
- Department of Ecology
- Department of Agriculture
  - *commodity commissions*
- Interagency Committee for Outdoor Recreation
  - *Salmon Recovery Funding Board*
- Pollution Liability Insurance Program

General Government
- 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 Systems
  - *Integrated Justice Information Board*
- Lottery Commission
- Department of Financial Institutions
- Military Department
- Public Printer
- Office of Administrative Hearings
- Board of Accountancy

Transportation
- State Patrol
- Department of Licensing
  - *occupational regulatory boards*
- Traffic Safety Commission

Health and Human Services
- 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

Education
- School for the Blind
- School for the Deaf
  - *Board of Trustees*
- Workforce Training and Education Coordinating Board

Community and Economic Development
- 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

Agencies Under Authority of a Board

Environment and Natural Resources
- Fish and Wildlife Commission
  - *Department of Fish and Wildlife*
- Parks and Recreation Commission
- Environmental Hearings Office
  - *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

General Government
- 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

Transportation
- Transportation Commission
  - *Department of Transportation*
- Board of Pilotage Commissioners
- Marine Employees' Commission
- Transportation Improvement Board
- Freight Mobility Strategic Investment Board
- County Road Administration Board

Health and Human Services
- 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

Education
- 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

Community and Economic Development
- Convention and Trade Center
- Housing Finance Commission
- Economic Development Finance Authority

Prepared by the Office of Financial Management 2003

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

December 19, 2003

The Honorable Gary Locke
Governor, State of Washington

Dear Governor Locke:

We have audited the accompanying basic 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, 2003, as listed in the table of contents. These financial statements are the responsibility of the state's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Department of Retirement Systems and the Local Government Investment Pool, which represent 14 percent and 58 percent, respectively of the assets and revenues/additions of the aggregate discretely presented component units and remaining fund information. 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 Department of Retirement Systems and the Local Government Investment Pool, is based upon their reports.

We conducted our audit in accordance with governmental auditing standards generally accepted in the United States of America, 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. 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 report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our report and the report of other auditors, the basic 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, 2003, and the results of its operations and cash flows of its proprietary funds for the fiscal year then ended, in conformity with accounting principles generally accepted in the Unites States of America.

In accordance with *Government Auditing Standards* in the United States of America, we will issue our report on our consideration of the State of Washington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Management's discussion and analysis and the required supplementary information are not a required part of the basic financial statements, but are supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was made 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 statements and schedules listed in the table of contents, and the budgetary reports (MFS1054) referenced in Note 1.D 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 and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other data included in this report, designated as the introductory and statistical sections in the table of contents, has not been audited by us and, accordingly, we express no opinion on such data.

Sincerely,

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, 2003. 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 $14.9 billion (reported as *net assets*). Of this amount, $1.5 billion was reported as "unrestricted net assets." Unrestricted net assets represent the amount available to be used to meet the state's ongoing obligations to citizens and creditors.

- The state of Washington's governmental funds reported combined ending fund balances of $7.2 billion, an increase of $70 million in comparison with the prior year.

- Unreserved fund balance for the General Fund was $404 million, or 2.5 percent of total General Fund expenditures.

- The state's capital assets increased by $1.3 billion while total bond debt increased by $875 million 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. The state of Washington's basic financial statements 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 S*tatement 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 S*tatement 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 the 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, unemployment compensation and health insurance programs, as well as various higher education student services such as housing and dining.

The government-wide financial statements can be found on pages 35-37 of this report.

Fund Financial Statements -A *fund* is a grouping 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 each of the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The governmental fund financial statements can be found on pages 40-43 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, 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 Workers Compensation and Unemployment Compensation Funds, 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 44-47 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.

The fiduciary fund financial statements can be found on pages 48-49 of this report.

Component Units. Component units are entities which are legally separate from the state but which are financially accountable to the state. The state has one major component unit, the Washington State Public Stadium Authority, and four non-major component units. Refer to Note 1 on pages 54 and 55 for more detailed information.

The financial statements for the state's component units can be found on pages 50-51 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 52-106 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 107-126 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 127-185 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 $14.9 billion at June 30, 2003 as compared to $15.0 billion at June 30, 2002.

The largest portion of the state's net assets (64.3 percent for Fiscal Year 2003 as compared to 57.5 percent for Fiscal Year 2002) 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	
	2003	2002	2003	2002	2003	2002
Current and other assets	$ 12,155	$ 11,682	$ 14,919	$ 13,405	$ 27,074	$ 25,087
Capital assets	20,110	18,957	1,280	1,114	21,390	20,071
Total assets	32,265	30,639	16,199	14,519	48,464	45,158
Long-term liabilities outstanding	10,070	9,491	18,140	16,460	28,210	25,951
Other liabilities	3,341	3,005	2,027	1,234	5,368	4,239
Total Liabilities	13,411	12,496	20,167	17,694	33,578	30,190
Net assets:						
Invested in capital assets, net of related debt	9,033	8,253	543	355	9,576	8,608
Restricted	2,283	2,153	1,514	1,883	3,797	4,036
Unrestricted	7,538	7,737	(6,025)	(5,413)	1,513	2,324
Total net assets	$ 18,854	$ 18,143	$ (3,968)	$ (3,175)	$ 14,886	$ 14,968

A portion of the state of Washington's net assets (25.5 percent for Fiscal Year 2003 as compared to 27.0 percent for Fiscal Year 2002) represents resources that are subject to constitutional or external restrictions on how they may be used. The remaining balance of *unrestricted net assets* may be used to meet the state's ongoing obligations to citizens and creditors.

State of Washington's Changes in Net Assets

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Program revenues:						
Charges for services	$ 2,801	$ 2,906	$ 5,439	$ 4,987	$ 8,240	$ 7,893
Grants and contributions	7,716	7,182	830	269	8,546	7,451
Total revenues	10,517	10,088	6,269	5,256	16,786	15,344
Program expenses:						
General government	(812)	(997)	-	-	(812)	(997)
Education - K-12	(5,960)	(5,747)	-	-	(5,960)	(5,747)
Education - higher education	(3,750)	(3,920)	-	-	(3,750)	(3,920)
Human services	(8,971)	(8,903)	-	-	(8,971)	(8,903)
Adult corrections	(658)	(600)	-	-	(658)	(600)
Natural resources and recreation	(732)	(564)	-	-	(732)	(564)
Transportation	(1,422)	(1,264)	-	-	(1,422)	(1,264)
Intergovernmental grants	(341)	(350)	-	-	(341)	(350)
Interest on long-term debt	(415)	(578)	-	-	(415)	(578)
Workers' compensation	-	-	(2,617)	(2,147)	(2,617)	(2,147)
Unemployment compensation	-	-	(2,329)	(1,872)	(2,329)	(1,872)
Health insurance programs	-	-	(912)	(810)	(912)	(810)
Higher education student services	-	-	(1,051)	(994)	(1,051)	(994)
Other business-type activities	-	-	(937)	(924)	(937)	(924)
Total expenses	(23,061)	(22,923)	(7,846)	(6,747)	(30,907)	(29,670)
Net program expenses over revenues	(12,544)	(12,835)	(1,577)	(1,491)	(14,121)	(14,326)
General revenues:						
Taxes	12,202	12,030	86	83	12,288	12,113
Interest and investment earnings	252	189	1,317	613	1,569	802
Excess(deficiency) of revenues over expenses before contributions to endowments and transfers	(90)	(616)	(174)	(795)	(264)	(1,411)
Contributions to endowments	36	29	-	-	36	29
Transfers	619	148	(619)	(148)	-	-
Increase(decrease) in net assets	565	(439)	(793)	(943)	(228)	(1,382)
Net assets - July 1, as restated	18,289	18,582	(3,175)	(2,232)	15,114	16,350
Net assets - June 30	$ 18,854	$ 18,143	$ (3,968)	$ (3,175)	$ 14,886	$ 14,968

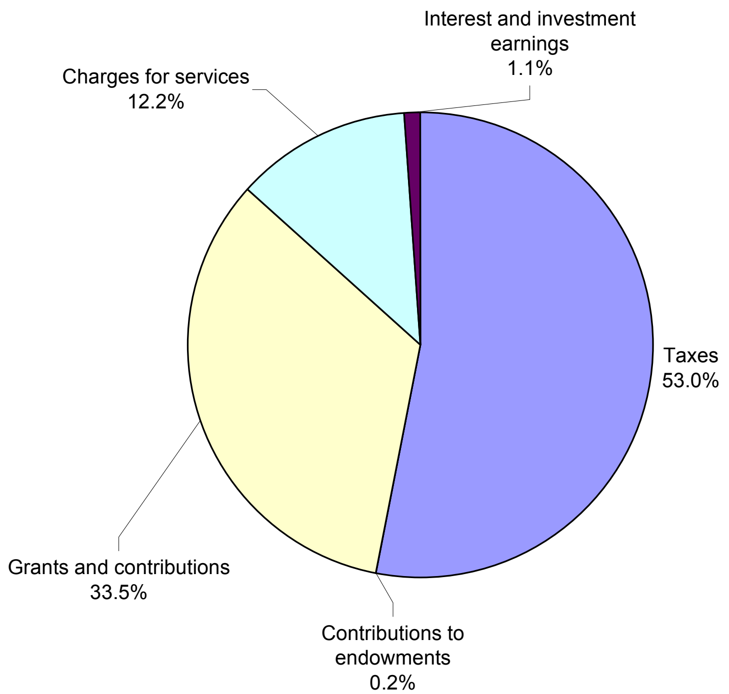
Note: Increase in beginning net assets of $146 million for fund-type reclassifications.

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 the business-type activities are supported primarily through user charges.

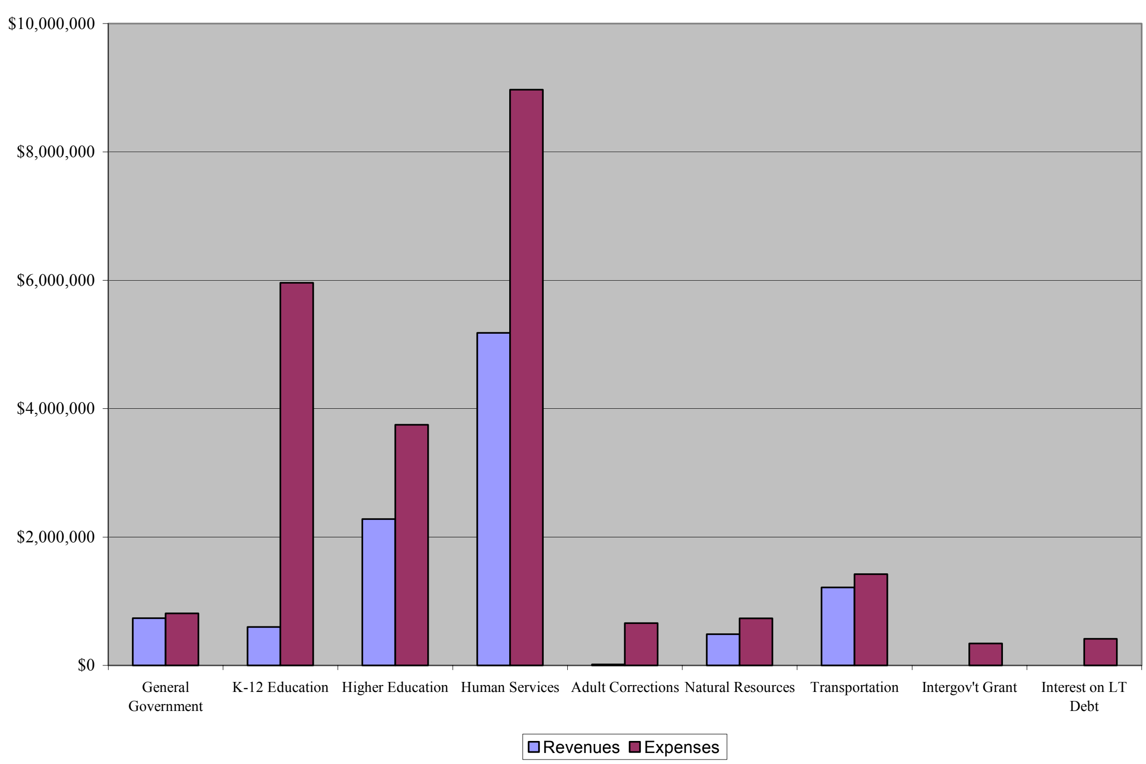
Governmental activities. Governmental activities resulted in a net increase in the state of Washington's net assets of $711 million. Key elements of this increase are as follows:

- A transfer from the Tobacco Settlement Authority to the General Fund of $450 million.
- Receipt of $141 million in fiscal relief payments under the Federal Jobs and Growth Tax Relief Reconciliation Act of 2003.

Revenues by Source – Governmental Activities



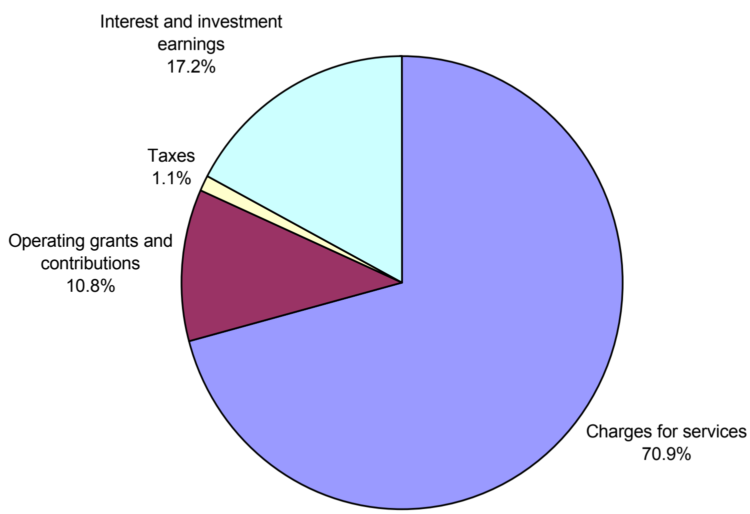
Expenses and Program Revenues - Governmental Activities



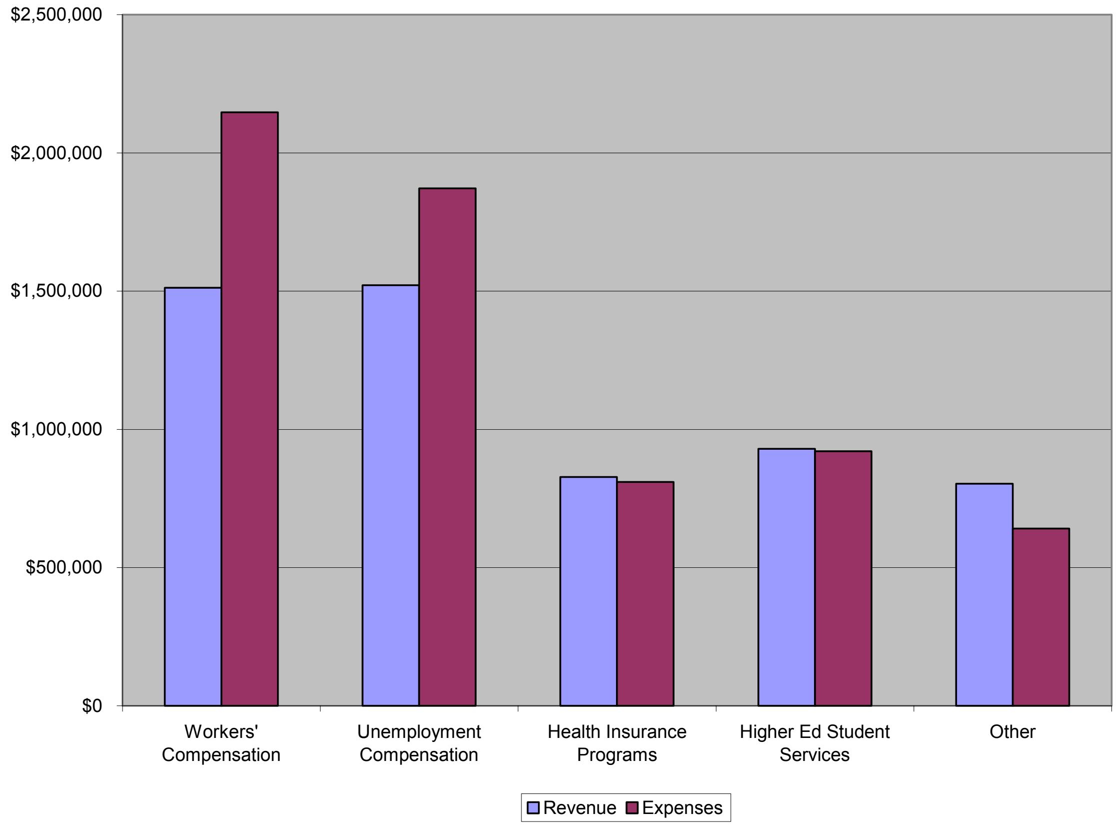
Business-type activities. Business-type activities decreased the state of Washington's net assets by $793. The main causes of this decrease are as follows:

- The workers' compensation program experienced a loss. By law, the supplemental pension cost-of-living adjustments granted for time-loss and disability payments are funded on a pay-as-you-go basis while the related costs are recognized at the time the injury occurs.
- High levels of unemployment related to the state's economic recession resulted in unemployment compensation benefit payments exceeding unemployment compensation assessment revenue.
- The transfer from the Tobacco Settlement Authority, a blended business-type component unit, to the General Fund of $450 million.

Revenues by Source – Business-type Activities



Expenses and Program Revenues – 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 discussed earlier, 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 $1.37 billion. Unreserved fund balance, the amount considered available to spend, totaled $404 million. $908 million of the General Fund fund balance relates to certain accrued revenues and has been designated for working capital purposes. It is not considered available to spend.

The fund balance of the state of Washington's General Fund increased by $31 million during the current fiscal year.

State of Washington's General Fund

(in millions of dollars)

	Fiscal Year 2003	Fiscal Year 2002	Difference Increase (Decrease)
Revenues			
Taxes	$ 10,610	$ 10,342	$ 268
Federal grants	5,354	5,131	223
Investment revenue	36	20	16
Other	498	413	85
Total	16,498	15,906	592
Expenditures			
Human services	8,538	8,304	234
Education	6,911	6,778	133
Other	890	910	(20)
Total	16,339	15,992	347
Net transfers in (out)	(139)	(65)	(74)
Other financing sources	11	7	4
Net increase(decrease) in fund balance	$ 31	$ (144)	$ 175

The state's recession is reflected in fairly static tax revenues. Expenditure growth was limited to services and programs most vital to citizens – primarily health care, public education and economic development.

Activity for the non-major governmental funds resulted in a reduction of net assets of $289 million. Actual non-major governmental fund revenue decreased by $28 million in Fiscal Year 2003 compared with Fiscal Year 2002. This revenue reduction combined with an increased demand for services to result in a use of or decrease of net assets.

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 and the Unemployment Compensation Fund are major proprietary funds. Both experienced losses in Fiscal Year 2003 that are discussed previously under business-type activities. Activity for the various non-major proprietary funds resulted in a decrease to net assets of $238 million. This loss is primarily attributable to the Tobacco Settlement Authority (TSA), which is a blended component unit of the state. The TSA issued bonds in Fiscal Year 2003 and transferred $450 million to the state in exchange for 29.2 percent of the state's tobacco settlement revenue stream. Because the revenue stream is a contingent asset and, according to accounting standards, can not be recognized until received, the TSA reported a Fiscal Year 2003 loss of $441 million. Additionally, the Risk Management Fund, an internal service fund, ended Fiscal Year 2003 with a loss of $89 million. This loss resulted because funding for claims is provided on a pay-as-you-go basis while the claims expense is recorded as claims are incurred.

General Fund Budgetary Highlights

Differences between the General Fund original budget and the final amended budget reflect adjustments to deal with the state's recession and are summarized as follows:

- Estimated tax revenues were decreased $693 million.
- Resources provided by transfers in from other funds increased $838 million.
- Appropriated expenditures decreased by $404 million.

Actual expenditures in the General Fund were $407 less than the final amended budget.

Capital Asset, Infrastructure, Bond Debt Administration, and Subsequent Events

Capital assets. The state of Washington's investment in capital assets for its governmental and business type activities as of June 30, 2003, amounts to $21.4 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 2003 investment in capital assets, net of current year depreciation, was $1.3 billion, including increases to the state's highway infrastructure of $631 million and buildings of $485 million. The state's construction in progress includes both new construction and major improvements to state facilities including correctional facilities, ferry vessels and terminals, and buildings on the capitol and college and university campuses. Remaining commitments on these construction projects total $2.2 billion.

Additional information on the state of Washington's capital assets can be found in Note 6 beginning on page 71 of this report.

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

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	$ 1,133	$ 1,088	$ 84	$ 24	$ 1,217	$ 1,112
Highway system infrastructure and other assets not depreciated	11,839	11,174	-	-	11,839	11,174
Buildings	4,035	3,716	828	662	4,863	4,378
Furnishings, equipment and collections	1,287	1,250	88	85	1,375	1,335
Other improvements and miscellaneous	653	588	42	43	695	631
Construction in progress	1,163	1,141	238	300	1,401	1,441
Total	$ 20,110	$ 18,957	$ 1,280	$ 1,114	$ 21,390	$ 20,071

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 condition of these assets, along with their rating scales for pavements, bridges and air fields are further explained in the notes and required supplementary information to the financial statements.

The Department of Transportation accomplished a net addition of 39 lane miles and 16 new bridges in Fiscal Year 2003. The reported value of the State Highway System increased by $631 million during the fiscal year. 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. Amounts spent during Fiscal Year 2003 to maintain/preserve these infrastructure assets did not vary significantly from estimated spending plans according to the biennial budget.

Commitments made for infrastructure projects that extend beyond the fiscal year amount to $651 million representing 843 projects.

Bond debt. At the end of Fiscal Year 2003, the state of Washington had general obligation bond debt outstanding of $8.5 billion, an increase of 4 percent over Fiscal Year 2002. This debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized $3.5 billion general obligation debt that remained unissued.

The state had revenue debt outstanding at June 30, 2003, of $830 million, an increase of $507 million over Fiscal Year 2002. This increase is primarily related to limited revenue bonds issued by the Tobacco Settlement Authority (TSA), a blended component unit of the state. The bonds of the TSA do not constitute either legal or moral obligations of the state, nor does the state pledge its full faith, credit or taxing power for payment of these bonds. Revenue bond debt is secured by specific sources of revenue.

Five times during the year, the state issued general obligation debt, totaling $1.5 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 2003 to do three refunding bonds and one certificate of participation refunding. These refundings will save taxpayers over $65 million (net present value) in future interest payments. The state ranked 18th in a list of the top 100 issuers ranked by amount financed by municipal issuers in calendar year 2002, according to *The Bond Buyer's 2003 Yearbook.*

State of Washington's Bond Debt

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
General obligation (GO) bonds	$ 8,376	$ 7,997	$ 172	$ 187	$ 8,548	$ 8,184
Accreted interest on zero interest rate GO bonds	153	152	18	15	171	167
Revenue bonds	-	-	830	323	830	323
Total	$ 8,529	$ 8,149	$ 1,020	$ 525	$ 9,549	$ 8,674

The Washington State Constitution and the Revised Code of Washington limit the amount of general obligation (GO) debt that may be issued, the latter being the most restrictive. For the fiscal year ended June 30, 2003, the maximum GO debt authorized by statutory limit was $6.47 billion. The state had $5.69 billion of debt outstanding as of June 30, 2003, that was subject to the limitation. Specific bond issues and types that are not secured by general state revenues, such as motor fuel tax and reimbursable bonds, are excluded from the limitation.

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.

In July 2002, Standard & Poor's Rating Group (S&P) removed the state of Washington general obligation debt from CreditWatch, citing the state's adoption of the 2002 supplemental budget, balancing the 2001-03 biennial budget. S&P maintained the existing negative outlook. No other rating agency actions occurred during the fiscal year.

As of June 30, 2003, the state of Washington's general obligation debt was rated Aa1 (negative outlook) by Moody's Investor Service, AA+ (negative outlook) by S&P, and AA (stable outlook) by Fitch Ratings.

Additional information on the state's bond debt obligations and the calculation of the legal debt limitation is presented in Note 7 beginning on page 75 of this report.

Economic Factors and Next Year's Budgets and Rates

- During the next two years, the state is expected to show signs of a slow recovery from the recession that impacted the state during the 2001-03 Biennium.
- Revenue forecasts for the 2003-05 Biennium reflect fairly static growth in General Fund revenues.
- Employment is expected to show signs of improvement comparable to projected national growth rates.

Legislative leaders and management will consider these factors in preparing the state's budget for future years.

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, 2003
(expressed in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and pooled investments	$ 3,546,087	$ 3,405,125	$ 6,951,212	$ 38,668
Taxes receivable (net of allowance)	2,473,807	4,070	2,477,877	-
Other receivables (net of allowance)	791,170	1,154,258	1,945,428	1,609
Internal balances (net)	55,022	(55,022)	-	-
Due from other governments	2,089,289	81,255	2,170,544	-
Inventories	78,585	67,781	146,366	-
Investments, noncurrent	2,982,557	10,178,812	13,161,369	23,509
Other assets	139,227	82,701	221,928	16,236
Capital assets (Note 6):				
Non-depreciable assets	14,135,056	321,717	14,456,773	34,677
Depreciable assets, net of depreciation	5,974,621	958,368	6,932,989	452,836
Total capital assets, net of depreciation	20,109,677	1,280,085	21,389,762	487,513
Total Assets	32,265,421	16,199,065	48,464,486	567,535
LIABILITIES				
Accounts payable	924,158	115,663	1,039,821	1,478
Contracts and retainage payable	96,157	29,626	125,783	2,342
Accrued liabilities	388,848	199,145	587,993	111
Obligations under securities lending	801,272	1,626,005	2,427,277	-
Due to other governments	727,469	11,876	739,345	-
Deferred revenue	403,568	45,513	449,081	657
Long-term liabilities (Note 7):				
Due within one year	719,597	1,725,776	2,445,373	-
Due in more than one year	9,349,958	16,413,906	25,763,864	37,000
Total Liabilities	13,411,027	20,167,510	33,578,537	41,588
NET ASSETS				
Invested in capital assets, net of related debt	9,032,693	543,259	9,575,952	448,171
Restricted for:				
Unemployment compensation	-	1,513,465	1,513,465	-
Other purposes	424,287	-	424,287	21,287
Capital projects	228,506	-	228,506	-
Expendable permanent fund principal	459,548	-	459,548	-
Nonexpendable permanent endowments	1,231,663	-	1,231,663	-
Unrestricted (deficit)	7,477,697	(6,025,169)	1,452,528	56,489
Total Net Assets	$ 18,854,394	$ (3,968,445)	$ 14,885,949	$ 525,947

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, 2003
(expressed in thousands)

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	$ 812,328	$ 412,914	$ 319,613	$ 3,499
Education--elementary and secondary (K-12)	5,959,858	7,830	590,652	84
Education--higher education	3,750,120	1,095,342	1,175,122	8,938
Human services	8,971,393	335,060	4,846,031	-
Adult corrections	657,563	7,297	8,318	900
Natural resources and recreation	731,484	321,428	138,607	28,033
Transportation	1,422,345	620,851	49,990	546,531
Intergovernmental grants	341,371	-	-	-
Interest on long-term debt	415,017	-	-	-
Total governmental activities	23,061,479	2,800,722	7,128,333	587,985
Business-type Activities:				
Workers' compensation	2,616,634	1,315,623	7,684	-
Unemployment compensation	2,328,774	1,130,352	744,669	-
Health insurance programs	911,873	932,172	6,001	-
Higher education student services	1,051,347	1,069,491	10,992	-
Other	937,676	991,551	147	60,340
Total business-type activities	7,846,304	5,439,189	769,493	60,340
Total Primary Government	$ 30,907,783	$ 8,239,911	$ 7,897,826	$ 648,325
Total Component Units	$ 27,749	$ 10,063	$ 213	$ 31,211

General revenues:
Taxes - sales and use taxes
Taxes - business and occupation taxes
Taxes - property
Taxes - other
Interest and investment earnings
Total general revenues
Excess (deficiency) of revenues over expenses before contributions
to endowments and transfers
Contributions to endowments
Transfers
Change in net assets
Net assets -- beginning, as restated
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
$ (76,302)	$ -	$ (76,302)	
(5,361,292)	-	(5,361,292)	
(1,470,718)	-	(1,470,718)	
(3,790,302)	-	(3,790,302)	
(641,048)	-	(641,048)	
(243,416)	-	(243,416)	
(204,973)	-	(204,973)	
(341,371)	-	(341,371)	
(415,017)	-	(415,017)	
(12,544,439)	-	(12,544,439)	
-	(1,293,327)	(1,293,327)	
-	(453,753)	(453,753)	
-	26,300	26,300	
-	29,136	29,136	
-	114,362	114,362	
-	(1,577,282)	(1,577,282)	
(12,544,439)	(1,577,282)	(14,121,721)	
			$ 13,738
5,974,410	-	5,974,410	1,871
1,940,042	-	1,940,042	-
1,483,082	-	1,483,082	-
2,805,027	85,674	2,890,701	-
251,935	1,316,376	1,568,311	2,064
12,454,496	1,402,050	13,856,546	3,935
(89,943)	(175,232)	(265,175)	17,673
36,095	-	36,095	-
618,742	(618,742)	-	-
564,894	(793,974)	(229,080)	17,673
18,289,500	(3,174,471)	15,115,029	508,274
$ 18,854,394	$ (3,968,445)	$ 14,885,949	$ 525,947

Fund Financial Statements

GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2003
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	**Total**
Assets:					
Cash and pooled investments	$ 704,072	$ 94,607	$ 341,472	$ 2,255,780	$ 3,395,931
Investments	6,945	890,916	1,844,993	207,425	2,950,279
Taxes receivable (net of allowance)	2,379,244	-	-	94,563	2,473,807
Other receivables (net of allowance)	236,363	270,468	26,346	390,111	923,288
Due from other funds	203,412	129,997	194	259,494	593,097
Due from other governments	601,297	106,653	-	1,316,321	2,024,271
Inventories	19,279	8,357	-	32,016	59,652
Total Assets	$ 4,150,612	$ 1,500,998	$ 2,213,005	$ 4,555,710	$ 12,420,325
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 587,476	$ 48,381	$ 3	$ 252,219	$ 888,079
Contracts and retainages payable	13,792	454	1,670	79,625	95,541
Accrued liabilities	125,253	147,202	12,136	75,879	360,470
Obligations under security lending agreements	203,550	154,638	270,521	170,978	799,687
Due to other funds	602,601	40,214	174,867	217,624	1,035,306
Due to other governments	79,526	11,434	-	124,903	215,863
Deferred revenues	1,160,907	145,985	9,335	466,904	1,783,131
Claims and judgments payable, current	9,306	-	-	31,322	40,628
Total Liabilities	2,782,411	548,308	468,532	1,419,454	5,218,705
Fund Balances:					
Reserved for:					
Encumbrances	205	1,922	-	346,696	348,823
Inventories	14,492	8,357	-	32,016	54,865
Permanent funds	-	-	1,744,473	173,849	1,918,322
Other specific purposes	33,990	217,560	-	1,157,367	1,408,917
Unreserved, designated for:					
Working capital	908,194	-	-	-	908,194
Unrealized gains	6,944	38	-	4,776	11,758
Debt service	-	-	-	100,354	100,354
Other specific purposes	-	155,679	-	168	155,847
Unreserved, undesignated	404,376	569,134	-	-	973,510
Unreserved, undesignated reported in nonmajor:					
Special Revenue Funds	-	-	-	1,211,403	1,211,403
Capital Projects Funds	-	-	-	109,627	109,627
Total Fund Balances	1,368,201	952,690	1,744,473	3,136,256	7,201,620
Total Liabilities and Fund Balances	$ 4,150,612	$ 1,500,998	$ 2,213,005	$ 4,555,710	$ 12,420,325

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, 2003
(expressed in thousands)

Total fund balances for governmental funds		$ 7,201,620
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	$ 14,122,819	
Depreciable assets, net of depreciation	5,676,896	
Total capital assets		19,799,715
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.		1,380,280
Accrued current interest on general obligation bonds		(175,126)
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.		(106,966)
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	(8,612,613)	
Accrued interest on bonds	(152,603)	
Claims and judgments	(68,491)	
Other obligations	(411,422)	
Total long-term liabilities		(9,245,129)
Net assets of governmental activities		$ 18,854,394

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, 2003
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	**Total**
Revenues:					
Retail sales and use taxes	$ 5,948,111	$ -	$ -	$ 26,299	$ 5,974,410
Business and occupation taxes	1,892,965	-	-	47,077	1,940,042
Property taxes	1,349,206	-	-	133,876	1,483,082
Excise taxes	514,550	-	-	68,785	583,335
Motor vehicle and fuel taxes	-	-	-	752,392	752,392
Other taxes	904,857	-	-	564,444	1,469,301
Licenses, permits, and fees	74,858	493	-	575,559	650,910
Timber sales	3,880	-	7,725	117,135	128,740
Other contracts and grants	223,678	406,671	-	14,475	644,824
Federal grants-in-aid	5,353,868	772,929	-	847,129	6,973,926
Charges for services	37,012	968,182	2	376,100	1,381,296
Investment income	35,543	55,163	94,829	66,400	251,935
Miscellaneous revenue	159,936	88,332	2,617	494,735	745,620
Contribution and donations	-	-	36,095	-	36,095
Total Revenues	16,498,464	2,291,770	141,268	4,084,406	23,015,908
Expenditures:					
Current:					
General government	495,627	-	-	307,456	803,083
Human services	8,538,428	-	-	999,444	9,537,872
Natural resources and recreation	270,501	-	-	418,750	689,251
Transportation	16,036	870	-	1,345,830	1,362,736
Education	6,910,776	2,017,734	42	543,437	9,471,989
Intergovernmental	26,774	-	-	314,597	341,371
Capital outlays	65,079	88,577	1	1,334,949	1,488,606
Debt service:					
Principal	15,815	10,037	-	415,136	440,988
Interest	205	3,965	-	413,408	417,578
Total Expenditures	16,339,241	2,121,183	43	6,093,007	24,553,474
Excess of Revenues Over (Under) Expenditures	159,223	170,587	141,225	(2,008,601)	(1,537,566)
Other Financing Sources (Uses):					
Bonds issued	-	-	-	775,487	775,487
Refunding bonds issued	-	-	-	753,160	753,160
Payment to refunded bond escrow agent	-	-	-	(790,119)	(790,119)
Notes issued	11,392	18,629	-	2,106	32,127
Bond issue premium (discount)	-	(237)	-	58,350	58,113
Capital lease acquisitions	-	7,040	-	-	7,040
Transfers in	587,990	176,227	1,688	2,009,237	2,775,142
Transfers (out)	(727,962)	(240,932)	(88,607)	(1,088,815)	(2,146,316)
Total Other Financing Sources (Uses)	(128,580)	(39,273)	(86,919)	1,719,406	1,464,634
Net change in fund balances	30,643	131,314	54,306	(289,195)	(72,932)
Fund Balances - Beginning, as restated	1,337,558	821,376	1,690,167	3,425,451	7,274,552
Fund Balances - Ending	$ 1,368,201	$ 952,690	$ 1,744,473	$ 3,136,256	$ 7,201,620

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, 2003
(expressed in thousands)

Net change in fund balances--total governmental funds		$ (72,932)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	1,551,811	
Depreciation expense	(399,809)	
Excess of capital outlay over depreciation expense		1,152,002
Bond proceeds provide current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from:		
Bonds and bond anticipation notes issued	(775,487)	
Refunding bonds issued	(753,160)	
Notes issued	(32,127)	
Bond issue premium	(58,113)	
Capital leases issued	(7,040)	
Total bond proceeds		(1,625,927)
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. In the current year, these amounts consist of:		
Bond principal retirement	440,988	
Payments to the bond refunding agent	790,119	
Total long-term debt repayment		1,231,107
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.		(69,753)
Because some revenues will not be collected for several months after the state's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred revenues increased by this amount this year.		(42,794)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in accrued and accreted interest	5,769	
Increase in compensated absences	(7,069)	
Increase in miscellaneous liabilities	(4,099)	
Increase in claims and judgments	(1,410)	
Total additional expenditures		(6,809)
Change in net assets of governmental activities		$ 564,894

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

PROPRIETARY FUNDS
Statement of Fund Net Assets

June 30, 2003
(expressed in thousands)

	Business-Type Activities Enterprise Funds				Governmental Activities
	Workers' Compensation	Unemployment Compensation	Nonmajor Enterprise Funds	**Total**	Internal Service Funds
Assets					
Current Assets:					
Cash and pooled investments	$ -	$ 1,071,228	$ 633,547	$ 1,704,775	$ 141,523
Investments	1,568,215	-	132,135	1,700,350	1,774
Taxes receivable (net of allowance)	-	-	4,070	4,070	-
Other receivables (net of allowance)	598,883	405,117	150,258	1,154,258	5,643
Due from other funds	2,404	4,837	61,362	68,603	60,891
Due from other governments	1,282	32,284	42,299	75,865	6,466
Inventories	183	-	67,598	67,781	18,935
Prepaid expenses	26	-	6,802	6,828	1,464
Total Current Assets	2,170,993	1,513,466	1,098,071	4,782,530	236,696
Noncurrent Assets:					
Investments, noncurrent	9,170,964	-	1,007,848	10,178,812	39,138
Other noncurrent assets	-	-	75,875	75,875	-
Capital Assets:					
Land	3,240	-	80,354	83,594	1,476
Buildings	62,446	-	1,154,653	1,217,099	72,512
Other improvements and miscellaneous	1,002	-	61,143	62,145	24,950
Furnishings and equipment	24,374	-	262,804	287,178	544,277
Accumulated depreciation	(31,605)	-	(576,449)	(608,054)	(344,013)
Construction in progress	-	-	238,124	238,124	10,761
Total Noncurrent Assets	9,230,421	-	2,304,352	11,534,773	349,101
Total Assets	$ 11,401,414	$ 1,513,466	$ 3,402,423	$ 16,317,303	$ 585,797
Liabilities					
Current Liabilities:					
Accounts payable	$ 8,967	$ -	$ 106,695	$ 115,662	$ 36,077
Contracts and retainages payable	2,055	-	27,571	29,626	604
Accrued liabilities	127,106	-	193,568	320,674	15,530
Obligations under security lending agreements	1,568,215	-	57,790	1,626,005	1,585
Bonds and notes payable	2,723	-	67,968	70,691	6,430
Due to other funds	6,741	1	120,624	127,366	17,540
Due to other governments	-	-	2,633	2,633	1,054
Deferred revenues	14,824	-	30,689	45,513	720
Claims and judgments payable, current	1,484,543	-	49,015	1,533,558	78,141
Total Current Liabilities	3,215,174	1	656,553	3,871,728	157,681
Non-Current Liabilities:					
Claims and judgments payable, long-term	14,379,309	-	2,470	14,381,779	452,638
Bonds and notes payable	42,785	-	1,157,786	1,200,571	65,342
Other long-term liabilities	10,159	-	821,511	831,670	17,102
Total Non-Current Liabilities	14,432,253	-	1,981,767	16,414,020	535,082
Total Liabilities	17,647,427	1	2,638,320	20,285,748	692,763
Net Assets:					
Invested in capital assets, net of related debt	13,949	-	529,310	543,259	238,193
Restricted for:					
Unemployment compensation	-	1,509,887	-	1,509,887	-
Other specific purposes	-	-	63,476	63,476	-
Unrestricted	(6,259,962)	3,578	171,317	(6,085,067)	(345,159)
Total Net (Deficit) Assets	$ (6,246,013)	$ 1,513,465	$ 764,103	$ (3,968,445)	$ (106,966)

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, 2003
(expressed in thousands)

	Business-Type Activities Enterprise Funds				Governmental Activities
	Workers' Compensation	Unemployment Compensation	Nonmajor Enterprise Funds	**Total**	Internal Service Funds
Operating Revenues:					
Sales	$ -	$ -	$ 542,724	$ 542,724	$ 136,991
Less: Cost of goods sold	-	-	372,276	372,276	112,796
Gross profit	-	-	170,448	170,448	24,195
Charges for services	41	-	906,289	906,330	532,151
Premiums and assessments	1,286,965	1,103,053	932,141	3,322,159	65,402
Federal aid for unemployment insurance benefits	-	744,669	-	744,669	-
Lottery ticket proceeds	-	-	460,345	460,345	-
Miscellaneous revenue	29,873	27,299	129,663	186,835	26,946
Total Operating Revenues	1,316,879	1,875,021	2,598,886	5,790,786	648,694
Operating Expenses:					
Salaries and wages	105,358	-	475,485	580,843	212,031
Employee benefits	25,537	-	85,409	110,946	47,148
Personal services	5,565	-	37,791	43,356	14,717
Goods and services	62,597	-	495,299	557,896	244,748
Travel	2,661	-	16,658	19,319	3,090
Premiums and claims	2,373,605	2,328,774	885,326	5,587,705	136,480
Lottery prize payments	-	-	297,975	297,975	-
Depreciation and amortization	442	-	44,348	44,790	57,936
Miscellaneous expenses	38,335	-	61,331	99,666	11,132
Total Operating Expenses	2,614,100	2,328,774	2,399,622	7,342,496	727,282
Operating Income (Loss)	(1,297,221)	(453,753)	199,264	(1,551,710)	(78,588)
Nonoperating Revenues (Expenses):					
Earnings (loss) on investments	1,117,289	79,312	119,775	1,316,376	3,917
Interest expense	(2,534)	-	(97,942)	(100,476)	(3,129)
Distributions to other governments	-	-	(31,056)	(31,056)	-
Other revenue (expenses)	6,428	-	124,866	131,294	(4,495)
Total Nonoperating Revenues (Expenses)	1,121,183	79,312	115,643	1,316,138	(3,707)
Income (Loss) Before Contributions and Transfers	(176,038)	(374,441)	314,907	(235,572)	(82,295)
Capital Contributions	-	-	60,340	60,340	6,225
Transfers in	329,126	-	175,768	504,894	433,932
Transfers (out)	(334,616)	-	(789,020)	(1,123,636)	(427,615)
Net Contributions and Transfers	(5,490)	-	(552,912)	(558,402)	12,542
Change in Net Assets	(181,528)	(374,441)	(238,005)	(793,974)	(69,753)
Net Assets - Beginning, as restated	(6,064,485)	1,887,906	1,002,108	(3,174,471)	(37,213)
Net Assets - Ending	$ (6,246,013)	$ 1,513,465	$ 764,103	$ (3,968,445)	$ (106,966)

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, 2003
(expressed in thousands)

	Business-Type Activities Enterprise Funds				Governmental Activities
	Workers' Compensation	Unemployment Compensation	Nonmajor Enterprise Funds	**Total**	Internal Service Funds
Cash Flows from Operating Activities:					
Receipts from customers	$ 1,139,224	$ 1,040,953	$ 2,793,023	$ 4,973,200	$ 723,881
Payments to suppliers	(1,459,460)	(2,328,810)	(1,971,706)	(5,759,976)	(431,049)
Payments to employees	(130,754)	-	(557,995)	(688,749)	(259,301)
Other receipts (payments)	29,873	784,400	129,662	943,935	26,948
Net Cash Provided (Used) by Operating Activities	(421,117)	(503,457)	392,984	(531,590)	60,479
Cash Flows from Noncapital Financing Activities:					
Transfers in	329,126	-	175,768	504,894	433,932
Transfers out	(334,616)	-	(789,020)	(1,123,636)	(427,616)
Operating grants and donations received	6,851	-	23,501	30,352	103
Taxes and license fees collected	5	-	106,718	106,723	-
Distributions to other governments	-	-	(31,056)	(31,056)	-
Other noncapital financing activity	775	-	71	846	50
Net Cash Provided (Used) by Noncapital Financing Activities	2,141	-	(514,018)	(511,877)	6,469
Cash Flows from Capital and Related Financing Activities:					
Interest paid	(2,534)	-	(54,353)	(56,887)	(3,147)
Principal payments on long-term capital financing	(2,582)	-	(65,308)	(67,890)	(12,172)
Proceeds from long-term capital financing	13	-	573,058	573,071	23,918
Proceeds from sale of capital assets	59	-	10,210	10,269	6,027
Acquisitions of capital assets	(870)	-	(160,252)	(161,122)	(59,229)
Net Cash or Pooled Investments Provided by (Used in) Capital and Related Financing Activities	(5,914)	-	303,355	297,441	(44,603)
Cash Flows from Investing Activities:					
Receipt of interest	325,353	79,312	37,988	442,653	3,428
Proceeds from sale of investment securities	6,540,562	-	437,400	6,977,962	4,679
Purchases of investment securities	(6,444,341)	-	(518,407)	(6,962,748)	(5,947)
Net Cash Provided by (Used in) Investing Activities	421,574	79,312	(43,019)	457,867	2,160
Net Increase (Decrease) in Cash and Pooled Investments	(3,316)	(424,145)	139,302	(288,159)	24,505
Cash and Pooled Investments, July 1	3,316	1,495,373	494,245	1,992,934	117,018
Cash and Pooled Investments, June 30	$ -	$ 1,071,228	$ 633,547	$ 1,704,775	$ 141,523
Cash Flows from Operating Activities:					
Operating Income (Loss)	$ (1,297,221)	$ (453,753)	$ 199,264	$ (1,551,710)	$ (78,588)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:					
Depreciation	442	-	44,348	44,790	57,936
Provision for uncollectible accounts	31,780	-	9,759	41,539	35
Change in Assets: Decrease (Increase)					
Receivables (net of allowance)	(147,236)	(49,668)	(50,475)	(247,379)	(10,945)
Inventories	10	-	(129)	(119)	121
Prepaid expenses	(25)	-	898	873	430
Change in Liabilities: Increase (Decrease)					
Payables	991,133	(36)	189,319	1,180,416	91,490
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ (421,117)	$ (503,457)	$ 392,984	$ (531,590)	$ 60,479

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, 2003

(expressed in thousands)

	Business Type Activities Enterprise Funds				Governmental Activities
	Workers' Compensation	Unemployment Compensation	Nonmajor Enterprise Funds	**Total**	Internal Service Funds
Noncash Investing, Capital and Financing Activities:					
Contributions of capital assets	$ -	$ -	$ 60,340	$ 60,340	$ 6,225
Amortization of long-term lotto prize liability	-	-	35,743	35,743	-
Increase (decrease) in fair value of investments	791,936	-	81,334	873,270	494
Refunding bonds issued	-	-	7,650	7,650	-
Refunded bonds redeemed	-	-	(7,425)	(7,425)	-
Gain (loss) on on refunding activity	-	-	(225)	(225)	-
Amortization of debt premium (issue costs/discount)	-	-	795	795	-
Accretion of interest on zero coupon bonds	-	-	3,253	3,253	-

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

FIDUCIARY FUNDS
Statement of Fiduciary Net Assets

June 30, 2003
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
Assets:				
Cash and pooled investments	$ 44,907	$ 2,774,168	$ 33,316	$ 159,502
Investments	-	2,405,385	-	-
Other receivables (net of allowance)	4,321	4,516	140,575	50,069
Due from other funds	7,230	-	262,635	522,731
Due from other governments	3,368	-	40,477	25,578
Prepaid expenses	702	-	-	-
Total Current Assets	60,528	5,184,069	477,003	757,880
Noncurrent Assets:				
Investments, noncurrent	31,273	143,941	42,938,536	23,812
Other noncurrent assets	16	-	-	76,674
Capital Assets:				
Land	7	-	-	-
Buildings	6,868	-	-	-
Other improvements	378	-	-	-
Furnishings and equipment	7,539	-	-	-
Accumulated depreciation	(8,233)	-	-	-
Total Noncurrent Assets	37,848	143,941	42,938,536	100,486
Total Assets	$ 98,376	$ 5,328,010	$ 43,415,539	$ 858,366
Liabilities:				
Accounts payable	$ 3,532	$ -	$ -	$ 14,473
Contracts and retainages payable	1	-	-	14,101
Accrued liabilities	11,396	199,856	37,730	265,480
Obligations under security lending agreements	-	143,941	1,438,530	14,176
Due to other funds	3,687	34	267,302	63,952
Due to other governments	171	-	-	404,708
Deferred revenues	1,820	-	-	-
Other long-term liabilities	14,953	-	-	81,476
Total Liabilities	35,560	343,831	1,743,562	$ 858,366
Net Assets:				
Net assets held in trust for:				
Pension benefits	-	-	40,209,042	
Deferred compensation participants	-	-	1,462,935	
Local government pool participants	-	4,984,179	-	
Individuals, organizations & other governments	62,816	-	-	
Total Net Assets	$ 62,816	$ 4,984,179	$ 41,671,977	

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, 2003
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans
Additions:			
Contributions:			
Employers	$ -	$ -	$ 166,842
Members	-	-	444,046
State	-	-	25,954
Pool participants	-	11,674,605	135,901
Total Contributions	-	11,674,605	772,743
Investment Income:			
Net appreciation (depreciation) in fair value	-	-	611,438
Interest and dividends	20,465	75,948	1,036,653
Less: Investment expenses	-	-	(88,654)
Net Investment Income	20,465	75,948	1,559,437
Transfers from other pension plans	-	-	613,393
Other additions:			
Charges for services	8,941	-	-
Federal grants-in-aid	186,362	-	-
Other contracts, grants and miscellaneous	164,878	-	1,196
Total other additions	360,181	-	1,196
Total Additions	380,646	11,750,553	2,946,769
Deductions:			
Pension benefits	-	-	1,862,914
Pension refunds	-	-	85,708
Transfers to other pension plans	-	-	613,393
Administrative expenses	25,922	4,382	3,000
Distributions to pool participants	-	12,177,407	68,469
Payments to or on behalf of individuals, organizations and other governments in accordance with trust agreements	331,264	-	-
Total Deductions	357,186	12,181,789	2,633,484
Net Increase (Decrease) Before Transfers	23,460	(431,236)	313,285
Transfers in	45,944	-	-
Transfers (out)	(62,345)	-	-
Net Increase (Decrease)	7,059	(431,236)	313,285
Net Assets - Beginning, as restated	55,757	5,415,415	41,358,692
Net Assets - Ending	$ 62,816	$ 4,984,179	$ 41,671,977

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

COMPONENT UNITS
Statement of Fund Net Assets
June 30, 2003
(expressed in thousands)

	Public Stadium	Nonmajor Component Units	**Total**
Assets			
Current Assets:			
Cash and pooled investments	$ 3,876	$ 4,157	$ 8,033
Investments	-	30,635	30,635
Other receivables (net of allowance)	10	1,599	1,609
Prepaid expenses	33	256	289
Total Current Assets	3,919	36,647	40,566
Noncurrent Assets:			
Investments, noncurrent	21,287	2,222	23,509
Other noncurrent assets	-	15,947	15,947
Capital Assets:			
Land	34,677	-	34,677
Buildings	452,301	-	452,301
Furnishings and equipment	25,605	1,104	26,709
Accumulated depreciation	(25,390)	(784)	(26,174)
Total Noncurrent Assets	508,480	18,489	526,969
Total Assets	$ 512,399	$ 55,136	$ 567,535
Liabilities			
Current Liabilities:			
Accounts payable	$ 186	$ 1,292	$ 1,478
Contracts and retainages payable	2,342	-	2,342
Accrued liabilities	45	66	111
Deferred revenues	-	657	657
Total Current Liabilities	2,573	2,015	4,588
Non-Current Liabilities:			
Other long-term liabilities	37,000	-	37,000
Total Non-Current Liabilities	37,000	-	37,000
Total Liabilities	39,573	2,015	41,588
Net Assets:			
Invested in capital assets, net of related debt	447,851	320	448,171
Restricted for deferred sales tax	21,287	-	21,287
Unrestricted	3,688	52,801	56,489
Total Net (Deficit) Assets	$ 472,826	$ 53,121	$ 525,947

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, 2003
(expressed in thousands)

	Public Stadium	Nonmajor Component Units	**Total**
Operating Revenues:			
Charges for services	$ 852	$ 9,211	$ 10,063
Total Operating Revenues	852	9,211	10,063
Operating Expenses:			
Salaries and wages	378	3,480	3,858
Employee benefits	50	885	935
Personal services	170	493	663
Goods and services	255	2,620	2,875
Travel	10	24	34
Depreciation and amortization	18,579	123	18,702
Miscellaneous expenses	-	2	2
Total Operating Expenses	19,442	7,627	27,069
Operating Income (Loss)	(18,590)	1,584	(17,006)
Nonoperating Revenues (Expenses):			
Earnings (loss) on investments	225	1,839	2,064
Grants and Donations	-	213	213
Pass through of HUD grant	-	(213)	(213)
Sales tax	1,871	-	1,871
Interest expense	-	(467)	(467)
Total Nonoperating Revenues (Expenses)	2,096	1,372	3,468
Net Income (Loss) before Contributions	(16,494)	2,956	(13,538)
Contributions of capital	31,211	-	31,211
Change in Net Assets	14,717	2,956	17,673
Net Assets - Beginning	458,109	50,165	508,274
Net Assets - Ending	$ 472,826	$ 53,121	$ 525,947

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, 2003

Index to the Notes to the Combined Financial Statements

Page

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. The more significant of the state's accounting policies follow.

A. Reporting Entity

In evaluating how to define the state of Washington, for financial reporting purposes, management has considered: 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 is manifest when the primary government appoints a voting majority of an organization's governing body and is 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 account groups 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 reside with the state.

COLLEGES AND UNIVERSITIES - The governing boards of the five state universities, the state college, and the 33 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, not discretely reported according to the fund structure of the American Institute of Certified Public Accountants college and university reporting model.

RETIREMENT SYSTEMS - The state of Washington, through the Department of Retirement Systems, administers seven 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 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' 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 Administrator for 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 nine of the aforementioned retirement systems are included in the primary government's financial statements.

BLENDED COMPONENT UNIT

Blended component units are entities that are legally separate from the state but reported as if part of the state when they exist for the exclusive benefit of the state. The following is 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. In November 2002, the TSA issued $517 million in bonds and transferred $450 million to the state in exchange for 29.2 percent of the state's tobacco settlement revenue stream for the estimated 17-year period that the bonds remain outstanding.

DISCRETE COMPONENT UNITS

Discrete component units are entities which are legally separate from the state but which are financially accountable to the state. The following are discretely presented in the financial statements of the state in the component units column:

The WASHINGTON STATE HOUSING FINANCE COMMISSION, the WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY, the WASHINGTON HEALTH CARE FACILITIES AUTHORITY, and the WASHINGTON ECONOMIC DEVELOPMENT FINANCE AUTHORITY (financing authorities) were created by the Legislature in a way that specifically prevents them from causing the state to be liable or responsible for their acts and obligations, including, but not limited to, any obligation to pay principal and interest on financing authority bonds. The financing authorities cannot obligate the state, either legally or morally, and the state has not assumed any obligation of, or with respect to, the financing authorities.

The financing authorities 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.

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

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

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

The WASHINGTON STATE PUBLIC STADIUM AUTHORITY (PSA) was created by the Legislature to acquire, construct, own, and operate a stadium, exhibition center, and parking garage. The state has budget approval authority over a majority of PSA's funding sources. Further, conditioned upon certain events occurring, the state is authorized to issue and has issued general obligation bonds to participate in the funding of project construction costs. Under statute, the state's share of the total project cost is capped at $300 million. Project costs in excess of $300 million are the responsibility of the project's private partner, First & Goal, Inc. The bonds will be 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
401 Second Avenue South, Suite 520
Seattle, WA 98104-0280

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 results 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 program. 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 health insurance and 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 500 accounts that are combined into 54 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 is used to account for all financial resources and transactions not required to be 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 Fund** is used by the state to account 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** is used to account for the workers' compensation program that provides medical, time-loss, and disability benefit payments to qualifying individuals sustaining work-related injuries.

- **Unemployment Compensation Fund** is used to account 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.

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

Nonmajor Governmental Funds:

- **Special Revenue Funds** are used to account for 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** are used by the state to account for the accumulation of resources for, and the payment of, principal and interest on the state's general obligation bonds.

- **Capital Projects Funds** are used to account for the acquisition, construction, and remodeling of public buildings 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** are used to account for the state's business type operations including: the health insurance program; student housing and dining, parking and bookstore operations; the state lottery; state liquor stores; the guaranteed tuition and college savings program; and the convention and trade center.

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

The state reports the following fiduciary funds:

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

- **Local Government Investment Pool (LGIP)** is used to report the external portion of 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. Examples include administration of grants in aid for rural hospitals and unclaimed property.

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

Operating and Non-operating 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 the 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, then 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 balance sheet. Operating statements for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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 collected within 60 days. 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. All other accrued revenue sources are determined to be available if collectible within 12 months.

Property taxes are levied in December for the following calendar year. The first half-year collections are due by April 30, and the second half-year collections are due by October 31. Since the state is on a fiscal year ending June 30, the first half-year collections are recognized as revenue, if collected 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 fund liability is incurred. Exceptions to the general modified accrual expenditure recognition criteria include unmatured interest on general long-term obligations 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 expendable available financial resources.

The state reports deferred revenues on its governmental fund balance sheet. 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 the incurrence of qualifying expenditures.

All proprietary and trust funds are accounted for on 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 the statement of net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net assets. Net assets are presented as 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted.

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. 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 2001-2003 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 budgetary information, please refer to the notes to RSI presented later in this report.

E. 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 the purposes of the Statement of Cash Flows, the state considers cash and 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, to be cash equivalents.

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.

All other noncurrent investments are reported at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Privately held mortgages have been valued at cost which approximates fair market value. The fair value of real estate investments has been estimated based on independent appraisals. Venture capital and leveraged buy-out investments are determined by independent investment advisors based on analysis of the audited financial statements of the underlying partnerships. For information on derivative financial instruments utilized by the state, refer to Note 3.

F. Receivables

Receivables in the state's governmental funds consist primarily of tax 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 balance that is 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.

G. Inventories

Consumable inventories, consisting of expendable materials and supplies held for consumption, are reported in the state's financial statements if the annual 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. Food stamps on hand are recorded at face value.

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

For governmental activities, inventories are recorded using the consumption method. For business-type activities, inventories are expensed when used or sold.

For governmental fund reporting, inventory balances are also recorded as a reservation of fund balance indicating that they do not constitute "available spendable resources" except for $54 thousand in food stamps and $4.7 million in federally donated consumable inventories, both of which are offset by deferred revenues because they do not constitute a fund resource until issued or consumed.

H. 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 greater; and all other capital assets with a unit cost of $5,000 or greater.

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.

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 fund type accounts, net interest costs (if material) incurred during the period of construction are capitalized.

Depreciation is computed 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	5-50 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.

For governmental fund reporting, capital assets are not reported on the balance sheet. Instead, capital acquisitions and construction are reflected as expenditures in the year acquired. No depreciation is reported.

I. Compensated Absences

State employees accrue vested annual leave at a variable rate based on years of service. In general, accrued annual 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 absence 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 absence 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 paid. 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.

J. 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 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 statements, the face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuance are also reported as other financing sources and uses respectively. Issue costs are reported as debt service expenditures.

K. 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.

L. Insurance Activities

Workers' Compensation

The state of Washington's workers' compensation program is established by Title 51 RCW. The statute requires all 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 coverage 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 three 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.

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 also available on a self-paid basis to eligible retirees, former employees, and employees who are temporarily not in pay status.

The state secures commercial insurance for certain coverage offered, but self-insures the risk of loss for the Uniform Medical Plan. Thirty-two percent of eligible subscribers were enrolled in the Uniform Medical Plan in Fiscal Year 2003. 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.

M. 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.

N. 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 five percent spending rate policy for authorizing and spending investment income.

The net appreciation available for authorization for expenditure by the governing board totaled $79.1 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, 2002, has been restated as follows (expressed in thousands):

	Fund equity at June 30, 2002, as previously reported	Fund Reclassification	**Fund equity as restated, July 1, 2002**
Governmental Funds:			
General	$ 1,337,558	-	$ 1,337,558
Higher Education Special Revenue	695,988	125,388	821,376
Higher Education Endowment	1,690,167	-	1,690,167
Nonmajor Governmental	3,408,277	17,174	3,425,451
Proprietary Funds:			
Enterprise Funds:			
Workers' Compensation	(6,064,485)	-	(6,064,485)
Unemployment Compensation	1,887,906	-	1,887,906
Nonmajor Enterprise Funds	1,002,108	-	1,002,108
Internal Service Funds:			
Nonmajor Internal Service Funds	(37,213)	-	(37,213)
Fiduciary Funds:			
Private Purpose Trust	202,413	(146,656)	55,757
Local Government Investment Pool	5,415,415	-	5,415,415
Pension and Other Employee Benefit Plans	41,358,692	-	41,358,692
Component Units:			
Public Stadium	458,109	-	458,109
Nonmajor Component Units	50,165	-	50,165

Fund Reclassification – The state implemented the provisions of GASB Statement No. 34 and No. 37 for Fiscal Year 2002 financial reporting purposes. During Fiscal Year 2003, it was discovered that certain accounts were misclassified as private-purpose trusts. As a result, certain beginning fund balances were required to be restated to effect proper fund classification.

Note 3 - Deposits and Investments

As of June 30, 2003, the carrying amount of Washington's cash and investments was $68.7 billion. Total cash and investments at fiscal year-end amounted to $68.9 billion, including cash from outstanding checks and warrants. Of this amount, cash on hand amounted to $50.7 million, deposits with financial institutions amounted to $1.4 billion, and deposits in the federal Unemployment Trust Fund amounted to $1.1 billion. The remaining $66.4 billion represented the total carrying amount of investments.

Deposits by type, at June 30, 2003, are as follows (expressed in thousands):

Type of Deposit	Carrying Amount	Bank Balance	Insured/ Collateralized	Uninsured/ Uncollateralized
Demand deposits	$ 142,781	$ 277,218	$ 276,745	$ 473
Certificates of deposit	990,044	990,044	990,042	2
Cash with fiscal and escrow agents	173,418	109,622	81,757	27,865
Total Deposits	$ 1,306,243	$ 1,376,884	$ 1,348,544	$ 28,340

DEPOSITS - At fiscal year end, 97.7 percent of the state's deposits with financial institutions were either insured or collateralized, with the remainder uninsured/uncollateralized. The Federal Deposit Insurance Corporation (FDIC) covers the state's insured deposits. The Washington Public Deposit Protection Commission (PDPC) provides collateral protection. 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.

INVESTMENTS - The State Investment Board, the Office of the State Treasurer, and the University of Washington manage approximately 97.4 percent of the state's investing activity. Management responsibilities and investment instruments as authorized by statute follow:

STATE INVESTMENT BOARD (SIB) - Statute designates SIB as having investment management responsibility for pension funds, the Workers' Compensation Fund, permanent funds (established at statehood), and other specific funds. Pursuant to statute (Chapter 43.33A RCW) and SIB policy, SIB is authorized and invests in the following: Treasury Bills; discount notes; repurchase agreements; reverse repurchase agreements; banker's acceptances; commercial paper; guaranteed investment contracts; U.S. government and agency (government sponsored corporations eligible for collateral purposes at the Federal Reserve) securities; nondollar bonds; investment grade corporate bonds; publicly traded mortgage-backed securities; privately placed mortgages; private placements of corporate debt; U.S. and foreign common stock; U.S. preferred stock; convertible securities; private equity including but not limited to investment corporations, partnerships, and limited liability companies for venture capital, leveraged buy-outs, real estate, or other forms of private equity; asset backed securities; and derivative securities including futures, options, options on futures, forward contracts, and swap transactions.

The SIB 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. SIB 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 SIB authority to invest in derivatives, international active equity managers may make limited investment 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, 2003. 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 the use, and holdings of derivative securities by passive equity index fund managers is unavailable. At June 30, 2003, the only derivative securities held directly by SIB were collateralized mortgage obligations (CMO's) of $3.3 billion.

State law and Board policy permit the SIB to participate in securities lending transactions. The Board has entered into agreements with State Street Corporation (SSC) to act as agent for the SIB in securities lending transactions. As SSC is the custodian bank for the SIB, it is a counterparty to securities lending transactions. Therefore, all cash collateral reinvested by SSC is reflected as Category 3 for custodial credit risk disclosure purposes.

Securities were loaned and collateralized by the SIB's agents 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, or were securities whose primary trading market was located in the United States, or were sovereign debt that was 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, 2003 approximated $3.1 and $3.0 billion, respectively.

During Fiscal Year 2003, securities lending transactions could be terminated on demand by either the SIB or the borrower. The average term of overall loans was 45 days.

Cash collateral was invested by the SIBs agents in securities issued or guaranteed by the U.S. government, the SIBs short-term investment pool (average weighted maturity of 358 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. Noncash 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 loaned with the agreement that they could be returned in the future for exchange of the collateral. SSC indemnified the SIB 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. SSC 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 2003, there were no significant violations of legal or contractual provisions nor failures by any borrower to return loaned securities or to pay distributions thereon. Further, the SIB incurred no losses during Fiscal Year 2003 resulting from a default by either the borrowers or the securities lending agents.

The SIB has entered into a number of agreements that commit the state, upon request, to make additional investment purchases up to a stated amount. As of June 30, 2003, the state had the following unfunded investment commitments (expressed in thousands):

Private equity partnerships	$ 5,178,999
Real estate	888,552

OFFICE OF THE STATE TREASURER (OST) - The OST operates the state's Cash Management Account for investing cash in excess of daily requirements. Statute authorizes the OST to buy and sell the following types of instruments: U.S. government and agency securities, banker's acceptances, commercial paper, and certificates of deposit with qualified public depositories. Securities underlying repurchase and reverse repurchase agreements are limited to those stated above.

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, 2003, securities on loan approximated $383 million. All OST securities on loan were collateralized by cash and other securities and are classified in the schedule of custodial credit risk according to the category for the collateral received on the securities lent. On June 30, 2003, the average life of both the loans and the investment of cash received as collateral was one day.

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 2003, 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.

Repurchase agreements are collateralized at 102 percent. The collateral is priced daily and held by the OST'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.

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

UNIVERSITY OF WASHINGTON – The University's investment policies permit it 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 University's custodian lends securities of the type on loan at year-end for collateral in the form of cash or other securities. U.S. securities are loaned verses collateral valued at 102 percent of the fair value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105 percent of the fair value of the securities plus any accrued interest. At year-end, the University has 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 ten days. Cash collateral is invested in a short-term investment pool. The relationship between the maturities of the investment pool and the University's loans is affected by the maturities of the securities loans made by other entities that use the custodian's pool, which the University cannot determine. Non-cash collateral cannot be sold unless the borrower defaults. Securities on loan at June 30, 2003, totaled $453 million.

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.

INVESTMENT ACTIVITY - The state's investments are categorized below per GASB Statement No. 3 to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured, registered, or held by the state or its agent in the state's name. Category 2 includes uninsured and unregistered investments that are held by the counterparties' trust departments or agents in the state's name. Category 3 includes uninsured and unregistered investments held by counterparties, or their trust departments or agents, but not in the state's name.

Investments at June 30, 2003, by investment type, are listed below (expressed in thousands):

	Carrying Amount by GASB Categories				
Investment Type	**1**	**2**	**3**	**Carrying Amount**	**Fair Value**
Corporate bonds	$ 8,497,946	$ 518	$ -	$ 8,498,464	$ 8,498,464
Corporate stocks	2,414,857	610	-	2,415,467	2,415,467
U.S. government securities	1,961,217	-	-	1,961,217	1,961,205
Government securities	2,417,181	-	-	2,417,181	2,417,181
Collateralized mortgage obligations	3,335,845	-	-	3,335,845	3,335,844
Repurchase agreements	2,165,740	-	-	2,165,740	2,165,740
Asset backed securities	256,860	-	243,853	500,713	500,718
Commercial paper	2,547	-	-	2,547	2,547
Discount notes	4,196,343	-	-	4,196,343	4,196,343
Bankers' acceptances	5,055	-	-	5,055	5,055
Municipal bonds	19,908	-	-	19,908	19,930
Variable rate notes	-	-	2,417,517	2,417,517	2,417,517
Negotiable certificates of deposit	-	-	325,860	325,860	325,860
Other	2,460	-	-	2,460	2,460
	$ 25,275,959	$ 1,128	$ 2,987,230	28,264,317	28,264,331
Mutual funds				4,413,054	4,413,054
Mortgages				1,560,565	1,560,565
Real estate				3,641,565	3,641,565
Private equity				5,902,436	5,902,436
Guaranteed investment contracts				544,107	544,107
Investments held by broker-dealers under securities lending programs:					
U.S. government securities				3,376,415	3,376,415
U.S. agency securities				465,823	465,823
Other investments				516,481	516,481
Commingled investment funds					
Foreign				3,402,501	3,402,501
Domestic				14,156,161	14,156,161
Other investment types				139,931	139,931
Total Investments				$ 66,383,356	$ 66,383,370

Note 4 - Receivables and Deferred Revenues

A. Governmental Funds

Taxes Receivable

Taxes receivable at June 30, 2003, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property	$ 788,866	$ -	$ -	$ 728	$ 789,594
Sales	1,228,327	-	-	22,659	1,250,986
Business and occupation	386,500	-	-	-	386,500
Estate	19,968	-	-	-	19,968
Fuel	-	-	-	967	967
Other	50,197	-	-	70,334	120,531
Subtotals	2,473,858	-	-	94,688	2,568,546
Less: Allowance for uncollectible receivables	94,614	-	-	125	94,739
Total Taxes Receivable	$ 2,379,244	$ -	$ -	$ 94,563	$ 2,473,807

Other Receivables

Other receivables at June 30, 2003, consisted of the following (expressed in thousands):

Other Receivables	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Public assistance	$ 1,128,713	$ -	$ -	$ -	$ 1,128,713
Accounts receivable	13,922	87,615	783	56,482	158,802
Interest	-	8,027	8,272	4,195	20,494
Loans	14	121,228	-	222,423	343,665
Long-term contracts	5,377	-	9,316	114,866	129,559
Miscellaneous	9,637	69,595	8,049	12,514	99,795
Subtotals	1,157,663	286,465	26,420	410,480	1,881,028
Less: Allowance for uncollectible receivables	921,300	15,997	74	20,369	957,740
Total Other Receivables	$ 236,363	$ 270,468	$ 26,346	$ 390,111	$ 923,288

Note: 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.

Deferred Revenues

Deferred revenues at June 30, 2003, consisted of the following (expressed in thousands):

Deferred Revenues	General Fund	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property taxes	$ 768,263	$ -	$ -	$ -	$ 768,263
Other taxes	336,087	-	-	19	336,106
Timber sales	5,377	-	9,316	110,336	125,029
Charges for services	7,735	44,273	-	13,310	65,318
Food stamps	54	-	-	-	54
Donable goods	4,734	-	-	-	4,734
Miscellaneous	38,657	101,712	19	343,239	483,627
Total Deferred Revenues	$ 1,160,907	$ 145,985	$ 9,335	$ 466,904	$ 1,783,131

B. Proprietary Funds

Taxes Receivable

Taxes receivable at June 30, 2003, consisted of $4.1 million in liquor taxes reported in Nonmajor Enterprise Funds.

Other Receivables

Other receivables at June 30, 2003, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds				Governmental Activities
Other Receivables	Workers' Compensation	Unemployment Compensation	Nonmajor Enterprise Funds	**Total**	Internal Service Funds
Accounts receivable	$ 65,454	$ -	$ 197,625	$ 263,079	$ 5,467
Interest	94,891	-	2,345	97,236	332
Loans	-	-	4	4	-
Miscellaneous	489,064	486,048	7,054	982,166	31
Subtotals	649,409	486,048	207,028	1,342,485	5,830
Less: Allowance for uncollectible receivables	50,526	80,931	56,770	188,227	187
Total Other Receivables	$ 598,883	$ 405,117	$ 150,258	$ 1,154,258	$ 5,643

Deferred Revenues

Deferred revenues at June 30, 2003, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds				Governmental Activities
Deferred Revenues	Workers' Compensation	Unemployment Compensation	Nonmajor Enterprise Funds	**Total**	Internal Service Funds
Charges for services	$ -	$ -	$ 5,370	$ 5,370	$ 686
Miscellaneous	14,824	-	25,319	40,143	34
Total Deferred Revenues	$ 14,824	$ -	$ 30,689	$ 45,513	$ 720

C. Fiduciary Funds

Other Receivables

Other receivables at June 30, 2003, consisted of the following (expressed in thousands):

Other Receivables	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
Accounts receivable	$ -	$ -	$ 2,851	$ 9,632
Interest	34	4,516	111,180	7,465
Loans	60	-	-	17
Miscellaneous	4,272	-	26,673	33,295
Subtotals	4,366	4,516	140,704	50,409
Less: Allowance for uncollectible receivables	45	-	129	340
Total Other Receivables	$ 4,321	$ 4,516	$ 140,575	$ 50,069

Deferred Revenues

Deferred revenues recorded in Private-Purpose Trust funds at June 30, 2003, consisted of $564 thousand related to charges for services and $1.3 million related to other miscellaneous revenues.

Note 5 - Interfund Balances and Transfers

A. Interfund Balances

The following balances at June 30, 2003, represent due from and due to balances among all funds and state agencies (expressed in thousands):

	Due From									
Due To	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation	Unemployment Compensation	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Totals
General	$ 83,762	$ 8,151	$ -	$ 95,824	$ 47	$ 1	$ 986	$ 460	$ 14,181	$ 203,412
Higher Educ. Special Revenue	28,836	19,088	-	9,442	169	-	43,923	4,653	23,886	129,997
Higher Education Endowment	-	-	-	-	-	-	-	-	194	194
Nonmajor Governmental Funds	142,611	5,269	2,223	78,178	159	-	11,877	1,382	17,795	259,494
Workers' Compensation	140	5	-	22	2,006	-	-	78	153	2,404
Unemployment Compensation	2,248	1,580	-	758	-	-	-	-	251	4,837
Nonmajor Enterprise Funds	9,811	2,736	-	1,146	-	-	42,072	238	5,359	61,362
Internal Service Funds	15,641	807	-	17,480	4,360	-	12,635	9,351	617	60,891
Fiduciary Funds	319,552	2,578	172,644	14,774	-	-	9,131	1,378	272,539	792,596
Totals	$ 602,601	$ 40,214	$ 174,867	$ 217,624	$ 6,741	$ 1	$ 120,624	$ 17,540	$ 334,975	$ 1,515,187

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.

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, 2003, consisted of the following (expressed in thousands):

	Transferred To								
Transferred From	General Fund	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers Compensation Fund	Nonmajor Enterprise Funds	Internal Service Funds	Private Purpose Funds	Total
General Fund	$ 2	$ 7,887	$ -	$ 708,249	$ -	$ -	$ 9,592	$ 2,232	$ 727,962
Higher Educ. Special Revenue	-	64,120	50	136,776	-	19,672	2,375	17,939	240,932
Higher Education Endowment	-	56,564	11	29,510	-	7	-	2,515	88,607
Nonmajor Governmental Funds	508,638	16,495	1,456	547,419	-	14,802	-	5	1,088,815
Workers' Compensation Fund	-	-	-	5,490	329,126	-	-	-	334,616
Nonmajor Enterprise Funds	42,601	26,166	-	578,901	-	125,013	52	16,287	789,020
Internal Service Funds	-	2,792	-	2,892	-	20	421,911	-	427,615
Private Purpose Funds	36,749	2,203	171	-	-	16,254	2	6,966	62,345
Total	$ 587,990	$ 176,227	$ 1,688	$ 2,009,237	$ 329,126	$ 175,768	$ 433,932	$ 45,944	$ 3,759,912

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 the Fiscal Year ended June 30, 2003, the state recorded a transfer of $450 million from the Tobacco Settlement Authority to the General Fund to provide funds for increased costs of health care, long-term care, and other state programs.

Note 6 - Capital Assets

A. Governmental Capital Assets

The following is a summary of governmental capital asset activity for the year ended June 30, 2003 (expressed in thousands):

Capital Assets	Balances July 1, 2002*	Additions	Deletions	Balances June 30, 2003
Capital assets, not being depreciated:				
Land	$ 1,088,525	72,171	(27,635)	$ 1,133,061
Highway System Infrastructure**	11,099,869	630,786	-	11,730,655
Construction in Progress	1,142,984	346,037	(325,653)	1,163,368
Art Collections, Library Reserves, and Museum and Historical Collections	74,570	66,352	(32,950)	107,972
Total capital assets, not being depreciated	13,405,948			14,135,056
Capital assets, being depreciated:				
Buildings	5,583,445	687,778	(216,092)	6,055,131
Accumulated depreciation	(1,866,806)	(162,755)	9,912	(2,019,649)
Net buildings	3,716,639			4,035,482
Furnishings, equipment, and collections	2,799,713	301,136	(124,033)	2,976,816
Accumulated depreciation	(1,549,763)	(168,398)	28,230	(1,689,931)
Net furnishings, equipment and collections	1,249,950			1,286,885
Other improvements and miscellaneous	664,604	108,362	(36,562)	736,404
Accumulated depreciation	(247,223)	(53,633)	24,731	(276,125)
Net other improvements and miscellaneous	417,381			460,279
Infrastructure (other)**	244,137	146,716	(107,809)	283,044
Accumulated depreciation	(73,160)	(28,756)	10,847	(91,069)
Net infrastructure (other)	170,977			191,975
Total capital assets, being depreciated, net	5,554,947			5,974,621
Governmental activities capital assets, net	$ 18,960,895			$ 20,109,677

*Beginning balances have been restated to reflect fund type reclassifications.
**The state first reported infrastructure under the new requirements of the Governmental Accounting Standards Board Statement Number 34 in Fiscal Year 2002. The state accounts for the State Highway System and Emergency Airfields using the modified approach and reports them as non-depreciable Highway System Infrastructure. The state's short rail line is depreciated and is reported as depreciable Infrastructure (other). Under the modified approach, rather than recording depreciation, asset condition is reported. The rating scales for pavements, bridges, and airfields are further explained in Required Supplementary Information.

B. Business-type Capital Assets

The following is a summary of business-type capital asset activity for the year ended June 30, 2003, (expressed in thousands):

Capital Assets	Balances July 1, 2002	Additions	Deletions	Balances June 30, 2003
Capital assets, not being depreciated:				
Land	$ 24,219	59,339	-	$ 83,558
Art Collections and Library Reserves	35	-	-	35
Construction in Progress	300,708	199,249	(261,833)	238,124
Total capital assets, not being depreciated	324,962			321,717
Capital assets, being depreciated:				
Buildings	1,031,391	282,352	(96,644)	1,217,099
Accumulated depreciation	(369,577)	(19,643)	39	(389,181)
Net buildings	661,814			827,918
Furnishings, equipment, and collections	285,560	32,922	(31,304)	287,178
Accumulated depreciation	(200,715)	(21,860)	23,895	(198,680)
Net furnishings, equipment, and collections	84,845			88,498
Other Improvements and miscellaneous	36,661	2,158	(5,246)	33,573
Accumulated depreciation	(11,172)	(1,847)	894	(12,125)
Net other improvements and miscellaneous	25,489			21,448
Infrastructure (other)	24,220	4,352	-	28,572
Accumulated depreciation	(6,628)	(1,440)	-	(8,068)
Net infrastructure (other)	17,592			20,504
Total capital assets, being depreciated, net	789,740			958,368
Business-type activities capital assets, net	$ 1,114,702			$ 1,280,085

C. Depreciation

Depreciation expense was charged to functions of the primary government as follows (in thousands):

	Amount
Governmental Activities:	
General Government	$ 44,686
Education - Elementary and Secondary (K-12)	1,719
Education - Higher Education	250,462
Human Services	33,553
Adult Corrections	23,548
Natural Resources and Recreation	31,211
Transportation	73,360
Total Depreciation Expense - Governmental Activities	$ 458,539 *
Business-Type Activities:	
Workers' Compensation	$ 442
Unemployment Compensation	-
Health Insurance Programs	191
Higher Education Student Services	36,335
Other	7,822
Total Depreciation Expense - Business-Type Activities	$ 44,790

*Includes $58,730 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, 2003, are as follows (expressed in thousands):

Agency/Project Commitments	Construction In Progress June 30, 2003	Remaining Project Commitments
Department of General Administration:		
Various projects	$ 128,300	$ 259,970
Liquor Control Board:		
Distribution Center	30,367	155
Washington State Patrol:		
Seattle and Vancouver crime laboratories	940	21,365
Military Department:		
Readiness centers and other projects	24,063	14,437
Department of Social and Health Services:		
State hospital and juvenile rehabilitation renovations, and other projects	73,443	33,340
Department of Veterans Affairs:		
240 Bed Skilled Nursing Center and other projects	4,015	44,001
Department of Corrections:		
Correctional centers construction, improvements, and other projects	221,112	353,139
Eastern Washington State Historical Society		
Museum addition	23,109	2,000
Department of Transportation:		
State Highway System, maintenance facilities, ferry vessels, and terminals	173,672	736,868
Department of Fish and Wildlife:		
Hatchery renovations, site improvements, and other projects	3,671	8,167
Higher Education Facilities:		
University of Washington	443,833	297,674
Washington State University	47,294	133,418
Eastern Washington University	5,438	23,731
Central Washington University	42,857	13,696
The Evergreen State College	25,459	18,178
Western Washington University	64,772	33,280
Community and Technical Colleges	85,142	187,879
Other Agencies Miscellaneous Projects	4,004	10,189
Total Construction in Progress	$ 1,401,491	$ 2,191,487

Note 7 – Long-Term Liabilities

A. Bonds Payable

Bonds payable at June 30, 2003, 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): (2) appropriations already made by the legislature: or (3) 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 2003 was $6.5 billion, under the then current constitutional and statutory limitation. This computation excludes specific bond issues and types, which are not secured by general state revenues. Based on the debt limitation calculation, the debt service requirements as of June 30, 2003, did not exceed the authorized debt service limitation.

Computation of Legal Debt Limitation (expressed in millions) [1]	
Three year mean, general state revenues	$ 8,886
Legal Debt Limitation:	
Debt service limitation (7 percent of above)	$ 622
Less: Projected maximum annual debt service of outstanding bonds	560
Uncommitted Portion of Debt Service Limitation	$ 62
Remaining State general obligation debt capacity	$ 846
Plus: Debt outstanding subject to limitation	5,622
Maximum Debt Authorization Subject to Limitation	$ 6,468

[1] Source: Office of the State Treasurer – Certification of the Debt Limitation of the State of Washington for Fiscal Year 2003.

Authorized but unissued
The state had a total of $3,548 million in bonds authorized but unissued as of June 30, 2003, 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 2.0 to 9.0 percent. Variable rate demand obligations (VRDO) of $185.2 million as of June 30, 2003, are remarketed on a weekly basis. Interest rates on revenue bonds range from 3.0 to 9.0 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, conservation, and construction and improvements of highways, roads, and bridges. The state has also issued bonds for assistance to municipalities for construction of water and sewage treatment facilities and corrections facilities. In addition, bonds are authorized and issued to provide for the refunding of general obligation bonds outstanding. Outstanding general obligations bonds are presented in the Washington State Treasurer's Annual Report for 2003. 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, 2003, are as follows (expressed in thousands):

General Obligation Bonds	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest	Totals Principal	Totals Interest
By Fiscal Year:						
2004	$ 380,235	$ 425,385	$ 16,964	$ 7,374	$ 397,199	$ 432,759
2005	391,248	408,816	16,841	6,443	408,089	415,259
2006	394,279	386,374	17,836	5,498	412,115	391,872
2007	407,073	371,150	19,027	4,510	426,100	375,660
2008	413,744	348,768	20,529	3,395	434,273	352,163
2009-2013	1,936,823	1,460,373	43,473	20,973	1,980,296	1,481,346
2014-2018	2,091,884	1,037,827	28,614	33,932	2,120,498	1,071,759
2019-2023	1,597,389	568,563	9,114	23,411	1,606,503	591,974
2024-2028	748,330	184,277	-	-	748,330	184,277
2029-2033	15,562	48,289	-	-	15,562	48,289
Total Debt Service Requirements	$ 8,376,567	$ 5,239,822	$ 172,398	$ 105,536	$ 8,548,965	$ 5,345,358

Revenue Bonds are authorized under current state statutes, which empower certain state agencies to issue 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.

The State's Colleges and Universities issue revenue bonds for the purposes of housing, dining, parking, and student facilities construction. Additionally, the Tobacco Settlement Authority (TSA), a blended component unit of the state, also issued revenue bonds secured by the TSA's right to receive 29.2 percent of the state's tobacco settlement revenue stream.

Total debt service requirements for revenue bonds to maturity as of June 30, 2003, are as follows (expressed in thousands):

Revenue Bonds	Business-Type Activities Principal	Business-Type Activities Interest
By Fiscal Year:		
2004	$ 9,668	$ 49,844
2005	11,202	49,481
2006	10,663	49,011
2007	11,100	48,520
2008	22,098	48,034
2009-2013	127,869	222,817
2014-2018	153,407	182,323
2019-2023	164,521	135,586
2024-2028	189,277	83,586
2029-2033	148,847	22,352
Total Debt Service Requirements	$ 848,652	$ 891,554

DEBT REFUNDINGS

When advantageous and permitted by statute and bond covenants, the State Finance Committee authorizes the refunding of outstanding 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 October 2, 2002, the state issued $605.9 million of Various Purpose General Obligation Refunding Bonds (Series R-2003A) with an average interest rate of 4.72 percent to refund $597.4 million of Various Purpose General Obligation Bonds from several different series with an average interest rate of 5.76 percent. The refunding resulted in a $72 million gross debt service savings over the next nineteen years and an economic gain of $50.7 million.

On December 4, 2002, the state issued $70.3 million in Motor Vehicle Fuel Tax General Obligation Refunding Bonds (Series R-2003B) with an average interest rate of 4.92 percent to refund $68.4 million of Motor Vehicle Fuel Tax General Obligation bonds from several series with an average interest rate of 5.90 percent. The refunding resulted in a $7 million gross debt service savings over the next seventeen years and an economic gain of $4.7 million.

On May 27, 2003, the state issued $77 million of Various Purpose General Obligation Refunding Bonds (Series R-2003C) with an average interest rate of 3.82 percent to refund $75.5 million of Various Purpose General Obligation Bonds from several series with an average interest rate of 5.77 percent. The refunding resulted in a $6.9 million gross debt service savings over the next ten years and an economic gain of $6.5 million.

On June 4, 2003, the state issued $25.7 million of Refunding Certificates of Participation (Series RE-2003B) with an average interest rate of 4.5 percent to refund the remaining $27.8 million of the 1991 Department of Ecology State Office Building Project, with an average interest rate of 5.0 percent. The refunding resulted in a $5 million gross debt service savings over the next thirteen years and an economic gain of $3.3 million.

Business-Type Activities:

On August 6, 2002, Eastern Washington University issued $4.5 million in Housing and Dining System Revenue and Refunding Bonds (Series 2002), with an average interest rate of 3.39 percent, to refund $4.3 million in outstanding Housing and Dining System Revenue Bonds with an average interest rate of 6.20 percent. The refunding resulted in $604,048 gross debt service savings over the next ten years and an economic gain of $716,511.

On May 8, 2003, Western Washington University issued $15.1 million of Revenue and Refunding Bonds (Series 2003), with an average interest rate of 3.52 percent, to refund $3 million in outstanding Revenue Bonds (1991 and 1992 issues) with an average interest rate of 6.25 and 5.95 percent respectively, and to issue $12 million of new bonds to fund housing renovations. The refunding of the bonds resulted in a $390,000 gross debt service savings over the next 20 years and an economic loss of $166,988.

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, 2003, $48.5 million of general obligation bonded debt outstanding is considered defeased.

Revenue Bond Debt:

On June 30, 2003, $77.2 million of proprietary 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, 2003, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Certificates of Participation	Principal	Interest	Principal	Interest	Principal	Interest
By Fiscal Year:						
2004	$ 29,637	$ 16,651	$ 23,792	$ 14,760	$ 53,429	$ 31,411
2005	19,389	11,574	15,908	10,581	35,297	22,155
2006	17,084	10,761	14,247	9,906	31,331	20,667
2007	15,727	10,051	13,576	9,303	29,303	19,354
2008	14,807	9,375	13,071	8,713	27,878	18,088
2009-2013	88,435	35,309	81,230	33,046	169,665	68,355
2014-2019	75,843	12,706	71,319	11,955	147,162	24,661
2019-2023	15,226	1,749	14,328	1,646	29,554	3,395
2024-2028	124	6	121	5	245	11
Total Debt Service Requirements	$ 276,272	$ 108,182	$ 247,592	$ 99,915	$ 523,864	$ 208,097

Note: An additional $5 million certificates of participation, related to fiduciary activities, remain outstanding as of June 30, 2003.

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 1L.

Workers' Compensation
Changes in the balances of workers' compensation claims liabilities during Fiscal Years 2002 and 2003 were as follows (expressed in thousands):

Workers' Compensation Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Balances End of Fiscal Year
FY 2002	$ 14,243,113	2,045,466	(1,405,480)	$ 14,883,099
FY 2003	$ 14,883,099	2,489,547	(1,508,794)	$ 15,863,852

At June 30, 2003, $33.7 billion of unpaid claims and claim adjustment expenses are presented at their net present value of $15.9 billion. These claims are discounted at assumed interest rates of 4.0 percent (time loss and medical) to 6.5 percent (pensions) and are net of third party recoveries.

The claims and claim adjustment liabilities of $15.9 billion, as of June 30, 2003, include $7.9 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 $8.0 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 2002 and 2003 were as follows (expressed in thousands):

Risk Manangement Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Tort Defense Payments	Balances End of Fiscal Year
FY 2002	$ 268,737	189,909	(33,638)	(22,538)	$ 402,470
FY 2003	$ 402,470	153,250	(40,082)	(16,724)	$ 498,914

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, 2003, outstanding and actuarially determined claims against the state and its public authorities were $498.9 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, 2003, the Risk Management Fund held $14.3 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 2002 and 2003 were as follows (expressed in thousands):

Health Insurance Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Balances End of Fiscal Year
FY 2002	$ 43,147	297,836	(294,057)	$ 46,926
FY 2003	$ 46,926	332,047	(331,039)	$ 47,934

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, 2003, health insurance claims liabilities totaling $47.9 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, 2003, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Land (non-depreciable)	$ 3,368	$ -
Buildings	50,697	$ 6,182
Equipment	23,933	946
Less: Accumulated Depreciation	(21,825)	(771)
Totals	$ 56,173	$ 6,357

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2003, (expressed in thousands):

	Capital Leases		Operating Leases	
Capital and Operating Leases	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
By Fiscal Year:				
2004	$ 6,794	$ 710	$ 93,056	$ 22,215
2005	6,716	690	80,938	21,062
2006	6,460	649	68,493	19,239
2007	5,170	625	53,578	18,529
2008	4,334	615	38,679	17,234
2009-2013	7,479	2,261	159,318	5,578
2014-2018	574	2,175	68,084	-
2019-2023	348	1,663	46,312	-
2024-2028	-	-	46,848	-
2029-2033	-	-	45,372	-
Total Future Minimum Payments	37,875	9,388	700,678	103,857
Less: Executory costs and interest costs	6,331	3,506	-	-
Net Present Value of future minimum lease payments	$ 31,544	$ 5,882	$ 700,678	$ 103,857

The total operating lease rental expense for Fiscal Year 2003 was $129.7 million.

E. Long-Term Liability Activity

Long-term liability activity for the Fiscal Year 2003 (expressed in thousands) was as follows:

Governmental Activities:	Beginning Balance July 1, 2002	Additions	Reductions	Ending Balance June 30, 2003	Amounts Due Within One Year
Long-term Debt:					
Bonds Payable -					
General obligation (GO) bonds	$7,750,915	$1,295,645	$1,134,335	$7,912,225	$366,825
GO - zero coupon bonds (principal)	246,254	233,002	14,914	464,342	13,410
Subtotal	7,997,169	1,528,647	1,149,249	8,376,567	380,235
GO - zero coupon bonds (accreted interest)	152,105	17,948	17,450	152,603	-
Total bonds payable	8,149,274	1,546,595	1,166,699	8,529,170	380,235
Other liabilities -					
Certificates of participation	248,657	32,127	4,512	276,272	29,637
Claims and judgments	471,383	547,623	425,452	593,554	122,324
Leases	35,055	7,040	10,551	31,544	6,794
Compensated absences	392,041	286,654	280,159	398,536	35,441
Unfunded pension obligations	44,700	5,200	-	49,900	-
Other	150,642	458,983	419,046	190,579	145,166
Total other liabilities	1,342,478	1,337,627	1,139,720	1,540,385	339,362
Total	$9,491,752	$2,884,222	$2,306,419	$10,069,555	$719,597

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 53 percent by the General Fund, 24 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.

Business-Type Activities	Beginning Balance July 1, 2002	Additions	Reductions	Ending Balance June 30, 2003	Amounts Due Within One Year
Long-term Debt:					
Bonds Payable -					
General obligation (GO) bonds	$ 157,845	$ 261	$ 14,967	$ 143,139	$ 16,964
GO - zero coupon bonds (principal)	29,259	-	-	29,259	-
Limited revenue bonds	-	517,905	-	517,905	-
Revenue bonds	327,512	19,281	16,046	330,747	9,668
Less: Deferred amounts on refunding	(3,328)	(331)	56	(3,603)	-
Subtotal	511,288	537,116	30,957	1,017,447	26,632
GO - zero coupon bonds (accreted interest)	15,048	2,795	-	17,843	-
Less: Deferred amounts for issuance discounts	(1,771)	(14,203)	522	(15,452)	-
Subtotal	13,277	(11,408)	522	2,391	-
Total bonds payable	524,565	525,708	30,435	1,019,838	26,632
Other liabilities -					
Certificates of participation	235,905	135,084	123,397	247,592	23,792
Less: Deferred amounts for issuance discounts	(2,624)	1	571	(2,052)	-
Claims and judgments	14,933,093	2,824,973	1,842,730	15,915,336	1,533,558
Lottery prize annuities payable	542,496	134,093	147,435	529,154	70,046
Tuition benefits payable	207,900	154,509	12,409	350,000	15,300
Leases	1,758	4,532	408	5,882	710
Compensated absences	35,777	23,754	22,348	37,183	19,740
Other	24,475	51,520	39,244	36,749	35,998
Total other liabilities	15,978,780	3,328,466	2,187,400	17,119,844	1,699,144
Total	$16,503,345	$3,854,174	$2,217,835	$18,139,682	$1,725,776

The limited revenue bonds were 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.

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 latest available balances for the "No Commitment" debt of the state's financing authorities (expressed in thousands):

No Commitment Debt	**Principal Balance**
Washington State Housing Finance Commission	$ 2,060,740
Washington Higher Education Facilities Authority	332,317
Washington Health Care Facilities Authority	2,700,000
Washington Economic Development Finance Authority	292,621
Total No Commitment Debt	$ 5,385,678

Note 9 – Fund Balances Reserved or Designated for Other Specific Purposes

The nature and purposes of fund balances reserves and designations for other specific purposes as of June 30, 2003, 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	$ -	$ 92,035	$ -	$ -	$ 92,035
Investments with trustees	599	-	-	451	1,050
Long-term receivables	32,780	641	-	1,069,175	1,102,596
Long-term investments	-	121,191	-	29,286	150,477
Emergency reserve	-	-	-	57,631	57,631
Petty cash	611	3,693	-	824	5,128
Total Reserved for Other Specific Purposes	$ 33,990	$ 217,560	$ -	$ 1,157,367	$ 1,408,917
Unreserved, Designated for Other Specific Purposes:					
Higher education	$ -	$ 155,679	$ -	$ -	$ 155,679
Miscellaneous	-	-	-	168	168
Total Unreserved, Designated for Other Specific Purposes	$ -	$ 155,679	$ -	$ 168	$ 155,847

Note 10 - Deficit Net Assets

At June 30, 2003, there were three proprietary funds with deficit net assets.

The Workers' Compensation Fund, an enterprise fund, had deficit net assets of $6.2 billion at June 30, 2003. 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, 2003, (expressed in thousands):

Workers' Compensation Fund	Net Assets (Deficit)
Balances, July 1, 2002	$ (6,064,485)
Fiscal Year 2003 activity	(181,528)
Balances, June 30, 2003	$ (6,246,013)

The Risk Management Fund, an internal service fund, had deficit net assets of $ 484.3 million at June 30, 2003. The Risk Management Fund is used to account for the claims, torts, 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, 2003, (expressed in thousands):

Risk Management Fund	Net Assets (Deficit)
Balance, July 1, 2002	$ (395,216)
Fiscal Year 2003 activity	(89,097)
Balance, June 30, 2003	$ (484,313)

The Other Activities Fund, an enterprise fund, had deficit net assets of $ 415.0 million at June 30, 2003. The Other Activities Fund is used to account for various enterprise activities of the state including the blended enterprise component unit, the Tobacco Settlement Authority (TSA). In Fiscal Year 2003, the TSA issued $517 million in bonds and transferred $450 million to the state in exchange for 29.2 percent of the state's tobacco settlement revenue stream. This revenue stream represents a contingent asset and, in accordance with accounting standards, cannot be recognized until the contingency no longer exists. As a result, the TSA reflects deficit net assets as of June 30, 2003, of $441 million.

The following schedule details the changes in net assets for the Other Activities Fund during the fiscal year ended June 30, 2003, (expressed in thousands):

Other Activities Fund	Net Assets (Deficit)
Balances, July 1, 2002	$ 13,091
Fiscal Year 2003 activity	(428,072)
Balances, June 30, 2003	$ (414,981)

Note 11 - Retirement Plans

A. General

The state of Washington, through the Department of Retirement Systems, the Board for Volunteer Fire Fighters, and the Administrator for the Courts, administers 12 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. 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.

DEPARTMENT OF RETIREMENT SYSTEMS

As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers seven retirement systems comprising 11 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

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, and LEOFF systems and plans was funded by an employer rate of .22 percent of employee salaries. Administration of the WSPRS, 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 supplemental information may be obtained by writing to Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380.

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

ADMINISTRATOR FOR THE COURTS
As established in chapter 2.14 RCW, the Administrator for the Courts administers the Judicial Retirement Account (JRA), a defined contribution plan. Administration of JRA is funded through member fees.

In addition to the retirement plans administered by the state of Washington, eligible higher education state employees may participate in the Teachers' Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREF) which is a privately administered defined contribution plan.

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, 2002, the date of the latest actuarial valuation for all plans except for VFFRPF which had an actuarial valuation performed on December 31, 2002.

Defined Benefit Plans Administered by the State	Retirees and Beneficiaries Receiving Benefits	Terminated Plan Members Entitled to but not yet Receiving Benefits	Active Plan Members Vested	Active Plan Members Nonvested	Total
PERS 1	54,006	3,280	20,167	1,570	79,023
PERS 2	9,741	15,674	68,372	48,567	142,354
PERS 3	9	198	10,455	5,054	15,716
TRS 1	33,148	1,822	12,096	360	47,426
TRS 2	823	2,487	7,005	804	11,119
TRS 3	283	2,151	17,154	28,644	48,232
SERS 2	437	1,397	13,535	9,335	24,704
SERS 3	185	1,148	12,025	14,896	28,254
LEOFF 1	7,987	22	1,146	1	9,156
LEOFF 2	244	376	10,076	3,935	14,631
WSPRS 1	718	95	780	255	1,848
JRS	131	3	24	-	158
Judges	18	-	1	-	19
JRA	3	10	184	-	197
VFFRPF	2,854	4,389	4,944	6,959	19,146

Following is a summary of government employers participating in state administered retirement plans as of June 30, 2003.

Plan	State Agencies	Public Schools	Counties/ Municipalities	Other Political Subdivisions
PERS 1	156	253	209	252
PERS 2	168	-	269	440
PERS 3	141	-	159	204
TRS 1	86	284	-	-
TRS 2	38	270	-	-
TRS 3	44	291	-	-
SERS 2	9	290	-	-
SERS 3	10	288	-	-
LEOFF 1	-	-	104	25
LEOFF 2	7	-	224	128
WSPRS 1	1	-	-	-
WSPRS 2	1	-	-	-
JRS	3	-	-	-
Judges	-	-	-	-
JRA	3	-	-	-
VFFRPF	-	-	-	520

B. Plan Description

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 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 2003, 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 such as Teachers' Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREF); judges of district and municipal courts; and employees of local governments. TIAA/CREF is not administered by DRS. Approximately 52 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. 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.

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. 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.) Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including 12 months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. 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 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.

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.

Legislation passed in the 2003 session provides a $150,000 death benefit to the estate of an employee of schools, higher education and state agencies who dies in the line of service, if found eligible by the Department of Labor and Industries. There were no other material changes in PERS benefit provisions for the fiscal year ended June 30, 2003.

PERS pension benefit provisions have been established by chapter 41.40 RCW.

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.

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 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 2003, 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 employee in grades K-12 in the public schools. 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.) Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including 12 months that were earned after age 54; or five service credit years earned in TRS Plan 2 by July 1, 1996, and transferred to Plan 3. 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 duty disability benefits. TRS Plan 1 members receive the following additional lump sum death benefits: retired members-$400 (if at least 10 years of membership service), active members-$600. Members on temporary disability receive a temporary life annuity of $180 per month payable up to two years. 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.

Legislation passed in the 2003 session provides a $150,000 death benefit to the estate of an employee of schools, higher education and state agencies who dies in the line of service, if found eligible by the Department of Labor and Industries. There were no other material changes in TRS benefit provisions for the fiscal year ended June 30, 2003.

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

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.

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 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 2003, 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. 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.) Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including 12 months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to September 1, 2000. 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 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.

Legislation passed in the 2003 session provides a $150,000 death benefit to the estate of an employee of schools, higher education and state agencies who dies in the line of service, if found eligible by the Department of Labor and Industries. There were no other material changes in SERS benefit provisions for the fiscal year ended June 30, 2003.

SERS pension benefit provisions have been established by chapter 41.35 RCW.

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.

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 2003, 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.

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 non-duty 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.

Legislation passed in the 2003 session allows some members working as fire fighter emergency medical technicians (EMTs) to transfer service credit and contributions earned from PERS Plan 1 or Plan 2 to LEOFF Plan 2 if, while employed for a city, town, county or district, the EMT's job was relocated to a fire department from another city, town, county or district. Members electing to transfer EMT service credit are required to pay the difference between the contributions the employee paid to PERS Plan 1 or Plan 2 and the contributions that would have been paid by the employee had they been a member of LEOFF Plan 2, plus interest.

Other legislation passed in the 2003 session requires Department of Fish and Wildlife enforcement officers formerly in PERS Plan 2 or PERS Plan 3, to become members of LEOFF Plan 2, effective July 27, 2003. Service prior to the effective date will remain in PERS.

There were no other material changes in LEOFF benefit provisions for the fiscal year ended June 30, 2003.

LEOFF pension benefit provisions have been established by chapter 41.26 RCW.

Washington State Patrol Retirement System (WSPRS)

WSPRS is a single-employer retirement system comprised of two defined benefit plans. 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.

WSPRS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the WSPRS Plan 1 and Plan 2 defined benefit plan accrue interest at a rate specified by DRS. During Fiscal Year 2003, the DRS-established rate on employee contributions was 5.5 percent compounded annually and posted monthly. Employees in WSPRS Plan 1 and Plan

2 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. Legislation passed in the 2001 session created a Washington State Patrol Plan 2. 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. For Plan 1 members, AFS is based on the average of the two highest-paid years and excludes voluntary overtime. For Plan 2 members, AFS is based on the average of the five highest-paid 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. 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. 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 the 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. 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. In addition, a duty death benefit of $150,000 is provided to all WSPRS members.

There were no other material changes in WSPRS benefit provisions for the fiscal year ended June 30, 2003.

WSPRS pension benefit provisions have been established by chapter 43.43 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. JRS employees accrue no interest on contributions and may not elect to withdraw their contributions upon termination.

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 ten 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 ten 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, 2003.

JRS pension benefit provisions have been 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. Retirement benefits are financed on a pay-as-you-go basis from a combination of employee contributions, employer contributions, and a special funding situation in which the state pays the remaining contributions. Employees do not earn interest on their contributions, nor can 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, 2003.

Judges' pension benefit provisions have been established by chapter 2.12 RCW.

The Volunteer Fire Fighters' 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.

VFFRPF was created by the Legislature in 1945. Membership in the system requires volunteer firefighter service with a fire department of an electing municipality of Washington State.

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.

The benefit formula was changed from $30 plus $10 per year of service to $50 plus $10 per year of service. There were no other material changes in VFFRPF benefit provisions for the fiscal year ended June 30, 2003.

C. Funding Policies

Contributions towards the amortization of the PERS 1 and TRS 1 unfunded actuarial accrued liability are suspended for the 2003-2005 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 and do not vary from year to year. 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 may adopt other options.

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 2003 were as follows:

PERS Actual Contribution Rates

	PLAN 1	PLAN 2	PLAN 3
Employer Rates:			
State agencies*	1.32%	1.32%	1.32%**
Local governmental units*	1.32%	1.32%	1.32%**
State gov't elected officials*	1.87%	1.32%	1.32%**
Employee Rates:			
State agencies	6.00%	0.65%	***
Local governmental units	6.00%	0.65%	***
State gov't elected officials	7.50%	0.65%	***

*Includes an administrative expense rate of 0.22 percent.
**Plan 3 defined benefit portion only.
***Variable from 5% to 15% based on rate selected by the member.

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 and do not vary from year to year. 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 may adopt other options.

The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.32 and 41.45 RCW.

Required contribution rates (expressed as a percentage of current-year covered payroll) at the close of Fiscal Year 2003 were as follows:

TRS Actual Contribution Rates

	PLAN 1	PLAN 2	PLAN 3
Employer Rates *	1.27%	1.27%	1.27%**
Employee Rates:			
State agencies	6.00%	0.15%	***
Local governmental units	6.00%	0.15%	***
State gov't elected officials	7.50%	0.15%	***

* Includes an administrative expense rate of 0.22 percent.
** 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 may adopt other options.

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 2003 were as follows:

SERS Actual Contribution Rates

	PLAN 2	PLAN 3
Employer Rates:		
State agencies*	1.18%	1.18% **
Local governmental units*	1.18%	1.18% **
Employee Rates:		
State Agencies	0.35%	***
Local Governmental Units	0.35%	***

*Includes an administrative expense rate of 0.22 percent.
**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 on July 1, 2000, Plan 1 employers and employees will 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 Department of Retirement Systems in accordance with chapter 41.45 RCW. 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 2003 were as follows:

LEOFF Actual Contribution Rates

	PLAN 1	PLAN 2
Employer Rates:		
Ports and Universities*	NA	4.61%
Local governmental units*	0.22%	2.86%
Employee Rates:		
Ports and Universities	NA	4.39%
Local governmental units	NA	4.39%
State of Washington	NA	1.75%

*Includes an administrative expense rate of 0.22 percent.

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 in accordance with the requirements of the Pension Funding Council. 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.

Washington State Patrol Retirement System (WSPRS)

State statute (chapter 43.43 RCW) obligates employees to contribute at a fixed rate of 2 percent for Fiscal Year 2003. The Pension Funding Council in accordance with chapter 41.45 RCW adopts contribution rates for the employee and the state. The employee and the state 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 2003 were as follows:

WSPRS Actual Contribution Rates

	PLAN 1	PLAN 2
Employer Contributions	0.00%	0.00%
Employee Contributions	2.00%	2.00%

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 2003, the state contributed $6 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. Each biennium, the Legislature, through biennial appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For Fiscal Year 2003, the state contributed $.25 million.

The Volunteer Fire Fighters' 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 of $10 per member.

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.

	2003	2002	2001
PERS Plan 1	$28.8	$35.3	$94.0
PERS Plan 2/3	18.5	26.2	58.2
TRS Plan 1	0.6	1.7	3.5
TRS Plan 2/3	0.1	0.4	0.3
SERS Plan 2/3	0.0	0.0	0.0
LEOFF Plan 1	0.0	0.0	0.0
LEOFF Plan 2	16.6	15.8	21.1
VFFRPF	3.3	3.3	3.3

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

E. Annual Pension Cost and Net Pension Obligation

The state's annual pension cost and net pension obligation (NPO), in millions, to the plans listed for the current year were as follows:

	WSPRS	JRS	Judges
Annual Required Contribution	$0.0	$16.2	$0.1
Interest on NPO	(2.4)	3.6	(0.2)
Adjustment to annual required contribution	3.6	(8.4)	0.5
Annual Pension Cost	1.2	11.4	0.4
Less Contributions Made	0.0	6.2	0.3
Increase (decrease) in NPO	1.2	5.2	0.1
NPO at beginning of year	(29.6)	44.7	(2.8)
NPO at end of year	(28.4)	49.9	(2.7)

The valuation date for the plans is September 30, 2002. The actuarial cost method for the WSPRS is aggregate and for JRS and Judges is entry age normal. The unfunded amount is being amortized as a level dollar amount to December 31, 2008, for JRS. All other methods and assumptions are the same as used in funding and disclosed in "Notes to the Required Supplementary Information – Defined Benefit Pension Plans."

F. Three Year Trend Information

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

	2003	2002	2001
WSPRS			
Annual Pension Cost	$1.2	$1.3	$1.4
% of APC contributed	0.0	0.0	0.0
NPO	$(28.4)	$(29.6)	$(30.9)
JRS			
Annual Pension Cost	$11.4	$10.7	$10.6
% of APC contributed	54.6	57.9	68.9
NPO	$49.9	$44.7	$40.1
Judges			
Annual Pension Cost	$0.4	$0.5	$0.4
% of APC contributed	75.0	60.0	200.0
NPO	$(2.7)	$(2.8)	$(3.0)

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 method used to determine the actuarial value of assets was changed from a 4-year smoothing method to a graded 1 to 8-year smoothing method, depending on the size of the annual investment gain or loss, for all plans except VFFRPF, which continues to use the prior 4-year smoothing method, and JRS and Judges which continue to use market value.

H. Changes in Benefit Provisions

As noted in Note 11B, the 2003 legislative session provided for the following changes in benefit provisions: allowing some members working as fire fighter emergency medical technicians (EMTs) to transfer service credit and contributions earned from PERS Plan 1 or Plan 2 to LEOFF Plan 2, allowing Department of Fish and Wildlife enforcement officers membership in LEOFF 2, and permanently adopting the $150,000 death benefit to members of PERS, SERS and TRS which was to expire on June 30, 2003. These changes had no impact on PERS and TRS contribution rates and only a small impact on the LEOFF and SERS contribution rates.

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 such as Teachers' Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREF); 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 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 age. 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 2003, employee contributions required and made were $32.6 million, and plan refunds paid out were $5.7 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). Eligible employees include certificated employees in grades K-12 in the public schools. 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 2003, employee contributions required and made were $168.2 million and plan refunds paid out were $19.3 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 2003, employee contributions required and made were $44.3 million and plan refunds paid out were $11.3 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 Office of the Administrator for 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.

Employee contributions equal 2.5 percent of covered salary and the state, as employer, matches this amount. Contributions are collected by the Office of the Administrator for the Courts. The employer and employee obligations to contribute are established per chapter 2.14 RCW. Current-year covered payroll for JRA employees was $22.3 million for the fiscal year ended June 30, 2003. For Fiscal Year 2003, the contribution requirement for JRA was $1.1 million. Actual employer and employee contributions were $556 thousand each, for a total of $1.1 million. Plan benefits paid out for Fiscal Year 2003 totaled $168 thousand.

A JRA member who separates from judicial service for any reason is entitled to receive a lump-sum distribution of the accumulated contributions. 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 such a person or persons having an insurable interest in the member's life, per written designation of the member.

Teachers' Insurance and Annuity Association/College Retirement Equity Fund (TIAA/CREF)

TIAA/CREF, privately administered defined contribution plans, provide individual retirement fund contracts for each eligible employee. There are 38 state participating employers in the TIAA/CREF plan. Eligible employees include higher education faculty and other positions as designated by each institution; participation was established under chapter 28B.10 RCW. The employee must commence participation within the first two years of employment. Once eligible to participate in this system, members are vested immediately.

Employee contribution rates, which are based on age, range from 5 to 10 percent of salary. These rates are matched by the institution and sent to TIAA/CREF. The employer and employee obligations to contribute are established per chapter 28B.10 RCW. For Fiscal Year 2003, covered payroll for TIAA/CREF employees was $1.2 billion and the contribution requirement for TIAA/CREF was $202 million. Actual employer and employee contributions were $101 million each, for a total of $202 million. These contribution amounts represent approximately 8 percent of covered payroll for employers and employees.

TIAA/CREF benefits are payable upon termination at the member's option unless the participant is reemployed in another institution which participates in TIAA/CREF. Upon retirement, participant accumulations are used to purchase an annuity. The benefits are determined as follows: TIAA - accumulations are converted to a fixed guaranteed annuity payable for life. In addition to the guaranteed annuity, a dividend payment is declared each year depending on investment performance; CREF - at retirement the value of the fund is converted to a variable annuity. This means the annuity is not guaranteed but rises and falls with the value of equity investments.

J. Plan Net Assets and Changes in Plan Net Assets

Pension plan investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Privately held mortgages have been valued at cost which approximates fair market value. The fair value of real estate investments has been estimated based on independent appraisals. Private equity investments are valued by independent investment advisors based on an analysis of the audited financial statements of the underlying partnerships. The pension funds have no investments of any commercial or industrial organization whose market value equals five percent or more of each plan's 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, 2003
(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	SERS Plan 2/3 Defined Benefit
Assets:							
Cash and pooled investments	$ 5,934	$ -	$ 342	$ 5,010	$ 619	$ 2,720	$ 355
Receivables:							
Interest and dividends	24,794	27,010	390	21,022	9,217	2,683	3,726
Due from other funds	2,145	441	240,888	933	3,071	10,473	743
Due from other governments	5,522	6,305	2,238	4,010	2,120	11,117	1,232
Other (net of allowance)	5,939	5,768	82	4,809	1,946	565	787
Total Receivables	38,400	39,524	243,598	30,774	16,354	24,838	6,488
Investments, Noncurrent:							
Asset backed securities	40,277	43,932	640	34,156	14,963	4,396	6,047
Collaterialized mort oblig	367,220	400,542	5,835	311,410	136,420	40,082	55,134
Commercial paper	-	-	-	-	-	-	-
Corporate bonds	910,732	993,371	14,470	772,318	338,331	99,406	136,737
Corporate stock	418,280	456,234	6,646	354,709	155,388	45,655	62,800
Govt securities domestic	298,545	325,635	4,744	253,172	110,907	32,586	44,823
Govt securities foreign	44,300	48,319	704	37,567	16,457	4,835	6,651
Government bonds	1,339	1,461	21	1,136	498	146	201
Repurchase agreements	1,453	154	-	1,120	471	-	159
Certificates of deposit	33,253	36,270	528	28,199	12,353	3,629	4,993
Mutual funds	3,582,638	3,907,726	361,176	3,038,149	1,330,926	1,250,000	537,896
Mortgages	314,022	342,517	4,990	266,297	116,657	34,275	47,147
Real estate	810,018	883,519	12,870	686,911	300,916	88,413	121,616
Private equity	1,244,320	1,357,229	19,771	1,055,208	462,257	135,817	186,821
Investments on loan	301,433	328,785	4,790	255,621	111,980	32,901	45,257
Short term investments	569,158	629,244	7,809	483,905	226,231	57,570	91,712
Other noncurrent investments	50	4	-	38	16	-	5
Total Investments, Noncurrent	8,937,038	9,754,942	444,994	7,579,916	3,334,771	1,829,711	1,347,999
Total Assets	$ 8,981,372	$ 9,794,466	$ 688,934	$ 7,615,700	$ 3,351,744	$ 1,857,269	$ 1,354,842
Liabilities:							
Obligations under security lending agreements	$ 320,664	$ 348,379	$ 5,024	$ 271,818	$ 119,300	$ 34,597	$ 48,203
Accrued liabilities	13,675	4,883	53	11,059	1,612	365	651
Due to other funds	438	244,589	437	394	12,384	3,069	4,795
Total Liabilities	334,777	597,851	5,514	283,271	133,296	38,031	53,649
Net Assets							
Net Assets Held in Trust for:							
Pension Benefits	8,646,595	9,196,615	683,420	7,332,429	3,218,448	1,819,238	1,301,193
(Schedule of funding progress by plan begins on page 112)							
Deferred Compensation Participants							
Total Net Assets	$ 8,646,595	$ 9,196,615	$ 683,420	$ 7,332,429	$ 3,218,448	$ 1,819,238	$ 1,301,193

SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2	WSPRS Plan 1	JRS	JRA	Judges	VFFRPF	Deferred Compensation	**Total**
$ 697	$ 1,912	$ 705	$ 480	$ 325	$ 7	$ 4,491	$ 9,398	$ 321	$ 33,316
1,007	12,373	6,969	1,705	7	-	-	277	-	111,180
3,898	5	2	1	1	-	10	23	1	262,635
3,514	-	4,350	53	16	-	-	-	-	40,477
213	2,669	1,509	359	5	-	4	3,358	1,382	29,395
8,632	15,047	12,830	2,118	29	-	14	3,658	1,383	443,687
1,653	20,111	11,338	2,773	-	-	-	451	-	180,737
15,072	183,355	103,374	25,277	-	-	-	4,109	-	1,647,830
-	-	-	-	-	-	-	-	-	-
37,381	454,735	256,376	62,689	-	-	-	10,191	-	4,086,737
17,168	208,850	117,748	28,792	-	-	-	4,680	-	1,876,950
12,254	149,065	84,042	20,550	-	-	-	3,340	-	1,339,663
1,818	22,119	12,471	3,049	-	-	-	496	-	198,786
55	669	377	92	-	-	-	15	-	6,010
-	570	104	77	52	1	620	1,303	44	6,128
1,365	16,603	9,361	2,289	-	-	-	372	-	149,215
311,259	1,788,836	1,008,533	246,606	-	-	-	40,087	-	17,403,832
12,889	156,793	88,399	21,615	-	-	-	3,514	-	1,409,115
33,247	404,447	228,025	55,756	-	-	-	9,064	-	3,634,802
51,073	621,297	350,283	85,651	-	-	-	13,923	-	5,583,650
12,372	150,508	84,855	20,749	-	-	-	3,373	-	1,352,624
20,850	284,179	166,827	39,807	6,483	-	-	6,356	-	2,590,131
-	20	3	3	2	10,634	22	45	1,461,484	1,472,326
528,456	4,462,157	2,522,116	615,775	6,537	10,635	642	101,319	1,461,528	42,938,536
$ 537,785	$ 4,479,116	$ 2,535,651	$ 618,373	$ 6,891	$ 10,642	$ 5,147	$ 114,375	$ 1,463,232	$ 43,415,539
$ 12,984	$ 159,955	$ 89,964	$ 22,050	$ 52	$ 1	$ 620	$ 4,875	$ 44	$ 1,438,530
137	3,238	988	625	139	-	12	48	245	37,730
743	88	343	5	-	-	-	9	8	267,302
13,864	163,281	91,295	22,680	191	1	632	4,932	297	1,743,562
523,921	4,315,835	2,444,356	595,693	6,700	10,641	4,515	109,443		40,209,042
								1,462,935	1,462,935
$ 523,921	$ 4,315,835	$ 2,444,356	$ 595,693	$ 6,700	$ 10,641	$ 4,515	$ 109,443	$ 1,462,935	$ 41,671,977

Combining Statement of Changes in Plan Net Assets

Pension and Other Employee Benefit Funds

For the Fiscal Year Ended June 30, 2003
(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	SERS Plan 2/3 Defined Benefit
Additions:							
Contributions:							
Employers	$ 56,619	$ 38,287	$ -	$ 20,358	$ 18,225	$ -	$ 6,154
Members	66,870	36,668	32,634	48,585	931	168,241	1,913
State	-	-	-	-	-	-	-
Participants	-	-	-	-	-	-	-
Total Contributions	123,489	74,955	32,634	68,943	19,156	168,241	8,067
Investment Income:							
Net appreciation (depreciation) in fair value	115,168	148,785	12,310	100,949	57,869	25,419	23,452
Interest and dividends	225,317	238,274	6,897	190,783	86,590	18,550	35,317
Less: Investment expenses	(19,698)	(21,145)	(428)	(16,676)	(8,332)	(1,943)	(3,353)
Net Investment Income	320,787	365,914	18,779	275,056	136,127	42,026	55,416
Transfers from other pension plans	153	222	609,477	51	236	775	1,900
Other additions	-	-	-	-	-	-	-
Total Additions	444,429	441,091	660,890	344,050	155,519	211,042	65,383
Deductions:							
Pension benefits	776,683	72,460	-	689,253	10,861	-	4,305
Pension refunds	5,677	30,835	5,737	1,521	3,537	19,331	2,220
Transfers to other pension plans	25	611,721	207	-	807	238	329
Administrative expenses	429	161	-	174	102	-	26
Distributions to participants	-	-	-	-	-	-	-
Total Deductions	782,814	715,177	5,944	690,948	15,307	19,569	6,880
Net Increase	(338,385)	(274,086)	654,946	(346,898)	140,212	191,473	58,503
Net Assets - Beginning	8,984,980	9,470,701	28,474	7,679,327	3,078,236	1,627,765	1,242,690
Net Assets - Ending	$ 8,646,595	$ 9,196,615	$ 683,420	$ 7,332,429	$ 3,218,448	$ 1,819,238	$ 1,301,193

SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2	WSPRS Plan 1	JRS	JRA	Judges	VFFRPF	Deferred Compensation	**Total**
$ -	$ 62	$ 25,583	$ -	$ 215	$ 556	$ 6	$ 777	$ -	$ 166,842
44,293	78	41,588	1,314	215	556	6	154	-	444,046
-	-	16,404	-	6,000	-	250	3,300	-	25,954
-	-	-	-	-	-	-	-	135,901	135,901
44,293	140	83,575	1,314	6,430	1,112	262	4,231	135,901	772,743
7,762	60,416	43,770	8,901	(1)	111	(15)	1,276	5,266	611,438
6,865	111,560	60,105	15,212	125	278	134	2,776	37,870	1,036,653
(487)	(9,756)	(5,248)	(1,330)	(8)	-	(10)	(240)	-	(88,654)
14,140	162,220	98,627	22,783	116	389	109	3,812	43,136	1,559,437
317	1	140	121	-	-	-	-	-	613,393
-	-	-	-	-	8	-	-	1,188	1,196
58,750	162,361	182,342	24,218	6,546	1,509	371	8,043	180,225	2,946,769
-	264,618	4,058	24,047	8,279	168	639	7,543	-	1,862,914
11,328	158	5,125	221	-	-	-	18	-	85,708
66	-	-	-	-	-	-	-	-	613,393
-	212	69	22	-	12	-	52	1,741	3,000
-	-	-	-	-	-	-	-	68,469	68,469
11,394	264,988	9,252	24,290	8,279	180	639	7,613	70,210	2,633,484
47,356	(102,627)	173,090	(72)	(1,733)	1,329	(268)	430	110,015	313,285
476,565	4,418,462	2,271,266	595,765	8,433	9,312	4,783	109,013	1,352,920	41,358,692
$ 523,921	$ 4,315,835	$ 2,444,356	$ 595,693	$ 6,700	$ 10,641	$ 4,515	$ 109,443	$ 1,462,935	$ 41,671,977

Note 12 - Commitments and Contingencies

A. Construction and Other Commitments

Outstanding commitments related to state facility construction, improvement, and/or renovation totaled $2.2 billion at June 30, 2003.

B. Summary of Significant 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 state agencies that could impact expenditures. There is a recurring volume of tort and other claims for compensation and damages against the state and some specific state agencies, including the Departments of Transportation, Social and Health Services, and the University of Washington. There are risk management funds reserved by the state for these claims and insurance is available to pay a portion of damages for certain types of claims. There has been a trend over the past few years of higher jury verdicts on certain types of damage claims. The collective impact of these claims, however, is not likely to have a material impact on state revenues or expenditures.

<u>Social Service Program Administration Litigation</u>
During the reporting period, there have been additional challenges or developments in pending cases involving the administration of state social service programs. These include:

Pierce County, et al. v. DSHS, et al. This case is a challenge to the state's mental health system, which contemplates a joint state-local responsibility for providing a continuum of services. The county asserts that the state agency and the Legislature have failed in their duty to provide care for the mentally ill and developmentally disabled. If relief is granted to the plaintiff, it is difficult to estimate the cost to the agency to comply with the court order.

Arc of Washington v. Quasim; Boyle v. Braddock. Both of these cases involve challenges to DSHS's administration of programs for developmentally disabled clients. A proposed settlement in the *Arc* case was rejected by the federal court and the case was dismissed. An appeal was taken by plaintiffs to the Ninth Circuit Court of Appeals. The *Boyle* case is a related class action, also dismissed by the federal district court and with an appeal also pending. Biennial costs of providing the expanded program services sought by the so far unsuccessful plaintiffs range from approximately $165 to $222 million.

Braam v. State. In May 2002, the Whatcom County Superior Court entered an injunction mandating significant changes to the state's foster care system. Although most of the injunction was stayed pending appeal, DSHS estimates it would cost approximately $60 million per year to comply with the injunction. The state is awaiting a decision from the Washington State Supreme Court on its appeal.

Keffeler v. DSHS. This is a class action challenging DSHS's authority when acting as a foster child's representative to use Social Security benefits for the costs of foster care. In February 2003, the United States Supreme Court upheld the state's position, but remanded the case to the Washington State Supreme Court for further proceedings regarding the constitutionality of the program. DSHS currently receives about $9 million a year from the Social Security Administration for foster care costs. It is difficult to quantify the risk and possible liability to the state if the next phase of *Keffeler* is unsuccessful.

Townsend v. Braddock. This is a class action on behalf of elderly and disabled adults under the Americans with Disabilities Act (ADA). At issue is whether there will be an expansion of eligibility for a home and community based care program (COPES-like program). Potential costs to the state are unknown. The case is in active settlement discussions, after a summary judgment ruling in favor of the state was reversed on appeal.

<u>Higher Education Litigation</u>
There have been a series of lawsuits challenging personnel and administrative practices by the State Board for Community and Technical Colleges. Several have been successfully defended or settled. In the most recent case, part-time faculty sought state-paid health care benefits during the summer quarter. In June 2003, the Washington State Supreme Court ruled in favor of the faculty plaintiffs. Further action has been stayed pending settlement evaluation and negotiations. Approximate value of the benefits owed to plaintiffs is in the range of $20 to $40 million, an amount that is significantly higher than the likely settlement value.

<u>Personnel Administration Litigation</u>
McGinnis v. State. This is a class action wage involving all employees working in straight hour shifts at all state institutions. Plaintiffs claim they have not been provided adequate meal or rest periods. The state won on summary judgment after legislative amendment of the relevant statute, and an appeal was taken by the employee class directly to the Washington State Supreme Court, where it is now pending. The potential

compensation claim could exceed $100 million if the state does not continue to prevail on appeal.

Tax and Medical Assistance Litigation
While there is a recurring volume of lawsuits seeking refunds of taxes paid to the state, there are currently no pending cases of such significance that they should be reported at this time. Similarly, there have in the past been a number of cases involving Medicaid reimbursement claims of significant magnitude. However, at this time those cases have been or are near settlement in amounts that do not require discussion in this report.

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 made 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 2003, the state had guaranteed 122 school districts' voter-approved general obligation debt with a total outstanding principal of $2.6 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, 2003, outstanding certificates of participation notes totaled $34.9 million for 166 local governments participating in LOCAL. The state estimates that LOCAL program liability, if any, will be immaterial to its overall financial condition.

Note 13 - Subsequent Events

A. Bond Issues

In August 2003, the state issued $271.4 million in Various Purpose General Obligation Bonds, Series 2004A, $200 million in Motor Vehicle Fuel Tax General Obligation Bonds, Series 2004B, and $110 million in Motor Vehicle Fuel Tax General Obligation Bonds, Series 2004C.

In October 2003, the state issued $20 million in General Obligation Taxable Bonds, Series 2004T.

In October 2003, the state issued $124 million in Various Purpose General Obligation Refunding Bonds, Series 2004A, and $57 million in Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2004B.

B. Certificates of Participation

In September 2003, the state issued $5.9 million in Certificates of Participation for various state and local government equipment purchases, Series 2003C.

In December 2003, the state issued $3.9 million in Certificates of Participation for various state and local government equipment and real estate purchases, Series 2003G.

C. Office Building Lease

The 2001 Legislature authorized the state to lease-develop an office building in Tumwater, Washington. On October 23, 2003, the state entered into a ground lease and a lease agreement with Tumwater Office Properties (TOP), a Washington nonprofit corporation. The agreements call for TOP to design and construct an office building and to finance it with tax-exempt obligations that meet the requirements of Revenue Ruling 63-20 and Revenue Procedure 82-26 issued by the Internal Revenue Service. The state is required to make monthly payments that equal the required debt service on the bonds. Additional amounts may also be due per the terms of the lease agreement. The lease agreements provide the state with options to purchase the building during the term of the lease and transfer ownership of the building to the state at the end of the lease. The office building is scheduled for occupancy in September 2005.

Required Supplementary Information

Budgetary Information

Budgetary Comparison Schedule

General Fund

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	General Fund			
	Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	$ 410,520	$ 564,950	$ 564,950	-
Resources:				
Taxes	21,535,714	20,842,764	20,901,981	59,217
Licenses, permits, and fees	161,284	155,723	150,336	(5,387)
Other contracts and grants	480,967	476,844	441,029	(35,815)
Timber sales	7,255	7,352	7,526	174
Federal grants-in-aid	9,725,433	9,949,343	9,480,413	(468,930)
Charges for services	69,918	78,792	72,072	(6,720)
Interest income	91,500	92,507	59,492	(33,015)
Miscellaneous revenue	97,261	107,375	170,063	62,688
Transfers from other funds	351,964	1,190,230	1,256,683	66,453
Total Resources	32,931,816	33,465,880	33,104,545	(361,335)
Charges to appropriations:				
General government	2,367,753	2,277,419	2,294,689	(17,270)
Human services	16,292,131	16,031,670	15,934,400	97,270
Natural resources and recreation	509,265	520,455	489,473	30,982
Transportation	47,217	47,602	45,813	1,789
Education	13,863,237	13,856,765	13,702,636	154,129
Capital outlays	294,045	235,269	78,329	156,940
Transfers to other funds	140,142	140,883	157,332	(16,449)
Total Charges to appropriations	33,513,790	33,110,063	32,702,672	407,391
Excess available for appropriation				
Over (Under) charges to appropriations	(581,974)	355,817	401,873	46,056
Reconciling Items:				
Changes in reserves (net)	-	-	(46,984)	(46,984)
Entity adjustments (net)	-	-	49,692	49,692
Accounting and reporting changes (net)	-	-	-	-
Total Reconciling Items	-	-	2,708	2,708
Budgetary Fund Balance, June 30	$ (581,974)	$ 355,817	$ 404,581	$ 48,764

Budgetary Information
Budgetary Comparison Schedule
Budget to GAAP Reconciliation
General Fund

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	General Fund
Sources/inflows of resources	
Actual amounts (budgetary basis) "Available for Appropriation" from the Budgetary Comparison Schedule	$ 33,104,545
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not revenue for financial reporting purposes:	
Transfers from other funds	(1,256,683)
Budgetary fund balance at the beginning of the year	(564,950)
The following items are not inflows of budgetary resources but are revenue for financial reporting purposes:	
Noncash commodities and food stamps	767,445
Unanticipated receipts	253,125
Noncash revenues	49,685
Revenues collected for other governments	51,282
Biennium total revenues	$ 32,404,449
Fiscal Year 2002 total revenues	(15,905,985)
Total revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 16,498,464
Uses/outflows of resources	
Actual amounts (budgetary basis) "Total Charges to Appropriations" from the Budgetary Comparison Schedule.	$ 32,702,672
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.	(1,303,889)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(157,332)
The following items are not outflows of budgetary resources but are recorded as current expenditures for financial reporting purposes.	
Noncash commodities and food stamps	767,445
Expenditures related to unanticipated receipts	253,125
Capital lease acquisitions	18,424
Distributions to other governments	51,283
Biennium total revenues	$ 32,331,728
Fiscal Year 2002 total expenditures	(15,992,487)
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	16,339,241

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 2001-2003 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 overexpenditures 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 only at the beginning of the second year of the biennium and must be initiated by the Governor. 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, 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; Unreserved fund balance, designated for other specific purposes; and Reservation for encumbrances.

Pension Plan Information

Public Employees' Retirement System - Plan 1

Schedule of Funding Progress

Valuation Years 2002 through 1997 (dollars in millions)

	2002	2001	2000	1999	1998	1997
Actuarial Valuation Date	9/30/2002	9/30/2001	12/31/2000	12/31/1999	12/31/1998	12/31/1997
Actuarial Value of Plan Assets	$ 10,757	$ 10,990	$ 11,111	$ 10,456	$ 9,219	$ 8,211
Actuarial Accrued Liability	12,560	12,088	11,695	11,636	11,227	10,817
Unfunded Actuarial Liability	1,804	1,098	584	1,180	2,008	2,606
Percentage Funded	86%	91%	95%	90%	82%	76%
Covered Payroll	1,023	1,085	1,132	1,184	1,233	1,271
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	176%	101%	52%	100%	163%	205%

Source: Washington State Office of the State Actuary

Teachers' Retirement System - Plan 1

Schedule of Funding Progress

Valuation Years 2002 through 1997 (dollars in millions)

	2002	2001	2000	1999	1998	1997
Actuarial Valuation Date	9/30/2002	9/30/2001	6/30/2000	6/30/1999	6/30/1998	6/30/1997
Actuarial Value of Plan Assets	$ 9,365	$ 9,342	$ 9,372	$ 8,696	$ 7,819	$ 6,844
Actuarial Accrued Liability	10,235	9,895	9,566	9,529	9,354	9,044
Unfunded Actuarial Liability	869	553	194	833	1,535	2,200
Percentage Funded	91%	94%	98%	91%	84%	76%
Covered Payroll	741	800	957	984	1,046	1,083
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	117%	69%	20%	85%	147%	203%

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 2002 through 1997 (dollars in millions)

	2002	2001	2000	1999	1998	1997
Actuarial Valuation Date	9/30/2002	9/30/2001	12/31/2000	12/31/1999	12/31/1998	12/31/1997
Actuarial Value of Plan Assets	$ 5,095	$ 5,369	$ 5,440	$ 5,150	$ 4,568	$ 4,087
Actuarial Accrued Liability	4,259	4,153	4,002	4,125	3,906	3,767
Unfunded (Assets in Excess of)						
Actuarial Liability	(836)	(1,216)	(1,437)	(1,024)	(662)	(320)
Percentage Funded	120%	129%	136%	125%	117%	108%
Covered Payroll	80	87	95	106	117	128
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 2002 through 1997 (dollars in millions)

	2002	2001	2000	1999	1998	1997
Actuarial Valuation Date	9/30/2002	9/30/2001	12/31/2000	12/31/1999	12/31/1998	12/31/1997
Actuarial Value of Plan Assets	$ 8	$ 10	$ 10	$ 9	$ 8	$ 5
Actuarial Accrued Liability	92	91	93	94	97	95
Unfunded Actuarial Liability	84	81	83	85	89	90
Percentage Funded	9%	11%	11%	10%	8%	5%
Covered Payroll	3.0	3.0	4.0	4.0	4.0	4.0
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	2800%	2700%	2075%	2125%	2225%	2250%

Source: Washington State Office of the State Actuary

Pension Plan Information

Volunteer Fire Fighters' Relief and Pension Fund

Schedule of Funding Progress

Valuation Years 2002 through 1997 (dollars in millions)

	2002	2001	2000	1999	1998	1997
Actuarial Valuation Date	12/31/2002	12/31/2001	12/31/2000	12/31/1999	12/31/1998	12/31/1997
Actuarial Value of Plan Assets	$ 124	$ 129	$ 126	$ 118	$ 102	$ 91
Actuarial Accrued Liability	110	99	96	98	94	69
Unfunded (Assets in Excess of)						
Actuarial Liability	(14)	(30)	(30)	(20)	(8)	(22)
Percentage Funded	113%	130%	131%	120%	109%	132%
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

*Covered Payroll is not presented because it is not applicable since this is a volunteer organization.

Source: Washington State Office of the State Actuary

Judges' Retirement Fund

Schedule of Funding Progress

Valuation Years 2002 through 1997 (dollars in millions)

	2002	2001	2000	1999	1998	1997
Actuarial Valuation Date	9/30/2002	9/30/2001	12/31/2000	12/31/1999	12/31/1998	12/31/1997
Actuarial Value of Plan Assets	$ 5	$ 5	$ 5	$ 4	$ 4	$ 4
Actuarial Accrued Liability	6	6	6	6	7	7
Unfunded Actuarial Liability	1	1	1	2	3	3
Percentage Funded	83%	83%	83%	67%	57%	57%
Covered Payroll	0.1	0.1	0.1	0.1	0.1	0.2
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	1000%	1000%	1000%	2000%	3000%	1500%

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, 2003 through 1998

	2003	2002	2001	2000	1999	1998
Public Employees' Retirement System - Plan 1 (expressed in millions)						
Employers' Annual Required Contribution	$ 228.9	$ 164.3	$ 118.8	$ 199.2	$ 237.6	$ 287.2
Employers' Actual Contribution	56.6	68.6	181.7	200.2	234.3	226.1
Percentage Contributed	25%	42%	153%	101%	99%	79%
Public Employees' Retirement System - Plan 2/3 (expressed in millions)						
Employers' Annual Required Contribution	$ 141.7	$ 72.0	$ 55.6	$ 103.6	$ 86.6	$ 106.3
Employers' Actual Contribution	38.2	51.0	115.0	101.9	238.4	222.8
Percentage Contributed	27%	71%	207%	98%	275%	210%
Teachers' Retirement System - Plan 1 (expressed in millions)						
Employers' Annual Required Contribution	$ 153.4	$ 119.8	$ 90.6	$ 176.1	$ 209.7	$ 269.7
Employers' Actual Contribution	20.4	59.5	141.3	183.0	222.5	211.6
Percentage Contributed	13%	50%	156%	104%	106%	78%
Teachers' Retirement System - Plan 2/3 (expressed in millions)						
Employers' Annual Required Contribution	$ 79.5	$ 66.7	$ 40.4	$ 56.2	$ 45.9	$ 59.8
Employers' Actual Contribution	18.2	46.4	69.6	75.3	100.2	105.6
Percentage Contributed	23%	70%	172%	134%	218%	177%
School Employees' Retirement System - Plan 2/3 (expressed in millions)						
Employers' Annual Required Contribution	$ 44.2	$ 19.5	$ 6.7	**	**	**
Employers' Actual Contribution	6.2	11.3	19.9	**	**	**
Percentage Contributed	14%	58%	297%	**	**	**

Source: Washington State Office of the State Actuary

Note: The Annual Required Contribution (ARC) has gone down with market gains, changes in funding methods, and plan assumptions and up with market losses and plan changes, as have the contributions required by law. The timing of these ups and downs for the ARC and for actual contributions is different because the ARC and actual contribution rates are determined from the results of different valuations. As a result, actual contributions lag behind the ARC for reporting purposes. There are additional differences between the ARC and those required in the statute, but this explains why the actual contributions, as a percentage of required, can be higher one year and lower the next.

** SERS did not exist prior to 9/1/2000

Pension Plan Information

Schedules of Contributions from Employers and Other Contributing Entities

For the Fiscal Years Ended June 30, 2003 through 1998

	2003	2002	2001	2000	1999	1998
Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 1 (expressed in millions)						
Employers' Annual Required Contribution	$ -	$ -	$ -	$ 6.3	$ 6.9	$ 7.5
Employers' Actual Contribution	0.1	0.1	0.1	6.3	7.2	7.6
Percentage Contributed	N/A	N/A	N/A	100%	104%	101%
State Annual Required Contribution	-	-	-	-	-	-
State Actual Contribution	-	-	-	-	48.8	50.4
Percentage Contributed	N/A	N/A	N/A	N/A	N/A	N/A
Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 2 (expressed in millions)						
Employers' Annual Required Contribution	$ 34.1	$ 26.2	$ 20.3	$ 26.9	$ 22.3	$ 22.5
Employers' Actual Contribution	25.6	24.0	31.5	26.2	34.3	31.1
Percentage Contributed	75%	92%	155%	97%	154%	138%
State Annual Required Contribution	22.7	17.5	13.5	18.0	14.9	15.0
State Actual Contribution	16.4	15.6	20.9	17.1	22.2	20.1
Percentage Contributed	72%	89%	155%	95%	149%	134%
Washington State Patrol Retirement System - Plan 1 (expressed in millions)						
Employers' Annual Required Contribution	$ -	$ -	$ -	$ -	$ -	$ -
Employers' Actual Contribution	-	-	-	-	5.9	6.0
Percentage Contributed	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

Note: The Annual Required Contribution (ARC) has gone down with market gains, changes in funding methods, and plan assumptions and up with market losses and plan changes, as have the contributions required by law. The timing of these ups and downs for the ARC and for actual contributions is different because the ARC and actual contribution rates are determined from the results of different valuations. As a result, actual contributions lag behind the ARC for reporting purposes. There are additional differences between the ARC and those required in the statute, but this explains why the actual contributions, as a percentage of required, can be higher one year and lower the next.

Pension Plan Information

Schedules of Contributions from Employers and Other Contributing Entities

For the Fiscal Years Ended June 30, 2003 through 1998

	2003	2002	2001	2000	1999	1998
Judicial Retirement System (expressed in millions)						
Employers' Annual Required Contribution	$ 16.2	$ 14.2	$ 13.3	$ 12.5	$ 12.2	$ 11.6
Employers' Actual Contribution	6.2	6.2	7.3	7.3	8.8	8.8
Percentage Contributed	38%	44%	55%	58%	72%	76%
Judges' Retirement Fund (expressed in millions)						
Employers' Annual Required Contribution	$ 0.1	$ 0.2	$ 0.2	$ 0.3	$ 0.3	$ 0.4
Employers' Actual Contribution	0.3	0.3	0.8	0.8	0.8	0.8
Percentage Contributed	300%	150%	400%	267%	267%	200%
Volunteer Fire Fighters' Relief and Pension Fund (expressed in millions)						
Employers' Annual Required Contribution	$ 0.8	$ 0.8	$ 0.7	$ 0.7	$ 0.8	$ 0.7
Employers' Actual Contribution	0.8	0.8	0.7	0.7	0.8	0.7
Percentage Contributed	100%	100%	100%	100%	100%	100%
State Annual Required Contribution	0.7	-	-	0.1	0.8	-
State Actual Contribution	3.3	3.3	3.3	2.7	2.5	2.0
Percentage Contributed	471%	N/A	N/A	2700%	313%	N/A

N/A indicates data not available.

Source: Washington State Office of the State Actuary

Note: The Annual Required Contribution (ARC) has gone down with market gains, changes in funding methods, and plan assumptions and up with market losses and plan changes, as have the contributions required by law. The timing of these ups and downs for the ARC and for actual contributions is different because the ARC and actual contribution rates are determined from the results of different valuations. As a result, actual contributions lag behind the ARC for reporting purposes. There are additional differences between the ARC and those required in the statute, but this explains why the actual contributions, as a percentage of required, can be higher one year and lower the next.

Pension Plan Information

Notes to the Required Supplementary Information
Defined Benefit Pension Plans

For the Fiscal Year Ended June 30, 2003

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	SERS Plan 2/3
Valuation - date	9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002
Actuarial cost method	entry age	aggregate***	entry age	aggregate***	aggregate***
Amortization Method					
Funding	level %	n/a	level %	n/a	n/a
GASB	level $	n/a	level $	n/a	n/a
Remaining amortization period (closed)	6/30/2024	n/a	6/30/2024	n/a	n/a
Asset valuation method	8-year graded smoothed fair value*	8-year graded smoothed fair value*	8-year graded smoothed fair value*	8-year graded smoothed fair value*	8-year graded smoothed fair value*
Actuarial assumptions:					
Investment rate of return	8.00%	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%	7.0%
merit period (years of service)	17 yrs	17 yrs	17 yrs	17 yrs	17 yrs
Includes inflation at		3.50%		3.50%	3.50%
Cost of living adjustments	Uniform COLA** Gainsharing COLA**	CPI increase, maximum 3%	Uniform COLA** Gainsharing COLA**	CPI increase, maximum 3%	CPI increase, maximum 3%

N/A indicates data not applicable.

* Asset Valuation Method (for the 8 year graded method): 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
16% and up	8 years	12.50%	8-9%	0 years	100.00%
15-16%	7 years	14.29%	7-8%	1 year	100.00%
14-15%	6 years	16.67%	6-7%	2 years	50.00%
13-14%	5 years	20.00%	5-6%	3 years	33.33%
12-13%	4 years	25.00%	4-5%	4 years	25.00%
11-12%	3 years	33.33%	3-4%	5 years	20.00%
10-11%	2 years	50.00%	2-3%	6 years	16.67%
9-10%	1 year	100.00%	1-2%	7 years	14.29%
			1% and lower	8 years	12.50%

LEOFF Plan 1	LEOFF Plan 2	WSPRS Plan 1	JRS	Judges	VFFRPF
9/30/2002	9/30/2002	9/30/2002	9/30/2002	9/30/2002	12/31/2002
entry age	aggregate***	aggregate***	entry age****	entry age****	entry age
level %	n/a	n/a	n/a	n/a	level $
level $	n/a	n/a	level $	level $	level $
6/30/2024	n/a	n/a	12/31/2008	12/31/2008	12/31/2017
8-year graded smoothed fair value*	8-year graded smoothed fair value*	8-year graded smoothed fair value*	market	market	4-year smoothed fair value
8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
					n/a
11.7%	11.7%	6.0%	0.0%	0.0%	n/a
21 yrs	21 yrs	20 yrs			none
3.50%	3.50%	3.50%	3.50%	3.50%	
CPI increase	CPI increase, maximum 3%	CPI increase, maximum 3%	3.00%	none	

** Generally, all retirees over age 66 receive an increase in their monthly benefit at least once a year.
The Uniform COLA increase is added every July. On 7/1/1999, it was $0.77 per year of service.
The Gainsharing COLA is added every even-numbered year if certain extraordinary investment gains are achieved.
In 1998 it was $0.11. On 1/1/2000 it was $0.28 per year of service. On 1/1/2002, no Gainsharing COLA was added.
The next Uniform COLA amount is calculated as the last Uniform COLA amount plus any Gainsharing COLA amount,
all increased by 3%. On 7/1/2000, it was ($0.77+$0.28)x1.03 = $1.08. On 7/1/2001, it was ($1.08+$0.00)x1.03 = $1.1
On 7/1/2002, it was ($1.11+$0.00)x1.03 = $1.14. On 7/1/2003 it was ($1.14+$0.00)x1.03 = $1.18.

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

**** pay-as-you-go basis funding

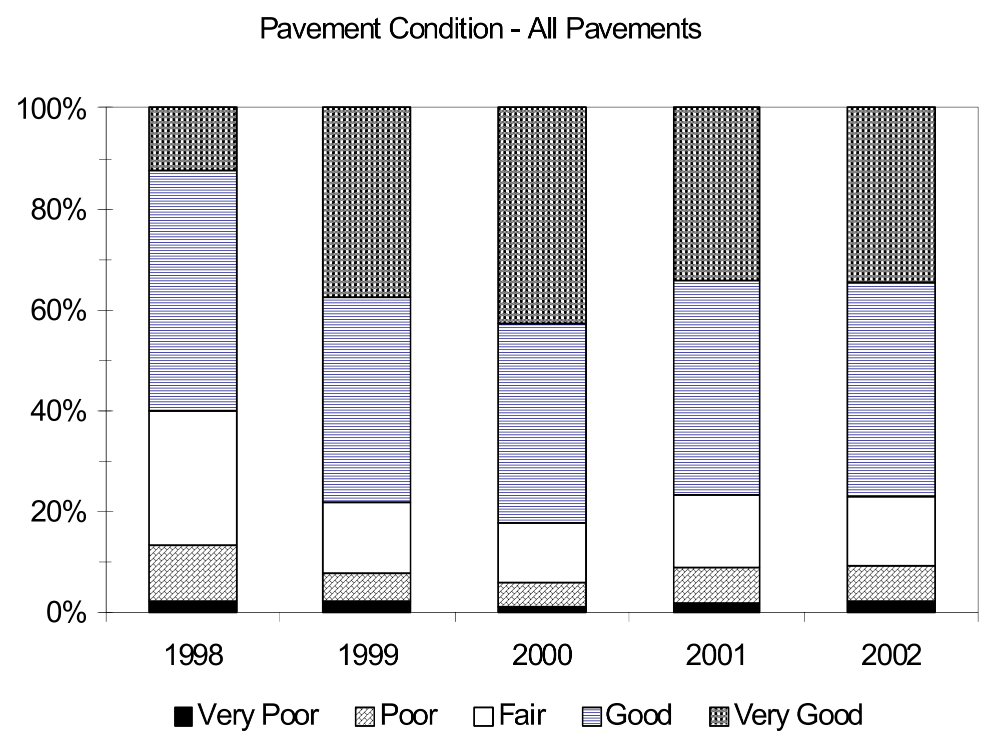
Information about Infrastructure Assets Reported Using the Modified Approach

Condition Assessment

Pavement Condition

The Washington State Department of Transportation (WSDOT) owns and maintains 19,204 lane miles of highway, including ramps and collectors. 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, 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 slight decreases in the percent of pavements in poor or worse condition.



In 2002, WSDOT rated pavement condition on 17,843 of the 19,204 lane miles of highway.

The Department of Transportation manages State Highways targeting the lowest life cycle cost 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 policy for the current biennium 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 index below 40. The most recent assessment found that State Highways were within the prescribed parameters with only nine 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 Pavement Structural Condition (PSC) of 50. A PSC of 50 can occur due to various amounts and severity of distress. Refer to the table above for examples for flexible pavements such as asphalt. 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 ¼ 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. Rutting is measured in millimeters. 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	Rut
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

Notes: Based on WSPMS 2002 database. Ramps are not included. Based on all three indices: PSC, IRI and Rut. A section of pavement is assigned the lowest category based on the three indices. The following table lists the explanatory categories and the ranges of the underlying indices. From 1991 - 1998, previous year IRI and rut values were used for those sections that were not surveyed in a particular year.

Beginning in 1999, the pavement distress survey procedure changed from a windshield survey to an automated survey. 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, then analyzed during the winter and spring, with the previous year's results available by July each year. 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.

Condition Rating of Washington State Department of Transportation's Pavement

Percentage of Pavement in Fair or Better Condition

	2002*	2001*	2000*	1999*	1998*
Statewide - Chip Seals	89	89	92	91	76
Statewide - Asphalt	91	92	95	93	90
Statewide - Concrete	92	92	92	90	92
Statewide - All Pavements	91	91	94	92	87

Percentage of Pavement in Poor or Very Poor Condition

	2002*	2001*	2000*	1999*	1998*
Statewide - Chip Seals	11	11	8	9	24
Statewide - Asphalt	9	8	5	7	10
Statewide - Concrete	8	8	8	10	8
Statewide - All Pavements	9	9	6	8	13

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

Note: The All Pavements percentages are calculated from total database averages, not a statistical average of the three pavement type percentages.

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

Bridge Condition

During Fiscal Year 2003 there were 3,079 state-owned vehicular structures over twenty feet in length with a total area of 45,346,173 square feet. In addition to bridges, the 3,079 structures included 77 culverts and 30 ferry terminal structures. 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).

While the WSDOT has a 20 year goal of no structurally deficient bridges, the policy for the current biennium 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 percent having a condition rating of fair or better and only 3 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.

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.

Notes: 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

Bridge Type	2003	2002	2001	2000	1999
Reinforced Concrete (1,301 bridges in FY 2003)	98	97	96	95	NA
Prestressed Concrete (1,275 bridges in FY2003)	99.5	99.5	99	99	NA
Steel (346 bridges* in FY 2003)	93	92	91	91	NA
Timber (64 bridges in FY 2003)	69	70	71	71	NA
Statewide - All Bridges (2,986 out of 3,079 bridges in FY 2003)	97	96.7	96	95	NA

Percentage of Bridges in Poor Condition

Bridge Type	2003	2002	2001	2000	1999
Reinforced Concrete (29 bridges in FY 2003)	2	3	4	5	NA
Prestressed Concrete (7 bridges in FY 2003)	0.5	0.5	1	1	NA
Steel (28 bridges* in FY 2003)	7	8	9	9	NA
Timber (29 bridges in FY 2003)	31	30	29	29	NA
Statewide - All Bridges (93 out of 3,079 bridges in FY 2003)	3	3.3	4	5	NA

N/A indicates data not available.
***The steel bridge ratings for FY2003 include 24 Ferry terminal structures rated as fair or better and six Ferry terminal structures rated as poor. While the 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.

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 143 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/freight/mcs/ for more information. Any bridges determined to be unsafe are closed to traffic. WSDOT had one closed bridge at June 30, 2003.

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

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 prime task of the airfields is to provide emergency facilities. Two airfields are in operational condition twelve 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 which 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

	Number of Airports
Owned airports:	
Acceptable for general use as a community airport	2
Acceptable for limited use as a community airport	1
Acceptable for general recreation use	4
Limited search and rescue forward operating location	1
Total owned airports	8

	2003	2002	2001	2000	1999
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

Notes: 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, see our website at: http://www.wsdot.wa.gov/Aviation/airports/default.htm

Information about Infrastructure Assets Reported Using the Modified Approach

Comparison of Budgeted-to-Actual Preservation and Maintenance

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	FY 2002			FY 2003			Total		
Pavements	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Preservation	$ 134,810	$ 127,946	$ 6,864	$ 119,160	$ 123,883	($4,723)	$ 253,970	$ 251,829	$ 2,141
Maintenance	23,746	19,485	4,261	22,796	24,123	(1,327)	46,542	43,608	2,934
Total	$ 158,556	$ 147,431	$ 11,125	$ 141,956	$ 148,006	($6,050)	$ 300,512	$ 295,437	$ 5,075
Bridges									
Preservation	$ 24,270	$ 16,307	$ 7,963	$ 22,460	$ 23,988	($1,528)	$ 46,730	$ 40,295	$ 6,435
Maintenance	11,430	11,012	418	11,222	12,853	(1,631)	22,652	23,865	(1,213)
Total	$ 35,700	$ 27,319	$ 8,381	$ 33,682	$ 36,841	($3,159)	$ 69,382	$ 64,160	$ 5,222
Emergency Air Fields									
Preservation & Maint.	$ 70	$ 64	$ 6	$ 70	$ 58	$ 12	$ 140	$ 122	$ 18

Notes: Numbers for the Pavement and Bridges budget amounts came from the 2001-2003 biennial plan as shown in the WSDOT December 2001 *Monthly Financial Report* for sub-programs P1 (Roadway Preservation), P2 (Structures Preservation), and M2 (Roadway, Bridge & Tunnel maintenance). For FY 2002, the annual budget amount was calculated as half the biennial amount. The Preservation budgeted and actual amounts were adjusted for capitalized infrastructure and equipment in FY 2002.

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 amount budgeted as half of the biennial budget is assigned for airfields not owned by WSDOT.

The Maintenance Accountability Process (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. 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/biz/maintenance/htm/accountability.htm

The state implemented the requirements of Statement No. 34 of the Governmental Accounting Standards Board (GASB), including the provisions related to capitalizing and reporting infrastructure on the modified approach, in Fiscal Year 2002. While budget to actual information is not available for years prior to Fiscal Year 2002 using the GASB definitions of preservation and maintenance, historical budget to actual information for the entire Construction and Maintenance programs is available by contacting the WSDOT Budget Office at (360) 705-7500.

Combining and Individual Fund Financial Statements – Nonmajor Funds

Nonmajor Governmental Funds

The nonmajor governmental funds fall into the four categories of special revenue, debt service, capital projects and permanent funds as described below.

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments and for major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, principal and interest on the state's general obligation bonds.

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities (other than those financed by proprietary funds for individuals, private organizations, or other governments).

Permanent Funds are used to 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.

Combining Balance Sheet - by Fund Type

Nonmajor Governmental Funds

June 30, 2003
(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	**Total**
Assets:					
Cash and pooled investments	$ 1,875,370	$ 107,717	$ 257,506	$ 15 ,187	$ 2,255,780
Investments	34,067	312	169	172,877	207,425
Taxes receivable (net of allowance)	94,563	-	-	-	94,563
Other receivables (net of allowance)	379,104	2	9,440	1,565	390,111
Due from other funds	218,756	1,533	39,204	1	259,494
Due from other governments	1,309,174	-	7,134	13	1,316,321
Inventories	32,016	-	-	-	32,016
Total Assets	$ 3,943,050	$ 109,564	$ 313,453	$ 189,643	$ 4,555,710
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 208,518	$ -	$ 43,701	$ -	$ 252,219
Contracts and retainages payable	45,423	-	34,202	-	79,625
Accrued liabilities	70,335	86	5,426	32	75,879
Obligations under security lending agreements	141,793	9,124	4,950	15,111	170,978
Due to other funds	189,176	-	27,797	651	217,624
Due to other governments	123,761	-	1,142	-	124,903
Deferred revenues	457,355	-	9,549	-	466,904
Claims and judgments payable, current	31,322	-	-	-	31,322
Total Liabilities	1,267,683	9,210	126,767	15,794	1,419,454
Fund Balances:					
Reserved for:					
Encumbrances	270,640	-	76,056	-	346,696
Inventories	32,016	-	-	-	32,016
Permanent funds	-	-	-	173,849	173,849
Other specific purposes	1,156,364	-	1,003	-	1,157,367
Unreserved, designated for:					
Unrealized gains	4,776	-	-	-	4,776
Debt service	-	100,354	-	-	100,354
Other specific purposes	168	-	-	-	168
Unreserved, undesignated reported in:					
Special Revenue Funds	1,211,403	-	-	-	1,211,403
Capital Projects Funds	-	-	109,627	-	109,627
Total Fund Balances	2,675,367	100,354	186,686	173,849	3,136,256
Total Liabilities and Fund Balances	$ 3,943,050	$ 109,564	$ 313,453	$ 189,643	$ 4,555,710

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

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	**Total**
Revenues:					
Retail sales and use taxes	$ 26,299	$ -	$ -	$ -	$ 26,299
Business and occupation taxes	47,077	-	-	-	47,077
Property taxes	133,876	-	-	-	133,876
Excise taxes	68,785	-	-	-	68,785
Motor vehicle and fuel taxes	752,392	-	-	-	752,392
Other taxes	564,444	-	-	-	564,444
Licenses, permits, and fees	575,559	-	-	-	575,559
Timber sales	112,243	-	4,892	-	117,135
Other contracts and grants	12,976	-	1,499	-	14,475
Federal grants-in-aid	845,198	-	1,931	-	847,129
Charges for services	346,928	-	29,172	-	376,100
Investment income	43,949	1,286	4,470	16,695	66,400
Miscellaneous revenue	438,707	6,338	47,640	2,050	494,735
Total Revenues	3,968,433	7,624	89,604	18,745	4,084,406
Expenditures:					
Current:					
General government	236,151	-	71,305	-	307,456
Human services	988,806	-	10,638	-	999,444
Natural resources and recreation	392,888	-	25,862	-	418,750
Transportation	1,344,384	-	1,446	-	1,345,830
Education	449,322	-	94,115	-	543,437
Intergovernmental	314,597	-	-	-	314,597
Capital outlays	795,256	-	539,693	-	1,334,949
Debt service:					
Principal	6,968	407,874	294	-	415,136
Interest	5,513	407,294	601	-	413,408
Total Expenditures	4,533,885	815,168	743,954	-	6,093,007
Excess of Revenues Over (Under) Expenditures	(565,452)	(807,544)	(654,350)	18,745	(2,008,601)
Other Financing Sources (Uses):					
Bonds issued	416,682	-	358,805	-	775,487
Refunding bonds issued	-	753,160	-	-	753,160
Payment to refunded bond escrow agent	-	(790,119)	-	-	(790,119)
Notes issued	2,106	-	-	-	2,106
Bond issue premium (discount)	3,104	41,978	13,268	-	58,350
Transfers in	1,008,556	839,165	161,516	-	2,009,237
Transfers (out)	(1,008,615)	(37,843)	(33,911)	(8,446)	(1,088,815)
Total Other Financing Sources (Uses)	421,833	806,341	499,678	(8,446)	1,719,406
Net change in fund balances	(143,619)	(1,203)	(154,672)	10,299	(289,195)
Fund Balances - Beginning, as restated	2,818,986	101,557	341,358	163,550	3,425,451
Fund Balances - Ending	$ 2,675,367	$ 100,354	$ 186,686	$ 173,849	$ 3,136,256

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 non-major 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.

Common School Construction Fund revenues are obtained principally from the sale of timber and investment earnings. This fund provides financing to local school districts under the control of the State Board of Education for construction of common 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, 2003
(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Common School Construction	Central Administrative and Regulatory	Human Services
Assets:					
Cash and pooled investments	$ 345,277	$ 66,347	$ 192,909	$ 323,480	$ 324,086
Investments	1,392	254	826	4,022	13,493
Taxes receivable (net of allowance)	67,079	6	-	3,787	18,207
Other receivables (net of allowance)	21,083	3,303	46,673	48,798	180,388
Due from other funds	44,206	7,140	32,825	23,982	59,917
Due from other governments	63,418	58,143	3,673	17,392	92,736
Inventories	28,995	232	1	126	2,460
Total Assets	$ 571,450	$ 135,425	$ 276,907	$ 421,587	$ 691,287
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 76,356	$ 27,700	$ 2,477	$ 23,688	$ 60,714
Contracts and retainages payable	15,166	1,691	12,822	2,677	640
Accrued liabilities	23,583	1,824	24	6,636	15,025
Obligations under security lending agreements	35,679	7,436	24,201	7,451	30,662
Due to other funds	49,427	8,097	6,643	14,224	67,659
Due to other governments	66,919	17,705	19,503	5,829	1,437
Deferred revenues	16,592	3,755	43,075	65,420	247,716
Claims and judgments payable, current	-	-	-	31,322	-
Total Liabilities	283,722	68,208	108,745	157,247	423,853
Fund Balances:					
Reserved for:					
Encumbrances	-	-	136,535	2,483	-
Inventories	28,995	232	1	126	2,460
Other specific purposes	885	1,398	3,665	66,010	29,991
Unreserved, designated for:					
Unrealized gains	1,217	254	826	254	984
Other specific purposes	-	-	-	-	72
Unreserved, undesignated	256,631	65,333	27,135	195,467	233,927
Total Fund Balances	287,728	67,217	168,162	264,340	267,434
Total Liabilities and Fund Balances	$ 571,450	$ 135,425	$ 276,907	$ 421,587	$ 691,287

Wildlife and Natural Resources	Local Construction and Loan	Total
$ 525,721	$ 97,550	$ 1,875,370
14,043	37	34,067
1,296	4,188	94,563
71,777	7,082	379,104
40,956	9,730	218,756
298,088	775,724	1,309,174
202	-	32,016
$ 952,083	$ 894,311	$ 3,943,050
$ 17,369	$ 214	$ 208,518
12,409	18	45,423
6,698	16,545	70,335
35,287	1,077	141,793
31,592	11,534	189,176
11,770	598	123,761
63,241	17,556	457,355
-	-	31,322
178,366	47,542	1,267,683
120,665	10,957	270,640
202	-	32,016
305,053	749,362	1,156,364
1,204	37	4,776
-	96	168
346,593	86,317	1,211,403
773,717	846,769	2,675,367
$ 952,083	$ 894,311	$ 3,943,050

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

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Common School Construction	Central Administrative and Regulatory	Human Services
Revenues:					
Retail sales and use taxes	$ -	$ 19,516	$ -	$ 5,992	$ 97
Business and occupation taxes	-	-	-	-	47,077
Property taxes	-	-	-	133,876	-
Excise taxes	16,506	46	-	(7)	11,964
Motor vehicle and fuel taxes	740,530	1,721	-	-	-
Other taxes	28	-	-	97,522	353,794
Licenses, permits, and fees	311,874	57,763	-	70,172	54,607
Timber sales	61	-	54,577	3,258	-
Other contracts and grants	2,880	856	-	3,058	3,261
Federal grants-in-aid	293,632	294,544	-	23,280	184,264
Charges for services	122,095	59	-	43,570	179,193
Investment income	5,084	271	4,741	16,634	3,068
Miscellaneous revenue	40,385	44,920	12,925	19,940	248,216
Total Revenues	1,533,075	419,696	72,243	417,295	1,085,541
Expenditures:					
Current:					
General government	3,944	-	-	147,094	76,068
Human services	10	-	-	66,785	918,580
Natural resources and recreation	421	-	20	11,650	1,783
Transportation	949,606	348,824	-	33,368	10,852
Education	-	-	192,708	205,561	51,012
Intergovernmental	234,235	1,536	-	76,908	1,831
Capital outlays	615,372	80,720	46,245	12,620	3,194
Debt service:					
Principal	2,880	279	-	407	1,701
Interest	736	222	-	257	190
Total Expenditures	1,807,204	431,581	238,973	554,650	1,065,211
Excess of Revenues Over (Under) Expenditures	(274,129)	(11,885)	(166,730)	(137,355)	20,330
Other Financing Sources (Uses):					
Bonds issued	401,032	-	-	-	-
Notes issued	569	-	-	-	5
Bond issue premium (discount)	3,104	-	-	-	-
Transfers in	44,769	75,040	71,617	629,684	148,897
Transfers (out)	(218,845)	(26,514)	(17,403)	(573,033)	(151,083)
Total Other Financing Sources (Uses)	230,629	48,526	54,214	56,651	(2,181)
Net change in fund balances	(43,500)	36,641	(112,516)	(80,704)	18,149
Fund Balances - Beginning, as restated	331,228	30,576	280,678	345,044	249,285
Fund Balances - Ending	$ 287,728	$ 67,217	$ 168,162	$ 264,340	$ 267,434

Wildlife and Natural Resources	Local Construction and Loan	Total
$ 694	$ -	$ 26,299
-	-	47,077
-	-	133,876
(2)	40,278	68,785
10,141	-	752,392
76,759	36,341	564,444
80,918	225	575,559
54,347	-	112,243
2,921	-	12,976
49,478	-	845,198
2,011	-	346,928
13,449	702	43,949
62,573	9,748	438,707
353,289	87,294	3,968,433
4,774	4,271	236,151
3,431	-	988,806
356,295	22,719	392,888
1,734	-	1,344,384
41	-	449,322
87	-	314,597
37,025	80	795,256
1,701	-	6,968
4,089	19	5,513
409,177	27,089	4,533,885
(55,888)	60,205	(565,452)
6,500	9,150	416,682
1,532	-	2,106
-	-	3,104
36,282	2,267	1,008,556
(19,408)	(2,329)	(1,008,615)
24,906	9,088	421,833
(30,982)	69,293	(143,619)
804,699	777,476	2,818,986
$ 773,717	$ 846,769	$ 2,675,367

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

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2003

(expressed in thousands)

	Motor Vehicle			
	Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	$ 545,294	$ 331,116	$ 331,116	$ -
Resources:				
Taxes	1,040,701	974,779	1,040,084	65,305
Licenses, permits, and fees	589,171	601,768	606,404	4,636
Other contracts and grants	904	1,314	5,475	4,161
Timber sales	-	-	77	77
Federal grants-in-aid	624,687	700,732	621,716	(79,016)
Charges for services	219,145	228,796	234,635	5,839
Interest income	23,846	23,796	21,502	(2,294)
Miscellaneous revenue	65,588	76,669	70,592	(6,077)
Transfers from other funds	81,792	375,211	136,551	(238,660)
Total Resources	3,191,128	3,314,181	3,068,152	(246,029)
Charges to appropriations:				
General government	10,415	7,922	6,372	1,550
Human services	-	-	-	-
Natural resources and recreation	1,124	1,124	1,085	39
Transportation	1,174,801	1,194,576	1,172,925	21,651
Education	-	-	-	-
Capital outlays	1,856,186	2,691,469	1,930,894	760,575
Transfers to other funds	386,062	652,233	438,877	213,356
Total Charges to appropriations	3,428,588	4,547,324	3,550,153	997,171
Excess available for appropriation Over (Under) charges to appropriations	(237,460)	(1,233,143)	(482,001)	751,142
Reconciling Items:				
Bond sale proceeds	551,240	739,107	739,106	(1)
Bond issue premium (discount)	-	-	6,062	6,062
Changes in reserves (net)	-	-	(957)	(957)
Entity adjustments (net)	-	-	(2,798)	(2,798)
Accounting and reporting changes (net)	-	-	(2,781)	(2,781)
Total Reconciling Items	551,240	739,107	738,632	(475)
Budgetary Fund Balance, June 30	$ 313,780	$ (494,036)	$ 256,631	$ 750,667

Continued

Multimodal Transportation				Common School Construction			
Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget	Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
$ 3,581	$ 82,557	$ 82,557	$ -	$ (141,449)	$ 346,254	$ 346,254	$ -
52,313	43,572	43,706	134	-	-	-	-
86,787	108,906	101,863	(7,043)	-	-	-	-
-	-	110	110	-	-	-	-
-	-	-	-	122,175	123,209	93,880	(29,329)
120,282	92,987	66,845	(26,142)	-	-	-	-
-	-	-	-	-	-	-	-
2,249	2,249	2,832	583	5,515	5,517	19,708	14,191
25,067	28,202	25,888	(2,314)	17,504	17,688	26,977	9,289
73,822	93,941	91,125	(2,816)	328,552	463,040	265,837	(197,203)
364,101	452,414	414,926	(37,488)	332,297	955,708	752,656	(203,052)
-	9	-	9	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
162,171	174,658	170,663	3,995	-	-	-	-
-	-	-	-	195,720	152,956	140,092	12,864
202,370	107,240	79,272	27,968	670,264	648,989	413,302	235,687
78,959	101,815	98,900	2,915	12,216	12,216	32,706	(20,490)
443,500	383,722	348,835	34,887	878,200	814,161	586,100	228,061
(79,399)	68,692	66,091	(2,601)	(545,903)	141,547	166,556	25,009
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(714)	(714)	-	-	(826)	(826)
-	-	(44)	(44)	-	-	(2,060)	(2,060)
-	-	-	-	-	-	-	-
-	-	(758)	(758)	-	-	(2,886)	(2,886)
$ (79,399)	$ 68,692	$ 65,333	$ (3,359)	$ (545,903)	$ 141,547	$ 163,670	$ 22,123

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

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2003

(expressed in thousands)

	Central Administrative and Regulatory			
	Original Budget 2001-03 Biennium *	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	$ 899,467	$ 231,096	$ 231,096	$ -
Resources:				
Taxes	295,898	43,469	310,709	267,240
Licenses, permits, and fees	104,514	81,595	105,641	24,046
Other contracts and grants	-	-	-	-
Timber sales	6,209	7,598	7,108	(490)
Federal grants-in-aid	162,009	53,302	38,710	(14,592)
Charges for services	69,308	66,281	70,241	3,960
Interest income	44,098	44,101	48,162	4,061
Miscellaneous revenue	17,587	18,966	19,792	826
Transfers from other funds	351,313	367,912	844,760	476,848
Total Resources	1,950,403	914,320	1,676,219	761,899
Charges to appropriations:				
General government	434,702	299,808	261,352	38,456
Human services	122,441	120,766	116,215	4,551
Natural resources and recreation	23,335	51,340	50,177	1,163
Transportation	60,660	61,417	59,308	2,109
Education	393,412	391,324	370,093	21,231
Capital outlays	36,126	37,057	17,335	19,722
Transfers to other funds	130,980	959,021	1,001,170	(42,149)
Total Charges to appropriations	1,201,656	1,920,733	1,875,650	45,083
Excess available for appropriation Over (Under) charges to appropriations	748,747	(1,006,413)	(199,431)	806,982
Reconciling Items:				
Bond sale proceeds	14,410		-	-
Bond issue premium (discount)	-	-	-	-
Changes in reserves (net)	-	-	474,621	474,621
Entity adjustments (net)	-	-	(19,952)	(19,952)
Accounting and reporting changes (net)	-	-	(2,013)	(2,013)
Total Reconciling Items	14,410	-	452,656	452,656
Budgetary Fund Balance, June 30	$ 763,157	$ (1,006,413)	$ 253,225	$ 1,259,638

* Amount changed due to fund reclassification.

Continued

Human Services				Wildlife and Natural Resources			
Original Budget 2001-03 Biennium *	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget	Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
$ 25,263	$ 210,849	$ 210,849	$ -	$ 229,562	$ 451,078	$ 451,078	$ -
616,851	819,876	822,803	2,927	176,899	177,843	176,123	(1,720)
100,639	102,142	103,394	1,252	110,092	108,443	111,433	2,990
3,000	2,941	2,853	(88)	13,667	9,935	5,364	(4,571)
-	-	-	-	102,390	110,084	96,088	(13,996)
242,522	292,614	237,250	(55,364)	142,410	101,451	76,294	(25,157)
16,227	16,768	286,082	269,314	4,342	4,367	3,593	(774)
9,784	9,784	25,428	15,644	32,129	39,606	35,025	(4,581)
1,695,615	1,701,790	619,631	(1,082,159)	100,204	159,210	169,857	10,647
352,296	318,096	329,999	11,903	104,625	111,973	108,339	(3,634)
3,062,197	3,474,860	2,638,289	(836,571)	1,016,320	1,273,990	1,233,194	(40,796)
132,702	138,902	133,598	5,304	3,989	5,483	5,430	53
2,041,830	1,751,764	1,703,814	47,950	6,145	6,295	6,275	20
3,922	3,909	3,770	139	490,686	485,432	402,980	82,452
26,297	25,100	23,401	1,699	1,162	1,240	1,160	80
259	2,858	2,431	427	-	-	-	-
55,068	55,067	40,150	14,917	559,919	648,532	303,640	344,892
469,730	460,010	471,257	(11,247)	43,624	46,529	42,915	3,614
2,729,808	2,437,610	2,378,421	59,189	1,105,525	1,193,511	762,400	431,111
332,389	1,037,250	259,868	(777,382)	(89,205)	80,479	470,794	390,315
-	-	-	-	26,600	23,500	23,500	-
-	-	-	-	-	-	-	-
-	-	(15,449)	(15,449)	-	-	(1,766)	(1,766)
-	-	(25,443)	(25,443)	-	-	(25,269)	(25,269)
-	-	1,210	1,210	-	-	-	-
-	-	(39,682)	(39,682)	26,600	23,500	(3,535)	(27,035)
$ 332,389	$ 1,037,250	$ 220,186	$ (817,064)	$ (62,605)	$ 103,979	$ 467,259	$ 363,280

* 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 Fiscal Year Ended June 30, 2003

(expressed in thousands)

	Local Construction and Loan Fund			
	Original Budget 2001-03 Biennium *	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	$ 415,554	$ 199,538	$ 199,538	$ -
Resources:				
Taxes	144,069	142,983	144,884	1,901
Licenses, permits, and fees	-	-	-	-
Other contracts and grants	-	-	-	-
Timber sales	-	-	-	-
Federal grants-in-aid	-	-	-	-
Charges for services	-	-	-	-
Interest income	2,533	2,533	2,166	(367)
Miscellaneous revenue	100,723	100,716	128,746	28,030
Transfers from other funds	-	2	2,267	2,265
Total Resources	662,879	445,772	477,601	31,829
Charges to appropriations:				
General government	2,664	2,700	2,539	161
Human services	-	-	-	-
Natural resources and recreation	587	587	563	24
Transportation	-	-	-	-
Education	-	-	-	-
Capital outlays	562,084	623,813	403,303	220,510
Transfers to other funds	14,871	14,870	17,132	(2,262)
Total Charges to appropriations	580,206	641,970	423,537	218,433
Excess available for appropriation Over (Under) charges to appropriations	82,673	(196,198)	54,064	250,262
Reconciling Items:				
Bond sale proceeds	44,265	34,085	34,085	-
Bond issue premium (discount)	-	-	-	-
Changes in reserves (net)	-	-	13,543	13,543
Entity adjustments (net)	-	-	(4,322)	(4,322)
Accounting and reporting changes (net)	-	-	-	-
Total Reconciling Items	44,265	34,085	43,306	9,221
Budgetary Fund Balance, June 30	$ 126,938	$ (162,113)	$ 97,370	$ 259,483

* Amount changed due to fund reclassification.

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 general obligation bonds. Debt Service Funds are described below:

The General Obligation Bond Fund is used for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest.

Transportation Bond Fund accounts for the accumulation of resources and payment of highway and ferry bond principal and interest.

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2003

(expressed in thousands)

	General Obligation Bond	Transportation Bond	**Total**
Assets:			
Cash and pooled investments	$ 23,798	$ 83,919	$ 107,717
Investments	26	286	312
Other receivables (net of allowance)	2	-	2
Due from other funds	1,392	141	1,533
Total Assets	$ 25,218	$ 84,346	$ 109,564
Liabilities and Fund Balances			
Liabilities:			
Accrued liabilities	$ 86	$ -	$ 86
Obligations under security lending agreements	774	8,350	9,124
Total Liabilities	860	8,350	9,210
Fund Balances:			
Unreserved, designated for debt service	24,358	75,996	100,354
Total Fund Balances	24,358	75,996	100,354
Total Liabilities and Fund Balances	$ 25,218	$ 84,346	$ 109,564

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

Nonmajor Debt Service Funds

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	General Obligation Bond	Transportation Bond	**Total**
Revenues:			
Investment income	$ 269	$ 1,017	$ 1,286
Miscellaneous revenue	6,338	-	6,338
Total Revenues	6,607	1,017	7,624
Expenditures:			
Debt service:			
Principal	329,239	78,635	407,874
Interest	335,219	72,075	407,294
Total Expenditures	664,458	150,710	815,168
Excess of Revenues Over (Under) Expenditures	(657,851)	(149,693)	(807,544)
Other Financing Sources (Uses):			
Refunding bonds issued	682,835	70,325	753,160
Payment to refunded bond escrow agent	(716,778)	(73,341)	(790,119)
Bond issue premium (discount)	38,044	3,934	41,978
Transfers in	689,897	149,268	839,165
Transfers (out)	(35,438)	(2,405)	(37,843)
Total Other Financing Sources (Uses)	658,560	147,781	806,341
Net change in fund balances	709	(1,912)	(1,203)
Fund Balances - Beginning, as restated	23,649	77,908	101,557
Fund Balances - Ending	$ 24,358	$ 75,996	$ 100,354

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

Nonmajor Debt Service Funds

For the Fiscal Year Ended June 30, 2003

(expressed in thousands)

	General Obligation Bond			
	Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	$ 144,839	$ 10,950	$ 10,950	$ -
Resources:				
Federal grants-in-aid	-	-	67	67
Interest income	-	-	-	-
Miscellaneous revenue	-	-	-	-
Transfers from other funds	128,182	126,441	141,667	15,226
Total Resources	273,021	137,391	152,684	15,293
Charges to appropriations:				
General government	130,634	127,190	126,716	474
Transfers to other funds	-	560	560	-
Debt service	-	-	4,508	(4,508)
Total Charges to appropriations	130,634	127,750	131,784	(4,034)
Excess available for appropriation				
Over (Under) charges to appropriations	142,387	9,641	20,900	11,259
Reconciling Items:				
Proceeds of refunding bonds	-	-	745,230	745,230
Payments to refunded bond escrow agents	-	-	(782,027)	(782,027)
Bond issue premium (discount)	-	-	41,305	41,305
Entity adjustments (net)	-	-	(1,050)	(1,050)
Total Reconciling Items	-	-	3,458	3,458
Budgetary Fund Balance, June 30	$ 142,387	$ 9,641	$ 24,358	$ 14,717

Transportation Bond

Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
$ 100,820	$ 71,985	$ 71,985	$ -
-	-	-	-
2,620	2,620	2,841	221
-	-	-	-
297,431	275,000	286,580	11,580
400,871	349,605	361,406	11,801
297,431	287,086	285,277	1,809
-	-	-	-
-	-	1,094	(1,094)
297,431	287,086	286,371	715
103,440	62,519	75,035	12,516
-	-	95,905	95,905
-	-	(100,094)	(100,094)
-	-	5,282	5,282
-	-	(133)	(133)
-	-	960	960
$ 103,440	$ 62,519	$ 75,995	$ 13,476

Nonmajor Capital Projects Funds

Capital Projects Funds account for the acquisition and construction 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, 2003
(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
Assets:			
Cash and pooled investments	$ 145,231	$ 112,275	$ 257,506
Investments	14	155	169
Other receivables (net of allowance)	7,060	2,380	9,440
Due from other funds	34,907	4,297	39,204
Due from other governments	6,115	1,019	7,134
Total Assets	$ 193,327	$ 120,126	$ 313,453
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 31,954	$ 11,747	$ 43,701
Contracts and retainages payable	27,383	6,819	34,202
Accrued liabilities	5,419	7	5,426
Obligations under security lending agreements	411	4,539	4,950
Due to other funds	23,442	4,355	27,797
Due to other governments	1,142	-	1,142
Deferred revenues	7,010	2,539	9,549
Total Liabilities	96,761	30,006	126,767
Fund Balances:			
Reserved for:			
Encumbrances	75,976	80	76,056
Other specific purposes	1,003	-	1,003
Unreserved, undesignated	19,587	90,040	109,627
Total Fund Balances	96,566	90,120	186,686
Total Liabilities and Fund Balances	$ 193,327	$ 120,126	$ 313,453

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

Nonmajor Capital Projects Funds

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	State Facilities	Higher Education Facilities	**Total**
Revenues:			
Timber sales	$ 4,814	$ 78	$ 4,892
Other contracts and grants	20	1,479	1,499
Federal grants-in-aid	-	1,931	1,931
Charges for services	-	29,172	29,172
Investment income	89	4,381	4,470
Miscellaneous revenue	35,570	12,070	47,640
Total Revenues	40,493	49,111	89,604
Expenditures:			
Current:			
General government	70,634	671	71,305
Human services	10,638	-	10,638
Natural resources and recreation	25,862	-	25,862
Transportation	1,446	-	1,446
Education	48,371	45,744	94,115
Capital outlays	394,642	145,051	539,693
Debt service:			
Principal	21	273	294
Interest	43	558	601
Total Expenditures	551,657	192,297	743,954
Excess of Revenues Over (Under) Expenditures	(511,164)	(143,186)	(654,350)
Other Financing Sources (Uses):			
Bonds issued	348,325	10,480	358,805
Bond issue premium (discount)	12,785	483	13,268
Transfers in	566	160,950	161,516
Transfers (out)	(5,202)	(28,709)	(33,911)
Total Other Financing Sources (Uses)	356,474	143,204	499,678
Net change in fund balances	(154,690)	18	(154,672)
Fund Balances - Beginning, as restated	251,256	90,102	341,358
Fund Balances - Ending	$ 96,566	$ 90,120	$ 186,686

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

Nonmajor Capital Projects Funds

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	State Facilities			
	Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	$ 276,864	$ 106,418	$ 106,418	$ -
Resources:				
Other contracts and grants	-	-	20	-
Timber sales	12,412	13,001	12,036	(965)
Federal grants-in-aid	-	-	-	-
Charges for services	-	-	-	-
Interest income	767	767	374	(393)
Miscellaneous revenue	294	15,106	15,596	490
Transfers from other funds	742	7,425	970	(6,455)
Total Resources	291,079	142,717	135,414	(7,323)
Charges to appropriations:				
General government	13,423	4,817	4,450	367
Education	-	-	-	-
Capital outlays	1,284,838	1,372,259	908,587	463,672
Transfers to other funds	2,170	1,789	8,464	(6,675)
Total Charges to appropriations	1,300,431	1,378,865	921,501	457,364
Excess available for appropriation Over (Under) charges to appropriations	(1,009,352)	(1,236,148)	(786,087)	450,041
Reconciling Items:				
Bond sale proceeds	1,197,100	833,275	833,275	-
Bond issue premium (discount)	-	-	16,888	16,888
Changes in reserves (net)	-	-	2,814	2,814
Entity adjustments (net)	-	-	28,672	28,672
Accounting and reporting changes (net)	-	-	-	-
Total Reconciling Items	1,197,100	833,275	881,649	48,374
Budgetary Fund Balance, June 30	$ 187,748	$ (402,873)	$ 95,562	$ 498,415

Higher Education Facilities			
Original Budget 2001-03 Biennium	Final Budget 2001-03 Biennium	Actual 2001-03 Biennium	Variance with Final Budget
$ 124,903	$ 113,518	$ 113,518	$ -
-	-	-	-
300	300	251	(49)
-	-	68	68
-	36,733	52,610	15,877
3,683	4,120	6,791	2,671
219	519	121	(398)
24,698	102,346	85,093	(17,253)
153,803	257,536	258,452	916
1,282	422	404	18
1,103	1,103	1,103	-
290,433	275,064	224,898	50,166
31,143	49,343	49,383	(40)
323,961	325,932	275,788	50,144
(170,158)	(68,396)	(17,336)	51,060
68,695	75,015	75,015	-
-	-	1,079	1,079
-	-	-	-
-	-	31,362	31,362
-	-	-	-
68,695	75,015	107,456	32,441
$ (101,463)	$ 6,619	$ 90,120	$ 83,501

Nonmajor Permanent Funds

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the state or its citizenry. The non-major permanent fund is described below:

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

Balance Sheet

Nonmajor Permanent Funds

June 30, 2003

(expressed in thousands)

	Common School Permanent
Assets:	
Cash and pooled investments	$ 15,187
Investments	172,877
Other receivables (net of allowance)	1,565
Due from other funds	1
Due from other governments	13
Total Assets	$ 189,643
Liabilities and Fund Balances	
Liabilities:	
Accrued liabilities	$ 32
Obligations under security lending agreements	15,111
Due to other funds	651
Total Liabilities	15,794
Fund Balances:	
Reserved for:	
Permanent funds	173,849
Total Fund Balances	173,849
Total Liabilities and Fund Balances	$ 189,643

Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Permanent Funds

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	Common School Permanent
Revenues:	
Investment income	$ 16,695
Miscellaneous revenue	2,050
Total Revenues	18,745
Other Financing Sources (Uses):	
Transfers (out)	(8,446)
Total Other Financing Sources (Uses)	(8,446)
Net change in fund balances	10,299
Fund Balances - Beginning, as restated	163,550
Fund Balances - Ending	$ 173,849

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 is used to account for the administration and operation of state liquor stores, warehouses, and the distribution of net proceeds.

The Convention and Trade Fund is used to account for the acquisition, design, construction, promotion, and operation of the State Convention and Trade Center.

The Lottery Fund is used to account 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 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 Health Insurance Fund accounts for payment of health care coverage to low-income residents and premiums for employees' insurance benefit contracts.

The Other Activities Fund accounts for the following: (1) the advanced college tuition payment program; (2) the operation of computer systems for legislative information; (3) the production and sale of statute law publications and official reports; (4) Judicial Information System users, and (5) the Tobacco Settlement Authority, a blended component unit.

Combining Statement of Fund Net Assets

Nonmajor Enterprise Funds

June 30, 2003
(expressed in thousands)

	Liquor	Convention and Trade	Lottery	Institutional
Assets				
Current Assets:				
Cash and pooled investments	$ 10,317	$ 36,204	$ 33,147	$ 14,804
Investments	-	-	72,129	-
Taxes receivable (net of allowance)	4,070	-	-	-
Other receivables (net of allowance)	4,940	2,864	15,105	240
Due from other funds	851	731	6,569	3,437
Due from other governments	-	-	-	307
Inventories	29,039	-	278	7,917
Prepaid expenses	-	346	275	427
Total Current Assets	49,217	40,145	127,503	27,132
Noncurrent Assets:				
Investments, noncurrent	-	-	545,224	14
Other noncurrent assets	-	-	-	-
Capital Assets:				
Land	177	77,355	-	-
Buildings	-	381,561	-	-
Other improvements and miscellaneous	134	2,842	770	2,206
Furnishings and equipment	6,465	4,315	2,779	12,740
Accumulated depreciation	(3,894)	(59,998)	(2,931)	(6,949)
Construction in progress	30,368	-	-	-
Total Noncurrent Assets	33,250	406,075	545,842	8,011
Total Assets	$ 82,467	$ 446,220	$ 673,345	$ 35,143
Liabilities				
Current Liabilities:				
Accounts payable	$ 16,847	$ 632	$ 3,377	$ 1,659
Contracts and retainages payable	-	2,032	-	-
Accrued liabilities	12,327	2,164	96,853	791
Obligations under security lending agreements	-	-	-	-
Bonds and notes payable	2,245	16,522	-	11
Due to other funds	6,082	404	5,859	1,115
Due to other governments	-	-	41	-
Deferred revenues	-	-	-	24
Claims and judgments payable, current	-	-	-	-
Total Current Liabilities	37,501	21,754	106,130	3,600
Non-Current Liabilities:				
Claims and judgments payable, long-term	-	-	-	-
Bonds and notes payable	11,597	287,686	-	-
Other long-term liabilities	3,534	-	459,897	877
Total Non-Current Liabilities	15,131	287,686	459,897	877
Total Liabilities	52,632	309,440	566,027	4,477
Net Assets:				
Invested in capital assets, net of related debt	19,407	101,868	618	7,987
Restricted for:				
Other specific purposes	-	-	-	-
Unrestricted	10,428	34,912	106,700	22,679
Total Net (Deficit) Assets	$ 29,835	$ 136,780	$ 107,318	$ 30,666

Higher Education Student Services	Health Insurance	Other Activities	**Total**
$ 285,787	$ 80,068	$ 173,220	$ 633,547
2,216	11,880	45,910	132,135
-	-	-	4,070
125,369	164	1,576	150,258
31,572	17,939	263	61,362
24,978	13,769	3,245	42,299
30,364	-	-	67,598
5,747	-	7	6,802
506,033	123,820	224,221	1,098,071
144,311	47,922	270,377	1,007,848
849	-	75,026	75,875
2,822	-	-	80,354
773,092	-	-	1,154,653
55,111	-	80	61,143
222,268	1,374	12,863	262,804
(491,630)	(746)	(10,301)	(576,449)
207,756	-	-	238,124
914,579	48,550	348,045	2,304,352
$ 1,420,612	$ 172,370	$ 572,266	$ 3,402,423
$ 69,306	$ 13,352	$ 1,522	$ 106,695
9,654	15,878	7	27,571
66,122	228	15,083	193,568
-	11,880	45,910	57,790
32,542	-	16,648	67,968
43,258	18,378	45,528	120,624
9	-	2,583	2,633
30,446	172	47	30,689
-	47,934	1,081	49,015
251,337	107,822	128,409	656,553
-	-	2,470	2,470
354,172	-	504,331	1,157,786
4,815	351	352,037	821,511
358,987	351	858,838	1,981,767
610,324	108,173	987,247	2,638,320
382,706	628	16,096	529,310
-	-	63,476	63,476
427,582	63,569	(494,553)	171,317
$ 810,288	$ 64,197	($ 414,981)	$ 764,103

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

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	Liquor	Convention and Trade	Lottery	Institutional	Higher Education Student Services
Operating Revenues:					
Sales	$ 383,270	$ -	$ -	$ 44,480	$ 114,974
Less: Cost of goods sold	265,423	-	-	30,919	75,934
Gross profit	117,847	-	-	13,561	39,040
Charges for services	708	11,880	-	-	861,365
Premiums and assessments	-	-	-	-	-
Lottery ticket proceeds	-	-	460,345	-	-
Miscellaneous revenue	713	5	-	2,501	90,927
Total Operating Revenues	119,268	11,885	460,345	16,062	991,332
Operating Expenses:					
Salaries and wages	30,419	5,635	6,359	9,308	404,398
Employee benefits	9,422	2,382	1,596	1,925	65,773
Personal services	1,257	4,537	8,831	-	17,872
Goods and services	32,297	4,138	47,386	673	387,287
Travel	271	15	445	98	15,131
Premiums and claims	-	-	-	15	652
Lottery prize payments	-	-	297,975	-	-
Depreciation and amortization	493	4,367	236	1,295	36,335
Miscellaneous expenses	2,070	23	447	264	26,337
Total Operating Expenses	76,229	21,097	363,275	13,578	953,785
Operating Income (Loss)	43,039	(9,212)	97,070	2,484	37,547
Nonoperating Revenues (Expenses):					
Earnings (loss) on investments	-	-	68,985	1	24,008
Interest expense	(779)	(17,423)	(35,743)	(11)	(21,628)
Distributions to other governments	(27,184)	-	(3,872)	-	-
Other revenue (expenses)	55,953	38,432	20	(806)	13,217
Total Nonoperating Revenues (Expenses)	27,990	21,009	29,390	(816)	15,597
Income (Loss) Before Contributions and Transfers	71,029	11,797	126,460	1,668	53,144
Capital Contributions	-	60,340	-	-	-
Transfers in	91	-	11,215	367	137,545
Transfers (out)	(63,984)	-	(106,104)	(11)	(142,091)
Net Contributions and Transfers	(63,893)	60,340	(94,889)	356	(4,546)
Change in Net Assets	7,136	72,137	31,571	2,024	48,598
Net Assets - Beginning, as restated	22,699	64,643	75,747	28,642	761,690
Net Assets - Ending	$ 29,835	$ 136,780	$ 107,318	$ 30,666	$ 810,288

Health Insurance	Other Activities	**Total**
$ -	$ -	$ 542,724
-	-	372,276
-	-	170,448
-	32,336	906,289
932,141	-	932,141
-	-	460,345
31	35,486	129,663
932,172	67,822	2,598,886
4,118	15,248	475,485
951	3,360	85,409
1,238	4,056	37,791
4,716	18,802	495,299
38	660	16,658
884,659	-	885,326
-	-	297,975
191	1,431	44,348
15,962	16,228	61,331
911,873	59,785	2,399,622
20,299	8,037	199,264
2,483	24,298	119,775
-	(22,358)	(97,942)
-	-	(31,056)
6,001	12,049	124,866
8,484	13,989	115,643
28,783	22,026	314,907
-	-	60,340
26,550	-	175,768
(26,732)	(450,098)	(789,020)
(182)	(450,098)	(552,912)
28,601	(428,072)	(238,005)
35,596	13,091	1,002,108
$ 64,197	($ 414,981)	$ 764,103

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2003

(expressed in thousands)

	Liquor	Convention and Trade	Lottery	Institutional
Cash Flows from Operating Activities:				
Receipts from customers	$ 386,137	$ 13,659	$ 461,512	$ 43,147
Payments to suppliers	(294,639)	(8,169)	(398,870)	(33,187)
Payments to employees	(39,823)	(7,901)	(7,912)	(11,347)
Other receipts (payments)	713	5	-	2,501
Net Cash Provided (Used) by Operating Activities	52,388	(2,406)	54,730	1,114
Cash Flows from Noncapital Financing Activities:				
Transfers in	91	-	11,215	367
Transfers out	(63,984)	-	(106,104)	(11)
Operating grants and donations received	-	-	-	55
Taxes and license fees collected	56,126	38,432	20	-
Distributions to other governments	(27,184)	-	(3,872)	-
Other noncapital financing activity	7	-	-	11
Net Cash Provided (Used) by Noncapital Financing Activities	(34,944)	38,432	(98,741)	422
Cash Flows from Capital and Related Financing Activities:				
Interest paid	(779)	(14,170)	-	(11)
Principal payments on long-term capital financing	(3,007)	(17,010)	-	(306)
Proceeds from long-term capital financing	-	3,521	-	-
Proceeds from sale of capital assets	15	8,354	-	327
Acquisitions of capital assets	(3,678)	(9,930)	(45)	(2,609)
Net Cash or Pooled Investments Provided by (Used in) Capital and Related Financing Activities	(7,449)	(29,235)	(45)	(2,599)
Cash Flows from Investing Activities:				
Receipt of interest	-	-	674	1
Proceeds from sale of investment securities	-	-	151,342	-
Purchases of investment securities	-	-	(102,405)	-
Net Cash Provided by (Used in) Investing Activities	-	-	49,611	1
Net Increase (Decrease) in Cash and Pooled Investments	9,995	6,791	5,555	(1,062)
Cash and Pooled Investments, July 1	322	29,413	27,592	15,866
Cash and Pooled Investments, June 30	$ 10,317	$ 36,204	$ 33,147	$ 14,804
Cash Flows from Operating Activities:				
Operating Income (Loss)	$ 43,039	$ (9,212)	$ 97,070	$ 2,484
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:				
Depreciation	493	4,367	236	1,295
Provision for uncollectible accounts	-	-	53	167
Change in Assets: Decrease (Increase)				
Receivables (net of allowance)	2,160	1,779	1,167	(1,311)
Inventories	2,523	-	228	(1,491)
Prepaid expenses	-	14	207	(374)
Change in Liabilities: Increase (Decrease)				
Payables	4,173	646	(44,231)	344
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 52,388	$ (2,406)	$ 54,730	$ 1,114
Noncash Investing, Capital, and Financing Activities:				
Contributions of Capital Assets	$ -	$ 60,340	$ -	$ -
Amortization of interest on long-term prize liability	-	-	35,743	-
Increase (decrease) in fair value of investments	-	-	68,311	-
Refunding bonds issued	-	-	-	-
Refunded bonds redeemed	-	-	-	-
Gain (loss) on refunding activity	-	-	-	-
Amortization of debt premium (issue costs/discount)	-	-	-	-
Accretion of interest on zero coupon bonds	-	3,253	-	-

Higher Education Student Services	Health Insurance	Other Activities	**Total**
$ 919,451	$ 938,312	$ 30,805	$ 2,793,023
(458,144)	(914,528)	135,831	(1,971,706)
(468,344)	(4,065)	(18,603)	(557,995)
90,927	30	35,486	129,662
83,890	19,749	183,519	392,984
137,545	26,550	-	175,768
(142,091)	(26,732)	(450,098)	(789,020)
17,446	6,000	-	23,501
-	-	12,140	106,718
-	-	-	(31,056)
1	1	51	71
12,901	5,819	(437,907)	(514,018)
(20,343)	-	(19,050)	(54,353)
(29,653)	-	(15,332)	(65,308)
51,139	-	518,398	573,058
1,477	-	37	10,210
(142,960)	(302)	(728)	(160,252)
(140,340)	(302)	483,325	303,355
27,250	2,508	7,555	37,988
50,487	-	235,571	437,400
(32,063)	(9,245)	(374,694)	(518,407)
45,674	(6,737)	(131,568)	(43,019)
2,125	18,529	97,369	139,302
283,662	61,539	75,851	494,245
$ 285,787	$ 80,068	$ 173,220	$ 633,547
$ 37,547	$ 20,299	$ 8,037	$ 199,264
36,335	191	1,431	44,348
9,569	(30)	-	9,759
(59,392)	6,211	(1,089)	(50,475)
(1,391)	-	2	(129)
874	-	177	898
60,348	(6,922)	174,961	189,319
$ 83,890	$ 19,749	$ 183,519	$ 392,984
$ -	$ -	$ -	$ 60,340
-	-	-	35,743
(3,166)	(11)	16,200	81,334
7,650	-	-	7,650
(7,425)	-	-	(7,425)
(225)	-	-	(225)
261	-	534	795
-	-	-	3,253

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.

Combining Statement of Fund Net Assets
Internal Service Funds
June 30, 2003
(expressed in thousands)

	General Services	Data Processing Revolving	Printing Services	Higher Education Revolving
Assets				
Current Assets:				
Cash and pooled investments	$ 49,892	$ 33,771	$ 308	$ 43,208
Investments	1,585	-	-	189
Other receivables (net of allowance)	1,826	485	-	3,332
Due from other funds	35,015	14,435	4,689	6,194
Due from other governments	3,188	2,723	65	429
Inventories	7,105	396	255	11,179
Prepaid expenses	16	1,320	95	33
Total Current Assets	98,627	53,130	5,412	64,564
Noncurrent Assets:				
Investments, noncurrent	54	-	-	39,084
Capital Assets:				
Land	1,446	-	-	30
Buildings	67,189	-	-	5,323
Other improvements and miscellaneous	11,157	13,739	-	54
Furnishings and equipment	330,732	128,651	9,710	75,146
Accumulated depreciation	(173,967)	(107,567)	(6,216)	(56,231)
Construction in progress	10,338	423	-	-
Total Noncurrent Assets	246,949	35,246	3,494	63,406
Total Assets	$ 345,576	$ 88,376	$ 8,906	$ 127,970
Liabilities				
Current Liabilities:				
Accounts payable	$ 11,932	$ 13,878	$ 2,725	$ 7,493
Contracts and retainages payable	600	-	-	4
Accrued liabilities	7,384	1,473	277	6,341
Obligations under security lending agreements	1,585	-	-	-
Bonds and notes payable	4,127	-	-	2,303
Due to other funds	5,796	1,357	21	10,162
Due to other governments	1,023	-	-	31
Deferred revenues	602	-	-	83
Claims and judgments payable, current	-	-	-	7,000
Total Current Liabilities	33,049	16,708	3,023	33,417
Non-Current Liabilities:				
Claims and judgments payable, long-term	-	-	-	24,865
Bonds and notes payable	52,157	-	-	13,185
Other long-term liabilities	11,026	3,682	472	1,897
Total Non-Current Liabilities	63,183	3,682	472	39,947
Total Liabilities	96,232	20,390	3,495	73,364
Net Assets:				
Invested in capital assets, net of related debt	190,612	35,245	3,495	8,835
Unrestricted	58,732	32,741	1,916	45,771
Total Net (Deficit) Assets	$ 249,344	$ 67,986	$ 5,411	$ 54,606

Risk Management	**Total**
$ 14,344	$ 141,523
-	1,774
-	5,643
558	60,891
61	6,466
-	18,935
-	1,464
14,963	236,696
-	39,138
-	1,476
-	72,512
-	24,950
38	544,277
(32)	(344,013)
-	10,761
6	349,101
$ 14,969	$ 585,797
$ 49	$ 36,077
-	604
55	15,530
-	1,585
-	6,430
204	17,540
-	1,054
35	720
71,141	78,141
71,484	157,681
427,773	452,638
-	65,342
25	17,102
427,798	535,082
499,282	692,763
6	238,193
(484,319)	(345,159)
$ (484,313)	$ (106,966)

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

Internal Service Funds

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	General Services	Data Processing Revolving	Printing Services	Higher Education Revolving
Operating Revenues:				
Sales	$ 21,298	$ 42,705	$ 33,040	$ 39,948
Less: Cost of goods sold	14,601	34,486	29,858	33,851
Gross profit	6,697	8,219	3,182	6,097
Charges for services	252,751	104,050	-	174,179
Premiums and assessments	-	-	-	-
Miscellaneous revenue	16,785	429	-	8,011
Total Operating Revenues	276,233	112,698	3,182	188,287
Operating Expenses:				
Salaries and wages	110,925	30,830	2,167	67,166
Employee benefits	24,282	6,141	506	16,030
Personal services	8,830	1,660	37	4,134
Goods and services	83,592	61,771	1,252	68,846
Travel	1,506	303	9	1,260
Premiums and claims	-	-	-	-
Depreciation and amortization	25,659	21,248	1,298	9,731
Miscellaneous expenses	6,301	1,564	75	3,164
Total Operating Expenses	261,095	123,517	5,344	170,331
Operating Income (Loss)	15,138	(10,819)	(2,162)	17,956
Nonoperating Revenues (Expenses):				
Earnings (loss) on investments	432	-	9	3,476
Interest expense	(2,153)	-	-	(976)
Other revenue (expenses)	(51)	53	(144)	(4,353)
Total Nonoperating Revenues (Expenses)	(1,772)	53	(135)	(1,853)
Income (Loss) Before Contributions and Transfers	13,366	(10,766)	(2,297)	16,103
Capital Contributions	6,225	-	-	-
Transfers in	791	200	-	14,565
Transfers (out)	(3,854)	(32)	-	(14,957)
Net Contributions and Transfers	3,162	168	-	(392)
Change in Net Assets	16,528	(10,598)	(2,297)	15,711
Net Assets - Beginning, as restated	232,816	78,584	7,708	38,895
Net Assets - Ending	$ 249,344	$ 67,986	$ 5,411	$ 54,606

Risk Management	**Total**
$ -	$ 136,991
-	112,796
-	24,195
1,171	532,151
65,402	65,402
1,721	26,946
68,294	648,694
943	212,031
189	47,148
56	14,717
29,287	244,748
12	3,090
136,480	136,480
-	57,936
28	11,132
166,995	727,282
(98,701)	(78,588)
-	3,917
-	(3,129)
-	(4,495)
-	(3,707)
(98,701)	(82,295)
-	6,225
418,376	433,932
(408,772)	(427,615)
9,604	12,542
(89,097)	(69,753)
(395,216)	(37,213)
$ (484,313)	$ (106,966)

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	General Services	Data Processing Revolving	Printing Services	Higher Education Revolving
Cash Flows from Operating Activities:				
Receipts from customers	$ 263,024	$ 145,769	$ 32,570	$ 212,781
Payments to suppliers	(107,950)	(101,281)	(30,393)	(120,409)
Payments to employees	(134,517)	(36,762)	(2,711)	(84,249)
Other receipts (payments)	16,785	430	1	8,011
Net Cash Provided (Used) by Operating Activities	37,342	8,156	(533)	16,134
Cash Flows from Noncapital Financing Activities:				
Transfers in	791	200	-	14,565
Transfers out	(3,855)	(32)	-	(14,957)
Operating grants and donations received	10	1	-	92
Other noncapital financing activity	46	4	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(3,008)	173	-	(300)
Cash Flows from Capital and Related Financing Activities:				
Interest paid	(2,171)	-	-	(976)
Principal payments on long-term capital financing	(9,957)	-	-	(2,215)
Proceeds from long-term capital financing	23,263	-	-	655
Proceeds from sale of capital assets	2,871	348	-	2,808
Acquisitions of capital assets	(35,838)	(12,166)	(36)	(11,183)
Net Cash or Pooled Investments Provided by (Used in) Capital and Related Financing Activities	(21,832)	(11,818)	(36)	(10,911)
Cash Flows from Investing Activities:				
Receipt of interest	470	-	9	2,949
Proceeds from sale of investment securities	-	-	-	4,679
Purchases of investment securities	-	-	-	(5,947)
Net Cash Provided by (Used in) Investing Activities	470	-	9	1,681
Net Increase (Decrease) in Cash and Pooled Investments	12,972	(3,489)	(560)	6,604
Cash and Pooled Investments, July 1	36,920	37,260	868	36,604
Cash and Pooled Investments, June 30	$ 49,892	$ 33,771	$ 308	$ 43,208
Cash Flows from Operating Activities:				
Operating Income (Loss)	$ 15,138	$ (10,819)	$ (2,162)	$ 17,956
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:				
Depreciation	25,659	21,248	1,298	9,731
Provision for uncollectible accounts	98	-	-	(63)
Change in Assets: Decrease (Increase)				
Receivables (net of allowance)	(11,260)	(986)	(470)	(1,359)
Inventories	(614)	36	165	534
Prepaid expenses	877	(468)	49	(28)
Change in Liabilities: Increase (Decrease)				
Payables	7,444	(855)	587	(10,637)
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 37,342	$ 8,156	$ (533)	$ 16,134
Noncash Investing, Capital, and Financing Activities:				
Contributions of capital assets	$ 6,225	$ -	$ -	$ -
Increase (decrease) in fair value of investments	(38)	-	-	532

Risk Management	**Total**
$ 69,737	$ 723,881
(71,016)	(431,049)
(1,062)	(259,301)
1,721	26,948
(620)	60,479
418,376	433,932
(408,772)	(427,616)
-	103
-	50
9,604	6,469
-	(3,147)
-	(12,172)
-	23,918
-	6,027
(6)	(59,229)
(6)	(44,603)
-	3,428
-	4,679
-	(5,947)
-	2,160
8,978	24,505
5,366	117,018
$ 14,344	$ 141,523
$ (98,701)	$ (78,588)
-	57,936
-	35
3,130	(10,945)
-	121
0	430
94,951	91,490
$ (620)	$ 60,479
$ -	$ 6,225
-	494

Fiduciary Funds Statements

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 and contributions and grants in aid for rural hospitals and children.

The Higher Education Trust Fund accounts for gifts to the state's colleges and universities in support of fellowships and scholarships.

The Miscellaneous Trust Fund accounts for various assets held in trust for other governments, individuals, or the public at large. This includes the administration of unclaimed property and contributions for various K-12 enhancement programs.

Agency Funds

Agency Funds account for resources held by the state in a custodial capacity. The Agency Funds are described below:

The Clearing Fund is used as a clearing account primarily for processing payrolls and vendor payments for non-treasury accounts.

The Suspense Fund is used to account for receipts where final disposition is pending.

The Local Government Distributions Fund is used to account for the receipt and allocation of taxes and fees imposed by local governments.

The Pooled Investments Fund is used for pooling and investing 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.

Combining Statement of Fiduciary Net Assets

Private-Purpose Trust Funds

June 30, 2003
(expressed in thousands)

	Human Services Trust	Higher Education Trust	Other Private-Purpose Trust	**Total**
Assets				
Current Assets:				
Cash and pooled investments	$ 432	$ 39,666	$ 4,809	$ 44,907
Investments	-	-	-	-
Other receivables (net of allowance)	4,303	18	-	4,321
Due from other funds	-	2,722	4,508	7,230
Due from other governments	-	3,368	-	3,368
Prepaid expenses	-	702	-	702
Total Current Assets	4,735	46,476	9,317	60,528
Noncurrent Assets:				
Investments, noncurrent	3	10,943	20,327	31,273
Other noncurrent assets	-	16	-	16
Capital Assets:				
Land	-	7	-	7
Buildings	-	6,868	-	6,868
Other improvements	-	378	-	378
Furnishings and equipment	-	7,453	86	7,539
Accumulated depreciation	-	(8,162)	(71)	(8,233)
Total Noncurrent Assets	3	17,503	20,342	37,848
Total Assets	$ 4,738	$ 63,979	$ 29,659	$ 98,376
Liabilities:				
Accounts payable	$ 2,828	$ 484	$ 220	$ 3,532
Contracts and retainages payable	-	1	-	1
Accrued liabilities	72	1,370	9,954	11,396
Due to other funds	-	3,676	11	3,687
Due to other governments	-	171	-	171
Deferred revenues	-	1,820	-	1,820
Other long-term liabilities	-	52	14,901	14,953
Total Liabilities	2,900	7,574	25,086	35,560
Net Assets:				
Net assets held in trust for:				
Individuals, organizations & other governments	1,838	56,405	4,573	62,816
Total Net Assets	$ 1,838	$ 56,405	$ 4,573	$ 62,816

Combining Statement of Changes in Fiduciary Net Assets

Private-Purpose Trust Funds

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	Human Services Trust	Higher Education Trust	Other Private-Purpose Trust	**Total**
Additions:				
Investment Income:				
Income (loss) on investing activities	($ 5)	$ 20,470	$ -	$ 20,465
Other additions:				
Charges for services	-	8,941	-	8,941
Federal grants-in-aid	-	186,362	-	186,362
Other contracts, grants and miscellaneous	197	119,558	45,123	164,878
Total other additions	197	314,861	45,123	360,181
Total Additions	192	335,331	45,123	380,646
Deductions:				
Administrative expenses	3	23,527	2,392	25,922
Payments to or on behalf of individuals, organizations and other governments in accordance with trust agreements	473	330,791	-	331,264
Total Deductions	476	354,318	2,392	357,186
Net Increase (Decrease) Before Transfers	(284)	(18,987)	42,731	23,460
Transfers in	-	36,818	9,126	45,944
Transfers (out)	-	(18,701)	(43,644)	(62,345)
Net Increase (Decrease)	(284)	(870)	8,213	7,059
Net Assets - Beginning, as restated	2,122	57,275	(3,640)	55,757
Net Assets - Ending	$ 1,838	$ 56,405	$ 4,573	$ 62,816

Combining Statement of Assets and Liabilities

Agency Funds

June 30, 2003
(expressed in thousands)

	Clearing	Suspense	Local Gov't Distrib.	Pooled Investments	**Total**
Assets:					
Cash and pooled investments	$ 38,826	$ 12,034	$ 102,180	$ 6,462	$ 159,502
Other receivables (net of allowance)	5,895	31	-	44,143	50,069
Due from other funds	8,363	4,679	298,947	210,742	522,731
Due from other governments	8,254	-	-	17,324	25,578
Investments, noncurrent	834	-	14,128	8,850	23,812
Other noncurrent assets	76,674	-	-	-	76,674
Total Assets	$ 138,846	$ 16,744	$ 415,255	$ 287,521	$ 858,366
Liabilities:					
Accounts payable	$ 7,544	$ 2,149	$ -	$ 4,780	$ 14,473
Contracts and retainages payable	12,198	2	-	1,901	14,101
Accrued liabilities	30,639	6,795	465	227,581	265,480
Obligations under security lending agreements	514	-	13,662	-	14,176
Due to other funds	7,633	3,049	11	53,259	63,952
Due to other governments	3,644	4,749	396,315	-	404,708
Other long-term liabilities	76,674	-	4,802	-	81,476
Total Liabilities	$ 138,846	$ 16,744	$ 415,255	$ 287,521	$ 858,366

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Continued

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Clearing Fund				
Assets:				
Cash and pooled investments	$ 30,443	$ 10,986,856	$ 10,978,473	$ 38,826
Other receivables (net of allowance)	6,072	59,426	59,603	5,895
Due from other funds	7,722	1,288	647	8,363
Due from other governments	7,933	948	627	8,254
Investments, noncurrent	1,073	-	239	834
Other noncurrent assets	75,139	58,009	56,474	76,674
Total Assets	$ 128,382	$ 11,106,527	$ 11,096,063	$ 138,846
Liabilities:				
Accounts payable	$ 3,553	$ 23,562	$ 19,571	$ 7,544
Contracts and retainages payable	12,121	24,996	24,919	12,198
Accrued liabilities	25,569	6,117,045	6,111,975	30,639
Obligations under security lending agreements	731	-	217	514
Due to other funds	8,182	9,834	10,383	7,633
Due to other governments	3,087	59,693	59,136	3,644
Other long-term obligations	75,139	58,009	56,474	76,674
Total Liabilities	$ 128,382	$ 6,293,139	$ 6,282,675	$ 138,846
Suspense Fund				
Assets:				
Cash and pooled investments	$ 7,017	$ 521,313	$ 516,296	$ 12,034
Other receivables (net of allowance)	14	3,186	3,169	31
Due from other funds	4,090	902	313	4,679
Due from other governments	-	2,289	2,289	-
Total Assets	$ 11,121	$ 527,690	$ 522,067	$ 16,744
Liabilities:				
Accounts payable	$ 2,131	$ 9,416	$ 9,398	$ 2,149
Contracts and retainages payable	1	15	14	2
Accrued liabilities	4,100	98,925	96,230	6,795
Due to other funds	854	16,178	13,983	3,049
Due to other governments	4,035	57,605	56,891	4,749
Total Liabilities	$ 11,121	$ 182,139	$ 176,516	$ 16,744
Local Government Distributions Fund				
Assets:				
Cash and pooled investments	$ 80,446	$ 5,639,709	$ 5,617,975	$ 102,180
Due from other funds	309,141	-	10,194	298,947
Investments, noncurrent	15,363	-	1,235	14,128
Total Assets	$ 404,950	$ 5,639,709	$ 5,629,404	$ 415,255
Liabilities:				
Accounts payable	$ -	$ 21	$ 21	$ -
Accrued liabilities	1,156	31	722	465
Obligations under security lending agreements	14,321	-	659	13,662
Due to other funds	9	2	-	11
Due to other governments	384,094	2,032,578	2,020,357	396,315
Other long-term obligations	5,370	4,234	4,802	4,802
Total Liabilities	$ 404,950	$ 2,036,866	$ 2,026,561	$ 415,255

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Concluded

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Pooled Investments Fund				
Assets:				
Cash and pooled investments	$ 31,170	$ 728,647,121	$ 728,671,829	$ 6,462
Other receivables (net of allowance)	47,759	331,008	334,624	44,143
Due from other funds	197,820	29,869	16,947	210,742
Due from other governments	17,935	5,838	6,449	17,324
Investments, noncurrent	-	39,977	31,127	8,850
Total Assets	$ 294,684	$ 729,053,813	$ 729,060,976	$ 287,521
Liabilities:				
Accounts payable	$ 2,820	$ 3,858	$ 1,898	$ 4,780
Contracts and retainages payable	3,649	142,294	144,042	1,901
Accrued liabilities	259,944	137,010	169,373	227,581
Due to other funds	28,264	26,095	1,100	53,259
Due to other governments	7	-	7	-
Total Liabilities	$ 294,684	$ 309,257	$ 316,420	$ 287,521
Totals - All Agency Funds				
Assets:				
Cash and pooled investments	$ 149,076	$ 745,794,999	$ 745,784,573	$ 159,502
Other receivables (net of allowance)	53,845	393,620	397,396	50,069
Due from other funds	518,773	32,059	28,101	522,731
Due from other governments	25,868	9,075	9,365	25,578
Investments, noncurrent	16,436	39,977	32,601	23,812
Other noncurrent assets	75,139	58,009	56,474	76,674
Total Assets	$ 839,137	$ 746,327,739	$ 746,308,510	$ 858,366
Liabilities:				
Accounts payable	$ 8,504	$ 36,836	$ 30,867	$ 14,473
Contracts and retainages payable	15,771	167,305	168,975	14,101
Accrued liabilities	290,769	6,353,011	6,378,300	265,480
Obligations under security lending agreements	15,052	-	876	14,176
Due to other funds	37,309	52,109	25,466	63,952
Due to other governments	391,223	2,149,876	2,136,391	404,708
Other long-term obligations	80,509	62,243	61,276	81,476
Total Liabilities	$ 839,137	$ 8,821,380	$ 8,802,151	$ 858,366

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.

Combining Statement of Fund Net Assets

Nonmajor Component Units

June 30, 2003
(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	**Total**
Assets					
Current Assets:					
Cash and pooled investments	$ 3,078	$ 288	$ 765	$ 26	$ 4,157
Investments	29,273	1,258	-	104	30,635
Other receivables (net of allowance)	1,507	92	-	-	1,599
Prepaid expenses	219	34	3	-	256
Total Current Assets	34,077	1,672	768	130	36,647
Noncurrent Assets:					
Investments, noncurrent	-	2,222	-	-	2,222
Other noncurrent assets	15,947	-	-	-	15,947
Capital Assets:					
Furnishings and equipment	1,104	-	-	-	1,104
Accumulated depreciation	(784)	-	-	-	(784)
Total Noncurrent Assets	16,267	2,222	-	-	18,489
Total Assets	$ 50,344	$ 3,894	$ 768	$ 130	$ 55,136
Liabilities					
Current Liabilities:					
Accounts payable	$ 1,212	$ 58	$ 22	$ -	$ 1,292
Accrued liabilities	-	54	-	12	66
Deferred revenues	444	133	80	-	657
Total Current Liabilities	1,656	245	102	12	2,015
Non-Current Liabilities:					
Other long-term liabilities	-	-	-	-	-
Total Non-Current Liabilities	-	-	-	-	-
Total Liabilities	1,656	245	102	12	2,015
Net Assets:					
Invested in capital assets, net of related debt	320	-	-	-	320
Unrestricted	48,368	3,649	666	118	52,801
Total Net (Deficit) Assets	$ 48,688	$ 3,649	$ 666	$ 118	$ 53,121

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

Nonmajor Component Units

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	**Total**
Operating Revenues:					
Charges for services	$ 8,676	$ 109	$ 226	$ 200	$ 9,211
Total Operating Revenues	8,676	109	226	200	9,211
Operating Expenses:					
Salaries and wages	3,100	302	-	78	3,480
Employee benefits	810	51	-	24	885
Personal services	324	144	25	-	493
Goods and services	2,224	197	134	65	2,620
Travel	-	17	-	7	24
Depreciation and amortization	123	-	-	-	123
Miscellaneous expenses	-	2	-	-	2
Total Operating Expenses	6,581	713	159	174	7,627
Operating Income (Loss)	2,095	(604)	67	26	1,584
Nonoperating Revenues (Expenses):					
Earnings (loss) on investments	1,707	120	10	2	1,839
Grants and Donations	213	-	-	-	213
Pass through of HUD grant	(213)	-	-	-	(213)
Interest expense	(467)	-	-	-	(467)
Total Nonoperating Revenues (Expenses)	1,240	120	10	2	1,372
Net Income (Loss) before Contributions	3,335	(484)	77	28	2,956
Net Assets - Beginning	45,353	4,133	589	90	50,165
Net Assets - Ending	$ 48,688	$ 3,649	$ 666	$ 118	$ 53,121

Schedules

Schedule of Revenues and Other Financing Sources (Uses) - Governmental Funds

For the Fiscal Year Ended June 30, 2003
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	**Total**
Taxes:					
Retail sales	$ 5,578,783	$ -	$ -	$ 26,299	$ 5,605,082
Business and occupation	1,942,986	-	-	47,077	1,990,063
Use (compensating)	369,803	-	-	-	369,803
Motor vehicle and fuel	-	-	-	752,392	752,392
Liquor, beer, and wine	93,329	-	-	40,697	134,026
Cigarette and tobacco	63,182	-	-	299,185	362,367
Insurance premiums	202,899	-	-	113,791	316,690
Public utility	298,167	-	-	10,880	309,047
Property	1,349,206	-	-	133,876	1,483,082
Motor vehicle excise	(36)	-	-	16,497	16,461
Other excise	514,587	-	-	52,288	566,875
Gift and inheritance	124,378	-	-	-	124,378
Other taxes	122,970	-	-	99,891	222,861
Subtotal	10,660,254	-	-	1,592,873	12,253,127
Tax Credits:					
Business and occupation	(50,021)	-	-	-	(50,021)
Use (compensating)	(475)	-	-	-	(475)
Other tax credits	(69)	-	-	-	(69)
Total Taxes	10,609,689	-	-	1,592,873	12,202,562
Licenses, Permits, and Fees:					
Business and professions	54,630	-	-	73,943	128,573
Hunting and fishing	1,457	-	-	27,001	28,458
Motor vehicle	3,524	493	-	326,404	330,421
Motor vehicle operators	(3)	-	-	48,984	48,981
Other fees	15,250	-	-	99,227	114,477
Total Licenses, Permits, and Fees	74,858	493	-	575,559	650,910
Federal Grants-In-Aid:					
Department of Health and Human Services	3,798,790	458,300	-	1,321	4,258,411
Department of Labor	136,609	169	-	109,115	245,893
Department of Agriculture	658,862	25,235	-	52,084	736,181
Department of Transportation	1,302	2,890	-	589,595	593,787
Department of Education	499,668	71,661	-	425	571,754
Other federal grants-in-aid	258,637	214,674	-	94,589	567,900
Total Federal Grants-In-Aid	5,353,868	772,929	-	847,129	6,973,926
Charges For Services:					
Tuition and student fees	-	785,488	-	29,272	814,760
Other charges	37,012	182,694	2	346,828	566,536
Total Charges For Services	37,012	968,182	2	376,100	1,381,296
Miscellaneous Revenue:					
Investment income	35,543	55,163	94,829	66,400	251,935
Timber sales	3,880	-	7,725	117,135	128,740
Fines and forfeitures	3,793	3,782	-	93,088	100,663
Other contracts and grants	223,678	406,671	-	14,475	644,824
Other	156,143	84,550	38,712	401,647	681,052
Total Miscellaneous Revenue	423,037	550,166	141,266	692,745	1,807,214
Total Revenues	16,498,464	2,291,770	141,268	4,084,406	23,015,908
Other Financing Sources (Uses):					
Bonds issued	-	-	-	775,487	775,487
Refunding bonds issued	-	-	-	753,160	753,160
Payment to refunded bond escrow agent	-	-	-	(790,119)	(790,119)
Notes issued	11,392	18,629	-	2,106	32,127
Bond issue premium (discount)	-	(237)	-	58,350	58,113
Transfers in	587,990	176,227	1,688	2,009,237	2,775,142
Transfers (out)	(727,962)	(240,932)	(88,607)	(1,088,815)	(2,146,316)
Capital lease acquisitions	-	7,040	-	-	7,040
Total Other Financing Sources (Uses)	(128,580)	(39,273)	(86,919)	1,719,406	1,464,634
Total Revenues and Other Financing Sources (Uses)	$ 16,369,884	$ 2,252,497	$ 54,349	$ 5,803,812	$ 24,480,542

Schedule of Expenditures - Governmental Funds

For the Fiscal Year Ended June 30, 2003

(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	**Total**
By Function:					
General government	$ 534,036	$ -	$ -	$ 1,477,919	$ 2,011,955
Human services	8,562,254	-	-	1,094,046	9,656,300
Natural resources and recreation	292,207	-	-	517,044	809,251
Transportation	16,207	870	-	2,051,542	2,068,619
Education	6,934,538	2,120,313	43	952,455	10,007,349
Total Expenditures	$ 16,339,241	$ 2,121,183	$ 43	$ 6,093,007	$ 24,553,474
By Object:					
Salaries and wages	$ 2,283,903	$ 1,012,953	$ 1	$ 868,461	$ 4,165,318
Employee benefits	567,970	263,761	-	183,897	1,015,628
Personal services	92,918	22,429	-	66,022	181,369
Goods and services	944,763	572,094	20	647,346	2,164,222
Travel	35,215	51,790	8	28,469	115,483
Subtotal	3,924,769	1,923,027	28	1,794,196	7,642,020
Grants and Subsidies:					
K-12 basic education	5,503,296	-	-	243,048	5,746,344
Public assistance	6,041,521	-	-	370,085	6,411,606
Other miscellaneous	761,782	95,578	14	1,207,587	2,064,961
Total Grants and Subsidies	12,306,599	95,578	14	1,820,720	14,222,911
Intergovernmental	26,774	-	-	314,597	341,371
Capital Outlays:					
Equipment	31,968	54,234	-	40,170	126,373
All other	33,111	34,343	1	1,294,779	1,362,234
Total Capital Outlays	65,079	88,577	1	1,334,949	1,488,607
Debt Service:					
Principal	15,815	10,037	-	415,136	440,988
Interest	205	3,965	-	413,408	417,578
Total Debt Service	16,020	14,002	-	828,544	858,566
Total Expenditures	$ 16,339,241	$ 2,121,183	$ 43	$ 6,093,007	$ 24,553,474

Workers' Compensation Fund - Basic Plan
Claims Development Information
Fiscal Years 1994 through 2003 (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 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.

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
1.	Net earned required contribution and investment revenues	$ 1,355	$ 1,385	$ 1,274	$ 1,257	$ 2,013	$ 927	$ 1,057	$ 1,449	$ 1,197	$ 2,111
2.	Estimated incurred claims and expenses, end of policy year	1,805	1,637	1,620	1,681	1,700	1,732	1,902	1,925	2,124	2,284
3.	Paid (cumulative) as of:										
	End of policy year	183	183	192	191	196	205	218	230	226	233
	One year later	380	389	396	409	420	438	473	494	500	
	Two years later	490	494	502	522	545	564	608	646		
	Three years later	557	561	568	596	627	643	706			
	Four years later	605	607	617	651	684	707				
	Five years later	642	644	658	693	731					
	Six years later	674	676	692	731						
	Seven years later	702	703	721							
	Eight years later	727	728								
	Nine years later	751									
4.	Reestimated incurred claims and expenses:										
	End of policy year	1,805	1,637	1,620	1,681	1,700	1,732	1,902	1,925	2,124	2,284
	One year later	1,561	1,533	1,565	1,602	1,627	1,690	1,838	1,963	2,158	
	Two years later	1,484	1,493	1,507	1,553	1,651	1,694	1,913	2,067		
	Three years later	1,465	1,459	1,455	1,575	1,643	1,770	1,977			
	Four years later	1,413	1,425	1,500	1,576	1,678	1,794				
	Five years later	1,382	1,438	1,466	1,601	1,690					
	Six years later	1,425	1,413	1,471	1,593						
	Seven years later	1,403	1,392	1,456							
	Eight years later	1,363	1,389								
	Nine years later	1,360									
5.	Increase (decrease) in estimated incurred claims and expenses from end of policy year	(445)	(248)	(164)	(88)	(10)	62	75	142	34	

Workers' Compensation Fund - Supplemental Pension Plan
Claims Development Information
Fiscal Years 1994 through 2003 (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 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.
(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.

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
1.	Net earned required contribution and investment revenues	$ 159	$ 168	$ 173	$ 154	$ 170	$ 193	$ 225	$ 267	$ 281	$ 293
2.	Estimated incurred claims and expenses, end of policy year	922	757	751	795	790	548	635	628	807	1,029
3.	Paid (cumulative) as of:										
	End of policy year	-	-	-	-	-	-	-	-	-	-
	One year later	2	1	3	4	6	7	8	5	2	
	Two years later	4	4	8	11	14	12	12	8		
	Three years later	6	6	9	13	17	18	17			
	Four years later	8	9	14	20	24	24				
	Five years later	12	14	20	27	30					
	Six years later	16	19	26	34						
	Seven years later	21	25	33							
	Eight years later	28	31								
	Nine years later	34									
4.	Reestimated incurred claims and expenses:										
	End of policy year	922	757	751	795	790	548	635	628	807	1,029
	One year later	725	732	793	812	527	666	730	786	945	
	Two years later	714	760	792	610	727	754	844	910		
	Three years later	746	760	633	753	798	860	959			
	Four years later	744	621	754	817	860	932				
	Five years later	610	704	773	864	924					
	Six years later	696	715	790	898						
	Seven years later	706	692	810							
	Eight years later	667	764								
	Nine years later	701									
5.	Increase (decrease) in estimated incurred claims and expenses from end of policy year	(221)	7	59	103	134	384	324	282	138	

Workers' Compensation Fund
Reconciliation of Claims Liabilities by Plan
Fiscal Years 2003 and 2002 (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	
	FY 2003	FY 2002	FY 2003	FY 2002
Unpaid claims and claim adjustment expenses at beginning of year	$ 7,696,421	$ 7,263,113	$ 7,186,678	$ 6,980,000
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current year	1,310,069	1,142,693	326,067	254,736
Increase (decrease) in provision for insured events of prior years	202,887	405,682	650,524	242,355
Total incurred claims and claim adjustment expenses	1,512,956	1,548,375	976,591	497,091
Payments:				
Claims and claim adjustment expenses attributable:				
To events of the current year	232,797	225,567	-	-
To insured events of prior years	979,307	889,500	296,690	290,413
Total payments	1,212,104	1,115,067	296,690	290,413
Total unpaid claims and claim adjustment expenses at fiscal year end	$ 7,997,273	$ 7,696,421	$ 7,866,579	$ 7,186,678

STATISTICAL SECTION

Table 1 - Revenues, Expenditures, and Other Financing Sources (Uses)

All Governmental Fund Types

Fiscal Years 1994 through 2003 (dollars in millions)

	2003*	2002*	2001	2000	1999	1998	1997	1996	1995	1994
Revenues:										
Taxes:										
Retail sales	$ 5,605.1	$ 5,499.6	$ 5,525.0	$ 5,432.5	$ 4,989.0	$ 4,652.4	$ 4,436.5	$ 4,177.6	$ 4,117.9	$ 4,004.9
Business and occupation	1,940.0	1,934.0	2,018.3	1,829.5	1,850.4	1,862.9	1,787.7	1,703.2	1,562.9	1,407.7
Use (compensating)	369.3	379.7	409.6	380.0	333.3	330.3	333.0	295.3	283.3	303.4
Motor vehicle and fuel	752.4	742.7	736.1	964.0	717.8	708.2	685.2	676.7	661.9	632.3
Liquor, beer, and wine	134.0	129.3	125.3	119.2	91.0	129.7	117.0	113.2	105.7	108.8
Cigarette and tobacco	362.4	330.7	264.9	277.3	278.5	276.7	277.6	278.3	218.6	215.3
Insurance premiums	316.7	291.3	279.7	261.2	239.0	228.8	212.2	202.7	205.6	146.3
Public utility	309.0	306.5	302.6	282.1	249.0	242.3	234.4	232.4	207.7	196.3
Property	1,483.1	1,426.2	1,366.7	1,332.8	1,276.8	1,230.9	1,170.6	1,107.3	1,031.9	956.1
Excise	583.3	501.8	509.4	631.5	1,134.7	1,060.8	921.5	836.4	781.6	784.4
Gift and inheritance	124.4	114.2	106.3	82.6	69.7	82.2	88.5	61.4	42.0	35.2
Other (less credits)	222.8	258.4	263.8	215.3	193.5	193.1	148.5	139.2	226.9	208.4
Total Taxes	12,202.6	11,914.4	11,907.7	11,808.1	11,422.7	10,998.3	10,412.7	9,823.7	9,446.0	8,999.1
Licenses, permits, and fees	650.9	612.3	614.2	596.2	556.0	510.7	492.0	476.1	467.5	450.2
Federal grants-in-aid	6,973.9	6,574.3	5,757.5	5,303.9	4,763.0	4,623.5	4,576.9	4,382.0	4,033.2	3,741.6
Charges and miscellaneous revenue	2,936.6	2,769.4	2,146.0	2,015.4	1,724.6	1,683.1	1,646.5	1,489.9	1,411.6	1,262.2
Interest income	251.9	189.2	228.1	202.3	203.3	192.7	175.2	167.3	153.5	150.9
Total Revenues	23,015.9	22,059.6	20,653.6	19,925.9	18,669.7	18,008.3	17,303.3	16,339.0	15,511.8	14,604.0
Expenditures:										
Current:										
General government	803.1	870.1	881.4	706.7	720.4	739.2	1,122.2	987.2	977.5	902.4
Human services	9,537.9	9,339.1	8,379.4	7,708.6	7,045.0	6,827.7	6,526.4	6,145.5	5,570.6	5,042.3
Natural resources and recreation	689.3	640.0	637.2	552.3	553.0	529.4	522.8	498.1	541.6	508.2
Transportation	1,362.7	1,283.1	1,093.7	872.8	873.2	787.0	931.4	859.3	910.4	753.7
Education	9,472.0	9,001.8	8,469.8	7,962.1	7,609.7	7,246.3	7,071.9	6,707.2	6,439.6	6,160.8
Intergovernmental	341.4	349.6	321.1	645.9	441.8	424.4	N/A	N/A	N/A	N/A
Capital outlays	1,488.6	1,205.6	1,192.5	1,188.8	1,179.2	991.3	1,112.2	969.3	1,276.4	1,038.0
Debt service	858.6	830.5	794.7	745.8	701.2	674.2	618.7	604.5	568.8	530.5
Total Expenditures	24,553.5	23,519.8	21,769.8	20,383.0	19,123.5	18,219.5	17,905.6	16,771.1	16,284.9	14,935.9
Revenues Over (Under) Expenditures	(1,537.6)	(1,460.2)	(1,116.2)	(457.1)	(453.8)	(211.2)	(602.3)	(432.1)	(773.1)	(331.9)
Other Financing Sources (Uses):										
Bonds issued net of refunding	796.6	937.8	820.5	581.1	519.8	739.8	638.9	454.0	603.5	649.4
Notes issued	32.1	9.9	23.3	25.9	12.9	15.6	7.8	4.9	4.9	7.5
Net transfers in (out)	628.8	144.7	379.7	197.5	154.6	141.8	133.4	157.9	167.3	132.5
Capital lease acquisitions	7.0	-	10.3	-	-	1.5	0.2	-	19.0	8.1
Net Other Financing Sources (Uses)	1,464.6	1,092.4	1,233.7	804.4	687.3	898.7	780.3	616.8	794.7	797.5
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ (72.9)	$ (367.8)	$ 117.5	$ 347.3	$ 233.5	$ 687.5	$ 178.0	$ 184.7	$ 21.6	$ 465.6

*Certain fund type reclassifications occurred in Fiscal Years 2002 and 2003.

Source: State of Washington Comprehensive Annual Financial Reporting System, GAAP Basis.

Table 2 - Revenues, Expenditures, and Other Financing Sources (Uses)

General Fund

Fiscal Years 1994 through 2003 (dollars in millions)

	2003*	2002	2001	2000	1999	1998	1997	1996	1995	1994
Revenues:										
Taxes:										
Retail sales	$ 5,578.8	$ 5,464.2	$ 5,502.4	$ 5,419.5	$ 4,988.4	$ 4,651.1	$ 4,435.4	$ 4,169.1	$ 4,110.3	$ 3,995.6
Business and occupation	1,893.0	1,889.3	2,031.2	1,838.3	1,846.5	1,867.7	1,750.0	1,670.4	1,546.1	1,391.1
Use (compensating)	369.3	379.0	410.3	380.8	334.0	331.4	333.0	295.3	283.3	303.4
Liquor, beer, and wine	93.3	90.2	87.7	83.7	79.8	77.2	74.6	72.5	73.2	74.5
Cigarette and tobacco	63.2	76.7	97.6	102.0	86.6	84.5	86.3	80.3	92.3	91.9
Insurance premiums	202.9	182.5	177.8	173.4	158.3	153.9	141.3	172.3	203.3	143.9
Public utility	298.2	296.3	302.6	282.1	249.0	242.3	234.4	232.4	207.7	196.2
Property	1,349.2	1,293.1	1,366.7	1,332.8	1,276.8	1,230.9	1,170.6	1,107.3	1,031.9	956.1
Excise	514.6	431.1	476.5	552.7	815.8	815.4	695.3	627.0	610.8	621.1
Gift and inheritance	124.4	114.2	106.3	82.6	69.7	82.2	88.5	61.4	42.0	35.2
Other (less credits)	122.9	125.6	116.3	91.9	114.0	87.9	82.9	73.9	156.2	141.3
Total Taxes	10,609.7	10,342.2	10,675.4	10,339.7	10,019.0	9,624.5	9,092.3	8,561.9	8,357.1	7,950.3
Licenses, permits, and fees	74.9	75.5	123.9	131.2	122.4	101.5	95.1	88.3	91.0	89.4
Federal grants-in-aid	5,353.9	5,130.9	4,633.6	4,304.6	3,864.0	3,794.5	3,595.8	3,438.4	3,014.1	2,734.7
Charges and miscellaneous revenue	424.5	337.8	500.7	487.2	451.5	473.1	443.6	382.3	417.0	424.0
Interest income	35.5	19.6	111.4	106.6	99.1	90.1	82.9	76.3	80.2	90.2
Total Revenues	16,498.5	15,906.0	16,045.0	15,369.3	14,556.0	14,083.7	13,309.7	12,547.2	11,959.4	11,288.6
Expenditures:										
Current:										
General government	495.6	526.6	673.7	551.0	569.3	610.6	736.8	639.9	620.1	567.4
Human services	8,538.4	8,303.8	7,653.1	7,055.2	6,502.7	6,338.9	5,999.8	5,786.1	5,309.0	4,831.7
Natural resources and recreation	270.5	262.9	368.4	296.6	299.3	274.4	279.3	250.8	268.7	231.7
Transportation	16.0	28.6	48.3	45.5	41.3	26.5	24.5	24.1	30.7	36.1
Education	6,910.8	6,777.8	6,608.2	6,241.0	5,982.8	5,755.4	5,557.1	5,338.0	5,167.0	4,991.0
Intergovernmental	26.8	23.1	57.1	172.4	185.7	179.6	N/A	N/A	N/A	N/A
Capital outlays	65.1	57.5	95.4	71.5	85.1	72.2	72.0	77.7	185.3	105.2
Debt service	16.0	12.2	18.5	19.7	18.5	25.9	13.2	19.4	18.7	17.1
Total Expenditures	16,339.2	15,992.5	15,522.7	14,452.9	13,684.7	13,283.5	12,682.7	12,136.0	11,599.5	10,780.2
Revenues Over (Under) Expenditures	159.3	(86.5)	522.3	916.4	871.3	800.2	627.0	411.2	359.9	508.4
Other Financing Sources (Uses):										
Notes issued	11.4	7.0	5.7	4.0	3.5	2.0	3.3	1.1	2.8	4.9
Net transfers in (out)	(140.0)	(64.5)	(612.0)	(658.6)	(588.8)	(436.1)	(519.1)	(307.2)	(337.3)	(222.1)
Capital lease acquisitions	-	-	-	-	-	-	-	-	17.5	5.7
Net Other Financing Sources (Uses)	(128.6)	(57.5)	(606.2)	(654.5)	(585.3)	(434.1)	(515.8)	(306.1)	(317.0)	(211.5)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ 30.7	$ (144.0)	$ (83.9)	$ 261.9	$ 286.0	$ 366.1	$ 111.2	$ 105.1	$ 42.9	$ 296.9

Source: State of Washington Comprehensive Annual Financial Reporting System, GAAP Basis.

Table 3A - Property Tax Levies and Collections

Calendar Years 1993 through 2002 (dollars in millions)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Total Property Tax Levies	$ 5,978	$ 5,711	$ 5,412	$ 5,083	$ 4,723	$ 4,571	$ 4,293	$ 4,010	$ 3,719	$ 3,477
Current tax collections	$ 5,734	$ 5,521	$ 5,204	$ 4,891	$ 4,546	$ 4,407	$ 4,129	$ 3,856	$ 3,578	$ 3,334
Delinquent tax collections	166	158	149	136	131	118	118	105	112	108
Total Tax Collections	$ 5,900	$ 5,679	$ 5,353	$ 5,027	$ 4,677	$ 4,525	$ 4,247	$ 3,961	$ 3,690	$ 3,442
Outstanding delinquent taxes	$ 108	$ 95	$ 89	$ 86	$ 79	$ 77	$ 75	$ 70	$ 71	$ 74
Percent of current taxes collected	95.9%	96.7%	96.2%	96.2%	96.3%	96.4%	96.2%	96.2%	96.2%	95.9%
Ratio of total tax collections to tax levy	98.7%	99.4%	98.9%	98.9%	99.0%	99.0%	98.9%	98.8%	99.2%	99.0%
Ratio of delinquent taxes to total tax levy	1.8%	1.7%	1.6%	1.7%	1.7%	1.7%	1.7%	1.7%	1.9%	2.1%

Source: Tax Statistics, Washington State Department of Revenue.

Table 3B - Assessed and Estimated Actual Value of Property

Calendar Years 1993 through 2002 (dollars in millions)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Real Property										
Assessed value	$ 473,121	$ 444,313	$ 410,088	$ 375,084	$ 350,203	$ 324,134	$ 303,221	$ 288,297	$ 273,688	$ 255,822
Estimated actual value	527,978	496,391	459,908	422,543	390,079	359,568	336,838	329,199	305,605	287,739
Personal Property										
Assessed value	33,717	34,374	31,103	29,573	28,384	27,774	27,222	25,285	24,074	22,477
Estimated actual value	35,623	35,905	32,773	30,419	29,346	29,879	28,389	26,271	24,884	23,881
Total										
Assessed value	$ 506,838	$ 478,687	$ 441,191	$ 404,657	$ 378,587	$ 351,908	$ 330,443	$ 313,582	$ 297,762	$ 278,299
Estimated actual value	563,601	532,296	492,681	452,962	419,425	389,447	365,227	355,470	330,489	311,620
Ratio of total assessed value to total estimated actual value	89.9%	89.9%	89.5%	89.3%	90.3%	90.4%	90.5%	88.2%	90.1%	89.3%

Source: Tax Statistics, Washington State Department of Revenue.

Table 3C - Property Tax Levies

Overlapping Governments

Calendar Years 1993 through 2002 (dollars in millions)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
State	$ 1,445	$ 1,397	$ 1,326	$ 1,278	$ 1,238	$ 1,189	$ 1,099	$ 1,066	$ 981	$ 908
Local school districts	1,896	1,802	1,727	1,604	1,458	1,415	1,333	1,187	1,115	1,041
Counties	1,066	1,020	972	924	872	849	820	789	731	685
Cities and towns	829	798	734	666	632	589	549	503	470	444
Other districts	742	694	653	611	523	529	492	465	422	399
Total Property Tax Levies	$ 5,978	$ 5,711	$ 5,412	$ 5,083	$ 4,723	$ 4,571	$ 4,293	$ 4,010	$ 3,719	$ 3,477

Source: Tax Statistics, Washington State Department of Revenue.

Table 4A - Property Value and Construction

Calendar Years 1993 through 2002 (dollars in millions)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Property Value:										
Assessed value	$ 506,838	$ 478,687	$ 441,192	$ 404,657	$ 378,587	$ 378,587	$ 330,443	$ 313,582	$ 297,762	$ 278,299
Exemptions:										
Senior citizen	$ 3,327	$ 4,066	$ 4,187	$ 4,609	$ 4,796	$ 2,883	$ 2,999	$ 3,037	$ 2,980	$ 2,895
Head of household	56	53	47	43	47	44	54	50	49	56
Total Exemptions	$ 3,383	$ 4,119	$ 4,234	$ 4,652	$ 4,843	$ 2,927	$ 3,053	$ 3,087	$ 3,029	$ 2,951
New Construction:										
Value	$ 10,724	$ 10,896	$ 10,527	$ 9,542	$ 9,195	$ 8,497	$ 6,818	$ 7,794	$ 7,269	$ 7,291

Source: Tax Statistics, Washington State Department of Revenue.

Table 4B - Residential Building Activity

Calendar Years 1993 through 2002 (dollars in millions)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Permits	40,200	38,345	39,021	42,752	45,727	41,089	39,597	38,445	44,854	40,236
Valuations	$ 5,473	$ 4,689	$ 4,426	$ 4,578	$ 4,745	$ 4,225	$ 3,773	$ 3,578	$ 4,227	$ 3,673

Source: U.S. Department of Commerce, Bureau of the Census.

Table 4C - Accrued State Retail Sales Tax*

Calendar Years 1993 through 2002 (dollars in millions)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Sales Subject to Retail Sales Tax:										
Gross	$126,515	$127,819	$128,778	$118,527	$110,400	$102,800	$ 95,648	$ 90,107	$ 86,436	$ 81,249
Taxable	85,361	84,899	85,339	80,228	74,577	69,975	64,301	62,315	60,586	56,962
Accrued State Retail Sales Tax*	5,549	5,518	5,547	5,215	4,847	4,548	4,179	4,054	3,939	3,703

*State tax only, excludes accrued local sales tax revenues.
Source: Quarterly Business Review, Washington State Department of Revenue.

Table 5A - Ratio of Net General and Limited Obligation Bonded Debt to Assessed Value & Net General and Limited Obligation Bonded Debt Per Capita

Fiscal Years 1993 through 2002

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Population (in thousands) (1)	6,042	5,975	5,894	5,831	5,750	5,664	5,568	5,470	5,364	5,266
Assessed Value (in millions) (2)	$ 506,838	$ 478,687	$ 441,191	$ 404,657	$ 378,587	$ 351,908	$ 330,443	$ 313,582	$ 297,762	$ 278,299
Net Bonded Debt (in millions) (3):										
Gross Bonded Debt	$ 8,512	$ 7,679	$ 7,278	$ 6,884	$ 6,608	$ 6,192	$ 5,831	$ 5,650	$ 5,310	$ 4,611
Less:										
Debt Service Funds	102	83	211	88	88	80	82	80	97	101
Net Bonded Debt	$ 8,410	$ 7,596	$ 7,067	$ 6,796	$ 6,520	$ 6,112	$ 5,749	$ 5,570	$ 5,213	$ 4,510
Ratio of Net Bonded Debt to Assessed Value	1.66%	1.59%	1.60%	1.68%	1.72%	1.74%	1.74%	1.78%	1.75%	1.62%
Net Bonded Debt Per Capita	$ 1,392	$ 1,271	$ 1,199	$ 1,165	$ 1,134	$ 1,079	$ 1,033	$ 1,018	$ 972	$ 856

Sources: (1) Washington State Economic and Revenue Forecast Council.
(2) Tax Statistics, Washington State Department of Revenue.
(3) Washington Office of the State Treasurer.

Table 5B - Selected Financial Ratios

Calendar Years 1993 through 2002

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
State bonded debt per capita	$ 1,390	$ 1,287	$ 1,248	$ 1,184	$ 1,130	$ 1,138	$ 1,075	$ 1,043	$ 1,028	$ 962
State bonded debt as a percentage of personal income	4.24%	4.01%	3.99%	3.92%	4.07%	4.29%	4.29%	4.42%	4.53%	4.38%
Total debt service as a percentage of personal income	0.40%	0.44%	0.40%	0.39%	0.43%	0.43%	0.46%	0.47%	0.45%	0.46%
State bonded debt as a percentage of market value of taxable property	1.49%	1.44%	1.49%	1.52%	1.55%	1.66%	1.64%	1.61%	1.67%	1.63%
Factors:										
Population (thousands) (1)	6,042	5,975	5,894	5,831	5,750	5,664	5,568	5,470	5,364	5,266
Personal income (in millions) (1)	$ 198,200	$ 191,800	$ 184,300	$ 176,200	$ 159,674	$ 150,368	$ 139,516	$ 129,117	$ 121,606	$ 115,788
Total debt service (in millions) (2)	$ 786	$ 852	$ 743	$ 690	$ 693	$ 643	$ 635	$ 607	$ 546	$ 529
Market value of taxable property (in millions) (3)	$ 563,601	$ 532,296	$ 492,681	$ 452,962	$ 419,425	$ 389,447	$ 365,227	$ 355,470	$ 330,489	$ 311,620
State bond debt (in millions) (2)	$ 8,397	$ 7,687	$ 7,355	$ 6,903	$ 6,497	$ 6,446	$ 5,988	$ 5,706	$ 5,512	$ 5,067

Sources: (1) Washington State Economic and Revenue Forecast Council.
(2) Washington Office of the State Treasurer.
(3) Tax Statistics, Washington State Department of Revenue.

Table 6A - Ratio of Annual Debt Service to Expenditures

All Governmental Fund Types

Fiscal Years 1994 through 2003 (dollars in millions)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Principal	$ 441.0	$ 428.9	$ 399.9	$ 388.2	$ 351.1	$ 336.0	$ 300.0	$ 304.6	$ 274.3	$ 273.7
Interest	417.6	401.6	394.9	359.1	350.1	338.2	318.7	299.9	294.6	256.9
Total Debt Service	$ 858.6	$ 830.5	$ 794.8	$ 747.3	$ 701.2	$ 674.2	$ 618.7	$ 604.5	$ 568.9	$ 530.6
Total Governmental Funds' Expenditures	$ 24,553.5	$ 23,519.8	$ 21,769.8	$ 20,383.0	$ 19,123.5	$ 18,219.5	$ 17,905.6	$ 16,771.1	$ 16,284.9	$ 14,935.9
Ratio of Debt Service to Governmental Funds' Expenditures	3.5	3.5	3.7	3.7	3.7	3.7	3.5	3.6	3.5	3.6

Source: Washington State Office of Financial Management - Accounting Division.

Table 6B - Revenue Bond Coverage

Fiscal Years 1994 through 2003 (dollars in millions)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Gross Revenues (1)	$ 1,015	$ 912	$ 838	$ 775	$ 758	$ 712	$ 636	$ 676	$ 631	$ 520
Operating Expenses (2)	917	854	806	716	674	603	548	591	528	456
Net Revenue Available for Debt Service	$ 98	$ 58	$ 32	$ 59	$ 84	$ 109	$ 88	$ 85	$ 103	$ 64
Debt Service Requirements:										
Principal	$ 8	$ 8	$ 6	$ 5	$ 6	$ 6	$ 6	$ 6	$ 5	$ 6
Interest	17	12	12	10	8	8	8	9	10	8
Total Debt Service Requirements	$ 25	$ 20	$ 18	$ 15	$ 14	$ 14	$ 14	$ 15	$ 15	$ 14
Coverage Ratio	3.92	2.90	1.78	3.93	6.00	7.79	6.29	5.67	6.87	4.57

(1) Total revenues (including earnings on investments).
(2) Total operating expenses exclusive of depreciation.

Source: Washington State Office of Financial Management - Accounting Division.

Table 7A - Total Resident Population and Components of Change

Calendar Years 1994 through 2003 (figures in thousands)

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Population	6,098.3	6,041.7	5,974.9	5,894.1	5,830.8	5,750.0	5,663.8	5,567.8	5,470.1	5,364.3
Population change:										
Number	56.6	66.8	80.8	63.3	80.8	86.3	96.0	97.7	105.8	98.6
Percent	0.9	1.1	1.4	1.1	1.4	1.5	1.7	1.8	2.0	1.9
Births number	78.9	79.3	80.7	79.9	79.8	78.8	78.0	77.0	77.5	78.2
Deaths number	45.4	44.9	43.9	43.7	43.1	41.6	42.6	41.2	40.0	39.5
Net migration number	23.1	32.4	44.0	27.2	44.2	49.0	60.6	61.8	68.3	60.0

Notes: Births, deaths, and migration year figures are April through March.
Population figures are as of April 1 of each year.
Birth and death figures are estimated for the years 2002 and 2003.

Source: Washington State Office of Financial Management - November 2003 forecast.

Table 7B - Employment Comparison

Washington vs. United States

Calendar Years 1993 through 2002 (figures in thousands)

Total Civilian	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Labor Force:										
Washington State	3,097	3,015	3,051	3,075	3,038	2,983	2,874	2,804	2,707	2,701
Percent change	2.7	(1.2)	(0.8)	1.2	1.8	3.8	2.5	3.6	0.2	1.9
United States	145,100	143,900	142,600	141,000	139,100	137,600	134,900	133,100	131,700	130,500
Percent change	0.8	0.9	1.1	1.4	1.1	2.0	1.4	1.1	1.6	1.1
Employment:										
Washington State	2,871	2,822	2,892	2,929	2,893	2,841	2,687	2,626	2,533	2,495
Percent change	1.7	(2.4)	(1.3)	1.2	1.8	5.7	2.3	3.7	1.5	1.9
United States	136,700	137,100	136,900	135,100	132,800	130,800	127,600	125,700	123,600	120,600
Percent change	(0.2)	0.1	1.4	1.7	1.6	2.5	1.6	1.6	2.5	1.6

Source: Washington State Economic and Revenue Forecast Council - November 2003 forecast.

Table 8A - Washington's Twenty-Five Largest Public Companies
(Ranked by 2001 Revenues)

Ranking	Company	Description of company	Revenues (in millions)
1	Costco Wholesale Corp.	Worldwide wholesale club operator	$ 34,797.0
2	Microsoft Corp.	Software development	25,296.0
3	Washington Mutual Inc.	National financial services	17,692.0
4	Weyerhaeuser Co.	Natural resource and forest products	14,545.0
5	AT&T Wireless Services Inc.	Digital wireless networking	13,610.0
6	Safeco Corp.	Financial services and insurance	6,862.5
7	Paccar Inc.	Heavy-duty truck manufacturing and financial services	6,088.8
8	Avista Corp.	Holding company for utilities	6,009.8
9	Nordstrom Inc.	Apparel retailer	5,634.1
10	Puget Energy Inc.	Supplies utilities to Washington state	3,374.0
11	Airborne Inc.	Air courier services	3,211.1
12	Amazon.com Inc.	Online retailer	3,122.4
13	Starbucks Corp.	Coffee roaster and retailer	2,649.0
14	Consolidated Freightways Corp.	Long-distance, less-than-truckload carrier	2,237.7
15	Alaska Air Group Inc.	Holding company for Alaska and Horizon airlines	2,140.9
16	Potlatch Corp.	Paper and paper products	1,752.0
17	Expeditors International of Washington Inc.	International logistics company	1,652.6
18	Western Wireless Corp.	Wireless telecommunications	1,073.4
19	Immunex Corp.	Immune system science developer	986.8
20	Labor Ready Inc.	Temporary employment services	917.0
21	Longview Fibre Co.	Natural resource and forest products	876.0
22	Plum Creek Timber Co. Inc.	Natural resource and forest products	598.0
23	Washington Federal Savings	Specializing in real estate loans	546.5
24	Zones Inc.	Computer and software mail-order seller	541.1
25	Esterline Technologies Corp.	Specialized manufacturing company	491.2

Source: Puget Sound Business Journal 2003 Book of Lists

Table 8B - Fortune 500 Companies Headquartered in Washington

Ranking 2002	Ranking 2001	Company	Revenues (in millions)	Profits (in millions)	Employees Worldwide	Headquarters/ Location
33	44	Costco Wholesale Corp.	$ 38,762.5	$ 700	69,000	Issaquah
47	72	Microsoft Corp.	28,365.0	7,829	50,500	Redmond
94	116	Washington Mutual Inc.	19,037.0	3,896	52,459	Seattle
96	140	Weyerhaeuser Co.	18,521.0	241	56,787	Federal Way
119	N/A	AT&T Wireless Services Inc.	15,632.0	(2,324)	31,000	Redmond
257	295	Paccar Inc.	7,218.6	372	16,500	Bellevue
260	267	Safeco Corp.	7,065.1	301	11,000	Seattle
293	314	Nordstrom Inc.	5,975.1	90	44,000	Seattle
407	492	Amazon.com Inc.	3,932.9	(149)	7,500	Seattle
458	479	Airborne Inc.	3,343.7	15	18,850	Seattle
465	N/A	Starbucks Corp.	3,288.9	215	62,000	Seattle

Source: Fortune, April 14, 2003

Table 9A - Labor Force and Employment by Sector

Calendar Years 1993 through 2002 (figures in thousands)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Resident Civilian Labor Force and Employment in Washington State (1)										
Civilian labor force	3,096.9	3,015.2	3,050.7	3,074.7	3,037.9	2,983.3	2,873.9	2,804.4	2,706.5	2,701.0
Unemployment	225.9	192.9	159.1	145.4	144.6	142.1	186.8	178.6	173.7	205.9
Total Employment	2,871.0	2,822.3	2,891.6	2,929.3	2,893.3	2,841.2	2,687.1	2,625.9	2,532.8	2,495.0
Unemployment percentage rate	7.3%	6.4%	5.2%	4.7%	4.8%	4.8%	6.5%	6.4%	6.4%	7.6%
Nonagricultural Wage and Salary Workers Employed in Washington State										
Manufacturing:										
Food	35.5	37.2	38.9	38.6	38.3	39.1	40.1	39.9	38.4	37.8
Wood products	18.0	18.9	21.9	21.2	21.9	22.9	22.7	22.5	22.5	22.1
Paper and paper products	13.3	14.1	14.4	15.2	15.6	15.6	15.6	15.7	15.4	15.4
Primary and fabricated metals	23.6	27.0	29.8	30.0	31.4	30.7	29.4	28.0	26.2	25.6
Computer and electronic equipment	26.2	32.4	34.3	33.3	34.9	33.5	30.1	27.5	26.0	26.4
Machinery and electrical equipment	16.7	18.6	19.8	19.2	18.3	17.8	16.5	15.5	14.0	13.5
Aerospace	75.8	87.2	86.1	98.2	111.9	105.0	86.4	80.2	90.7	101.4
Other manufacturing	76.7	80.7	86.6	87.7	88.0	85.7	84.2	82.0	78.5	75.0
Total Manufacturing	285.8	316.1	331.8	343.4	360.3	350.3	325.0	311.3	311.7	317.2
Nonmanufacturing:										
Natural resources	9.3	9.8	10.0	10.6	10.3	10.8	10.5	10.4	10.1	10.1
Construction	154.8	158.8	160.6	153.8	143.4	137.3	127.4	122.5	122.6	118.7
Transportation, warehousing and utilities	88.4	92.4	95.4	94.3	93.5	90.1	89.4	87.6	85.5	84.3
Trade	421.2	431.5	436.5	424.8	412.5	400.7	390.8	380.8	368.7	362.0
Information	93.6	99.0	97.6	85.2	77.2	72.4	68.4	64.2	58.9	56.0
Financial activities	145.6	145.2	142.3	142.8	136.3	128.5	124.9	121.7	123.6	121.6
Services	939.3	939.1	953.7	919.4	895.2	866.0	828.5	803.9	785.9	757.1
State and local government	446.9	437.6	413.5	406.8	398.7	390.2	382.0	374.3	365.7	357.6
Federal civilian government	69.2	67.9	69.9	67.6	67.2	67.9	68.6	70.1	71.5	72.3
Total Nonmanufacturing	2,368.3	2,381.3	2,379.5	2,305.3	2,234.3	2,163.9	2,090.5	2,035.5	1,992.5	1,939.7
Total Wage and Salary Workers	2,654.1	2,697.4	2,711.3	2,648.7	2,594.6	2,514.2	2,415.5	2,346.8	2,304.2	2,256.9

Notes: (1) Average of monthly data.

Source: Washington State Economic and Revenue Forecast Council - November 2003 forecast.

Table 9B - Average Annual Wage Rates

Calendar Years 1993 through 2002

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Mining	$ 49,092	$ 48,713	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Construction	43,253	42,343	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Manufacturing	51,358	48,205	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Transportation, warehousing and utilities	42,827	41,356	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Retail trade	27,479	26,422	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wholesale trade	51,108	50,164	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Information	99,930	112,163	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Financial activities	48,446	47,001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Services	33,546	32,564	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State and local government	35,550	34,172	32,905	31,472	30,434	29,430	28,784	28,028	27,298	26,934
Federal civilian government	48,518	46,560	44,423	42,733	42,256	41,132	39,754	37,553	36,007	34,823

Note: Employment and wages are reported on by North American Industry Code (NAIC). Wages are not available before 2001 on a NAIC basis for most industry sectors.

Source: Washington State Economic and Revenue Forecast Council - November 2003 forecast.

Table 10A - Personal Income Comparison

Washington vs. United States

Calendar Years 1993 through 2002 (dollars in billions)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
In Current Dollars:										
Washington										
Amount	$ 198.2	$ 191.6	$ 186.8	$ 174.1	$ 163.2	$ 150.2	$ 139.3	$ 129.7	$ 123.3	$ 117.6
Percent change	3.4	2.6	7.3	6.7	8.6	7.8	7.4	5.1	4.9	4.4
United States										
Amount	$ 8,922.2	$ 8,685.3	$ 8,406.6	$ 7,786.5	$ 7,426.0	$ 6,937.0	$ 6,547.4	$ 6,200.9	$ 5,888.1	$ 5,610.0
Percent change	2.7	3.3	8.0	4.9	7.0	6.0	5.6	5.3	5.0	4.1
In 1996 Constant Dollars:										
Washington										
Amount	$ 178.5	$ 174.9	$ 174.0	$ 166.3	$ 158.4	$ 147.3	$ 139.3	$ 132.5	$ 128.9	$ 125.4
Percent change	2.0	0.5	4.6	5.0	7.5	5.8	5.2	2.8	2.8	2.0
United States										
Amount	$ 8,033.3	$ 7,927.3	$ 7,827.7	$ 7,434.6	$ 7,207.2	$ 6,804.5	$ 6,547.0	$ 6,333.8	$ 6,151.8	$ 5,980.1
Percent change	1.3	1.3	5.3	3.2	5.9	3.9	3.4	3.0	2.9	1.7

Source: Washington State Economic and Revenue Forecast Council - November 2003 forecast.

Table 10B - Personal Income by Component

Calendar Years 1993 through 2002 (dollars in billions)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Total personal income	$ 198.2	$ 191.6	$ 186.8	$ 174.1	$ 163.2	$ 150.2	$ 139.3	$ 129.7	$ 123.3	$ 117.6
Percent change	3.4	2.6	7.3	6.7	8.6	7.8	7.4	5.1	4.8	4.4
Total earnings	$ 139.6	$ 137.2	$ 135.9	$ 128.1	$ 117.4	$ 107.3	$ 98.9	$ 92.1	$ 88.4	$ 85.1
Percent change	1.8	1.0	6.1	9.2	9.4	8.5	7.4	4.1	3.9	4.1
Wages and salaries	$ 111.1	$ 110.8	$ 110.1	$ 103.8	$ 94.3	$ 85.4	$ 77.3	$ 71.6	$ 67.6	$ 64.4
Percent change	0.3	0.6	6.0	10.1	10.5	10.5	7.9	6.0	4.9	2.7
Other labor income	$ 13.1	$ 12.2	$ 11.6	$ 11.1	$ 10.5	$ 10.2	$ 10.0	$ 9.7	$ 9.9	$ 9.4
Percent change	7.9	4.5	5.3	4.8	3.5	1.7	3.1	(1.6)	5.2	5.1
Farm proprietor's income	$ 0.2	$ 0.0	$ 0.3	$ 0.1	$ 0.5	$ 0.5	$ 0.9	$ 0.6	$ 0.6	$ 1.0
Percent change	1,568.1	(95.5)	209.8	(83.8)	11.0	(46.7)	57.2	(6.9)	(40.9)	17.4
Nonfarm proprietor's income	$ 15.2	$ 14.3	$ 13.9	$ 13.2	$ 12.0	$ 11.2	$ 10.7	$ 10.2	$ 10.4	$ 10.3
Percent change	6.4	2.3	5.7	10.1	6.8	4.8	5.2	(1.8)	0.8	11.2
Less: Personal contributions for										
social insurance	$ 8.7	$ 8.4	$ 8.2	$ 7.9	$ 7.2	$ 6.6	$ 6.1	$ 5.7	$ 5.4	$ 5.1
Percent change	3.0	2.4	4.4	9.5	8.7	9.4	6.1	5.8	6.4	3.2
Plus: Residence adjustment	$ 2.7	$ 2.1	$ 2.2	$ 2.0	$ 1.7	$ 1.6	$ 1.5	$ 1.3	$ 1.2	$ 1.1
Percent change	25.3	(4.0)	13.0	14.9	4.8	11.5	13.9	11.4	5.7	6.1
Dividends, interest, and rent	$ 36.9	$ 36.5	$ 35.3	$ 31.4	$ 31.7	$ 28.9	$ 26.6	$ 24.4	$ 22.7	$ 20.8
Percent change	1.1	3.4	12.5	(1.1)	9.8	8.5	9.1	7.3	9.4	2.8
Transfer payments	$ 27.7	$ 24.2	$ 21.7	$ 20.6	$ 19.6	$ 19.0	$ 18.4	$ 17.6	$ 16.4	$ 15.7
Percent change	14.3	12.0	5.3	4.9	2.9	3.5	4.5	7.3	4.5	8.1

Note: Figures may not total due to rounding.

Source: Washington State Economic and Revenue Forecast Council - November 2003 forecast.

Table 11A - Full-Time Equivalent Staff Comparison

Budgeted Funds

Fiscal Years 1994 through 2003

Function	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
General government	8,867	8,761	8,637	8,510	8,416	8,179	8,228	8,024	8,438	8,031
Human services	32,909	33,080	32,884	32,587	32,003	30,665	30,201	29,823	29,490	28,810
Natural resources and recreation	6,275	6,307	6,190	5,955	5,921	5,910	6,057	6,079	6,532	6,242
Transportation	10,410	10,531	10,250	10,254	10,140	9,827	9,958	9,753	9,947	10,047
Education	45,802	45,139	44,081	42,623	41,426	40,448	39,238	38,116	37,484	36,474
Total	104,263	103,818	102,042	99,929	97,906	95,029	93,682	91,795	91,891	89,604

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.
FTEs of nonbudgeted Higher Education funds.

Source: Washington State Office of Financial Management - Accounting Division.

Table 11B - Full-Time Equivalent Staff Comparison

General Fund State

Fiscal Years 1994 through 2003

Function	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
General government	3,030	2,904	2,925	2,874	2,870	2,763	2,874	2,769	3,212	2,758
Human services	17,701	17,398	17,132	16,122	16,242	16,159	15,593	14,878	13,424	14,536
Natural resources and recreation	2,066	2,189	2,157	1,902	1,787	1,637	1,842	1,773	2,289	2,097
Transportation	188	391	416	405	407	211	222	174	296	361
Education	18,512	18,555	18,464	17,944	17,681	17,358	16,846	16,391	17,936	18,137
Total	41,497	41,437	41,094	39,247	38,987	38,128	37,377	35,985	37,157	37,889

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. This data includes operating and capital FTEs.

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).

Source: Washington State Office of Financial Management - Accounting Division.

Table 12A - Public School Enrollment Grades K-12 and Other

Average Annual Full-Time Equivalent Enrollment

Academic Years 1993-94 through 2002-03

Grades	2002-03*	2001-02*	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
K-8	650,600	651,684	650,126	649,978	652,518	648,748	643,671	636,028	628,532	621,603
9-12	298,898	295,906	292,309	290,515	286,311	280,856	273,768	262,974	253,382	246,695
Private & Homebased	100	169	185	139	125	189	231	254	221	202
Summer	290	255	434	347	383	347	246	541	377	278
Running Start	8,801	8,295	7,938	7,467	7,001	6,251	5,510	4,452	3,695	2,502
UW Transition	71	43	40	38	41	43	41	40	40	--
Total	958,760	956,352	951,032	948,484	946,379	936,434	923,467	904,289	886,247	871,280

Notes: 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.
Data may not add due to rounding
*Preliminary data. Data not complete until final report is received in January 2004.

Source: Washington State Office of Financial Management - Forecasting Division (Office of the Superintendent of Public Instruction).

Table 12B - Public Higher Education Enrollment

Average Annual Full-Time Equivalent Enrollment

Academic Years 1993-94 through 2002-03

	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
Community and Technical Colleges System*	139,753	133,962	128,093	125,131	121,302	117,925	118,515	118,075	113,403	111,035
4 Year Institutions**	89,511	87,969	84,832	82,778	81,991	80,605	79,571	78,095	77,391	76,457
Total	229,264	221,931	212,925	207,909	203,293	198,530	198,086	196,170	190,794	187,492

Notes: A Full-Time Equivalent student is defined as:
Undergraduate student -- 15 credit hours per term.
Graduate student -- 10 credit hours per term.
*Beginning in 1993-94, the Technical Colleges became part of the State Community and Technical College System (CTC), includes the Timber Worker Displacement program (TW), and the Workforce Training program (WFT).
Beginning in 1997-98, figures include Private Career College (PCC) enrollments.
** Include all 4-year public institutions and branch campuses.

Source: Washington State Office of Financial Management - Forecasting Division.

Table 13A - Value of Agricultural Production

Calendar Years 1993 through 2002 (dollars in millions)

	% Change 2002 Vs 2001	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Field crops	3.4	$1,824.4	$1,763.7	$1,673.1	$1,524.7	$1,612.4	$1,832.6	$2,049.1	$2,095.1	$1,594.0	$1,710.3
Fruit and nut crops	9.4	1,461.3	1,335.5	1,182.9	1,237.2	1,052.6	1,235.7	1,232.7	1,351.2	1,061.9	1,014.6
Vegetable crops	8.8	342.5	314.8	320.1	299.3	352.1	357.6	307.6	313.1	302.6	285.1
Berry crops	(0.2)	60.9	61.0	47.2	66.1	45.6	50.1	54.4	52.9	59.4	44.9
Total Crops	6.2	3,689.1	3,475.0	3,223.3	3,127.3	3,062.7	3,476.0	3,643.8	3,812.3	3,017.9	3,054.9
Specialty products (1)	(11.4)	522.0	589.2	623.7	587.9	579.4	569.7	575.7	640.7	648.4	577.9
Livestock and livestock products	(14.4)	1,348.8	1,576.0	1,516.0	1,546.3	1,537.4	1,444.1	1,457.4	1,395.9	1,454.9	1,413.0
State Total		$ 5,559.9	$ 5,640.2	$ 5,363.0	$ 5,261.5	$ 5,179.5	$ 5,489.8	$ 5,676.9	$ 5,848.9	$ 5,121.2	$ 5,045.8

Note: (1) Includes forest products, christmas trees, floriculture, nursery and other horticultural products, and mushrooms.

Source: United States Department of Agriculture (USDA), Washington Agricultural Statistics Service.

Table 13B - Rank Order of Principal Commodities Value

Calendar Years 1993 through 2002 (dollars in millions)

Commodities	Rank 2002	% Change 2002 Vs 2001	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Apples	1	13.8	$1,024,850	$900,250	$750,200	$856,000	$700,000	$821,400	$912,700	$1,021,750	$795,250	$709,100
Milk	2	(18.5)	674,400	827,100	715,904	824,715	846,834	732,423	792,277	687,934	681,250	638,724
Wheat, all	3	25.5	537,039	427,838	443,369	345,299	414,218	560,608	755,680	742,500	525,508	573,802
Potatoes, fall	4	(7.1)	512,820	552,240	446,250	476,000	447,480	431,984	451,203	553,823	422,370	469,050
Cattle and calves	5	(8.4)	451,016	492,641	560,729	454,222	458,719	468,580	409,697	450,009	516,294	545,351
Hay, all	6	1.5	381,080	375,328	355,261	307,027	312,588	361,824	371,347	328,878	268,839	284,580
Nursery & greenhouse products (1)	7	2.3	295,000	288,378	288,432	282,211	273,793	262,620	245,000	245,000	240,000	220,000
Cherries, all	8	2.6	151,385	147,598	157,228	115,860	128,801	132,694	118,940	106,519	88,700	94,036
Forest products, farm (2)	9	(12.3)	150,000	171,000	225,000	235,000	247,000	255,000	300,000	338,000	353,000	303,000
Grapes, all	10	1.2	134,605	133,071	126,760	114,400	105,276	124,410	57,744	73,676	57,600	89,929
Pears, all	11	7.2	116,437	108,627	105,995	121,204	107,886	123,670	125,768	118,166	97,377	93,771
Onions, all	12	57.7	100,976	64,037	64,605	51,795	84,255	99,569	55,452	45,940	62,702	83,250
Hops	13	(8.0)	84,589	91,911	94,591	80,930	73,457	89,306	93,953	99,290	96,775	101,220
Sweet corn, all	14	9.0	72,247	66,268	70,261	64,103	65,752	61,905	57,584	69,221	53,053	47,697
Christmas trees	15	1.7	60,000	59,000	60,000	60,000	48,000	45,000	45,000	42,000	42,000	42,000
Eggs	16	(11.3)	55,445	62,501	59,759	59,031	69,023	75,024	89,961	93,241	83,403	74,628
Corn, silage	17	9.7	53,040	48,360	40,755	41,470	43,500	45,430	37,700	34,344	30,420	27,040
Barley	18	16.0	47,736	41,160	66,199	50,882	53,404	80,630	72,019	59,299	28,527	46,461
Asparagus	19	(8.2)	44,893	48,910	54,876	51,216	61,217	64,204	63,312	58,659	56,304	55,790
Mint oil	20	16.7	39,454	33,822	34,309	37,236	54,501	53,066	54,413	51,547	44,001	43,000
Corn, grain	21	44.2	38,570	26,752	46,805	41,940	46,550	54,150	69,930	66,861	52,448	47,120
Red raspberries	22	(2.1)	36,985	37,784	25,888	48,291	22,664	28,020	30,459	35,182	39,423	28,126
Peaches	23	19.5	22,217	18,588	21,096	22,653	26,774	19,335	5,100	13,994	8,953	10,145
Aquaculture (3)	24	(46.7)	21,655	40,659	44,899	39,984	26,811	33,464	35,430	40,554	51,232	40,106
Kentucky bluegrass seed	25	(23.3)	17,550	22,875	25,840	18,160	17,500	17,466	17,457	13,694	12,864	15,729
Mushrooms	26	16.7	16,987	14,562	15,307	15,307	15,751	14,731	N/A	N/A	N/A	N/A
Dry Edible Beans	27	37.8	16,564	12,022	11,712	13,050	18,690	18,445	N/A	N/A	N/A	N/A
Haylage	28	(44.8)	14,384	26,075	21,924	43,763	36,685	N/A	N/A	N/A	N/A	N/A
Green peas, processing	29	(23.9)	13,804	18,148	24,638	22,588	26,921	25,342	20,408	30,246	33,805	22,115
Lentils	30	8.2	13,020	12,032	12,495	11,993	9,877	14,495	24,784	34,449	25,440	23,409

Note: (1) Includes floriculture.
(2) Value of forest products sold from operations meeting the USDA farm definition.
(3) The Washington State Department of Fish and Wildlife annually calculates the value of aquaculture production. Aquaculture total excludes trout which is listed separately.
N/A indicates data not available.

Source: United States Department of Agriculture (USDA), Washington Agricultural Statistics Service.

Table 14A - International Trade Facts

All Washington Ports

Calendar Years 1993 through 2002 (dollars in millions)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Exports (1)	$ 41,730	$ 42,935	$ 42,100	$ 46,513	$ 48,780	$ 47,685	$ 40,380	$ 34,986	$ 35,141	$ 39,226
Imports	54,059	58,144	64,991	59,676	55,604	53,193	46,849	47,972	46,232	49,121
Trade balance	(12,329)	(15,209)	(22,891)	(13,163)	(6,824)	(5,508)	(6,469)	(12,986)	(11,091)	(9,895)
Two-way trade	95,789	101,079	107,091	106,189	104,384	100,878	87,229	82,958	81,373	88,347

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).

Table 14B - Major Export Trading Partners

Calendar Years 1993 through 2002 (dollars in millions)

Partners	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Japan	$ 6,865	$ 5,938	$ 6,837	$ 7,868	$ 8,754	$ 9,871	$ 9,026	$ 8,719	$ 7,941	$ 8,235
Canada	6,414	6,525	7,210	6,904	6,836	7,131	6,230	6,051	6,098	6,535
Korea	3,712	3,605	3,445	2,923	1,837	4,290	4,609	4,504	3,147	3,085
China	3,032	3,445	2,540	2,453	3,852	2,273	2,091	1,602	2,260	2,584
Singapore	2,459	2,770	690	1,434	1,745	1,968	1,545	1,353	1,670	1,398
Australia	2,124	481	517	617	576	599	702	347	N/A	N/A
France	1,883	1,157	950	1,337	836	250	299	276	345	738
Taiwan	1,464	1,970	2,076	1,278	2,409	2,246	2,330	2,422	1,766	2,605
United Kingdom	1,165	2,721	3,203	4,312	4,451	4,551	1,788	1,299	2,204	2,240
Italy	1,009	98	138	771	115	239	397	355	N/A	N/A
Germany	983	1,728	1,855	2,043	2,278	1,497	1,120	949	684	979
Malaysia	939	742	414	529	1,469	1,354	593	578	1,014	1,398
Netherlands	914	834	1,518	1,482	877	1,216	1,052	802	495	643
Hong Kong	652	824	785	861	1,429	1,331	1,724	1,328	1,115	1,272
Sweden	249	238	866	876	365	134	154	100	57	83
Thailand	223	619	578	711	943	1,347	1,194	563	382	458
Spain	211	376	1,010	927	43	167	126	118	341	225
Saudia Arabia	113	1,086	624	1,257	2,058	892	144	41	41	35,342
Russia	99	112	313	348	1,084	330	300	378	514	124

Note: 1993-1999 statistics 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).

Table 14C - Major Import Trading Partners

Calendar Years 1993 through 2002 (dollars in millions)

Partners	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Japan	$ 15,658	$ 17,074	$ 20,022	$ 19,622	$ 19,303	$ 20,833	$ 18,877	$ 20,507	$ 20,441	$ 20,960
China	12,155	9,875	10,651	9,288	8,428	7,612	6,655	6,578	5,845	4,894
Canada	10,389	12,659	14,690	11,961	10,429	9,663	8,107	6,810	6,270	5,704
Korea	2,637	2,558	2,793	2,507	2,337	2,354	2,124	2,568	2,536	3,335
Taiwan	2,382	3,200	4,021	3,845	4,105	3,217	3,062	3,569	3,338	4,934
United Kingdom	1,256	2,342	1,645	2,478	2,172	1,744	836	793	1,096	841
Hong Kong	913	1,634	1,345	1,116	1,183	1,380	1,237	1,091	1,106	1,805
Indonesia	879	880	781	739	762	647	600	669	520	533
Thailand	841	1,015	1,332	1,152	1,195	1,179	977	980	963	835
France	750	859	726	736	341	121	162	198	642	736
Australia	738	663	904	841	714	844	695	536	396	825
Malaysia	724	772	958	808	816	599	669	715	623	622
Phillipines	550	1,011	1,089	1,070	813	381	380	498	485	439
Germany	497	489	496	444	397	311	305	251	159	174
Singapore	356	302	322	325	291	237	306	431	425	814

Note: Based on all Washington State ports, all methods of transportation.

Source: Washington State Department of Community, Trade and Economic Development (U.S. Census Bureau).