

STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009

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INTRODUCTORY SECTION

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STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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December 23, 2009

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

In accordance with Revised Code of Washington 43.88.027, the Office of Financial Management has prepared this Comprehensive Annual Financial Report (CAFR) of the State of Washington for the fiscal year that ended June 30, 2009. Full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose, rests with the state. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The State Auditor has issued an unqualified (“clean”) opinion on the Washington State financial statements for the year ended June 30, 2009. The independent auditor’s report is located at the front of the financial section of this report.

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

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

Profile of Washington State

Washington State was created in 1889 by an enabling act of Congress. The state is located on the Pacific Coast, in the northwestern corner of the continental United States, and comprises 68,139 square miles. Its current population is 6.7 million. Washington is famous for its breathtakingly beautiful scenery and sharp contrasts. On the west side of the state, high mountains rise above coastal waters. The forests of the Olympic Peninsula are among the world’s rainiest places. The state’s coastline has hundreds of bays and inlets that make excellent harbors, while in the eastern part, flat semi-desert land stretches for long distances without a single tree.

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

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

GOVERNMENTAL STRUCTURE

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

TYPES OF SERVICES PROVIDED AND REPORTING ENTITY

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

The accompanying report includes all funds and subsidiary accounts of the primary government, the State of Washington as legally defined, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The determination of "financial accountability" is based on criteria established in Governmental Accounting Standards Board Statement No. 14. Note 1.A to the financial statements explains more fully which organizations are included in the reporting entity.

THE BUDGET CYCLE

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

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

Washington State's Economy and Revenue Outlook

SUMMARY

Since the beginning of the nation's recession that began in December 2007, Washington State has lost almost 151,000 jobs, or about 5.1 percent of nonfarm employment. While the state appeared to lag the nation in this slowdown, local losses accelerated in late 2008 and, for the most part, began to mirror the national trends. By late 2009, national economic indicators were signaling a recovery in economic output, but employment was not expected to begin recovery until mid 2010 or later. Because of Washington's export-dependent economy, and because of indications of economic rebounds in Asia and Europe, this state is expected to lead the nation out of the recession, and employment should begin to recover somewhat earlier.

It is expected that this state's recovery and expansion will build upon the growing diversity within the state's economy, elements of which include a vital export base, the presence of knowledge-based industries such as business, professional, health, and financial services, and a high quality of life. All of these elements should continue to support solid population growth.

Washington State's nonfarm payroll employment fell by 1.8 percent in Fiscal Year 2009, a reversal from the 2.2 percent growth set in Fiscal Year 2008, and the 2.7 percent pace in Fiscal Year 2007. The aerospace industry was able to maintain steady payrolls despite weakness in the global airline industry, thanks primarily to a long backlog of orders. Total manufacturing employment fell 5.5 percent as consumers pulled back on purchases of big-ticket items and sought to pare down their debt rather than add to it.

Washington's unemployment rate increased markedly in Fiscal Year 2009, as the slowing national economy, weakening housing markets, and accelerating energy costs began to take their toll on the labor markets. Even though the annual unemployment rate jumped to 7.3 percent, Washington's jobless rate fell below the national average in 20 of the previous 24 months.

Personal income grew just 0.5 percent in Fiscal Year 2009, as both wage and non-wage income were impacted by layoffs and retreating financial markets. Real personal income – after factoring out inflation – fell by 1.0 percent; well below the 2.9 percent increase in 2008 and 5.8 percent increase in 2007.

Washington's outlook for Fiscal Year 2010 is for slower economic growth as the impacts of the financial crisis and national and international recessions wind their way through the local economy. Nonfarm payroll employment in Washington is forecasted to decrease in Fiscal Year 2010 by 3.0 percent, marking two consecutive years of declining employment. Personal income is predicted to grow by 0.7 percent in current terms, but decline by 0.5 percent in real terms, in Fiscal Year 2010.

General Fund-State revenues are forecasted to decline 3.3 percent in the 2009-11 Biennium, compared to the 0.1 percent increase in the 2007-09 Biennium, and the 17.3 percent pace in the 2005-07 Biennium. Due to statutory changes during the last legislative session, the General Fund-State now includes several related accounts. The slowing economy and slumping housing markets have had a negative effect on revenue growth. Particularly hard hit have been retail sales and real estate excise taxes.

ECONOMIC CONDITION IN FISCAL YEAR 2009

Washington's nonfarm payroll employment fell by 1.8 percent in Fiscal Year 2009, somewhat better than the 2.3 percent decline in U.S. nonfarm payroll employment. The absolute decrease in Washington's nonfarm payroll employment was 54,600 during Fiscal Year 2009. Personal income in Washington also bested the U.S. pace: up 0.5 percent in Washington compared to a decline of 0.1 percent for the U.S. Because Washington's labor market had been losing jobs at a slower pace than the national average, it holds that the wage income component of personal income would also better the national average in 2009. Real per capita

income fell in Washington by 2.5 percent over the same period, matching the change for the nation as a whole.

Aerospace employment provided a bright spot in Washington's manufacturing sector in Fiscal Year 2009. After reaching a cyclical low point in 2004, aerospace employment made a modest comeback in Fiscal Year 2005, increasing by 1,300 jobs. Growth accelerated in Fiscal Year 2006 with an addition of 5,600 jobs (an 8.8 percent increase); in Fiscal Year 2007, the aerospace industry added 7,300 jobs, more jobs than in the previous two years combined, for a growth rate of 11.1 percent; and in Fiscal Year 2008, the aerospace sector added another 6,400 jobs, a growth rate of 8.3 percent. This increase in aerospace jobs was not as steep as in previous years because of the industry's new "global network" production model that shares design and production processes with overseas partners. While aerospace employment held steady in 2009, this was in large part due to the immense backlog of orders, which kept the sector busy despite the recessionary fall-off in passenger travel and related difficulties faced by airline companies.

Manufacturing employment, other than aerospace, was considerably less vibrant, actually declining by 7.6 percent. Durable manufacturing industries experienced pullbacks in employment as the weakening national economy and housing markets began to hit full force in Fiscal Year 2009. Nondurable manufacturing employment fell 4.1 percent in Fiscal Year 2009 as demand for processed food and paper products began to decline.

Employment in durable manufacturing, other than aerospace, fell by 9.8 percent in Fiscal Year 2009 (a decline of 12,900 jobs), while employment in durable manufacturing declined by 8.6 percent nationally. Employment patterns in durable manufacturing industries were down across the board in Washington during Fiscal Year 2009; employment in lumber and wood products, primary metal, fabricated metal, computers, machinery, other transportation equipment, and other durable goods were all down, though some (wood) fared worse than others (food). Washington's lumber industry is dependent upon local and national home building trends. The housing market in Washington had begun to soften in Fiscal Year 2008 and the national markets had been weak since the end of Fiscal Year 2007, resulting in a fall-off in wood products demand and employment. Employment in other transportation equipment (other than aerospace) fell by 14.7 percent as demand for heavy trucks was impacted by soaring fuel costs. Even though aerospace employment held steady, employment in primary and fabricated metal products – a major supplier to aerospace – fell by 6.7 percent in Fiscal Year 2009; no doubt a result of the more intense use of composite materials in newer aircraft. Machinery manufacturing employment dropped 8.2 percent in Fiscal Year 2009. Computers and electronic products were down 4.3 percent, while employment in other durable manufacturing was down by 9.2 percent.

Nondurable manufacturing employment in Washington decreased by 4.1 percent in Fiscal Year 2009, a loss of about 3,300 jobs; nationally, nondurable manufacturing employment declined by 4.7 percent over the same period. In Washington, employment in food manufacturing fell 0.7 percent in Fiscal Year 2009 as a result of weakness in the export markets. Printing and paper products employment dropped 6.7 percent in Fiscal Year 2009 due to slumping national demand for magazines and newspapers.

Washington's nonmanufacturing employment fell by 0.5 percent during Fiscal Year 2009. The construction industry posted an 11.8 percent loss in employment as the housing market weakened across the year. Employment in the information sector rose primarily on the continued strength of software publishing, which increased 7.3 percent.

Wholesale trade employment declined by 2.2 percent, and retail trade employment declined by 3.2 percent as consumers pulled back on spending. Professional and business service jobs retreated by 3.3 percent in Fiscal Year 2009, as the employment services component within the sector softened over the year. Education and health services reported solid job growth with an increase of 4.0 percent during Fiscal Year 2009 – the one major sector seemingly unaffected by slumping demand. Leisure and hospitality services recorded a 2.3 percent loss as food and beverage establishments were beset with a declining customer base. Employment

grew in the public sector as state and local government jobs increased by 1.9 percent on the strength of demand for education services.

Several other nonmanufacturing industries also recorded job losses. Employment in the financial activities industry declined by 4.2 percent as credit problems from across the nation were felt at locally headquartered firms. Employment in the natural resources industry fell 12.1 percent in Fiscal Year 2009 as certain mining operations were impacted by recent legal limitations.

ECONOMIC OUTLOOK

The forecast for Washington State for Fiscal Year 2010 reflects the beginning of the end of the recession at both the state and national levels. According to the November 19, 2009, forecast by the state Economic and Revenue Forecast Council, Washington's nonfarm payroll employment is predicted to decrease by 3.0 percent in Fiscal Year 2010, identical to that of the nation. The economic recovery will be characterized by an expansion of existing workers' hours before new hiring takes place. Washington's personal income is expected to grow by 0.7 percent in Fiscal Year 2010, while U.S. personal income growth is predicted to fall by 0.1 percent for the same period.

Manufacturing employment in Washington is projected to decline in Fiscal Year 2010. The aerospace industry is expected to cut 1,700 workers in Fiscal Year 2010, for a loss of 2.0 percent. Though many jobs under the current global production model are found outside of Washington State, those durable manufacturing sectors that have traditionally provided inputs to the aerospace industry will show similar losses in employment in Fiscal Year 2010. As a result, primary and fabricated metal manufacturers are expected to decline 14.9 percent. Computers, machinery, and electrical equipment manufacturers should post job losses of 5.9 percent. The wood products industry is expected to lose another 2,000 jobs in Fiscal Year 2010 as the nation's home-building market remains lethargic and as companies restructure for tax purposes. Other transportation equipment manufacturers are likely to cut payrolls as demand for trucks and boats remains soft because of credit issues.

All sectors of nondurable manufacturing are expected to lose employment in Fiscal Year 2009. Employment in food manufacturing is forecasted to decline by 4.3 percent, and employment in other nondurable manufacturing will fall by 5.5 percent. Employment in paper and paper products manufacturing is expected to fall by 5.9 percent in Fiscal Year 2010, a continuation of the payroll losses in 2008 and 2009.

In the nonmanufacturing sectors, the strongest employment growth in Fiscal Year 2010 is predicted to occur in education and health services (2.6 percent). Software publishing employment is actually expected to decline by 1.7 percent as non-performing divisions are cut and efficiencies are implemented. Modest employment gains will also occur in the federal government (2.0 percent) as a build up to the 2010 Census. The remaining nonmanufacturing sectors are expected to experience job losses. Construction will be particularly hard hit as commercial building projects remain sluggish as office vacancies build and as the residential market pares high levels of foreclosed and new inventory. Employment in professional and business services will remain slow because of slack demand for temporary help services and administrative support services. Slowing international economies will cut into the volume of exports and, thus, affect the demand for transportation and warehousing, and wholesale trade jobs in Fiscal Year 2010.

The efforts of households to pare down high levels of debt will impact the retail trade sector and employment is expected to decline 3.4 percent in Fiscal Year 2010. Employment losses are expected to continue in the financial services sector as the industry and federal government work to resolve the financial and credit crises. State and local government employment is expected to decline by 0.5 percent in Fiscal Year 2010 in response to the weak revenues from the slowing economy.

Major Initiatives

Washington State entered Fiscal Year 2009 with rising fuel costs and a softening of the national economy. At that time, Governor Gregoire ordered state agencies to reduce fuel consumption by five percent. In addition, the Governor imposed a freeze on (1) hiring to fill new staff vacancies; (2) out-of-state travel and training; (3) purchases of new equipment, and (4) entering into personal services contracts.

However, by November 2008, the State of Washington, along with the nation had officially entered into one of the worst recessions of the past 30 years. As a result of deteriorating economic conditions, General Fund-State revenue collections began to plummet. Two-thirds of that decline was due to consumers buying less. At the same time, the number of citizens seeking assistance from state programs and services continued to increase as unemployment grew. Revenues began to drop \$1 billion a month, and by March 2009, the revenue forecast for Fiscal Years 2009 through 2011 was reduced by an unprecedented \$9 billion.

Led by Governor Gregoire, the 2009 Legislature made the tough decisions needed to enact a responsible 2009-11 biennial spending plan. One of the first actions was to extend the Governor's hiring and spending freeze through Fiscal Year 2009. In addition, the Legislature took early action on the 2009 Supplemental Budget to reduce spending. The \$9 billion shortfall was addressed by a three-part solution as follows:

- \$4.4 billion in spending reductions, including no cost-of-living increases for state employees and teachers, increased cost sharing by state employees for health benefits, and actuarial changes to pensions.
- \$3 billion of federal stimulus monies in the current and next biennia; and
- \$1.6 billion of new resources, including sales tax compliance legislation, use of the Rainy Day Account and capital fund sources, transfers from other funds, and budget-driven revenues such as increased tax enforcement.

In the Governor's words, the 2009-11 biennial budget "required nothing less than great courage and compromise" from elected lawmakers and represented "a responsible budget" to "guide Washington through the next biennium." It included painful cuts in virtually every area of state government. For example, funding for low-income health care was reduced 11 percent, other human services were reduced by 8 percent, and higher education was reduced by 7 percent. Cuts to K-12 education were the least of any state service at 5 percent.

Weathering the economic storm while creating jobs and implementing measures designed for our state to come out of the recession stronger was the major initiative of Governor Gregoire during 2009. The following are highlights of this effort.

GOVERNMENT EFFICIENCY

The Governor recognized that our state's fiscal crisis demanded that we make an even greater commitment to increasing the effectiveness and efficiency of state government. Therefore, she embarked on an aggressive program to eliminate boards and commissions, eliminate duplicative responsibilities within state agencies, and consolidate other responsibilities to cut costs and improve customer service. The Governor eliminated 49 boards and commissions by executive order and eliminated 18 more through executive request legislation. Other legislation included merging commissions, such as moving the Salmon Recovery Office into the Recreation and Conservation Office, and consolidating agricultural commissions.

The Governor also supported innovative ways for the state to do business. For example, the Legislature enacted executive request legislation to allow state agencies to have flexible work weeks to save energy and employee travel costs. She also directed the Department of Licensing to consolidate licensing services offices without reducing customer service by increasing the services provided on the agency's website.

She also used her budget to lay the groundwork for further reform. The enacted 2009-11 Biennial Operating Budget included her provision to create a work group of central service agencies to develop shared services. The work group has been identifying opportunities to improve service and reduce costs, reviewing areas that include human resource management, employee benefits, payroll, accounting, purchasing, information technology, real estate services, and facility and fleet management. Another budget provision convened a work group consisting of representatives from the natural resources agencies to review their organizational structures to identify consolidation opportunities to improve service delivery and reduce costs. Implementing the recommendations of these work groups will be a major part of the Governor's 2010 legislative agenda.

EDUCATION

The 2009-11 budget maintained education as a priority. However, our budget challenges required education to be part of the budget solution.

Governor Gregoire believes that there is no greater return on investment than early learning services and programs. She was grateful that the 2009 Legislature maintained our state's commitment by protecting comprehensive early learning services for preschoolers as well as by continuing the pilot program to rate and improve the quality of child care programs. The appropriation for the Early Childhood Education and Assistance Program (ECEAP) temporarily reduces the number of slots by 173 per year. The Department of Early Learning is directed, to the greatest extent possible, to reduce slots where providers serve both Head Start and ECEAP children. Head Start providers have received approximately \$10 million in federal stimulus funds for Fiscal Year 2009.

More than 40 percent of the state's operating budget is spent on K-12 public schools, and therefore, it was not possible for schools to be spared from budget reductions. While there was no reduction in basic education, reductions were made to some major non-basic education programs and to Initiative 728 (smaller class size) funding by \$600 million.

The budget uses available federal stimulus resources to mitigate the impact of state budget reductions on K-12 public schools. Federal "fiscal stabilization" funds in the amount of \$444 million were used to pay over 24,000 teachers at the end of the 2008-09 school year. Another \$377 million in fiscal stabilization funds will be used in the 2009-10 school year to retain 2,400 teachers that would have otherwise been laid off. School districts in Washington State will receive \$410 million in federal stimulus funding for special education, remedial education, school improvement, and technology that will offset some of the state budget reductions. In keeping with the Governor's commitment to early learning, there are no reductions to the K-4 enhanced staffing ratio.

With the Governor's support, the Legislature also enacted Engrossed Substitute House Bill 2261 to have the Legislature evaluate and revise the definition and funding of basic education in order to continue to fulfill the state's obligation under Article IX of the State Constitution. The Legislature intends that a redefined program of basic education and funding be fully implemented by 2018. This effort is being led by a Quality Education Council of which the Governor's Office is a member.

The Governor's continued goal is to make sure that Washington's colleges and universities can prepare our students for the 21st century economy. However, during Fiscal Year 2009, worker retraining also gained emphasis as the unemployed sought to refresh their skills to be poised for economic recovery.

The budget cut roughly \$556 million in higher education. However, to maintain access to public higher education and allow students to graduate in a timely fashion, Governor Gregoire requested additional tuition revenue to partially offset the reductions in state support. The final legislative budget authorizes the public four-year institutions to increase resident undergraduate tuition by a maximum of 14 percent each year, and the community and technical colleges to increase tuition by up to 7 percent each year. Tuition increases will

be offset for many students through additional federal Pell Grant and Work Study financial aid in the federal stimulus act, as well as, no reduction in funding of the State Need Grant.

HEALTH CARE AND HUMAN SERVICES

Health care remains a priority for Governor Gregoire, especially as costs continue to increase during these economically challenging times. The state provided health care coverage for over one million people at a cost of \$4.5 billion in state funds and \$3.8 billion in federal funds. This coverage is through the Medical Assistance program in the Department of Social and Health Services, and the Basic Health Plan in the Health Care Authority.

Because of federal financial assistance (over \$1 billion) to cover the state's portion of federal Medicaid costs, the budget preserved health care coverage for the most vulnerable populations, such as the Medicaid aged and disabled, and all children up to 300 percent of the federal poverty level.

The Governor also sought legislation to help bring health care costs down. For example, the Governor proposed and the Legislature enacted legislation to increase the state's generic prescription drug utilization rate by 20 percent. She also supported legislation to permit insurance companies operating in the state to offer wellness programs to promote healthy behaviors that, in turn, drive down health care costs.

Governor Gregoire has set a goal of providing access to health insurance to all Washington children by 2010. In 2009, she continued her steady progress toward that goal by maintaining coverage for all children up to 300 percent of the federal poverty level.

Though its importance is recognized we could not sustain funding for the Basic Health Plan (BHP), which provides health care coverage to individuals under 200 percent of the federal poverty level. Funded entirely with state revenue, BHP was reduced by roughly 43 percent to achieve an enrollment level of approximately 60,000. Other smaller reductions were made throughout the health care system to balance the budget in areas that include mental health, chemical dependency treatment, provider rate reductions, and general assistance. The state's safety net remained intact through Fiscal Year 2009; the extent it can be sustained through the 2009-11 Biennium is much less certain.

ECONOMIC DEVELOPMENT

In Fiscal Year 2009, the Governor and the Legislature worked to assist those who had lost their jobs, and to invest in measures to create jobs in Washington State. Governor Gregoire requested, and the Legislature passed, assistance for out-of-work Washingtonians by temporarily extending and boosting unemployment insurance payments. These payments, spent in businesses statewide, will also help to boost our economy.

Another important initiative was legislation to rename the Department of Community, Trade and Economic Development to the Department of Commerce and to refocus its mission on job creation and economic vitality. The legislation required the Department of Commerce to submit a report with analysis and recommendations for statutory changes to ensure that the Department will have a concise core mission that aligns with the state's comprehensive economic development plan and increases local capacity building to respond to opportunities and needs. The report has been delivered. It includes recommendations for creating or consolidating programs important to meeting the Department's core mission, as well as recommendations for terminating or transferring programs that are inconsistent with its core mission. The proposed recommendations will be considered in the 2010 legislative session.

With the challenges faced by homeowners by the recession, the Governor also took action to require that 30 days must pass before the notice of default can be filed. This will give homeowners more time to refinance or explore other options.

The 2009-11 capital budget was a bright spot in an otherwise tough year. The capital budget makes a \$3.3 billion investment in capital projects throughout the state. It preserves key investments in education, safety, natural resources, and technology projects to preserve and add to the state's capital infrastructure. Included in this budget is more than \$224 million in federal stimulus funding for projects related to wastewater treatment plants, small drinking water, weatherization, ecosystem improvements, and environmental cleanup. Due to the recession, the 2009-11 capital budget totals about \$1 billion less than was authorized for the 2007-09 biennium. However, this spending will create or sustain about 10,000 jobs at a time when needed most.

ENVIRONMENT, ENERGY AND CLIMATE CHANGE

The Governor maintained core environmental protection in light of unprecedented budget shortfalls. The 2009-11 biennial budget assumes new revenues (optional \$5 donation at the time of license renewal, and higher hunting and fishing license fees) that will keep state parks open and more fish hatcheries operating. Momentum to restore Puget Sound is maintained despite making deeper reductions in the Puget Sound Partnership's administration and outreach activities.

Governor Gregoire supported efforts to create a platform for an innovative and green economy by creating a clean energy business strategic plan. The plan includes creating and funding the Energy Recovery Act Account to accelerate the use of innovative clean energy technology; supporting legislation to provide for electric vehicle recharging infrastructure; and extending a sales tax exemption for investments in renewable energy.

In May, the Governor issued Executive Order 09-05 to direct state actions to reduce climate-changing greenhouse gas emissions, to increase transportation and fuel conservation options for Washington residents, and to protect our state's water supplies and vulnerable coastal areas. Examples of strategies to reduce our state's greenhouse gas emissions include: (1) continuing to work with six other western states and four Canadian provinces on the Western Climate Initiative to develop a regional emissions reduction program; (2) working with the federal government and Washington's congressional delegation to help design a national program that reflects state priorities; 3) working with companies to develop emission reduction strategies and industry emissions benchmarks to make sure 2020 reduction targets are met; and 4) joining with other West Coast states and the private sector to make alternative fuels, including electricity for plug-in vehicles, available along the West Coast highway and adjoining metropolitan centers.

TRANSPORTATION

The 2009-11 transportation budget is an historic one for our state. Not only will it greatly improve our transportation system, but the estimated 49,000 jobs it supports or creates will help ensure regular employment for tens of thousands of Washingtonians.

The enacted budget includes the largest two-year construction budget ever for the Washington State Department of Transportation (WSDOT). Projects include additional High Occupancy Vehicle (HOV) lanes to be constructed on Interstate 5 and improvements to Pierce County's State Route 16 Nalley Valley Viaduct. The budget funds three 64-car ferries and a fourth that will either be a 64-car or 144-car ferry. There is funding for critical safety, freight, and mobility projects, including I-90/Snoqualmie Pass, I-405, and the North Spokane corridor.

Included in the 2009 supplemental transportation budget was \$492 million in federal stimulus funds for state and local highway projects. Approximately \$336 million, or 70 percent, of the stimulus highway funding will be spent in 28 counties federally defined as economically distressed. This additional funding allowed Washington to accelerate 181 state highway, bridge, and rail projects, creating more than 1 million hours of work for Washington citizens.

In addition to the transportation budget bill, the 2009 Legislature approved a bill to fund the replacement of the Alaskan Way Viaduct with a deep bored tunnel, a project vital to the region's economy. Another piece of legislation authorizing early tolling on the State Route 520 Bridge project will help to generate the revenue needed to begin working on the floating bridge portion of the project. These two projects, combined, will create nearly 10,500 jobs at the height of construction and will ensure a more mobile economy in the future.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Washington State for its CAFR for the fiscal year that ended June 30, 2008. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

Sincerely,



Victor A. Moore
Director

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

State of Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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.



A stylized, handwritten signature in black ink, likely belonging to the President of the GFOA.

President

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director



Statewide Elected Officials

As of June 30, 2009



Governor
Christine Gregoire



Lieutenant Governor
Brad Owen



Secretary of State
Sam Reed



Treasurer
Jim McIntire



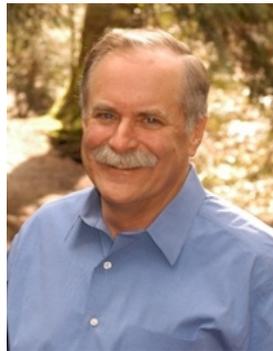
State Auditor
Brian Sonntag



Attorney General
Rob McKenna



**Superintendent of
Public Instruction**
Randy Dorn



**Commissioner of
Public Lands**
Peter J. Goldmark



**Insurance
Commissioner**
Mike Kreidler



2009 Organization Chart Washington State Government

Legislative Branch

Executive Branch

Judicial Branch

Legislative Branch		Executive Branch		Judicial Branch	
Senate	House of Representatives	Supreme Court			
Joint Legislative Audit and Review Committee	Legislative Evaluation and Accountability Program Committee	Administrative Office of the Courts	Law Library		
Joint Legislative Systems Committee	Office of the State Actuary	Office of Civil Legal Aid	Municipal Courts		
Joint Transportation Committee	Redistricting Commission (<i>activated decennially</i>)	Court of Appeals	Office of Public Defense		
Legislative Ethics Board	Statute Law Committee (<i>Code Reviser</i>)	Commission on Judicial Conduct	Superior Courts		
		District Courts	Supreme Court		

Agencies Managed by Statewide Elected Officials

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

Environment and Natural Resources	General Government	Transportation	Health and Human Services	Education	Community and Economic Development
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Agencies Led by Governor-Appointed Executives

Dept. of Agriculture (<i>commodity commissions</i>)	Board of Accountancy	Dept. of Licensing (<i>occupational regulatory boards</i>)	Dept. of Corrections	Center for Childhood Deafness and Hearing Loss - <i>Board of Trustees</i>	Commission on African-American Affairs
Dept. of Ecology	Office of Administrative Hearings	State Patrol	Dept. of Employment Security	Dept. of Early Learning	Arts Commission
Pollution Liability Insurance Program	Dept. of Archaeology and Historic Preservation	Traffic Safety Commission	Dept. of Health (<i>occupational regulatory boards</i>)	School for the Blind	Commission on Asian Pacific American Affairs
Puget Sound Partnership	Dept. of Financial Institutions	Dept. of Transportation	Health Care Authority - <i>Public Employees Benefits Board</i>	Workforce Training and Education Coordinating Board	Dept. of Commerce - <i>Economic Development Commission</i> - <i>Energy Facility Site Evaluation Council</i> - <i>Public Works Board</i> - <i>Building Code Council</i>
Recreation and Conservation Office - <i>Salmon Recovery Funding Board</i>	Office of Financial Management		Dept. of Labor and Industries		Commission on Hispanic Affairs
	Dept. of General Administration		Council for Children and Families		Office of Minority and Women's Business Enterprises
	Dept. of Information Systems - <i>Integrated Justice Information Board</i>		Dept. of Services for the Blind		
	Lottery Commission		Dept. of Social and Health Services		
	Military Department		Dept. of Veterans Affairs		
	Dept. of Personnel - <i>Personnel Resources Board</i>				
	Public Printer				
	Dept. of Retirement Systems - <i>Employee Retirement Benefits Board</i>				
	Dept. of Revenue				

Agencies Under Authority of a Board

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



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FINANCIAL SECTION

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**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

December 23, 2009

The Honorable Christine Gregoire
Governor, State of Washington

Dear Governor Gregoire:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the State of Washington as of and for the fiscal year ended June 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Workers' Compensation Fund of the Department of Labor and Industries, Washington's Lottery, Department of Retirement Systems, Local Government Investment Pool, University of Washington, Western Washington University, and the funds managed by the State Investment Board. Those financial statements represent part or all of the total assets, net assets, and revenues or additions of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information as follows:

<u>Opinion Unit</u>	<u>Percent of Total Assets</u>	<u>Percent of Net Assets</u>	<u>Percent of Total Revenues/ Additions</u>
Governmental Activities	11.6%	19.1%	4.8%
Business-Type Activities	74.8%	100%	60.5%
Higher Education Special Revenue Fund	37.7%	29.8%	46.1%
Higher Education Endowment Fund	92.4%	96.5%	100.0%
Higher Education Student Services Fund	71.6%	82.1%	85.5%
Workers' Compensation Fund	100%	100%	100%
Aggregate Discretely Presented Component Units and Remaining Fund Information	89.8%	94.6%	40.1%

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Workers' Compensation Fund of the Department of Labor and Industries, Washington's Lottery, Department of Retirement Systems, Local Government Investment Pool, University of Washington, Western Washington University, and the funds managed by the State Investment Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant

estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the State of Washington as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 1.D. 1, the financial statements include pension trust fund investments valued at \$18.8 billion which comprise 25.2% of total assets and 28.8% of net assets of the aggregate discretely presented component units and remaining fund information. The fair values of these investments have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or, in the case of investments in partnerships, the general partners.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2009, on our consideration of the State of Washington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the State's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State of Washington's basic financial statements. The information listed in the table of contents as combining and individual fund financial statements and schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the introductory and statistical sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the State. Such information has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is stylized and cursive.

BRIAN SONNTAG, CGFM
STATE AUDITOR

MD&A
Management's Discussion and Analysis

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MD&A

Management's Discussion & Analysis

As managers of the state of Washington, we offer this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009. 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 \$18.6 billion (reported as net assets). Of this amount, \$(8.3) billion was reported as "unrestricted (deficit) net assets." A negative balance indicates that no funds were available for discretionary purposes.
- The state of Washington's governmental funds reported a combined ending fund balance of \$9.5 billion, a decrease of 24 percent compared with the prior year.
- Unreserved fund balance for the General Fund was \$189 million, at the end of Fiscal Year 2009, or one percent of total General Fund expenditures.
- The state's capital assets increased by \$2.0 billion while total bond debt increased by \$1.2 billion during the current fiscal year.

Overview of the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

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

The government-wide financial statements can be found on pages 37-39 of this report.

FUND FINANCIAL STATEMENTS

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

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for three major funds and an aggregate total for all nonmajor funds. The state's major governmental funds are the General Fund, Higher Education Special Revenue Fund, and the Higher Education Endowment Permanent Fund. Individual fund data for the state's nonmajor governmental funds are provided in the form of combining statements elsewhere in this report. The governmental fund financial statements can be found on pages 42-45 of this report.

Proprietary Funds. The state of Washington maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds represent an accounting device used to accumulate and allocate costs internally among the state of Washington's various

functions. The state of Washington uses internal service funds to account for general services such as motor pool, central stores, data processing services, risk management, employee health insurance, and printing services. Because internal service funds predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

The internal service funds are combined for presentation purposes. Individual fund data for the state's nonmajor proprietary funds are provided in the form of combining statements elsewhere in this report. The proprietary fund financial statements can be found on pages 46-51 of this report.

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

The fiduciary fund financial statements can be found on pages 52-53 of this report.

Component Units. Component units that are legally separate from the state and primarily serve or benefit those outside the state are discretely presented. They are either financially accountable to the state, or have relationships with the state such that exclusion would cause the state's financial statements to be misleading or incomplete. The state discretely reports one major component unit, the Washington State Public Stadium Authority, and four nonmajor component units.

Refer to Note 1 on pages 59-60 for more detailed information. Individual fund data for the state's nonmajor component units are provided in the form of combining statements elsewhere in this report. The component unit financial statements can be found on pages 54-55 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 57-146 of this report.

employment benefits, funding progress, and infrastructure assets reported using the modified approach.

Required supplementary information can be found on pages 147-171 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 173-223 of this report.

OTHER REQUIRED INFORMATION

In addition to this discussion and analysis, this report also presents required supplementary information on budgetary comparisons, pension plans and other post-

STATE OF WASHINGTON						
Statement of Net Assets						
<i>(in millions of dollars)</i>						
	Governmental		Business-Type		Total	
	2009	2008	2009	2008	2009	2008
ASSETS						
Current and other assets	\$ 15,611	\$ 19,620	\$ 21,027	\$ 21,665	\$ 36,638	\$ 41,285
Capital assets	29,558	27,692	2,099	1,995	31,657	29,687
Total assets	45,169	47,312	23,126	23,660	68,295	70,972
LIABILITIES						
Current and other liabilities	3,593	5,201	2,653	2,973	6,246	8,174
Long-term liabilities outstanding	17,721	16,014	25,689	24,971	43,410	40,985
Total liabilities	21,314	21,215	28,342	27,944	49,656	49,159
NET ASSETS						
Invested in capital assets, net of related debt	17,551	17,029	721	521	18,272	17,550
Restricted	4,887	5,524	3,800	4,406	8,687	9,930
Unrestricted (deficit)	1,417	3,544	(9,737)	(9,211)	(8,320)	(5,667)
Total net assets	\$ 23,855	\$ 26,097	\$ (5,216)	\$ (4,284)	\$ 18,639	\$ 21,813

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 \$18.6 billion at June 30, 2009 as compared to \$21.8 billion as reported at June 30, 2008.

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.

The largest portion of the state's net assets (98.0 percent for Fiscal Year 2009 as compared to 80.5 percent for Fiscal Year 2008) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any

A portion of the state of Washington's net assets (46.6 percent for Fiscal Year 2009 as compared to 45.5 percent for Fiscal Year 2008) represents resources that are subject to external restrictions on how they may be used.

State of Washington

The remaining balance of (\$8.3) billion represents unrestricted (deficit) net assets. The state's overall negative balance is caused by the workers' compensation program that provides time-loss, medical, disability and pension payments to qualifying individuals who sustain work-related injuries or develop occupational diseases as a result of their required work activities.

The main benefit plans of the workers' compensation program are funded on rates that will keep the plans solvent in accordance with recognized actuarial principles.

The supplemental pension cost-of-living adjustments (COLAs) granted for time-loss and disability payments, however, are funded on a pay-as-you-go basis. By statute, the state is only allowed to collect enough revenue to fund the current COLA payments.

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

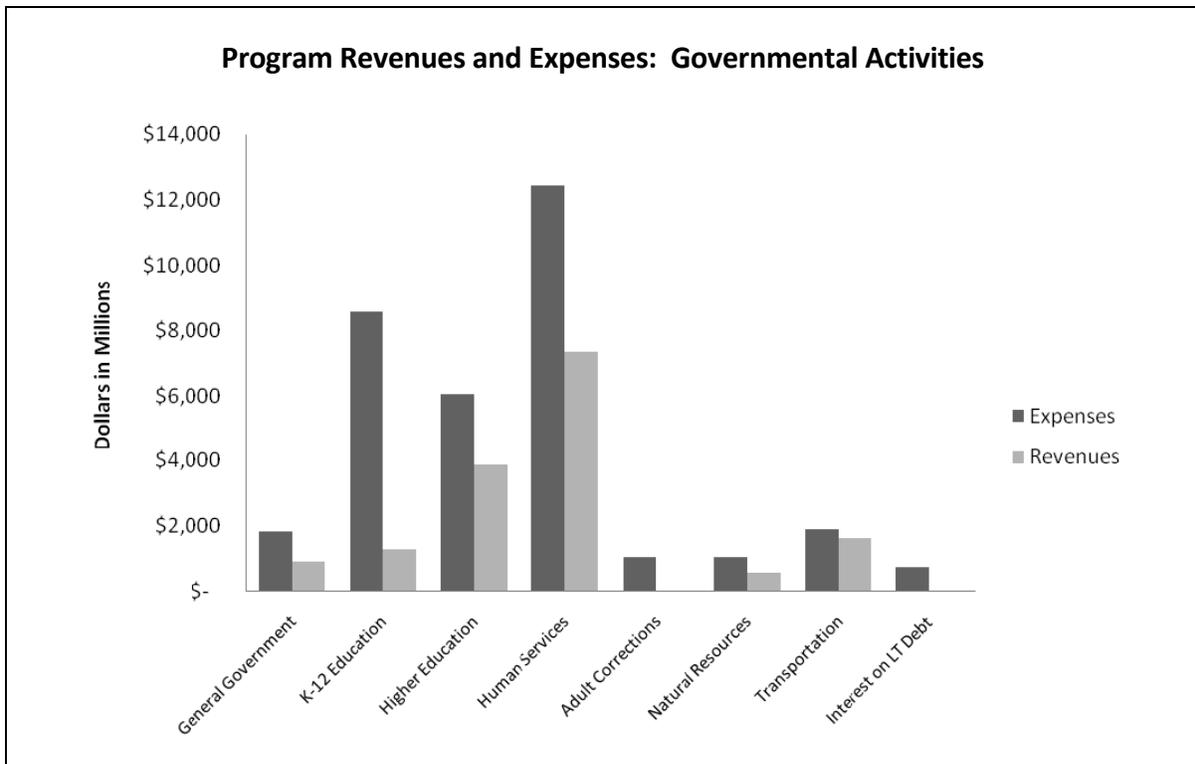
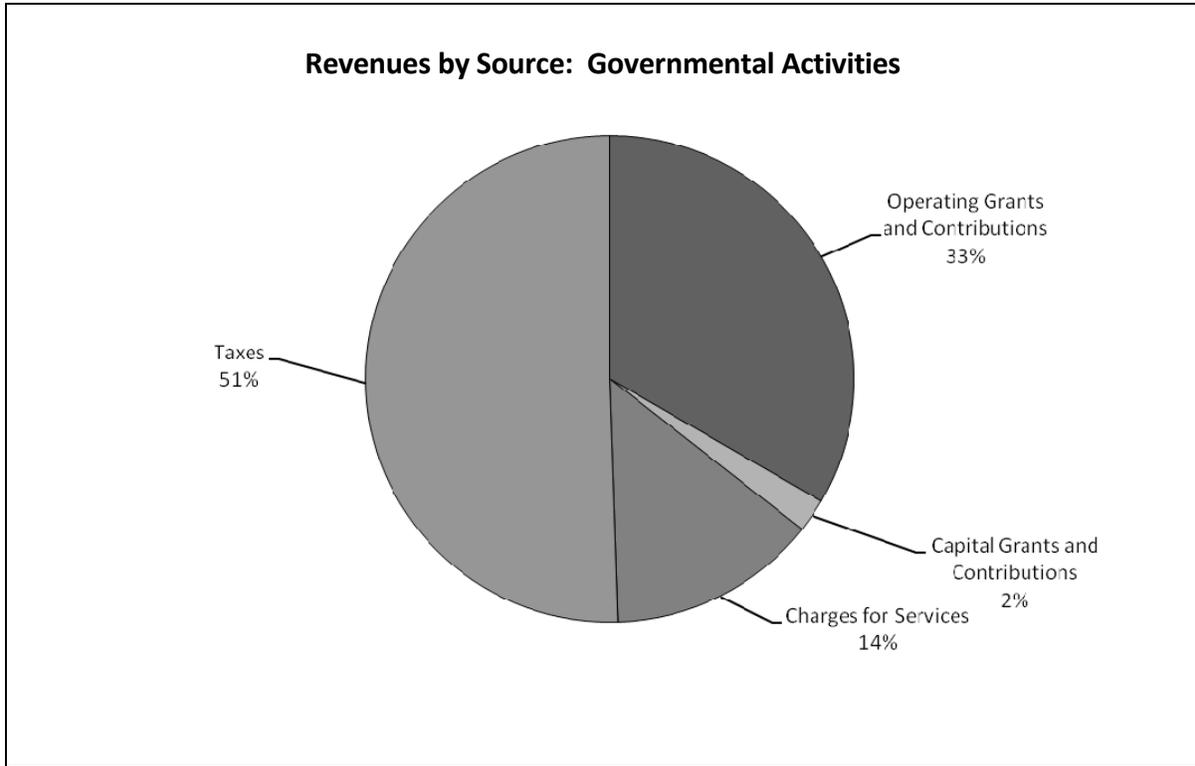
STATE OF WASHINGTON						
Changes in Net Assets						
<i>(in millions of dollars)</i>						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
REVENUES						
Program revenues:						
Charges for services	\$ 4,398	\$ 3,912	\$ 5,640	\$ 5,364	\$ 10,038	\$ 9,276
Operating grants and contributions	10,565	8,725	572	42	11,137	8,767
Capital grants and contributions	706	746	-	-	706	746
General revenues:						
Taxes	16,001	16,894	113	115	16,114	17,009
Interest and investment earnings	(212)	464	291	767	79	1,231
Total Revenues	31,458	30,741	6,616	6,288	38,074	37,029
EXPENSES						
General government	(1,815)	(1,609)	-	-	(1,815)	(1,609)
Education - K-12	(8,549)	(7,476)	-	-	(8,549)	(7,476)
Education - Higher education	(6,044)	(5,710)	-	-	(6,044)	(5,710)
Human services	(12,436)	(11,260)	-	-	(12,436)	(11,260)
Adult corrections	(1,044)	(1,020)	-	-	(1,044)	(1,020)
Natural resources and recreation	(1,062)	(931)	-	-	(1,062)	(931)
Transportation	(1,883)	(1,894)	-	-	(1,883)	(1,894)
Interest on long-term debt	(728)	(643)	-	-	(728)	(643)
Workers' compensation	-	-	(2,544)	(4,068)	(2,544)	(4,068)
Unemployment compensation	-	-	(2,360)	(791)	(2,360)	(791)
Higher education student services	-	-	(1,502)	(1,470)	(1,502)	(1,470)
Liquor control	-	-	(540)	(551)	(540)	(551)
Washington's lottery	-	-	(401)	(418)	(401)	(418)
Other business-type activities	-	-	(391)	(235)	(391)	(235)
Total Expenses	(33,561)	(30,543)	(7,738)	(7,533)	(41,299)	(38,076)
Excess (deficiency) of revenues over expenses before contributions to endowments, extraordinary loss, and transfers	(2,103)	198	(1,122)	(1,245)	(3,225)	(1,047)
Contributions to endowments	57	95	-	-	57	95
Transfers	(190)	272	190	(272)	-	-
Increase (decrease) in net assets	(2,236)	565	(932)	(1,517)	(3,168)	(952)
Net assets - July 1, as restated*	26,091	25,532	(4,284)	(2,767)	21,807	22,765
Net assets - June 30	<u>\$ 23,855</u>	<u>\$ 26,097</u>	<u>\$ (5,216)</u>	<u>\$ (4,284)</u>	<u>\$ 18,639</u>	<u>\$ 21,813</u>
* Beginning Net Assets balances were restated in Fiscal Year 2008 to reflect fund type reclassifications and in Fiscal Year 2009 for prior period adjustments.						

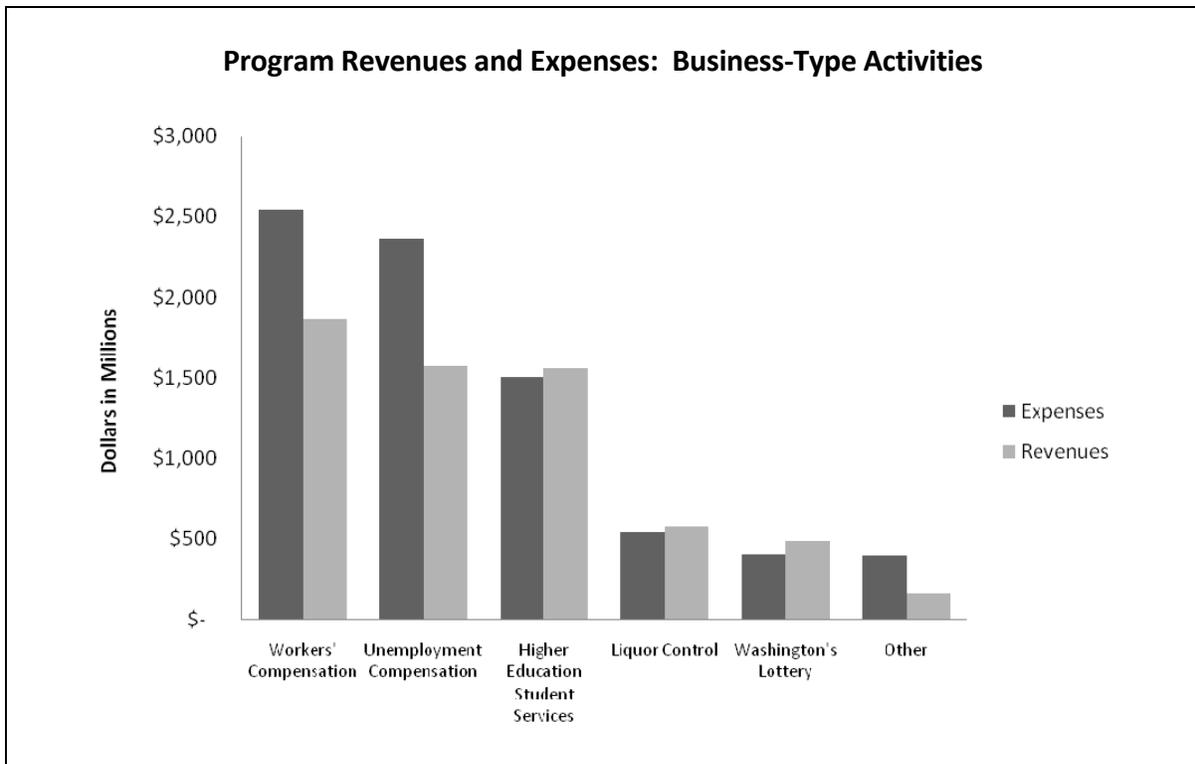
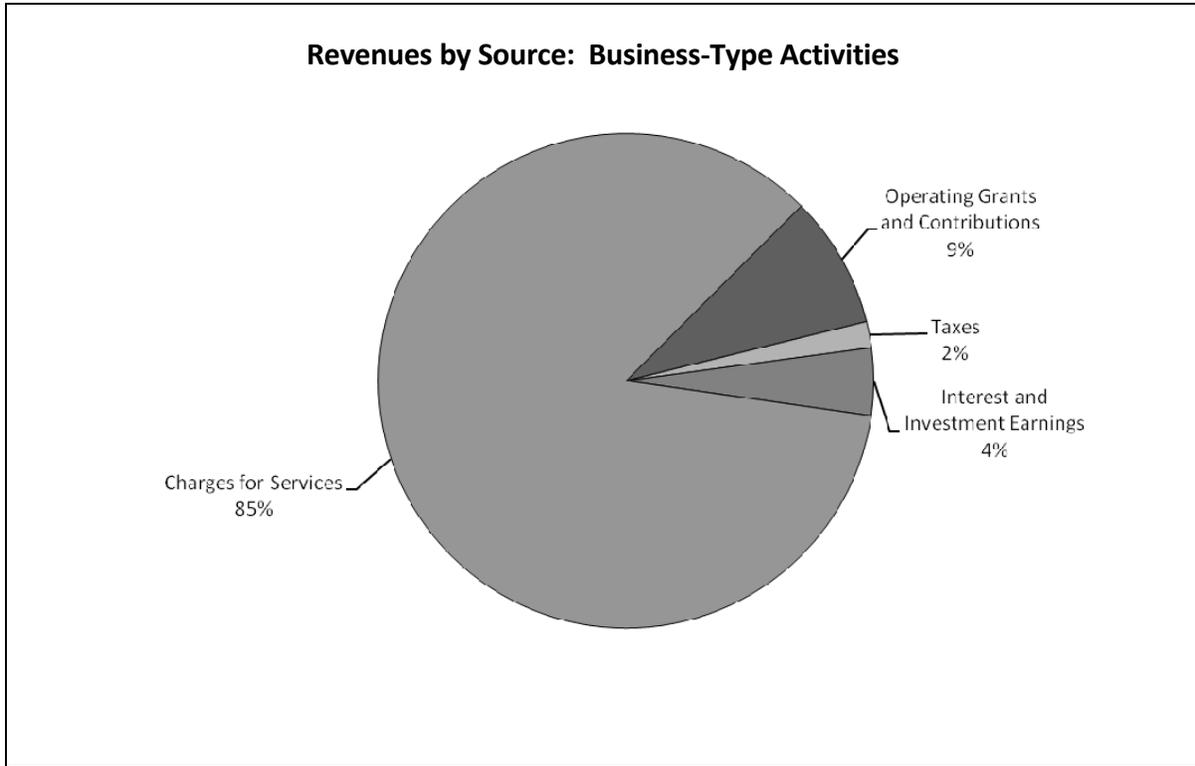
Governmental Activities. Governmental activities resulted in a decrease in the state of Washington's net assets of \$2.2 billion. A number of factors contributed to the decrease:

- Tax revenues decreased \$893 million in Fiscal Year 2009 as compared to Fiscal Year 2008. While certain tax sources showed moderate increases, sales and use taxes reported a decrease of \$1.0 billion. Sales and use taxes are the main tax revenue for governmental activities. Taxable sales have declined sharply due to reductions in consumer spending power as a result of job losses as well as weak consumer confidence. Real estate excise taxes also declined by \$294 million reflecting the continued decline in real estate activity as home prices and housing permits continued to decline throughout Fiscal Year 2009.
- Growth in expenses outpaced growth in revenues. The expenses for human services and education comprised 80.5 percent of the total expenses for governmental activities which is consistent with the 80 percent in Fiscal Year 2008. Human services expenses grew by \$1.2 billion or 10 percent in Fiscal Year 2009 over Fiscal Year 2008 reflecting the increased number of citizens seeking assistance from state programs and services due to the economic recession. K-12 education also increased in Fiscal Year 2009 as compared to Fiscal Year 2008 due to increases in enrollment and construction grants to local school districts. Approximately 40 percent of the increased costs of human services and K-12 education were financed with federal fiscal stabilization funds.

Business-Type Activities. Business-type activities decreased the state of Washington's net assets by \$932 million which included losses in both the workers' compensation and unemployment compensation activities. Key factors contributing to the operating results of business-type activities are:

- The operating loss in the workers' compensation activity in Fiscal Year 2009 was \$1.8 billion less than in Fiscal Year 2008. A number of factors contributed to the decreased operating loss including an increase in premium revenue of \$260 million which resulted when the Fiscal Year 2008 rate holiday did not extend into Fiscal Year 2009 and a decrease in claims costs of \$1.5 billion. The decrease in claims costs is attributable to lower projections of supplemental pension costs related to changes in the forecast of future wage inflation.
- The unemployment compensation activity reported a Fiscal Year 2009 operating loss of \$789 million, compared to \$333 million operating income in Fiscal Year 2008. Washington's unemployment insurance program is an experience-based system. Since Washington had relatively low unemployment until Fiscal Year 2009, unemployment premium revenue had been declining. Fiscal Year 2009 premium revenues were \$146 million less than Fiscal Year 2008. While this decrease was more than offset by an increase in federal aid of \$531 million, which included federal fiscal stabilization funding, costs for unemployment insurance benefits rose \$1.6 billion. The increase in costs was the result of increases in the number of claims, the duration of claims and the benefit amounts. The annualized unemployment rate for the state was 7.3 percent in Fiscal Year 2009, up from 4.7 percent in Fiscal Year 2008, a 55 percent increase.
- The higher education student services activity reported relatively proportional increases in both expenses and charges for services when compared to the prior year. Additionally, both liquor control and Washington's lottery activities reported operating revenues and expenses consistent with the prior year.





Financial Analysis of the Government's Funds

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

Governmental Funds. As previously discussed, the focus of the state of Washington's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the state of Washington's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the state of Washington. At the end of the fiscal year, total fund balance for the General Fund equaled \$1.2 billion.

Unreserved fund balance included \$898 million designated for working capital purposes. This amount relates to certain accrued revenues and is not considered by management to be available to spend. The remaining unreserved fund balance of \$189 million is undesignated and is considered available to spend.

The fund balance of the state of Washington's General Fund decreased by \$757 million during Fiscal Year 2009. While increases in federal grant revenue approximated the decreases in tax revenue, increased demands for services had a negative impact on fund balance.

STATE OF WASHINGTON			
General Fund			
<i>(in millions of dollars)</i>			
	Fiscal Year		Difference
	2009	2008	Increase (Decrease)
REVENUES			
Taxes	\$12,791	\$ 14,307	\$ (1,516)
Federal grants	8,311	6,557	1,754
Investment revenue	64	123	(59)
Other	421	462	(41)
Total	21,587	21,449	138
EXPENDITURES			
Human services	11,912	10,921	991
Education	9,044	8,235	809
Other	1,223	1,144	79
Total	22,179	20,300	1,879
Net transfers in (out)	(192)	(1,145)	953
Other financing sources	27	12	15
Net increase (decrease) in fund balance	\$ (757)	\$ 16	\$ (773)

Expenditure growth continues to be concentrated in services and programs most vital to citizens – primarily human services and public education. As explained earlier, increased demand for services due to recessionary economic conditions resulted in the expenditure growth reported in the General Fund. The increased costs were supported in part with increased federal grant funding including federal fiscal stabilization funds.

In addition to the General Fund, the state reports the Higher Education Special Revenue and Higher Education Endowment Funds as major governmental funds. The fund balance of the Higher Education Special Revenue Fund decreased by \$346 million in Fiscal Year 2009 largely

due to transfer activity. The fund balance for the Higher Education Endowment Fund decreased by \$533 million. The decrease in the Higher Education Endowment Fund is primarily due to decline in the market value of investments and, to a lesser extent, to a decline in support from donors, both related to the current economic situation.

The fund balance for nonmajor governmental funds decreased by \$1.3 billion. The largest factor contributing to the decrease is an increase in transfers to other funds - \$755 million of which was transferred to the General Fund to cover the revenue shortfall.

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 reported a loss of \$0.5 billion in Fiscal Year 2009. Operating revenues increased by \$260 million and operating expenses decreased by \$1.5 billion as compared to Fiscal Year 2008. As noted previously, the decrease in operating costs is attributable to lower projections of supplemental pension costs related to changes in the forecast of future wage inflations. The positive changes were partially offset by a decrease in investment income of \$253 million due to the ongoing turmoil in the investment market.
- Washington's unemployment rate increased markedly in Fiscal Year 2009, as the slowing national economy and weakening housing markets took their toll on the labor markets. Despite an increase in federal aid of \$531 million, which included federal fiscal stabilization funding, the Unemployment Compensation Fund incurred a loss of \$607 million.
- Activity for the various nonmajor proprietary funds resulted in a decrease to net assets of \$387 million. The largest component of the decrease is the loss of \$340 million reported by the state's guaranteed college tuition (GET) program which is included in the Other Activities Fund. This loss was primarily caused by a reduction in investment earnings and higher than projected tuition unit payout values. The GET program is proceeding cautiously and analyzing the market for strategic investment opportunities.

General Fund Budgetary Highlights

Differences between the original budget of the General Fund and the final amended budget reflect adjustments related to changes in the state's economy during the two years ended June 30, 2009. While there were no significant increases or decreases, changes to estimates are summarized as follows:

- Estimated resources increased by \$619 million over the course of the biennium. A decrease of \$1.8 billion was reported for taxes. The decrease in estimated tax revenue was offset by increases to federal grants-in-aid and transfers from other funds of \$1.4 billion and \$842 million, respectively.

- Appropriated expenditure authority increased by \$858 million over the course of the biennium ended June 30, 2009. Increases were recorded in general government, human services and education of \$189 million, \$409 million and \$422 million, respectively. The largest decrease was in transfers to other funds of \$167 million.

The state did not overspend its legal spending authority for the 2007-09 Biennium. Actual General Fund revenues and expenditures were 97 and 98 percent of final budgeted revenues and appropriations, respectively, for the 2007-09 Biennium.

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

Capital Assets. The state of Washington's investment in capital assets for its governmental and business-type activities as of June 30, 2009 amounted to \$31.7 billion (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, museum and historical collections, buildings and other improvements, furnishings and equipment, as well as construction in progress.

Washington's Fiscal Year 2009 investment in capital assets, net of current year depreciation, was \$2.0 billion, including increases to the state's transportation infrastructure of \$1.3 billion and buildings of \$816 million. The state's construction in progress includes both new construction and major improvements to state and common school capital facilities, transportation projects and assistance to local governments for public works capital projects. Remaining commitments on these construction projects total \$7.8 billion.

Additional information on the state of Washington's capital assets can be found in Note 6 beginning on page 94 of this report.

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 airports, and two short rail lines. While the rail lines are reported net of depreciation, the state highway system and emergency airports are reported using the modified approach. Under the modified approach, rather than recording depreciation, asset condition is reported.

STATE OF WASHINGTON						
Capital Assets - Net of Depreciation						
<i>(in millions of dollars)</i>						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Land	\$ 1,130	\$ 1,051	\$ 142	\$ 136	\$ 1,272	\$ 1,187
Transportation infrastructure and other assets not depreciated	18,328	17,021	-	-	18,328	17,021
Buildings	6,473	5,731	1,566	1,492	8,039	7,223
Furnishings, equipment, and collections	1,377	1,392	150	135	1,527	1,527
Other improvements and infrastructure	1,065	1,013	88	58	1,153	1,071
Construction in progress	1,185	1,484	153	174	1,338	1,658
Total	\$ 29,558	\$ 27,692	\$ 2,099	\$ 1,995	\$ 31,657	\$ 29,687

The condition of these assets, along with the rating scales for pavement, bridges, rest areas, and airports, and additional detail comparing planned-to-actual preservation and maintenance spending are available in the required supplementary information beginning on page 163.

The Washington State Department of Transportation (WSDOT) accomplished a net addition of 141 lane miles and 21 bridges in Fiscal Year 2009. The state highway system value increased a net of \$1.3 billion during the fiscal year. Amounts spent during Fiscal Year 2009 to maintain and preserve these infrastructure assets were not significantly different from estimated spending plans according to the biennial budget. The state highway system and emergency airports continue to meet established condition levels. No significant changes in condition levels were noted for pavements or bridges.

Detailed information about targeted and actual condition levels for roads, bridges, rest areas, and airports can be found in the required supplementary information section of this report.

The safety of bridge structures is ensured through meticulous inspections and rating of the primary components of bridges by the WSDOT Bridge Preservation Office or local agency staff. The condition of all bridge decks, superstructures and substructures are rated based on these inspections.

The WSDOT's planned highway infrastructure projects for the next four years, fiscal years 2010 through 2013, would commit approximately \$6.5 billion for 460 projects. These projects are either already in progress or are expected to commence within the next four years.

Bond Debt. At the end of Fiscal Year 2009, the state of Washington had general obligation bond debt outstanding of \$14.1 billion, an increase of 8.5 percent over Fiscal Year

2008. This debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized \$12.7 billion general obligation debt that remains unissued.

The state had revenue debt outstanding at June 30, 2009, of \$1.7 billion, an increase of \$20 million over Fiscal Year 2008. This increase is primarily related to revenue bonds issued by state colleges and universities. Revenue bond debt is secured by specific sources of revenue.

During Fiscal Year 2009, the state issued general obligation debt, totaling \$1.7 billion, for various capital and transportation projects. The state ranked 13th in a list of the top 100 state and local issuers ranked by amount financed by municipal issuers in calendar year 2008, according to The Bond Buyer's 2009 Yearbook.

The Washington State Constitution and the Revised Code of Washington limit the amount of general obligation (GO) debt that may be issued. The constraining limit for 2009 is the statutory limit. For the fiscal year ended June 30, 2009, the maximum GO debt authorized by the statutory debt limit was \$10.8 billion.

This computation excludes specific bond issues and types that are not secured by general state revenues, such as motor vehicle fuel tax and reimbursable bonds. Of the \$14.1 billion general obligation bond debt outstanding at June 30, 2009, \$8.0 billion is subject to the limitation. Based on the debt limitation calculation, the debt service requirements as of June 30, 2009 did not exceed the authorized debt service limitation.

For further information on the debt limit, refer to the Certification of the Debt Limitation of the State of Washington, available from the Office of the State Treasurer or at: http://www.tre.wa.gov/documents/debt_cdl2009.pdf.

STATE OF WASHINGTON						
Bond Debt						
<i>(in millions of dollars)</i>						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
General obligation (GO) bonds	\$ 14,049	\$ 12,927	\$ 69	\$ 80	\$ 14,118	\$ 13,007
Accreted interest on zero interest rate GO bonds	328	295	38	34	366	329
Revenue bonds	616	555	1,074	1,115	1,690	1,670
Total	\$ 14,993	\$ 13,777	\$ 1,181	\$ 1,229	\$ 16,174	\$ 15,006

By statutory provision, the State Finance Committee (SFC) is authorized to supervise and control the issuance of all state bonds, notes, or other evidences of indebtedness.

The SFC is composed of the Governor, Lieutenant Governor, and State Treasurer, the latter serving as chairman.

As of June 30, 2009, the state of Washington's general obligation debt was rated Aa1 by Moody's Investor Service, AA by Standard & Poor's Rating Group (S & P), and AA by Fitch Ratings.

Additional information on the state's bond debt obligations is presented in Note 7 beginning on page 98 of this report.

Additional information on the state's legal debt limit is presented in the statistical section on page 258 of this report.

Conditions with Expected Future Impact

Economic Factors. The forecast for Washington for Fiscal Year 2010 is for the beginning of the end of the recession. That said, in the coming year, legislative leaders and management will be facing a number of challenges.

- Slower economic growth is forecasted as the impacts of the financial crisis and national and international recessions wind their way through Washington's economy.
- Employment will take time to pick up again as it typically lags the upturn in activity. Businesses will first meet demand by ramping up excess capacity and increasing workers' hours. Only after they are sure the recovery is going to be sustained will they start adding to payrolls. Accordingly, unemployment rates are expected

to increase as non-farm payroll employment in Washington is forecasted to decrease in Fiscal Year 2010 by 3.0 percent, marking two consecutive years of declining employment.

- Revenue growth is expected to be negatively impacted as economic changes to the tax system, including aerospace industry tax credits, take full effect by the end of the 2007-09 Biennium. State tax revenue is also expected to be adversely impacted by forecasted continued weak consumer spending.

Changes to the General Fund. Effective July 1, 2009, six accounts, previously reported within nonmajor governmental funds, will be consolidated into the General Fund. Because of the close relationship between these accounts and the General Fund, they had been designated as "related funds." They are being consolidated into the General Fund to improve budget transparency.

Federal Fiscal Stabilization. Since the American Recovery and Reinvestment Act was signed into law in February 2009, Washington has used fiscal stabilization grants to avoid making significant service and work force cuts in areas such as education, transportation, public health and the environment.

As of September 30, more than \$2 billion in federal fiscal stabilization grants have been awarded to the state. State agencies are using the grants to stabilize the state's budget, stimulate the economy and help citizens hardest hit by the recession. Proposals for additional funding have been submitted for a variety of projects in areas such as green jobs and worker training; broadband deployment; health information technology; high-speed rail development; and energy efficiency.

Rainy Day Account. In November 2007, Washington State voters ratified Engrossed Substitute Senate Joint Resolution 8206, amending the state's Constitution and establishing the Budget Stabilization Account (BSA).

On July 1, 2008, the balance in the Emergency Reserve Fund of \$303 million was transferred to the newly created BSA. An additional \$115 million was transferred from the General Fund to the BSA in Fiscal Year 2009 in accordance with the provisions of the Constitution.

The Constitution details a limited number of circumstances under which funds can be appropriated from the BSA, one of which is a favorable vote of at least three-fifths of the members of each house of the Legislature.

During Fiscal Year 2009, Engrossed Substitute House Bill 1244 authorized the transfer of \$400 million from the BSA

to the General Fund. The BSA has a balance of \$21.4 million as of June 30, 2009.

Requests for Information

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

Basic Financial Statements
Governmental-wide Financial Statements

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Statement of Net Assets

June 30, 2009

(expressed in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and pooled investments	\$ 4,186,623	\$ 6,857,854	\$ 11,044,477	\$ 68,710
Taxes receivable (net of allowance)	2,908,709	5,456	2,914,165	-
Other receivables (net of allowance)	1,176,257	1,145,044	2,321,301	1,300
Internal balances (net)	71,804	(71,804)	-	-
Due from other governments	3,638,185	139,245	3,777,430	-
Inventories	92,697	90,191	182,888	-
Investments, noncurrent	3,437,071	12,456,421	15,893,492	20,981
Other assets	100,030	405,179	505,209	58,767
Capital assets (Note 6):				
Non-depreciable assets	20,643,360	295,848	20,939,208	34,677
Depreciable assets, net of depreciation	8,914,577	1,803,083	10,717,660	353,738
Total capital assets, net of depreciation	29,557,937	2,098,931	31,656,868	388,415
Total Assets	\$ 45,169,313	\$ 23,126,517	\$ 68,295,830	\$ 538,173
LIABILITIES				
Accounts payable	\$ 1,389,827	\$ 133,626	\$ 1,523,453	\$ 35,035
Contracts and retainage payable	185,219	26,685	211,904	3,042
Accrued liabilities	592,346	247,473	839,819	3,835
Obligations under security lending agreements	126,592	2,165,450	2,292,042	-
Obligation under reverse repurchase agreements	194,243	2,174	196,417	-
Due to other governments	832,872	32,517	865,389	-
Unearned revenue	272,186	44,948	317,134	1,482
Long-term liabilities (Note 7):				
Due within one year	1,164,862	2,390,917	3,555,779	-
Due in more than one year	16,556,033	23,298,276	39,854,309	30,326
Total Liabilities	21,314,180	28,342,066	49,656,246	73,720
NET ASSETS				
Invested in capital assets, net of related debt	17,551,133	721,651	18,272,784	353,829
Restricted for:				
Unemployment compensation	-	3,799,721	3,799,721	-
Other purposes	1,783,271	-	1,783,271	23,137
Capital projects	449,534	-	449,534	-
Expendable permanent fund principal	1,281,879	-	1,281,879	-
Nonexpendable permanent endowments	1,372,769	-	1,372,769	-
Unrestricted (deficit)	1,416,547	(9,736,921)	(8,320,374)	87,487
Total Net Assets	\$ 23,855,133	\$ (5,215,549)	\$ 18,639,584	\$ 464,453

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

Statement of Activities
For the Fiscal Year Ended June 30, 2009
(expressed in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General government	\$ 1,814,776	\$ 599,627	\$ 320,087	\$ 441
Education - elementary and secondary (K-12)	8,548,600	19,403	1,262,665	-
Education - higher education	6,044,459	2,169,850	1,691,421	22,504
Human services	12,435,831	300,160	7,045,450	-
Adult corrections	1,044,398	9,363	2,005	-
Natural resources and recreation	1,062,025	399,567	146,513	38,389
Transportation	1,883,055	900,108	96,578	644,908
Interest on long-term debt	727,734	-	-	-
Total Governmental Activities	33,560,878	4,398,078	10,564,719	706,242
Business-Type Activities:				
Workers' compensation	2,543,743	1,856,013	7,419	-
Unemployment compensation	2,360,343	1,010,671	561,106	-
Higher education student services	1,501,566	1,555,501	3,350	-
Liquor control	540,005	573,861	13	-
Washington's lottery	400,716	487,734	-	-
Other	391,416	156,305	-	-
Total Business-Type Activities	7,737,789	5,640,085	571,888	-
Total Primary Government	\$ 41,298,667	\$ 10,038,163	\$ 11,136,607	\$ 706,242
COMPONENT UNITS	\$ 28,608	\$ 14,503	\$ 1,146	\$ 726
Total Component Units	\$ 28,608	\$ 14,503	\$ 1,146	\$ 726

General Revenues:
Taxes - sales and use
Taxes - business and occupation
Taxes - property
Taxes - motor vehicle and fuel
Taxes - excise
Taxes - other
Interest and investment earnings
Total general revenues
Excess (deficiency) of revenues over expenses before contributions
to endowments, extraordinary loss, and transfers
Contributions to endowments
Transfers
Change in Net Assets
Net assets - Beginning, as restated
Net assets - Ending

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

State of Washington

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ (894,621)	\$ -	\$ (894,621)	
(7,266,532)	-	(7,266,532)	
(2,160,684)	-	(2,160,684)	
(5,090,221)	-	(5,090,221)	
(1,033,030)	-	(1,033,030)	
(477,556)	-	(477,556)	
(241,461)	-	(241,461)	
(727,734)	-	(727,734)	
<u>(17,891,839)</u>	<u>-</u>	<u>(17,891,839)</u>	
-	(680,311)	(680,311)	
-	(788,566)	(788,566)	
-	57,285	57,285	
-	33,869	33,869	
-	87,018	87,018	
-	(235,111)	(235,111)	
-	(1,525,816)	(1,525,816)	
<u>(17,891,839)</u>	<u>(1,525,816)</u>	<u>(19,417,655)</u>	
			<u>\$ (12,233)</u>
			<u>(12,233)</u>
7,305,841	-	7,305,841	-
2,614,380	-	2,614,380	-
1,785,064	-	1,785,064	-
1,183,360	-	1,183,360	-
486,610	57,081	543,691	-
2,625,435	55,651	2,681,086	-
(211,814)	291,057	79,243	5,605
<u>15,788,876</u>	<u>403,789</u>	<u>16,192,665</u>	<u>5,605</u>
(2,102,963)	(1,122,027)	(3,224,990)	(6,628)
56,983	-	56,983	-
(190,415)	190,415	-	-
(2,236,395)	(931,612)	(3,168,007)	(6,628)
26,091,528	(4,283,937)	21,807,591	471,081
<u>\$ 23,855,133</u>	<u>\$ (5,215,549)</u>	<u>\$ 18,639,584</u>	<u>\$ 464,453</u>

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Basic Financial Statements
Fund Financial Statements

Balance Sheet
GOVERNMENTAL FUNDS

June 30, 2009
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 133,849	\$ 326,973	\$ 396,484	\$ 2,905,383	\$ 3,762,689
Investments	151,604	767,972	2,211,823	318,299	3,449,698
Taxes receivable (net of allowance)	2,776,819	26,087	-	105,803	2,908,709
Other receivables (net of allowance)	268,899	345,305	21,334	601,723	1,237,261
Due from other funds	171,055	168,607	89	439,532	779,283
Due from other governments	1,151,966	144,125	-	2,272,976	3,569,067
Inventories	16,095	12,971	-	45,458	74,524
Total Assets	\$ 4,670,287	\$ 1,792,040	\$ 2,629,730	\$ 6,689,174	\$ 15,781,231
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 898,717	\$ 111,856	\$ -	\$ 337,199	\$ 1,347,772
Contracts and retainages payable	42,782	3,842	2,023	115,890	164,537
Accrued liabilities	161,973	155,254	41,932	85,645	444,804
Obligations under security lending agreements	-	-	97,282	29,310	126,592
Obligations under reverse repurchase agreements	101,088	8,841	1,229	78,683	189,841
Due to other funds	263,794	101,652	2,165	432,812	800,423
Due to other governments	595,197	644	-	176,501	772,342
Deferred revenues	1,423,927	204,500	6,893	715,091	2,350,411
Claims and judgments payable	20,859	-	-	14,787	35,646
Total Liabilities	3,508,337	586,589	151,524	1,985,918	6,232,368
Fund Balances:					
Reserved for:					
Encumbrances	52	2,419	-	213,857	216,328
Inventories	15,614	12,971	-	41,271	69,856
Permanent funds	-	-	2,478,206	176,442	2,654,648
Other specific purposes	59,263	220,151	-	1,848,085	2,127,499
Unreserved, designated for, reported in:					
Working capital	897,763	-	-	-	897,763
Higher education	-	155,679	-	-	155,679
Special revenue funds	-	-	-	165	165
Debt service funds	-	-	-	267,470	267,470
Unreserved, undesignated	189,258	814,231	-	-	1,003,489
Unreserved, undesignated reported in:					
Special revenue funds	-	-	-	1,848,410	1,848,410
Capital project funds	-	-	-	307,556	307,556
Total Fund Balances	1,161,950	1,205,451	2,478,206	4,703,256	9,548,863
Total Liabilities and Fund Balances	\$ 4,670,287	\$ 1,792,040	\$ 2,629,730	\$ 6,689,174	\$ 15,781,231

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

**Reconciliation of the Balance Sheet
to the Statement of Net Assets
GOVERNMENTAL FUNDS**

June 30, 2009
(expressed in thousands)

Total Fund Balances for Governmental Funds \$ 9,548,863

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	\$ 20,614,820	
Depreciable assets	14,449,903	
Less: Accumulated depreciation	<u>(5,960,475)</u>	
Total capital assets		29,104,248

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. 2,079,407

Certain pension trust funds have been funded in excess of the annual required contributions, creating a year-end asset. This asset is not a financial resource and therefore is not reported in the funds. 14,800

Unmatured interest on general obligation bonds is not recognized in the funds until due. (305,951)

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. (187,678)

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds and other financing contracts payable	\$ (14,863,287)	
Accreted interest on bonds	(327,617)	
Compensated absences	(518,968)	
Other postemployment obligations	(443,655)	
Unfunded pension obligations	(154,130)	
Pollution remediation obligations	(35,005)	
Claims and judgments	(33,607)	
Other obligations	<u>(22,287)</u>	
Total long-term liabilities		<u>(16,398,556)</u>

Net Assets of Governmental Activities \$ 23,855,133

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

**Statement of Revenues, Expenditures, and Changes in Fund Balances
GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2009

(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
REVENUES					
Retail sales and use taxes	\$ 7,233,911	\$ -	\$ -	\$ 71,930	\$ 7,305,841
Business and occupation taxes	2,530,373	-	-	84,007	2,614,380
Property taxes	1,528,814	-	-	256,250	1,785,064
Excise taxes	433,005	-	-	53,605	486,610
Motor vehicle and fuel taxes	-	-	-	1,183,360	1,183,360
Other taxes	1,064,683	221,913	-	706,421	1,993,017
Licenses, permits, and fees	95,089	621	-	803,148	898,858
Timber sales	1,287	-	22,002	145,146	168,435
Other contracts and grants	170,381	644,610	-	17,317	832,308
Federal grants-in-aid	8,311,279	1,138,469	-	1,097,864	10,547,612
Charges for services	54,993	1,615,277	-	557,969	2,228,239
Investment income (loss)	64,091	69,029	(473,941)	129,007	(211,814)
Miscellaneous revenue	74,916	274,074	2,293	483,203	834,486
Escheated property	24,656	-	-	-	24,656
Contributions and donations	-	-	56,983	-	56,983
Total Revenues	21,587,478	3,963,993	(392,663)	5,589,227	30,748,035
EXPENDITURES					
Current:					
General government	726,235	-	-	650,987	1,377,222
Human services	11,912,451	-	-	1,241,506	13,153,957
Natural resources and recreation	340,037	-	-	659,283	999,320
Transportation	37,048	732	-	1,809,555	1,847,335
Education	9,043,821	3,794,310	177	987,240	13,825,548
Intergovernmental	31,683	-	-	351,735	383,418
Capital outlays	69,448	146,102	24,010	2,206,404	2,445,964
Debt service:					
Principal	18,008	16,889	-	609,875	644,772
Interest	567	3,908	-	665,492	669,967
Total Expenditures	22,179,298	3,961,941	24,187	9,182,077	35,347,503
Excess of Revenues Over (Under) Expenditures	(591,820)	2,052	(416,850)	(3,592,850)	(4,599,468)
OTHER FINANCING SOURCES (USES)					
Bonds issued	-	-	-	1,702,700	1,702,700
Other debt issued	27,021	19,546	-	2,702	49,269
Bond issue premiums	-	-	-	78,379	78,379
Capital lease acquisitions	-	33	-	-	33
Transfers in	951,523	410,027	9,450	2,753,771	4,124,771
Transfers (out)	(1,143,562)	(777,908)	(125,428)	(2,293,436)	(4,340,334)
Total Other Financing Sources (Uses)	(165,018)	(348,302)	(115,978)	2,244,116	1,614,818
Net Change in Fund Balances	(756,838)	(346,250)	(532,828)	(1,348,734)	(2,984,650)
Fund Balances - Beginning, as restated	1,918,788	1,551,701	3,011,034	6,051,990	12,533,513
Fund Balances - Ending	\$ 1,161,950	\$ 1,205,451	\$ 2,478,206	\$ 4,703,256	\$ 9,548,863

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

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

For the Fiscal Year Ended June 30, 2009
(expressed in thousands)

Net Change in Fund Balances - Total Governmental Funds \$ (2,984,650)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlays	\$ 2,362,813	
Less: Depreciation expense	<u>(487,942)</u>	1,874,871

Some revenues in the Statement of Activities do not provide current financial resources, and therefore, are deferred in governmental funds. Also, revenues related to prior periods that became available during the current period are reported in governmental funds but are eliminated in the Statement of Activities. This amount is the net adjustment.

773,587

Pension trust funding in excess of annual required contributions uses current financial resources, but does not qualify as an expense.

14,800

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of the internal service funds is reported with governmental activities.

(349,372)

Bond proceeds and other financing contracts provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net assets. In the current period, these amounts consist of:

Bonds and other financing contracts issued	\$ (1,918,735)	
Principal payments on bonds and other financing contracts	743,155	
Accreted interest on bonds	<u>(32,561)</u>	(1,208,141)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized in governmental funds. Also, some payments of certain obligations related to prior periods are recognized in governmental funds but are eliminated in the Statement of Activities. In the current period, the net adjustments consist of:

Unfunded pension obligations	\$ (40,714)	
Compensated absences	(21,410)	
Claims and judgments	(5,327)	
Other postemployment obligations	(222,279)	
Pollution remediation	(9,219)	
Accrued interest	(25,341)	
Other obligations	<u>(33,200)</u>	(357,490)

Change in Net Assets of Governmental Activities \$ (2,236,395)

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

**Statement of Fund Net Assets
PROPRIETARY FUNDS**

June 30, 2009

(expressed in thousands)

	Business-Type Activities Enterprise Funds				Total	Governmental
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds		Internal Service Funds
ASSETS						
Current Assets:						
Cash and pooled investments	\$ 70,716	\$ 3,399,541	\$ 856,687	\$ 306,754	\$ 4,633,698	\$ 336,817
Investments	1,806,130	-	3,483	414,543	2,224,156	7,123
Taxes receivable (net of allowance)	-	-	-	5,456	5,456	-
Other receivables (net of allowance)	623,438	349,771	139,531	32,304	1,145,044	17,097
Due from other funds	3,685	5,418	53,393	40,969	103,465	196,293
Due from other governments	1,006	61,123	54,108	3,741	119,978	8,107
Inventories	142	-	40,264	49,785	90,191	18,174
Prepaid expenses	38	-	33,013	366	33,417	5,580
Total Current Assets	2,505,155	3,815,853	1,180,479	853,918	8,355,405	589,191
Noncurrent Assets:						
Investments, noncurrent	10,886,324	-	220,756	1,349,341	12,456,421	67,367
Other noncurrent assets	121,105	-	60,759	189,898	371,762	79
Capital assets:						
Land and other non-depreciable assets	3,240	-	60,069	79,073	142,382	3,836
Buildings	62,705	-	1,756,809	407,397	2,226,911	149,040
Other improvements	1,662	-	69,369	20,259	91,290	18,242
Furnishings, equipment, and collections	71,113	-	367,566	68,577	507,256	754,262
Infrastructure	-	-	34,995	-	34,995	478
Accumulated depreciation	(75,875)	-	(824,816)	(156,678)	(1,057,369)	(496,873)
Construction in progress	500	-	108,276	44,690	153,466	24,703
Total Noncurrent Assets	11,070,774	-	1,853,783	2,002,557	14,927,114	521,134
Total Assets	13,575,929	3,815,853	3,034,262	2,856,475	23,282,519	1,110,325
LIABILITIES						
Current Liabilities:						
Accounts payable	6,696	-	82,637	44,293	133,626	48,562
Contracts and retainages payable	7,251	-	15,569	67,164	89,984	20,652
Accrued liabilities	141,647	4,244	119,040	134,964	399,895	28,964
Obligations under security lending agreements	1,806,130	-	-	359,320	2,165,450	-
Obligations under reverse repurchase agreements	2,042	-	-	132	2,174	4,402
Bonds and notes payable	3,820	-	46,319	68,720	118,859	25,621
Due to other funds	6,628	924	79,087	87,040	173,679	103,547
Due to other governments	-	10,964	178	3,700	14,842	17
Unearned revenues	9,450	-	35,388	110	44,948	1,182
Claims and judgments payable	2,052,244	-	-	4,091	2,056,335	191,235
Total Current Liabilities	4,035,908	16,132	378,218	769,534	5,199,792	424,182
Noncurrent Liabilities:						
Claims and judgments payable	20,111,824	-	-	7,188	20,119,012	664,054
Bonds and notes payable	22,110	-	1,087,711	272,473	1,382,294	183,808
Other long-term liabilities	23,313	-	71,318	1,702,339	1,796,970	25,959
Total Noncurrent Liabilities	20,157,247	-	1,159,029	1,982,000	23,298,276	873,821
Total Liabilities	24,193,155	16,132	1,537,247	2,751,534	28,498,068	1,298,003
NET ASSETS						
Invested in capital assets, net of related debt	37,415	-	517,237	166,999	721,651	259,726
Restricted for:						
Unemployment compensation	-	3,799,721	-	-	3,799,721	-
Unrestricted	(10,654,641)	-	979,778	(62,058)	(9,736,921)	(447,404)
Total Net Assets (Deficit)	\$ (10,617,226)	\$ 3,799,721	\$ 1,497,015	\$ 104,941	\$ (5,215,549)	\$ (187,678)

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
PROPRIETARY FUNDS
 For the Fiscal Year Ended June 30, 2009
(expressed in thousands)

	Business-Type Activities Enterprise Funds				Governmental Activities	
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES						
Sales	\$ -	\$ -	\$ 122,825	\$ 622,640	\$ 745,465	\$ 113,132
Less: Cost of goods sold	-	-	85,350	423,782	509,132	98,758
Gross profit	-	-	37,475	198,858	236,333	14,374
Charges for services	12	-	1,329,444	72,637	1,402,093	678,785
Premiums and assessments	1,824,276	934,690	-	-	2,758,966	1,019,131
Federal aid for unemployment insurance benefits	-	561,106	-	-	561,106	-
Lottery ticket proceeds	-	-	-	487,715	487,715	-
Miscellaneous revenue	31,667	75,981	110,852	5,958	224,458	45,572
Total Operating Revenues	1,855,955	1,571,777	1,477,771	765,168	5,670,671	1,757,862
OPERATING EXPENSES						
Salaries and wages	134,295	-	577,090	96,669	808,054	298,406
Employee benefits	45,400	-	124,271	37,831	207,502	82,132
Personal services	6,450	-	13,168	22,772	42,390	19,915
Goods and services	73,594	-	532,242	140,643	746,479	332,272
Travel	3,314	-	19,084	2,438	24,836	3,720
Premiums and claims	2,180,780	2,360,343	-	-	4,541,123	1,325,814
Lottery prize payments	-	-	-	301,280	301,280	-
Depreciation and amortization	10,003	-	76,963	13,785	100,751	71,246
Guaranteed education tuition expense	-	-	-	215,222	215,222	-
Miscellaneous expenses	88,441	-	15,526	254	104,221	1,000
Total Operating Expenses	2,542,277	2,360,343	1,358,344	830,894	7,091,858	2,134,505
Operating Income (Loss)	(686,322)	(788,566)	119,427	(65,726)	(1,421,187)	(376,643)
NONOPERATING REVENUES (EXPENSES)						
Earnings (loss) on investments	233,313	181,907	2,481	(126,644)	291,057	7,095
Interest expense	(1,467)	-	(57,872)	(37,632)	(96,971)	(8,263)
Distributions to other governments	-	-	-	(39,828)	(39,828)	-
Tax revenue	-	-	-	112,732	112,732	-
Other revenue (expenses)	7,477	-	(4,271)	28,964	32,170	(105)
Total Nonoperating Revenues (Expenses)	239,323	181,907	(59,662)	(62,408)	299,160	(1,273)
Income (Loss) Before Contributions and Transfers	(446,999)	(606,659)	59,765	(128,134)	(1,122,027)	(377,916)
Capital contributions	-	-	-	-	-	3,397
Transfers in	9,161	-	468,890	17,968	496,019	175,894
Transfers (out)	(13,991)	-	(15,159)	(276,454)	(305,604)	(150,746)
Net Contributions and Transfers	(4,830)	-	453,731	(258,486)	190,415	28,545
Change in Net Assets	(451,829)	(606,659)	513,496	(386,620)	(931,612)	(349,371)
Net Assets (Deficit) - Beginning, as restated	(10,165,397)	4,406,380	983,519	491,561	(4,283,937)	161,693
Net Assets (Deficit) - Ending	\$ (10,617,226)	\$ 3,799,721	\$ 1,497,015	\$ 104,941	\$ (5,215,549)	\$ (187,678)

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

Statement of Cash Flows

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2009

(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,727,247	\$ 956,027	\$ 1,417,552	\$ 1,381,377
Payments to suppliers	(1,892,431)	(2,360,238)	(627,994)	(964,998)
Payments to employees	(175,324)	-	(684,016)	(129,043)
Other receipts (payments)	31,667	601,964	110,853	5,958
Net Cash Provided (Used) by Operating Activities	(308,841)	(802,247)	216,395	293,294
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	9,161	-	468,890	17,968
Transfers out	(13,991)	-	(15,159)	(276,454)
Operating grants and donations received	7,312	-	3,583	13
Taxes and license fees collected	95	-	-	141,457
Distributions to other governments	-	-	-	(39,828)
Other noncapital financing sources (uses)	-	-	-	11,642
Net Cash Provided (Used) by Noncapital Financing Activities	2,577	-	457,314	(145,202)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid	(1,537)	-	(56,331)	(13,551)
Principal payments on long-term capital financing	(3,625)	-	(362,316)	(21,716)
Proceeds from long-term capital financing	-	-	412,785	38,189
Proceeds from sale of capital assets	40	-	74,356	58
Acquisitions of capital assets	(6,031)	-	(327,806)	(19,147)
Net Cash Provided (Used) by Capital and Related Financing Activities	(11,153)	-	(259,312)	(16,167)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of interest	501,224	181,907	9,463	17,335
Proceeds from sale of investment securities	3,754,505	-	62,157	414,139
Purchases of investment securities	(3,897,312)	-	(113,417)	(550,861)
Net Cash Provided (Used) by Investing Activities	358,417	181,907	(41,797)	(119,387)
Net Increase (Decrease) in Cash and Pooled Investments	41,000	(620,340)	372,600	12,538
Cash and Pooled Investments, July 1	29,716	4,019,881	484,087	294,216
Cash and Pooled Investments, June 30	\$ 70,716	\$ 3,399,541	\$ 856,687	\$ 306,754
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (686,322)	\$ (788,566)	\$ 119,427	\$ (65,726)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:				
Depreciation	10,003	-	76,963	13,785
Change in Assets: Decrease (Increase)				
Receivables (net of allowance)	(2,034)	(13,786)	(34,013)	(33,824)
Inventories	(1)	-	(735)	(15,946)
Prepaid expenses	(30)	-	(18,809)	(16)
Change in Liabilities: Increase (Decrease)				
Payables	369,543	105	73,562	395,021
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	\$ (308,841)	\$ (802,247)	\$ 216,395	\$ 293,294

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

Continued

Governmental Activities	
Total	Internal Service Funds
\$ 5,482,203	\$ 1,792,493
(5,845,661)	(1,713,020)
(988,383)	(380,581)
750,442	45,540
<u>(601,399)</u>	<u>(255,568)</u>
496,019	175,894
(305,604)	(150,746)
10,908	1,041
141,552	-
(39,828)	-
11,642	(2)
<u>314,689</u>	<u>26,187</u>
(71,419)	(8,319)
(387,657)	(33,233)
450,974	42,429
74,454	3,295
(352,984)	(54,738)
<u>(286,632)</u>	<u>(50,566)</u>
709,929	9,494
4,230,801	46,793
(4,561,590)	(59,776)
<u>379,140</u>	<u>(3,489)</u>
(194,202)	(283,436)
4,827,900	620,253
<u>\$ 4,633,698</u>	<u>\$ 336,817</u>
\$ (1,421,187)	\$ (376,643)
100,751	71,246
(83,657)	(15,535)
(16,682)	1,792
(18,855)	(1,132)
838,231	64,704
<u>\$ (601,399)</u>	<u>\$ (255,568)</u>

Statement of Cash Flows
PROPRIETARY FUNDS
 For the Fiscal Year Ended June 30, 2009
(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Contributions of capital assets	\$ -	\$ -	\$ -	\$ -
Amortization of annuity prize liability	-	-	-	20,000
Increase (decrease) in fair value of investments	268,780	-	14,357	(114,819)
Amortization of debt premium (issue costs/discount)	-	-	385	-
Accretion of interest on zero coupon bonds	-	-	-	(3,832)
Increase in ownership of joint venture	-	-	7,755	-

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

Concluded

**Governmental
Activities**

	Internal Service Funds
Total	
\$ -	\$ 3,397
20,000	-
168,318	314
385	-
(3,832)	-
<u>7,755</u>	<u>-</u>

Statement of Fiduciary Net Assets
FIDUCIARY FUNDS
 June 30, 2009
(expressed in thousands)

	Private- Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
ASSETS				
Current Assets:				
Cash and pooled investments	\$ 7,508	\$ 1,714,511	\$ 105,243	\$ 217,699
Investments	-	5,465,771	-	-
Receivables, pension and other employee benefit plans:				
Employers	-	-	146,734	-
Members (net of allowance)	-	-	2,824	-
Interest and dividends	-	-	134,048	-
Investment trades pending	-	-	897,888	-
Due from other pension and other employee benefit funds	-	-	7,012	-
Other receivables, all other funds	-	5,430	-	8,995
Due from other funds	-	-	268	78
Due from other governments	-	-	-	17,097
Total Current Assets	7,508	7,185,712	1,294,017	243,869
Noncurrent Assets:				
Investments, noncurrent, pension and other employee benefit plans:				
Public equity	-	-	20,441,834	-
Fixed income	-	-	10,889,256	-
Private equity	-	-	10,432,183	-
Real estate	-	-	7,837,564	-
Security lending	-	-	2,913,893	-
Liquidity	-	-	1,648,920	-
Tangible asset	-	-	528,520	-
Reverse repurchase agreements	-	-	5,082	-
Investments, noncurrent, all other funds	14,441	1,040,203	-	21,239
Other noncurrent assets	-	-	-	35,105
Capital assets:				
Furnishings, equipment, and collections	85	-	-	-
Accumulated depreciation	(81)	-	-	-
Total Noncurrent Assets	14,445	1,040,203	54,697,252	56,344
Total Assets	21,953	8,225,915	55,991,269	\$ 300,213
LIABILITIES				
Accounts payable	129	-	-	\$ 9,740
Contracts and retainages payable	-	-	-	34,057
Accrued liabilities	123	58	1,013,322	49,253
Obligations under security lending agreements	-	-	2,913,894	-
Obligations under reverse repurchase agreements	-	199,675	5,082	9,888
Due to other funds	-	-	1,706	32
Due to other pension and other employee benefit funds	-	-	7,012	-
Due to other governments	-	-	-	162,139
Unearned revenues	-	-	764	-
Other long-term liabilities	-	-	-	35,104
Total Liabilities	252	199,733	3,941,780	\$ 300,213
NET ASSETS				
Net assets held in trust for:				
Pension benefits	-	-	49,881,350	
Deferred compensation participants	-	-	2,168,139	
Local government pool participants	-	8,026,182	-	
Individuals, organizations & other governments	21,701	-	-	
Total Net Assets	\$ 21,701	\$ 8,026,182	\$ 52,049,489	

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

Statement of Changes in Fiduciary Net Assets
FIDUCIARY FUNDS
 For the Fiscal Year Ended June 30, 2009
(expressed in thousands)

	Private- Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans
ADDITIONS			
Contributions:			
Employers	\$ -	\$ -	\$ 1,268,248
Members	-	-	1,046,012
State	-	-	66,564
Participants	-	16,847,861	184,544
Total Contributions	-	16,847,861	2,565,368
Investment Income:			
Net appreciation (depreciation) in fair value	-	-	(15,700,399)
Interest and dividends	-	108,671	1,122,447
Less: Investment expenses	-	-	(320,815)
Net Investment Income (loss)	-	108,671	(14,898,767)
Other Additions:			
Escheated property	64,626	-	-
Transfers from other pension plans	-	-	8,590
Other contracts, grants and miscellaneous	-	3	703
Total Other Additions	64,626	3	9,293
Total Additions	64,626	16,956,535	(12,324,106)
DEDUCTIONS			
Pension benefits	-	-	2,620,593
Pension refunds	-	-	203,610
Transfers to other pension plans	-	-	8,590
Administrative expenses	2,649	1,066	2,071
Distributions to participants	-	15,547,618	106,645
Payments to or on behalf of individuals, organizations and other governments in accordance with trust agreements	72,119	-	-
Total Deductions	74,768	15,548,684	2,941,509
Net Increase (Decrease)	(10,142)	1,407,851	(15,265,615)
Net Assets - Beginning, as restated	31,843	6,618,331	67,315,104
Net Assets - Ending	\$ 21,701	\$ 8,026,182	\$ 52,049,489

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

Statement of Fund Net Assets
COMPONENT UNITS
 June 30, 2009
 (expressed in thousands)

	Public Stadium	Nonmajor Component Units	Total
ASSETS			
Current Assets:			
Cash and pooled investments	\$ 6,946	\$ 19,735	\$ 26,681
Investments	3,712	38,317	42,029
Other receivables (net of allowance)	434	866	1,300
Prepaid expenses	23	148	171
Total Current Assets	11,115	59,066	70,181
Noncurrent Assets:			
Investments, noncurrent	20,316	665	20,981
Other noncurrent assets	-	58,596	58,596
Capital assets:			
Land	34,677	-	34,677
Buildings	459,973	-	459,973
Furnishings and equipment	23,113	1,590	24,703
Accumulated depreciation	(129,799)	(1,151)	(130,950)
Construction in progress	12	-	12
Total Noncurrent Assets	408,292	59,700	467,992
Total Assets	419,407	118,766	538,173
LIABILITIES			
Current Liabilities:			
Accounts payable	127	34,908	35,035
Contracts and retainages payable	3,042	-	3,042
Accrued liabilities	3,763	72	3,835
Unearned revenues	82	1,400	1,482
Total Current Liabilities	7,014	36,380	43,394
Noncurrent Liabilities:			
Other long-term liabilities	30,326	-	30,326
Total Noncurrent Liabilities	30,326	-	30,326
Total Liabilities	37,340	36,380	73,720
NET ASSETS			
Invested in capital assets, net of related debt	353,390	439	353,829
Restricted for deferred sales tax	22,637	-	22,637
Restricted for other purposes	-	500	500
Unrestricted	6,040	81,447	87,487
Total Net Assets (Deficit)	\$ 382,067	\$ 82,386	\$ 464,453

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

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

For the Fiscal Year Ended June 30, 2009
(expressed in thousands)

	Public Stadium	Nonmajor Component Units	Total
OPERATING REVENUES			
Charges for services	\$ 1,016	\$ 13,487	\$ 14,503
Total Operating Revenues	1,016	13,487	14,503
OPERATING EXPENSES			
Salaries and wages	394	4,880	5,274
Employee benefits	71	1,327	1,398
Personal services	154	1,326	1,480
Goods and services	307	2,182	2,489
Travel	3	37	40
Depreciation and amortization	16,313	117	16,430
Miscellaneous expenses	-	351	351
Total Operating Expenses	17,242	10,220	27,462
Operating Income (Loss)	(16,226)	3,267	(12,959)
NONOPERATING REVENUES (EXPENSES)			
Earnings (loss) on investments	3,276	2,329	5,605
Operating grants and contributions	-	1,146	1,146
Distributions of operating grants	-	(1,146)	(1,146)
Total Nonoperating Revenues (Expenses)	3,276	2,329	5,605
Income (Loss) Before Contributions and Transfers	(12,950)	5,596	(7,354)
Capital grants and contributions	726	-	726
Total Contributions and Transfers	726	-	726
Change in Net Assets	(12,224)	5,596	(6,628)
Net Assets - Beginning, as restated	394,291	76,790	471,081
Net Assets - Ending	\$ 382,067	\$ 82,386	\$ 464,453

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

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Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2009

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Note 1

Summary of Significant Accounting Policies

The accompanying financial statements of the state of Washington have been prepared in conformity with generally accepted accounting principles (GAAP). The Office of Financial Management (OFM) is the primary authority for the state's accounting and reporting requirements. OFM has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles nationally. For government-wide and enterprise fund reporting, the state follows only those private-sector standards issued on or before November 30, 1989, unless those pronouncements conflict with or contradict the pronouncements of the GASB. Following is a summary of the significant accounting policies:

A. REPORTING ENTITY

In defining the state of Washington for financial reporting purposes, management considers: all funds, organizations, institutions, agencies, departments, and offices that are legally part of the state (the primary government); organizations for which the state is financially accountable; and other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading or incomplete.

Financial accountability exists when the primary government appoints a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. An organization is fiscally dependent if it is unable to determine its budget without another government having the substantive authority to approve or modify that budget, to levy taxes or set rates or charges without substantive approval by another government, or to issue bonded debt without substantive approval by another government.

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

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

Additionally, a small number of board positions are established by statute or independently elected. The state Legislature creates these agencies, assigns their programs, approves operational funding, and requires financial accountability. The Legislature also authorizes all bond issuances for capital construction projects for the benefit of state agencies. The legal liability for these bonds and the ownership of agency assets resides with the state.

Colleges and Universities. The governing boards of the five state universities, the state college, and the 34 state community and technical colleges are appointed by the Governor. Each college's governing board appoints a president to function as chief administrator. The state Legislature approves budgets and budget amendments for the colleges' appropriated funds, which include the state's General Fund as well as certain capital projects funds. The state Treasurer issues general obligation debt for major campus construction projects. However, the colleges are authorized to issue revenue bonds for construction of facilities for certain revenue generating activities such as housing, dining, and parking. These revenue bonds are payable solely from, and secured by, fees and revenues derived from the operation of constructed facilities; the legal liability for the bonds and the ownership of the college assets reside with the state. Colleges do not have separate corporate powers and sue and are sued as part of the state with legal representation provided through the state Attorney General's Office. Since the colleges are legally part of the state, their financial operations, including their blended component units, are reported in the primary government financial statements using the fund structure prescribed by GASB.

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

There are two additional retirement systems administered outside of the Department of Retirement Systems. The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund is administered through the Board for Volunteer Fire Fighters, which is appointed by the Governor. The Judicial Retirement Account is administered through the Administrative Office of the Courts under the direction of the Board for Judicial Administration.

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

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

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

Tobacco Settlement Authority (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 solely for the purpose of issuing bonds to securitize a portion of the state's future tobacco settlement revenue. Proceeds of the debt instrument were transferred to the state to help fund health care, long-term care, and other programs of the state. Refer to Note 7 for additional information.

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

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

Other Blended Component Units. Tumwater Office Properties, The University of Washington Alumni Association, University of Washington Physicians, University of Washington Physicians Network, Community Development Properties C-D, Educational Research Properties, Radford Court Properties, Twenty-Fifth Avenue Properties, TSB Properties, and Washington Biomedical Research Properties I and II are blended component units in the state's financial statements. All the aforementioned blended component units provide services entirely or almost entirely to the state. Financial

information for these blended component units may be obtained from their respective administrative offices.

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

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

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

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

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

The Washington State Public Stadium Authority (PSA) was created by the state Legislature to acquire, construct, own, and operate a football/soccer stadium, exhibition center, and parking garage. Construction was completed in 2002. PSA capital assets, net of accumulated depreciation, total \$388 million. The state issued general obligation bonds for a portion of the cost of the stadium construction. The total public share of the stadium and exhibition center cost did not exceed \$300 million from all state and local government funding sources, as defined in statute.

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

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

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

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

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

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

The state accounts for the Medical Center's interest in SCCA under the equity method of accounting. Income of \$7.8 million was recorded in Fiscal Year 2009, bringing the total equity investment to \$56 million which is recognized in the state's financial statements in the higher education student services fund.

Separate financial statements for SCCA may be obtained from:

Seattle Cancer Care Alliance
825 Eastlake Ave. East
P.O. Box 19023
Seattle, WA 98109-1023

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

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

Statement of Net Assets. The Statement of Net Assets presents the state's non-fiduciary assets and liabilities. As a general rule, balances between governmental and business-type activities are eliminated.

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

- Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- Restricted net assets result when constraints are placed on net asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories.

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

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

- Charges to customers for goods and services of the program. A customer is one who directly benefits from the goods or services or is otherwise directly affected by the program, such as a state citizen or taxpayer, or other governments or nongovernmental entities.
- Amounts received from outside entities that are restricted to one or more specific programs. These amounts can be operating or capital in nature.
- Earnings on investments that are restricted to a specific program are also considered program revenues.

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

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

Fund Financial Statements

The state uses 649 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 accounts for all financial resources and transactions not accounted for in other funds.
- **Higher Education Special Revenue Fund** primarily accounts for grants and contracts received for research and other educational purposes. This fund also accounts for charges for services by state institutions of higher education.
- **Higher Education Endowment Permanent Fund** accounts for gifts and bequests that the donors have specified must remain intact. Each gift is governed by various restrictions on the investment and use of the funds.

Major Enterprise Funds:

- **Workers' Compensation Fund** accounts for the workers' compensation program that provides medical, time-loss, and disability benefit payments to qualifying individuals sustaining work-related injuries.
- **Unemployment Compensation Fund** accounts for the unemployment compensation program. It accounts for the deposit of funds, requisitioned from the Federal Unemployment Trust Fund, to provide services to eligible participants within the state and to pay unemployment benefits.
- **Higher Education Student Services Fund** is used by colleges and universities principally for bookstore, cafeteria, parking, student housing, food service, and hospital business enterprise activities.

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

Nonmajor Governmental Funds:

- **Special Revenue Funds** account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are legally restricted to expenditures for specific purposes. These include a variety of state programs including public safety and health assistance programs; natural resource and wildlife protection and management programs; the state's transportation programs which include the operation of the state's ferry system and maintenance and preservation of non-interstate highway system; K-12 school construction; and construction and loan programs for local public works projects.
- **Debt Service Funds** account for the accumulation of resources for, and the payment of, principal and interest on the state's bonds issued in support of governmental activities.
- **Capital Projects Funds** account for the acquisition, construction, or improvement of major capital facilities including higher education facilities.
- **Common School Permanent Fund** accounts for the principal derived from the sale of timber. Interest earned is used for the benefit of common schools.

Nonmajor Proprietary Funds:

- **Enterprise Funds** account for the state's business type operations for which a fee is charged to external users for goods or services including: the state lottery; state liquor stores; the guaranteed college tuition program; and the convention and trade center.

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

The state reports the following fiduciary funds:

- **Pension (and other employee benefit) Trust Funds** are used to report resources that are required to be held in trust by the state for the members and beneficiaries of defined benefit and defined contribution pension plans, and other employee benefit plans.
- **Investment Trust Fund** accounts for the external portion of the Local Government Investment Pool (LGIP), which is reported by the state as the sponsoring government.
- **Private-Purpose Trust Fund** is used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments such as the administration of unclaimed property.
- **Agency Funds** account for resources held by the state in a custodial capacity for other governments, private organizations or individuals.

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

Application of Restricted/Unrestricted Resources. When both restricted and unrestricted resources are available for use, it is the state’s policy to use restricted resources first and then use unrestricted resources as they are needed.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

For government-wide reporting purposes, the state uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when

earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

Under modified accrual accounting, expenditures are generally recognized when the related liability is incurred.

However, unmatured interest on general long-term debt is recognized when due, and certain compensated absences, other postemployment benefits, and claims and judgments are recognized when the obligations are expected to be liquidated with available expendable financial resources.

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

All proprietary and trust funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of these funds are included on their respective statements of net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. Net assets in proprietary funds are segregated into three components: invested in capital assets, net of related debt; restricted; and unrestricted.

Net assets for trust funds are held in trust for external individuals and organizations.

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Cash and Investments

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

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

Long-term investments are reported at fair value. Fair values are based on published market prices, quotations from national security exchanges and security pricing services, or by the respective fund managers for securities that are not actively traded. Privately held mortgages are valued at cost, which approximates fair value.

Certain pension trust fund investments, including real estate and private equity, are reported at fair values based on appraisals or estimates in the absence of readily ascertainable fair values. At June 30, 2009, these investments are valued at \$18.8 billion. Because of the inherent uncertainties in the estimation of fair value, it is possible that the estimates will change. Additional disclosure describing investments is provided in Note 3.

2. Receivables and Payables

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

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

Noncurrent receivables are recorded in the Workers’ Compensation Fund representing estimated recoveries from third parties for a certain portion of claims expenses that are recorded as noncurrent claims payable. The accrued recoveries are computed using a variety of actuarial and statistical techniques and are discounted at assumed interest rates to arrive at the recorded value.

Disclosures related to the Workers' Compensation Fund activities and claims payable are provided in Notes 1.E.1 and 7.C.

3. Inventories and Prepaids

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

All merchandise inventories are considered reportable for financial statement purposes. Merchandise inventories are generally valued at cost using the first-in, first-out method. Inventories of governmental funds are valued at cost and recorded using the consumption method. Proprietary funds expense inventories when used or sold.

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

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

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

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

4. Capital Assets

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

- All land;
- All additions and improvements to the state highway system;
- Infrastructure, other than the state highway system, with a cost of \$100,000 or more;

- Buildings, building improvements, and leasehold improvements with a cost of \$100,000 or more;
- All other capital assets with a unit cost of \$5,000 or more.

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

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

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

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

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

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

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Generally, estimated useful lives are as follows:

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

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

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

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

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

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

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

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

5. Compensated Absences

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

Employees accrue sick leave at the rate of one day per month without limitation on the amount that can be accumulated. Sick leave is not vested; i.e., the state does not pay employees for unused sick leave upon termination except upon employee death or retirement. At death or retirement, the state is liable for 25 percent of the employee's accumulated sick leave. In addition, the state

has a sick leave buyout option in which, each January, employees who accumulate sick leave in excess of 480 hours may redeem sick leave earned but not taken during the previous year at the rate of one day's pay in exchange for each four days of sick leave.

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

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

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

6. Long-Term Liabilities

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

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

7. Fund Equity

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

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

E. OTHER INFORMATION

1. Insurance Activities

Workers' Compensation. Title 51 RCW establishes the state of Washington's workers' compensation program. The statute requires all applicable employers to insure payment of benefits for job-related injuries and diseases through the Workers' Compensation Fund or through self-insurance.

Direct private insurance is not authorized, although self-insurers are permitted to reinsure up to 80 percent of their obligations through private insurers.

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

Premiums are based on individual employers' reported payroll hours and insurance rates based on each employer's risk classification(s) and past experience. 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 three years following the plan year based on group and 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 closed, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the benefit involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liabilities, claims adjudication, and judgments, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent paid losses, 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 self-insurance liability program pursuant to RCW 4.92.130. The state manages its tort claims as an insurance business activity rather than a general governmental activity. The state's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, the state's management believes it is more economical to manage its risks internally and set aside assets for claims settlement in the Risk Management Fund, an internal service fund. A limited amount of commercial insurance is purchased for liabilities arising from the operations of the Washington State ferries, employee bonds, and to limit the exposure to catastrophic losses. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past seven fiscal years. Otherwise, the self-insurance liability program services all claims against the state for injuries and property damage to third parties. The majority of state funds and agencies participate in the self-insurance liability program in proportion to their anticipated exposure to liability losses.

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

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

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

health insurance program. For additional information, refer to Note 12.

The state secures commercial insurance for certain coverage offered, but self-insures the risk of loss for the Uniform Medical Plan and the Aetna Public Health Plan. The Uniform Medical and Aetna Public Health Plans enrolled 62.7 percent of the eligible subscribers in Fiscal Year 2009. Claims are paid from premiums collected, and claims adjudication is contracted through a third-party administrator.

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

2. Postemployment Benefits

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

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

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

3. Interfund/Interagency Activities

The state engages in two major categories of interfund/interagency activity: reciprocal and nonreciprocal.

Reciprocal interfund/interagency activity is the internal counterpart to exchange and exchange-like transactions and includes both interfund loans and services provided and used. Nonreciprocal activity is nonexchange in nature and includes both transfers and reimbursements.

4. Donor-restricted Endowments

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

Prior to Fiscal Year 2009, the institutions generally used a 5 percent spending rate policy for authorizing and spending investment income. However, in light of the 2008 – 2009 financial crisis and subsequent drop in endowment values, the institutions have adopted interim spending policies that decrease distributions to campus programs over the next few years. Thereafter, distributions will remain at reduced levels until market conditions warrant a return to normal spending.

The net appreciation available for authorization for expenditure by governing boards totaled \$99.9 million. This amount is reported as Restricted for Permanent Funds – Expendable on the government-wide Statement of Net Assets.

Note 2 Accounting and Reporting Changes

Reporting Changes. Effective for Fiscal Year 2009 reporting, the state implemented the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. Statement No. 49 identifies the circumstances under which the state would be required to report a liability related to pollution remediation. Liabilities and expenses would be estimated using an “expected cash flows” measurement technique.

This statement also requires the state to disclose information about its pollution obligations associated with the cleanup efforts in the notes to the financial statements (refer to Note 7.F).

Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. Statement No. 52 requires the state to report changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine the fair value.

Prior Period Adjustments. The Department of Ecology recorded a prior period adjustment in a Nonmajor Governmental Fund to record cash received in a prior year. The University of Washington corrected beginning balances in an Internal Service Fund for capital assets and long-term debt related to Certificates of Participation originally recorded in governmental capital assets and long-term obligations.

Governmental Capital Assets and Long Term Obligations. The Department of Corrections recorded an adjustment to leasehold improvements, net of accumulated depreciation, and total bond liabilities in the amount of \$8.2 million and \$14.4 million, respectively, for a prior period sewer extension project. In conjunction with the implementation of GASB Statement No. 49, the state recorded beginning balances for pollution remediation obligations for all affected agencies totaling \$25.8 million.

Fund equity at July 1, 2008, has been restated as follows (expressed in thousands):

	Fund equity at June 30, 2008, as previously reported	Fund Reclassification	Prior Period Adjustment	Fund equity as restated, July 1, 2008
Governmental Funds:				
General	\$ 1,918,788	\$ -	\$ -	\$ 1,918,788
Higher Education Special Revenue	1,551,701	-	-	1,551,701
Higher Education Endowment	3,011,034	-	-	3,011,034
Nonmajor Governmental	6,050,104	-	1,886	6,051,990
Proprietary Funds:				
Enterprise Funds:				
Workers' Compensation	(10,165,397)	-	-	(10,165,397)
Unemployment Compensation	4,406,380	-	-	4,406,380
Higher Education Student Services	983,519	-	-	983,519
Nonmajor Enterprise	491,561	-	-	491,561
Internal Service Funds	163,558	-	(1,865)	161,693
Fiduciary Funds:				
Private Purpose Trust	31,843	-	-	31,843
Local Government Investment Pool	6,618,331	-	-	6,618,331
Pension and Other Employee Benefit Plans	67,315,104	-	-	67,315,104
Component Units:				
Public Stadium	394,291	-	-	394,291
Nonmajor Component Units	76,790	-	-	76,790

Note 3

Deposits and Investments

A. DEPOSITS

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

The state minimizes custodial credit risk by restrictions set forth in state law. Statutes restrict the State Treasurer to deposit funds in financial institutions that are physically located in Washington unless otherwise expressly permitted by statute and authorized by the Washington Public Deposit Protection Commission (PDPC). The PDPC (established under Chapter 39.58 of the Revised Code of Washington) constitutes a multiple financial institution collateral pool. Pledged securities under the PDPC collateral pool are held by the PDPC's agent in the name of the collateral pool.

At June 30, 2009, \$1.5 billion of the state's deposits with financial institutions were either insured or collateralized, with the remaining \$26.1 million uninsured/uncollateralized. The Federal Deposit Insurance Corporation (FDIC) covers the state's insured deposits and the PDPC provides collateral protection.

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

1. Summary of Investment Policies

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

The WSIB does not manage or invest the self-directed investments of the Public Employees' Retirement System (PERS) Plan 3, Teachers' Retirement System (TRS) Plan 3, School Employees' Retirement System (SERS) Plan 3 or Deferred Compensation, which are accounted for and managed by the Department of Retirement Systems.

The WSIB is authorized to invest as provided by statute (Chapter 43.33A RCW) and WSIB policy. The WSIB is authorized and invests in the following: U.S. Treasury bills; discount notes; repurchase agreements; reverse repurchase agreements; banker's acceptances; commercial paper; guaranteed investment contracts; U.S. Government and Agency (government sponsored corporations eligible for collateral purposes at the Federal Reserve) securities; non-U.S. dollar bonds; investment grade corporate bonds; non-investment grade corporate bonds; publicly traded mortgage-backed securities; privately placed mortgages; private placements of corporate debt; U.S. and foreign common stock; U.S. preferred stock; convertible securities; private equity including but not limited to investment corporations, partnerships, and limited liability companies for venture capital, leveraged buy-outs, real estate and other tangible assets, or other forms of private equity; asset backed securities; and derivative securities including futures, options, options on futures, forward contracts, and swap transactions. There have been no violations of these investment restrictions during Fiscal Year 2009.

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

Eligible Investments. Pension trust funds are invested in the Commingled Trust Fund (CTF). The CTF is comprised of public market equities, fixed income securities, private equity investments, real estate and tangible assets. The CTF's performance benchmark objective is to exceed the return of a policy benchmark consisting of public market indices weighted according to asset allocation targets. The asset allocation for the CTF is formally reviewed at least every four years. The allocation policy will be reviewed more frequently if the WSIB believes there has been a fundamental change in the structure of the capital markets or in the underlying cash flow or liability structure of the retirement systems.

The Public Markets Equity portion of the retirement funds is benchmarked to the Dow Jones Global Index and includes strategies in the U.S., developed international and emerging markets. Because U.S. equity markets are generally efficient, most of the retirement system investments in this segment are in a low-cost, broad-based passive index fund. The program started the year with 75 percent of U.S. equity invested passively and the remaining 25 percent in enhanced index products. By fiscal year end, over 82 percent of U.S. equity was in passive investments (or in the process of being transitioned to passive) and less

than 18 percent remained in enhanced indexing. In keeping with the belief that international equity markets are less efficient, while acknowledging that international efficiency is increasing, the retirement system's developed markets international equity program also increased its use of passive strategies from 20 percent to over 27 percent but kept the majority of the program in active mandates. The entire emerging markets equity program is actively managed.

The portfolio is constrained by policy from investing more than 1 percent of the portfolio's par holdings in any single issuer with a quality rating below investment grade (as defined by Barclays Capital Global Family of Fixed Income Indices). Total holdings of below investment grade credit bonds shall not exceed 15 percent of total bond holdings. The duration of the portfolio (the sensitivity of the portfolio's fair value to changes in the level of interest rates) is to be targeted within 20 percent of the duration of the Barclays Capital Universal Index.

In addition, the major sector allocations are limited to the following ranges: U.S. treasuries and government agencies – 10 percent to 45 percent, credit bonds – 10 percent to 60 percent, asset backed securities – 0 percent to 10 percent, commercial mortgage-backed securities – 0 percent to 10 percent, mortgage-backed securities – 5 percent to 45 percent and below investment grade credit bonds – 0 percent to 15 percent.

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

To meet the return and plan objectives, the private equity portfolio has diversified investments in companies in various of stages of growth. The portfolio also includes a broad cross-section of opportunities in different industries, and geographic regions.

The primary goal of the tangible asset portfolio is to generate a long-term, high quality, stable income stream. The secondary goal is to generate appreciation approximately commensurate with inflation. The structure of the investments are primarily targeted to be tangible asset operating companies providing the WSIB with governance provisions related to acquisition, dispositions, and ongoing operational decisions for annual capital expenditures. The tangible asset portfolio invests in sectors such as infrastructure, timber, agriculture, natural resource rights, commodities, or other sectors consistent with the goals of the asset class.

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

The WSIB's real estate program is an externally managed pool of selected partnership investments, intended to provide alternative portfolio characteristics when compared to traditional stock and bond investments.

The majority of the WSIB's partnerships invest in institutional-quality real estate assets that are leased to third parties. The combination of income generated from bond-like lease payments, coupled with the hard asset qualities of commercial real estate, combine to generate returns that are expected to fall between the return expectations for fixed income and equities. The real estate portfolio is managed to deliver risk-adjusted returns that are consistent with the Board's long-term return expectations for the asset class.

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

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

The WSIB's current benchmark for real estate calls for a target net return of 1-3 percent above the National Council of Real Estate Investment Fiduciaries (NCREIF) property index over a long-term investment horizon defined as at least five years.

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

Currently, all Innovation Portfolio investment managers are investing in publicly traded common stock. Their individual holdings have been presented according to asset class on the Statement of Net Assets.

2. Unfunded Commitments

The WSIB has entered into a number of agreements that commit the retirement funds, upon request, to make additional investment purchases up to predetermined amounts. As of June 30, 2009, the retirement funds had unfunded commitments of \$8.9 billion, \$8.0 billion and \$516 million in private equity, real estate and tangible assets, respectively.

3. Securities Lending

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

In accordance with GASB Statement No. 28, the WSIB reports securities lent (the underlying securities) as assets in the Statement of Net Assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets.

Securities received as collateral are reported as assets if the WSIB has the ability to pledge or sell them without a borrower default. Liabilities resulting from these transactions are also reported in the Statement of Net Assets. Securities lending transactions collateralized by securities that the WSIB does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities.

Securities were loaned (consisting of fixed income and equities) and collateralized by the WSIB's agent with cash and U.S. government securities (exclusive of mortgage backed securities and letters of credit), and irrevocable letters of credit. When the loaned securities had collateral denominated in the same currency the collateral requirement was 102 percent of the fair value, including accrued interest, of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest, of the loaned securities.

The collateral held and fair value of securities on loan at June 30, 2009 were \$3.3 billion and \$3.2 billion respectively. At year-end, the amounts the WSIB owed the borrowers exceeded the amounts the borrowers owed WSIB, resulting in no credit risk exposure.

During Fiscal Year 2009, securities lending transactions could be terminated on demand by either the WSIB or the borrower. The weighted average maturity of term loans amounting to \$2.7 billion was overnight and 16 days for term loans amounting to \$540 million at June 30, 2009.

Cash collateral was invested by the WSIB's agents in securities issued or guaranteed by the U.S. government, the WSIB's short-term investment pool (average final maturity of 136 days) or term loans. Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral.

Non-cash collateral could not be pledged or sold absent borrower default. Accordingly, non-cash collateral held under securities lending contracts with a value of \$365 million has not been included in the Statement of Net Assets. There are no restrictions on the amount of securities that can be lent.

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

During Fiscal Year 2009, there were no significant violations of legal or contractual provisions, or failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the WSIB incurred no losses during Fiscal Year 2009 resulting from a default by either the borrowers or the securities lending agents.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Effective duration is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. Effective duration uses the present value of cash flows, weighted for those flows as a percentage of the investment's full price. Increases in prevailing interest rates generally translate into decreases in fair values of those investments.

The WSIB does not have a formal policy specifically for interest rate risk. The pension fixed income investments are actively managed to exceed the return of the Barclays Capital Universal Index, with volatility as measured by duration to be similar to or less than the index.

As of June 30, 2009, the retirement funds' durations of the various fixed income classes were within the duration targets of this index.

State of Washington

The following schedule presents the pension fund investments by type and provides information about the interest rate risks associated with the pension trust funds investments as of June 30, 2009. The schedule displays

various asset classes held by maturity in years and credit ratings. Variable-rate securities are presented according to the length of time until the next reset date rather than the stated maturity.

Pension Trust Funds						
June 30, 2009						
(expressed in thousands)						
Investment Type	Fair Value	Maturity				Credit Rating
		Less than 1 year	1-5 years	6-10 years	More than 10 years	
Asset backed securities	\$ 69,643	\$ 69,291	\$ -	\$ -	\$ 352	Multiple
Residential mortgage backed securities	3,325,461	64,177	2,948,505	312,779	-	Multiple
Commercial mortgage backed securities	476,828	39,586	209,403	227,839	-	Aaa
Corporate bonds - domestic	1,752,536	17,065	369,195	1,043,184	323,092	Multiple
Corporate bonds - foreign	3,896,156	79,520	993,100	1,973,225	850,311	Multiple
Treasury inflation protected securities	1,368,630	485,853	579,933	302,844	-	Aaa
	<u>10,889,254</u>	<u>\$ 755,492</u>	<u>\$ 5,100,136</u>	<u>\$ 3,859,871</u>	<u>\$ 1,173,755</u>	
Corporate stock - domestic	467,415					
Corporate stock - foreign	5,806,059					
Commingled equity index funds	9,887,359					
Alternative investments	18,798,268					
Liquidity	1,645,037					
Securities lending collateral	2,913,892					
Total	<u>\$ 50,407,284</u>					

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

Moody's Equivalent Credit Rating	Investment Type				Total
	Asset-Backed Securities	Corporate Bonds - Domestic	Corporate Bonds - Foreign	Residential Mortgage Backed Securities	
	Aaa	\$ 22,226	\$ 345	\$ 285,843	
Aa1	-	661	72,411	10,383	83,455
Aa2	306	10,139	259,203	7,853	277,501
Aa3	10,531	58,265	195,806	14,697	279,299
A1	1,269	157,230	335,389	3,955	497,843
A2	3,532	301,657	298,441	1,003	604,633
A3	-	106,697	265,755	-	372,452
Baa1	5,592	359,825	401,553	4,749	771,719
Baa2	3,641	439,313	916,312	8,614	1,367,880
Baa3 & Lower	22,546	318,404	865,443	88,073	1,294,466
Total	\$ 69,643	\$ 1,752,536	\$ 3,896,156	\$ 3,325,461	\$ 9,043,796

5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Rated debt investments of the pension trust funds as of June 30, 2009, were rated by Moody's and/or an equivalent national rating organization.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The WSIB policy states no corporate fixed income issue shall exceed 3 percent of cost at the time of purchase or 6 percent of fair value thereafter of the fund, and no high yield issues shall exceed 1 percent of cost or 2 percent of fair value of the

fund. There was no concentration of credit risk exceeding these policy guidelines as of June 30, 2009.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the WSIB would not be able to recover the value of investments that are in the possession of an outside party. The WSIB does not have a policy specifically for custodial credit risk. The securities lending collateral balances are from securities required to be listed under GASB Statement No. 3 Category 3 – Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the WSIB's name. (This includes the amount of any repurchase agreement that exceeds the fair value of the underlying securities.)

6. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The WSIB does not have a formal policy to limit foreign currency risk. The WSIB manages their exposure to fair value loss by requiring their international securities investment managers to maintain diversified

portfolios by sector and by issuer to limit foreign currency and security risk.

The following schedule presents the exposure of pension fund investments to foreign currency risk. The schedule provides information on deposits and investments held in various foreign currencies, which are stated in U.S. dollars.

Pension Trust Funds							
Foreign Currency Risk							
June 30, 2009							
(expressed in thousands)							
Foreign Currency Denomination	Investment Type						
	Currency	Fixed Income	Equity	Commingled Equity Index Funds	Private Equity	Real Estate	Total
Australia-Dollar	\$ 3,336	\$ 128,894	\$ 326,488	\$ 149,998	\$ 72,475	\$ 119,403	\$ 800,594
Brazil-Real	1,110	103,612	36,163	144,097	3,913	49,126	338,021
Canada-Dollar	673	-	322,000	203,500	158,688	15,685	700,546
Chile-Peso	-	-	-	6,407	-	-	6,407
China-Yuan	-	-	-	79,495	132,973	250,900	463,368
Czech Republic-Koruna	-	-	202	4,012	8,847	12,799	25,860
Denmark-Krone	649	-	53,706	21,020	177,942	-	253,317
E.M.U.-Euro	36,852	-	1,672,706	653,698	1,358,441	448,721	4,170,418
Egypt-Pound	-	-	-	19,076	-	-	19,076
French Polynesia-CFP Franc	-	-	-	-	-	105,985	105,985
Hong Kong-Dollar	799	-	302,927	106,279	2,449	24,955	437,409
Hungary-Forint	-	-	9,933	1,605	-	31,621	43,159
India-Rupee	104	-	388	89,643	101,816	18,885	210,836
Indonesia-Rupiah	-	-	12,260	26,981	311	-	39,552
Israel-Shekel	100	-	3,539	20,718	14,026	-	38,383
Japan-Yen	11,122	-	1,149,626	504,390	20,306	136,916	1,822,360
Malaysia-Ringgit	-	-	3,525	18,195	-	-	21,720
Mexico-Peso	-	22,178	6,875	57,097	6,050	860,615	952,815
New Zealand-Dollar	82	-	12,442	2,715	7,347	-	22,586
Norway-Krone	286	-	46,379	16,643	31,171	-	94,479
Pakistan-Rupee	-	-	-	1,861	-	-	1,861
Philippines-Peso	29	-	-	11,305	-	-	11,334
Poland-Zloty	133	-	1,724	11,443	9,321	93,358	115,979
Romania-Leu	-	-	-	-	-	71,524	71,524
Russia-Ruble	-	-	-	68,262	-	753	69,015
Singapore-Dollar	799	-	113,196	30,388	91,502	7,419	243,304
South Africa-Rand	45	-	54,736	76,939	13,675	-	145,395
South Korea-Won	108	-	41,690	126,186	13,861	206,385	388,230
Sweden-Krona	1,683	-	148,161	50,541	202,457	753	403,595
Switzerland-Franc	849	-	375,496	147,457	5,047	753	529,602
Taiwan-Dollar	41	-	6,436	79,934	16,031	-	102,442
Thailand-Baht	-	-	1,028	27,483	-	16,862	45,373
Turkey-Lira	174	49,176	18,673	45,491	42,156	-	155,670
United Kingdom-Pound	4,345	-	1,085,760	425,453	515,258	65,501	2,096,317
Other-Miscellaneous	-	-	-	5,869	89,308	41,291	136,468
Total	\$ 63,319	\$ 303,860	\$ 5,806,059	\$ 3,234,181	\$ 3,095,371	\$ 2,580,210	\$ 15,083,000

7. Derivatives

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

Consistent with the WSIB authority to invest in derivatives, international and domestic active equity managers may make limited investments in financial futures, forward contracts or other derivative securities to equitize excess cash holdings.

Futures contracts are standardized, exchange-traded contracts to purchase or sell a specific financial instrument at a predetermined price. Gains and losses on futures contracts are settled daily based on a notional (underlying) principal value and do not involve an actual transfer of the specific instrument. At June 30, 2009, amounts held in futures contracts totaled \$1.2 billion. The unrealized loss for the contracts amounted to \$21.2 million at June 30, 2009.

Foreign exchange contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. The WSIB uses these contracts primarily to hedge the currency exposure of its international investments. To reduce the risk of counterparty nonperformance, the WSIB enters into these contracts with institutions meeting high standards of credit worthiness.

At June 30, 2009, the WSIB held derivative securities consisting of collateralized mortgage obligations (CMOs) of \$1.3 billion.

8. Reverse Repurchase Agreements

State law permits the WSIB to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers margin against a decline in fair value of the securities. If the dealers default on their obligations to resell these securities to the state or provide securities or cash of equal value, the WSIB would suffer an economic

loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. There were no reverse repurchase agreements during the year and there were no liabilities outstanding as of June 30, 2009.

C. INVESTMENTS – WORKERS’ COMPENSATION FUND

1. Summary of Investment Policies

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

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

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

Eligible Investments. Eligible investments are securities and deposits that are in accordance with the WSIB’s investment policy and RCW 43.33A.110. Eligible investments include:

- U.S. Equities.
- International Equities.
- U.S. Treasuries and Government Agencies.
- Credit Bonds.
- Mortgage-Backed Securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.
- Asset-Backed Securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.

- Commercial Mortgage-Backed Securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.
- Investment Grade Non-U.S. Dollar Bonds.

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

- All assets under the management of the WSIB are to be invested to maximize return at a prudent level of risk in accordance with RCW 43.33A.110 and RCW 43.33A.140.
- Asset allocation will be reviewed every three to four years or sooner if there are significant changes in funding levels or the liability durations.
- Assets will be rebalanced across asset classes when the fair value of the assets falls outside the policy ranges. The timing of any rebalancing will be based on market opportunities, cash flows, and the consideration of transaction costs; therefore, they need not occur immediately.
- No corporate fixed income issue cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time.
- The benchmark and structure for U.S. equities will be the broad U.S. stock market as defined by the Dow Jones U.S. Total Stock Market Index. The benchmark and structure for international equities will be the Morgan Stanley Capital All Country World Ex US Investable Market Index (MSCI ACW Ex US IMI). Both portfolios will be 100 percent passively managed in commingled index funds. The commingled funds may use futures for hedging or establishing a long position.
- The fixed income portfolios' structure varies depending upon the required duration target. The duration targets are reviewed every three years, or sooner, if there are significant changes in the funding levels or the liability durations.
- Sector allocation of fixed income investments must be managed within the following prescribed ranges: U.S. Treasuries and government agencies – 5 percent to 25 percent, credit bonds – 20 percent to 70 percent, asset backed securities – 0 percent to 10 percent, commercial mortgage backed securities – 0 percent to 10 percent and mortgage backed securities – 0 percent to 25 percent. These targets are long-term in nature.

Deviations may occur in the short-term as a result of interim market conditions. However, if a range is exceeded the portfolios must be rebalanced as soon as it is practical to the target allocations.

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

2. Securities Lending

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

In accordance with GASB Statement No. 28, the WSIB reports securities lent (the underlying securities) as assets in the Statement of Net Assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Securities received as collateral are reported as assets if the WSIB has the ability to pledge or sell them without a borrower default. Liabilities resulting from these transactions are also reported in the Statement of Net Assets. Securities lending transactions collateralized by securities that the WSIB does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities.

Fixed income securities were loaned and collateralized by the WSIB's agent with cash and U.S. government securities (exclusive of mortgage backed securities and letters of credit), and irrevocable letters of credit. When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest, of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest, of the loaned securities. The collateral held and fair value of securities on loan at June 30, 2009 was \$2.0 billion and \$1.99 billion respectively. At year-end, the amounts the WSIB owed the borrowers exceeded the amounts the borrowers owed the WSIB, resulting in no credit risk exposure to borrowers.

During Fiscal Year 2009, securities lending transactions could be terminated on demand by either the WSIB or the borrower. All loans held at June 30, 2009, matured overnight.

Cash collateral was invested by the WSIB's agents in securities issued or guaranteed by the U.S. government, the WSIB's short-term investment pool (average final maturity of 60 days) or term loans.

Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold absent borrower default.

Accordingly, non-cash collateral held under securities lending contracts with a value of \$226 million have not been included in the Statement of Net Assets. There are no restrictions on the amount of securities that can be lent.

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

During Fiscal Year 2009, there were no significant violations of legal or contractual provisions, no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the WSIB incurred no losses during Fiscal Year 2009 resulting from a default by either the borrowers or the securities lending agents.

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an

investment. Effective duration is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. Effective duration uses the present value of cash flows, weighted for those flows as a percentage of the investment's full price. Increases in prevailing interest rates generally translate into decreases in fair values of those investments. The WSIB does not have a formal policy specifically for interest rate risk.

The workers' compensation fixed income investments are actively managed to exceed the return of the Comparable Market Index, with volatility as measured by duration to be similar to or less than the index. As of June 30, 2009, the durations of the various fixed income classes were within the duration targets of the Comparable Market Index.

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

The following schedule presents the workers' compensation fund investments by type and provides information about the interest rate risks associated with the investments as of June 30, 2009. The schedule displays various asset classes held by maturity in years and credit ratings. Variable-rate securities are presented according to the length of time until the next reset date rather than the stated maturity.

Workers' Compensation Fund						
June 30, 2009						
(expressed in thousands)						
Investment Type	Fair Value	Maturity				Credit Rating
		Less than 1 year	1-5 years	6-10 years	More than 10 years	
Residential mortgage backed securities	\$ 1,713,023	\$ 10,477	\$ 253,097	\$ 776,786	\$ 672,663	Multiple
Commercial mortgage backed securities	521,755	2,077	229,372	289,490	816	Aaa
Corporate bonds-domestic	2,838,052	83,157	607,230	911,037	1,236,628	Multiple
Corporate bonds-foreign	2,255,943	83,033	702,602	819,569	650,739	Multiple
Government securities-domestic:						
US government treasuries	424,484	424,484	-	-	-	Aaa
U.S. Treasury inflation protected securities	1,541,920	315,562	207,788	503,647	514,923	Aaa
	9,295,177	\$ 918,790	\$ 2,000,089	\$ 3,300,529	\$ 3,075,769	
Commingled index funds-domestic	667,631					
Commingled index funds-foreign	491,291					
Money market funds	429,911					
Securities lending collateral	1,806,130					
Total	\$ 12,690,140					

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

Workers' Compensation Fund
Investments with Multiple Credit Ratings
June 30, 2009
(expressed in thousands)

Moody's Equivalent Credit Rating	Investment Type			Total
	Residential Mortgage Backed Securities	Corporate Bonds - Domestic	Corporate Bonds - Foreign	
Aaa	\$ 1,698,890	\$ 4,723	\$ 372,212	\$ 2,075,825
Aa1	-	-	73,323	73,323
Aa2	-	-	173,076	173,076
Aa3	-	267,072	215,238	482,310
A1	14,133	305,894	246,979	567,006
A2	-	790,097	93,397	883,494
A3	-	297,208	250,056	547,264
Baa1	-	423,033	201,955	624,988
Baa2	-	553,624	382,916	936,540
Baa3	-	196,401	246,791	443,192
Total	\$ 1,713,023	\$ 2,838,052	\$ 2,255,943	\$ 6,807,018

4. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The rated debt investments of the workers' compensation funds as of June 30, 2009, were rated by Moody's and/or an equivalent national rating organization.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The WSIB policy states that the cost of no corporate fixed income issue shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time. There was no concentration of credit risk as of June 30, 2009.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the WSIB would not be able to recover the value of investments that are in the possession of an outside party. The WSIB does not have a policy specifically for custodial credit risk. The securities lending collateral balances are from securities required to be listed under GASB Statement No. 3 Category 3 – Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the WSIB's name. (This includes the amount of any repurchase agreement that exceeds the fair value of the underlying securities).

5. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The WSIB does not have a formal policy to limit foreign currency risk. The workers' compensation funds had \$491.3 million invested in an international

commingled equity index fund. As such, no currency denomination risk is presented.

6. Derivatives

The WSIB is authorized to utilize various derivative financial instruments, including mortgage-backed securities, financial futures, forward contracts, interest rate and equity swaps, and options to manage its exposure to fluctuations in interest and currency rates while increasing portfolio returns. Derivative transactions involve, to varying degrees, market and credit risk. The WSIB mitigates market risks arising from derivative transactions by requiring collateral in cash and investments to be maintained equal to the securities positions outstanding, and thereby prohibiting the use of leverage or speculation.

Credit risks arising from derivative transactions are mitigated by selecting and monitoring creditworthy counterparties and collateral issuers.

Consistent with the WSIB authority to invest in derivatives, international active equity managers may make limited investments in financial futures, forward contracts or other derivative securities to manage exposure to currency rate risk and equitize excess cash holdings. No such derivative securities were held as of June 30, 2009.

Domestic and foreign passive equity index fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns.

Information on the extent of use and holdings of derivative securities by passive equity index fund managers is unavailable. At June 30, 2009, the only derivative securities held directly by the WSIB were collateralized mortgage obligations (CMOs) of \$1.7 billion.

7. Reverse Repurchase Agreements

State law permits the WSIB to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers margin against a decline in fair value of the securities. If the dealers default on their obligations to resell these securities to the state or provide securities or cash of equal value, the WSIB would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. There were no reverse repurchase agreements during Fiscal Year 2009 and there were no liabilities outstanding as of June 30, 2009.

D. INVESTMENTS – LOCAL GOVERNMENT INVESTMENT POOL (LGIP)

1. Summary of Investment Policies

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

Investment Objectives. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. As such, investments are reported at amortized cost (which approximates fair value).

The objectives of the LGIP investment policy, in priority order, are safety, liquidity, and return on investment. To provide for the safety and liquidity of funds deposited in the LGIP, the state treasurer and designated investment officers shall:

- Adhere to all restrictions on the investment of funds established by law and by the policy.
- Limit the purchase of investments in securities so that the weighted average maturity of the portfolio, as defined in Section VI of the policy, does not exceed 90 days.

- Limit the purchase of investments to securities that have a maximum final maturity of 397 days, with the exceptions listed in section VI of the policy.
- Limit the purchase of investments in securities other than those issued by the U.S. government or its agencies.
- Prepare regular reports of portfolio activity.

The primary objective of safety will be measured in cash, as opposed to accounting terms, where different, and in terms of the portfolio, as a whole, as opposed to the terms of any individual transaction. This means, for example, that a single transaction that generated an accounting loss but actually increased the amount of cash received in the portfolio would be considered to have increased capital, and not decreased it. Within the restrictions necessary to ensure the safety and liquidity of funds, the investment portfolio of the LGIP will be structured to attain a market rate of return throughout an economic cycle.

Eligible Investments. Eligible investments are only those securities and deposits authorized by statute (Chapters 39.58, 39.59, 43.84.080 and 43.250 RCW). Eligible investments include:

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

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

- All money market securities are required to be rated A-1 by Standard and Poor's Corporation and P-1 by Moody's Investors Services, Inc.
- Investments are restricted to fixed rate securities that mature in 397 days or less, and floating and variable rate securities that mature in 762 days or less.
- The weighted average maturity of the portfolio may not exceed 90 days.
- Cash generated through securities lending or reverse repurchase agreement transactions will not increase the dollar amount of specified investment types beyond stated limits.

2. Securities Lending

The LGIP investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the LGIP. During Fiscal Year 2009, the LGIP had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the LGIP. Furthermore, the contract with the lending agent requires them to indemnify the LGIP if the borrowers fail to return the securities (and if collateral is inadequate to replace the securities lent) or if the borrower fails to pay the LGIP for income distribution by the securities' issuers while the securities are on loan.

The LGIP cannot pledge or sell collateral securities received unless the borrower defaults. The LGIP investment policy limits the amount of reverse repurchase agreements and securities lending to 30 percent of the total portfolio. There were neither violations of legal or contractual provisions nor any losses resulting from a default of a borrower or lending agent during the year.

State statutes permit the LGIP to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The LGIP, which has contracted with a lending

agent to lend securities in the LGIP, earns a fee for this activity. The lending agent lends securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent.

The cash is invested by the lending agent in repurchase agreements or money market instruments, in accordance with investment guidelines approved by the LGIP. The securities held as collateral and the securities underlying the cash collateral are held by the LGIP's custodian.

There were no securities on loan as of June 30, 2009.

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The portfolio is managed in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940, i.e., money market funds. Much of the Rule 2a-7 investment guidelines are directed towards limiting interest rate risk, in order to maintain a stable net asset value.

The LGIP policy places a 90-day maximum on the weighted average maturity. Further, the maximum maturity of any security will not exceed 397 days, except securities utilized in repurchase agreements and U.S. Agency floating or variable rate notes may have a maximum maturity of 762 days, provided that they have reset dates within one year and which on any reset date can reasonably be expected to have a market value that approximates its amortized cost. As of June 30, 2009, the LGIP had a weighted average maturity of 56 days.

The following schedule presents the LGIP investments by type and provides information about the interest rate risks associated with the LGIP investments as of June 30, 2009.

Local Government Investment Pool (LGIP)			
June 30, 2009			
(expressed in thousands)			
Investment Type	Fair Value	Maturity	
		Less than 1 year	1-5 years
U.S. government obligations	\$ 2,922,172	\$ 2,922,172	\$ -
U.S. agency obligations	4,123,550	3,083,347	1,040,203
Certificates of deposit	229,000	229,000	-
Interest bearing bank accounts	1,408,210	1,408,210	-
Total	\$ 8,682,932	\$ 7,642,729	\$ 1,040,203

4. Credit Risk

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

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

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

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The LGIP mitigates concentration of credit risk by limiting the percentage of the portfolio invested with any one issuer. With the exception of U.S. Treasury and U.S. Agency securities, the OST mitigates concentration of credit risk by limiting the purchase of securities of any one issuer to no more than 5 percent of the portfolio. As of June 30, 2009, U.S. Treasury securities comprised 33.7 percent of the total portfolio. U.S. Agency securities comprised 47.5 percent of the total portfolio, including Federal Home Loan Mortgage Corporation (5.7 percent), Federal Home Loan Bank (16.2 percent), Federal National Mortgage Association (10.3 percent), and Federal Farm Credit Bank (15.3 percent).

5. Foreign Currency Risk - None.

6. Derivatives - None.

7. Reverse Repurchase Agreements

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

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

If the dealers default on their obligations to resell these securities to the LGIP or to provide equal value in securities or cash, the LGIP would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. On June 30, 2009, reverse repurchase agreement obligations totaled \$199.7 million. There was no credit risk for the LGIP due to the fair value plus accrued interest of the underlying securities being less than the fair value plus accrued interest of the reinvested cash.

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

The securities utilized in repurchase agreements are priced daily and held by the LGIP's custodian in the state's name. Collateralized Mortgage Obligations (CMO) utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council (FFIEC) test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency. There were no repurchase agreements as of June 30, 2009.

E. INVESTMENTS – HIGHER EDUCATION SPECIAL REVENUE AND ENDOWMENT FUNDS

1. Summary of Investment Policies

The investments of the University of Washington represent 59 percent of the total investments in Higher Education Special Revenue and Endowment Funds.

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

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

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

The University combines most short-term cash balances in the Invested Funds Pool. At June 30, 2009, the Invested Funds Pool totaled \$884.7 million. The fund also owns units in the Consolidated Endowment Fund valued at \$322.3 million on June 30, 2009.

By University policy, departments with qualifying funds in the Invested Funds Pool receive distributions based on their average balances and on the type of balance. The difference between the actual earnings of the Invested Funds Pool and the calculated distributions is used to support activities benefiting all University departments.

The majority of the endowed funds are invested in a pooled fund called the Consolidated Endowment Fund (CEF). Individual endowments purchase units in the pool on the basis of a per unit valuation of the CEF at fair value on the last business day of the calendar quarter. Income is distributed based on the number of units held. During Fiscal Year 2009, in light of the 2008-2009 financial crises and the decline in the CEF market value, the Board of Regents implemented an interim spending policy. Under the interim policy, year-over-year CEF distributions will decrease from the Fiscal Year 2008 level by 25 percent in Fiscal Years 2009 and 2010. Thereafter, distributions will be held constant at the reduced levels until no later than Fiscal Year 2013, by such time the Board will determine the appropriate next steps. State law allows for the spending of appreciation in the CEF.

The University records its permanent endowments at the lower of original gift value or current market value in the Restricted Nonexpendable Net Assets category. Of the total of approximately \$1.0 billion permanent endowment funds (at fair value) as of June 30, 2009, the aggregate amount of the deficiencies for all funds for which the fair value of the assets is less than the original gifts is \$80.7 million.

Funds in irrevocable trusts managed by trustees other than the University are not reported in the financial statements. The fair value of these funds was approximately \$43.4 million at June 30, 2009. Income received from these trusts which is included in investment income, was \$2.3 million for the year ended June 30, 2009.

2. Unfunded Commitments

The University enters into contracts with investment managers to fund alternate investments. As of June 30, 2009, the University had unfunded commitments in the amount of \$254.2 million, which may be called during the period June 30, 2009 through 2020.

3. Securities Lending

The University's investment policies permit it to lend its securities to broker dealers and other entities. Due to market conditions, the University terminated this program in September, 2008 and as of June 30, 2009 the University had no securities on loan.

The following schedule presents the fair value of the University of Washington's investments by type at June 30, 2009:

University of Washington	
June 30, 2009	
(expressed in thousands)	
Investment Type	Fair Value
Cash equivalents	\$ 440,742
Domestic fixed income	968,847
Foreign fixed income	12,272
Domestic equity	279,589
Foreign equity	399,056
Non-marketable alternatives	377,946
Marketable alternatives	341,032
Real estate	8,463
Miscellaneous	5,717
Total	\$ 2,833,664

4. Interest Rate Risk

The University manages interest rate risk through its investment policies and the investment guidelines established with each manager. Each fixed income manager is assigned a maximum boundary for duration as compared to the manager's relevant benchmark index. The goal is to allow ample freedom for the manager to perform, while controlling the interest rate risk in the portfolio. Modified duration, which estimates the sensitivity of a bond's price to interest rate changes, is based on a calculation entitled Macaulay duration. Macaulay is an accepted calculation developed for a portfolio of bonds assembled to fund a fixed liability. Macaulay duration is calculated as follows: sum of discounted time-weighted cash flows divided by the bond price. Modified duration is calculated using the following formula:

Macaulay duration divided by (one plus yield-to-maturity divided by the number of coupon payments per year).

The Interest Rate Risk Schedule presents the modified duration of the University's investments for which duration is measured. Duration figures at June 30, 2009 exclude \$209.2 million of fixed-income securities held

outside the CEF and the Invested Funds Pool. These amounts, which in total makeup 7.4 percent of the University's investments, are not included in the duration figures below.

University of Washington
Interest Rate Risk
Duration as of June 30, 2009

(expressed in thousands, modified duration in years)

	Consolidated Endowment Fund		Invested Funds Pool	
	Asset Value	Duration	Asset Value	Duration
Domestic Fixed Income				
Asset backed securities	\$ 9,827	2.94	\$ 29,852	1.26
Cash equivalents (Short-term money market)	144,911	0.38	106,190	0.17
Corporate bonds	32,563	4.05	52,040	2.28
Government & agencies	118,068	2.43	662,331	3.14
Mortgage related	22,579	3.42	34,266	1.70
Total	\$ 327,948	1.77	\$ 884,679	2.61

5. Credit Risk

The University investment policies limit fixed income exposure to investment grade assets. The investment policy for the University's invested funds cash pool requires each manager to maintain an average quality rating of "AA" as issued by a nationally recognized rating organization. The invested funds liquidity pool requires each manager to maintain an average quality rating of "A" and to hold 50 percent of their portfolios in government and government agency issues.

The investment policy for the CEF reflects its long-term nature by specifying average quality rating levels by individual manager, but still restricting investments to investment grade credits.

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

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The University mitigates concentration of credit risk by maintaining a portfolio of investment grade assets and by the due diligence of each manager.

6. Foreign Currency Risk

The University's investment policies permit investments in international equity and other asset classes that can include foreign currency exposure. The University also enters into foreign currency forward contracts, futures contracts, and options to manage the foreign currency exposure.

At June 30, 2009, the University had net outstanding forward commitments to sell foreign currency with a total fair value of \$40.2 million, which equals 1.42 percent of the total portfolio.

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

University of Washington	
Consolidated Endowment Fund	
Foreign Currency Risk	
June 30, 2009	
(expressed in thousands)	
Foreign Currency	Market Value
Brazil-Real	\$ 34,117
Britain-Pound	38,244
Canada-Dollar	20,910
China-Renminbi	41,397
E.M.U.-Euro	83,621
India-Rupee	31,374
Hong Kong-Dollar	27,188
Japan-Yen	63,786
Russia-Ruble	17,051
Singapore-Dollar	15,685
Other (less than 3% each)	129,983
Total	\$ 503,356

7. Derivatives

The University's investments include certain derivative instruments and structured notes that derive their value from a security, asset, or index. Under the University's investment policies and guidelines derivatives may be used to manage the aggregate portfolio risk/return profile. This includes the use of swaps, options, futures and other derivative products to adjust exposures, to equitize cash, or to rebalance across asset classes.

8. Reverse Repurchase Agreements – None.

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

1. Summary of Investment Policies

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

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

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

Eligible Investments. Eligible investments are only those securities and deposits authorized by statute (Chapters 39.58, 39.59, 43.84.080 and 43.250 RCW). Eligible investments include:

- Obligations of the U.S. government.
- Obligations of U.S. government agencies, or of corporations wholly owned by the U.S. government.
- Obligations of government sponsored corporations that are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve.
- Banker's acceptances purchased on the secondary market rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs), at the time of purchase. If the banker's acceptance is rated by more than two NRSROs, it must have the highest rating from all of the organizations.

- Commercial paper, provided that the State Treasurer adheres with policies and procedures of the State Investment Board regarding commercial paper (RCW 43.84.080(7)).
- Deposits with financial institutions qualified by the Washington Public Deposit Protection Commission.
- Local Government Investment Pool, for proceeds of bonds or other debt obligations, when the investments are made in order to comply with the Internal Revenue Code of 1986, as amended.
- Obligations of the state of Washington or its political sub-divisions.

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

- The final maturity of any security will not exceed ten years.
- Purchase of collateralized mortgage obligations (CMO) requires prior approval from the treasurer or assistant treasurer; CMO securities must pass the Federal Institutions Examination Council (FFIEC) test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency.
- The allocation to investments subject to high sensitivity or reduced marketability will not exceed 15 percent of the daily balance of the portfolio.

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

2. Securities Lending

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

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

The cash is invested by the lending agent in repurchase agreements or money market instruments, in accordance with investment guidelines approved by the OST.

The securities held as collateral and the securities underlying the cash collateral are held by the custodian.

The contract with the lending agent requires them to indemnify the OST if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or if the borrower fails to pay the OST for income distribution by the securities' issuers while the securities are on loan. The OST cannot pledge or sell collateral securities received unless the borrower defaults. At June 30, 2009, there were no securities on loan.

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 2009, the OST had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the OST.

The following schedule presents the fair value of the OST's investments by type at June 30, 2009.

Office of the State Treasurer (OST)
Cash Management Account
June 30, 2009
(expressed in thousands)

Investment Type	Fair Value	Maturity		
		Less than 1 year	1-5 years	6-10 years
U.S. agency obligations	\$ 2,049,414	\$ 70,533	\$ 1,932,925	\$ 45,956
Certificates of deposit	577,268	577,268	-	-
Interest bearing bank accounts	1,246,917	1,246,917	-	-
Total	\$ 3,873,599	\$ 1,894,718	\$ 1,932,925	\$ 45,956

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

3. Interest Rate Risk

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

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

4. Credit Risk

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

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

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. For non-governmental securities, the OST limits its exposure to concentration of credit risk by restricting the amount of investments to no more than 5 percent of the portfolio to any single issuer. During Fiscal Year 2009, the non-governmental securities of a single issuer held by the Cash Management Account did not exceed 5 percent of the total portfolio.

5. Foreign Currency Risk - None.

6. Derivatives - None.

7. Reverse Repurchase Agreements

State law also permits the OST to enter into reverse repurchase agreements, which are, by contract, sales of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities pledged as collateral by the OST underlying the reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in the fair value of the securities. If the dealers default on their obligations to resell these securities to the OST or to provide equal value in securities or cash, the OST would suffer an economic loss equal to the differences between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. The OST investment policy limits the amount of reverse repurchase agreements to 30 percent of the total portfolio.

The market value, plus accrued income, of mortgage-backed securities utilized in repurchase agreements with more than seven days remaining until maturity will be 105 percent of the value of the repurchase agreement. The market value, plus accrued income, of securities utilized in all other repurchase agreements will be 102 percent of the value of the repurchase agreement. The securities utilized in repurchase agreements are priced daily and held by the Treasury/Trust custodian in the state's name. Collateralized Mortgage Obligations (CMOs) utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council (FFIEC) test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency.

On June 30, 2009, reverse repurchase agreement obligations totaled \$211.4 million and the associated credit risk was \$130 thousand.

Note 4 Receivables and Deferred/Unearned Revenues

A. GOVERNMENTAL FUNDS

Taxes Receivable

Taxes receivable at June 30, 2009, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property	\$ 956,965	\$ -	\$ -	\$ 159	\$ 957,124
Sales	1,419,380	4,584	-	19,243	1,443,207
Business and occupation	445,920	-	-	-	445,920
Estate	4,911	21,503	-	-	26,414
Fuel	-	-	-	86,537	86,537
Other	2,847	-	-	232	3,079
Subtotals	2,830,023	26,087	-	106,171	2,962,281
Less: Allowance for uncollectible receivables	53,204	-	-	368	53,572
Total Taxes Receivable	\$ 2,776,819	\$ 26,087	\$ -	\$ 105,803	\$ 2,908,709

Other Receivables

Other receivables at June 30, 2009, consisted of the following (expressed in thousands):

Other Receivables	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Public assistance (1)	\$ 1,145,212	\$ -	\$ -	\$ -	\$ 1,145,212
Accounts receivable	23,754	169,740	941	89,362	283,797
Interest	-	9,379	3,760	3,684	16,823
Loans (2)	2,677	132,566	-	358,457	493,700
Long-term contracts (3)	711	-	6,283	59,152	66,146
Miscellaneous	38,350	52,910	10,351	133,136	234,747
Subtotals	1,210,704	364,595	21,335	643,791	2,240,425
Less: Allowance for uncollectible receivables	941,805	19,290	1	42,068	1,003,164
Total Other Receivables	\$ 268,899	\$ 345,305	\$ 21,334	\$ 601,723	\$ 1,237,261

Notes:

- (1) Public assistance receivables mainly represent amounts owed the state as a part of the Support Enforcement Program at the Department of Social and Health Services for the amounts due from persons required to pay support for individuals currently on state assistance, and have a low realization expectation. Accordingly, the receivable is offset by a large allowance for uncollectible receivables.
- (2) Significant long-term portions of loans receivable include \$109 million in the Higher Education Special Revenue Fund for student loans and \$348 million in Nonmajor Governmental Funds for low income housing, public works, and economic development/revitalization loans.
- (3) Long-term contracts in Nonmajor Governmental Funds are for timber sales contracts.

Deferred Revenues

Deferred revenues at June 30, 2009, consisted of the following (expressed in thousands):

Deferred Revenues	General	Higher Education	Higher Education	Nonmajor	Total
		Special Revenue	Endowment	Governmental Funds	
Property taxes	\$ 932,405	\$ -	\$ -	\$ 48	\$ 932,453
Other taxes	429,453	17,847	-	186	447,486
Timber sales	712	-	6,283	59,152	66,147
Charges for services	14,929	182,861	610	60,387	258,787
Donable goods	481	-	-	4,187	4,668
Grants and donations	15,198	847	-	13,608	29,653
Loan Program	71	-	-	543,641	543,712
Miscellaneous	30,678	2,945	-	33,882	67,505
Total Deferred Revenues	\$ 1,423,927	\$ 204,500	\$ 6,893	\$ 715,091	\$ 2,350,411

B. PROPRIETARY FUNDS

Taxes Receivable

Taxes receivable at June 30, 2009, consisted of \$5.5 million in liquor taxes reported in Nonmajor Enterprise Funds.

Other Receivables

Other receivables at June 30, 2009, consisted of the following (expressed in thousands):

Other Receivables	Business-Type Activities				Total	Governmental
	Enterprise Funds					Activities
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds		Internal Service Funds
Accounts receivable	\$ 130,590	\$ -	\$ 201,565	\$ 27,545	\$ 359,700	\$ 4,138
Interest	99,735	-	1,067	3,604	104,406	28
Loans	-	-	5	-	5	-
Miscellaneous	549,132	454,279	14,296	1,262	1,018,969	13,090
Subtotals	779,457	454,279	216,933	32,411	1,483,080	17,256
Less: Allowance for uncollectible receivables	156,019	104,508	77,402	107	338,036	159
Total Other Receivables	\$ 623,438	\$ 349,771	\$ 139,531	\$ 32,304	\$ 1,145,044	\$ 17,097

Unearned Revenues

Unearned revenues at June 30, 2009, consisted of the following (expressed in thousands):

Unearned Revenues	Business-Type Activities				Total	Governmental
	Enterprise Funds					Activities
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds		Internal Service Funds
Charges for services	\$ 3	\$ -	\$ 34,112	\$ 11	\$ 34,126	\$ 1,009
Other taxes	436	-	-	99	535	-
Miscellaneous	9,011	-	1,276	-	10,287	173
Total Unearned Revenues	\$ 9,450	\$ -	\$ 35,388	\$ 110	\$ 44,948	\$ 1,182

C. FIDUCIARY FUNDS

Other Receivables

Other receivables at June 30, 2009, consisted of the following (expressed in thousands):

Other Receivables	Local Government Investment Pool	Agency Funds
Accounts receivable	\$ -	\$ 9,680
Interest	5,430	207
Miscellaneous	-	-
Subtotals	5,430	9,887
Less: Allowance for uncollectible receivables	-	892
Total Other Receivables	\$ 5,430	\$ 8,995

Unearned Revenues

Unearned revenues at June 30, 2009, consisted of \$0.8 million for service credit restorations reported in Pension and Other Employee Benefit Plans Funds.

Note 5 Interfund Balances and Transfers

A. INTERFUND BALANCES

Interfund balances as reported in the financial statements at June 30, 2009, consisted of the following (expressed in thousands):

Due To	Due From				
	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	\$ -	\$ 18,205	\$ -	\$ 137,345	\$ 514
Higher Educ. Special Revenue	29,196	-	6	31,556	222
Higher Education Endowment	-	25	-	21	-
Nonmajor Governmental Funds	203,785	456	2,159	212,873	30
Workers' Compensation	7	-	-	8	-
Unemployment Compensation	2,064	1,710	-	947	61
Higher Educ. Student Services	3,784	25,085	-	23,844	202
Nonmajor Enterprise Funds	4,657	147	-	3,511	37
Internal Service Funds	20,301	56,024	-	22,707	5,222
Fiduciary Funds	-	-	-	-	340
Totals	\$ 263,794	\$ 101,652	\$ 2,165	\$ 432,812	\$ 6,628

Except as noted, all interfund balances are expected to be paid within one year from the date of the financial statements. These balances resulted from the time lag between the dates that (1) interfund goods and services were provided and when the payments occurred, and (2) interfund transfers were accrued and when the liquidations occurred.

Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Totals
\$ -	\$ 1	\$ 9,685	\$ 5,305	\$ -	\$ 171,055
1	73,664	13,447	20,081	434	168,607
-	-	-	-	43	89
923	1,325	13,804	4,159	18	439,532
-	-	-	3,644	26	3,685
-	25	80	124	407	5,418
-	-	-	14	464	53,393
-	60	31,752	788	17	40,969
-	4,012	18,266	69,432	329	196,293
-	-	6	-	-	346
\$ 924	\$ 79,087	\$ 87,040	\$ 103,547	\$ 1,738	\$ 1,079,387

B. INTERFUND TRANSFERS

Interfund transfers as reported in the financial statements for the year ended June 30, 2009, consisted of the following (expressed in thousands):

Transferred From	Transferred To				
	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	\$ -	\$ 187,958	\$ -	\$ 942,807	\$ -
Higher Educ. Special Revenue	82,896	-	2,739	170,154	-
Higher Education Endowment	-	92,470	-	32,875	-
Nonmajor Governmental Funds	754,699	113,868	6,711	1,399,422	2,096
Workers' Compensation	-	-	-	13,843	-
Higher Educ. Student Services	-	14,736	-	-	-
Nonmajor Enterprise Funds	110,628	-	-	148,985	-
Internal Service Funds	3,300	995	-	45,685	7,065
Totals	\$ 951,523	\$ 410,027	\$ 9,450	\$ 2,753,771	\$ 9,161

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.

On July 1, 2008, the balance in the Emergency Reserve Fund (ERF) of \$303 million was transferred to the newly created Budget Stabilization Account (BSA) as required by law. Both the ERF and the BSA are reported within Nonmajor Governmental Funds. An additional \$115 million was transferred from the General Fund to the BSA in Fiscal Year 2009 in accordance with the provisions of the Constitution. The Constitution details a limited number of circumstances under which funds can be appropriated from the BSA, one of which is a favorable vote of at least three-fifths of the members of each house of the Legislature. During Fiscal Year 2009, Engrossed Substitute House Bill 1244 authorized the transfer of \$400 million from the BSA to the General Fund.

In addition to the transfers noted in the table above, there were transfers of \$9 million within the state's Pension Trust Funds.

Higher Education Student Services	Nonmajor Enterprise Funds	Internal Service Funds	Totals
\$ -	\$ -	\$ 12,797	\$ 1,143,562
468,697	-	53,422	777,908
83	-	-	125,428
-	-	16,640	2,293,436
-	-	148	13,991
-	-	423	15,159
-	16,742	99	276,454
110	1,226	92,365	150,746
\$ 468,890	\$ 17,968	\$ 175,894	\$ 4,796,684

Note 6

Capital Assets

Capital assets at June 30, 2009, are reported by the state of Washington within Governmental Activities and Business-Type Activities, as applicable.

A. GOVERNMENTAL CAPITAL ASSETS

The following is a summary of governmental capital asset activity for the year ended June 30, 2009 (expressed in thousands):

Capital Assets	Balances July 1, 2008	Additions	Deletions	Balances June 30, 2009
Capital assets, not being depreciated:				
Land	\$ 1,051,050	\$ 154,451	\$ (75,281)	\$ 1,130,220
Transportation infrastructure	16,909,702	1,304,917	-	18,214,619
Construction in progress	1,483,643	734,512	(1,033,533)	1,184,622
Art collections, library reserves, and museum and historical collections	111,880	2,144	(125)	113,899
Total capital assets, not being depreciated	19,556,275			20,643,360
Capital assets, being depreciated:				
Buildings	8,722,185	1,005,264	(22,904)	9,704,545
Accumulated depreciation	(2,991,580)	(246,320)	6,507	(3,231,393)
Net buildings	5,730,605			6,473,152
Furnishings, equipment, and collections	3,676,074	266,696	(152,181)	3,790,589
Accumulated depreciation	(2,283,821)	(250,731)	120,709	(2,413,843)
Net furnishings, equipment and collections	1,392,253			1,376,746
Other improvements*	1,082,072	62,451	(2,803)	1,141,720
Accumulated depreciation*	(434,326)	(39,202)	700	(472,828)
Net other improvements	647,746			668,892
Infrastructure (other)	690,089	44,981	-	735,070
Accumulated depreciation	(316,349)	(22,934)	-	(339,283)
Net infrastructure (other)	373,740			395,787
Total capital assets, being depreciated, net	8,144,344			8,914,577
Governmental Activities Capital Assets, Net	\$ 27,700,619			\$ 29,557,937

*Beginning balances restated to reflect leasehold improvements not previously reported (Refer to Note 2).

B. BUSINESS-TYPE CAPITAL ASSETS

The following is a summary of business-type capital asset activity for the year ended June 30, 2009 (expressed in thousands):

Capital Assets	Balances July 1, 2008	Additions	Deletions	Balances June 30, 2009
Capital assets, not being depreciated:				
Land	\$ 135,940	\$ 6,407	\$ -	\$ 142,347
Construction in progress	173,927	133,868	(154,329)	153,466
Art collections	35	-	-	35
Total capital assets, not being depreciated	309,902			295,848
Capital assets, being depreciated:				
Buildings	2,096,363	130,556	(8)	2,226,911
Accumulated depreciation	(603,800)	(56,967)	8	(660,759)
Net buildings	1,492,563			1,566,152
Furnishings, equipment, and collections	465,257	55,168	(13,169)	507,256
Accumulated depreciation	(330,280)	(39,309)	12,090	(357,499)
Net furnishings, equipment, and collections	134,977			149,757
Other improvements	58,607	34,186	(1,503)	91,290
Accumulated depreciation	(21,449)	(3,273)	975	(23,747)
Net other improvements	37,158			67,543
Infrastructure (other)	34,909	86	-	34,995
Accumulated depreciation	(14,162)	(1,202)	-	(15,364)
Net infrastructure (other)	20,747			19,631
Total capital assets, being depreciated, net	1,685,445			1,803,083
Business-Type Activities Capital Assets, Net	\$ 1,995,347			\$ 2,098,931

C. DEPRECIATION

Depreciation expense for the year ended June 30, 2009, was charged to functions of the primary government as follows (expressed in thousands):

	Amount
Governmental Activities:	
General government	\$ 60,374
Education - elementary and secondary (K-12)	3,435
Education - higher education	304,325
Human services	29,096
Adult corrections	35,854
Natural resources and recreation	39,191
Transportation	86,912
Total Depreciation Expense - Governmental Activities*	\$ 559,187
Business-Type Activities:	
Workers' compensation	\$ 10,003
Unemployment compensation	-
Higher education student services	76,963
Other	13,785
Total Depreciation Expense - Business-Type Activities	\$ 100,751

*Includes \$71 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, 2009, are as follows (expressed in thousands):

Agency / Project Commitments	Construction In Progress June 30, 2009	Remaining Project Commitments
Office of Financial Management:		
Grants, contracts, and loans management project	\$ 1,645	\$ 4,000
Department of General Administration:		
Legislative and other buildings rehab., repairs and expansion, and other projects	212,086	4,955
Liquor Control Board:		
Distribution Center expansion project	16,160	50
Washington State Patrol:		
Fire Training Academy Dormitory	2,449	271
Department of Social and Health Services:		
State hospital and juvenile rehab construction and renovations, and other projects	86,386	7,019
Department of Corrections:		
Correctional centers construction, improvements, and other projects	279,605	328,944
Department of Transportation:		
State highway office and maintenance facilities, and ferry vessels and terminals	193,283	146,248
Transportation infrastructure	-	6,474,785
Parks and Recreation Commission:		
State park facilities projects	8,276	3,012
Department of Fish and Wildlife:		
Hatchery Abatement Ponds, regional office, district office, Watershed Center	7,888	2,178
State Convention and Trade Center:		
MOHAI Property	28,530	29,470
Higher Education Facilities:		
University of Washington	206,100	158,014
Washington State University	71,755	265,799
Eastern Washington University	6,749	4,310
Central Washington University	28,763	14,185
The Evergreen State College	4,903	18,297
Western Washington University	15,242	21,118
Community and Technical Colleges	166,797	283,113
Other Agencies Miscellaneous Projects	1,471	1,982
Total Construction in Progress	\$ 1,338,088	\$ 7,767,750

Note 7

Long-Term Liabilities

A. BONDS PAYABLE

Bonds payable at June 30, 2009, are reported by the state of Washington within Governmental Activities and Business-Type Activities, as applicable.

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

Legislative authorization arises from an affirmative vote of 60 percent of both legislative houses without voter consent, or from an affirmative vote of more than 50 percent of both legislative houses and a majority of the voters voting thereon.

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

Legal Debt Limitation

The State Constitution and current statutes generally limit debt authorized in the preceding procedures. The limitations prohibit the issuance of new debt if it would cause the maximum annual debt service, on all thereafter-outstanding general obligation debt, to exceed a specified percentage of the arithmetic mean of general state revenues for the preceding three fiscal years.

These limitations are on the incurrence of new debt, not on the amount of debt service that may be paid by the state in future years.

As certified by the State Treasurer, the maximum debt authorization subject to limitation for Fiscal Year 2009 was \$10.8 billion, under the statutory limitation.

This computation excludes specific bond issues and types, which are not secured by general state revenues. Of the \$14.1 billion general obligation bond debt outstanding at June 30, 2009, \$8.0 billion is subject to the limitation.

Based on the debt limitation calculation, the debt service requirements as of June 30, 2009, did not exceed the authorized debt service limitation.

For further information on the debt limit refer to the Certification of the Debt Limitation of the State of Washington available from the Office of the State Treasurer or at: http://www.tre.wa.gov/documents/debt_cdl2009.pdf.

Authorized But Unissued

The state had a total of \$12.7 billion in general obligation bonds authorized but unissued as of June 30, 2009, for the purpose of capital construction and transportation projects throughout the state.

Interest Rates

Interest rates on fixed rate general obligation bonds ranged from 2.5 to 7.25 percent. Variable rate demand obligations (VRDO) of \$139.6 million as of June 30, 2009, are remarketed on a weekly basis. Interest rates on revenue bonds range from 2.5 to 7.40 percent.

Debt Service Requirements to Maturity

General Obligations Bonds

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

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

Outstanding general obligations bonds are presented in the Washington State Treasurer's Annual Report for 2009.

A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington, 98504-0200, phone number (360) 902-9000 or TTY (360) 902-8963, or by visiting their website at: <http://www.tre.wa.gov/aboutUs/publications/annualReports.shtml>.

State of Washington

Total debt service requirements to maturity for general obligation bonds as of June 30, 2009, are as follows (expressed in thousands):

General Obligation Bonds	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
By Fiscal Year:						
2010	\$ 609,086	\$ 675,235	\$ 8,912	\$ 4,459	\$ 617,998	\$ 679,694
2011	591,373	654,805	8,196	4,140	599,569	658,945
2012	588,035	631,542	7,484	3,767	595,519	635,309
2013	615,897	601,196	7,081	3,480	622,978	604,676
2014	649,482	573,196	3,805	553	653,287	573,749
2015-2019	3,469,141	2,532,876	28,901	44,910	3,498,042	2,577,786
2020-2024	3,212,176	1,730,556	4,425	11,835	3,216,601	1,742,391
2025-2029	2,768,713	1,003,265	-	-	2,768,713	1,003,265
2030-2034	1,545,246	228,697	-	-	1,545,246	228,697
Total Debt Service Requirements	\$ 14,049,149	\$ 8,631,368	\$ 68,804	\$ 73,144	\$ 14,117,953	\$ 8,704,512

Revenue Bonds

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

payable from general revenues, including student tuition and fees, grant indirect cost recovery, sales and services revenue, and investment income. The remainder of the state's revenue bonds pledge income derived from acquired or constructed assets for retirement of the debt and payment of the related interest.

Total debt service requirements for revenue bonds to maturity as of June 30, 2009, are as follows (expressed in thousands):

Revenue Bonds	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
By Fiscal Year:						
2010	\$ 16,831	\$ 36,483	\$ 37,836	\$ 51,071	\$ 54,667	\$ 87,554
2011	17,556	36,195	29,029	50,993	46,585	87,188
2012	18,879	35,210	30,457	49,675	49,336	84,885
2013	12,480	34,232	32,235	48,273	44,715	82,505
2014	18,099	33,515	33,354	46,526	51,453	80,041
2015-2019	105,678	149,517	181,930	212,010	287,608	361,527
2020-2024	127,742	117,086	202,414	168,836	330,156	285,922
2025-2029	151,125	74,509	163,892	119,340	315,017	193,849
2030-2034	92,022	24,260	143,433	75,500	235,455	99,760
2035-2039	55,659	10,121	219,227	34,381	274,886	44,502
Total Debt Service Requirements	\$ 616,071	\$ 551,128	\$ 1,073,807	\$ 856,605	\$ 1,689,878	\$ 1,407,733

Governmental activities include revenue bonds outstanding at June 30, 2009, of \$440.9 million issued by the Tobacco Settlement Authority (TSA), which is a blended component unit of the state. In November 2002, the TSA issued \$517 million in bonds and transferred \$450 million to the state to be used for increased health care, long-term care, and other programs. These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. The bonds are obligations of the TSA and are secured solely by the TSA's right to receive 29.2 percent of the state's tobacco settlement revenues, restricted investments of the TSA, undistributed TSA bond proceeds, and the earnings thereon held under

the indenture authorizing the bonds. Total principal and interest remaining on the bonds is \$848.9 million, payable through 2032. For the current year, pledged revenue and debt service were \$56.3 million and \$56.7 million, respectively.

Governmental activities also include revenue bonds outstanding at June 30, 2009, of \$55.8 million issued by the Tumwater Office Properties (TOP), which is a blended component unit of the state. The bonds, issued in 2004, are payable solely from the trust estate pledged under the indenture, including rental payments. The bonds were used to construct an office building in Tumwater, Washington which the state occupied beginning in Fiscal Year 2006.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is \$93.7 million, payable through 2028. For the current year, pledged revenue and debt service were \$5.2 million and \$3.6 million, respectively.

Additionally, governmental activities include revenue bonds outstanding at June 30, 2009, of \$13.4 million issued by the City of Aberdeen. The bonds, issued in 1998 and 2002, are payable solely from current operating appropriations.

The bonds were used to extend utilities to the Department of Corrections Stafford Creek Corrections Center (SCCC). The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds.

Total principal and interest remaining on these bonds is \$16.4 million, payable through 2022. For the current year, pledged revenue and debt service were \$1.6 million and \$1.6 million, respectively.

The University of Washington has issued general revenue bonds that are payable from general revenues, including student tuition and fees, grant indirect cost recovery, sales and services revenue, and investment income. As of June 30, 2009, general revenue bonds were reported in both governmental and business-type activities.

Additionally, the University of Washington and the state's other colleges and universities also issue bonds for the purpose of housing, dining, parking, and student facilities construction. These bonds are reported within business-type activities and are secured by a pledge of specific revenues.

Total pledged specific revenues for the state's colleges and universities to repay the principal and interest of revenue bonds as of June 30, 2009, are as follows (expressed in thousands):

Source of Revenue Pledged	Housing and Dining Revenues (Net of Operating Expenses)	Student Facilities Fees and Earnings on Invested Fees	Parking Revenues (Net of Operating Expenses)	Bookstore Revenues
Current revenue pledged	\$ 49,288	\$ 38,421	\$ 8,734	\$ 514
Current year debt service	23,559	19,717	2,109	228
Total future revenues pledged *	549,822	524,577	39,743	5,709
Description of debt	Housing and dining bonds, issued in 1996- 2008	Student facilities bonds, issued in 1998-2007 and refunding revenue bonds, issued in 2002-2006	Parking system and refunding revenue bonds, issued in 1999- 2005	Student union and recreation center bonds issued in 2004
Purpose of debt	Construction and renovation of student housing projects	Construction, renovation and improvements to student activity facilities and sports stadium	Construction of parking garage and improvements	Construct new bookstore as part of new student union and recreation center building
Term of commitment	2013-2038	2019-2038	2024-2030	2034
Percentage of debt service to pledged revenues (current year)	47.8%	51.3%	24.2%	44.4%

* Total future principal and interest payments.

Debt Refundings

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

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

As a result, the refunded bonds are considered defeased and the liability is removed from the government-wide statement of net assets. There were no debt refundings in Fiscal Year 2009.

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.

Total debt service requirements for certificates of participation to maturity as of June 30, 2009, are as follows (expressed in thousands):

Certificates of Participation	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
By Fiscal Year:						
2010	\$ 54,405	\$ 22,785	\$ 68,460	\$ 18,821	\$ 122,865	\$ 41,606
2011	43,912	13,778	27,926	11,909	71,838	25,687
2012	40,025	12,073	27,401	10,730	67,426	22,803
2013	37,189	10,453	27,612	9,539	64,801	19,992
2014	35,839	8,963	29,986	8,372	65,825	17,335
2015-2019	121,336	25,072	66,481	24,356	187,817	49,428
2020-2024	42,778	10,099	42,597	10,080	85,375	20,179
2025-2029	19,608	2,425	19,577	2,421	39,185	4,846
Total Debt Service Requirements	\$ 395,092	\$ 105,648	\$ 310,040	\$ 96,228	\$ 705,132	\$ 201,876

General Obligation Bond Debt

On June 30, 2009, \$715.1 million of general obligation bonded debt outstanding is considered defeased.

Revenue Bond Debt

On June 30, 2009, \$78.6 million of revenue bonded debt outstanding is considered defeased.

B. CERTIFICATES OF PARTICIPATION

Certificates of participation at June 30, 2009, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

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

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

C. CLAIMS AND JUDGMENTS

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

Workers' Compensation

At June 30, 2009, \$36.7 billion of unpaid claims and claim adjustment expenses are presented at their net present and settlement value of \$22.2 billion. These claims are discounted at assumed interest rates of 2.5

percent (time loss and medical) to 6.5 percent (pensions) to arrive at a settlement value.

The claims and claim adjustment liabilities of \$22.2 billion as of June 30, 2009, include \$11.4 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 \$10.7 billion are fully funded by long-term investments, net of obligations under securities lending agreements.

Changes in the balances of workers' compensation claims liabilities during Fiscal Years 2008 and 2009 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
2008	\$ 19,746,492	4,022,871	(1,882,215)	\$ 21,887,148
2009	\$ 21,887,148	2,334,749	(2,057,829)	\$ 22,164,068

Risk Management

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

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

As of June 30, 2009, outstanding and actuarially determined claims against the state and its agencies including actuarially projected defense costs were \$720.2 million for which the state has recorded a liability. The state is restricted by law from accumulating funds in the Self Insurance Liability Program in excess of 50 percent of total outstanding and actuarially determined liabilities.

At June 30, 2009, the risk management fund held \$107.2 million in cash and pooled investments designated for payment of these claims under the state's Self Insurance Liability Program.

Changes in the balances of risk management claims liabilities during Fiscal Years 2008 and 2009 were as follows (expressed in thousands):

Risk Management Fund	Balances Beginning of Fiscal Year	Incurred Claims and Changes in Estimates	Claim Payments	Tort Defense Payments	Balances End of Fiscal Year
2008	\$ 576,563	137,753	(44,906)	(19,649)	\$ 649,761
2009	\$ 649,761	142,517	(52,963)	(19,118)	\$ 720,197

Health Insurance

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

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

At June 30, 2009, health insurance claims liabilities totaling \$83.4 million are fully funded with cash and investments, net of obligations under securities lending agreements.

Changes in the balances of health insurance claim liabilities during Fiscal Years 2008 and 2009 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
2008	\$ 56,318	604,294	(590,678)	\$ 69,934
2009	\$ 69,934	779,143	(765,636)	\$ 83,441

D. LEASES

Leases at June 30, 2009, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

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.

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

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

Land, buildings and equipment under capital leases as of June 30, 2009, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Land (non-depreciable)	\$ 1,918	\$ -
Buildings	4,054	1,759
Equipment	26,533	26,107
Less: Accumulated depreciation	(26,444)	(26,461)
Totals	\$ 6,061	\$ 1,405

State of Washington

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2009 (expressed in thousands):

Capital and Operating Leases	Capital Leases		Operating Leases	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
By Fiscal Year:				
2010	\$ 3,878	\$ 4,019	\$ 104,540	\$ 29,044
2011	2,637	2,538	94,300	29,326
2012	1,484	984	76,463	29,230
2013	1,385	389	66,176	29,877
2014	487	385	54,588	30,565
2015-2019	548	1,925	153,491	149,498
2020-2024	239	1,203	86,466	-
2025-2029	-	-	69,367	-
2030-2034	-	-	68,852	-
2035-2039	-	-	69,126	-
Total Future Minimum Payments	10,658	11,443	843,369	297,540
Less: Executory Costs and Interest Costs	(1,027)	(1,773)	-	-
Net Present Value of Future Minimum Lease Payments	\$ 9,631	\$ 9,670	\$ 843,369	\$ 297,540

The total operating lease rental expense for Fiscal Year 2009 for governmental activities was \$209.4 million, of which \$235 thousand was for contingent rentals. The total operating lease rental expense for Fiscal Year 2009 for business-type activities was \$111.6 million.

E. LONG-TERM LIABILITY ACTIVITY

Long-term liability activity at June 30, 2009, is reported by the state of Washington within governmental activities and business-type activities, as applicable. Long-term liability activity for governmental activities for the Fiscal Year 2009 is as follows (expressed in thousands):

Governmental Activities:	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009	Amounts Due Within One Year
Long-Term Debt:					
GO Bonds Payable:					
General obligation (GO) bonds	\$ 12,159,165	\$ 1,702,700	\$ 551,435	\$ 13,310,430	\$ 574,205
GO - zero coupon bonds (principal)	768,140	-	29,421	738,719	34,881
Subtotal - GO bonds payable	12,927,305	1,702,700	580,856	14,049,149	609,086
Accreted interest - GO - zero coupon bonds	295,056	32,561	-	327,617	-
Revenue bonds payable *	555,382	103,186	42,497	616,071	16,831
Less: Deferred amounts for issuance discounts	(9,713)	-	(984)	(8,729)	-
Total Bonds Payable	13,768,030	1,838,447	622,369	14,984,108	625,917
Other Liabilities:					
Certificates of participation **	382,883	87,238	75,029	395,092	54,405
Claims and judgments	826,753	1,171,762	1,073,974	924,541	233,085
Installment contracts	2,874	-	99	2,775	-
Leases	15,224	33	5,626	9,631	3,559
Compensated absences	532,300	354,395	333,721	552,974	61,138
Unfunded pension obligations	113,416	40,741	27	154,130	-
Other postemployment benefits obligation	221,375	222,280	-	443,655	-
Pollution remediation ***	25,786	17,826	8,607	35,005	-
Other	181,811	367,876	330,703	218,984	186,758
Total Other Liabilities	2,302,422	2,262,151	1,827,786	2,736,787	538,945
Total Long-Term Debt	\$ 16,070,452	\$ 4,100,598	\$ 2,450,155	\$ 17,720,895	\$ 1,164,862

* Beginning balance has been restated for short/long term bond liabilities for a Department of Corrections sewer extension project, and for a University of Washington fund reclassification.

** Additions include \$37,969 for internal service funds.

*** Beginning balance has been restated in conjunction with the implementation of GASB Statement No. 49.

For governmental activities, payments on the certificates of participation are being repaid directly from various governmental funds. The compensated absences liability will be liquidated approximately 52.2 percent by the General Fund, 24.2 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.

State of Washington

Long-term liability activity for business-type activities for the Fiscal Year 2009 (expressed in thousands) is as follows:

Business-Type Activities	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009	Amounts Due Within One Year
Long-Term Debt:					
GO Bonds Payable:					
General obligation (GO) bonds	\$ 50,810	\$ 4,290	\$ 14,580	\$ 40,520	\$ 8,010
GO - zero coupon bonds (principal)	29,259	-	975	28,284	902
Subtotal - GO bonds payable	80,069	4,290	15,555	68,804	8,912
Accreted interest - GO - zero coupon bonds	34,329	3,832	110	38,051	-
Revenue bonds payable	1,115,457	308,125	349,775	1,073,807	37,836
Less: Deferred gain/loss on bond refunding	(8,215)	-	(468)	(7,747)	-
Plus: Unamortized amounts issuance premiums	12,372	9,433	10,509	11,296	-
Less: Deferred amounts for issuance discounts	(1,696)	-	(95)	(1,601)	-
Total Bonds Payable	1,232,316	325,680	375,386	1,182,610	46,748
Other Liabilities:					
Certificates of participation	261,179	84,536	35,675	310,040	68,460
Less: Deferred amounts for issuance discounts	(1,313)	-	(146)	(1,167)	-
Claims and judgments	21,894,850	1,070,969	790,472	22,175,347	2,056,335
Lottery prize annuities payable	346,595	76,538	113,169	309,964	54,644
Tuition benefits payable	1,104,000	456,486	68,386	1,492,100	63,300
Leases	15,402	-	5,732	9,670	3,651
Compensated absences	55,229	26,290	25,835	55,684	23,679
Other postemployment benefits obligation	24,480	25,416	-	49,896	-
Other	38,666	173,388	107,005	105,049	74,100
Total Other Liabilities	23,739,088	1,913,623	1,146,128	24,506,583	2,344,169
Total Long-Term Debt	\$ 24,971,404	\$ 2,239,303	\$ 1,521,514	\$ 25,689,193	\$ 2,390,917

F. POLLUTION REMEDIATION

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

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

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

There are 21 projects in progress for which the state has recorded a liability of \$29.2 million.

The state has also voluntarily agreed to conduct certain remediation activities to the extent of funding paid to the state by third parties for such purposes. At June 30, 2009, the state has recorded a liability of \$5.8 million for remaining project commitments.

Overall, the state has recorded a pollution remediation liability of \$35 million, measured at its estimated amount, using the expected cash flow technique.

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

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

Note 8 No Commitment Debt

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

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

Debt service on the bonds is payable solely from payments made by the borrowers pursuant to loan agreements.

Due to their no commitment nature, the bonds issued by these financing authorities are excluded from the state's financial statements.

The table below presents the June 30, 2009, balances for the "No Commitment" debt of the state's financing authorities (expressed in thousands):

Financing Authorities	Principal Balance
Washington State Housing Finance Commission	\$ 3,937,808
Washington Higher Education Facilities Authority	604,567
Washington Health Care Facilities Authority	4,600,000
Washington Economic Development Finance Authority	705,988
Total No Commitment Debt	\$ 9,848,363

Note 9 Fund Balances Reserved for Other Specific Purposes

The nature and purposes of fund balances reserved for other specific purposes as of June 30, 2009, 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 receivables	\$ 57,894	\$ 2,785	\$ -	\$ 1,818,567	\$ 1,879,246
Long-term investments	-	106,488	-	960	107,448
Long-term student loans	-	101,340	-	-	101,340
Budget stabilization (Rainy Day)	-	-	-	21,418	21,418
Petty cash	687	9,538	-	796	11,021
Pollution remediation	-	-	-	5,829	5,829
Investments with trustees	682	-	-	515	1,197
Total Reserved for Other Specific Purposes	\$ 59,263	\$ 220,151	\$ -	\$ 1,848,085	\$ 2,127,499

Note 10 Deficit Net Assets

The Risk Management Fund, an internal service fund, had deficit net assets of \$617.7 million at June 30, 2009. The Risk Management Fund is used to account for the claims, torts, and judgments generally arising from automobile and general government operations, and loss adjustment expenses for tort defense. These costs are supported by premium assessments to state agencies that are designed to cover current and future claim losses.

Outstanding and incurred but not reported claims are actuarially determined and accrued, resulting in the deficit net assets.

The Self Insurance Liability Program, initiated in 1990, is intended to provide funds for the payment of all claims and 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, 2009 (expressed in thousands):

Risk Management Fund	Net Assets (Deficit)
Balance, July 1, 2008	\$ (512,824)
Fiscal Year 2009 activity	<u>(104,924)</u>
Balance, June 30, 2009	<u><u>\$ (617,748)</u></u>

Note 11

Retirement Plans

A. GENERAL

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

Basis of Accounting

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

Investments

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

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

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

- School Employees' Retirement System (SERS)
 - Plan 2 - defined benefit
 - Plan 3 – defined benefit/defined contribution
- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)
 - Plan 1 - defined benefit
 - Plan 2 - defined benefit
- Washington State Patrol Retirement System (WSPRS)
 - Plan 1 - defined benefit
 - Plan 2 - defined benefit
- Public Safety Employees Retirement System (PSERS)
 - Plan 2 - defined benefit
- Judicial Retirement System (JRS)
 - Defined benefit plan
- Judges' Retirement Fund (Judges)
 - Defined benefit plan

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

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

The Department of Retirement Systems prepares a stand-alone financial report. Copies of the report that include financial statements and required supplementary information may be obtained by writing to Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or by visiting their website at: <http://www.drs.wa.gov>.

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

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

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

State of Washington

Plan descriptions, funding policies, a table of employer contributions required and paid for defined benefit plans, schedules of funded status and funding progress, defined benefit pension plans valuations, annual pension cost, and three year trend information follow in Note 11.B through G, respectively. Information related to changes in actuarial assumptions and methods, and changes in

benefit provisions are provided in Note 11.H and I. For information related to defined contribution plans, refer to Note 11.J. Details on plan net assets and changes in plan net assets of pension plans and other employee benefit funds administered by the state are presented in Note 11.K.

Membership of each state administered plan consisted of the following at June 30, 2008, the date of the latest actuarial valuation for all plans:

Number of Participating Members					
Plans Administered by the State	Retirees and Beneficiaries Receiving Benefits	Terminated Members Entitled To But Not Yet Receiving Benefits	Active Plan Members Vested	Active Plan Members Nonvested	Total Members
PERS 1	54,581	2,271	10,831	832	68,515
PERS 2	17,798	22,092	85,185	38,100	163,175
PERS 3	743	2,904	9,196	17,524	30,367
TRS 1	35,879	960	5,978	83	42,900
TRS 2	1,879	2,539	6,264	1,839	12,521
TRS 3	1,392	5,200	27,583	24,777	58,952
SERS 2	2,448	4,397	15,367	3,897	26,109
SERS 3	1,425	4,203	15,433	17,077	38,138
LEOFF 1	8,134	1	420	1	8,556
LEOFF 2	1,134	649	12,700	3,926	18,409
WSPRS 1	831	116	850	1	1,798
WSPRS 2	-	2	53	181	236
PSERS 2	1	-	-	3,981	3,982
JRS	127	1	10	-	138
Judges	13	-	-	-	13
JRA	1	189	11	-	201
VFFRPF	3,575	5,866	4,562	6,280	20,283
Total	129,961	51,390	194,443	118,499	494,293

Following is a summary of the number of government employers participating in state administered retirement plans as of June 30, 2009.

Number of Participating Employers				
Plan	State Agencies	School Districts	Counties/ Municipalities	Other Political Subdivisions
PERS 1	117	233	172	198
PERS 2	177	-	271	484
PERS 3	164	-	203	281
TRS 1	62	274	-	-
TRS 2	21	282	-	-
TRS 3	31	303	-	-
SERS 2	-	298	-	-
SERS 3	1	301	-	-
LEOFF 1	-	-	60	16
LEOFF 2	8	-	217	150
WSPRS 1	1	-	-	-
WSPRS 2	1	-	-	-
PSERS 2	10	-	63	-
JRS	3	-	-	-
Judges	-	-	-	-
JRA	3	-	-	-
VFFRPF	-	-	-	670

Employers can participate in multiple systems and/or plans.

B. PLAN DESCRIPTIONS

Public Employees' Retirement System (PERS)

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

The Higher Education Retirement Plans are not administered by DRS. Approximately 52 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the state Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan.

PERS 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. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill with less than five years to live.

PERS is comprised of and reported as three separate plans: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund.

All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan.

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 2009, 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.

PERS Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Benefits are also actuarially reduced when a Plan 1 member chooses a survivor option.

The annual benefit is 2 percent of the average final compensation (AFC) per year of service (AFC is based on the greatest compensation during any 24 eligible consecutive compensation months), capped at 60 percent.

A cost-of-living allowance is granted at age 66 based upon years of service times the COLA amount (based on the Consumer Price Index), capped at 3 percent annually. Plan 1 retirees, after being retired one year, will receive the annual COLA adjustment in July if they turn 66 years of age any time in the calendar year in which the COLA is given. Plan 1 members may also elect to receive an additional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less.

The benefit is reduced by any worker's compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of membership service is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55.

The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance is granted at age 66 based upon years of service times the COLA amount (indexed to the Seattle Consumer Price Index), capped at 3 percent annually. Plan 1 members may also elect to receive an additional COLA amount (indexed to the Seattle Consumer Price Index), capped at 3 percent annually. To offset the costs of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military, if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.)

Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

Refunds provided to survivors of PERS Plan 2 members that leave eligible employment after earning ten years of service credit and are subsequently killed in uniformed service to the United States while participating in Operation Enduring Freedom or Persian Gulf, Operation Iraqi Freedom is increased from 100 to 200 percent of the accumulated contributions in the member's account

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component.

The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.)

Effective June 7, 2006, PERS Plan 3 members may be vested either after ten years of service or after five years of service, as long as 12 consecutive months of service were accrued after attainment of age 44. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65. Plan 3 retirements prior to the age of 65 receive reduced benefits.

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

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the AFC for each year of service. For Plan 3 the allowance amount is 1 percent of the AFC for each year of service.

Benefits are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index) capped at 3 percent annually. PERS members may purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

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

PERS Plan 2 and Plan 3 members can purchase service credit for military service that interrupts employment.

Additionally, PERS Plan 2 and Plan 3 members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible children may purchase credit on behalf of the deceased member.

PERS Plan 2 and Plan 3 members can purchase up to 24 months of service credit lost because of an on-the-job injury. PERS Plan 2 and Plan 3 members who apply for early retirement may, at the time of retirement, purchase up to five years of additional service credit. The cost of the additional service credit is the actuarial equivalent value of the resulting increase in the member's benefit.

A \$150,000 death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally or duty related illness, and proximately out of their covered employment, if found eligible by the Director of the Department of Labor and Industries.

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

Portability of retirement benefits allows for PERS members compensation that is reportable in all dual members systems, except in WSPRS, to be included in the calculation of all dual members' benefits, and removing the "maximum benefit rule" for dual members who have less than 15 years of service in one capped plan and service in one uncapped plan.

Effective after the January 2008 distribution, gain sharing for PERS Plan 1 and Plan 3 members was discontinued.

Additional cost of living adjustments are provided to PERS Plan 1 retirees in July 2009 and new alternative early retirement provisions are created for PERS Plan 2 and Plan 3 members.

Beginning January 1, 2007 through December 31, 2007 judicial members of PERS were given the choice to participate in the Judicial Benefit Multiplier (JBM) Program enacted in 2006.

Justices or judges in PERS Plans 1 and 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of average final compensation.

Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of average final compensation.

Members who chose to participate would:

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

Members who did not choose to participate would:

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

Newly elected justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM program.

Members required to join the JBM program would:

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

Judges and justices who are members of PERS may purchase prior judicial service credit at a higher multiplier at retirement.

During the period of January 1, 2009 through June 30, 2009, active and inactive PERS members who were not then serving as justices or judges, but who have served as such in the past, may request an increase in their benefit multiplier for past periods of judicial service and pay a cost that is the actuarial equivalent of the increase.

The legislature did not make any material changes in PERS benefit provisions for the Fiscal Year ended June 30, 2009.

Teachers' Retirement System (TRS)

TRS was legislatively established in 1938. Eligibility for membership requires service as a certificated public school employee in an instructional, administrative or supervisory capacity. TRS is comprised principally of non-state employees. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the state Legislature.

TRS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a 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 members hired on or after July 1, 2007 have 90 days to make an irrevocable choice to enroll in either plan 2 or Plan 3. An employee is reported in Plan 2 until a choice is made.

Employees who fail to choose within 90 days default to TRS Plan 3. Notwithstanding, TRS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

TRS is comprised of and reported as three separate plans: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan.

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 2009, 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 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.

A cost-of-living allowance is granted at age 66 based upon years of service times the COLA amount, increased by 3 percent annually. Plan 1 retirees will receive the annual COLA adjustment in July if they turn 66 years of age any time in the calendar year in which the COLA is given. Plan 1 members may also elect to receive an additional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

TRS Plan 1 provides death and temporary disability benefits. TRS Plan 1 members receive the following additional lump sum death benefits: retired members-\$400 (if retired with ten years of full-time membership), \$400 (if inactive with ten years of membership), active members \$600 (if employed full-time at time of death).

Members on temporary disability receive a monthly payment of \$180 payable for up to two years, for the same occurrence. After five years of service, members on a disability retirement receive an allowance based on their salary and service to date of disability. Members enrolled in TRS prior to April 25, 1973, may elect a benefit based on the formula in effect at that time.

TRS Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 retirements prior to the age of 65 receive reduced benefits.

If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.)

Effective June 7, 2006, TRS Plan 3 members may be vested either after ten years of service or after five years of service, as long as 12 consecutive months of service were accrued after attainment of age 44. Plan 3 retirements prior to the age of 65 receive reduced benefits.

If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. Refer to section J of this note for a description of the defined contribution component of TRS Plan 3.

TRS Plan 2 and Plan 3 members who work for at least five months of a six-month period, from September through August, and earn 630 hours or more within that six-month period receive six months of service credit.

Plan 2 and Plan 3 members need have only two years of service credit in order to be eligible to purchase up to seven years of service credit for public education experience earned in another state or with the federal government.

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

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

TRS members can purchase service credit for military service that interrupts employment. Additionally, TRS members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible children may purchase credit on behalf of the deceased member.

TRS members may purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

TRS members may purchase up to five years of additional service credit once eligible for retirement.

This credit can only be purchased at the time of retirement, and cannot be used to qualify for any retirement eligibility or benefit reductions based upon years of service. This credit is to be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

Active TRS Plan 2 and Plan 3 members may also make a one-time purchase of up to seven years of service credit for education experience earned in a state or federal public school outside the state of Washington. Completion of at least five years of service under TRS is required.

A \$150,000 death benefit is provided to the estate (or duly designated nominee) of a TRS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of their covered employment or duty related illness, if found eligible by the Director of the Department of Labor and Industries.

Portability of retirement benefits allows for TRS members compensation that is reportable in all dual members systems, except in WSPRS, to be included in the calculation of all dual members' benefits, and removing the "maximum benefit rule" for dual members who have less than 15 years of service in one capped plan and service in one uncapped plan.

Effective after the January 2008 distribution, gain sharing for TRS Plan 1 and Plan 3 members was discontinued. Additional cost of living adjustments were provided to TRS Plan 1 retirees in July 2009 and new alternative early retirement provisions were created for TRS Plan 2 and Plan 3 members.

Beginning January 1, 2007 through December 31, 2007, judicial members of TRS were given the choice to participate in the Judicial Benefit Multiplier (JBM) Program enacted in 2006.

Justices or judges in TRS Plan 1 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of average final compensation.

Members who chose to participate would:

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

Members who did not choose to participate would:

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

Newly elected justices and judges who chose to become TRS members on or after January 1, 2007, or who had not previously opted into TRS membership, were required to participate in the JBM program. Members required to join the JBM program would:

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

The legislature did not make any material changes in TRS benefit provisions for the Fiscal Year ended June 30, 2009.

School Employees' Retirement System (SERS)

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 chapters 41.34 and 41.35 RCW and may be amended only by the state Legislature.

SERS is a cost-sharing multiple-employer retirement system comprised of two separate plans for membership purposes: Plan 2 is a defined benefit plan and Plan 3 is a 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 members hired on or after July 1, 2007 have 90 days to make an irrevocable choice to enroll in either Plan 2 or Plan 3. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to SERS Plan 3. Notwithstanding, SERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

SERS is comprised of and reported as two separate plans: Plan 2/3 and Plan 3. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan.

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 2009, 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.

SERS Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the average final compensation (AFC) per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.)

Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

SERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.)

Effective June 7, 2006, SERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after 5 years of service if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by September 1, 2000. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at the age of 65. SERS Plan 3 members who retire prior to the age of 65 receive reduced benefits.

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

Effective after the January 2008 distribution, gain sharing for SERS Plan 3 members was discontinued and new alternative early retirement provisions were created for SERS Plan 2 and Plan 3 members.

SERS members can purchase service credit for military service that interrupts employment. Additionally, SERS members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit.

Should any such member die during this active duty, the member's surviving spouse or eligible children may purchase service credit on behalf of the deceased member. SERS members may purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

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

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

SERS members who apply for early retirement may, at the time of retirement, purchase up to five years of additional service credit. The cost of the additional service credit is the actuarial equivalent value of the resulting increase in the member's benefit.

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

SERS members who work for at least five months of a six-month period, from September through August, and earn 630 hours or more within that six-month period receive six months of service credit.

A \$150,000 death benefit is provided to the estate (or duly designated nominee) of a SERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of their covered employment, or duty related illness if found eligible by the Director of the Department of Labor and Industries.

Portability of retirement benefits allows for SERS members compensation that is reportable in all dual members systems, except in WSPRS, to be included in the calculation of all dual members' benefits, and

removing the “maximum benefit rule” for dual members who have less than 15 years of service in one capped plan and service in one uncapped plan.

The legislature did not make any material changes in SERS benefit provisions for the Fiscal Year ended June 30, 2009.

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

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement officers and firefighters, and as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership.

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 chapter 41.26 RCW and may be amended only by the state Legislature.

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.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board’s duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF 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 2009, 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 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 ten years of service. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

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.

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

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at age 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 members who retire prior to the age of 53 receive reduced benefits.

Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 members may purchase up to five years of additional service credit at retirement. LEOFF Plan 2 members can also purchase service credit for military service that interrupts employment.

Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible children may purchase credit on behalf of the deceased member.

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

If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Plan 2 members may purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

For Emergency Medical Technicians who joined LEOFF Plan 2 as a result of 2003 and 2005 legislation the five year waiting period is waived when they retire due to disability or die.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax.

Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement allowance of at least 10 percent of the FAS and 2 percent per year of service beyond five years. The first 10 percent of FAS is not subject to federal income tax.

LEOFF Plan 2 members who are severely disabled in the line of duty and incapable of substantial gainful employment in any capacity in the future, can receive a catastrophic disability benefit from LEOFF Plan 2 equal to 70 percent of their final average salary subject to offsets for workers' compensation and Social Security disability benefits received.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

Beneficiaries of a LEOFF Plan 2 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death.

This provision applied to any member killed in the course of employment, or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

Beginning in 2011, when state General Fund revenues increase by at least 5 percent over the prior biennium's revenues, the State Treasurer will transfer, subject to legislative appropriation, specific amounts into a Local Public Safety Enhancement Account. Half of this transfer will be proportionately distributed to all jurisdictions with LEOFF Plan 2 members. The other half will be transferred to a LEOFF Retirement System Benefits Improvement Account to fund benefit enhancements for LEOFF Plan 2 members.

Eligible survivors of LEOFF Plan 2 members who are killed in the line of duty are reimbursed for the cost of on-going health care insurance coverage.

A \$150,000 death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries sustained in the course of employment or dies from occupational disease or duty-related illness such as an infectious disease or cancer resulting from a job-related exposure, or duty related illness if found eligible by the Director of the Department of Labor and Industries.

Portability of retirement benefits allows for LEOFF Plan 2 members compensation that is reportable in all dual members systems, except in WSPRS, to be included in the calculation of all dual members' benefits, and removing the "maximum benefit rule" for dual members who have less than 15 years of service in one capped plan and service in one uncapped plan.

Active LEOFF members can choose whether or not to obtain and pay for Medicare coverage through a "divided referendum" process.

The legislature did not make any material changes in LEOFF benefit provisions for the Fiscal Year ended June 30, 2009.

Washington State Patrol Retirement System (WSPRS)

WSPRS was established by the Legislature in 1947. Any commissioned employee of the Washington State Patrol is eligible to participate. WSPRS benefits are established in chapter 43.43 RCW and may be amended only by the state Legislature.

WSPRS is a single-employer defined benefit retirement system. WSPRS participants who joined the system by December 31, 2002, are Plan 1 members. Those who joined on or after January 1, 2003, are Plan 2 members.

For financial reporting and investment purposes, however, both plans are accounted for in the same pension fund.

WSPRS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to WSPRS accrue interest at a rate specified by DRS.

During Fiscal Year 2009, the DRS-established rate on employee contributions was 5.364 percent annually, compounded monthly. Employees in WSPRS can elect to withdraw total employee contributions and interest earnings thereon upon separation from WSPRS-covered employment.

WSPRS member contribution rates will be no more than 7 percent of pay plus half the cost of any future benefit improvements. Employers will pay the contribution rate required to cover all system costs that are not covered by the member contribution rate. Also a minimum total contribution rate is established for WSPRS, beginning July 1, 2009.

There is no vesting requirement for active WSPRS members. Inactive WSPRS members are vested after the completion of five years of eligible service. Members are eligible for retirement at the age of 55 with five years of service, or after 25 years of service.

The annual pension is 2 percent of the average final salary (AFS), capped at 75 percent, per year of service. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually. The WSPRS mandatory retirement age is 65, but does not apply to the member serving as chief of the Washington State Patrol.

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

WSPRS benefit provisions include death benefits; however, the system provides no disability benefits. Disability benefits may be available from the Washington State Patrol. If disability benefits are received, the member may be eligible to acquire service credit for the period of disability.

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

The spouse and dependent children of a WSPRS member who is killed in the course of employment will be reimbursed for any payments of medical premiums to the Washington State Health Care Authority.

For WSPRS Plan 1 members, AFS is based on the average of the two highest-paid service credit years and excludes voluntary overtime.

Death benefits for Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the AFS, plus 5 percent of the AFS for each surviving child, with a limitation on the combined allowances of 60 percent of the AFS; or (2) If no eligible spouse, 30 percent of AFS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of AFS.

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

Death benefits for active-duty Plan 2 members consist of the following: (1) If the member is single or has less than ten 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 ten 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. WSPRS Plan 2 members can purchase service credit for military service that interrupts employment.

Additionally, WSPRS Plan 2 members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible children may purchase credit on behalf of the deceased member.

Beneficiaries of a WSPRS Plan 2 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not of normal retirement age at death.

This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries. The legislature did not make any material changes in WSPRS benefit provisions for the Fiscal Year ended June 30, 2009.

Public Safety Employees' Retirement System (PSERS)

PSERS was created by the 2004 Legislature and became effective July 1, 2006. PSERS pension benefit provisions have been established by chapter 41.37 RCW and may be only amended by the state Legislature.

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

PSERS membership includes:

- Full-time employees of a covered employer on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and,
- Full-time employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

A “covered employer” is one that participates in PSERS. Covered employers include:

- State of Washington agencies: Department of Corrections, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, Liquor Control Board, and Department of Natural Resources;
- Washington state counties; and,
- Washington cities except for Seattle, Tacoma and Spokane.

To be eligible for PSERS, an employee must work on a full-time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job: or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PSERS defined benefit plans accrue interest at a rate specified by DRS.

During Fiscal Year 2009, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in PSERS can elect to withdraw total employee contributions and interest thereon upon separation from PSERS-covered employment.

PSERS benefits are vested after an employee completes five years of eligible service. PSERS members may retire at the age 65 with five years of service, or at the age of 60 with at least ten years of PSERS service credit, with an allowance of 2 percent of the average final compensation (AFC) per year of service.

The AFC is the monthly average of the member’s 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 retirees prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

PSERS members can purchase service credit for military service that interrupts employment. Additionally, PSERS members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member’s surviving spouse or eligible children may purchase credit on behalf of the deceased member.

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

PSERS provides disability benefits. There is no minimum amount of service credit required for eligibility. Eligibility is based on the member being totally incapacitated for continued employment with a PSERS employer and leaving that employment as a result of the disability. The disability allowance is 2 percent of the average final compensation (AFC) for each year of service.

AFC is based on the member's 60 consecutive highest creditable months of service. Service credit is the total years and months of service credit at the time the member separates from employment. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years).

PSERS members may purchase up to 24 consecutive months of service credit (up from 12 months) for each period of temporary duty disability.

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

A \$150,000 death benefit is provided to the estate (or duly designated nominee) of a PSERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of their covered employment, or duty related illness if found eligible by the Director of the Department of Labor and Industries.

Portability of retirement benefits allows for PSERS members compensation that is reportable in all dual members systems, except in WSPRS, to be included in the calculation of all dual members' benefits, and removing the "maximum benefit rule" for dual members who have less than 15 years of service in one capped plan and service in one uncapped plan.

The legislature did not make any material changes to PSERS benefit provisions for the Fiscal Year ended June 30, 2009.

Judicial Retirement System (JRS)

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 chapter 2.10 RCW and may be amended only by the state Legislature.

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

During Fiscal Year 2009, the DRS established rate on employee contributions was 5.5 percent, compounded quarterly. JRS employees who are vested in the plan may not elect to withdraw their contributions upon termination.

However, any JRS member that left the system before July 1, 1988, or his/her spouse, who was ineligible to receive a benefit at that time, may apply and receive a refund of such contributions from DRS, if said contributions have not been already refunded via a sundry claims appropriation from the state Legislature.

JRS 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 the table below. This benefit is capped at 75 percent of AFC, exclusive of cost of living increases.

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, 2009.

Judges' Retirement Fund (Judges)

The Judges' Retirement Fund was created by the Legislature on March 22, 1937 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 1, 1971, enter the Judicial Retirement System. Judges' retirement benefit provisions are established in chapter 2.12 RCW and may be amended only by the state Legislature.

The Judges' Retirement Fund is an agent multiple-employer retirement system comprised of a single defined benefit plan. There are currently no active members in this plan.

Retirement benefits were financed on a pay-as-you-go basis from a combination of past employee contributions, past employer contributions, and a special funding situation in which the state paid the remaining contributions. Retirees did not earn interest on their contributions, nor could they elect to withdraw their contributions upon termination.

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, 2009.

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

The Volunteer Fire Fighters' Relief Act was created by the Legislature in 1935 and the pension portion of the act was added in 1945. Membership in the system requires volunteer firefighter service with a fire department of an electing municipality of Washington State, emergency work as an emergency medical technician with an emergency medical service district, or work as a commissioned reserve law enforcement officer.

Retirement benefits are established in chapter 41.24 RCW and may be amended only by the state Legislature

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. Since retirement benefits cover volunteer service, benefits are paid based on years of service not salary. Members are vested after ten years of service. VFFRPF members accrue no interest on contributions and may elect to withdraw their contributions upon termination.

After 25 years of active membership, members having reached the age of 65 and who have paid their annual retirement fee for 25 years are entitled to receive a monthly benefit of \$50 plus \$10 per year of service. The maximum monthly benefit is \$300. Reduced pensions are

available for members under the age of 65 or with less than 25 years of service.

Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of \$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.

Effective July 22, 2007, when vocational rehabilitation is likely to enable disabled members to return to employment benefits may be paid for the costs associated with the rehabilitation training.

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

There were no material changes in VFFRPF benefit provisions for the Fiscal Year ended June 30, 2009.

C. FUNDING POLICIES

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

The table at the end of this section provides the required contribution rates for all plans (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2009.

Public Employees' Retirement System (PERS)

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials.

The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level

established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion.

The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age.

As a result of the implementation of the Judicial Benefit Multiplier (JBM) Program in January 2007, a second tier of employer and employee rates were developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

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

Teachers' Retirement System (TRS)

Each biennium the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates.

Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state elected officials.

The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature.

Under TRS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion.

The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age.

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

As a result of the implementation of the Judicial Benefit Multiplier (JBM) Program in January 2007, a second tier of employee rates were developed to fund, along with investment earnings, the increased retirement benefits of those judges that participate in the program.

The required employer contribution rate for a TRS employer of Supreme Court Justices, Court of Appeals Judges and Superior Court Judges equals the TRS contribution rate. The required member contribution rate of TRS 1 Supreme Court Justices, Court of Appeals Judges and Superior Court Judges is the TRS 1 rate of 6 percent plus 3.76 percent of pay. These higher rates, along with investment earnings, are intended to fund the increased retirement benefits of those judges that choose to participate in the JBM program.

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. Under SERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age.

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

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

Beginning July 1, 2000, Plan 1 employers and employees contribute 0 percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF 2 Board. All employers are required to contribute at the level required by state statute.

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

However, this special funding situation is not mandated by the State Constitution and this funding requirement could be returned to the employers by a change of statute. For Fiscal Year 2009, the state contributed \$51.1 million to LEOFF Plan 2.

Washington State Patrol Retirement System (WSPRS)

Each biennium, the state Pension Funding Council adopts the employee and the state contribution rates. The employee and the state contribution rates are developed by the Office of the State Actuary to fully fund the plan.

State statute also requires employees to contribute at a rate of at least 2 percent. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 43.43 and 41.45 RCW.

Public Safety Employees' Retirement System (PSERS)

Each biennium the state Pension Funding Council adopts Plan 2 employers and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in chapters 41.37 and 41.45 RCW.

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 2009, the state contributed \$ 10.2 million.

Judges' Retirement Fund (Judges)

Contributions made are based on rates set in chapter 2.12 RCW. By statute, employees are required to contribute 6.5 percent with an equal amount contributed by the state. In addition, the state guarantees the solvency of the Judges' Retirement Fund on a pay-as-you-go basis. As of June 30, 2008, there are no active members remaining in the Judges Retirement Fund and member contributions are no longer collected. Each biennium, the Legislature, through biennial appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For Fiscal Year 2009, however, no appropriations or contributions were made.

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

The retirement provisions of VFFRPF is funded through member contributions of \$30 per year, employer contributions of \$30 per year, and 40 percent of the Fire Insurance Premium Tax, as per chapter 41.24 RCW. VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination.

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.

State of Washington

Required contribution rates (expressed as a percentage of current year covered payroll) for all retirement plans at the close of Fiscal Year 2009 were as follows:

Actual Contribution Rates	Employer			Employee		
	Plan 1	Plan 2	Plan 3	Plan 1	Plan 2	Plan 3
<u>PERS</u>						
Members Not Participating in JBM						
State agencies*	8.31%	8.31%	8.31%**	6.00%	5.45%	***
Local governmental units*	8.31%	8.31%	8.31%**	6.00%	5.45%	***
State gov't electe d officials*	12.39%	8.31%	8.31%**	7.50%	5.45%	***
Members Participating in JBM						
State agencies*	10.81%	10.81%	10.81%**	9.76%	11.13%	7.50%****
Local governmental units*	8.31%	8.31%	8.31%**	12.26%	13.63%	7.50%****
<u>TRS</u>						
Members Not Participating in JBM						
State agencies*	8.46%	8.46%	8.46%**	6.00%	4.26%	***
Local governmental units*	8.46%	8.46%	8.46%**	6.00%	4.26%	***
State gov't electe d officials*	8.46%	8.46%	8.46%**	7.50%	4.26%	***
Members Participating in JBM						
State agencies*	8.46%	n/a	n/a	12.26%	n/a	n/a
<u>SERS</u>						
State agencies*	n/a	7.54%	7.54%**	n/a	4.68%	***
Local governmental units*	n/a	7.54%	7.54%**	n/a	4.68%	***
<u>LEOF</u>						
Ports and univers ities*	n/a	8.99%	n/a	n/a	8.83%	n/a
Local governmental units*	0.16%	5.46%	n/a	0.16%	8.83%	n/a
State of Washington	n/a	3.53%	n/a	n/a	n/a	n/a
<u>WSPRS</u>						
State agencies*	7.86%	7.86%	n/a	6.65%	6.65%	n/a
<u>PSERS</u>						
State agencies*	n/a	9.43%	n/a	n/a	6.57%	n/a
Local governmental units*	n/a	9.43%	n/a	n/a	6.57%	n/a

* Includes and administrative expense rate of 0.16%.

** Plan 3 defined benefit portion only.

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

**** Minimum Rate.

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.

	2009	2008	2007
PERS Plan 1	\$169.0	\$115.5	\$59.9
PERS Plan 2/3	217.6	159.6	118.3
TRS Plan 1	8.0	4.3	2.1
TRS Plan 2/3	0.8	0.5	0.6
SERS Plan 2/3	0.0	0.0	0.0
PSERS Plan 2	7.7	5.9	2.8
LEOFF Plan 1	0.0	0.0	0.0
LEOFF Plan 2	52.0	45.9	38.6
VFFRPF	5.2	5.0	6.0

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

E. FUNDED STATUS AND FUNDING PROGRESS

The funded status of each plan as of June 30, 2008, the most recent actuarial valuation date, is as follows (dollars in millions):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
PERS Plan 1	\$ 9,853.0	\$ 13,901.0	\$ 4,048.0	71%	\$ 638.0	634%
PERS Plan 2/3*	16,693.0	16,508.0	(185.0)	101%	7,869.0	0%
TRS Plan 1	8,262.0	10,754.0	2,492.0	77%	432.0	577%
TRS Plan 2/3*	5,681.0	5,264.0	(417.0)	108%	3,621.0	0%
SERS Plan 2/3*	2,303.0	2,207.0	(96.0)	104%	1,379.0	0%
LEOFF Plan 1	5,592.0	4,368.0	(1,224.0)	128%	37.0	0%
LEOFF Plan 2*	5,053.0	3,998.0	(1,055.0)	126%	1,345.0	0%
WSPRS 1/2*	870.0	745.0	(125.0)	117%	79.0	0%
PSERS 2*	39.0	33.0	(6.0)	118%	200.0	0%
JRS	1.0	91.5	90.5	1%	1.3	6,962%
Judges	3.6	3.5	(0.1)	103%	N/A	N/A
VFFRPF	161.0	153.0	(8.0)	105%	N/A	N/A

N/A indicates data not applicable

* These plans use the aggregate actuarial cost method which does not identify or separately amortize unfunded actuarial liabilities. For this reason, the information shown above has been prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress of these plans.

Source: Washington State Office of the State Actuary

The Schedules of Funding Progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs (Actuarial Accrued Liability) for benefits. Additional information for the state's defined benefit plans as of the latest valuation date is presented on the following page.

Defined Benefit Pension Plans Administered by the State

For the Fiscal Year Ended June 30, 2009

The information was determined as part of the actuarial valuations at the dates indicated below. Additional information as of the latest valuation follows.

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3
Valuation date	6/30/2008	6/30/2008	6/30/2008	6/30/2008
Actuarial cost method	Entry Age Normal ¹	Aggregate ³	Entry Age Normal ¹	Aggregate ³
Amortization method				
Funding	Level % ⁵	N/A	Level % ⁵	N/A
GASB	Level \$	N/A	Level \$	N/A
Remaining amortization period (closed)	7/01/2008 - 6/30/2024	N/A	7/01/2008 - 6/30/2024	N/A
Asset valuation method	8-year Graded Smoothed Fair Value ⁹			
Actuarial assumptions				
Investment rate of return	8.00%	8.00%	8.00%	8.00%
Projected salary increases				
Salary inflation at 4.5%, plus the merit increases described below ⁶ :				
Initial salary merit (grades down to 0%)	6.1%	6.1%	5.8%	5.8%
Merit period (years of service)	17 yrs	17 yrs	26 yrs	26 yrs
Includes inflation at	N/A	3.50%	N/A	3.50%
Cost of living adjustments	Uniform COLA ⁷	CPI Increase, Maximum 3%	Uniform COLA ⁷	CPI Increase, Maximum 3%

N/A indicates data not applicable.

¹ Based on a variation of the Entry Age Normal (EAN) cost method

² Based on a variation of the Frozen Initial Liability (FIL) cost method.

³ The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities.

⁴ Pay-As-You-Go basis for funding.

⁵ Level percent of payroll, including system growth.

⁶ LEOFF Plan 2 assumes 4.5% of salary inflation

⁷ The Uniform COLA

Generally, all retirees over age 66 receive an increase in their monthly benefit at least once a year.

The Uniform COLA amount is calculated as the last unrounded Uniform COLA amount increased by 3%, rounded to the nearest penny.

These are some historical monthly COLA amounts per year of service

Date	Uniform COLA
7/1/2002	\$1.14
7/1/2003	\$1.18
7/1/2004	\$1.21
7/1/2005	\$1.25
7/1/2006	\$1.29
7/1/2007	\$1.33
7/1/2008	\$1.73
7/1/2009	\$1.83

State of Washington

SERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2	PSERS Plan 2	VFFRPF ⁸
6/30/2008	6/30/2008	6/30/2008	6/30/2008	6/30/2008
Aggregate ³	Frozen Initial Liability ²	Aggregate ³	Aggregate ³	Entry Age ⁴
N/A	Level % ⁵	N/A	N/A	Level \$
N/A	Level \$	N/A	N/A	Level \$
N/A	7/01/2008 - 6/30/2024	N/A	N/A	15-year Rolling
8-year Graded Smoothed Fair Value ⁹	8-year Smoothed Fair Value ⁹			
8.00%	8.00%	8.00%	8.00%	7.00%
6.9%	11.0%	11.0%	6.1%	N/A
17 yrs	21 yrs	21 yrs	17 yrs	N/A
3.50%	3.50%	3.50%	3.50%	N/A
CPI Increase, Maximum 3%	CPI Increase	CPI Increase, Maximum 3%	CPI Increase, Maximum 3%	None

⁸ VFFRPF uses the Entry Funding Method for pensions, and the Pay-As-You-Go Method for the relief costs.

⁹ Asset Valuation Method (8 year smoothed fair value): The actuarial value of assets is calculated under an adjusted market value method by starting with the market value of assets. For subsequent years the actuarial value of assets is determined by adjusting the market value of assets to reflect the difference between the actual investment return and the expected investment return during each of the last 8 years or, if fewer, the completed years since adoption, at the following rates per year (annual recognition). We set the VFFRPF Annual Gain/Loss around their 7% expected rate of return instead of 8%.

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

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

F. ANNUAL PENSION COST AND OTHER RELATED INFORMATION

Current year annual pension cost, net pension obligation (NPO) and related information for the current year for the state's single employer and agent multiple-employer defined benefit plans are as follows (dollars in millions):

	WSPRS	JRS***	Judges
Annual Pension Cost and Net Pension Obligation:			
Annual required contribution	\$ 5.0	\$ 21.2	\$ -
Interest on NPO	(1.0)	5.9	(0.1)
Adjustment to annual required contribution	<u>1.6</u>	<u>(17.3)</u>	<u>0.3</u>
Annual pension cost	5.6	9.8	0.2
Less: Contributions made	<u>6.4</u>	<u>10.2</u>	<u>-</u>
Increase (decrease) in NPO	(0.8)	(0.5)	0.2
NPO at beginning of year	<u>(12.7)</u>	<u>74.8</u>	<u>(1.5)</u>
NPO at end of year	<u>\$ (13.5)</u>	<u>\$ 74.3</u>	<u>\$ (1.3)</u>
Actuarial assumptions:			
Valuation date	6/30/08	6/30/08	6/30/08
Actuarial cost method	Aggregate*	Entry age	Entry age
Amortization method	n/a	Level \$	Level \$
Remaining amortization Period (closed)	n/a	12/31/08	12/31/08
Asset valuation method	8 year graded smoothed fair value	Market	Market
Investment rate of return	8%	8%	8%
Projected salary increases	4.0%**	4.0%	N/A
Includes inflation at cost-of-living adjustments	3.5% CPI	3.5% 3.0%	3.5% none
	increase, max. 3%		

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

** WSPRS also assumes a variable salary merit increase for a merit period of 25 years.

*** Totals may not tie due to rounding.

G. THREE YEAR HISTORICAL TREND INFORMATION

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

	2009	2008	2007
WSPRS			
Annual pension cost	\$ 5.0	\$ 7.5	\$ 5.3
% of APC contributed	127.4	89.2	61.8
NPO	\$(13.4)	\$(12.7)	\$(14.1)
JRS			
Annual pension cost	\$ 9.8	\$ 12.2	\$ 13.9
% of APC contributed	105.1	79.5	69.1
NPO	\$ 74.3	\$ 74.8	\$ 72.3
Judges			
Annual pension cost	\$ 0.2	\$ 0.5	\$ 0.5
% of APC contributed	0.0	0.0	60.0
NPO	\$ (1.3)	\$ (1.5)	\$ (2.0)

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

H. CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

The salary growth economic assumption for all retirement plans (except the LEOFF 2 assumption remains at 4.50 percent) was decreased by the state legislature from 4.025 percent to 4.00 percent. Joint and survivor reduction factors and early retirement factors were updated to reflect new factors adopted by DRS.

Salary growth assumptions for TRS have been modified to reflect the increases established by the legislature in Chapter 75 Laws of 2008.

Portability provisions are now modeled using actual salary and service from other systems instead of using an estimated increase factor.

I. CHANGES IN BENEFIT PROVISIONS

Pension funding legislation was adopted in the 2009 legislative session (Chapter 561, Laws of 2009) which delayed the implementation of contribution rate floors for several retirement plans. The contribution rate floors were supposed to take effect in the 2009-2011 biennium.

This legislation modified the PERS 1 and TRS 1 funding policy. PERS 1 now amortizes the UAAL over a rolling 10 year period using all PERS, SERS and PSERS payroll, including projected system growth.

TRS 1 amortizes the UAAL over a rolling 10 year period using all TRS payroll, including projected system growth.

TRS and PERS Plan 1 will have contribution rate ceilings, effective 2009-2015. After 2015 PERS 1 will have a minimum UAAL rate of 5.25 percent and TRS 1 will have a minimum UAAL rate of 8.00 percent.

J. DEFINED CONTRIBUTION PLANS

Public Employees' Retirement System Plan 3 (PERS 3)

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS).

Eligible employees include: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS participants who joined on or after October 1, 1977, and by either, February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3.

PERS participants who joined the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3.

The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Refer to section B of this note for PERS plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance the defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries based on member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are 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 incurred 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 2009, employee contributions required and made were \$90.8 million, and plan refunds paid out were \$40.2 million.

Teachers' Retirement System Plan 3 (TRS 3)

The Teachers' Retirement System (TRS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS).

Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity. TRS participants who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS participants joining the system on or after July 1, 1996, and those who exercised their transfer option, are members of TRS Plan 3. Refer to section B of this note for TRS plan descriptions.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance the defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries based on member choice. There are currently no requirements for employer contributions to the defined contribution component of 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 incurred 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 2009, employee contributions required and made were \$247.9 million and plan refunds paid out were \$76.2 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, and before July 1, 2007, are also members of SERS Plan 3. SERS members hired on or after July 1, 2007 have 90 days to choose between SERS Plan 2 and SERS Plan 3. Individuals who fail to make a choice will default to 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 the defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries based on member choice. There are currently no requirements for employer contributions to the defined contribution component of 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 incurred 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 2009, employee contributions required and made were \$59.4 million and plan refunds paid out were \$42.0 million.

Judicial Retirement Account (JRA)

The Judicial Retirement Account Plan was established by the Legislature in 1988 to provide supplemental retirement benefits. It is a defined contribution plan administered by the state Administrative Office of the Courts, under the direction of the Board for Judicial Administration.

Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts, and who are members of PERS for their services as a judge. Vesting is full and immediate. There are three participating employers in JRA.

Member contributions equal 2.5 percent of covered salary and the state, as employer, matches this amount. Contributions are collected by the Administrative Office of the Courts. The employer and employee obligations to contribute are established per chapter 2.14 RCW. Plan provisions and contribution requirements are established in state statute and may be amended only by the State Legislature.

Beginning January 1, 2007 through December 31, 2007 any judicial members of the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) eligible to participate in JRA were able to make a one-time irrevocable election to discontinue future contributions to JRA, in lieu of prospective contributions to the Judicial Benefit Multiplier Program (JBM).

Beginning January 1, 2007 any newly elected or appointed Supreme Court justice, Court of Appeals judge or Superior Court judge is no longer able to participate in JRA and is enrolled in the Judicial Benefit Multiplier Program (enacted in 2006). As of June 30, 2008, 189 JRA member judges have elected to enroll in JBM.

Current-year covered payroll for JRA employees was \$2.5 million for the Fiscal Year ended June 30, 2009. For Fiscal Year 2009, the contribution requirement for JRA was \$84 thousand. Actual employer and employee contributions were \$42 and \$42 thousand respectively. Plan benefits paid out for Fiscal Year 2009 totaled \$0.5 million.

A JRA member who separates from judicial service for any reason is entitled to receive a lump-sum distribution of the accumulated contributions. The administrator of JRA may adopt rules establishing other payment options. If a member dies, the amount of accumulated contributions standing to the member's credit at the time of the member's death shall be paid to the member's estate, or such person or persons, trust or organization as the member has nominated by written designation.

The Administrator of JRA has entered an agreement with DRS for accounting and reporting services, and the Washington State Investment Board (SIB) for investment services. DRS is responsible for all record keeping, accounting, and reporting of member accounts. As of April 2006, DRS also became responsible for collection of JRA contributions.

The SIB has the full power to establish investment policy, develop participant investment options, and manage the investment funds from the JRA plan, consistent with the provisions of RCW 2.14.080 and RCW 43.84.150.

Higher Education Retirement Plans

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

Contributions to the plans are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have, at all times, a 100 percent vested interest in their accumulations.

RCW 28B.10.400 et. seq. assigns the authority to establish and amend benefit provisions to: the board of regents of the state universities, the boards of trustees of the regional universities and the state college, and the state board for community colleges.

Employee contribution rates, based on age, range from 5 to 10 percent of salary. The employers match the employee contributions. The employer and employee obligations to contribute are established per chapter 28B.10 RCW.

For Fiscal Year 2009, covered payroll was \$1.8 billion. Employer and employee contributions were \$154.3 and \$154.2 million respectively, for a total of \$308.5 million. These contribution amounts represent approximately 8 percent each of covered payroll for employers and employees.

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

An actuarial valuation of the supplemental component of the Higher Education Retirement plans was done at the end of Fiscal Year 2009. The previous valuation was performed in 2007.

The Unfunded Actuarial Accrued Liability (UAAL) calculated as of June 30, 2009 and 2004 was \$313.9 million and \$120.2 million, respectively, and is amortized over a 14.5-year period.

The Annual Required Contribution (ARC) of \$43.1 million consists of amortization of the UAL (\$25.4 million) and normal cost (or current cost) (\$16.7 million).

The UAL and ARC were established using the entry age normal cost method.

The actuarial assumptions included an investment rate of return of 6 to 8 percent and projected salary increases ranging from 2 to 4 percent.

Approximately \$1.8 billion and \$1.4 billion of payroll were covered under these plans during 2009 and 2007, respectively.

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

	2009	2008	2007
Annual required contribution	\$43.1	\$16.6	\$16.6
Payments to beneficiaries	(1.9)	(1.9)	(1.9)
Increase (decrease) in NPO	41.2	14.6	14.7
NPO at beginning of year	38.6	24.0	9.3
NPO at end of year	<u>\$79.8</u>	<u>\$38.6</u>	<u>\$24.0</u>

K. PLAN NET ASSETS AND CHANGES IN PLAN NET ASSETS

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

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

June 30, 2009

(expressed in thousands)

continued

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit	TRS Plan 3 Defined Contribution
ASSETS						
Cash and pooled investments	\$ 7,629	\$ 15,561	\$ 196	\$ 6,775	\$ 11,634	\$ 3,640
Receivables:						
Employer accounts receivable	5,124	53,474	4,269	4,472	25,254	21,925
Member accounts receivable (net of allowance)	709	149	-	360	16	-
Due from other funds	10	13	-	7	9	-
Due from other pension and other employee benefit funds	1,816	58	3,741	857	-	160
Interest and dividends	21,361	39,814	1,891	17,703	13,437	5,750
Investment trades pending	142,927	272,902	6,330	118,398	109,207	19,246
Total Receivables	171,947	366,410	16,231	141,797	147,923	47,081
Investments, Noncurrent:						
Public equity	2,574,372	4,801,514	735,203	2,132,559	1,620,394	2,040,671
Fixed income	1,734,625	3,235,286	153,640	1,436,930	1,091,830	467,148
Private equity	1,661,815	3,099,486	147,191	1,376,615	1,046,001	447,539
Real estate	1,248,501	2,328,604	110,583	1,034,233	785,847	336,230
Security lending	464,174	865,741	41,113	384,513	292,166	125,006
Liquidity	246,766	484,588	26,414	250,099	154,713	76,563
Tangible assets	84,192	157,027	7,457	69,743	52,993	22,673
Reverse repurchase agreements	609	218	18	457	439	93
Total Investments, Noncurrent	8,015,054	14,972,464	1,221,619	6,685,149	5,044,383	3,515,923
Total Assets	8,194,630	15,354,435	1,238,046	6,833,721	5,203,940	3,566,644
LIABILITIES						
Obligations under security lending agreements	464,174	865,741	41,114	384,513	292,166	125,006
Obligations under reverse repurchase agreements	609	218	18	457	439	93
Accrued liabilities	164,313	304,873	8,430	136,647	121,039	22,838
Due to other funds	60	676	-	54	379	-
Due to other pension and other employee benefit funds	58	5,340	-	-	1,012	-
Unearned revenues	194	319	-	181	-	-
Total Liabilities	629,408	1,177,167	49,562	521,852	415,035	147,937
NET ASSETS						
Net assets held in trust for:						
Pension Benefits (Schedule of Funding Progress by Plan begins on Page 153)	7,565,222	14,177,268	1,188,484	6,311,869	4,788,905	3,418,707
Deferred compensation participants	-	-	-	-	-	-
Total Net Assets	\$ 7,565,222	\$ 14,177,268	\$ 1,188,484	\$ 6,311,869	\$ 4,788,905	\$ 3,418,707

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

June 30, 2009

(expressed in thousands)

continued

	SERS Plan 2/3 Defined Benefit	SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2	WSPRS Plan 1/2	PSERS Plan 2
ASSETS						
Cash and pooled investments	\$ 5,282	\$ 859	\$ 4,490	\$ 4,980	\$ 1,394	\$ 466
Receivables:						
Employer accounts receivable	9,863	5,233	322	14,456	501	1,832
Member accounts receivable (net of allowance)	11	-	40	25	-	-
Due from other funds	5	-	3	5	1	1
Due from other pension and other employee benefit funds	238	60	75	4	3	-
Interest and dividends	5,449	1,867	12,309	12,088	1,971	144
Investment trades pending	42,730	6,248	82,388	80,928	13,190	963
Total Receivables	58,296	13,408	95,137	107,506	15,666	2,940
Investments, Noncurrent:						
Public equity	657,098	475,329	1,483,978	1,457,668	237,581	17,351
Fixed income	442,756	151,675	999,913	982,184	160,083	11,691
Private equity	424,171	145,309	957,942	940,958	153,363	11,201
Real estate	318,674	109,168	719,689	706,929	115,220	8,415
Security lending	118,479	40,587	267,570	262,826	42,837	3,129
Liquidity	63,822	24,293	136,593	150,701	22,209	4,267
Tangible assets	21,490	7,362	48,532	47,671	7,770	567
Reverse repurchase agreements	152	72	216	84	65	24
Total Investments, Noncurrent	2,046,642	953,795	4,614,433	4,549,021	739,128	56,645
Total Assets	2,110,220	968,062	4,714,060	4,661,507	756,188	60,051
LIABILITIES						
Obligations under security lending agreements	118,479	40,587	267,570	262,826	42,837	3,129
Obligations under reverse repurchase agreements	152	72	216	84	65	24
Accrued liabilities	47,403	8,713	91,521	89,603	14,788	1,065
Due to other funds	140	-	5	151	6	20
Due to other pension and other employee benefit funds	233	238	-	75	-	56
Unearned revenues	1	-	-	69	-	-
Total Liabilities	166,408	49,610	359,312	352,808	57,696	4,294
NET ASSETS						
Net assets held in trust for:						
Pension Benefits (Schedule of Funding Progress by Plan begins on Page 153)	1,943,812	918,452	4,354,748	4,308,699	698,492	55,757
Deferred compensation participants	-	-	-	-	-	-
Total Net Assets	\$ 1,943,812	\$ 918,452	\$ 4,354,748	\$ 4,308,699	\$ 698,492	\$ 55,757

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

June 30, 2009

(expressed in thousands)

concluded

	JRS	JRA	Judges	VFFRPF	Deferred Compensation	Total
ASSETS						
Cash and pooled investments	\$ 379	\$ 8	\$ 3,245	\$ 37,481	\$ 1,224	\$ 105,243
Receivables:						
Employer accounts receivable	9	-	-	-	-	146,734
Member accounts receivable (net of allowance)	-	-	-	-	1,514	2,824
Due from other funds	1	-	7	205	1	268
Due from other pension and other employee benefit funds	-	-	-	-	-	7,012
Interest and dividends	-	-	-	264	-	134,048
Investment trades pending	-	-	-	2,431	-	897,888
Total Receivables	10	-	7	2,900	1,515	1,188,774
Investments, Noncurrent:						
Public equity	-	10,749	-	31,900	2,165,467	20,441,834
Fixed income	-	-	-	21,495	-	10,889,256
Private equity	-	-	-	20,592	-	10,432,183
Real estate	-	-	-	15,471	-	7,837,564
Security lending	-	-	-	5,752	-	2,913,893
Liquidity	1,464	-	25	6,394	9	1,648,920
Tangible assets	-	-	-	1,043	-	528,520
Reverse repurchase agreements	30	-	185	2,350	70	5,082
Total Investments, Noncurrent	1,494	10,749	210	104,997	2,165,546	54,697,252
Total Assets	1,883	10,757	3,462	145,378	2,168,285	55,991,269
LIABILITIES						
Obligations under security lending agreements	-	-	-	5,752	-	2,913,894
Obligations under reverse repurchase agreements	30	-	185	2,350	70	5,082
Accrued liabilities	31	-	3	1,980	75	1,013,322
Due to other funds	-	-	-	214	1	1,706
Due to other pension and other employee benefit funds	-	-	-	-	-	7,012
Unearned revenues	-	-	-	-	-	764
Total Liabilities	61	-	188	10,296	146	3,941,780
NET ASSETS						
Net assets held in trust for:						
Pension Benefits (Schedule of Funding Progress by Plan begins on Page 153)	1,822	10,757	3,274	135,082	-	49,881,350
Deferred compensation participants	-	-	-	-	2,168,139	2,168,139
Total Net Assets	\$ 1,822	\$ 10,757	\$ 3,274	\$ 135,082	\$ 2,168,139	\$ 52,049,489

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

For the Fiscal Year Ended June 30, 2009

(expressed in thousands)

continued

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit	TRS Plan 3 Defined Contribution
ADDITIONS						
Contributions:						
Employers	\$ 325,247	\$ 439,744	\$ -	\$ 178,850	\$ 160,793	\$ -
Members	44,474	374,347	90,808	27,471	24,005	247,891
State	-	-	-	-	-	-
Participants	-	-	-	-	-	-
Total Contributions	369,721	814,091	90,808	206,321	184,798	247,891
Investment Income:						
Net appreciation (depreciation) in fair value	(2,498,410)	(4,273,967)	(289,652)	(2,083,575)	(1,456,842)	(896,820)
Interest and dividends	175,772	308,265	16,743	146,574	105,085	47,184
Less: investment expenses	(50,799)	(93,058)	(5,040)	(42,134)	(31,366)	(14,994)
Net investment income (loss)	(2,373,437)	(4,058,760)	(277,949)	(1,979,135)	(1,383,123)	(864,630)
Transfers from other pension plans	1	721	2,095	27	547	971
Other additions	-	-	-	-	-	-
Total Additions	(2,003,715)	(3,243,948)	(185,046)	(1,772,787)	(1,197,778)	(615,768)
DEDUCTIONS						
Pension benefits	1,070,929	207,320	51	850,263	44,794	128
Pension refunds	5,071	26,443	40,202	1,260	2,189	76,166
Transfers to other pension plans	285	5,388	429	-	810	550
Administrative expenses	574	726	-	75	327	-
Distributions to participants	-	-	-	-	-	-
Total Deductions	1,076,859	239,877	40,682	851,598	48,120	76,844
Net Increase (Decrease)	(3,080,574)	(3,483,825)	(225,728)	(2,624,385)	(1,245,898)	(692,612)
Net Assets - Beginning	10,645,796	17,661,093	1,414,212	8,936,254	6,034,803	4,111,319
Net Assets - Ending	\$ 7,565,222	\$ 14,177,268	\$ 1,188,484	\$ 6,311,869	\$ 4,788,905	\$ 3,418,707

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

For the Fiscal Year Ended June 30, 2009

(expressed in thousands)

continued

	SERS Plan 2/3 Defined Benefit	SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2	WSPRS Plan 1/2	PSERS Plan 2
ADDITIONS						
Contributions:						
Employers	\$ 63,526	\$ -	\$ 216	\$ 77,849	\$ 6,371	\$ 14,509
Members	26,263	59,423	501	130,386	5,630	14,557
State	-	-	-	51,137	-	-
Participants	-	-	-	-	-	-
Total Contributions	89,789	59,423	717	259,372	12,001	29,066
Investment Income:						
Net appreciation (depreciation) in fair value	(589,936)	(241,529)	(1,424,993)	(1,287,494)	(221,804)	(9,986)
Interest and dividends	42,485	15,792	100,185	93,247	15,772	919
Less: investment expenses	(12,738)	(4,678)	(29,133)	(28,943)	(4,650)	(316)
Net investment income (loss)	(560,189)	(230,415)	(1,353,941)	(1,223,190)	(210,682)	(9,383)
Transfers from other pension plans	2,051	455	173	1,218	331	-
Other additions	-	-	-	-	-	-
Total Additions	(468,349)	(170,537)	(1,353,051)	(962,600)	(198,350)	19,683
DEDUCTIONS						
Pension benefits	28,307	62	327,033	36,615	34,522	5
Pension refunds	2,125	42,041	193	7,223	210	466
Transfers to other pension plans	448	520	-	160	-	-
Administrative expenses	84	-	138	111	1	12
Distributions to participants	-	-	-	-	-	-
Total Deductions	30,964	42,623	327,364	44,109	34,733	483
Net Increase (Decrease)	(499,313)	(213,160)	(1,680,415)	(1,006,709)	(233,083)	19,200
Net Assets - Beginning	2,443,125	1,131,612	6,035,163	5,315,408	931,575	36,557
Net Assets - Ending	\$ 1,943,812	\$ 918,452	\$ 4,354,748	\$ 4,308,699	\$ 698,492	\$ 55,757

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

For the Fiscal Year Ended June 30, 2009

(expressed in thousands)

concluded

	JRS	JRA	Judges	VFFRPF	Deferred Compensation	Total
ADDITIONS						
Contributions:						
Employers	\$ 105	\$ 42	\$ -	\$ 996	\$ -	\$ 1,268,248
Members	105	42	-	109	-	1,046,012
State	10,200	-	-	5,227	-	66,564
Participants	-	-	-	-	184,544	184,544
Total Contributions	10,410	84	-	6,332	184,544	2,565,368
Investment Income:						
Net appreciation (depreciation) in fair value	(12)	(2,156)	(106)	(30,832)	(392,285)	(15,700,399)
Interest and dividends	62	260	248	3,449	50,405	1,122,447
Less: investment expenses	(2)	(14)	(1)	(185)	(2,764)	(320,815)
Net investment income (loss)	48	(1,910)	141	(27,568)	(344,644)	(14,898,767)
Transfers from other pension plans	-	-	-	-	-	8,590
Other additions	-	12	-	1	690	703
Total Additions	10,458	(1,814)	141	(21,235)	(159,410)	(12,324,106)
DEDUCTIONS						
Pension benefits	9,583	461	500	10,020	-	2,620,593
Pension refunds	6	-	-	15	-	203,610
Transfers to other pension plans	-	-	-	-	-	8,590
Administrative expenses	-	-	-	23	-	2,071
Distributions to participants	-	-	-	-	106,645	106,645
Total Deductions	9,589	461	500	10,058	106,645	2,941,509
Net Increase (Decrease)	869	(2,275)	(359)	(31,293)	(266,055)	(15,265,615)
Net Assets - Beginning	953	13,032	3,633	166,375	2,434,194	67,315,104
Net Assets - Ending	\$ 1,822	\$ 10,757	\$ 3,274	\$ 135,082	\$ 2,168,139	\$ 52,049,489

Note 12

Other Postemployment Benefits

Plan Description and Funding Policy

In addition to pension benefits as described in Note 11, the state, through the Health Care Authority (HCA), administers an agent multiple-employer other postemployment benefit plan (OPEB). Per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the Health Care Authority, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. PEBB programs include medical, dental, life and long-term disability.

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 56 of the state's K-12 schools and educational service districts (ESDs) and 205 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 245 K-12 schools and ESDs. As of June 2009, membership in the PEBB plan consisted of the following:

	Active		Total
	Employees	Retirees ¹	
State	112,043	25,458	137,501
K-12 schools and ESDs ²	2,222	26,715	28,937
Political subdivisions	11,586	1,017	12,603
Total	125,851	53,190	179,041

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

²In Fiscal Year 2009, there were 101,295 full-time equivalent active employees in the 245 K-12 schools and ESDs that elected to limit participation in PEBB only to their retirees.

For Fiscal Year 2009, the estimated monthly cost for PEBB benefits for active employees (average across all plans and tiers) is as follows:

Required Premium ³	
Medical	\$730
Dental	73
Life	5
Long-term disability	2
Total	\$810
Employer contribution	\$728
Employee contribution	82
Total	\$810

³Per 2009 Index Rate Model 4.3.

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to PEBB plans depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, PSERS, TRS, SERS, WSPRS, and Higher Education.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's Non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the Non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other Non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In Calendar Year 2008, the average weighted implicit subsidy was valued at \$253 per member per month, and in Calendar Year 2009, the average weighted implicit subsidy is projected to be \$272 per member per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the Health Care Authority administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. In Calendar Year 2008, the explicit subsidy was \$164 per member per month, and in Calendar Year 2009, the explicit subsidy is \$183 per member per month.

Retirees participating in the PEBB life insurance program received an explicit subsidy of \$5 per member per month in Calendar Year 2008. The explicit subsidy is also \$5 per member per month in Calendar Year 2009.

Administrative costs as well as implicit and explicit subsidies are funded by required contributions from participating employers. The subsidies provide monetary assistance for medical and life insurance benefits.

Contributions are set each biennium as part of the budget process. In Fiscal Year 2009, the cost of the subsidies was approximately 6.6 percent of the cost of benefits for active employees. The benefits are funded on a pay-as-you-go basis.

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employers individual plan and actuarial methods and assumptions used.

The PEBB OPEB plan is accounted for as an agency fund on an accrual basis. The plan has no investments or other assets. The PEBB OPEB plan does not issue a publicly available financial report.

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to: http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm.

Annual OPEB Cost and Net OPEB Obligation

The state's (general government agencies and higher education institutions) annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the state as the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following tables show the components of the state's annual OPEB cost for Fiscal Year 2009, the amount actually contributed to the plan, and changes in the state's net OPEB obligation (NOO) (expressed in thousands):

Annual required contribution	\$331,688
Interest on NOO	11,063
Amortization of NOO	(8,377)
Annual OPEB cost	334,374
Contributions made	(86,678)
Increase in NOO	247,696
NOO beginning of year	245,855
NOO end of year	\$493,551

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Year 2009 was as follows (expressed in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	\$334,374	25.92%	\$493,551
6/30/08	313,970	21.69%	245,855

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows (expressed in thousands):

Actuarial accrued liability (AAL)	\$4,014,270
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$4,014,270
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$5,170,126
UAAL as a percentage of covered payroll	77.64%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions were as follows:

Actuarial valuation date	January 1, 2008
Actuarial cost method	Projected Unit Credit (PUC)
Amortization method	Closed, level percentage of projected payroll amortization method
Remaining amortization period	30 years
Asset valuation method	n/a - no assets
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	4.5%
Health care inflation rate	8.5% initial rate, 5% ultimate rate in 2016
Inflation rate	3.5%

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents the results of the OPEB valuation for the fiscal years ending June 30, 2009 and June 30, 2008. Looking forward, the schedule will provide additional multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 13 Commitments and Contingencies

A. CONSTRUCTION AND OTHER COMMITMENTS

Outstanding commitments related to state infrastructure and facility construction, improvement, and/or renovation totaled \$7.8 billion at June 30, 2009.

B. SUMMARY OF SIGNIFICANT LITIGATION

Pending Litigation

The state and its agencies are parties to numerous routine legal proceedings that normally occur in governmental operations. At any given point, there may be numerous lawsuits involving the implementation of specific state programs that could significantly impact expenditures and potentially have future budgetary impact.

The state is the defendant in a number of cases seeking damages in excess of \$63 million involving claims of inadequate funding for care of the disabled and elderly. The state is also defending a number of cases alleging inadequacies and inequities in K-12 funding. Adverse rulings in these cases could result in significant future costs.

The Department of Revenue routinely has claims for refunds in various stages of administrative and legal review. Claims for refunds are approximately \$234 million.

The Washington State Department of Transportation (WSDOT) is a defendant in a number of lawsuits related to environmental clean-up and habitat restoration/enhancement associated with highway construction projects and storm water discharge from state highways. While estimates are not available for all lawsuits, claims for damages exceed \$15 million. If the efforts of the plaintiffs are successful, the financial impact could be significant and would need to be addressed in future budgets.

The state is the defendant in numerous lawsuits by employees accusing the state of various infractions of law or contract. These suits claim back pay and damages in excess of \$15 million. The state is also defending complaints by the United States Department of Labor claiming the state violated the Fair Labor Standards Act. Total monetary damages sought in these actions are approximately \$65 million. Additionally, the state is being sued as a result of the legislative repeal of the gain sharing provision associated with select state pension plans. No estimate of damage is currently available.

The state is contesting these lawsuits and the outcomes are uncertain at this time.

Tobacco Settlement

In November 1998, Washington joined 45 other states in a Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers to provide restitution for monies spent under health care programs for the treatment of smoking-related illnesses.

Washington's share of the settlement was approximately \$125 million in Fiscal Year 2009 and is subject to various offsets, reductions, and adjustments.

Beginning in 2008, Washington received the first of ten "strategic contribution payments" under the MSA. This payment, which is subject to the same offsets, reductions, and adjustments as are applicable to the base payment. The 2009 strategic contribution payment was approximately \$49.6 million.

Additionally, in 2009, the state received a payment of approximately \$11.1 million which reflected an additional one-time payment received from participating manufacturers related to four prior years.

In 2006, 2007, and 2008, determinations were made under a process established by the MSA that disadvantages experienced as a result of participating in the MSA were a significant factor contributing to the market share loss by manufacturers.

These determinations related to sales data for the years 2003, 2004, and 2005. Washington faces a potential "nonparticipating manufacturer adjustment" (NPM) of between \$0 and \$130 million for the year 2003, \$0 and \$137 million for the year 2004, and \$0 and \$131 million for the year 2005.

Washington and 37 other states each filed court actions seeking a declaration that they had diligently enforced their escrow statutes. In the Consent Decree, the King County Superior Court retained jurisdiction to enforce and interpret the MSA as to Washington.

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

The King County Superior Court heard Washington's motion and, in late September 2006, entered an order compelling arbitration and dismissing the state's action.

Washington's appeal was dismissed and the trial court's order compelling arbitration is now final. With the exception of Montana, all states will participate in a single national arbitration of the NPM Adjustment dispute.

The dispute will be presented to a three member panel of retired Article III judges. The panel is expected to be in place by January 2010, and the arbitration is likely to be convened in the summer or fall of 2010.

The arbitration will comprise some presentations made by the states collectively, but each state will also have to present its individual case for diligence in enforcing its Qualifying Statute. The panel will not issue its decision as to any individual state until the entire arbitration with all states has been completed. Decisions on individual states should be expected in early 2011.

C. FEDERAL ASSISTANCE

The state has received federal financial assistance for specific purposes that are generally subject to review or audit by the grantor agencies.

Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the state.

The state does estimate and recognize a claims and judgments liability for disallowances when determined by the grantor agency or for probable disallowances based on experience pertaining to these grants; however, these recognized liabilities and any unrecognized disallowances are considered immaterial to the state's overall financial condition.

D. ARBITRAGE REBATE

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue.

The rebatable arbitrage must be paid to the federal government. State agencies and universities responsible for investments from bond proceeds carefully monitor their investments to restrict earnings to a yield less than the bond issue, and therefore limit any state arbitrage liability. The state estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition.

E. OTHER COMMITMENTS AND CONTINGENCIES

School Bond Guarantee Program

Washington voters passed a constitutional amendment in November 1999, creating the Washington State School Bond Guarantee Program.

The program's purpose is to provide savings to state taxpayers by pledging the full faith and credit of the state of Washington to the full and timely payment of voter-approved school district general obligation bonds in the event a school district is unable to make a payment.

The issuing school district remains responsible for the repayment of the bonds, including any payment the state makes under the guarantee.

The State Treasurer introduced the School Bond Guarantee Program in March 2000. At the end of Fiscal Year 2009 the state had guaranteed 211 school districts' voter-approved general obligation debt with a total outstanding principal of \$7.8 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

On September 1, 1998, the state lease-purchase program was extended to local governments seeking low cost financing of essential equipment. The Local Option Capital Assets Lending (LOCAL) program allows local governments to pool their financing requests together with Washington State agencies in Certificates of Participation (COPs). Refer to Note 7.B for the state's COP disclosure.

These 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, 2009, outstanding certificates of participation notes totaled \$83 million for 178 local governments participating in LOCAL. The state estimates that LOCAL program liability, if any, will be immaterial to its overall financial condition.

Office Building Lease

The 2009 Legislature authorized the state to lease-develop an office building in Olympia, Washington. On June 29, 2009, the state entered into a ground lease and a lease agreement with FYI Properties (FYI), a Washington nonprofit corporation. The agreements call for FYI 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 upon substantial completion of the project estimated to be September 2011. 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 will be occupied starting in fiscal year 2012.

Note 14

Subsequent Events

A. BOND ISSUES

In July 2009, the state issued \$386.4 million in various general obligation refunding bonds. The state also issued:

- \$298.8 million in various purpose general obligation bonds to fund various state capital projects, including state, institutions of higher education, and public school facilities; multimodal transportation projects; state and local water supply projects; and conservation and outdoor recreation projects.
- \$401.4 million to provide funds for construction of county and city arterials within urban areas, state and local highway improvements, and other selected transportation projects or improvements.
- \$64.9 million in taxable bonds to fund certain taxable projects including: low-income housing projects, and local government and economic development infrastructure projects.

In July 2009, the City of Aberdeen refunded \$11.1 million in revenue bonds, which were used to provide water and sewer utilities to the Stafford Creek Corrections Center. The state recorded an obligation for these bonds because the Department of Corrections entered into an agreement with the City of Aberdeen to pay the debt service on them. The bonds are classified as revenue bonds because they do not constitute a general obligation or pledge of the full faith and credit of the State of Washington.

In October 2009, the state refunded \$215.5 million in various purpose general obligation bonds and \$121.2 million in motor vehicle fuel tax bonds. The state also issued:

- \$230 million in various purpose general obligation bonds to fund various state capital projects including construction and renovation of state buildings and state and local water supply improvements.
- \$503.4 million in Build America Bonds to provide funds for state and local highway improvements and selected transportation projects and improvements.

In October 2009, Washington State University issued \$38.4 million in revenue refunding bonds. In December 2009, Washington State University issued \$111.7 million in revenue bonds to fund various capital construction projects.

In December 2009, the University of Washington issued \$77.7 million in revenue bonds to fund construction and renovation of various University facilities.

B. CERTIFICATES OF PARTICIPATION

In August 2009, the state issued \$55.4 million in Certificates of Participation to fund the acquisition or construction of certain real property for the benefit of the State Board for Community and Technical Colleges.

In October 2009, the state refunded \$33.1 million in Certificates of Participation.

In November 2009, the state issued \$9.8 million in Certificates of Participation for various state and local government equipment purchases.

RSI
Required Supplementary Information

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BUDGETARY INFORMATION
Budgetary Comparison Schedule

Budgetary Comparison Schedule				
General Fund				
For the Biennium Ended June 30, 2009				
<i>(expressed in thousands)</i>				
	General Fund			
	Original Budget 2007-09 Biennium *	Final Budget 2007-09 Biennium	Actual 2007-09 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 780,510	\$ 780,510	\$ 780,510	\$ -
Resources				
Taxes	29,144,057	27,349,367	27,035,493	(313,874)
Licenses, permits, and fees	181,346	184,296	192,582	8,286
Other contracts and grants	288,705	343,136	332,601	(10,535)
Timber sales	6,657	4,567	4,134	(433)
Federal grants-in-aid	12,347,165	13,755,268	13,165,809	(589,459)
Charges for services	123,032	116,395	111,607	(4,788)
Interest income	143,544	162,512	167,476	4,964
Miscellaneous revenue	126,270	169,796	133,687	(36,109)
Escheated property	93,433	146,684	129,705	(16,979)
Transfers from other funds	395,196	1,236,777	1,023,154	(213,623)
Total Resources	43,629,915	44,249,308	43,076,758	(1,172,550)
Charges To Appropriations				
General government	2,982,113	3,171,402	3,055,423	115,979
Human services	21,186,368	21,595,812	21,406,046	189,766
Natural resources and recreation	704,224	712,446	656,985	55,461
Transportation	86,584	81,624	80,861	763
Education	17,229,757	17,651,737	17,567,736	84,001
Capital outlays	216,104	217,599	87,095	130,504
Transfers to other funds	548,457	381,150	168,375	212,775
Total Charges To Appropriations	42,953,607	43,811,770	43,022,521	789,249
Excess Available For Appropriation				
Over (Under) Charges To Appropriations	676,308	437,538	54,237	(383,301)
Reconciling Items				
Changes in reserves (net)	-	-	146,569	146,569
Entity adjustments (net)	-	-	(11,496)	(11,496)
Total Reconciling Items	-	-	135,073	135,073
Budgetary fund balance, June 30	\$ 676,308	\$ 437,538	\$ 189,310	\$ (248,228)
* Amounts changed due to reclassification.				

BUDGETARY INFORMATION**Budgetary Comparison Schedule – Budget to GAAP Reconciliation**

Budgetary Comparison Schedule - Budget to GAAP Reconciliation	
General Fund	
For the Biennium Ended June 30, 2009 (expressed in thousands)	
	<u>General Fund</u>
Sources/Inflows of Resources	
Actual amounts (budgetary basis) "Total Resources" from the Budgetary Comparison Schedule	\$ 43,076,758
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not revenue for financial reporting purposes:	
Transfers from other funds	(1,023,154)
Budgetary fund balance at the beginning of the biennium	(780,510)
The following items are not inflows of budgetary resources but are revenue for financial reporting purposes:	
Noncash commodities and electronic food stamp benefits	1,536,352
Unanticipated receipts	125,195
Noncash revenues	36,090
Revenues collected for other governments	65,296
Biennium total revenues	43,036,028
Fiscal Year 2008 total revenues	(21,448,550)
Total Revenues (GAAP Basis) as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 21,587,478
Uses/Outflows of Resources	
Actual amounts (budgetary basis) "Total Charges to Appropriations" from the Budgetary Comparison Schedule.	\$ 43,022,521
Differences - budget to GAAP:	
Budgeted expenditure transfers are recorded as expenditures in the budget statement but are recorded as other financing sources (uses) for financial reporting purposes.	
	(2,191,560)
The following items are outflows of budgetary resources but are not expenditures for financial reporting purposes.	
Transfers to other funds	(168,375)
Loan disbursements	3,440
The following items are not outflows of budgetary resources but are recorded as current expenditures for financial reporting purposes.	
Noncash commodities and electronic food stamp benefits	1,583,939
Expenditures related to unanticipated receipts	125,195
Capital lease acquisitions	39,131
Distributions to other governments	65,296
Biennium total expenditures	42,479,588
Fiscal Year 2008 total expenditures	(20,300,290)
Total Expenditures (GAAP Basis) as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 22,179,298

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 2007-09 Biennium to illustrate legal budgetary compliance. Appropriated budget versus actual expenditures, and estimated versus actual revenues and other financing sources (uses) for appropriated funds at agency and appropriation level are presented in the Budget-to-Actual Detail Report for governmental funds. A copy of this report is available at the Office of Financial Management, 1110 Capitol Way SE, PO Box 43113, Olympia, Washington 98504-3113.

Legislative appropriations are strict legal limits on expenditures/expenses, and over-expenditures are prohibited. All appropriated and certain nonappropriated funds are further controlled by the executive branch through the allotment process. This process allocates the expenditure/expense plan into monthly allotments by program, source of funds, and object of expenditure. According to statute RCW 43.88.110(2), except under limited circumstances, the original allotments are approved by the Governor and may be revised on a quarterly basis and must be accompanied by an explanation of the reasons for significant changes. Because allotments are not the strict legal limit on expenditures/expenses, the budgetary schedules presented as required supplementary information (RSI) are shown on an appropriation versus actual comparison rather than an allotment versus actual comparison.

Proprietary funds typically earn revenues and incur expenses (i.e., depreciation or budgeted asset purchases) not covered by the allotment process. Budget estimates are generally made outside the allotment process according to prepared business plans. These proprietary fund business plan estimates are adjusted only at the beginning of each fiscal year.

Additional fiscal control is exercised through various means. OFM is authorized to make expenditure/expense allotments based on availability of unanticipated receipts, mainly federal government grant increases made during a fiscal year. State law does not preclude the over-expenditure of allotments, although RCW 43.88.110(3) requires that the Legislature be provided an explanation of major variances.

Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at fiscal yearend are reported as reservations of fund balance.

Budgetary Reporting vs. GAAP Reporting

Governmental funds are budgeted materially in conformance with GAAP. However, the presentation in the accompanying budgetary schedules is different in certain respects from the corresponding Statements of Revenues, Expenditures, and Changes in Fund Balance (governmental operating statement). In the accompanying budgetary schedules, budget and actual expenditures are reported only for appropriated activities. Expenditures are classified based on whether the appropriation is from the operating or capital budget. Expenditures funded by operating budget appropriations are reported as current expenditures classified by the function of the agency receiving the appropriation. Expenditures funded by capital budget appropriations are reported as capital outlays.

However, in the governmental operating statements, all governmental funds are included and expenditures are classified according to what was actually purchased. Capital outlays are fixed asset acquisitions such as land, buildings, and equipment. Debt service expenditures are principal and interest payments. Current expenditures are all other governmental fund expenditures classified based on the function of the agency making the expenditures.

Additionally, certain governmental activities are excluded from the budgetary schedules because they are not appropriated. These activities include activities designated as nonappropriated by the Legislature, such as the Higher Education Special Revenue Fund, Higher Education Endowment Fund, Tobacco Settlement Securitization Bond Debt Service Fund, federal surplus food commodities, electronic food stamp benefits, capital

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

Further, certain expenditures are appropriated as operating transfers. These transfers are reported as operating transfers on the budgetary schedules and as expenditures on the governmental operating statements. The factors contributing to the differences between the Budgetary Comparison Schedule and the Statement of Revenues, Expenditures, and Changes in Fund Balance are noted in the previous Budget to GAAP reconciliation.

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

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress Public Employees' Retirement System - Plan 1 Valuation Years 2008 through 2003 <i>(dollars in millions)</i>						
	2008	2007	2006	2005	2004	2003
Actuarial valuation date	6/30/2008	6/30/2007	9/30/2006	9/30/2005	9/30/2004	9/30/2003
Actuarial value of plan assets	\$ 9,853	\$ 9,715	\$ 9,591	\$ 9,707	\$ 9,928	\$ 10,227
Actuarial accrued liability	13,901	13,740	13,129	13,704	12,855	12,692
Unfunded actuarial liability	4,048	4,025	3,538	3,997	2,927	2,465
Percentage funded	71%	71%	73%	71%	77%	81%
Covered payroll	638	676	725	786	863	945
Unfunded actuarial liability as a percentage of covered payroll	634%	595%	488%	509%	339%	261%

Source: Washington State Office of the State Actuary. Starting with the 2007 report the valuation date changed to June 30.

Schedule of Funding Progress Public Employees' Retirement System - Plan 2/3 Valuation Years 2008 through 2003 <i>(dollars in millions)</i>						
	2008	2007	2006	2005	2004	2003
Actuarial valuation date	6/30/2008	6/30/2007	N/A	N/A	N/A	N/A
Actuarial value of plan assets	\$ 16,693	\$ 14,888	N/A	N/A	N/A	N/A
Actuarial accrued liability	16,508	14,661	N/A	N/A	N/A	N/A
Unfunded actuarial liability	(185)	(227)	N/A	N/A	N/A	N/A
Percentage funded	101%	102%	N/A	N/A	N/A	N/A
Covered payroll	7,869	7,157	N/A	N/A	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	N/A	N/A	N/A	N/A

PERS Plan 2/3 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

N/A indicates data not available.

Source: Washington State Office of the State Actuary. Starting with the 2007 report the valuation date changed to June 30.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress Teachers' Retirement System - Plan 1 Valuation Years 2008 through 2003 (dollars in millions)						
	2008	2007	2006	2005	2004	2003
Actuarial valuation date	6/30/2008	6/30/2007	9/30/2006	9/30/2005	9/30/2004	9/30/2003
Actuarial value of plan assets	\$ 8,262	\$ 8,302	\$ 8,275	\$ 8,450	\$ 8,728	\$ 9,086
Actuarial accrued liability	10,754	10,826	10,359	10,894	10,401	10,325
Unfunded actuarial liability	2,492	2,524	2,084	2,444	1,673	1,239
Percentage funded	77%	77%	80%	78%	84%	88%
Covered payroll	432	426	478	546	616	692
Unfunded actuarial liability as a percentage of covered payroll	577%	592%	436%	448%	272%	179%

Source: Washington State Office of the State Actuary. Starting with the 2007 report the valuation date changed to June 30.

Schedule of Funding Progress Teachers' Retirement System - Plan 2/3 Valuation Years 2008 through 2003 (dollars in millions)						
	2008	2007	2006	2005	2004	2003
Actuarial valuation date	6/30/2008	6/30/2007	N/A	N/A	N/A	N/A
Actuarial value of plan assets	\$ 5,681	\$ 5,277	N/A	N/A	N/A	N/A
Actuarial accrued liability	5,264	4,682	N/A	N/A	N/A	N/A
Unfunded actuarial liability	(417)	(595)	N/A	N/A	N/A	N/A
Percentage funded	108%	113%	N/A	N/A	N/A	N/A
Covered payroll	3,621	3,318	N/A	N/A	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	N/A	N/A	N/A	N/A

TRS Plan 2/3 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

N/A indicates data not available.

Source: Washington State Office of the State Actuary. Starting with the 2007 report the valuation date changed to June 30.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress School Employees' Retirement System - Plan 2/3 Valuation Years 2008 through 2003 (dollars in millions)						
	2008	2007	2006	2005	2004	2003
Actuarial valuation date	6/30/2008	6/30/2007	N/A	N/A	N/A	N/A
Actuarial value of plan assets	\$ 2,303	\$ 2,133	N/A	N/A	N/A	N/A
Actuarial accrued liability	2,207	1,998	N/A	N/A	N/A	N/A
Unfunded actuarial liability	(96)	(135)	N/A	N/A	N/A	N/A
Percentage funded	104%	107%	N/A	N/A	N/A	N/A
Covered payroll	1,379	1,283	N/A	N/A	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	N/A	N/A	N/A	N/A

SERS Plan 2/3 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

N/A indicates data not available.

Source: Washington State Office of the State Actuary. Starting with the 2007 report the valuation date changed to June 30.

Schedule of Funding Progress Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 1 Valuation Years 2008 through 2003 (dollars in millions)						
	2008	2007	2006	2005	2004	2003
Actuarial valuation date	6/30/2008	6/30/2007	9/30/2006	9/30/2005	9/30/2004	9/30/2003
Actuarial value of plan assets	\$ 5,592	\$ 5,298	\$ 5,018	\$ 4,800	\$ 4,666	\$ 4,803
Actuarial accrued liability	4,368	4,340	4,309	4,243	4,266	4,275
Unfunded (assets in excess of) actuarial liability	(1,224)	(958)	(709)	(557)	(400)	(528)
Percentage funded	128%	122%	116%	113%	109%	112%
Covered payroll	37	43	48	56	64	71
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	N/A	N/A	N/A	N/A

N/A indicates data not available.

Source: Washington State Office of the State Actuary. Starting with the 2007 report the valuation date changed to June 30.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 2 Valuation Years 2008 through 2003 (dollars in millions)						
	2008	2007	2006	2005	2004	2003
Actuarial valuation date	6/30/2008	6/30/2007	N/A	N/A	N/A	N/A
Actuarial value of plan assets	\$ 5,053	\$ 4,360	N/A	N/A	N/A	N/A
Actuarial accrued liability	3,998	3,626	N/A	N/A	N/A	N/A
Unfunded (assets in excess of) actuarial liability	(1,055)	(734)	N/A	N/A	N/A	N/A
Percentage funded	126%	120%	N/A	N/A	N/A	N/A
Covered payroll	1,345	1,234	N/A	N/A	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	N/A	N/A	N/A	N/A

LEOFF Plan 2 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

N/A indicates data not available.

Source: Washington State Office of the State Actuary. Starting with the 2007 report the valuation date changed to June 30.

Schedule of Funding Progress Washington State Patrol Retirement System - Plan 1/2 Valuation Years 2008 through 2003 (dollars in millions)						
	2008	2007	2006	2005	2004	2003
Actuarial valuation date	6/30/2008	6/30/2007	N/A	N/A	N/A	N/A
Actuarial value of plan assets	\$ 870	\$ 800	N/A	N/A	N/A	N/A
Actuarial accrued liability	745	702	N/A	N/A	N/A	N/A
Unfunded actuarial liability	(125)	(98)	N/A	N/A	N/A	N/A
Percentage funded	117%	114%	N/A	N/A	N/A	N/A
Covered payroll	79	72	N/A	N/A	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	N/A	N/A	N/A	N/A

WSPRS Plan 1/2 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

N/A indicates data not available.

Source: Washington State Office of the State Actuary. Starting with the 2007 report the valuation date changed to June 30.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress Public Safety Employees' Retirement System - Plan 2 Valuation Years 2008 through 2003 (dollars in millions)						
	2008	2007	2006	2005	2004	2003
Actuarial valuation date	6/30/2008	6/30/2007	N/A	N/A	N/A	N/A
Actuarial value of plan assets	\$ 39	\$ 14	N/A	N/A	N/A	N/A
Actuarial accrued liability	33	12	N/A	N/A	N/A	N/A
Unfunded actuarial liability	(6)	(2)	N/A	N/A	N/A	N/A
Percentage funded	118%	117%	N/A	N/A	N/A	N/A
Covered payroll	200	134	N/A	N/A	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	N/A	N/A	N/A	N/A

PSERS Plan 2 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

N/A indicates data not available.

Source: Washington State Office of the State Actuary. Starting with the 2007 report the valuation date changed to June 30.

Schedule of Funding Progress Judicial Retirement System Valuation Years 2008 through 2003 (dollars in millions)						
	2008	2007	2006	2005	2004	2003
Actuarial valuation date	6/30/2008	6/30/2007	9/30/2006	9/30/2005	9/30/2004	9/30/2003
Actuarial value of plan assets	\$ 1	\$ 1	\$ 0.3	\$ 2	\$ 4	\$ 6
Actuarial accrued liability	92	85	88	89	89	91
Unfunded actuarial liability	91	84	88	87	85	85
Percentage funded	1%	1%	0%	2%	4%	7%
Covered payroll	1.3	1.3	1.4	1.7	2.4	2.6
Unfunded actuarial liability as a percentage of covered payroll	7000%	6462%	6286%	5118%	3542%	3269%

Source: Washington State Office of the State Actuary. Starting with the 2007 report the valuation date changed to June 30.

PENSION PLAN INFORMATION
Schedules of Funding Progress

concluded

Schedule of Funding Progress Judges' Retirement Fund Valuation Years 2008 through 2003 (dollars in millions)						
	2008	2007	2006	2005	2004	2003
Actuarial valuation date	6/30/2008	6/30/2007	9/30/2006	9/30/2005	9/30/2004	9/30/2003
Actuarial value of plan assets	\$ 3.6	\$ 4.0	\$ 4.1	\$ 4.2	\$ 4.4	\$ 4.5
Actuarial accrued liability	3.5	3.9	4.0	4.5	4.7	5.2
Unfunded (assets in excess of) actuarial liability	(0.1)	(0.1)	(0.1)	0.3	0.3	0.7
Percentage funded	103%	103%	103%	93%	94%	87%
Covered payroll	-	-	-	-	-	-
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. Starting with the 2007 report the valuation date changed to June 30.						

Schedule of Funding Progress Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund Valuation Years 2008 through 2003 (dollars in millions)						
	2008	2007	2006	2005	2004	2003
Actuarial valuation date	6/30/2008	6/30/2007	12/31/2006	12/31/2005	12/31/2004	12/31/2003
Actuarial value of plan assets	\$ 161	\$ 151	\$ 140	\$ 127	\$ 120	\$ 120
Actuarial accrued liability	153	136	142	140	115	112
Unfunded (assets in excess of) actuarial liability	(8)	(15)	2	13	(5)	(8)
Percentage funded	105%	111%	99%	91%	104%	107%
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
* Pension plan liability only - excludes relief benefits.						
**Covered Payroll is not presented because it is not applicable since this is a volunteer organization.						
N/A indicates data not available.						
Source: Washington State Office of the State Actuary. Starting with the 2007 report the valuation date changed to June 30.						

PENSION PLAN INFORMATION

Schedules of Contributions from Employers and Other Contributing Entities (cont'd)

Schedules of Contributions from Employers and Other Contributing Entities						
For the Fiscal Years Ended June 30, 2009 through 2004 (dollars in millions)						
	2009	2008	2007	2006	2005	2004
PUBLIC EMPLOYEES' RETIREMENT PLAN SYSTEM - PLAN 1						
Employers' annual required contribution	\$ 620.2	\$ 453.1	\$ 397.3	\$ 438.5	\$ 340.3	\$ 295.1
Employers' actual contribution	325.2	221.8	118.7	29.6	22.4	22.8
Percentage contributed	52%	49%	30%	7%	7%	8%
PUBLIC EMPLOYEES' RETIREMENT PLAN SYSTEM - PLAN 2/3						
Employers' annual required contribution	\$ 369.7	\$ 363.3	\$ 331.3	\$ 307.6	\$ 227.7	\$ 192.6
Employers' actual contribution	439.7	318.7	242.5	149.6	74.7	69.4
Percentage contributed	119%	88%	73%	49%	33%	36%
TEACHERS' RETIREMENT SYSTEM - PLAN 1						
Employers' annual required contribution	\$ 391.0	\$ 294.7	\$ 249.8	\$ 287.5	\$ 224.3	\$ 185.7
Employers' actual contribution	178.9	113.1	60.5	15.1	8.8	11.4
Percentage contributed	46%	38%	24%	5%	4%	6%
TEACHERS' RETIREMENT SYSTEM - PLAN 2/3						
Employers' annual required contribution	\$ 186.9	\$ 208.9	\$ 167.7	\$ 166.4	\$ 117.4	\$ 96.2
Employers' actual contribution	160.8	109.5	102.2	75.4	33.8	29.9
Percentage contributed	86%	52%	61%	45%	29%	31%
SCHOOL EMPLOYEES' RETIREMENT SYSTEM - PLAN 2/3						
Employers' annual required contribution	\$ 71.5	\$ 75.8	\$ 71.5	\$ 81.4	\$ 64.0	\$ 52.3
Employers' actual contribution	63.5	52.1	45.9	30.4	10.2	9.1
Percentage contributed	89%	69%	64%	37%	16%	17%
<p>The Annual Required Contribution (ARC) changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic gains and losses. The methods used to derive the ARC for this accounting disclosure are different from that used to derive the actual contributions required by law. These differences include the use of different actuarial valuations (actual contributions may be based on an earlier valuation), and different actuarial cost methods. For these reasons the actual contributions will not match the Annual Required Contributions.</p>						
<p>Source: Washington State Office of the State Actuary</p>						

PENSION PLAN INFORMATION

Schedules of Contributions from Employers and Other Contributing Entities (cont'd)

Schedules of Contributions from Employers and Other Contributing Entities						
For the Fiscal Years Ended June 30, 2009 through 2004 (dollars in millions)						
	2009	2008	2007	2006	2005	2004
LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM - PLAN 1						
Employers' annual required contribution	\$ -	\$ -	\$ 0.1	\$ -	\$ -	\$ -
Employers' actual contribution	-	-	0.1	0.1	-	-
Percentage contributed	N/A	N/A	100%	N/A	N/A	N/A
State annual required contribution	-	-	-	-	-	-
State actual contribution	-	-	-	-	-	-
Percentage contributed	N/A	N/A	N/A	N/A	N/A	N/A
LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM - PLAN 2						
Employers' annual required contribution*	\$ 105.3	\$ 61.3	\$ 56.9	\$ 60.8	\$ 48.5	\$ 41.5
Employers' actual contribution	77.8	73.4	58.2	48.5	32.8	30.8
Percentage contributed	74%	120%	102%	80%	68%	74%
State annual required contribution*	42.1	40.8	38.0	40.5	32.3	27.7
State actual contribution	51.1	45.9	37.9	31.7	21.3	20.2
Percentage contributed	N/A	N/A	100%	78%	66%	73%
WASHINGTON STATE PATROL RETIREMENT SYSTEM						
Employers' annual required contribution	\$ 5.0	\$ 6.8	\$ 5.3	\$ 6.1	\$ 3.4	\$ 2.6
Employers' actual contribution	6.4	6.1	3.3	3.1	-	-
Percentage contributed	128%	90%	62%	51%	0%	0%
N/A indicates data not available.						
*The Annual Required Contribution (ARC) for the LEOFF Plan 2 presented is the Office of the State Actuary's recommended figure; the LEOFF Plan 2 board has proposed a higher ARC of \$113.5 Million.						
The Annual Required Contribution (ARC) changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic gains and losses. The methods used to derive the ARC for this accounting disclosure are different from that used to derive the actual contributions required by law. These differences include the use of different actuarial valuations (actual contributions may be based on an earlier valuation), and different actuarial cost methods. For these reasons the actual contributions will not match the Annual Required Contributions.						
Source: Washington State Office of the State Actuary						

PENSION PLAN INFORMATION

Schedules of Contributions from Employers and Other Contributing Entities (concl'd)

Schedules of Contributions from Employers and Other Contributing Entities For the Fiscal Years Ended June 30, 2009 through 2004 (dollars in millions)						
	2009	2008	2007	2006	2005	2004
PUBLIC SAFETY EMPLOYEES' RETIREMENT PLAN SYSTEM - PLAN 2						
Employers' annual required contribution	\$ 14.3	\$ 12.4	\$ 7.1	\$ -	\$ -	\$ -
Employers' actual contribution	14.5	11.7	6.6	-	-	-
Percentage contributed	101%	94%	93%	N/A	N/A	N/A
JUDICIAL RETIREMENT SYSTEM						
Employers' annual required contribution	\$ 21.2	\$ 26.6	\$ 37.3	\$ 27.7	\$ 21.7	\$ 18.5
Employers' actual contribution	10.2	9.6	9.6	6.7	6.2	6.2
Percentage contributed	48%	36%	26%	24%	29%	34%
JUDGES' RETIREMENT FUND						
Employers' annual required contribution	\$ -	\$ -	\$ -	\$ 0.1	\$ 0.1	\$ 0.2
Employers' actual contribution	-	-	0.3	0.3	0.5	0.5
Percentage contributed	N/A	N/A	N/A	300%	500%	250%
VOLUNTEER FIRE FIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION FUND						
Employers' annual required contribution	\$ 1.1	\$ 1.0	\$ 1.0	\$ 1.0	\$ 0.7	\$ 0.8
Employers' actual contribution	1.0	1.0	1.0	1.0	0.7	0.8
Percentage contributed	91%	100%	100%	100%	100%	100%
State annual required contribution	1.4	0.9	2.0	3.6	1.8	1.5
State actual contribution	5.2	5.0	6.0	4.6	4.4	4.4
Percentage contributed	371%	556%	300%	128%	244%	293%
<p>N/A indicates data not available.</p> <p>The Annual Required Contribution (ARC) changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic gains and losses. The methods used to derive the ARC for this accounting disclosure are different from that used to derive the actual contributions required by law. These differences include the use of different actuarial valuations (actual contributions may be based on an earlier valuation), and different actuarial cost methods. For these reasons the actual contributions will not match the Annual Required Contributions.</p> <p>Source: Washington State Office of the State Actuary</p>						

OTHER POSTEMPLOYMENT BENEFITS INFORMATION
Schedule of Funding Progress

Schedule of Funding Progress Other Postemployment Benefits Valuation Years 2008 through 2006 <i>(dollars in millions)</i>			
	2008	2007	2006
Actuarial valuation date	1/1/2008	1/1/2007	N/A
Actuarial value of plan assets	\$ -	\$ -	N/A
Actuarial accrued liability (AAL)*	4,014	3,800	N/A
Unfunded actuarial accrued liability (UAAL)	4,014	3,800	N/A
Funded ratio	0%	0%	N/A
Covered payroll	5,170	5,427	N/A
UAAL as a percentage of covered payroll	77.64%	70.01%	N/A
* Based on projected unit credit actuarial cost method.			
N/A indicates data not available.			
Source: Washington State Office of the State Actuary			

**INFORMATION ABOUT
INFRASTRUCTURE ASSETS REPORTED
USING THE MODIFIED APPROACH**

CONDITION ASSESSMENT

The state’s highway system is divided into three main categories: pavement, bridges, and rest areas. Condition information about each as well as state managed airports follows.

Pavement Condition

The Washington State Department of Transportation (WSDOT) owns and maintains 20,392 lane miles of highway, including ramps, collectors and special use lanes. Special use lanes include High Occupancy Vehicle (HOV), climbing, chain-up, holding, slow vehicle turnout, two-way turn, weaving/speed change, bicycle, transit, truck climbing shoulder, turn and acceleration lanes. Special use and ramp/collector lane miles make up 1,907 of the total lane miles.

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

In 1993 the Legislature required WSDOT to rehabilitate pavements at the Lowest Life Cycle Cost (LLCC), which

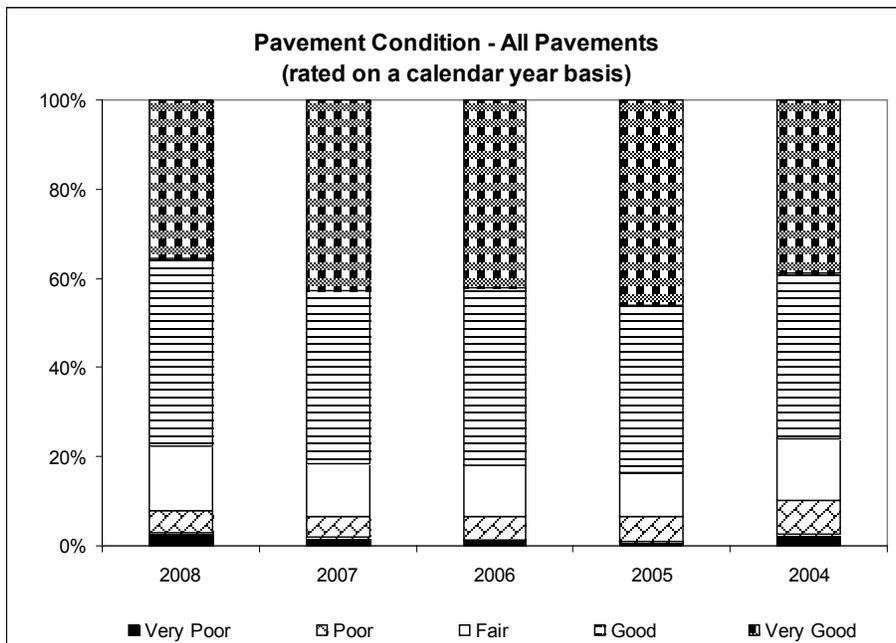
has been determined to occur at a PSC range between 40 and 60, or when triggers for roughness or rutting are met.

The trend over the last five years has shown that the percent of pavements in poor or very poor condition was fairly stable at 7 to 10 percent. WSDOT uses LLCC analysis to manage its pavement preservation program.

The principles behind LLCC are basic – if rehabilitation is done too early, pavement life is wasted; if rehabilitation is done too late, very costly repair work may be required, especially if the underlying structure is compromised.

WSDOT continually looks for ways to best strike the balance between these two basic principles. While the goal for pavements is zero miles in ‘poor’ condition, marginally good pavements may deteriorate into poor condition during the lag time between assessment and actual rehabilitation. As a result, a small percentage of marginally good pavements will move into the ‘poor’ condition category for any given assessment period.

WSDOT manages state highways targeting the LLCC per the Pavement Management System due date. While the Department has a long-term goal of no pavements in poor condition (a pavement condition index less than 40, on a 100 point scale), the current policy is to maintain 90 percent of all highway pavement types at a pavement condition index of 40 or better with no more than 10 percent of its highways at a pavement condition below 40. The most recent assessment found that state highways were within the prescribed parameters with only 8 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 percent 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 percent 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 percent of wheel track length having “hairline” alligator cracking will have a PSC of 50.
Poor	20 – 40	Structural deterioration. Example: Flexible pavement with 25 percent of wheel track length having “medium (spalled)” severity alligator cracking will have a PSC of 30.
Very Poor	0 – 20	Advanced structural deterioration. Example: Flexible pavement with 40 percent of wheel track length having “medium (spalled)” severity alligator cracking will have a PSC of 10. May require extensive repair and thicker overlays.

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

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

Rutting is measured in millimeters: a pavement with more than 12 millimeters of rutting is considered in poor condition.

The three indices (PSC, IRI, and Rutting) are combined to rate a section of pavement, which is assigned the lowest category of any of the three ratings

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

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

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

In 2008, WSDOT rated pavement condition on 17,488 of the 20,392 lane miles of highway. The following chart shows recent pavement condition ratings for the State Highway System, using the combination of the three indices described on the preceding page.

Percentage of Pavement Lane Miles in Fair or Better Condition*					
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Statewide - Chip seals	95%	91%	91%	91%	86%
Statewide - Asphalt	92%	94%	94%	95%	92%
Statewide - Concrete	87%	93%	93%	91%	85%
Statewide - All Pavements	92%	93%	94%	93%	90%

Percentage of Pavement Lane Miles in Poor or Very Poor Condition*					
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Statewide - Chip seals	5%	9%	9%	9%	14%
Statewide - Asphalt	8%	6%	6%	5%	8%
Statewide - Concrete	13%	7%	7%	9%	15%
Statewide - All Pavements	8%	7%	6%	7%	10%

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

Note: The All Pavements percentages are calculated from total lane miles inspected and not a statistical average of the three pavement type percentages. IRI or rutting is not used for sections identified as under construction in rating distress.

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

Bridge Condition

During Fiscal Year 2009 there were 3,161 state-owned vehicular structures over 20 feet in length with a total area of 45,995,993 square feet. In addition to bridges, the 3,161 structures include 90 culverts and 56 ferry terminal structures. (While ferry terminals are included in a depreciable asset category, they are included here with bridge condition information since they are evaluated by the WSDOT Bridge Office on a periodic basis.)

There was a net increase of 21 bridge structures added in Fiscal Year 2009 due to new construction, asset exchanges, and demolition. 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. All bridges are inspected every two years and underwater bridge components at least once every five years in accordance with Federal Highway Administration (FHWA) requirements.

The fiscal year increase of two ferry terminal structures reflects a change in inventory detail which separated structures that were previously reported as one structure.

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 FHWA.

WSDOT’s policy is to maintain 95 percent of its bridges at a structural condition of at least fair, meaning that all primary structural elements are sound.

Three categories of condition were established in relation to the FHWA criteria as follows:

Category	National Bridge Inventory Code	Description
Good	6, 7, or 8	A range from no problems noted to some minor deterioration of structural elements.
Fair	5	All primary structural elements are sound but may have deficiencies such as minor section loss, deterioration, cracking, spalling or scour.
Poor	4 or less	Advanced deficiencies such as section loss, deterioration, cracking, spalling, scour or seriously affected primary structural components.

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

The most recent assessments over the last two years found that state-owned bridges were within the prescribed parameters with 97.5 percent having a condition rating of fair or better and only 2.5 percent of bridges having a condition rating of poor. Bridges rated as poor may have structural deficiencies that restrict the weight and type of traffic allowed. No bridges that are currently rated as poor are unsafe for public travel. Any bridges determined to be unsafe are closed to traffic.

WSDOT’s Bridge Seismic Retrofit Program prioritizes state bridges for seismic retrofit, and performs these retrofits as funding permits. Retrofit priorities are based on seismic risk of a site, structural detail deficiencies, and route importance.

The Seismic Retrofit Program includes 879 bridges that have been classified as needing retrofitting. Seismic analysis has determined that 43 bridges do not require a retrofit. WSDOT has fully or partially retrofitted 370 bridges. Of those, 230 are completely retrofitted, 140 are partially retrofitted. There are 30 bridges currently under contract to be retrofitted.

The following condition rating data is based on the structural sufficiency standards established in the FHWA “Recording and Coding Guide for the Structural Inventory and Appraisal of the Nation’s Bridges.”

This structural rating relates to the evaluation of bridge superstructure, deck, substructure, structural adequacy and waterway adequacy.

The following charts show the most recent condition rating of Washington State bridges:

Percentage of Bridges in Fair or Better Condition					
<u>Bridge Type</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Reinforced concrete (1,286 bridges in FY 2009)	98.0%	98.0%	98.3%	98.6%	98.6%
Prestressed concrete (1,352 bridges in FY 2009)	99.0%	98.9%	99.3%	99.3%	99.5%
Steel (363 bridges* in FY 2009)	95.0%	93.9%	94.7%	94.1%	94.3%
Timber (82 bridges in FY 2009)	80.4%	71.7%	66.3%	68.1%	69.2%
Statewide - All bridges (3,083 out of 3,161 bridges in FY 2009)	97.5%	97.0%	97.4%	97.5%	97.6%

Percentage of Bridges in Poor Condition					
<u>Bridge Type</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Reinforced concrete (26 bridges in FY 2009)	2.0%	2.0%	1.7%	1.4%	1.4%
Prestressed concrete (14 bridges in FY 2009)	1.0%	1.1%	0.7%	0.7%	0.5%
Steel (19 bridges* in FY 2009)	5.0%	6.1%	5.3%	5.9%	5.7%
Timber (19 bridges in FY 2009)	19.6%	28.3%	33.7%	31.9%	30.8%
Statewide - All bridges (78 out of 3,161 bridges in FY 2009)	2.5%	3.0%	2.6%	2.5%	2.4%

*The steel bridge ratings for Fiscal Year 2009 include 53 ferry terminal structures rated as fair or better and three ferry terminal structures rated as poor.

Note: Bridges rated as poor may have structural deficiencies that restricted the weight and type of traffic allowed. WSDOT currently has 11 posted bridges and 140 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. This is a decrease of three posted bridges in 2009 as compared to 2008. The number of restricted bridges decreased by 12.

Refer to <http://www.wsdot.wa.gov/commercialVehicle/Restrictions/> for more information on overweight restrictions. Any bridges determined to be unsafe are closed to traffic.

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

Safety Rest Area Condition

The WSDOT owns, operates, and maintains 47 developed safety rest area (SRA) facilities, an increase of one SRA which was added in 2009. Within these facilities, the Department manages the following assets: 94 buildings, 692 acres, 29 on-site public drinking water systems, 36 on-site sewage pre-treatment/treatment systems, and 20 recreational vehicle sanitary disposal facilities.

WSDOT performs SRA building and site condition assessments in odd-numbered calendar years, to determine the facility deficiencies. This biennial process, which began in 2003, helps prioritize renovation and replacement projects. Sites and buildings are divided into functional components that are assessed with a numerical rating of 1 to 5 based on guideline criteria (1 meets current standards, 5 is poor).

In addition, a weighting multiplier is applied based on the criticality of the individual component. For instance, a safety deficiency adds a weighting multiplier of ten while a department image deficiency has a weighting multiplier of two. The combined total building and site ratings are used to determine each facility’s overall condition, and fall into one of five categories.

WSDOT SRA condition assessment rating parameters are not based on other state or national guidelines for safety rest areas. The model used is based on the capital facility program software already in use, with minor modifications to the rating parameters to better match the unique needs of SRA facilities. The SRA program goal is to have no more than 5 percent of the facilities rated poor.

The following charts show the most recent condition rating of Washington State safety rest areas:

Category	2007*	2005	2003
Percentage of facilities in fair or good condition	95.2%	95.2%	95.3%
Percentage of facilities in poor condition	4.8%	4.8%	4.7%

*2007 percentages are based on 42 inspected SRA sites.

Category	Description	Number of Safety Rest Areas in Category		
		2007	2005	2003
Good Condition	Facility is new construction and/or meets current standards.	8	11	11
Fair-High Condition	Facility meets current standards and/or is in adequate condition with minimal component deficiencies.	6	2	4
Fair-Mid Condition	Facility is functional, and in adequate condition with minor component deficiencies.	6	9	20
Fair-Low Condition	Facility has multiple system deficiencies.	20	18	6
Poor	Facility is at or beyond its service life, with multiple major deficiencies.	2	2	2
No Condition Assessment Data	Facilities were constructed or added to inventory after 2007 (Iron Goat, Dusty, Price Creek, Travelers Rest, Dodge Jct.)	5	0	0
Total		47	42	43*

*Spokane River SRA was closed in 2004.

State Managed Airport Condition

The WSDOT Aviation Division is authorized by RCW 47.68.100 to acquire, manage and maintain airports.

Under this authority, WSDOT manages 17 airports, eight of which WSDOT owns. The airports are used primarily for access to small communities and emergency purposes such as fire fighting, search and rescue, and medical evacuation (one airport is used only for helicopter and search and rescue operations). The airports are also used for recreational flying activities. Most are located near or adjacent to state highways and their runways range in character from paved, to gravel or turf.

Three airports are in operational condition 12 months of the year, and the remaining 14 are operational from June to October each year. Opening and closing dates may vary depending on weather conditions. In accordance with WSDOT policy, maintenance is performed on each airport annually and inspections occur a minimum of three times per year. The use of state airports by all persons is solely at the risk of the user. Since these airports are maintained principally for emergency use, the state does not warrant the conditions at any state airport to be suitable for any other use.

The definitions below represent the classification category for state managed airports within the Washington Aviation System Plan (WASP):

Category	Definition
Local service airport	An airport with a paved runway capable of handling aircraft with a maximum gross certificated takeoff weight of 12,500 pounds.
Rural essential airport	An airport with a turf, gravel or sand (unpaved) runway near access to recreational opportunities with capacity for aircraft less than 12,500 pounds.
Limited rural essential helicopter only	An airport with a landing pad only capable of accommodating rotorcraft.

The following chart shows the most recent condition rating of Washington State managed airports:

Washington Aviation System Plan (1)					
<u>Airport Classification</u>	<u>WSDOT Aviation Owned</u>	<u>WSDOT Aviation Managed</u>			
Local Airports (2)	2	-			
Rural Essential Airports (3)	-	-			
Paved runway	-	1			
Turf runway	5	3			
Gravel runway	-	4			
Sand	-	1			
Helicopter only	1	-			
Total Airports	8	9			
			<u>2009</u>	<u>2008</u>	<u>2007</u>
Percentage of airports acceptable for general recreational use or better			94%	88%	88%
Percentage of airports not acceptable for general recreational use or better			6%	12%	12%

- (1) Eight airports are owned by WSDOT and nine are managed by WSDOT under various use/operating agreements.
- (2) Local airports are acceptable for general use and serve small to medium sized communities.
- (3) Rural essential airports are acceptable for general recreation use and typically serve recreation communities and remote back country locations.

For more information about the airports which are acceptable for general recreational use or better, refer to WSDOT's website at: <http://www.wsdot.wa.gov/aviation/Airports/>.

INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

Comparison of Planned-to-Actual Preservation and Maintenance

For the Fiscal Years Ended June 30, 2009 through 2005
(expressed in thousands)

	2009			2008		
	Planned	Actual	Variance	Planned	Actual	Variance
PAVEMENT						
Preservation	\$ 125,246	\$ 109,279	\$ 15,967	\$ 118,886	\$ 130,375	\$ (11,489)
Maintenance	19,651	19,170	481	18,329	16,994	1,335
Total	\$ 144,897	\$ 128,449	\$ 16,448	\$ 137,215	\$ 147,369	\$ (10,154)
BRIDGES						
Preservation	\$ 63,436	\$ 16,586	\$ 46,850	\$ 11,260	\$ 23,407	\$ (12,147)
Maintenance	13,365	13,406	(41)	12,427	12,601	(174)
Total	\$ 76,801	\$ 29,992	\$ 46,809	\$ 23,687	\$ 36,008	\$ (12,321)
REST AREAS						
Preservation	\$ 199	\$ 193	\$ 6	\$ 77	\$ 77	\$ -
Maintenance	5,808	5,631	177	5,590	5,778	(188)
Total	\$ 6,007	\$ 5,824	\$ 183	\$ 5,667	\$ 5,855	\$ (188)
AIRPORTS						
Preservation & maintenance	\$ 146	\$ 168	\$ (22)	\$ 146	\$ 134	\$ 12

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

WSDOT uses outcome based performance measures for evaluating the effectiveness of the maintenance program. The Maintenance Accountability Process (MAP) is a comprehensive planning, measuring and managing process that provides a means for communicating the impacts of policy and budget decisions on program service delivery. WSDOT uses it to identify investment choices and the effects of those choices in communicating with the Legislature and other stakeholders. The MAP measures and communicates the outcomes of 32 distinct highway maintenance activities. Maintenance results are measured via field condition

surveys and reported as Level of Service (LOS) ratings, which range from A to F. LOS targets are defined in terms of the condition of various highway features (i.e. percent of guardrail on the highway system that is damaged) and are set commensurate with the level of funding provided for the WSDOT highway maintenance program. More information about MAP may be obtained at: <http://www.wsdot.wa.gov/Maintenance/>.

WSDOT's legally authorized budgets are biennial with the even year being the first fiscal year of the biennium. Planned amounts in this schedule are not the legal legislative authorizations but are the planned expenditures for the year within the legal authorizations. Therefore, a negative variance is not an indication of overspending the agency's legal authorization but indicates that more expenditure activity occurred than was initially planned. Actual expenditures may vary from the budgeted or planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate or defer preservation or maintenance activity or reduce planned activity in response to economic forecasts.

State of Washington

2007			2006			2005		
Planned	Actual	Variance	Planned	Actual	Variance	Planned	Actual	Variance
\$ 111,195	\$ 99,416	\$ 11,779	\$ 108,409	\$ 130,340	\$ (21,931)	\$ 118,055	\$ 122,868	\$ (4,813)
19,152	16,255	2,897	19,219	18,586	633	20,657	18,715	1,942
<u>\$ 130,347</u>	<u>\$ 115,671</u>	<u>\$ 14,676</u>	<u>\$ 127,628</u>	<u>\$ 148,926</u>	<u>\$ (21,298)</u>	<u>\$ 138,712</u>	<u>\$ 141,583</u>	<u>\$ (2,871)</u>
\$ 21,055	\$ 20,138	\$ 917	\$ 8,434	\$ 20,338	\$ (11,904)	\$ 16,768	\$ 14,332	\$ 2,436
11,553	11,051	502	11,552	11,820	(268)	11,159	11,151	8
<u>\$ 32,608</u>	<u>\$ 31,189</u>	<u>\$,1419</u>	<u>\$ 19,986</u>	<u>\$ 32,158</u>	<u>\$ (12,172)</u>	<u>\$ 27,927</u>	<u>\$ 25,483</u>	<u>\$ 2,444</u>
\$ 188	\$ 173	\$ 15	\$ 188	\$ 129	\$ 59	\$ 381	\$ 333	\$ 48
5,056	5,359	(303)	5,021	5,187	(166)	4,268	5,527	(1,259)
<u>\$ 5,244</u>	<u>\$ 5,532</u>	<u>\$ (288)</u>	<u>\$ 5,209</u>	<u>\$ 5,316</u>	<u>\$ (107)</u>	<u>\$ 4,649</u>	<u>\$ 5,860</u>	<u>\$ (1,211)</u>
<u>\$ 83</u>	<u>\$ 200</u>	<u>\$ (117)</u>	<u>\$ 83</u>	<u>\$ 67</u>	<u>\$ 16</u>	<u>\$ 108</u>	<u>\$ 129</u>	<u>\$ (21)</u>

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Nonmajor Funds
Combining and Individual Fund Financial Statements

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Nonmajor Governmental Funds

The nonmajor Governmental Funds fall into the four categories as described below.

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

Permanent Funds

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the state or its citizenry. The Common School Permanent Fund, the state's only nonmajor permanent fund, accounts for the principal derived from the sale of timber. Interest earned is used for the benefit of common schools.

NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet - by Fund Type
 June 30, 2009
 (expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
ASSETS					
Cash and pooled investments	\$ 2,048,918	\$ 232,628	\$ 596,193	\$ 27,644	\$ 2,905,383
Investments	101,889	17,815	22,188	176,407	318,299
Taxes receivable (net of allowance)	105,803	-	-	-	105,803
Other receivables (net of allowance)	559,721	27,628	13,819	555	601,723
Due from other funds	412,235	2,022	25,275	-	439,532
Due from other governments	2,266,547	-	6,429	-	2,272,976
Inventories	45,458	-	-	-	45,458
Total Assets	\$ 5,540,571	\$ 280,093	\$ 663,904	\$ 204,606	\$ 6,689,174
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 278,991	\$ -	\$ 58,208	\$ -	\$ 337,199
Contracts and retainages payable	82,756	3,900	29,234	-	115,890
Accrued liabilities	81,142	36	3,190	1,277	85,645
Obligations under security lending agreements	3,007	-	-	26,303	29,310
Obligations under reverse repurchase agreements	67,935	8,025	2,723	-	78,683
Due to other funds	375,907	662	55,659	584	432,812
Due to other governments	133,252	-	43,249	-	176,501
Deferred revenues	671,000	-	44,091	-	715,091
Claims and judgments payable	14,787	-	-	-	14,787
Total Liabilities	1,708,777	12,623	236,354	28,164	1,985,918
Fund Balances:					
Reserved for:					
Encumbrances	95,296	-	118,561	-	213,857
Inventories	41,271	-	-	-	41,271
Permanent funds	-	-	-	176,442	176,442
Other specific purposes	1,846,652	-	1,433	-	1,848,085
Unreserved, designated for, reported in:					
Special revenue funds	165	-	-	-	165
Debt service funds	-	267,470	-	-	267,470
Unreserved, undesignated reported in:					
Special revenue funds	1,848,410	-	-	-	1,848,410
Capital project funds	-	-	307,556	-	307,556
Total Fund Balances	3,831,794	267,470	427,550	176,442	4,703,256
Total Liabilities and Fund Balances	\$ 5,540,571	\$ 280,093	\$ 663,904	\$ 204,606	\$ 6,689,174

NONMAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances - by Fund Type**
 For the Fiscal Year Ended June 30, 2009
 (expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
REVENUES					
Retail sales and use taxes	\$ 71,930	\$ -	\$ -	\$ -	\$ 71,930
Business and occupation taxes	84,007	-	-	-	84,007
Property taxes	256,250	-	-	-	256,250
Excise taxes	53,605	-	-	-	53,605
Motor vehicle and fuel taxes	1,183,360	-	-	-	1,183,360
Other taxes	706,421	-	-	-	706,421
Licenses, permits, and fees	803,148	-	-	-	803,148
Timber sales	139,261	-	5,885	-	145,146
Other contracts and grants	16,047	-	1,270	-	17,317
Federal grants-in-aid	1,088,413	-	9,451	-	1,097,864
Charges for services	511,935	-	46,034	-	557,969
Investment income (loss)	113,314	5,164	2,904	7,625	129,007
Miscellaneous revenue	403,334	66,502	12,621	746	483,203
Total Revenues	5,431,025	71,666	78,165	8,371	5,589,227
EXPENDITURES					
Current:					
General government	415,121	200	235,666	-	650,987
Human services	1,224,691	-	16,815	-	1,241,506
Natural resources and recreation	520,789	-	138,494	-	659,283
Transportation	1,806,356	-	3,199	-	1,809,555
Education	700,026	-	287,214	-	987,240
Intergovernmental	351,735	-	-	-	351,735
Capital outlays	1,364,401	-	842,003	-	2,206,404
Debt service:					
Principal	2,432	607,425	18	-	609,875
Interest	5,218	659,878	396	-	665,492
Total Expenditures	6,390,769	1,267,503	1,523,805	-	9,182,077
Excess of Revenues					
Over (Under) Expenditures	(959,744)	(1,195,837)	(1,445,640)	8,371	(3,592,850)
OTHER FINANCING SOURCES (USES)					
Bonds issued	496,842	-	1,205,858	-	1,702,700
Other debt issued	2,702	-	-	-	2,702
Bond issue premiums	22,074	-	56,305	-	78,379
Transfers in	1,383,053	1,238,070	132,648	-	2,753,771
Transfers (out)	(2,097,204)	(136,885)	(51,818)	(7,529)	(2,293,436)
Total Other Financing Sources (Uses)	(192,533)	1,101,185	1,342,993	(7,529)	2,244,116
Net Change in Fund Balances	(1,152,277)	(94,652)	(102,647)	842	(1,348,734)
Fund Balances - Beginning, as restated	4,984,071	362,122	530,197	175,600	6,051,990
Fund Balances - Ending	\$ 3,831,794	\$ 267,470	\$ 427,550	\$ 176,442	\$ 4,703,256

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Nonmajor Special Revenue Funds

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

Motor Vehicle Fund

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

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

School Construction Fund

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

Central Administrative & Regulatory Fund

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

Human Services Fund

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.

Wildlife and Natural Resources Fund

The Wildlife and Natural Resources Fund accounts for the protection and management programs of the state's wildlife, habitats, and natural resources, including forests, water, and parks.

Local Construction & Loan Fund

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

NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
 June 30, 2009
 (expressed in thousands)

	Motor Vehicle	Multimodal Transportation	School Construction	Central Administrative and Regulatory	Human Services
ASSETS					
Cash and pooled investments	\$ 444,375	\$ 123,904	\$ 38,377	\$ 407,626	\$ 419,972
Investments	29,522	9,451	3,410	22,751	18,355
Taxes receivable (net of allowance)	86,189	-	-	3,673	14,793
Other receivables (net of allowance)	39,969	5,379	22,745	65,639	367,259
Due from other funds	137,821	10,943	116,571	34,284	45,120
Due from other governments	105,249	46,751	40	35,334	248,960
Inventories	40,691	158	-	4,313	-
Total Assets	\$ 883,816	\$ 196,586	\$ 181,143	\$ 573,620	\$ 1,114,459
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 181,948	\$ 25,887	\$ 737	\$ 31,594	\$ -
Contracts and retainages payable	46,160	3,766	4,294	4,182	6,848
Accrued liabilities	35,174	2,057	109	5,994	9,022
Obligations under security lending agreements	-	-	-	-	3,007
Obligations under reverse repurchase agreements	21,641	6,928	2,500	4,588	12,550
Due to other funds	147,974	10,779	15,970	34,121	117,576
Due to other governments	63,105	41,471	382	8,158	6,764
Deferred revenues	31,744	5,859	19,621	96,154	461,466
Claims and judgments payable	-	-	-	14,787	-
Total Liabilities	527,746	96,747	43,613	199,578	617,233
Fund Balances:					
Reserved for:					
Encumbrances	-	-	275	-	-
Inventories	40,691	158	-	126	-
Other specific purposes	853	1,153	-	28,687	69,001
Unreserved, designated for, reported in:					
Special revenue funds	-	-	-	-	69
Unreserved, undesignated	314,526	98,528	137,255	345,229	428,156
Total Fund Balances	356,070	99,839	137,530	374,042	497,226
Total Liabilities and Fund Balances	\$ 883,816	\$ 196,586	\$ 181,143	\$ 573,620	\$ 1,114,459

State of Washington

Wildlife and Natural Resources	Local Construction and Loan	Total
\$ 401,794	\$ 212,870	\$ 2,048,918
5,522	12,878	101,889
964	184	105,803
49,115	9,615	559,721
58,009	9,487	412,235
622,851	1,207,362	2,266,547
296	-	45,458
\$ 1,138,551	\$ 1,452,396	\$ 5,540,571

\$ 21,949	\$ 16,876	\$ 278,991
17,187	319	82,756
9,030	19,756	81,142
-	-	3,007
10,287	9,441	67,935
42,366	7,121	375,907
12,338	1,034	133,252
39,785	16,371	671,000
-	-	14,787
152,942	70,918	1,708,777

85,844	9,177	95,296
296	-	41,271
588,229	1,158,729	1,846,652
-	96	165
311,240	213,476	1,848,410
985,609	1,381,478	3,831,794
\$ 1,138,551	\$ 1,452,396	\$ 5,540,571

NONMAJOR SPECIAL REVENUE FUNDS
**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances**
For the Fiscal Year Ended June 30, 2009
(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	School Construction	Central Administrative and Regulatory	Human Services
REVENUES					
Retail sales and use taxes	\$ -	\$ 48,933	\$ -	\$ 22,842	\$ 119
Business and occupation taxes	-	-	-	-	80,630
Property taxes	-	-	-	256,250	-
Excise taxes	-	31	-	-	27,808
Motor vehicle and fuel taxes	1,170,035	1,888	-	-	-
Other taxes	31	-	-	98,464	419,714
Licenses, permits, and fees	376,537	132,242	-	106,177	68,096
Timber sales	1	100	82,283	3,017	-
Other contracts and grants	1,838	776	-	2,508	7,063
Federal grants-in-aid	458,996	272,339	-	97,964	219,678
Charges for services	229,519	22,631	-	53,371	202,432
Investment income (loss)	23,446	6,009	1,353	34,640	13,070
Miscellaneous revenue	38,537	29,832	18,745	31,636	192,528
Total Revenues	2,298,940	514,781	102,381	706,869	1,231,138
EXPENDITURES					
Current:					
General government	5,183	349	216	257,366	126,963
Human services	-	-	-	82,421	1,137,787
Natural resources and recreation	1,131	-	10	10,000	1,110
Transportation	1,295,378	461,065	-	40,287	8,789
Education	-	-	297,244	344,290	57,301
Intergovernmental	235,589	3,272	-	111,398	1,391
Capital outlays	1,272,719	47,089	15,744	12,320	7,435
Debt service:					
Principal	440	197	-	759	338
Interest	297	150	-	877	248
Total Expenditures	2,810,737	512,122	313,214	859,718	1,341,362
Excess of Revenues Over (Under) Expenditures	(511,797)	2,659	(210,833)	(152,849)	(110,224)
OTHER FINANCING SOURCES (USES)					
Bonds issued	428,225	58,620	-	-	-
Other debt issued	527	-	-	327	1,489
Bond issue premiums	19,582	2,492	-	-	-
Transfers in	162,643	57,314	358,096	545,159	188,097
Transfers (out)	(418,232)	(124,843)	(180,707)	(1,027,034)	(221,814)
Total Other Financing Sources (Uses)	192,745	(6,417)	177,389	(481,548)	(32,228)
Net Change in Fund Balances	(319,052)	(3,758)	(33,444)	(634,397)	(142,452)
Fund Balances - Beginning, as restated	675,122	103,597	170,974	1,008,439	639,678
Fund Balances - Ending	\$ 356,070	\$ 99,839	\$ 137,530	\$ 374,042	\$ 497,226

State of Washington

Wildlife and Natural Resources	Local Construction and Loan	Total
\$ 36	\$ -	\$ 71,930
3,377	-	84,007
-	-	256,250
-	25,766	53,605
11,437	-	1,183,360
143,010	45,202	706,421
119,941	155	803,148
53,860	-	139,261
3,862	-	16,047
39,436	-	1,088,413
3,976	6	511,935
19,188	15,608	113,314
90,345	1,711	403,334
<u>488,468</u>	<u>88,448</u>	<u>5,431,025</u>
908	24,136	415,121
4,483	-	1,224,691
487,210	21,328	520,789
837	-	1,806,356
1,191	-	700,026
85	-	351,735
8,881	213	1,364,401
698	-	2,432
3,646	-	5,218
<u>507,939</u>	<u>45,677</u>	<u>6,390,769</u>
<u>(19,471)</u>	<u>42,771</u>	<u>(959,744)</u>
5,300	4,697	496,842
359	-	2,702
-	-	22,074
44,814	26,930	1,383,053
(96,150)	(28,424)	(2,097,204)
(45,677)	3,203	(192,533)
<u>(65,148)</u>	<u>45,974</u>	<u>(1,152,277)</u>
<u>1,050,757</u>	<u>1,335,504</u>	<u>4,984,071</u>
<u>\$ 985,609</u>	<u>\$ 1,381,478</u>	<u>\$ 3,831,794</u>

NONMAJOR SPECIAL REVENUE FUNDS
**Combining Schedule of Revenues, Expenditures, and
 Other Financing Sources (Uses) - Budget and Actual**
 For the Biennium Ended June 30, 2009
(expressed in thousands)

	Motor Vehicle			
	Original Budget 2007-09 Biennium	Final Budget 2007-09 Biennium	Actual 2007-09 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 537,945	\$ 537,945	\$ 537,945	\$ -
Resources				
Taxes	2,044,820	1,860,437	1,842,705	(17,732)
Licenses, permits, and fees	790,682	778,935	775,881	(3,054)
Other contracts and grants	8,768	3,554	4,249	695
Timber sales	-	6	6	-
Federal grants-in-aid	1,011,624	1,480,475	942,453	(538,022)
Charges for services	443,558	464,609	444,354	(20,255)
Interest income	44,005	46,862	52,193	5,331
Miscellaneous revenue	68,860	71,100	61,067	(10,033)
Dividend income	-	-	-	-
Transfers from other funds	1,816,791	587,429	276,297	(311,132)
Total Resources	6,767,053	5,831,352	4,937,150	(894,202)
Charges To Appropriations				
General government	26,882	15,708	13,285	2,423
Human services	-	-	-	-
Natural resources and recreation	2,343	2,338	2,287	51
Transportation	1,604,930	1,658,241	1,630,564	27,677
Education	-	-	-	-
Capital outlays	4,513,209	4,356,902	3,497,346	859,556
Transfers to other funds	2,401,243	993,207	740,225	252,982
Total Charges To Appropriations	8,548,607	7,026,396	5,883,707	1,142,689
Excess Available For Appropriation Over (Under) Charges To Appropriations	(1,781,554)	(1,195,044)	(946,557)	248,487
Reconciling Items				
Bond sale proceeds	1,902,157	1,428,690	1,190,225	(238,465)
Bond issue premiums	-	51,647	71,230	19,583
Changes in reserves (net)	-	-	(5,218)	(5,218)
Entity adjustments (net)	-	-	4,846	4,846
Total Reconciling Items	1,902,157	1,480,337	1,261,083	(219,254)
Budgetary fund balance, June 30	\$ 120,603	\$ 285,293	\$ 314,526	\$ 29,233

State of Washington

Continued

Multimodal Transportation				School Construction			
Original Budget 2007-09 Biennium	Final Budget 2007-09 Biennium	Actual 2007-09 Biennium	Variance with Final Budget	Original Budget 2007-09 Biennium	Final Budget 2007-09 Biennium	Actual 2007-09 Biennium	Variance with Final Budget
\$ 132,759	\$ 132,759	\$ 132,759	\$ -	\$ 186,991	\$ 186,991	\$ 186,991	\$ -
132,954	115,353	113,376	(1,977)	-	-	-	-
270,611	258,854	263,273	4,419	-	-	-	-
-	-	750	750	-	-	-	-
-	-	100	100	335,224	329,979	122,679	(207,300)
57,604	44,987	31,314	(13,673)	-	-	-	-
1,439	8,953	3,057	(5,896)	-	-	-	-
8,011	6,768	8,877	2,109	4,782	5,559	4,504	(1,055)
43,491	24,300	33,782	9,482	165,785	135,024	38,174	(96,850)
-	-	-	-	-	-	-	-
342,626	83,491	78,234	(5,257)	654,718	686,730	656,937	(29,793)
989,495	675,465	665,522	(9,943)	1,347,500	1,344,283	1,009,285	(334,998)
1,712	1,076	749	327	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
351,418	322,818	311,456	11,362	-	-	-	-
-	-	-	-	-	-	-	-
376,059	169,075	110,783	58,292	1,115,081	987,878	565,544	422,334
398,720	196,135	183,805	12,330	211,628	308,653	306,773	1,880
1,127,909	689,104	606,793	82,311	1,326,709	1,296,531	872,317	424,214
(138,414)	(13,639)	58,729	72,368	20,791	47,752	136,968	89,216
155,399	91,000	58,620	(32,380)	-	-	-	-
-	-	2,492	2,492	-	-	-	-
-	-	1,114	1,114	-	-	-	-
-	-	(22,427)	(22,427)	-	-	562	562
155,399	91,000	39,799	(51,201)	-	-	562	562
\$ 16,985	\$ 77,361	\$ 98,528	\$ 21,167	\$ 20,791	\$ 47,752	\$ 137,530	\$ 89,778

NONMAJOR SPECIAL REVENUE FUNDS
**Combining Schedule of Revenues, Expenditures, and
 Other Financing Sources (Uses) - Budget and Actual**
 For the Biennium Ended June 30, 2009
(expressed in thousands)

	Central Administrative and Regulatory			
	Original Budget 2007-09 Biennium	Final Budget 2007-09 Biennium	Actual 2007-09 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 1,015,124	\$ 1,015,124	\$ 1,015,124	\$ -
Resources				
Taxes	571,381	551,446	488,548	(62,898)
Licenses, permits, and fees	199,499	212,909	133,658	(79,251)
Other contracts and grants	7,679	7,911	-	(7,911)
Timber sales	11,610	6,946	5,550	(1,396)
Federal grants-in-aid	97,460	139,376	97,072	(42,304)
Charges for services	99,253	98,549	82,825	(15,724)
Interest income	50,506	88,588	86,658	(1,930)
Miscellaneous revenue	40,205	40,086	28,572	(11,514)
Dividend income	-	-	-	-
Transfers from other funds	462,982	804,542	625,610	(178,932)
Total Resources	<u>2,555,699</u>	<u>2,965,477</u>	<u>2,563,617</u>	<u>(401,860)</u>
Charges To Appropriations				
General government	378,517	434,308	350,673	83,635
Human services	150,395	146,661	140,847	5,814
Natural resources and recreation	25,111	24,995	23,954	1,041
Transportation	66,547	75,609	70,772	4,837
Education	1,272,733	901,241	901,241	-
Capital outlays	21,367	23,529	20,109	3,420
Transfers to other funds	288,306	1,207,182	1,018,994	188,188
Total Charges To Appropriations	<u>2,202,976</u>	<u>2,813,525</u>	<u>2,526,590</u>	<u>286,935</u>
Excess Available For Appropriation Over (Under) Charges To Appropriations	<u>352,723</u>	<u>151,952</u>	<u>37,027</u>	<u>(114,925)</u>
Reconciling Items				
Bond sale proceeds	-	-	-	-
Bond issue premiums	-	-	-	-
Changes in reserves (net)	-	-	273,744	273,744
Entity adjustments (net)	-	-	34,458	34,458
Total Reconciling Items	<u>-</u>	<u>-</u>	<u>308,202</u>	<u>308,202</u>
Budgetary fund balance, June 30	<u>\$ 352,723</u>	<u>\$ 151,952</u>	<u>\$ 345,229</u>	<u>\$ 193,277</u>

State of Washington

Continued

Human Services				Wildlife and Natural Resources			
Original Budget 2007-09 Biennium *	Final Budget 2007-09 Biennium	Actual 2007-09 Biennium	Variance with Final Budget	Original Budget 2007-09 Biennium	Final Budget 2007-09 Biennium	Actual 2007-09 Biennium	Variance with Final Budget
\$ 625,216	\$ 625,216	\$ 625,216	\$ -	\$ 460,719	\$ 460,719	\$ 460,719	\$ -
1,053,134	1,063,234	1,043,877	(19,357)	307,352	337,281	330,025	(7,256)
146,524	130,455	121,433	(9,022)	226,923	228,812	157,404	(71,408)
3,898	5,215	3,862	(1,353)	8,583	11,766	8,185	(3,581)
-	-	-	-	187,733	126,029	81,583	(44,446)
502,298	499,385	328,509	(170,876)	171,881	132,867	75,336	(57,531)
378,279	393,563	298,971	(94,592)	5,558	5,966	6,892	926
26,592	27,195	28,750	1,555	33,013	26,849	30,667	3,818
352,828	361,821	352,842	(8,979)	268,210	252,599	195,430	(57,169)
275	17	-	(17)	-	-	-	-
615,842	373,068	309,173	(63,895)	276,135	119,911	67,304	(52,607)
3,704,886	3,479,169	3,112,633	(366,536)	1,946,107	1,702,799	1,413,545	(289,254)
257,078	250,204	219,827	30,377	40,177	36,332	29,765	6,567
2,075,575	2,128,122	2,069,273	58,849	8,003	8,018	7,981	37
2,909	2,885	2,822	63	656,672	654,728	583,253	71,475
17,026	18,426	16,568	1,858	1,430	1,399	1,324	75
-	2,950	2,561	389	-	-	-	-
165,451	190,525	88,230	102,295	784,917	723,939	336,241	387,698
644,140	422,962	373,302	49,660	200,747	104,571	96,507	8,064
3,162,179	3,016,074	2,772,583	243,491	1,691,946	1,528,987	1,055,071	473,916
542,707	463,095	340,050	(123,045)	254,161	173,812	358,474	184,662
-	-	-	-	19,965	37,505	33,905	(3,600)
-	-	-	-	-	19	19	-
-	-	263	263	-	-	(16,419)	(16,419)
-	-	87,912	87,912	-	-	21,105	21,105
-	-	88,175	88,175	19,965	37,524	38,610	1,086
\$ 542,707	\$ 463,095	\$ 428,225	\$ (34,870)	\$ 274,126	\$ 211,336	\$ 397,084	\$ 185,748

*Amount changed due to fund reclassification.

NONMAJOR SPECIAL REVENUE FUNDS
**Combining Schedule of Revenues, Expenditures, and
 Other Financing Sources (Uses) - Budget and Actual**

For the Biennium Ended June 30, 2009
 (expressed in thousands)

Concluded

	Local Construction and Loan			
	Original Budget 2007-09 Biennium	Final Budget 2007-09 Biennium	Actual 2007-09 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 217,644	\$ 217,644	\$ 217,644	\$ -
Resources				
Taxes	288,760	318,404	160,490	(157,914)
Licenses, permits, and fees	482	330	-	(330)
Other contracts and grants	-	-	-	-
Timber sales	-	-	-	-
Federal grants-in-aid	-	-	-	-
Charges for services	-	-	6	6
Interest income	33,485	32,687	30,845	(1,842)
Miscellaneous revenue	323,787	264,055	198,231	(65,824)
Dividend income	-	-	-	-
Transfers from other funds	181,726	135,617	71,554	(64,063)
Total Resources	1,045,884	968,737	678,770	(289,967)
Charges To Appropriations				
General government	3,988	3,962	3,909	53
Human services	-	-	-	-
Natural resources and recreation	425	421	417	4
Transportation	-	-	-	-
Education	-	-	-	-
Capital outlays	878,750	783,492	423,224	360,268
Transfers to other funds	117,299	72,894	62,901	9,993
Total Charges To Appropriations	1,000,462	860,769	490,451	370,318
Excess Available For Appropriation Over (Under) Charges To Appropriations	45,422	107,968	188,319	80,351
Reconciling Items				
Bond sale proceeds	3,910	31,000	33,195	2,195
Bond issue premiums	-	134	134	-
Changes in reserves (net)	-	-	15	15
Entity adjustments (net)	-	-	1,086	1,086
Total Reconciling Items	3,910	31,134	34,430	3,296
Budgetary fund balance, June 30	\$ 49,332	\$ 139,102	\$ 222,749	\$ 83,647

Nonmajor **Debt Service Funds**

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

General Obligation Bond Fund

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

Transportation General Obligation Bond Fund

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

Tobacco Settlement Securitization Bond Fund

The Tobacco Settlement Securitization Bond Fund accounts for the accumulation of resources for, and the payment of, principal and interest on bonds issued by the Tobacco Settlement Authority, a blended component unit of the state.

NONMAJOR DEBT SERVICE FUNDS
Combining Balance Sheet
 June 30, 2009
(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Total
ASSETS				
Cash and pooled investments	\$ 27,668	\$ 144,639	\$ 60,321	\$ 232,628
Investments	8,617	9,198	-	17,815
Other receivables (net of allowance)	1,324	1,893	24,411	27,628
Due from other funds	1,412	610	-	2,022
Total Assets	\$ 39,021	\$ 156,340	\$ 84,732	\$ 280,093
LIABILITIES AND FUND BALANCES				
Liabilities:				
Contracts and retainages payable	\$ 3,900	\$ -	\$ -	\$ 3,900
Accrued liabilities	-	8	28	36
Obligations under reverse repurchase agreements	1,282	6,743	-	8,025
Due to other funds	49	613	-	662
Total Liabilities	5,231	7,364	28	12,623
Fund Balances:				
Unreserved, undesignated	33,790	148,976	84,704	267,470
Total Fund Balances	33,790	148,976	84,704	267,470
Total Liabilities and Fund Balances	\$ 39,021	\$ 156,340	\$ 84,732	\$ 280,093

NONMAJOR DEBT SERVICE FUNDS
**Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances**
 For the Fiscal Year Ended June 30, 2009
(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Total
REVENUES				
Investment income (loss)	\$ 901	\$ 2,942	\$ 1,321	\$ 5,164
Miscellaneous revenue	11,503	-	54,999	66,502
Total Revenues	12,404	2,942	56,320	71,666
EXPENDITURES				
Current:				
General government	-	-	200	200
Debt service:				
Principal	434,234	146,496	26,695	607,425
Interest	457,497	172,195	30,186	659,878
Total Expenditures	891,731	318,691	57,081	1,267,503
Excess of Revenues Over (Under) Expenditures	(879,327)	(315,749)	(761)	(1,195,837)
OTHER FINANCING SOURCES (USES)				
Transfers in	916,385	321,685	-	1,238,070
Transfers (out)	(136,885)	-	-	(136,885)
Total Other Financing Sources (Uses)	779,500	321,685	-	1,101,185
Net Change in Fund Balances	(99,827)	5,936	(761)	(94,652)
Fund Balances - Beginning	133,617	143,040	85,465	362,122
Fund Balances - Ending	\$ 33,790	\$ 148,976	\$ 84,704	\$ 267,470

NONMAJOR DEBT SERVICE FUNDS
**Combining Schedule of Revenues, Expenditures, and
 Other Financing Sources (Uses) - Budget and Actual**
 For the Biennium Ended June 30, 2009
(expressed in thousands)

	General Obligation Bond			
	Original Budget 2007-09 Biennium	Final Budget 2007-09 Biennium	Actual 2007-09 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 23,605	\$ 23,605	\$ 23,605	\$ -
Resources				
Charges for services	16,524	21,024	-	(21,024)
Interest income	641	847	-	(847)
Miscellaneous revenue	29	812	-	(812)
Transfers from other funds	240,773	298,948	146,943	(152,005)
Total Resources	281,572	345,236	170,548	(174,688)
Charges To Appropriations				
General government	158,315	146,985	146,943	42
Transfers to other funds	88,252	65,137	-	65,137
Total Charges To Appropriations	246,567	212,122	146,943	65,179
Excess Available For Appropriation Over (Under) Charges To Appropriations	35,005	133,114	23,605	(109,509)
Reconciling Items				
Entity adjustments (net)	-	-	10,185	10,185
Total Reconciling Items	-	-	10,185	10,185
Budgetary fund balance, June 30	\$ 35,005	\$ 133,114	\$ 33,790	\$ (99,324)

Transportation General Obligation Bond			
Original Budget 2007-09 Biennium	Final Budget 2007-09 Biennium	Actual 2007-09 Biennium	Variance with Final Budget
\$ 114,433	\$ 114,433	\$ 114,433	\$ -
-	-	-	-
3,331	3,706	4,656	950
-	-	-	-
709,717	625,304	608,434	(16,870)
827,481	743,443	727,523	(15,920)
635,838	579,703	579,643	60
30,200	1,637	-	1,637
666,038	581,340	579,643	1,697
161,443	162,103	147,880	(14,223)
-	-	1,096	1,096
-	-	1,096	1,096
\$ 161,443	\$ 162,103	\$ 148,976	\$ (13,127)

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Nonmajor Capital Projects Funds

Capital Projects Funds account for the acquisition, construction, or improvement of major capital facilities (other than those financed by proprietary funds for individuals, private organizations, or other governments). The Capital Projects Funds are as follows:

State Facilities Fund

The State Facilities Fund accounts for the construction and remodeling of public buildings.

Higher Education Facilities Fund

The Higher Education Facilities Fund accounts for the acquisition, construction, and remodeling of higher education facilities.

NONMAJOR CAPITAL PROJECTS FUNDS
Combining Balance Sheet
 June 30, 2009
(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
ASSETS			
Cash and pooled investments	\$ 416,558	\$ 179,635	\$ 596,193
Investments	-	22,188	22,188
Other receivables (net of allowance)	7,184	6,635	13,819
Due from other funds	21,281	3,994	25,275
Due from other governments	2,149	4,280	6,429
Total Assets	\$ 447,172	\$ 216,732	\$ 663,904
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 38,353	\$ 19,855	\$ 58,208
Contracts and retainages payable	27,768	1,466	29,234
Accrued liabilities	2,963	227	3,190
Obligations under reverse repurchase agreements	-	2,723	2,723
Due to other funds	35,897	19,762	55,659
Due to other governments	43,247	2	43,249
Deferred revenues	7,410	36,681	44,091
Total Liabilities	155,638	80,716	236,354
Fund Balances:			
Reserved for:			
Encumbrances	116,952	1,609	118,561
Other specific purposes	1,433	-	1,433
Unreserved, undesignated	173,149	134,407	307,556
Total Fund Balances	291,534	136,016	427,550
Total Liabilities and Fund Balances	\$ 447,172	\$ 216,732	\$ 663,904

NONMAJOR CAPITAL PROJECTS FUNDS
**Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances**
 For the Fiscal Year Ended June 30, 2009
(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
REVENUES			
Timber sales	\$ 5,537	\$ 348	\$ 5,885
Other contracts and grants	-	1,270	1,270
Federal grants-in-aid	-	9,451	9,451
Charges for services	-	46,034	46,034
Investment income (loss)	-	2,904	2,904
Miscellaneous revenue	8,634	3,987	12,621
Total Revenues	14,171	63,994	78,165
EXPENDITURES			
Current:			
General government	235,450	216	235,666
Human services	16,815	-	16,815
Natural resources and recreation	138,494	-	138,494
Transportation	3,199	-	3,199
Education	230,076	57,138	287,214
Capital outlays	566,204	275,799	842,003
Debt service:			
Principal	-	18	18
Interest	228	168	396
Total Expenditures	1,190,466	333,339	1,523,805
Excess of Revenues Over (Under) Expenditures	(1,176,295)	(269,345)	(1,445,640)
OTHER FINANCING SOURCES (USES)			
Bonds issued	1,096,658	109,200	1,205,858
Bond issue premiums	50,914	5,391	56,305
Transfers in	6,144	126,504	132,648
Transfers (out)	(34,776)	(17,042)	(51,818)
Total Other Financing Sources (Uses)	1,118,940	224,053	1,342,993
Net Change in Fund Balances	(57,355)	(45,292)	(102,647)
Fund Balances - Beginning	348,889	181,308	530,197
Fund Balances - Ending	\$ 291,534	\$ 136,016	\$ 427,550

NONMAJOR CAPITAL PROJECTS FUNDS
**Combining Schedule of Revenues, Expenditures, and
 Other Financing Sources (Uses) - Budget and Actual**
 For the Biennium Ended June 30, 2009
(expressed in thousands)

	State Facilities			
	Original Budget 2007-09 Biennium	Final Budget 2007-09 Biennium	Actual 2007-09 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	\$ 156,673	\$ 156,673	\$ 156,673	\$ -
Resources				
Timber sales	24,454	11,615	10,240	(1,375)
Charges for services	-	-	-	-
Interest income	110	-	-	-
Miscellaneous revenue	28,024	16,176	16,841	665
Transfers from other funds	7,178	6,549	7,008	459
Total Resources	216,439	191,013	190,762	(251)
Charges To Appropriations				
General government	10,806	14,210	4,864	9,346
Capital outlays	2,416,401	2,878,235	1,977,890	900,345
Transfers to other funds	89,749	82,212	44,116	38,096
Total Charges To Appropriations	2,516,956	2,974,657	2,026,870	947,787
Excess Available For Appropriation				
Over (Under) Charges To Appropriations	(2,300,517)	(2,783,644)	(1,836,108)	947,536
Reconciling Items				
Bond sale proceeds	2,453,393	2,899,165	2,013,705	(885,460)
Bond issue premiums	-	61,176	112,090	50,914
Changes in reserves (net)	-	-	115	115
Entity adjustments (net)	-	-	299	299
Total Reconciling Items	2,453,393	2,960,341	2,126,209	(834,132)
Budgetary fund balance, June 30	\$ 152,876	\$ 176,697	\$ 290,101	\$ 113,404

Higher Education Facilities			
Original Budget 2007-09 Biennium	Final Budget 2007-09 Biennium	Actual 2007-09 Biennium	Variance with Final Budget
\$ 168,108	\$ 168,108	\$ 168,108	\$ -
915	431	433	2
95,792	85,317	89,005	3,688
3,189	3,228	3,848	620
32,177	311	186	(125)
77,758	83,515	83,933	418
377,939	340,910	345,513	4,603
2,242	2,354	509	1,845
554,392	558,461	452,337	106,124
15,391	13,742	13,743	(1)
572,025	574,557	466,589	107,968
(194,086)	(233,647)	(121,076)	112,571
317,624	281,165	264,200	(16,965)
-	10,509	15,900	5,391
-	-	-	-
-	-	(23,008)	(23,008)
317,624	291,674	257,092	(34,582)
\$ 123,538	\$ 58,027	\$ 136,016	\$ 77,989

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Nonmajor Enterprise Funds

Enterprise Funds account for any activity for which a fee is charged to external users for goods or services. If an activity's principal revenue source meets any one of the following criteria, it is required to be reported as an enterprise fund: (1) an activity financed with debt that is secured solely by pledge of the net revenues from fees and charges for the activity; (2) laws or regulations which require that the activity's costs of providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues; or (3) pricing policies which establish fees and charges designed to recover the activity's costs, including capital costs. The nonmajor Enterprise Funds are described below:

Liquor Fund

The Liquor Fund accounts for the administration and operation of state liquor stores, warehouses, and the distribution of net proceeds.

Convention and Trade Fund

The Convention and Trade Fund accounts for the acquisition, design, construction, promotion, and operation of the State Convention and Trade Center.

Lottery Fund

The Lottery Fund accounts for lottery ticket revenues, administrative and operating expenses of the Lottery Commission, and the distribution of revenue.

Institutional Fund

The Institutional Fund accounts for the enterprise activities (industries) carried out through vocational/education programs at the correctional institutions.

Other Activities Fund

The Other Activities Fund accounts for the following: (1) the guaranteed college tuition program; (2) the production and sale of statute law publications and official reports; and (3) Judicial Information System users.

NONMAJOR ENTERPRISE FUNDS
Combining Statement of Fund Net Assets
 June 30, 2009
(expressed in thousands)

	Liquor	Convention and Trade	Lottery	Institutional
ASSETS				
Current Assets:				
Cash and pooled investments	\$ 30,537	\$ 35,336	\$ 45,850	\$ 5,817
Investments	-	-	55,222	-
Taxes receivable (net of allowance)	5,456	-	-	-
Other receivables (net of allowance)	8,641	3,032	15,721	879
Due from other funds	1,280	30,655	397	6,801
Due from other governments	1	-	-	392
Inventories	41,880	-	333	7,522
Prepaid expenses	7	225	43	70
Total Current Assets	87,802	69,248	117,566	21,481
Noncurrent Assets:				
Investments, noncurrent	-	-	286,239	-
Other noncurrent assets	-	-	1	-
Capital assets:				
Land and other non-depreciable assets	177	77,356	-	1,540
Buildings	15,241	379,328	-	12,828
Other improvements	-	17,728	552	1,869
Furnishings, equipment, and collections	30,169	5,150	618	20,726
Accumulated depreciation	(26,229)	(108,889)	(893)	(13,452)
Construction in progress	16,160	28,530	-	-
Total Noncurrent Assets	35,518	399,203	286,517	23,511
Total Assets	123,320	468,451	404,083	44,992
LIABILITIES				
Current Liabilities:				
Accounts payable	27,937	1,015	4,476	3,159
Contracts and retainages payable	-	3,848	-	3
Accrued liabilities	20,478	3,925	87,728	1,789
Obligations under security lending agreements	-	-	-	-
Obligations under reverse repurchase agreements	-	-	-	-
Bonds and notes payable	2,240	20,739	-	672
Due to other funds	7,432	63	10,225	704
Due to other governments	-	4	35	-
Unearned revenues	-	99	-	11
Claims and judgments payable	-	-	-	-
Total Current Liabilities	58,087	29,693	102,464	6,338
Noncurrent Liabilities:				
Claims and judgments payable	-	-	-	-
Bonds and notes payable	10,110	253,669	-	8,396
Other long-term liabilities	9,103	1,070	256,665	2,905
Total Noncurrent Liabilities	19,213	254,739	256,665	11,301
Total Liabilities	77,300	284,432	359,129	17,639
NET ASSETS				
Invested in capital assets, net of related debt	23,168	124,795	277	14,443
Unrestricted	22,852	59,224	44,677	12,910
Total Net Assets (Deficit)	\$ 46,020	\$ 184,019	\$ 44,954	\$ 27,353

<u>Other Activities</u>	<u>Total</u>
\$ 189,214	\$ 306,754
359,321	414,543
-	5,456
4,031	32,304
1,836	40,969
3,348	3,741
50	49,785
21	366
<u>557,821</u>	<u>853,918</u>
1,063,102	1,349,341
189,897	189,898
-	79,073
-	407,397
110	20,259
11,914	68,577
(7,215)	(156,678)
-	44,690
<u>1,257,808</u>	<u>2,002,557</u>
<u>1,815,629</u>	<u>2,856,475</u>
7,706	44,293
63,313	67,164
21,044	134,964
359,320	359,320
132	132
45,069	68,720
68,616	87,040
3,661	3,700
-	110
4,091	4,091
<u>572,952</u>	<u>769,534</u>
7,188	7,188
298	272,473
<u>1,432,596</u>	<u>1,702,339</u>
<u>1,440,082</u>	<u>1,982,000</u>
<u>2,013,034</u>	<u>2,751,534</u>
4,316	166,999
(201,721)	(62,058)
<u>(\$ 197,405)</u>	<u>\$ 104,941</u>

NONMAJOR ENTERPRISE FUNDS
**Combining Statement of Revenues, Expenses,
 and Changes in Fund Net Assets**
 For the Fiscal Year Ended June 30, 2009
(expressed in thousands)

	Liquor	Convention and Trade	Lottery	Institutional
OPERATING REVENUES				
Sales	\$ 561,895	\$ -	\$ -	\$ 60,585
Less: Cost of goods sold	377,281	-	-	46,399
Gross profit	184,614	-	-	14,186
Charges for services	293	17,933	-	-
Lottery ticket proceeds	-	-	487,715	-
Miscellaneous revenue	383	17	1	1,813
Total Operating Revenues	185,290	17,950	487,716	15,999
OPERATING EXPENSES				
Salaries and wages	46,551	7,379	7,391	12,637
Employee benefits	20,069	4,198	2,424	4,285
Personal services	1,010	5,913	12,767	6
Goods and services	55,502	5,315	51,472	458
Travel	945	6	369	207
Lottery prize payments	-	-	301,280	-
Depreciation and amortization	3,051	8,117	111	1,191
Guaranteed education tuition expense	-	-	-	-
Miscellaneous expenses	38	-	2	24
Total Operating Expenses	127,166	30,928	375,816	18,808
Operating Income (Loss)	58,124	(12,978)	111,900	(2,809)
NONOPERATING REVENUES (EXPENSES)				
Earnings (loss) on investments	1	-	23,322	11
Interest expense	(629)	(16,603)	(20,000)	(373)
Distributions to other governments	(34,929)	-	(4,899)	-
Tax revenue	54,521	57,081	-	-
Other revenue (expenses)	11,303	-	18	(63)
Total Nonoperating Revenues (Expenses)	30,267	40,478	(1,559)	(425)
Income (Loss) Before Contributions and Transfers	88,391	27,500	110,341	(3,234)
Transfers in	5,819	-	12,040	50
Transfers (out)	(77,193)	(61,500)	(127,506)	(50)
Net Contributions and Transfers	(71,374)	(61,500)	(115,466)	-
Change in Net Assets	17,017	(34,000)	(5,125)	(3,234)
Net Assets (Deficit) - Beginning, as restated	29,003	218,019	50,079	30,587
Net Assets (Deficit) - Ending	\$ 46,020	\$ 184,019	\$ 44,954	\$ 27,353

Other Activities	Total
\$ 160	\$ 622,640
102	423,782
58	198,858
54,411	72,637
-	487,715
3,744	5,958
58,213	765,168
22,711	96,669
6,855	37,831
3,076	22,772
27,896	140,643
911	2,438
-	301,280
1,315	13,785
215,222	215,222
190	254
278,176	830,894
(219,963)	(65,726)
(149,978)	(126,644)
(27)	(37,632)
-	(39,828)
1,130	112,732
17,706	28,964
(131,169)	(62,408)
(351,132)	(128,134)
59	17,968
(10,205)	(276,454)
(10,146)	(258,486)
(361,278)	(386,620)
163,873	491,561
\$ (197,405)	\$ 104,941

NONMAJOR ENTERPRISE FUNDS
Combining Statement of Cash Flows
 For the Fiscal Year Ended June 30, 2009
(expressed in thousands)

	Liquor	Convention and Trade
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 563,432	\$ (10,084)
Payments to suppliers	(446,722)	(13,702)
Payments to employees	(63,774)	(10,951)
Other receipts (payments)	383	17
Net Cash Provided (Used) by Operating Activities	<u>53,319</u>	<u>(34,720)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	5,819	-
Transfers out	(77,193)	(61,500)
Operating grants and donations received	13	-
Taxes and license fees collected	65,519	57,081
Distributions to other governments	(34,929)	-
Other noncapital financing sources (uses)	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(40,771)</u>	<u>(4,419)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid	(637)	(12,514)
Principal payments on long-term capital financing	(2,135)	(18,632)
Proceeds from long-term capital financing	-	38,085
Proceeds from sale of capital assets	-	-
Acquisitions of capital assets	(3,218)	(12,259)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(5,990)</u>	<u>(5,320)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest	1	-
Proceeds from sale of investment securities	-	-
Purchases of investment securities	-	-
Net Cash Provided (Used) by Investing Activities	<u>1</u>	<u>-</u>
Net Increase (Decrease) in Cash and Pooled Investments	6,559	(44,459)
Cash and Pooled Investments, July 1	23,978	79,795
Cash and Pooled Investments, June 30	<u>\$ 30,537</u>	<u>\$ 35,336</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 58,124	\$ (12,978)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:		
Depreciation	3,051	8,117
Change in Assets: Decrease (Increase)		
Receivables (net of allowance)	1,247	(28,034)
Inventories	(16,913)	-
Prepaid expenses	-	42
Change in Liabilities: Increase (Decrease)		
Payables	7,810	(1,867)
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	<u>\$ 53,319</u>	<u>\$ (34,720)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Amortization of annuity prize liability	\$ -	\$ -
Increase (decrease) in fair value of investments	-	-
Accretion of interest on zero coupon bonds	-	(3,832)

State of Washington

Lottery	Institutional	Other Activities	Total
\$ 499,038	\$ 62,193	\$ 266,798	\$ 1,381,377
(431,044)	(47,808)	(25,722)	(964,998)
(9,487)	(16,309)	(28,522)	(129,043)
1	1,813	3,744	5,958
58,508	(111)	216,298	293,294
12,040	50	59	17,968
(127,506)	(50)	(10,205)	(276,454)
-	-	-	13
18	-	18,839	141,457
(4,899)	-	-	(39,828)
-	-	11,642	11,642
(120,347)	-	20,335	(145,202)
-	(373)	(27)	(13,551)
-	(653)	(296)	(21,716)
-	-	104	38,189
-	33	25	58
(80)	(823)	(2,767)	(19,147)
(80)	(1,816)	(2,961)	(16,167)
842	11	16,481	17,335
118,553	-	295,586	414,139
(62,244)	-	(488,617)	(550,861)
57,151	11	(176,550)	(119,387)
(4,768)	(1,916)	57,122	12,538
50,618	7,733	132,092	294,216
\$ 45,850	\$ 5,817	\$ 189,214	\$ 306,754
\$ 111,900	\$ (2,809)	\$ (219,963)	\$ (65,726)
111	1,191	1,315	13,785
11,404	1,607	(20,048)	(33,824)
(63)	1,022	8	(15,946)
(43)	(12)	(3)	(16)
(64,801)	(1,110)	454,989	395,021
\$ 58,508	\$ (111)	\$ 216,298	\$ 293,294
\$ 20,000	\$ -	\$ -	\$ 20,000
22,480	-	(137,299)	(114,819)
-	-	-	(3,832)

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Internal Service Funds

Internal Service Funds account for state activities that provide goods and services to other state departments or agencies on a cost-reimbursement basis. The Internal Service Funds are described below:

General Services Fund

The General Services Fund accounts for the cost of providing the following services to state agencies: (1) legal services; (2) operation and management of real estate; (3) facilities and related services; (4) operations of the motor pool; (5) auditing of state and local governmental units; (6) administration of the state civil service law; (7) administrative hearings; and (8) archives and records management.

Data Processing Revolving Fund

The Data Processing Revolving Fund accounts for distribution and apportionment of the full cost of data processing and data communication services to other state agencies, and for the payment of other costs incidental to the acquisition, operation, and administration of acquired data processing services, supplies, and equipment.

Printing Services Fund

The Printing Services Fund accounts for the operation of the state printing plant.

Higher Education Revolving Fund

The Higher Education Revolving Fund accounts for stores, data processing, educational, operational printing and duplication, motor pool, and other support service activities at colleges and universities.

Risk Management Fund

The Risk Management Fund 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.

Health Insurance Fund

The Health Insurance Fund accounts for premiums collected and payments for employees' insurance benefits.

INTERNAL SERVICE FUNDS
Combining Statement of Fund Net Assets
 June 30, 2009
(expressed in thousands)

	General Services	Data Processing Revolving	Printing Services	Higher Education Revolving
ASSETS				
Current Assets:				
Cash and pooled investments	\$ 46,094	\$ 43,983	\$ 1,661	\$ 59,537
Investments	-	-	-	384
Other receivables (net of allowance)	2,732	9,115	15	3,589
Due from other funds	53,982	19,366	3,435	66,507
Due from other governments	1,267	5,382	48	1,024
Inventories	4,971	1,581	542	11,080
Prepaid expenses	3,736	1,795	48	1
Total Current Assets	112,782	81,222	5,749	142,122
Noncurrent Assets:				
Investments, noncurrent	627	-	-	1,566
Other noncurrent assets	79	-	-	-
Capital assets:				
Land and other non-depreciable assets	3,806	-	-	30
Buildings	120,127	-	-	28,913
Other improvements	13,206	4,939	-	97
Furnishings, equipment, and collections	413,969	229,984	9,408	97,468
Infrastructure	478	-	-	-
Accumulated depreciation	(242,621)	(155,431)	(6,697)	(90,095)
Construction in progress	23,042	1,661	-	-
Total Noncurrent Assets	332,713	81,153	2,711	37,979
Total Assets	445,495	162,375	8,460	180,101
LIABILITIES				
Current Liabilities:				
Accounts payable	8,338	14,418	2,808	5,981
Contracts and retainages payable	1,063	-	-	149
Accrued liabilities	10,011	2,279	329	15,924
Obligations under reverse repurchase agreements	553	-	-	-
Bonds and notes payable	11,065	12,911	198	1,430
Due to other funds	8,064	10,541	131	26,957
Due to other governments	2	9	-	4
Unearned revenues	386	219	-	149
Claims and judgments payable	-	-	-	8,188
Total Current Liabilities	39,482	40,377	3,466	58,782
Noncurrent Liabilities:				
Claims and judgments payable	-	-	-	43,463
Bonds and notes payable	136,041	29,176	995	17,560
Other long-term liabilities	15,453	5,007	466	4,442
Total Noncurrent Liabilities	151,494	34,183	1,461	65,465
Total Liabilities	190,976	74,560	4,927	124,247
NET ASSETS				
Invested in capital assets, net of related debt	200,369	39,066	1,517	17,423
Unrestricted	54,150	48,749	2,016	38,431
Total Net Assets (Deficit)	\$ 254,519	\$ 87,815	\$ 3,533	\$ 55,854

State of Washington

Risk Management	Health Insurance	Total
\$ 107,228	\$ 78,314	\$ 336,817
-	6,739	7,123
1	1,645	17,097
2,726	50,277	196,293
-	386	8,107
-	-	18,174
-	-	5,580
<u>109,955</u>	<u>137,361</u>	<u>589,191</u>
-	65,174	67,367
-	-	79
-	-	3,836
-	-	149,040
-	-	18,242
15	3,418	754,262
-	-	478
(12)	(2,017)	(496,873)
-	-	24,703
<u>3</u>	<u>66,575</u>	<u>521,134</u>
<u>109,958</u>	<u>203,936</u>	<u>1,110,325</u>
133	16,884	48,562
-	19,440	20,652
69	352	28,964
-	3,849	4,402
-	17	25,621
7,081	50,773	103,547
-	2	17
101	327	1,182
<u>99,606</u>	<u>83,441</u>	<u>191,235</u>
<u>106,990</u>	<u>175,085</u>	<u>424,182</u>
620,591	-	664,054
-	36	183,808
<u>125</u>	<u>466</u>	<u>25,959</u>
<u>620,716</u>	<u>502</u>	<u>873,821</u>
<u>727,706</u>	<u>175,587</u>	<u>1,298,003</u>
3	1,348	259,726
(617,751)	27,001	(447,404)
<u>\$ (617,748)</u>	<u>\$ 28,349</u>	<u>\$ (187,678)</u>

INTERNAL SERVICE FUNDS
**Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets**
For the Fiscal Year Ended June 30, 2009
(expressed in thousands)

	General Services	Data Processing Revolving	Printing Services	Higher Education Revolving
OPERATING REVENUES				
Sales	\$ 13,395	\$ 46,900	\$ 31,562	\$ 21,275
Less: Cost of goods sold	11,819	44,421	27,346	15,172
Gross profit	1,576	2,479	4,216	6,103
Charges for services	313,802	160,108	-	202,094
Premiums and assessments	-	-	-	11,649
Miscellaneous revenue	37,646	506	6	7,015
Total Operating Revenues	353,024	163,093	4,222	226,861
OPERATING EXPENSES				
Salaries and wages	147,941	45,128	2,647	94,085
Employee benefits	42,384	11,602	791	24,952
Personal services	9,160	3,216	21	4,429
Goods and services	114,655	91,943	1,784	94,926
Travel	2,166	111	6	1,335
Premiums and claims	-	-	-	-
Depreciation and amortization	31,709	29,228	297	9,306
Miscellaneous expenses	247	193	-	560
Total Operating Expenses	348,262	181,421	5,546	229,593
Operating Income (Loss)	4,762	(18,328)	(1,324)	(2,732)
NONOPERATING REVENUES (EXPENSES)				
Earnings (loss) on investments	321	-	29	189
Interest expense	(6,105)	(1,980)	(52)	(123)
Other revenue (expenses)	(557)	203	-	251
Total Nonoperating Revenues (Expenses)	(6,341)	(1,777)	(23)	317
Income (Loss) Before Contributions and Transfers	(1,579)	(20,105)	(1,347)	(2,415)
Capital contributions	3,397	-	-	-
Transfers in	5,797	24,181	-	68,955
Transfers (out)	(6,867)	(11,688)	(8)	(55,965)
Net Contributions and Transfers	2,327	12,493	(8)	12,990
Change in Net Assets	748	(7,612)	(1,355)	10,575
Net Assets (Deficit) - Beginning, as restated	253,771	95,427	4,888	45,279
Net Assets (Deficit) - Ending	\$ 254,519	\$ 87,815	\$ 3,533	\$ 55,854

State of Washington

Risk Management	Health Insurance	Total
\$ -	\$ -	\$ 113,132
-	-	98,758
-	-	14,374
2,781	-	678,785
50,568	956,914	1,019,131
18	381	45,572
<u>53,367</u>	<u>957,295</u>	<u>1,757,862</u>
1,482	7,123	298,406
388	2,015	82,132
357	2,732	19,915
19,717	9,247	332,272
31	71	3,720
136,310	1,189,504	1,325,814
4	702	71,246
-	-	1,000
<u>158,289</u>	<u>1,211,394</u>	<u>2,134,505</u>
(104,922)	(254,099)	(376,643)
-	6,556	7,095
-	(3)	(8,263)
-	(2)	(105)
-	6,551	(1,273)
<u>(104,922)</u>	<u>(247,548)</u>	<u>(377,916)</u>
-	-	3,397
-	76,961	175,894
(2)	(76,216)	(150,746)
(2)	745	28,545
<u>(104,924)</u>	<u>(246,803)</u>	<u>(349,371)</u>
(512,824)	275,152	161,693
<u>\$ (617,748)</u>	<u>\$ 28,349</u>	<u>\$ (187,678)</u>

INTERNAL SERVICE FUNDS
Combining Statement of Cash Flows
 For the Fiscal Year Ended June 30, 2009
(expressed in thousands)

	General Services	Data Processing Revolving
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 316,357	\$ 199,906
Payments to suppliers	(136,241)	(135,510)
Payments to employees	(189,506)	(56,611)
Other receipts (payments)	37,646	476
Net Cash Provided (Used) by Operating Activities	<u>28,256</u>	<u>8,261</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	5,797	24,181
Transfers out	(6,867)	(11,688)
Operating grants and donations received	941	-
Other noncapital financing sources (uses)	(2)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(131)</u>	<u>12,493</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid	(6,161)	(1,980)
Principal payments on long-term capital financing	(18,747)	(13,441)
Proceeds from long-term capital financing	34,723	7,387
Proceeds from sale of capital assets	1,766	379
Acquisitions of capital assets	(27,981)	(21,414)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(16,400)</u>	<u>(29,069)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest	251	-
Proceeds from sale of investment securities	-	-
Purchases of investment securities	-	-
Net Cash Provided (Used) by Investing Activities	<u>251</u>	<u>-</u>
Net Increase (Decrease) in Cash and Pooled Investments	11,976	(8,315)
Cash and Pooled Investments, July 1	34,118	52,298
Cash and Pooled Investments, June 30	<u>\$ 46,094</u>	<u>\$ 43,983</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 4,762	\$ (18,328)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:		
Depreciation	31,709	29,228
Change in Assets: Decrease (Increase)		
Receivables (net of allowance)	(9,221)	(6,624)
Inventories	1,366	(403)
Prepaid expenses	(2,088)	847
Change in Liabilities: Increase (Decrease)		
Payables	1,728	3,541
Net Cash or Cash Equivalents Provided by (Used In) Operating Activities	<u>\$ 28,256</u>	<u>\$ 8,261</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Contributions of capital assets	\$ 3,397	\$ -
Increase (decrease) in fair value of investments	70	-

State of Washington

Printing Services	Higher Education Revolving	Risk Management	Health Insurance	Total
\$ 32,114	\$ 232,389	\$ 51,582	\$ 960,145	\$ 1,792,493
(29,450)	(126,517)	(84,310)	(1,200,992)	(1,713,020)
(3,429)	(120,055)	(1,879)	(9,101)	(380,581)
6	7,015	18	379	45,540
(759)	(7,168)	(34,589)	(249,569)	(255,568)
-	68,955	-	76,961	175,894
(8)	(55,965)	(2)	(76,216)	(150,746)
-	100	-	-	1,041
-	-	-	-	(2)
(8)	13,090	(2)	745	26,187
(52)	(123)	-	(3)	(8,319)
(191)	(838)	-	(16)	(33,233)
-	319	-	-	42,429
-	1,150	-	-	3,295
(10)	(5,273)	-	(60)	(54,738)
(253)	(4,765)	-	(79)	(50,566)
29	187	-	9,027	9,494
-	1,468	-	45,325	46,793
-	(728)	-	(59,048)	(59,776)
29	927	-	(4,696)	(3,489)
(991)	2,084	(34,591)	(253,599)	(283,436)
2,652	57,453	141,819	331,913	620,253
\$ 1,661	\$ 59,537	\$ 107,228	\$ 78,314	\$ 336,817
\$ (1,324)	\$ (2,732)	\$ (104,922)	\$ (254,099)	\$ (376,643)
297	9,306	4	702	71,246
552	(1,606)	(1,815)	3,179	(15,535)
(35)	864	-	-	1,792
91	18	-	-	(1,132)
(340)	(13,018)	72,144	649	64,704
\$ (759)	\$ (7,168)	\$ (34,589)	\$ (249,569)	\$ (255,568)
\$ -	\$ -	\$ -	\$ -	\$ 3,397
-	1	-	243	314

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Fiduciary Funds

Fiduciary Funds account for assets held in a trustee or agent capacity for outside parties, including individuals, private organizations, and other governments.

AGENCY FUNDS

Agency Funds account for resources held by the state in a custodial capacity for other governments, private organizations, or individuals. The Agency Funds are described below:

Suspense Fund

The Suspense Fund accounts for receipts where final disposition is pending.

Local Government Distributions Fund

The Local Government Distributions Fund accounts for the receipt and allocation of taxes and fees imposed by local governments.

Pooled Investments Fund

The Pooled Investments Fund is used to administer the pooling and investing of surplus state funds, and the accumulation and allocation of interest earned among the various accounts and funds from which such investments and investment deposits were made. These balances are distributed to the owner funds at June 30.

Retiree Health Insurance Fund

The Retiree Health Insurance Fund accounts for premiums collected and payments for retiree insurance benefits.

Other Agency Fund

The Other Agency Fund accounts for (1) assets held for employees, foster children, inmates, patients, and residents of state institutions; (2) the local government share of contracted timber sales; and (3) monies held under other custodial responsibilities of the state.

AGENCY FUNDS
Combining Statement of Assets and Liabilities
 June 30, 2009
 (expressed in thousands)

	Suspense	Local Government Distributions	Retiree Health Insurance	Other Agency	Total
ASSETS					
Cash and pooled investments	\$ 4,755	\$ 163,499	\$ -	\$ 49,445	\$ 217,699
Other receivables	-	2,961	5	6,029	8,995
Due from other funds	-	-	-	78	78
Due from other governments	-	7	13,173	3,917	17,097
Investments, noncurrent	-	-	20,545	694	21,239
Other noncurrent assets	-	-	-	35,105	35,105
Total Assets	\$ 4,755	\$ 166,467	\$ 33,723	\$ 95,268	\$ 300,213
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 6,513	\$ 3,227	\$ 9,740
Contracts and retainages payable	-	-	26,103	7,954	34,057
Accrued liabilities	4,755	1,594	16	42,888	49,253
Obligations under reverse repurchase agreements	-	8,449	1,091	348	9,888
Due to other funds	-	-	-	32	32
Due to other governments	-	156,424	-	5,715	162,139
Other long-term liabilities	-	-	-	35,104	35,104
Total Liabilities	\$ 4,755	\$ 166,467	\$ 33,723	\$ 95,268	\$ 300,213

AGENCY FUNDS
Combining Statement of Changes in Assets and Liabilities
 For the Fiscal Year Ended June 30, 2009
 (expressed in thousands)

Continued

<u>Suspense Fund</u>	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
ASSETS				
Cash and pooled investments	\$ 9,751	\$ 1,661,834	\$ 1,666,830	\$ 4,755
Other receivables (net of allowance)	-	7,718	7,718	-
Due from other funds	-	17,263	17,263	-
Due from other governments	-	29	29	-
Investments, noncurrent	-	419	419	-
Total Assets	\$ 9,751	\$ 1,687,263	\$ 1,692,259	\$ 4,755
LIABILITIES				
Accounts payable	\$ -	\$ 20,431	\$ 20,431	\$ -
Accrued liabilities	6,533	453,277	455,055	4,755
Due to other governments	3,218	73,534	76,752	-
Total Liabilities	\$ 9,751	\$ 547,242	\$ 552,238	\$ 4,755
 Local Government Distributions Fund				
ASSETS				
Cash and pooled investments	\$ 180,143	\$ 7,844,769	\$ 7,861,413	\$ 163,499
Other receivables (net of allowance)	1,410	2,961	1,410	2,961
Due from other funds	609	-	609	-
Due from other governments	52	-	45	7
Investments, noncurrent	16,064	91,324	107,388	-
Total Assets	\$ 198,278	\$ 7,939,054	\$ 7,970,865	\$ 166,467
LIABILITIES				
Accrued liabilities	\$ 3,902	\$ 1,369	\$ 3,677	\$ 1,594
Obligations under security lending agreements	15,839	-	15,839	-
Obligations under reverse purchase agreements	-	8,449	-	8,449
Due to other funds	535	233	768	-
Due to other governments	178,002	2,711,866	2,733,444	156,424
Other long-term obligations	-	523	523	-
Total Liabilities	\$ 198,278	\$ 2,722,440	\$ 2,754,251	\$ 166,467
 Pool of Investments Fund				
ASSETS				
Cash and pooled investments	\$ -	\$ 571,615,627	\$ 571,615,627	\$ -
Other receivables (net of allowance)	-	779,214	779,214	-
Due from other funds	-	11,404	11,404	-
Investments, noncurrent	-	956,104	956,104	-
Total Assets	\$ -	\$ 573,362,349	\$ 573,362,349	\$ -
LIABILITIES				
Accounts payable	\$ -	\$ 355	\$ 355	\$ -
Accrued liabilities	-	63,156,600	63,156,600	-
Due to other funds	-	1,730	1,730	-
Total Liabilities	\$ -	\$ 63,158,685	\$ 63,158,685	\$ -

AGENCY FUNDS
Combining Statement of Changes in Assets and Liabilities
 For the Fiscal Year Ended June 30, 2009
(expressed in thousands)

Concluded

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Retiree Health Insurance Fund				
ASSETS				
Cash and pooled investments	\$ -	\$ 379,930	\$ 379,930	\$ -
Other receivables (net of allowance)	47	109,652	109,694	5
Due from other governments	13,041	268,588	268,456	13,173
Investments, noncurrent	25,103	1,091	5,649	20,545
Total Assets	\$ 38,191	\$ 759,261	\$ 763,729	\$ 33,723
LIABILITIES				
Accounts payable	\$ 10,375	\$ 247,013	\$ 250,875	\$ 6,513
Contracts and retainages payable	27,797	132,874	134,568	26,103
Accrued liabilities	19	-	3	16
Obligations under reverse purchase agreements	-	1,091	-	1,091
Total Liabilities	\$ 38,191	\$ 380,978	\$ 385,446	\$ 33,723
Other Agency Funds				
ASSETS				
Cash and pooled investments	\$ 91,768	\$ 16,742,691	\$ 16,785,014	\$ 49,445
Other receivables (net of allowance)	14,152	171,382	179,505	6,029
Due from other funds	1,974	19,127	21,023	78
Due from other governments	23,639	12,362	32,084	3,917
Investments, noncurrent	13,749	707	13,762	694
Other noncurrent assets	63,830	2	28,727	35,105
Total Assets	\$ 209,112	\$ 16,946,271	\$ 17,060,115	\$ 95,268
LIABILITIES				
Accounts payable	\$ 11,112	\$ 1,212,724	\$ 1,220,609	\$ 3,227
Contracts and retainages payable	11,669	448,774	452,489	7,954
Accrued liabilities	104,547	5,387,385	5,449,044	42,888
Obligations under security lending agreements	1,093	-	1,093	-
Obligations under reverse purchase agreements	-	348	-	348
Due to other funds	6,233	28,597	34,798	32
Due to other governments	10,628	57,614	62,527	5,715
Other long-term obligations	63,830	-	28,726	35,104
Total Liabilities	\$ 209,112	\$ 7,135,442	\$ 7,249,286	\$ 95,268
Totals - All Agency Funds				
ASSETS				
Cash and pooled investments	\$ 281,662	\$ 598,244,851	\$ 598,308,814	\$ 217,699
Other receivables (net of allowance)	15,609	1,070,927	1,077,541	8,995
Due from other funds	2,583	47,794	50,299	78
Due from other governments	36,732	280,979	300,614	17,097
Investments, noncurrent	54,916	1,049,645	1,083,322	21,239
Other noncurrent assets	63,830	2	28,727	35,105
Total Assets	\$ 455,332	\$ 600,694,198	\$ 600,849,317	\$ 300,213
LIABILITIES				
Accounts payable	\$ 21,487	\$ 1,480,523	\$ 1,492,270	\$ 9,740
Contracts and retainages payable	39,466	581,648	587,057	34,057
Accrued liabilities	115,001	68,998,631	69,064,379	49,253
Obligations under security lending agreements	16,932	-	16,932	-
Obligations under reverse purchase agreements	-	9,888	-	9,888
Due to other funds	6,768	30,560	37,296	32
Due to other governments	191,848	2,843,014	2,872,723	162,139
Other long-term obligations	63,830	523	29,249	35,104
Total Liabilities	\$ 455,332	\$ 73,944,787	\$ 74,099,906	\$ 300,213

Nonmajor Component Units

Discrete component units are entities which are legally separate from the state but which are financially accountable to the state. The nonmajor component units are described below:

Washington State Housing Finance Commission

The Washington State Housing Finance Commission makes funds available to help provide housing throughout the state, and to finance or refinance nursing homes and capital facilities owned and operated by nonprofit corporations.

Washington Health Care Facilities Authority

The Washington Health Care Facilities Authority makes funds available to qualified, nonprofit health care facilities in the state.

Washington Higher Education Facilities Authority

The Washington Higher Education Facilities Authority provides funding to qualified, nonprofit higher education institutions in the state.

Washington Economic Development Finance Authority

The Washington Economic Development Finance Authority makes funds available to qualified, small and medium-sized businesses in the state for qualifying manufacturing and processing facilities and projects.

NONMAJOR COMPONENT UNITS
Combining Statement of Fund Net Assets
 June 30, 2009
(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
ASSETS					
Current Assets:					
Cash and pooled investments	\$ 17,951	\$ 297	\$ 1,464	\$ 23	\$ 19,735
Investments	35,510	2,235	-	572	38,317
Other receivables (net of allowance)	766	99	1	-	866
Prepaid expenses	124	6	18	-	148
Total Current Assets	54,351	2,637	1,483	595	59,066
Noncurrent Assets:					
Investments, noncurrent	-	665	-	-	665
Other noncurrent assets	58,593	-	3	-	58,596
Capital assets:					
Furnishings and equipment	1,590	-	-	-	1,590
Accumulated depreciation	(1,151)	-	-	-	(1,151)
Total Noncurrent Assets	59,032	665	3	-	59,700
Total Assets	113,383	3,302	1,486	595	118,766
LIABILITIES					
Current Liabilities:					
Accounts payable	34,846	20	42	-	34,908
Accrued liabilities	-	71	-	1	72
Unearned revenues	1,313	79	8	-	1,400
Total Current Liabilities	36,159	170	50	1	36,380
Total Liabilities	36,159	170	50	1	36,380
NET ASSETS					
Invested in capital assets, net of related debt	439	-	-	-	439
Restricted for other purposes	500	-	-	-	500
Unrestricted	76,285	3,132	1,436	594	81,447
Total Net Assets (Deficit)	\$ 77,224	\$ 3,132	\$ 1,436	\$ 594	\$ 82,386

NONMAJOR COMPONENT UNITS
**Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets**
For the Fiscal Year Ended June 30, 2009
(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
OPERATING REVENUES					
Charges for services	\$ 12,730	\$ 112	\$ 417	\$ 228	\$ 13,487
Total Operating Revenues	12,730	112	417	228	13,487
OPERATING EXPENSES					
Salaries and wages	4,375	373	-	132	4,880
Employee benefits	1,185	110	-	32	1,327
Personal services	1,113	106	107	-	1,326
Goods and services	1,660	162	258	102	2,182
Travel	-	21	-	16	37
Depreciation and amortization	117	-	-	-	117
Miscellaneous expenses	340	11	-	-	351
Total Operating Expenses	8,790	783	365	282	10,220
Operating Income (Loss)	3,940	(671)	52	(54)	3,267
NONOPERATING REVENUES (EXPENSES)					
Earnings (loss) on investments	2,191	96	25	17	2,329
Operating grants and contributions	1,146	-	-	-	1,146
Distributions of operating grants	(1,146)	-	-	-	(1,146)
Total Nonoperating Revenues (Expenses)	2,191	96	25	17	2,329
Income (Loss) Before Contributions and Transfers	6,131	(575)	77	(37)	5,596
Change in Net Assets	6,131	(575)	77	(37)	5,596
Net Assets - Beginning, as restated	71,093	3,707	1,359	631	76,790
Net Assets - Ending	\$ 77,224	\$ 3,132	\$ 1,436	\$ 594	\$ 82,386

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SCHEDULES

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

For the Fiscal Year Ended June 30, 2009
 (expressed in thousands)

Continued

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
REVENUES					
Taxes:					
Retail sales	\$ 6,779,590	\$ -	\$ -	\$ 66,516	\$ 6,846,106
Business and occupation	2,709,555	-	-	86,715	2,796,270
Use (compensating)	454,438	-	-	5,414	459,852
Motor vehicle and fuel	-	-	-	1,183,360	1,183,360
Liquor, beer, and wine	162,868	-	-	59,265	222,133
Cigarette and tobacco	68,326	83,783	-	279,890	431,999
Insurance premiums	252,672	-	-	155,791	408,463
Public utility	417,405	-	-	13,088	430,493
Property	1,528,814	-	-	256,250	1,785,064
Other excise	433,005	-	-	53,605	486,610
Gift and inheritance	405	138,130	-	-	138,535
Other taxes	166,572	-	-	203,007	369,579
Subtotal	12,973,650	221,913	-	2,362,901	15,558,464
Tax Credits:					
Business and occupation	(179,182)	-	-	(2,708)	(181,890)
Use (compensating)	(117)	-	-	-	(117)
Other tax credits	(3,565)	-	-	(4,620)	(8,185)
Total Taxes	12,790,786	221,913	-	2,355,573	15,368,272
Licenses, Permits, and Fees:					
Business and professions	73,723	-	-	107,177	180,900
Hunting and fishing	1,522	-	-	30,361	31,883
Motor vehicle	3,806	621	-	451,475	455,902
Motor vehicle operators	-	-	-	63,330	63,330
Other fees	16,038	-	-	150,805	166,843
Total Licenses, Permits, and Fees	95,089	621	-	803,148	898,858
Federal Grants-In-Aid:					
Department of Health & Human Services	5,626,289	541,361	-	7,130	6,174,780
Department of Labor	90,225	3,356	-	134,484	228,065
Department of Agriculture	1,279,705	27,175	-	111,309	1,418,189
Department of Transportation	4,558	3,732	-	722,746	731,036
Department of Education	987,786	294,428	-	6,181	1,288,395
Other federal grants-in-aid	322,716	268,417	-	116,014	707,147
Total Federal Grants-In-Aid	8,311,279	1,138,469	-	1,097,864	10,547,612
Charges for Services:					
Tuition and student fees	-	1,219,886	-	46,289	1,266,175
Other charges	54,993	395,391	-	511,680	962,064
Total Charges For Services	54,993	1,615,277	-	557,969	2,228,239

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

For the Fiscal Year Ended June 30, 2009
(expressed in thousands)

Concluded

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Miscellaneous Revenue:					
Investment income	64,091	69,029	(473,941)	129,007	(211,814)
Timber sales	1,287	-	22,002	145,146	168,435
Fines and forfeitures	7,689	5,637	-	128,621	141,947
Other contracts and grants	170,381	644,610	56,983	17,317	889,291
Other	91,883	268,437	2,293	354,582	717,195
Total Miscellaneous Revenue	335,331	987,713	(392,663)	774,673	1,705,054
Total Revenues	21,587,478	3,963,993	(392,663)	5,589,227	30,748,035
OTHER FINANCING SOURCES (USES)					
Bonds issued	-	-	-	1,702,700	1,702,700
Other debt issued	27,021	19,546	-	2,702	49,269
Bond issue premiums	-	-	-	78,379	78,379
Transfers in	951,523	410,027	9,450	2,753,771	4,124,771
Transfers (out)	(1,143,562)	(777,908)	(125,428)	(2,293,436)	(4,340,334)
Capital lease acquisitions	-	33	-	-	33
Total Other Financing Sources (Uses)	(165,018)	(348,302)	(115,978)	2,244,116	1,614,818
Total Revenues and Other Financing Sources (Uses)	\$ 21,422,460	\$ 3,615,691	\$ (508,641)	\$ 7,833,343	\$ 32,362,853

**Schedule of Expenditures
Governmental Funds**

For the Fiscal Year Ended June 30, 2009
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
EXPENDITURES					
By Function:					
General government	\$ 762,661	\$ -	\$ -	\$ 2,290,731	\$ 3,053,392
Human services	11,951,735	-	-	1,397,121	13,348,856
Natural resources and recreation	374,809	-	24,010	782,148	1,180,967
Transportation	38,210	731	-	3,137,287	3,176,228
Education	9,051,883	3,961,210	177	1,574,790	14,588,060
Total Expenditures	\$ 22,179,298	\$ 3,961,941	\$ 24,187	\$ 9,182,077	\$ 35,347,503
By Object:					
Salaries and wages	\$ 2,997,056	\$ 1,437,601	\$ 4	\$ 1,129,728	\$ 5,564,389
Employee benefits	762,136	458,149	-	356,561	1,576,846
Personal services	150,489	44,211	-	117,655	312,355
Goods and services	1,106,307	760,545	145	922,547	2,789,544
Travel	36,647	76,408	-	31,015	144,070
Subtotal	5,052,635	2,776,914	149	2,557,506	10,387,204
Grants and Subsidies:					
K-12 basic education	7,326,426	103,810	-	354,938	7,785,174
Public assistance	8,725,361	-	-	527,926	9,253,287
Other miscellaneous	955,171	914,318	28	1,908,201	3,777,718
Total Grants and Subsidies	17,006,958	1,018,128	28	2,791,065	20,816,179
Intergovernmental	31,683	-	-	351,735	383,418
Capital Outlays:					
Equipment	37,397	81,111	-	30,302	148,810
All other	32,051	64,991	24,010	2,176,102	2,297,154
Total Capital Outlays	69,448	146,102	24,010	2,206,404	2,445,964
Debt Service:					
Principal	18,008	16,889	-	609,875	644,772
Interest	567	3,908	-	665,492	669,967
Total Debt Service	18,575	20,797	-	1,275,367	1,314,739
TOTAL EXPENDITURES	\$ 22,179,298	\$ 3,961,941	\$ 24,187	\$ 9,182,077	\$ 35,347,503

State of Washington

CLAIMS DEVELOPMENT INFORMATION

Workers' Compensation Fund

Basic Plan

Fiscal Years 2000 through 2009
(expressed in millions)

The table below illustrates how the fund's earned revenues (net of reinsurance) and investment income compare to the related costs of losses (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of each of the last ten fiscal years. The state has not purchased reinsurance since 9/30/02 and has never had a qualifying event that generated a recovery.

The rows of the table are defined as follows:

1. This line shows each fiscal year's earned contribution revenues and investment revenues.
2. This line shows the fund's incurred claims (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
3. This section shows the cumulative amounts paid as of the end of successive years for each policy year.
4. This section shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
5. This line compares the latest reestimated incurred claims amount to the amount originally established (line 2) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimates is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the table show data for successive fiscal years.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1. Net earned required contribution and investment revenues	\$ 1,057	\$ 1,449	\$ 1,197	\$ 2,111	\$ 1,337	\$ 2,452	\$ 1,392	\$ 2,406	\$ 1,697	\$ 1,692
2. Estimated incurred claims and expenses, end of policy year	1,902	1,925	2,124	2,284	2,505	2,308	2,141	2,196	2,256	2,363
3. Paid (cumulative) as of:										
End of policy year	218	230	226	233	244	260	278	295	310	322
One year later	473	494	500	501	528	556	589	625	679	
Two years later	608	646	653	650	681	715	754	817		
Three years later	706	747	756	751	784	821	873			
Four years later	777	825	834	824	860	906				
Five years later	837	890	896	882	925					
Six years later	889	943	949	934						
Seven years later	933	989	999							
Eight years later	974	1,032								
Nine years later	1,014									
4. Reestimated incurred claims and expenses:										
End of policy year	1,902	1,925	2,124	2,284	2,505	2,308	2,141	2,196	2,256	2,363
One year later	1,838	1,963	2,158	2,277	2,203	1,989	2,053	2,234	2,559	
Two years later	1,913	2,067	2,277	2,045	1,971	1,939	2,055	2,390		
Three years later	1,977	2,226	2,079	1,853	1,864	1,954	2,151			
Four years later	2,088	2,039	1,906	1,767	1,886	2,025				
Five years later	1,881	1,864	1,859	1,788	1,941					
Six years later	1,778	1,835	1,879	1,829						
Seven years later	1,755	1,858	1,926							
Eight years later	1,745	1,870								
Nine years later	1,788									
5. Increase (decrease) in estimated incurred claims and expenses from end of policy year	(114)	(55)	(198)	(455)	(564)	(283)	10	194	303	

Source: Washington State Department of Labor and Industries

CLAIMS DEVELOPMENT INFORMATION

Workers' Compensation Fund

Supplemental Pension Plan

Fiscal Years 2000 through 2009

(expressed in millions)

The table below illustrates how the fund's supplemental pension cost-of-living adjustments earned revenues (net of reinsurance) and investment income compare to the related costs of losses (net of loss assumed by reinsurers) as of the end of the last ten fiscal years. The state has not purchased reinsurance since 9/30/02 and has never had a qualifying event that generated a recovery. The unallocated and other expenses of this plan are paid by the Workers' Compensation Basic Plan. This claims development information is reported separate from the basic plan for the following reasons: (1) This plan covers self-insured, while the basic does not; (2) This plan is not experienced rated while the basic plan is; and (3) Statutes restrict the funding of this plan to expected payments of the current year.

The rows of the table are defined as follows:

1. This line shows each fiscal year's earned contribution revenues and investment revenues.
2. This line shows the fund's incurred claims (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
3. This section shows the cumulative amounts paid as of the end of successive years for each policy year.
4. This section shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
5. This line compares the latest reestimated incurred claims amount to the amount originally established (line 2) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimates is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the table show data for successive fiscal years.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1. Net earned required contribution and investment revenues	\$ 225	\$ 267	\$ 281	\$ 293	\$ 288	\$ 326	\$ 305	\$ 283	\$ 334	\$ 349
2. Estimated incurred claims and expenses, end of policy year	635	628	807	1,029	1,228	724	804	968	1,093	966
3. Paid (cumulative) as of:										
End of policy year	-	-	-	-	-	-	-	-	-	-
One year later	8	5	2	5	2	1	3	6	8	
Two years later	12	8	11	4	3	4	7	12		
Three years later	17	22	6	6	6	8	14			
Four years later	30	15	9	8	11	15				
Five years later	27	19	12	13	16					
Six years later	33	23	17	19						
Seven years later	38	29	24							
Eight years later	46	37								
Nine years later	55									
4. Reestimated incurred claims and expenses:										
End of policy year	635	628	807	1,029	1,228	724	804	968	1,093	966
One year later	730	786	945	1,045	722	721	927	1,176	1,121	
Two years later	844	910	1,046	676	720	848	1,065	1,125		
Three years later	959	1,064	701	667	811	971	998			
Four years later	1,099	727	682	759	940	897				
Five years later	746	671	811	871	858					
Six years later	722	792	905	780						
Seven years later	834	883	821							
Eight years later	889	768								
Nine years later	819									
5. Increase (decrease) in estimated incurred claims and expenses from end of policy year	184	140	14	(249)	(370)	173	194	157	28	

Source: Washington State Department of Labor and Industries

CLAIMS DEVELOPMENT INFORMATION
Workers' Compensation Fund
Reconciliation of Claims Liabilities by Plan
 Fiscal Years 2009 and 2008
 (expressed in thousands)

The schedule below presents the changes in claims liabilities for the past two fiscal years for the fund's two benefit plans: Workers' Compensation Basic Plan and Workers' Compensation Supplemental Pension Plan.

	Basic Plan		Supplemental Pension Plan		Grand Total	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
Unpaid claims and claim adjustment expenses at beginning of year *	\$ 9,881,121	\$ 9,232,768	\$ 12,006,027	\$ 10,513,724	\$ 21,887,148	\$ 19,746,492
INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES						
Provision for insured events of the current year *	1,752,766	1,720,944	472,546	552,772	2,225,312	2,273,716
Increase (decrease) in provision for insured events of prior years *	795,945	471,483	(686,508)	1,277,672	109,437	1,749,155
Total incurred claims and claim adjustment expenses	2,548,711	2,192,427	(213,962)	1,830,444	2,334,749	4,022,871
PAYMENTS						
Claims and claim adjustment expenses attributable:						
To events of the current year	327,536	316,086	-	-	327,536	316,086
To insured events of prior years	1,354,464	1,227,988	375,829	338,141	1,730,293	1,566,129
Total payments	1,682,000	1,544,074	375,829	338,141	2,057,829	1,882,215
Total unpaid claims and claim adjustment expenses at fiscal year end	\$ 10,747,832	\$ 9,881,121	\$ 11,416,236	\$ 12,006,027	\$ 22,164,068	\$ 21,887,148

Source: Washington State Department of Labor and Industries

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STATISTICAL SECTION

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Statistical Section

Narrative & Table of Contents

This part of the state of Washington’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state’s overall financial health.

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the state’s financial performance and fiscal health has changed over time. The schedules presented from an entity wide perspective only include Fiscal Year 2002 and forward, coinciding with the implementation of GASB Statement No. 34. Fund perspective schedules are presented for the last ten years, except where noted. Schedules included are:

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FINANCIAL TRENDS

Schedule 1 – Net Assets by Component

Last Eight Fiscal Years (expressed in millions)

(accrual basis of accounting)

	2009	2008	2007	2006	2005
GOVERNMENTAL ACTIVITIES					
Invested in capital assets, net of related debt	\$ 17,551	\$ 17,029	\$ 16,189	\$ 15,434	\$ 14,975
Restricted	4,887	5,524	5,072	4,343	4,351
Unrestricted	1,417	3,544	4,269	3,384	1,900
Total Governmental Activities Net Assets	\$ 23,855	\$ 26,097	\$ 25,530	\$ 23,161	\$ 21,226
BUSINESS-TYPE ACTIVITIES					
Invested in capital assets, net of related debt	\$ 721	\$ 521	\$ 598	\$ 604	\$ 510
Restricted	3,800	4,406	3,891	3,164	2,341
Unrestricted	(9,737)	(9,211)	(7,256)	(6,132)	(5,632)
Total Business-Type Activities Net Assets	\$ (5,216)	\$ (4,284)	\$ (2,767)	\$ (2,364)	\$ (2,781)
PRIMARY GOVERNMENT					
Invested in capital assets, net of related debt	\$ 18,272	\$ 17,550	\$ 16,787	\$ 16,039	\$ 15,485
Restricted	8,687	9,930	8,963	7,507	6,692
Unrestricted	(8,320)	(5,667)	(2,986)	(2,748)	(3,733)
Total Primary Government Net Assets	\$ 18,639	\$ 21,813	\$ 22,764	\$ 20,798	\$ 18,444
COMPONENT UNITS					
Invested in capital assets, net of related debt	\$ 354	\$ 365	\$ 372	\$ 392	\$ 410
Restricted	23	24	31	25	24
Unrestricted	87	82	74	69	61
Total Component Units Net Assets	\$ 464	\$ 471	\$ 477	\$ 486	\$ 495

Notes:

The State did not begin reporting government-wide statements until it implemented GASB Statement No. 34 in 2002.

Figures may not total due to rounding.

Source: State of Washington Agency Financial Reporting System

2004	2003	2002
\$ 14,288	\$ 13,513	\$ 12,794
3,505	2,995	2,694
1,854	2,346	2,654
\$ 19,646	\$ 18,854	\$ 18,143

\$ 522	\$ 543	\$ 355
1,624	1,513	1,884
(6,200)	(6,025)	(5,413)
\$ (4,053)	\$ (3,968)	\$ (3,174)

\$ 14,810	\$ 14,056	\$ 13,149
5,129	4,509	4,578
(4,346)	(3,679)	(2,759)
\$ 15,593	\$ 14,886	\$ 14,968

\$ 428	\$ 448	\$ 436
22	21	15
58	57	57
\$ 508	\$ 526	\$ 508

FINANCIAL TRENDS

Schedule 2 – Changes in Net Assets

Last Eight Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2009	2008	2007	2006	2005
EXPENSES					
Governmental Activities:					
General government	\$ 1,815	\$ 1,609	\$ 1,525	\$ 1,320	\$ 925
Education - elementary and secondary (K-12)	8,549	7,476	6,871	6,642	6,283
Education - higher education	6,044	5,710	5,244	4,804	4,454
Human services	12,436	11,260	10,473	10,082	9,852
Adult corrections	1,044	1,020	811	749	640
Natural resources and recreation	1,062	931	983	777	229
Transportation	1,883	1,894	1,588	1,527	1,457
Intergovernmental grants*	-	-	-	-	335
Interest on long-term debt	728	643	553	533	505
Total Governmental Activities Expenses	33,561	30,543	28,048	26,434	24,680
Business-Type Activities:					
Workers' compensation	2,544	4,068	3,841	2,267	2,407
Unemployment compensation	2,360	791	697	736	870
Higher education student services	1,502	1,470	1,305	1,254	1,170
Health insurance programs**	-	-	-	1,244	1,138
Liquor control***	540	-	-	-	-
Washington's lottery***	401	-	-	-	-
Other	391	1,204	1,103	1,042	988
Total Business-Type Activities Expenses	7,738	7,533	6,946	6,543	6,573
Total Primary Government Expenses	\$ 41,299	\$ 38,076	\$ 34,994	\$ 32,977	\$ 31,253
PROGRAM REVENUES					
Governmental Activities:					
Charges for services:					
General government	\$ 600	\$ 651	\$ 576	\$ 513	\$ 439
Education - elementary and secondary (K-12)	19	13	14	13	14
Education - higher education	2,170	1,718	1,545	1,282	1,316
Human services	300	251	236	234	311
Adult corrections	9	10	10	6	11
Natural resources and recreation	400	376	393	390	385
Transportation	900	894	844	787	685
Operating grants and contributions	10,565	8,725	8,286	8,260	8,238
Capital grants and contributions	706	746	744	610	675
Total Governmental Activities Program Revenues	15,669	13,384	12,648	12,095	12,074
Business-Type Activities:					
Charges for services:					
Workers' compensation	1,856	1,596	1,710	1,790	1,719
Unemployment compensation	1,011	1,094	1,248	1,411	1,458
Higher education student services	1,556	1,444	1,347	1,266	1,188
Health insurance programs**	-	-	-	1,342	1,200
Liquor control***	574	-	-	-	-
Washington's lottery***	488	-	-	-	-
Other	156	1,230	1,166	1,102	1,050
Operating grants and contributions	572	42	46	55	71
Capital grants and contributions	-	-	-	-	(2)
Total Business-Type Activities Program Revenues	6,212	5,406	5,518	6,966	6,684
Total Primary Government Program Revenues	\$ 21,881	\$ 18,790	\$ 18,166	\$ 19,061	\$ 18,758
NET (EXPENSE)/REVENUE					
Governmental Activities	\$ (17,892)	\$ (17,159)	\$ (15,400)	\$ (14,339)	\$ (12,606)
Business-Type Activities	(1,526)	(2,127)	(1,427)	423	111
Total Primary Government Net Expense	\$ (19,418)	\$ (19,286)	\$ (16,827)	\$ (13,916)	\$ (12,495)

(Refer to footnotes on page 242)

continued

2004	2003	2002
\$ 918	\$ 812	\$ 997
6,086	5,960	5,747
4,216	3,750	3,920
9,348	8,971	8,904
644	658	600
651	732	564
1,310	1,422	1,264
329	341	350
478	415	578
<u>23,980</u>	<u>23,061</u>	<u>22,924</u>

2,389	2,617	2,146
1,745	2,329	1,872
1,130	912	810
1,044	1,051	994
-	-	-
-	-	-
951	938	924
<u>7,259</u>	<u>7,847</u>	<u>6,746</u>
<u>\$ 31,239</u>	<u>\$ 30,908</u>	<u>\$ 29,670</u>

\$ 449	\$ 413	\$ 439
11	8	6
1,250	1,095	986
359	335	523
6	7	13
339	321	362
677	621	576
7,942	7,129	6,633
519	588	550
<u>11,552</u>	<u>10,517</u>	<u>10,088</u>

1,515	1,316	1,070
1,345	1,130	1,161
1,128	932	823
1,042	1,070	982
-	-	-
-	-	-
1,028	992	950
468	769	269
4	60	-
<u>6,530</u>	<u>6,269</u>	<u>5,255</u>
<u>\$ 18,082</u>	<u>\$ 16,786</u>	<u>\$ 15,343</u>

\$ (12,428)	\$ (12,544)	\$ (12,836)
(729)	(1,578)	(1,491)
<u>\$ (13,157)</u>	<u>\$ (14,122)</u>	<u>\$ (14,327)</u>

FINANCIAL TRENDS

Schedule 2 – Changes in Net Assets

Last Eight Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2009	2008	2007	2006	2005
GENERAL REVENUES & OTHER CHANGES IN NET ASSETS					
Governmental Activities:					
Taxes:					
Sales and use tax	\$ 7,306	\$ 8,341	\$ 7,951	\$ 7,429	\$ 6,736
Business and occupation	2,614	2,851	2,756	2,484	2,291
Property	1,785	1,742	1,689	1,630	1,590
Other	4,296	3,959	4,308	3,957	3,370
Interest and investment earnings	(212)	464	818	475	363
Contributions to endowments	57	95	97	131	69
Extraordinary loss (asset impairment)	-	-	-	(84)	-
Transfers	(190)	272	204	252	184
Total Governmental Activities	15,656	17,724	17,824	16,273	14,603
Business-Type Activities:					
Taxes - other	113	115	108	100	95
Interest and investment earnings	291	767	1,316	147	1,249
Transfers	190	(272)	(204)	(252)	(184)
Total Business-Type Activities	594	610	1,220	(5)	1,160
Total Primary Government	\$ 16,250	\$ 18,334	\$ 19,044	\$ 16,268	\$ 15,763
CHANGE IN NET ASSETS					
Governmental Activities	\$ (2,236)	\$ 565	\$ 2,424	\$ 1,934	\$ 1,997
Business-Type Activities	(932)	(1,517)	(207)	418	1,271
Total Primary Government	\$ (3,168)	\$ (952)	\$ 2,216	\$ 2,352	\$ 3,268
COMPONENT UNITS					
Total expenses	\$ 29	\$ 30	\$ 30	\$ 29	\$ 29
Program revenues:					
Charges for services	15	16	15	13	12
Operating grants and contributions	1	-	-	-	1
Capital grants and contributions	1	1	1	1	1
Total program revenues	17	17	16	14	13
Net (expense) / revenue	(12)	(13)	(14)	(15)	(16)
General revenues - sales and use taxes	-	-	-	-	-
General revenues - interest and investment earnings	5	7	5	3	3
Total Component Units - Change in net assets	\$ (7)	\$ (6)	\$ (9)	\$ (12)	\$ (13)

* Intergovernmental grants is zero beginning in 2006 due to reclassification to the appropriate governmental activity.

** Health Insurance programs is zero beginning in 2007 due to fund reclassifications.

*** In 2009, separated Liquor Control and Washington's Lottery from other business-type activities.

Notes: The State did not begin reporting government-wide statements until it implemented GASB Statement No. 34 in 2002.

Figures may not total due to rounding.

Source: State of Washington Agency Financial Reporting System

concluded

	2004	2003	2002
	\$ 6,234	\$ 5,974	\$ 5,879
	2,078	1,940	1,934
	1,527	1,483	1,426
	3,253	2,805	2,791
	294	252	189
	46	36	29
	-	-	-
	199	619	148
	<u>13,632</u>	<u>13,109</u>	<u>12,397</u>
	116	86	83
	286	1,316	613
	(199)	(619)	(148)
	<u>203</u>	<u>783</u>	<u>548</u>
	<u>\$ 13,835</u>	<u>\$ 13,893</u>	<u>\$ 12,945</u>
	\$ 1,204	\$ 565	\$ (439)
	(526)	(795)	(943)
	<u>\$ 678</u>	<u>\$ (229)</u>	<u>\$ (1,382)</u>
	\$ 30	\$ 28	\$ 11
	11	10	10
	-	-	55
	1	31	-
	<u>12</u>	<u>41</u>	<u>65</u>
	<u>(18)</u>	<u>14</u>	<u>54</u>
	-	2	1
	-	2	3
	<u>\$ (18)</u>	<u>\$ 18</u>	<u>\$ 59</u>

FINANCIAL TRENDS

Schedule 3 – Fund Balances, Governmental Funds

Last Eight Fiscal Years (expressed in thousands)
(modified accrual basis of accounting)

	2009	2008	2007	2006	2005
GENERAL FUND					
Reserved	\$ 74,929	\$ 200,794	\$ 119,687	\$ 230,848	\$ 55,602
Unreserved, designated for:					
Working capital	897,763	1,040,563	1,002,963	1,076,631	1,004,131
Unrealized gains	-	-	-	-	-
Unreserved, undesignated	189,258	677,431	780,510	569,326	865,443
Total General Fund	1,161,950	1,918,788	1,903,160	1,876,805	1,925,176
ALL OTHER GOVERNMENTAL FUNDS					
Reserved	4,993,402	6,549,844	5,435,860	5,061,345	4,546,263
Unreserved, designated for:					
Unrealized gains	-	-	-	-	-
Higher education	155,679	155,679	155,679	155,679	155,679
Special revenue funds	165	220	221	229	165
Debt service funds	267,470	362,122	220,474	206,228	177,961
Other specific purpose	-	-	-	-	-
Unreserved, undesignated	814,231	1,006,121	1,151,829	454,714	573,576
Unreserved, undesignated, reported in:					
Nonmajor special revenue funds	1,848,410	2,432,112	3,040,036	2,585,037	1,528,463
Nonmajor capital project funds	307,556	106,741	246,060	70,275	166,393
Total All Other Governmental Funds	8,386,913	10,612,839	10,250,159	8,533,507	7,148,500
Total Governmental Fund Balances	\$ 9,548,863	\$ 12,531,627	\$ 12,153,319	\$ 10,410,312	\$ 9,073,676

Note: The State did not begin reporting government-wide statements until it implemented GASB Statement No. 34 in 2002.

Source: State of Washington Agency Financial Reporting System

State of Washington

2004	2003	2002
\$ 166,043	\$ 48,687	\$ 91,031
964,631	908,194	848,153
-	6,944	-
385,436	404,376	398,374
1,516,110	1,368,201	1,337,558
4,209,890	3,682,240	3,874,727
3,809	4,814	2,343
155,679	-	-
174	-	-
288,231	100,354	101,557
-	155,847	155,816
515,597	569,134	284,873
1,474,023	1,211,403	1,343,467
-	109,627	31,649
6,647,403	5,833,419	5,794,432
\$ 8,163,513	\$ 7,201,620	\$ 7,131,990

FINANCIAL TRENDS

Schedule 4 – Revenues, Expenditures, and Other Financing Sources (Uses)**All Governmental Fund Types**

Last Ten Fiscal Years (expressed in millions)

	2009	2008	2007	2006	2005
REVENUES					
Taxes:					
Retail sales	\$ 6,846	\$ 7,822	\$ 7,441	\$ 6,958	\$ 6,285
Business and occupation	2,614	2,851	2,756	2,484	2,291
Use (compensating)	460	519	511	471	451
Motor vehicle and fuel	1,183	1,170	1,135	1,030	931
Liquor, beer, and wine	222	214	207	197	152
Cigarette and tobacco	432	413	439	469	354
Insurance premiums	408	415	392	379	357
Public utility	430	428	408	381	345
Property	1,785	1,742	1,688	1,630	1,590
Other excise	487	781	1,107	1,067	902
Gift and inheritance	139	111	183	19	(38)
Other (less credits)	361	427	437	419	360
Total Taxes	15,368	16,892	16,704	15,502	13,981
Licenses, permits, and fees	899	911	863	788	707
Federal grants-in-aid	10,548	8,767	8,317	8,095	8,010
Charges and miscellaneous revenue	4,145	3,869	3,559	3,345	3,350
Investment income	(212)	464	818	475	363
Total Revenues	30,748	30,903	30,261	28,206	26,411
EXPENDITURES					
Current:					
General government	1,377	1,254	1,146	990	934
Human services	13,154	12,115	11,242	10,777	10,486
Natural resources and recreation	999	897	906	729	704
Transportation	1,847	1,803	1,647	1,489	1,487
Education	13,826	12,860	11,789	11,103	10,539
Intergovernmental	383	379	378	359	335
Capital outlays	2,446	2,264	2,296	1,710	1,741
Debt service:					
Principal	645	586	528	500	461
Interest	670	589	545	509	497
Total Expenditures	35,348	32,748	30,477	28,165	27,183
Revenues Over (Under) Expenditures	(4,599)	(1,845)	(216)	41	(772)
OTHER FINANCING SOURCES (USES):					
Bonds issued, net of refunding	1,781	1,957	1,674	1,162	1,190
Other debt issued	49	19	63	44	26
Capital lease acquisitions	-	-	-	-	-
Transfers in	4,125	2,628	3,308	3,312	2,771
Transfers out	(4,340)	(2,382)	(3,086)	(3,068)	(2,501)
Net Other Financing Sources (Uses)	1,615	2,222	1,959	1,451	1,487
Net Change in Fund Balances	\$ (2,985)	\$ 377	\$ 1,743	\$ 1,492	\$ 715
Debt service as a percentage of noncapital expenditures					
	4.2%	4.0%	4.0%	4.0%	3.9%

*Certain fund type reclassifications occurred in Fiscal Years 2002, 2003 and 2004.

Note: Figures may not total due to rounding.

Source: State of Washington Agency Financial Reporting System

State of Washington

2004*	2003*	2002*	2001	2000
\$ 5,841	\$ 5,605	\$ 5,500	\$ 5,525	\$ 5,433
2,078	1,940	1,934	2,018	1,830
394	369	380	410	380
926	752	743	736	964
144	134	129	125	119
353	362	331	265	277
346	317	291	280	261
330	309	307	303	282
1,527	1,483	1,426	1,367	1,333
687	583	502	509	632
140	124	114	106	83
335	223	258	264	215
13,100	12,203	11,914	11,908	11,808
666	651	612	614	596
7,702	6,974	6,574	5,758	5,304
3,184	2,937	2,769	2,146	2,015
294	252	189	228	202
24,946	23,016	22,060	20,654	19,926
860	803	870	881	707
9,962	9,538	9,339	8,379	7,709
643	689	640	637	552
1,297	1,363	1,283	1,094	873
10,085	9,472	9,002	8,470	7,962
330	341	350	321	646
1,542	1,489	1,206	1,192	1,189
415	441	429	400	388
468	418	402	395	359
25,601	24,553	23,520	21,770	20,385
(655)	(1,537)	(1,460)	(1,116)	(457)
1,214	797	938	820	581
18	32	10	23	26
-	7	-	10	-
2,100	2,775	2,758	2,286	1,844
(1,864)	(2,146)	(2,614)	(1,907)	(1,646)
1,469	1,465	1,092	1,234	804
\$ 814	\$ (73)	\$ (368)	\$ 118	\$ 347
3.8%	3.9%	3.9%	4.0%	4.1%

FINANCIAL TRENDS

Schedule 5 – Revenues, Expenditures, and Other Financing Sources (Uses)**General Fund**

Last Ten Fiscal Years (expressed in millions)

	2009	2008	2007	2006	2005
REVENUES					
Taxes:					
Retail sales	\$ 6,780	\$ 7,744	\$ 7,366	\$ 6,892	\$ 6,229
Business and occupation	2,530	2,760	2,685	2,412	2,228
Use (compensating)	454	512	504	465	446
Liquor, beer, and wine	163	157	154	147	105
Cigarette and tobacco	68	47	58	61	61
Insurance premiums	253	261	249	242	228
Public utility	417	415	395	369	334
Property	1,529	1,495	1,442	1,384	1,395
Other excise	433	707	1,014	977	808
Gift and inheritance	-	4	4	(1)	(38)
Other taxes	163	205	226	216	192
Total Taxes	12,791	14,307	14,097	13,165	11,988
Licenses, permits, and fees	95	97	92	85	79
Federal grants-in-aid	8,311	6,557	6,204	6,113	6,012
Charges and miscellaneous revenue	326	364	327	283	429
Investment income	64	123	106	73	36
Total Revenues	21,587	21,449	20,826	19,720	18,544
EXPENDITURES					
Current:					
General government	726	663	640	602	552
Human services	11,912	10,921	10,191	9,809	9,519
Natural resources and recreation	340	336	361	292	271
Transportation	37	42	39	42	27
Education	9,044	8,235	7,765	7,407	7,243
Intergovernmental	32	31	30	28	28
Capital outlays	69	57	49	56	78
Debt service:					
Principal	18	15	15	15	12
Interest	1	-	-	1	2
Total Expenditures	22,179	20,300	19,090	18,252	17,733
Revenues Over (Under) Expenditures	(592)	1,149	1,736	1,468	811
OTHER FINANCING SOURCES (USES)					
Other debt issued	27	12	5	17	16
Transfers in	952	72	128	248	524
Transfers out	(1,144)	(1,217)	(1,843)	(1,825)	(942)
Net Other Financing Sources (Uses)	(165)	(1,133)	(1,710)	(1,560)	(402)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (757)	\$ 16	\$ 26	\$ (92)	\$ 409

Note: Figures may not total due to rounding.

Source: State of Washington Agency Financial Reporting System

State of Washington

2004	2003	2002	2001	2000
\$ 5,786	\$ 5,579	\$ 5,464	\$ 5,502	\$ 5,420
2,019	1,893	1,889	2,031	1,838
388	369	379	410	381
100	93	90	88	84
62	63	77	98	102
218	203	183	178	173
318	298	296	303	282
1,393	1,349	1,293	1,367	1,333
623	515	431	477	553
140	124	114	106	83
178	123	126	116	92
11,225	10,610	10,342	10,675	10,340
76	75	76	124	131
5,917	5,354	5,131	4,634	4,305
388	425	338	501	487
5	36	20	111	107
17,610	16,498	15,906	16,045	15,369
515	496	527	674	551
8,989	8,538	8,304	7,653	7,055
268	271	263	368	297
27	16	29	48	46
6,977	6,911	6,778	6,608	6,241
27	27	23	57	172
67	65	58	95	72
10	16	11	16	16
-	-	2	3	4
16,880	16,339	15,993	15,523	14,453
730	159	(87)	522	916
5	11	7	6	4
308	588	676	432	432
(895)	(728)	(740)	(1,044)	(1,091)
(582)	(129)	(58)	(606)	(655)
\$ 148	\$ 31	\$ (144)	\$ (84)	\$ 262

REVENUE CAPACITY

Schedule 6 – Sales Subject to Retail Sales Tax by Industry ⁽¹⁾

Last Ten Calendar Years (expressed in millions)

Industry	2008	2007	2006	2005	2004
Retail trade:					
Building materials, garden equipment and supplies	\$ 4,894	\$ 5,377	\$ 5,379	\$ 4,936	\$ 4,437
General merchandise stores	9,802	9,980	9,538	8,907	8,289
Motor vehicles & parts	10,562	12,741	12,461	12,049	11,482
All other retail trade	23,272	23,565	22,308	20,296	18,516
Construction	23,540	24,435	21,818	18,515	15,934
Accommodations & food services	11,237	11,033	10,253	9,520	8,836
Wholesale trade	8,703	9,328	8,601	8,240	7,584
Information	4,915	4,766	4,614	4,628	4,409
Manufacturing	2,644	3,085	2,699	2,492	2,268
All other industries	14,439	14,647	13,771	12,571	11,681
Total	<u>\$ 114,008</u>	<u>\$ 118,957</u>	<u>\$ 111,442</u>	<u>\$ 102,154</u>	<u>\$ 93,436</u>
Direct sales tax rate (2)	6.5%	6.5%	6.5%	6.5%	6.5%

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes.

(2) State tax rate only; excludes local sales tax rate.

Source: Quarterly Business Review, Washington State Department of Revenue

State of Washington

2003	2002	2001	2000	1999
\$ 3,883	\$ 3,501	\$ 3,271	\$ 3,254	\$ 3,227
7,773	7,557	7,354	7,132	6,721
11,073	10,595	10,226	10,253	9,281
17,429	16,959	16,912	17,252	16,604
14,076	13,719	13,878	14,297	13,053
8,259	7,935	7,772	7,614	7,149
7,176	7,225	7,662	8,035	7,907
4,325	4,323	4,334	4,168	3,846
2,118	2,061	2,116	2,201	2,139
11,547	11,486	11,374	11,132	10,300
\$ 87,659	\$ 85,361	\$ 84,899	\$ 85,338	\$ 80,227
6.5%	6.5%	6.5%	6.5%	6.5%

REVENUE CAPACITY

Schedule 7 – Number of Retail Sales Tax Payers by Industry (1)

Current Calendar Year and Nine Years Ago

Industry	2008			1999		
	Number of Businesses	Rank	Percent of Total Businesses	Number of Businesses	Rank	Percent of Total Businesses
All other industries	65,464	1	33.7%	54,445	1	31.7%
All other retail trade	43,738	2	22.5%	41,442	2	24.1%
Construction	40,548	3	20.9%	33,697	3	19.6%
Accommodations & food services	17,319	4	8.9%	14,058	4	8.2%
Wholesale trade	9,658	5	5.0%	10,624	5	6.2%
Manufacturing	8,515	6	4.4%	7,656	6	4.5%
Retail trade: motor vehicles & parts	3,292	7	1.7%	3,570	7	2.1%
Information	2,739	8	1.4%	2,534	9	1.5%
Retail trade: building materials, garden equipment & supplies	2,534	9	1.3%	3,051	8	1.8%
Retail trade: general merchandise stores	345	10	0.2%	453	10	0.3%
Total	194,152		100%	171,530		100%

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes.

Note: The State of Washington is legally prohibited from disclosing the names of individual taxpayers. The information in this table is intended to assist readers in understanding the degree to which the state's retail sales tax revenue may be concentrated.

Source: Washington State Department of Revenue

REVENUE CAPACITY

Schedule 8 – Number of Business and Occupation Tax Payers by Industry ⁽¹⁾

Current Calendar Year and Nine Years Ago

Industry	2008			1999		
	Number of Businesses	Rank	Percent of Total Businesses	Number of Businesses	Rank	Percent of Total Businesses
Retailing	193,579	1	43.1%	150,643	1	43.2%
Service and other activities	138,489	2	30.8%	97,156	2	27.8%
Wholesaling	87,918	3	19.5%	74,030	3	21.2%
Other business & occupation tax classifications	18,314	4	4.1%	15,982	4	4.6%
Manufacturing	10,202	5	2.3%	10,009	5	2.9%
Retailing of interstate transportation equipment	974	6	0.2%	1,150	6	0.3%
Total	449,476		100%	348,970		100%

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes.

Note: The State of Washington is legally prohibited from disclosing the names of individual taxpayers. The information in this table is intended to assist readers in understanding the degree to which the state's business and occupation tax revenue may be concentrated.

Source: Washington State Department of Revenue

REVENUE CAPACITY

Schedule 9 – Taxable Sales by Business and Occupation Tax Classification

Last Ten Calendar Years (expressed in millions)

	2008	2007	2006	2005	2004
Retailing	\$ 153,775	\$ 155,997	\$ 146,018	\$ 133,888	\$ 121,453
Wholesaling	135,935	128,820	113,614	110,516	98,988
Service and other activities	77,880	75,729	69,571	63,270	56,575
Manufacturing	27,177	25,829	29,101	29,988	31,814
Manufacturing, wholesaling, and retailing of airplanes and components	25,770	32,672	27,277	5,006	N/A
Retailing of interstate transportation equipment	1,108	1,018	961	8,398	10,996
Other business & occupation tax classifications	43,017	40,013	33,617	30,545	29,043
Total	\$ 464,662	\$ 460,078	\$ 420,159	\$ 381,611	\$ 348,869
State B&O tax rate range	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.5%

Note: Beginning in 2005, the Department of Revenue stopped tracking data using Standard Industrial Classification (SIC) codes and began using North American Industrial Classification System (NAICS) codes.

N/A indicates data not available.

Source: Quarterly Business Review, Washington State Department of Revenue

2003	2002	2001	2000	1999
\$ 112,158	\$ 108,462	\$ 108,329	\$ 108,312	\$ 101,136
91,610	90,567	109,153	111,698	106,634
51,968	48,204	48,834	47,610	41,857
25,333	25,036	27,471	32,941	31,894
N/A	N/A	N/A	N/A	N/A
10,389	13,401	3,849	3,794	4,722
27,416	26,504	24,043	22,413	20,969
\$ 318,875	\$ 312,175	\$ 321,678	\$ 326,766	\$ 307,212
0.1 - 1.5%	0.1 - 1.5%	0.1 - 1.5%	0.1 - 1.5%	0.1 - 1.5%

DEBT CAPACITY

Schedule 10 – Ratios of Outstanding Debt by Type

Last Ten Fiscal Years (expressed in millions, except per capita)

	2009	2008*	2007	2006	2005
Governmental Activities					
General obligation bonds	\$ 14,049	\$ 12,927	\$ 11,573	\$ 10,464	\$ 9,842
Revenue bonds	616	555	608	615	564
Certificates of participation	395	383	382	333	315
Capital leases/installment contracts	10	15	20	18	24
Total Governmental Activities Debt	15,070	13,880	12,583	11,430	10,745
Business-Type Activities					
General obligation bonds	69	80	101	120	138
Revenue bonds	1,074	1,115	889	794	585
Certificates of participation	310	261	246	239	251
Capital leases	10	15	21	21	21
Total Business-Type Activities Debt	1,463	1,471	1,257	1,174	995
Total Primary Government Debt	\$ 16,533	\$ 15,351	\$ 13,840	\$ 12,604	\$ 11,740

DEBT RATIOS**Total Primary Government**

Ratio of total debt to personal income (1)	5.88%	5.46%	5.11%	5.00%	5.10%
Total debt per capita (2)	\$ 2,479	\$ 2,330	\$ 2,133	\$ 1,977	\$ 1,876

General Bond Debt

Ratio of general bonded debt to retail sales subject to tax (3)	12.38%	11.41%	9.86%	9.55%	9.77%
General bonded debt per capita (2)	\$ 2,117	\$ 1,974	\$ 1,809	\$ 1,669	\$ 1,595

(1) Personal income data can be found in Schedule 13. 2009 personal income data not available. Used 2008 personal income to calculate 2009 ratio.

(2) Population data can be found in Schedule 14.

(3) Retail sales subject to tax can be found in Schedule 6. Used 2008 retail sales subject to tax to calculate 2009 ratio.

* Beginning balance in 2008 has been restated for short/long term bond liabilities for a Department of Corrections sewer extension project, and for a University of Washington fund reclassification.

Source: Washington State Office of Financial Management, Accounting Division

State of Washington

2004	2003	2002	2001	2000
\$ 9,173	\$ 8,376	\$ 7,997	\$ 7,475	\$ 7,055
511	518	N/A	N/A	N/A
274	276	249	214	190
28	32	35	18	8
9,986	9,202	8,281	7,706	7,252
155	172	187	205	222
520	455	327	278	218
247	248	236	275	274
14	6	2	2	2
936	881	752	759	716
\$ 10,922	\$ 10,083	\$ 9,033	\$ 8,465	\$ 7,968
4.91%	4.87%	4.51%	4.29%	4.16%
\$ 1,771	\$ 1,653	\$ 1,495	\$ 1,417	\$ 1,352
9.98%	9.75%	9.59%	9.05%	8.53%
\$ 1,512	\$ 1,402	\$ 1,355	\$ 1,285	\$ 1,235

DEBT CAPACITY

Schedule 11 – Legal Debt Margin Information

Last Ten Fiscal Years (expressed in millions)

	2009	2008	2007	2006	2005
Debt service limitation	\$ 1,010	\$ 948	\$ 928	\$ 839	\$ 695
Total debt service applicable to limit	797	747	772	740	623
Debt service capacity	\$ 213	\$ 201	\$ 156	\$ 99	\$ 72
Debt service capacity as a percentage of total debt service limitation	21.1%	21.2%	16.8%	11.8%	10.4%
Remaining state general obligation debt capacity (2)	\$ 2,791	\$ 2,889	\$ 2,390	\$ 1,484	\$ 993
Debt outstanding, bonds issued & projected sales subject to debt service limitation	8,032	7,244	7,439	7,304	6,047
Maximum debt authorization subject to limitation	\$ 10,823	\$ 10,133	\$ 9,829	\$ 8,788	\$ 7,040
Remaining debt capacity as a percentage of maximum debt authorized	25.8%	28.5%	24.3%	16.9%	14.1%

Legal Debt Limitation Calculation for Fiscal Year 2009

Three year mean, general state revenues	<u>\$ 14,422</u>
Legal debt limitation:	
Debt service limitation (7% of above)	1,010
Less: Projected maximum annual debt service of outstanding bonds as of June 30 of the preceding fiscal year	<u>797</u>
Debt service capacity	<u>\$ 213</u>
Remaining state general obligation debt capacity (3)	\$ 2,791
Plus: Debt outstanding, bond issues & projected sales subject to debt service limitation as of June 30 of the preceding fiscal year	<u>8,032</u>
Maximum debt authorization subject to limitation	<u>\$ 10,823</u>

(1) The constraining limit for 2009 is the statutory limitation.

(2) The remaining debt capacity each year is the calculated present value of the debt service capacity utilizing a yearly interest rate assumption.

(3) Interest rate assumption for 2009 is 5.73 percent.

Source: Certification of the Debt Limitation of the State of Washington, Office of the State Treasurer

State of Washington

2004	2003	2002	2001	2000
\$ 639	\$ 622	\$ 606	\$ 581	\$ 554
594	560	567	560	531
\$ 45	\$ 62	\$ 39	\$ 21	\$ 23
7.0%	10.0%	6.4%	3.6%	4.2%
\$ 607	\$ 846	\$ 550	\$ 299	\$ 294
5,693	5,622	5,406	5,114	4,870
\$ 6,300	\$ 6,468	\$ 5,956	\$ 5,413	\$ 5,164
9.6%	13.1%	9.2%	5.5%	5.7%

DEBT CAPACITY

Schedule 12 – Revenue Bond Coverage ⁽¹⁾

Last Ten Fiscal Years (expressed in millions)

Fiscal Year	Gross Revenues (2)	Less: Operating Expenses (3)	Net Available Revenue	Scheduled Debt Service (4)		Coverage Ratio
				Principal	Interest	
Governmental Activities						
2009	\$ 71	\$ 3	\$ 68	\$ 33	\$ 37	0.97
2008	67	2	65	25	36	1.07
2007	48	2	46	7	37	1.05
2006	41	1	40	5	35	1.00
2005	41	-	41	8	34	0.98
2004	39	-	39	7	33	0.98
2003	N/A	N/A	-	N/A	N/A	-
2002	N/A	N/A	-	N/A	N/A	-
2001	N/A	N/A	-	N/A	N/A	-
2000	N/A	N/A	-	N/A	N/A	-
Business-Type Activities						
2009	\$ 1,478	\$ 1,281	\$ 197	\$ 26	\$ 54	2.46
2008	1,355	1,264	91	32	44	1.20
2007	1,270	1,120	150	16	39	2.73
2006	1,176	1,072	104	14	29	2.42
2005	1,102	998	104	12	26	2.74
2004	1,047	971	76	10	16	2.92
2003	991	917	74	8	17	2.96
2002	905	854	51	8	12	2.55
2001	819	806	13	6	12	0.72
2000	745	716	29	5	10	1.93

(1) Refer to Note 7 for information on the nature of revenues bonds issued by the state.

(2) Total operating revenues.

(3) Total operating expenses exclusive of depreciation.

(4) With the exception of TSA bonds, scheduled debt service amounts are based on previous fiscal year disclosure information collected from individual agencies and reported in Note 7. TSA revenue bonds contain a "turbo" repayment requirement, so the actual principal payments are used on this schedule.

N/A - No revenue bonds outstanding for governmental activities prior to 2004.

Source: Washington State Office of Financial Management, Accounting Division

DEMOGRAPHIC INFORMATION

Schedule 13 – Personal Income Comparison

Washington State vs. United States

Last Ten Calendar Years (expressed in billions, except per capita)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Washington State										
Amount	\$ 281	\$ 271	\$ 252	\$ 230	\$ 222	\$ 207	\$ 200	\$ 197	\$ 192	\$ 178
Percent change	4%	8%	10%	4%	7%	4%	2%	3%	8%	7%
Per capita	\$ 42,857	\$ 42,020	\$ 39,623	\$ 36,773	\$ 35,986	\$ 33,869	\$ 33,107	\$ 32,950	\$ 32,407	\$ 30,521
United States										
Amount	\$ 12,239	\$ 11,894	\$ 11,268	\$ 10,486	\$ 9,937	\$ 9,378	\$ 9,060	\$ 8,883	\$ 8,559	\$ 7,911
Percent change	3%	6%	8%	6%	6%	4%	2%	4%	8%	5%
Per capita	\$ 40,189	\$ 39,419	\$ 37,709	\$ 35,421	\$ 33,875	\$ 32,257	\$ 31,453	\$ 31,137	\$ 30,308	\$ 28,321
Washington Rate as % of United States Rate										
	107%	107%	105%	104%	106%	105%	105%	106%	107%	108%

Note: The Bureau of Economic Analysis periodically revises its personal income data for periods up to 10 years.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Schedule 14 – Population and Components of Change

Washington State vs. United States

Last Ten Calendar Years (expressed in thousands)

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Washington State (1)										
Population	6,668.2	6,587.6	6,488.0	6,375.6	6,256.4	6,167.8	6,098.3	6,041.7	5,974.9	5,894.1
Percent change	1.2%	1.5%	1.8%	1.9%	1.4%	1.1%	0.9%	1.1%	1.4%	1.1%
Components of change:										
Births	90.8	89.3	87.8	83.2	81.8	81.0	79.1	79.3	80.7	79.9
Deaths	49.0	47.5	46.2	45.3	45.6	46.0	44.7	44.9	43.9	43.7
Net migration	38.8	57.8	70.8	81.3	52.4	34.6	22.3	32.4	44.0	27.2
Net increase	80.6	99.6	112.4	119.2	88.6	69.5	56.6	66.8	80.8	63.3
United States (2)										
Population	N/A	304,060	301,290	298,363	295,561	292,892	290,211	287,727	285,040	282,172
Percent change	N/A	0.9%	1.0%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.1%

(1) Washington State population figures are as of April 1 of each year. These figures are estimated for 2008 and 2009.

(2) United States population estimates are as of July 1 of each year. Population estimates not available for 2009.

Note: Some figures may not total due to rounding.

Sources:

Population Trends, Washington State Office of Financial Management

American FactFinder, U.S. Census Bureau

DEMOGRAPHIC INFORMATION

Schedule 15 – Annual Average Civilian Labor Force Unemployment Rates**Washington State vs. United States**

Last Ten Calendar Years

	2008	2007	2006	2005	2004
Washington State (in thousands)					
Civilian labor force	3,477	3,391	3,320	3,259	3,200
Employment	3,291	3,237	3,157	3,080	3,000
Total unemployment	186	154	163	179	200
Unemployment percentage rate	5.3%	4.5%	4.9%	5.5%	6.3%
United States (in millions)					
Civilian labor force	154.3	153.1	151.4	149.3	147.4
Employment	145.4	146.0	144.4	141.7	139.2
Total unemployment	8.9	7.1	7.0	7.6	8.2
Unemployment percentage rate	5.8%	4.6%	4.6%	5.1%	5.6%
Washington Rate as % of					
United States rate	91.4%	97.8%	106.5%	107.8%	112.5%

Source: Economic Forecast, November 2009, Washington State Economic and Revenue Forecast Council

2003	2002	2001	2000	1999
3,146	3,105	3,053	3,050	3,066
2,913	2,877	2,864	2,899	2,918
233	228	189	151	148
7.4%	7.3%	6.2%	5.0%	4.8%
146.5	145.1	143.9	142.6	141.0
137.7	136.5	136.9	136.9	133.5
8.8	8.6	7.0	5.7	7.5
6.0%	5.9%	4.9%	4.0%	5.3%
123.3%	123.7%	126.5%	125.0%	90.6%

DEMOGRAPHIC INFORMATION

Schedule 16 – Annual Average Wage Rates by Industry (1)

Last Seven Calendar Years

Industry	Annual Average Wages (2)						
	2008	2007	2006	2005	2004	2003	2002
Information	\$ 104,053	\$ 96,240	\$ 91,081	\$ 82,647	\$ 78,918	\$ 104,042	\$ 102,309
Mgmt. of companies and enterprises	87,431	86,867	85,031	75,236	75,776	69,743	67,659
Utilities	76,945	73,736	70,404	65,615	63,915	59,570	59,284
Finance and insurance	72,653	70,044	66,684	62,382	62,091	57,954	53,944
Prof., scientific, and technical services	70,120	70,104	63,687	61,181	58,486	56,933	54,645
Manufacturing	61,260	59,568	58,196	54,953	51,788	50,546	50,901
Wholesale trade	61,041	59,345	56,572	53,458	52,027	49,070	47,774
Mining	54,718	58,056	54,924	52,592	51,454	49,517	48,110
Construction	49,443	46,783	43,746	41,482	40,171	39,468	39,396
Government	48,705	46,914	44,745	42,915	41,756	40,546	39,360
Transportation and warehousing	45,433	45,320	44,078	42,798	41,780	40,219	39,501
Health care and social assistance	41,424	39,474	37,654	36,162	34,919	33,444	32,144
Administrative and support services	37,536	36,463	34,533	33,649	33,466	33,314	30,806
Real estate, rental and leasing	36,669	36,334	34,948	32,744	30,582	29,552	28,562
Education services	33,550	32,076	30,901	29,860	28,453	27,738	27,618
Retail trade	29,268	29,082	28,174	27,330	26,602	26,047	25,508
Arts, entertainment, and recreation	26,949	27,643	27,139	25,724	24,331	22,622	21,908
Other services	25,637	24,385	23,009	22,010	26,467	25,692	25,336
Agriculture, forestry, fishing, and hunting	24,491	23,413	22,239	21,122	20,495	20,152	19,909
Accommodation and food services	16,430	16,019	15,469	15,014	14,765	14,309	13,950

(1) Industry classifications and wages are based on North American Industry Classification System (NAICS) codes. Data based on NAICS codes are not available in a comparable coding structure prior to 2002.

(2) Wages include only employment covered by unemployment insurance. Wages may not include private firms or disclosure of individual employers.

Source: Quarterly Census of Employment and Wages (QCEW) Annual Data, Labor Market and Economic Analysis Branch, Employment Security Department

DEMOGRAPHIC INFORMATION

Schedule 17 – Principal Employers by Industry (1)

Current Calendar Year and Six Years Ago

Industry	2008 Annual Averages			2002 Annual Averages		
	Number of Employees (2)	Percent of Total	Number of Employers	Number of Employees (2)	Percent of Total	Number of Employers
Government	521,183	17.6%	2,049	490,324	18.8%	2,017
Retail trade	320,713	10.8%	14,369	297,953	11.5%	16,040
Health care and social assistance	308,960	10.4%	13,722	260,778	9.9%	13,028
Manufacturing	287,229	9.7%	7,144	280,964	10.8%	7,738
Accommodation and food services	231,652	7.9%	12,498	199,896	7.7%	11,595
Construction	185,773	6.3%	24,491	142,285	5.5%	24,142
Prof., scientific, and technical services	160,323	5.4%	17,627	131,001	5.0%	16,191
Administrative and support services	143,900	4.9%	9,360	118,810	4.6%	8,814
Wholesale trade	126,740	4.3%	12,838	111,634	4.3%	12,855
Other services	116,979	4.0%	50,539	74,461	2.9%	10,857
Information	104,941	3.6%	2,473	92,715	3.6%	2,627
Finance and insurance	99,201	3.4%	5,984	96,701	3.7%	5,500
Agriculture, forestry, fishing, and hunting	86,152	2.9%	7,470	76,389	2.9%	9,457
Transportation and warehousing	85,209	2.9%	4,050	78,224	3.0%	4,194
Real estate, rental and leasing	49,517	1.7%	6,653	45,009	1.7%	6,378
Arts, entertainment, and recreation	47,117	1.6%	2,419	40,715	1.6%	2,335
Mgmt. of companies and enterprises	34,695	1.2%	641	30,186	1.2%	577
Education services	32,717	1.1%	2,176	26,632	1.0%	1,871
Utilities	4,913	0.2%	227	4,461	0.2%	242
Mining	2,828	0.1%	170	2,965	0.1%	182
Total employment (3)	2,950,742	100.0%	196,900	2,602,103	100.0%	156,640

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes. Data based on NAICS codes are not available in a comparable coding structure prior to 2002.

(2) The number of employees represents only employees covered by unemployment insurance.

(3) Total employment may not include private firms or disclosure of individual employers.

Note: The State of Washington is legally prohibited from disclosing the names of individual employers. The information in this table is intended to assist readers in understanding the degree of concentration in the state's employment base.

Source: Quarterly Census of Employment and Wages (QCEW) Annual Data, Labor Market and Economic Analysis Branch, Employment Security Department

DEMOGRAPHIC INFORMATION

Schedule 18 – Fortune 500 Companies Headquartered in Washington

Last Two Calendar Years

(Ranked by Company Revenues)

Rank		Company	Revenues (in millions)	Profit / (Loss) (in millions)	Employees Worldwide	Headquarters
2008	2007					
24	29	Costco Wholesale	\$ 72,483	\$ 1,283	106,000	Issaquah
35	44	Microsoft	60,420	17,681	91,000	Redmond
130	171	Amazon	19,166	645	20,700	Seattle
170	169	Paccar	14,973	1,018	18,700	Bellevue
236	147	Weyerhaeuser	11,401	(1,176)	19,850	Federal Way
261	277	Starbucks	10,383	316	176,000	Seattle
301	299	Nordstrom	8,573	401	51,000	Seattle
434	458	Expeditors Intl. of Washington	5,634	301	12,580	Seattle

Note: Two companies, headquartered in Seattle, that were on the Fortune 500 list in 2007, were not included in 2008. In April 2008, Safeco Insurance Company was sold to Liberty Mutual; and in September 2008, Washington Mutual Bank was seized by the FDIC and sold to JP Morgan Chase.

Source: Fortune Magazine, May 4, 2009

Schedule 19 – Principal Commodities Value*

Last Ten Calendar Years (dollars in millions)

Commodities	% Change										
	2008 vs. 2007	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Apples	(27.9)	\$1,283	\$1,780	\$1,403	\$1,032	\$742	\$1,178	\$1,023	\$900	\$750	\$856
Milk (1)	(5.6)	1,002	1,062	688	836	861	675	674	827	716	825
Wheat	(21.5)	745	949	618	456	524	521	497	424	443	345
Potatoes	2.7	693	675	562	535	460	489	512	552	446	476
Hay, all	18.1	588	498	401	367	380	344	375	375	355	307
Cattle/calves	(13.6)	496	574	584	601	476	476	451	493	561	454
Nursery (2)	0.9	321	318	304	326	329	310	299	288	288	282
Cherries, all	(9.2)	297	327	273	338	242	176	151	148	157	116
Hops	84.7	253	137	88	73	76	72	83	92	95	81
Grapes, all	14.9	201	175	147	141	122	144	135	138	127	114

(1) Value at average returns per 100 pounds of milk in combined marketings of milk and cream plus value of milk used for home consumption and milk fed to calves.

(2) Includes greenhouse products and floriculture.

*Acreage and/or yield data is preliminary. The value may not be finalized until up to 2 years after production.

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

DEMOGRAPHIC INFORMATION

Schedule 20 – International Trade Facts (All Washington Ports)

Last Ten Calendar Years (expressed in millions)

International Trade	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Exports	\$ 77,088	\$ 78,453	\$ 68,202	\$ 51,533	\$ 46,051	\$ 41,776	\$ 41,730	\$ 42,935	\$ 42,100	\$ 46,513
Imports	87,511	85,469	81,953	81,308	65,135	55,762	54,059	58,144	64,991	59,676
Trade balance	(10,422)	(7,016)	(13,752)	(29,775)	(19,084)	(13,987)	(12,329)	(15,209)	(22,891)	(13,163)
Two-way trade	164,599	163,922	150,155	132,841	111,186	97,538	95,789	101,079	107,091	106,189

Note: Export figures indicate total international trade from the state of Washington, including bonded shipments to other states and Canada (includes Boeing Company figures). Some figures may not total due to rounding.

Source: Washington State Department of Commerce (U.S. Census Bureau)

Schedule 21 – Major Export Trading Partners

Last Ten Calendar Years (expressed in millions)

Export Partners	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Canada	\$ 17,049	\$ 15,267	\$ 12,894	\$ 10,581	\$ 8,758	\$ 7,141	\$ 6,414	\$ 6,525	\$ 7,210	\$ 6,904
Japan	10,677	10,567	9,810	9,272	8,779	7,988	6,865	5,938	6,837	7,868
China (Mainland)	8,614	9,357	8,030	6,576	4,219	2,968	3,032	3,445	2,540	2,453
Korea	4,003	3,683	3,161	2,467	3,296	3,014	3,712	3,605	3,445	2,923
United Arab Emirates	3,492	2,937	4,352	2,218	109	683	950	215	248	715
Taiwan	3,142	3,702	3,332	3,822	2,761	2,503	1,464	1,970	2,076	1,278
Singapore	2,981	2,301	2,805	1,395	1,602	2,186	2,459	2,770	690	1,434
India	2,396	5,868	1,488	516	148	237	288	333	242	356
Ireland	2,159	2,428	1,762	1,873	1,530	903	617	586	492	422
Malaysia	2,126	1,102	1,537	428	696	277	939	742	414	529

Note: Export figures are based on all Washington State ports, all methods of transportation.

Source: Washington State Department of Commerce (U.S. Census Bureau)

Schedule 22 – Major Import Trading Partners

Last Ten Calendar Years (expressed in millions)

Import Partners	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
China (Mainland)	\$ 30,632	\$ 28,684	\$ 24,198	\$ 22,653	\$ 16,138	\$ 13,955	\$ 12,155	\$ 9,875	\$ 10,651	\$ 9,288
Canada	17,274	15,858	15,980	15,245	13,367	11,425	10,389	12,659	14,690	11,961
Japan	15,877	16,925	18,555	21,390	18,291	15,917	15,658	17,074	20,022	19,622
Taiwan	4,072	3,610	3,451	3,519	2,776	2,160	2,382	3,200	4,021	3,845
Korea	3,875	4,235	4,264	4,270	3,468	2,788	2,637	2,558	2,793	2,507
Angola	1,480	757	599	167	34	N/A	N/A	N/A	N/A	N/A
Singapore	1,289	1,413	475	538	538	467	356	302	322	325
Saudi Arabia	1,248	765	558	382	160	324	32	13	7	2
Thailand	1,154	1,221	1,389	1,296	918	813	841	1,015	1,332	1,152
Vietnam	1,092	1,130	904	819	473	301	177	37	38	35

Note: Import figures are based on all Washington State ports, all methods of transportation.

N/A indicates data not available.

Source: Washington State Department of Commerce (U.S. Census Bureau)

DEMOGRAPHIC INFORMATION

Schedule 23 – Property Value and Construction

Last Ten Calendar Years (expressed in millions)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Value of all taxable property:										
Assessed value	\$ 919,505	\$ 841,309	\$ 738,395	\$ 634,883	\$ 573,677	\$ 535,208	\$ 506,838	\$ 478,687	\$ 441,192	\$ 404,657
Property value of exemptions:										
Senior citizen	\$ 8,715	\$ 8,022	\$ 6,604	\$ 5,267	\$ 3,839	\$ 3,362	\$ 3,327	\$ 4,066	\$ 4,187	\$ 4,609
Head of household	84	105	44	68	47	56	56	53	47	43
Total exemptions	\$ 8,799	\$ 8,127	\$ 6,648	\$ 5,335	\$ 3,886	\$ 3,418	\$ 3,383	\$ 4,119	\$ 4,234	\$ 4,652
New construction and improvements:										
Assessed value	\$ 19,435	\$ 20,861	\$ 19,680	\$ 15,393	\$ 12,872	\$ 11,356	\$ 10,724	\$ 10,896	\$ 10,527	\$ 9,542

Source: Property Tax Statistics Report, Washington State Department of Revenue

Schedule 24 – Residential Building Activity

Last Ten Calendar Years (expressed in millions)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Permits	28,919	47,397	50,033	52,988	50,089	42,825	40,200	38,345	39,021	42,752
Valuations	\$ 5,063	\$ 8,130	\$ 8,540	\$ 8,742	\$ 7,535	\$ 6,346	\$ 5,473	\$ 4,689	\$ 4,426	\$ 4,578

Source: U.S. Census Bureau

OPERATING INFORMATION

Schedule 25 – Full-Time Equivalent Staff Comparison (Budgeted Funds)

Last Ten Fiscal Years

Function	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General government	9,899	9,734	9,508	9,330	9,272	9,004	8,867	8,761	8,637	8,510
Human services	35,015	34,720	33,669	32,918	33,368	32,964	32,909	33,080	32,884	32,587
Natural resources	6,479	6,596	6,507	6,254	6,253	6,245	6,275	6,307	6,190	5,955
Transportation	11,264	11,300	11,025	10,662	10,549	10,373	10,410	10,531	10,250	10,254
Education	49,889	49,070	47,984	47,477	47,327	46,491	45,802	45,139	44,081	42,623
Total	112,546	111,420	108,693	106,641	106,769	105,077	104,263	103,818	102,042	99,929
Percentage change	1.0%	2.5%	1.9%	-0.1%	1.6%	0.8%	0.4%	1.7%	2.1%	2.1%

Notes: A Full-Time Equivalent (FTE) is one full calendar year of paid employment, or the equivalent of 2,088 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in state government. It is a computed average number of state employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year.

FTE staff years can be computed two ways:

- (1) By accumulating all FTE staff months for a full year and dividing by 12.
- (2) By accumulating all paid hours for one full year and dividing by 2,088 (the available work hours in a year).

Figures include operating and capital FTEs and FTEs of nonbudgeted higher education funds.

Source: Washington State Office of Financial Management, Accounting Division

Schedule 26 – Full-Time Equivalent Staff Comparison (General Fund State)

Last Ten Fiscal Years

Function	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General government	3,285	3,225	3,175	3,108	3,102	3,022	3,030	2,904	2,925	2,874
Human services	17,699	17,944	17,548	17,051	17,130	17,167	17,701	17,398	17,132	16,122
Natural resources	2,505	2,462	2,193	2,175	2,166	2,226	2,066	2,189	2,157	1,902
Transportation	373	449	343	428	307	334	188	391	416	405
Education	21,269	21,082	20,171	19,587	19,265	19,297	18,512	18,555	18,464	17,944
Total	45,131	45,162	43,430	42,349	41,970	42,046	41,497	41,437	41,094	39,247
Percentage change	-0.1%	4.0%	2.6%	0.9%	-0.2%	1.3%	0.1%	0.8%	4.7%	0.7%

Notes: A Full-Time Equivalent (FTE) is one full calendar year of paid employment, or the equivalent of 2,088 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in state government. It is a computed average number of state employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year.

FTE staff years can be computed two ways:

- (1) By accumulating all FTE staff months for a full year and dividing by 12.
- (2) By accumulating all paid hours for one full year and dividing by 2,088 (the available work hours in a year).

Figures include operating and capital FTEs.

Source: Washington State Office of Financial Management, Accounting Division

OPERATING INFORMATION

Schedule 27– Operating and Capital Asset Indicators by Function**General Government**

Last Ten Fiscal Years

	2009	2008	2007	2006	2005
Department of Revenue					
Number of state excise taxpayer registered accounts	804,145	782,010	774,295	759,235	718,224
Number of taxable real estate excise tax (REET) sales	198,515	250,971	316,432	364,906	364,900
General Administration (GA)					
Number of leases for office space	569	626	610	604	549
Gross square feet of leased office space (in thousands)	7,521	7,764	8,662	7,789	6,753
Number of GA owned buildings	46	46	44	44	44
Gross square feet of GA owned office space (in thousands)	3,102	3,102	3,101	3,101	2,893
Liquor Control Board					
Retail licensees	13,040	12,925	13,006	12,650	12,331
Non-retail licensees	2,798	2,519	2,471	1,954	1,933
Number of state owned liquor stores ⁽¹⁾	161	161	161	161	159
Number of contracted liquor stores	154	154	154	154	153
Convention and Trade Center					
Number of national & international events	51	47	42	46	53
Attendance of national & international events	140,175	129,836	182,406	176,904	179,493
Number of local & regional events	423	624	559	520	454
Attendance of local & regional events	290,596	352,932	216,149	320,549	219,191

⁽¹⁾ The Liquor Control Board is authorized to have 161 state operated liquor stores. Throughout the year this number may change due to temporary store closures or openings.

Sources:

Tax Statistics, Washington State Department of Revenue
Washington State Department of General Administration
Washington State Liquor Control Board
Annual Report, Washington State Convention and Trade Center

State of Washington

2004	2003	2002	2001	2000
692,845	652,373	617,491	580,599	543,380
344,056	316,635	287,851	272,480	279,597
529	568	557	621	665
6,650	6,667	6,588	7,174	7,515
44	44	44	44	42
2,893	2,878	2,878	2,878	2,718
12,121	11,791	11,453	11,337	11,244
1,409	1,393	1,166	1,178	1,013
161	157	157	157	154
154	155	157	157	159
45	41	36	38	34
161,101	141,090	111,163	129,600	118,440
499	481	407	347	337
266,717	284,242	260,702	235,000	280,149

OPERATING INFORMATION

Schedule 28 – Operating and Capital Asset Indicators by Function**Human Services**

Last Ten Fiscal Years

	2009	2008	2007	2006	2005
Department of Social and Health Services					
Mental health programs:					
Mental health state facilities ⁽¹⁾	3	4	4	4	4
Mental health state facilities available beds	1,264	1,359	1,380	1,280	1,247
Mental health state facilities average daily census ⁽²⁾	1,172	1,251	1,292	1,262	1,207
Community outpatient mental health facilities	149	144	150	150	150
Community outpatient mental health programs, clients served	124,600	126,688	119,498	120,770	125,929
Medical assistance programs:					
Monthly average caseload certified eligible	1,026,936	972,444	887,966	894,804	857,599
Income assistance programs:					
Temporary assistance for needy families caseload	56,458	50,122	51,940	55,525	57,026
Food assistance caseload ⁽³⁾	351,607	288,281	279,985	273,552	251,455
Department of Corrections					
Number of correctional institutions	15	15	15	15	15
Prison population	18,627	18,551	18,471	17,905	17,580
Prison operating capacity	16,756	15,785	15,222	15,013	15,002
Department of Health					
Licensed health professionals ⁽⁴⁾	351,441	330,850	331,147	287,512	284,439
Department of Labor & Industries					
Claims filed, injured or ill workers	116,616	136,791	140,308	140,887	139,365
Electrical wiring jobs inspected	216,305	265,564	282,100	172,402	180,401
Workplaces inspected each year by the Washington Industrial Safety and Health (WISHA) program	7,285	5,217	6,451	7,154	7,225

⁽¹⁾ Beginning January 2008, the mental health state facilities count no longer includes the Program for Assisted Living Skills (PALS) as it is now funded by community dollars.

⁽²⁾ The average daily census is based on the count of individuals in residence at midnight.

⁽³⁾ Data reflects state fiscal year average, total participating households.

⁽⁴⁾ Includes certified, licensed, and registered health professionals. The counts for years 2000 and 2002 are averages of the years before and after because, during that time period, the Department of Health reported this information every other year. Emergency medical technicians were not included in the counts for years prior to 2007.

Sources:

Washington State Department of Social and Health Services

Washington State Department of Corrections

Washington State Department of Health

Washington State Department of Labor and Industries

State of Washington

2004	2003	2002	2001	2000
4	4	4	4	4
1,218	1,287	1,379	1,398	1,398
1,192	1,225	1,328	1,343	1,340
150	150	150	150	150
131,069	127,967	125,524	120,742	112,105
862,935	864,389	840,018	790,244	727,964
55,610	54,636	55,068	54,759	58,797
220,130	192,334	164,531	144,661	139,341
15	15	15	15	15
16,046	15,580	15,405	14,242	13,736
15,341	13,262	13,262	12,867	12,587
275,023	265,607	256,173	246,834	236,497
137,835	140,710	149,061	167,071	180,310
162,503	153,874	133,828	128,048	134,042
6,877	7,854	7,837	6,878	7,041

OPERATING INFORMATION

Schedule 29 – Operating and Capital Asset Indicators by Function**Transportation**

Last Ten Fiscal Years

	2009	2008	2007	2006	2005
Department of Transportation					
Number of ferries ⁽¹⁾	22	24	28	28	28
Vehicles on ferries (in thousands)	9,910	10,391	10,827	10,597	10,810
Passengers on ferries (in thousands)	12,598	12,901	13,163	12,960	13,071
State highway miles of travel ⁽²⁾					
Rural (in thousands)	N/A	10,988	11,564	11,397	11,293
Urban (in thousands)	N/A	19,754	20,406	20,367	20,336
State highway lane miles					
Rural	13,724	13,685	13,668	13,652	13,641
Urban	6,668	6,566	6,505	6,447	6,362
Total	20,392	20,251	20,173	20,099	20,003
Pavement patching & repair (square feet)	128,076	100,124	92,216	160,280	116,357
Pavement striping maintenance (miles)	18,140	20,020	20,328	23,145	27,389
Anti & de-icing liquid application (gallons in thousands)	4,724	3,938	4,541	3,507	3,446
Litter pickup (cubic yards)	12,230	18,452	17,234	22,916	41,115
Department of Licensing ⁽³⁾					
Total vehicle registrations (in thousands)	6,862	7,028	6,732	6,638	6,494
Licensed drivers (in thousands)	4,905	4,842	4,774	4,690	4,587
State Patrol ⁽⁴⁾					
Total contacts	1,257,761	1,237,534	1,255,500	1,309,510	1,356,300
Citations issued	540,163	570,678	592,122	541,287	506,462
Motorist assists	305,417	306,636	309,864	344,249	352,615
Collisions investigated	36,922	39,286	40,666	40,535	40,175
Number of traffic officers	633	635	626	626	651

⁽¹⁾ In 2009, two passenger-only vessels were sold. In 2008, four steel electric ferries went out-of-service.

⁽²⁾ Data available on a calendar year basis.

⁽³⁾ Vehicle count includes all registered vehicles for which registration fees were paid. Drivers count includes all licensed drivers. Years 2000-2002 reflect calendar year counts.

⁽⁴⁾ Prior to 2006, data available only on a calendar year basis.

N/A indicates data not available.

Sources:

Washington State Department of Transportation

Washington State Department of Licensing

Washington State Patrol

State of Washington

2004	2003	2002	2001	2000
28	29	29	29	29
10,867	10,812	11,141	11,463	11,543
13,541	13,703	14,489	15,140	15,330
11,354	12,900	12,732	12,399	12,272
20,203	18,763	18,754	18,272	18,163
14,337	13,978	13,962	13,663	13,665
5,633	5,226	5,203	4,369	4,330
19,970	19,204	19,165	18,032	17,995
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
6,419	6,215	6,196	5,978	5,105
4,412	4,319	4,400	4,355	4,299
1,482,090	1,508,647	1,442,087	1,449,618	782,548
518,721	571,272	N/A	395,747	377,283
329,896	409,954	N/A	541,105	447,206
36,449	32,874	31,401	41,977	41,804
686	684	811	N/A	N/A

OPERATING INFORMATION

Schedule 30 – Operating and Capital Asset Indicators by Function**Natural Resources and Recreation**

Last Ten Fiscal Years

	2009	2008	2007	2006	2005
State Parks and Recreation Commission					
Number of developed state parks	120	120	120	120	114
Number of owned or managed properties	219	231	231	226	227
Acreage of state parks ⁽¹⁾	121,152	121,010	120,146	260,487	260,028
Attendance at state parks (in thousands)	41,535	41,590	39,297	40,026	40,331
Department of Fish and Wildlife					
Recreational licenses issued					
Hunting licenses	364,810	370,235	359,510	342,230	330,453
Fishing licenses	1,009,075	943,904	954,478	929,884	963,088
Hatchery releases (pounds in thousands) ⁽²⁾					
Salmon releases	3,099	4,432	4,786	4,697	4,744
Trout releases	1,410	1,410	1,531	1,410	1,494
Department of Natural Resources					
Common schools trust land acreage (in thousands)	1,813	1,799	1,757	1,757	1,758
Total trust land acreage (in thousands)	2,947	2,923	2,877	2,876	2,875
Timber acres harvested	27,170	24,625	29,687	N/A	30,529
Timber volume harvested (million board feet)	504,936	504,796	493,341	657,962	694,999
Timber volume sold (million board feet)	545,700	660,247	570,531	527,609	598,445
Natural area preserve sites	53	52	52	51	49
Natural area preserve acreage	35,365	31,207	29,991	29,975	29,871
Natural resources conservation area sites	30	29	31	30	28
Natural resources conservation area acreage	96,989	93,534	88,862	87,793	87,357

⁽¹⁾ Prior to 2007, acreage owned by the U.S. Bureau of Land Management, leased jointly by State Parks and the Department of Fish and Wildlife (DFW), and managed by DFW was included.

⁽²⁾ 2009 data is preliminary. Trout releases do not include trout lodge fish purchased by DFW.

N/A indicates data not available.

Sources:

Washington State Parks and Recreation Commission

Washington State Department of Fish and Wildlife

Washington State Department of Natural Resources

State of Washington

2004	2003	2002	2001	2000
120	120	126	126	126
229	231	238	239	240
259,453	259,244	262,393	262,564	262,292
40,410	45,960	48,864	47,774	46,444
321,906	324,544	332,769	372,858	336,961
1,031,213	955,037	1,068,136	1,161,682	970,668
4,786	5,004	5,226	5,733	6,121
1,512	1,504	1,562	1,610	1,643
1,752	1,748	1,745	1,746	1,750
2,882	2,862	2,860	2,860	2,863
27,629	24,405	23,921	26,955	32,383
616,051	494,266	492,173	514,951	627,992
547,749	542,607	494,798	460,753	501,431
49	48	47	47	47
30,074	29,786	27,787	27,058	25,253
28	28	27	27	27
86,401	84,795	85,408	84,006	82,020

OPERATING INFORMATION

Schedule 31 – Operating and Capital Asset Indicators by Function

Education

Last Ten Academic Years

	2008-09	2007-08	2006-07	2005-06	2004-05
K-12 Enrollment ⁽¹⁾					
K-8	663,135	653,862	648,975	649,655	648,526
9-12	312,994	313,598	313,370	311,684	307,451
Private and home based	12	19	23	22	52
Summer	508	538	333	332	473
Running start	11,825	11,176	10,811	10,256	9,761
UW transition	102	103	100	109	109
Total	988,576	979,296	973,612	972,058	966,372
High school graduates ⁽²⁾	N/A	58,005	58,875	56,874	57,449
Higher Education					
Community and Technical Colleges:					
Number of campuses	34	34	34	34	34
Enrollment ^{(1) (3)}	148,000	136,723	132,346	130,933	131,489
Associate degrees granted	20,959	20,911	20,763	21,450	21,632
Baccalaureate degrees granted ⁽⁴⁾	35	N/A	N/A	N/A	N/A
Student achievement points ⁽⁵⁾	356,455	308,800	295,259	N/A	N/A
Public Universities ⁽⁶⁾					
Number of campuses	10	10	10	11	11
Enrollment ⁽¹⁾	98,292	94,310	92,215	91,571	91,358
Baccalaureate degrees granted	22,061	21,641	21,442	20,989	20,882
Masters degrees granted	4,772	4,715	4,711	4,748	4,750
Doctors degrees granted	878	811	838	814	739
Professional degrees granted	684	691	718	681	649

⁽¹⁾ Enrollment is based on a full-time equivalent student, which is defined as:

- Kindergarten - 4 classroom hours/day for 90 days or 2 classroom hours/day for 180 days.
- Grades 1 through 3 - 4 classroom hours/day for 180 days.
- Grades 4 through 12 - 5 classroom hours/day for 180 days.
- Undergraduate student - 15 credit hours per term.
- Graduate student - 10 credit hours per term.

⁽²⁾ High school graduates for academic year 2008-09 is not available at time of report.

⁽³⁾ Figures include students enrolled in baccalaureate partnership programs, beginning in academic year 2006-07.

⁽⁴⁾ Baccalaureate degrees awarded by community and technical colleges, beginning in academic year 2008-09.

⁽⁵⁾ Student achievement points are the number of intermediate steps achieved by students that are shown to be predictors of the degree or certificate outcome. Student Achievement Points are essential to the Student Achievement Initiative within the community and technical college system aimed to increase educational attainment in Washington State. The Initiative was implemented in 2007, therefore data is not available for prior academic years.

⁽⁶⁾ Public Universities include all 4-year public institutions and branch campuses. In 2006, the Spokane campus of Washington State University was combined with the Pullman campus.

N/A indicates data not available.

2003-04	2002-03	2001-02	2000-01	1999-00
650,269	650,596	651,692	650,126	649,978
302,091	298,912	295,890	292,309	290,515
89	100	169	185	139
438	352	467	434	347
9,351	8,814	8,305	7,938	7,467
105	71	43	40	38
962,343	958,845	956,566	951,032	948,484
57,926	60,525	54,359	56,277	58,939
34	34	34	34	33
138,241	139,753	133,962	128,093	125,131
22,326	20,403	18,516	17,526	17,949
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
11	11	11	11	11
90,075	89,511	87,969	84,832	82,778
20,456	19,454	18,635	17,522	18,211
4,685	4,591	4,285	4,051	4,008
670	638	613	641	604
648	634	642	645	588

Sources:

Washington State Office of Financial Management, Forecasting Division
 Washington State Office of Superintendent of Public Instruction
 Washington State Board of Community and Technical Colleges
 Washington Higher Education Coordinating Board

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