State of Washington

Office of Financial Management

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

October 2014

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Office of Financial Management

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Report Prepared by

Office of Financial Management
David Schumacher, Director

Accounting Division
Wendy Jarrett, CPA, Assistant Director

Statewide Accounting
Heidi Algiere
Bret Brodersen
Julie Chiapetta
Suzanne Coit, CPA
Cheryl Hainje
Sandy McGough
Steve Nielson
Sara Rupe
Patricia Sanborn, CPA
Michael Schaub
Kim Thompson, CPA
Anwar Wilson

Additional assistance provided by
Office of the State Treasurer
Office of the State Actuary
Office of the State Auditor
State Investment Board
Department of Retirement Systems
Department of Transportation
State Health Care Authority
University of Washington
All state fiscal personnel

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014

Table of Contents

INTRODUCTORY SECTION

FINANCIAL SECTION

Required Supplementary Information

Other Supplementary Information

Combining Financial Statements

Governmental Funds

INTRODUCTORY SECTION

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STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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

October 31, 2014

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

In accordance with Revised Code of Washington 43.88.027, the Office of Financial Management has prepared this Comprehensive Annual Financial Report (CAFR) of the state of Washington for the fiscal year ended June 30, 2014. Full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose, rests with the state. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The State Auditor has issued an unmodified ("clean") opinion on the Washington state financial statements for the fiscal year ended June 30, 2014. 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 financial statements, individual fund schedules, and the statistical section complete the CAFR.

Profile of Washington State

Washington state was created in 1889 by an enabling act of Congress. The state is located on the Pacific Coast, in the northwestern corner of the continental United States, and comprises 71,303 square miles. Its current population is 7.0 million. Washington is famous for its breathtakingly beautiful scenery and sharp contrasts. On the west side of the state, high mountains rise above coastal waters. The forests of the Olympic Peninsula are among the world's rainiest places. The state's coastline has hundreds of bays and inlets that make excellent harbors, while in the eastern part, flat semi-desert land stretches for long distances without a single tree.

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

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

GOVERNMENTAL STRUCTURE

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

TYPES OF SERVICES PROVIDED AND REPORTING ENTITY

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

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

THE BUDGET CYCLE

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

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

Washington State's Economy and Revenue Outlook

SUMMARY

From the time the nation's recession began, in December 2007, to its lowest point in February 2010, Washington State lost almost 206,000 jobs, or about 6.9 percent of total nonfarm payroll employment. While the state lagged the nation into this slowdown, local losses accelerated in late 2008 and, for the most part, began to match national trends. By June 2009, the nation was officially out of recession and national economic indicators were signaling a recovery in economic output. However, employment was noticeably restrained as employers sought to increase output through productivity gains rather than by hiring additional workers. Employment patterns were inconsistent throughout 2010 as the use of temporary Census workers in the late spring and summer masked the below-average hiring trends in the remainder of the economy. Employment growth turned positive in the last quarter of 2010 and has remained on a positive track since though at a growth rate less than half the historic norm. Job growth advanced at a 2.5 percent annual pace in 2014, a marked improvement on the 1.4 percent rate in 2012 and 2.1 percent pace in 2013. Mid fiscal year 2014 marked an economic milestone as nonfarm employment, after a duration of 69 months, finally exceeded its pre-recession peak. Because of Washington's export-dependent economy, and the cautiously optimistic Asian outlook, Washington is still expected to outpace the nation over the next several years in terms of job and income growth.

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

Washington's nonfarm payroll employment grew by 2.5 percent in fiscal year 2014, 2.1 percent in fiscal year 2013, 1.4 percent in fiscal year 2012, 0.6 percent in fiscal year 2011, and -3.9 percent in fiscal year 2010. Throughout this span the aerospace industry was able to perform better than average despite weakness in the global airline industry, thanks primarily to a long backlog of orders. Adding workers to address the production difficulties with the 787, and increasing the delivery pace for the large backlog of orders in fiscal year 2013 helped keep employment on the upswing. Total manufacturing employment grew 3.7 percent in fiscal year 2013 as production schedules ramped up and a favorable dollar gave Washington products an advantage in the international markets. With 787 production difficulties solved in late fiscal year 2013, and the realignment of production and engineering operations across the country, the ramping down of aerospace employment in fiscal year 2014 and further easing of payrolls are projected for the future.

Washington's unemployment rate fell by 1 percentage point in fiscal year 2014, as a growing national economy, rebounding housing markets, and moderating energy costs helped support the labor markets. As the 2014 annual unemployment rate eased down to 6.5 percent from 7.5 percent in fiscal year 2013, Washington's jobless rate consistently tracked below the national average throughout this period.

Personal income grew 4 percent in fiscal year 2014, despite the below-average pace of hiring. Real personal income – after factoring out inflation – grew by 2.7 percent in fiscal year 2014 after gaining 2.6 percent in fiscal year 2013 and 2.7 percent in fiscal year 2012. In comparison, real personal income fell 3.1 percent in fiscal year 2010.

Washington's outlook for fiscal year 2015 is for moderate gains in economic growth. Nonfarm payroll employment in Washington is forecasted to increase by 2.3 percent in fiscal year 2015. Personal income in fiscal year 2015 is predicted to grow by 4.6 percent in current terms, and by 3.2 percent in real terms.

General Fund-State revenues are forecasted to grow at an 8.2 percent rate in the 2015-17 biennium compared to the 8.7 percent gain in the 2013-15 biennium. The expanding economy, moderate gains in hiring, and recovering housing markets have had a positive effect on revenue growth though at a pace below overall income growth. Further economic growth and a continued rebound in the housing market will keep revenues growing at a moderate pace.

ECONOMIC CONDITION IN FISCAL YEAR 2014

Washington's nonfarm payroll employment grew by 2.5 percent in fiscal year 2014, compared to the 1.7 percent growth in U.S. nonfarm payroll employment. The absolute increase in Washington's nonfarm payroll employment was 73,900 during fiscal year 2014. Personal income in Washington grew 4 percent, leading the U.S. gain of 2.7 percent. Because Washington's personal income had not fallen to the same degree as the nation during the great recession, the rebound effect in Washington was somewhat lessened during the subsequent recovery and expansion (i.e., the state did not have near as deep a hole from which to extract itself). Real per capita income grew by 1.6 percent in Washington during fiscal year 2014, again leading the nation which experienced a 0.7 percent gain.

Aerospace employment has long been an anchor for Washington's manufacturing sector, so changes in aerospace have an outsized impact. Even though aerospace employment did ratchet down a modest amount in fiscal year 2010, employment growth from that point through the middle of fiscal year 2013 totaled 17,000 workers, or 21.2 percent. This was accomplished by ramping up of production schedules and adding an additional assembly line to help boost aircraft deliveries. With more complete resolution to the 787 production difficulties in late fiscal year 2013 aerospace employment fell 1.5 percent in fiscal year 2014.

Manufacturing employment, other than aerospace grew by 2 percent in fiscal year 2014. Durable manufacturing industries, which had experienced pullbacks in employment in fiscal year 2010, turned up in fiscal year 2011 as the national economy and export market began to strengthen, and carried that momentum into 2014 growing at a 2.2 percent annual clip. Nondurable manufacturing employment, which had declined 4.6 percent in fiscal year 2010, eased upward by 0.9 percent in fiscal year 2011, and also carried momentum as demand for processed food and paper products solidified. Durable goods employment continued to grow in fiscal year 2014 at a moderate 1.7 percent pace.

In comparative terms, employment in durable manufacturing in Washington grew by 0.5 percent in fiscal year 2014, while employment in durable manufacturing nationwide increased by a very similar 0.6 percent. Manufacturing was formerly one of the few bright spots in the nation's labor market. Employment in most durable manufacturing industries, outside of aerospace, posted gains in Washington during fiscal year 2014. Even employment in lumber and wood products, which had been very hard hit by the recession and housing bust, posted solid gains thanks to the ongoing rebound in the housing markets.

Washington's lumber industry is dependent upon local and national home building trends. The housing market in Washington had begun to soften in fiscal year 2008, and the national markets had been weak since the end of fiscal year 2007. The rebound in home building resulted in a 3.2 percent gain in wood products employment in fiscal year 2014.

Employment in transportation equipment other than aerospace fell by 3.8 percent as demand for heavy trucks, ships and boats softened. As aerospace employment eased, employment in primary and fabricated metal products –major suppliers to aerospace – continued to grow by 1.3 percent in fiscal year 2014, despite the more intense use of composite materials in newer aircraft. Machinery manufacturing employment also increased 6.5 percent in fiscal year 2014 thanks to steady domestic and international demand. Computers and electronic products jobs fell by 0.3 percent, while employment in other durable manufacturing was up by 3.1 percent.

Nondurable manufacturing employment in Washington increased by 1.6 percent in fiscal year 2014, a gain of about 1,200 jobs. Nationally, nondurable manufacturing employment was unchanged over the same period. In Washington, employment in food manufacturing grew 1.1 percent in fiscal year 2014 as a result of continued growing demand in the export markets. Printing and paper products employment was essentially unchanged in fiscal year 2014 as a result of soft national demand for magazines and newspapers and the growing use of on-line information sources.

Washington's non-manufacturing employment advanced 2.7 percent in fiscal year 2014. All major nonfarm services sectors, including government, posted payroll gains for fiscal year 2014 with construction employment outpacing the field with a growth of 6.9 percent.

The construction industry's healthy gain in fiscal year 2014 was a result of continued strengthening in the housing market as median house prices rose throughout most of the year and as the number of building permits eased upwards. The housing market was bolstered by continued low mortgage interest rates which were likely a major factor that helped spur demand for housing. The excess inventory of homes from the housing bubble had been whittled down which helped return new home sales to a more historical norm while existing home sales continued to post moderate gains.

For many years, employment growth in the information sector has relied almost exclusively on the strength of software publishing. However in fiscal year 2010, after a run of 27 years, software employment fell 2.6 percent because of restructuring at Microsoft. The sector's employment stabilized in the last half of fiscal year 2010 and began a slow up-turn in fiscal year 2011, growing 0.8 percent. Job gains in subsequent fiscal years were 1.7 percent, 1.6 percent, and 4 percent in fiscal year 2014.

Wholesale trade grew by 3 percent in fiscal year 2014, and retail trade employment increased by 3.5 percent, a characteristic job gain for this point in the economic recovery. There is a concern that this economic expansion is creating an inordinate share of low paid and part-time work—retail trade being the center of that concern.

Professional and business service jobs advanced by 2.5 percent in fiscal year 2014, as the great majority of activities within the sector gained strength over the year. The only weak element in this sector was legal services where many firms have reduced employment in operations and support functions in order to improve efficiency.

Education and health services reported an increase of 2.7 percent during fiscal year 2014. There still remains some uncertainty surrounding the Affordable Care Act which has likely cause some caution in this sector. Leisure and hospitality services recorded a 4 percent increase as demand for food and beverage services strengthened and as hotels and motels experienced higher occupancy rates. Even the public sector posted a 0.6 percent gain thanks primarily to growth in education payrolls.

ECONOMIC OUTLOOK

The forecast for Washington state for fiscal year 2015 reflects the continuation of slow but steady employment growth at both the state and national levels. According to the September 18, 2014, forecast by the state Economic and Revenue Forecast Council, Washington's nonfarm payroll employment is predicted to increase by 2.3 percent in fiscal year 2015, four-tenths of a point quicker than that of the nation. Up until the middle of fiscal year 2010, the economic recovery was characterized by an expansion of existing workers' hours rather than new hiring. In addition, an aggressive cycle of productivity gains through the early period of economic recovery also kept hiring at bay. With the end of the productivity surge in early 2011, employers began to expand their payrolls to increase output in 2012. This pattern held through fiscal year 2014 and should do so again in fiscal year 2015.

Manufacturing employment in Washington is projected to continue its upward course in fiscal year 2015 though at a slow pace. The aerospace industry, which began paring jobs in 2014, is expected to continue doing so in 2015. Even though the output of the 737 production lines has been accelerated, the realignment and relocation of engineering and support activities has resulted in overall declining payrolls. An average of 2,000 fewer workers are expected to be employed in aerospace in fiscal year 2015. Durable manufacturing, aside from the aerospace sector, is expected to grow by 4,000 jobs as business investment and exports boost demand. As a result, primary and fabricated metals, and machinery and electrical equipment, are expected to solidify their employment bases.

The wood products industry was hard hit by both the housing bubble and the slowdown in international trade. But after five years of downward trending employment, the wood products sector began to hold its own in fiscal year 2012 and expand through fiscal year 2014 as the nation's multi-family market and increased residential remodeling helped shore up demand for wood products. With the continued rebound in the housing market, payroll gains of 4.9 percent are expected in fiscal year 2015 as demand for new apartments and single-family homes strengthens. This will also carry into the construction sector.

Nondurable manufacturing gains should be modest in fiscal year 2015. Employment in food manufacturing is expected to ease down by 2 percent. Employment in paper and paper products manufacturing is expected to remain unchanged, while other nondurable manufacturing should increase by 3.9 percent.

In the other non-manufacturing sectors, the strongest employment growth in fiscal year 2015 is predicted in professional and business services which is expected to expand 4.1 percent as business-to-business related activity increases, particularly computer systems design and employment services. Wholesale trade and retail trade jobs are expected to grow 2.8 percent and 2.4 percent respectively. The leisure and hospitality sector should add 2.5 percent more jobs. Transportation, warehousing, and utilities jobs should gain 2.1 percent thanks to the continued strength of international trade through Washington's ports. Software publishing should increase a modest 0.4 percent.

Education and health service jobs should also post a moderate 2.5 percent gain in fiscal year 2015. Health care services have proven to be much less susceptible to economic downturns than other sectors of the economy, although in this recovery employment gains have been below average. The coverage provided by public and private insurers provides the economic buffer for this sector. The impact of the Affordable Care Act is still an uncertainty in regards to employment trends.

Leisure and hospitality jobs are projected to grow 2.5 percent in fiscal year 2015. Travel and dining-out activities were put on hold during the recession. Recent gains have been modest because of the slow growth in overall employment and incomes. Because both overall income and employment are expected to post moderate gains in 2015, so too should the leisure and hospitality sector.

Construction declined by almost 70,000 jobs between fiscal year 2008 and fiscal year 2012. After these four consecutive years of decline the construction sector finally experienced modest rebounds in fiscal years 2013 and 2014 thanks to the emerging recovery in the housing markets. Payrolls are expected to increase by 6.4 percent in fiscal year 2015 because of the growing demand for rental apartments and moderate increases in single family construction and remodeling.

Employment in financial activities will remain slow because of continued difficulties among state chartered banks; many of whom were over-exposed in commercial building loans when the market weakened. Those banks that survived the shake-out have been directed by the Federal Deposit Insurance Corporation to strengthen their balance sheets, which in some ways has been detrimental to small business lending activity. Payrolls are expected to post a 1 percent gain in fiscal year 2015.

Federal government payrolls will likely remain unchanged in fiscal year 2015. Federal employment has been mixed because of the easing of defense-related federal expenditures and budget conflicts. State and local government employment should increase by 1.3 percent, primarily in local government and state education, as the rebound in the labor markets and increases in consumer spending result in moderate gains in revenue collections.

Washington's personal income is expected to grow by 4.6 percent in fiscal year 2015, a bit quicker than the 4.4 percent growth in U.S. personal income for the same period. Employment is expected to maintain its current rate of growth in fiscal year 2015, and as a result, the wage component of personal income should grow at a 4.7 percent pace. Because of the declines in unemployment, slow though they may have been, the use of unemployment compensation, an important component of personal income, is expected to decline by over 32.1 percent in fiscal year 2015. Proprietors' income is projected to grow at a 4.2 percent clip in fiscal year 2015 as entrepreneurs capture gains as the economy grows. Dividends, interest, and rents will grow at a 3.7 percent pace as financial markets moderate from their extended recovery.

Major Initiatives

As Washington's economy continues its slow recovery from the Great Recession, state revenue collections are also rebounding. But revenue collections are growing at a much slower pace than after previous recessions — and certainly not fast enough to meet growing demands for state services, let alone a Washington Supreme Court mandate to increase funding for K-12 education.

Given these realities, the state faces significant fiscal challenges heading into its 2015–17 budget cycle. As of September 2014, the Office of Financial Management was projecting a potential budget shortfall of $3 billion or more for the 2015–17 biennium.

Washington, with its heavy reliance on sales taxes, was particularly hard hit by the Great Recession and the toll it took on consumer confidence. And now, as the economy recovers, state revenue collections are not keeping pace with the growth of the economy. This phenomenon has become more evident in recent years and is the result of a variety of factors, such as the shift in consumer spending to untaxed services and online purchases as well as tax cuts the state has enacted.

Washington Gov. Jay Inslee and the Legislature will face a number of unique budget challenges for the 2015–17 biennium and beyond.

Under legislation approved in 2012, Washington became the only state in the nation required to pass a budget that balances spending against anticipated revenue over a four-year period. To this end, the Legislature created a State Budget Outlook Work Group to develop longer-term revenue and expenditure outlooks. The work group is composed of members from the Office of Financial Management, Legislative Evaluation and Accountability Program, Office of the State Treasurer, Economic and Revenue Forecast Council, Caseload Forecast Council, and legislative budget committees.

Meanwhile, the state continues to struggle with meeting the requirements of the state Supreme Court's 2012 McCleary ruling that for years the state has failed to meet its constitutional "paramount duty" to amply fund basic education. Under that ruling, the state will need to increase K-12 spending by more than $3 billion over the next four years.

The state made progress in the 2013–15 budget toward meeting its basic education funding obligation, but not enough progress to satisfy the court. In September 2014, the court found the state in contempt for failing to produce a long-term basic education funding plan and threatened sanctions if such a plan is not in place by the end of the 2015 legislative session.

In the face of these fiscal challenges, Gov. Inslee has emphasized that the state's number one priority is revitalizing Washington's economy and building a 21st century workforce. "To do that," he says, "we must start with a strong commitment to education — and we must ensure that our investments get results."

In developing his recommendations for the 2015–17 budget, Gov. Inslee's priorities are to meet the requirements of the McCleary decision, protect the most vulnerable, ensure public safety and address a backlog of public employee compensation issues.

BETTER MANAGEMENT OF STATE GOVERNMENT

Washington is building on its history as a leader in adapting proven private-sector principles to state government. Gov. Inslee's Results Washington initiative, launched in 2013, is a groundbreaking, cross-agency effort to focus on key goals in education, the economy, environment, health, safety and government efficiency. By setting clear objectives and continually tracking results, the state will be better equipped to engage its employees, partners and the public in building a healthier, better-educated and more prosperous Washington.

A key tenet of this effort is transparency and accountability. Gov. Inslee meets monthly with state agency directors to discuss progress, challenges and next steps. The meetings, called Results Reviews, are streamed live over the Internet and broadcast statewide on cable TV. Goals, improvement strategies and data sets are frequently updated online at https://data.results.wa.gov.

Underlying much of this improvement work is Lean, a management philosophy that has proven highly effective at improving efficiency and customer focus in the health care, aerospace, retail and other industry sectors. Lean is increasingly being put to use in government, from the city to federal levels. It encourages employee problem-solving. Lean efforts have already helped the state and its customers avoid millions of dollars in costs and significantly improved customer service. A few examples:

- By sharply cutting wait time for reconsideration of audit findings, the Department of Labor and Industries saved employers an estimated $1.7 million in interest costs.
- The Department of Social and Health Services streamlined a widely used personnel form and various processes, eliminating the need for 8,000 approval signatures and saving 2,133 hours of staff time each month.
- Consolidated Technology Services automated a monthly report about service desk workload so a manual process that used to take 24 to 30 hours of staff time every month takes minutes. The saved staff time is now used on other work, including direct customer service.
- The Department of Transportation eliminated an 8.5-month backlog of collision data reports. Fully analyzed collision records — used by insurers and road engineers, and for law enforcement emphasis patrols — are now processed in five days.

Results Washington has also recruited more than 200 Lean partners, including dozens from some of the state's largest corporations and nonprofits. At no cost to taxpayers, these partners have provided valuable training, advice and guidance to thousands of state employees, helping them learn and use Lean. Results Washington has leveraged this help by pairing partners with state employees who take part in a revolving, one-year Lean fellowship program.

EDUCATION

To meet the state's obligations under McCleary, the Governor and the Legislature adopted a number of reforms in the 2013–15 budget, providing $1 billion of new funding for the state's schools. The state's two-year budget:

- Increased funding to school districts for materials, supplies and operating costs by $432 million.
- Put an additional $132 million toward pupil transportation to fully fund the state's obligation.
- Added $143 million to the state's Learning Assistance Program to increase the number of instructional hours provided from 1.5 hours to 2.4 hours per week per funded student.
- Provided $104 million to reduce kindergarten and first-grade class sizes for high-poverty schools and $90 million to expand full-day kindergarten in high-poverty schools.

The 2013–15 budget also provided additional funding to increase instructional hours and graduation requirements for students in grades 9 to 12, improve bilingual instruction, and extend new teacher mentoring.

In addition, the 2013–15 budget was passed with no tuition increases in the public higher education sector, bringing relief to thousands of students and families across the state. The state continued to fund a robust student financial aid program for low-income students through the State Need Grant and College Bound Scholarship programs. The state also expanded enrollments for computer science, engineering and aerospace training.

HEALTH CARE

Access to health care has increased dramatically in Washington since the 2010 passage of the federal Patient Protection and Affordable Care Act, which gave individuals and small businesses a means to choose affordable, high-quality health insurance coverage. About 150,000 people have been enrolled for private insurance through the state's health insurance exchange — Washington Healthplanfinder. Washington also opted to expand its Medicaid program under the Affordable Care Act, providing coverage to 400,000 newly eligible adults. As a result, during a six-month span the percentage of Washington residents without health insurance fell from 16 percent to 11 percent.

Besides improving access to health care, the state has undertaken a number of initiatives to drive down costs and improve people's health.

For example, the state is working to integrate mental health and substance abuse treatment in primary medical care. And, under legislation passed in 2014, the state will begin implementing an all-payer claims database that will dramatically improve the transparency of health care costs.

The Governor also launched his Healthiest Next Generation initiative, a public-private partnership that will develop strategies to reduce obesity in children through such avenues as promoting breastfeeding, supporting schools in providing more nutritious meal and drink options, and encouraging children to be more active.

The Governor's Aging Summit was convened to help the state prepare for the needs of an aging population. The summit generated numerous policy recommendations, such as the need for key investments in long-term care and nursing homes. The summit also resulted in legislation to implement the Community First Choice Option and develop an Alzheimer's state plan.

ECONOMIC DEVELOPMENT

Gov. Inslee, through his "Washington Competes" agenda, continues to revitalize the state's economy, create jobs and ensure we have workers with the skills to fill those jobs. In pursuit of that agenda, he secured funding for the Department of Commerce to hire specialists dedicated to growing specific areas of our state's economy, including the life sciences and global health, information and communications technology, clean technology, maritime and military sectors. The state created a new Work Start program to match education and workforce training with employer needs, a key business recruitment and retention tool. The state is also continuing work on a one-stop Web portal for businesses to simplify their interactions with state government. The Governor championed and signed legislation ensuring the next generation of airplanes will be built in Washington.

ENVIRONMENT AND ENERGY

Gov. Inslee continues to engage lawmakers in a bipartisan discussion on how to tackle the issue of carbon pollution, a cornerstone of his agenda. In April, the Governor signed Executive Order 14-04 "Washington Carbon Pollution Reduction and Clean Energy Action."

The executive order created the Carbon Emission Reduction Taskforce to provide recommendations on the design and implementation of a carbon emission limits and market mechanisms program for Washington. It also directs:

- The Department of Transportation to develop an action plan to advance the development and use of electric vehicles; identify and implement opportunities to increase statewide investment in multimodal transportation; and develop a long-range statewide transportation plan to boost efficiency and cut both costs and greenhouse gas emissions.
- The Department of Commerce to develop recommendations for a new state program to support research institutions, utilities and businesses to develop, demonstrate and deploy new renewable energy and energy efficiency programs. In addition, the agency is to develop a new state program to improve the energy performance of public and private buildings.
- The Office of Financial Management to analyze the technical feasibility and economic impact of adopting a clean transportation fuel standard that reduces fuels carbon intensity over time.
- All state agencies to develop recommendations for improving efficiencies and reducing emissions from state government operations.

Washington is experiencing rapid changes in how crude oil is moving through rail corridors and over Washington waters, which creates new safety and environmental risks. As petroleum shipments from Alaska decline, transport of crude oil from the Bakken region via rail is increasing. The Legislature directed state agencies to assess the risk and develop recommendations to increase public safety and improve oil spill prevention and response readiness. Gov. Inslee issued a directive requiring state agencies to provide initial findings and recommendations by October 1, 2014.

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 ended June 30, 2013. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. Washington state has received a Certificate of Achievement for the past 27 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,

/s/

David Schumacher
Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Washington

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Statewide Elected Officials
As of June 30, 2014

Governor
Jay Inslee

Lieutenant Governor
Brad Owen

Secretary of State
Kim Wyman

Treasurer
Jim McIntire

State Auditor
Troy Kelley

Attorney General
Bob Ferguson

Superintendent of Public Instruction
Randy Dorn

Commissioner of Public Lands
Peter J. Goldmark

Insurance Commissioner
Mike Kreidler

2014 Organization Chart

Washington State Government

Legislative Branch

Senate and House of Representatives

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

Executive Branch

Judicial Branch

Supreme Court

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

Agencies Managed by Statewide Elected Officials

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

Insurance Commissioner

Treasurer
Public Deposit Protection Commission
State Finance Committee

Lieutenant Governor

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

Attorney General
Executive Ethics Board

Superintendent of Public Instruction
Board of Education
Professional Educator Standards Board

Auditor

Secretary of State
Productivity Board
State Library

Agencies Led by Governor-Appointed Executives

Environment and Natural Resources

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

General Government

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

Transportation

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

Health and Human Services

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

Education

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

Community and Economic Development

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

Agencies Under Authority of a Board, Council, or Commission

Environment and Natural Resources

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

General Government

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

Transportation

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

Health and Human Services

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

Education

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

Community and Economic Development

Economic Development Finance Authority
Housing Finance Commission
Life Sciences Discovery Fund Authority

Prepared by
Office of Financial Management
July 2014

FINANCIAL SECTION

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Washington State Auditor
Troy Kelley

INDEPENDENT AUDITOR'S REPORT

October 31, 2014

The Honorable Jay Inslee
Governor, State of Washington

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion Unit	Percent of Total Assets	Percent of Net Position	Percent of Total Revenues/ Additions
Governmental Activities	13.6%	23.6%	9.0%
Business-Type Activities	75.3%	100%	36.7%
Higher Education Special Revenue Fund	53.1%	53.4%	50.3%
Higher Education Endowment Fund	96.4%	96.4%	100.0%
Higher Education Student Services Fund	68.9%	72.1%	82.1%
Workers' Compensation Fund	95.5%	100%	33.1%
Guaranteed Education Tuition Program Fund	88.1%	100%	72.8%
Aggregate Discretely Presented Component Units and Remaining Fund Information	92.0%	93.9%	71.4%

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 from material misstatement. The financial statements of the Department of Retirement Systems, Local Government Investment Pool, University of Washington, and the funds managed by the State Investment Board were not audited in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the State's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the reports of 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As explained in Note 1.D.1, the financial statements include pension trust fund investments valued at $29.6 billion which comprise 26.9% of total assets and 28.9% of net position of the aggregate discretely presented component units and remaining fund information. The fair values of these investments have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or, in the case of investments in partnerships, the general partners. Our opinion was not modified with respect to this matter.

As described in Note 2, during the year ended June 30, 2014, the State has implemented the Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25 and Statement No. 70, Nonexchange Financial Guarantees. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 25 through 37, budgetary comparison information on pages 165 through 170, information on postemployment benefits other than pensions on page 182, infrastructure modified approach information on pages 183 through 186 and pension trust fund information on pages 171 through 182 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying information listed as combining financial statements and individual fund schedules on pages 189 through 241 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated October 31, 2014, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the State's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

Sincerely,

Troy X. Kelley

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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, 2014. We present this information in conjunction with the information included in our letter of transmittal, which can be found preceding this narrative, and with the state's financial statements, which follow. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total assets and deferred outflows of the state of Washington exceeded its liabilities and deferred inflows by $22.93 billion (reported as net position). Of this amount, $(7.92) billion was reported as "unrestricted net position." A negative balance indicates that no funds were available for discretionary purposes.

- The state of Washington's governmental funds reported a combined ending fund balance of $13.41 billion, an increase of 7.9 percent compared with the prior year as restated.

- While the state's capital assets increased by $1.03 billion and total bond debt increased by $1.12 billion during the current fiscal year, the state's net investment in capital assets is $20.44 billion.

Overview of the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

The business-type activities of the state of Washington include the workers' compensation and unemployment compensation programs, as well as Washington's lottery, the Guaranteed Education Tuition Program (GET), and various higher education student services such as housing and dining.

The government-wide financial statements can be found on pages 40-43 of this report.

FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

The internal service funds are combined for presentation purposes. Individual fund data for the state's nonmajor proprietary funds are provided in the form of combining statements elsewhere in this report. The proprietary fund financial statements can be found on pages 50-59 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 60-61 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 four major component units, the Valley Medical Center, Northwest Hospital, the Washington State Public Stadium Authority and the Health Benefit Exchange, as well as four nonmajor component units. Refer to Note 1 on pages 69-70 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 62-65 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 67-161 of this report.

OTHER INFORMATION

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

Required supplementary information can be found on pages 165-186 of this report.

The combining statements referred to earlier are presented immediately following the required supplementary information. Combining financial statements and individual fund schedules can be found on pages 189-241 of this report.

STATE OF WASHINGTON

Statement of Net Position

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
ASSETS						
Current and other assets	$ 21,468	$ 19,999	$ 24,394	$ 22,119	$ 45,862	$ 42,118
Capital assets	36,375	35,435	2,850	2,761	39,225	38,196
Total assets	57,843	55,434	27,244	24,880	85,087	80,314
DEFERRED OUTFLOWS OF RESOURCES	-	-	15	16	15	16
LIABILITIES						
Current and other liabilities	5,043	4,585	1,190	912	6,233	5,497
Long-term liabilities outstanding	25,994	24,508	29,947	28,842	55,941	53,350
Total liabilities	31,037	29,093	31,137	29,754	62,174	58,847
DEFERRED INFLOWS OF RESOURCES	2	-	-	-	2	-
NET POSITION						
Net investment in capital assets	19,816	19,706	625	740	20,441	20,446
Restricted	6,589	6,524	3,815	3,469	10,404	9,993
Unrestricted	399	111	(8,318)	(9,067)	(7,919)	(8,956)
Total net position	$ 26,804	$ 26,341	$ (3,878)	$ (4,858)	$ 22,926	$ 21,483

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the state of Washington, total assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $22.93 billion at June 30, 2014, as compared to $21.48 billion as reported at June 30, 2013.

The largest portion of the state's net position (89.2 percent for fiscal year 2014 as compared to 95.2 percent for fiscal year 2013) reflects its net investment in capital assets (e.g., land, buildings, equipment, and intangible assets), less any related debt used to acquire those assets that is still outstanding. The state of Washington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

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

A portion of the state of Washington's net position (45.4 percent for fiscal year 2014 as compared to 46.5 percent for fiscal year 2013) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $(7.92) billion represents unrestricted net position. The state's overall negative balance in unrestricted net position is caused by deficits in business-type activities.

In governmental activities, net position increased from $26.34 billion in fiscal year 2013 to $26.80 billion in fiscal year 2014. The increase reflects increases in grants and tax revenues that outpaced the increases in expenses.

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

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

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

STATE OF WASHINGTON

Changes in Net Position

(in millions of dollars)

	Governmental Activities 2014	Governmental Activities 2013	Business-Type Activities 2014	Business-Type Activities 2013	Total 2014	Total 2013
REVENUES						
Program revenues:						
Charges for services	$ 5,850	$ 5,749	$ 6,416	$ 6,166	$ 12,266	$ 11,915
Operating grants and contributions	13,240	12,027	326	870	13,566	12,897
Capital grants and contributions	1,066	997	-	-	1,066	997
General revenues:						
Taxes	17,849	17,072	22	23	17,871	17,095
Interest and investment earnings (loss)	621	397	1,618	523	2,239	920
Total revenues	38,626	36,242	8,382	7,582	47,008	43,824
EXPENSES						
General government	(1,607)	(1,537)	-	-	(1,607)	(1,537)
Education - K-12	(8,914)	(8,238)	-	-	(8,914)	(8,238)
Education - Higher education	(6,910)	(6,992)	-	-	(6,910)	(6,992)
Human services	(15,052)	(13,181)	-	-	(15,052)	(13,181)
Adult corrections	(911)	(844)	-	-	(911)	(844)
Natural resources and recreation	(1,137)	(1,096)	-	-	(1,137)	(1,096)
Transportation	(2,400)	(2,379)	-	-	(2,400)	(2,379)
Interest on long-term debt	(938)	(955)	-	-	(938)	(955)
Workers' compensation	-	-	(3,142)	(3,330)	(3,142)	(3,330)
Unemployment compensation	-	-	(1,380)	(1,983)	(1,380)	(1,983)
Higher education student services	-	-	(2,080)	(1,927)	(2,080)	(1,927)
Washington's lottery	-	-	(463)	(437)	(463)	(437)
Guaranteed education tuition program	-	-	(185)	105	(185)	105
Other business-type activities	-	-	(133)	(126)	(133)	(126)
Total expenses	(37,869)	(35,222)	(7,383)	(7,698)	(45,252)	(42,920)
Excess (deficiency) of revenues over expenses before contributions to endowments and transfers	757	1,020	999	(116)	1,756	904
Contributions to endowments	66	63	-	-	66	63
Transfers	94	114	(94)	(114)	-	-
Increase (decrease) in net position	917	1,197	905	(230)	1,822	967
Net position - July 1, as restated	25,887	25,144	(4,783)	(4,628)	21,104	20,516
Net position - June 30	$ 26,804	$ 26,341	$ (3,878)	$ (4,858)	$ 22,926	$ 21,483

Governmental Activities. Governmental activities resulted in an increase in the state of Washington's net position of $916.8 million. A number of factors contributed to the increase:

- Tax revenues increased by $777.0 million in fiscal year 2014 as compared to fiscal year 2013 reflecting positive growth in the economy. Sales and use taxes reported an increase of $654.8 million. Sales and use taxes are the main tax revenue for governmental activities. Real estate excise tax revenue increased by $71.7 million. Real estate excise taxes are levied on the sale of real estate. These tax revenue increases reflect the slowly rebounding economy, recovering housing markets, and improving employment picture in Washington.

- Charges for services increased by $100.4 million in fiscal year 2014 compared to fiscal year 2013. Increases in fiscal year 2014 as compared with fiscal year 2013 included $104.1 million in the state's federally approved hospital safety net assessment, $43.2 million in timber sales, $36.7 million in motor vehicle license and operator license revenues, and $14.9 million in tolling revenues.

  These increases were offset by a decrease of $104.4 million in fiscal year 2014 related to liquor distributor license fees which were assessed in fiscal year 2013 as a one-time charge when the state privatized liquor retail sales and distribution. Tuition and fee revenues at higher education institutions held steady in fiscal year 2014 compared with fiscal year 2013.

- Operating grants and contributions grew by $1.21 billion in fiscal year 2014 compared with 2013 and was matched with an increase in human services expenses. The increases in both grant revenue and human services expenditures are largely due to the state expansion of its Medicaid program under the Affordable Care Act providing coverage to 400,000 newly eligible adults.

- Expenses grew by $676.0 million for K-12 education in 2014 as compared to fiscal year 2013. The state is working to meet the requirements of the state Supreme Court's 2012 McCleary ruling to meet its constitutional duty to fund basic education.

Business-Type Activities. Business-type activities increased the state of Washington's net position by $905.6 million. Workers' compensation, unemployment compensation, and guaranteed education tuition activities contributed to the increase. Key factors contributing to the operating results of business-type activities are:

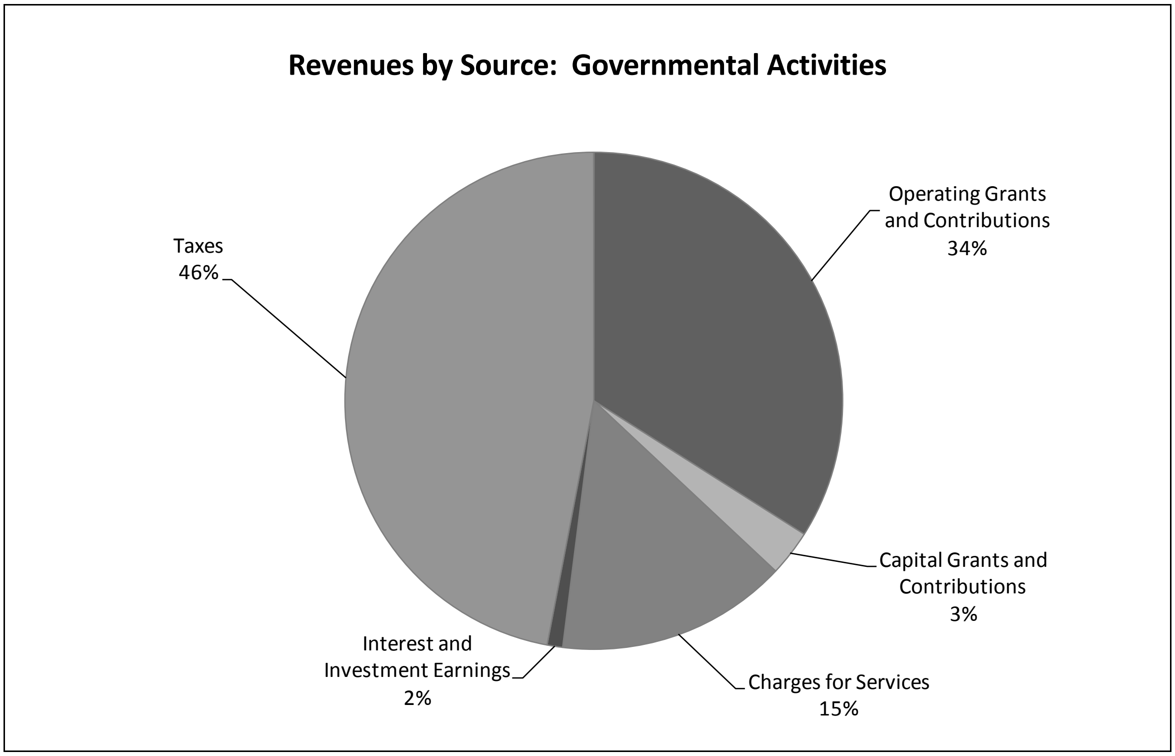
- The workers' compensation activity increase in net position in fiscal year 2014 was $240.4 million compared to a decrease of $925.9 million in fiscal year 2013. Premium revenue increased by $76.9 million as a result of an increase in the number of hours reported by employers, a mid-year premium rate increase, and an increase in the number of hours reported by businesses in higher rate classes. Claim costs decreased by $204.1 million in fiscal year 2014 compared with fiscal year 2013 reflecting a reduction in the number of time-loss claims. Nonoperating investment income increased by $896.7 million due predominately to a net increase in realized and unrealized gains on debt securities. The workers' compensation portfolio is 84.9 percent debt securities.

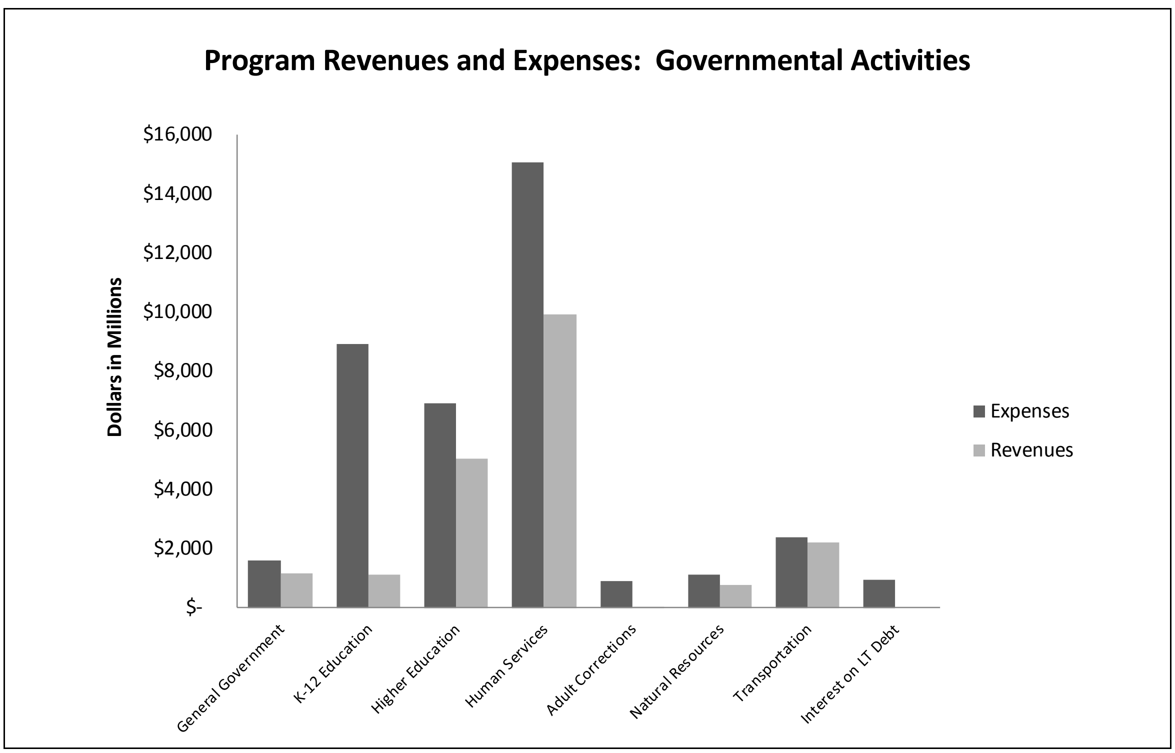
- The unemployment compensation activity reported an operating income in fiscal year 2014 of $272.6 million, compared to $174.3 in fiscal year 2013. Washington's unemployment insurance program is an experience-based system with the largest part of an individual employer's tax rate being based on the employer's layoff experience over the past four years. The economic recovery in the state has stabilized employment and resulted in a decline in unemployment insurance benefits of $602.9 million in fiscal year 2014 over fiscal year 2013. The decrease in benefit costs was the result of a decline in both the number of claims and the duration of the claims. The unemployment rate for the state for June 2014 was 5.4 percent, down from 7.0 percent in June 2013, and the insured rate declined to 1.8 percent in fiscal year 2014 from 2.2 percent in fiscal year 2013. While the state's unemployment insurance premiums are experienced based and the unemployment rate is declining, premium revenue increased by 3.1 percent reflecting a growing workforce and higher taxable wage base. The $545.5 million decline in federal aid also reflects the decrease in the unemployment rate.

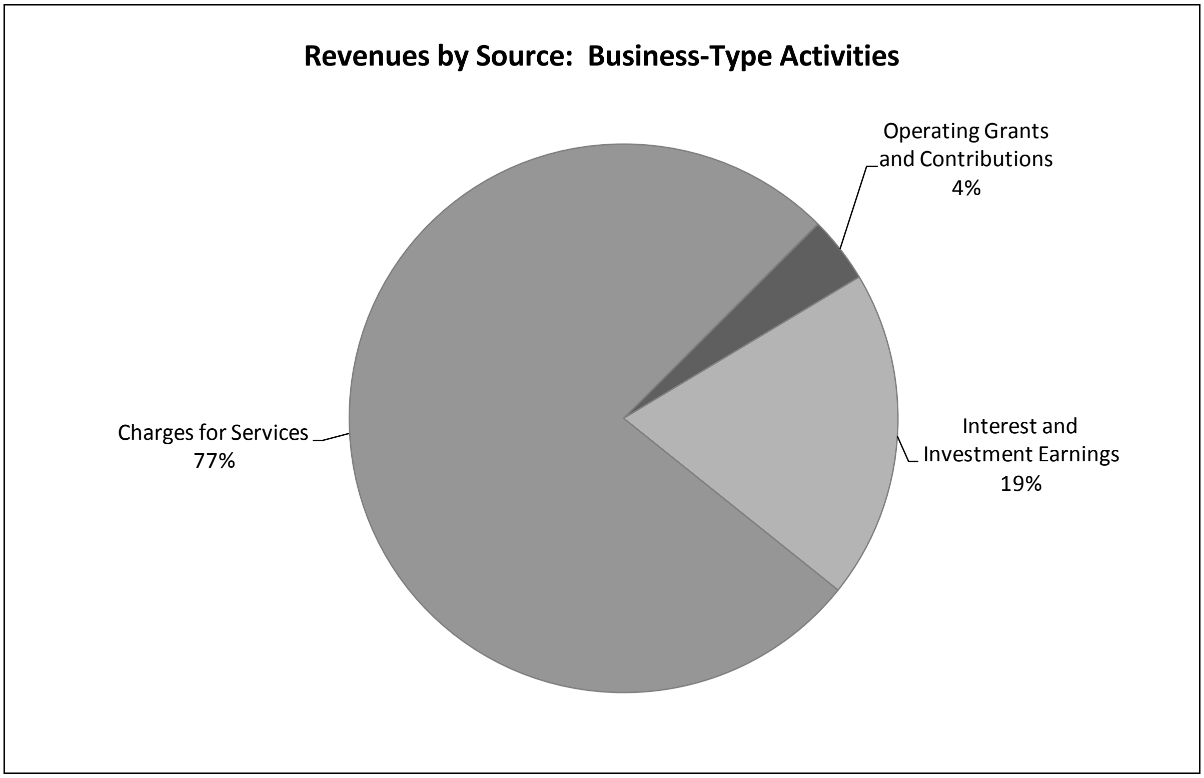
- The Guaranteed Education Tuition (GET) program reported an increase in net position of $322.1 million in spite of the fact that the number of tuition units sold dropped for the third straight year. Two factors contributed to the increase in net position and simultaneously made other long-term investment options more attractive to customers resulting in the decline in the number of tuition units sold. First, investment returns were 16.4 percent in fiscal year 2014 compared with 9.6 percent in fiscal year 2013. Secondly, tuition did not increase at state universities for the second year in a row. Since the pay-out value of a tuition unit is based on in-state undergraduate resident tuition and fees at the state's highest priced public university, the GET payout value remained unchanged.

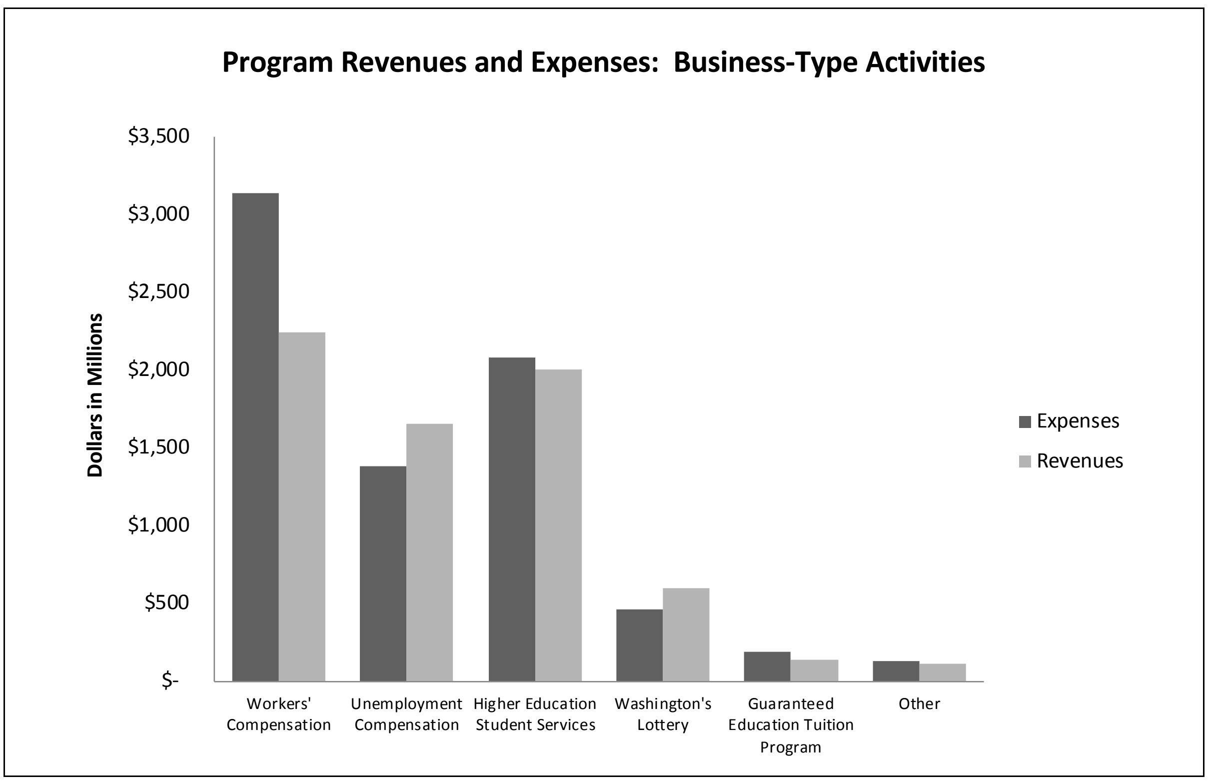
The slow tuition growth over the past two years combined with positive investment results improved GET's funded status to 106 percent at June 30, 2014.

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






Revenues by Source: Business-Type Activities
Operating Grants and Contributions 4%
Interest and Investment Earnings 19%
Charges for Services 77%


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

Financial Analysis of the State's Funds

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

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

Adjustments to Beginning Fund Balances. As described in Note 2 to the financial statements on pages 80 and 81, beginning fund balances of governmental funds were adjusted to correct prior period activity.

Fund Balances. At June 30, 2014, the state's governmental funds reported combined ending fund balances of $13.41 billion. Of this amount, $2.49 billion or 18.6 percent is nonspendable, either due to its form or legal constraints, and $4.42 billion or 33.0 percent is restricted for specific programs by external constraints, constitutional provisions or contractual obligations. An additional $5.28 billion or 39.4 percent of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. An additional $880.0 million or 6.6 percent of total fund balance has been assigned to specific purposes by management.

The General Fund is the chief operating fund of the state of Washington. As noted in the table below, fund balance improved as a result of operations by $443.5 million in fiscal year 2014, as compared to a $375.0 million gain in fiscal year 2013. Increased revenues from taxes and federal grants-in-aid and concerted effort to hold the line on spending were the key contributing factors. Assigned fund balance of $880.0 million is reported for fiscal year 2014 and relates to certain accrued and non-cash revenues which are not considered by management to be available for budgetary purposes.

STATE OF WASHINGTON

General Fund

(in millions of dollars)

	Fiscal Year 2014	Fiscal Year 2013	Difference Increase (Decrease)
REVENUES			
Taxes	$ 16,008	$ 15,295	$ 713
Federal grants	10,226	8,780	1,446
Investment revenue (loss)	7	(17)	24
Other	614	644	(30)
Total	26,855	24,702	2,153
EXPENDITURES			
Human services	14,920	13,235	1,685
Education	9,754	9,115	639
Other	1,460	1,392	68
Total	26,134	23,742	2,392
Net transfers in (out)	(447)	(716)	269
Other financing sources	170	131	39
Net increase (decrease) in fund balance	$ 444	$ 375	$ 69

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

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

- The change in net position of the Higher Education Special Revenue Fund in fiscal year 2014 was $140.6 million compared to $347.5 million in fiscal year 2013. The decline in fiscal year 2014 was largely due to a decline in revenue from charges for services of 4.0 percent combined with a 2.8 percent increase in expenditures.

- The fund balance for the Higher Education Endowment Fund increased by $6.8 million in fiscal year 2014. An overall net increase in fund balance of $407.8 million from current year activity was offset by a correction of a prior period accounting error which decreased fund balance by $401.1 million. Fiscal year 2014 reported an increase of $148.7 million in investment earnings.

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

- The Workers' Compensation Fund reported an increase in net position of $240.4 million in fiscal year 2014. Operating revenues increased by $83.0 million and operating expenses decreased by $187.1 million as compared to fiscal year 2013. As previously reported, operating revenues increased due to an increase in reported hours in higher rate classes and claims expense decreased due to a reduction in the number of time-loss claims. Investment income increased $896.7 million over fiscal year 2013 due to an increase in net realized and unrealized capital gains.

- Washington's Unemployment Compensation Fund reported an increase in net position of $345.3 million. As reported previously, premium revenue increased reflecting a growing workforce and higher taxable wage base. Unemployment benefit claims expense decreased by $602.9 million in fiscal year 2014 as compared to 2013 and federal aid decreased by $545.5 million over the same period. The decreases in both benefit claims and federal aid are consistent with the decline in the state's unemployment rate.

- The Guaranteed Education Tuition (GET) Program Fund reported an increase in net position of $322.1 million in fiscal year 2014. As previously reported, the increase is due primarily to strong investment returns and the fact that tuition did not increase at the state's universities for the second straight year.

- The Higher Education Student Services Fund and the nonmajor enterprise funds reported activity fairly consistent with the prior year.

General Fund Budgetary Highlights

Differences between the original budget of the General Fund and the final amended budget reflect increases in mandatory costs driven by rising caseloads and school enrollment as well as other high priority needs. Changes to estimates are summarized as follows:

- Estimated biennial resources increased by $1.18 billion over the course of the first year of the biennium. The major increase in estimated resources is reported in federal grants-in-aid reflecting additional funding available to cover state programs.

- Appropriated expenditure authority increased by $894.2 million over the first fiscal year of the biennium to address increases in mandatory and high priority programs. The major increases in appropriation authority were in human services and education. The availability of additional federal funding, rising caseloads, and high priority needs were the main drivers of the increases.

The state did not overspend its legal spending authority for the 2013-2015 biennium. Actual General Fund revenues and expenditures were 49.1 and 48.2 percent of final budgeted resources and appropriations, respectively, for the first fiscal year of the 2013-2015 biennium.

Capital Assets, Infrastructure, and Bond Debt Administration

Capital Assets. The state of Washington's investment in capital assets for its governmental and business-type activities as of June 30, 2014, totaled $39.23 billion (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, museum and historical collections, buildings and other improvements, furnishings, equipment, and intangible assets, as well as construction in progress.

Washington's fiscal year 2014 investment in capital assets, net of current year depreciation, increased $1.03 billion over fiscal year 2013, including increases to the state's transportation infrastructure of $777.4 million. The state's construction in progress includes both new construction and major improvements to state capital facilities and infrastructure. Remaining commitments on these construction projects total $2.72 billion.

Additional information on the state of Washington's capital assets can be found in Note 6 beginning on page 110 of this report.

Infrastructure. The state uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated and certain maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 20,692 lane miles of pavement, 3,286 bridges, and 48 highway safety rest areas. Infrastructure asset categories are assessed on a two year cycle, either on a calendar year or fiscal year basis.

STATE OF WASHINGTON

Capital Assets - Net of Depreciation

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	$ 2,480	$ 2,388	$ 61	$ 61	$ 2,541	$ 2,449
Transportation infrastructure and other assets not depreciated	22,585	21,805	5	5	22,590	21,810
Buildings	7,702	7,610	2,410	1,988	10,112	9,598
Furnishings, equipment, and intangible assets	1,513	1,480	190	182	1,703	1,662
Other improvements and infrastructure	1,189	1,218	80	83	1,269	1,301
Construction in progress	906	934	104	442	1,010	1,376
Total	$ 36,375	$ 35,435	$ 2,850	$ 2,761	$ 39,225	$ 38,196

The state's goal is to maintain 90 percent of pavements, 95 percent of bridges, and 95 percent of safety rest areas at a condition level of fair or better. The condition of these assets, along with the rating scales for pavements, bridges, rest areas, and additional detail comparing planned to actual preservation and maintenance spending are available in the required supplementary information beginning on page 183.

The most recent pavements condition assessment indicates that 92.8 percent of pavements were in fair or better condition. The condition of pavements has remained steady in the last three assessment periods, averaging 92.2 percent in fair or better condition. For fiscal year 2014, actual maintenance and preservation expenditures were 16.9 percent higher than planned, and over the past five fiscal years, the actual expenditures were 3.1 percent lower than planned.

The most recent bridge condition assessment indicates that 91.4 percent of bridges were in good or fair condition. The condition of bridges has declined over the last three assessment periods, averaging 94.8 percent in good or fair condition. For fiscal year 2014, the actual maintenance and preservation expenditures were 5.3 percent lower than planned, and over the past five fiscal years, the actual expenditures were 9.7 percent lower than planned.

Bond Debt. At the end of fiscal year 2014, the state of Washington had general obligation bond debt outstanding of $18.96 billion, an increase of 4.1 percent from fiscal year 2013. This debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized $6.48 billion general obligation debt that remains unissued.

General obligation debt is subject to the limitation prescribed by the State Constitution. The aggregate debt contracted by the state as of June 30, 2014, does not exceed that amount for which payments of principal and interest in any fiscal year would require the state to expend more than 9 percent of the arithmetic mean of its general state revenues for the three immediately preceding fiscal years. The arithmetic mean of its general state revenues for fiscal years 2012, 2013, and 2014 is $13.25 billion. The debt service limitation, 9 percent of this mean, is $1.19 billion. The state's maximum annual debt service as of June 30, 2014, subject to the constitutional debt limitation is $1.13 billion, or $66.7 million less than the debt service limitation.

For further information on the debt limit, refer to the statistical section on page 266 of this report or the Certification of the Debt Limitation of the State of Washington, available from the Office of the State Treasurer at: http://www.tre.wa.gov/documents/debt_cdl2014.pdf.

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

As of June 30, 2014, the state of Washington's general obligation debt was rated Aa1 by Moody's Investor Service, AA+ by Standard & Poor's Rating Group (S & P), and AA+ by Fitch Ratings.

STATE OF WASHINGTON

Bond Debt

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2014	**2013***	**2014**	**2013***	**2014**	**2013**
General obligation (GO) bonds	$ 18,954	$ 18,200	$ 8	$ 11	$ 18,962	$ 18,211
Accreted interest on zero interest rate GO bonds	416	439	-	-	416	439
Revenue bonds	1,894	1,638	2,236	2,098	4,130	3,736
Total	$ 21,264	$ 20,277	$ 2,244	$ 2,109	$ 23,508	$ 22,386

* Prior year balances restated for comparability

The state had revenue debt outstanding at June 30, 2014, of $4.13 billion, an increase of $394.3 million over fiscal year 2013. This increase is primarily related to grant anticipation revenue bonds issued by the Washington State Department of Transportation and revenue bonds issued by state colleges and universities. This debt is not supported or intended to be supported by the full faith and credit of the state. Revenue bond debt is generally secured by specific sources of revenue. The exception is the University of Washington which issues general revenue bonds that are payable from general revenues of the university.

General obligation and revenue bonds totaling $697.2 million were refunded during the year. Washington's refunding activity produced $136.4 million in gross debt service savings.

Additional information on the state's bond debt obligations is presented in Note 7 beginning on page 114 of this report.

Conditions with Expected Future Impact

Economic Outlook. Washington is well positioned for economic and population expansion. The state has a diverse industrial and environmental base that supports trade with Pacific Rim countries as well as knowledge-based industries including information, health, business, and financial services.

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

- Weak growth in Europe and slowing Asian growth remain significant threats to the U.S. economy.

- Federal fiscal policy remains a drag on economic growth through contractionary spending and tax policies. Monetary policy remains accommodative, but rate increases are expected next year.

- Washington's economy continues to grow at a moderate pace.

- As Washington's economy continues its slow recovery, state revenue collections are rebounding, but at a much slower pace than following previous recessions. Washington's heavy reliance on sales taxes is feeling the impact of the lingering effect of the recession on consumer confidence and tax cuts previously enacted as well as a shift in consumer spending to untaxed services and online purchases.

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

- Washington continues to face the requirements of the state Supreme Court 2012 McCleary ruling that found that the state has failed to meet its constitutional requirement to amply fund basic education. Although funding progress is being made through the 2013-2015 biennial budget, it was insufficient to satisfy the court. In September 2014, the court found the state in contempt and threatened sanctions if an acceptable funding plan is not in place by the end of the 2015 legislative session.

General Election. There is a measure on the state's November 4, 2014, general election ballot that addresses K-12 education. This measure, if passed, could impact the state fiscally.

Election results are not final or official until certified. By law December 4, 2014, is the last day for the Office of the Secretary of State to certify General Election returns.

Information is posted as available on the Secretary of State's website at: http://www.sos.wa.gov.

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

On June 30, 2014, $144.5 million was transferred to the BSA from the General Fund in accordance with the provisions of the Constitution. The BSA has a fund balance of $414.6 million as of June 30, 2014.

New Pension Reporting Standards. For fiscal year 2015 financial reporting, the state will be implementing Statement No. 68 of the Governmental Accounting Standards Board *Accounting and Financial Reporting for Pensions.* Current pension reporting standards focus on plan funding requirements. Plan level information on the pension plans administered by the state is presented in Note 11 and in the required supplementary information section of this report.

Statement 68 requires each governmental employer to report its proportionate share of the net pension liability. While decision making authority related to pension funding is not impacted, Statement 68 will have an impact on the state's government–wide and proprietary fund financial statements beginning in fiscal year 2015.

Requests for Information

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

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Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position

June 30, 2014

(expressed in thousands)

Continued

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and pooled investments	$ 5,996,232	$ 4,839,166	$ 10,835,398	$ 194,217
Taxes receivable (net of allowance for uncollectibles)	3,299,766	-	3,299,766	-
Other receivables (net of allowance for uncollectibles)	2,152,919	1,716,053	3,868,972	130,654
Internal balances	319,537	(319,537)	-	-
Due from other governments	4,068,870	159,412	4,228,282	-
Inventories	97,283	49,101	146,384	8,847
Restricted cash and investments	554,458	6,800	561,258	6,012
Investments, noncurrent	4,912,816	17,548,126	22,460,942	123,891
Restricted investments, noncurrent	-	56,414	56,414	31,402
Restricted receivables, noncurrent	39,502	-	39,502	-
Other assets	26,760	337,926	364,686	130,148
Capital assets:				
Non-depreciable assets	25,970,585	169,192	26,139,777	74,489
Depreciable assets (net of accumulated depreciation)	10,404,649	2,680,954	13,085,603	765,278
Total capital assets	36,375,234	2,850,146	39,225,380	839,767
Total Assets	57,843,377	27,243,607	85,086,984	1,464,938
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow on refundings	-	14,801	14,801	-
Total Deferred Outflows of Resources	-	14,801	14,801	-
Total Assets and Deferred Outflows of Resources	$ 57,843,377	$ 27,258,408	$ 85,101,785	$ 1,464,938

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

Statement of Net Position

June 30, 2014

(expressed in thousands)

Concluded

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Accounts payable	$ 1,390,863	$ 127,010	$ 1,517,873	$ 67,521
Contracts and retainage payable	165,083	31,546	196,629	9,040
Accrued liabilities	1,667,533	622,544	2,290,077	124,818
Obligations under security lending agreements	146,036	71,518	217,554	-
Due to other governments	1,301,613	273,891	1,575,504	-
Unearned revenues	371,589	63,585	435,174	14,038
Long-term liabilities:				
Due within one year	1,303,646	2,240,571	3,544,217	21,386
Due in more than one year	24,690,914	27,705,736	52,396,650	412,278
Total Liabilities	31,037,277	31,136,401	62,173,678	649,081
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow on refundings	1,711	10	1,721	-
Total Deferred Inflows of Resources	1,711	10	1,721	-
NET POSITION				
Net investment in capital assets	19,816,512	624,901	20,441,413	419,725
Restricted for:				
Unemployment compensation	-	3,815,039	3,815,039	-
Nonexpendable permanent endowments	2,257,583	-	2,257,583	-
Expendable endowment funds	1,231,600	-	1,231,600	-
Wildlife and natural resources	889,016	-	889,016	-
Transportation	874,465	-	874,465	-
Budget stabilization	414,601	-	414,601	-
Capital projects	188,198	-	188,198	-
Loan programs	115,474	-	115,474	-
Higher education	115,072	-	115,072	-
Other purposes	502,740	-	502,740	21,771
Unrestricted	399,128	(8,317,943)	(7,918,815)	374,361
Total Net Position	26,804,389	(3,878,003)	22,926,386	815,857
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 57,843,377	$ 27,258,408	$ 85,101,785	$ 1,464,938

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

Statement of Activities

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
PRIMARY GOVERNMENT				
Governmental Activities:				
General government	$ 1,607,005	$ 869,498	$ 276,803	$ 2,494
Education - elementary and secondary (K-12)	8,914,440	25,620	1,096,209	-
Education - higher education	6,909,640	2,741,436	2,270,307	23,171
Human services	15,052,413	612,377	9,286,850	-
Adult corrections	911,055	8,325	2,002	-
Natural resources and recreation	1,136,795	510,286	196,830	44,073
Transportation	2,399,479	1,082,272	111,074	995,777
Interest on long-term debt	938,262	-	-	-
Total Governmental Activities	37,869,089	5,849,814	13,240,075	1,065,515
Business-Type Activities:				
Workers' compensation	3,142,195	2,237,212	8,403	-
Unemployment compensation	1,380,035	1,348,923	303,675	-
Higher education student services	2,079,556	1,987,473	13,376	-
Washington's lottery	463,202	594,511	-	-
Guaranteed education tuition program	185,002	138,095	-	-
Other	132,839	109,700	570	-
Total Business-Type Activities	7,382,829	6,415,914	326,024	-
Total Primary Government	$ 45,251,918	$ 12,265,728	$ 13,566,099	$ 1,065,515
COMPONENT UNITS	$ 859,215	$ 802,474	$ 95,322	$ -
Total Component Units	$ 859,215	$ 802,474	$ 95,322	$ -

General Revenues:
- Taxes, net of related credits:
  - Sales and use
  - Business and occupation
  - Property
  - Motor vehicle and fuel
  - Excise
  - Cigarette and tobacco
  - Public utilities
  - Insurance premium
  - Other
- Interest and investment earnings

Total general revenues

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

Contributions to endowments

Transfers

Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (458,210)	$ -	$ (458,210)	
(7,792,611)	-	(7,792,611)	
(1,874,726)	-	(1,874,726)	
(5,153,186)	-	(5,153,186)	
(900,728)	-	(900,728)	
(385,606)	-	(385,606)	
(210,356)	-	(210,356)	
(938,262)	-	(938,262)	
(17,713,685)	-	(17,713,685)	
-	(896,580)	(896,580)	
-	272,563	272,563	
-	(78,707)	(78,707)	
-	131,309	131,309	
-	(46,907)	(46,907)	
-	(22,569)	(22,569)	
-	(640,891)	(640,891)	
(17,713,685)	(640,891)	(18,354,576)	
			$ 38,581
			38,581
8,364,679	-	8,364,679	-
3,267,401	-	3,267,401	-
1,974,354	-	1,974,354	16,342
1,215,398	-	1,215,398	-
716,609	22,434	739,043	-
443,185	-	443,185	-
463,807	-	463,807	-
467,351	-	467,351	-
936,812	-	936,812	729
620,777	1,617,829	2,238,606	(14,169)
18,470,373	1,640,263	20,110,636	2,902
756,688	999,372	1,756,060	41,483
66,356	-	66,356	-
93,799	(93,799)	-	-
916,843	905,573	1,822,416	41,483
25,887,546	(4,783,576)	21,103,970	815,857
$ 26,804,389	$ (3,878,003)	$ 22,926,386	$ 857,340

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Basic Financial Statements

Fund Financial Statements

Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2014
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	$ 944,101	$ -	$ 547,676	$ 3,470,082	$ 4,961,859
Investments	23,405	1,250,093	3,421,965	258,600	4,954,063
Taxes receivable (net of allowance)	3,154,782	18,908	-	126,076	3,299,766
Other receivables (net of allowance)	195,276	975,691	34,565	897,085	2,102,617
Due from other funds	223,442	915,864	6	410,179	1,549,491
Due from other governments	1,071,409	159,715	-	2,438,999	3,670,123
Inventories and prepaids	14,570	25,291	-	51,996	91,857
Restricted assets:					
Cash and investments	43,924	166	-	510,349	554,439
Receivables	997	19,728	-	6,453	27,178
Total Assets	$ 5,671,906	$ 3,365,456	$ 4,004,212	$ 8,169,819	$ 21,211,393
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 855,672	$ 81,515	$ 33,112	$ 371,490	$ 1,341,789
Contracts and retainages payable	34,604	2,370	3,194	115,415	155,583
Accrued liabilities	208,449	365,249	558,062	83,729	1,215,489
Obligations under security lending agreements	64,757	3,018	422	66,383	134,580
Due to other funds	272,894	56,571	2,561	696,168	1,028,194
Due to other governments	877,920	2,138	-	179,785	1,059,843
Unearned revenue	83,640	211,974	582	74,000	370,196
Claims and judgments payable	26,281	-	-	9,956	36,237
Total Liabilities	2,424,217	722,835	597,933	1,596,926	5,341,911
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	1,421,548	14,326	20,636	1,001,833	2,458,343
Total Deferred Inflows of Resources	1,421,548	14,326	20,636	1,001,833	2,458,343
FUND BALANCES					
Nonspendable fund balance	50,475	66,662	2,123,084	248,311	2,488,532
Restricted fund balance	416,652	160	1,262,559	2,745,442	4,424,813
Committed fund balance	142,586	2,561,473	-	2,577,307	5,281,366
Assigned fund balance	879,952	-	-	-	879,952
Unassigned fund balance	336,476	-	-	-	336,476
Total Fund Balances	1,826,141	2,628,295	3,385,643	5,571,060	13,411,139
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 5,671,906	$ 3,365,456	$ 4,004,212	$ 8,169,819	$ 21,211,393

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

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

June 30, 2014

(expressed in thousands)

Total Fund Balances for Governmental Funds		$ 13,411,139
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Non-depreciable assets	$ 25,946,178	
Depreciable assets	18,006,913	
Less: Accumulated depreciation	(8,327,059)	
Total capital assets		35,626,032
Some of the state's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are considered deferred inflows in the funds.		2,458,343
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.		18,400
Unmatured interest on general obligation bonds is not recognized in the funds until due.		(402,312)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		268,649
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	$ (20,853,721)	
Accreted interest on bonds	(415,936)	
Compensated absences	(513,750)	
Other postemployment benefits obligations	(1,632,479)	
Unfunded pension obligations	(398,897)	
Claims and judgments	(39,009)	
Pollution remediation obligations	(164,839)	
Other obligations	(557,231)	
Total long-term liabilities		(24,575,862)
Net Position of Governmental Activities		$ 26,804,389

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, 2014
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
REVENUES					
Retail sales and use taxes	$ 8,275,469	$ -	$ -	$ 89,210	$ 8,364,679
Business and occupation taxes	3,261,883	-	-	5,518	3,267,401
Property taxes	1,974,354	-	-	-	1,974,354
Excise taxes	650,134	27,189	-	39,286	716,609
Motor vehicle and fuel taxes	-	-	-	1,215,398	1,215,398
Other taxes	1,846,045	174,221	-	305,623	2,325,889
Licenses, permits, and fees	107,564	910	-	1,518,323	1,626,797
Timber sales	2,032	-	18,125	144,844	165,001
Other contracts and grants	238,897	785,499	-	113,461	1,137,857
Federal grants-in-aid	10,225,586	1,478,073	-	1,464,074	13,167,733
Charges for services	33,969	2,462,588	3	639,006	3,135,566
Investment income (loss)	7,322	49,939	479,145	84,371	620,777
Miscellaneous revenue	166,044	129,188	2,789	501,067	799,088
Unclaimed property	65,653	-	-	-	65,653
Contributions and donations	-	-	66,356	-	66,356
Total Revenues	26,854,952	5,107,607	566,418	6,120,181	38,649,158
EXPENDITURES					
Current:					
General government	832,570	-	127	447,115	1,279,812
Human services	14,919,504	-	-	813,647	15,733,151
Natural resources and recreation	408,840	-	-	628,535	1,037,375
Transportation	41,810	-	-	1,774,743	1,816,553
Education	9,753,820	4,837,498	2,470	536,253	15,130,041
Intergovernmental	114,081	-	-	341,553	455,634
Capital outlays	50,986	175,721	15,944	2,050,463	2,293,114
Debt service:					
Principal	9,099	20,625	-	838,395	868,119
Interest	3,428	13,674	-	921,643	938,745
Total Expenditures	26,134,138	5,047,518	18,541	8,352,347	39,552,544
Excess of Revenues Over (Under) Expenditures	720,814	60,089	547,877	(2,232,166)	(903,386)
OTHER FINANCING SOURCES (USES)					
Bonds issued	168,458	408	-	1,699,761	1,868,627
Refunding bonds issued	-	-	-	558,580	558,580
Payments to escrow agents for refunded bond debt	-	-	-	(633,580)	(633,580)
Issuance premiums	931	173	-	243,057	244,161
Other debt issued	314	4,264	-	40,700	45,278
Transfers in	518,000	1,189,017	528,254	2,121,031	4,356,302
Transfers out	(964,973)	(1,113,372)	(668,309)	(1,527,232)	(4,273,886)
Total Other Financing Sources (Uses)	(277,270)	80,490	(140,055)	2,502,317	2,165,482
Net Change in Fund Balances	443,544	140,579	407,822	270,151	1,262,096
Fund Balances - Beginning, as restated	1,382,597	2,487,716	2,977,821	5,300,909	12,149,043
Fund Balances - Ending	$ 1,826,141	$ 2,628,295	$ 3,385,643	$ 5,571,060	$ 13,411,139

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, 2014
(expressed in thousands)

Net Change in Fund Balances - Total Governmental Funds		$ 1,262,096
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlays	$ 1,591,600	
Less: Depreciation expense	(650,426)	941,174
Some revenues in the Statement of Activities do not provide current financial resources, and therefore, are unavailable in governmental funds. Also, revenues related to prior periods that became available during the current period are reported in governmental funds but are eliminated in the Statement of Activities. This amount is the net adjustment.		43,120
Pension trust funding in excess of annual required contributions uses current financial resources, but does not qualify as an expense.		(1,600)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is reported with governmental activities.		(2,636)
Bond proceeds and other financing contracts provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net position. In the current period, these amounts consist of:		
Bonds and other financing contracts issued	$ (2,467,776)	
Principal payments on bonds and other financing contracts	1,476,117	
Accreted interest on bonds	22,851	(968,808)
Some expenses/revenue reductions reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized in governmental funds. Also payments of certain obligations related to prior periods are recognized in governmental funds but are eliminated in the Statement of Activities. In the current period, the net adjustments consist of:		
Compensated absences	$ 16,044	
Other postemployment benefits obligations	(242,795)	
Unfunded pension obligations	(58,456)	
Pollution remediation obligations	6,977	
Claims and judgments	1,240	
Accrued interest	(22,368)	
Unclaimed property	5,877	
Other obligations	(63,022)	(356,503)
Change in Net Position of Governmental Activities		$ 916,843

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

Statement of Net Position
PROPRIETARY FUNDS
June 30, 2014
(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and pooled investments	$ 81,771	$ 3,207,116	$ 1,314,971	$ 1,048
Investments	4,418	-	31,093	67,100
Other receivables (net of allowance)	782,306	640,252	207,360	61,913
Due from other funds	1,294	4,341	3,358	1
Due from other governments	1,012	65,292	69,640	-
Inventories	304	-	41,425	-
Prepaid expenses	234	-	14,428	-
Restricted assets:				
Cash and investments	720	-	6,080	-
Total Current Assets	872,059	3,917,001	1,688,355	130,062
Noncurrent Assets:				
Investments, noncurrent	14,502,544	-	251,316	2,650,837
Restricted investments, noncurrent	1,951	-	54,463	-
Restricted receivables, noncurrent	-	-	-	-
Other noncurrent assets	3,511	-	103,534	216,000
Capital assets:				
Land and other non-depreciable assets	3,240	-	60,587	-
Buildings	65,134	-	3,185,920	-
Other improvements	1,289	-	94,107	-
Furnishings, equipment, and intangibles	88,926	-	555,616	89
Infrastructure	-	-	42,331	-
Accumulated depreciation	(102,598)	-	(1,270,279)	(89)
Construction in progress	10,661	-	93,164	-
Total Noncurrent Assets	14,574,658	-	3,170,759	2,866,837
Total Assets	15,446,717	3,917,001	4,859,114	2,996,899
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow on refundings	-	-	14,801	-
Total Deferred Outflows of Resources	-	-	14,801	-
Total Assets and Deferred Outflows of Resources	$ 15,446,717	$ 3,917,001	$ 4,873,915	$ 2,996,899

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

Continued

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 103,259	$ 4,708,165	$ 956,565
28,390	131,001	15,792
24,222	1,716,053	37,895
7,918	16,912	82,747
4,719	140,663	8,025
7,372	49,101	19,597
218	14,880	6,513
-	6,800	19
176,098	6,783,575	1,127,153
143,429	17,548,126	20,770
-	56,414	-
-	-	12,324
1	323,046	81
1,540	65,367	6,212
12,828	3,263,882	506,161
2,563	97,959	15,866
30,397	675,028	856,345
-	42,331	1,948
(25,280)	(1,398,246)	(655,525)
-	103,825	18,196
165,478	20,777,732	782,378
341,576	27,561,307	1,909,531
-	14,801	-
-	14,801	-
$ 341,576	$ 27,576,108	$ 1,909,531

Statement of Net Position
PROPRIETARY FUNDS
June 30, 2014

(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 3,482	$ -	$ 110,855	$ 278
Contracts and retainages payable	10,440	66	20,875	173,000
Accrued liabilities	310,970	7,995	298,963	1,042
Obligations under security lending agreements	4,418	-	-	67,100
Bonds and notes payable	3,820	-	88,548	-
Due to other funds	6,298	17,063	470,609	139
Due to other governments	23	76,838	7	-
Unearned revenue	6,720	-	56,252	-
Claims and judgments payable	1,907,912	-	-	-
Total Current Liabilities	2,254,083	101,962	1,046,109	241,559
Noncurrent Liabilities:				
Claims and judgments payable	22,529,622	-	-	-
Bonds and notes payable	4,050	-	2,195,061	-
Other long-term liabilities	43,370	-	185,594	2,594,350
Total Noncurrent Liabilities	22,577,042	-	2,380,655	2,594,350
Total Liabilities	24,831,125	101,962	3,426,764	2,835,909
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow on refundings	-	-	10	-
Total Deferred Inflows of Resources	-	-	10	-
NET POSITION				
Net investment in capital assets	58,781	-	550,036	1
Restricted for:				
Unemployment compensation	-	3,815,039	-	-
Unrestricted	(9,443,189)	-	897,105	160,989
Total Net Position	(9,384,408)	3,815,039	1,447,141	160,990
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 15,446,717	$ 3,917,001	$ 4,873,915	$ 2,996,899

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

Concluded

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 12,395	$ 127,010	$ 49,074
164	204,545	1,100
68,434	687,404	68,534
-	71,518	11,456
442	92,810	84,011
18,329	512,438	108,448
2,287	79,155	27,186
613	63,585	1,393
1,988	1,909,900	191,221
104,652	3,748,365	542,423
7,957	22,537,579	496,466
5,525	2,204,636	468,963
140,207	2,963,521	131,319
153,689	27,705,736	1,096,748
258,341	31,454,101	1,639,171
-	10	1,711
-	10	1,711
16,083	624,901	239,555
-	3,815,039	-
67,152	(8,317,943)	29,094
83,235	(3,878,003)	268,649
$ 341,576	$ 27,576,108	$ 1,909,531

Statement of Revenues, Expenses, and Changes in Net Position
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
OPERATING REVENUES				
Sales	$ -	$ -	$ 98,180	$ -
Less: Cost of goods sold	-	-	62,291	-
Gross profit	-	-	35,889	-
Charges for services	18	-	1,747,438	136,949
Premiums and assessments	2,200,410	1,330,732	-	-
Federal aid for unemployment insurance benefits	-	303,675	-	-
Lottery ticket proceeds	-	-	-	-
Miscellaneous revenue	36,939	18,191	145,047	1,145
Total Operating Revenues	2,237,367	1,652,598	1,928,374	138,094
OPERATING EXPENSES				
Salaries and wages	145,431	-	727,557	2,446
Employee benefits	58,367	-	184,001	559
Personal services	5,660	-	32,234	1,106
Goods and services	76,389	-	776,114	903
Travel	4,047	-	25,547	39
Premiums and claims	2,810,658	1,380,035	-	-
Lottery prize payments	-	-	-	-
Depreciation and amortization	7,228	-	154,094	1
Guaranteed education tuition program expense	-	-	-	179,948
Miscellaneous expenses	33,954	-	21,736	-
Total Operating Expenses	3,141,734	1,380,035	1,921,283	185,002
Operating Income (Loss)	(904,367)	272,563	7,091	(46,908)
NONOPERATING REVENUES (EXPENSES)				
Earnings (loss) on investments	1,136,910	72,735	36,076	369,004
Interest expense	(461)	-	(95,991)	-
Tax and license revenue	81	-	-	-
Other revenues (expenses)	8,248	-	10,193	1
Total Nonoperating Revenues (Expenses)	1,144,778	72,735	(49,722)	369,005
Income (Loss) Before Contributions and Transfers	240,411	345,298	(42,631)	322,097
Capital contributions	-	-	-	-
Transfers in	-	-	382,670	-
Transfers out	-	-	(326,295)	-
Net Contributions and Transfers	-	-	56,375	-
Change in Net Position	240,411	345,298	13,744	322,097
Net Position - Beginning, as restated	(9,624,819)	3,469,741	1,433,397	(161,107)
Net Position - Ending	$ (9,384,408)	$ 3,815,039	$ 1,447,141	$ 160,990

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

		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
$ 76,588	$ 174,768	$ 82,232
53,352	115,643	75,988
23,236	59,125	6,244
29,686	1,914,091	604,880
148	3,531,290	1,346,511
-	303,675	-
594,523	594,523	-
3,295	204,617	155,435
650,888	6,607,321	2,113,070
48,227	923,661	279,844
18,515	261,442	100,263
15,381	54,381	21,199
85,305	938,711	323,001
1,779	31,412	4,014
-	4,190,693	1,297,710
371,532	371,532	-
1,022	162,345	86,300
-	179,948	-
665	56,355	873
542,426	7,170,480	2,113,204
108,462	(563,159)	(134)
3,104	1,617,829	4,810
(263)	(96,715)	(22,869)
22,353	22,434	21
541	18,983	2,932
25,735	1,562,531	(15,106)
134,197	999,372	(15,240)
-	-	1,221
12,151	394,821	44,402
(162,325)	(488,620)	(33,019)
(150,174)	(93,799)	12,604
(15,977)	905,573	(2,636)
99,212	(4,783,576)	271,285
$ 83,235	$ (3,878,003)	$ 268,649

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 2,121,621	$ 1,337,582	$ 1,847,547	$ 151,948
Payments to suppliers	(2,067,752)	(1,375,677)	(791,236)	(133,086)
Payments to employees	(197,425)	-	(885,172)	(2,925)
Other receipts	36,788	331,775	145,045	1,145
Net Cash Provided (Used) by Operating Activities	(106,768)	293,680	316,184	17,082
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	382,670	-
Transfers out	-	-	(326,295)	-
Operating grants and donations received	8,588	-	13,057	-
Taxes and license fees collected	81	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	8,669	-	69,432	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid	(527)	-	(88,001)	-
Principal payments on long-term capital financing	(3,605)	-	(82,660)	-
Proceeds from long-term capital financing	-	-	252,827	-
Proceeds from sale of capital assets	2	-	11,824	-
Acquisitions of capital assets	(4,723)	-	(258,133)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(8,853)	-	(164,143)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of interest	813,876	72,735	13,724	81,846
Proceeds from sale of investment securities	7,197,551	-	37,245	344,145
Purchases of investment securities	(7,887,123)	-	(148,797)	(443,129)
Net Cash Provided (Used) by Investing Activities	124,304	72,735	(97,828)	(17,138)
Net Increase (Decrease) in Cash and Pooled Investments	17,352	366,415	123,645	(56)
Cash and Pooled Investments, July 1, as restated	65,139	2,840,701	1,197,406	1,104
Cash and Pooled Investments, June 30	$ 82,491	$ 3,207,116	$ 1,321,051	$ 1,048
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	$ (904,367)	$ 272,563	$ 7,091	$ (46,908)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:				
Depreciation	7,228	-	154,094	1
Revenue reduced for uncollectible accounts	33,104	-	1,180	-
Change in Assets: Decrease (Increase)				
Receivables	(78,961)	16,758	(14,503)	14,999
Inventories	(120)	-	16,054	-
Prepaid expenses	(232)	-	(1,823)	-
Change in Liabilities: Increase (Decrease)				
Payables	836,580	4,359	154,091	48,990
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ (106,768)	$ 293,680	$ 316,184	$ 17,082

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

Continued

Nonmajor Enterprise Funds	Total	Governmental Activities: Internal Service Funds
$ 701,275	$ 6,159,973	$ 2,049,352
(552,651)	(4,920,402)	(1,783,650)
(64,499)	(1,150,021)	(374,809)
3,288	518,041	167,223
87,413	607,591	58,116
12,151	394,821	44,402
(162,325)	(488,620)	(33,019)
570	22,215	332
22,353	22,434	21
(127,251)	(49,150)	11,736
(263)	(88,791)	(22,368)
(433)	(86,698)	(40,629)
-	252,827	28,734
78	11,904	5,081
(1,831)	(264,687)	(86,981)
(2,449)	(175,445)	(116,163)
59	982,240	3,391
37,945	7,616,886	198,030
(3,689)	(8,482,738)	(16,560)
34,315	116,388	184,861
(7,972)	499,384	138,550
111,231	4,215,581	818,034
$ 103,259	$ 4,714,965	$ 956,584
$ 108,462	$ (563,159)	$ (134)
1,022	162,345	86,300
51	34,335	56
(34)	(61,741)	16,973
725	16,659	1,195
334	(1,721)	(1,686)
(23,147)	1,020,873	(44,588)
$ 87,413	$ 607,591	$ 58,116

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Contributions of capital assets	$ -	$ -	$ -	$ -
Acquisition of capital assets through capital leases	-	-	1,705	-
Amortization of annuity prize liability	-	-	-	-
Increase (decrease) in fair value of investments	325,109	-	247	286,935
Debt refunding deposited with escrow agent	-	-	28,995	-
Amortization of debt premium/discount	-	-	5,060	-
Increase in ownership of joint venture	-	-	13,539	-

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

Concluded

Nonmajor Enterprise Funds	Total	Governmental Activities: Internal Service Funds
$ -	$ -	$ 1,221
-	1,705	-
8,866	8,866	-
3,045	615,336	1,874
-	28,995	43,435
-	5,060	-
-	13,539	-

Statement of Net Position
FIDUCIARY FUNDS
June 30, 2014
(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	$ 1,289	$ 4,935,323	$ 53,667	$ 87,568
Investments	-	2,977,583	-	-
Receivables, pension and other employee benefit plans:				
Employers	-	-	162,909	-
Members (net of allowance)	-	-	2,325	-
Interest and dividends	-	-	238,960	-
Investment trades pending	-	-	1,371,150	-
Due from other pension and other employee benefit funds	-	-	7,076	-
Other receivables, all other funds	-	582	-	5,613
Due from other governments	-	-	-	17,201
Total Current Assets	1,289	7,913,488	1,836,087	110,382
Noncurrent Assets:				
Investments, noncurrent, pension and other employee benefit plans:				
Public equity	-	-	37,470,297	-
Fixed income	-	-	18,399,286	-
Private equity	-	-	18,336,590	-
Real estate	-	-	9,929,236	-
Security lending	-	-	1,091,768	-
Liquidity	-	-	1,817,174	-
Tangible assets	-	-	1,366,904	-
Investments, noncurrent, all other funds	1,438	918,527	-	194
Other noncurrent assets	-	-	-	55,976
Capital assets:				
Furnishings, equipment, and intangibles	37	-	-	-
Accumulated depreciation	(18)	-	-	-
Total Noncurrent Assets	1,457	918,527	88,411,255	56,170
Total Assets	2,746	8,832,015	90,247,342	$ 166,552
LIABILITIES				
Accounts payable	114	-	-	$ 4,618
Contracts and retainages payable	-	-	-	27,419
Accrued liabilities	246	152,727	1,858,919	57,887
Obligations under security lending agreements	-	-	1,094,149	4,134
Due to other funds	-	70	-	-
Due to other pension and other employee benefit funds	-	-	7,076	-
Due to other governments	-	18,211	-	16,519
Unearned revenue	-	-	310	-
Other long-term liabilities	-	-	-	55,975
Total Liabilities	360	171,008	2,960,454	$ 166,552
NET POSITION				
Net position held in trust for:				
Pension benefits	-	-	83,709,133	
Deferred compensation participants	-	-	3,577,755	
Local government pool participants	-	8,661,007	-	
Individuals, organizations, and other governments	2,386	-	-	
Total Net Position	$ 2,386	$ 8,661,007	$ 87,286,888	

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

Statement of Changes in Net Position
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans
ADDITIONS			
Contributions:			
Employers	$ -	$ -	$ 1,538,957
Members	-	-	1,102,446
State	-	-	61,933
Participants	-	12,482,112	190,538
Total Contributions	-	12,482,112	2,893,874
Investment Income:			
Net appreciation (depreciation) in fair value	-	-	12,158,388
Interest and dividends	-	10,017	1,813,003
Less: Investment expenses	-	-	(316,706)
Net Investment Income (Loss)	-	10,017	13,654,685
Other Additions:			
Unclaimed property	60,539	-	-
Transfers from other pension plans	-	-	4,762
Other contracts, grants and miscellaneous	-	-	314
Total Other Additions	60,539	-	5,076
Total Additions	60,539	12,492,129	16,553,635
DEDUCTIONS			
Pension benefits	-	-	3,463,580
Pension refunds	-	-	452,732
Transfers to other pension plans	-	-	4,762
Administrative expenses	3,604	975	3,251
Distributions to participants	-	12,564,303	212,298
Payments to or on behalf of individuals, organizations and other governments in accordance with state unclaimed property laws	59,115	-	-
Total Deductions	62,719	12,565,278	4,136,623
Net Increase (Decrease)	(2,180)	(73,149)	12,417,012
Net Position - Beginning	4,566	8,734,156	74,869,876
Net Position - Ending	$ 2,386	$ 8,661,007	$ 87,286,888

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

Statement of Net Position
COMPONENT UNITS
June 30, 2014
(expressed in thousands)

	Public Stadium	Health Benefit Exchange	Valley Medical Center	Northwest Hospital
ASSETS				
Current Assets:				
Cash and pooled investments	$ 7,674	$ 12,441	$ 62,729	$ 18,689
Investments	-	-	10,104	1,026
Investments, restricted	3,818	-	-	2,194
Other receivables (net of allowance)	812	21,730	66,729	36,685
Inventories	-	-	4,083	4,764
Prepaid expenses	23	294	5,716	2,867
Total Current Assets	12,327	34,465	149,361	66,225
Noncurrent Assets:				
Investments, noncurrent	-	-	78,085	45,806
Restricted investments, noncurrent	7,322	-	15,379	8,701
Other noncurrent assets	-	-	-	4,022
Capital assets:				
Land	34,677	-	13,299	10,817
Buildings	460,637	-	416,426	130,747
Other improvements	-	637	18,699	19,443
Furnishings, equipment and intangible assets	19,557	44,699	220,899	199,432
Accumulated depreciation	(203,140)	(8,106)	(309,157)	(245,605)
Construction in progress	-	-	11,290	4,406
Total Noncurrent Assets	319,053	37,230	464,920	177,769
Total Assets	$ 331,380	$ 71,695	$ 614,281	$ 243,994
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 32	$ -	$ 11,840	$ 14,392
Contracts and retainages payable	2,778	4,638	-	9,040
Accrued liabilities	4,319	29,828	71,188	35,337
Unearned revenue	-	-	-	-
Total Current Liabilities	7,129	34,466	83,028	58,769
Noncurrent Liabilities:				
Other long-term liabilities	7,400	-	319,360	85,518
Total Noncurrent Liabilities	7,400	-	319,360	85,518
Total Liabilities	14,529	34,466	402,388	144,287
NET POSITION				
Net investment in capital assets	299,647	37,229	43,156	39,583
Restricted for deferred sales tax	10,402	-	-	-
Restricted for other purposes	-	-	7,814	2,472
Unrestricted	6,802	-	160,923	57,652
Total Net Position	316,851	37,229	211,893	99,707
Total Liabilities and Net Position	$ 331,380	$ 71,695	$ 614,281	$ 243,994

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

Nonmajor Component Units	Total
$ 23,925	$ 125,458
57,629	68,759
-	6,012
4,698	130,654
-	8,847
191	9,091
86,443	348,821
-	123,891
-	31,402
117,035	121,057
-	58,793
-	1,007,810
-	38,779
1,708	486,295
(1,598)	(767,606)
-	15,696
117,145	1,116,117
$ 203,588	$ 1,464,938
$ 39,312	$ 65,576
-	16,456
61	140,733
14,038	14,038
53,411	236,803
-	412,278
-	412,278
53,411	649,081
110	419,725
-	10,402
1,083	11,369
148,984	374,361
150,177	815,857
$ 203,588	$ 1,464,938

Statement of Revenues, Expenses, and Changes in Net Position
COMPONENT UNITS

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

	Public Stadium	Health Benefit Exchange	Valley Medical Center	Northwest Hospital
EXPENSES	$ 16,450	$ 61,218	$ 466,014	$ 295,160
PROGRAM REVENUES				
Charges for Services	3,310	-	470,732	290,122
Operating grants and contributions	-	88,388	-	-
Total Program Revenues	3,310	88,388	470,732	290,122
Net Program Revenues (Expense)	(13,140)	27,170	4,718	(5,038)
GENERAL REVENUES				
Earnings (loss) on investments	364	-	(15,025)	(107)
Taxes	-	-	16,342	-
Other	-	-	-	724
Total General Revenues	364	-	1,317	617
Change in Net Position	(12,776)	27,170	6,035	(4,421)
Net Position - Beginning, as restated	329,627	10,059	205,858	104,128
Net Position - Ending	$ 316,851	$ 37,229	$ 211,893	$ 99,707

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

Nonmajor Component Units	Total
$ 20,373	$ 859,215
38,310	802,474
6,934	95,322
45,244	897,796
24,871	38,581
599	(14,169)
-	16,342
5	729
604	2,902
25,475	41,483
124,702	774,374
$ 150,177	$ 815,857

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Index

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2014

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 nationally accepted as the standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the significant accounting policies:

A. REPORTING ENTITY

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

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

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

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

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

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

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

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

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

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

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

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

Blended Component Units

Blended component units, although legally separate entities, are part of the state's operations in substance. Accordingly, they are reported as part of the state and blended into the appropriate funds. Financial information for the state's blended component units may be obtained from Office of Financial Management, Accounting Division, P.O. Box 43113, Olympia, WA, 98504-3113. The following entities are blended in the state's financial statements:

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

Association of University Physicians. The University of Washington Physicians (UWP) was established for the exclusive benefit of the University of Washington School of Medicine (UWSOM). UWP employs UWSOM faculty and bills and collects for their clinical services as an agent for UWSOM.

UW Medicine Neighborhood Clinics. The UW Medicine Neighborhood Clinics (Neighborhood Clinics) were established for the exclusive benefit of the University's School of Medicine, UWP and its affiliated medical centers, Harborview Medical Center, and the University of Washington Medical Center. The Neighborhood Clinics were organized to coordinate and develop patient care in a community clinical setting. They enhance the academic environment of UWSOM by providing additional sites of primary care practice and training for faculty, residents, and students.

TSB Properties, Washington Biomedical Research Properties I and II, and Washington Biomedical Research Facilities 3 were formed to acquire, construct, or renovate certain real properties for the benefit of the University of Washington in fulfilling its educational, medical, or scientific research missions.

Tumwater Office Properties and FYI Properties were formed to design and construct office facilities to house state employees. The facilities were financed with tax-exempt obligations that meet the requirements of Revenue Ruling 63-20 and Revenue Procedure 82-26 issued by the Internal Revenue Service.

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

The following entities are discretely presented in the financial statements of the state in the component unit's column:

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

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

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

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

The **Washington State Public Stadium Authority (PSA**) was created by the Legislature to acquire, construct, own, and operate a football/soccer stadium, exhibition center, and parking garage. Construction was completed in 2002. PSA capital assets, net of accumulated depreciation, total $311.7 million. The state issued general obligation bonds for a portion of the cost of the stadium construction. The total public share of the stadium and exhibition center cost did not exceed $300 million from all state and local government funding sources, as required in statute.

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

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

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

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

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

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

Northwest Hospital was created January 1, 2010, under an affiliation agreement between UW Medicine and Northwest Hospital and Medical Center (Northwest Hospital). UW Medicine is an academic medical center comprised of UW School of Medicine, UW Neighborhood Clinics, UW Medical Center, Harborview Medical Center, Association of University Physicians, as well as the University's membership in the Seattle Cancer Care Alliance and the Children's University Medical Group.

Northwest Hospital is a 281-bed full service acute care hospital. The University is the sole corporate member of Northwest Hospital. Financial reports of Northwest Hospital may be obtained at the following address:

Northwest Hospital
1550 N. 115th Street
Seattle, WA 98133-9733

Valley Medical Center was created July 1, 2011, through a strategic alliance between UW Medicine and Public Hospital District No. 1 of King County. Valley Medical Center owns and operates a 321-bed full service acute care hospital and 45 clinics located throughout southeast King County. Financial reports of Valley Medical Center may be obtained at the following address:

Valley Medical Center
400 S. 43rd Street
Renton, WA 98055

Joint Ventures

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 $13.6 million was recorded in fiscal year 2014, bringing the total equity investment to $102.7 million which is recognized in the state's financial statements in the Higher Education Student Services Fund.

Separate financial statements for SCCA may be obtained from:

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

The University of Washington and Seattle Children's Hospital established Children's University Medical Group (CUMG) to assist the organizations in carrying out their pediatric patient care, charitable, educational, and scientific missions.

Separate financial statements for CUMG may be obtained from:

Children's University Medical Group
4500 Sand Point Way NE, Suite 100
Seattle, WA 98105

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

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

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

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

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

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

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

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

Fund Financial Statements

The state uses 642 accounts that are combined into 52 rollup funds. The state presents separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements, with nonmajor funds being combined into a single column regardless of fund type. Internal service and fiduciary funds are reported by fund type. Major funds include:

Major Governmental Funds:

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

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

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

Major Enterprise Funds:

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

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

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

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

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

Nonmajor Governmental Funds:

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

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

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

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

Nonmajor Proprietary Funds:

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

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

The state reports the following fiduciary funds:

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

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

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

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

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

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

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

1. Cash and Investments

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

The method of accounting for noncurrent investments varies depending upon the fund classification. Investments in the state's Local Government Investment Pool (LGIP), an external investment pool operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940, are reported at amortized cost which approximates fair value. The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, or phone number (360) 902-9000. TTY users dial 711 to be connected to the state TTY operator.

Certain pension trust fund investments, including real estate and private equity, are reported at fair value based on appraisals or estimates in the absence of readily ascertainable fair values. At June 30, 2014, these alternative investments are valued at $29.64 billion. Because of the inherent uncertainties in the estimation of fair value, it is possible that the estimates will change.

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

2. Receivables and Payables

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

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

3. Inventories and Prepaids

Consumable inventories, consisting of expendable materials and supplies held for consumption, are valued and reported in the state's financial statements if the fiscal year-end balance on hand at an inventory control point is estimated to be $50,000 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 $8.1 million in federally donated consumable inventories, which are offset by unearned revenue because they are not earned until they are distributed to clients.

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

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

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

4. Restricted Assets

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

5. Capital Assets

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

It is the state's policy to capitalize:

- All land, including land use rights with indefinite lives acquired with the purchase of the underlying land, and ancillary costs;
- The state highway system operated by the Department of Transportation;
- Infrastructure, other than the state highway system, with a cost of $100,000 or more;
- Buildings, building improvements, improvements other than buildings, and leasehold improvements with a cost of $100,000 or more;
- Intangible assets, either purchased or internally developed, with a cost of $1 million or more that are identifiable by meeting one of the following conditions:
    - The asset is capable of being separated or divided and sold, transferred, licensed, rented, exchanged;
    - The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable;
- All capital assets acquired with Certificates of Participation, a debt financing program administered by the Office of the State Treasurer; and
- All other capital assets with a unit cost (including ancillary costs) of $5,000 or greater, or collections with a total cost of $5,000 or greater except for assets held by the University of Washington (UW). The capitalization threshold for all other capital assets held by the UW is $2,000.

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

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

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

The value of assets constructed by agencies for their own use includes all direct construction costs and indirect costs that are related to the construction. In enterprise and trust funds, net interest costs (if material) incurred during the period of construction are capitalized. In fiscal year 2014, $103.3 million interest costs were incurred, and $11.7 million net interest costs were capitalized.

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

- The collection is held for public exhibition, education, or research in furtherance of public service, rather than financial gain.

- The collection is protected, kept unencumbered, cared for, and preserved.

- The collection is subject to policy requirements that the proceeds from sales of collection items be used to acquire other items for the collection.

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

Generally, estimated useful lives are as follows:

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

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

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

- Maintenance of an up-to-date inventory of system assets;

- Performance of condition assessments of the assets at least every three years with summarization of the results using a measurement scale; and

- Annual estimation of the amount to maintain and preserve the assets at the condition level established and disclosed.

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

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

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

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

6. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The state is reporting two types of deferred inflows: unavailable revenue and debt refunding.

Unavailable revenue arises only under the modified accrual basis of accounting, and so is reported only on the governmental funds balance sheet. Governmental funds report deferred inflows for unavailable revenues primarily from two sources: taxes and long-term receivables. These amounts are recognized as inflows of resources in the periods that the amounts become available.

A deferred inflow on refunding results when the reacquisition price of the refunding debt exceeds the net carrying value of the refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

7. Compensated Absences

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

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

It is the state's policy to liquidate its compensated absences obligation with future resources rather than advance funding it with available spendable financial resources.

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

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

8. Long-Term Liabilities

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

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

9. Fund Equity

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

- **Nonspendable** fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.
- **Restricted** fund balance represents amounts for which constraints are placed on their use by the state constitution, enabling legislation, or external resource providers such as creditors, grantors, or laws or regulations of other governments.
- **Committed** fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by state law as adopted by the state Legislature. The commitment remains in place until the Legislature changes or eliminates the state law.
- **Assigned** fund balance represents amounts that are intended for a specific purpose by management, but are neither restricted nor committed. Generally, assignment is expressed by joint legislative and executive staff action.
- **Unassigned** fund balance represents the residual amount for the General Fund that is not contained in the other classifications. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

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

- **Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- **Restricted** net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by

external parties or by law through constitutional provision or enabling legislation.

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

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

In fiduciary funds, net assets are held in trust for individuals and external organizations.

E. OTHER INFORMATION

1. Insurance Activities

Workers' Compensation. Title 51 RCW establishes the state of Washington's workers' compensation program. The statute requires all employers to secure coverage for job-related injuries and diseases, with few exceptions, through the Workers' Compensation Fund or through self-insurance.

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

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

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

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

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

The Department of Labor and Industries prepares a stand-alone financial report for its Workers' Compensation Program. Copies of the report that include financial statements and required supplementary information may be obtained by writing to Washington State Department of Labor and Industries, PO Box 44833, Olympia, Washington 98504-4833 or by visiting their website at: http://www.lni.wa.gov/ClaimsIns/Insurance/Learn/StateFund/Reports/Default.asp.

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

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

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

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

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

The state secures commercial insurance for certain coverage offered, but self-insures the risk of loss for the Uniform Medical Plan. The Uniform Medical Plan enrolled 64 percent of the eligible subscribers in fiscal year 2014. Claims are paid from premiums collected, and claims adjudication is contracted through a third-party administrator.

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

2. Postemployment Benefits

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

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

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

3. Interfund/Interagency Activities

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

4. Donor-restricted Endowments

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

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

The net appreciation available for authorization for expenditure by governing boards totaled $546.5 million. This amount is reported as restricted for expendable endowment funds on the government-wide Statement of Net Position.

Note 2

Accounting, Reporting, and Entity Changes

Reporting Changes. Effective for fiscal year 2014 reporting, the state adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 67 *Financial Reporting for Pension Plans, amending GASB 25*. GASB Statement No. 67 relates to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement addresses accounting and financial reporting for the activities of pension plans.

The Department of Retirement Systems (DRS) is the administrator for all but one of the state administered pension plans that are subject to Statement No. 67. The DRS Statement No. 67 compliant stand-alone financial report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, WA 98504-8380 or online at: http://www.drs.wa.gov.

Implementation of Statement No. 67 reporting requirements for the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund is reflected in Note 11 Retirement Plans.

Statement No. 69 *Government Combinations and Disposals of Government Operations*. GASB Statement No. 69 addresses mergers, acquisitions, and transfers of operations. This statement did not have an impact on the financial statements.

Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 70 requires recognition of a liability when certain factors indicate that it is more likely than not that the state will be required to make a payment on a nonexchange financial guarantee. The statement also specifies information to be disclosed by the state when it extends nonexchange financial guarantees. The state has extended a nonexchange financial guarantee on certain debt issued by state school districts. Statement No. 70 required disclosure is reflected in Note 13 Commitments and Contingencies.

Fund Reclassification. During fiscal year 2014, it was determined that one special revenue fund no longer had a dedicated revenue source so beginning fund balances were restated by a reduction of $7 thousand in Nonmajor Governmental Funds and an increase of $7 thousand in the Administrative Accounts in the General Fund.

Prior Period Adjustment. The University of Washington (UW) recorded a prior period adjustment to properly report balances related to their Internal Lending Program which is reported within the Higher Education Student Services Fund. The adjustment impacted the Higher Education Special Revenue Fund, a major governmental fund, with a decrease of $276.1 million, and the Higher Education Student Services, a major enterprise fund, with an increase of $74.2 million. The adjustment also increased pooled cash in an agency fund by $134.6 million.

The UW also posted a beginning balance adjustment to correct for prior errors in recording of the investment of the UW non-endowed monies. The adjustment increased fund balance in the Higher Education Special Revenue Fund, a major governmental fund, by $401.1 million. The adjustment decreased fund balance of the Higher Education Endowment Fund, also a major governmental fund.

The Department of Corrections recorded a prior period adjustment to record unearned revenue associated with donations. The adjustment decreased fund balance in Nonmajor Governmental Funds by $44 thousand.

The state is also reporting for the first time two discrete component units of the University of Washington: Northwest Hospital and Valley Medical Center.

Governmental Capital Assets and Long-term Obligations. The UW recorded a prior period $67.3 million adjustment to governmental long-term obligations to properly report their Internal Lending Program.

The Department of Transportation recorded a prior period adjustment of $244.4 million to governmental long-term obligations to record a land bank agreement with Sound Transit. Activities associated with the land bank agreement are exchange-like transactions where Sound Transit provides funding for highway improvements in exchange for future lease credits or conveyance of land of approximately equal value.

Fund equity at July 1, 2013, has been restated as follows (expressed in thousands):

	Fund equity (deficit) at June 30, 2013, as previously reported	Fund Reclassification	Prior Period Adjustment	Fund equity (deficit) as restated, July 1, 2013
Governmental Funds:				
General	$ 1,382,590	$ 7	$ -	$ 1,382,597
Higher Education Special Revenue	2,362,726	-	124,990	2,487,716
Higher Education Endowment	3,378,871	-	(401,050)	2,977,821
Nonmajor Governmental	5,300,960	(7)	(44)	5,300,909
Proprietary Funds:				
Enterprise Funds:				
Workers' Compensation	(9,624,819)	-	-	(9,624,819)
Unemployment Compensation	3,469,741	-	-	3,469,741
Higher Education Student Services	1,359,209	-	74,188	1,433,397
Guaranteed Education Tuition Program	(161,107)	-	-	(161,107)
Nonmajor Enterprise	99,212	-	-	99,212
Internal Service Funds	271,285	-	-	271,285
Fiduciary Funds:				
Private Purpose Trust	4,566	-	-	4,566
Local Government Investment Pool	8,734,156	-	-	8,734,156
Pension and Other Employee Benefit Plans	74,869,876	-	-	74,869,876
Component Units:				
Public Stadium	329,627	-	-	329,627
Health Benefit Exchange	10,059	-	-	10,059
Valley Medical Center	-	-	205,858	205,858
Northwest Hospital	-	-	104,128	104,128
Nonmajor Component Units	124,702	-	-	124,702

Note 3
Deposits and Investments

A. DEPOSITS

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

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

At June 30, 2014, $1.17 billion of the state's deposits with financial institutions were insured or collateralized, with the remaining $11.3 million uninsured/uncollateralized.

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

1. Summary of Investment Policies

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

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

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

Eligible Investments. The WSIB is authorized by statute as having investment management responsibility for pension funds. The WSIB is authorized to invest as provided by statute (chapter 43.33A RCW) and WSIB policy in the following: U.S. treasury bills; discount notes; repurchase agreements; reverse repurchase agreements; banker's acceptances; commercial paper; guaranteed investment contracts; U.S. government and agency (government sponsored corporations eligible for collateral purposes at the Federal Reserve) securities; non-U.S. dollar bonds; investment grade corporate bonds; non-investment grade corporate bonds; publicly traded mortgage-backed securities; privately placed mortgages; private placements of corporate debt; U.S. and foreign common stock; U.S. preferred stock; convertible securities; private equity including but not limited to investment corporations, partnerships, and limited liability companies for venture capital, leveraged buy-outs, real estate, and other tangible assets, or other forms of private equity; asset-backed securities; and derivative securities including futures, options, options on futures, forward contracts, and swap transactions. There were no violations of these investment restrictions during fiscal year 2014.

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

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

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

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

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

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

To achieve the performance and diversification objectives of the pension trust funds, the public markets equity program seeks to achieve the highest return possible consistent with prudent risk management and the desire for downside protection, with passive equity strategies as the default whenever strategies with better risk/return profiles cannot be identified; provide diversification to the pension trust funds' overall investment program; maintain liquidity in public equity; and maintain transparency into all public equity strategies to the extent possible.

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

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

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

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

The major sector allocations of the fixed income portfolio are limited to the following ranges: U.S. treasuries and government agencies – 10 percent to 45 percent, credit bonds – 10 percent to 80 percent, asset-backed securities – 0 percent to 10 percent, commercial mortgage-backed securities – 0 percent to 10 percent, and mortgage-backed securities – 5 percent to 45 percent.

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

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

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

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

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

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

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

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

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

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

2. Unfunded Commitments

The WSIB has entered into a number of agreements that commit the pension trust funds, upon request, to make additional investment purchases up to predetermined amounts. As of June 30, 2014, the pension trust funds had unfunded commitments of $10.40 billion, $8.43 billion, $1.12 billion, and $26.8 million in private equity, real estate, tangible assets, and the innovation portfolio, respectively.

3. Securities Lending

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

The fair value of the securities on loan at June 30, 2014, was approximately $3.64 billion. The pension trust funds report securities on loan in their respective categories in the Statement of Net Position. At June 30, 2014, cash collateral received totaling $1.09 billion is reported as securities lending obligation, and the fair value of the reinvested cash collateral totaling $1.09 billion is reported as security lending collateral in the Statement of Net Position. Securities received as collateral for which the pension trust funds do not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position. Total securities received as collateral at June 30, 2014, was $2.63 billion.

During the fiscal year, debt and equity securities were loaned and collateralized by the pension trust funds' agent with cash, U.S. government or U.S. agency securities including U.S. agency mortgage-backed securities (exclusive of 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 following table summarizes the securities held by the pension trust funds from reinvestment of cash collateral and securities received as collateral at June 30, 2014 (in thousands):

Mortgage-backed	$2,407,871
Cash equivalents and other	557,900
Repurchase agreements	555,295
Yankee CD	201,197
Total collateral held	$3,722,263

During fiscal year 2014, securities lending transactions could be terminated on demand by either the pension trust funds or the borrower. As of June 30, 2014, the cash collateral held had an average duration of 22.5 days and an average weighted final maturity of 82.2 days.

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

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

During fiscal year 2014, there were no significant violations of legal or contractual provisions and no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the pension trust funds incurred no losses during fiscal year 2014 resulting from a default by either the borrowers or the securities lending agents.

4. Interest Rate Risk

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

While the pension trust funds do not have a formal policy relating to interest rate risk, the pension trust funds' fixed income investments are actively managed to meet or exceed the return of the Barclays Capital Universal Index, with a duration target within plus or minus 20 percent of the duration of the portfolio's performance benchmark. As of June 30, 2014, the duration of the pension trust funds' fixed income investments was within the duration target of this index.

The two schedules below provide information about the interest rate risks associated with the pension trust funds' investments as of June 30, 2014. The schedules display various asset classes held by maturity in years, effective duration, and credit ratings. All debt securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities taking into account possible prepayments of principal.

Pension Trust Funds
Schedule of Maturities and Effective Duration
June 30, 2014
(expressed in thousands)

Investment Type	Fair Value	Maturity: Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Effective Duration
Mortgage and other asset-backed securities	$ 1,623,712	$ 422,134	$ 1,125,775	$ 75,799	$ 4	2.91
Corporate bonds	8,397,009	371,688	3,739,741	3,028,328	1,257,252	5.86
U.S. government and agency securities	7,103,700	900,427	5,528,755	475,115	199,403	3.30
Foreign government and agency securities	1,279,590	96,606	415,249	568,977	198,758	5.01
Total investments categorized	18,404,011	$ 1,790,855	$ 10,809,520	$ 4,148,219	$ 1,655,417	4.59
Investments not required to be categorized						
Cash and cash equivalents	1,816,341					
Equity securities	29,790,983					
Alternative investments	29,640,342					
Total investments not categorized	61,247,666					
Total Investments	$ 79,651,677					

Credit ratings of investments are presented using the Moody's rating scale as follows:

Pension Trust Funds
Investment Credit Ratings
June 30, 2014
(expressed in thousands)

Moody's Credit Rating	Investment Type: Mortgage and Other Asset-Backed Securities	Corporate Bonds	U.S. Government and Agency Securities	Foreign Government and Agency Securities	Total Fair Value
Aaa	$ 1,611,718	$ 579,365	$ 7,103,700	$ 275,224	$ 9,570,007
Aa1	-	18,064	-	69,428	87,492
Aa2	-	199,171	-	84,007	283,178
Aa3	-	383,106	-	105,696	488,802
A1	1,285	438,470	-	-	439,755
A2	-	536,466	-	-	536,466
A3	-	717,510	-	94,950	812,460
Baa1	1,385	1,059,033	-	47,116	1,107,534
Baa2	9,324	1,495,374	-	167,446	1,672,144
Baa3	-	1,887,630	-	345,006	2,232,636
Ba1 or lower	-	1,082,820	-	90,717	1,173,537
Total	$ 1,623,712	$ 8,397,009	$ 7,103,700	$ 1,279,590	$ 18,404,011

5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The pension trust funds' investment policies limit the fixed income securities to investment grade or higher at the time of purchase. Investment grade securities are those fixed income securities with a Moody's rating of Aaa to Baa or a Standard and Poor's rating of AAA to BBB. The rated debt investments of the pension trust funds as of June 30, 2014, were rated by Moody's and/or an equivalent national rating organization.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The policy of the pension trust funds states no corporate fixed income issue cost shall exceed 3 percent of cost at the time of purchase or 6 percent of fair value thereafter of the fund, and no high yield issues shall exceed 1 percent of cost or 2 percent of fair value of the fund. There was no concentration of credit risk exceeding these policy guidelines as of June 30, 2014.

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

6. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The pension trust funds do not have a formal policy to limit foreign currency risk. The 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. Private equity and real estate are presented according to the financial reporting currency of the individual funds. This is not a presentation of currency exposure relating to the underlying holdings. The schedule is stated in U.S. dollars.

Pension Trust Funds
Foreign Currency Exposure by Country
June 30, 2014
(expressed in thousands)

	Investment Type				
Foreign Currency Denomination	**Cash and Cash Equivalents**	**Debt Securities**	**Equity Securities**	**Alternative Assets**	**Total**
Australia-Dollar	$ 9,232	$ 405,961	$ 522,681	$ 28,826	$ 966,700
Brazil-Real	357	358,166	105,818	-	464,341
Canada-Dollar	13,324	-	900,026	-	913,350
Chile-Peso	-	124,855	4,030	-	128,885
China-Yuan	278	168,980	-	-	169,258
Columbia-Peso	-	141,446	-	-	141,446
Denmark-Krone	64	-	152,082	-	152,146
E.M.U.-Euro	34,862	-	3,336,481	2,633,627	6,004,970
Hong Kong-Dollar	3,664	-	483,688	-	487,352
Hungary-Forint	113	-	7,295	-	7,408
India-Rupee	613	88,901	156,074	-	245,588
Indonesia-Rupiah	179	56,966	63,128	-	120,273
Israel-Shekel	1,479	-	39,670	-	41,149
Japan-Yen	16,239	-	1,938,908	-	1,955,147
Malaysia-Ringgit	187	66,274	37,493	-	103,954
Mexico-Peso	38	129,025	52,258	-	181,321
New Taiwan-Dollar	1,835	-	146,808	-	148,643
New Zealand-Dollar	992	-	14,411	-	15,403
Nigeria-Naira	-	47,740	-	-	47,740
Norway-Krone	3,520	-	86,444	-	89,964
Philippines-Peso	4	38,843	19,228	-	58,075
Poland-Zloty	-	-	9,961	-	9,961
Singapore-Dollar	566	-	169,637	-	170,203
South Africa-Rand	(21)	-	90,188	-	90,167
South Korea-Won	227	-	115,453	-	115,680
Sweden-Krona	2,865	-	346,171	-	349,036
Switzerland-Franc	216	-	1,019,159	-	1,019,375
Thailand-Baht	133	47,116	48,119	-	95,368
Turkey-Lira	163	68,863	65,084	-	134,110
United Kingdom-Pound	10,515	-	2,463,312	-	2,473,827
Uruguay-Peso	-	53,138	-	-	53,138
Total	$ 101,644	$ 1,796,274	$ 12,393,607	$ 2,662,453	$ 16,953,978

7. Derivatives

Pension trust funds are authorized to utilize various derivative financial instruments, including financial futures, forward contracts, interest rate swaps, credit default swaps, equity swaps, and options. Derivative transactions involve, to varying degrees, market and credit risk. At June 30, 2014, the pension trust funds held investments in financial futures and forward currency contracts that are recorded at fair value with changes in value recognized in investment income in the Statement of Changes in Net Position in the period of change. The derivative instruments are considered investment derivatives and not hedging derivatives.

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

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

Inherent in the use of OTC derivatives, the pension trust funds are exposed to counterparty credit risk on all open OTC positions. Counterparty credit risk is the risk that a derivative counterparty may fail to meet its payment obligation under the derivative contract. As of June 30, 2014, the pension trust funds counterparty risk was not deemed to be significant.

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

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

At June 30, 2014, the pension trust funds had outstanding forward currency contracts with a net unrealized gain of $14.8 million. The aggregate forward currency exchange contracts receivable and payable were $1.05 billion and $1.04 billion, respectively. The contracts have varying maturity dates ranging from July 31, 2014, to September 17, 2014.

At June 30, 2014, the pension trust funds' fixed income portfolio held derivative securities consisting of collateralized mortgage obligations with a fair value of $163.3 million. Domestic and foreign passive equity index fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative securities by passive equity index fund managers is unavailable.

Derivatives which are exchange traded are not subject to credit risk. The counterparty credit ratings for forward currency contracts that are subject to credit risk outstanding at June 30, 2014, had a credit rating of no less than Baa1 using Moody's rating scale.

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

Pension Trust Funds
Derivative Investments
June 30, 2014
(expressed in thousands)

	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional
Futures Contracts:			
Bond index futures	$ 20,161	$ 3,391	$ 769,300
Equity index futures	18,310	(195)	541
Total	$ 38,471	$ 3,196	$ 769,841
Forward Currency Contracts:			
Australia-Dollar	$ (1,965)	$ (564)	$ 29,266
Canada-Dollar	5,102	7,107	247,924
Denmark-Krone	3,822	(50)	10,381
E.M.U.-Euro	(12,830)	(1,104)	190,459
Hong Kong-Dollar	(139)	3	17,526
Israel-Shekel	(230)	(52)	5,182
Japan-Yen	4,713	(1,045)	133,181
New Zealand-Dollar	19,092	4,537	152,364
Norway-Krone	(47)	341	16,290
Singapore-Dollar	757	(1)	68
Sweden-Krona	132	(3)	70,159
Switzerland-Franc	790	(255)	29,397
United Kingdom-Pound	11,695	2,292	133,849
Miscellaneous	37	-	-
Total	$ 30,929	$ 11,206	$ 1,036,046

8. **Reverse Repurchase Agreements** – None.

C. INVESTMENTS – WORKERS' COMPENSATION FUND

1. Summary of Investment Policies

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

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

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

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

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

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

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

- All assets under the management of the WSIB are to be invested to maximize return at a prudent level of risk in accordance with RCW 43.33A.110 and RCW 43.33A.140.
- No corporate fixed income issue cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time.
- Asset allocations are to be reviewed every three to four years or sooner if there are significant changes in funding levels or the liability durations.
- Assets are to be rebalanced across asset classes when the fair value of the assets falls outside the policy ranges. The timing of any rebalancing will be based on market opportunities, cash flows, and the consideration of transaction costs; therefore, they need not occur immediately.
- Sector allocation for U.S. equities should be within a range of 55 percent to 65 percent. Allocation for international equities should be within a range of 35 percent to 45 percent.
- The benchmark and structure for U.S. equities will be the broad U.S. stock market as defined by the Morgan Stanley Capital International (MSCI) U.S. Investable Market Index. The benchmark and structure for international equities will be the MSCI All Country World Ex U.S. Investable Market Index. Both portfolios will be 100 percent passively managed in commingled index funds. The commingled funds may use futures for hedging or establishing a long position.
- 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 80 percent, asset-backed securities – 0 percent to 10 percent, commercial mortgage-backed securities – 0 percent to 10 percent, and mortgage-backed securities – 0 percent to 25

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

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

2. Securities Lending

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

The fair value of the securities on loan at June 30, 2014, was approximately $69.4 million. The Workers' Compensation Fund reports securities on loan in the Statement of Net Position in their respective categories. At June 30, 2014, cash collateral received totaling $4.1 million is reported as a securities lending obligation, and the fair value of the reinvested cash collateral totaling $4.1 million is reported as security lending collateral in the Statement of Net Position. Securities received as collateral for which the Workers' Compensation Fund does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position. Total securities received as collateral at June 30, 2014, was $66.9 million.

During fiscal year 2014, debt securities were loaned and collateralized by the Workers' Compensation Fund's agent with cash and U.S. government or U.S. agency securities including U.S. agency mortgage-backed securities (exclusive of 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 following table summarizes the securities held from reinvestment of cash collateral and securities received as collateral at June 30, 2014 (in thousands):

Mortgage-backed	$66,867
Repurchase agreements	2,093
Cash equivalents and other	1,264
Yankee CD	758
Total collateral held	$70,982

During fiscal year 2014, securities lending transactions could be terminated on demand by either the Workers' Compensation Fund or the borrower. As of June 30, 2014, the cash collateral held had an average duration of 22.5 days and an average weighted final maturity of 82.2 days. Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold absent borrower default. No more than 20 percent of the total on loan value can be held by a specific borrower. Collateral investment guidelines specifically prohibit European domiciled holdings. There are no restrictions on the amount of securities that can be lent.

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

During fiscal year 2014, there were no significant violations of legal or contractual provisions, no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the Workers' Compensation Fund incurred no losses during fiscal year 2014 resulting from a default by either the borrowers or the securities lending agents.

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. While the Workers' Compensation Fund does not have a formal policy relating to interest rate risk, the risk is managed within the Workers' Compensation Fund portfolio using effective duration which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of those investments. As of June 30, 2014, the Workers'

Compensation Fund portfolio durations were within the prescribed duration targets.

The two schedules below provide information about the interest rate risks associated with the Workers' Compensation Fund investments as of June 30, 2014. The schedules display various asset classes held by maturity in years, effective duration, and credit ratings. All debt securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities taking into account possible prepayments of principal.

Workers' Compensation Fund
Schedule of Maturities and Effective Duration
June 30, 2014
(expressed in thousands)

		Maturity				
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**	**More than 10 Years**	**Effective Duration**
Mortgage and other asset-backed securities	$ 2,066,899	$ 76,875	$ 1,667,484	$ 264,417	$ 58,123	3.63
Corporate bonds	8,660,211	275,063	3,494,935	1,668,569	3,221,644	7.59
U.S. government and agency securities	1,075,340	70,022	974,154	31,164	-	3.46
Foreign government and agencies	507,173	48,136	213,168	190,870	54,999	5.40
Total investments categorized	12,309,623	$ 470,096	$ 6,349,741	$ 2,155,020	$ 3,334,766	6.48
Investments not required to be categorized						
Commingled investment trusts	1,886,836					
Cash and cash equivalents	306,092					
Total investments not categorized	2,192,928					
Total Investments	$ 14,502,551					

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

Workers' Compensation Fund
Investment Credit Ratings
June 30, 2014
(expressed in thousands)

	Investment Type				
Moody's Equivalent Credit Rating	**Mortgage and Other Asset-Backed Securities**	**Corporate Bonds**	**U.S. Government and Agency Securities**	**Foreign Government and Agencies**	**Total Fair Value**
Aaa	$ 2,016,472	$ 381,324	$ 1,075,340	$ 212,325	$ 3,685,461
Aa2	-	52,623	-	95,857	148,480
Aa3	50,427	1,152,991	-	62,584	1,266,002
A1	-	791,003	-	38,805	829,808
A2	-	1,176,508	-	-	1,176,508
A3	-	1,293,549	-	-	1,293,549
Baa1	-	1,276,628	-	17,340	1,293,968
Baa2	-	1,502,409	-	10,865	1,513,274
Baa3	-	757,247	-	69,397	826,644
Ba1 or lower	-	275,929	-	-	275,929
Total	$ 2,066,899	$ 8,660,211	$ 1,075,340	$ 507,173	$ 12,309,623

4. Credit Risk

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

The rated debt investments of the Workers' Compensation Fund as of June 30, 2014, were rated by Moody's and/or an equivalent national rating organization.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Workers' Compensation Fund policy states that no corporate fixed income issue cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time. There was no concentration of credit risk as of June 30, 2014.

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

5. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Workers' Compensation Fund does not have a formal policy to limit foreign currency risk. At June 30, 2014, the only securities held by the Workers' Compensation Fund with potential foreign currency exposure were $682.4 million invested in an international commingled equity index fund.

6. Derivatives

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

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

At June 30, 2014, the only derivative securities held directly by the Workers' Compensation Fund were collateralized mortgage obligations of $1.47 billion.

7. Reverse Repurchase Agreements – None.

D. INVESTMENTS – LOCAL GOVERNMENT INVESTMENT POOL

1. Summary of Investment Policies

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

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

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

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

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

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

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

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

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

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

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

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

2. Securities Lending

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

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

During fiscal year 2014, the LGIP lent U.S. Agency and Treasury securities. Cash collateral was reinvested in repurchase agreements and interest bearing bank deposits. At fiscal year end, there were no securities on loan.

The LGIP investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the LGIP. During fiscal year 2014, 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, contracts require the lending agent to indemnify the LGIP if the borrowers fail to return securities and if collateral is inadequate to replace the securities lent, or if the borrower fails to pay the LGIP for income distribution by the securities' issuers while the securities are on loan.

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

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The LGIP portfolio is invested in a manner generally consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940, as it currently stands, i.e., money market funds. To a great extent, the Rule 2a-7 investment guidelines and LGIP policy restrictions are directed towards limiting interest rate risk in order to maintain a stable net asset value. As of June 30, 2014, the LGIP had a weighted average maturity of 30 days and a weighted average life of 85 days.

The following schedule presents the LGIP investments and related maturities, and provides information about the associated interest rate risks as of June 30, 2014:

Local Government Investment Pool (LGIP)
June 30, 2014
(expressed in thousands)

		Maturity	
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**
U.S. agency obligations	$ 8,286,216	$ 7,667,646	$ 618,570
U.S. government obligations	649,887	349,930	299,957
Repurchase agreements	1,200,000	1,200,000	-
Interest bearing bank accounts	958,200	958,200	-
Certificates of deposit and other	62,451	62,451	-
Total	$ 11,156,754	$ 10,238,227	$ 918,527

4. Credit Risk

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

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

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

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

Repurchase agreements comprise 10.8 percent of the total portfolio as of June 30, 2014. The LGIP limits the securities utilized in repurchase agreements to U.S. Treasury and U.S. Agency securities. The LGIP requires delivery of all securities utilized in repurchase agreements and the securities are priced daily.

As of June 30, 2014, U.S. Treasury securities comprised 5.8 percent of the total portfolio. U.S. Agency securities comprised 74.3 percent of the total portfolio, including Federal Home Loan Bank (63.6 percent), Federal Home Loan Mortgage Corporation (0.9 percent), Federal Farm Credit Bank (8.9 percent), and Federal National Mortgage Association (0.9 percent).

5. Foreign Currency Risk - None.

6. Derivatives - None.

7. Repurchase and Reverse Repurchase Agreements

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

The securities utilized in repurchase agreements are priced daily and held by the LGIP's custodian in the state's name. Collateralized mortgage obligations utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency. As of June 30, 2014, repurchase agreements totaled $1.20 billion.

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. During fiscal year 2014, the LGIP did not enter into any reverse repurchase agreements.

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

1. Summary of Investment Policies

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

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

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

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

The University combines most short-term cash balances in the Invested Funds Pool. At June 30, 2014, the Invested Funds Pool totaled $1.61 billion. The fund also owns units in the Consolidated Endowment Fund valued at $668.9 million on June 30, 2014.

By University policy, departments with qualifying funds in the Invested Funds Pool receive distributions based on their average balances and on the type of balance. Campus depositors received 2 percent in fiscal year 2014. Endowment operating and gift accounts received 3 percent in fiscal year 2014 with the distributions directed to University Advancement. The difference between the actual earnings of the Invested Funds Pool and the calculated distributions is used to support activities benefiting all University departments.

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

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

The University records its permanent endowments at the lower of original gift value or current market value in the Restricted Nonexpendable Net Position category. Of the endowments that are recorded at current market value, the net deficiency from the original gift value is $4.7 million at June 30, 2014.

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 $111.8 million at June 30, 2014. Income received from these trusts, which is included in investment income, was $2.3 million for the year ended June 30, 2014.

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. The University realized net gains of $58.7 million in 2014 from the sale of investments.

The calculation of realized gains and losses is independent of the net appreciation of the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and are sold in the current year include the net appreciation of these investments reported in the prior year(s). The net appreciation in the fair value of investments during the year ended June 30, 2014, was $397.9 million.

The following schedule presents the fair value of the University's investments by type at June 30, 2014:

University of Washington
June 30, 2014
(expressed in thousands)

Investment Type	Fair Value
Cash equivalents	$ 3,394
Fixed income	1,972,553
Equity	1,672,262
Non-marketable alternatives	349,778
Absolute return	509,476
Real assets	219,069
Miscellaneous	4,724
Total	$ 4,731,256

2. Funding Commitments

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2014, the University had outstanding commitments to fund alternative investments in the amount of $262.2 million.

3. Securities Lending

The University's investment policies permit it to lend its securities to broker dealers and other entities. As of June 30, 2014, the University had no securities on loan.

4. Interest Rate Risk

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

Effective duration is a commonly used measure of interest rate risk. The longer the duration, the more sensitive the portfolio is to changes in interest rates. The weighted average effective duration of the University's fixed income portfolio was 1.91 years at June 30, 2014.

5. Credit Risk

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

The University's investment policies limit fixed income exposure to investment grade assets. The investment policy for the Invested Funds' cash pool requires each manager to maintain an average quality rating of AA as issued by a nationally recognized rating organization. The investment policy for the Invested Funds' liquidity pool requires each manager to maintain an average quality rating of A and to hold at least 25 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 investments in the CEF and the Invested Funds Pool are held in the name of the University and are not subject to custodial credit risk.

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

The composition of the fixed income securities at June 30, 2014, along with credit quality and effective duration measures is summarized below. The schedule excludes $35.8 million of fixed income securities held outside the CEF and the Invested Funds Pool, which makes up 1.81 percent of the University's investments.

University of Washington
Invested Funds Pool and Consolidated Endowment Fund
Fixed Income Credit Quality and Effective Duration
June 30, 2014
(expressed in thousands, duration in years)

Investments	U.S. Government	Investment Grade	Non-Investment Grade	Not Rated	Total	Duration (in years)
U.S. treasuries	$ 877,812	$ -	$ -	$ -	$ 877,812	1.94
U.S. government agency	597,761	-	-	-	597,761	1.91
Mortgage-backed	-	103,105	93,889	-	196,994	2.20
Asset-backed	-	178,075	8,495	1,281	187,851	0.94
Corporate and other	-	79,195	549	-	79,744	3.03
Total	$ 1,475,573	$ 360,375	$ 102,933	$ 1,281	$ 1,940,162	1.91

6. Foreign Currency Risk

Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University's investment policies permit investments in international equity and other asset classes that can include foreign currency exposure. To manage foreign currency exposure, the University also enters into foreign currency forward contracts, futures contracts, and options. The University held non-U.S. denominated securities at June 30, 2014, of $1.03 billion.

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

University of Washington
Consolidated Endowment Fund
Foreign Currency Risk
June 30, 2014
(expressed in thousands)

Foreign Currency	Amount
E.M.U.-Euro	$ 156,509
China-Renminbi	126,848
India-Rupee	100,451
Japan-Yen	65,017
Brazil-Real	56,611
Russia-Ruble	56,517
Britain-Pound	54,281
Hong Kong-Dollar	50,663
South Korea-Won	49,150
Canada-Dollar	41,888
Switzerland-Franc	39,900
Taiwan-Dollar	30,894
Philippines-Peso	18,974
Indonesia-Rupiah	14,732
Remaining currencies	166,883
Total	$1,029,318

7. Derivatives

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

Credit exposure represents exposure to counterparties relating to financial instruments where gains exceed collateral held by the University or losses are less than the collateral posted by the University. There was no credit exposure as of June 30, 2014. The University had no hedging derivatives, only derivatives for investment purposes.

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

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

University of Washington
Derivative Investments
June 30, 2014
(expressed in thousands)

Category	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional
Futures contracts	$ 766	$ 18,815	$ 18,049

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, 43.250, and 43.84.080 RCW). Eligible investments include:

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

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

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

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

2. Securities Lending

State statutes permit the OST to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The OST has contracted with Citibank, N.A. as a lending agent and receives a share of income earned from 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 accordance with investment guidelines approved by the OST. The securities held as collateral and the securities underlying the cash collateral are held by the custodian. One option available to the lending agent is to invest cash collateral into an OST account in the LGIP. At June 30, 2014, cash collateral totaled $152.7 million, all of which was invested in the LGIP.

Contracts require the lending agent to indemnify the OST if the borrowers fail to return 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, 2014, the fair value of securities on loan totaled $149.1 million.

The OST investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the OST. During fiscal year 2014, the OST had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the OST.

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

3. Interest Rate Risk

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

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

The following schedule presents the OST investments and related maturities, and provides information about the associated interest rate risks as of June 30, 2014:

Office of the State Treasurer (OST)
Cash Management Account
June 30, 2014
(expressed in thousands)

		Maturity	
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**
U.S. agency obligations	$ 2,122,490	$ 421,760	$ 1,700,730
U.S. government obligations	956,999	55,794	901,205
Certificates of deposit	165,000	165,000	-
Investments with LGIP	2,024,072	2,024,072	-
Interest bearing bank accounts	180,929	180,929	-
Total	$ 5,449,490	$ 2,847,555	$ 2,601,935

4. Credit Risk

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

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

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. For non-governmental securities, the OST limits its exposure to concentration of credit risk by restricting the amount of investments to no more than 5 percent of the portfolio to any single issuer. During fiscal year 2014, the OST did not own any non-governmental securities subject to this restriction.

5. Foreign Currency Risk - None.

6. Derivatives - None.

7. Repurchase and Reverse Repurchase Agreements

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

Treasury, agency, and money market securities will be priced at 102 percent of fair value plus accrued income, except where the counterparty is the Federal Reserve Bank of New York, in which case they will be priced at 100 percent of market value plus accrued income.

The securities utilized in repurchase agreements with a maturity date longer than seven days are priced at least weekly and are held by the Treasury/Trust custodian in the state's name. Collateralized mortgage obligations utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council test or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency. There were no repurchase agreements as of June 30, 2014.

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

If the dealers default on their obligations to resell these securities to the OST or to provide equal value in securities or cash, the OST would suffer an economic loss equal to the differences between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. The OST investment policy limits the amount of reverse repurchase agreements to 30 percent of the total portfolio. There were no reverse repurchase agreements during fiscal year 2014.

Note 4
Receivables, Unearned and Unavailable Revenues

A. GOVERNMENTAL FUNDS

Taxes Receivable

Taxes receivable at June 30, 2014, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property	$ 1,011,340	$ -	$ -	$ 216	$ 1,011,556
Sales	1,588,122	-	-	-	1,588,122
Business and occupation	574,684	-	-	-	574,684
Estate	1,004	18,602	-	-	19,606
Fuel	-	-	-	121,007	121,007
Liquor	-	-	-	5,004	5,004
Other	23,406	306	-	272	23,984
Subtotals	3,198,556	18,908	-	126,499	3,343,963
Less: Allowance for uncollectible receivables	43,774	-	-	423	44,197
Total Taxes Receivable	$ 3,154,782	$ 18,908	$ -	$ 126,076	$ 3,299,766

Other Receivables

Other receivables at June 30, 2014, consisted of the following (expressed in thousands):

Other Receivables	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Public assistance [(1)]	$ 772,908	$ -	$ -	$ -	$ 772,908
Accounts receivable	132,417	764,427	1,000	201,260	1,099,104
Interest	61	6,921	4,826	2,552	14,360
Investment trades pending	25,288	1,010	-	20,169	46,467
Loans [(2)]	6,269	134,155	-	454,974	595,398
Long-term contracts [(3)]	2,221	-	20,636	93,898	116,755
Miscellaneous	18,222	98,684	8,130	189,805	314,841
Subtotals	957,386	1,005,197	34,592	962,658	2,959,833
Less: Allowance for uncollectible receivables	762,110	29,506	27	65,573	857,216
Total Other Receivables	$ 195,276	$ 975,691	$ 34,565	$ 897,085	$ 2,102,617

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 $97.4 million in the Higher Education Special Revenue Fund for student loans and $443.8 million in Nonmajor Governmental Funds for low income housing, public works, and economic development/revitalization loans.

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

Unearned Revenue

Unearned revenue at June 30, 2014, consisted of the following (expressed in thousands):

Unearned Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Other taxes	$ 1,566	$ -	$ -	$ -	$ 1,566
Charges for services	49,504	201,251	582	26,620	277,957
Child support	19,745	-	-	-	19,745
Donable goods	-	-	-	8,086	8,086
Grants and donations	8,786	1,317	-	3,371	13,474
Prepaid tolls	-	-	-	13,057	13,057
Seizure of forfeited assets	-	-	-	3,453	3,453
Miscellaneous	4,039	9,406	-	19,413	32,858
Total Unearned Revenue	$ 83,640	$ 211,974	$ 582	$ 74,000	$ 370,196

Unavailable Revenue

Unavailable revenue at June 30, 2014, consisted of the following (expressed in thousands):

Unavailable Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property taxes	$ 988,137	$ -	$ -	$ 112	$ 988,249
Other taxes	407,406	14,326	-	202	421,934
Timber sales	2,221	-	20,636	93,898	116,755
Charges for services	18,675	-	-	1,504	20,179
Loan programs	-	-	-	861,903	861,903
Miscellaneous	5,109	-	-	44,214	49,323
Total Unavailable Revenue	$ 1,421,548	$ 14,326	$ 20,636	$ 1,001,833	$ 2,458,343

B. PROPRIETARY FUNDS

Other Receivables

Other receivables at June 30, 2014, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds						Governmental Activities
Other Receivables	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Total	Internal Service Funds
Accounts receivable	$ 767,794	$ 826,479	$ 257,994	$ 55,004	$ 24,440	$ 1,931,711	$ 12,200
Financing reimbursement	-	-	-	-	-	-	19,025
Interest	106,896	-	9,140	6,327	-	122,363	11
Investment trades pending	41,221	-	-	582	-	41,803	4,919
Miscellaneous	10,269	-	13,192	-	6	23,467	2,224
Subtotals	926,180	826,479	280,326	61,913	24,446	2,119,344	38,379
Less: Allowance for uncollectible receivables	143,874	186,227	72,966	-	224	403,291	484
Total Other Receivables	$ 782,306	$ 640,252	$ 207,360	$ 61,913	$ 24,222	$ 1,716,053	$ 37,895

Unearned Revenue

Unearned revenue at June 30, 2014, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds						Governmental Activities
Unearned Revenue	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Total	Internal Service Funds
Charges for services	$ -	$ -	$ 52,976	$ -	$ -	$ 52,976	$ 1,311
Federal assistance	6,182	-	-	-	-	$ 6,182	-
Other taxes	154	-	-	-	-	154	-
Miscellaneous	384	-	3,276	-	613	4,273	82
Total Unearned Revenue	$ 6,720	$ -	$ 56,252	$ -	$ 613	$ 63,585	$ 1,393

C. FIDUCIARY FUNDS

Other Receivables

Other receivables at June 30, 2014, consisted of $6.2 million for interest and other miscellaneous amounts.

Unearned Revenue

Unearned revenue at June 30, 2014, consisted of $310 thousand for service credit restorations reported in Pension and Other Employee Benefit Plans.

Note 5
Interfund Balances and Transfers

A. INTERFUND BALANCES

Interfund balances as reported in the financial statements at June 30, 2014, consisted of the following (expressed in thousands):

	Due From				
Due To	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	$ -	$ 51,715	$ -	$ 153,703	$ 243
Higher Education Special Revenue	50,484	-	-	320,194	298
Higher Education Endowment	-	-	-	6	-
Nonmajor Governmental Funds	190,544	758	2,561	197,644	52
Workers' Compensation	1,289	-	-	5	-
Unemployment Compensation	1,378	1,951	-	846	81
Higher Education Student Services	796	1,050	-	1,216	220
Guaranteed Education Tuition Program	1	-	-	-	-
Nonmajor Enterprise Funds	6,283	60	-	638	18
Internal Service Funds	22,119	1,037	-	21,916	5,386
Fiduciary Funds	-	-	-	-	-
Totals	$ 272,894	$ 56,571	$ 2,561	$ 696,168	$ 6,298

Nearly all interfund balances are expected to be paid within one year from the date of the financial statements. These balances resulted from the time lag between the dates that (1) interfund goods and services were provided and when the payments occurred and (2) interfund transfers were accrued and when the liquidations occurred. Interfund balances include: (1) a $19.6 million loan from a nonmajor governmental fund to the General Fund which is expected to be paid over the next six years; and (2) a $7.2 million loan between nonmajor governmental funds which is expected to be paid over the next eight years.

In addition to the interfund balances noted in the schedule above, there are interfund balances of $7.1 million within the state's Pension Trust Funds.

Due From						
Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Totals
$ 8	$ 4	$ 118	$ 17,245	$ 406	$ -	$ 223,442
1	470,428	1	282	74,108	68	915,864
-	-	-	-	-	-	6
17,047	7	3	65	1,498	-	410,179
-	-	-	-	-	-	1,294
-	37	-	17	31	-	4,341
-	-	-	-	76	-	3,358
-	-	-	-	-	-	1
7	22	7	402	479	2	7,918
-	111	10	318	31,850	-	82,747
-	-	-	-	-	-	-
$ 17,063	$ 470,609	$ 139	$ 18,329	$ 108,448	$ 70	$ 1,649,150

B. INTERFUND TRANSFERS

Interfund transfers as reported in the financial statements for the year ended June 30, 2014, consisted of the following (expressed in thousands):

	Transferred To				
Transferred From	**General**	**Higher Education Special Revenue**	**Higher Education Endowment**	**Nonmajor Governmental Funds**	**Workers' Compensation**
General	$ -	$ -	$ -	$ 950,452	$ -
Higher Education Special Revenue	59,588	-	527,133	133,490	-
Higher Education Endowment	-	633,936	-	34,370	-
Nonmajor Governmental Funds	323,617	212,587	1,121	988,092	-
Workers' Compensation	-	-	-	-	-
Unemployment Compensation	-	-	-	-	-
Higher Education Student Services	-	322,498	-	3,520	-
Guaranteed Education Tuition Program	-	-	-	-	-
Nonmajor Enterprise Funds	129,017	10,050	-	11,107	-
Internal Service Funds	5,778	9,946	-	-	-
Totals	$ 518,000	$ 1,189,017	$ 528,254	$ 2,121,031	$ -

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

On June 30, 2014, $144.5 million was transferred from the General Fund Basic Account to the Budget Stabilization Account (BSA) in accordance with the provisions of the Constitution. The BSA is reported as an Administrative Account within the General Fund. The Constitution details a limited number of circumstances under which funds can be appropriated from the BSA, one of which is a favorable vote of at least three-fifths of the members of each house of the Legislature.

In addition to the transfers noted in the schedule above, there were transfers of $4.8 million within the state's Pension Trust Funds.

Transferred To					
Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Internal Service Funds	Totals
$ -	$ -	$ -	$ -	$ 14,521	$ 964,973
-	382,319	-	-	10,842	1,113,372
-	3	-	-	-	668,309
-	312	-	-	1,503	1,527,232
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	277	326,295
-	-	-	-	-	-
-	-	-	12,151	-	162,325
-	36	-	-	17,259	33,019
$ -	$ 382,670	$ -	$ 12,151	$ 44,402	$ 4,795,525

Note 6
Capital Assets

Capital assets at June 30, 2014, 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, 2014 (expressed in thousands):

Capital Assets	Balances July 1, 2013	Additions	Deletions/ Adjustments	Balances June 30, 2014
Capital assets, not being depreciated:				
Land	$ 2,387,561	$ 157,067	$ (65,075)	$ 2,479,553
Transportation infrastructure	21,679,896	777,435	-	22,457,331
Intangible assets - indefinite lives	2,766	227	-	2,993
Art collections, library reserves, and museum and historical collections	123,275	1,173	(1)	124,447
Construction in progress	933,732	349,747	(377,218)	906,261
Total capital assets, not being depreciated	25,127,230			25,970,585
Capital assets, being depreciated:				
Buildings	11,885,326	517,093	(71,261)	12,331,158
Accumulated depreciation	(4,275,463)	(375,418)	21,723	(4,629,158)
Net buildings	7,609,863			7,702,000
Other improvements	1,370,923	22,205	(4,314)	1,388,814
Accumulated depreciation	(631,946)	(52,302)	5,905	(678,343)
Net other improvements	738,977			710,471
Furnishings, equipment, and intangible assets	4,562,353	343,107	(200,286)	4,705,174
Accumulated depreciation	(3,082,698)	(279,501)	170,283	(3,191,916)
Net furnishings, equipment, and intangible assets	1,479,655			1,513,258
Infrastructure	932,470	34,155	(4,537)	962,088
Accumulated depreciation	(453,663)	(29,505)	-	(483,168)
Net infrastructure	478,807			478,920
Total capital assets, being depreciated, net	10,307,302			10,404,649
Governmental Activities Capital Assets, Net	$ 35,434,532			$ 36,375,234

B. BUSINESS-TYPE CAPITAL ASSETS

The following is a summary of business-type capital asset activity for the year ended June 30, 2014 (expressed in thousands):

Capital Assets	Balances July 1, 2013	Additions	Deletions/ Adjustments	Balances June 30, 2014
Capital assets, not being depreciated:				
Land	$ 60,566	$ 186	$ -	$ 60,752
Intangible assets - indefinite lives	4,580	-	-	4,580
Art collections	35	-	-	35
Construction in progress	441,827	50,870	(388,872)	103,825
Total capital assets, not being depreciated	507,008			169,192
Capital assets, being depreciated:				
Buildings	2,752,083	532,150	(20,351)	3,263,882
Accumulated depreciation	(764,472)	(101,183)	11,479	(854,176)
Net buildings	1,987,611			2,409,706
Other improvements	95,517	4,689	(2,247)	97,959
Accumulated depreciation	(35,465)	(5,229)	1,092	(39,602)
Net other improvements	60,052			58,357
Furnishings, equipment, and intangible assets	653,956	63,008	(41,936)	675,028
Accumulated depreciation	(471,547)	(54,684)	40,818	(485,413)
Net furnishings, equipment, and intangible assets	182,409			189,615
Infrastructure	41,944	387	-	42,331
Accumulated depreciation	(17,806)	(1,249)	-	(19,055)
Net infrastructure	24,138			23,276
Total capital assets, being depreciated, net	2,254,210			2,680,954
Business-Type Activities Capital Assets, Net	$ 2,761,218			$ 2,850,146

C. DEPRECIATION

Depreciation expense for the year ended June 30, 2014, was charged by the primary government as follows (expressed in thousands):

	Amount
Governmental Activities:	
General government	$ 71,390
Education - elementary and secondary (K-12)	5,869
Education - higher education	388,207
Human services	79,445
Adult corrections	49,015
Natural resources and recreation	34,460
Transportation	108,340
Total Depreciation Expense - Governmental Activities *	$ 736,726
Business-Type Activities:	
Workers' compensation	$ 7,228
Unemployment compensation	-
Higher education student services	154,094
Guaranteed education tuition program	1
Other	1,022
Total Depreciation Expense - Business-Type Activities	$ 162,345

*

Includes $86.3 million internal service fund depreciation that was allocated to governmental activities as a component of net internal service fund activity.

D. CONSTRUCTION IN PROGRESS

Major construction commitments of the state at June 30, 2014, are as follows (expressed in thousands):

Agency / Project Commitments	Construction In Progress June 30, 2014	Remaining Project Commitments
Department of Commerce:		
Pacific Tower renovations	$ 539	$ 19,240
Consolidated Technology Services:		
State Data Center buildout	9,497	12,324
Department of Enterprise Services:		
Time, Leave, Attendance project	4,837	15,660
1063 Building project, Capitol Court roof and window upgrades, and other projects	489	69,100
Legislative building exterior repairs, hydronic loop repairs, and Transportation building preservation	19,946	16,815
Department of Labor and Industries:		
Occupational health, stay at work, and other small projects	10,661	13,011
Department of Social and Health Services:		
Residential housing unit renovations and other projects	34,889	14,436
Department of Veterans Affairs:		
Walla Walla Veterans Home	10,804	36,374
Department of Corrections:		
Correctional center units security and safety improvements, and other projects	1,788	37,078
Department of Transportation:		
State ferry vessels and terminals, and other projects	304,753	63,918
Transportation infrastructure	-	1,630,839
Department of Fish and Wildlife:		
Voights Creek hatchery, Issaquah hatchery intake, and other projects	29,664	57,036
University of Washington:		
Ethnic Cultural Center, UW Tacoma Y student center, ICA, and other projects	7,555	10,833
UW Medical Center expansion and renovation projects	36,548	18,065
Maple and Terry Hall renovations, Lander and Mercer Hall replacement, and Alder Hall phase one projects	25,916	86,672
Mountlake triangle, animal research and care facility, PLT-UW Tacoma station, and other projects	74,838	61,227
Burke Gilman trail, UW Tower garage, and other parking projects	2,251	1,362
Washington State University:		
Clean Technology Laboratory	32,903	112,144
Martin Stadium improvements and athletics press box projects	66,204	31,257
Chief Joseph Village renovation and North Side residence hall phase two projects	11,181	37,199
Pharmacy relocation and other projects	2,426	13
Eastern Washington University:		
Pence Union Building renovation, water system upgrade, and other projects	1,791	8,744
Central Washington University:		
New residence hall construction, and other projects	12,935	7,555
Science Hall phase two project	7,146	56,516
The Evergreen State College:		
Communication building and other projects	17,430	7,469
Western Washington University:		
Carver Hall renovation, housing and dining, and other projects	9,802	11,645
Community and Technical Colleges:		
ctcLink project	26,488	30,601
Green River Trades and Industry, and student center replacement projects	17,750	42,966
Lower Columbia Health and Science building, and gym renovation project	32,668	8,000
Seattle Community College District Employment Resource Center, Georgetown PSIEC, technology building, and wood construction replacement projects	52,774	3,711
South Puget Sound Building 22 renovation project	24,104	5,727
Tacoma Health Careers Center project	28,159	12,953
Other miscellaneous community college projects	81,900	171,988
Other Agency Projects	9,450	9,107
Total Construction in Progress	$ 1,010,086	$ 2,721,585

Note 7
Long-Term Liabilities

A. BONDS PAYABLE

Bonds payable at June 30, 2014, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

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

Legislative authorization arises from:

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

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

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

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

Legal Debt Limitation

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

The State Constitution and current statutes require the State Treasurer to certify the debt service limitation for each fiscal year. In accordance with these provisions, the debt service limitation for fiscal year 2014 is $1.19 billion.

This computation excludes specific bond issues and types, which are not secured by general state revenues. Of the $18.96 billion general obligation bond debt outstanding at June 30, 2014, $11.21 billion is subject to the limitation.

Based on the debt limitation calculation, the debt service requirements as of June 30, 2014, did not exceed the authorized debt service limitation.

For further information on the debt limit refer to the Certification of the Debt Limitation of the State of Washington available from the Office of the State Treasurer at: http://www.tre.wa.gov/documents/debt_cdl2014.pdf or to Schedule 11 in the Statistical Section of this report.

Authorized But Unissued

The state had a total of $6.48 billion in general obligation bonds authorized but unissued as of June 30, 2014, for the purpose of capital construction, higher education, transportation, and various other projects throughout the state.

Interest Rates

Interest rates on fixed rate general obligation bonds ranged from 0.2 to 7.0 percent. Interest rates on revenue bonds range from 1.64 to 7.4 percent.

Debt Service Requirements to Maturity

General Obligations Bonds

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

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

Outstanding general obligation bonds are presented in the Washington State Treasurer's Annual Report for 2014. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, phone number (360) 902-9000 or TTY (360) 902-8963, or by visiting their website at: http://www.tre.wa.gov/aboutUs/publications/annualReports.shtml.

Total debt service requirements to maturity for general obligation bonds as of June 30, 2014, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
General Obligation Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2015	$ 851,880	$ 902,748	$ 3,820	$ 325	$ 855,700	$ 903,073
2016	871,837	873,538	4,050	110	875,887	873,648
2017	899,179	859,082	-	-	899,179	859,082
2018	892,279	818,101	-	-	892,279	818,101
2019	892,864	781,423	-	-	892,864	781,423
2020-2024	4,444,356	3,212,508	-	-	4,444,356	3,212,508
2025-2029	4,341,268	2,160,703	-	-	4,341,268	2,160,703
2030-2034	3,582,016	1,021,914	-	-	3,582,016	1,021,914
2035-2039	1,764,200	305,022	-	-	1,764,200	305,022
2040-2044	414,438	29,193	-	-	414,438	29,193
Total Debt Service Requirements	$ 18,954,317	$ 10,964,232	$ 7,870	$ 435	$ 18,962,187	$ 10,964,667

Revenue Bonds

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

The University of Washington issues general revenue bonds that are payable from general revenues, including student tuition and fees, grant indirect cost recovery, sales and services revenue, and investment income. General revenue bonds outstanding as of June 30, 2014, include $162.5 million in governmental activities and $1.60 billion in business-type activities.

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

Total debt service requirements for revenue bonds to maturity as of June 30, 2014, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Revenue Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2015	$ 44,590	$ 91,109	$ 82,108	$ 101,969	$ 126,698	$ 193,078
2016	102,200	87,585	55,742	99,539	157,942	187,124
2017	105,648	82,907	57,744	97,222	163,392	180,129
2018	103,865	77,734	58,011	94,850	161,876	172,584
2019	108,809	72,680	59,906	92,333	168,715	165,013
2020-2024	612,372	278,030	326,027	419,080	938,399	697,110
2025-2029	336,021	150,628	347,603	335,288	683,624	485,916
2030-2034	224,623	87,563	351,135	247,911	575,758	335,474
2035-2039	186,147	38,538	467,888	148,718	654,035	187,256
2040-2044	37,240	4,924	324,996	34,547	362,236	39,471
2045-2049	3,165	666	-	-	3,165	666
2050-2054	1,401	129	-	-	1,401	129
Total Debt Service Requirements	$ 1,866,081	$ 972,493	$ 2,131,160	$ 1,671,457	$ 3,997,241	$ 2,643,950

Governmental activities include revenue bonds outstanding at June 30, 2014, of $305.9 million issued by the Tobacco Settlement Authority (TSA), which is a blended component unit of the state. In November 2002, the TSA issued $517.9 million in bonds and transferred $450.0 million to the state to be used for increased health care, long-term care, and other programs.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. The bonds are obligations of the TSA and are secured solely by the TSA's right to receive 29.2 percent of the state's tobacco settlement revenues, restricted investments of the TSA, undistributed TSA bond proceeds, and the earnings thereon held under the indenture authorizing the bonds. Total principal and interest remaining on the bonds is $460.9 million, payable through 2033. For the current year, pledged revenue and debt service were $49.3 million and $49.7 million, respectively.

Governmental activities include grant anticipation revenue bonds outstanding at June 30, 2014, of $786.3 million issued for the Washington State Department of Transportation. The bonds were issued to finance a portion of the costs of constructing the State Route 520 Floating Bridge and Eastside Project.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. The bonds are payable solely from Federal-Aid Highway Program funds, including federal reimbursements of debt service on the bonds and federal reimbursements to the state for projects or portions of projects not financed with bond proceeds. Total principal and interest remaining on the bonds is $1.04 billion, payable through 2029. For the current year both pledged revenue and debt service were $30.8 million.

Governmental activities include the Transportation Infrastructure Finance and Innovation Act Bond (TIFIA Bond). In October 2012, the state issued a bond for the SR 520 Corridor Program which represents a draw-down loan from the Federal Highway Administration. As of June 30, 2014, the state had incurred $10.0 million in expenditures eligible under the program; however TIFIA Bond funds were not drawn until fiscal year 2015.

The TIFIA Bond is payable solely from toll revenues and does 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 this bond. Total principal and interest remaining on the bond is $18.2 million, payable through 2051.

Governmental activities include revenue bonds outstanding at June 30, 2014, of $257.8 million issued by Washington State University. The bonds were issued to fund various capital construction projects.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is $413.2 million, payable through 2038. For the current year, pledged revenue and debt service were $33.1 million and $15.7 million, respectively.

Governmental activities include revenue bonds outstanding at June 30, 2014, of $43.4 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 $60.7 million, payable through 2028. For the current year, both pledged revenue and debt service were $3.9 million.

Governmental activities include revenue bonds outstanding at June 30, 2014, of $292.8 million issued by FYI Properties, a blended component unit of the state. The bonds, issued in 2009, are payable solely from the trust estate pledged under the indenture, including rental payments. The bonds were used to construct an office building in Olympia, Washington which the state occupied beginning in fiscal year 2012.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is $539.1 million, payable through 2039. For the current year, both pledged revenue and debt service were $21.6 million.

Additionally, governmental activities include revenue bonds outstanding at June 30, 2014, of $7.3 million issued by the City of Aberdeen. The bonds were used to extend utilities to the state Department of Corrections Stafford Creek Corrections Center (SCCC). The Department of Corrections entered into an agreement with the City of Aberdeen to pay a system development fee sufficient to pay the debt service on the bonds. The bonds were issued in 1998 and 2002, and refunded by the city in 2010, and are payable solely from current operating appropriations.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on these bonds is $8.5 million, payable through 2022. For the current year, both pledged revenue and debt service were $1.5 million.

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

Total pledged specific revenues for the state's colleges and universities to repay the principal and interest of revenue bonds as of June 30, 2014, 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	$ 45,469	$ 37,987	$ 2,445	$ 214
Current year debt service	24,472	16,255	774	202
Total future revenues pledged *	552,022	363,034	7,762	4,044
Description of debt	Housing and dining bonds issued in 1998-2014	Student facilities bonds issued in 2002-2012	Parking system revenue bonds issued in 2005	Student union and recreation center bonds issued in 2004
Purpose of debt	Construction and renovation of student housing and dining projects	Construction, renovation and improvements to student activity facilities and sports stadium	Construction of parking garage and improvements	Construct new bookstore as part of new student union and recreation center building
Term of commitment	2026-2042	2030-2038	2024	2034
Percentage of debt service to pledged revenues (current year)	53.82%	42.79%	31.64%	94.28%

* Total future principal and interest payments.

B. CERTIFICATES OF PARTICIPATION

Certificates of participation at June 30, 2014, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

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

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

Total debt service requirements for certificates of participation to maturity as of June 30, 2014, are as follows (expressed in thousands):

Certificates of Participation	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest	Totals Principal	Totals Interest
By Fiscal Year:						
2015	$ 109,515	$ 32,482	$ 4,493	$ 1,333	$ 114,008	$ 33,815
2016	61,096	18,867	4,092	1,264	65,188	20,131
2017	47,557	16,619	3,185	1,113	50,742	17,732
2018	43,438	14,831	2,909	993	46,347	15,824
2019	39,241	13,148	2,628	881	41,869	14,029
2020-2024	143,117	45,207	9,586	3,028	152,703	48,235
2025-2029	102,336	17,347	6,854	1,162	109,190	18,509
2030-2034	23,585	1,649	1,581	110	25,166	1,759
Total Debt Service Requirements	$ 569,885	$ 160,150	$ 35,328	$ 9,884	$ 605,213	$ 170,034

C. DEBT REFUNDINGS

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

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

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

Current Year Defeasances

Bonds

Governmental Activities.
On October 17, 2013, the Tobacco Settlement Authority (TSA) issued $334.7 million in TSA refunding bonds with an average interest rate of 5.0 percent to refund $369.9 million of TSA bonds with an average interest rate of 6.56 percent. The refunding resulted in an $89.3 million gross debt service savings over the next 20 years and an economic gain of $38.6 million.

On October 24, 2013, the state issued $106.0 million of motor vehicle fuel tax general obligation refunding bonds with an average interest rate of 4.82 percent to refund $117.0 million of motor vehicle fuel tax general obligation bonds with an average interest rate of 4.62 percent. The refunding resulted in a $15.8 million gross debt service savings over the next 8 years and a net present value savings of $14.5 million.

Also on October 24, 2013, the state issued $117.9 million of various purpose general obligation refunding bonds with an average interest rate of 4.82 percent to refund $130.5 million of various purpose general obligation bonds with an average interest rate of 4.74 percent. The refunding resulted in an $18.0 million gross debt service savings over the next 7 years and a net present value savings of $16.8 million.

On June 26, 2014, the Tumwater Office Properties (TOP), which is a blended component unit of the state, issued $43.4 million in lease revenue refunding bonds with an average interest rate of 4.52 percent to refund $50.2 million of lease revenue bonds with an average interest rate of 5.08 percent. The refunding resulted in a $9.8 million gross debt service savings over the next 14 years and an economic gain of $7.9 million.

Business-Type Activities.
On January 9, 2014, the University of Washington, through the Washington Economic Development Finance Authority, issued $29.0 million in business-type activity lease revenue refunding bonds with an average interest rate of 4.37 percent to refund $29.6 million of business-type activity lease revenue bonds with an average interest rate of 5.07 percent. The refunding resulted in a $3.5 million gross debt service savings over the next 21.5 years and an economic gain of $2.4 million.

Prior Year Defeasances

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

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

General Obligation Bond Debt

On June 30, 2014, $2.26 billion of general obligation bonded debt outstanding is considered defeased.

Revenue Bond Debt

On June 30, 2014, $120.0 million of revenue bonded debt outstanding is considered defeased.

Certificates of Participation Debt

On June 30, 2014, $52.3 million of certificates of participation debt outstanding is considered defeased.

D. LEASES

Leases at June 30, 2014, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

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

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

Land, buildings, and equipment under capital leases as of June 30, 2014, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Buildings	$ 1,705	$ 4,512
Equipment	17,727	15,864
Less: Accumulated depreciation	(9,200)	(10,807)
Totals	$ 10,232	$ 9,569

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2014 (expressed in thousands):

	Capital Leases		Operating Leases	
Capital and Operating Leases	**Governmental Activities**	**Business-Type Activities**	**Governmental Activities**	**Business-Type Activities**
By Fiscal Year:				
2015	$ 2,939	$ 2,866	$ 133,621	$ 33,879
2016	1,555	2,837	105,859	27,243
2017	1,167	2,789	80,666	24,628
2018	607	2,002	67,340	11,121
2019	601	1,516	53,131	7,710
2020-2024	2,192	5,195	111,416	28,369
2025-2029	-	-	28,569	20,053
2030-2034	-	-	13,745	21,644
2035-2039	-	-	12,594	24,929
2040-2044	-	-	11,380	37,238
Total Future Minimum Payments	9,061	17,205	618,321	236,814
Less: Executory Costs and Interest Costs	(535)	(1,870)	-	-
Net Present Value of Future Minimum Lease Payments	$ 8,526	$ 15,335	$ 618,321	$ 236,814

The total operating lease rental expense for fiscal year 2014 for governmental activities was $294.5 million, of which $483 thousand was for contingent rentals. The total operating lease rental expense for fiscal year 2014 for business-type activities was $37.3 million.

E. CLAIMS AND JUDGMENTS

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

Workers' Compensation

At June 30, 2014, $35.32 billion of unpaid claims and claim adjustment expenses are presented at their net present and settlement value of $24.44 billion. These claims are discounted at assumed interest rates of 1.5 percent (non-pension and cost of living adjustments), 4.5 to 6.5 percent (pensions not yet granted), and 6.5 percent (granted pensions) to arrive at a settlement value.

The claims and claim adjustment liabilities of $24.44 billion as of June 30, 2014, include $11.52 billion for supplemental pension cost of living adjustments (COLAs) that by statute are not to be fully funded.

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

The remaining claims liabilities of $12.91 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 2013 and 2014 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
2013	$ 22,596,350	3,150,517	(2,119,307)	$ 23,627,560
2014	$ 23,627,560	2,953,508	(2,143,534)	$ 24,437,534

Risk Management

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

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

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

As of June 30, 2014, outstanding and actuarially determined claims against the state and its agencies, with the exception of the University of Washington, including actuarially projected defense costs were $550.0 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, 2014, the Risk Management Fund held $67.3 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 2013 and 2014 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
2013	$ 813,373	(187,481)	(65,548)	(17,635)	$ 542,709
2014	$ 542,709	74,760	(48,488)	(18,993)	$ 549,988

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, 2014, health insurance claims liabilities totaling $70.2 million are fully funded with cash and investments, net of obligations under securities lending agreements.

Changes in the balances of health insurance claims liabilities during fiscal years 2013 and 2014 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
2013	$ 68,907	816,965	(825,999)	$ 59,873
2014	$ 59,873	856,230	(845,854)	$ 70,249

F. POLLUTION REMEDIATION

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

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

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

There are 28 projects in progress for which the state has recorded a liability of $49.6 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, 2014, the state has recorded a liability of $115.2 million for remaining project commitments.

Overall, the state has recorded a pollution remediation liability of $164.8 million, measured at its estimated amount, using the expected cash flow technique. The overall estimate is based on professional judgment, experience, and historical cost data. For some projects, the state can reasonably estimate the range of expected outlays early in the process because the site situation is common or similar to other sites with which the state has experience. In other cases, the estimates are limited to an amount specified in a settlement agreement, consent decree, or contract for remediation services.

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

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

G. LONG-TERM LIABILITY ACTIVITY

Long-term liability activity at June 30, 2014, is reported by the state of Washington within governmental activities and business-type activities, as applicable. Long-term liability activity for governmental activities for fiscal year 2014 is as follows (expressed in thousands):

Governmental Activities:	Beginning Balance July 1, 2013 *	Additions	Reductions	Ending Balance June 30, 2014	Amounts Due Within One Year
Long-Term Debt:					
GO Bonds Payable:					
General obligation (GO) bonds	$ 17,603,895	$ 1,789,745	$ 996,265	$ 18,397,375	$ 813,595
GO - zero coupon bonds (principal)	595,809	-	38,867	556,942	38,285
Subtotal - GO bonds payable	18,199,704	1,789,745	1,035,132	18,954,317	851,880
Accreted interest - GO - zero coupon bonds	438,787	-	22,851	415,936	-
Revenue bonds payable	1,644,331	680,897	459,147	1,866,081	44,590
Plus: Unamortized issuance premiums	-	29,750	1,751	27,999	-
Less: Deferred issuance discounts	(5,844)	5,844	-	-	-
Total Bonds Payable	20,276,978	2,506,236	1,518,881	21,264,333	896,470
Other Liabilities:					
Certificates of participation	588,418	37,272	55,805	569,885	109,515
Claims and judgments	762,705	78,765	78,536	762,934	230,164
Installment contracts	2,317	-	132	2,185	-
Leases	10,154	4,490	6,118	8,526	2,730
Compensated absences	569,344	350,013	369,940	549,417	64,766
Unfunded pension obligations	340,441	58,456	-	398,897	-
Other postemployment benefits obligations	1,468,125	252,420	-	1,720,545	-
Pollution remediation obligations	171,816	21,901	28,878	164,839	-
Unclaimed property refunds	106,667	-	5,888	100,779	1
Other	387,827	83,113	18,720	452,220	-
Total Other Liabilities	4,407,814	886,430	564,017	4,730,227	407,176
Total Long-Term Debt	$ 24,684,792	$ 3,392,666	$ 2,082,898	$ 25,994,560	$ 1,303,646

* Beginning balances reflect the Department of Transportation prior period adjustment of $244.4 million to other governmental long-term obligations to record a land bank agreement with Sound Transit, along with the University of Washington prior period adjustment of $67.3 million to properly report their Internal Lending Program.

For governmental activities, certificates of participation are being repaid approximately 19 percent from the General Fund, 34 percent from the Higher Education Special Revenue Fund, and the balance from various governmental funds. The compensated absences liability will be liquidated approximately 43 percent by the General Fund, 35 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The claims and judgments liability will be liquidated approximately 72 percent by the Risk Management Fund (an internal service fund), 9 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The other postemployment benefits obligations liability will be liquidated approximately 46 percent by the General Fund, 32 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The pollution remediation liability will be liquidated approximately 78 percent by the Wildlife and Natural Resources Fund, a nonmajor governmental fund, and the balance by various other governmental funds. The unclaimed property refunds will be liquidated against future unclaimed property deposited to the General Fund. Leases, installment contract obligations, and other liabilities will be repaid from various other governmental funds.

Long-term liability activity for business-type activities for fiscal year 2014 is as follows (expressed in thousands):

Business-Type Activities	Beginning Balance July 1, 2013 *	Additions	Reductions	Ending Balance June 30, 2014	Amounts Due Within One Year
Long-Term Debt:					
General obligation bonds payable	$ 11,475	$ -	$ 3,605	$ 7,870	$ 3,820
Revenue bonds payable	1,997,568	222,893	89,301	2,131,160	82,108
Plus: Unamortized issuance premiums	100,477	14,385	9,374	105,488	-
Less: Deferred issuance discounts	(269)	122	2	(149)	-
Total Bonds Payable	2,109,251	237,400	102,282	2,244,369	85,928
Other Liabilities:					
Certificates of participation	38,948	930	4,550	35,328	4,493
Plus: Deferred issuance premiums	2,693	-	279	2,414	-
Claims and judgments	23,638,770	945,702	136,993	24,447,479	1,909,900
Lottery prize annuities payable	176,030	41,689	67,879	149,840	27,437
Tuition benefits payable	2,716,000	337,890	286,890	2,767,000	173,000
Leases	15,488	1,705	1,858	15,335	2,389
Compensated absences	66,405	31,869	29,603	68,671	37,424
Other postemployment benefits obligations	145,650	28,372	-	174,022	-
Other	234	41,653	38	41,849	-
Total Other Liabilities	26,800,218	1,429,810	528,090	27,701,938	2,154,643
Total Long-Term Debt	$ 28,909,469	$ 1,667,210	$ 630,372	$ 29,946,307	$ 2,240,571

* Beginning balances reflect the University of Washington prior period adjustment of $67.3 million to properly report their Internal Lending Program.

Note 8
No Commitment Debt

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

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

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

The schedule below presents the June 30, 2014, balances for the "No Commitment" debt of the state's financing authorities (expressed in thousands):

Financing Authorities	Principal Balance
Washington State Housing Finance Commission	$ 3,411,461
Washington Higher Education Facilities Authority	766,485
Washington Health Care Facilities Authority	5,452,000
Washington Economic Development Finance Authority	702,442
Total No Commitment Debt	$ 10,332,388

Note 9
Governmental Fund Balances

A. GOVERNMENTAL FUND BALANCES

The state's governmental fund balances are reported according to the relative constraints that control how amounts can be spent. Net position restricted as a result of enabling legislation totaled $9.3 million. Classifications include nonspendable, restricted, committed, and assigned, which are further described in Note 1.D.9.

A summary of governmental fund balances at June 30, 2014, is as follows (expressed in thousands):

Fund Balances	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Nonspendable:					
Permanent funds	$ -	$ -	$ 2,053,827	$ 203,756	$ 2,257,583
Consumable inventories	14,561	11,348	-	43,682	69,591
Petty cash	580	2,696	-	758	4,034
Investments	-	52,618	69,257	115	121,990
Other receivables – long-term	35,334	-	-	-	35,334
Total Nonspendable Fund Balance	$ 50,475	$ 66,662	$ 2,123,084	$ 248,311	$ 2,488,532
Restricted for:					
Higher education	$ -	$ 160	$ 1,247,941	$ 112,249	$ 1,360,350
Education	-	-	14,288	24,752	39,040
Transportation	-	-	-	768,349	768,349
Other purposes	683	-	-	8,580	9,263
Human services	-	-	330	332,717	333,047
Wildlife and natural resources	712	-	-	892,513	893,225
Local grants and loans	-	-	-	266	266
School construction	656	-	-	51,877	52,533
State facilities	-	-	-	188,198	188,198
Budget stabilization	414,601	-	-	-	414,601
Debt service	-	-	-	68,776	68,776
Pollution remediation	-	-	-	115,289	115,289
Operations and maintenance	-	-	-	7,254	7,254
Repair and Replacement	-	-	-	3,750	3,750
Unspent GARVEE bond proceeds	-	-	-	168,674	168,674
Third tier debt service	-	-	-	2,198	2,198
Total Restricted Fund Balance	$ 416,652	$ 160	$ 1,262,559	$ 2,745,442	$ 4,424,813
Committed for:					
Higher education	$ 78,094	$ 2,561,421	$ -	$ 52,095	$ 2,691,610
Education	-	-	-	1,735	1,735
Transportation	-	-	-	238,429	238,429
Other purposes	11,010	-	-	191,103	202,113
Human services	5,352	-	-	303,846	309,198
Wildlife and natural resources	48,130	52	-	491,706	539,888
Local grants and loans	-	-	-	885,677	885,677
State facilities	-	-	-	8,929	8,929
Debt service	-	-	-	403,787	403,787
Total Committed Fund Balance	$ 142,586	$ 2,561,473	$ -	$ 2,577,307	$ 5,281,366
Assigned for:					
Working capital	$ 879,952	$ -	$ -	$ -	$ 879,952
Total Assigned Fund Balance	$ 879,952	$ -	$ -	$ -	$ 879,952

B. BUDGET STABILIZATION ACCOUNT

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

By June 30 of each fiscal year, an amount equal to 1 percent of the general state revenues for that fiscal year is transferred to the Budget Stabilization Account.

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

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

At June 30, 2014, the Budget Stabilization Account had restricted fund balance of $414.6 million.

Note 10
Deficit Net Position

Risk Management Fund

The Risk Management Fund, an internal service fund, had a deficit net position of $486.2 million at June 30, 2014. The Risk Management Fund is used to administer the Self-Insurance Liability Program (SILP). The SILP was initiated in 1990 and is intended to provide funds for the payment of all tort claims and defense expenses. The program investigates, processes, and adjudicates tort and sundry claims filed against Washington state agencies, with the exception of the University of Washington and the Department of Transportation Ferries Division.

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

The net position in the Risk Management Fund improved in the fiscal year ended June 30, 2014. The actuarial projection of the expected claims liability is based on actual experience for the past five years. The projected liability decreased due to the decrease in the number of claims filed and the relative stability in the severity of the claims.

The following schedule details the change in net position for the Risk Management Fund during the fiscal year ended June 30, 2014 (expressed in thousands):

Risk Management Fund	Net Position
Balance, July 1, 2013	$ (486,251)
Fiscal year 2014 activity	86
Balance, June 30, 2014	$ (486,165)

Note 11
Retirement Plans

A. GENERAL

The state Legislature establishes and amends laws pertaining to the creation and administration of all state public retirement systems.

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

The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which the WSIB invests.

Further information about the investment of pension funds by the WSIB, their valuation, classifications, concentrations, and maturities can be found in Note 3B.

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 covering eligible employees of the state and local governments. The Governor appoints the director of the DRS.

The DRS administered systems are comprised of 12 defined benefit pension plans and three defined benefit/defined contribution plans as follows:

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

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

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

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

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

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

- Judicial Retirement System (JRS)
  Defined benefit plan

- Judges' Retirement Fund (Judges)
  Defined benefit plan

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

Administration of the PERS, TRS, SERS, LEOFF, WSPRS, and PSERS systems and plans was funded by an employer rate of 0.18 percent of employee salaries. Administration of the JRS and Judges plans is funded by means of legislative appropriations.

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

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

The DRS prepares a stand-alone financial report that is compliant with the requirements of Statement 67 of the Governmental Accounting Standards Board. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at http://www.drs.wa.gov/administration/annual-report/.

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

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

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

Plan Disclosures

Participating members and employers, plan descriptions, benefits provided, contribution requirements, and legislative changes related to DRS administered plans follows in Note 11.B. Disclosures required by GASB Statement No. 67 for the plan administered by the State Board for Volunteer Fire Fighters and Reserve Officers follow in Note 11C. Contribution required and paid, funded status, and actuarial assumptions and methods for pension plans included in Notes 11.B and 11.C follow in Notes 11.D through 11.F. Annual pension cost and three year historical trend information for the state's single employer defined benefit plans are presented in Notes 11.G and 11.H, respectively. Information related to changes in actuarial assumptions and methods for Department of Retirement Systems and State Board for Volunteer Fire Fighters and Reserve Officer administered defined benefit plans is provided in Note 11.I. Disclosures related to the HERP Supplemental Defined Benefit Plan are presented in Note 11.J. Information related to defined contribution plans is presented in Note 11.K. Details on plan net position and changes in plan net position of pension plans and other employee benefit funds administered by the state are presented in Note 11.L.

B. PLANS ADMINISTERED BY THE DEPARTMENT OF RETIREMENT SYSTEMS

Membership of each plan administered by the Department of Retirement Systems (DRS) consisted of the following at June 30, 2013, the date of the latest actuarial valuation for all plans:

	Number of Participating Members				
Plans	Retirees and Beneficiaries Receiving Benefits	Terminated Members Entitled To But Not Yet Receiving Benefits	Active Plan Members Vested	Active Plan Members Nonvested	Total Members
PERS 1	51,860	1,384	5,389	264	58,897
PERS 2	31,329	25,383	89,387	26,364	172,463
PERS 3	2,139	4,280	12,297	17,005	35,721
TRS 1	35,912	391	2,379	14	38,696
TRS 2	3,445	2,330	6,062	6,009	17,846
TRS 3	4,863	7,102	35,357	16,114	63,436
SERS 2	5,084	5,190	13,494	8,266	32,034
SERS 3	3,995	6,398	20,282	10,253	40,928
LEOFF 1	7,729	1	143	-	7,873
LEOFF 2	2,782	698	14,389	2,298	20,167
WSPRS 1	964	119	657	-	1,740
WSPRS 2	-	10	257	152	419
PSERS 2	43	119	2,784	1,729	4,675
JRS	114	-	-	-	114
Judges	12	-	-	-	12
JRA	1	151	5	-	157
Total	150,272	53,556	202,882	88,468	495,178

Following is a summary of the number of government employers participating in DRS administered retirement plans as of June 30, 2014:

Number of Participating Employers

Plans	State Agencies	School Districts	Counties/ Municipalities	Other Political Subdivisions	Total Employers
PERS 1	128	212	147	147	634
PERS 2	169	-	275	490	934
PERS 3	158	-	209	306	673
TRS 1	36	228	-	-	264
TRS 2	22	295	-	-	317
TRS 3	39	302	-	-	341
SERS 2	-	303	-	-	303
SERS 3	-	300	-	-	300
LEOFF 1	-	-	36	9	45
LEOFF 2	8	-	204	157	369
WSPRS 1	1	-	-	-	1
WSPRS 2	1	-	-	-	1
PSERS 2	9	-	65	1	75
JRS	1	-	-	-	1
Judges	1	-	-	-	1
JRA	5	-	-	-	5
Total	578	1,640	936	1,110	4,264

Employers can participate in multiple systems and/or plans. The actual total number of participating employers as of June 30, 2014, is 1,318, of which 171 are state agencies.

Public Employees' Retirement System

Plan Description. The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments. Approximately 49 percent of PERS salaries are accounted for by state employment.

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

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by either, February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

Refer to section K of this note for a description of the defined contribution component of PERS Plan 3.

Benefits Provided. PERS plans provide retirement, disability, and death benefits to eligible members.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service capped at 60 percent.

PERS Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional cost of living allowance (COLA) that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is $350 a month or two-thirds of the monthly AFC, whichever is less. The benefit is payable as long as the member remains disabled or until the member attains the age of 60 at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service. This is 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. Plan 1 members may elect to receive an optional COLA amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

PERS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. There is no cap on years of service credit. Plan 3 provides the same COLA as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

PERS Plan 3 members have the option to retire early with reduced benefits.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. There is no cap on years of service credit, and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

A one-time, duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS 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 out of the member's covered employment, if found eligible by the director of the Department of Labor and Industries.

From January 1, 2007, through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier, capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

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

Material changes, if any, in PERS benefit provisions for the fiscal year ended June 30, 2014, are listed at the end of this section.

Contributions. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

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. Contribution requirements are established and amended by state statute.

Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the director of DRS. During fiscal year 2014, the rate was 5.5 percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee defined benefit contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

As a result of the implementation of the Judicial Benefit Multiplier (JBM) Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges who participate in the program.

Required contribution rates for fiscal year 2014 are presented at the end of this section.

Teachers' Retirement System

Plan Description. The Legislature established the Teachers' Retirement System (TRS) in 1938. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature. Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative, or supervisory capacity. TRS is comprised principally of non-state agency employees.

TRS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

TRS members who joined the system by September 30, 1977, are a Plan 1 member. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS members joining the system on or after July 1, 1996 are members of TRS Plan 3.

Legislation passed in 2007 gives TRS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of TRS Plan 2 or Plan 3. At the end of 90 days, any member who has not made a choice becomes a member of Plan 3.

Refer to section K of this note for a description of the defined contribution component of TRS Plan 3.

Benefits Provided. TRS plans provide retirement, disability, and death benefits to eligible members.

TRS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) for each year of service credit, up to a maximum of 60 percent.

TRS Plan 1 members may elect to receive an optional cost of living allowance (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 members on temporary disability receive a monthly payment of $180 payable for up to two years, for the same occurrence. After five years of service, members on a disability retirement receive a benefit based on their salary and service to date of disability.

TRS Plan 2 retirement benefits are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually. TRS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of TRS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. Plan 3 provides the same COLA as Plan 2.

TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in TRS Plan 2 by July 1, 1996. Plan 3 members are immediately vested in the defined contribution portion of their plan. TRS Plan 3 members have the option to retire early with reduced benefits.

TRS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

TRS members meeting specific eligibility requirements, have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

A one-time, duty-related death benefit is provided to the estate (or duly designated nominee) of a TRS member who dies in the line of service, if found eligible by the director of the Department of Labor and Industries.

From January 1, 2007, through December 31, 2007, judicial members of TRS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in TRS Plan 1 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit is capped at 75 percent of AFC.

Newly elected or appointed justices and judges who chose to become TRS members on or after January 1, 2007, were required to participate in the JBM Program.

Material changes, if any, in TRS benefit provisions for the fiscal year ended June 30, 2014, are listed at the end of this section.

Contributions. TRS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine the contribution requirements are established under state statute.

Employee contributions to the TRS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the director of DRS. During fiscal year 2014, the rate was 5.5 percent compounded quarterly. Members in TRS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from TRS-covered employment.

As a result of the implementation of the Judicial Benefit Multiplier (JBM) Program in January 2007, a second tier of employee rates was developed to fund the increased retirement benefits of those judges who participate in the program.

Required contribution rates for fiscal year 2014 are presented at the end of this section

School Employees' Retirement System

Plan Description. The Legislature established the School Employees' Retirement System (SERS) effective in 2000. SERS retirement benefit provisions are established in chapters 41.34 and 41.35 RCW and may be amended only by the Legislature. Membership in the system includes classified employees of school districts and educational service districts. SERS is comprised principally of non-state agency employees.

SERS is a cost-sharing multiple-employer retirement system comprised of two separate plans for membership purposes: Plan 2 is a defined benefit plan and Plan 3 is a defined benefit plan with a defined contribution component. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

As of September 1, 2000, the membership of classified school employees in PERS Plan 2 was transferred to SERS Plan 2. Those who joined on or after October 1, 1977, and by August 31, 2000, are SERS Plan 2 members unless they exercised an option to transfer their membership to Plan 3.

Until June 30, 2007, SERS members joining the system on or after September 1, 2000, became members of SERS Plan 3. Legislation passed in 2007 gives SERS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of either SERS Plan 2 or Plan 3. At the end of the 90 days, any member who has not made a choice becomes a member of Plan 3.

Refer to section K of this note for a description of the defined contribution component of SERS Plan 3.

Benefits Provided. SERS plans provide retirement, disability, and death benefits to eligible members.

SERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service. A cost of living allowance (COLA) is granted based on the Consumer Price Index, capped at 3 percent annually.

SERS Plan 2 members have the option to retire early with reduced benefits.

Effective June 7, 2006, SERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by September 1, 2000. Plan 3 members are immediately vested in the defined contribution portion of their plan.

The defined benefit portion of SERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. Plan 3 provides the same COLA as Plan 2.

SERS Plan 3 members have the option to retire early with reduced benefits.

SERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

SERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

A one-time, duty-related death benefit is provided to the estate (or duly designated nominee) of a SERS member who dies in the line of service, if found eligible by the director of the Department of Labor and Industries.

Material changes, if any, in SERS benefit provisions for the fiscal year ended June 30, 2014, are listed at the end of this section.

Contributions. SERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. The methods used to determine the contribution requirements are established under state statute.

Employee contributions to the SERS Plan 2 defined benefit plan accrue interest at a rate specified by the director of DRS. During fiscal year 2014, the rate was 5.5 percent compounded quarterly. Members in SERS Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from SERS-covered employment.

Required contribution rates for fiscal year 2014 are presented at the end of this section.

Law Enforcement Officers' and Fire Fighters' Retirement System

Plan Description. The Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) was established in 1970 by the Legislature. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included effective July 27, 2003, being an exception.

LEOFF is a cost-sharing, multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. 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.

Benefits Provided. LEOFF plans provide retirement, disability, and death benefits to eligible members.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Years of Service	Percent of FAS
20+	2.0%
10-19	1.5%
5-9	1.0%

A cost of living allowance (COLA) is granted based on the Consumer Price Index.

LEOFF Plan 1 disability benefit is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues at the greater of the member's disability benefit or service retirement benefit.

LEOFF Plan 1 death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time, duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies in the line of service, if found eligible by the director of the Department of Labor and Industries.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service. Members who retire prior to the age of 53 receive reduced benefits. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

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

Members of LEOFF Plan 2 who leave service because of a line of duty disability are eligible for additional benefits. A one-time, duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies in the line of service, if found eligible by the director of the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

Material changes, if any, in LEOFF benefit provisions for the fiscal year ended June 30, 2014, are listed at the end of this section.

Contributions. LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations.

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees are not required to contribute as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The methods used to determine the contribution requirements are established under state statute.

Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the director of DRS. During fiscal year 2014, the rate was 5.5 percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board.

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.

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 2014, the state contributed $55.6 million to LEOFF Plan 2.

Required contribution rates for fiscal year 2014 are presented at the end of this section.

Washington State Patrol Retirement System

Plan Description. The Washington State Patrol Retirement System (WSPRS) was established by the Legislature in 1947. WSPRS benefits are established in chapter 43.43 RCW and may be amended only by the Legislature. Any commissioned employee of the Washington State Patrol is eligible to participate.

WSPRS is a single-employer defined benefit retirement system. WSPRS members who joined the system by December 31, 2002, are Plan 1 members. Plan 1 is closed to new entrants. 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.

Effective June 7, 2012, those WSPRS members who have service credit within PERS Plan 2 have options to transfer their service credit earned as commercial vehicle enforcement officers or as communications officers into the WSPRS, provided the member pays the full actuarial cost of the transfer.

At retirement, these members also have the option of selecting an actuarially reduced benefit in order to provide for post-retirement survivor benefits.

Benefits Provided. WSPRS provides retirement and death benefits to eligible members.

There is no vesting requirement for active WSPRS members. Inactive WSPRS members are vested after the completion of five years of eligible service. Members are eligible for retirement at the age of 55 with five years of service, or after 25 years of service, and must retire at age 65. This mandatory requirement does not apply to the Chief of the Washington State Patrol.

The monthly benefit is 2 percent of the average final salary (AFS) per year of service, capped at 75 percent. A cost of living allowance is granted based on the Consumer Price Index, capped at 3 percent annually.

WSPRS Plan 1 death benefits for survivors of 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 eligible surviving child, with a limitation on the combined benefit of 60 percent of the AFS; or (2) If no eligible spouse, 30 percent of AFS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of AFS, or (3) If no spouse or eligible children, beneficiary gets refund of contributions and interest.

At retirement, WSPRS Plan 2 members have the option of selecting an actuarially reduced benefit in order to provide for post-retirement survivor benefits.

WSPRS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

WSPRS provides no disability benefits. Disability benefits may be available from the Washington State Patrol. If disability benefits are received, the member may be eligible to acquire service credit for the period of disability.

A one-time, duty-related death benefit is provided to the estate (or duly designated nominee) of a WSPRS member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the director of the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of WSPRS members killed in the course of employment include the payment of ongoing eligible health care insurance premiums.

Compensation for members of WSPRS Plans 1 and 2 who become totally disabled in the line of duty includes any payments for premiums for employer-provided medical insurance.

Material changes, if any, in WSPRS benefit provisions for the fiscal year ended June 30, 2014, are listed at the end of this section.

Contributions. WSPRS retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts the employee and the state contribution rates, subject to revision by the Legislature. The preliminary employee and the state contribution rates are developed by the Office of the State Actuary to fully fund the plan.

The methods used to determine the contribution requirements are established under state statute.

Employee contributions to WSPRS accrue interest at a rate specified by the director of DRS. During fiscal year 2014, the rate was 5.5 percent annually, compounded monthly. Members in WSPRS can elect to withdraw total employee contributions and interest earnings thereon upon separation from WSPRS-covered employment.

Required contribution rates for fiscal year 2014 are presented at the end of this section.

Public Safety Employees' Retirement System

Plan Description. The Public Safety Employees' Retirement System (PSERS) was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions are established by chapter 41.37 RCW and may be amended only by the Legislature. PSERS membership includes full-time employees meeting specific eligibility criteria that are employed by Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, Washington State Patrol, Washington state counties, corrections departments of Washington state cities except for Seattle, Tacoma, and Spokane, or correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS is a cost-sharing, multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

Benefits Provided. PSERS provides retirement, disability, and death benefits to eligible members.

PSERS members are vested after an employee completes five years of eligible service. PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. A cost of living allowance (COLA) is granted based on the Consumer Price Index, capped at 3 percent annually. PSERS members who retire prior to the age of 60 receive reduced benefits.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit amount is 2 percent of the AFC for each year of service. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

A one-time, duty-related death benefit is provided to the estate (or duly designated nominee) of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the director of the Department of Labor and Industries.

Material changes, if any, in PSERS benefit provisions for the fiscal year ended June 30, 2014, are listed at the end of this section.

Contributions. PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 2 employer 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.

The methods used to determine the contribution requirements are established under state statute.

Employee contributions to the plan accrue interest at a rate specified by the director of DRS. During fiscal year 2014, the rate was 5.5 percent compounded quarterly.

Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PSERS-covered employment.

Required contribution rates for fiscal year 2014 are presented at the end of this section.

Judges' Retirement Fund

Plan Description. The Judges' Retirement Fund was created by the Legislature on March 22, 1937, pursuant to chapter 2.12 RCW, to provide retirement benefits to judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts of the state of Washington. Judges' retirement benefit provisions are established in chapter 2.12 RCW and may be amended only by the Legislature.

Judges' Retirement Fund is a single-employer, defined benefit retirement system. There are currently no active members in this plan.

Benefits Provided. Judges' Retirement Fund provides retirement benefits to judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts of the state of Washington. The system was closed to new entrants on August 8, 1971, with new judges joining the Judicial Retirement System.

Material changes, if any, in benefit provisions for Judges for the fiscal year ended June 30, 2014, are listed at the end of this section.

Contributions. There are no active members remaining in the Judges' Retirement Fund. Past contributions were made based on rates set in statute. By statute, employees were required to contribute 6.5 percent of covered payroll with an equal amount contributed by the state.

Retirement benefits are financed on a pay-as-you-go basis from a combination of investment earnings and employer contributions. Each biennium, the Legislature, through appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For fiscal year 2014, no such appropriations or contributions were made.

Judicial Retirement System

Plan Description. The Judicial Retirement System (JRS) was established by the Legislature in 1971. JRS retirement benefit provisions are established in chapter 2.10 RCW and may be amended only by the Legislature. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts on or after August 9, 1971.

JRS is a single-employer, defined benefit retirement system. There are no active members remaining in the Judicial Retirement System.

Benefits Provided. JRS provides retirement, disability, and death benefits to eligible members.

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 system was closed to new entrants on July 1, 1988, with new judges joining PERS.

The benefit per year of service calculated as a percent of final average salary (FAS) is shown in the table below. This benefit is capped at 75 percent of FAS, exclusive of cost-of-living increases.

Years of Service	Percent of FAS
15+	3.5%
10-14	3.0%

Death and disability benefits are also provided. Eligibility for death benefits while on active duty requires 10 or more years of service. A monthly spousal benefit is provided which is equal to 50 percent of the benefit that the member would have received if retired. If the member is retired, the surviving spouse receives the greater of 50 percent of the member's retirement benefit or 25 percent of the FAS. For members with 10 or more years of service, a disability benefit of 50 percent of FAS is provided.

Material changes, if any, in JRS benefit provisions for the fiscal year ended June 30, 2014, are listed at the end of this section.

Contributions. JRS retirement benefits are financed on a pay-as-you-go basis from a combination of investment earnings, employer contributions, and employee contributions.

Past contributions were made based on rates set in statute. By statute, employees were required to contribute 7.5 percent of covered payroll with an equal amount contributed by the state.

Employee contributions to the plan accrue interest at a rate specified by the director of DRS. During fiscal year 2014, the rate on employee contributions was 5.5 percent compounded quarterly. JRS members who are vested in the plan may not elect to withdraw their contributions upon termination.

The state guarantees the solvency of the Judicial Retirement System on a pay-as-you-go basis. Each biennium, the Legislature, through appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For fiscal year 2014, the state contributed $10.6 million.

Required contribution rates for fiscal year 2014 are presented at the end of this section.

Material Legislative Changes to DRS Administered Pension Plans

Material legislative changes to DRS administered pension plans for the fiscal year ended June 30, 2014, included:

System/Plan Affected	Effective Date	Description of the changes
LEOFF Plan 2	6/12/2014	The expiration date on the statutory provision in the LEOFF definition of fire fighter that includes emergency medical technicians (EMTs) is eliminated. This correction allows EMTs continued eligibility for membership in LEOFF.
LEOFF Plan 2	6/12/2014	Members of LEOFF Plan 2 may purchase an optional actuarially equivalent life annuity from the LEOFF Plan 2 Fund at the time of retirement.
TRS 3, PERS 3, SERS 3	6/12/2014	Currently, a TRS Plan 3 member has the option to change his or her contribution rate each year during the month of January. This bill would amend RCW 41.34.040 to remove this annual option, effective after January of 2015. While this statutory option applies to Plan 3 members of PERS and SERS as well, it has never been implemented in those plans. This modification is deemed necessary by the Internal Revenue Service in order to ensure the Plans 3 retain favorable tax qualification.
LEOFF Plan 2	7/28/2013	Allows catastrophically disabled LEOFF Plan 2 members to be reimbursed for premiums of medical insurance other than that which is provided by the employer, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), or Medicare A and/or B. The reimbursement would only be allowed for payments made after June 30, 2013, and would not exceed the amount reimbursed for premiums authorized by COBRA.

Required Contribution Rates

Required contribution rates (expressed as a percentage of current year covered payroll) for all retirement plans administered by DRS at the close of fiscal year 2014, were as follows:

Required Contribution Rates	Employer			Employee		
	Plan 1	Plan 2	Plan 3	Plan 1	Plan 2	Plan 3
PERS						
Members Not Participating in JBM						
State agencies*	9.21%	9.21%	9.21%	6.00%	4.92%	***
Local governmental units*	9.21%	9.21%	9.21%	6.00%	4.92%	***
State govt elected officials	13.73%	9.21%	9.21%	7.50%	4.92%	***
Members Participating in JBM						
State agencies*	11.71%	11.71%	11.71%	9.76%	9.80%	7.50%****
Local governmental units*	9.21%	9.21%	9.21%	12.26%	12.30%	7.50%****
TRS						
Members Not Participating in JBM						
State agencies*	10.39%	10.39%	10.39%**	6.00%	4.96%	***
Local governmental units*	10.39%	10.39%	10.39%**	6.00%	4.96%	***
State govt elected officials*	10.39%	10.39%	10.39%**	7.50%	4.96%	***
Members Participating in JBM						
State agencies*	10.39%	N/A	N/A	9.76%	N/A	N/A
SERS						
State agencies*	N/A	9.82%	9.82%	N/A	4.64%	***
Local governmental units*	N/A	9.82%	9.82%	N/A	4.64%	***
LEOFF						
Ports and universities*	N/A	8.59%	N/A	N/A	8.41%	N/A
Local governmental units*	0.18%	5.23%	N/A	N/A	8.41%	N/A
State of Washington	N/A	3.36%	N/A	N/A	N/A	N/A
WSPRS						
State agencies*	8.09%	8.09%	N/A	6.59%	6.59%	N/A
PSERS						
State agencies*	N/A	10.54%	N/A	N/A	6.36%	N/A
Local governmental units*	N/A	10.54%	N/A	N/A	6.36%	N/A
JRS						
State agencies*	7.50%	N/A	N/A	7.50%	N/A	N/A

* Includes an administrative expense rate of 0.18%.
** Plan 3 defined benefit portion only.
*** Variable from 5% to 15% based on rate selected by the member.
**** Minimum rate.
N/A indicates data not applicable.

C. PLAN ADMINISTERED BY THE STATE BOARD FOR VOLUNTEER FIRE FIGHTERS AND RESERVE OFFICERS

Plan Administration. The Volunteer Fire Fighters' Relief Act was created by the Legislature in 1935 and the pension portion of the act was added in 1945. As established in chapter 41.24 RCW, the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) is a cost-sharing, multiple-employer defined benefit plan and is administered by the State Board for Volunteer Fire Fighters and Reserve Officers. The board is appointed by the Governor and is comprised of five members of fire departments covered by chapter 41.24 RCW. Administration costs of the VFFRPF are funded through legislative appropriation.

As of June 30, 2014, there were 500 municipalities contributing to the plan. Additionally, the state, a non-employer contributing entity, contributes 40 percent of the fire insurance premium tax.

***Plan Members*:** Membership in the VFFRPF 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.

At June 30, 2013 (the date of the latest valuation), VFFRPF membership consisted of the following:

Plan Membership	
Inactive plan members or beneficiaries currently receiving benefits	4,117
Inactive plan members entitled to but not yet receiving benefits	6,123
Active plan members	10,230
Total membership	20,470

Benefits: VFFRPF retirement benefits are established in chapter 41.24 RCW and may be amended only by the Legislature. VFFRPF also provides death and active duty disability benefits to all members.

Since retirement benefits cover volunteer service, benefits are paid based on years of service not salary. Employers consist of fire departments, emergency medical service districts and law enforcement agencies. 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.

Members are vested after ten years of service. VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination.

Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of $214 thousand. Funeral and burial expenses are also paid in a lump sum of $2 thousand for members on active duty. Members receiving disability benefits at the time of death shall be paid $500.

Effective June 7, 2012, at any time prior to retirement or at the time of retirement, a member of the VFFRPF may purchase retirement pension coverage for years of eligible service prior to the member's enrollment in the system or for years of service credit lost due to the withdrawal of the member's pension fee contributions. A member choosing to purchase such retirement pension coverage must contribute to the system equal to the actuarial value of the resulting benefit increase.

There were no material changes in VFFRPF benefit provisions for the fiscal year ended June 30, 2014.

Contributions. VFFRPF retirement benefits are financed from a combination of investment earnings, member contributions, municipality contributions, and state contributions. In accordance with chapter 41.24 RCW, the state contribution is set at 40 percent of the fire insurance premium tax. For fiscal year 2014, the fire insurance premium tax contribution was $6.4 million.

The municipality rate for emergency medical service districts (EMSD) and law enforcement agencies are set each year by the State Board for Volunteer Fire Fighters and Reserve Officers, based on the actual cost of participation as determined by the Office of the State Actuary. All other contribution rates are set by the Legislature. Municipalities may opt to pay the member's fee on their behalf.

The contribution rates set for 2014 are the following:

	Firefighters	EMSD & Reserve Officers
Member fee	$30.00	$30.00
Municipality fee	30.00	90.00
Total fee	$60.00	$120.00

Investments. The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which the WSIB invests.

Further information about the investment of pension funds by the WSIB, their valuation, classifications, concentrations, and maturities can be found in Note 3B.

The Office of the State Treasurer (OST) manages a small portion of the assets for the VFFRPF. By statute, balances in the accounts in the state treasury and in the custody of the treasurer may be pooled for banking and investment purposes.

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. Eligible investments are only those securities and deposits authorized by statute.

Further information about the investment of pension funds by the OST, their valuation, classifications, concentrations, and maturities can be found in Note 3.F.

Rate of return. For the year ended June 30, 2014, the annual money-weighted rate of return on VFFRPF investments, net of pension plan investment expense, was 16.72 percent. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of external cash flows.

Pension liability. The components of the net pension liability of the participating VFFRPF municipalities at June 30, 2014, were as follows:

Pension Liability (in thousands)	
Total Pension Liability	$ 186,527
Plan Fiduciary Net Position	(204,195)
Participating Employers Net Pension Liability(Asset)	$ (17,668)
Plan fiduciary net position as a percentage of the total pension liability	109.47%

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2013, and rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.75%
Salary increases	N/A
Investment rate of return	7.00%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Rates of Return	
Asset Class	Long-Term Expected Real Rate of Return
Fixed Income	0.08%
Tangible Assets	4.10%
Real Estate	5.30%
Global Equity	6.05%
Private Equity	9.05%

The inflation component used to create the above table is 2.70 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

As the VFFRPF has assets managed by both WSIB and OST, the long-term expected rate of return of 7.00% represents an approximate weighted-average of the assets managed by WSIB (7.50% expected return) and the assets managed by OST (4.00% expected return). In consultation with OST, OSA selected a 4.00% long-term investment rate of return on assets managed by OST. Based upon the investment portfolio, this assumption was calculated as 100 basis points above OSA's current assumption for total inflation of 3.00%.

Discount rate. The discount rate used to measure the total pension liability was 7.0 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.0 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.0 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members, municipalities, and the state will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the employers calculated using the discount rate of 7 percent, as well as what the municipalities' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate.

Municipalities' Net Pension Liability(Asset) (in thousands)	
1% Decrease	8,632
Current Discount Rate	(17,668)
1% Increase	(38,820)

D. STATE CONTRIBUTIONS REQUIRED AND PAID

The following table presents the state of Washington's required contributions (dollars in millions) to cost-sharing plans in accordance with the funding policy. All contributions required by the funding method were paid.

Plans	2014	2013	2012
PERS Plan 1	$ 208.1	$ 125.6	$ 124.0
PERS Plan 2/3	203.7	182.9	182.8
TRS Plan 1	6.3	3.7	3.1
TRS Plan 2/3	1.1	1.2	1.1
PSERS Plan 2	8.2	7.5	7.4
LEOFF Plan 2	55.6	54.2	52.8
VFFRPF	6.4	6.0	5.6

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

E. FUNDED STATUS

The funded status in accordance with the funding policy of each plan as of June 30, 2013, the most recent actuarial valuation date, is as follows (dollars in millions):

Plans	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
PERS Plan 1	$ 8,053.1	$ 12,873.9	$ 4,820.8	63%	$ 317.8	1517%
PERS Plan 2/3*	24,334.6	26,539.5	2,204.9	92%	8,339.2	26%
TRS Plan 1	6,717.1	9,429.3	2,712.1	71%	183.2	1481%
TRS Plan 2/3*	8,406.1	8,793.7	387.6	96%	4,222.9	9%
SERS Plan 2/3*	3,334.6	3,581.4	246.7	93%	1,514.2	16%
LEOFF Plan 1	5,516.4	4,408.6	(1,107.9)	125%	14.8	0%
LEOFF Plan 2*	7,862.3	7,219.5	(642.8)	109%	1,596.8	0%
WSPRS Plan 1/2*	1,009.4	987.0	(22.3)	102%	80.1	0%
PSERS Plan 2*	224.2	217.6	(6.6)	103%	253.1	0%
JRS	3.9	108.2	104.3	4%	N/A	N/A
Judges	1.4	3.5	2.1	40%	N/A	N/A
VFFRPF	182.5	183.6	1.1	99%	N/A	N/A

N/A indicates data not applicable.

Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

* These plans use the aggregate actuarial cost method which does not identify or separately amortize unfunded actuarial liabilities. For this reason, the information shown above has been prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress of these plans.

Source: Washington State Office of the State Actuary

F. ACTUARIAL ASSUMPTIONS AND METHODS

Defined Benefit Pension Plans Administered by the State

The information was determined as part of the actuarial valuations in accordance with the funding policy at the dates indicated below. Additional information as of the latest valuation follows:

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3	SERS Plan 2/3
Valuation date	6/30/2013	6/30/2013	6/30/2013	6/30/2013	6/30/2013
Actuarial cost method	Entry age normal (1)	Aggregate (2)	Entry age normal (1)	Aggregate (2)	Aggregate (2)
Amortization method					
Funding	Level % (4)	N/A	Level % (4)	N/A	N/A
GAAP reporting	Level $	N/A	Level $	N/A	N/A
Remaining amortization years (closed)	10-year rolling	N/A	10-year rolling	N/A	N/A
Remaining amortization period (closed)	N/A	N/A	N/A	N/A	N/A
Asset valuation method	8-year graded smoothed fair value (5)	8-year graded smoothed fair value (5)	8-year graded smoothed fair value (5)	8-year graded smoothed fair value (5)	8-year graded smoothed fair value (5)
Actuarial assumptions					
Investment rate of return (7)	7.80%	7.80%	7.80%	7.80%	7.80%
Projected salary increases					
Salary inflation at 3.75%, plus the merit increases described below:					
Initial salary merit (grades down to 0%)	6.0%	6.0%	5.1%	5.1%	6.6%
Merit period (years of service)	17 yrs	17 yrs	25 yrs	25 yrs	20 yrs
Includes inflation at	N/A	3.00%	N/A	3.00%	3.00%
cost of living adjustments	Minimum COLA (6)	CPI increase, maximum 3%	Minimum COLA (6)	CPI increase, maximum 3%	CPI increase, maximum 3%

N/A indicates data not applicable.

(1) PERS and TRS Plans 1 use a variation of the entry age normal (EAN) cost method, whereas LEOFF Plan 1 uses a variation of the frozen initial liability (FIL) cost method.

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

(3) Pay as you go basis for funding.

(4) Level percent of system payroll, including system growth.

(5) Asset Valuation Method - eight 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 eight years or, if fewer, the completed years since adoption, at the following rates per year (annual recognition). The annual gain/loss for VFFRPF and LEOFF Plan 2 are centered around a 7.0 percent and 7.5 percent expected rate of return, respectively, instead of 7.8 percent.

Annual Gain/Loss			Annual Gain/Loss		
Rate of Return	Smoothing Period	Annual Recognition	Rate of Return	Smoothing Period	Annual Recognition
14.9% and Up	8 years	12.50%	5.9-6.9%	2 years	50.00%
13.9-14.9%	7 years	14.29%	4.9-5.9%	3 years	33.33%
12.9-13.9%	6 years	16.67%	3.9-4.9%	4 years	25.00%
11.9-12.9%	5 years	20.00%	2.9-3.9%	5 years	20.00%
10.9-11.9%	4 years	25.00%	1.9-2.9%	6 years	16.67%
9.9-10.9%	3 years	33.33%	0.9-1.9%	7 years	14.29%
8.9-9.9%	2 years	50.00%	0.9% and lower	8 years	12.50%
6.9-8.9%	1 year	100.00%			

LEOFF Plan 1	LEOFF Plan 2	PSERS Plan 2	WSPRS	JRS	Judges	VFFRPF
6/30/2013	6/30/2013	6/30/2013	6/30/2013	6/30/2013	6/30/2013	6/30/2013
Frozen initial liability [(1)]	Aggregate [(2)]	Aggregate [(2)]	Aggregate [(2)]	Entry age [(3)]	Entry age [(3)]	Entry age [(7)]
Level % [(4)]	N/A	N/A	N/A	N/A	N/A	Level $
Level $	N/A	N/A	N/A	Level $	Level $	Level $
11	N/A	N/A	N/A	5-year rolling	5-year rolling	15-year rolling
6/30/2024	N/A	N/A	N/A	N/A	N/A	N/A
8-year graded smoothed fair value [(5)]	8-year graded smoothed fair value [(5)]	8-year graded smoothed fair value [(5)]	8-year graded smoothed fair value [(5)]	Market	Market	8-year graded smoothed fair value [(5)]
7.80%	7.50%	7.80%	7.80%	4.00%	4.00%	7.00%
10.7%	10.7%	6.0%	8.5%	0.0%	0.0%	N/A
25 yrs	25 yrs	17 yrs	27 yrs	N/A	N/A	N/A
3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	N/A
CPI increase	CPI increase, maximum 3%	CPI increase, maximum 3%	CPI increase, maximum 3%	CPI increase, maximum 3%	None	None

[(6)] The PERS Plan 1 and TRS Plan 1 COLA: Qualifying retirees receive an increase in their monthly benefit once a year. The COLA on minimum benefit levels is calculated as the last unrounded minimum COLA amount increased by 3 percent, rounded to the nearest penny. These are some historical monthly COLA amounts per year of service:

Date	COLA Type	Amount
7/1/2009	Uniform	$1.83
7/1/2010	Uniform	$1.88
7/1/2011	Minimum	$1.94
7/1/2012	Minimum	$2.00
7/1/2013	Minimum	$2.06
7/1/2014	Minimum	$2.12

[(7)] VFFRPF uses the Entry Age Funding Method for Pensions, and the Aggregate Funding Method for the Relief Costs.

[(8)] The Legislature prescribes the assumed rate of investment return for all plans except JRS, Judges, and VFFRPF.

G. ANNUAL PENSION COST AND OTHER RELATED INFORMATION

Current year annual pension cost, net pension obligation (NPO) and related information for the current year for the state's single employer defined benefit plans are as follows (dollars in millions):

Annual Pension Cost and Net Pension Obligation	WSPRS	JRS	Judges
Annual required contribution	$7.3	$22.5	$0.5
Interest on NPO	(1.6)	2.8	0.0
Adjustment to annual required contribution	2.5	(15.1)	(0.0)
Annual pension cost	8.2	10.2	0.5
Less: Contributions made	6.6	10.6	0.0
Increase (decrease) in NPO	1.6	(0.4)	0.5
NPO at beginning of year	(20.0)	70.1	0.1
NPO at end of year	$(18.4)	$69.7	$0.6

H. THREE YEAR HISTORICAL TREND INFORMATION

The following table presents three-year trend information for the state's single employer defined benefit plans (dollars in millions):

Single Employer Plans	2014	2013	2012
WSPRS			
Annual pension cost	$8.2	$3.3	$3.6
% of APC contributed	80.5	197.0	180.6
NPO	$(18.4)	$(20.0)	$(16.8)
JRS			
Annual pension cost	$10.2	$9.2	$10.5
% of APC contributed	103.9	109.8	77.1
NPO	$69.7	$70.1	$71.0
Judges			
Annual pension cost	$0.5	$0.5	$0.4
% of APC contributed	0.0	0.0	0.0
NPO	$0.6	$0.1	$(0.4)

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

I. CHANGES IN ACTUARIAL ASSUMPTIONS, METHODS, AND BENEFIT PROVISIONS

The assumed return on investment earnings decreased from 7.9 percent to 7.8 percent for all plans except LEOFF Plan 2, JRS, Judges and VFFRPF, which stayed at the current percentages.

Several changes were made to demographic assumption in fiscal year 2014. The demographic change with the largest impact was changing scales for the mortality improvement assumption.

The assumed administrative factors were changed to be consistent with those used by the Department of Retirement Systems.

There were no material method changes for fiscal year 2014.

There were no changes in benefit provisions for the fiscal year 2014 reporting period.

J. HIGHER EDUCATION RETIREMENT PLAN SUPPLEMENTAL DEFINED BENEFIT PLAN

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

An actuarial valuation of the supplemental component of the Higher Education Retirement plans was done at the end of fiscal year 2013. The previous valuation was performed in 2011.

The Unfunded Actuarial Accrued Liability (UAL) calculated as of June 30, 2013, and 2011, was $460.8 million and $357.4 million, respectively, and is amortized over an 11 year period. The Annual Required Contribution (ARC) of $63.8 million includes amortization of the UAL ($44.5 million) and normal cost or current cost ($18.1 million).

The UAL and ARC were established using the entry age normal cost method. The actuarial assumptions included an investment rate of return of 4.3 to 7.5 percent and projected salary increases ranging from 2 to 4 percent. Approximately $1.76 billion and $1.91 billion of payroll were covered under these plans during 2013 and 2011, respectively.

Beginning in January 2012, higher education employers were required to make contributions to the Higher Education Retirement Plan Supplemental Benefit Fund to begin prefunding the net pension obligation related to the supplemental benefits of the higher education retirement plans. The Higher Education Retirement Plan Supplemental Benefit Fund is administered by the Department of Retirement Systems and invested by the Washington State Investment Board. The contribution rate for fiscal year 2014 was 0.5 percent of pay for employees covered by higher education retirement plans. The Higher Education Retirement Plan Supplemental Benefit Fund was not created as a pension trust fund and is reported by the state as an administrative account in the General Fund.

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

Net Pension Obligation	2014	2013	2012
Annual required contribution	$63.8	$63.8	$49.8
Payments to beneficiaries	(5.6)	(4.9)	(4.1)
Increase (decrease) in NPO	58.2	58.9	45.7
NPO at beginning of year	270.3	211.4	165.7
NPO at end of year	$328.5	$270.3	$211.4

K. DEFINED CONTRIBUTION PLANS

Public Employees' Retirement System Plan 3

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to section B of this note for PERS Plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in PERS Plan 3 can elect to withdraw total employee contributions adjusted by earnings and losses from investments of those contributions upon separation from PERS-covered employment.

For fiscal year 2014, covered payroll was $1.61 billion, employee contributions required and made were $105.2 million, and plan refunds paid out were $83.4 million.

Teachers' Retirement System Plan 3

The Teachers' Retirement System (TRS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to section B of this note for TRS Plan descriptions.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of TRS Plan 3.

TRS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, TRS Plan 3 investments are made in the retirement strategy fund that assumes the member will retire at age 65.

TRS Plan 3 defined contribution benefits are financed from employee contributions and investment earnings.

Members in TRS Plan 3 can elect to withdraw total employee contributions adjusted by earnings and losses from investments of those contributions upon separation from TRS-covered employment.

For fiscal year 2014, covered payroll was $3.60 billion, employee contributions required and made were $273.7 million and plan refunds paid out were $238.7 million.

School Employees' Retirement System Plan 3

The School Employees' Retirement System (SERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to section B of this note for SERS Plan descriptions.

SERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of SERS Plan 3.

SERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, SERS Plan 3 investments are made in the retirement strategy fund that assumes the member will retire at age 65.

Members in SERS Plan 3 can elect to withdraw total employee contributions adjusted by earnings and losses from investments of those contributions upon separation from SERS-covered employment.

For fiscal year 2014, covered payroll was $928.5 million, employee contributions required and made were $60.8 million and plan refunds paid out were $74.7 million.

Judicial Retirement Account

The Judicial Retirement Account (JRA) Plan was established by the Legislature in 1988 to provide supplemental retirement benefits. It is a defined contribution plan administered by the state Administrative Office of the Courts (AOC), under the direction of the Board for Judicial Administration. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts, and who are members of PERS for their services as a judge. Vesting is full and immediate. At June 30, 2014, there were five active members and 152 inactive members in JRA. The state, through the AOC, is the sole participating employer.

From January 1, 2007, through December 31, 2007, any judicial members of the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) eligible to participate in JRA were able to make a one-time irrevocable election to discontinue future contributions to JRA, in lieu of prospective contributions to the Judicial Benefit Multiplier (JBM) Program. Beginning January 1, 2007, any newly elected or appointed Supreme Court justice, Court of Appeals judge, or Superior Court judge could no longer participate in JRA and would be enrolled in the JBM Program (enacted in 2006).

JRA Plan members are required to contribute 2.5 percent of covered salary. The state, as employer, contributes an equal amount on a monthly basis. The employer and employee obligations to contribute are established per chapter 2.14 RCW. Plan provisions and contribution requirements are established in state statute and may be amended only by the Legislature.

A JRA member who separates from judicial service for any reason is entitled to receive a lump-sum distribution of the accumulated contributions. The administrator of JRA may adopt rules establishing other payment options. If a member dies, the amount of accumulated contributions standing to the member's credit at the time of the member's death is to be paid to the member's estate, or such person or persons, trust or organization as the member has nominated by written designation.

For fiscal year 2014, covered payroll was $991 thousand and the contribution requirement was $50 thousand. Actual employer and employee contributions were $25 thousand and $25 thousand respectively. Plan benefits paid out for fiscal year 2014 totaled $668 thousand.

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

Higher Education Retirement Plans

The Higher Education Retirement Plans are privately administered defined contribution plans with a supplemental defined benefit plan component. The state and regional universities, the state college, the state community and technical colleges and the Student Achievement Council each participate in a plan. As authorized by chapter 28B.10 RCW, the plans cover faculty and other positions as designated by each participating employer.

Contributions to the plans are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have, at all times, a 100 percent vested interest in their accumulations.

RCW 28B.10.400, et. seq. assigns the authority to establish and amend benefit provisions to the board of regents of the state universities, the boards of trustees of the regional universities and the state college, the state board for community colleges, and the Student Achievement Council.

Employee contribution rates, based on age, range from 5 to 10 percent of salary. The employers match the employee contributions. The employer and employee obligations to contribute are established per chapter 28B.10 RCW.

For fiscal year 2014, covered payroll was $2.18 billion. Employer and employee contributions were $182.5 and $182.5 million respectively, for a total of $365.0 million. These contribution amounts represent approximately 8.38 and 8.38 percent of covered payroll for employers and employees, respectively.

L. PLAN NET POSITION AND CHANGES IN PLAN NET POSITION

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

Combining Statement of Plan Net Position
Pension and Other Employee Benefit Funds

June 30, 2014
(expressed in thousands)

continued

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit
ASSETS					
Cash and pooled investments	$ 681	$ 7,550	$ 277	$ 1,030	$ 11,591
Receivables:					
Employer accounts receivable	3,372	60,555	4,860	1,581	33,860
Member accounts receivable (net of allowance)	747	198	-	248	23
Due from other pension and other employee benefit funds	2,523	-	317	2,801	1,125
Interest and dividends	23,912	84,396	4,071	19,553	29,313
Investment trades pending	137,171	484,304	23,358	112,167	168,198
Total Receivables	167,725	629,453	32,606	136,350	$ 232,519
Investments, Noncurrent:					
Public equity	2,979,542	10,519,833	1,468,262	2,436,418	3,653,495
Fixed income	1,840,675	6,498,850	313,445	1,505,149	2,257,024
Private equity	1,834,403	6,476,705	312,376	1,500,020	2,249,334
Real estate	993,327	3,507,126	169,151	812,259	1,218,011
Security lending	109,221	385,626	18,599	89,312	133,926
Liquidity	177,402	626,197	35,952	146,489	228,979
Tangible assets	136,746	482,807	23,286	111,819	167,677
Total Investments, Noncurrent	8,071,316	28,497,144	2,341,071	6,601,466	9,908,446
Total Assets	8,239,722	29,134,147	2,373,954	6,738,846	10,152,556
LIABILITIES					
Obligations under security lending agreements	109,567	385,626	18,964	89,580	133,926
Accrued liabilities	188,558	647,196	34,870	155,006	225,340
Due to other pension and other employee benefit funds	-	2,272	-	-	2,801
Unearned revenues	41	243	-	25	-
Total Liabilities	298,166	1,035,337	53,834	244,611	362,067
NET POSITION					
Net position held in trust for:					
Pension Benefits	7,941,556	28,098,810	2,320,120	6,494,235	9,790,489
(Schedule of Funding Progress by Plan begins on Page 171)					
Deferred compensation participants	-	-	-	-	-
Total Net Position	$ 7,941,556	$ 28,098,810	$ 2,320,120	$ 6,494,235	$ 9,790,489

Combining Statement of Plan Net Position
Pension and Other Employee Benefit Funds

June 30, 2014

(expressed in thousands)

continued

	TRS Plan 3 Defined Contribution	SERS Plan 2/3 Defined Benefit	SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2
ASSETS					
Cash and pooled investments	$ 5,096	$ 6,922	$ 1,149	$ 749	$ 1,585
Receivables:					
Employer accounts receivable	23,305	12,577	5,146	653	14,180
Member accounts receivable (net of allowance)	-	10	-	152	32
Due from other pension and other employee benefit funds	-	310	-	-	-
Interest and dividends	12,667	11,548	3,685	17,215	27,800
Investment trades pending	72,683	66,270	21,142	98,770	159,531
Total Receivables	108,655	90,715	29,973	116,790	201,543
Investments, Noncurrent:					
Public equity	4,296,255	1,439,462	879,100	2,145,450	3,465,287
Fixed income	975,330	889,258	283,707	1,325,397	2,140,754
Private equity	972,007	886,228	282,740	1,320,881	2,133,460
Real estate	526,340	479,891	153,103	715,255	1,155,265
Security lending	57,874	52,766	16,835	78,646	127,027
Liquidity	111,030	86,841	31,251	127,477	206,438
Tangible assets	72,458	66,064	21,077	98,465	159,039
Total Investments, Noncurrent	7,011,294	3,900,510	1,667,813	5,811,571	9,387,270
Total Assets	7,125,045	3,998,147	1,698,935	5,929,110	9,590,398
LIABILITIES					
Obligations under security lending agreements	58,380	52,766	17,077	78,750	127,110
Accrued liabilities	102,587	88,841	31,279	131,552	212,486
Due to other pension and other employee benefit funds	1,125	454	310	-	-
Unearned revenues	-	1	-	-	-
Total Liabilities	162,092	142,062	48,666	210,302	339,596
NET POSITION					
Net position held in trust for:					
Pension Benefits (Schedule of Funding Progress by Plan begins on Page 171)	6,962,953	3,856,085	1,650,269	5,718,808	9,250,802
Deferred compensation participants	-	-	-	-	-
Total Net Position	$ 6,962,953	$ 3,856,085	$ 1,650,269	$ 5,718,808	$ 9,250,802

Combining Statement of Plan Net Position
Pension and Other Employee Benefit Funds

June 30, 2014
(expressed in thousands)

continued

	WSPRS Plan 1/2	PSERS Plan 2	JRS	JRA
ASSETS				
Cash and pooled investments	$ 600	$ 454	$ 5,062	$ 12
Receivables:				
Employer accounts receivable	499	2,321	-	-
Member accounts receivable (net of allowance)	2	-	-	2
Due from other pension and other employee benefit funds	-	-	-	-
Interest and dividends	3,302	897	-	-
Investment trades pending	18,949	5,151	3	-
Total Receivables	22,752	8,369	3	2
Investments, Noncurrent:				
Public equity	411,606	111,884	-	13,020
Fixed income	254,278	69,119	-	-
Private equity	253,411	68,883	-	-
Real estate	137,222	37,300	-	-
Security lending	15,088	4,101	-	-
Liquidity	25,110	9,231	143	-
Tangible assets	18,891	5,135	-	-
Total Investments, Noncurrent	1,115,606	305,653	143	13,020
Total Assets	1,138,958	314,476	5,208	13,034
LIABILITIES				
Obligations under security lending agreements	15,120	4,115	146	-
Accrued liabilities	25,411	6,880	32	3
Due to other pension and other employee benefit funds	-	114	-	-
Unearned revenues	-	-	-	-
Total Liabilities	40,531	11,109	178	3
NET POSITION				
Net position held in trust for:				
Pension Benefits (Schedule of Funding Progress by Plan begins on Page 171)	1,098,427	303,367	5,030	13,031
Deferred compensation participants	-	-	-	-
Total Net Position	$ 1,098,427	$ 303,367	$ 5,030	$ 13,031

Combining Statement of Plan Net Position
Pension and Other Employee Benefit Funds

June 30, 2014

(expressed in thousands) concluded

	Judges	VFFRPF	Deferred Compensation	Total
ASSETS				
Cash and pooled investments	$ 958	$ 4,660	$ 5,291	$ 53,667
Receivables:				
Employer accounts receivable	-	-	-	162,909
Member accounts receivable (net of allowance)	-	-	911	2,325
Due from other pension and other employee benefit funds	-	-	-	7,076
Interest and dividends	-	601	-	238,960
Investment trades pending	-	3,451	2	1,371,150
Total Receivables	-	4,052	913	1,782,420
Investments, Noncurrent:				
Public equity	-	74,946	3,575,737	37,470,297
Fixed income	-	46,300	-	18,399,286
Private equity	-	46,142	-	18,336,590
Real estate	-	24,986	-	9,929,236
Security lending	-	2,747	-	1,091,768
Liquidity	26	4,495	113	1,817,174
Tangible assets	-	3,440	-	1,366,904
Total Investments, Noncurrent	26	203,056	3,575,850	88,411,255
Total Assets	984	211,768	3,582,054	90,247,342
LIABILITIES				
Obligations under security lending agreements	27	2,879	116	1,094,149
Accrued liabilities	1	4,694	4,183	1,858,919
Due to other pension and other employee benefit funds	-	-	-	7,076
Unearned revenues	-	-	-	310
Total Liabilities	28	7,573	4,299	2,960,454
NET POSITION				
Net position held in trust for:				
Pension Benefits	956	204,195	-	83,709,133
(Schedule of Funding Progress by Plan begins on Page 171)				
Deferred compensation participants	-	-	3,577,755	3,577,755
Total Net Position	$ 956	$ 204,195	$ 3,577,755	$ 87,286,888

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

For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

continued

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit
ADDITIONS					
Contributions:					
Employers	$ 448,895	$ 430,345	$ -	$ 200,674	$ 249,341
Members	28,087	368,252	$ 105,183	14,626	44,013
State	-	-	-	-	-
Participants	-	-	-	-	-
Total Contributions	476,982	798,597	105,183	215,300	293,354
Investment Income:					
Net appreciation (depreciation) in fair value	1,157,751	3,922,915	313,388	952,901	1,359,567
Interest and dividends	186,034	629,408	31,233	153,078	218,129
Less: investment expenses	(31,789)	(107,392)	(5,953)	(26,175)	(37,801)
Net investment income (loss)	1,311,996	4,444,931	338,668	1,079,804	1,539,895
Transfers from other pension plans	36	141	1,871	51	44
Other additions	-	-	-	-	-
Total Additions	1,789,014	5,243,669	445,722	1,295,155	1,833,293
DEDUCTIONS					
Pension benefits	1,189,496	567,096	-	925,975	149,522
Pension refunds	4,219	33,767	83,359	2,262	1,988
Transfers to other pension plans	-	2,440	326	-	445
Administrative expenses	506	617	2	143	76
Distributions to participants	-	-	-	-	-
Total Deductions	1,194,221	603,920	83,687	928,380	152,031
Net Increase (Decrease)	594,793	4,639,749	362,035	366,775	1,681,262
Net Position - Beginning	7,346,763	23,459,061	1,958,085	6,127,460	8,109,227
Net Position - Ending	$ 7,941,556	$ 28,098,810	$ 2,320,120	$ 6,494,235	$ 9,790,489

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

For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

continued

	TRS Plan 3 Defined Contribution	SERS Plan 2/3 Defined Benefit	SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2
ADDITIONS					
Contributions:					
Employers	$ -	$ 88,783	$ -	$ 98	$ 85,532
Members	273,656	31,857	60,766	844	151,042
State	-	-	-	-	55,550
Participants	-	-	-	-	-
Total Contributions	273,656	120,640	60,766	942	292,124
Investment Income:					
Net appreciation (depreciation) in fair value	966,000	536,742	222,334	824,335	1,285,184
Interest and dividends	96,246	86,098	27,954	132,383	206,190
Less: investment expenses	(18,206)	(14,858)	(4,951)	(22,594)	(36,103)
Net investment income (loss)	1,044,040	607,982	245,337	934,124	1,455,271
Transfers from other pension plans	1,116	42	682	-	265
Other additions	-	-	-	-	-
Total Additions	1,318,812	728,664	306,785	935,066	1,747,660
DEDUCTIONS					
Pension benefits	-	82,070	-	355,740	124,921
Pension refunds	238,719	1,879	74,680	248	9,028
Transfers to other pension plans	721	504	302	-	24
Administrative expenses	-	30	-	44	273
Distributions to participants	-	-	-	-	-
Total Deductions	239,440	84,483	74,982	356,032	134,246
Net Increase (Decrease)	1,079,372	644,181	231,803	579,034	1,613,414
Net Position - Beginning	5,883,581	3,211,904	1,418,466	5,139,774	7,637,388
Net Position - Ending	$ 6,962,953	$ 3,856,085	$ 1,650,269	$ 5,718,808	$ 9,250,802

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

For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

continued

	WSPRS Plan 1/2	PSERS Plan 2	JRS	JRA
ADDITIONS				
Contributions:				
Employers	$ 6,587	$ 17,124	$ 10,600	$ 25
Members	6,554	17,446	-	25
State	-	-	-	-
Participants	-	-	-	-
Total Contributions	13,141	34,570	10,600	50
Investment Income:				
Net appreciation (depreciation) in fair value	156,073	39,842	15	1,349
Interest and dividends	25,055	6,387	10	41
Less: investment expenses	(4,272)	(1,086)	-	(20)
Net investment income (loss)	176,856	45,143	25	1,370
Transfers from other pension plans	509	5	-	-
Other additions	-	-	-	-
Total Additions	190,506	79,718	10,625	1,420
DEDUCTIONS				
Pension benefits	47,142	256	9,479	668
Pension refunds	367	2,194	-	-
Transfers to other pension plans	-	-	-	-
Administrative expenses	83	8	-	-
Distributions to participants	-	-	-	-
Total Deductions	47,592	2,458	9,479	668
Net Increase (Decrease)	142,914	77,260	1,146	752
Net Position - Beginning	955,513	226,107	3,884	12,279
Net Position - Ending	$ 1,098,427	$ 303,367	$ 5,030	$ 13,031

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

For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

concluded

	Judges	VFFRPF	Deferred Compensation	Total
ADDITIONS				
Contributions:				
Employers	$ -	$ 953	$ -	$ 1,538,957
Members	-	95	-	1,102,446
State	-	6,383	-	61,933
Participants	-	-	190,538	190,538
Total Contributions	-	7,431	190,538	2,893,874
Investment Income:				
Net appreciation (depreciation) in fair value	6	28,144	391,842	12,158,388
Interest and dividends	2	4,516	10,239	1,813,003
Less: investment expenses	-	(768)	(4,738)	(316,706)
Net investment income (loss)	8	31,892	397,343	13,654,685
Transfers from other pension plans	-	-	-	4,762
Other additions	-	-	314	314
Total Additions	8	39,323	588,195	16,553,635
DEDUCTIONS				
Pension benefits	444	10,771	-	3,463,580
Pension refunds	-	22	-	452,732
Transfers to other pension plans	-	-	-	4,762
Administrative expenses	-	1,469	-	3,251
Distributions to participants	-	-	212,298	212,298
Total Deductions	444	12,262	212,298	4,136,623
Net Increase (Decrease)	(436)	27,061	375,897	12,417,012
Net Position - Beginning	1,392	177,134	3,201,858	74,869,876
Net Position - Ending	$ 956	$ 204,195	$ 3,577,755	$ 87,286,888

Note 12
Other Postemployment Benefits

In addition to pension benefits as described in Note 11, the state, through the Health Care Authority (HCA), administers an agent multiple-employer defined benefit other postemployment benefit (OPEB) plan.

Plan Description and Contributions Information

Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB) created within the HCA, 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.

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.

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 60 of the state's K-12 schools and educational service districts (ESDs), and 221 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 237 K-12 schools and ESDs. As of June 2014, membership in the PEBB plan consisted of the following:

	Active Employees	Retirees [1]	Total
State	108,291	29,674	137,965
K-12 schools and ESDs [2]	2,138	31,642	33,780
Political subdivisions	12,079	1,547	13,626
Total	122,508	62,863	185,371

[1] Retirees include retired employees, surviving spouses, and terminated members entitled to a benefit.
[2] In fiscal year 2014, there were 101,445 full-time equivalent active employees in the 237 K-12 schools and ESDs that elected to limit participation in PEBB only to their retirees.

For fiscal year 2014, the estimated monthly cost for PEBB benefits for active employees (average across all plans and tiers) is as follows:

Required Premium [3]	
Medical	$ 930
Dental	81
Life	4
Long-term disability	2
Total	$1,017
Employer contribution	$ 880
Employee contribution	137
Total	$1,017

[3] Per 2014 Index Rate Model 3.

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 the PEBB plan 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 2013, the average weighted implicit subsidy was valued at $294 per member per month, and in calendar year 2014, the average weighted implicit subsidy is projected to be $291 per member per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. In calendar year 2013, the explicit subsidy was up to $150 per member per month, and it remained up to $150 per member per month in calendar year 2014.

Administrative costs as well as implicit and explicit subsidies are funded by required contributions from participating employers. The subsidies provide monetary assistance for medical benefits.

Contributions are set each biennium as part of the budget process. In fiscal year 2014, the cost of the subsidies was approximately 5.9 percent of the cost of benefits for active employees. The benefits are funded on a pay-as-you-go basis.

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

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.

Summary of Significant Accounting Policies

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported by the state as an agency fund using the accrual basis. It has no investments. The PEBB OPEB plan does not issue a publically available financial report.

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 2014 and changes in the state's Net OPEB Obligation (NOO) (expressed in thousands). All contributions required by the funding method were paid.

Annual required contribution	$ 353,842
Interest on net OPEB obligation	64,551
Amortization of net OPEB obligation	(59,951)
Annual OPEB cost (expense)	358,442
Contributions made	(77,650)
Increase in net OPEB obligation	280,792
Net OPEB obligation - beginning of year	1,613,775
Net OPEB obligation - end of year*	$1,894,567
*estimated	

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2014, 2013, and 2012 were as follows (dollars expressed in thousands):

	2014	2013	2012
Annual OPEB cost	$ 358,442	$347,033	$330,286
% of annual OPEB cost contributed	21.7%	19.9%	23.8%
Net OPEB obligation	$1,894,567	$1,613,775	$1,279,381

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2013, the latest date for which information is available, was as follows (expressed in thousands):

Actuarial accrued liability (AAL)	$3,706,856
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$3,706,856
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	$5,786,960
UAAL as a percentage of covered payroll	64.1%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions were as follows:

Actuarial valuation date	January 1, 2013
Actuarial cost method	Projected Unit Credit (PUC)
Amortization method	Closed, level percentage of projected payroll amortization method
Remaining amortization period	30 years for each new layer of NOO
Asset valuation method	N/A - no assets
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	3.75%
Health care inflation rate	8.0% initial rate, 5.0% ultimate rate in 2093
Inflation rate	3.0%

Note 13

Commitments and Contingencies

A. CAPITAL COMMITMENTS

Outstanding commitments related to state infrastructure and facility construction, improvement, and/or renovation totaled $2.72 billion at June 30, 2014.

B. ENCUMBRANCES

Encumbrances, which represent commitments related to unperformed contracts for goods or services, are included in restricted, committed or assigned fund balance, as appropriate. Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at the end of fiscal year 2014 are (in thousands):

General Fund	$ 1,629
Higher Education Special Revenue Fund	169
Nonmajor Governmental Funds	21,040

C. SUMMARY OF SIGNIFICANT LITIGATION

Pending Litigation

The state and its agencies are parties to numerous routine legal proceedings that normally occur in governmental operations. In addition, at any given point, there may be numerous lawsuits involving the implementation, reduction, or elimination of specific state programs that could significantly impact expenditures, revenues, and potentially have future budgetary impact. This summary considers significant litigation not covered by tort insurance. Tort case liabilities are disclosed in Note 7.E, Claims and Judgments, Risk Management.

The state is the defendant in a number of cases alleging inadequate funding of state programs or services. Claims include: funding inadequacies and inequities in basic education; inadequate funding for care of foster children, the disabled, and elderly; and inadequate funding for the provision of, daily personal care, medical and mental health services to children, the elderly, and the disabled. Collective claims in these programmatic and service cases exceed $142 million exclusive of the basic education case, which will be substantial but is difficult to quantify at this juncture. In addition, adverse rulings in some of these cases could result in significant future costs.

The state is also a defendant in a number of cases contesting: the denial of health care benefits to seasonal and part-time state employees, the methodologies used to calculate reimbursement rates to certain health care providers, and the scope of covered care. Claims in this category exceed $150 million.

The Department of Revenue routinely has claims for refunds in various stages of administrative and legal review. Cases involving claims for refunds currently total approximately $33 million, though an adverse ruling could result in additional claims being brought by similarly situated taxpayers. In addition, the state is defending cases challenging the constitutionality of certain taxes that fund discrete state programs.

The state is a defendant in a number of lawsuits related to: habitat restoration and environmental clean-up arising out of highway/roadway construction and maintenance, and historic mining activity. While estimates are not available for all lawsuits, claims for damages equate to approximately $155 million per annum.

The state is a defendant in a number of lawsuits by employees and other entities alleging various infractions of law or contract. These suits claim back pay, damages, or future entitlements in excess of $172 million.

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 annual payment under the settlement was approximately $127.6 million in fiscal year 2014. Beginning in 2008, Washington received the first of ten "strategic contribution payments" under the MSA. This payment is subject to the same offsets, reductions, and adjustments as are applicable to the annual base payment. The 2014 strategic contribution payment was approximately $37.1 million.

In 2006, 2007, 2008, and 2009, determinations were made that disadvantages experienced by manufacturers as a result of participating in the MSA were a "significant factor" contributing to market share losses by those manufacturers. These determinations related to sales data for the years 2003, 2004, 2005, and 2006. Washington faces a potential "nonparticipating manufacturer (NPM) adjustment" in its share of between $0 and $137 million for the year 2004, $0 and $131 million for the year 2005, $0 and $119 million for the year 2006.

In addition, the states and the participating manufacturers have entered into an agreement under which the states will not contest that the disadvantages experienced by manufacturers as a result of participating in the MSA were a significant factor contributing to market share losses for the years 2007 through 2012. Washington faces a potential NPM adjustment that puts at risk Washington's entire MSA payment. For example, the potential NPM adjustment for the year 2007 is between $0 and $123 million, and for the year 2008, it is between $0 and $173 million.

With respect to 2003 sales data, Washington and 37 other states each filed court actions seeking declarations that they had diligently enforced their escrow statutes – a defense to the adjustment claim. Thirty-six of the 37 states are participating in a single national arbitration of the NPM adjustment dispute.

The arbitration panel issued a decision in Washington's favor, unanimously concluding that Washington proved that it diligently enforced the qualifying statute during calendar year 2003 and, therefore, for that calendar year is not subject to an NPM adjustment under the MSA. Of the 15 states that went to an arbitration hearing, only nine were found to have diligently enforced. As a result of that decision, in fiscal year 2014, Washington received approximately $14 million more than it would have otherwise received due to the release of amounts placed in the MSA Disputed Payment Account (DPA) related to the 2003 calendar year. More importantly, if Washington had not prevailed in the arbitration, its fiscal year 2014 payment would have been reduced by approximately $100 million due to the application of the NPM adjustment.

Finally, the panel's decision addresses only the 2003 calendar year. Washington and other states are engaged in negotiations with participating manufacturers regarding potential arbitration proceedings involving the 2004 calendar year.

D. FEDERAL ASSISTANCE

The state has received federal financial assistance for specific purposes that are generally subject to review or audit by the grantor agencies.

Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the state.

The state estimates and recognizes claims and judgments liabilities for disallowances when determined by the grantor agency or for probable disallowances based on experience pertaining to these grants; however, these recognized liabilities and any unrecognized disallowances are considered immaterial to the state's overall financial condition.

E. ARBITRAGE REBATE

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue.

The rebatable arbitrage must be paid to the federal government. The state estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition.

F. FINANCIAL GUARANTEES

School District Credit Enhancement Program

In accordance with Chapter 39.98 RCW (School District Credit Enhancement Program), the state has guaranteed outstanding voter-approved general obligation bonds of school districts within the state in the amount of $8.98 billion at June 30, 2014. The guarantees extend through the life of the bonds, with a final maturity date of the longest series in 2043.

In the event that a school district has insufficient funds to make a required debt service payment on a guaranteed bond, the state is required to transfer sufficient funds to make the payment. School districts for which the state has made all or part of a debt service payment shall reimburse the state treasurer for all money drawn on their behalf, as well as interest and penalties. The state has not paid debt service on any school debt since the inception of the program in 2000.

G. OTHER COMMITMENTS AND CONTINGENCIES

Local Option Capital Asset Lending Program

On September 1, 1998, the state lease-purchase program was extended to local governments seeking low cost financing of essential equipment and in the year 2000 for real estate. The Local Option Capital Assets Lending (LOCAL) program allows local governments to pool their financing requests together with Washington state agencies in Certificates of Participation (COPs). Refer to Note 7.B for the state's COP disclosure.

These COPs do not constitute a debt or pledge of the full faith and credit of the state; rather, local governments pledge their full faith and credit in a general obligation pledge.

In the event that any local government fails to make any payment, the state is obligated to withhold an amount sufficient to make such payment from the local government's share, if any, of state revenues or other amounts authorized or required by law to be distributed by the state to such local government, if otherwise legally permissible.

Upon failure of any local government to make a payment, the state is further obligated, to the extent of legally available appropriated funds to make such payment on behalf of such local government. The local government remains obligated to make all COP payments and reimburse the state for any conditional payments.

As of June 30, 2014, outstanding certificates of participation notes totaled $84.4 million for 159 local governments participating in LOCAL. The state estimates that the LOCAL program liability, if any, will be immaterial to its overall financial condition.

Note 14
Subsequent Events

A. BOND ISSUES

In July 2014, the state issued:

- $420.5 million in motor vehicle fuel tax general obligation refunding bonds for the purpose of refunding certain motor vehicle fuel tax general obligation bonds of the state.
- $420.1 million in general obligation refunding bonds for the purpose of refunding certain various purpose general obligation bonds of the state.
- $228.0 million in general obligation bonds for various state capital projects.
- $85.9 million in taxable general obligation bonds for capital projects and loan programs for low-income housing and various energy efficiency and renewable energy projects.

In October 2014, the state issued:

- $301.8 million in motor vehicle fuel tax general obligation refunding bonds for the purpose of refunding certain motor vehicle fuel tax general obligation bonds of the state.
- $616.0 million in general obligation refunding bonds for the purpose of refunding certain various purpose general obligation bonds of the state.

Later in the calendar year, Washington State University is planning to issue approximately $15.0 million in refunding bonds and approximately $75.0 million in general revenue bonds to construct a digital classroom building, pay for public safety projects and renovate a building.

B. CERTIFICATES OF PARTICIPATION

In August 2014, the state issued $64.0 million in Certificates of Participation.

C. OTHER DEBT

In October 2014, the University of Washington plans to issue up to $36.0 million in short term commercial paper to buy out the lease of the Cobb Building.

D. GENERAL ELECTION

There is a measure on the state's November 4, 2014, general election ballot that addresses K-12 education. This measure, if passed, could impact the state fiscally.

Election results are not final or official until certified. By law December 4, 2014, is the last day for the Office of the Secretary of State to certify General Election returns.

Information is posted as available on the Secretary of State's website at: http://www.sos.wa.gov.

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RSI
Required Supplementary Information

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BUDGETARY COMPARISON SCHEDULE
General Fund

Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

	Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 496,944	$ 496,944	$ 496,944	$ -
Resources				
Taxes	31,808,298	32,042,383	15,893,803	(16,148,580)
Licenses, permits, and fees	197,260	209,192	107,564	(101,628)
Other contracts and grants	529,972	529,101	238,875	(290,226)
Timber sales	5,040	4,278	2,032	(2,246)
Federal grants-in-aid	17,191,481	18,080,040	8,544,003	(9,536,037)
Charges for services	68,703	70,431	33,969	(36,462)
Investment income (loss)	(10,907)	(6,110)	(1,254)	4,856
Miscellaneous revenue	583,494	591,447	169,768	(421,679)
Unclaimed property	128,649	114,164	60,467	(53,697)
Transfers from other funds	1,370,652	1,413,469	742,576	(670,893)
Total Resources	52,369,586	53,545,339	26,288,747	(27,256,592)
Charges To Appropriations				
General government	3,474,379	3,494,982	1,585,766	1,909,216
Human services	26,375,585	27,213,661	13,275,755	13,937,906
Natural resources and recreation	633,909	638,415	296,422	341,993
Transportation	94,456	92,878	43,808	49,070
Education	20,010,213	20,060,318	9,759,149	10,301,169
Capital outlays	998,238	969,917	245,258	724,659
Transfers to other funds	561,776	572,618	339,854	232,764
Total Charges To Appropriations	52,148,556	53,042,789	25,546,012	27,496,777
Excess Available For Appropriation Over (Under) Charges To Appropriations	221,030	502,550	742,735	240,185
Reconciling Items				
Bond sale proceeds	138,792	424,650	168,458	(256,192)
Issuance premiums	-	-	891	891
Assumed reversions	140,000	140,000	-	(140,000)
Working capital adjustment	-	(44,800)	(44,800)	-
Allocations	50,001	45,001	-	(45,001)
Changes in reserves (net)	-	-	(1,558)	(1,558)
Entity adjustments (net)	-	-	29,305	29,305
Total Reconciling Items	328,793	564,851	152,296	(412,555)
Budgetary Fund Balance, June 30	$ 549,823	$ 1,067,401	$ 895,031	$ (172,370)

BUDGETARY COMPARISON SCHEDULE
General Fund - Budget to GAAP Reconciliation

General Fund
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

Sources/Inflows of Resources		
Actual amounts (budgetary basis) "Total Resources"		
from the Budgetary Comparison Schedule	$	26,288,747
Differences - budget to GAAP:		
The following items are inflows of budgetary resources but are not		
revenue for financial reporting purposes:		
Transfers from other funds		(742,576)
Budgetary fund balance at the beginning of the biennium		(496,944)
Appropriated loan principal repayment		(905)
The following items are not inflows of budgetary resources but are		
revenue for financial reporting purposes:		
Noncash commodities and electronic food stamp benefits		1,679,737
Revenues collected for other governments		114,101
Unanticipated receipts		6,275
Noncash revenues		(14,937)
Other		6,182
Biennium total revenues		26,839,680
Nonappropriated activity		15,272
Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$	26,854,952
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "Total Charges to Appropriations"		
from the Budgetary Comparison Schedule	$	25,546,012
Differences - budget to GAAP:		
The following items are outflows of budgetary resources but are		
not expenditures for financial reporting purposes:		
Appropriated transfers to other funds		(1,195,731)
Other transfers to other funds		(339,854)
Appropriated loan disbursements		(4)
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		1,679,737
Distributions to other governments		114,101
Certificates of participation and capital lease acquisitions		1,102
Expenditures related to unanticipated receipts		6,275
Other		6,345
Biennium total expenditures		25,817,983
Nonappropriated activity		316,155
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$	26,134,138

BUDGETARY COMPARISON SCHEDULE
Higher Education Special Revenue Fund

Budgetary Comparison Schedule
Higher Education Special Revenue Fund
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

	Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 2,427,292	$ 2,427,292	$ 2,427,292	$ -
Resources				
Taxes	334,110	397,936	201,410	(196,526)
Charges for services	917	-	-	-
Investment income (loss)	95	-	84	84
Transfers from other funds	340,577	348,025	177,640	(170,385)
Total Resources	3,102,991	3,173,253	2,806,426	(366,827)
Charges To Appropriations				
Education	608,761	704,514	303,783	400,731
Transfers to other funds	52,150	51,888	28,969	22,919
Total Charges To Appropriations	660,911	756,402	332,752	423,650
Excess Available For Appropriation Over (Under) Charges To Appropriations	2,442,080	2,416,851	2,473,674	56,823
Reconciling Items				
Changes in reserves (net)	-	-	(6,237)	(6,237)
Entity adjustments (net)	-	-	94,196	94,196
Total Reconciling Items	-	-	87,959	87,959
Budgetary Fund Balance, June 30	$ 2,442,080	$ 2,416,851	$ 2,561,633	$ 144,782

BUDGETARY COMPARISON SCHEDULE
Higher Education Special Revenue Fund - Budget to GAAP Reconciliation

Higher Education Special Revenue Fund
For the Fiscal Year Ended June 30, 2014
(expressed in thousands)

Sources/Inflows of Resources		
Actual amounts (budgetary basis) "Total Resources"		
from the Budgetary Comparison Schedule	$	2,806,426
Differences - budget to GAAP:		
The following items are inflows of budgetary resources but are not		
revenue for financial reporting purposes:		
Transfers from other funds		(177,640)
Budgetary fund balance at the beginning of the biennium		(2,427,292)
The following items are not inflows of budgetary resources but are		
revenue for financial reporting purposes:		
Noncash revenues		55
Biennium total revenues		201,549
Nonappropriated activity		4,906,058
Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$	5,107,607
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "Total Charges to Appropriations"		
from the Budgetary Comparison Schedule	$	332,752
Differences - budget to GAAP:		
The following items are outflows of budgetary resources but are		
not expenditures for financial reporting purposes:		
Appropriated transfers to other funds		(31,354)
Other transfers to other funds		(28,969)
Biennium total expenditures		272,429
Nonappropriated activity		4,775,089
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$	5,047,518

BUDGETARY INFORMATION
Notes to Required Supplementary Information

GENERAL BUDGETARY POLICIES AND PROCEDURES

The Governor is required to submit a budget to the Legislature no later than December 20 of the year preceding odd-numbered year sessions of the Legislature.

The budget is a proposal for expenditures in the ensuing biennial period based upon anticipated revenues from the sources and rates existing by law at the time of submission of the budget. The Governor may additionally submit, as an appendix to the budget, a proposal for expenditures in the ensuing biennium from revenue sources derived from proposed changes in existing statutes.

The appropriated budget and any necessary supplemental budgets are legally required to be adopted through the passage of appropriation bills by the Legislature and approved by the Governor. Operating appropriations are generally made at the fund/account and agency level; however, in a few cases, appropriations are made at the fund/account and agency/program level. Operating appropriations cover either the entire biennium or a single fiscal year within the biennium. Capital appropriations are biennial and are generally made at the fund/account, agency, and project level.

The legal level of budgetary control is at the fund/account, agency, and appropriation level, with administrative controls established at lower levels of detail in certain instances. The accompanying budgetary schedule is not presented at the legal level of budgetary control. This is due to the large number of appropriations within individual agencies that would make such a presentation in the accompanying financial schedule extremely cumbersome. Section 2400.121 of the GASB Codification of Governmental Accounting and Financial Reporting Standards provides for the preparation of a separate report in these extreme cases.

For the state of Washington, a separate report has been prepared for the 2013-15 biennium to illustrate legal budgetary compliance. Appropriated budget versus actual expenditures, and estimated versus actual revenues and other financing sources (uses) for appropriated funds/accounts at agency and appropriation level are presented in the Budget-to-Actual Detail Report for governmental funds. A copy of this report is available at the Office of Financial Management, PO Box 43113, Olympia, Washington 98504-3113.

Legislative appropriations are strict legal limits on expenditures, and over-expenditures are prohibited. All appropriated and certain nonappropriated funds/accounts are further controlled by the executive branch through the allotment process. This process allocates the expenditure plan into monthly allotments by program, source of funds, and object of expenditure. State law does not preclude the over- expenditure of allotments.

Proprietary funds/accounts can earn revenues and incur expenses (i.e., depreciation or cost of goods sold) not covered by the allotment process. Budget estimates are generally made outside the allotment process according to prepared business plans. These proprietary fund/account 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 estimate revenue and make expenditure allotments based on availability of unanticipated receipts, mainly federal government grant increases made during a fiscal year.

Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at fiscal year-end are reported as restricted, committed, or assigned fund balance.

Budgetary Reporting vs. GAAP Reporting

Governmental funds are budgeted materially in conformance with GAAP. However, the presentation in the accompanying budgetary schedules is different in certain respects from the corresponding Statements of Revenues, Expenditures, and Changes in Fund Balance (governmental operating statement). In the accompanying budgetary schedules, budget and actual expenditures are reported only for appropriated activities. Expenditures are classified based on whether the appropriation is from the operating or capital budget. Expenditures funded by operating budget appropriations are reported as current expenditures classified by the function of the agency receiving the appropriation. Expenditures funded by capital budget appropriations are reported as capital outlays.

However, in the governmental operating statements, all governmental funds are included and expenditures are classified according to what was actually purchased. Capital outlays are capital asset acquisitions such as land, buildings, and equipment. Debt service expenditures are principal and interest payments. Current expenditures are all other governmental fund expenditures classified based on the function of the agency making the expenditures.

Certain governmental activities are excluded from the budgetary schedules because they are not appropriated. These activities include activities designated as nonappropriated by the Legislature. Nonappropriated activities can represent a portion of a fund such as the Higher Education Special Revenue Fund or all of a fund such as the Higher Education Endowment and Tobacco Settlement Securitization Bond Debt Service Funds. Additionally, certain items including federal surplus food commodities, electronic food stamp benefits, and resources collected and distributed to other governments are also excluded because they are not appropriated.

Further, certain expenditures are appropriated as operating transfers. These transfers are reported as operating transfers on the budgetary schedules and as expenditures on the governmental operating statements.

In the General Fund, Budgetary Fund Balance equals unassigned fund balance as reported on the Governmental Funds Balance Sheet. In all other funds except Wildlife and Natural Resources, Budgetary Fund Balance equals total fund balance less nonspendable fund balance as reported on the Governmental Funds Balance Sheet. The Budgetary Fund Balance in the Wildlife and Natural Resources fund is further reduced by a portion of restricted fund balance that is not available for budgeting.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress
Public Employees' Retirement System - Plan 1
Valuation Years 2013 through 2008
(dollars in millions)

	2013	2012	2011	2010	2009	2008
Actuarial valuation date	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
Actuarial value of plan assets	$ 8,053	$ 8,521	$ 8,883	$ 9,293	$ 9,776	$ 9,853
Actuarial accrued liability	12,874	12,360	12,571	12,538	13,984	13,901
Unfunded actuarial liability	4,821	3,839	3,688	3,245	4,209	4,048
Funded Ratio	63%	69%	71%	74%	70%	71%
Covered payroll	318	371	432	507	580	638
Unfunded actuarial liability as a percentage of covered payroll	1517%	1035%	854%	640%	725%	634%

Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Public Employees' Retirement System - Plan 2/3
Valuation Years 2013 through 2008
(dollars in millions)

	2013	2012	2011	2010	2009	2008
Actuarial valuation date	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
Actuarial value of plan assets	$ 24,335	$ 22,653	$ 20,997	$ 19,474	$ 18,260	$ 16,693
Actuarial accrued liability	26,540	22,780	21,627	20,029	18,398	16,508
Unfunded actuarial liability	2,205	127	630	555	137	(185)
Funded Ratio	92%	99%	97%	97%	99%	101%
Covered payroll	8,339	8,193	8,148	8,206	8,132	7,869
Unfunded actuarial liability as a percentage of covered payroll	26%	2%	8%	7%	2%	0%

PERS Plan 2/3 uses the aggregate actuarial cost method. The 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.

Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress
Teachers' Retirement System - Plan 1
Valuation Years 2013 through 2008
(dollars in millions)

	2013	2012	2011	2010	2009	2008
Actuarial valuation date	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
Actuarial value of plan assets	$ 6,717	$ 7,145	$ 7,485	$ 7,791	$ 8,146	$ 8,262
Actuarial accrued liability	9,429	9,038	9,232	9,201	10,820	10,754
Unfunded actuarial liability	2,712	1,894	1,747	1,410	2,674	2,492
Funded Ratio	71%	79%	81%	85%	75%	77%
Covered payroll	183	228	284	344	389	432
Unfunded actuarial liability as a percentage of covered payroll	1481%	829%	615%	410%	688%	576%

Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Teachers' Retirement System - Plan 2/3
Valuation Years 2013 through 2008
(dollars in millions)

	2013	2012	2011	2010	2009	2008
Actuarial valuation date	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
Actuarial value of plan assets	$ 8,406	$ 7,758	$ 7,141	$ 6,593	$ 6,160	$ 5,681
Actuarial accrued liability	8,794	7,478	7,194	6,558	6,048	5,264
Unfunded (assets in excess of) actuarial liability	388	(280)	53	(36)	(112)	(417)
Funded Ratio	96%	104%	99%	101%	102%	108%
Covered payroll	4,223	4,077	4,085	3,966	3,957	3,621
Unfunded actuarial liability as a percentage of covered payroll	9%	0%	1%	0%	0%	0%

TRS Plan 2/3 uses the aggregate actuarial cost method. The 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.

Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress
School Employees' Retirement System - Plan 2/3
Valuation Years 2013 through 2008
(dollars in millions)

	2013	2012	2011	2010	2009	2008
Actuarial valuation date	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
Actuarial value of plan assets	$ 3,335	$ 3,100	$ 2,872	$ 2,664	$ 2,503	$ 2,303
Actuarial accrued liability	3,581	3,103	2,956	2,706	2,493	2,207
Unfunded (assets in excess of) actuarial liability	247	3	84	41	(10)	(95)
Funded Ratio	93%	100%	97%	98%	100%	104%
Covered payroll	1,514	1,479	1,490	1,475	1,467	1,379
Unfunded actuarial liability as a percentage of covered payroll	16%	0%	6%	3%	0%	0%

SERS Plan 2/3 uses the aggregate actuarial cost method. The 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.

Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 1
Valuation Years 2013 through 2008
(dollars in millions)

	2013	2012	2011	2010	2009	2008
Actuarial valuation date	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
Actuarial value of plan assets	$ 5,516	$ 5,562	$ 5,565	$ 5,561	$ 5,612	$ 5,592
Actuarial accrued liability	4,409	4,121	4,145	4,393	4,492	4,368
Unfunded (assets in excess of) actuarial liability	(1,108)	(1,441)	(1,420)	(1,168)	(1,120)	(1,225)
Funded Ratio	125%	135%	134%	127%	125%	128%
Covered payroll	15	19	25	29	33	37
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	0%	0%	0%	0%

Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress
Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 2
Valuation Years 2013 through 2008
(dollars in millions)

	2013	2012	2011	2010	2009	2008
Actuarial valuation date	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
Actuarial value of plan assets	$ 7,862	$ 7,222	$ 6,621	$ 6,043	$ 5,564	$ 5,053
Actuarial accrued liability	7,220	6,353	5,941	5,164	4,641	3,998
Unfunded (assets in excess of) actuarial liability	(643)	(869)	(679)	(879)	(923)	(1,054)
Funded Ratio	109%	114%	111%	117%	120%	126%
Covered payroll	1,597	1,560	1,535	1,490	1,442	1,345
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	0%	0%	0%	0%

LEOFF Plan 2 uses the aggregate actuarial cost method. The 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.

Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Washington State Patrol Retirement System - Plan 1/2
Valuation Years 2013 through 2008
(dollars in millions)

	2013	2012	2011	2010	2009	2008
Actuarial valuation date	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
Actuarial value of plan assets	$ 1,009	$ 982	$ 949	$ 920	$ 900	$ 870
Actuarial accrued liability	987	884	859	812	790	745
Unfunded (assets in excess of) actuarial liability	(22)	(97)	(90)	(107)	(110)	(124)
Funded Ratio	102%	111%	110%	113%	114%	117%
Covered payroll	80	80	82	83	83	79
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	0%	0%	0%	0%

WSPRS Plan 1/2 uses the aggregate actuarial cost method. The 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.

Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress
Public Safety Employees' Retirement System - Plan 2
Valuation Years 2013 through 2008
(dollars in millions)

	2013	2012	2011	2010	2009	2008
Actuarial valuation date	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
Actuarial value of plan assets	$ 224	$ 180	$ 141	$ 103	$ 69	$ 39
Actuarial accrued liability	218	159	126	94	64	37
Unfunded (assets in excess of) actuarial liability	(7)	(22)	(14)	(9)	(5)	(2)
Funded Ratio	103%	114%	111%	109%	108%	106%
Covered payroll	253	238	233	227	223	200
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	0%	0%	0%	0%

PSERS Plan 2 uses the aggregate actuarial cost method. The 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.
Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Judicial Retirement System
Valuation Years 2013 through 2008
(dollars in millions)

	2013	2012	2011	2010	2009	2008
Actuarial valuation date	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
Actuarial value of plan assets	$ 4	$ 3	$ 5	$ 4	$ 2	$ 1
Actuarial accrued liability	108	104	109	84	89	92
Unfunded actuarial liability	104	101	104	80	87	91
Funded Ratio	4%	3%	5%	5%	2%	1%
Covered payroll	N/A	0.3	0.5	0.7	0.9	1.3
Unfunded actuarial liability as a percentage of covered payroll	N/A	33779%	22574%	11565%	9216%	7141%

N/A indicates that data is not applicable. Beginning with fiscal year 2013, there are no active members in this plan.

Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress

concluded

Schedule of Funding Progress
Judges' Retirement Fund
Valuation Years 2013 through 2008
(dollars in millions)

	2013	2012	2011	2010	2009	2008
Actuarial valuation date	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
Actuarial value of plan assets	$ 1.4	$ 1.9	$ 2.3	$ 2.8	$ 3.3	$ 3.6
Actuarial accrued liability	3.5	3.6	3.9	3.2	3.4	3.5
Unfunded (assets in excess of) actuarial liability	2.1	1.7	1.5	0.4	0.1	(0.1)
Funded Ratio	40%	52%	61%	87%	97%	104%
Covered payroll *	N/A	N/A	N/A	N/A	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

* Covered payroll is not applicable because there are no active plan members.

N/A indicates data not applicable.

Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund
Valuation Years 2013 through 2008
(dollars in millions)

	2013	2012	2011	2010	2009	2008
Actuarial valuation date	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
Actuarial value of plan assets***	$ 182	$ 170	$ 168	$ 166	$ 166	$ 161
Actuarial accrued liability*	184	170	168	166	163	153
Unfunded (assets in excess of) actuarial liability	1	-	-	-	(3)	(8)
Funded Ratio	99%	100%	100%	100%	102%	105%
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.

*** State Board for Volunteer Fire Fighters and Reserve Officers adopted a new funding policy as of 2010 where assets above the accrued pension liability are allocated to fund relief benefits.

N/A indicates data not applicable.

Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION

Schedules of Contributions from Employers and Other Contributing Entities (cont'd)

Schedules of Contributions from Employers and Other Contributing Entities
For the Fiscal Years Ended June 30, 2014 through 2009
(dollars in millions)

	2014	2013	2012	2011	2010	2009
PUBLIC EMPLOYEES' RETIREMENT PLAN SYSTEM - PLAN 1						
Employers' annual required contribution	$ 670.9	$ 534.2	$ 508.0	$ 439.3	$ 627.8	$ 620.2
Employers' actual contribution	448.9	266.3	257.2	145.6	154.0	325.2
Percentage contributed	67%	50%	51%	33%	25%	52%
PUBLIC EMPLOYEES' RETIREMENT PLAN SYSTEM - PLAN 2/3						
Employers' annual required contribution	$ 612.0	$ 408.3	$ 407.7	$ 408.6	$ 383.1	$ 369.7
Employers' actual contribution	430.3	389.0	385.3	328.3	327.5	439.7
Percentage contributed	70%	95%	94%	80%	85%	119%
TEACHERS' RETIREMENT SYSTEM - PLAN 1						
Employers' annual required contribution	$ 388.6	$ 275.4	$ 254.0	$ 205.9	$ 406.1	$ 391.0
Employers' actual contribution	200.7	118.6	111.9	96.8	112.7	178.9
Percentage contributed	52%	43%	44%	47%	28%	46%
TEACHERS' RETIREMENT SYSTEM - PLAN 2/3						
Employers' annual required contribution	$ 335.4	$ 231.6	$ 232.2	$ 232.3	$ 221.1	$ 186.9
Employers' actual contribution	249.3	229.0	213.9	168.3	165.0	160.8
Percentage contributed	74%	99%	92%	72%	75%	86%
SCHOOL EMPLOYEES' RETIREMENT SYSTEM - PLAN 2/3						
Employers' annual required contribution	$ 124.5	$ 86.6	$ 85.2	$ 88.6	$ 82.3	$ 71.5
Employers' actual contribution	88.8	78.4	74.6	62.3	62.1	63.5
Percentage contributed	71%	91%	88%	70%	75%	89%

The Annual Required Contribution (ARC) changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic experience gains and losses. The methods used to derive the ARC for this reporting disclosure are different from the methods used to derive the actual contributions required by law. These differences include the use of different actuarial valuations (actual contributions may be based on an earlier valuation), and different actuarial cost methods. For these reasons the actual contributions will not match the ARCs. Starting in 2009, the ARC for PERS and TRS Plans 1 was calculated using the Entry Age Normal cost method with a rolling 10-year amortization (excluding the temporary rate ceilings). Starting in 2011, the calculation of the ARC reflects the underlying actuarial cost method (excluding minimum contribution rates).

Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Schedules of Contributions from Employers and Other Contributing Entities (cont'd)

Schedules of Contributions from Employers and Other Contributing Entities
For the Fiscal Years Ended June 30, 2014 through 2009
(dollars in millions)

	2014	2013	2012	2011	2010	2009
LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM - PLAN 1						
Employers' annual required contribution	$ -	$ -	$ -	$ -	$ -	$ -
Employers' actual contribution	0.1	0.6	-	-	-	-
Percentage contributed	N/A	N/A	N/A	N/A	N/A	N/A
State annual required contribution	$ -	$ -	$ -	$ -	$ -	$ -
State actual contribution	-	-	-	-	-	-
Percentage contributed	N/A	N/A	N/A	N/A	N/A	N/A
LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM - PLAN 2						
Employers' annual required contribution*	$ 70.1	$ 56.8	$ 59.1	$ 50.4	$ 67.3	$ 63.2
Employers' actual contribution	85.5	82.4	80.5	79.7	77.0	77.8
Percentage contributed	122%	145%	136%	158%	114%	123%
State annual required contribution*	$ 46.8	$ 37.9	$ 38.2	$ 33.6	$ 44.4	$ 42.1
State actual contribution	55.6	52.8	52.0	51.4	51.1	45.9
Percentage contributed	121%	144%	137%	157%	114%	122%
WASHINGTON STATE PATROL RETIREMENT SYSTEM						
Employers' annual required contribution	$ 7.3	$ 2.5	$ 2.9	$ 2.3	$ 6.6	$ 5.0
Employers' actual contribution	6.6	6.5	6.5	5.3	5.3	6.4
Percentage contributed	90%	260%	224%	228%	80%	127%

N/A indicates data not applicable.

*The Annual Required Contribution (ARC) for the LEOFF Plan 2 presented is the Office of the State Actuary's recommended figure.

The Annual Required Contribution (ARC) changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic experience gains and losses. The methods used to derive the ARC for this reporting disclosure are different from the methods used to derive the actual contributions required by law. These differences include the use of different actuarial valuations (actual contributions may be based on an earlier valuation), and different actuarial cost methods. For these reasons the actual contributions will not match the ARCs. Starting in 2009, the ARC for PERS and TRS Plans 1 was calculated using the Entry Age Normal cost method with a rolling 10-year amortization (excluding the temporary rate ceilings). Starting in 2011, the calculation of the ARC reflects the underlying actuarial cost method (excluding minimum contribution rates).

Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

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, 2014 through 2009
(dollars in millions)

	2014	2013	2012	2011	2010	2009
PUBLIC SAFETY EMPLOYEES' RETIREMENT SYSTEM - PLAN 2						
Employers' annual required contribution	$ 18.6	$ 15.1	$ 14.7	$ 14.7	$ 14.8	$ 14.3
Employers' actual contribution	17.1	15.6	15.3	15.6	15.2	14.5
Percentage contributed	92%	103%	104%	106%	103%	101%
JUDICIAL RETIREMENT SYSTEM						
Employers' annual required contribution	$ 22.5	$ 21.7	$ 22.6	$ 18.6	$ 20.4	$ 21.2
Employers' actual contribution	10.6	10.1	8.1	10.9	11.6	10.2
Percentage contributed	47%	47%	36%	59%	57%	49%
JUDGES' RETIREMENT FUND						
Employers' annual required contribution	$ 0.5	$ 0.4	$ 0.3	$ 0.1	$ -	$ -
Employers' actual contribution	-	-	-	-	-	-
Percentage contributed	N/A	N/A	N/A	N/A	N/A	N/A
VOLUNTEER FIRE FIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION FUND						
Employers' annual required contribution	$ 1.0	$ 0.9	$ 1.0	$ 1.1	$ 1.0	$ 1.1
Employers' actual contribution	1.0	0.9	1.0	1.1	1.0	1.0
Percentage contributed	100%	100%	100%	100%	100%	91%
State annual required contribution	$ 5.2	$ 3.7	$ 3.7	$ 4.2	$ 1.8	$ 1.4
State actual contribution	6.4	6.0	5.6	5.8	5.7	5.2
Percentage contributed	123%	162%	151%	138%	317%	371%

N/A indicates data not applicable.

The Annual Required Contribution (ARC) changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic experience gains and losses. The methods used to derive the ARC for this reporting disclosure are different from the methods used to derive the actual contributions required by law. These differences include the use of different actuarial valuations (actual contributions may be based on an earlier valuation), and different actuarial cost methods. For these reasons the actual contributions will not match the ARCs. Starting in 2009, the ARC for PERS and TRS Plans 1 was calculated using the Entry Age Normal cost method with a rolling 10-year amortization (excluding the temporary rate ceilings). Starting in 2011, the calculation of the ARC reflects the underlying actuarial cost method (excluding minimum contribution rates).

Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Change in Net Pension Liability
Fiscal Years Ended June 30, 2014 through 2013
(dollars in thousands)

	2014	2013
Total Pension Liability		
Service cost	$ 1,240	N/A
Interest	12,480	N/A
Changes of benefit terms	-	N/A
Differences between expected and actual experience	-	N/A
Changes in assumptions	-	N/A
Benefit payments, Including refunds of member contributions	(10,771)	N/A
Net Change in Total Pension Liability	2,949	N/A
Total Pension Liability - Beginning	183,578	N/A
Total Pension Liability - Ending	$ 186,527	$ 183,578
Plan Fiduciary Net Position		
Contributions - Employer	$ 7,336	N/A
Contributions - Member	95	N/A
Net investment income	31,892	N/A
Benefit payments, Including refunds of member contributions	(10,771)	N/A
AdministrativeeExpense	(1,469)	N/A
Other	(22)	N/A
Net Change in Plan Fiduciary Net Position	27,061	N/A
Plan Fiduciary Net Position - Beginning	177,134	N/A
Plan Fiduciary Net Position - Ending	$ 204,195	$ 177,134
Plan's Net Pension Liability (Asset) - Ending	$ (17,668)	$ 6,444

N/A indicates data not available.
This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Net Pension Liability
Fiscal Years Ended June 30, 2014 through 2013
(dollars in thousands)

	2014	2013
Total Pension Liability - Ending	$ 186,527	$ 183,578
Plan Fiduciary Net Position - Ending	204,195	177,134
Plan's Net Pension Liability (Asset) - Ending	$ (17,668)	$ 6,444
Plan fiduciary net position as a percent of the total pension liability	109.47%	96.49%
Covered employee payroll	N/A	N/A
Net pension liability (asset) as a percent of covered employee payroll	N/A	N/A

N/A indicates data not applicable. This is a volunteer organization.

This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary

Schedule of Contributions
Fiscal Years Ended June 30, 2014 through 2005
(dollars in thousands)

Year	Actuarially determined contribution	Contributions in relation to the actuarial determined contribution	Contribution deficiency (excess)
2014	$ 6,421	$ 7,336	$ (915)
2013	4,600	6,946	(2,346)
2012	4,700	6,484	(1,784)
2011	5,300	6,778	(1,478)
2010	2,800	6,787	(3,987)
2009	2,500	6,223	(3,723)
2008	1,900	6,102	(4,202)
2007	3,000	7,063	(4,063)
2006	4,600	5,695	(1,095)
2005	2,500	5,191	(2,691)

Neither covered payroll nor contributions as a percentage of covered payroll are applicable. This is a volunteer organization.

Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions. The 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.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Investment Returns
Fiscal Year Ended June 30, 2014

	2014
Annual money-weighted rate of return, net of investment expense	16.72%

This schedule is to be built prospectively until it contains ten years of data.

Source: Washington State Office of the State Actuary

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund
Notes to Required Supplementary Information

The Office of the State Actuary (OSA) calculates the Actuarially Determined Contributions (ADC) based on the results of an actuarial valuation consistent with funding policy defined under Chapter 41.24 RCW and adopted policies made by the State Board for Volunteer Fire Fighters and Reserve Officers. Consistent with the Board's contribution rate adoption process, the results of an actuarial valuation determine the ADC two years after the valuation date. For example, the actuarial valuation with a June 30, 2013 valuation date, completed in the Fall of 2014, determines the ADC for the period ending June 30, 2015.

OTHER POSTEMPLOYMENT BENEFITS INFORMATION
Schedule of Funding Progress

Schedule of Funding Progress
Other Postemployment Benefits
Valuation Years 2013 through 2009
(dollars in millions)

	2013	2011	2009
Actuarial valuation date	1/1/2013	1/1/2011	1/1/2009
Actuarial value of plan assets	$ -	$ -	$ -
Actuarial accrued liability (AAL)*	3,707	3,492	3,787
Unfunded actuarial accrued liability (UAAL)	3,707	3,492	3,787
Funded ratio	0%	0%	0%
Covered payroll	5,787	5,937	5,678
UAAL as a percentage of covered payroll	64%	59%	67%

* Based on projected unit credit actuarial cost method.

Source: Washington State Office of the State Actuary

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

Condition Assessment

The state of Washington reports certain networks of infrastructure assets under the modified approach of the Governmental Accounting Standards Board Statement No. 34. Expenditures to maintain and preserve these assets are budgeted, recorded, and reported in lieu of depreciation expense. The state must meet the following requirements to report networks of assets under the modified approach:

- Maintain an up-to-date inventory of eligible infrastructure assets in an asset management system.
- Disclose the condition level established by administrative or executive policy, or by legislative action at which assets are to be preserved or maintained.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Document that assets are being preserved approximately at or above the disclosed condition level.
- Annually estimate the cost to maintain and preserve the assets at the established condition level.

Assets accounted for under the modified approach include the state's network of highway pavements, bridges, and rest areas. In fiscal year 2014, the state was responsible to maintain and preserve 20,692 pavement lane miles, 3,286 bridges and tunnels, and 48 rest areas.

PAVEMENT CONDITION

The Washington State Department of Transportation (WSDOT) performs highway pavement assessments over a two year cycle utilizing three measurements to develop a scaled condition assessment: Pavement Structural Condition (PSC), International Roughness Index (IRI), and rutting.

The WSDOT uses the following rating scale for PSC:

Category	PSC Range	Description
Very Good	80 – 100	Little or no distress. Example: Flexible pavement with 5 percent of wheel track length having "hairline" severity alligator cracking will have a PSC of 80.
Good	60 – 79	Early stage deterioration. Example: Flexible pavement with 15 percent of wheel track length having "hairline" alligator cracking will have a PSC of 70.
Fair	40 – 59	This is the threshold value for rehabilitation. Example: Flexible pavement with 25 percent of wheel track length having "hairline" alligator cracking will have a PSC of 50.
Poor	20 – 39	Structural deterioration. Example: Flexible pavement with 25 percent of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 30.
Very Poor	0 – 19	Advanced structural deterioration. Example: Flexible pavement with 40 percent of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 10. May require extensive repair and thicker overlays.

The IRI scale is measured in inches per mile. The WSDOT assesses pavements with a ride performance measure less than 221 inches per mile to be in fair or better condition.

Rutting is measured in inches with a measurement of 0.58 inches or less assessed at a condition of fair or better.

PSC, IRI, and rutting are combined to rate a section of pavement which is assigned the lowest condition of any of the three indices.

The WSDOT's policy is to maintain 90 percent of pavements at a condition level of fair or better. The following table shows the combined conditions and the ratings for each index:

Category	PSC	IRI	Rutting
Very Good	80 – 100	< 96	< 0.24
Good	60 – 79	96 – 170	0.24 – 0.41
Fair	40 – 59	171 – 220	0.42 – 0.58
Poor	20 – 39	221 – 320	0.59 – 0.74
Very Poor	0 – 19	> 320	> 0.74

The following table shows pavement condition ratings for state highways:

Pavements Percentage in Fair or Better Condition* Two Year Cycle Ending Calendar Year			
2013	**2011**	**2009**	**Average of Last Three Assessments**
92.8%	91.2%	92.7%	92.2%

* The methodology for 2013 has changed from being based solely on number of lane miles to being based on lane miles weighted by vehicle miles traveled. Vehicle miles traveled are key data for highway planning and management, and a common measure of roadway use.

The following table reflects the state's estimated and actual expenditures necessary to preserve state highways at the established condition level:

Pavements Preservation and Maintenance - Planned to Actual - Fiscal Year *(expressed in thousands)*					
	2014	**2013**	**2012**	**2011**	**2010**
Planned	$ 122,868	$ 137,779	$ 148,811	$ 122,203	$ 168,204
Actual	143,598	108,972	148,366	117,811	159,441
Variance	$ (20,730)	$ 28,807	$ 445	$ 4,392	$ 8,763
	(16.9%)	20.9%	0.3%	3.6%	5.2%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about pavements, refer to the WSDOT's website at:
http://www.wsdot.wa.gov/Business/MaterialsLab/Pavements/default.htm.

BRIDGE CONDITION

The WSDOT performs sample condition assessments on state owned bridges in excess of 20 feet in length each year with all bridges inspected over a two year cycle. Underwater bridge components are inspected at least once every five years in accordance with Federal Highway Administration (FHWA) requirements.

The WSDOT uses a performance measure which classifies a bridge as good, fair, or poor using the National Bridge Inspection Standards (NBIS) codes for bridge superstructure, substructure, and deck. The following categories for condition rating are based on the structural sufficiency standards established in FHWA's "Recording and Coding Guide for the Structural Inventory and Appraisal of the Nation's Bridges."

Category	National Bridge Inventory Code	Description
Good	6, 7, or 8	A range from no problems noted to some minor deterioration of structural elements.
Fair	5	All primary structural elements are sound but may have deficiencies such as minor section loss, deterioration, cracking, spalling, or scour.
Poor	4 or less	Advanced deficiencies such as section loss, deterioration, cracking, spalling, scour, or seriously affected primary structural components.

The WSDOT's policy is to maintain 95 percent of bridges at a condition level of fair or better. The following table shows condition ratings for state bridges:

Bridges Percentage in Fair or Better Condition* Two Year Cycle Ending Fiscal Year			
2013	2011	2009	Average of Last Three Assessments
91.4%	95.4%	97.7%	94.8%

* The methodology for 2013 has changed from number of bridges to square footage of the bridge deck. This change aligns with federal reporting requirements.

The following table reflects the state's estimated and actual expenditures necessary to preserve the bridges at the established condition level:

Bridges Preservation and Maintenance - Planned to Actual - Fiscal Year *(expressed in thousands)*					
	2014	2013	2012	2011	2010
Planned	$ 92,192	$ 98,519	$ 66,510	$ 46,708	$ 54,490
Actual	87,271	87,306	61,026	43,709	44,436
Variance	$ 4,921	$ 11,213	$ 5,484	$ 2,999	$ 10,054
	5.3%	11.4%	8.2%	6.4%	18.5%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about bridges, refer to the WSDOT's website at:
http://www.wsdot.wa.gov/Bridge/Structures/.

SAFETY REST AREA CONDITION

The WSDOT performs safety rest area condition assessments every two years. Sites and buildings are divided into functional components that are assessed with a numerical rating of one to five. The rating is based on guidelines and parameters established by the WSDOT Capital Facilities Program and weighted by the criticality of the functional component.

The WSDOT's policy is to maintain 95 percent of safety rest areas in a condition of fair or better. The following table shows condition ratings for safety rest areas:

Safety Rest Areas Percentage in Fair or Better Condition Two Year Cycle Ending Calendar Year			
2013	**2011**	**2009**	**Average of Last Three Assessments**
100.0%	100.0%	97.6%	99.2%

The following table reflects the state's estimated and actual expenditures necessary to preserve the safety rest areas at the established condition level:

Safety Rest Areas Preservation and Maintenance - Planned to Actual - Fiscal Year *(expressed in thousands)*					
	2014	**2013**	**2012**	**2011**	**2010**
Planned	$ 7,488	$ 6,607	$ 6,278	$ 6,259	$ 5,815
Actual	7,591	6,676	6,467	6,514	5,925
Variance	$ (103)	$ (69)	$ (189)	$ (255)	$ (110)
	(1.4%)	(1.0%)	(3.0%)	(4.1%)	(1.9%)

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about safety rest areas, refer to WSDOT's website at: http://www.wsdot.wa.gov/safety/restareas.

OTHER SUPPLEMENTARY INFORMATION

Nonmajor Funds
Combining Financial Statements

Nonmajor

Governmental Funds

The Nonmajor Governmental Funds fall into the four categories as described below:

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

Permanent Funds

Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the state or its citizenry. The Common School Permanent Fund, the state’s only Nonmajor Permanent Fund, accounts for the principal derived from the sale of timber. Interest earned is used for the benefit of common schools.

NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet - by Fund Type

June 30, 2014

(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
ASSETS					
Cash and pooled investments	$ 2,510,512	$ 307,518	$ 651,991	$ 61	$ 3,470,082
Investments	47,764	-	-	210,836	258,600
Taxes receivable (net of allowance)	126,076	-	-	-	126,076
Other receivables (net of allowance)	861,733	23,712	10,924	716	897,085
Due from other funds	295,343	93,187	21,644	5	410,179
Due from other governments	2,386,047	-	52,952	-	2,438,999
Inventories and prepaids	51,996	-	-	-	51,996
Restricted assets:					
Cash and investments	403,299	38,980	68,070	-	510,349
Receivables	6,184	-	269	-	6,453
Total Assets	$ 6,688,954	$ 463,397	$ 805,850	$ 211,618	$ 8,169,819
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 334,693	$ -	$ 36,797	$ -	$ 371,490
Contracts and retainages payable	93,895	-	21,520	-	115,415
Accrued liabilities	70,619	9,335	3,772	3	83,729
Obligations under security lending agreements	57,502	8,131	750	-	66,383
Due to other funds	365,814	243	329,406	705	696,168
Due to other governments	162,296	-	17,489	-	179,785
Unearned revenue	60,184	-	13,816	-	74,000
Claims and judgments payable	9,956	-	-	-	9,956
Total Liabilities	1,154,959	17,709	423,550	708	1,596,926
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	996,430	-	5,403	-	1,001,833
Total Deferred Inflows of Resources	996,430	-	5,403	-	1,001,833
FUND BALANCES					
Nonspendable fund balance	44,555	-	-	203,756	248,311
Restricted fund balance	2,350,525	70,973	316,790	7,154	2,745,442
Committed fund balance	2,142,485	374,715	60,107	-	2,577,307
Total Fund Balances	4,537,565	445,688	376,897	210,910	5,571,060
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,688,954	$ 463,397	$ 805,850	$ 211,618	$ 8,169,819

NONMAJOR GOVERNMENTAL FUNDS

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

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
REVENUES					
Retail sales and use taxes	$ 89,210	$ -	$ -	$ -	$ 89,210
Business and occupation taxes	5,518	-	-	-	5,518
Excise taxes	39,286	-	-	-	39,286
Motor vehicle and fuel taxes	1,215,398	-	-	-	1,215,398
Other taxes	305,623	-	-	-	305,623
Licenses, permits, and fees	1,518,323	-	-	-	1,518,323
Timber sales	136,887	-	7,957	-	144,844
Other contracts and grants	110,644	-	2,817	-	113,461
Federal grants-in-aid	1,463,379	-	695	-	1,464,074
Charges for services	541,925	23,861	73,220	-	639,006
Investment income (loss)	61,377	2,349	1,162	19,483	84,371
Miscellaneous revenue	370,137	74,266	55,888	776	501,067
Total Revenues	5,857,707	100,476	141,739	20,259	6,120,181
EXPENDITURES					
Current:					
General government	320,577	1,919	124,584	35	447,115
Human services	806,338	-	7,309	-	813,647
Natural resources and recreation	538,066	-	90,469	-	628,535
Transportation	1,774,743	-	-	-	1,774,743
Education	294,575	-	241,678	-	536,253
Intergovernmental	341,553	-	-	-	341,553
Capital outlays	1,608,243	-	442,220	-	2,050,463
Debt service:					
Principal	15,006	820,112	3,277	-	838,395
Interest	1,604	916,358	3,681	-	921,643
Total Expenditures	5,700,705	1,738,389	913,218	35	8,352,347
Excess of Revenues Over (Under) Expenditures	157,002	(1,637,913)	(771,479)	20,224	(2,232,166)
OTHER FINANCING SOURCES (USES)					
Bonds issued	838,095	-	861,666	-	1,699,761
Refunding bonds issued	-	558,580	-	-	558,580
Payments to escrow agents for refunded bond debt	-	(633,580)	-	-	(633,580)
Issuance premiums	97,522	52,949	92,586	-	243,057
Other debt issued	2,399	-	38,301	-	40,700
Transfers in	371,134	1,573,036	176,861	-	2,121,031
Transfers out	(1,388,679)	(41,274)	(88,733)	(8,546)	(1,527,232)
Total Other Financing Sources (Uses)	(79,529)	1,509,711	1,080,681	(8,546)	2,502,317
Net Change in Fund Balances	77,473	(128,202)	309,202	11,678	270,151
Fund Balances - Beginning, as restated	4,460,092	573,890	67,695	199,232	5,300,909
Fund Balances - Ending	$ 4,537,565	$ 445,688	$ 376,897	$ 210,910	$ 5,571,060

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Nonmajor

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are restricted or committed to expenditures for specified purposes. The Nonmajor Special Revenue Funds are described below:

Motor Vehicle Fund

The Motor Vehicle Fund accounts for highway activities of the Washington State Patrol; operations of the state ferry system; completion and preservation of the interstate system; other transportation improvements; and maintenance of non-interstate highways and bridges.

Multimodal Transportation Fund

The Multimodal Transportation Fund accounts for activities relating to drivers' licensing; driver improvement and financial responsibility; maintenance of driving records, charges for transportation services; and other highway and non-highway operations and capital improvements.

Central Administrative & Regulatory Fund

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

Human Services Fund

The Human Services Fund accounts for activities related to safe and reliable drinking water; life sciences research; housing for persons and families with special housing needs; community awareness and support, and the collection of tobacco settlement monies.

Wildlife and Natural Resources Fund

The Wildlife and Natural Resources Fund accounts for the protection, management and remediation 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, 2014

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Central Administrative and Regulatory	Human Services
ASSETS				
Cash and pooled investments	$ 744,064	$ 225,237	$ 261,020	$ 390,677
Investments	-	-	1,339	46,425
Taxes receivable (net of allowance)	120,589	3	5,333	2
Other receivables (net of allowance)	57,943	35,088	97,738	539,510
Due from other funds	150,026	11,699	15,794	26,672
Due from other governments	72,636	110,784	28,884	378,372
Inventories and prepaids	42,310	837	8,285	15
Restricted assets:				
Cash and investments	185,379	212,632	4,773	-
Receivables	6,179	-	5	-
Total Assets	$ 1,379,126	$ 596,280	$ 423,171	$ 1,381,673
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 144,741	$ 98,913	$ 8,817	$ 65,395
Contracts and retainages payable	45,437	20,751	1,355	3,017
Accrued liabilities	33,206	4,215	4,220	15,362
Obligations under security lending agreements	24,641	11,597	1,649	5,540
Due to other funds	141,257	26,636	21,454	139,086
Due to other governments	68,208	56,211	8,657	4,308
Unearned revenue	3,890	18,597	18,544	5,190
Claims and judgments payable	-	-	9,956	-
Total Liabilities	461,380	236,920	74,652	237,898
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	32,794	11,413	85,479	517,140
Total Deferred Inflows of Resources	32,794	11,413	85,479	517,140
FUND BALANCES				
Nonspendable fund balance	42,607	882	291	171
Restricted fund balance	739,820	208,206	9,322	332,717
Committed fund balance	102,525	138,859	253,427	293,747
Total Fund Balances	884,952	347,947	263,040	626,635
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,379,126	$ 596,280	$ 423,171	$ 1,381,673

Wildlife and Natural Resources	Local Construction and Loan	Total
$ 806,090	$ 83,424	$ 2,510,512
-	-	47,764
-	149	126,076
93,041	38,413	861,733
88,949	2,203	295,343
687,974	1,107,397	2,386,047
549	-	51,996
515	-	403,299
-	-	6,184
$ 1,677,118	$ 1,231,586	$ 6,688,954
$ 16,083	$ 744	$ 334,693
17,907	5,428	93,895
13,574	42	70,619
11,710	2,365	57,502
37,155	226	365,814
19,494	5,418	162,296
13,963	-	60,184
-	-	9,956
129,886	14,223	1,154,959
56,714	292,890	996,430
56,714	292,890	996,430
604	-	44,555
1,008,317	52,143	2,350,525
481,597	872,330	2,142,485
1,490,518	924,473	4,537,565
$ 1,677,118	$ 1,231,586	$ 6,688,954

NONMAJOR SPECIAL REVENUE FUNDS

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

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Central Administrative and Regulatory	Human Services
REVENUES				
Retail sales and use taxes	$ -	$ 64,234	$ 24,933	$ -
Business and occupation taxes	-	-	-	384
Excise taxes	-	35	176	26,208
Motor vehicle and fuel taxes	1,199,695	2,777	-	-
Other taxes	26	-	102,367	4,209
Licenses, permits, and fees	443,020	178,998	263,322	480,480
Timber sales	6	-	4,556	-
Other contracts and grants	13,675	19,428	4,058	71,432
Federal grants-in-aid	614,919	452,504	104,822	257,056
Charges for services	233,361	62,235	72,628	164,882
Investment income (loss)	5,324	2,280	18,438	11,492
Miscellaneous revenue	45,418	20,420	45,350	96,875
Total Revenues	2,555,444	802,911	640,650	1,113,018
EXPENDITURES				
Current:				
General government	5,602	883	280,387	29,213
Human services	-	-	5,436	798,328
Natural resources and recreation	872	-	7,124	899
Transportation	1,182,276	554,315	29,172	8,148
Education	-	-	44,314	58,077
Intergovernmental	241,850	2,038	96,177	1,421
Capital outlays	1,150,450	445,108	1,123	2,545
Debt service:				
Principal	6,541	335	778	62
Interest	865	88	96	59
Total Expenditures	2,588,456	1,002,767	464,607	898,752
Excess of Revenues Over (Under) Expenditures	(33,012)	(199,856)	176,043	214,266
OTHER FINANCING SOURCES (USES)				
Bonds issued	542,180	295,915	-	-
Issuance premiums	59,402	37,969	90	-
Other debt issued	-	-	1,155	-
Transfers in	166,356	50,788	25,223	35,207
Transfers out	(659,181)	(161,413)	(175,059)	(147,087)
Total Other Financing Sources (Uses)	108,757	223,259	(148,591)	(111,880)
Net Change in Fund Balances	75,745	23,403	27,452	102,386
Fund Balances - Beginning, as restated	809,207	324,544	235,588	524,249
Fund Balances - Ending	$ 884,952	$ 347,947	$ 263,040	$ 626,635

Wildlife and Natural Resources	Local Construction and Loan	Total
$ 43	$ -	$ 89,210
5,134	-	5,518
-	12,867	39,286
12,926	-	1,215,398
199,021	-	305,623
152,427	76	1,518,323
61,157	71,168	136,887
2,051	-	110,644
34,078	-	1,463,379
8,819	-	541,925
15,226	8,617	61,377
127,524	34,550	370,137
618,406	127,278	5,857,707
1,051	3,441	320,577
2,574	-	806,338
529,074	97	538,066
832	-	1,774,743
1,281	190,903	294,575
67	-	341,553
9,017	-	1,608,243
7,290	-	15,006
496	-	1,604
551,682	194,441	5,700,705
66,724	(67,163)	157,002
-	-	838,095
61	-	97,522
1,244	-	2,399
84,827	8,733	371,134
(101,014)	(144,925)	(1,388,679)
(14,882)	(136,192)	(79,529)
51,842	(203,355)	77,473
1,438,676	1,127,828	4,460,092
$ 1,490,518	$ 924,473	$ 4,537,565

NONMAJOR SPECIAL REVENUE FUNDS

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

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

	Motor Vehicle			
	Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 767,519	$ 767,519	$ 767,519	$ -
Resources				
Taxes	2,365,762	2,359,323	957,870	(1,401,453)
Licenses, permits, and fees	847,784	864,133	442,367	(421,766)
Other contracts and grants	177,940	185,183	13,675	(171,508)
Timber sales	-	-	6	6
Federal grants-in-aid	1,200,103	1,305,493	614,390	(691,103)
Charges for services	465,311	466,119	233,361	(232,758)
Investment income (loss)	13,555	2,499	2,147	(352)
Miscellaneous revenue	66,963	62,640	42,056	(20,584)
Dividend income	-	-	-	-
Transfers from other funds	197,035	212,711	166,105	(46,606)
Total Resources	6,101,972	6,225,620	3,239,496	(2,986,124)
Charges To Appropriations				
General government	22,625	13,332	5,853	7,479
Human services	-	-	-	-
Natural resources and recreation	2,489	2,484	872	1,612
Transportation	1,753,050	1,749,723	833,716	916,007
Education	-	-	-	-
Capital outlays	3,274,879	3,906,440	1,501,079	2,405,361
Transfers to other funds	1,240,659	1,304,048	658,679	645,369
Total Charges To Appropriations	6,293,702	6,976,027	3,000,199	3,975,828
Excess Available For Appropriation Over (Under) Charges To Appropriations	(191,730)	(750,407)	239,297	989,704
Reconciling Items				
Bond sale proceeds	1,669,424	1,486,008	542,180	(943,828)
Issuance premiums	-	-	59,402	59,402
Entity adjustments (net)	-	-	2,384	2,384
Changes in reserves (net)	-	-	(918)	(918)
Total Reconciling Items	1,669,424	1,486,008	603,048	(882,960)
Budgetary Fund Balance, June 30	$ 1,477,694	$ 735,601	$ 842,345	$ 106,744

Continued

Multimodal Transportation				Central Administrative and Regulatory			
Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget	Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
$ 323,427	$ 323,427	$ 323,427	$ -	$ 234,384	$ 234,384	$ 234,384	$ -
126,689	133,718	67,046	(66,672)	54,869	54,607	2,039	(52,568)
377,467	361,870	176,460	(185,410)	491,382	493,728	220,953	(272,775)
1,470	1,947	176	(1,771)	6,484	2,722	2	(2,720)
-	-	-	-	7,661	6,844	4,556	(2,288)
687,211	780,240	162,707	(617,533)	69,443	88,206	50,318	(37,888)
256,071	138,716	62,222	(76,494)	113,993	118,943	16,145	(102,798)
1,809	1,575	717	(858)	38,856	37,728	17,885	(19,843)
55,049	24,468	11,752	(12,716)	43,567	59,832	26,778	(33,054)
-	-	-	-	-	-	-	-
97,886	111,886	50,788	(61,098)	38,484	38,644	10,618	(28,026)
1,927,079	1,877,847	855,295	(1,022,552)	1,099,123	1,135,638	583,678	(551,960)
4,397	4,397	883	3,514	385,802	399,711	187,687	212,024
-	-	-	-	10,327	11,274	4,025	7,249
-	-	-	-	17,275	17,238	6,576	10,662
432,251	460,641	195,098	265,543	60,462	62,133	26,698	35,435
-	-	-	-	200	200	149	51
1,482,443	1,743,503	495,458	1,248,045	11,405	11,405	1,337	10,068
517,957	244,061	151,413	92,648	260,334	282,409	144,332	138,077
2,437,048	2,452,602	842,852	1,609,750	745,805	784,370	370,804	413,566
(509,969)	(574,755)	12,443	587,198	353,318	351,268	212,874	(138,394)
603,855	700,880	295,915	(404,965)	-	-	-	-
-	-	37,969	37,969	-	-	-	-
-	-	(1,199)	(1,199)	-	-	49,377	49,377
-	-	1,937	1,937	-	-	498	498
603,855	700,880	334,622	(366,258)	-	-	49,875	49,875
$ 93,886	$ 126,125	$ 347,065	$ 220,940	$ 353,318	$ 351,268	$ 262,749	$ (88,519)

NONMAJOR SPECIAL REVENUE FUNDS

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

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

	Human Services			
	Original Budget 2013-15 Biennium	**Final Budget 2013-15 Biennium**	**Actual 2013-15 Biennium**	**Variance with Final Budget**
Budgetary Fund Balance, July 1, as restated	$ 523,818	$ 523,818	$ 523,818	$ -
Resources				
Taxes	67,278	82,097	30,224	(51,873)
Licenses, permits, and fees	806,229	952,750	476,735	(476,015)
Other contracts and grants	7,538	134,645	1,334	(133,311)
Timber sales	-	-	-	-
Federal grants-in-aid	589,562	597,113	201,307	(395,806)
Charges for services	332,573	322,070	144,222	(177,848)
Investment income (loss)	531	7,182	4,690	(2,492)
Miscellaneous revenue	349,704	412,096	93,214	(318,882)
Dividend income	-	-	-	-
Transfers from other funds	40,766	40,997	18,403	(22,594)
Total Resources	2,717,999	3,072,768	1,493,947	(1,578,821)
Charges To Appropriations				
General government	125,532	132,077	52,783	79,294
Human services	1,419,053	1,459,772	656,981	802,791
Natural resources and recreation	1,701	1,690	901	789
Transportation	23,233	23,179	8,558	14,621
Education	180	180	41	139
Capital outlays	456,181	456,181	82,843	373,338
Transfers to other funds	274,742	288,280	143,316	144,964
Total Charges To Appropriations	2,300,622	2,361,359	945,423	1,415,936
Excess Available For Appropriation Over (Under) Charges To Appropriations	417,377	711,409	548,524	(162,885)
Reconciling Items				
Bond sale proceeds	-	-	-	-
Issuance premiums	-	-	-	-
Entity adjustments (net)	-	-	10,346	10,346
Changes in reserves (net)	-	-	67,594	67,594
Total Reconciling Items	-	-	77,940	77,940
Budgetary Fund Balance, June 30	$ 417,377	$ 711,409	$ 626,464	$ (84,945)

Concluded

Wildlife and Natural Resources				Local Construction and Loan			
Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget	Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
$ 1,437,443	$ 1,437,443	$ 1,437,443	$ -	$ 1,127,828	$ 1,127,828	$ 1,127,828	$ -
410,755	436,299	217,030	(219,269)	24,879	24,508	12,867	(11,641)
290,490	295,252	99,628	(195,624)	446	405	-	(405)
8,968	8,799	2,051	(6,748)	-	-	-	-
138,222	142,252	42,376	(99,876)	130,857	130,171	71,168	(59,003)
176,559	155,519	33,060	(122,459)	-	-	-	-
16,850	19,074	8,813	(10,261)	-	-	-	-
1,225	1,059	13,510	12,451	629	581	7,754	7,173
371,106	592,732	143,448	(449,284)	1,204,066	869,459	141,588	(727,871)
-	-	-	-	-	-	-	-
183,680	184,337	80,521	(103,816)	20,097	14,981	8,733	(6,248)
3,035,298	3,272,766	2,077,880	(1,194,886)	2,508,802	2,167,933	1,369,938	(797,995)
93	92	45	47	3,794	3,765	1,733	2,032
5,981	5,945	2,578	3,367	-	-	-	-
735,391	748,211	317,965	430,246	-	-	-	-
1,518	1,497	833	664	-	-	-	-
2,210	2,210	478	1,732	-	-	-	-
1,121,863	1,121,863	186,742	935,121	931,221	931,221	196,425	734,796
193,102	194,991	94,101	100,890	283,790	290,093	144,925	145,168
2,060,158	2,074,809	602,742	1,472,067	1,218,805	1,225,079	343,083	881,996
975,140	1,197,957	1,475,138	277,181	1,289,997	942,854	1,026,855	84,001
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	4,157	4,157	-	-	872	872
-	-	10,104	10,104	-	-	(103,254)	(103,254)
-	-	14,261	14,261	-	-	(102,382)	(102,382)
$ 975,140	$ 1,197,957	$ 1,489,399	$ 291,442	$ 1,289,997	$ 942,854	$ 924,473	$ (18,381)

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Nonmajor

Debt Service Funds

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

General Obligation Bond Fund

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

Transportation General Obligation Bond Fund

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

Tobacco Settlement Securitization Bond Fund

The Tobacco Settlement Securitization Bond Fund accounts for the accumulation of resources for, and the payment of, principal and interest on bonds issued by the Tobacco Settlement Authority, a blended component unit of the state.

Transportation Revenue Bond Fund

The Transportation Revenue Bond Fund accounts for the accumulation of resources for, and the payment of, revenue transportation bond principal and interest.

NONMAJOR DEBT SERVICE FUNDS

Combining Balance Sheet

June 30, 2014

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Transportation Revenue Bond	Total
ASSETS					
Cash and pooled investments	$ 43,953	$ 252,881	$ 8,425	$ 2,259	$ 307,518
Other receivables (net of allowance)	-	2,326	21,386	-	23,712
Due from other funds	93,009	178	-	-	93,187
Restricted assets:					
Cash and investments	6,981	-	31,999	-	38,980
Total Assets	$ 143,943	$ 255,385	$ 61,810	$ 2,259	$ 463,397
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accrued liabilities	$ 4,200	$ 5,120	$ 15	$ -	$ 9,335
Obligations under security lending agreements	1,118	6,951	-	62	8,131
Due to other funds	-	243	-	-	243
Total Liabilities	5,318	12,314	15	62	17,709
FUND BALANCES					
Restricted fund balance	6,981	-	61,795	2,197	70,973
Committed fund balance	131,644	243,071	-	-	374,715
Total Fund Balances	138,625	243,071	61,795	2,197	445,688
Total Liabilities and Fund Balances	$ 143,943	$ 255,385	$ 61,810	$ 2,259	$ 463,397

NONMAJOR DEBT SERVICE FUNDS

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

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Transportation Revenue Bond	Total
REVENUES					
Charges for services	$ 23,861	$ -	$ -	$ -	$ 23,861
Investment income (loss)	145	1,038	1,145	21	2,349
Miscellaneous revenue	4	26,068	48,194	-	74,266
Total Revenues	24,010	27,106	49,339	21	100,476
EXPENDITURES					
Current:					
General government	-	-	1,919	-	1,919
Debt service:					
Principal	558,424	232,893	28,795	-	820,112
Interest	534,290	311,545	13,681	56,842	916,358
Total Expenditures	1,092,714	544,438	44,395	56,842	1,738,389
Excess of Revenues Over (Under) Expenditures	(1,068,704)	(517,332)	4,944	(56,821)	(1,637,913)
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	117,905	105,975	334,700	-	558,580
Payments to escrow agents for refunded bond debt	(133,016)	(119,406)	(381,158)	-	(633,580)
Issuance premiums	15,231	13,670	24,048	-	52,949
Transfers in	979,809	536,385	-	56,842	1,573,036
Transfers out	(41,274)	-	-	-	(41,274)
Total Other Financing Sources (Uses)	938,655	536,624	(22,410)	56,842	1,509,711
Net Change in Fund Balances	(130,049)	19,292	(17,466)	21	(128,202)
Fund Balances - Beginning	268,674	223,779	79,261	2,176	573,890
Fund Balances - Ending	$ 138,625	$ 243,071	$ 61,795	$ 2,197	$ 445,688

NONMAJOR DEBT SERVICE FUNDS

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

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

	General Obligation Bond			
	Original Budget 2013-15 Biennium	**Final Budget 2013-15 Biennium**	**Actual 2013-15 Biennium**	**Variance with Final Budget**
Budgetary Fund Balance, July 1, as restated	$ 268,674	$ 268,674	$ 268,674	$ -
Resources				
Charges for services	44,991	34,876	-	(34,876)
Investment income (loss)	53	62	-	(62)
Miscellaneous revenue	-	-	-	-
Transfers from other funds	197,558	218,111	83,507	(134,604)
Total Resources	511,276	521,723	352,181	(169,542)
Charges To Appropriations				
General government	168,360	168,098	227,847	(59,749)
Transfers to other funds	59,364	56,085	-	56,085
Total Charges To Appropriations	227,724	224,183	227,847	(3,664)
Excess Available For Appropriation Over (Under) Charges To Appropriations	283,552	297,540	124,334	(173,206)
Reconciling Items				
Debt service	-	-	(121)	(121)
Bond sale proceeds	-	-	-	-
Proceeds of refunding bonds	-	-	117,905	117,905
Payments to escrow agents for refunded bond debt	-	-	(133,016)	(133,016)
Issuance premiums	-	-	15,231	15,231
Entity adjustments (net)	-	-	14,292	14,292
Total Reconciling Items	-	-	14,291	14,291
Budgetary Fund Balance, June 30	$ 283,552	$ 297,540	$ 138,625	$ (158,915)

Transportation General Obligation Bond				Transportation Revenue Bond			
Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget	Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
$ 223,779	$ 223,779	$ 223,779	$ -	$ 2,176	$ 2,176	$ 2,176	$ -
-	-	-	-	-	-	-	-
218	228	186	(42)	12	17	12	(5)
56,638	-	26,068	26,068	-	-	-	-
1,134,142	1,193,786	536,385	(657,401)	276,680	52,050	56,842	4,792
1,414,777	1,417,793	786,418	(631,375)	278,868	54,243	59,030	4,787
1,122,671	1,134,893	544,199	590,694	117,032	121,963	56,842	65,121
-	-	-	-	-	-	-	-
1,122,671	1,134,893	544,199	590,694	117,032	121,963	56,842	65,121
292,106	282,900	242,219	(40,681)	161,836	(67,720)	2,188	69,908
-	-	(238)	(238)	-	-	-	-
-	-	-	-	-	69,913	-	(69,913)
-	-	105,975	105,975	-	-	-	-
-	-	(119,406)	(119,406)	-	-	-	-
-	-	13,670	13,670	-	-	-	-
-	-	851	851	-	-	9	9
-	-	852	852	-	69,913	9	(69,904)
$ 292,106	$ 282,900	$ 243,071	$ (39,829)	$ 161,836	$ 2,193	$ 2,197	$ 4

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Nonmajor

Capital Projects Funds

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

State Facilities Fund

The State Facilities Fund accounts for the acquisition, construction, and remodeling of state buildings.

Higher Education Facilities Fund

The Higher Education Facilities Fund accounts for the acquisition, construction, and remodeling of higher education facilities.

NONMAJOR CAPITAL PROJECTS FUNDS

Combining Balance Sheet

June 30, 2014

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
ASSETS			
Cash and pooled investments	$ 251,491	$ 400,500	$ 651,991
Other receivables (net of allowance)	7,680	3,244	10,924
Due from other funds	17,983	3,661	21,644
Due from other governments	1,244	51,708	52,952
Restricted assets:			
Cash and investments	4,253	63,817	68,070
Receivables	-	269	269
Total Assets	$ 282,651	$ 523,199	$ 805,850
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 20,829	$ 15,968	$ 36,797
Contracts and retainages payable	17,427	4,093	21,520
Accrued liabilities	935	2,837	3,772
Obligations under security lending agreements	116	634	750
Due to other funds	23,117	306,289	329,406
Due to other governments	17,489	-	17,489
Unearned revenue	1,127	12,689	13,816
Total Liabilities	81,040	342,510	423,550
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	5,403	-	5,403
Total Deferred Inflows of Resources	5,403	-	5,403
FUND BALANCES			
Restricted fund balance	188,198	128,592	316,790
Committed fund balance	8,010	52,097	60,107
Total Fund Balances	196,208	180,689	376,897
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 282,651	$ 523,199	$ 805,850

NONMAJOR CAPITAL PROJECTS FUNDS

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

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
REVENUES			
Timber sales	$ 6,499	$ 1,458	$ 7,957
Other contracts and grants	-	2,817	2,817
Federal grants-in-aid	-	695	695
Charges for services	-	73,220	73,220
Investment income (loss)	(1)	1,163	1,162
Miscellaneous revenue	5,467	50,421	55,888
Total Revenues	11,965	129,774	141,739
EXPENDITURES			
Current:			
General government	124,584	-	124,584
Human services	7,309	-	7,309
Natural resources and recreation	90,469	-	90,469
Education	161,761	79,917	241,678
Capital outlays	290,884	151,336	442,220
Debt service:			
Principal	-	3,277	3,277
Interest	-	3,681	3,681
Total Expenditures	675,007	238,211	913,218
Excess of Revenues Over (Under) Expenditures	(663,042)	(108,437)	(771,479)
OTHER FINANCING SOURCES (USES)			
Bonds issued	855,227	6,439	861,666
Issuance premiums	90,405	2,181	92,586
Other debt issued	-	38,301	38,301
Transfers in	2,479	174,382	176,861
Transfers out	(9,534)	(79,199)	(88,733)
Total Other Financing Sources (Uses)	938,577	142,104	1,080,681
Net Change in Fund Balances	275,535	33,667	309,202
Fund Balances - Beginning	(79,327)	147,022	67,695
Fund Balances - Ending	$ 196,208	$ 180,689	$ 376,897

NONMAJOR CAPITAL PROJECTS FUNDS

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

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

	State Facilities			
	Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ (79,327)	$ (79,327)	$ (79,327)	$ -
Resources				
Timber sales	12,794	13,896	6,499	(7,397)
Charges for services	-	-	-	-
Investment income (loss)	11	-	2	2
Miscellaneous revenue	12,306	608,680	5,440	(603,240)
Transfers from other funds	3,479	3,408	2,479	(929)
Total Resources	(50,737)	546,657	(64,907)	(611,564)
Charges To Appropriations				
General government	5,164	10,320	2,966	7,354
Education	-	-	-	-
Capital outlays	2,216,167	2,256,218	672,041	1,584,177
Transfers to other funds	63,208	57,439	9,534	47,905
Total Charges To Appropriations	2,284,539	2,323,977	684,541	1,639,436
Excess Available For Appropriation Over (Under) Charges To Appropriations	(2,335,276)	(1,777,320)	(749,448)	1,027,872
Reconciling Items				
Bond sale proceeds	2,511,225	1,839,480	855,227	(984,253)
Issuance premiums	-	48,867	90,405	41,538
Entity adjustments (net)	-	-	24	24
Total Reconciling Items	2,511,225	1,888,347	945,656	(942,691)
Budgetary Fund Balance, June 30	$ 175,949	$ 111,027	$ 196,208	$ 85,181

Higher Education Facilities			
Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
$ 147,022	$ 147,022	$ 147,022	$ -
125	125	1,458	1,333
161,003	146,772	73,220	(73,552)
99	85	346	261
220	327	244	(83)
53,425	108,197	47,534	(60,663)
361,894	402,528	269,824	(132,704)
-	-	-	-
17,548	17,548	8,380	9,168
268,346	268,570	106,919	161,651
5,261	5,261	5,270	(9)
291,155	291,379	120,569	170,810
70,739	111,149	149,255	38,106
-	-	6,439	6,439
-	-	2,181	2,181
-	-	22,814	22,814
-	-	31,434	31,434
$ 70,739	$ 111,149	$ 180,689	$ 69,540

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Nonmajor

Enterprise Funds

Enterprise Funds account for any activity for which a fee is charged to external users for goods or services. If an activity's principal revenue source meets any one of the following criteria, it is required to be reported as an enterprise fund: (1) an activity financed with debt that is secured solely by pledge of the net revenues from fees and charges for the activity; (2) laws or regulations which require that the activity's costs of providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues; or (3) pricing policies which establish fees and charges designed to recover the activity's costs, including capital costs. The Nonmajor Enterprise Funds are as follows:

Lottery Fund

The Lottery Fund accounts for lottery ticket revenues, administrative and operating expenses of the Lottery Commission, and the distribution of revenue.

Institutional Fund

The Institutional Fund accounts for the enterprise activities carried out through vocational/education programs at state institutions.

Other Activities

The Other Activities Fund accounts for the operation of the pollution liability insurance program, the judicial information system, the local Certificate of Participation (COP) financing program, the local government audit program, and the Secretary of State's corporate public records program.

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Net Position

June 30, 2014

(expressed in thousands)

	Lottery	Institutional	Other Activities	Total
ASSETS				
Current Assets:				
Cash and pooled investments	$ 18,296	$ 9,770	$ 75,193	$ 103,259
Investments	28,390	-	-	28,390
Other receivables (net of allowance)	22,818	920	484	24,222
Due from other funds	252	7,327	339	7,918
Due from other governments	-	827	3,892	4,719
Inventories	192	7,057	123	7,372
Prepaid expenses	100	99	19	218
Total Current Assets	70,048	26,000	80,050	176,098
Noncurrent Assets:				
Investments, noncurrent	143,429	-	-	143,429
Other noncurrent assets	1	-	-	1
Capital assets:				
Land and other non-depreciable assets	-	1,540	-	1,540
Buildings	-	12,828	-	12,828
Other improvements	666	1,815	82	2,563
Furnishings, equipment, and intangibles	831	19,416	10,150	30,397
Accumulated depreciation	(1,231)	(15,211)	(8,838)	(25,280)
Total Noncurrent Assets	143,696	20,388	1,394	165,478
Total Assets	$ 213,744	$ 46,388	$ 81,444	$ 341,576
LIABILITIES AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 6,085	$ 4,147	$ 2,163	$ 12,395
Contracts and retainages payable	-	-	164	164
Accrued liabilities	55,926	2,242	10,266	68,434
Bonds and notes payable	-	440	2	442
Due to other funds	15,951	1,866	512	18,329
Due to other governments	-	-	2,287	2,287
Unearned revenue	613	-	-	613
Claims and judgments payable	-	-	1,988	1,988
Total Current Liabilities	78,575	8,695	17,382	104,652
Noncurrent Liabilities:				
Claims and judgments payable	-	-	7,957	7,957
Bonds and notes payable	-	5,525	-	5,525
Other long-term liabilities	125,511	5,776	8,920	140,207
Total Noncurrent Liabilities	125,511	11,301	16,877	153,689
Total Liabilities	204,086	19,996	34,259	258,341
NET POSITION				
Net investment in capital assets	267	14,423	1,393	16,083
Unrestricted	9,391	11,969	45,792	67,152
Total Net Position	9,658	26,392	47,185	83,235
Total Liabilities and Net Position	$ 213,744	$ 46,388	$ 81,444	$ 341,576

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

	Lottery	Institutional	Other Activities	Total
OPERATING REVENUES				
Sales	$ -	$ 76,399	$ 189	$ 76,588
Less: Cost of goods sold	-	53,235	117	53,352
Gross profit	-	23,164	72	23,236
Charges for services	-	1,479	28,207	29,686
Premiums and assessments	-	-	148	148
Lottery ticket proceeds	594,523	-	-	594,523
Miscellaneous revenue	1	9	3,285	3,295
Total Operating Revenues	594,524	24,652	31,712	650,888
OPERATING EXPENSES				
Salaries and wages	7,281	13,000	27,946	48,227
Employee benefits	2,847	5,646	10,022	18,515
Personal services	10,823	20	4,538	15,381
Goods and services	70,083	539	14,683	85,305
Travel	461	321	997	1,779
Lottery prize payments	371,532	-	-	371,532
Depreciation and amortization	124	552	346	1,022
Miscellaneous expenses	51	53	561	665
Total Operating Expenses	463,202	20,131	59,093	542,426
Operating Income (Loss)	131,322	4,521	(27,381)	108,462
NONOPERATING REVENUES (EXPENSES)				
Earnings (loss) on investments	3,094	-	10	3,104
Interest expense	-	(263)	-	(263)
Tax and license revenue	2,877	-	19,476	22,353
Other revenues (expenses)	(13)	(16)	570	541
Total Nonoperating Revenues (Expenses)	5,958	(279)	20,056	25,735
Income (Loss) Before Transfers	137,280	4,242	(7,325)	134,197
Transfers in	12,151	-	-	12,151
Transfers out	(159,825)	-	(2,500)	(162,325)
Net Transfers	(147,674)	-	(2,500)	(150,174)
Change in Net Position	(10,394)	4,242	(9,825)	(15,977)
Net Position - Beginning	20,052	22,150	57,010	99,212
Net Position - Ending	$ 9,658	$ 26,392	$ 47,185	$ 83,235

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

	Lottery	Institutional	Other Activities	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 594,172	$ 78,315	$ 28,788	$ 701,275
Payments to suppliers	(479,185)	(54,094)	(19,372)	(552,651)
Payments to employees	(9,904)	(17,838)	(36,757)	(64,499)
Other receipts	1	8	3,279	3,288
Net Cash Provided (Used) by Operating Activities	105,084	6,391	(24,062)	87,413
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	12,151	-	-	12,151
Transfers out	(159,825)	-	(2,500)	(162,325)
Operating grants and donations received	-	-	570	570
Taxes and license fees collected	2,877	-	19,476	22,353
Net Cash Provided (Used) by Noncapital Financing Activities	(144,797)	-	17,546	(127,251)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid	-	(263)	-	(263)
Principal payments on long-term capital financing	-	(425)	(8)	(433)
Proceeds from sale of capital assets	-	78	-	78
Acquisitions of capital assets	-	(1,064)	(767)	(1,831)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(1,674)	(775)	(2,449)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of interest	49	-	10	59
Proceeds from sale of investment securities	37,945	-	-	37,945
Purchases of investment securities	(3,689)	-	-	(3,689)
Net Cash Provided (Used) by Investing Activities	34,305	-	10	34,315
Net Increase (Decrease) in Cash and Pooled Investments	(5,408)	4,717	(7,281)	(7,972)
Cash and Pooled Investments, July 1, as restated	23,704	5,053	82,474	111,231
Cash and Pooled Investments, June 30	$ 18,296	$ 9,770	$ 75,193	$ 103,259
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	$ 131,322	$ 4,521	$ (27,381)	$ 108,462
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:				
Depreciation	124	552	346	1,022
Revenue reduced for uncollectible accounts	51	-	-	51
Change in Assets: Decrease (Increase)				
Receivables	(965)	687	244	(34)
Inventories	25	703	(3)	725
Prepaid expenses	336	(6)	4	334
Change in Liabilities: Increase (Decrease)				
Payables	(25,809)	(66)	2,728	(23,147)
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 105,084	$ 6,391	$ (24,062)	$ 87,413
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Amortization of annuity prize liability	$ 8,866	$ -	$ -	$ 8,866
Increase (decrease) in fair value of investments	3,045	-	-	3,045

Internal Service Funds

Internal Service Funds account for state activities that provide goods and services to other state departments or agencies on a cost-reimbursement basis. The Internal Service Funds are described below:

General Services Fund

The General Services Fund accounts for the cost of providing the following services to state agencies: (1) legal services; (2) state Certificate of Participation (COP) financing program; (3) facilities, equipment and related services; (4) printing; (5) audits of state agencies; (6) administration of the state civil service law and labor relations; (7) administrative hearings; and (8) archives and records management.

Data Processing Revolving Fund

The Data Processing Revolving Fund accounts for the distribution of the full cost of data processing and data communication services to other state agencies, and for the payment of other costs incidental to the acquisition, operation, and administration of acquired data processing services, supplies, and equipment.

Higher Education Revolving Fund

The Higher Education Revolving Fund accounts for stores, data processing, printing and duplication, motor pool, and other support service activities at colleges and universities.

Risk Management Fund

The Risk Management Fund administers tort and sundry claims filed against Washington state agencies, except for the University of Washington and the Washington State Department of Transportation Ferries Division.

Health Insurance Fund

The Health Insurance Fund accounts for premiums collected and payments for employees' insurance benefits.

INTERNAL SERVICE FUNDS

Combining Statement of Net Position

June 30, 2014

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
ASSETS			
Current Assets:			
Cash and pooled investments	$ 143,334	$ 14,059	$ 219,440
Investments	427	-	4,679
Other receivables (net of allowance)	8,667	11,622	3,341
Due from other funds	40,465	22,222	5,917
Due from other governments	1,587	460	4,711
Inventories	9,118	-	10,479
Prepaid expenses	3,670	2,839	4
Restricted assets:			
Cash and investments	13	-	6
Total Current Assets	207,281	51,202	248,577
Noncurrent Assets:			
Investments, noncurrent	-	-	20,770
Restricted receivables, noncurrent	-	12,324	-
Other noncurrent assets	81	-	-
Capital assets:			
Land and other non-depreciable assets	3,551	-	2,661
Buildings	175,265	275,407	55,489
Other improvements	12,693	3,169	4
Furnishings, equipment, and intangibles	490,454	213,334	151,932
Infrastructure	1,833	-	115
Accumulated depreciation	(319,559)	(194,517)	(140,986)
Construction in progress	730	14,334	3,132
Total Noncurrent Assets	365,048	324,051	93,117
Total Assets	$ 572,329	$ 375,253	$ 341,694

Continued

Risk Management	Health Insurance	Total
$ 67,282	$ 512,450	$ 956,565
-	10,686	15,792
2	14,263	37,895
1,935	12,208	82,747
2	1,265	8,025
-	-	19,597
-	-	6,513
-	-	19
69,221	550,872	1,127,153
-	-	20,770
-	-	12,324
-	-	81
-	-	6,212
-	-	506,161
-	-	15,866
8	617	856,345
-	-	1,948
(2)	(461)	(655,525)
-	-	18,196
6	156	782,378
$ 69,227	$ 551,028	$ 1,909,531

INTERNAL SERVICE FUNDS

Combining Statement of Net Position

June 30, 2014

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 8,358	$ 7,595	$ 10,131
Contracts and retainages payable	701	-	370
Accrued liabilities	20,414	2,143	43,563
Obligations under security lending agreements	437	-	-
Bonds and notes payable	57,221	20,891	5,899
Due to other funds	8,588	6,319	75,829
Due to other governments	27,182	-	4
Unearned revenue	277	-	761
Claims and judgments payable	-	-	18,996
Total Current Liabilities	123,178	36,948	155,553
Noncurrent Liabilities:			
Claims and judgments payable	-	-	48,454
Bonds and notes payable	124,278	309,894	34,791
Other long-term liabilities	69,906	26,753	31,530
Total Noncurrent Liabilities	194,184	336,647	114,775
Total Liabilities	317,362	373,595	270,328
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow on refundings	1,711	-	-
Total Deferred Inflows of Resources	1,711	-	-
NET POSITION			
Net investment in capital assets	226,795	(19,058)	31,657
Unrestricted	26,461	20,716	39,709
Total Net Position	253,256	1,658	71,366
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 572,329	$ 375,253	$ 341,694

Concluded

Risk Management	Health Insurance	Total
$ 30	$ 22,960	$ 49,074
-	29	1,100
72	2,342	68,534
-	11,019	11,456
-	-	84,011
4,790	12,922	108,448
-	-	27,186
-	355	1,393
101,976	70,249	191,221
106,868	119,876	542,423
448,012	-	496,466
-	-	468,963
512	2,618	131,319
448,524	2,618	1,096,748
555,392	122,494	1,639,171
-	-	1,711
-	-	1,711
6	155	239,555
(486,171)	428,379	29,094
(486,165)	428,534	268,649
$ 69,227	$ 551,028	$ 1,909,531

INTERNAL SERVICE FUNDS

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
OPERATING REVENUES			
Sales	$ 68,006	$ 1	$ 14,225
Less: Cost of goods sold	63,396	-	12,592
Gross profit	4,610	1	1,633
Charges for services	243,146	153,256	205,679
Premiums and assessments	307	-	-
Miscellaneous revenue	124,285	25,497	5,426
Total Operating Revenues	372,348	178,754	212,738
OPERATING EXPENSES			
Salaries and wages	138,967	40,378	93,691
Employee benefits	55,114	13,332	29,288
Personal services	8,362	2,807	8,320
Goods and services	135,984	102,344	58,725
Travel	2,310	166	1,466
Premiums and claims	-	-	-
Depreciation and amortization	31,894	36,245	18,095
Miscellaneous expenses	759	43	70
Total Operating Expenses	373,390	195,315	209,655
Operating Income (Loss)	(1,042)	(16,561)	3,083
NONOPERATING REVENUES (EXPENSES)			
Earnings (loss) on investments	125	-	2,158
Interest expense	(4,913)	(16,109)	(1,847)
Tax and license revenue	21	-	-
Other revenues (expenses)	(61)	2,267	726
Total Nonoperating Revenues (Expenses)	(4,828)	(13,842)	1,037
Income (Loss) Before Contributions and Transfers	(5,870)	(30,403)	4,120
Capital contributions	1,221	-	-
Transfers in	11,958	15,202	17,242
Transfers out	(10,698)	(6,248)	(16,073)
Net Contributions and Transfers	2,481	8,954	1,169
Change in Net Position	(3,389)	(21,449)	5,289
Net Position - Beginning, as restated	256,645	23,107	66,077
Net Position - Ending	$ 253,256	$ 1,658	$ 71,366

Risk Management	Health Insurance	Total
$ -	$ -	$ 82,232
-	-	75,988
-	-	6,244
2,799	-	604,880
88,848	1,257,356	1,346,511
-	227	155,435
91,647	1,257,583	2,113,070
1,332	5,476	279,844
476	2,053	100,263
48	1,662	21,199
19,945	6,003	323,001
26	46	4,014
69,732	1,227,978	1,297,710
2	64	86,300
-	1	873
91,561	1,243,283	2,113,204
86	14,300	(134)
-	2,527	4,810
-	-	(22,869)
-	-	21
-	-	2,932
-	2,527	(15,106)
86	16,827	(15,240)
-	-	1,221
-	-	44,402
-	-	(33,019)
-	-	12,604
86	16,827	(2,636)
(486,251)	411,707	271,285
$ (486,165)	$ 428,534	$ 268,649

INTERNAL SERVICE FUNDS

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 307,809	$ 171,412	$ 226,510
Payments to suppliers	(273,079)	(115,679)	(92,488)
Payments to employees	(188,523)	(53,182)	(123,997)
Other receipts	136,072	25,497	5,427
Net Cash Provided (Used) by Operating Activities	(17,721)	28,048	15,452
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	11,958	15,202	17,242
Transfers out	(10,698)	(6,248)	(16,073)
Operating grants and donations received	29	109	194
Taxes and license fees collected	21	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	1,310	9,063	1,363
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	(4,412)	(16,109)	(1,847)
Principal payments on long-term capital financing	(11,438)	(20,106)	(9,085)
Proceeds from long-term capital financing	16,365	12,369	-
Proceeds from sale of capital assets	3,258	58	1,765
Acquisitions of capital assets	(35,657)	(29,737)	(21,572)
Net Cash Provided (Used) by Capital and Related Financing Activities	(31,884)	(53,525)	(30,739)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	88	-	2,156
Proceeds from sale of investment securities	-	-	1,362
Purchases of investment securities	-	-	(16,560)
Net Cash Provided (Used) by Investing Activities	88	-	(13,042)
Net Increase (Decrease) in Cash and Pooled Investments	(48,207)	(16,414)	(26,966)
Cash and Pooled Investments, July 1, as restated	191,554	30,473	246,412
Cash and Pooled Investments, June 30	$ 143,347	$ 14,059	$ 219,446
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	$ (1,042)	$ (16,561)	$ 3,083
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:			
Depreciation	31,894	36,245	18,095
Revenue reduced for uncollectible accounts	47	1	8
Change in Assets: Decrease (Increase)			
Receivables	(3,275)	19,438	6,083
Inventories	(562)		1,757
Prepaid expenses	(739)	(949)	2
Change in Liabilities: Increase (Decrease)			
Payables	(44,044)	(10,126)	(13,576)
Net Cash or Cash Equivalents Provided by (Used In) Operating Activities	$ (17,721)	$ 28,048	$ 15,452
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Contributions of capital assets	$ 1,221	$ -	$ -
Increase (decrease) in fair value of investments	(37)	-	2
Debt refunding deposited with escrow agent	43,435	-	-

Risk Management		Health Insurance		Total
$	90,480	$ 1,253,141	$	2,049,352
	(81,593)	(1,220,811)		(1,783,650)
	(1,767)	(7,340)		(374,809)
	-	227		167,223
	7,120	25,217		58,116
	-	-		44,402
	-	-		(33,019)
	-	-		332
	-	-		21
	-	-		11,736
	-	-		(22,368)
	-	-		(40,629)
	-	-		28,734
	-	-		5,081
	(9)	(6)		(86,981)
	(9)	(6)		(116,163)
	-	1,147		3,391
	-	196,668		198,030
	-	-		(16,560)
	-	197,815		184,861
	7,111	223,026		138,550
	60,171	289,424		818,034
$	67,282	$ 512,450	$	956,584
$	86	$ 14,300	$	(134)
	2	64		86,300
	-	-		56
	(1,002)	(4,271)		16,973
	-	-		1,195
	-	-		(1,686)
	8,034	15,124		(44,588)
$	7,120	$ 25,217	$	58,116
$	-	$ -	$	1,221
	-	1,909		1,874
	-			43,435

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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, 2014

(expressed in thousands)

	Suspense	Local Government Distributions	Retiree Health Insurance	Other Agency	Total
ASSETS					
Cash and pooled investments	$ 6,922	$ 9,873	$ 14,608	$ 56,165	$ 87,568
Other receivables	35	-	215	5,363	5,613
Due from other governments	-	10	16,567	624	17,201
Investments, noncurrent	-	-	-	194	194
Other noncurrent assets	-	-	-	55,976	55,976
Total Assets	$ 6,957	$ 9,883	$ 31,390	$ 118,322	$ 166,552
LIABILITIES					
Accounts payable	$ 1	$ -	$ 3,836	$ 781	$ 4,618
Contracts and retainages payable	-	-	23,511	3,908	27,419
Accrued liabilities	6,956	-	355	50,576	57,887
Obligations under security lending agreements	-	185	3,688	261	4,134
Due to other governments	-	9,698	-	6,821	16,519
Other long-term liabilities	-	-	-	55,975	55,975
Total Liabilities	$ 6,957	$ 9,883	$ 31,390	$ 118,322	$ 166,552

AGENCY FUNDS

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

Continued

Suspense Fund	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Cash and pooled investments	$ 5,559	$ 1,360,879	$ 1,359,516	$ 6,922
Other receivables	31	30,548	30,544	35
Due from other funds	-	3,177	3,177	-
Due from other governments	-	353	353	-
Investments, noncurrent	-	1,400	1,400	-
Total Assets	$ 5,590	$ 1,396,357	$ 1,394,990	$ 6,957
LIABILITIES				
Accounts payable	$ 8	$ 10,859	$ 10,866	$ 1
Accrued liabilities	5,582	256,150	254,776	6,956
Due to other funds	-	44	44	-
Due to other governments	-	183,356	183,356	-
Total Liabilities	$ 5,590	$ 450,409	$ 449,042	$ 6,957
Local Government Distributions Fund				
ASSETS				
Cash and pooled investments	$ 10,572	$ 9,987,515	$ 9,988,214	$ 9,873
Due from other funds	-	3,226,411	3,226,411	-
Due from other governments	-	10	-	10
Total Assets	$ 10,572	$ 13,213,936	$ 13,214,625	$ 9,883
LIABILITIES				
Obligations under security lending agreements	$ 278	$ -	$ 93	$ 185
Due to other governments	10,294	3,352,466	3,353,062	9,698
Other long-term obligations	-	477	477	-
Total Liabilities	$ 10,572	$ 3,352,943	$ 3,353,632	$ 9,883
Pooled Investments Fund				
ASSETS				
Cash and pooled investments	$ -	$ 353,434,382	$ 353,434,382	$ -
Other receivables	-	61,098,458	61,098,458	-
Investments, noncurrent	-	779,324	779,324	-
Total Assets	$ -	$ 415,312,164	$ 415,312,164	$ -
LIABILITIES				
Accounts payable	$ -	$ 215	$ 215	$ -
Accrued liabilities	-	321,190,486	321,190,486	-
Total Liabilities	$ -	$ 321,190,701	$ 321,190,701	$ -

AGENCY FUNDS

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

Concluded

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Retiree Health Insurance Fund				
ASSETS				
Cash and pooled investments	$ 15,805	$ 548,113	$ 549,310	$ 14,608
Other receivables	417	170,364	170,566	215
Due from other governments	16,107	373,697	373,237	16,567
Total Assets	$ 32,329	$ 1,092,174	$ 1,093,113	$ 31,390
LIABILITIES				
Accounts payable	$ 7,540	$ 363,766	$ 367,470	$ 3,836
Contracts and retainages payable	19,206	184,347	180,042	23,511
Accrued liabilities	405	102	152	355
Obligations under security lending agreements	5,178	-	1,490	3,688
Total Liabilities	$ 32,329	$ 548,215	$ 549,154	$ 31,390
Other Agency Funds				
ASSETS				
Cash and pooled investments	$ 56,408	$ 17,014,750	$ 17,014,993	$ 56,165
Restricted Cash and investments	-	23	23	-
Other receivables	7,543	229,403	231,583	5,363
Due from other funds	22	17,408	17,430	-
Due from other governments	3,426	20,840	23,642	624
Investments, noncurrent	156	145,822	145,784	194
Other noncurrent assets	55,479	497	-	55,976
Total Assets	$ 123,034	$ 17,428,743	$ 17,433,455	$ 118,322
LIABILITIES				
Accounts payable	$ 592	$ 1,188,441	$ 1,188,252	$ 781
Contracts and retainages payable	8,480	615,446	620,018	3,908
Accrued liabilities	48,934	5,536,983	5,535,341	50,576
Obligations under security lending agreements	415	-	154	261
Due to other funds	11	362,885	362,896	-
Due to other governments	9,123	59,150	61,452	6,821
Other long-term obligations	55,479	496	-	55,975
Total Liabilities	$ 123,034	$ 7,763,401	$ 7,768,113	$ 118,322
Totals - All Agency Funds				
ASSETS				
Cash and pooled investments	$ 88,344	$ 382,345,639	$ 382,346,415	$ 87,568
Restricted Cash and investments	-	23	23	-
Other receivables	7,991	61,528,773	61,531,151	5,613
Due from other funds	22	3,246,996	3,247,018	-
Due from other governments	19,533	394,900	397,232	17,201
Investments, noncurrent	156	926,546	926,508	194
Other noncurrent assets	55,479	497	-	55,976
Total Assets	$ 171,525	$ 448,443,374	$ 448,448,347	$ 166,552
LIABILITIES				
Accounts payable	$ 8,140	$ 1,563,281	$ 1,566,803	$ 4,618
Contracts and retainages payable	27,686	799,793	800,060	27,419
Accrued liabilities	54,921	326,983,721	326,980,755	57,887
Obligations under security lending agreements	5,871	-	1,737	4,134
Due to other funds	11	362,929	362,940	-
Due to other governments	19,417	3,594,972	3,597,870	16,519
Other long-term obligations	55,479	973	477	55,975
Total Liabilities	$ 171,525	$ 333,305,669	$ 333,310,642	$ 166,552

Nonmajor

Component Units

Discrete component units are entities which are legally separate from the state but which are financially accountable to the state. The nonmajor component units are described below:

Washington State Housing Finance Commission

The Washington State Housing Finance Commission makes funds available to help provide housing throughout the state, and to finance or refinance nursing homes and capital facilities owned and operated by nonprofit corporations.

Washington Health Care Facilities Authority

The Washington Health Care Facilities Authority makes funds available to qualified, nonprofit health care facilities in the state.

Washington Higher Education Facilities Authority

The Washington Higher Education Facilities Authority provides funding to qualified, nonprofit higher education institutions in the state.

Washington Economic Development Finance Authority

The Washington Economic Development Finance Authority makes funds available to qualified, small and medium-sized businesses in the state for qualifying manufacturing and processing facilities and projects.

NONMAJOR COMPONENT UNITS

Combining Statement of Net Position

June 30, 2014

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
ASSETS					
Current Assets:					
Cash and pooled investments	$ 21,103	$ 396	$ 2,225	$ 201	$ 23,925
Investments	54,179	3,450	-	-	57,629
Other receivables (net of allowance)	4,560	135	3	-	4,698
Prepaid expenses	164	11	16	-	191
Total Current Assets	80,006	3,992	2,244	201	86,443
Noncurrent Assets:					
Other noncurrent assets	117,035	-	-	-	117,035
Capital assets:					
Furnishings, equipment and intangible assets	1,708	-	-	-	1,708
Accumulated depreciation	(1,598)	-	-	-	(1,598)
Total Noncurrent Assets	117,145	-	-	-	117,145
Total Assets	$ 197,151	$ 3,992	$ 2,244	$ 201	$ 203,588
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 39,195	$ 79	$ 38	$ -	$ 39,312
Accrued liabilities	-	60	-	1	61
Unearned revenue	14,022	16	-	-	14,038
Total Current Liabilities	53,217	155	38	1	53,411
Total Liabilities	53,217	155	38	1	53,411
NET POSITION					
Net investment in capital assets	110	-	-	-	110
Restricted for other purposes	1,083	-	-	-	1,083
Unrestricted	142,741	3,837	2,206	200	148,984
Total Net Position	143,934	3,837	2,206	200	150,177
Total Liabilities and Net Position	$ 197,151	$ 3,992	$ 2,244	$ 201	$ 203,588

NONMAJOR COMPONENT UNITS

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
EXPENSES	$ 18,910	$ 974	$ 304	$ 185	$ 20,373
PROGRAM REVENUES					
Charges for Services	37,048	925	227	110	38,310
Operating grants and contributions	6,934	-	-	-	6,934
Total Program Revenues	43,982	925	227	110	45,244
Net Program Revenues (Expense)	25,072	(49)	(77)	(75)	24,871
GENERAL REVENUES					
Earnings (loss) on investments	574	22	3	-	599
Other	-	5	-	-	5
Total General Revenues	574	27	3	-	604
Change in Net Position	25,646	(22)	(74)	(75)	25,475
Net Position - Beginning	118,288	3,859	2,280	275	124,702
Net Position - Ending	$ 143,934	$ 3,837	$ 2,206	$ 200	$ 150,177

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Individual Fund Schedules

COMBINING SCHEDULE FOR GENERAL FUND ACCOUNTS

Balance Sheet

June 30, 2014

(expressed in thousands)

	General Fund Basic Account	Administrative Accounts	Total
ASSETS			
Cash and pooled investments	$ 436,898	$ 507,203	$ 944,101
Investments	2,227	21,178	23,405
Taxes receivable (net of allowance)	3,154,782	-	3,154,782
Other receivables (net of allowance)	178,915	16,361	195,276
Due from other funds	182,060	41,382	223,442
Due from other governments	1,064,187	7,222	1,071,409
Inventories and prepaids	14,570	-	14,570
Restricted assets:			
Cash and investments	3,374	40,550	43,924
Receivables	997	-	997
Total Assets	$ 5,038,010	$ 633,896	$ 5,671,906
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 848,426	$ 7,246	$ 855,672
Contracts and retainages payable	30,193	4,411	34,604
Accrued liabilities	179,692	28,757	208,449
Obligations under security lending agreements	51,133	13,624	64,757
Due to other funds	232,796	40,098	272,894
Due to other governments	867,250	10,670	877,920
Unearned revenue	81,166	2,474	83,640
Claims and judgments payable	26,281	-	26,281
Total Liabilities	2,316,937	107,280	2,424,217
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	1,416,548	5,000	1,421,548
Total Deferred Inflows of Resources	1,416,548	5,000	1,421,548
FUND BALANCES			
Nonspendable fund balance	50,475	-	50,475
Restricted fund balance	683	415,969	416,652
Committed fund balance	-	142,586	142,586
Assigned fund balance	879,952	-	879,952
Unassigned fund balance	373,415	(36,939)	336,476
Total Fund Balances	1,304,525	521,616	1,826,141
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 5,038,010	$ 633,896	$ 5,671,906

COMBINING SCHEDULE FOR GENERAL FUND ACCOUNTS

Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

	General Fund Basic Account	Administrative Accounts	Total
REVENUES			
Retail sales and use taxes	$ 8,275,469	$ -	$ 8,275,469
Business and occupation taxes	3,261,883	-	3,261,883
Property taxes	1,974,354	-	1,974,354
Excise taxes	650,134	-	650,134
Other taxes	1,846,045	-	1,846,045
Licenses, permits, and fees	107,343	221	107,564
Timber sales	2,032	-	2,032
Other contracts and grants	238,897	-	238,897
Federal grants-in-aid	10,217,601	7,985	10,225,586
Charges for services	33,969	-	33,969
Investment income (loss)	3,154	4,168	7,322
Miscellaneous revenue	151,381	14,663	166,044
Unclaimed property	65,653	-	65,653
Total Revenues	26,827,915	27,037	26,854,952
EXPENDITURES			
Current:			
General government	702,287	130,283	832,570
Human services	14,907,918	11,586	14,919,504
Natural resources and recreation	336,779	72,061	408,840
Transportation	40,177	1,633	41,810
Education	9,390,562	363,258	9,753,820
Intergovernmental	36,117	77,964	114,081
Capital outlays	50,908	78	50,986
Debt service:			
Principal	8,952	147	9,099
Interest	3,417	11	3,428
Total Expenditures	25,477,117	657,021	26,134,138
Excess of Revenues Over (Under) Expenditures	1,350,798	(629,984)	720,814
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	168,458	168,458
Issuance premiums	40	891	931
Other debt issued	314	-	314
Transfers in	360,575	157,425	518,000
Transfers out	(1,460,361)	495,388	(964,973)
Total Other Financing Sources (Uses)	(1,099,432)	822,162	(277,270)
Net Change in Fund Balances	251,366	192,178	443,544
Fund Balances - Beginning, as restated	1,053,159	329,438	1,382,597
Fund Balances - Ending	$ 1,304,525	$ 521,616	$ 1,826,141

GENERAL FUND ACCOUNTS

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

For the Fiscal Year Ended June 30, 2014

(expressed in thousands)

	General Fund Basic Account			
	Original Budget 2013-15 Biennium	**Final Budget 2013-15 Biennium**	**Actual 2013-15 Biennium**	**Variance with Final Budget**
Budgetary Fund Balance, July 1, as restated	$ 167,506	$ 167,506	$ 167,506	$ -
Resources				
Taxes	31,968,320	32,201,688	15,971,767	(16,229,921)
Licenses, permits, and fees	196,641	208,581	107,343	(101,238)
Other contracts and grants	529,124	529,063	238,875	(290,188)
Timber sales	5,040	4,278	2,032	(2,246)
Federal grants-in-aid	17,167,665	18,056,295	8,536,524	(9,519,771)
Charges for services	68,703	70,431	33,969	(36,462)
Investment income (loss)	(11,588)	(6,690)	(1,911)	4,779
Miscellaneous revenue	392,861	345,157	174,698	(170,459)
Unclaimed property	128,649	114,164	60,467	(53,697)
Transfers from other funds	475,463	518,961	365,758	(153,203)
Total Resources	51,088,384	52,209,434	25,657,028	(26,552,406)
Charges To Appropriations				
General government	3,433,192	3,450,760	1,585,440	1,865,320
Human services	26,350,885	27,193,090	13,264,169	13,928,921
Natural resources and recreation	628,055	632,589	294,185	338,404
Transportation	89,773	88,228	42,143	46,085
Education	19,754,289	19,810,380	9,641,918	10,168,462
Capital outlays	382,543	382,543	54,242	328,301
Transfers to other funds	522,593	521,361	337,313	184,048
Total Charges To Appropriations	51,161,330	52,078,951	25,219,410	26,859,541
Excess Available For Appropriation Over (Under) Charges To Appropriations	(72,946)	130,483	437,618	307,135
Reconciling Items				
Bond sale proceeds	-	-	-	-
Issuance premiums	-	-	-	-
Assumed reversions	140,000	140,000	-	(140,000)
Working capital adjustment	-	(44,800)	(44,800)	-
Allocations	50,001	45,001	-	(45,001)
Changes in reserves (net)	-	-	(946)	(946)
Entity adjustments (net)	-	-	(18,457)	(18,457)
Total Reconciling Items	190,001	140,201	(64,203)	(204,404)
Budgetary Fund Balance, June 30	$ 117,055	$ 270,684	$ 373,415	$ 102,731

Administrative Accounts in the General Fund			
Original Budget 2013-15 Biennium	Final Budget 2013-15 Biennium	Actual 2013-15 Biennium	Variance with Final Budget
$ 329,438	$ 329,438	$ 329,438	$ -
(160,022)	(159,305)	(77,964)	81,341
619	611	221	(390)
848	38	-	(38)
-	-	-	-
23,816	23,745	7,479	(16,266)
-	-	-	-
681	580	657	77
190,633	246,290	(4,930)	(251,220)
-	-	-	-
895,189	894,508	376,818	(517,690)
1,281,202	1,335,905	631,719	(704,186)
41,187	44,222	326	43,896
24,700	20,571	11,586	8,985
5,854	5,826	2,237	3,589
4,683	4,650	1,665	2,985
255,924	249,938	117,231	132,707
615,695	587,374	191,016	396,358
39,183	51,257	2,541	48,716
987,226	963,838	326,602	637,236
293,976	372,067	305,117	(66,950)
138,792	424,650	168,458	(256,192)
-	-	891	891
-	-	-	-
-	-	-	-
-	-	-	-
-	-	(612)	(612)
-	-	47,762	47,762
138,792	424,650	216,499	(208,151)
$ 432,768	$ 796,717	$ 521,616	$ (275,101)

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STATISTICAL SECTION

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Statistical Section

This section of the state of Washington's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health.

FINANCIAL TRENDS

Schedule 1 – Net Position by Component

Last Ten Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2014	2013	2012	2011	2010
GOVERNMENTAL ACTIVITIES					
Net investment in capital assets	$ 19,816	$ 19,706	$ 19,561	$ 18,723	$ 18,201
Restricted	6,589	6,524	5,296	4,847	5,214
Unrestricted	399	111	233	1,160	(217)
Total governmental activities net position	$ 26,804	$ 26,341	$ 25,090	$ 24,730	$ 23,198
BUSINESS-TYPE ACTIVITIES					
Net investment in capital assets	$ 625	$ 740	$ 797	$ 718	$ 913
Restricted	3,815	3,469	3,225	3,199	2,930
Unrestricted	(8,318)	(9,067)	(8,599)	(9,662)	(10,864)
Total business-type activities net position	$ (3,878)	$ (4,858)	$ (4,577)	$ (5,745)	$ (7,021)
PRIMARY GOVERNMENT					
Net investment in capital assets	$ 20,441	$ 20,446	$ 20,358	$ 19,441	$ 19,114
Restricted	10,404	9,993	8,521	8,046	8,144
Unrestricted	(7,919)	(8,956)	(8,366)	(8,502)	(11,081)
Total primary government net position	$ 22,926	$ 21,483	$ 20,513	$ 18,985	$ 16,177
COMPONENT UNITS					
Net investment in capital assets	$ 420	$ 320	$ 322	$ 332	$ 343
Restricted	22	13	16	20	21
Unrestricted	374	131	109	102	96
Total component units net position	$ 816	$ 464	$ 446	$ 454	$ 460

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

2009	2008	2007	2006	2005
$ 17,551	$ 17,029	$ 16,189	$ 15,434	$ 14,975
4,887	5,524	5,072	4,343	4,351
1,417	3,544	4,269	3,384	1,900
$ 23,855	$ 26,097	$ 25,530	$ 23,161	$ 21,226
$ 721	$ 521	$ 598	$ 604	$ 510
3,800	4,406	3,891	3,164	2,341
(9,737)	(9,211)	(7,256)	(6,132)	(5,632)
$ (5,216)	$ (4,284)	$ (2,767)	$ (2,364)	$ (2,781)
$ 18,272	$ 17,550	$ 16,787	$ 16,039	$ 15,485
8,687	9,930	8,963	7,507	6,692
(8,320)	(5,667)	(2,986)	(2,748)	(3,732)
$ 18,639	$ 21,813	$ 22,764	$ 20,798	$ 18,445
$ 354	$ 365	$ 372	$ 392	$ 410
23	24	31	25	24
87	82	74	69	61
$ 464	$ 471	$ 477	$ 486	$ 495

FINANCIAL TRENDS

Schedule 2 – Changes in Net Position

Last Ten Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2014	2013	2012	2011	2010
EXPENSES					
Governmental activities:					
General government	$ 1,607	$ 1,537	$ 1,219	$ 1,674	$ 1,738
Education - elementary and secondary (K-12)	8,914	8,237	8,257	8,055	8,468
Education - higher education	6,910	6,992	6,526	6,257	6,051
Human services	15,052	13,182	13,168	13,363	12,946
Adult corrections	911	844	886	935	938
Natural resources and recreation	1,137	1,096	982	996	1,084
Transportation	2,400	2,379	2,396	1,981	2,073
Intergovernmental grants (1)	-	-	-	-	-
Interest on long-term debt	938	955	910	882	810
Total governmental activities expenses	37,869	35,222	34,345	34,144	34,108
Business-type activities:					
Workers' compensation	3,142	3,329	1,919	1,219	4,268
Unemployment compensation	1,380	1,983	2,817	3,690	4,729
Higher education student services	2,080	1,927	1,834	1,820	1,628
Health insurance programs (2)	-	-	-	-	-
Liquor control (3)(4)	-	-	566	556	552
Washington's lottery (3)	463	437	407	393	389
Guaranteed education tuition program (5)	185	(105)	-	-	-
Other	133	126	210	784	345
Total business-type activities expenses	7,383	7,697	7,754	8,463	11,911
Total primary government expenses	$ 45,252	$ 42,919	$ 42,099	$ 42,607	$ 46,019
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	$ 870	$ 977	$ 702	$ 645	$ 534
Education - elementary and secondary (K-12)	26	14	10	16	12
Education - higher education	2,741	2,760	2,662	2,379	2,210
Human services	612	544	531	462	345
Adult corrections	8	8	8	7	18
Natural resources and recreation	510	421	434	478	564
Transportation	1,082	1,025	878	914	899
Operating grants and contributions	13,240	12,027	11,790	12,609	12,193
Capital grants and contributions	1,066	997	944	833	939
Total governmental activities program revenues	20,155	18,773	17,960	18,343	17,716
Business-type activities:					
Charges for services:					
Workers' compensation	2,237	2,154	2,046	2,019	1,755
Unemployment compensation	1,349	1,308	1,346	1,573	1,288
Higher education student services	1,987	1,857	1,762	1,615	1,698
Health insurance programs (2)	-	-	-	-	-
Liquor control (3)(4)	-	-	582	596	593
Washington's lottery (3)	595	570	535	511	491
Guaranteed education tuition program (6)	138	174	-	-	-
Other	110	103	121	152	162
Operating grants and contributions	326	870	1,443	2,305	2,468
Capital grants and contributions	-	-	1	13	-
Total business-type activities program revenues	6,742	7,036	7,836	8,784	8,455
Total primary government program revenues	$ 26,897	$ 25,809	$ 25,796	$ 27,127	$ 26,171
NET (EXPENSE)/REVENUE					
Governmental activities	$ (17,714)	$ (16,449)	$ (16,385)	$ (15,800)	$ (16,392)
Business-type activities	(641)	(661)	83	321	(3,456)
Total primary government net expense	$ (18,355)	$ (17,110)	$ (16,302)	$ (15,479)	$ (19,848)

Refer to footnotes on page 250.

	2009	2008	2007	2006	2005
	$ 1,815	$ 1,609	$ 1,525	$ 1,320	$ 925
	8,549	7,476	6,871	6,642	6,283
	6,044	5,710	5,244	4,804	4,454
	12,436	11,260	10,473	10,082	9,852
	1,044	1,020	811	749	640
	1,062	931	983	777	229
	1,883	1,894	1,588	1,527	1,457
	-	-	-	-	335
	728	643	553	533	505
	33,561	30,543	28,048	26,434	24,680
	2,544	4,068	3,841	2,267	2,407
	2,360	791	697	736	870
	1,502	1,470	1,305	1,254	1,170
	-	-	-	1,244	1,138
	540	-	-	-	-
	401	-	-	-	-
	-	-	-	-	-
	391	1,204	1,103	1,042	988
	7,738	7,533	6,946	6,543	6,573
	$ 41,299	$ 38,076	$ 34,994	$ 32,977	$ 31,253
	$ 600	$ 651	$ 576	$ 513	$ 439
	19	13	14	13	14
	2,170	1,718	1,545	1,282	1,316
	300	251	236	234	311
	9	10	10	6	11
	400	376	393	390	385
	900	894	844	787	685
	10,565	8,725	8,286	8,260	8,238
	706	746	744	610	675
	15,669	13,384	12,648	12,095	12,074
	1,856	1,596	1,710	1,790	1,719
	1,011	1,094	1,248	1,411	1,458
	1,556	1,444	1,347	1,266	1,188
	-	-	-	1,342	1,200
	574	-	-	-	-
	488	-	-	-	-
	-	-	-	-	-
	156	1,230	1,166	1,102	1,050
	572	42	46	55	71
	-	-	-	-	(2)
	6,212	5,406	5,518	6,966	6,684
	$ 21,881	$ 18,790	$ 18,166	$ 19,061	$ 18,758
	$ (17,892)	$ (17,159)	$ (15,400)	$ (14,339)	$ (12,606)
	(1,526)	(2,127)	(1,427)	423	111
	$ (19,418)	$ (19,286)	$ (16,827)	$ (13,916)	$ (12,495)

FINANCIAL TRENDS

Schedule 2 – Changes in Net Position

Last Ten Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2014	2013	2012	2011	2010
GENERAL REVENUES & OTHER CHANGES IN NET POSITION					
Governmental activities:					
Taxes:					
Sales and use tax	$ 8,365	$ 7,710	$ 7,349	$ 7,349	$ 6,871
Business and occupation	3,267	3,294	3,149	3,077	2,597
Property	1,974	1,940	1,897	1,858	1,822
Other	4,244	4,128	3,946	3,881	3,692
Interest and investment earnings (loss)	621	397	169	474	449
Contributions to endowments	66	63	47	69	52
Extraordinary loss (asset impairment)	-	-	-	-	-
Transfers	94	114	165	231	252
Total governmental activities	18,631	17,646	16,722	16,939	15,735
Business-type activities:					
Taxes - other	22	22	72	174	160
Interest and investment earnings	1,618	523	1,150	1,611	1,742
Transfers	(94)	(114)	(165)	(231)	(252)
Other general revenue	-	-	30	-	-
Special item [5]	-	-	-	(223)	-
Total business-type activities	1,546	431	1,088	1,331	1,650
Total primary government	$ 20,177	$ 18,077	$ 17,810	$ 18,270	$ 17,385
CHANGE IN NET POSITION					
Governmental activities	$ 917	$ 1,197	$ 337	$ 1,140	$ (657)
Business-type activities	905	(230)	1,171	1,653	(1,806)
Total primary government	$ 1,822	$ 967	$ 1,508	$ 2,793	$ (2,463)
COMPONENT UNITS					
Total expenses	$ 859	$ 46	$ 60	$ 131	$ 68
Program revenues:					
Charges for services	802	33	18	17	16
Operating grants and contributions	95	29	32	105	44
Capital grants and contributions	-	2	1	1	1
Total program revenues	897	64	51	123	61
Net (expense) / revenue	38	18	(9)	(8)	(7)
General revenues - property taxes and other	17	-	-	-	-
General revenues - interest and investment earnings (loss)	(14)	-	2	2	3
Total component units - change in net position	$ 41	$ 18	$ (8)	$ (6)	$ (4)

(1) Intergovernmental grants is zero beginning in 2006 due to reclassification to the appropriate governmental activity.

(2) Health insurance programs is zero beginning in 2007 due to fund reclassifications.

(3) Liquor control and Washington's lottery were separated from other business-type activities in 2009.

(4) The Liquor control distribution and sale of spirits ceased with the passage of Initative 1183. The remaining activities of Liquor control for enforcement and regulation of alcohol and tobacco sales were reclassified to a governmental activity.

(5) The Convention and Trade Center was transferred to another government in 2011.

(6) Guaranteed education tuition program was separated from other business-type activities in 2013.

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

2009	2008	2007	2006	2005
$ 7,306	$ 8,341	$ 7,952	$ 7,429	$ 6,736
2,614	2,851	2,756	2,484	2,291
1,785	1,742	1,688	1,630	1,590
4,296	3,959	4,308	3,957	3,370
(212)	464	818	475	363
57	95	97	131	69
-	-	-	(84)	-
(190)	272	204	252	184
15,656	17,724	17,824	16,273	14,603
113	115	108	100	95
291	767	1,316	147	1,249
190	(272)	(204)	(252)	(184)
-	-	-	-	-
-	-	-	-	-
594	610	1,220	(5)	1,160
$ 16,250	$ 18,334	$ 19,044	$ 16,268	$ 15,763
$ (2,236)	$ 565	$ 2,424	$ 1,934	$ 1,997
(932)	(1,517)	(207)	418	1,271
$ (3,168)	$ (952)	$ 2,216	$ 2,352	$ 3,268
$ 29	$ 30	$ 30	$ 29	$ 29
15	16	15	13	12
1	-	-	-	1
1	1	1	1	1
17	17	16	14	13
(12)	(13)	(14)	(15)	(16)
-	-	-	-	-
5	7	5	3	3
$ (7)	$ (6)	$ (9)	$ (12)	$ (13)

FINANCIAL TRENDS

Schedule 3 – Fund Balances, Governmental Funds (1)

Last Ten Fiscal Years (expressed in thousands)
(modified accrual basis of accounting)

	2014	2013	2012	2011	2010
GENERAL FUND					
Nonspendable	$ 50,475	$ 49,819	$ 54,726	$ 89,916	N/A
Restricted	416,652	299,165	161,689	23,273	N/A
Committed	142,586	59,579	78,117	98,077	N/A
Assigned	879,952	835,152	710,091	1,114,699	N/A
Unassigned	336,476	138,875	-	(107,764)	N/A
Reserved	N/A	N/A	N/A	N/A	$ 76,164
Unreserved, designated for:					
Working capital	N/A	N/A	N/A	N/A	863,652
Unreserved, undesignated	N/A	N/A	N/A	N/A	(561,067)
Total General Fund	1,826,141	1,382,590	1,004,623	1,218,201	378,749
ALL OTHER GOVERNMENTAL FUNDS					
Nonspendable	2,438,057	2,289,499	2,207,007	3,664,194	N/A
Restricted	4,008,161	3,895,017	4,919,729	3,790,577	N/A
Committed	5,138,780	4,937,328	3,503,646	2,052,523	N/A
Assigned	-	40	44	45	N/A
Unassigned	-	(79,327)	-	(174,472)	N/A
Reserved	N/A	N/A	N/A	N/A	6,298,440
Unreserved, designated for:					
Higher education	N/A	N/A	N/A	N/A	107,624
Special revenue funds	N/A	N/A	N/A	N/A	157
Debt service funds	N/A	N/A	N/A	N/A	170,200
Unreserved, undesignated	N/A	N/A	N/A	N/A	2,297,145
Unreserved, undesignated, reported in:					
Nonmajor special revenue funds	N/A	N/A	N/A	N/A	1,219,705
Nonmajor capital project funds	N/A	N/A	N/A	N/A	69,192
Total all other governmental funds	11,584,998	11,042,557	10,630,426	9,332,867	10,162,463
Total governmental fund balances	**$ 13,411,139**	**$ 12,425,147**	**$ 11,635,049**	**$ 10,551,068**	**$ 10,541,212**

(1) Beginning in fiscal year 2011, fund balance categories were reclassified as a result of implementing GASB Statement No. 54. Fund balance was not restated to the new categories for prior years.

N/A indicates data not applicable.

Source: Washington State Office of Financial Management, Accounting Division

	2009	2008	2007	2006	2005
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
	$ 74,929	$ 200,794	$ 119,687	$ 230,848	$ 55,602
	897,763	1,040,563	1,002,963	1,076,631	1,004,131
	189,258	677,431	780,510	569,326	865,443
	1,161,950	1,918,788	1,903,160	1,876,805	1,925,176
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
	4,993,402	6,549,844	5,435,860	5,061,345	4,546,263
	155,679	155,679	155,679	155,679	155,679
	165	220	221	229	165
	267,470	362,122	220,474	206,228	177,961
	814,231	1,006,121	1,151,829	454,714	573,576
	1,848,410	2,432,112	3,040,036	2,585,037	1,528,463
	307,556	106,741	246,060	70,275	166,393
	8,386,913	10,612,839	10,250,159	8,533,507	7,148,500
	$ 9,548,863	$ 12,531,627	$ 12,153,319	$ 10,410,312	$ 9,073,676

FINANCIAL TRENDS

Schedule 4 – Revenues, Expenditures, and Other Financing Sources (Uses)
All Governmental Fund Types

Last Ten Fiscal Years (expressed in millions)

	2014	2013	2012	2011	2010
REVENUES					
Taxes:					
Retail sales and use	$ 8,365	$ 7,710	$ 7,349	$ 7,349	$ 6,871
Business and occupation	3,267	3,294	3,149	3,077	2,597
Motor vehicle and fuel	1,215	1,195	1,178	1,206	1,219
Liquor, beer, and wine	321	365	323	229	223
Cigarette and tobacco	443	465	471	494	426
Insurance premiums	467	436	430	413	406
Public utilities	464	440	438	450	416
Property	1,974	1,940	1,897	1,858	1,822
Excise	717	651	495	447	471
Gift and inheritance	157	104	105	123	82
Other taxes	474	444	424	438	418
Total Taxes	17,864	17,044	16,260	16,084	14,951
Licenses, permits, and fees	1,627	1,599	1,244	1,072	987
Federal grants-in-aid	13,168	11,889	11,905	12,599	12,388
Charges and miscellaneous revenue	5,369	5,321	4,852	4,722	4,460
Investment income (loss)	621	397	169	474	449
Total Revenues	38,649	36,250	34,431	34,951	33,235
EXPENDITURES					
Current:					
General government	1,280	1,162	1,169	1,375	1,474
Human services	15,733	13,957	13,903	14,134	13,736
Natural resources and recreation	1,037	1,043	920	966	889
Transportation	1,817	1,797	1,788	1,809	1,876
Education	15,130	14,551	14,275	14,086	13,989
Intergovernmental	456	440	399	393	382
Capital outlays	2,293	2,456	2,224	2,403	2,260
Debt service:					
Principal	868	784	728	697	671
Interest	939	921	884	830	740
Total Expenditures	39,552	37,111	36,288	36,692	36,016
Revenues Over (Under) Expenditures	(903)	(861)	(1,858)	(1,741)	(2,782)
OTHER FINANCING SOURCES (USES):					
Bonds issued, net of refunding	2,038	1,344	2,759	989	3,416
Other debt issued, net of refunding	45	156	21	154	112
Transfers in	4,356	3,152	2,669	3,860	3,699
Transfers out	(4,274)	(3,051)	(2,517)	(3,636)	(3,452)
Net Other Financing Sources (Uses)	2,165	1,601	2,931	1,367	3,774
Net Change in Fund Balances	$ 1,262	$ 740	$ 1,074	$ (374)	$ 993
Debt service as a percentage of noncapital expenditures	4.8%	4.9%	4.7%	4.5%	4.2%

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

2009	2008	2007	2006	2005
$ 7,306	$ 8,341	$ 7,952	$ 7,429	$ 6,736
2,614	2,851	2,756	2,484	2,291
1,183	1,170	1,135	1,030	931
222	214	207	197	152
432	413	439	469	354
408	415	392	379	357
430	428	408	381	345
1,785	1,742	1,688	1,630	1,590
487	781	1,107	1,067	902
139	111	183	19	(38)
361	427	437	419	360
15,368	16,892	16,704	15,502	13,981
899	911	863	788	707
10,548	8,767	8,317	8,095	8,010
4,145	3,869	3,559	3,345	3,350
(212)	464	818	475	363
30,748	30,903	30,261	28,206	26,411
1,377	1,254	1,146	990	934
13,154	12,115	11,242	10,777	10,486
999	897	906	729	704
1,847	1,803	1,647	1,489	1,487
13,826	12,860	11,789	11,103	10,539
383	379	378	359	335
2,446	2,264	2,296	1,710	1,741
645	586	528	500	461
670	589	545	509	497
35,348	32,748	30,477	28,165	27,183
(4,599)	(1,845)	(216)	41	(772)
1,781	1,957	1,674	1,162	1,190
49	19	63	44	26
4,125	2,628	3,308	3,312	2,771
(4,340)	(2,382)	(3,086)	(3,068)	(2,501)
1,615	2,222	1,959	1,451	1,487
$ (2,985)	$ 377	$ 1,743	$ 1,492	$ 715
4.0%	3.9%	3.8%	3.8%	3.8%

FINANCIAL TRENDS

Schedule 5 – Revenues, Expenditures, and Other Financing Sources (Uses)
General Fund

Last Ten Fiscal Years (expressed in millions)

	2014	2013	2012	2011	2010
REVENUES					
Taxes:					
Retail sales and use	$ 8,275	$ 7,629	$ 7,274	$ 7,275	$ 6,802
Business and occupation	3,262	3,291	3,145	3,072	2,593
Liquor, beer, and wine	274	340	296	202	198
Cigarette and tobacco	443	465	471	498	349
Insurance premiums	457	426	421	404	397
Public utilities	447	423	427	449	400
Property	1,974	1,940	1,897	1,858	1,822
Excise	650	583	434	414	418
Gift and inheritance	-	3	-	1	-
Other taxes	226	194	183	250	192
Total Taxes	16,008	15,294	14,547	14,424	13,169
Licenses, permits, and fees	108	105	99	88	86
Federal grants-in-aid	10,226	8,780	8,824	9,597	9,648
Charges and miscellaneous revenue	506	540	520	556	481
Investment income (loss)	7	(17)	(6)	(15)	(9)
Total Revenues	26,855	24,702	23,983	24,650	23,375
EXPENDITURES					
Current:					
General government	833	721	745	923	822
Human services	14,920	13,236	13,209	13,473	13,209
Natural resources and recreation	409	420	373	388	360
Transportation	42	48	42	41	44
Education	9,754	9,115	9,169	9,211	9,243
Intergovernmental	114	108	105	102	30
Capital outlays	51	76	67	49	54
Debt service:					
Principal	9	18	16	16	20
Interest	3	-	1	1	1
Total Expenditures	26,134	23,742	23,728	24,203	23,783
Revenues Over (Under) Expenditures	721	960	256	447	(408)
OTHER FINANCING SOURCES (USES)					
Bonds issued, net of refunding	170	127	76	340	-
Other debt issued, net of refunding	-	4	15	14	4
Transfers in	518	596	496	939	1,187
Transfers out	(965)	(1,312)	(1,056)	(1,154)	(1,566)
Net Other Financing Sources (Uses)	(277)	(585)	(470)	139	(375)
Net Change in Fund Balances	$ 444	$ 375	$ (214)	$ 586	$ (783)

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

2009	2008	2007	2006	2005
$ 7,234	$ 8,256	$ 7,870	$ 7,357	$ 6,675
2,530	2,760	2,685	2,412	2,228
163	157	154	147	105
68	47	58	61	61
253	261	249	242	228
417	415	395	369	334
1,529	1,495	1,442	1,384	1,395
433	707	1,014	977	808
-	4	4	(1)	(38)
163	205	226	216	192
12,791	14,307	14,097	13,165	11,988
95	97	92	85	79
8,311	6,557	6,204	6,113	6,012
326	364	327	283	429
64	123	106	73	36
21,587	21,449	20,826	19,720	18,544
726	663	640	602	552
11,912	10,921	10,191	9,809	9,519
340	336	361	292	271
37	42	39	42	27
9,044	8,235	7,765	7,407	7,243
32	31	30	28	28
69	57	49	56	78
18	15	15	15	12
1	-	-	1	2
22,179	20,300	19,090	18,252	17,733
(592)	1,149	1,736	1,468	811
-	-	-	-	-
27	12	5	17	16
952	72	128	248	524
(1,144)	(1,217)	(1,843)	(1,825)	(942)
(165)	(1,133)	(1,710)	(1,560)	(402)
$ (757)	$ 16	$ 26	$ (92)	$ 409

REVENUE CAPACITY

Schedule 6 – Sales Subject to Retail Sales Tax by Industry

Last Ten Calendar Years (expressed in millions)

Industry [1]	2013	2012	2011	2010	2009
Retail trade:					
Building materials, garden equipment and supplies	$ 4,982	$ 4,537	$ 4,280	$ 4,290	$ 4,234
General merchandise stores	10,511	10,311	10,063	10,086	9,872
Motor vehicles & parts	12,565	11,359	10,178	9,504	9,218
All other retail trade	25,582	24,261	23,436	22,464	21,640
Total retail sales	53,640	50,468	47,957	46,344	44,964
Construction	19,256	16,628	15,445	15,704	17,771
Accommodations & food services	13,334	12,611	11,866	11,293	10,871
Wholesale trade	8,750	8,266	8,048	7,618	7,498
Information	5,429	5,117	4,997	4,957	4,762
Manufacturing	2,286	2,114	2,207	2,084	2,106
All other industries	14,506	13,849	13,221	12,808	12,907
Total sales subject to retail sales tax	$ 117,201	$ 109,053	$ 103,741	$ 100,808	$ 100,879
Direct retail sales tax rate [2]	6.5%	6.5%	6.5%	6.5%	6.5%

[1] Industry classifications are based on North American Industry Classification System (NAICS) codes.

[2] State retail sales tax rate only; excludes local retail sales tax rate.

Source: Washington State Department of Revenue, Quarterly Business Review

2008	2007	2006	2005	2004
$ 4,894	$ 5,377	$ 5,379	$ 4,936	$ 4,437
9,802	9,980	9,538	8,907	8,289
10,562	12,741	12,461	12,049	11,482
23,272	23,565	22,308	20,296	18,516
48,530	51,663	49,686	46,188	42,724
23,540	24,435	21,818	18,515	15,934
11,237	11,033	10,253	9,520	8,836
8,703	9,328	8,601	8,240	7,584
4,915	4,766	4,614	4,628	4,409
2,644	3,085	2,699	2,492	2,268
14,439	14,647	13,771	12,571	11,681
$ 114,008	$ 118,957	$ 111,442	$ 102,154	$ 93,436
6.5%	6.5%	6.5%	6.5%	6.5%

REVENUE CAPACITY

Schedule 7 – Number of Retail Sales Taxpayers by Industry

Current Calendar Year and Nine Years Ago

	2013			2004		
Industry [1]	**Number of Businesses**	**Rank**	**Percent of Total Businesses**	**Number of Businesses**	**Rank**	**Percent of Total Businesses**
Retail trade	50,540	1	25.5%	50,344	1	27.2%
Construction	37,512	2	19.0%	36,698	2	19.8%
Other services [2]	20,426	3	10.3%	20,478	3	11.1%
Management, education & health services	19,236	4	9.7%	16,047	5	8.7%
Accommodations & food services	18,431	5	9.3%	16,179	4	8.8%
Professional, scientific & technical services	13,088	6	6.6%	10,865	7	5.9%
All other industries [3]	11,735	7	5.9%	12,012	6	6.5%
Wholesale trade	10,851	8	5.5%	10,169	8	5.5%
Manufacturing	10,710	9	5.4%	8,392	9	4.5%
Arts, entertainment & recreation	5,458	10	2.8%	3,727	10	2.0%
Total	197,987		100%	184,911		100%

[1] Industry classifications are based on North American Industry Classification System (NAICS) codes. The state of Washington is legally prohibited from disclosing the names of individual taxpayers. The information in this table is intended to assist readers in understanding the degree to which the state's retail sales tax revenue may be concentrated.

[2] Other services consist of repair and maintenance, personal service, and religious, civic and other organizations.

[3] All other industries include real estate and rental leasing, transportation and warehousing, and information.

Source: Washington State Department of Revenue

REVENUE CAPACITY

Schedule 8 – Number of Business and Occupation (B&O) Taxpayers by Industry

Current Calendar Year and Nine Years Ago

	2013			2004		
Industry [1]	**Number of Businesses**	**Rank**	**Percent of Total Businesses**	**Number of Businesses**	**Rank**	**Percent of Total Businesses**
Retailing	190,290	1	40.6%	164,816	1	42.0%
Service and other activities, and gambling contests less than $50,000/year	160,857	2	34.3%	119,587	2	30.5%
Wholesaling	87,478	3	18.7%	78,804	3	20.1%
Manufacturing	9,725	4	2.1%	11,503	4	2.9%
Other B&O tax classifications	5,230	5	1.1%	4,226	6	1.1%
Insurance agents/insurance brokers commissions	4,867	6	1.0%	4,779	5	1.2%
Royalties and child care	4,217	7	0.9%	2,732	7	0.7%
Warehousing, radio and TV broadcasting, public road construction, and government contracting	2,367	8	0.5%	2,666	8	0.7%
Processing for hire, and printing and publishing	1,817	9	0.4%	1,740	9	0.4%
Travel agent commissions/international charter, freight brokers, and stevedoring	1,727	10	0.4%	1,402	10	0.4%
Total	468,575		100%	392,255		100%

[1] Industry classifications are based on North American Industry Classification System (NAICS) codes. The state of Washington is legally prohibited from disclosing the names of individual taxpayers. The information in this table is intended to assist readers in understanding the degree to which the state's business and occupation tax revenue may be concentrated.

Source: Washington State Department of Revenue

REVENUE CAPACITY

Schedule 9 – Taxable Sales by Business and Occupation Tax Classification

Last Ten Calendar Years (expressed in millions)

Industry [1]	2013	2012	2011	2010	2009
Retailing	$ 163,752	$ 153,467	$ 146,698	$ 138,995	$ 136,738
Wholesaling	136,837	131,471	125,471	110,041	105,659
Service and other activities	88,826	83,537	78,617	75,069	74,061
Manufacturing, wholesaling, and retailing of airplanes and components	54,744	48,788	35,414	32,383	33,323
Manufacturing	28,320	26,556	26,020	23,260	21,725
Other business & occupation tax classifications	48,833	46,974	46,173	42,825	40,721
Total	$ 521,312	$ 490,793	$ 458,393	$ 422,573	$ 412,227
State B&O tax rate range	0.1 - 1.6%	0.1 - 1.9%	0.1 - 1.9%	0.1 - 1.9%	0.1 - 1.6%

[1] Industry classifications are based on North American Industry Classification System (NAICS) codes.

N/A indicates data not available.

Source: Washington State Department of Revenue, Quarterly Business Review

2008	2007	2006	2005	2004
$ 153,775	$ 155,997	$ 146,018	$ 133,888	$ 121,453
135,935	128,820	113,614	110,516	98,988
77,880	75,729	69,571	63,270	56,575
25,770	32,672	27,277	5,006	N/A
27,177	25,829	29,101	29,988	31,814
44,125	41,031	34,578	38,943	40,039
$ 464,662	$ 460,078	$ 420,159	$ 381,611	$ 348,869
0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.5%

DEBT CAPACITY

Schedule 10 – Ratios of Outstanding Debt by Type (1)

Last Ten Fiscal Years (expressed in millions, except per capita)

	2014	2013	2012	2011	2010
Governmental Activities					
General obligation bonds	$ 19,370	$ 18,638	$ 17,838	$ 16,750	$ 16,540
Revenue bonds	1,894	1,706	1,657	740	743
Certificates of participation	570	588	469	482	449
Capital leases/installment contracts	11	12	7	6	14
Total Governmental Activities Debt	21,845	20,944	19,971	17,978	17,746
Business-Type Activities					
General obligation bonds	8	11	15	18	60
Revenue bonds	2,236	2,031	1,682	1,423	1,084
Certificates of participation	38	42	52	62	293
Capital leases	15	15	6	6	6
Total Business-Type Activities Debt	2,297	2,099	1,755	1,509	1,443
Total Primary Government Debt	$ 24,142	$ 23,043	$ 21,726	$ 19,487	$ 19,189
DEBT RATIOS					
Total Primary Government					
Ratio of total debt to personal income (2)	7.4%	7.2%	7.2%	6.5%	6.8%
Total debt per capita (3)	$ 3,465	$ 3,348	$ 3,187	$ 2,879	$ 2,854
General Bond Debt					
Ratio of general bonded debt to	16.5%	17.1%	17.2%	16.2%	16.5%
General bonded debt per capita (3)	$ 2,781	$ 2,710	$ 2,619	$ 2,478	$ 2,469

(1) Refer to Note 7 for long-term liability activity.

(2) Personal income data can be found in Schedule 13. Personal income data for 2014 is not available; used 2013 data to calculate 2014 ratio. The Bureau of Economic Analysis periodically revises its personal income data for periods up to 10 years.

(3) Population data can be found in Schedule 14.

(4) Retail sales subject to tax can be found in Schedule 6. Retail sales data for 2014 is not available; used 2013 data to calculate 2014 ratio.

Source: Washington State Office of Financial Management, Accounting Division

2009	2008	2007	2006	2005
$ 14,049	$ 12,927	$ 11,573	$ 10,464	$ 9,842
616	555	608	615	564
395	383	382	333	315
10	15	20	18	24
15,070	13,880	12,583	11,430	10,745
69	80	101	120	138
1,074	1,115	889	794	585
310	261	246	239	251
10	15	21	21	21
1,463	1,471	1,257	1,174	995
$ 16,533	$ 15,351	$ 13,840	$ 12,604	$ 11,740
6.0%	5.3%	5.1%	5.0%	5.1%
$ 2,478	$ 2,323	$ 2,121	$ 1,963	$ 1,864
14.0%	11.4%	9.8%	9.5%	9.8%
$ 2,116	$ 1,968	$ 1,789	$ 1,649	$ 1,584

DEBT CAPACITY

Schedule 11 – Legal Debt Margin Information

Last Ten Fiscal Years (expressed in millions)

	2014	2013	2012	2011	2010
Legal Debt Limitation Calculation [1]					
Three year mean, general state revenues	$ 13,245	$ 12,533	$ 12,080	$ 12,176	$ 12,518
Times: Percentage of three year mean, general state revenue	9%	9%	9%	9%	9%
Equals: Debt service limitation	$ 1,192	$ 1,128	$ 1,087	$ 1,096	$ 1,127
Debt service limitation	$ 1,192	$ 1,128	$ 1,087	$ 1,096	$ 1,127
Less: Projected maximum annual debt service of outstanding bonds as of June 30	1,125	1,056	1,031	995	971
Equals: Debt service capacity	$ 67	$ 72	$ 56	$ 101	$ 156
Remaining state general obligation debt capacity [3]	$ 977	$ 1,142	$ 874	$ 1,425	$ 2,267
Plus: Debt outstanding, bonds issued & projected sales subject to debt service limitation as of June 30	11,208	10,730	10,708	10,470	10,163
Equals: Maximum debt authorization subject to limitation	$ 12,185	$ 11,872	$ 11,582	$ 11,895	$ 12,430
Debt service capacity as a percentage of total debt service limitation	5.6%	6.4%	5.2%	9.2%	13.8%
Remaining debt capacity as a percentage of maximum debt authorized	8.0%	9.6%	7.5%	12.0%	18.2%

(1) The legal debt limitation limits the amount of state debt that may be incurred by restricting the amount of general state revenues which may be allocated to pay principal and interest on debt subject to these limitations.

(2) Prior to 2010, the level of debt incurred by the state was constrained by two different calculations - one constitutional and one statutory. Effective for 2010, the statutory debt limit was modified to be the same as the constitutional debt limit.

(3) The remaining debt capacity each year is the calculated present value of the debt service capacity utilizing a yearly interest rate assumption. Interest rate assumption for 2014 is 4.6 percent.

Source: Office of the State Treasurer, Certification of the Debt Limitation of the State of Washington

2009	2008	2007	2006	2005
$ 14,422	$ 13,545	$ 10,315	$ 9,323	$ 9,932
7%	7%	9%	9%	7%
$ 1,010	$ 948	$ 928	$ 839	$ 695
$ 1,010	$ 948	$ 928	$ 839	$ 695
797	747	772	740	623
$ 213	$ 201	$ 156	$ 99	$ 72
$ 2,791	$ 2,889	$ 2,390	$ 1,484	$ 993
8,032	7,244	7,439	7,304	6,047
$ 10,823	$ 10,133	$ 9,829	$ 8,788	$ 7,040
21.1%	21.2%	16.8%	11.8%	10.4%
25.8%	28.5%	24.3%	16.9%	14.1%

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] Principal	Scheduled Debt Service [4] Interest	Coverage Ratio
Governmental Activities						
2014	$ 108	$ 14	$ 94	$ 45	$ 58	0.91
2013	83	8	75	36	55	0.82
2012	77	5	78	29	48	1.01
2011	60	3	57	21	36	1.00
2010	61	3	58	25	36	0.95
2009	73	3	70	34	38	0.97
2008	67	2	65	25	36	1.07
2007	48	2	46	7	37	1.05
2006	41	1	40	5	35	1.00
2005	41	-	41	8	34	0.98
Business-Type Activities						
2014	$ 1,928	$ 1,767	$ 161	$ 81	$ 86	0.96
2013	1,789	1,652	137	18	86	1.32
2012	1,689	1,597	92	53	63	0.79
2011	1,522	1,575	(53)	40	50	(0.59)
2010	1,604	1,376	228	38	51	2.56
2009	1,478	1,281	197	26	54	2.46
2008	1,355	1,264	91	32	44	1.20
2007	1,270	1,120	150	16	39	2.73
2006	1,176	1,072	104	14	29	2.42
2005	1,102	998	104	12	26	2.74

(1) Refer to Note 7 for information on the nature of revenue bonds issued by the state.

(2) Total operating revenues.

(3) Total operating expenses exclusive of depreciation.

(4) Scheduled debt service amounts are based on previous fiscal year disclosure information collected from individual agencies and reported in Note 7.

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)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Washington State										
Personal income	$ 328	$ 318	$ 303	$ 287	$ 281	$ 290	$ 277	$ 256	$ 236	$ 227
Percent change	3%	5%	6%	2%	-3%	5%	8%	9%	5%	9%
Per capita	$ 47,031	$ 46,045	$ 44,420	$ 42,521	$ 42,112	$ 44,162	$ 42,845	$ 40,139	$ 37,651	$ 36,715
United States										
Personal income	$ 14,167	$ 13,888	$ 13,202	$ 12,429	$ 12,088	$ 12,430	$ 11,995	$ 11,389	$ 10,609	$ 10,048
Percent change	2%	5%	6%	3%	-3%	4%	5%	7%	6%	6%
Per capita	$ 44,543	$ 43,735	$ 42,298	$ 40,163	$ 39,357	$ 40,873	$ 39,804	$ 38,127	$ 35,888	$ 34,300
Washington Per Capita Rate as % of United States Per Capita Rat	106%	105%	105%	106%	107%	108%	108%	105%	105%	107%

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 Years (expressed in thousands)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Washington State [(1)]										
Population	6,968.2	6,882.4	6,817.8	6,767.9	6,724.5	6,672.2	6,608.3	6,525.1	6,420.3	6,298.8
Net increase	85.8	64.6	49.9	43.4	52.4	63.9	83.2	104.8	121.4	90.3
Percent change	1.2%	0.9%	0.7%	0.6%	0.8%	1.0%	1.3%	1.6%	1.9%	1.5%
Components of change:										
Births	89.4	88.4	87.5	86.4	88.4	89.8	89.6	87.8	83.2	81.8
Deaths	52.8	50.5	49.7	48.8	47.7	48.1	47.9	46.2	45.3	45.6
Net migration	49.2	26.8	12.1	5.8	11.6	22.2	41.5	63.2	83.6	54.1
United States [(2)]										
Population	N/A	316,129	313,874	311,583	309,326	306,772	304,094	301,231	298,380	295,517
Percent change	N/A	0.7%	0.7%	0.7%	0.8%	0.9%	1.0%	1.0%	1.0%	0.9%

(1) Washington State population estimates are as of April 1 each year. Population estimates for 2009 through 2005 have been revised to reflect intercensal estimates. Intercensal estimates are estimates of population between official census dates. Intercensal estimates are more accurate than postcensal estimates because they are bracketed on both sides by decennial or state-certified special census counts. Estimates for 2010 have been replaced with the 2010 U.S. Census Bureau count. Estimates for 2011 through 2014 are postcensal estimates developed by the Washington State Office of Financial Management.

(2) United States population intercensal estimates are as of July 1 of each year.

Figures may not total due to rounding.

N/A indicates data not available.

Sources:
Washington State Office of Financial Management
U.S. Census Bureau, Population Division

DEMOGRAPHIC INFORMATION

Schedule 15 – Annual Average Civilian Labor Force Unemployment Rates
Washington State vs. United States

Last Ten Calendar Years

	2013	2012	2011	2010	2009
Washington State (in thousands)					
Civilian labor force	3,461	3,484	3,482	3,515	3,535
Employment	3,219	3,202	3,162	3,167	3,206
Total unemployment	242	282	320	348	329
Unemployment percentage rate	7.0%	8.1%	9.2%	9.9%	9.3%
United States (in millions)					
Civilian labor force	155.4	155.0	153.6	153.9	154.2
Employment	143.9	142.5	139.9	139.1	139.9
Total unemployment	11.5	12.5	13.7	14.8	14.3
Unemployment percentage rate	7.4%	8.1%	8.9%	9.6%	9.3%
Washington Unemployment Rate as % of United States Unemployment Rate	94.6%	100.0%	103.4%	103.1%	100.0%

Note: The Washington State Economic and Revenue Forecast Council periodically revises its civilian labor force and employment data for periods up to five years.

Source: Washington State Economic and Revenue Forecast, September 2014

2008	2007	2006	2005	2004
3,479	3,393	3,319	3,259	3,200
3,286	3,237	3,155	3,080	3,000
193	156	164	179	200
5.5%	4.6%	5.0%	5.5%	6.3%
154.3	153.1	151.4	149.3	147.4
145.4	146.0	144.4	141.7	139.2
8.9	7.1	7.0	7.6	8.2
5.8%	4.6%	4.6%	5.1%	5.6%
94.8%	100.0%	108.7%	107.8%	112.5%

DEMOGRAPHIC INFORMATION

Schedule 16 –Annual Average Wage Rates by Industry

Last Ten Calendar Years

	Annual Average Wages (1)				
Industry (2)	**2013(3)**	**2012**	**2011**	**2010**	**2009**
Information	$ 135,315	$ 131,872	$ 119,968	$ 109,777	$ 105,715
Management of companies and enterprises	105,529	105,535	102,009	95,731	87,642
Utilities	86,373	84,024	82,058	77,591	84,410
Professional, scientific, and technical service	81,885	79,972	77,178	75,376	71,837
Finance and insurance	79,587	77,455	73,154	70,137	71,304
Manufacturing	70,801	69,306	68,065	64,925	62,931
Wholesale trade	68,280	68,481	65,831	63,348	61,569
Mining	62,444	60,231	58,871	55,654	52,981
Construction	53,736	53,056	52,304	51,127	51,043
Government	53,733	52,871	52,174	51,394	50,420
Transportation and warehousing	51,966	50,876	49,628	47,743	46,522
Health care and social assistance	47,819	47,067	45,852	44,673	43,561
Real estate, rental and leasing	43,427	42,040	39,816	38,359	36,777
Administrative and support services (4)	43,261	43,381	42,942	41,466	39,571
Education services	36,774	36,226	35,576	35,158	34,505
Retail trade	34,084	32,364	30,917	30,021	29,356
Arts, entertainment, and recreation	27,771	25,276	25,023	25,121	25,527
Agriculture, forestry, fishing, and hunting	26,880	26,295	25,097	24,034	23,675
Other services	26,607	25,651	24,549	24,227	24,881
Accommodation and food services	19,136	18,698	18,062	17,632	17,063

(1) Wages include only employment covered by unemployment insurance. Wages may not include private firms or disclosure of individual employers.

(2) Industry classifications and wages are based on North American Industry Classification System (NAICS) codes.

(3) 2013 data is preliminary.

(4) Wages classified under administrative and support services include waste management and remediation services.

Source: Washington State Employment Security Department, Quarterly Census of Employment and Wages

2008	2007	2006	2005	2004
$ 104,053	$ 96,240	$ 91,081	$ 82,647	$ 78,918
87,431	86,867	85,031	75,236	75,776
76,945	73,736	70,404	65,615	63,915
70,120	70,104	63,687	61,181	58,486
72,653	70,044	66,684	62,382	62,091
61,260	59,568	58,196	54,953	51,788
61,041	59,345	56,572	53,458	52,027
54,718	58,056	54,924	52,592	51,454
49,443	46,783	43,746	41,482	40,171
48,705	46,914	44,745	42,915	41,756
45,433	45,320	44,078	42,798	41,780
41,424	39,474	37,654	36,162	34,919
36,669	36,334	34,948	32,744	30,582
37,536	36,463	34,533	33,649	33,466
33,550	32,076	30,901	29,860	28,453
29,268	29,082	28,174	27,330	26,602
26,949	27,643	27,139	25,724	24,331
24,491	23,413	22,239	21,122	20,495
25,637	24,385	23,009	22,010	26,467
16,430	16,019	15,469	15,014	14,765

DEMOGRAPHIC INFORMATION

Schedule 17 – Principal Employers by Industry

Current Calendar Year and Nine Years Ago

	2013 Annual Averages			2004 Annual Averages		
Industry [(1)]	Number of Employees [(2)]	Percent of Total	Number of Employers	Number of Employees [(2)]	Percent of Total	Number of Employers
Government	517,758	17.5%	2,091	498,770	18.6%	2,032
Health care and social assistance	335,769	11.3%	14,749	270,896	10.1%	12,905
Retail trade	324,688	11.0%	14,266	302,860	11.2%	14,476
Manufacturing	283,606	9.6%	6,767	259,349	9.6%	7,145
Accommodation and food services	237,983	8.0%	13,082	206,817	7.7%	11,384
Professional, scientific, and technical services	170,695	5.8%	19,799	129,989	4.8%	14,890
Administrative and support services [(3)]	144,061	4.9%	9,973	129,802	4.8%	8,119
Construction	139,712	4.7%	20,075	151,691	5.6%	21,856
Other services	133,056	4.5%	77,404	113,837	4.2%	55,179
Wholesale trade	124,829	4.2%	13,312	115,490	4.3%	12,135
Information	105,816	3.6%	2,732	91,741	3.4%	2,217
Agriculture, forestry, fishing, and hunting	94,674	3.2%	7,030	82,072	3.0%	8,347
Finance and insurance	89,999	3.0%	5,473	100,651	3.7%	5,389
Transportation and warehousing	83,886	2.8%	4,061	79,637	3.0%	3,783
Arts, entertainment, and recreation	45,821	1.5%	2,474	43,930	1.6%	2,272
Real estate, rental and leasing	44,915	1.5%	6,139	47,472	1.8%	6,323
Mgmt. of companies and enterprises	38,807	1.3%	649	32,920	1.2%	620
Education services	37,136	1.3%	2,740	28,676	1.1%	1,853
Utilities	4,779	0.2%	230	4,346	0.2%	232
Mining	2,103	0.1%	157	3,203	0.1%	159
Total average employment [(4)]	2,960,093	100.0%	223,203	2,694,149	100.0%	191,316

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes. The state of Washington is legally prohibited from disclosing the names of individual employers. The information in this table is intended to assist readers in understanding the degree of concentration in the state's employment base.

(2) The number of employees is based on annual averages and represents only employees covered by unemployment insurance.

(3) Employment classified under administrative and support services include waste management and remediation services.

(4) Total employment is based on annual averages and may not include private firms or disclosure of individual employers.

Source: Washington State Employment Security Department, Quarterly Census of Employment and Wages

DEMOGRAPHIC INFORMATION

Schedule 18 – Fortune 500 Companies Headquartered in Washington

Last Two Calendar Years
(Ranked by Company Revenues)

Rank 2013	Rank 2012	Company	Revenues (in millions)	Profit / (Loss) (in millions)	Employees Worldwide	Headquarters
19	22	Costco Wholesale	$ 105,156	$ 2,039	143,500	Issaquah
34	35	Microsoft	77,849	21,863	99,000	Redmond
35	49	Amazon.com	74,452	274	117,300	Seattle
169	168	Paccar	17,124	1,171	21,800	Bellevue
196	208	Starbucks	14,892	8	182,000	Seattle
224	227	Nordstrom	12,540	734	62,500	Seattle
320	363	Weyerhaeuser	8,529	563	13,700	Federal Way
425	428	Expeditors Intl. of Washington	6,080	349	13,910	Seattle
482	N/A	Alaska Air Group	5,156	508	13,177	Seattle

N/A indicates data not applicable.

Source: Fortune Magazine, June 16, 2014

Schedule 19 – Principal Agricultural Commodities Value (1)

Last Ten Calendar Years (dollars in millions)

Commodities	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Apples	N/A	$ 2,251	$ 1,831	$ 1,541	$ 1,413	$ 1,288	$ 1,780	$ 1,403	$ 1,032	$742
Wheat	N/A	1,180	1,138	925	594	745	949	618	456	524
Milk (2)	N/A	1,160	1,277	950	684	1,002	1,062	688	836	861
Potatoes	N/A	700	771	654	646	693	675	562	535	460
Hay, all	N/A	679	716	509	452	581	498	401	367	380
Cattle/calves	N/A	624	592	568	473	496	574	584	601	476
Cherries, all	N/A	499	534	367	231	297	327	273	338	242
Nursery (3)	N/A	305	306	300	300	321	318	304	326	329
Grapes, all	N/A	236	189	214	209	199	174	147	141	122
Pears, all	N/A	206	186	188	158	171	178	159	142	128

(1) Acreage and/or yield data is preliminary. The value may not be finalized until up to two years after production.

(2) Value at average returns per 100 pounds of milk in combined marketings of milk and cream plus value of milk used for home consumption and milk fed to calves.

(3) Includes greenhouse products and floriculture.

N/A indicates data not available.

Source: United States Department of Agriculture, National Agricultural Statistics Service

DEMOGRAPHIC INFORMATION

Schedule 20 – International Trade Facts (All Washington Ports)

Last Ten Calendar Years (expressed in millions)

International Trade	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Exports [1]	$ 98,740	$ 84,187	$ 77,284	$ 64,723	$ 58,468	$ 77,088	$ 78,453	$ 68,202	$ 51,533	$ 46,051
Imports	89,559	93,614	86,997	80,020	67,896	87,511	85,469	81,953	81,308	65,135
Trade balance	$ 9,181	$ (9,427)	$ (9,713)	$ (15,297)	$ (9,428)	$ (10,422)	$ (7,016)	$ (13,752)	$ (29,775)	$ (19,084)
Two-way trade	$ 188,299	$ 177,801	$ 164,281	$ 144,743	$ 126,364	$ 164,599	$ 163,922	$ 150,155	$ 132,841	$ 111,186

[1] Export figures indicate total international trade from the state of Washington, including bonded shipments to other states and Canada (includes Boeing Company figures).

Figures may not total due to rounding.

Source: Washington State Department of Commerce

Schedule 21 – Value of Trade with Major Export Trading Partners

Last Ten Calendar Years (expressed in millions)

Export Partners [1]	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Canada	$ 27,635	$ 18,135	$ 17,353	$ 14,936	$ 13,326	$ 17,049	$ 15,267	$ 12,894	$ 10,581	$ 8,758
China (Mainland)	16,390	14,027	11,962	11,695	7,607	8,614	9,357	8,030	6,576	4,219
Japan	8,465	9,850	8,036	7,368	6,475	10,677	10,567	9,810	9,272	8,779
United Arab Emirates	3,969	5,017	2,715	909	2,897	2,160	2,119	2,980	1,855	102
Korea, Republic of	3,371	3,903	4,096	3,378	2,584	4,003	3,683	3,161	2,467	3,296
Hong Kong	3,114	2,533	2,386	1,205	1,950	1,231	1,269	792	754	754
United Kingdom	2,530	1,452	1,921	1,083	1,356	1,316	1,753	1,022	878	1,029
Taiwan	2,295	1,866	2,070	2,556	1,917	3,142	3,702	3,332	3,822	2,761
Germany	2,064	1,730	1,591	1,656	1,413	1,011	1,163	814	623	514
Mexico	1,936	1,911	662	80	101	198	254	646	169	163

[1] Export figures are based on all Washington state ports, all methods of transportation.

Source: Washington State Department of Commerce

Schedule 22 – Value of Trade with Major Import Trading Partners

Last Ten Calendar Years (expressed in millions)

Import Partners [1]	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
China (Mainland)	$ 31,776	$ 33,820	$ 31,100	$ 32,228	$ 27,341	$ 30,632	$ 28,684	$ 24,198	$ 22,653	$ 16,138
Canada	17,529	16,430	16,284	13,948	10,916	15,877	16,925	18,555	21,390	18,291
Japan	17,036	19,129	16,198	13,886	11,656	17,274	15,858	15,980	15,245	13,367
Korea, Republic of	4,529	4,380	3,760	3,315	2,719	3,875	4,235	4,264	4,270	3,468
Taiwan	3,131	3,442	3,291	3,141	2,414	4,072	3,610	3,451	3,519	2,776
Vietnam	1,326	1,637	1,421	1,234	1,160	1,092	1,130	904	819	473
United Kingdom	1,303	1,013	697	625	633	581	792	913	746	758
Saudi Arabia	1,168	738	45	420	605	1,248	765	558	382	160
Thailand	1,039	1,050	959	974	804	1,154	1,221	1,389	1,296	918
Angola	934	794	272	1,072	713	1,480	757	599	167	34

[1] Import figures are based on all Washington state ports, all methods of transportation.

Source: Washington State Department of Commerce

DEMOGRAPHIC INFORMATION

Schedule 23 – Property Value and Construction

Last Ten Calendar Years (expressed in millions)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Value of all taxable property:										
Assessed value	$ 808,328	$ 767,064	$ 793,703	$ 824,885	$ 862,108	$ 919,505	$ 841,309	$ 738,395	$ 634,883	$ 573,677
Property value of exemptions:										
Senior citizen	$ 2,491	$ 2,689	$ 4,170	$ 5,362	$ 6,491	$ 8,715	$ 8,022	$ 6,604	$ 5,267	$ 3,839
Head of household	56	61	65	72	77	84	105	44	68	47
Total exemptions	$ 2,547	$ 2,750	$ 4,236	$ 5,434	$ 6,568	$ 8,799	$ 8,127	$ 6,648	$ 5,335	$ 3,886
New construction and improvements:										
Assessed value	$ 9,198	$ 6,598	$ 7,207	$ 9,001	$ 13,443	$ 19,435	$ 20,861	$ 19,680	$ 15,393	$ 12,872

Source: Washington State Department of Revenue, Property Tax Statistics Report

Schedule 24 – Residential Building Activity

Last Ten Calendar Years (dollars in millions)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Permits	32,962	28,118	20,864	20,691	17,011	28,919	47,397	50,033	52,988	50,089
Valuations	$ 6,684	$ 5,649	$ 4,036	$ 3,891	$ 3,186	$ 5,063	$ 8,130	$ 8,540	$ 8,742	$ 7,535

Source: U.S. Census Bureau

OPERATING INFORMATION

Schedule 25 – Full-Time Equivalent Staff Comparison (Budgeted Funds)

Last Ten Fiscal Years

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government	8,256	8,268	9,082	9,196	9,696	9,899	9,734	9,508	9,330	9,272
Human services	32,744	32,205	31,766	32,133	34,034	35,015	34,720	33,669	32,918	33,368
Natural resources	6,256	6,232	6,011	5,928	6,120	6,479	6,596	6,507	6,254	6,253
Transportation	10,334	10,457	10,458	10,783	11,037	11,264	11,300	11,025	10,662	10,549
Education	51,303	50,406	48,603	49,454	49,086	49,889	49,070	47,984	47,477	47,327
Total	108,893	107,568	105,920	107,494	109,973	112,546	111,420	108,693	106,641	106,769
Percentage change	1.2%	1.6%	-1.5%	-2.3%	-2.3%	1.0%	2.5%	1.9%	-0.1%	1.6%

Notes: A Full-Time Equivalent (FTE) is one full calendar year of paid employment, or the equivalent of 2,088 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in state government. It is a computed average number of state employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year. Figures include budgeted operating and capital FTEs and FTEs for nonbudgeted higher education funds.

Source: Washington State Office of Financial Management

OPERATING INFORMATION

Schedule 26 – Full-Time Equivalent Staff Comparison (General Fund State)

Last Ten Fiscal Years

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government	2,740	2,870	2,845	3,060	3,234	3,285	3,225	3,175	3,108	3,102
Human services	18,487	17,569	17,192	16,962	16,984	17,699	17,944	17,548	17,051	17,130
Natural resources	1,474	1,667	1,595	1,712	2,080	2,505	2,462	2,193	2,175	2,166
Transportation	360	354	367	371	418	373	449	343	428	307
Education	14,189	14,969	14,941	16,535	17,675	21,269	21,082	20,171	19,587	19,265
Total	37,250	37,429	36,940	38,640	40,391	45,131	45,162	43,430	42,349	41,970
Percentage change	-0.5%	1.3%	-4.4%	-4.3%	-10.5%	-0.1%	4.0%	2.6%	0.9%	-0.2%

Notes: A Full-Time Equivalent (FTE) is one full calendar year of paid employment, or the equivalent of 2,088 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in state government. It is a computed average number of state employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year. Figures include operating and capital FTEs.

Source: Washington State Office of Financial Management

OPERATING INFORMATION

Schedule 27– Operating and Capital Asset Indicators by Function
General Government

Last Ten Fiscal Years

	2014	2013	2012	2011	2010
Department of Revenue					
Number of state excise taxpayer registered accounts	742,139	790,312	816,922	824,588	793,056
Number of taxable real estate excise tax (REET) sales	242,434	241,595	209,442	206,805	215,233
Department of Enterprise Services (1)					
Number of leases for office space (2)	546	532	521	580	619
Gross square feet of leased office space (in thousands)	7,749	7,624	7,467	9,046	8,874
Number of owned buildings (3)	37	37	38	38	38
Gross square feet of owned office space (in thousands)	2,990	2,990	3,004	3,004	3,004
Liquor Control Board (4)					
Retail licensees	16,246	15,655	15,044	13,628	13,450
Non-retail licensees	5,649	5,364	4,916	3,244	3,051
Number of state owned liquor stores	-	-	-	166	164
Number of contracted liquor stores	-	-	-	162	159

(1) As a result of the 2011 legislation to consolidate central service functions of state government, the Department of General Administration became part of the newly created Washington State Department of Enterprise Services on October 1, 2011.

(2) The number of leases for office space only includes leases that the Department of Enterprise Services has acquired. The number of leases does not include leases done under a delegation of authority by another state agency, and does not include space that may include multiple uses, such as warehouse and office, office and classrooms, etc.

(3) In fiscal year 2010, five small buildings on the Wheeler site were demolished to make way for construction of a new office building.

(4) With the passage of Initiative 1183, which privatized the distribution and retail sale of liquor, the Washington State Liquor Control Board closed its state liquor stores and ceased liquor distribution operations on June 1, 2012.

Sources:

Washington State Department of Revenue, Tax Statistics
Washington State Department of Enterprise Services
Washington State Liquor Control Board

2009	2008	2007	2006	2005
804,145	782,010	774,295	759,235	718,224
198,515	250,971	316,432	364,906	364,900
569	626	610	604	549
7,521	7,764	8,662	7,789	6,753
46	46	44	44	44
3,102	3,102	3,101	3,101	2,893
13,040	12,925	13,006	12,650	12,331
2,798	2,519	2,471	1,954	1,690
161	161	161	161	159
155	154	154	154	153

OPERATING INFORMATION

Schedule 28 – Operating and Capital Asset Indicators by Function
Human Services

Last Ten Fiscal Years

	2014	2013	2012	2011	2010
Department of Social and Health Services [1]					
Mental health programs:					
Mental health state facilities [2]	3	3	3	3	3
Mental health state facilities available beds	1,161	1,161	1,161	1,176	1,197
Mental health state facilities average daily census [3]	1,117	1,087	1,077	1,078	1,101
Community outpatient mental health facilities [4]	157	161	161	184	177
Community outpatient mental health programs, clients served [5]	145,891	143,798	137,998	137,757	132,117
Income assistance programs:					
Temporary assistance for needy families caseload	42,564	48,617	54,433	65,140	64,451
Food assistance caseload [6]	595,122	597,251	581,020	536,635	458,123
Health Care Authority [7]					
Medical assistance programs:					
Monthly average caseload certified eligible	1,405,714	1,233,971	1,226,608	1,218,430	1,158,205
Department of Corrections					
Number of correctional institutions [8]	12	12	12	12	13
Offenders in confinement [9]	18,121	17,930	17,697	18,483	18,457
Prison and work release operating capacity	17,187	17,101	16,855	17,060	16,856
Department of Health					
Licensed health professionals [10]	401,822	387,765	378,041	372,657	357,766
Department of Labor and Industries					
Claims filed, injured or ill workers	106,903	103,328	101,524	100,690	102,734
Electrical inspections performed	203,975	189,027	173,358	171,861	189,763
Workplaces inspected each year by the Washington Industrial Safety and Health (WISHA) program	5,069	4,585	5,214	5,812	7,435

(1) Due to reporting lags and corrections, the Department of Social and Health Services (DSHS) periodically revises historical data.

(2) Facitilities include: Eastern State Hospital, Western State Hospital, and Child Study and Treatment Center. Beginning January 2008, the mental health state facilities count no longer includes the Program for Assisted Living Skills (PALS) as it became funded by community dollars, and was subsequently closed in February 2011.

(3) The average daily census is based on the count of individuals in residence at midnight.

(4) The increased number of community outpatient mental health facilities in fiscal year 2010 is due to funding shifts and legislation.

(5) The community outpatient mental health program, clients served data excludes involuntary clients, stabilization services and mental health residential services. Reporting for excluded services varies across the state. The number of clients served in community outpatient mental health programs during previous fiscal years may change in future report iterations due to reporting lags and data corrections.

(6) Data reflects state fiscal year average, total participating households.

(7) The medical assistance programs transferred from the Department of Social and Health Services to the Health Care Authority in July 2011. Due to reporting lags, the Health Care Authority periodically revises its data for periods up to five years.

(8) In 2011, McNeil Island Corrections Center closed. In 2010, Ahtanum View Corrections Center and Pine Lodge Corrections Center for Women closed.

(9) Offenders in confinement include offenders in prison, work release, and in-state rented beds.

(10) Includes certified, licensed, and registered health professionals. Emergency medical technicians were not included in the counts for years prior to 2007.

Sources:

Washington State Department of Social and Health Services
Washington State Health Care Authority
Washington State Department of Corrections
Washington State Department of Health
Washington State Department of Labor and Industries

2009	2008	2007	2006	2005
3	4	4	4	4
1,264	1,359	1,380	1,280	1,247
1,172	1,251	1,292	1,262	1,207
149	144	150	150	150
124,582	122,557	119,391	119,843	124,794
56,459	50,122	51,939	55,524	57,026
351,617	288,281	279,985	273,551	251,455
1,066,606	972,444	887,966	894,804	857,599
15	15	15	15	15
18,627	18,551	18,471	17,905	17,580
16,756	15,785	15,222	15,013	15,002
335,830	330,850	331,147	287,512	284,439
116,616	136,791	140,308	140,887	139,365
216,305	265,564	282,100	172,402	180,401
7,284	5,217	6,454	7,170	7,216

OPERATING INFORMATION

Schedule 29 – Operating and Capital Asset Indicators by Function Transportation

Last Ten Fiscal Years

	2014	2013	2012	2011	2010
Department of Transportation					
Number of ferries	22	22	23	21	22
Vehicles on ferries (in thousands)	10,156	10,045	9,983	9,973	10,134
Passengers on ferries (in thousands)	12,651	12,350	12,236	12,374	12,504
State highway miles of travel (1)					
Rural (in millions)	N/A	10,371	11,252	11,353	11,521
Urban (in millions)	N/A	21,278	19,963	20,103	20,243
State highway lane miles					
Rural	13,085	13,798	13,814	13,795	13,744
Urban	7,606	6,882	6,817	6,792	6,755
Total	20,691	20,680	20,631	20,587	20,499
Pavement patching & repair (square feet)	86,948	82,415	113,304	135,952	179,585
Pavement striping maintenance (miles)	16,835	17,203	18,763	26,608	16,801
Anti & de-icing liquid application (gallons in thousands)	2,721	2,154	2,421	1,774	2,834
Litter pickup (cubic yards)	22,586	29,428	25,537	27,320	26,739
Department of Licensing (2)					
Total vehicle registrations (in thousands)	7,184	7,061	6,904	6,974	6,752
Licensed drivers (in thousands)	5,404	5,310	5,230	5,180	5,108
Washington State Patrol (3)					
Total contacts	1,225,768	1,262,584	1,256,569	1,272,526	1,258,637
Citations issued	506,860	516,593	518,315	520,447	523,786
Motorist assists	300,802	296,170	301,511	310,013	296,887
Collisions investigated	35,482	33,989	34,995	37,106	34,182
Number of traffic officers	585	635	626	624	636

(1) N/A indicates data is not available.

(2) Vehicle count includes all registered vehicles for which registration fees were paid. Driver count includes all licensed drivers.

(3) Prior to 2006, data was available only on a calendar year basis. Due to time and activity adjustments, the Washington State Patrol periodically revises its data up to three years.

Sources:
Washington State Department of Transportation
Washington State Department of Licensing
Washington State Patrol

2009	2008	2007	2006	2005
22	24	28	28	28
9,910	10,391	10,827	10,597	10,810
12,598	12,901	13,163	12,960	13,071
11,362	10,988	11,564	11,397	11,293
20,093	19,754	20,406	20,367	20,336
13,724	13,685	13,668	13,652	13,641
6,668	6,566	6,505	6,447	6,362
20,392	20,251	20,173	20,099	20,003
128,076	100,124	92,216	160,280	116,357
18,140	20,020	20,328	23,145	27,389
4,724	3,938	4,541	3,507	3,446
12,230	18,452	17,234	22,916	41,115
6,862	7,029	6,733	6,643	6,494
5,028	4,955	4,774	4,690	4,587
1,257,774	1,237,584	1,255,500	1,309,510	1,356,300
540,181	570,691	592,122	541,287	506,462
305,421	306,650	309,864	344,249	352,615
36,922	39,289	40,666	40,535	40,175
633	616	626	626	651

OPERATING INFORMATION

Schedule 30 – Operating and Capital Asset Indicators by Function
Natural Resources and Recreation

Last Ten Fiscal Years

	2014	2013	2012	2011	2010
State Parks and Recreation Commission					
Number of official, developed state parks	123	116	116	116	118
Number of owned or managed properties [1]	93	243	243	241	183
Acreage of state parks [2]	138,266	123,952	121,711	121,547	121,506
Attendance at state parks (in thousands)	33,797	35,625	35,338	38,896	44,315
Department of Fish and Wildlife					
Recreational licenses issued					
Hunting licenses	N/A	317,822	316,509	349,676	363,357
Fishing licenses	N/A	1,203,754	1,229,981	1,147,059	1,156,707
Hatchery releases (pounds in thousands) [3]					
Salmon releases	3,683	4,133	4,031	4,206	4,395
Trout releases [4]	1,466	1,564	1,503	1,396	1,384
Department of Natural Resources [3]					
Common schools trust land acreage (in thousands)	1,791	1,780	1,794	1,803	1,810
Total trust land acreage (in thousands)	3,122	3,072	2,918	2,929	2,944
Timber acres harvested	21,893	20,303	22,250	20,609	26,841
Timber volume harvested (thousand board feet)	471,491	480,140	514,039	669,442	805,946
Timber volume sold (thousand board feet)	486,787	497,447	549,229	597,083	741,666
Natural area preserve sites	55	55	55	54	54
Natural area preserve acreage	36,173	36,156	38,284	36,896	35,585
Natural resources conservation area sites	36	35	35	31	30
Natural resources conservation area acreage	113,153	113,032	111,136	108,100	97,293

(1) In 2014, approximately 143 state park owned or managed properties formerly considered to be stand-alone properties were incorporated into larger, developed state parks

(2) 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.

(3) Fiscal year 2014 data is preliminary.

(4) 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

2009	2008	2007	2006	2005
120	120	120	120	114
219	231	231	226	227
121,152	121,010	120,146	260,487	260, 028
41,535	41,590	39,297	40,026	40,331
364,810	370,235	359,510	342,230	330,453
1,009,075	943,904	954,478	929,884	963,088
4,332	4,435	4,788	4,702	4,773
1,411	1,410	1,523	1,409	1,505
1,813	1,799	1,757	1,757	1,758
2,947	2,923	2,877	2,876	2,875
27,168	24,625	29,687	N/A	30,529
504,939	504,796	493,341	657,962	694,999
545,634	660,247	570,531	527,609	598,445
53	52	52	51	49
35,365	31,207	29,991	29,975	29,871
30	29	31	30	28
96,989	93,534	88,862	87,793	87,357

OPERATING INFORMATION

Schedule 31 – Operating and Capital Asset Indicators by Function Education

Last Ten Academic Years

	2013-14	2012-13	2011-12	2010-11	2009-10
K-12 Enrollment (1)					
K-8	696,390	680,696	676,539	673,558	668,055
9-12	306,050	306,819	307,949	312,691	314,318
Private and home based	5	8	12	9	14
Summer (2)	772	929	821	1,155	1,222
Running start	15,086	13,623	12,767	12,824	12,487
Open doors [1418] youth reengagement program (3)	2,060	747	119	-	-
UW transition	107	114	113	108	104
Total	1,020,470	1,002,937	998,320	1,000,345	996,200
High school graduates (4)	N/A	60,475	60,552	59,732	60,835
Higher Education					
Community and Technical Colleges:					
Number of campuses	34	34	34	34	34
Enrollment (1) (5)	143,292	147,433	153,395	162,328	160,778
Associate degrees granted	28,758	28,191	27,846	26,434	22,368
Baccalaureate degrees granted (6)	244	192	155	138	51
Student achievement points (7)	502,179	342,424	361,715	390,300	393,135
Public Universities (8)					
Number of campuses	11	11	10	10	10
Enrollment (1)	106,038	105,112	104,702	103,214	101,165
Baccalaureate degrees granted	N/A	24,407	24,430	24,527	22,798
Masters degrees granted	N/A	5,810	5,607	5,490	5,138
Doctors degrees granted	N/A	1,031	915	955	880
Professional degrees granted	N/A	797	778	738	717

(1) K-12 enrollment figures are preliminary for academic year 2013-14. Enrollment is based on a full-time equivalent student, which is defined as

- Kindergarten: 4 classroom hours per day for 90 days or 2 classroom hours per day for 180 days.
- Grades 1 through 3: 4 classroom hours per day for 180 days.
- Grades 4 through 12: 5 classroom hours per day for 180 days.
- Undergraduate student: 15 credit hours per term.
- Graduate student: 10 credit hours per term.

(2) The increase in skills center summer students beginning in 2009-10 is due to reporting and funding changes.

(3) The youth reengagement program, beginning in academic year 2011-12, was created to provide educational opportunities for youth ages 16-21, who have dropped out of high school or are not accumulating sufficient credits to reasonably complete a high school diploma in a public school before the age of twenty one.

(4) Beginning with the 2010-2011 academic year, high school graduates are calculated using an adjusted (four-year) cohort method that tracks students expected to graduate high school within a four year period of time. Total high school graduates consist of students who received high school diplomas, graduated with Associates degrees, and graduated under Individualized Education Plans (IEPs). Prior to 2010-11, high school graduates were calculated using the traditional estimated (four-year) on-time cohort method which was based on students enrolled within a single school year.

(5) Enrollment figures include all non-Running Start students, which may include students under the age of 18. Beginning in academic year 2006-07, figures also include students enrolled in baccalaureate partnership programs.

(6) Baccalaureate degrees awarded by community and technical colleges, beginning in academic year 2008-09.

(7) 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 (SAI) within the community and technical college system. The initiative was implemented in 2007 to increase educational attainment in Washington state, therefore data is not available for prior academic years. In 2012, following a year-long review, the State Board approved revisions to SAI based upon the first six years of implementation. The revisions included additional points awarded for student retention and critical transitions for students starting less than college-ready, and for second year achievement. 2013-14 reflects SAI revised points.

(8) Public Universities include all 4-year public institutions and branch campuses. In 2006, the Spokane campus of Washington State University (WSU) was combined with the Pullman campus. In 2013 the WSU Spokane campus was reported separately.

2008-09	2007-08	2006-07	2005-06	2004-05
663,124	653,862	648,975	649,655	648,526
312,954	313,598	313,370	311,684	307,451
12	19	23	22	52
642	538	333	332	473
11,824	11,176	10,811	10,256	9,761
-	-	-	-	-
102	103	100	109	109
988,658	979,296	973,612	972,058	966,372
58,687	58,005	58,875	56,874	57,449
34	34	34	34	34
148,000	136,723	132,346	130,933	131,489
21,295	20,911	20,763	21,450	21,632
35	N/A	N/A	N/A	N/A
352,419	308,800	295,259	N/A	N/A
10	10	10	11	11
98,292	94,310	92,215	91,571	91,358
22,061	21,641	21,442	20,989	20,882
4,772	4,715	4,711	4,748	4,750
878	811	838	814	739
684	691	718	681	649

N/A indicates data not available or not applicable.

Sources:
Washington State Office of Financial Management
Washington State Office of Superintendent of Public Instruction
Washington State Board for Community and Technical Colleges
Washington Student Achievement Council

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Washington State Office of Financial Management
Insurance Building • PO Box 43113
Olympia, WA 98504-3113 • (360) 902-0555 • Fax (360) 664-2832