Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State of Washington
Office of Financial Management
November 2019

STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019

November 2019

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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, 2019

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STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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November 22, 2019

The Honorable Jay Inslee, Governor
Honorable Members of the Legislature
Citizens of the State
State of Washington
Olympia, WA 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, 2019. 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, 2019. 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 7.5 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 features 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. Amazon.com, a major internet retailer, Starbucks, a worldwide renowned coffee company, and Weyerhaeuser Company, a major producer of wood and related products, are headquartered in Seattle.

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 is composed of 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 is composed of the Senate (with 49 members) and the House of Representatives (with 98 members). The Judicial Branch is composed 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 in 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 Economic and Revenue Outlook

Recent economic performance continues to affirm Washington state's economic advantage throughout the nation's period of expansion. The state should outperform the nation in job and income growth over the foreseeable future.

Washington's jobless rate moved above the national rate during the past three years after having mirrored the national figures for much of the economic recovery. Washington's rate has traditionally been higher than the national norm due to the state's outsized share of seasonal industries and its attractiveness to in-migrants searching for opportunity and the Northwest experience. Over the past four years, 74 percent of Washington's population growth has been due to migration. More recent forecasts indicate Washington's jobless rate will remain above the national average, likely the result of strong population growth and the accompanying frictional lag in employment. In fundamental ways, this reflects the confidence workers have in finding gainful employment. By the end of the next biennium (2021-23), Washington's unemployment rate is projected to increase slightly to 5 percent, up from the current 4.6 percent.

Personal income in Washington is expected to make above-average gains over the next biennium. Real personal income should gain 3.3 percent in fiscal year 2020, 2.6 percent in fiscal year 2021, and 2.6 percent in fiscal year 2022, measurably higher than the respective 2.8 percent, 2.1 percent, and 2.1 percent projections for the nation. On a per-capita basis, Washington's real personal income should reach $59,498 in fiscal year 2022, more than $6,000 above the U.S. average.

These gains in Washington's personal income will occur notwithstanding the absence of growth in aerospace employment, which is expected to be a constant 89,900 jobs from fiscal year 2020 through fiscal year 2022. However, thanks to gains in software publishing, electronic shopping and mail order, and other technology sectors, Washington is projected to net a 2 percent increase in total payroll jobs in fiscal year 2020, 1.3 percent in fiscal year 2021, and 1 percent in fiscal year 2022.

Construction activity in Washington is expected to trend to a more historically normal level in the next biennium. While multi-family construction growth was prompted by demand for rental units in the aftermath of the Great Recession, income gains have renewed demand for single-family housing. Building permits should total 43,800 in fiscal year 2020, 42,900 in fiscal year 2021, and then 42,600 in fiscal year 2022. As a result, construction employment should move down to 211,000 jobs in fiscal year 2022 from 216,000 jobs in fiscal year 2020. That should ease the share of construction jobs to 5.9 percent of total nonfarm employment, still a bit above the historic average of 5.6 percent yet reflective of a stabilizing housing and commercial building market.

General Fund-State revenues grew 10 percent in fiscal year 2018 and 3.3 percent in fiscal year 2019. General Fund-State revenues are forecasted to increase 9.2 percent in fiscal year 2020, 4.3 percent in fiscal year 2021, and 3.2 percent in fiscal year 2022. The expanding economy, strong gains in hiring and sound housing markets have had a positive effect on revenue growth and should keep revenues growing at a sound pace.

Major Initiatives

EDUCATION

In 2018, the state took the final step to amply fund its program of basic education. As a result, in 2018, the state Supreme Court determined that the state had met its obligation to adequately fund basic education under the 2012 McCleary v. State of Washington decision. Governor Inslee and the Legislature fully implemented the McCleary funding plan beginning in the 2018-19 school year. This brought the total new state funding for school districts to $6.6 billion over the 2017-19 and 2019-21 biennia.

With the McCleary obligation met, policymakers began exploring enhancements to the K-12 education system. In 2019, the Governor signed a biennial budget that added $607 million in new policy investments for public schools, including:

- $319 million to provide equitable and affordable health care access to all educators, including part-time workers and educators with dependents.
- $151 million in enhancements to the state's program of special education to foster differentiated, individualized and inclusionary instruction.
- $28 million to expand and support Washington's educator workforce through professional learning for paraeducators, additional pathways to educator certification and professional development opportunities to support equity and inclusion.

The budgets for the 2019-21 biennium also included nearly $78 million of new investments in early learning. Of this total, $19.5 million will be used to add 1,171 spaces in the Early Childhood Education and Assistance Program, the state's preschool program for children from low-income families.

Actions taken during the 2019 legislative session boosted higher education funding by $600 million and enacted a new tax on businesses to support investments in financial aid, higher education employee compensation, new enrollments and general operating funds for public colleges and universities. The legislation also guaranteed the new Washington College Grant to all eligible students starting in fiscal year 2021. The bill renamed and expanded the State Need Grant to serve more than 110,000 eligible students with family incomes at or below the state median family income ($92,000 for a family of four).

HEALTH AND HUMAN SERVICES

Covering more people, providing better care at lower costs. Governor Inslee's Healthier Washington plan will transform health care in Washington so people experience better health during their lives, receive better care when they need it, and get more affordable and accessible care.

Addressing the opioid crisis. In 2017, the Governor signed Executive Order 16-09 directing state agencies to work with local public health organizations, tribal leaders and other partners across the state on a response plan to reduce opioid abuse, expand addiction treatment services, and make overdose antidotes more accessible. At the Governor's request, the Legislature this year passed Substitute Senate Bill 5380, a comprehensive bill addressing the statewide opioid epidemic through prevention, education, treatment and swift responses to overdose.

Foundational public health services. The Department of Health coordinates a partnership with counties and tribal governments to address the key areas of communicable disease, environmental health, and assessment and support activities for these areas.

Continue behavioral health integration efforts. Integration of physical and behavioral health care in the state continues with most areas of the state having successfully transitioned. The integration of physical health care services and behavioral health services helps consumers navigate the health care system more effectively and to receive better coordinated, high-quality and cost-effective care.

Transform the behavioral health system. Governor Inslee rolled out his multi-year plan for transforming the behavioral health system by decentralizing long-term civil mental health commitments, creating forensic centers of excellence at the state psychiatric hospitals, and building recovery-based services and supports in the community. Long-term inpatient civil commitments will transition from two large state institutions to smaller, community-based facilities that treat patients more effectively in their home communities, closer to family and friends. These include a mix of state-owned and -operated facilities and private providers. Regional, recovery-based services and supports will ensure individuals receive the appropriate level of care in the right settings, with a goal of diverting individuals from inpatient commitments.

Reduce firearm fatalities and suicides. In January 2016, the Governor issued an executive order to launch a statewide public health initiative to prevent gun-related fatalities and injuries. The order also implements the Statewide Suicide Prevention Plan. Governor Inslee has also signed numerous pieces of public health-related legislation, including a bill to ban bump stocks and another to ensure that people who are found to be a threat to themselves or others are not allowed access to firearms.

Reduce homelessness. Several efforts are underway to address youth homelessness, boost treatment for opioid addiction and behavioral health issues, and partner with local governments to expand affordable housing options through more resources and updated land use policies.

Help at-risk children and families thrive from the start. In 2016, the Governor convened the Blue Ribbon Commission on Children and Families, a group of experts who recommended bringing together early learning and family support services into one agency. As a result, the Department of Children, Youth, and Families launched in July 2018 to deliver preventive family interventions as well as equity in services for all Washington children. The agency provides all services previously housed in the Department of Early Learning and some services previously provided by the Department of Social and Health Services.

ECONOMY

Paid family and medical leave. On January 1, 2019, Washington began collecting premiums in preparation for launching its best-in-the-nation paid family and medical leave program, approved on a bipartisan basis by legislators in 2017. Beginning in 2020, employees can become eligible for up to 12 weeks of paid medical leave and up to 12 weeks of paid time off to care for a new child or an ailing family member as well as a personal medical event. Depending on their earnings, employees will receive up to 90 percent of their wages or up to $1,000 per week.

Ensure statewide broadband access. Many rural communities don't have access to adequate broadband services which limits the ability of their residents to be part of emerging educational and economic opportunities or to access modern-day medical and emergency management services. Governor Inslee is working with legislators and local communities to expand broadband access to every corner of the state. This involves setting up a statewide broadband office, creating a loan and grant program, and changing the law governing authority over providing broadband services.

ENVIRONMENT AND ENERGY

Reduce carbon pollution. In 2017, the state put in place a clean air rule that requires major emitters of greenhouse gases to limit and reduce carbon pollution, and incentivizes investments that reduce fossil fuel use and accelerate the adoption of clean energy. However, the rule is on hold pending legal appeals.

Meanwhile, the Legislature this year passed a suite of legislation to cut greenhouse gas emissions. Washington is now required to have 100 percent clean electricity by 2045. New standards were also imposed for more energy-efficient buildings and appliances. Washington also joined other states with requirements to phase down the use of greenhouse gases such as hydrofluorocarbons and perfluorocarbons used in air conditioners and appliances that potentially contribute to global warming.

While attending the Paris Climate Conference in December 2015, Governor Inslee announced a commitment to double the state's electric vehicle deployment in the state fleet to 20 percent. In 2019, he established the goal of 50 percent electric vehicles for the state fleet by 2020. To date, the state has exceeded the goal for new vehicle acquisitions, with zero emission vehicles composing almost 30 percent of new purchases since the announcement.

The Governor is a founding chair of the U.S. Climate Alliance, a bipartisan coalition of 17 states that stepped up to ensure the United States makes progress on the Paris Climate Agreement. Washington continues its work with its partners in the Pacific Coast Collaborative, a west coast initiative for climate action and leadership, as well as with dozens of states and regions around the world whose leaders signed the Under 2 MOU, a global commitment to shrink greenhouse gas emissions.

Strengthen the shellfish industry. Through state, local, tribal, federal, and nonprofit partnerships, Governor Inslee is leading efforts to reopen shellfish growing areas closed due to pollution, restore native Olympia oysters, and improve coordination and predictability for the permitting processes.

Oil transportation safety. An unprecedented volume of oil is now moving along Washington's rail lines and the state is working to keep communities safe and provide the best tools to prevent and respond to oil spills. In 2018, legislation was enacted to address higher risks from the transport of sinking oils, provide more revenue for oil spill prevention by expanding the oil spill tax to pipelines, and develop recommendations to improve vessel safety. In 2019, additional legislation was enacted to require that oil tankers and articulated tug barges be escorted by tugs when traveling through Rosario Strait. The state is also studying whether similar escort requirements should be adopted in other parts of Puget Sound.

Orca recovery. In March 2018, the Governor signed Executive Order 18-02 to create the Southern Resident Killer Whale Recovery Task Force to identify, prioritize, and support the implementation of a long-term action plan for the recovery of Southern Resident orcas. Their population has dropped to 74, the lowest number in more than 30 years.

The task force completed its initial recommendations in November 2018. The plan addresses three primary threats to these marine mammals: prey abundance, toxic contaminants, and disturbance from noise and vessel traffic.

In 2019, the Legislature passed five bills to mitigate these threats, including lessening the impacts of small vessels and the whale watching industry; cutting the risk of oil spills; improving salmon habitat protection; and reducing toxic substances in consumer products. Overall, $1.1 billion was appropriated for investments in programs and projects to benefit Southern Resident orca and Chinook salmon, their primary prey, including protecting and restoring habitat; removing state-owned fish passage barriers; boosting hatchery production; acquiring one new hybrid electric ferry and converting two ferries to hybrid electric; and cleaning up contaminated sites.

TRANSPORTATION

Construction. The state has completed construction of the Alaskan Way (State Route 99) tunnel, a two-mile double-decker tunnel under downtown Seattle. The tunnel opened to traffic in February 2019 and, by fall, demolition of the Alaskan Way Viaduct was nearing completion.

The state is building a new hybrid electric ferry and converting two diesel ferries to hybrid electric.

Clean transportation. The state created a pilot program to provide clean alternative fuel vehicle use opportunities to underserved communities.

Electrification of Washington's roadways. In recognition of the trend of drivers choosing to purchase electric vehicles, the Governor is continuing work to expand the availability of high-speed charging stations, increase incentives, and build out the electric vehicle infrastructure.

Keep roads safe. Governor Inslee and the Washington State Patrol are collaborating to reduce highway deaths to zero by 2030 as part of the Target Zero strategic plan.

ONE WASHINGTON

The state continues ramp up efforts to modernize and integrate its core enterprise functions for finance, procurement, budget, human resources and payroll. In Washington, those tools are aging, poorly integrated with one another, require heroic efforts by staff to operate and pose identifiable risks that demand action.

Data from these systems can take weeks, if not months, to compile and edit before decision-makers can act. In the case of goods and services, the state doesn't have an effective system to track billions of dollars in annual expenditures.

The One Washington program was launched in 2013 to overhaul these aging core financial systems. After initially funding a business case, planning and research, the Legislature has funded next-level work: One Washington is about to select a cloud-based system to replace the financial system built on 1960s technology. The new system is expected to go live in fiscal year 2023.

Updating the remaining business functions – procurement, budget, human resources and payroll – will follow in subsequent biennia. One Washington will result in a modern, stable, integrated and reliable enterprise system to administer the state's core business functions.

RESULTS WASHINGTON

Washington is a recognized national leader in adapting proven industry principles to continually improve state government. Governor Inslee's innovative Results Washington initiative, launched in 2013, uses data and cross-agency teams to spur improvements in education, the economy, the environment, health and safety, and government operations.

In addition, state agencies have initiated thousands of improvement projects of their own. Their efforts have resulted in faster services, easier-to-use documents, fewer errors and shorter backlogs, and millions of dollars saved through cost avoidance.

Underlying much of this work are the principles of Lean management, which has proven highly effective at driving customer-focused improvements in health care, aerospace, retail, and other industry sectors. Today, Lean principles are increasingly being put to use in the public sector. Lean emphasizes root-cause problem solving and cycles of improvement led by frontline employees, all with the goal of increasing quality and value to the customer.

Additional key principles in this effort are mutual responsibility and transparency. To this end, the Governor meets regularly with teams of state agency directors and customers to discuss progress, data, challenges, and next steps. The meetings are open to the public and streamed live. Goals, improvement strategies, and data are posted online at www.results.wa.gov.

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, 2018. 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 32 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 the Office of Financial Management. This CAFR reflects the Governor's commitment to the Legislature, the citizens of Washington state, and the financial community to maintain financial statements in conformance with the highest standards of financial accountability.

Sincerely,

David Schumacher
Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Washington

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

Statewide Elected Officials

As of June 30, 2019

Governor
Jay Inslee

Lieutenant Governor
Cyrus Habib

Secretary of State
Kim Wyman

Treasurer
Duane Davidson

State Auditor
Pat McCarthy

Attorney General
Bob Ferguson

Superintendent of Public Instruction
Chris Reykdal

Commissioner of Public Lands
Hilary Franz

Insurance Commissioner
Mike Kreidler

2019 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
- Law Library
- Municipal Courts
- Office of Public Defense
- District and Superior Courts

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*
  - *Women's Commission*
  - *LGBTQ Commiission*
  - *Office of the Education Ombuds*
  - *Office of the Family & Children's Ombuds*
  - *Office of the Corrections Ombuds*

Attorney General
- *Executive Ethics Board*

Superintendent of Public Instruction

Auditor

Secretary of State
- *State Library*

Agencies Led by Governor-appointed Executives

Environment and Natural Resources
- Department of Agriculture *(commodity commissions)*
- Department 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 (WaTech)
  - *Technology Services Board*
- Department of Enterprise Services
  - *Building Code Council*
- Department of Financial Institutions
- Office of Financial Management
  - *Personnel Resources Board*
  - *Sentencing Guidelines Commission*
  - *Serve Washington*
- Governor's Office of Indian Affairs
- State Lottery
- Military Department
- Department of Retirement Systems
- Department of Revenue

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

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

Education
- Center for Deaf and Hard of Hearing Youth
- 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*
  - *Public Works Board*
  - *Broadband Office*
- Commission on Hispanic Affairs
- Office of Minority & 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
- Energy Facility Site Evaluation Council
- Forensic Investigations Council
- Gambling Commission
- Horse Racing Commission
- Investment Board
- Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board
- Liquor and Cannabis Board
- Public Disclosure Commission
- Public Employment Relations Commission
- Board of Tax Appeals
- Utilities and Transportation Commission
- Board for 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
- Board of Education
- Professional Educator Standards Board
- State Board for Community and Technical Colleges
  - *Boards of trustees for 34 community/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
- Higher Education Facilities Authority
- Eastern Washington State Historical Society
- Washington State Historical Society

Community and Economic Development
- Economic Development Finance Authority
- Housing Finance Commission

Prepared by Office of Financial Management July 2019

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FINANCIAL SECTION

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Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

November 22, 2019

The Honorable Jay Inslee
Governor, State of Washington

REPORT ON THE 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, 2019, 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, or the funds managed by the State Investment Board. Those financial statements represent part or all of the total assets, net position, and revenues or additions of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information as follows:

Opinion Unit	Percent of Total Assets	Percent of Net Position	Percent of Total Revenues/ Additions
Governmental Activities	12.6%	25.3%	7.9%
Business-Type Activities	76.4%	100.0%	44.2%
Higher Education Special Revenue Fund	46.1%	43.8%	45.2%
Higher Education Endowment Fund	97.0%	96.8%	95.3%
Higher Education Student Services Fund	71.0%	100.0%	83.9%
Workers' Compensation Fund	93.7%	100.0%	35.1%
Aggregate Discretely Presented Component Units and Remaining Fund Information	95.9%	96.6%	89.9%

Those 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 entities and funds listed above, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of June 30, 2019, 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 $50.3 billion, which comprise 32.6 percent of total assets and 35.5 percent of net position of the aggregate discretely 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 upon information provided by the fund managers or, in the case of investments in partnerships, the general partners. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents 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 as a whole. The combining financial statements and individual fund schedules are presented for purposes of additional analysis and are 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 the 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 Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the State. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated November 22, 2019, 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,

Pat McCarthy

Pat McCarthy

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, 2019. 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 $26.71 billion (reported as net position). Of this amount, $(12.89) 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 $19.53 billion, a decrease of 0.3 percent compared with the prior year.

- The state's capital assets increased by $817.2 million, total bond debt increased by $69.0 million, and the state's net investment in capital assets is $23.17 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 the 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, and various higher education student services such as housing and dining.

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.

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, data processing services, risk management, and employee health insurance. Because internal service funds predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

The internal service funds are combined for presentation purposes. Individual fund data for the state's nonmajor proprietary funds are provided in the form of combining statements elsewhere in this report.

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.

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 three major component units: the Valley Medical Center, the Washington State Public Stadium Authority, and the Health Benefit Exchange, as well as four nonmajor component units.

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.

OTHER INFORMATION

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.

The combining statements referred to earlier are presented immediately following the required supplementary information.

STATE OF WASHINGTON

Statement of Net Position

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and other assets	$ 31,459	$ 30,477	$ 28,340	$ 27,237	$ 59,799	$ 57,714
Capital assets	41,781	41,044	3,415	3,336	45,196	44,380
Total assets	73,240	71,521	31,755	30,573	104,995	102,094
DEFERRED OUTFLOWS OF RESOURCES	1,459	1,108	200	171	1,659	1,279
LIABILITIES						
Current and other liabilities	6,138	5,910	1,091	1,167	7,229	7,077
Long-term liabilities outstanding	34,827	35,986	34,179	33,532	69,006	69,518
Total liabilities	40,965	41,896	35,270	34,699	76,235	76,595
DEFERRED INFLOWS OF RESOURCES	3,322	1,819	386	189	3,708	2,008
NET POSITION						
Net investment in capital assets	22,261	21,749	911	847	23,172	22,596
Restricted	11,358	11,328	5,068	4,825	16,427	16,153
Unrestricted	(3,207)	(4,163)	(9,679)	(9,816)	(12,886)	(13,979)
Total net position	$ 30,412	$ 28,914	$ (3,700)	$ (4,144)	$ 26,712	$ 24,770

Note: The 2018 amounts presented here have not been restated for prior period adjustments. Complete information necessary to fully restate the 2018 amounts was not available. Refer to Note 2 Accounting, Reporting, and Entity Changes.

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 $26.71 billion at June 30, 2019, as compared to $24.77 billion as reported at June 30, 2018.

The largest portion of the state's net position (86.7 percent for fiscal year 2019 as compared to 91.2 percent for fiscal year 2018) 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 (61.5 percent for fiscal year 2019 as compared to 65.2 percent for fiscal year 2018) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $(12.89) billion represents unrestricted net position. The state's overall negative balance in unrestricted net position is largely due to deficits in business-type activities.

In governmental activities, net position increased from $28.91 billion in fiscal year 2018 to $30.41 billion in fiscal year 2019. The increase reflects increases in investment earnings and tax revenues that outpaced the increases in expenses.

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

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

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

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

STATE OF WASHINGTON

Changes in Net Position

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
REVENUES						
Program revenues:						
Charges for services	$ 6,772	$ 7,170	$ 8,343	$ 7,920	$ 15,116	$ 15,090
Operating grants and contributions	16,728	16,120	65	66	16,793	16,186
Capital grants and contributions	807	973	1	—	808	973
General revenues:						
Taxes	26,012	24,863	22	23	26,034	24,886
Interest and investment earnings (loss)	646	561	1,681	502	2,327	1,063
Total revenues	50,964	49,688	10,112	8,510	61,077	58,198
EXPENSES						
General government	(1,491)	(1,687)	—	—	(1,491)	(1,687)
Education - K-12	(13,872)	(12,012)	—	—	(13,872)	(12,012)
Education - Higher education	(7,985)	(7,662)	—	—	(7,985)	(7,662)
Human services	(19,822)	(18,863)	—	—	(19,822)	(18,863)
Adult corrections	(1,142)	(1,067)	—	—	(1,142)	(1,067)
Natural resources and recreation	(1,351)	(1,184)	—	—	(1,351)	(1,184)
Transportation	(2,809)	(2,485)	—	—	(2,809)	(2,485)
Interest on long-term debt	(1,032)	(1,002)	—	—	(1,032)	(1,002)
Workers' compensation	—	—	(3,975)	(3,690)	(3,975)	(3,690)
Unemployment compensation	—	—	(963)	(935)	(963)	(935)
Higher education student services	—	—	(3,330)	(3,119)	(3,330)	(3,119)
Other business-type activities	—	—	(1,169)	(918)	(1,169)	(918)
Total expenses	(49,504)	(45,962)	(9,437)	(8,662)	(58,941)	(54,624)
Excess (deficiency) of revenues over expenses before contributions to endowments and transfers	1,460	3,726	676	(152)	2,136	3,574
Contributions to endowments	152	109	—	—	152	109
Transfers	217	152	(217)	(152)	—	—
Increase (decrease) in net position	1,828	3,986	459	(304)	2,288	3,683
Net position - July 1, as restated	28,584	24,928	(4,159)	(3,840)	24,424	21,087
Net position - June 30	$ 30,412	$ 28,914	$ (3,700)	$ (4,144)	$ 26,712	$ 24,770

Governmental Activities. Governmental activities resulted in an increase in the state of Washington's net position of $1.83 billion. A number of factors were in play including increases in tax revenues and spending on K-12 education and human services.

- Tax revenues increased by $1.15 billion in fiscal year 2019 as compared to fiscal year 2018 reflecting positive growth in the economy. Sales and use tax, which are the main tax revenue for governmental activities, reported an increase of $952.2 million. Business and occupation tax increased by $269.2 million. Property tax revenue increased by $15.5 million as property values continue to rise. Real estate excise tax revenue increased by $36.0 million. Real estate excise taxes are levied on the sale of real estate.

- Operating grants and contributions grew by $607.9 million in fiscal year 2019 compared with 2018 and were matched with an increase in human services operating grant expenses.

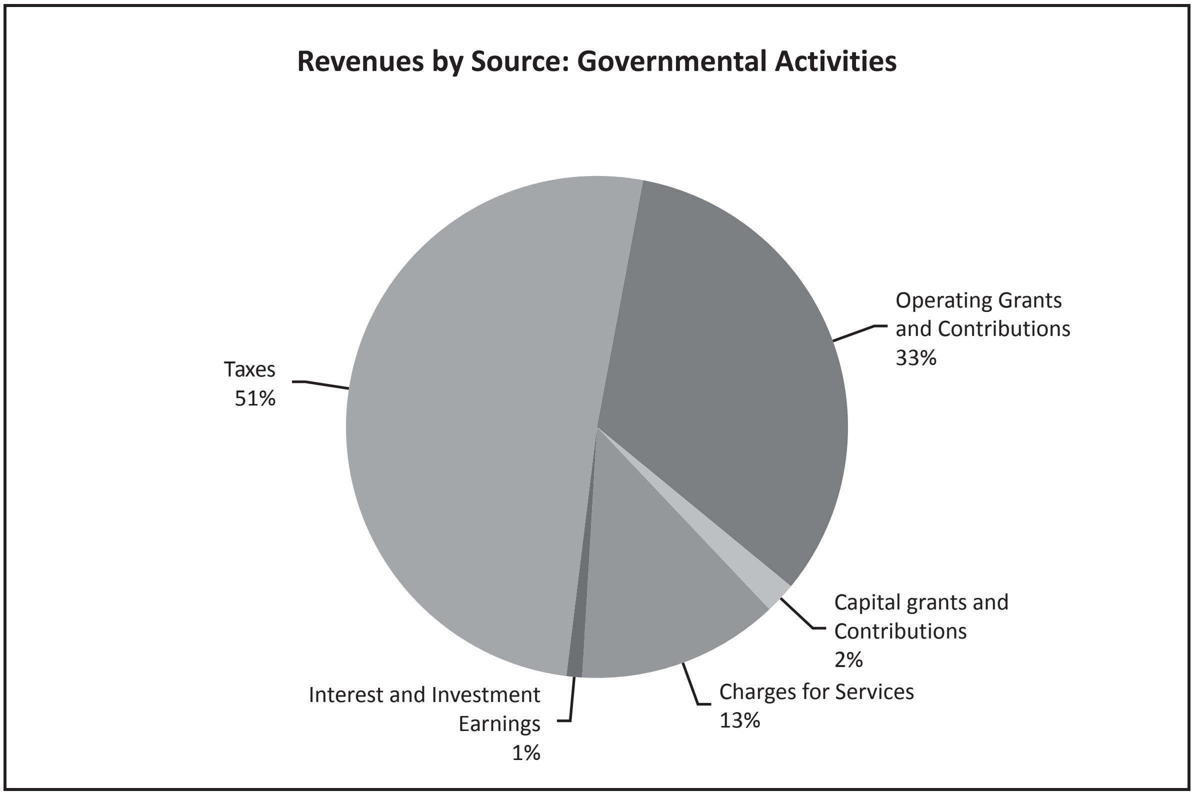
- Expenses grew by $1.86 billion for K-12 education in 2019 as compared to fiscal year 2018. This is the State's continued commitment to meet the needs of K-12 education.

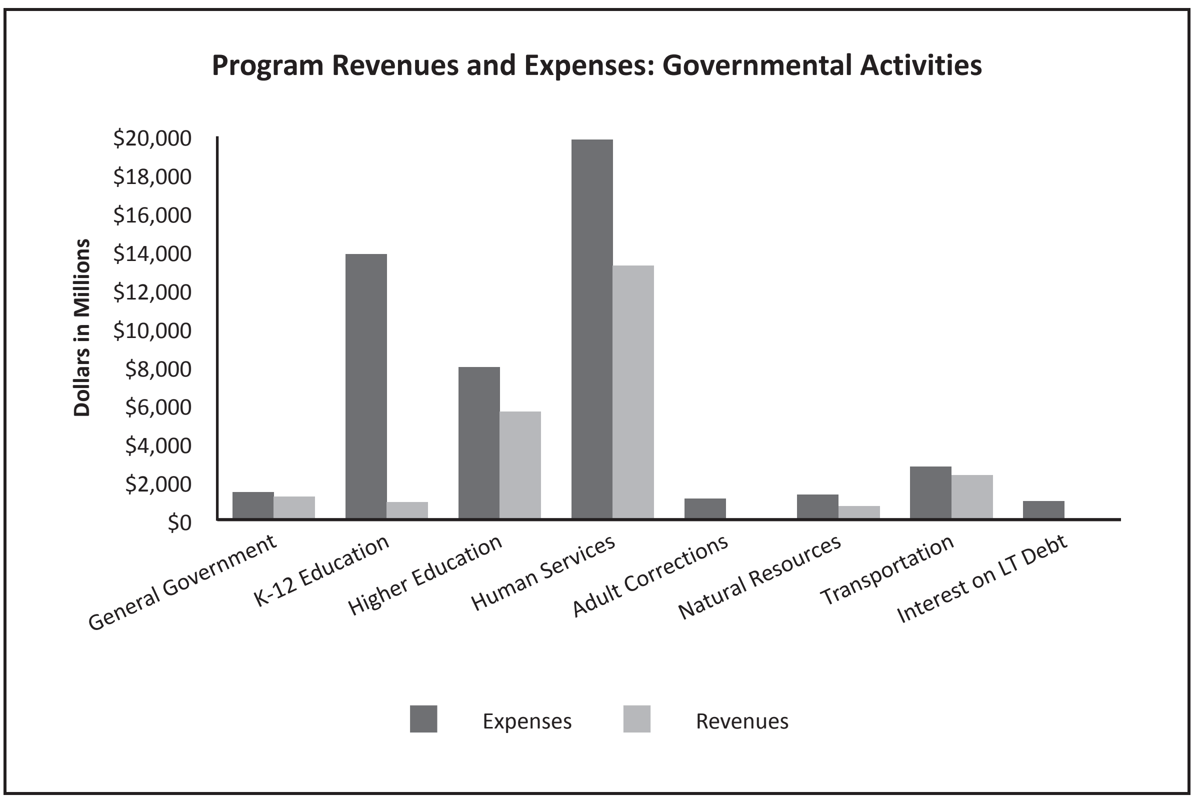
Business-Type Activities. Business-type activities increased the state of Washington's net position by $459.4 million. Key factors contributing to the operating results of business-type activities are:

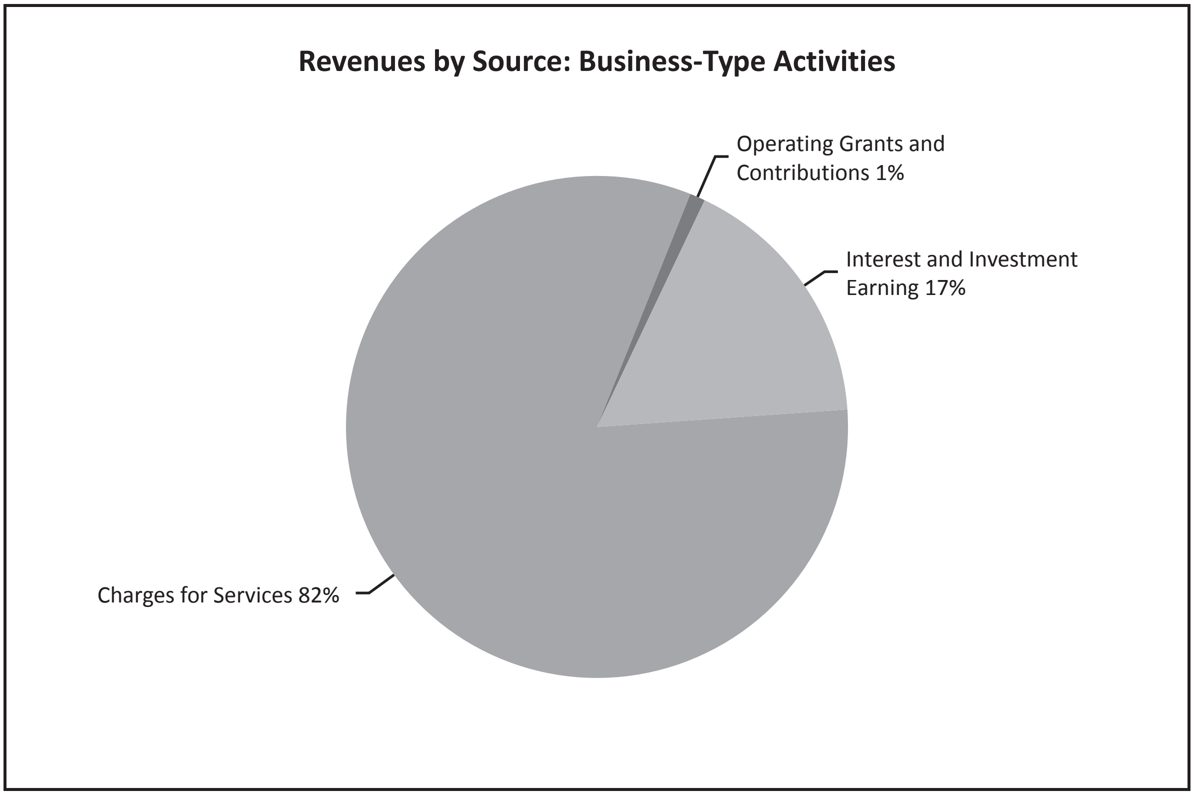
- The workers' compensation activity increase in net position in fiscal year 2019 was $147.7 million compared to a decrease of $654.0 million in fiscal year 2018. Claim costs increased by $256.6 million in fiscal year 2019 compared with fiscal year 2018, reflecting an increase in the number of time-loss claims. Investment income increased by $1.20 billion as compared to fiscal year 2018. The workers' compensation portfolio is 84.9 percent debt securities.

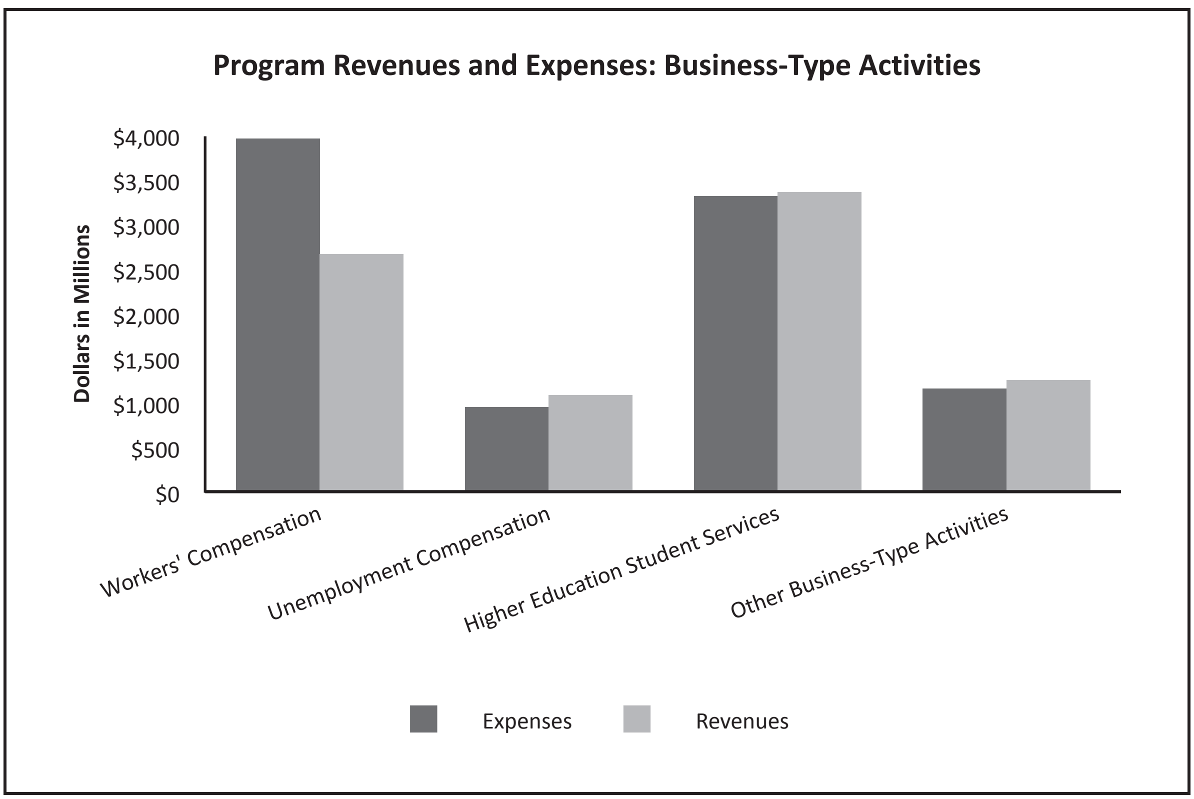
- The unemployment compensation activity reported operating income in fiscal year 2019 of $134.6 million compared to $144.9 million in fiscal year 2018. Unemployment insurance benefits increased by $28.1 million in fiscal year 2019 over fiscal year 2018. The unemployment rate for the state for June 2019 was 4.6 percent, a slight increase from June 2018.

- The Higher Education Student Services activities reported relatively proportional increases in both operating revenues and expenses when compared to the prior year.


Revenues by Source: Governmental Activities
Operating Grants and Contributions 33%
Taxes 51%
Capital grants and Contributions 2%
Interest and Investment Earnings 1%
Charges for Services 13%


Program Revenues and Expenses: Governmental Activities
Dollars in Millions
$20,000
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
General Government
K-12 Education
Higher Education
Human Services
Adult Corrections
Natural Resources
Transportation
Interest on LT Debt
Expenses
Revenues


Revenues by Source: Business-Type Activities
Operating Grants and Contributions 1%
Interest and Investment Earning 17%
Charges for Services 82%


Program Revenues and Expenses: Business-Type Activities
Dollars in Millions
$4,000
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
Workers' Compensation
Unemployment Compensation
Higher Education Student Services
Other Business-Type Activities
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.

Fund Balances. At June 30, 2019, the state's governmental funds reported combined ending fund balances of $19.53 billion. Of this amount, $2.86 billion or 14.6 percent is nonspendable, either due to its form or legal constraints; and $6.51 billion or 33.4 percent is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional $7.65 billion or 39.2 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 $1.52 billion or 7.8 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. The fund balance decreased by $580.5 million in fiscal year 2019, as compared to a $1.23 billion gain in fiscal year 2018. Increased revenues from taxes and spending increases in K-12 education and social and health services were the key contributing factors. Assigned fund balance of $1.42 billion is reported for fiscal year 2019 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		Difference Increase (Decrease)
	2019	2018	2019 - 2018
REVENUES			
Taxes	$ 21,801	$ 21,244	$ 557
Federal grants	13,296	13,013	283
Investment revenue (loss)	114	1	113
Other	852	920	(68)
Total	36,063	35,178	885
EXPENDITURES			
Human services	19,754	18,686	1,068
Education	14,762	13,067	1,695
Other	1,710	1,585	125
Total	36,226	33,338	2,888
Net transfers in (out)	(598)	(674)	76
Other financing sources	180	63	117
Net increase (decrease) in fund balance	$ (581)	$ 1,229	$ (1,810)

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 in these funds are as follows:

- The change in fund balance of the Higher Education Special Revenue Fund in fiscal year 2019 was an increase of $1.10 billion compared to an increase of $162.3 million in fiscal year 2018.
- The fund balance for the Higher Education Endowment Fund increased by $271.6 million in fiscal year 2019. The increase is a result of positive growth in investment earnings.

Proprietary Funds. The state of Washington's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Significant changes reported in fiscal year 2019 are as follows:

- The Workers' Compensation Fund reported an increase in net position of $147.7 million in fiscal year 2019. Operating revenues decreased by $108.3 million and operating expenses increased by $285.7 million as compared to fiscal year 2018. Investment income increased $1.20 billion over fiscal year 2018.

- Washington's Unemployment Compensation Fund reported an increase in net position of $242.8 million. While unemployment benefit claims expense increased by $28.1 million in fiscal year 2019 as compared to 2018, unemployment premiums and assessments increased by $23.4 million in fiscal year 2019 as compared to 2018. Investment income increased by $10.2 million over fiscal year 2018. This resulted in net position increasing about the same amount as in fiscal year 2018.

- The Higher Education Student Services Fund and the nonmajor enterprise funds reported consistent activity when compared to 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 $2.98 billion over the course of the biennium. The major increase in estimated resources is additional property tax, sales tax, and federal grants-in-aid.

- Appropriated expenditure authority increased by $4.07 billion over the course of the biennium to address increases in the state's mental health, children services programs, and education.

The state did not overspend its legal spending authority for the 2017-19 biennium. Actual General Fund revenues and expenditures were 100.7 and 99.2 percent of final budgeted resources and appropriations, respectively, for the 2017-19 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, 2019, totaled $45.20 billion (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, museum and historical collections, buildings and other improvements, furnishings, equipment, and intangible assets, as well as construction in progress.

Washington's fiscal year 2019 investment in capital assets, net of current year depreciation, increased $826.7 million over fiscal year 2018, including increases to the state's transportation infrastructure of $508.7 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 $3.61 billion.

Additional information on the state of Washington's capital assets can be found in Note 6.

Infrastructure. The state of Washington 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 20,815 pavement lane miles, 3,932 bridges and tunnels, and 47 highway safety rest areas. The total count of bridges includes vehicular bridges of all lengths, pedestrian bridges, and tunnels. The count of bridges this year increased because in previous years only vehicular bridges over 20 feet in length were included. Infrastructure asset categories are assessed on a two-year cycle, either on a calendar year or fiscal year basis.

In the past two fiscal years, the state has invested more resources for the preservation and maintenance of pavement, but less for bridges and safety rest areas than was planned.

STATE OF WASHINGTON

Capital Assets - Net of Depreciation

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018 *	2019	2018 *	2019	2018 *
Land	$ 2,817	$ 2,767	$ 74	$ 71	$ 2,891	$ 2,838
Transportation infrastructure and other assets not depreciated	25,685	25,146	5	5	25,690	25,151
Buildings	8,769	8,640	2,848	2,532	11,617	11,172
Furnishings, equipment, and intangible assets	2,209	2,087	174	196	2,383	2,283
Other improvements and infrastructure	1,355	1,363	83	74	1,438	1,437
Construction in progress	946	1,032	231	457	1,177	1,489
Total	$ 41,781	$ 41,035	$ 3,415	$ 3,335	$ 45,196	$ 44,370

*Prior year balances restated for comparability

The state of Washington's goal is to maintain 85 percent of pavements and 90 percent of bridges at a condition level of fair or better. The condition of these assets, along with the rating scales, and additional detail comparing planned to actual preservation and maintenance spending are available in the required supplementary information. In 2018, the Washington State Department of Transportation updated its Capital Assets - Infrastructure Policy to report the average of the three most recent assessment periods, as opposed to just the most recent period.

The most recent pavements condition assessment indicates that 93.2 percent of pavements were in fair or better condition. The condition of pavements has remained steady in the last three assessment periods, averaging 93.1 percent in fair or better condition. For fiscal year 2019, actual maintenance and preservation expenditures were 18.3 percent higher than planned; however, over the past five fiscal years, the actual expenditures were 1.8 percent lower than planned.

The most recent condition assessment of bridges over 20 feet in length indicates that 92.9 percent of bridges were in good or fair condition. The condition of bridges has remained steady over the last three assessment periods, averaging 92.3 percent in good or fair condition. For fiscal year 2019, the actual maintenance and preservation expenditures were 19.5 percent lower than planned, and over the past five fiscal years, the actual expenditures were 14.9 percent lower than planned.

Bond Debt. At the end of fiscal year 2019, the state of Washington had general obligation bond debt outstanding including accreted interest and issuance premiums of $19.73 billion, an increase of 0.6 percent from fiscal year 2018. This debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized $15.75 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, 2019, does not exceed that amount for which payments of principal and interest in any fiscal year would require the state to expend more than 8.3 percent of the arithmetic mean of its general state revenues for the six immediately preceding fiscal years. The arithmetic mean of its general state revenues for fiscal years 2013-2018 is $18.31 billion. The debt service limitation, 8.3 percent of this mean, is $1.51 billion. The state's maximum annual debt service as of June 30, 2019, subject to the constitutional debt limitation is $1.19 billion, or $316.0 million less than the debt service limitation.

For further information on the debt limit, refer to Schedule 11 in the statistical section of this report or the Report on the State of Washington's Debt Limitation, available from the Office of the State Treasurer at https://tre.wa.gov/wp-content/uploads/Debt-Limit-Certification-2019-final.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 chairperson.

As of June 30, 2019, the state of Washington's general obligation debt was rated Aa1 by Moody's Investor Service, AA+ by Standard & Poor's Rating Group, and AA+ by Fitch Ratings.

STATE OF WASHINGTON
Bond Debt
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation (GO) bonds	$ 19,333	$ 19,181	$ —	$ —	$ 19,333	$ 19,181
Accreted interest on zero interest rate GO bonds	401	433	—	—	401	433
Revenue bonds	2,188	2,297	2,137	2,141	4,325	4,438
Unamortized premium on bonds sold	1,798	1,731	180	185	1,978	1,916
Total	$ 23,720	$ 23,642	$ 2,317	$ 2,326	$ 26,037	$ 25,968

The state had revenue debt outstanding at June 30, 2019, of $4.33 billion, a decrease of $112.9 million over fiscal year 2018. The decrease is primarily related to the state colleges and universities not issuing as many revenue bonds as in prior years. 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 exceptions are the University of Washington and Washington State University which issue general revenue bonds that are payable from general revenues of each university.

General obligation and revenue bonds totaling $227.9 million were refunded during the year. Washington's refunding activity produced $71.1 million in gross debt service savings.

Additional information on the state's bond debt obligations is presented in Note 7.

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 technology, health, business, and financial services. Washington's expanding economy, accelerated gains in hiring, and strong housing markets have had a positive effect on revenue growth. Further economic growth and a continued expansion in the housing and commercial building markets should keep revenues growing at a sound pace.

Rainy Day Account. In November 2007, Washington state voters ratified Engrossed Substitute Senate Joint Resolution 8206, amending the Washington Constitution and establishing the Budget Stabilization Account (BSA). The state's 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, 2019, $1.87 billion was transferred to the BSA from the General Fund in accordance with the provisions of the Constitution. During fiscal year 2019, by three-fifths vote of each house, the Legislature appropriated $64.8 million from the BSA for additional state expenditures, emergency fire service mobilization, fire suppression, and fire damage recovery costs. In addition, the Legislature transferred $462.6 million of extraordinary revenue growth to the pension stabilization account to be used only for the cost of state employer contributions to state pension systems. The BSA had a fund balance of $1.62 billion as of June 30, 2019.

Requests for Information

This financial report is designed to provide a general overview of the state of Washington'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 43127, Olympia, WA 98504-3127.

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Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position

June 30, 2019

(expressed in thousands)

Continued

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and cash equivalents	$ 9,475,553	$ 7,857,141	$ 17,332,694	$ 195,371
Taxes receivable (net of allowance for uncollectibles)	5,111,471	405	5,111,876	—
Other receivables (net of allowance for uncollectibles)	2,231,308	1,893,999	4,125,307	108,238
Internal balances	180,056	(180,056)	—	—
Due from other governments	4,411,343	114,823	4,526,166	—
Inventories and prepaids	120,712	61,704	182,416	28,144
Restricted cash and investments	417,552	20,312	437,864	—
Restricted receivables, current	35,578	57,165	92,743	—
Investments, noncurrent	7,078,962	18,192,885	25,271,847	96,299
Restricted investments, noncurrent	—	29,746	29,746	53,485
Restricted receivables, noncurrent	—	178	178	—
Restricted net pension asset	2,396,648	626	2,397,274	—
Other assets	—	291,241	291,241	397,112
Capital assets:				
Non-depreciable assets	29,447,978	309,832	29,757,810	82,274
Depreciable assets (net of accumulated depreciation)	12,333,173	3,105,667	15,438,840	562,278
Total capital assets	41,781,151	3,415,499	45,196,650	644,552
Total Assets	73,240,334	31,755,668	104,996,002	1,523,201
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on asset retirement obligations	12,867	—	12,867	
Deferred outflows on refundings	4,597	35,865	40,462	16,119
Deferred outflows on pensions	1,140,626	121,493	1,262,119	2,635
Deferred outflows on OPEB	300,509	42,916	343,425	172
Total Deferred Outflows of Resources	1,458,599	200,274	1,658,873	18,926
Total Assets and Deferred Outflows of Resources	$ 74,698,933	$ 31,955,942	$ 106,654,875	$ 1,542,127

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

Statement of Net Position

June 30, 2019

(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	$ 2,123,533	$ 236,025	$ 2,359,558	$ 37,864
Accrued liabilities	1,633,726	666,368	2,300,094	142,973
Obligations under security lending agreements	—	80,674	80,674	—
Due to other governments	1,862,941	42,127	1,905,068	—
Unearned revenues	517,568	64,958	582,526	9,077
Long-term liabilities:				
Due within one year	2,029,305	2,471,698	4,501,003	12,379
Due in more than one year	32,797,551	31,707,635	64,505,186	353,709
Total Liabilities	40,964,624	35,269,485	76,234,109	556,002
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on hedging derivatives	667	—	667	—
Deferred inflows on refundings	1,196	355	1,551	—
Deferred inflows on pensions	1,507,476	139,032	1,646,508	3,462
Deferred inflows on OPEB	1,762,470	247,047	2,009,517	1,371
Deferred inflows on irrevocable split interest agreements	50,260	—	50,260	
Deferred inflows on property taxes	—	—	—	23,849
Total Deferred Inflows of Resources	3,322,069	386,434	3,708,503	28,682
NET POSITION				
Net investment in capital assets	22,261,264	911,294	23,172,558	358,069
Restricted for:				
Unemployment compensation	—	5,066,859	5,066,859	—
Nonexpendable permanent endowments	2,733,299	—	2,733,299	—
Expendable endowment funds	1,852,068	—	1,852,068	—
Pensions	2,112,195	541	2,112,736	—
Wildlife and natural resources	1,141,073	—	1,141,073	—
Transportation	887,662	—	887,662	—
Budget stabilization	1,618,449	—	1,618,449	—
Higher education	75,728	—	75,728	—
Other purposes	937,897	—	937,897	3,679
Unrestricted	(3,207,395)	(9,678,671)	(12,886,066)	595,695
Total Net Position	30,412,240	(3,699,977)	26,712,263	957,443
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 74,698,933	$ 31,955,942	$ 106,654,875	$ 1,542,127

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

Statement of Activities

For the Fiscal Year Ended June 30, 2019

(expressed in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General government	$ 1,491,406	$ 972,208	$ 279,523	$ 14,699
Education - K-12 education	13,872,211	20,832	944,902	—
Education - higher education	7,985,388	3,046,245	2,575,669	48,642
Human services	19,821,727	774,927	12,485,374	—
Adult corrections	1,141,673	9,162	3,318	—
Natural resources and recreation	1,350,923	525,396	194,556	36,453
Transportation	2,808,817	1,423,518	244,413	707,054
Interest on long-term debt	1,032,354	—	—	—
Total Governmental Activities	49,504,499	6,772,288	16,727,755	806,848
Business-Type Activities:				
Workers' compensation	3,975,266	2,666,395	10,267	—
Unemployment compensation	963,164	1,061,630	36,173	—
Higher education student services	3,330,255	3,354,700	18,354	925
Washington's lottery	597,621	806,106	—	—
Guaranteed education tuition program	369,867	45,423	—	—
Paid family and medical leave	18,255	231,774	—	—
Other	182,148	177,187	475	—
Total Business-Type Activities	9,436,576	8,343,215	65,269	925
Total Primary Government	$ 58,941,075	$ 15,115,503	$ 16,793,024	$ 807,773
Total Component Units	$ 787,518	$ 801,597	$ 34,497	$ —

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
$ (224,976)	$ —	$ (224,976)	
(12,906,477)	—	(12,906,477)	
(2,314,832)	—	(2,314,832)	
(6,561,426)	—	(6,561,426)	
(1,129,193)	—	(1,129,193)	
(594,518)	—	(594,518)	
(433,832)	—	(433,832)	
(1,032,354)	—	(1,032,354)	
(25,197,608)	—	(25,197,608)	
—	(1,298,604)	(1,298,604)	
—	134,639	134,639	
—	43,724	43,724	
—	208,485	208,485	
—	(324,444)	(324,444)	
—	213,519	213,519	
—	(4,486)	(4,486)	
—	(1,027,167)	(1,027,167)	
$ (25,197,608)	$ (1,027,167)	$ (26,224,775)	
			$ 48,576
12,106,216	—	12,106,216	—
4,451,985	—	4,451,985	—
3,362,573	—	3,362,573	23,258
1,671,195	—	1,671,195	—
1,635,542	22,267	1,657,809	—
397,048	—	397,048	—
482,445	—	482,445	—
640,136	—	640,136	—
1,264,531	—	1,264,531	979
645,865	1,680,823	2,326,688	12,145
26,657,536	1,703,090	28,360,626	36,382
1,459,928	675,923	2,135,851	84,958
151,943	—	151,943	—
216,528	(216,528)	—	—
1,828,399	459,395	2,287,794	84,958
28,583,841	(4,159,372)	24,424,469	872,485
$ 30,412,240	$ (3,699,977)	$ 26,712,263	$ 957,443

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Basic Financial Statements

Fund Financial Statements

Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2019
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	$ 3,356,205	$ 779,192	$ 576,077	$ 3,572,778	$ 8,284,252
Investments	91,808	2,414,865	4,478,036	282,843	7,267,552
Taxes receivable (net of allowance)	4,845,644	29,342	—	236,485	5,111,471
Receivables (net of allowance)	698,814	498,203	37,761	932,690	2,167,468
Due from other funds	390,910	1,060,697	726	405,248	1,857,581
Due from other governments	1,543,155	226,046	—	2,490,824	4,260,025
Inventories and prepaids	14,375	31,010	—	46,678	92,063
Restricted cash and investments	18,883	132	—	208,054	227,069
Restricted receivables	6,916	19,659	—	6,015	32,590
Total Assets	$ 10,966,710	$ 5,059,146	$ 5,092,600	$ 8,181,615	$ 29,300,071
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 1,457,470	$ 102,478	$ 41,772	$ 474,394	$ 2,076,114
Accrued liabilities	416,396	516,509	63,085	182,637	1,178,627
Due to other funds	284,210	169,335	515,282	630,037	1,598,864
Due to other governments	1,396,893	46,895	—	204,591	1,648,379
Unearned revenue	155,987	241,884	—	115,361	513,232
Claims and judgments payable	51,884	—	—	145,946	197,830
Total Liabilities	3,762,840	1,077,101	620,139	1,752,966	7,213,046
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	2,354,349	11,475	11,465	130,226	2,507,515
Deferred inflows on hedging derivatives	—	—	—	667	667
Deferred inflows on irrevocable split interest agreements	—	—	50,260	—	50,260
Total Deferred Inflows of Resources	2,354,349	11,475	61,725	130,893	2,558,442
FUND BALANCES					
Nonspendable fund balance	49,614	31,010	2,513,961	266,017	2,860,602
Restricted fund balance	1,699,486	43,808	1,896,775	2,872,808	6,512,877
Committed fund balance	684,619	3,788,452	—	3,181,099	7,654,170
Assigned fund balance	1,416,952	107,300	—	—	1,524,252
Unassigned fund balance	998,850	—	—	(22,168)	976,682
Total Fund Balances	4,849,521	3,970,570	4,410,736	6,297,756	19,528,583
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 10,966,710	$ 5,059,146	$ 5,092,600	$ 8,181,615	$ 29,300,071

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, 2019

(expressed in thousands)

Total Fund Balances for Governmental Funds		$ 19,528,583
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	$ 29,439,150	
Depreciable assets	22,484,932	
Less: Accumulated depreciation	(10,944,632)	
Total capital assets		40,979,450
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.		2,507,515
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.		2,396,648
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the funds.		1,376,672
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the funds.		(3,121,581)
Unmatured interest on general obligation bonds is not recognized in the funds until due.		(400,455)
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.		(182,659)
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	$ (23,447,031)	
Accreted interest on bonds	(401,153)	
Compensated absences	(661,378)	
Other postemployment benefits obligations	(4,283,808)	
Net pension liability	(3,113,148)	
Unclaimed property	(243,568)	
Pollution remediation obligations	(132,838)	
Claims and judgments	(36,945)	
Asset retirement obligation	(25,168)	
Other obligations	(326,896)	
Total long-term liabilities		(32,671,933)
Net Position of Governmental Activities		$ 30,412,240

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, 2019

(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
REVENUES					
Retail sales and use taxes	$ 11,952,070	$ —	$ —	$ 154,146	$ 12,106,216
Business and occupation taxes	4,447,626	—	—	4,359	4,451,985
Property taxes	2,339,469	1,019,116	—	—	3,358,585
Excise taxes	1,146,348	48,599	—	440,595	1,635,542
Motor vehicle and fuel taxes	—	—	—	1,671,195	1,671,195
Other taxes	1,915,048	373,381	—	324,155	2,612,584
Licenses, permits, and fees	130,170	1,096	—	1,894,045	2,025,311
Other contracts and grants	295,579	1,122,786	—	152,946	1,571,311
Timber sales	1,715	—	12,129	142,971	156,815
Federal grants-in-aid	13,295,781	1,463,827	—	1,203,683	15,963,291
Charges for services	50,455	2,778,576	—	727,419	3,556,450
Investment income (loss)	114,079	123,752	281,069	126,965	645,865
Miscellaneous revenue	300,242	159,117	2,047	550,304	1,011,710
Contributions and donations	—	—	151,943	—	151,943
Unclaimed property	74,631	—	—	—	74,631
Total Revenues	36,063,213	7,090,250	447,188	7,392,783	50,993,434
EXPENDITURES					
Current:					
General government	949,237	25	158	606,289	1,555,709
Human services	19,754,162	13,918	—	1,132,975	20,901,055
Natural resources and recreation	481,612	—	—	850,803	1,332,415
Transportation	55,600	—	—	2,288,971	2,344,571
Education	14,762,434	5,899,077	960	649,639	21,312,110
Intergovernmental	132,029	—	—	404,921	536,950
Capital outlays	74,041	231,122	1,301	1,797,940	2,104,404
Debt service:					
Principal	13,155	40,317	—	1,126,984	1,180,456
Interest	3,528	28,809	—	1,038,049	1,070,386
Total Expenditures	36,225,798	6,213,268	2,419	9,896,571	52,338,056
Excess of Revenues Over (Under) Expenditures	(162,585)	876,982	444,769	(2,503,788)	(1,344,622)
OTHER FINANCING SOURCES (USES)					
Bonds issued	177,390	27,728	—	994,170	1,199,288
Issuance premiums	649	6,324	—	164,477	171,450
Other debt issued	2,228	30,449	—	6,338	39,015
Refunding COPs issued	—	10,634	—	3,265	13,899
Transfers in	730,602	956,957	35,802	2,881,991	4,605,352
Transfers out	(1,328,827)	(809,044)	(208,956)	(2,073,534)	(4,420,361)
Total Other Financing Sources (Uses)	(417,958)	223,048	(173,154)	1,976,707	1,608,643
Net Change in Fund Balances	(580,543)	1,100,030	271,615	(527,081)	264,021
Fund Balances - Beginning, as restated	5,430,064	2,870,540	4,139,121	6,824,837	19,264,562
Fund Balances - Ending	$ 4,849,521	$ 3,970,570	$ 4,410,736	$ 6,297,756	$ 19,528,583

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, 2019

(expressed in thousands)

Net Change in Fund Balances - Total Governmental Funds		$ 264,021
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	$ 1,472,256	
Less: Depreciation expense	(708,126)	764,130
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.		134,845
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.		(8,408)
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	$ (1,415,603)	
Principal payments on bonds and other financing contracts	1,305,167	
Accreted interest on bonds	32,219	(78,217)
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	$ (21,336)	
Other postemployment benefits	(178,743)	
Pensions	883,084	
Pollution remediation	18,576	
Claims and judgments	4,250	
Accrued interest	463	
Unclaimed property	(5,794)	
Asset retirement obligations	(1,326)	
Other obligations	52,854	752,028
Change in Net Position of Governmental Activities		$ 1,828,399

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

Statement of Net Position
PROPRIETARY FUNDS
June 30, 2019

(expressed in thousands)

	Business-Type Activities Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 58,432	$ 4,704,195	$ 774,502
Investments	2,076,663	—	20,138
Taxes receivable (net of allowance)	—	—	—
Receivables (net of allowance)	867,000	435,275	375,277
Due from other funds	467	3,197	124,303
Due from other governments	1,463	25,879	66,742
Inventories	163	—	41,613
Prepaid expenses	4,370	—	5,285
Restricted cash and investments	405	—	19,907
Restricted receivables	—	—	57,165
Total Current Assets	3,008,963	5,168,546	1,484,932
Noncurrent Assets:			
Investments, noncurrent	16,496,600	—	269,945
Restricted investments, noncurrent	—	—	29,746
Restricted receivables, noncurrent	—	—	178
Restricted net pension asset	—	—	626
Other noncurrent assets	4,482	—	205,012
Capital assets:			
Land and other non-depreciable assets	3,204	—	73,757
Buildings	65,111	—	4,300,987
Other improvements	1,289	—	115,413
Furnishings, equipment, and intangibles	107,913	—	866,649
Infrastructure	—	—	59,411
Accumulated depreciation	(134,200)	—	(2,305,271)
Construction in progress	8,123	—	195,316
Total Noncurrent Assets	16,552,522	—	3,811,769
Total Assets	19,561,485	5,168,546	5,296,701
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on refundings	—	—	35,803
Deferred outflows on pensions	27,785	—	80,783
Deferred outflows on OPEB	10,177	—	24,512
Total Deferred Outflows of Resources	37,962	—	141,098
Total Assets and Deferred Outflows of Resources	$ 19,599,447	$ 5,168,546	$ 5,437,799

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

Continued

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 140,237	$ 5,677,366	$ 950,853
82,974	2,179,775	10,169
405	405	—
216,447	1,893,999	63,840
19,879	147,846	112,425
7,065	101,149	41,938
9,965	51,741	15,620
308	9,963	13,029
—	20,312	190,483
—	57,165	2,988
477,280	10,139,721	1,401,345
1,426,340	18,192,885	41,689
—	29,746	—
—	178	—
—	626	—
81,747	291,241	—
1,540	78,501	7,559
12,828	4,378,926	608,673
5,778	122,480	15,122
35,353	1,009,915	1,017,326
—	59,411	2,170
(25,594)	(2,465,065)	(850,419)
27,892	231,331	1,267
1,565,884	21,930,175	843,387
2,043,164	32,069,896	2,244,732
62	35,865	3,081
12,925	121,493	61,321
8,227	42,916	17,526
21,214	200,274	81,928
$ 2,064,378	$ 32,270,170	$ 2,326,660

Statement of Net Position
PROPRIETARY FUNDS
June 30, 2019
(expressed in thousands)

	Business-Type Activities Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 10,886	$ —	$ 205,397
Accrued liabilities	284,944	75,208	303,256
Obligations under security lending agreements	58,469	—	—
Bonds and notes payable	—	—	139,583
Net pension liability	34	—	747
Total OPEB liability	2,132	—	8,454
Due to other funds	9,195	3,267	291,728
Due to other governments	—	23,212	2,433
Unearned revenue	8,380	—	53,982
Claims and judgments payable	2,155,389	—	—
Total Current Liabilities	2,529,429	101,687	1,005,580
Noncurrent Liabilities:			
Claims and judgments payable	27,011,430	—	—
Bonds and notes payable	—	—	2,437,025
Net pension liability	88,617	—	273,296
Total OPEB liability	113,963	—	451,983
Other long-term liabilities	7,238	—	93,284
Total Noncurrent Liabilities	27,221,248	—	3,255,588
Total Liabilities	29,750,677	101,687	4,261,168
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on refundings	—	—	355
Deferred inflows on pensions	33,024	—	92,897
Deferred inflows on OPEB	48,028	—	181,435
Total Deferred Inflows of Resources	81,052	—	274,687
NET POSITION			
Net investment in capital assets	51,440	—	807,990
Restricted for:			
Unemployment compensation	—	5,066,859	—
Pensions	—	—	541
Unrestricted	(10,283,722)	—	93,413
Total Net Position	(10,232,282)	5,066,859	901,944
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 19,599,447	$ 5,168,546	$ 5,437,799

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

Concluded

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 19,742	$ 236,025	$ 47,419
159,635	823,043	105,754
22,205	80,674	—
2,770	142,353	131,306
—	781	1,196
828	11,414	3,117
23,527	327,717	191,184
2,991	28,636	94,354
2,596	64,958	4,336
5,088	2,160,477	202,216
239,382	3,876,078	780,882
13,174	27,024,604	651,888
3,225	2,440,250	515,997
35,188	397,101	219,046
44,264	610,210	166,608
1,134,948	1,235,470	25,336
1,230,799	31,707,635	1,578,875
1,470,181	35,583,713	2,359,757
—	355	120
13,111	139,032	65,435
17,584	247,047	84,007
30,695	386,434	149,562
51,864	911,294	235,688
—	5,066,859	—
—	541	—
511,638	(9,678,671)	(418,347)
563,502	(3,699,977)	(182,659)
$ 2,064,378	$ 32,270,170	$ 2,326,660

Statement of Revenues, Expenses, and Changes in Net Position
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019
(expressed in thousands)

	Business-Type Activities Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
OPERATING REVENUES			
Sales	$ —	$ —	$ 77,440
Less: Cost of goods sold	—	—	(43,553)
Gross profit	—	—	33,887
Charges for services	504	—	3,073,831
Premiums and assessments	2,612,753	1,046,389	—
Lottery ticket proceeds	—	—	—
Federal aid for unemployment insurance benefits	—	36,173	—
Miscellaneous revenue	53,141	15,242	203,074
Total Operating Revenues	2,666,398	1,097,804	3,310,792
OPERATING EXPENSES			
Salaries and wages	186,678	—	1,229,173
Employee benefits	59,203	—	328,009
Personal services	13,072	—	105,745
Goods and services	93,809	—	1,277,573
Travel	4,597	—	29,032
Premiums and claims	3,565,722	963,164	190
Guaranteed education tuition program expense	—	—	—
Lottery prize payments	—	—	—
Depreciation and amortization	7,407	—	198,722
Miscellaneous expenses	44,777	—	22,253
Total Operating Expenses	3,975,265	963,164	3,190,697
Operating Income (Loss)	(1,308,867)	134,640	120,095
NONOPERATING REVENUES (EXPENSES)			
Earnings (loss) on investments	1,446,193	108,145	31,861
Interest expense	—	—	(96,005)
Tax and license revenue	111	—	—
Other revenues (expenses)	10,263	—	18,709
Total Nonoperating Revenues (Expenses)	1,456,567	108,145	(45,435)
Income (Loss) Before Contributions and Transfers	147,700	242,785	74,660
Capital contributions	—	—	925
Transfers in	—	—	586,949
Transfers out	—	—	(576,598)
Net Contributions and Transfers	—	—	11,276
Change in Net Position	147,700	242,785	85,936
Net Position - Beginning, as restated	(10,379,982)	4,824,074	816,008
Net Position - Ending	$ (10,232,282)	$ 5,066,859	$ 901,944

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

		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
$ 102,456	$ 179,896	$ 45,237
(67,121)	(110,674)	(37,578)
35,335	69,222	7,659
87,639	3,161,974	750,932
261,373	3,920,515	1,803,400
803,278	803,278	—
—	36,173	—
5,807	277,264	187,602
1,193,432	8,268,426	2,749,593
81,739	1,497,590	328,846
27,093	414,305	110,563
19,636	138,453	35,059
107,602	1,478,984	373,033
2,209	35,838	5,601
—	4,529,076	1,837,623
363,840	363,840	—
490,355	490,355	—
2,878	209,007	107,099
909	67,939	122
1,096,261	9,225,387	2,797,946
97,171	(956,961)	(48,353)
94,626	1,680,825	17,915
(4,514)	(100,519)	(22,633)
22,156	22,267	12
413	29,385	1,781
112,681	1,631,958	(2,925)
209,852	674,997	(51,278)
—	925	11,334
17,897	604,846	80,536
(244,775)	(821,373)	(49,000)
(226,878)	(215,602)	42,870
(17,026)	459,395	(8,408)
580,528	(4,159,372)	(174,251)
$ 563,502	$ (3,699,977)	$ (182,659)

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019
(expressed in thousands)

	Business-Type Activities		
	Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 2,614,278	$ 1,002,693	$ 3,042,503
Payments to suppliers	(2,321,245)	(955,263)	(1,489,549)
Payments to employees	(256,309)	—	(1,571,677)
Other receipts	53,142	51,529	203,075
Net Cash Provided (Used) by Operating Activities	89,866	98,959	184,352
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	—	—	586,949
Transfers out	—	—	(576,598)
Operating grants and donations received	10,861	—	16,613
Taxes and license fees collected	111	—	—
Other noncapital financing activity	—	—	—
Net Cash Provided (Used) by Noncapital Financing Activities	10,972	—	26,964
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	—	—	(94,646)
Principal payments on long-term capital financing	—	—	(107,345)
Proceeds from long-term capital financing	—	—	158,594
Proceeds from sale of capital assets	12	—	10,267
Acquisitions of capital assets	(787)	—	(258,274)
Net Cash Provided (Used) by Capital and Related Financing Activities	(775)	—	(291,404)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	469,731	108,145	5,799
Proceeds from sale of investment securities	7,963,788	—	49,320
Purchases of investment securities	(8,520,606)	—	(38,664)
Net Cash Provided (Used) by Investing Activities	(87,087)	108,145	16,455
Net Increase (Decrease) in Cash and Pooled Investments	12,976	207,104	(63,633)
Cash and cash equivalents, July 1, as restated	45,861	4,497,091	858,042
Cash and cash equivalents, June 30	$ 58,837	$ 4,704,195	$ 794,409
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (1,308,867)	$ 134,640	$ 120,095
Adjustments to Reconcile Operating Income (Loss)			
to Net Cash Provided (Used) by Operating Activities:			
Depreciation	7,407	—	198,722
Revenue reduced for uncollectible accounts	36,904	—	1,236
Change in Assets: Decrease (Increase)			
Receivables	285	(43,581)	(107,630)
Inventories	(14)	—	623
Prepaid expenses	(1,785)	—	(265)
Other assets	—	—	(173)
Change in Deferred Outflows of Resources: Increase (Decrease)	(9,389)	—	(17,077)
Change in Liabilities: Increase (Decrease)			
Payables	1,325,413	7,900	(151,274)
Change in Deferred Inflows of Resources: Decrease (Increase)	39,912	—	140,095
Net Cash Provided (Used) by Operating Activities	$ 89,866	$ 98,959	$ 184,352

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

Continued

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 1,111,297	$ 7,770,771	$ 2,622,151
(1,648,014)	(6,414,071)	(2,099,348)
(111,033)	(1,939,019)	(458,258)
5,801	313,547	188,059
(641,949)	(268,772)	252,604
17,897	604,846	80,536
(244,775)	(821,373)	(49,000)
477	27,951	1,501
21,791	21,902	12
(82,000)	(82,000)	—
(286,610)	(248,674)	33,049
(179)	(94,825)	(26,545)
(435)	(107,780)	(58,904)
—	158,594	48,213
1,123	11,402	3,233
(24,794)	(283,855)	(80,255)
(24,285)	(316,464)	(114,258)
28,080	611,755	12,585
1,142,002	9,155,110	213,240
(335,791)	(8,895,061)	(22,203)
834,291	871,804	203,622
(118,553)	37,894	375,017
258,790	5,659,784	766,319
$ 140,237	$ 5,697,678	$ 1,141,336
$ 97,171	$ (956,961)	$ (48,353)
2,878	209,007	107,099
36	38,176	(96)
(145,566)	(296,492)	25,122
(599)	10	(115)
(95)	(2,145)	1,084
—	(173)	—
(6,175)	(32,641)	(26,682)
(606,424)	575,615	128,254
16,825	196,832	66,291
$ (641,949)	$ (268,772)	$ 252,604

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2019

(expressed in thousands)

	Business-Type Activities Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Contributions of capital assets	$ —	$ —	$ 1,268
Acquisition of capital assets through capital leases	—	—	16,057
Amortization of annuity prize liability	—	—	—
Increase (decrease) in fair value of investments	967,724	—	315
Debt refunding deposited with escrow agent	—	—	—
Amortization of debt premium/discount	—	—	3,959
Increase in ownership of joint venture	—	—	24,231

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

Concluded

		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
$ —	$ 1,268	$ 11,334
—	16,057	—
4,401	4,401	—
67,588	1,035,627	4,550
—	—	227,875
67	4,026	4,945
—	24,231	—

Statement of Net Position
FIDUCIARY FUNDS
June 30, 2019

(expressed in thousands)

Continued

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Cash and cash equivalents	$ 3,765	$ 7,203,623	$ 53,878	$ 196,024
Receivables, pension and other employee benefit plans:				
Employers	—	—	228,470	—
Members (net of allowance)	—	—	7,038	—
Interest and dividends	—	—	367,100	—
Investment trades pending	—	—	4,346,622	—
Due from other pension and other employee benefit funds	—	—	108,417	—
Other receivables, all other funds	—	17,508	187	11,359
Due from other governments	—	—	—	21,988
Investments:				
Liquidity	—	5,717,877	1,726,317	—
Fixed income	—	945,444	22,853,671	—
Public equity	—	—	45,092,380	—
Private equity	—	—	24,374,942	—
Real estate	—	—	20,274,918	—
Tangible assets	—	—	5,643,371	—
Security lending collateral	—	—	738,396	—
Other noncurrent assets	—	—	—	55,436
Capital assets:				
Furnishings, equipment, and intangibles	37	—	—	—
Accumulated depreciation	(37)	—	—	—
Total Assets	3,765	13,884,452	125,815,707	284,807
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on OPEB	—	—	123	—
Total Deferred Outflows of Resources	—	—	123	—
Total Assets and Deferred Outflows of Resources	$ 3,765	$ 13,884,452	$ 125,815,830	$ 284,807

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

Statement of Net Position
FIDUCIARY FUNDS
June 30, 2019

(expressed in thousands)

Concluded

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities				
Accounts payable	$ 100	$ —	$ —	$ 5,479
Contracts payable	—	—	—	29,750
Accrued liabilities	142	5,060	4,608,904	171,110
Obligations under security lending agreements	—	—	738,395	—
Due to other funds	—	87	—	—
Due to other pension and other employee benefit funds	—	—	108,417	—
Due to other governments	—	27,429	—	23,032
Unearned revenue	—	—	650	—
Other long-term liabilities	—	—	—	55,436
Total Liabilities	242	32,576	5,456,366	284,807
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on OPEB	—	—	119	—
Total Deferred Inflows of Resources	—	—	119	—
Total Liabilities and Deferred Inflows of Resources	242	32,576	5,456,485	$ 284,807
NET POSITION				
Net position restricted for:				
Pensions	—	—	115,649,157	
Deferred compensation participants	—	—	4,710,188	
Local government pool participants	—	13,851,876	—	
Individuals, organizations, and other governments	3,523	—	—	
Total Net Position	$ 3,523	$ 13,851,876	$ 120,359,345	

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, 2019
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans
ADDITIONS			
Contributions:			
Employers	$ —	$ —	$ 2,935,590
Members	—	—	1,766,549
State	—	—	89,499
Participants	—	25,558,717	312,768
Total Contributions	—	25,558,717	5,104,406
Investment Income:			
Net appreciation (depreciation) in fair value	—	—	7,724,640
Interest and dividends	—	293,672	2,489,269
Earnings on investments	—	3,825	—
Less: Investment expenses	—	—	(769,377)
Net Investment Income (Loss)	—	297,497	9,444,532
Other Additions:			
Unclaimed property	91,974	—	—
Transfers from other plans	—	—	148,146
Miscellaneous revenue	2	7	21,379
Total Other Additions	91,976	7	169,525
Total Additions	91,976	25,856,221	14,718,463
DEDUCTIONS			
Pension benefits	—	—	4,638,996
Pension refunds	—	—	703,505
Transfers to other plans	—	—	148,146
Administrative expenses	5,187	1,362	3,639
Distributions to participants	—	24,329,698	256,448
Payments to or on behalf of individuals, organizations, and other governments in accordance with state unclaimed property laws	89,732	—	—
Total Deductions	94,919	24,331,060	5,750,734
Net Increase (Decrease)	(2,943)	1,525,161	8,967,729
Net Position - Beginning	6,466	12,326,715	111,391,616
Net Position - Ending	$ 3,523	$ 13,851,876	$ 120,359,345

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

Statement of Net Position
COMPONENT UNITS
June 30, 2019
(expressed in thousands)

Continued

	Public Stadium Authority	Health Benefit Exchange	Valley Medical Center	Nonmajor Component Units	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 8,942	$ 4,111	$ 35,373	$ 30,723	$ 79,149
Investments	—	—	67,198	49,024	116,222
Receivables (net of allowance)	1,349	9,473	86,923	10,493	108,238
Inventories	—	—	7,215	—	7,215
Prepaid expenses	—	3,427	17,032	470	20,929
Total Current Assets	10,291	17,011	213,741	90,710	331,753
Noncurrent Assets:					
Investments, noncurrent	—	—	96,299	—	96,299
Restricted investments, noncurrent	—	—	53,485	—	53,485
Other noncurrent assets	—	675	—	396,437	397,112
Capital assets:					
Land	34,677	—	13,414	—	48,091
Buildings	460,953	—	495,459	—	956,412
Other improvements	—	810	18,843	176	19,829
Furnishings, equipment, and intangible assets	10,212	60,507	234,803	2,004	307,526
Lease asset	—	2,653	—	—	2,653
Accumulated depreciation	(268,224)	(48,058)	(405,902)	(1,958)	(724,142)
Construction in progress	—	1,379	32,804	—	34,183
Total Noncurrent Assets	237,618	17,966	539,205	396,659	1,191,448
Total Assets	247,909	34,977	752,946	487,369	1,523,201
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on refundings	—	—	16,119	—	16,119
Deferred outflows on pensions	12	1,736	—	887	2,635
Deferred outflows on OPEB	—	6	—	166	172
Total Deferred Outflows of Resources	12	1,742	16,119	1,053	18,926
Total Assets and Deferred Outflows of Resources	$ 247,921	$ 36,719	$ 769,065	$ 488,422	$ 1,542,127

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

Statement of Net Position
COMPONENT UNITS
June 30, 2019
(expressed in thousands)

Concluded

	Public Stadium Authority	Health Benefit Exchange	Valley Medical Center	Nonmajor Component Units	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 90	$ 16,503	$ 20,842	$ 429	$ 37,864
Accrued liabilities	2,581	1,037	114,168	37,563	155,349
Total OPEB liability	—	—	—	3	3
Unearned revenue	—	—	—	9,077	9,077
Total Current Liabilities	2,671	17,540	135,010	47,072	202,293
Noncurrent Liabilities:					
Net pension liability	152	5,038	—	3,300	8,490
Total OPEB liability	—	1,327	—	3,109	4,436
Other long-term liabilities	—	2,409	338,374	—	340,783
Total Noncurrent Liabilities	152	8,774	338,374	6,409	353,709
Total Liabilities	2,823	26,314	473,384	53,481	556,002
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows on property taxes	—	—	23,849	—	23,849
Deferred inflows on pensions	57	2,262	—	1,143	3,462
Deferred inflows on OPEB	—	134	—	1,237	1,371
Total Deferred Inflows of Resources	57	2,396	23,849	2,380	28,682
NET POSITION					
Net investment in capital assets	237,618	17,291	102,937	223	358,069
Restricted for:					
Deferred sales tax	(929)	—	—	—	(929)
Other purposes	—	—	3,525	1,083	4,608
Unrestricted	8,352	(9,282)	165,370	431,255	595,695
Total Net Position	245,041	8,009	271,832	432,561	957,443
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 247,921	$ 36,719	$ 769,065	$ 488,422	$ 1,542,127

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

Statement of Revenues, Expenses, and Changes in Net Position
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2019
(expressed in thousands)

	Public Stadium Authority	Health Benefit Exchange	Valley Medical Center	Nonmajor Component Units	Total
EXPENSES	$ 19,051	$ 57,213	$ 697,843	$ 13,411	$ 787,518
PROGRAM REVENUES					
Charges for services	4,091	28,588	677,857	91,061	801,597
Operating grants and contributions	—	32,530	—	1,967	34,497
Total Program Revenues	4,091	61,118	677,857	93,028	836,094
Net Program Revenues (Expense)	(14,960)	3,905	(19,986)	79,617	48,576
GENERAL REVENUES					
Earnings (loss) on investments	323	—	7,786	4,036	12,145
Property taxes	—	—	23,258	—	23,258
Other	—	—	979	—	979
Total General Revenues	323	—	32,023	4,036	36,382
Change in Net Position	(14,637)	3,905	12,037	83,653	84,958
Net Position - Beginning, as restated	259,678	4,104	259,795	348,908	872,485
Net Position - Ending	$ 245,041	$ 8,009	$ 271,832	$ 432,561	$ 957,443

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

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Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

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 reside 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) and Washington State University issue general revenue bonds that are payable from general revenues, including student tuition, 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 (DRS), 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 DRS is appointed by the Governor.

There are three additional retirement systems administered outside of the DRS. 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 Benefit Fund 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 the Office of Financial Management, Accounting Division, P.O. Box 43127, Olympia, WA 98504-3127. The following entities are blended in the state's financial statements:

Tobacco Settlement Authority 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.

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 (UW Neighborhood Clinics) were established for the exclusive benefit of the UWSOM, UWP and its affiliated medical centers, Harborview Medical Center, and the UW Medical Center. The UW 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.

Washington Biomedical Research Properties I and II, and Washington Biomedical Research Facilities 3, 3.2, and 3.3 were formed to acquire, construct, or renovate certain real properties for the benefit of the UW in fulfilling its educational, medical, or scientific research missions.

TOP 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.

Northwest Hospital and Medical Center 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 UWSOM, UW Neighborhood Clinics, UW Medical Center, Harborview Medical Center, UWP, 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.

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 discrete component units each have a year end of June 30 with the exception of the Washington Economic Development Finance Authority which has a December 31 year end.

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

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. At June 30, 2019, PSA capital assets, net of accumulated depreciation, total $237.6 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 financed the Exchange design, development, and implementation phases as well as the first full year of operation during 2014. Beginning in 2015, the Exchange became self-sustaining through Medicaid program cost reimbursements, premium tax assessments, and other assessments.

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

Washington Health Benefit Exchange
810 Jefferson Street SE
PO Box 657
Olympia, WA 98507

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 98055-5010

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
Olympia, WA 98501

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

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 the SCCA under the equity method of accounting. Income of $24.2 million was recorded in fiscal year 2019, bringing the total equity investment to $183.4 million which is recognized in the state's financial statements in the Higher Education Student Services Fund.

Separate financial statements for the 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, as well as charitable, educational, and scientific missions.

CUMG employs UWSOM faculty physicians and bills and collects for their services as an agent for UWSOM. The University records revenue from CUMG based on the income distribution plan effective December 31, 2008. The University's patient services receivable includes amounts due from CUMG of $16.6 million in 2019.

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.

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 708 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.

The state includes the following nonmajor funds:

Nonmajor Governmental Funds:

- **Special Revenue Funds** account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, 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, the Guaranteed Education Tuition program, paid family and medical leave compensation, 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.

Nonmajor 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 Funds** account for the external portion of the local government investments, which is reported by the state as the sponsoring government.

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

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

Operating and Nonoperating Revenues and Expenses. The state's proprietary funds make a distinction between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing goods and services directly related to the principal operations of the funds. For example, operating revenues for the state's workers' compensation and health insurance funds consist of premiums 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, current liabilities, 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 related to a future time period 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. 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, LIABILITES, 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 Cash Equivalents." The Office of the State Treasurer invests state treasury cash surplus 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 investments varies depending upon the fund classification. Investments in the state's Local Government Investment Pool (LGIP), a qualified external investment pool, 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, WA 98504-0200, online at: https://tre.wa.gov/partners/for-local-governments/local-government-investment-pool-lgip/lgip-comprehensive-annual-financial-report/ or phone number (360) 902-9000. TTY users dial 711 to be connected to the state TTY operator.

The fair value of certain pension trust fund investments that are organized as limited partnerships and have no readily ascertainable fair values (including real estate, private equity, and tangible assets) has been determined by using the net asset value per share of the Pension Funds' ownership interest in partners' capital. These values are based on the individual investee's capital account balance reported at fair value at the closest available reporting period, adjusted for subsequent activity. At June 30, 2019, these alternative investments are valued at $50.29 billion. Because of the inherent uncertainties in the estimation of fair values, it is possible that the estimates will change in the near-term or the subsequent sale of assets will be different than the June 30, 2019, reported net asset value.

Short-term money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less are reported at amortized cost. Nonparticipating contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

All other 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 valued at cost using either the first-in, first-out or weighted average methods. Donated consumable inventories are recorded at fair 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 nonspendable fund balance indicating that they do not constitute "available spendable resources," except for $4.5 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, or 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.
- 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.

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, works of art, and historical treasures are valued at their estimated acquisition value on the date of donation, plus all appropriate ancillary costs. When the acquisition value is not practically determinable due to lack of sufficient records, estimated cost is used. Where necessary, estimates of 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 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 2019, $101.1 million in interest costs were incurred, and $11.9 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 in the Required Supplementary Information. 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.
- 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 category of deferred outflow of resources reported in the government-wide and proprietary fund statements of net position relates to debt refunding, pensions, other postemployment benefits (OPEB), and hedging derivative instruments.

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. Deferred inflows of resources reported by the state relate to unavailable revenue, debt refunding, pensions, OPEB, and hedging derivative instruments.

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.

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 obligations 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, death 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 premiums or discounts. 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. Issuance 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 position is 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 Workers' Compensation Program purchases catastrophe reinsurance for risks in excess of its retention on the workers' compensation insurance policy to reduce its exposure to the financial risks associated with a catastrophe. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Workers' Compensation Program as direct insurer of the risks reinsured.

Amounts that are recoverable from reinsurers and that relate to paid claims and claim adjustment expenses are classified as assets, with an allowance for estimated uncollectible amounts. Estimated amounts recoverable from reinsurers that relate to the liabilities for unpaid claims and claims adjustment expenses are deducted from those liabilities. Ceded unearned premiums are netted with related unearned premiums. Receivables and payables from the same reinsurer, including amounts withheld, are netted. Reinsurance premiums ceded and reinsurance recoveries on claims are netted against related earned premiums and incurred claims costs in the Statement of Revenues, Expenses, and Changes in Net Position.

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, WA 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. Coverage is provided up to $10 million for each claim with no deductible. Commercial insurance is purchased for various liabilities arising from the operations of the Washington state governmental functions in order 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 and their dependents. In addition, school districts, educational service districts, charter schools, the Washington State Health Benefits Exchange, tribal governments, political subdivisions, and employee organizations representing state civil service employees can contract with the state to provide these benefits to their employees. 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 as an internal service fund, the Health 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 (HCA), as administrator of the health care benefits program, collects the monthly "premium" from agencies for each active employee. State employees self pay for coverage beyond the state's contribution. For non-state employees, their respective employers, who have contracted with the HCA to provide employee benefits, pay the cost of coverage. Former employees and employees who are temporarily not in pay status are able to pay for the full cost of coverage on a self-paid basis for medical and dental benefits.

Most coverage is also available on a self-paid basis to eligible retirees. In accordance with the provisions of GASB Statement No. 74, the 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 in addition to plans offered via the Uniform Medical Plan, the state's self-insured offering. The Uniform Medical Plan enrolled approximately 67 percent of the eligible subscribers in fiscal year 2019. 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 policies, distributions to programs approximate an annual percentage rate of 4 percent of a five-year rolling average of the endowments' market valuation.

The net appreciation available for authorization for expenditure by governing boards totaled $742.4 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 2019 reporting, the state adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of GASB Statement No. 88 is to improve the information that is disclosed in notes to government financial statements related to debt. This statement defines debt for purposes of disclosure, and also clarifies which liabilities governments should include when disclosing information related to debt. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

Prior Period Adjustments. The State Board for Community and Technical Colleges (SBCTC) recorded prior period adjustments to properly record balances related to the implementation of a new Enterprise Resource Planning (ERP) system by two of the colleges.

The adjustments impacted the Higher Education Special Revenue Fund, a major governmental fund, with an increase of $15.7 million; the Higher Education Student Services Fund, a major enterprise fund, with a reduction of $15.3 million; and the Higher Education Revolving Fund, an internal service fund, with a reduction of $166 thousand.

The state also recorded a reduction of $331.1 million to the beginning fund balance in the Motor Vehicle Fund, a nonmajor governmental fund, to correct an erroneous transaction recorded in the prior fiscal year.

The Public Stadium Authority, a major component unit, recorded an increase to the beginning net position of $42 thousand to record transactions reported in the component unit's fiscal year 2018 financial statements after the state of Washington's fiscal year 2018 Comprehensive Annual Financial Report was published.

Governmental Capital Assets and Long-term Obligations. SBCTC recorded a prior period adjustment of $(8.5) million to governmental capital assets related to the new ERP system implementation noted above.

The state also recorded a $6.0 million increase in the beginning balance of long-term obligations associated with governmental funds to recognize the liability and the corresponding deferred outflow of resources for asset retirement obligations, as a result of implementing GASB Statement No. 83.

Fund equity at July 1, 2018, has been restated as follows (expressed in thousands):

	Fund equity (deficit) at June 30, 2018, as previously reported	Prior Period Adjustment	Fund equity (deficit) at July 1, 2018, as restated
Governmental Funds:			
General	$ 5,430,064	$ —	$ 5,430,064
Higher Education Special Revenue	2,854,853	15,687	2,870,540
Higher Education Endowment	4,139,121	—	4,139,121
Nonmajor Governmental	7,155,947	(331,110)	6,824,837
Proprietary Funds:			
Enterprise Funds:			
Workers' Compensation	(10,379,982)	—	(10,379,982)
Unemployment Compensation	4,824,074	—	4,824,074
Higher Education Student Services	831,321	(15,313)	816,008
Nonmajor Enterprise	580,528	—	580,528
Internal Service Funds	(174,085)	(166)	(174,251)
Fiduciary Funds:			
Private Purpose Trust	6,466	—	6,466
Local Government Investment Pool	12,326,715	—	12,326,715
Pension and Other Employee Benefit Plans	111,391,616	—	111,391,616
Component Units:			
Public Stadium Authority	259,636	42	259,678
Health Benefit Exchange	4,104	—	4,104
Valley Medical Center	259,795	—	259,795
Nonmajor Component Units	348,908	—	348,908

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, 2019, $1.12 billion of the state's deposits with financial institutions were insured or collateralized, with the remaining $422 thousand 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 trust 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 insurance 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 2019.

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 the cash needs of each retirement plan.

The CTF consists of the Public Employees' Retirement System (PERS) Plans 1, 2, and 3; Teachers' Retirement System (TRS) Plans 1, 2, and 3; School Employees' Retirement System (SERS) Plans 2 and 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. The CTF includes both the defined benefit and defined contribution portions of PERS Plan 3, TRS Plan 3, and SERS Plan 3, which 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, real estate, tangible assets, 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.

Public Markets Equity. 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 (MSCI) 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.

Fixed Income. 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, provide liquidity to the pension trust fund investment program, and to meet or exceed the return of the Bloomberg Barclays U.S. Universal Index, with volatility similar to or less than the index.

RCW 43.33A.140 prohibits a corporate fixed income issues 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 value in any single issuer with a quality rating below investment grade (as defined by Bloomberg Barclays Capital Global Family of Fixed Income Indices). Total market value of below investment grade credit bonds (as defined by Bloomberg 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 is targeted to be within plus or minus 20 percent of the duration of the Bloomberg Barclays U.S. Universal Index.

The major sector allocations of the fixed income portfolio are limited to the following ranges:

U.S. treasuries and government agencies	10% - 45%
Credit bonds	10% - 80%
Asset-backed securities	0% - 10%
Commercial mortgage-backed securities	0% - 10%
Mortgage-backed securities	5% - 45%

Private Equity. 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 exceed the returns of the MSCI All Country World Index Investable Market Index, lagged by one calendar quarter, by 300 basis points in the long run. 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.

Real Estate. 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 pension trust funds' real estate partnerships typically invest in private real estate assets that are held for long-term income and appreciation. Many of the pension trust funds' 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.

The pension trust funds may invest in any real estate opportunity demonstrating acceptable risk-adjusted returns, provided it is not prohibited by state law or WSIB policy. Investment structures may include real estate operating companies, joint ventures, commingled funds (closed or open-ended), and co-investments with existing WSIB real estate partners. Diversification within the real estate program is achieved through consideration of property type, capital structure, life cycle, geographic region, partner concentration, and property level.

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

Tangible Assets. The primary goal of the tangible asset portfolio is to generate a long-term, predictable and persistent income stream. The secondary goal is to generate appreciation approximately commensurate with inflation. The structure of the investments is primarily targeted to those private funds or separate accounts providing the WSIB with the most robust governance provisions related to acquisitions, dispositions, debt levels, and ongoing operational decisions for annual capital expenditures. For diversification purposes, the tangible asset portfolio focuses on income-producing physical assets in the upstream and midstream segments of four main industries: minerals and mining, energy, agriculture, and society essentials.

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.

Innovation Portfolio. 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 five investment strategies in the innovation portfolio involving private partnerships.

2. Valuation of Investments

The pension trust fund reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Unrealized gains and losses are included in the Statement of Changes in Net Position.

The following table presents fair value measurements as of June 30, 2019:

Pension Trust Funds
Investments Measured at Fair Value
June 30, 2019
(expressed in thousands)

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt Securities				
Mortgage and other asset-backed securities	$ 1,475,135	$ —	$ 1,475,135	$ —
Corporate bonds	12,528,857	—	12,528,857	—
U.S. and foreign government and agency securities	8,849,679	—	8,849,679	—
Total Debt Securities	22,853,671	—	22,853,671	—
Equity Securities				
Common and preferred stock	21,044,914	21,023,163	20,425	1,326
Depository receipts and other miscellaneous	708,372	690,128	18,221	23
Mutual funds and exchange traded funds	2,751	2,751	—	—
Real estate investment trusts	409,084	409,084	—	—
Private equity and tangible asset funds	146,973	146,973	—	—
Total Equity Securities	22,312,094	22,272,099	38,646	1,349
Total Investments by Fair Value Level	45,165,765	$ 22,272,099	$ 22,892,317	$ 1,349
Investments Measured at Net Asset Value (NAV)				
Private equity	24,370,397			
Real estate	20,274,918			
Tangible assets	5,500,941			
Collective investment trust funds (equity securities)	12,713,105			
Total Investments Measured at the NAV	62,859,361			
Total Investments Measured at Fair Value	$ 108,025,126			
Other Assets (Liabilities) at Fair Value				
Collateral held under securities lending agreements	$ 738,396	$ —	$ 738,396	$ —
Net foreign exchange contracts receivable-forward and spot	(4,808)	—	(4,808)	—
Net swap contracts	1,919	—	1,919	—
Margin variation receivable-futures contracts	22,566	22,566	—	—
Obligations under securities lending agreements	(738,396)	—	(738,396)	—
Total Other Assets (Liabilities) Measured at Fair Value	$ 19,677	$ 22,566	$ (2,889)	$ —

Investments classified as level 1. Investments classified as level 1 in the previous table are exchange traded equity securities whose values are based on published market prices and quotations from national security exchanges as of the appropriate market close, as of each reporting period end.

Investments classified as level 2. Investments classified as level 2 in the above table are primarily comprised of publicly traded debt securities and exchange traded stocks traded in inactive markets. Publicly traded debt securities are sourced from reputable pricing vendors using models that are market-based measurements representing their good faith opinion as to the exit value of a debt security in an orderly transaction under current market conditions. Such models take into account quoted prices, nominal yield spreads, benchmark yield curves, prepayment speeds, and other market corroborated inputs.

Investments classified as level 3. Investments classified as level 3 in the above table were publicly traded equity securities that have noncurrent or "stale" values and are included in the table at the last traded price. The stale pricing occurred due to trading suspensions, delisting from an active exchange, or lack of investor demand. The current market values of these securities are unknown.

Investments measured at net asset value (NAV). The fair value of investments that are organized as limited partnerships and have no readily ascertainable fair value is determined by using the net asset value per share (or its equivalent) of the pension trust funds' ownership interest in partners' capital. These values are based on the individual investee's capital account balance reported at fair value by the general partner at the closest available reporting period, adjusted for subsequent contributions, distributions, management fees, changes in values of foreign currency, and published market prices for certain securities.

The limited partnerships' annual financial statements are audited by independent auditors. These investments are valued at approximately $50.29 billion as of June 30, 2019. Because of the inherent uncertainties in estimating fair values, it is possible that the estimates will change in the near-term or the subsequent sale of assets will be different than the June 30, 2019, reported net asset value.

With the exception of two publicly traded funds, these investments can never be redeemed. Instead, the nature of these investments provides for distributions through the sale or liquidation of the underlying assets or net operating cash flows. It is anticipated that the various investments within each asset class will be liquidated over the following periods:

Pension Trust Funds
Alternative Assets Expected Liquidation Periods
June 30, 2019
(expressed in thousands)

	Investment Type				
Liquidation Periods	**Private Equity**	**Real Estate**	**Tangible Assets**	**Total**	**Percentage of Total**
Publicly traded-Level 1	$ 4,544	$ —	$ 142,429	$ 146,973	0.3%
Less than 3 years	99,069	17,259	168	116,496	0.2%
3 to 9 years	3,368,753	1,672,266	849,062	5,890,081	11.7%
10 or more years	20,902,575	18,585,393	4,651,711	44,139,679	87.8%
Total	$ 24,374,941	$ 20,274,918	$ 5,643,370	$ 50,293,229	100.0%

Private Equity. This includes 299 private equity limited liability partnerships that invest primarily in the United States, Europe, and Asia in leveraged buyouts, venture capital, distressed debt, and growth equity. The fair value of individual capital account balances is based on the valuation reported by private equity partnerships using the following methodologies to value the underlying portfolio companies:

- Valuations of publicly traded portfolio companies are based on active exchanges using quoted market prices as of the close of trading for each month end.
- When a portfolio company investment does not have a readily available market price but has a return that is determined by reference to an asset for which a market price is readily available, valuations are based on the closing market price of the reference asset on the valuation date, adjusted for unique factors that affect the fair value of the investment held.
- When the portfolio company investments are private holdings and are not traded on active security exchanges, valuation methodologies consist primarily of income and market approaches. The income approach involves a discounted cash flow analysis based on portfolio companies' projections. The market approach involves valuing a company at a multiple of a specified financial measure, generally earnings before interest, taxes, depreciation, and amortization, based on multiples of comparable publicly traded companies.

Real Estate. This includes 34 real estate investments. Targeted investment structures within the real estate portfolio include real estate operating companies, limited liability companies, joint ventures, commingled funds, and co-investments. Real estate partnerships provide quarterly valuations to the pension trust fund management based on the most recent capital account balance. Individual properties are valued by the investment management at least annually and are adjusted as frequently as quarterly if material market or operational changes have occurred. Properties are externally appraised generally every one to five years, depending upon the investment. Structured finance investments receive quarterly adjustments by the partners, generally applying the assumption that all such positions will be held to maturity. Annual audits of most partnerships include a review of compliance with the partnership's valuation policies.

Tangible Assets. This includes 48 limited liability structures and funds. The primary goal of the tangible asset portfolio is to generate a long-term sustainable and stable income stream, as well as generate appreciation at least commensurate with inflation. Valuation practices of general partners and asset managers are consistent with private equity limited partnerships.

Collective Investment Trust Funds. The pension trust fund invests in three separate collective investment trust funds (fund). Each fund determines a fair value by obtaining fair values of the underlying holdings using reputable pricing sources and computing an overall net asset value per share. The holdings within each fund are publicly traded equity securities.

Two funds are passively managed to approximate the capitalization weighted total rates of return of the MSCI U.S. Investable Market Index and the MSCI Emerging Markets Investable Market Index. Each fund has daily openings and contributions, and withdrawals can be made on any business day. The fund managers, at their discretion, may require withdrawal proceeds to be made partially or wholly in kind. Under certain circumstances, the fund managers may choose to suspend valuation and/or the right to make contributions and withdrawals from the fund. Such circumstances include actual or anticipated closure, restriction, or suspension of trading activity in any markets or exchanges where the fund investments are traded; where the purchase, sale, or pricing of the fund's investments would not be reasonably practicable or advisable; or where suspending contributions or withdrawals would be in the best interest of the fund or participants.

The third fund seeks to achieve long-term capital appreciation through active investment management in emerging market countries. The index against which the fund compares its performance is the MSCI Emerging Market Index. The pension trust funds may redeem some or all of their holdings on each monthly valuation date. The fund manager may delay redemption proceeds if it determines that it is reasonably necessary to prevent a material adverse impact on the fund or other investors. The fund manager, at their discretion, may require withdrawal proceeds to be made partially or wholly in kind.

Other assets and liabilities measured at fair value. Forward exchange contracts are valued by interpolating a value using the spot foreign exchange rate and forward points (based on the spot rate and currency interest rate differentials), which are all inputs that are observable in active markets (level 2).

Cash collateral held and the offsetting obligations under securities lending agreements are valued by the pension trust funds' lending agent and sourced from reputable pricing vendors using models that are market-based measurements representing their good faith opinion as to the exit value of a security in an orderly transaction under current market conditions. Such models take into account quoted prices, nominal yield spreads, benchmark yield curves, prepayment speeds, and other market corroborated inputs.

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 margin variation represents the current gain or loss remaining to be settled from the prior day. The custodial bank provides quoted prices for these securities from a reputable pricing vendor.

3. 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, 2019, the pension trust funds had total unfunded commitments of $30.93 billion in the following asset classes: $18.87 billion in private equity, $7.63 billion in real estate, and $4.43 billion in tangible assets.

4. Securities Lending

State law and WSIB 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, 2019, was approximately $2.17 billion. The pension trust funds report securities on loan in their respective categories in the Statement of Net Position. At June 30, 2019, cash collateral received totaling $738.4 million is reported as securities lending obligation, and the fair value of the reinvested cash collateral totaling $738.4 million 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, 2019, was $1.49 billion.

During the fiscal year, debt and equity securities were loaned and collateralized by the pension trust funds' 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 by the pension trust funds from reinvestment of cash collateral and securities received as collateral at June 30, 2019 (in millions):

Mortgage-backed securities	$	1,121.0
U.S. treasuries		367.4
Repurchase agreements		246.3
Commercial paper		188.5
Yankee CD		171.8
Cash equivalents and other		131.8
Total Collateral Held	$	2,226.8

During fiscal year 2019, securities lending transactions could be terminated on demand by either the pension trust funds or the borrower. As of June 30, 2019, the cash collateral held had an average duration of 17.8 days and an average weighted final maturity of 98.3 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 2019, 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 2019 resulting from a default by either the borrowers or the securities lending agents.

5. 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 fixed income 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 Bloomberg Barclays U.S. Universal Index, with volatility similar to or less than the index. The fixed income portfolio's duration is targeted within plus or minus 20 percent of the duration of the portfolio's performance benchmark. As of June 30, 2019, the duration of the pension trust funds' fixed income investments was within the duration target of this index.

The two following schedules provide information about the interest rate risks associated with the pension trust funds' investments as of June 30, 2019. The schedules display various asset classes held by maturity in years, effective durations, 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, 2019
(expressed in thousands)

		Maturity				
Investment Type	**Total Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**	**More than 10 Years**	**Effective Duration (in years)***
Mortgage and other asset-backed securities	$ 1,301,205	$ 2,599	$ 1,160,208	$ 138,398	$ —	3.30
Corporate bonds	12,528,857	1,092,364	5,371,113	4,500,511	1,564,869	5.80
U.S. government and agency securities	6,857,550	998,302	2,116,366	2,005,769	1,737,113	8.20
Foreign government and agency securities	1,992,129	38,924	1,280,371	525,156	147,678	4.70
Total internally managed fixed income	22,679,741	2,132,189	9,928,058	7,169,834	3,449,660	6.30
Mortgage-backed TBA forwards	173,930	173,930	—	—	—	0.00
Total Investments Categorized	22,853,671	$ 2,306,119	$ 9,928,058	$ 7,169,834	$ 3,449,660	6.20
Investments Not Required to be Categorized:						
Cash and cash equivalents	1,815,246					
Equity securities	34,878,225					
Alternative investments	50,293,229					
Total investments not categorized	86,986,700					
Total Investments	$109,840,371					

* Excludes cash and cash equivalents

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

Pension Trust Funds
Investment Credit Ratings
June 30, 2019
(expressed in thousands)

	Investment Type			
Moody's Equivalent Credit Rating	**Mortgage and Other Asset-Backed Securities**	**Corporate Bonds**	**Foreign Government and Agency Securities**	**Total Fair Value**
Aaa	$ 1,474,628	$ 599,332	$ 113,933	$ 2,187,893
Aa1	—	101,384	265,535	366,919
Aa2	—	257,132	120,663	377,795
Aa3	—	844,270	116,760	961,030
A1	—	884,292	400,435	1,284,727
A2	—	1,598,657	—	1,598,657
A3	—	1,275,050	17,791	1,292,841
Baa1	—	1,805,362	51,048	1,856,410
Baa2	507	1,632,694	394,278	2,027,479
Baa3	—	2,018,907	—	2,018,907
Ba1 or lower	—	1,511,777	511,686	2,023,463
Total	$ 1,475,135	$ 12,528,857	$ 1,992,129	$ 15,996,121

6. 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, 2019, 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, 2019.

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. 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.

7. 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 the pension trust funds' investments to foreign currency risk. The schedule provides information on deposits and investments held in various foreign currencies. Private equity, real estate, and tangible assets 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. In addition, the CTF has foreign currency exposure at June 30, 2019, of $1.21 billion invested in two emerging markets commingled equity investment funds.

Pension Trust Funds
Foreign Currency Exposure by Country
June 30, 2019
(expressed in thousands)

	Investment Type in U.S. Dollar Equivalent					
Foreign Currency Denomination	**Cash and Cash Equivalents**	**Debt Securities**	**Equity Securities**	**Alternative Assets**	**Open Foreign Exchange Contracts-Net**	**Total**
Australia-Dollar	$ 7,720	$ 131,911	$ 558,602	$ 123,093	$ 126	$ 821,452
Brazil-Real	442	124,512	185,271	—	(913)	309,312
Canada-Dollar	10,954	—	605,555	—	1,824	618,333
Chile-Peso	1,077	61,608	13,233	—	(324)	75,594
China-Yuan Renminbi	1,861	27,799	197,709	—	220	227,589
Columbia-Peso	26	74,714	5,738	—	8	80,486
Denmark-Krone	32	—	228,190	—	(119)	228,103
E.M.U.-Euro	22,694	—	3,505,909	3,244,830	(2,667)	6,770,766
Hong Kong-Dollar	5,247	—	845,940	—	235	851,422
India-Rupee	1,442	62,742	160,633	—	365	225,182
Indonesia-Rupiah	155	26,296	51,594	—	(571)	77,474
Japan-Yen	10,857	—	2,153,496	—	(63)	2,164,290
Mexico-Peso	254	36,868	81,882	—	1,263	120,267
New Taiwan-Dollar	2,781	—	192,878	—	(622)	195,037
Norway-Krone	519	—	56,106	—	681	57,306
Singapore-Dollar	2,095	—	171,503	—	46	173,644
South Korea-Won	5,444	—	378,129	—	(1,922)	381,651
Sweden-Krona	1,583	—	312,420	—	(654)	313,349
Switzerland-Franc	228	—	969,540	—	(1,910)	967,858
Thailand-Baht	2,093	—	50,942	—	236	53,271
United Kingdom-Pound	7,438	—	1,950,983	—	(3,626)	1,954,795
Other	6,367	55,705	227,766	—	3,578	293,416
Total	$ 91,309	$ 602,155	$ 12,904,019	$ 3,367,923	$ (4,809)	$ 16,960,597

8. 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, 2019, the pension trust funds held investments in financial futures, forward currency contracts, and total return swap contracts that are recorded at fair value with changes in value recognized in investment income in the Statement of Revenues, Expenses, and 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 and total return swap 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, 2019, the pension trust funds counterparty risk was approximately $30.9 million. The majority of the counterparties (70 percent) held a credit rating of Aa3 on Moody's rating scale.

All counterparties held investment grade credit ratings of Baa2 and above.

Futures contracts are standardized, exchange-traded contracts to purchase or sell a specific financial instrument at a predetermined price. As such, 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. Derivatives, which are exchange traded, are not subject to credit risk.

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 in the future. These forward commitments are not standardized and carry counterparty credit risk due to the possible nonperformance by a counterparty. 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, 2019, the pension trust funds had outstanding forward currency contracts with a net unrealized loss of $4.8 million. The aggregate forward currency exchange contracts receivable and payable were $4.03 billion and $4.03 billion, respectively. The contracts have varying maturity dates ranging from July 1, 2019, to June 17, 2020.

Total return swap contracts are agreements where one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of the underlying or reference asset. Total return swaps allow the party receiving the total return to gain exposure and benefit from a reference asset without physically owning the security. The pension trust funds swap total bond market index returns for total equity index returns as the reference asset in emerging markets. The open swap contracts have varying maturity dates ranging from July 17, 2019, to September 29, 2019. The values of these contracts are highly sensitive to interest rate changes.

At June 30, 2019, the pension trust funds' fixed income portfolio held derivative securities consisting of collateralized mortgage obligations with a fair value of $178.6 million. Domestic and foreign commingled investment trust 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 these funds is unavailable.

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

Pension Trust Funds
Derivative Investments
June 30, 2019
(expressed in thousands)

	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional
Futures Contracts:			
Bond index futures	$ 20,669	$ 3,825	$ 115,200
Equity index futures	91,446	18,741	107,483
Total	$ 112,115	$ 22,566	$ 222,683
Forward Currency Contracts	$ 4,824	$ (4,812)	$ 4,009,445
Total Return Swap Contracts:			
Total return swaps bond	$ (3,040)	$ (564)	$ 57,419
Total return swaps equity	(1,697)	1,493	(110,315)
Total	$ (4,737)	$ 929	$ (52,896)

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 Bloomberg Barclays Family of Fixed Income Indices.
- Asset-backed securities rated investment grade, as defined by Bloomberg Barclays Family of Fixed Income Indices.
- Commercial mortgage-backed securities rated investment grade, as defined by Bloomberg Barclays Family of Fixed Income Indices.
- Investment grade non-U.S. dollar bonds.
- Real estate.

Investment Policies and 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 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.

The WSIB has elected a gradual implementation plan to reach the strategic asset allocation. During this implementation period, if real estate is above or below its target due to timing or illiquidity, fixed income will be used to offset the balance.

Equity. The benchmark and structure for global equities will be the Morgan Stanley Capital International (MSCI) All Country World Investable Market Index net with USA gross. The global equity portfolio will be passively managed in commingled index funds. The commingled fund managers may use futures for hedging or establishing a long position.

Fixed Income. It is the goal of the fixed income portfolios to match the target durations. The fixed income portfolios' required duration targets are to be reviewed every three years or sooner if there are significant changes in the funding levels or the liability durations.

Sector allocation of fixed income investments must be managed within the ranges presented below. 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.

Target Allocations for the Fixed Income Sectors:	
U.S. treasuries and government agencies	5% - 25%
Credit bonds	20% - 80%
Asset-backed securities	0% - 10%
Commercial mortgage-backed securities	0% - 10%
Mortgage-backed securities	0% - 25%

Total market value of below investment grade credit bonds (as defined by Bloomberg Barclays 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.

Real Estate. The objectives and characteristics of the real estate portfolio are as follows:

- To generate a 6 percent annual investment return over a rolling 10-year period.
- The return will be generated by current income, and the portfolio will be intentionally constructed to focus on yield rather than total return.
- The portfolio will be diversified across geography and property type.
- The benchmark for the portfolio is a total net return of 6 percent measured over a rolling 10-year period.
- No more than 15 percent of the real estate portfolio will be invested in a single property after the program's build-out period.

2. Valuation of Investments

The Workers' Compensation Fund reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Unrealized gains and losses are included in the Statement of Revenues, Expenses, and Changes in Net Position. The following table presents fair value measurements as of June 30, 2019:

Workers' Compensation Fund
Investments Measured at Fair Value
June 30, 2019
(expressed in thousands)

		Fair Value Measurements Using		
Investments by Fair Value Level	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Debt securities				
Mortgage and other asset-backed securities	$ 1,165,548	$ —	$ 1,165,548	$ —
Corporate bonds	10,082,114	—	10,082,114	—
U.S. and foreign government and agency securities	4,256,630	—	4,256,630	—
Total Investments by Fair Value Level	15,504,292	$ —	$ 15,504,292	$ —
Investments Measured at Net Asset Value (NAV)				
Commingled equity investment trusts	2,809,079			
Total investments measured at the NAV	2,809,079			
Total Investments Measured at Fair Value	$ 18,313,371			
Other Assets (Liabilities) Measured at Fair Value				
Collateral held under securities lending agreements	$ 58,469	$ —	$ 58,469	$ —
Obligations under securities lending agreements	(58,469)	—	(58,469)	—
Total Other Assets (Liabilities) Measured at Fair Value	$ —	$ —	$ —	$ —

Investments classified as level 2. Investments classified as level 2 in the above table are comprised of publicly traded debt securities. Publicly traded debt securities are sourced from reputable pricing vendors using models that are market-based measurements representing their good faith opinion as to the exit value of a security, in an orderly transaction under current market conditions. Such models take into account quoted prices, nominal yield spreads, benchmark yield curves, prepayment speeds, and other market corroborated inputs.

Investments measured at net asset value (NAV). The Workers' Compensation Fund invests in a single collective investment trust fund (fund). The fund is passively managed to track the investment of a broad, global equity index, the MSCI All Country World Investable Market Index net with USA gross. The fund determines a fair value by obtaining the values of underlying holdings using reputable pricing sources and computing an overall net asset value per share. The holdings are publicly traded equity securities.

The fund has daily openings, and contributions and withdrawals can be made on any business day. The fund manager, at their discretion, may require withdrawal proceeds to be made partially or wholly in kind. Under certain circumstances, the fund manager may choose to suspend valuation and/or the right to make contributions and withdrawals from the fund. Such circumstances include actual or anticipated closure, restriction, or suspension of trading activity in any markets or exchanges where the fund investments are traded; where the purchase, sale, or pricing of the fund's investments would not be reasonably practicable or advisable; or where suspending contributions or withdrawals would be in the best interest of the fund or participants.

3. 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, 2019, was approximately $318.8 million. The Workers' Compensation Fund reports securities on loan in the Statement of Net Position in their respective categories. At June 30, 2019, cash collateral received totaling $58.4 million is reported as a securities lending obligation, and the fair value of the reinvested cash collateral totaling $58.4 million is reported as security lending collateral in the Statement of Net Position. Securities received as collateral for which the Workers' Compensation Fund does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position. Total securities received as collateral at June 30, 2019, was $267.5 million.

During fiscal year 2019, 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, 2019 (in millions):

US treasuries and agencies	$	168.0
Mortgage-backed securities		99.5
Repurchase agreements		19.5
Commercial paper		14.9
Yankee CD		13.6
Cash equivalents and other		10.4
Total Collateral Held	$	325.9

During fiscal year 2019, securities lending transactions could be terminated on demand by either the Workers' Compensation Fund or the borrower. As of June 30, 2019, the cash collateral held had an average duration of 17.8 days and an average weighted final maturity of 98.3 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 2019, 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 Workers' Compensation Fund incurred no losses during fiscal year 2019 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. 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 fixed income investments. As of June 30, 2019, the Workers' Compensation Fund portfolio durations were within the prescribed duration targets.

The following two schedules provide information about the interest rate risks associated with the Workers' Compensation Fund investments as of June 30, 2019. The schedules display various asset classes held by maturity in years, effective durations, 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, 2019
(expressed in thousands)

		Maturity				
Investment Type	**Total Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**	**More than 10 Years**	**Effective Duration (in years)***
Mortgage and other asset-backed securities	$ 1,165,548	$ 39,915	$ 816,192	$ 309,441	$ —	4.1
Corporate bonds	10,082,114	1,398,333	4,108,920	1,944,077	2,630,784	6.4
U.S. government and agency securities	3,120,322	164,925	502,791	1,272,811	1,179,795	11.1
Foreign government and agencies	1,136,308	213,650	678,056	210,861	33,741	3.4
Total Investments Categorized	15,504,292	$ 1,816,823	$ 6,105,959	$ 3,737,190	$ 3,844,320	6.9
Investments Not Required to be Categorized:						
Commingled investment trusts	2,809,079					
Cash and cash equivalents	201,371					
Total investments not categorized	3,010,450					
Total Investments	$ 18,514,742					

** Excludes cash and cash equivalents*

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

Workers' Compensation Fund
Investment Credit Ratings
June 30, 2019
(expressed in thousands)

	Investment Type			
Moody's Equivalent Credit Rating	**Mortgage and Other Asset-Backed Securities**	**Corporate Bonds**	**Foreign Government and Agencies**	**Total Fair Value**
Aaa	$ 1,165,548	$ 600,828	$ 272,760	$ 2,039,136
Aa1	—	167,703	137,800	305,503
Aa2	—	238,593	245,966	484,559
Aa3	—	1,038,812	229,767	1,268,579
A1	—	1,491,084	186,782	1,677,866
A2	—	1,943,259	—	1,943,259
A3	—	1,530,048	—	1,530,048
Baa1	—	1,447,911	24,234	1,472,145
Baa2	—	1,132,057	38,999	1,171,056
Baa3	—	330,808	—	330,808
Ba1 or lower	—	161,011	—	161,011
Total	$ 1,165,548	$ 10,082,114	$ 1,136,308	$ 12,383,970

5. 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, 2019, 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 issues 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, 2019.

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.

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 Workers' Compensation Fund does not have a formal policy to limit foreign currency risk. At June 30, 2019, the only securities held by the Workers' Compensation Fund with foreign currency exposure were $1.20 billion (excludes U.S. dollar denominated securities) invested in an international commingled equity index fund.

The following schedule presents the exposure of the Workers' Compensation Fund to foreign currency risk. The schedule is stated in U.S. dollars.

Workers' Compensation Fund
Foreign Currency Exposure by Country
June 30, 2019
(expressed in thousands)

Foreign Currency Denomination	Equity Securities
Australia-Dollar	$ 61,147
Brazil-Real	24,692
Canada-Dollar	86,126
Denmark-Krone	15,197
E.M.U.-Euro	260,294
Hong Kong-Dollar	96,877
Japan-Yen	208,942
New Taiwan-Dollar	38,349
Singapore-Dollar	12,248
South Africa-Rand	19,102
South Korea-Won	41,028
Sweden-Krona	25,981
Switzerland-Franc	73,301
United Kingdom-Pound	144,281
Miscellaneous Foreign Currencies	89,246
Total	$ 1,196,811

7. 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, 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, 2019, the only derivative securities held directly by the Workers' Compensation Fund were collateralized mortgage obligations of $560.4 million.

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 that meets the requirements set forth by the Governmental Accounting Standards Board for the maturity, quality, diversification, and liquidity for external investment pools that elect to measure, for financial reporting purposes, all of its investments at amortized costs. The funds are limited to high quality obligations with regulated maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP transacts with its participants at a stable net asset value per share of one dollar, which results in the amortized cost reported equaling the number of shares in the LGIP.

The OST prepares a stand-alone LGIP financial report. A copy of the report is available from the OST, PO Box 40200, Olympia, WA 98504-0200, online at: https://tre.wa.gov/partners/for-local-governments/local-government-investment-pool-lgip/lgip-comprehensive-annual-financial-report/, or phone number (360) 902-9000. TTY users dial 711 to be connected to the state TTY operator.

Investment Objectives. In priority order, the objectives of the LGIP investment policy 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 and 39.59 RCW, and RCW 43.84.080). 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 supranational institutions provided that, at the time of investment, the institution has the U.S. government as its largest shareholder.
- 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.
- Certificates of deposit or demand deposits with financial institutions qualified by the Washington Public Deposit Protection Commission.

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 and supranational floating or variable rate securities 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 market 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.

Participant Transactions. The LGIP transacts with its participants at a stable net asset value per share of $1.00, the same method used for reporting. Participants of the LGIP may contribute and withdraw funds on a daily basis and must inform the OST of any contribution or withdrawal over one million dollars no later than 9:00 a.m. on the same day the transaction is made. Contributions or withdrawals for one million dollars or less can be requested at any time prior to 10:00 a.m. on the day of the transaction. However, participants may complete transactions greater than one million dollars when notification is made between 9:00 a.m. and 10:00 a.m., at the sole discretion of the OST. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

2. Valuation of Investments

Investments are stated at amortized cost which approximates fair value. For bank deposits and repurchase agreements, the cost-based measure equals their carrying amount.

Monthly, the fair value net asset value per share is calculated and compared to the amortized cost net asset value per share to verify that the LGIP's shadow price does not deviate by more than one half of 1 percent from the amortized cost of the portfolio.

3. 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 Northern Trust 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 2019, the LGIP lent U.S. agency and U.S. treasury securities while other securities were received as collateral. At fiscal year end, the fair value of securities on loan was $705.5 million and the fair value of securities received for collateral was $719.6 million.

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 2019, 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 borrowers fail 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.

4. 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. To mitigate the effect of interest rate risk, the LGIP portfolio is invested in high quality, highly liquid obligations with limited maximum and average maturities. The LGIP's policy establishes weighted average maturity and weighted average life limits not to exceed 60 and 120 days, respectively. As of June 30, 2019, the LGIP had a weighted average maturity of 43 days and a weighted average life of 82 days.

The following schedule presents the LGIP investments and related maturities, and provides information about the associated interest rate risks as of June 30, 2019:

Local Government Investment Pool (LGIP)
Schedule of Maturities
June 30, 2019
(expressed in thousands)

			Maturity	
Investment Type		**Amortized Cost**	**Less than 1 Year**	**1-5 Years**
U.S. agency securities	$	6,135,294	$ 5,547,339	$ 587,955
Repurchase agreements		3,950,000	3,950,000	—
U.S. treasury securities		3,451,487	3,251,577	199,910
Interest bearing bank accounts		2,757,186	2,757,186	—
Supranational securities		892,933	892,933	—
Certificates of deposit		194,250	194,250	—
Total Investments	$	17,381,150	$ 16,593,285	$ 787,865

5. 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 supranational institutions, obligations of government-sponsored corporations, and deposits with qualified public depositories.

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 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 ensure 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 22.7 percent of the total portfolio as of June 30, 2019. 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, 2019, U.S. treasury securities comprised 19.9 percent of the total portfolio. U.S. agency securities comprised 35.3 percent of the total portfolio, including Federal Home Loan Bank (24.5 percent) and Federal Farm Credit Bank (10.5 percent). Supranational securities comprised 5.2 percent of the total portfolio.

6. Repurchase Agreements

The fair value plus accrued income of securities utilized in repurchase agreements will be 102 percent of the value of the repurchase agreement plus accrued interest.

The securities utilized in repurchase agreements are limited to government securities, are priced daily, and are held by the LGIP's custodian in the state's name. As of June 30, 2019, repurchase agreements totaled $3.95 billion.

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

1. Summary of Investment Policies

The investments of the University of Washington represent 79 percent of the total investments in Higher Education Special Revenue, Endowment, and Student Services Funds.

The University of Washington's Board of Regents is vested by statute with responsibility for the University's properties and investments, and for establishing investment policy. The University of Washington Investment Management Company (UWINCO), led by the chief investment officer, carries out the day-to-day activities of the investment portfolios. The UWINCO Board, which consists of both Board of Regents' members and external investment professionals, serves as an advisory board to UWINCO.

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, 2019, the Invested Funds Pool totaled $1.9 billion. The fund also owns units in the Consolidated Endowment Fund valued at $649.0 million on June 30, 2019.

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 0.75 percent in fiscal year 2019. University Advancement received 3 percent of the average balances in endowment operating and gift accounts in fiscal year 2019. 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 to support campus-wide fundraising and stewardship activities and to offset 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 $30 thousand at June 30, 2019.

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 $169.0 million in fiscal year 2019 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 (depreciation) of these investments reported in the prior year(s). The net appreciation in the fair value of investments during the year ended June 30, 2019, was $220.7 million.

2. Valuation of Investments

The University reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The University holds significant amounts of investments that are measured at fair value on a recurring basis.

The following schedule presents the fair value of the University's investments by type at June 30, 2019:

University of Washington
Investments Measured at Fair Value
June 30, 2019
(expressed in thousands)

		Fair Value Measurements Using		
Investments by Fair Value Level	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Fixed Income Securities				
U.S. treasury	$ 948,192	$ 26,758	$ 921,434	$ —
U.S. government agency	388,414	11,068	377,346	—
Mortgage-backed	247,486	—	247,486	—
Asset-backed	278,752	—	278,752	—
Corporate and other	449,450	76,355	373,095	—
Total Fixed Income Securities	2,312,294	114,181	2,198,113	—
Equity Securities				
Global equity investments	603,348	598,195	5,153	—
Private equity and venture capital funds	132	—	—	132
Real estate	10,268	4,311	—	5,957
Other	16,080	7,039	880	8,161
Total Equity Securities	629,828	609,545	6,033	14,250
Externally managed trusts	130,795	—	—	130,795
Total Investments by Fair Value Level	3,072,917	$ 723,726	$ 2,204,146	$ 145,045
Investments Measured at Net Asset Value (NAV)				
Global equity investments	1,495,365			
Absolute return strategy funds	651,054			
Private equity and venture capital funds	451,191			
Real asset funds	164,931			
Other	69,189			
Total Investments Measured at the NAV	2,831,730			
Total Investments Measured at Fair Value	5,904,647			
Cash equivalents at amortized cost	87,189			
Total Investments	$ 5,991,836			

Investments classified as level 1. Fixed income and equity securities classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Investments classified as level 2. Fixed income and equity securities classified in level 2 are valued using other observable inputs including quoted prices for similar securities and interest rates.

Investments classified as level 3. Private equity, real assets, and other investments classified in level 3 are valued using either discounted cash flow or market comparable techniques.

Investments measured at net asset value (NAV). The University's interests in certain non-readily marketable alternative investments, such as hedge funds and private equity limited partnerships, are stated at fair value based on net asset value (NAV) estimates used as a practical expedient and reported to the University by investment fund managers.

The information related to investments measured at the NAV per share (or its equivalent) is presented on the following table:

University of Washington
Investments Measured at the Net Asset Value
June 30, 2019
(expressed in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Global equity investments	$ 1,495,365	$ 14,523	Monthly to annually	15-180 days
Absolute return strategy funds	651,054	13,190	Quarterly to annually	30-90 days
Private equity and venture capital funds	451,191	387,288	n/a	—
Real asset funds	164,931	67,229	n/a	—
Other	69,189	38,916	Quarterly to annually	30-95 days
Total Investments Measured at the NAV	$ 2,831,730			

Global Equity. This investment category includes public equity investments in separately managed accounts, long-only commingled funds, unconstrained limited partnerships, and passive market indices. As of June 30, 2019, approximately 79 percent of the value of the investments in this category can be redeemed within 90 days, and 92 percent can be redeemed within one year.

Absolute Return. This category includes investments in stable income and low-to-medium beta funds. Management of these funds seeks low correlation to broad equity markets by investing in assets that exhibit low volatility, deep discounts, and/or hedges against market downturns. Approximately 72 percent of the value of the investments in this category can be redeemed within one year.

Private Equity. This category includes buyout, venture, and special situations funds. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the majority of the underlying assets of the funds will be liquidated over the next seven to ten years.

Real assets. This category includes real estate, natural resources, and other hard assets. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the majority of the underlying assets of the funds will be liquidated over the next seven to ten years.

Other. This category consists of opportunistic investments and includes various types of non-investment grade and non-rated credit plus nominal equity exposure. Approximately 25 percent of the value of the investments in this category can be redeemed or anticipate distribution within one year. The remaining balance of these investments contains restrictions on redemption within one year or will be distributed as underlying investments are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 10 years.

3. Funding Commitments

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2019, the University had outstanding commitments to fund alternative investments in the amount of $521.1 million. These commitments are expected to be called over a multi-year timeframe. The University believes it has adequate liquidity and funding sources to meet these obligations.

4. Interest Rate Risk

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

Effective duration is a commonly used measure of interest rate risk. The longer the duration, the more sensitive the portfolio is to changes in interest rates. The weighted average effective duration of the University's fixed income portfolio was 2.86 years at June 30, 2019.

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.

Duration is a calculation of the number of years required to recover to the true cost of a bond. The duration presented below represents a broad average across all fixed income securities held in the CEF, Invested Funds Pool (IF or operating funds), and debt service reserve funds. The CEF and IF portfolios are managed to have a duration below their policy benchmarks to protect principal and provide liquidity to the overall portfolio.

The following schedule summarizes the composition of the fixed income securities along with credit quality and effective duration measures at June 30, 2019. The schedule excludes $41.5 million of fixed income securities held by component units. Fixed income held by externally managed trusts are also excluded. These amounts make up 1.79 percent of the University's fixed income investments.

University of Washington
Invested Funds Pool and Consolidated Endowment Fund
Fixed Income Credit Quality and Effective Duration
June 30, 2019
(expressed in thousands)

Investment Type	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Effective Duration (in years)
U.S. treasury securities	$ 921,434	$ —	$ —	$ —	$ 921,434	3.11
U.S. government agency	382,739	—	—	—	382,739	2.99
Mortgage-backed	—	198,360	37,698	11,428	247,486	3.52
Asset-backed	—	276,446	847	1,459	278,752	1.39
Corporate and other	—	358,195	24,205	58,020	440,420	2.11
Total	$ 1,304,173	$ 833,001	$ 62,750	$ 70,907	$ 2,270,831	2.86

* Investment grade securities are those that are rated BBB and higher by Standard and Poor's or Baa and higher by Moody's.

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, 2019, of $1.49 billion.

The following schedule, stated in U.S. dollars, details the market value of foreign denominated securities by currency type:

University of Washington
Consolidated Endowment Fund
Foreign Currency Risk
June 30, 2019
(expressed in thousands)

Foreign Currency	Amount
Argentina-Peso	$ 37,831
Australia-Dollar	26,747
Brazil-Real	88,404
Britain-Pound	89,330
Canada-Dollar	59,636
China-Renminbi	270,614
E.M.U.-Euro	206,129
Hong Kong-Dollar	41,264
India-Rupee	160,397
Japan-Yen	167,433
Mexico-Peso	26,487
Russia-Ruble	27,666
South Korea-Won	42,714
Sweden-Krona	43,459
Switzerland-Franc	35,895
Taiwan-Dollar	30,491
Remaining currencies	138,330
Total	$ 1,492,827

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.

As of June 30, 2019, the University had outstanding futures contracts with notional amounts totaling $189.6 million and accumulated unrealized gains on these contracts totaled $880 thousand. These accumulated unrealized gains are included in investments on the Statements of Net Position. Futures are financial contracts obligating the buyer to purchase an asset at a predetermined future date and price.

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, 2019. 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 at June 30, 2019:

University of Washington
Derivative Investments
June 30, 2019
(expressed in thousands)

Description	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional Amount
Swaps fixed income - long	$ —	$ 113,705	$ 113,705
Swaps fixed income - short	$ (2,043)	$ (115,748)	$ (113,705)

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. Investment income earned is allocated based on average daily cash balance. Pursuant to state law, all earnings on investments of Treasury/Trust funds are credited to the General Fund except as specifically provided in RCW 43.79A.040 and RCW 43.84.092. In fiscal year 2019, a portion of the investment income reported by the General Fund was earned by other funds.

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

Investment Objectives. All Treasury/Trust funds will be invested in conformance with federal, state, and other legal requirements. The primary objectives of the portfolio shall be safety and liquidity, with return on investment a secondary objective.

Investments shall be undertaken in a manner that seeks preservation of capital in the overall portfolio. Because the investment portfolio must remain liquid to enable the State Treasurer to meet all cash requirements that can reasonably be anticipated, investments will be managed to maintain cash balances needed to meet daily obligations of the state. After assuring needed levels of safety and liquidity, the investment portfolio will be structured to attain a market rate of return.

Eligible Investments. Eligible investments are only those securities and deposits authorized by statute (chapters 39.58, 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.
- U.S. dollar denominated obligations of supranational institutions, provided that at the time of investment the institution has the U.S. government as its largest shareholder.
- 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.
- Commercial paper, provided that the OST adheres to policies and procedures of the Washington State Investment Board (WSIB) regarding commercial paper (RCW 43.84.080(5)).
- Corporate notes, provided that the OST adheres to the investment policies and procedures adopted by the WSIB, per RCW 39.58.080.
- Investment deposits with financial institutions qualified by the Washington Public Deposit Protection Commission (RCW 39.58.010(9)) and deposits made pursuant to RCW 39.58.080.
- 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 minimum restrictions listed below. Certain investment instruments are subject to more restrictive limitations.

- 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.

Limitations and Restrictions on LGIP Participant Withdrawals. Participants of the LGIP may contribute and withdraw funds on a daily basis and must inform the OST of any contribution or withdrawal over one million dollars no later than 9:00 a.m. on the same day the transaction is made. Contributions or withdrawals for one million dollars or less can be requested at any time prior to 10:00 a.m. on the day of the transaction. However, participants may complete transactions greater than one million dollars when notification is made between 9:00 a.m. and 10:00 a.m., at the sole discretion of the OST. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

2. Valuation of Investments

The OST reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The following table presents fair value measurements as of June 30, 2019:

Office of the State Treasurer
Cash Management Account
Investments Measured at Fair Value
June 30, 2019
(expressed in thousands)

		Fair Value Measurements Using		
Investments by Fair Value Level	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Debt securities				
U.S. government securities	$ 2,734,936	$ —	$ 2,734,936	$ —
U.S. agency securities	1,233,525	—	1,233,525	—
Supranational securities	625,761	—	625,761	—
Corporate notes	158,261	—	158,261	—
Total Investments Measured at Fair Value	$ 4,752,483	$ —	$ 4,752,483	$ —

Investments classified as level 2. The debt securities classified as level 2 in the above table are valued using observable inputs including quoted prices for similar securities and interest rates.

3. 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 Northern Trust Company as a lending agent and receives a share of income earned from this activity. The lending agent lends U.S. government and supranational securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent.

The cash is invested by the lending agent in repurchase agreements, deposit accounts, or money market instruments, in accordance with investment guidelines approved by the OST. The securities held as collateral and the securities underlying the cash collateral are held by the custodian. During fiscal year 2019, there was no cash collateral from securities lending.

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, 2019, the fair value of securities on loan totaled $570.7 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 2019, 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, and there were no losses resulting from a default of a borrower or lending agent during the fiscal year.

4. 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 schedules present the OST investments and related maturities, and provide information about the associated interest rate risks as of June 30, 2019:

Office of the State Treasurer
Cash Management Account
Schedule of Maturities and Effective Duration
June 30, 2019
(expressed in thousands)

		Maturity		
Investment Type	**Total Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**
U.S. government securities	$ 3,195,372	$ 685,939	$ 2,484,007	$ 25,426
U.S. agency securities	1,304,989	453,967	851,022	—
Supranational securities	700,624	271,675	428,949	—
Corporate notes	159,510	50,162	109,348	—
Investments with LGIP	2,957,042	2,957,042	—	—
Certificates of deposit	158,287	158,287	—	—
Interest bearing bank accounts	287,920	287,920	—	—
Total Investments	$ 8,763,744	$ 4,864,992	$ 3,873,326	$ 25,426

Credit ratings of investments are presented using the Standard and Poor's (S&P) rating scale as follows:

Office of the State Treasurer
Cash Management Account
Investment Credit Ratings
June 30, 2019
(expressed in thousands)

	Investment Type		
S&P Credit Rating	**Corporate Notes**	**Supranationals**	**Total Fair Value**
AAA	$ 35,074	$ 700,624	$ 735,698
AA+	18,958	—	18,958
AA	42,529	—	42,529
AA-	28,849	—	28,849
A+	34,100	—	34,100
Total	$ 159,510	$ 700,624	$ 860,134

5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The OST limits credit risk by adhering to the OST investment policy which restricts the types of investments the OST can participate in to U.S. government and agency securities, U.S. dollar denominated obligations of supranational institutions, commercial paper, corporate notes, and deposits with qualified public depositaries. Investments in non-government securities may not exceed set percentages of the total daily portfolio size.

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 ensure 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 adheres to the WSIB policy on commercial paper and corporate notes investments which limits its exposure to concentration of credit risk by restricting the amount of investments to no more than 3 percent of the portfolio to any single issuer.

Note 4
Receivables, Unearned, and Unavailable Revenues

A. GOVERNMENTAL FUNDS

Taxes Receivable

Taxes receivable at June 30, 2019, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property	$ 1,640,088	$ —	$ —	$ 369	$ 1,640,457
Sales	2,887,806	4,510	—	19,791	2,912,107
Business and occupation	1,020,429	—	—	121	1,020,550
Estate	541	25,865	—	—	26,406
Fuel	—	—	—	160,188	160,188
Beer and wine	—	—	—	5,575	5,575
Marijuana	—	—	—	35,805	35,805
Real estate excise	2,476	23	—	601	3,100
Insurance Premium	49	—	—	—	49
Public utilities	51,621	2,092	—	—	53,713
Hazardous substance	—	—	—	15,139	15,139
Syrup	8,179	—	—	—	8,179
Other	6,736	—	—	1,521	8,257
Subtotals	5,617,925	32,490	—	239,110	5,889,525
Less: Allowance for uncollectible receivables	772,281	3,148	—	2,625	778,054
Total Taxes Receivable	$ 4,845,644	$ 29,342	$ —	$ 236,485	$ 5,111,471

Receivables

Receivables at June 30, 2019, consisted of the following (expressed in thousands):

Receivables	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Public assistance [(1)]	$ 544,718	$ —	$ —	$ —	$ 544,718
Accounts receivable	708,898	401,526	21,836	387,471	1,519,731
Interest	14,828	14,768	4,442	11,799	45,837
Investment trades pending	—	—	18	—	18
Loans [(2)]	6,364	110,212	—	539,038	655,614
Long-term contracts [(3)]	5,742	—	11,465	86,308	103,515
Miscellaneous	12	155	—	13	180
Subtotals	1,280,562	526,661	37,761	1,024,629	2,869,613
Less: Allowance for uncollectible receivables	581,748	28,458	—	91,939	702,145
Total Receivables	$ 698,814	$ 498,203	$ 37,761	$ 932,690	$ 2,167,468

Notes:

(1) Public assistance receivables mainly represent amounts owed to 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 $91.4 million in the Higher Education Special Revenue Fund for student loans and $496.2 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, 2019, consisted of the following (expressed in thousands):

Unearned Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Other taxes	$ 3,871	$ —	$ —	$ —	$ 3,871
Charges for services	117,338	220,393	—	26,358	364,089
Grants and donations	4,780	1,550	—	9,694	16,024
Tolls	—	—	—	24,101	24,101
Transportation	—	—	—	41,327	41,327
Miscellaneous	29,998	19,941	—	13,881	63,820
Total Unearned Revenue	$ 155,987	$ 241,884	$ —	$ 115,361	$ 513,232

Unavailable Revenue

Unavailable revenue at June 30, 2019, consisted of the following (expressed in thousands):

Unavailable Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property taxes	$ 1,609,044	$ —	$ —	$ 126	$ 1,609,170
Other taxes	734,903	11,475	—	3,061	749,439
Timber sales	5,742	—	11,465	86,308	103,515
Transportation	—	—	—	5,968	5,968
Charges for services	2	—	—	5,111	5,113
Miscellaneous	4,658	—	—	29,652	34,310
Total Unavailable Revenue	$ 2,354,349	$ 11,475	$ 11,465	$ 130,226	$ 2,507,515

B. PROPRIETARY FUNDS

Receivables
Receivables at June 30, 2019, consisted of the following (expressed in thousands):

Receivables	Business-Type Activities Enterprise Funds Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
Accounts receivable	$ 916,556	$ 496,880	$ 398,761	$ 213,966	$ 2,026,163	$ 62,392
Interest	118,786	—	1,279	2,344	122,409	2,143
Investment trades pending	—	—	—	205	205	—
Miscellaneous	5	—	37	1	43	2
Subtotals	1,035,347	496,880	400,077	216,516	2,148,820	64,537
Less: Allowance for uncollectible receivables	168,347	61,605	24,800	69	254,821	697
Total Receivables	$ 867,000	$ 435,275	$ 375,277	$ 216,447	$ 1,893,999	$ 63,840

Unearned Revenue
Unearned revenue at June 30, 2019, consisted of the following (expressed in thousands):

Unearned Revenue	Business-Type Activities Enterprise Funds Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
Charges for services	$ —	$ —	$ 53,525	$ 794	$ 54,319	$ 4,336
Grants and donations	4,887	—	—	—	4,887	—
Other taxes	590	—	—	1,802	2,392	—
Miscellaneous	2,903	—	457	—	3,360	—
Total Unearned Revenue	$ 8,380	$ —	$ 53,982	$ 2,596	$ 64,958	$ 4,336

Taxes Receivables
Taxes receivables at June 30, 2019, consisted of $405 thousand for petroleum products, net of allowance.

C. FIDUCIARY FUNDS

Other Receivables
Receivables at June 30, 2019, consisted of $29.1 million for interest and other miscellaneous amounts.

Unearned Revenue
Unearned revenue at June 30, 2019, consisted of $650 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, 2019, 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	$ —	$ 89,896	$ 152	$ 228,173	$ 1,273
Higher Education Special Revenue	183,157	—	512,839	48,420	966
Higher Education Endowment	304	—	—	2	—
Nonmajor Governmental Funds	53,175	4,123	2,291	318,208	1,214
Workers' Compensation	8	442	—	1	—
Unemployment Compensation	1,204	1,348	—	537	39
Higher Education Student Services	476	66,232	—	100	61
Nonmajor Enterprise Funds	11,570	54	—	5,794	1,568
Internal Service Funds	34,316	7,240	—	28,802	4,074
Totals	$ 284,210	$ 169,335	$ 515,282	$ 630,037	$ 9,195

Except as noted below, 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 $12 thousand loan from a nonmajor governmental fund to the General Fund which is expected to be paid over the next year; (2) a $2.5 million loan between nonmajor governmental funds which is expected to be paid over the next three years, and (3) a $232.0 million revolving loan from the Higher Education Special Revenue Fund to the Higher Education Student Services Fund.

In addition to the interfund balances noted in the schedule above, there are interfund balances of $108.4 million within the state's Pension Trust Funds.

Due From					
Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Totals
$ 6	$ 132	$ 21,982	$ 49,296	$ —	$ 390,910
—	290,879	19	24,417	—	1,060,697
—	420	—	—	—	726
3,261	222	130	22,624	—	405,248
—	16	—	—	—	467
—	11	6	52	—	3,197
—	—	60	57,374	—	124,303
—	35	496	362	—	19,879
—	13	834	37,059	87	112,425
$ 3,267	$ 291,728	$ 23,527	$ 191,184	$ 87	$ 2,117,852

B. INTERFUND TRANSFERS

Interfund transfers as reported in the financial statements for the year ended June 30, 2019, 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	$ —	$ —	$ 300	$ 1,293,074	$ —
Higher Education Special Revenue	61,193	—	34,999	95,131	—
Higher Education Endowment	—	179,795	—	29,161	—
Nonmajor Governmental Funds	466,794	167,579	503	1,434,557	—
Workers' Compensation	—	—	—	—	—
Unemployment Compensation	—	—	—	—	—
Higher Education Student Services	—	572,914	—	3,137	—
Nonmajor Enterprise Funds	202,615	—	—	26,931	—
Internal Service Funds	—	36,669	—	—	—
Totals	$ 730,602	$ 956,957	$ 35,802	$ 2,881,991	$ —

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, 2019, $1.87 billion was transferred from the General Fund Basic Account to the Budget Stabilization Account (BSA) in accordance with the provisions of the state Constitution. The state 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. The BSA is reported as an Administrative Account within the General Fund.

In addition to the transfers noted in the schedule above, there were transfers of $148.1 million within the state's Pension Trust Funds.

Transferred To				
Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds	Internal Service Funds	Totals
$ —	$ —	$ 2,666	$ 32,787	$ 1,328,827
—	586,862	—	30,859	809,044
—	—	—	—	208,956
—	30	2	4,069	2,073,534
—	—	—	—	—
—	—	—	—	—
—	—	—	547	576,598
—	—	15,229	—	244,775
—	57	—	12,274	49,000
$ —	$ 586,949	$ 17,897	$ 80,536	$ 5,290,734

Note 6
Capital Assets

Capital assets at June 30, 2019, 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, 2019 (expressed in thousands):

Capital Assets	July 1, 2018*	Additions	Deletions/ Adjustments	June 30, 2019
Capital Assets, Not Being Depreciated:				
Land	$ 2,767,470	$ 56,669	$ (6,900)	$ 2,817,239
Transportation infrastructure	24,988,948	531,403	(22,720)	25,497,631
Intangible assets - indefinite lives	34,567	—	—	34,567
Art collections, library reserves, and museum and historical collections	122,946	29,208	(97)	152,057
Construction in progress	1,031,655	481,989	(567,160)	946,484
Total Capital Assets, Not Being Depreciated	28,945,586			29,447,978
Capital Assets, Being Depreciated:				
Buildings	14,669,007	567,312	(66,986)	15,169,333
Accumulated depreciation	(6,029,160)	(403,990)	33,304	(6,399,846)
Net buildings	8,639,847			8,769,487
Other improvements	1,604,560	38,409	(4,911)	1,638,058
Accumulated depreciation	(856,169)	(45,090)	4,671	(896,588)
Net other improvements	748,391			741,470
Furnishings, equipment, and intangible assets	5,705,973	460,736	(135,457)	6,031,252
Accumulated depreciation	(3,618,606)	(321,522)	118,007	(3,822,121)
Net furnishings, equipment, and intangible assets	2,087,367			2,209,131
Infrastructure	1,246,611	42,971	—	1,289,582
Accumulated depreciation	(632,320)	(44,177)	—	(676,497)
Net infrastructure	614,291			613,085
Total Capital Assets, Being Depreciated, Net	12,089,896			12,333,173
Governmental Activities Capital Assets, Net	$ 41,035,482			$ 41,781,151

* The beginning balances reflect prior period adjustments by the State Board for Community and Technical Colleges related to the implementation of a new Enterprise Resources Planning system, which resulted in a decrease in capital assets of $10.6 million and an increase in accumulated depreciation of $2.1 million.

B. BUSINESS-TYPE CAPITAL ASSETS

The following is a summary of business-type capital asset activity for the year ended June 30, 2019 (expressed in thousands):

Capital Assets	Balances July 1, 2018*	Additions	Deletions/ Adjustments	June 30, 2019
Capital Assets, Not Being Depreciated:				
Land	$ 70,890	$ 2,991	$ —	$ 73,881
Intangible assets - indefinite lives	4,580	—	—	4,580
Art collections	40	—	—	40
Construction in progress	456,770	194,523	(419,962)	231,331
Total Capital Assets, Not Being Depreciated	532,280			309,832
Capital Assets, Being Depreciated:				
Buildings	3,926,726	461,259	(9,059)	4,378,926
Accumulated depreciation	(1,394,777)	(143,024)	7,101	(1,530,700)
Net buildings	2,531,949			2,848,226
Other improvements	107,523	14,960	(3)	122,480
Accumulated depreciation	(60,796)	(5,207)	1	(66,002)
Net other improvements	46,727			56,478
Furnishings, equipment, and intangible assets	1,005,805	48,163	(44,053)	1,009,915
Accumulated depreciation	(809,850)	(59,049)	33,483	(835,416)
Net furnishings, equipment, and intangible assets	195,955			174,499
Infrastructure	59,019	443	(51)	59,411
Accumulated depreciation	(31,220)	(1,727)	—	(32,947)
Net infrastructure	27,799			26,464
Total Capital Assets, Being Depreciated, Net	2,802,430			3,105,667
Business-Type Activities Capital Assets, Net	$ 3,334,710			$ 3,415,499

* The beginning balances reflect prior period adjustments by the State Board for Community and Technical Colleges related to the implementation of a new Enterprise Resources Planning system, which resulted in a decrease in capital assets of $617 thousand and a decrease in accumulated depreciation of $182 thousand.

C. DEPRECIATION

Depreciation expense for the year ended June 30, 2019, was charged by the primary government as follows (expressed in thousands):

		Amount
Governmental Activities:		
General government	$	103,776
Education - elementary and secondary (K-12)		3,493
Education - higher education		466,697
Human services		42,491
Adult corrections		37,939
Natural resources and recreation		45,448
Transportation		114,935
Total Depreciation Expense - Governmental Activities *	$	814,779
Business-Type Activities:		
Workers' compensation	$	7,407
Unemployment compensation		—
Higher education student services		198,722
Other		2,878
Total Depreciation Expense - Business-Type Activities	$	209,007

* Includes $107.1 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, 2019, are as follows (expressed in thousands):

Agency / Project Commitments	Construction In Progress June 30, 2019	Remaining Project Commitments
Office of the Secretary of State:		
Library-Archives building	$ 460	$ 107,683
Washington State Patrol:		
Fire Training Academy aircraft rescue repairs, Burn Building, and stormwater remediation	2,040	12,242
Ridgefield Port of Entry reconstruction, and other projects	4,461	1,225
Military Department:		
Thurston County Readiness Center	6,461	29,255
Department of Social and Health Services:		
Residential housing unit renovations and other projects	28,288	65,279
State hospitals	44,061	90,773
Department of Corrections:		
Correctional center units security and safety improvements, and other projects	6,358	14,260
Facility expansions	10,733	5,180
Department of Transportation:		
State ferry vessels and terminals, and other projects	349,750	333,097
Transportation infrastructure	—	2,022,811
Department of Fish and Wildlife:		
Soos Creek, Clarks Creek, and Kalama hatcheries, Fir Island Farm, Deschutes Watershed, and other projects	66,842	142,068
Employment Security Department:		
Family and Medical Leave system	27,892	9,621
University of Washington:		
Construction for research facility - Washington Biomedical Research Properties	12,774	15,711
Denny Field, north campus student housing, and Stevens Court	7,489	55,530
NW Hospital Birthing Center, and UW Medical Center expansion and renovation projects	39,860	2,615
Parking restripe - Seattle campus master plan, Bothell corporation yard, and other athletic projects	3,406	6,055
Population Health, Burke Museum, Bill & Melinda Gates Center for Computer Science & Engineering construction, Kincaid Hall, Health and Sciences Center, and Parrington Hall renovation, seismic improvements, Tacoma soils remediation and other projects.	105,716	175,946
Washington State University:		
Baseball clubhouse, and other athletic projects	402	10,219
Chief Joseph building, Wilmer Davis renovation, and other housing projects	2,946	50,055
Modernization initiative, and miscellaneous projects	11,878	24,802
Plant Science, Global Animal Health, Tri Cities academic, and other facility projects	54,574	32,541
Eastern Washington University:		
Interdisciplinary Science Center renovation	22,011	55,000
Central Washington University:		
Dugmore Hall construction	37,879	—
Nutrition Ed and Health Sciences building, old heat plant, and other projects	15,253	—
The Evergreen State College:		
Housing and miscellaneous projects	6,793	9,568
Western Washington University:		
Multicultural student center	21,166	1,028
New residence hall, Buchanan Towers residence hall renovation, and other projects	24,619	71,680
Science building renovation and addition	2,439	63,987
Community and Technical Colleges:		
Bellevue Student Success Center	25,482	15,640
Big Bend Professional Technical building	31,241	20,631
Cascadia parking garage	2,369	27,856
Clover Park center for advanced manufacturing	35,257	3,260
Edmonds Science, Engineering and Technology building project	23,625	30,792
Highline Health and Life Science building	18,441	—
Shoreline student housing	24,595	6,505
Spokane main building renovation	13,843	3,825
Whatcom student housing and learning commons	34,413	31,182
Other miscellaneous community college projects	29,373	45,232
Other Agency Projects:	22,625	19,410
Total Construction in Progress	$ 1,177,815	$ 3,612,564

Note 7
Long-Term Liabilities

A. BONDS AND NOTES PAYABLE

Bonds payable at June 30, 2019, 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).

Authorization arises in the following situations:

- 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. In November 2012, voters passed a constitutional amendment specifying that maximum annual payments of principal and interest on all debt subject to the limit may not exceed a percentage of the average of the prior six years' general state revenues; this percentage currently stands at 8.25 percent and will decline to 8.00 percent by July 1, 2034. 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 requires 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 2019 is $1.51 billion.

This computation excludes specific bond issues and types that are not secured by general state revenues. Of the $19.33 billion general obligation bond debt principal outstanding at June 30, 2019, $11.67 billion is subject to the limitation.

Based on the debt limitation calculation, the debt service requirements as of June 30, 2019, did not exceed the authorized debt service limitation.

For further information on the debt limit, refer to the Report on the State of Washington's Debt Limitation available from the Office of the State Treasurer at https://tre.wa.gov/wp-content/uploads/Debt-Limit-Certification-2019-final.pdf or to Schedule 11 in the Statistical Section of this report.

Authorized But Unissued
The state had a total of $15.75 billion in general obligation bonds authorized but unissued as of June 30, 2019, 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 range from 0.80 to 6.03 percent. Interest rates on revenue bonds range from 1.00 to 7.40 percent.

Debt Service Requirements to Maturity

General Obligations Bonds
General obligation bonds have been authorized and issued primarily to provide funds for the following purposes:

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

Outstanding general obligation bonds are presented in the Washington State Treasurer's Annual Report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, WA 98504-0200, phone number (360) 902-9000 or TTY 711, or by visiting their website at http://www.tre.wa.gov/about-us/resources/annual-reports.

Total debt service requirements to maturity for general obligation bonds as of June 30, 2019, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
General Obligation Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2020	$ 1,009,612	$ 971,684	$ —	$ —	$ 1,009,612	$ 971,684
2021	988,020	913,995	—	—	988,020	913,995
2022	996,397	849,791	—	—	996,397	849,791
2023	1,006,917	805,775	—	—	1,006,917	805,775
2024	1,021,924	761,509	—	—	1,021,924	761,509
2025-2029	5,084,993	3,111,833	—	—	5,084,993	3,111,833
2030-2034	4,550,581	1,762,823	—	—	4,550,581	1,762,823
2035-2039	3,199,420	774,883	—	—	3,199,420	774,883
2040-2044	1,474,765	142,022	—	—	1,474,765	142,022
Total Debt Service Requirements	$ 19,332,629	$ 10,094,315	$ —	$ —	$ 19,332,629	$ 10,094,315

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.

General Revenue

The University of Washington and Washington State University issue general revenue bonds that are payable from general revenues, including student tuition, grant indirect cost recovery, sales and services revenue, and investment income. General revenue bonds outstanding as of June 30, 2019, include $964.7 million in governmental activities and $1.75 billion in business-type activities.

Pledged Revenue

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, 2019, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Revenue Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2020	$ 135,460	$ 98,087	$ 122,665	$ 99,723	$ 258,125	$ 197,810
2021	136,046	91,738	73,029	96,507	209,075	188,245
2022	153,287	85,077	76,368	93,018	229,655	178,095
2023	160,346	78,495	76,912	91,362	237,258	169,857
2024	161,522	70,593	76,129	87,706	237,651	158,299
2025-2029	369,571	278,729	402,889	380,535	772,460	659,264
2030-2034	344,107	205,010	409,070	283,545	753,177	488,555
2035-2039	313,700	127,708	418,278	187,166	731,978	314,874
2040-2044	221,078	66,672	385,139	85,497	606,217	152,169
2045-2049	149,900	33,307	96,124	29,276	246,024	62,583
2050-2054	43,480	4,102	—	—	43,480	4,102
Total Debt Service Requirements	$ 2,188,497	$ 1,139,518	$ 2,136,603	$ 1,434,335	$ 4,325,100	$ 2,573,853

Governmental activities include revenue bonds outstanding at June 30, 2019, of $152.1 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 $202.2 million, payable through 2033. For the current year, both pledged revenue and debt service were $35.6 million.

Governmental activities include grant anticipation revenue bonds outstanding at June 30, 2019, of $516.7 million issued for the Washington State Department of Transportation. The bonds were issued to finance a portion of the cost 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 $597.4 million, payable through 2024. For the current year, both pledged revenue and debt service were $99.9 million.

Governmental activities include the Transportation Infrastructure Finance and Innovation Act Bond (TIFIA Bond) outstanding at June 30, 2019, of $293.7 million. The bonds were issued to finance a portion of the State Route 520 Corridor Program.

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 $517.0 million, payable through 2051. For the current year both pledged revenue and debt service were $12.7 million.

Governmental activities include revenue bonds outstanding at June 30, 2019, of $35.8 million issued by 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 $45.0 million, payable through 2029. For the current year, both pledged revenue and debt service were $3.9 million.

Governmental activities include revenue bonds outstanding at June 30, 2019, of $224.8 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 $360.1 million, payable through 2039. For the current year, both pledged revenue and debt service were $21.1 million.

Additionally, governmental activities include revenue bonds outstanding at June 30, 2019, of $670 thousand issued by the City of Aberdeen. The bonds were used to extend utilities to the state Department of Corrections Stafford Creek Corrections Center. 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 $753 thousand payable through 2022. For the current year, both pledged revenue and debt service were $1.5 million.

The state's colleges and universities may 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.

The state colleges and universities may also enter into financing agreements directly with investors or lenders that are not offered for public sale.

Total pledged specific revenues for the state's colleges and universities to repay the principal and interest of revenue bonds as of June 30, 2019, 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	Bookstore Revenues
Current revenue pledged	$ 45,945	$ 17,905	$ 216
Current year debt service	23,136	8,866	202
Total future revenues pledged *	387,957	93,006	3,033
Description of debt	Housing and dining bonds issued in 1998-2018	Student facilities bonds issued in 2004-2015	Bookstore bonds issued in 2013
Purpose of debt	Construction and renovation of student housing and dining facilities	Construction and renovation of student activity and sports facilities	Construction of a new bookstore as part of a new student union and recreation building
Term of commitment	2026-2049	2032-2039	2034
Percentage of debt service to pledged revenues (current year)	50.35%	49.52%	93.55%

*Total future principal and interest payments.

B. CERTIFICATES OF PARTICIPATION

Certificates of participation at June 30, 2019, 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, 2019, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Certificates of Participation	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2020	$ 167,870	$ 54,190	$ 6,317	$ 2,039	$ 174,187	$ 56,229
2021	66,527	25,937	17,158	6,690	83,685	32,627
2022	61,886	22,779	15,962	5,875	77,848	28,654
2023	53,052	19,816	13,683	5,111	66,735	24,927
2024	40,989	17,272	10,572	4,455	51,561	21,727
2025-2029	166,538	60,242	42,953	15,538	209,491	75,780
2030-2034	94,096	30,237	24,269	7,799	118,365	38,036
2035-2039	64,833	11,893	16,722	3,067	81,555	14,960
2040-2044	17,286	2,388	4,459	616	21,745	3,004
Total Debt Service Requirements	$ 733,077	$ 244,754	$ 152,095	$ 51,190	$ 885,172	$ 295,944

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

Business-Type Activities

On March 5, 2019, the state issued $227.9 million in lease revenue refunding bonds with an average interest rate of 5.0 percent to refund $267.4 million of lease revenue bonds with an average interest rate of 5.5 percent. The refunding resulted in $71.1 million gross debt service savings over the next 20 years and an economic gain of $54.1 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 of participation in an irrevocable trust to provide for all future debt service payments on the prior bonds and certificates of participation. Accordingly, the trust account assets and the liability for the defeased bonds and certificates of participation are not included in the state's financial statements.

General Obligation Bond Debt

On June 30, 2019, $2.08 billion of general obligation bond debt outstanding is considered defeased.

Revenue Bond Debt

On June 30, 2019, $138 thousand of revenue bond debt outstanding is considered defeased.

D. LEASES

Leases at June 30, 2019, 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, 2019, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Buildings	$ 6,455	$ 4,512
Equipment	43,167	11,419
Less: Accumulated Depreciation	(2,937)	(10,422)
Totals	$ 46,685	$ 5,509

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2019, (expressed in thousands):

Capital and Operating Leases	Capital Leases: Governmental Activities	Capital Leases: Business-Type Activities	Operating Leases: Governmental Activities	Operating Leases: Business-Type Activities
By Fiscal Year:				
2020	$ 921	$ 2,270	$ 214,983	$ 52,330
2021	722	2,007	187,010	42,725
2022	665	1,785	142,193	36,459
2023	658	1,046	103,748	29,421
2024	289	—	73,554	15,523
2025-2029	968	—	171,975	56,526
2030-2034	1,203	—	29,808	48,694
2035-2039	1,497	—	20,531	55,996
2040-2044	2,008	—	12,976	64,771
2045-2049	—	—	345	74,928
Total Future Minimum Payments	8,931	7,108	957,123	477,373
Less: Executory Costs and Interest Costs	(102)	(361)	—	—
Net Present Value of Future Minimum Lease Payments	$ 8,829	$ 6,747	$ 957,123	$ 477,373

The total operating lease rental expense for fiscal year 2019 for governmental activities was $419.1 million, of which $93 thousand was for contingent rentals. The total operating lease rental expense for fiscal year 2019 for business-type activities was $62.0 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 are presented in Note 1.E.

Workers' Compensation

At June 30, 2019, $40.21 billion of unpaid claims and claim adjustment expenses are presented at their net present and settlement value of $29.17 billion. These claims are discounted at assumed interest rates of 1.5 percent (non-pension and cost of living adjustments), 6.0 percent for all self-insured pension annuities and state fund pension annuities and 4.5 percent for state fund pension annuities to arrive at a settlement value.

The claims and claim adjustment liabilities of $29.17 billion as of June 30, 2019, include $15.22 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 $13.95 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 2018 and 2019 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
2018	$ 26,640,538	3,445,361	(2,311,596)	$ 27,774,303
2019	$ 27,774,303	3,764,150	(2,371,634)	$ 29,166,819

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 and social factors.

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

As of June 30, 2019, outstanding and actuarially determined claims against the state and its agencies, with the exception of the University of Washington and the Department of Transportation Ferries Division, including actuarially projected defense costs were $649.1 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.

Changes in the balances of risk management claims liabilities during fiscal years 2018 and 2019 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
2018	$ 603,027	119,033	(85,174)	(21,974)	$ 614,912
2019	$ 614,912	329,536	(270,742)	(24,611)	$ 649,095

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, 2019, health insurance claims liabilities totaling $104.8 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 2018 and 2019 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
2018	$ 83,891	1,204,084	(1,195,596)	$ 92,379
2019	$ 92,379	1,278,043	(1,265,576)	$ 104,846

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 17 projects in progress for which the state has recorded a liability of $60.5 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, 2019, the state has recorded a liability of $72.3 million for remaining project commitments.

Overall, the state has recorded a pollution remediation liability of $132.8 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. ASSET RETIREMENT OBLIGATIONS

The state reports asset retirement obligations in accordance with GASB Statement No. 83. The liability reported is based on the best estimate, using all available evidence, of the current value of outlays expected to be incurred.

The state and its agencies have identified several legally enforceable liabilities associated with the retirement of a tangible capital asset due to requirements included in state laws and contracts. The types of assets include nuclear radiation plants, communication towers, and medical equipment such as cyclotrons, magnetic resonance imaging machines, and tandem accelerators. The estimated remaining useful life of the tangible capital asset range from 1-15 years.

The state has recorded an asset retirement obligation of $25.2 million, measured at its current value. The overall estimate is based on professional judgment, experience, and historical cost data.

The liability could change over time as new information becomes available as a result of changes in technology, legal or regulatory requirements, and types of equipment, facilities or services that will be used to meet the obligation to retire the tangible capital asset. Additionally, the responsibilities and liabilities discussed in this disclosure are referenced solely in the accounting context for purposes of this disclosure.

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.

Some tangible capital assets have been identified as having a legally enforceable liability associated with the retirement of a tangible capital asset, but the liability is not yet reasonably estimable. Some examples include dams, sewer lagoons, waste ponds, and state owned communication towers. Estimates are not currently available as the state has no past experience decommissioning these types of assets, or the assets are maintained indefinitely so an estimated remaining useful life is unknown. Once the liability is reasonably estimable, the state will record a liability for the obligation.

H. LONG-TERM LIABILITY ACTIVITY

Long-term liability activity at June 30, 2019, 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 2019 is as follows (expressed in thousands):

Governmental Activities:	Beginning Balance July 1, 2018*	Additions	Reductions	Ending Balance June 30, 2019	Amounts Due Within One Year
Long-Term Debt:					
GO Bonds Payable:					
General obligation (GO) bonds	$ 18,822,370	$ 1,140,235	$ 937,305	$ 19,025,300	$ 960,590
GO - zero coupon bonds (principal)	358,718	—	51,389	307,329	49,022
Subtotal - GO bonds payable	19,181,088	1,140,235	988,694	19,332,629	1,009,612
Accreted interest - GO - zero coupon bonds	433,372	—	32,219	401,153	77,338
Revenue bonds payable	2,297,095	286,928	395,526	2,188,497	135,460
Plus: Unamortized premiums on bonds sold	1,730,816	69,348	2,234	1,797,930	—
Total Bonds Payable	23,642,371	1,496,511	1,418,673	23,720,209	1,222,410
Other Liabilities:					
Certificates of participation	735,809	97,420	100,152	733,077	167,870
Plus: Unamortized premiums on COPs sold	19,927	3,900	4,138	19,689	—
Claims and judgments payable	1,006,509	161,182	78,813	1,088,878	403,336
Installment contracts	1,454	—	137	1,317	137
Leases	9,728	10	909	8,829	879
Compensated absences	680,754	470,228	451,167	699,815	100,035
Net pension liability	4,044,132	1,288,595	1,999,337	3,333,390	14,493
OPEB liability	5,115,252	453,468	1,115,187	4,453,533	81,772
Pollution remediation obligations	151,414	13,415	31,991	132,838	—
Unclaimed property refunds	244,004	6,669	504	250,169	6,601
Asset retirement obligations	31,550	2,040	8,422	25,168	—
Other	329,303	136,194	105,553	359,944	31,772
Total Other Liabilities	12,369,836	2,633,121	3,896,310	11,106,647	806,895
Total Long-Term Debt	$ 36,012,207	$ 4,129,632	$ 5,314,983	$ 34,826,856	$ 2,029,305

* The beginning balance of other liabilities and compensated absences have been restated by $325 thousand and $4.9 million, respectively, as a result of the State Board for Community and Technical Colleges properly recording prior balances related to the implementation of a new Enterprise Resource Planning system. The beginning balance of the asset retirement obligations has been restated by $31.5 million as a result of implementing GASB Statement No. 83.

For governmental activities, certificates of participation are being repaid approximately 26 percent from the General Fund, 35 percent from the Higher Education Special Revenue Fund, 16 percent from the Motor Vehicle Fund (a nonmajor special revenue fund), and the balance from various governmental funds. The compensated absences liability will be liquidated approximately 45 percent by the General Fund, 34 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The claims and judgments liability will be liquidated approximately 59 percent by the Risk Management Fund (a nonmajor internal service fund), 13 percent by the Health Insurance Fund (a nonmajor internal service fund), and the balance by various other governmental funds. The other post employment benefits liability will be liquidated approximately 40 percent by the General Fund, 28 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The net pension liability will be liquidated approximately 47 percent by the General Fund, 33 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The pollution remediation liability will be liquidated approximately 76 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 2019 is as follows (expressed in thousands):

Business-Type Activities	Beginning Balance July 1, 2018*	Additions	Reductions	Ending Balance June 30, 2019	Amounts Due Within One Year
Long-Term Debt:					
Revenue bonds payable	$ 2,140,974	$ 72,272	$ 76,643	$ 2,136,603	$ 122,665
Plus: Unamortized premiums on bonds sold	185,520	11,989	17,278	180,231	—
Total Bonds Payable	2,326,494	84,261	93,921	2,316,834	122,665
Other Liabilities:					
Certificates of participation	107,365	50,105	5,375	152,095	6,317
Plus: Unamortized premiums on COPs sold	12,786	9,263	991	21,058	—
Claims and judgments payable	27,791,295	2,503,139	1,109,353	29,185,081	2,160,477
Installment contracts	62,695	145	1,125	61,715	3,307
Lottery prize annuities payable	127,512	24,378	30,637	121,253	14,001
Tuition benefits payable	1,707,000	75,740	676,740	1,106,000	85,000
Leases	9,066	15,912	18,231	6,747	2,089
Compensated absences	85,160	42,195	35,628	91,727	57,672
Net pension liability	516,120	141,046	259,284	397,882	781
OPEB liability	706,700	68,597	153,673	621,624	11,414
Other	79,591	26,339	8,613	97,317	7,975
Total Other Liabilities	31,205,290	2,956,859	2,299,650	31,862,499	2,349,033
Total Long-Term Debt	$ 33,531,784	$ 3,041,120	$ 2,393,571	$ 34,179,333	$ 2,471,698

* The beginning balance of compensated absences has been reduced by $13 thousand as a result of the State Board for Community and Technical Colleges properly recording prior balances related to the implementation of a new Enterprise Resource Planning system.

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 and other debt for the purpose of making loans to qualified borrowers for capital acquisitions, construction, and related improvements.

The debt does 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 debt.

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

The schedule below presents the June 30, 2019, balances for the "No Commitment" debt of the state's financing authorities (expressed in thousands):

Financing Authorities	Other Bonds and Notes	Direct Placement	Total Principal Balance
Washington State Housing Finance Commission	$ 2,530,867	$ 2,772,167	$ 5,303,034
Washington Health Care Facilities Authority	5,583,925	—	5,583,925
Washington Higher Education Facilities Authority	310,245	302,436	612,681
Washington Economic Development Finance Authority	694,275	—	694,275
Total No Commitment Debt	$ 9,119,312	$ 3,074,603	$ 12,193,915

Note 9
Governmental Fund Balances

A. GOVERNMENTAL FUNDS

The state's governmental fund balances are reported according to the relative constraints that control how amounts can be spent. 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, 2019, is as follows (expressed in thousands):

Fund Balances	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Nonspendable:					
Permanent funds	$ —	$ —	$ 2,513,961	$ 219,338	$ 2,733,299
Consumable inventories and prepaids	14,376	31,010	—	46,679	92,065
Other receivables – long-term	35,238	—	—	—	35,238
Total Nonspendable Fund Balance	$ 49,614	$ 31,010	$ 2,513,961	$ 266,017	$ 2,860,602
Restricted for: *					
Higher education	$ —	$ 43,808	$ 1,883,988	$ —	$ 1,927,796
Education	—	—	9,180	47,342	56,522
Transportation	—	—	—	838,450	838,450
Other purposes	—	—	—	5,369	5,369
Human services	—	—	3,606	596,178	599,784
Wildlife and natural resources	—	—	1	1,141,072	1,141,073
Local grants and loans	79,893	—	—	117	80,010
School construction	1,144	—	—	50,423	51,567
Budget stabilization	1,618,449	—	—	—	1,618,449
Debt service	—	—	—	53,071	53,071
Pollution remediation	—	—	—	62,769	62,769
Operations and maintenance	—	—	—	11,856	11,856
Repair and replacement	—	—	—	23,811	23,811
Revenue stabilization	—	—	—	28,805	28,805
Deferred Sales Tax	—	—	—	4,500	4,500
Third tier debt service	—	—	—	7,179	7,179
Fourth tier debt service	—	—	—	1,866	1,866
Total Restricted Fund Balance	$ 1,699,486	$ 43,808	$ 1,896,775	$ 2,872,808	$ 6,512,877
Committed for:					
Higher education	$ 157,417	$ 3,788,452	$ —	$ 37,402	$ 3,983,271
Education	622	—	—	4,439	5,061
Transportation	—	—	—	402,781	402,781
Other purposes	496,683	—	—	351,906	848,589
Human services	14,840	—	—	767,064	781,904
Wildlife and natural resources	14,996	—	—	439,795	454,791
Local grants and loans	61	—	—	829,042	829,103
State facilities	—	—	—	2,305	2,305
Debt service	—	—	—	346,365	346,365
Total Committed Fund Balance	$ 684,619	$ 3,788,452	$ —	$ 3,181,099	$ 7,654,170
Assigned for:					
Working capital	$ 1,416,952	$ 107,300	$ —	$ —	$ 1,524,252
Total Assigned Fund Balance	$ 1,416,952	$ 107,300	$ —	$ —	$ 1,524,252

*Net position restricted as a result of enabling legislation totaled $11.1 million.

B. Budgetary 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, 2019, the Budget Stabilization Account had restricted fund balance of $1.62 billion.

Note 10
Deficit Net Position

Data Processing Revolving Fund

The Data Processing Revolving Fund, an internal service fund, had a deficit net position of $74.6 million at June 30, 2019. The Data Processing Revolving Fund is primarily used to account for and report activities such as data processing and communication services to other state agencies.

The Data Processing Revolving Fund is supported by user charges. Due to budgetary considerations, user rates are designed to cover cash outflows including debt service as opposed to the full cost of services which includes depreciation. Since the Data Processing Revolving Fund reports a debt-financed building, this funding approach has an impact on net position. Debt service allocates principal retirement on a straight-line basis. Depreciation on the fund's building is componentized, which accelerates expense in the early years of the building's life. As a result, the fund reports both an operating loss and a negative net investment in capital assets.

The following schedule details the change in net position for the Data Processing Revolving Fund during the fiscal year ended June 30, 2019 (expressed in thousands):

Data Processing Revolving Fund		Net Position
Balance, July 1, 2018	$	(102,262)
Fiscal year 2019 activity		27,632
Balance, June 30, 2019	$	(74,630)

Risk Management Fund

The Risk Management Fund, an internal service fund, had a deficit net position of $782.3 million at June 30, 2019. 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 following schedule details the change in net position for the Risk Management Fund during the fiscal year ended June 30, 2019 (expressed in thousands):

Risk Management Fund		**Net Position**
Balance, July 1, 2018	$	(646,826)
Fiscal year 2019 activity		(135,513)
Balance, June 30, 2019	$	(782,339)

State Facilities Fund
The State Facility Fund, a capital projects fund, had a deficit fund balance of $3.9 million at June 30, 2019. The State Facilities Fund is used to pay for various capital projects throughout the state.

The State Facilities Fund is primarily supported by bond proceeds, income from property, and sales of property. Costs were incurred during fiscal year 2019, but the bonds to support these projects were not issued until after June 30, 2019, resulting in a deficit fund balance.

The following schedule details the change in fund balance for the State Facilities Fund during the fiscal year ended June 30, 2019 (expressed in thousands):

State Facilities Fund		**Fund Balance**
Balance, July 1, 2018	$	284,666
Fiscal year 2019 activity		(288,572)
Balance, June 30, 2019	$	(3,906)

Lottery Fund
The Lottery Fund, an enterprise fund, had a deficit net position of $12.6 million at June 30, 2019. The Lottery Fund is primarily used to record lottery ticket revenues, and to account for activities such as administrative and operating expenses of the Lottery Commission and the distribution of revenues.

The Lottery Fund is supported by operating revenue which is comprised of sales from Draw and Scratch games, as well as administration fees charged to retailers. Operating expenses include cost of sales and administrative expenses. The Lottery Fund is statutorily required to distribute the majority of its net income to fund education.

The implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* required the assignment of the state's proportionate share of these liabilities to each fund. Recording these unfunded liabilities resulted in deficit net position.

The following schedule details the change in net position for the Lottery Fund during the fiscal year ended June 30, 2019 (expressed in thousands):

Lottery Fund		**Net Position**
Balance, July 1, 2018	$	(15,417)
Fiscal year 2019 activity		2,823
Balance, June 30, 2019	$	(12,594)

Other Activities Fund

The Other Activities Fund, an enterprise fund, had a deficit net position of $3.6 million at June 30, 2019. The Other Activities Fund is used to account for 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.

The Other Activities Fund is supported by various operating revenues which are comprised of charges for services, and premiums and assessments. Operating expenses include cost of goods and services, and administrative expenses.

The implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* required the assignment of the state's proportionate share of these liabilities to each fund. Recording these unfunded liabilities resulted in deficit net position.

The following schedule details the change in net position for the Other Activities Fund during the fiscal year ended June 30, 2019 (expressed in thousands):

Other Activities Fund		Net Position
Balance, July 1, 2018	$	(7,604)
Fiscal year 2019 activity		3,957
Balance, June 30, 2019	$	(3,647)

Note 11
Retirement Plans

A. GENERAL

Washington's pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

In accordance with GASB Statement No. 68, the state has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities.

The state Legislature establishes and amends laws pertaining to the creation and administration of all state public retirement systems. Additionally, the state Legislature authorizes state agency participation in plans other than those administered by the state.

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. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of all plans, and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The following table represents the aggregate pension amounts for all plans for the state as an employer, for fiscal year 2019 (expressed in thousands):

Aggregate Pension Amounts - All Plans		
Pension liabilities	$	3,731,272
Pension assets	$	(2,397,274)
Deferred outflows of resources on pensions	$	1,262,119
Deferred inflows of resources on pensions	$	1,646,508
Pension expense/expenditures	$	(110,213)

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.

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

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 3 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
- Public Safety Employees' Retirement System (PSERS)
  - Plan 2 - defined benefit
- Washington State Patrol Retirement System (WSPRS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
- Judicial Retirement System (JRS)
  - Defined benefit plan
- Judges' Retirement Fund (Judges)
  - Defined benefit plan

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

Administration of the PERS, TRS, SERS, LEOFF, PSERS, and WSPRS systems and plans is 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.

Pursuant to RCW 41.50.770, the state offers its employees and employees of 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 GASB Statement No. 67. Copies of the 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/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 include a defined contribution plan administered by a third party with a supplemental defined benefit component (funded on a pay-as-you-go basis) which is administered by the state.

The state has elected to use the current fiscal year end as the measurement date for reporting net pension liabilities for the Higher Education Supplemental Retirement Plan.

B. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

1. DRS Plans - Employer Disclosures

The state is not an employer in SERS Plan 2/3 nor LEOFF Plan 1.

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

Court, Court of Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college, and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS 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 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 Note 11.E 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. The AFC is the average of the member's 24 highest consecutive service months.

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 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. The AFC is the average of the member's 60 highest paid consecutive months. 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. The AFC is the average of the member's 60 highest paid consecutive months.

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

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.

The Judicial Benefit Multiplier (JBM) Program began January 1, 2007. This program gave eligible justices and judges an option to increase the benefit multiplier used in their retirement benefit calculation for their judicial service periods of employment. Beginning January 1, 2007, any justice or judge who was in a judicial position at that time could choose to join JBM. Any justice or judge elected or appointed to office on or after January 1, 2007, who elects to join DRS membership will also be mandated into JBM. If they have already established membership in PERS or TRS Plan 1 they will rejoin that plan, but if they have never had membership they will be enrolled as a member of both PERS Plan 2 and JBM.

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. The methods used to determine contribution requirements are established under state statute.

Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS JBM members and employers pay increased contributions that, along with investment earnings, fund the increased retirement benefits of those justices and judges who participate in the program.

Required contribution rates for fiscal year 2019 are presented in the table in Note 11.B.3.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2017, with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.40%

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 (OSA) 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, 2017, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2017 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 the 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.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The OSA selected a 7.40 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by the WSIB. Refer to the 2017 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	2.2%
Tangible assets	7%	5.1%
Real estate	18%	5.8%
Global equity	32%	6.3%
Private equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

Discount rate. The discount rate used to measure the total pension liability was 7.40 percent, the same as the prior measurement date. 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 7.50 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 7.40 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3, PSERS Plan 2, and SERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). 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. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2019, the state reported $1.87 billion for its proportionate share of the collective net pension liability for PERS Plan 1 and $860.8 million for PERS Plan 2/3. The state's proportion for PERS Plan 1 was 41.97 percent, an increase of 0.09 percent since the prior reporting period, and 50.41 percent for PERS Plan 2/3, an increase of 0.21 percent. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.40 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate (expressed in thousands):

PERS Plan 1 Employer's Proportionate Share of Net Pension Liability/(Asset)		
1% decrease	$	2,303,307
Current discount rate	$	1,874,226
1% increase	$	1,502,555

PERS Plan 2/3 Employer's Proportionate Share of Net Pension Liability/(Asset)		
1% decrease	$	3,937,209
Current discount rate	$	860,776
1% increase	$	(1,661,556)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2019, the state recognized a PERS Plan 1 pension expense of $170.5 million, and recognized a PERS Plan 2/3 pension expense of $(3.9) million. At June 30, 2019, PERS Plan 1 and PERS Plan 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	—	74,481
Change in proportion	—	—
State contributions subsequent to the measurement date	303,651	—
Total	$ 303,651	$ 74,481

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 105,508	$ 150,706
Changes of assumptions	10,070	244,970
Net difference between projected and actual earnings on pension plan investments	—	528,212
Change in proportion	29,828	626
State contributions subsequent to the measurement date	414,210	—
Total	$ 559,616	$ 924,514

For PERS Plan 1, $303.7 million, and for PERS Plan 2/3, $414.2 million, reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

PERS Plan 1		
2020	$	3,258
2021	$	(16,282)
2022	$	(48,857)
2023	$	(12,600)
2024	$	—
Thereafter	$	—

PERS Plan 2/3		
2020	$	(74,967)
2021	$	(169,501)
2022	$	(317,933)
2023	$	(114,344)
2024	$	(38,933)
Thereafter	$	(63,430)

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 Plan 1 members. 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 Note 11.E 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. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

TRS Plan 1 members may elect to receive an optional 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 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. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

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. The AFC is the average of the member's 60 highest paid consecutive months.

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.

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

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.

The Judicial Benefit Multiplier (JBM) Program began January 1, 2007. This program gave eligible justices and judges an option to increase the benefit multiplier used in their retirement benefit calculation for their judicial service periods of employment. Beginning January 1, 2007, any justice or judge who was in a judicial position at that time could choose to join JBM. Any justice or judge elected or appointed to office on or after January 1, 2007, who elects to join DRS membership will also be mandated into JBM. If they have already established membership in PERS or TRS Plan 1 they will rejoin that plan, but if they have never had membership they will be enrolled as a member of both PERS Plan 2 and JBM.

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 contribution requirements are established under state statute.

Members in TRS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from TRS-covered employment.

TRS JBM members and employers pay increased contributions that, along with investment earnings, fund the increased retirement benefits of those justices and judges who participate in the program.

Required contribution rates for fiscal year 2019 are presented in the table in Note 11.B.3.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2017, with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.40%

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 (OSA) 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, 2017, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2017 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 the 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.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The OSA selected a 7.40 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by the WSIB. Refer to the 2017 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	2.2%
Tangible assets	7%	5.1%
Real estate	18%	5.8%
Global equity	32%	6.3%
Private equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.40 percent, the same as the prior measurement date. 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 7.50 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 7.40 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including TRS Plan 2/3, whose rates include a component for the TRS Plan 1 liability). 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. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2019, the state reported a liability of $32.2 million for its proportionate share of the collective net pension liability for TRS Plan 1 and $4.8 million for TRS Plan 2/3. The state's proportion for TRS Plan 1 was 1.10 percent, an increase of 0.07 percent since the prior reporting period, and 1.06 percent for TRS Plan 2/3, an increase of 0.10 percent. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.40

percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate (expressed in thousands):

TRS Plan 1 Employer's Proportionate Share of Net Pension Liability/(Asset)		
1% decrease	$	40,218
Current discount rate	$	32,177
1% increase	$	25,216

TRS Plan 2/3 Employer's Proportionate Share of Net Pension Liability/(Asset)		
1% decrease	$	29,651
Current discount rate	$	4,757
1% increase	$	(15,465)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2019, the state recognized a TRS Plan 1 pension expense of $5.7 million, and recognized a TRS Plan 2/3 pension expense of $3.3 million. At June 30, 2019, TRS Plan 1 and TRS Plan 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

TRS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	—	1,376
Change in proportion	—	—
State contributions subsequent to the measurement date	5,482	—
Total	$ 5,482	$ 1,376

TRS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,236	$ 351
Changes of assumptions	81	1,912
Net difference between projected and actual earnings on pension plan investments	—	4,024
Change in proportion	2,962	—
State contributions subsequent to the measurement date	5,553	—
Total	$ 10,832	$ 6,287

For TRS Plan 1, $5.5 million, and for TRS Plan 2/3, $5.6 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

TRS Plan 1		
2020	$	138
2021	$	(285)
2022	$	(979)
2023	$	(250)
2024	$	—
Thereafter	$	—

TRS Plan 2/3		
2020	$	747
2021	$	(326)
2022	$	(1,816)
2023	$	(353)
2024	$	214
Thereafter	$	526

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, fire fighters, 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 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service. FAS is based on the highest consecutive 60 months. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

LEOFF members have the option to retire early with reduced benefits.

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.

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 (OSA) to fully fund the plans. Starting on July 1, 2000, LEOFF Plan 1 employers and employees are not required to contribute as long as the plan remains fully funded. LEOFF 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 contribution requirements are established under state statute.

Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, 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 LEOFF Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. For fiscal year 2019, the state contributed $73.0 million to LEOFF Plan 2.

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 the 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.

Required contribution rates for fiscal year 2019 are presented in the table in Note 11.B.3.

The state is not an employer for LEOFF Plan 1; however, the state is a nonemployer contributing entity for LEOFF Plan 1. For LEOFF Plan 2, the state is both an employer and a nonemployer contributing entity. Refer to Note 11.B.2 for nonemployer contributing entity disclosures.

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2017, with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.40%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The OSA 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, 2017, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2017 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 the 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.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The OSA selected a 7.40 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by the WSIB. Refer to the 2017 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	2.2%
Tangible assets	7%	5.1%
Real estate	18%	5.8%
Global equity	32%	6.3%
Private equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.40 percent, the same as the prior measurement date. 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 7.50 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 7.40 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates. 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. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2019, the state reported an asset of $17.7 million for its proportionate share of the collective net pension asset for LEOFF Plan 2. The state's proportion for LEOFF Plan 2 was 0.87 percent, an increase of 0.02 percent since the prior reporting period. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers and the nonemployer contributing entity.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.40 percent as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate (expressed in thousands):

LEOFF Plan 2 Employer's Proportionate Share of Net Pension Liability/(Asset)		
1% decrease	$	(2,355)
Current discount rate	$	(17,707)
1% increase	$	(30,229)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2019, the state recognized a LEOFF Plan 2 pension expense of $(1.6) million. At June 30, 2019, LEOFF Plan 2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 949	$ 411
Changes of assumptions	10	2,541
Net difference between projected and actual earnings on pension plan investments	—	3,099
Change in proportion	57	13
State contributions subsequent to the measurement date	1,659	—
Total	$ 2,675	$ 6,064

For LEOFF Plan 2, $1.7 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

LEOFF Plan 2		
2020	$	(360)
2021	$	(831)
2022	$	(1,823)
2023	$	(691)
2024	$	(251)
Thereafter	$	(1,092)

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 in 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 and Cannabis 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 retirewith 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, 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. The AFC is the average of the member's 60 highest paid consecutive months.

PSERS members have the option to retire early with reduced benefits.

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.

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 (OSA) to fully fund Plan 2. The methods used to determine contribution requirements are established under state statute.

Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

Required contribution rates for fiscal year 2019 are presented in the table in Note 11.B.3.

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2017, with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.40%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The OSA 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, 2017, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2017 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 the 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.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The OSA selected a 7.40 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by the WSIB. Refer to the 2017 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	2.2%
Tangible assets	7%	5.1%
Real estate	18%	5.8%
Global equity	32%	6.3%
Private equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.40 percent, the same as the prior measurement date. 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 7.50 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 7.40 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3, PSERS Plan 2, and SERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). 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. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2019, the state reported a liability of $625 thousand for its proportionate share of the collective net pension asset for PSERS Plan 2. The state's proportion for PSERS Plan 2 was 50.48 percent, an increase of 1.34 percent since the prior reporting period. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.40 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate (expressed in thousands):

PSERS Plan 2 Employer's Proportionate Share of Net Pension Liability/(Asset)		
1% decrease	$	64,973
Current discount rate	$	625
1% increase	$	(49,866)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2019, the state recognized a PSERS Plan 2 pension expense of $10.5 million. At June 30, 2019, PSERS Plan 2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

PSERS Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 4,638	$ 642
Changes of assumptions	67	3,870
Net difference between projected and actual earnings on pension plan investments	—	8,433
Change in proportion	478	10
State contributions subsequent to the measurement date	17,730	—
Total	$ 22,913	$ 12,955

For PSERS Plan 2, $17.7 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

PSERS Plan 2		
2020	$	(111)
2021	$	(1,013)
2022	$	(2,808)
2023	$	(1,410)
2024	$	(338)
Thereafter	$	(2,092)

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.

For membership information refer to the table presented in Note 11.B.3.

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

WSPRS members are vested after the completion of five years of eligible service. Active members are eligible for retirement at the age of 55 with at least five service credit years, or at any age with 25 years of service credit, and must retire at age 65. This mandatory requirement does not apply to the Chief of the Washington State Patrol. Inactive members can retire at age 60 or at age 55 with a reduced benefit to account for the receipt of benefits over a longer period of time.

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 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.

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 state contribution rates, subject to revision by the Legislature. The preliminary employee and state contribution rates are developed by the Office of the State Actuary (OSA) to fully fund the plan. The methods used to determine contribution requirements are established under state statute.

Members in WSPRS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from WSPRS-covered employment.

Required contribution rates for fiscal year 2019 are presented in the table in Note 11.B.3.

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2017, with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.40%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The OSA 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, 2017, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2017 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 the 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.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The Office of the State Actuary (OSA) selected a 7.40 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by the WSIB. Refer to the 2017 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	2.2%
Tangible assets	7%	5.1%
Real estate	18%	5.8%
Global equity	32%	6.3%
Private equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.40 percent, the same as the prior measurement date. 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 7.50 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 7.40 percent future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers are assumed to continue to be made at contractually required rates. 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. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability.

Refer to the table in Note 11.B.3 for the change in net pension liability.

Net Pension Liability/(Asset). At June 30, 2019, the state reported a net pension liability of $25.3 million.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.40 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate (expressed in thousands):

WSPRS Plan 1/2 Net Pension Liability/(Asset)		
1% decrease	$	212,814
Current discount rate	$	25,288
1% increase	$	(127,041)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2019, the state recognized a WSPRS pension expense of $(1.0) million. At June 30, 2019, the WSPRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

WSPRS Plan 1/2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 26,236	$ 1,227
Changes of assumptions	13,026	20,016
Net difference between projected and actual earnings on pension plan investments	—	33,240
Change in proportion	—	—
State contributions subsequent to the measurement date	14,700	—
Total	$ 53,962	$ 54,483

For WSPRS 1/2, $14.7 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

WSPRS Plan 1/2		
2020	$	3,975
2021	$	(1,194)
2022	$	(12,504)
2023	$	(4,384)
2024	$	(1,114)
Thereafter	$	—

Judges' Retirement Fund

Plan Description. The Judges' Retirement Fund was created by the Legislature on March 22, 1937, 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.

The Judges' Retirement Fund is a single-employer, defined benefit retirement system. There are currently no active members in this plan. For membership information refer to the table presented in Note 11.B.3.

Benefits Provided. The Judges' Retirement Fund provides disability and 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.

Members are eligible to receive a full retirement allowance at age 70 with 10 years of credited service, or at any age with 18 years of credited service. Members are eligible to receive a partial retirement allowance after 12 years of credited service as a judge.

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 2018, the state contributed $500 thousand.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2017, with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	3.87%

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, 2017, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

Discount Rate. Contributions are made to the Judges' Retirement Fund to ensure cash is available to make benefit payments. Since this plan is operated on a pay-as-you-go basis, the discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.87 percent for the June 30, 2018, measurement date.

Refer to the table in Note 11.B.3 for the change in net pension liability.

Net Pension Liability/(Asset). At June 30, 2019, the state reported a net pension liability of $1.7 million.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 3.87 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate (expressed in thousands):

Judges' Net Pension Liability/(Asset)		
1% decrease	$	1,764
Current discount rate	$	1,670
1% increase	$	1,582

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2019, the state recognized a Judges' Retirement Fund pension expense of $7 thousand. At June 30, 2019, the Judges' Retirement Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

Judges'	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	36	—
Change in proportion	—	—
State contributions subsequent to the measurement date	500	—
Total	$ 536	$ —

For the Judges' Retirement Fund, $500 thousand reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

Judges'	
2020	$ 14
2021	$ 10
2022	$ 8
2023	$ 4
2024	$ —
Thereafter	$ —

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. For membership information refer to the table presented in Note 11.B.3.

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 are age 60 or older, left office involuntarily with 12 years of service credit, and at least 15 years have passed since the beginning of the initial term. 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+	3.50%
10-14	3.00%

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. JRS member contributions to the plan are not refundable.

The state guarantees the solvency of JRS 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 2018, the state contributed $8.7 million.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2017, with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	3.87%

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, 2017, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

There were no material changes in assumptions, benefit terms, or methods for the reporting period.

Discount Rate. Contributions are made to JRS to ensure cash is available to make benefit payments. Since this plan is operated on a pay-as-you-go basis, the discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.87 percent for the June 30, 2018, measurement date.

Refer to the table in Note 11.B.3 for the change in net pension liability.

Net Pension Liability/(Asset). At June 30, 2019, the state reported a net pension liability of $75.6 million.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 3.87 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate (expressed in thousands):

JRS Net Pension Liability/(Asset)		
1% decrease	$	82,761
Current discount rate	$	75,627
1% increase	$	69,444

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2019, the state recognized a JRS pension expense of $(1.8) million. At June 30, 2019, JRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

JRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	376	—
Change in proportion	—	—
State contributions subsequent to the measurement date	8,400	—
Total	$ 8,776	$ —

For JRS, $8.4 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

JRS		
2020	$	142
2021	$	107
2022	$	84
2023	$	43
2024	$	—
Thereafter	$	—

2. DRS Plans - Nonemployer Contributing Entity Disclosures

For fiscal year 2019, the state was considered a nonemployer contributing entity in special funding situations for two DRS-administered pension plans, LEOFF Plan 1 and LEOFF Plan 2. State contributions are required by statute to be made directly to these plans to fund pensions. Note 11.B.1 provides the detailed descriptions of these plans, their benefit terms, contribution requirements, significant assumptions used to measure pension liability and mortality, and the discount rate.

Basis for Nonemployer Contributing Entity Contributions. LEOFF Plan 1 has a net pension asset as of the June 30, 2018 measurement date. If needed, RCW 41.26.080 would require employer and employee contributions of 6 percent, and the remaining liabilities funded by the state pursuant to chapter 41.45 RCW. For fiscal year 2018, the nonemployer contributing entity's proportionate share of the net pension asset was considered substantial at 87.12 percent based on historical contributions to the plan.

LEOFF Plan 2 has a net pension asset as of the June 30, 2018, measurement date. In this plan, the state is an employer and a nonemployer contributing entity. RCW 41.26.725 limits the employee contributions to 50 percent, employer contributions to 30 percent, and the state contribution to 20 percent of the cost of benefits. In no instance shall the state contribution exceed 4 percent of payroll. For fiscal year 2018, the nonemployer contributing entity's proportionate share of the net pension asset was considered substantial at 39.30 percent based on total plan contributions received in fiscal year 2018.

Collective Net Pension Liability/(Asset). At June 30, 2019, the state as a nonemployer contributing entity reported a net pension asset of $1.58 billion and $797.9 million for its proportionate share of the collective net pension asset for LEOFF Plan 1 and LEOFF Plan 2, respectively. The nonemployer contributing entity's proportion for LEOFF Plan 1 was 87.12 percent, the same as the prior reporting period, and 39.30 percent for LEOFF Plan 2, a decrease of 0.15 percent. The proportion of the state nonemployer contributions related to LEOFF Plan 1 was based on historical contributions from the state and employers plus fiscal year 2018 retirement benefit payments. The proportion of the state nonemployer contributions related to LEOFF Plan 2 was based on the state's contributions to the pension plan relative to the total state contributions and all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the nonemployer contributing entity calculated using the discount rate of 7.40 percent, as well as what the nonemployer contributing entity's net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate (expressed in thousands):

LEOFF Plan 1 Nonemployer Contributing Entity Proportionate Share of Net Pension Liability/(Asset)		
1% decrease	$	(1,258,245)
Current discount rate	$	(1,581,665)
1% increase	$	(1,860,111)

LEOFF Plan 2 Nonemployer Contributing Entity Proportionate Share of Net Pension Liability/(Asset)		
1% decrease	$	(106,106)
Current discount rate	$	(797,902)
1% increase	$	(1,362,141)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2019, the state as a nonemployer contributing entity recognized $(254.3) million pension expense for LEOFF Plan 1 and $(72.5) million pension expense for LEOFF Plan 2.

At June 30, 2019, the state as a nonemployer contributing entity reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

LEOFF Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	—	128,408
Change in proportion	—	—
State contributions subsequent to the measurement date	2	—
Total	$ 2	$ 128,408

LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 42,742	$ 18,527
Changes of assumptions	452	114,513
Net difference between projected and actual earnings on pension plan investments	—	139,644
Change in proportion and difference between state contributions and proportionate share of	2,585	602
State contributions subsequent to the measurement date	74,763	—
Total	$ 120,542	$ 273,286

For LEOFF Plan 1, $2 thousand, and for LEOFF Plan 2, $74.8 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

LEOFF Plan 1		
2020	$	123
2021	$	(28,968)
2022	$	(78,896)
2023	$	(20,667)
2024	$	—
Thereafter	$	—

LEOFF Plan 2		
2020	$	(16,219)
2021	$	(37,443)
2022	$	(82,166)
2023	$	(31,138)
2024	$	(11,341)
Thereafter	$	(49,200)

3. Tables for Plans Administered by the Department of Retirement Services

TABLE 1: Single Employer Plan Membership

Membership of the single employer plans administered by the Department of Retirement Systems consisted of the following at June 30, 2018, the date of the latest actuarial valuation for all plans:

Number of Participating Members				
Plans	**Inactive Members (or Beneficiaries) Currently Receiving Benefits**	**Inactive Members Entitled to But Not Yet Receiving Benefits**	**Active Members**	**Total Members**
WSPRS 1	1,136	71	444	1,651
WSPRS 2	—	34	597	631
JRS	93	—	—	93
Judges	11	—	—	11
Total	1,240	105	1,041	2,386

TABLE 2: Change in Net Pension Liability/(Asset)

The following table presents the change in net pension liability/(asset) of the single employer plans administered by the Department of Retirement Systems at June 30, 2017, the date of the latest actuarial valuation for all plans, with the results rolled forward to the June 30, 2018, measurement date (expressed in thousands):

Change in Net Pension Liability/(Asset)	WSPRS	JRS	Judges
TOTAL PENSION LIABILITY			
Service cost	$ 21,083	$ —	$ —
Interest	94,569	3,200	95
Changes of benefit terms	—	—	—
Differences between expected and actual experience	13,974	(2,844)	(39)
Changes of assumptions	(24,367)	(2,063)	(43)
Benefit payments, including refunds of member contributions	(59,634)	(8,325)	(396)
Net Change in Total Pension Liability	45,625	(10,032)	(383)
Total Pension Liability--Beginning	1,269,109	93,511	2,848
Total Pension Liability--Ending	$ 1,314,734	$ 83,479	$ 2,465
PLAN FIDUCIARY NET POSITION			
Contributions--employer	$ 14,203	$ 8,700	$ 500
Contributions--employee	9,922	—	—
Net investment income	113,597	80	8
Benefit payments, including refunds of member contributions	(59,634)	(8,325)	(396)
Administrative expense	(131)	—	—
Other	650	—	—
Net Change in Plan Fiduciary Net Position	78,607	455	112
Plan Fiduciary Net Position--Beginning	1,210,839	7,397	683
Plan Fiduciary Net Position--Ending	$ 1,289,446	$ 7,852	$ 795
Plan's Net Pension Liability (Asset)--Beginning	$ 58,270	$ 86,114	$ 2,165
Plan's Net Pension Liability (Asset)--Ending	$ 25,288	$ 75,627	$ 1,670

TABLE 3: Required Contribution Rates

Required contribution rates (expressed as a percentage of current year covered payroll) for all retirement plans administered by the Department of Retirement Systems at the close of fiscal year 2019 were as follows:

Required Contribution Rates	Employer			Employee		
	Plan 1	Plan 2	Plan 3	Plan 1	Plan 2	Plan 3
PERS						
Employees Not Participating in JBM						
State agencies, local governmental units	7.52 %	7.52 %	7.52 %	6.00 %	7.41 %	**
Administrative fee	0.18 %	0.18 %	0.18 %			
PERS Plan 1 UAAL	5.13 %	5.13 %	5.13 %			
Total	12.83 %	12.83 %	12.83 % *			
State govt elected officials	11.28 %	7.52 %	7.52 %	7.50 %	7.41 %	**
Administrative fee	0.18 %	0.18 %	0.18 %			
PERS Plan 1 UAAL	7.70 %	5.13 %	5.13 %			
Total	19.16 %	12.83 %	12.83 % *			
Employees Participating in JBM						
State agencies	10.02 %	10.02 %	10.02 %	9.76 %	16.03 %	7.50%***
Administrative fee	0.18 %	0.18 %	0.18 %			
PERS Plan 1 UAAL	5.13 %	5.13 %	5.13 %			
Total	15.33 %	15.33 %	15.33 % *			
Local governmental units	7.52 %	7.52 %	7.52 %	12.26 %	18.53 %	7.50%***
Administrative fee	0.18 %	0.18 %	0.18 %			
PERS Plan 1 UAAL	5.13 %	5.13 %	5.13 %			
Total	12.83 %	12.83 %	12.83 % *			
TRS						
Employees Not Participating in JBM						
State agencies, local governmental units	7.83 %	7.83 %	7.83 %	6.00 %	7.06 %	**
Administrative fee	0.18 %	0.18 %	0.18 %			
TRS Plan 1 UAAL	7.40 %	7.40 %	7.40 %			
Total	15.41 %	15.41 %	15.41 % *			
State govt elected officials	7.83 %	7.83 %	7.83 %	7.50 %	7.06 %	**
Administrative fee	0.18 %	0.18 %	0.18 %			
TRS Plan 1 UAAL	7.40 %	7.40 %	7.40 %			
Total	15.41 %	15.41 %	15.41 % *			
Employees Participating in JBM						
State agencies	7.83 %	N/A	N/A	9.76 %	N/A	N/A
Administrative fee	0.18 %	N/A	N/A			
TRS Plan 1 UAAL	7.40 %	N/A	N/A			
Total	15.41 %					
LEOFF						
Ports and universities	N/A	8.75 %	N/A	N/A	8.75 %	N/A
Administrative fee	0.18 %	0.18 %	N/A			
Total		8.93 %				
Local governmental units	N/A	5.25 %	N/A	N/A	8.75 %	N/A
Administrative fee	0.18 %	0.18 %	N/A			
Total	0.18 %	5.43 %				
State of Washington	N/A	3.50 %	N/A	N/A	N/A	N/A
WSPRS						
State agencies	13.16 %	13.16 %	N/A	7.69 %	7.69 %	N/A
Administrative fee	0.18 %	0.18 %	N/A			
Total	13.34 %	13.34 %				
PSERS						
State agencies, local governmental units	N/A	7.07 %	N/A	N/A	7.07 %	N/A
Administrative fee	N/A	0.18 %	N/A			
PSERS Plan 1 UAAL	N/A	5.13 %	N/A			
Total		12.38 %				

* 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

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Plan Description. 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, 2019, there were approximately 450 municipalities contributing to the plan. Additionally, the state, a nonemployer 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, 2019, VFFRPF membership consisted of the following:

Plan Membership	
Inactive plan members or beneficiaries currently receiving benefits	4,446
Inactive plan members entitled to but not yet receiving benefits	6,120
Active plan members	9,223
Total membership	19,789

Benefits Provided. VFFRPF provides retirement, disability, and death benefits to eligible members. Benefits are established in chapter 41.24 RCW which may be amended only by the Legislature.

Since retirement benefits cover volunteer service, benefits are paid based on years of service, not salary. Municipalities 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 an amount 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, 2019.

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. The state is considered a nonemployer contributing entity; however, this is not considered a special funding situation. For fiscal year 2019, the fire insurance premium tax contribution was $7.6 million.

The municipality rate for emergency medical service districts (EMSD) and law enforcement agencies is 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 (OSA). 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 fiscal year 2019 were the following:

	Firefighters	EMSD & Reserve Officers
Member fee	$ 30	$ 30
Municipality fee	30	105
Total fee	$ 60	$ 135

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 3.B.

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, 2019, the annual money-weighted rate of return on VFFRPF investments, net of pension plan investment expense, was 8.23 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/(Asset). The components of the net pension liability of the participating VFFRPF municipalities at June 30, 2019, were as follows (dollars expressed in thousands):

Pension Liability	
Total pension liability	$ 192,617
Plan fiduciary net position	260,610
Participating municipality net pension liability/(asset)	$ (67,993)
Plan fiduciary net position as a percentage of the total pension liability	135.30%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2017, and rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.50%
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, 2018, 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 2018 actuarial valuation report.

The OSA selected a 7.40 percent long-term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the WSIB.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The CMAs contain three pieces of information for each class of asset. The WSIB currently invests in the following:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between annual returns of each asset class with every other asset class.

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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20%	2.2%
Tangible assets	7%	5.1%
Real estate	18%	5.8%
Public equity	32%	6.3%
Private equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the WSIB's most recent long-term estimate of broad economic inflation.

For additional information and background on the OSA's development of the long-term rate of return assumptions, refer to the 2017 Report on Financial Condition and Economic Experience Study located on the OSA website. The selection of this assumption and economic experience studies are further detailed in the Department of Retirement Systems (DRS), Comprehensive Annual Financial Report's actuarial certification letter found on the DRS website.

In consultation with the OST, the OSA selected a 3.50 percent long-term investment rate of return on assets managed by the OST. Based upon the investment portfolio, this assumption was calculated as 100 basis points above the OSA's current inflation assumption of 2.50 percent for the United States National Consumer Price Index.

As the VFFRPF has assets managed by both the WSIB and the OST, the long-term expected rate of return of 7.00 percent represents an approximate weighted-average of the assets managed by the WSIB (7.40 percent expected return) and the assets managed by the OST (3.50 percent expected return).

Discount Rate. The discount rate used to measure the total pension liability was 7.00 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 7.00 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 7.00 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. Therefore, the long-term expected rate of return of 7.00 percent on plan investments was applied to determine the total pension liability.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the municipalities calculated using the discount rate of 7.00 percent, as well as what the municipalities' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate (expressed in thousands):

Municipalities' Net Pension Liability/(Asset)		
1% decrease	$	(43,519)
Current discount rate	$	(67,993)
1% increase	$	(87,922)

D. HIGHER EDUCATION RETIREMENT PLAN SUPPLEMENTAL DEFINED BENEFIT PLANS

Plan Description. The Higher Education Retirement Plans are privately administered single-employer defined contribution plans with a supplemental defined benefit plan 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. No assets are accumulated in trusts or equivalent arrangements.

The state and regional universities, the state college, the state community and technical colleges, and the Student Achievement Council each participate in a separate plan. As authorized by chapter 28B.10 RCW, the plans cover faculty and other positions as designated by each participating employer.

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 and technical colleges, and the Student Achievement Council.

The Higher Education Defined Contribution Retirement Plans are described in Note 11.E.

Benefits Provided. The Higher Education Supplemental Retirement Plans provide retirement, disability, and death benefits to eligible members.

As of July 1, 2011, all Higher Education Supplemental Retirement Plans were closed to new entrants.

Members are eligible to receive benefits under this plan at age 62 with 10 years of credited service. The supplemental benefit is a lifetime benefit equal to the amount a member's goal income exceeds their assumed income. The monthly goal income is one-twelfth of 2 percent of the member's average annual salary multiplied by the number of years of service (such product not to exceed one-twelfth of fifty percent of the member's average annual salary). The member's assumed income is an annuity benefit the retired member would receive from their defined contribution Retirement Plan benefit in the first month of retirement had they invested all employer and member contributions equally between a fixed income and variable income annuity investment.

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

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2018, with the results rolled forward to the June 30, 2019, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	3.50%-4.25%
Fixed income and variable income investment returns*	4.25%-6.50%

**Measurement reflects actual investment returns through June 30, 2018*

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.

Most actuarial assumptions used in the June 30, 2018, valuation were based on the results of the April 2016 Supplemental Plan Experience Study. Additional assumptions related to the fixed income and variable income investments were based on feedback from financial administrators of the Higher Education Supplemental Retirement Plans.

Material assumption changes during the measurement period include the discount rate increase from 3.87 percent to 3.50 percent.

Discount Rate. The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.50 percent for the June 30, 2019, measurement date.

Pension Expense. For the year ended June 30, 2019, the Higher Education Supplemental Retirement Plans reported the following for pension expense (expressed in thousands):

Pension Expense	
Plans	
University of Washington (UW)	$ 28,821
Washington State University (WSU)	1,554
Eastern Washington University (EWU)	1,222
Central Washington University (CWU)	(186)
The Evergreen State College (TESC)	103
Western Washington University (WWU)	623
State Board for Community and Technical Colleges (SBCTC)	2,970
Total	**$ 35,107**

Plan Membership. Membership of the Higher Education Supplemental Retirement Plans consisted of the following at June 30, 2018, the date of the latest actuarial valuation for all plans:

Number of Participating Members				
Plans	**Inactive Members (or Beneficiaries) Currently Receiving Benefits**	**Inactive Members Entitled to But Not Yet Receiving Benefits**	**Active Members**	**Total Members**
University of Washington (UW)	853	188	6,132	7,173
Washington State University (WSU)	336	98	1,841	2,275
Eastern Washington University (EWU)	46	26	346	418
Central Washington University (CWU)	65	11	100	176
The Evergreen State College (TESC)	18	14	196	228
Western Washington University (WWU)	63	21	562	646
State Board for Community and Technical Colleges (SBCTC)	240	416	5,113	5,769
Total	1,621	774	14,290	16,685

Change in Total Pension Liability/(Asset). The following table presents the change in total pension liability/(asset) of Higher Education Supplemental Retirement Plans at June 30, 2019 (expressed in thousands):

Change in Total Pension Liability/(Asset)	UW	WSU	EWU	CWU	TESC	WWU	SBCTC
TOTAL PENSION LIABILITY							
Service cost	$ 11,823	$ 2,112	$ 463	$ 61	$ 154	$ 551	$ 2,851
Interest	16,277	3,241	614	293	235	825	3,449
Changes of benefit terms	—	—	—	—	—	—	—
Differences between expected and actual experience	102,713	(1,022)	421	(710)	(108)	2,298	6,503
Changes of assumptions	58,228	7,997	1,014	428	694	2,821	12,227
Benefit payments	(7,482)	(2,439)	(316)	(411)	(137)	(420)	(1,818)
Other	—	—	—	—	—	—	—
Net Change in Total Pension Liability	$ 181,559	$ 9,889	$ 2,196	$ (339)	$ 838	$ 6,075	$ 23,212
Total Pension Liability--Beginning	412,481	82,831	15,551	7,717	5,980	20,962	87,173
Total Pension Liability--Ending	$ 594,040	$ 92,720	$ 17,747	$ 7,378	$ 6,818	$ 27,037	$ 110,385

Sensitivity of the Total Pension Liability/(Asset) to Changes in the Discount Rate. The following table presents the total pension liability/(asset), calculated using the discount rate of 3.50 percent, as well as what the employers' total pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate (expressed in thousands):

	Total Pension Liability (Asset)		
Plans	**1% Decrease**	**Current Discount Rate**	**1% Increase**
University of Washington (UW)	$ 685,507	$ 594,040	$ 518,334
Washington State University (WSU)	105,485	92,720	82,073
Eastern Washington University (EWU)	20,262	17,747	15,655
Central Washington University (CWU)	8,190	7,378	6,691
The Evergreen State College (TESC)	7,743	6,818	6,045
Western Washington University (WWU)	30,825	27,037	23,876
State Board for Community and Technical Colleges (SBCTC)	126,131	110,385	97,311
Total	**$ 984,143**	**$ 856,125**	**$ 749,985**

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the Higher Education Supplemental Retirement Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

University of Washington (UW)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 89,874	$ 72,181
Changes of assumptions	50,949	30,620
Transactions subsequent to the measurement date	—	—
Total	$ 140,823	$ 102,801

Washington State University (WSU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 15,299
Changes of assumptions	6,887	6,060
Transactions subsequent to the measurement date	—	—
Total	$ 6,887	$ 21,359

Central Washington University (CWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 675
Changes of assumptions	270	132
Transactions subsequent to the measurement date	—	—
Total	$ 270	$ 807

Eastern Washington University (EWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 3,138	$ 1,576
Changes of assumptions	864	803
Transactions subsequent to the measurement date	—	—
Total	$ 4,002	$ 2,379

The Evergreen State College (TESC)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 1,203
Changes of assumptions	585	372
Transactions subsequent to the measurement date	—	—
Total	$ 585	$ 1,575

Western Washington University (WWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,959	$ 4,560
Changes of assumptions	2,407	1,778
Transactions subsequent to the measurement date	—	—
Total	$ 4,366	$ 6,338

State Board for Community and Technical Colleges (SBCTC)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 5,624	$ 23,137
Changes of assumptions	10,575	6,258
Transactions subsequent to the measurement date	—	—
Total	$ 16,199	$ 29,395

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

University of Washington (UW)		
2020	$	721
2021	$	721
2022	$	721
2023	$	721
2024	$	721
Thereafter	$	34,417

Washington State University (WSU)		
2020	$	(3,798)
2021	$	(3,798)
2022	$	(3,798)
2023	$	(3,123)
2024	$	(421)
Thereafter	$	466

Central Washington University (CWU)		
2020	$	(294)
2021	$	(243)
2022	$	—
2023	$	—
2024	$	—
Thereafter	$	—

Eastern Washington University (EWU)		
2020	$	146
2021	$	146
2022	$	146
2023	$	303
2024	$	668
Thereafter	$	214

The Evergreen State College (TESC)		
2020	$	(286)
2021	$	(286)
2022	$	(286)
2023	$	(126)
2024	$	(19)
Thereafter	$	13

Western Washington University (WWU)		
2020	$	(754)
2021	$	(754)
2022	$	(754)
2023	$	(422)
2024	$	351
Thereafter	$	361

State Board for Community and Technical Colleges (SBCTC)		
2020	$	(3,330)
2021	$	(3,330)
2022	$	(3,330)
2023	$	(3,330)
2024	$	(1,681)
Thereafter	$	1,805

E. 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 Note 11.B 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 on employee contributions and investment earnings on those contributions. 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 are immediately vested in the defined contribution portion of their plan and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from PERS-covered employment.

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 Note 11.B 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 on employee contributions and investment earnings on those contributions. 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 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in TRS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from TRS-covered employment.

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, 2019, there were two active members and 108 inactive members and one member receiving monthly benefits in JRA. The state, through the AOC, is the sole participating employer.

Beginning January 1, 2007, any justice or judge who was in a judicial position at that time and who chose to join the Judicial Benefit Multiplier (JBM) Program could no longer participate in JRA. Any justice or judge elected or appointed to office on or after January 1, 2007, who elects to join DRS membership will also be mandated into JBM. If they have already established membership in PERS or TRS Plan 1 they will rejoin that plan, but if they have never had membership, they will be enrolled as a member of both PERS Plan 2 and JBM.

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 2019, the state recognized pension expense for contributions of $9 thousand made to employee accounts. No plan refunds were made.

The administrator of JRA has entered an agreement with the DRS for accounting and reporting services, and the Washington State Investment Board (WSIB) for investment services. Under this agreement, the 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 and technical colleges, and the Student Achievement Council.

Employee contribution rates, based on age, range from 7.72 percent to 9.54 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 2019, employer and employee contributions were $234.5 and $234.5 million, respectively, for a total of $469.0 million.

Note 12
Other Postemployment Benefits

General Information
The state implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for fiscal year 2018 financial reporting. In addition to pension benefits as described in Note 11, the state, through the Health Care Authority (HCA), administers a single-employer defined benefit other postemployment benefit (OPEB) plan.

Plan Description. 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. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers, and plan members, and the historical pattern of practice with regard to the sharing of benefit costs. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumption used in valuations presented in this footnote assume that this substantive plan will be carried forward into the future.

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. The PEBB OPEB plan has no assets and does not issue a publicly available financial report.

Employees Covered by Benefit Terms. Employers participating in the PEBB plan for the state include general government agencies, higher education institutions, and component units. Additionally, there are 76 of the state's K-12 schools and educational service districts (ESDs), and 249 political subdivisions and tribal governments not included in the state's financial reporting that participate in the PEBB plan. The plan is also available to the retirees of the remaining 227 K-12 schools, charter schools, and ESDs.

Membership in the PEBB plan for the state consisted of the following:

Summary of Plan Participants
As of June 30, 2018

Active employees*	123,160
Retirees receiving benefits**	33,735
Retirees not receiving benefits***	6,000
Total active employees and retirees	162,895

*Reflects active employees eligible for PEBB program participation as of June 30, 2018.

**Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.

***This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future. No benefits are allowed to them unless they choose to join in the future. In order to do so, they must show proof of continuous medical coverage since their separation of employment with the State of Washington that meets the requirements set forth in Washington Administrative Code 182-12-205.

The PEBB retiree OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums 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: Public Employees' Retirement System, Public Safety Employees' Retirement System, Teachers' Retirement System, Service Employees' Retirement System, Washington State Patrol Retirement System, Higher Education Retirement Plans, Judicial Retirement System, and Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2. However, not all employers who participate in these plans offer PEBB to retirees.

Benefits Provided. 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 2017 and 2018, the average weighted implicit subsidy was valued at $327 and $347 per adult unit per month, respectively. In calendar year 2019, the average weighted implicit subsidy is projected to be $368 per adult unit 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. The final amount is approved by the state Legislature. In calendar year 2017 and 2018, the explicit subsidy was up to $150 per member per month, increasing to up to $168 per member per month in calendar year 2019. It is projected to increase to $183 per member per month in calendar year 2020.

Contribution Information. Administrative costs as well as implicit and explicit subsidies are funded by required contributions (RCW 41.05.050) from participating employers. The subsidies provide monetary assistance for medical benefits.

Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis.

The estimated monthly cost for PEBB benefits for the reporting period for each active employee (average across all plans and tiers) is as follows (expressed in dollars):

Required Premium*		
Medical	$	1,092
Dental		79
Life		4
Long-term disability		2
Total	$	1,177
Employer contribution	$	1,017
Employee contribution		160
Total	$	1,177

*Per 2019 PEBB Financial Projection Model 7.0. Per capita cost based on subscribers, includes non-Medicare risk pool only. Figures based on calendar year 2019 which includes projected claims cost at the time of this reporting.

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 the Office of the State Actuary's (OSA) website: http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx.

Actuarial Assumptions. The total OPEB liability was determined using the following methodologies:

Actuarial valuation date	6/30/2018
Actuarial measurement date	6/30/2018
Actuarial cost method	Entry Age
Amortization method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset valuation method	N/A - No Assets

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (i.e., 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 (active employees and retirees) 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, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.75%
Projected salary changes	3.50% plus service-based salary increases
Health care trend rates	Trend rate assumptions vary slightly by medical plan. Initial rate is approximately 8%, reaching an ultimate rate of approximately 4.5% in 2080.
Post-retirement participation percentage	65%
Percentage with spouse coverage	45%

In projecting the growth of the explicit subsidy, after 2020 when the cap is $183, it is assumed to grow at the health care trend rates. The Legislature determines the value of the cap and no future increases are guaranteed; however, based on historical growth patterns, future increases to the cap are assumed.

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. OSA 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.

Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based on the results of the 2007-2012 Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage, were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2017 Economic Experience Study.

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.58 percent for the June 30, 2017, measurement date and 3.87 percent for the June 30, 2018, measurement date.

Additional detail on assumptions and methods can be found on OSA's website.

Total OPEB Liability. As of June 30, 2019, the state reported a total OPEB liability of $5.08 billion.

Changes in Total OPEB Liability

The following table presents the change in the total OPEB liability as of the June 30, 2019, reporting date (expressed in thousands):

Changes in Total OPEB Liability	State	Component Units	Total
Total OPEB Liability - Beginning as restated	$ 5,822,159	$ 4,673	$ 5,826,832
Changes for the year:			
Service cost	317,324	542	317,866
Interest	218,159	180	218,339
Difference between expected and actual experience*	199,136	122	199,258
Changes in benefit terms	—	—	—
Changes in assumptions*	(1,389,199)	(999)	(1,390,198)
Changes in proportion	3	(18)	(15)
Benefit payments	(92,139)	(61)	(92,200)
Other	—	—	—
Net Changes in Total OPEB Liability	(746,716)	(234)	(746,950)
Total OPEB liability - Ending	$ 5,075,443	$ 4,439	$ 5,079,882

*The recognition period for these changes is nine years. This is equal to the average expected remaining service lives of all active and inactive members.

The increase in the total OPEB liability due to differences between expected and actual experience is largely due to an updated participant file, which reflects current plan enrollment. Changes in assumptions resulted from an increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index discount rate and updated health care economic assumptions, which includes health care trends and costs. Both of these changes led to a decrease in the total OPEB liability. The primary reason for lower health care trends was due to a drop in the long-term general inflation assumption from 3.00 percent to 2.75 percent. Other impacts to the total OPEB liability include reflecting dental benefits which had previously been excluded from the measurement. This increased the total OPEB liability by approximately 3.00 percent.

Total OPEB liability beginning balance for the measurement date of June 30, 2018 was restated to reflect the changes in proportion between the state and the Washington Economic Development Finance Authority which operates on a cash basis and does not report an OPEB liability. The restatement also includes OPEB amounts for the Health Care Benefits Exchange which was omitted from the Changes in Total OPEB Liability table last reporting year.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the state as an employer calculated using the discount rate of 3.87 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate (expressed in thousands):

	State	Component Units	Total
1% decrease	$ 6,119,787	$ 5,456	$ 6,125,243
Current discount rate	$ 5,075,443	$ 4,439	$ 5,079,882
1% increase	$ 4,260,622	$ 3,660	$ 4,264,282

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of the state as an employer, calculated using the health care trend rates of 8.00 percent decreasing to 4.50 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (7.00 percent decreasing to 3.50 percent) or 1 percentage point higher (9.00 percent decreasing to 5.50 percent) than the current rate (expressed in thousands):

	State	Component Units	Total
1% decrease	$ 4,166,444	$ 3,549	$ 4,169,993
Current health care cost trend rate	$ 5,075,443	$ 4,439	$ 5,079,882
1% increase	$ 6,284,231	$ 5,663	$ 6,289,894

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB. For the year ending June 30, 2019, the state recognized OPEB expense of $303.6 million.

On June 30, 2019, the state reported deferred outflows of resources and deferred inflows of resources related to OPEB for the state, including component units, from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 177,119	$ —
Changes of assumptions	—	1,937,614
Transactions subsequent to the measurement date	93,253	—
Changes in proportion	73,348	73,393
Total	$ 343,720	$ 2,011,007

Deferred outflows of resources and deferred inflows of resources related to OPEB for component units as of the June 30, 2019, reporting date were as follows (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 109	$ —
Changes of assumptions	—	1,321
Transactions subsequent to the measurement date	63	—
Changes in proportion	—	49
Total	$ 172	$ 1,370

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for the state and component units will be recognized in OPEB expense in the fiscal years ended June 30 (expressed in thousands):

Subsequent Years		
2020	$	(232,598)
2021	$	(232,598)
2022	$	(232,598)
2023	$	(232,598)
2024	$	(232,598)
Thereafter	$	(597,550)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for component units will be recognized in OPEB expense in the fiscal years ended June 30 (expressed in thousands):

Subsequent Years		
2020	$	(163)
2021	$	(163)
2022	$	(163)
2023	$	(163)
2024	$	(163)
Thereafter	$	(446)

Note 13
Derivative Instruments

Hedging Derivatives

In addition to investment derivatives as described in Note 3, the state, through the Washington State Department of Transportation Ferries Division (WSF), entered into commodity swap agreements to hedge a portion of WSF diesel fuel consumption.

The following table presents the hedging derivative instruments as of June 30, 2019 (expressed in thousands):

	Changes in Fair Value		Fair Value at June 30, 2019		Notional Amount
	Classification	Amount	Classification	Amount	(in Gallons)
Governmental Activities					
Cash flow hedges:					
Commodity swaps	Deferred Inflow	$ 3,202	Accounts Receivable	$ 667	6,048

The commodity swaps noted above were reviewed for hedge accounting and were deemed effective using the regression analysis method.

Objective

The objective for the hedge transaction is to minimize the volatility of the price of diesel fuel and therefore stabilize the percentage of the WSF operating budget represented by fuel purchases. To accomplish this, a strategy of active hedging has been implemented by WSF to control the uncertain costs of fuel and allow for more accurate budget estimates.

Significant Terms

The significant terms of active hedges WSF entered into during fiscal year 2019 are presented in the table below:

Type	Counterparty	Contract Price per Gallon	Variable Rate Received	Trade Date	Settlement Period	Monthly Notional Amount (in Gallons)
Commodity swap	Cargill	1.71	NYMEX ULSD Heating Oil	12/24/2018	1/2019 - 6/2019	252,000
Commodity swap	Cargill	1.77	NYMEX ULSD Heating Oil	12/24/2018	7/2019 - 6/2020	252,000
Commodity swap	BofA - Merrill Lynch	1.42	NYMEX ULSD Heating Oil	1/15/2016	7/2018 - 6/2019	252,000
Commodity swap	BofA - Merrill Lynch	1.73	NYMEX ULSD Heating Oil	6/7/2016	7/2018 - 6/2019	252,000
Commodity swap	BofA - Merrill Lynch	1.57	NYMEX ULSD Heating Oil	5/3/2017	7/2018 - 6/2019	252,000
Commodity swap	BofA - Merrill Lynch	1.90	NYMEX ULSD Heating Oil	1/14/2019	7/2019 - 6/2020	252,000

The hedging strategy consists of a reference to futures contracts of New York Mercantile Exchange (NYMEX) Ultra Low Sulfur Diesel (ULSD) Heating Oil. This commodity remains highly correlated to the diesel fuel type being used by WSF. These fuel hedges require no initial cash investment and provide monthly settlements.

The monthly settlements are based on the daily prices of the respective commodities whereby WSF will either receive a payment or make a payment to the counterparty, depending on the average monthly prices of the commodities in relation to the contract prices.

Fair Value

The state reports its hedging derivative instruments at fair value as either accounts payable - liability (negative fair value amount) or as other receivables - asset (positive fair value amount). The fair value represents the current price to settle swap assets or liabilities in the market place if a swap were to be terminated. The changes in fair value for hedging derivatives represent the unrealized gain or loss on the contracts and are reported as deferred inflows or deferred outflows of resources, respectively. At fiscal year end, the state reports the fair value and changes in fair value related to hedging derivative instruments on the Balance Sheet for Nonmajor Governmental Funds and the Government-wide Statement of Net Position.

Risks

The following risks are generally associated with commodity swap agreements:

Basis risk. Basis risk is the risk that arises when variable rates or prices of a hedging derivative instrument and a hedged item are based on different reference rates.

Statistically, the relationship between heating oil prices and diesel fuel prices has been quite stable over the past five years with a 98 percent correlation. This means that the heating oil futures price explains 98 percent of the variance in the price that WSF pays for its diesel fuel, making it highly reliable. In order to mitigate basis risk, WSF continually monitors the relationship between futures prices and the price of diesel fuel delivered.

Termination Risk. Termination risk is the risk that there will be a mandatory early termination of the commodity swap that would result in WSF either paying or receiving a termination payment. Mandatory terminations generally result when a counterparty suffers degraded credit quality or fails to perform. Upon termination, payment may be required by either party, reflecting fair value at the time of termination.

Credit Risk. Credit risk is the risk that the counterparty fails to make the required payments or otherwise comply with the terms of the swap agreement. WSF is exposed to credit risk in the amount of the derivative's fair value. When the fair value of any derivative has a positive market value, then WSF is exposed to the actual risk that the counterparty will not fulfill its obligation. To mitigate credit risk, WSF monitors the credit ratings of the counterparties. At June 30, 2019, credit ratings of the state's counterparties were as follows:

Counterparty	Moody's	Standard & Poor's	Fitch
Cargill	A2	A	A
Bank of America Merrill Lynch International Limited	-	A+	AA-

Note 14
Tax Abatements

The state of Washington provides tax abatements through 20 programs, 7 of which are only available to businesses in the aerospace industry. Only tax abatement programs with greater than $5 million in taxes abated during fiscal year 2019 are disclosed. All tax abatement programs for the aerospace industry are disclosed. Per Revised Code of Washington (RCW) 82.32.330(2), the amount of sales and use tax abated cannot be disclosed when there are fewer than three taxpayers that received the exemption.

Data Center Server Equipment and Power Infrastructure Sales and Use Tax Exemption

Per RCWs 82.08.986 and 82.12.986, the purchase or use of server equipment and power infrastructure in data centers within Washington, along with certain related labor and services charges, may be exempt from sales and use tax to encourage immediate investments in technology facilities. The Department of Revenue (DOR) will issue an exemption certificate, which the buyer must present to the seller at the time of the sale in order to make eligible tax-exempt purchases.

Within six years of the date that the exemption certificate is issued, the certificate holder must establish that net employment at the computer data center has increased by a minimum of 35 family wage positions or 3 family wage employment positions for each 20,000 square feet or less of space. Family wage employment positions are new permanent employment positions requiring 40 hours of weekly work, or their equivalent, at the eligible computer data center, and receiving a wage equivalent to or greater than 150 percent of the per capita personal income of the county in which the data center is located. All previously exempted sales and use tax are immediately due and payable for a qualifying business or tenant that does not meet these requirements.

High-Technology Sales and Use Tax Deferral

Chapter 82.63 RCW provides a deferral and ultimate waiver of sales and use tax to encourage the creation of high-wage, high-skilled jobs in Washington. The deferral applies to sales and use tax arising from the construction or expansion of a qualified research and development facility or a pilot scale manufacturing facility used in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology.

Businesses must apply for a deferral certificate prior to being issued a building permit for the project(s) or before taking possession of machinery and equipment. Eligible projects will receive a sales and use tax deferral certificate issued by DOR, which allows vendors and contractors to sell to the approved business without charging sales tax. An annual survey must be filed by May 31 of the year in which the project is certified and for the following seven years. If the investment project is used for any other purpose at any time during the calendar year in which the investment is certified as operationally complete, or during the next seven calendar years, a portion of the deferred taxes must be repaid immediately. The portion due is determined by a sliding scale ranging from 100 percent recapture in the year the project is operationally complete to 12.5 percent recapture in year eight.

Multi-Unit Urban Housing Property Tax Exemption

RCW 84.14.020 allows for a property tax exemption to improve residential opportunities, including affordable housing opportunities, in urban centers. In order to qualify for the exemption, the new or rehabilitated multiple-housing unit must be located in a targeted residential area designated by the city or county, provide for a minimum of 50 percent of the space for permanent residential occupancy, meet all construction and development regulations of the city, and be completed within three years from the date of approval of the application. To qualify as a rehabilitated unit, the property must also fail to comply with one or more standards of the applicable state or local building or housing codes on or after July 23, 1995.

The property owner must apply for the exemption certificate with the city where the property is located before beginning construction. If the city approves the application, the exemption certificate will be issued after the owner certifies all requirements have been met upon completion of the project. If the application for a tax exemption certificate was submitted before July 22, 2007, the property is exempt for ten years. If the application for a tax exemption certificate was submitted on or after July 22, 2007, the property is exempt for eight years, unless the applicant commits to renting or selling at least 20 percent of the units as affordable housing units to low and moderate-income households, making it exempt for 12 years. Each tax exemption certificate recipient must submit an annual report to the city. If the city determines that a portion of the property no longer meets the exemption requirements, the tax exemption is canceled and a lien will be placed on the land for the additional real property tax on the value of the non-qualifying improvements plus a 20 percent penalty and interest.

Aerospace Incentives

The state of Washington provides seven tax abatement and incentive programs to the aerospace industry to encourage the industry's continued presence in the state of Washington.

RCWs 82.04.260(11), 82.04.290(3), and 82.04.250(3) allow for a reduced business and occupation (B&O) tax for manufacturers and processors for hire of commercial airplanes, component parts of commercial airplanes, or tooling designed for use in manufacturing commercial airplanes or components; non-manufacturers engaged in the business of aerospace product development; and certificated Federal Acquisition Regulation (FAR) repair stations making retail sales.

The purchase of goods and services, including labor, for the construction of new buildings used to manufacture commercial airplanes or fuselages or wings of commercial airplanes are exempt from sales and use tax per RCWs 82.08.980 and 82.12.980. The exemption also applies to new buildings or parts of new buildings used for storing raw materials or finished products used to manufacture commercial airplanes and certain commercial airplane parts. Port districts, political subdivisions, or municipal corporations may also use the sales and use tax exemption when constructing new facilities to lease to these manufacturers. The eligible purchaser must present a Buyers' Retail Sales Tax Exemption Certificate to the seller at the time of purchase. The amount of sales and use tax abated from this exemption cannot be disclosed because there are fewer than three taxpayers that received the exemption in fiscal year 2019.

RCW 82.04.4461 allows a B&O tax credit equal to 1.5 percent of expenditures on aerospace product development performed within Washington. A business claiming the credit must file an annual report with DOR.

Per RCW 82.04.4463, manufacturers and processors for hire of commercial airplanes or their component parts and aerospace tooling manufacturers are eligible for a B&O tax credit equal to the property and leasehold taxes paid on certain buildings, land, and the increased value from certain building renovations or expansions, as well as a portion of property taxes paid on certain machinery and equipment. The credit for machinery and equipment is equal to the amount of property taxes paid on the machinery and equipment multiplied by a fraction as prescribed in the RCW.

Eligibility for the credit requires the building, land, and/or machinery and equipment be used exclusively in manufacturing commercial airplanes or their components or in manufacturing tooling specifically designed for use in manufacturing commercial airplanes or their components. A business claiming the credit must file an annual report with DOR.

Non-manufacturers engaged in the business of aerospace product development and certificated FAR repair stations making retail sales are eligible for a B&O tax credit equal to property and leasehold taxes on certain buildings, land, and the increased value of renovated buildings, and qualifying computer equipment and peripherals under RCW 82.04.4463. Eligibility for the credit requires the building, land, and/or computer equipment and peripherals be used exclusively in aerospace product development or in providing aerospace services. A business claiming the credit must file an annual report with DOR.

The purchase and use of computer hardware, software, or peripherals, including installation charges, is exempt from sales and use tax per RCWs 82.08.975 and 82.12.975 if the buyer uses the purchased item primarily in developing, designing, and engineering aerospace products. The purchaser must present a Buyers' Retail Sales Tax Exemption Certificate to the seller at the time of purchase.

Leasehold interests in port district facilities used by a manufacturer of superefficient airplanes are exempt from leasehold excise tax per RCW 82.29A.137. In addition, all buildings, machinery, equipment, and other personal property of a lessee of a port district used exclusively in manufacturing superefficient airplanes is exempt from property tax per RCW 84.36.655. No taxpayers were eligible for either of these exemptions during fiscal year 2019.

The following table shows the amount of taxes abated by the state of Washington during fiscal year 2019 (expressed in thousands):

Tax Abatement Program		**Amount of Taxes Abated**
Data center server equipment and power infrastructure sales and use tax exemption	$	49,283
High-technology sales and use tax deferral		45,732
Multi-unit urban housing property tax exemption		23,956
Aerospace incentives:		
Reduced B&O tax rate		119,100
Credit for preproduction development expenditures		70,768
Credit for property and leasehold taxes paid on aerospace business facilities		49,957
Computer hardware, software, and peripherals sales and use tax exemption		4,790
TOTAL	$	363,586

Note 15
Commitments and Contingencies

A. CAPITAL COMMITMENTS

Outstanding commitments related to state infrastructure and facility construction, improvement, and/or renovation totaled $3.61 billion at June 30, 2019.

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 period. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. There were no encumbrances outstanding against continuing appropriations at the end of fiscal year 2019.

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 and 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, as well as various assertions by unions representing individual service providers. Claims include insufficient funding for the provision of mental health services to Medicaid eligible children; insufficient competency services at state hospitals; and rule challenges related to individual providers for damages and back wages due. Collective claims in these programmatic and service cases exceed $35 million. In addition, adverse rulings in some of these cases could result in significant future costs.

The Department of Revenue routinely has claims for tax refunds or exemptions in various stages of administrative and legal review. Cases involving such claims currently total approximately $50 million per annum, though an adverse ruling could result in additional claims being brought by similarly situated taxpayers.

The Department of Retirement Systems is a defendant in a number of lawsuits alleging denial or miscalculation of benefits. Claims in this category total approximately $55 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.

The annual payments to each state under the MSA are subject to a number of adjustments, including the nonparticipating manufacturer (NPM) adjustment. The NPM adjustment is a downward adjustment that is applicable to any state found by an arbitration panel not to have diligently enforced the qualifying statute. The amount of the available adjustment is calculated every year by Price Waterhouse Coopers and is typically $1.25 billion. States found not diligent share the costs of that downward adjustment and the adjustment is applied against the next annual MSA payment. No state can lose more than its entire annual payment.

For every annual MSA payment cycle since 2006, the participating manufacturers have withheld the amount of the available NPM adjustment from their MSA payments claiming all of the states were not diligent, depositing the amount of the available adjustment into a Disputed Payments Account. For Washington, the amount withheld from each payment has been approximately $14 million. The states are required to sue the participating manufacturers to recover the withheld amounts.

The withholding in 2006 challenged the states' diligence for calendar year 2003. That challenge marked the first time the NPM adjustment procedure was involved and led to diligent enforcement arbitrations. The arbitration involves all 54 MSA jurisdictions and the participating manufacturers and occurs in two stages: a national hearing on "common issues" and then each state's specific case.

During the 2003 NPM adjustment dispute, 22 states settled their dispute. The participating manufacturers agreed to a 54 percent reduction in their annual MSA payments and to additional NPM enforcement obligations. On September 11, 2013, 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. As a result of that decision, in fiscal year 2014, Washington received approximately $14 million more than it would have otherwise received.

The 2004 NPM adjustment dispute is currently underway. The common issues trial was completed in June 2017 and

Washington's state-specific hearing was completed in April 2018. The final state's hearing was completed in July 2019. All diligence determinations are embargoed until decisions for all states are made and all decisions are released simultaneously.

In September 2019, one of the states' three elected arbitration panel members passed away before any decisions were finalized. The parties are currently working through the various options for addressing the vacancy. Diligence determinations for the 2004 dispute are not expected to be resolved in time for the April 15, 2020, MSA payment cycle. Washington faces a potential downward NPM adjustment in its 2020 MSA payment between $14 and $137 million for the year 2004 if found not diligent. If Washington wins the 2004 dispute, the state will receive its full 2020 MSA payment plus the $14 million that was withheld in 2007 and the earnings on that amount from the Disputed Payments Account.

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 $14.41 billion at June 30, 2019. 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 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. COLUMBIA RIVER CROSSING

The Washington State Department of Transportation (WSDOT) and the Oregon Department of Transportation (ODOT) worked together, along with federal and local agencies, on the Columbia River Crossing (CRC) project. The CRC project was a bridge, transit, highway, bicycle, and pedestrian improvement project intended to replace the existing two highway spans on Interstate 5 (I-5) across the Columbia River, along with new interchanges on both the Washington and Oregon sides of the river. It also included extension of light rail public transit into Vancouver, Washington.

In 2014, the CRC project was shut down due to lack of funding by both the Washington and Oregon legislatures. During the project, WSDOT expended approximately $54 million in federal funds, of which $15 million was jointly awarded to Washington and Oregon.

Under Federal Highway Administration (FHWA) policy, failure to advance a project to the construction phase within 10 years of the initial obligation of funds could trigger a requirement to repay federal funds used on the project. FHWA has granted Washington and Oregon an extension to September 30, 2024.

In 2019, the Washington Legislature provided $35 million to establish a project office jointly staffed by Washington and Oregon. The funding also covers pre-design activities to replace the I-5 Columbia River bridge crossing. The Oregon Transportation Commission has allocated $9 million as the state's initial contribution to restarting the work. WSDOT and ODOT will work with both legislatures to develop a plan for public involvement and engagement with elected and community leadership.

H. 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, 2019, outstanding COP notes totaled $73.2 million for 133 local governments participating in LOCAL. The state estimates that the LOCAL program liability, if any, will be immaterial to its overall financial condition.

Note 16
Subsequent Events

A. BOND ISSUES

In September 2019, the state issued:

- $490.6 million in general obligation bonds to provide funds to pay and reimburse for various state capital projects.
- $224.4 million in motor vehicle fuel tax general obligation bonds to provide funds to pay and reimburse for construction of selected projects that are identified as transportation 2003 or 2005 projects.
- $38.1 million in taxable general obligation bonds to provide funds to pay and reimburse for various non-transportation capital projects.
- $91.4 million in general obligation refunding bonds for the purpose of refunding certain various general obligation bonds of the state.
- $53.1 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.

The state has tentative plans to issue general obligation refunding bonds later this year.

In July 2019, Washington State University issued $65.0 million in taxable revenue refunding bonds for the purpose of refunding trust and building fee revenue bonds.

In September 2019, Western Washington University issued $68.6 in general revenue bonds to fund construction of a new residence hall.

B. CERTIFICATES OF PARTICIPATION

In September 2019, the state issued $82.7 million in Certificates of Participation (COP) of which $44.9 million were refundings.

C. GENERAL ELECTION

There is a measure on the state's November 5, 2019, general election ballot that proposes making changes to vehicle taxes and fees by lowering motor vehicle and light duty truck weight fees to $30; eliminating the 0.3 percent sales tax on vehicle purchases; lowering electric vehicle and snowmobile fees; modifying and reducing Sound Transit motor vehicle excise tax provisions; and removing authority for transportation benefit districts to impose a vehicle fee. If passed, the measure could impact the state fiscally.

Election results are not final or official until certified. By law December 5, 2019, is the last day for the Office of the Secretary of State (SEC) to certify general election returns.

Information is posted as available on the SEC's website at: https://www.sos.wa.gov/.

RSI
Required Supplementary Information

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BUDGETARY COMPARISON SCHEDULES

General Fund

For the Biennium Ended June 30, 2019
(expressed in thousands)

	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 2,800,959	$ 2,800,959	$ 2,800,959	$ —
Resources				
Taxes	41,877,017	42,560,661	42,811,259	250,598
Licenses, permits, and fees	223,597	243,482	253,607	10,125
Other contracts and grants	735,270	867,362	625,813	(241,549)
Timber sales	6,294	4,158	3,639	(519)
Federal grants-in-aid	23,763,712	24,543,335	23,582,180	(961,155)
Charges for services	96,751	101,198	98,773	(2,425)
Investment income (loss)	43,586	77,412	83,251	5,839
Miscellaneous revenue	445,610	540,303	477,719	(62,584)
Unclaimed property	131,846	177,886	176,173	(1,713)
Transfers from other funds	3,015,087	4,205,098	5,777,284	1,572,186
Total Resources	73,139,729	76,121,854	76,690,657	568,803
Charges To Appropriations				
General government	4,219,483	4,261,651	4,099,503	162,148
Human services	35,614,129	36,414,278	35,797,001	617,277
Natural resources and recreation	718,985	881,870	787,096	94,774
Transportation	118,591	126,143	113,598	12,545
Education	27,291,160	27,979,669	27,743,016	236,653
Capital outlays	314,778	939,601	285,171	654,430
Transfers to other funds	1,875,025	3,619,836	4,777,087	(1,157,251)
Total Charges To Appropriations	70,152,151	74,223,048	73,602,472	620,576
Excess Available For Appropriation Over (Under) Charges To Appropriations	2,987,578	1,898,806	3,088,185	1,189,379
Reconciling Items				
Bond sale proceeds	188,943	202,047	236,980	34,933
Issuance premiums	—	716	1,144	428
Assumed reversions	216,868	194,869	—	(194,869)
Working capital adjustment	—	—	97,000	97,000
Noncash activity (net)	—	—	99,121	99,121
Nonappropriated fund balances	—	—	123,121	123,121
Changes in reserves (net)	—	—	(262,596)	(262,596)
Total Reconciling Items	405,811	397,632	294,770	(102,862)
Budgetary Fund Balance, June 30	$ 3,393,389	$ 2,296,438	$ 3,382,955	$ 1,086,517

The separately submitted report that demonstrates compliance at a legal level of budgetary control is traceable to the Schedule of Revenues, Expenditures and Other Financing Sources (Uses) - Budget and Actual found in the Individual Fund Schedules section.

BUDGETARY COMPARISON SCHEDULES

General Fund - Budget to GAAP Reconciliation

For the Biennium Ended June 30, 2019

(expressed in thousands)

Sources/Inflows of Resources	
Actual amounts (budgetary basis) "Total Resources"	
from the Budgetary Comparison Schedule	$ 76,690,657
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not	
revenue for financial reporting purposes:	
Transfers from other funds	(5,777,284)
Budgetary fund balance at the beginning of the biennium, as restated	(2,800,959)
Appropriated loan principal repayment	(375)
The following items are not inflows of budgetary resources but are	
revenue for financial reporting purposes:	
Noncash commodities and electronic food stamp benefits	2,718,048
Revenues collected for other governments	233,975
Unanticipated receipts	9,440
Noncash revenues	93,235
Other	28,171
Biennium total revenues	71,194,908
Fiscal year 2018 total revenues, as restated for fund reclassification	(35,178,372)
Nonappropriated activity	46,677
Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 36,063,213
Uses/Outflows of Resources	
Actual amounts (budgetary basis) "Total Charges to Appropriations"	
from the Budgetary Comparison Schedule	$ 73,602,472
Differences - budget to GAAP:	
The following items are outflows of budgetary resources but are	
not expenditures for financial reporting purposes:	
Appropriated transfers to other funds	(2,993,490)
Other transfers to other funds	(4,777,087)
Appropriated loan disbursements	(94)
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	2,718,048
Distributions to other governments	233,975
Certificates of participation and capital lease acquisitions	37,386
Expenditures related to unanticipated receipts	9,440
Other	13,474
Biennium total expenditures	68,844,124
Fiscal year 2018 total expenditures, as restated for fund reclassification	(33,338,355)
Nonappropriated activity	720,029
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 36,225,798

BUDGETARY COMPARISON SCHEDULES

Higher Education Special Revenue Fund

For the Biennium Ended June 30, 2019

(expressed in thousands)

	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 393,333	$ 393,333	$ 393,333	$ —
Resources				
Taxes	520,751	1,649,106	1,749,831	100,725
Other contracts and grants	600	1,207	—	(1,207)
Charges for services	—	878	—	(878)
Investment income (loss)	2,808	3,018	16,497	13,479
Miscellaneous revenue	2,272	398	22	(376)
Transfers from other funds	315,354	325,756	296,478	(29,278)
Total Resources	1,235,118	2,373,696	2,456,161	82,465
Charges To Appropriations				
Human services	14,192	14,190	13,918	272
Education	773,403	1,026,926	1,026,592	334
Transfers to other funds	41,112	41,118	42,463	(1,345)
Total Charges To Appropriations	828,707	1,082,234	1,082,973	(739)
Excess Available For Appropriation Over (Under) Charges To Appropriations	406,411	1,291,462	1,373,188	81,726
Reconciling Items				
Noncash activity (net)	—	—	24,641	24,641
Nonappropriated fund balances	—	—	2,486,616	2,486,616
Changes in reserves (net)	—	—	(52,185)	(52,185)
Total Reconciling Items	—	—	2,459,072	2,459,072
Budgetary Fund Balance, June 30	$ 406,411	$ 1,291,462	$ 3,832,260	$ 2,540,798

BUDGETARY COMPARISON SCHEDULES

Higher Education Special Revenue Fund - Budget to GAAP Reconciliation

For the Biennium Ended June 30, 2019

(expressed in thousands)

Sources/Inflows of Resources	
Actual amounts (budgetary basis) "Total Resources"	
from the Budgetary Comparison Schedule	$ 2,456,161
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not	
revenue for financial reporting purposes:	
Transfers from other funds	(296,478)
Budgetary fund balance at the beginning of the biennium, as restated	(393,333)
Biennium total revenues	1,766,350
Fiscal year 2018 total revenues	(5,820,350)
Nonappropriated activity	11,144,250
Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 7,090,250
Uses/Outflows of Resources	
Actual amounts (budgetary basis) "Total Charges to Appropriations"	
from the Budgetary Comparison Schedule	$ 1,082,973
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	(88,442)
Other transfers to other funds	(42,463)
Biennium total expenditures	952,068
Fiscal year 2018 total expenditures	(5,775,579)
Nonappropriated activity	11,036,779
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 6,213,268

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 in 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 Governmental Accounting Standards Board 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 2017-19 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. The report is available on line at https://www.ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report/2019-comprehensive-annual-financial-report.

Legislative appropriations are strict legal limits on expenditures; 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 generally accepted accounting principles. 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 restricted fund balance reduced by a portion that is not available for budgeting, committed, and unassigned fund balances as reported on the Governmental Funds Balance Sheet. In the Higher Education Special Revenue Fund, Budgetary Fund Balance equals the sum of restricted and committed 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
Single Employer Plans

Schedule of Changes in Net Pension Liability and Related Ratios
Washington State Patrol Retirement System - Plan 1/2

Last Six Measurement Years *
(expressed in thousands)

	2018	2017	2016
Total Pension Liability			
Service cost	$ 21,083	$ 18,474	$ 16,534
Interest	94,569	90,560	83,373
Changes of benefit terms	—	4,830	1,947
Differences between expected and actual experience	13,974	23,702	(10,431)
Changes in assumptions	(24,367)	20,921	2
Benefit payments, including refunds of member contributions	(59,634)	(56,821)	(54,159)
Net Change in Total Pension Liability	45,625	101,666	37,266
Total Pension Liability - Beginning	1,269,109	1,167,443	1,130,177
Total Pension Liability - Ending	$ 1,314,734	$ 1,269,109	$ 1,167,443
Plan Fiduciary Net Position			
Contributions - employer	$ 14,203	$ 7,587	$ 7,044
Contributions - employee	9,922	10,454	8,895
Net investment income	113,597	151,021	25,352
Benefit payments, including refunds of employee contributions	(59,634)	(56,821)	(54,159)
Administrative expense	(131)	(53)	(60)
Other	650	524	429
Net Change in Plan Fiduciary Net Position	78,607	112,712	(12,499)
Plan Fiduciary Net Position - Beginning	1,210,839	1,098,127	1,110,626
Plan Fiduciary Net Position - Ending	$ 1,289,446	$ 1,210,839	$ 1,098,127
State's Net Pension Liability/(Asset) - Ending	$ 25,288	$ 58,270	$ 69,316
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability /(Asset)	98.08%	95.41%	94.06%
Covered Payroll	$ 109,243	$ 93,053	$ 86,660
State's Net Pension Liability/(Asset) as a Percentage of Covered Payroll	23.15%	62.62%	79.99%

N/A indicates 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.

2015	2014	2013
$ 16,633	$ 18,041	N/A
80,037	75,249	N/A
2,258	—	N/A
8,883	—	N/A
17	—	N/A
(50,075)	(47,510)	N/A
57,753	45,780	N/A
1,072,424	1,026,644	N/A
$ 1,130,177	$ 1,072,424	$ 1,026,644
$ 6,679	$ 6,587	N/A
6,323	6,555	N/A
49,046	176,856	N/A
(50,075)	(47,510)	N/A
(67)	(84)	N/A
293	509	N/A
12,199	142,913	N/A
1,098,427	955,514	N/A
$ 1,110,626	$ 1,098,427	$ 955,514
$ 19,551	$ (26,003)	$ 71,130
98.27%	102.42%	93.07%
$ 84,388	$ 85,046	$ 81,895
23.17%	-30.58%	86.86%

PENSION PLAN INFORMATION
Single Employer Plans

Schedule of Changes in Net Pension Liability and Related Ratios
Judicial Retirement System

Last Six Measurement Years *
(expressed in thousands)

	2018	2017	2016
Total Pension Liability			
Service cost	$ —	$ —	$ —
Interest	3,200	2,874	3,704
Changes of benefit terms	—	—	—
Differences between expected and actual experience	(2,844)	1,047	20
Changes in assumptions	(2,063)	(6,329)	8,737
Benefit payments, including refunds of employee contributions	(8,325)	(8,723)	(9,131)
Net Change in Total Pension Liability	(10,032)	(11,131)	3,330
Total Pension Liability - Beginning	93,511	104,642	101,312
Total Pension Liability - Ending	$ 83,479	$ 93,511	$ 104,642
Plan Fiduciary Net Position			
Contributions - employer	$ 8,700	$ 9,300	$ 9,500
Contributions - employee	—	—	—
Net investment income	80	45	74
Benefit payments, including refunds of employee contributions	(8,325)	(8,723)	(9,131)
Administrative expense	—	—	(1)
Other	—	—	—
Net Change in Plan Fiduciary Net Position	455	622	442
Plan Fiduciary Net Position - Beginning	7,397	6,775	6,333
Plan Fiduciary Net Position - Ending	$ 7,852	$ 7,397	$ 6,775
State's Net Pension Liability/(Asset) - Ending	$ 75,627	$ 86,114	$ 97,867
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)	9.41%	7.91%	6.47%
Covered Payroll (1)	N/A	N/A	N/A
State's Net Pension Liability/(Asset) as a Percentage of Covered Payroll (1)	N/A	N/A	N/A

N/A indicates data not available.

1. Covered payroll is not applicable because there are no active plan employees beginning in 2014.

*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

	2015		2014		2013
$	—	$	—		N/A
	4,382		4,319		N/A
	—		—		N/A
	1,590		—		N/A
	4,335		—		N/A
	(9,336)		(9,480)		N/A
	971		(5,161)		N/A
	100,341		105,502		N/A
$	101,312	$	100,341	$	105,502
$	10,600	$	10,600		N/A
	—		—		N/A
	38		25		N/A
	(9,336)		(9,480)		N/A
	—		—		N/A
	—		—		N/A
	1,302		1,145		N/A
	5,031		3,886		N/A
$	6,333	$	5,031	$	3,886
$	94,979	$	95,310	$	101,616
	6.25%		5.01%		3.68%
	N/A		N/A	$	160
	N/A		N/A		635.10%

PENSION PLAN INFORMATION
Single Employer Plans

Schedule of Changes in Net Pension Liability and Related Ratios
Judges' Retirement Fund

Last Six Measurement Years *
(expressed in thousands)

	2018	2017	2016
Total Pension Liability			
Service cost	$ —	$ —	$ —
Interest	95	88	116
Changes of benefit terms	—	—	—
Differences between expected and actual experience	(39)	194	123
Changes of assumptions	(43)	(129)	181
Benefit payments, including refunds of member contributions	(396)	(402)	(440)
Net Change in Total Pension Liability	(383)	(249)	(20)
Total Pension Liability - Beginning	2,848	3,097	3,117
Total Pension Liability - Ending	$ 2,465	$ 2,848	$ 3,097
Plan Fiduciary Net Position			
Contributions--state	$ 500	$ 499	$ 501
Contributions--member	—	—	—
Net investment income	8	4	6
Benefit payments, including refunds of member contributions	(396)	(402)	(440)
Administrative expense	—	—	—
Other	—	—	—
Net Change in Plan Fiduciary Net Position	112	101	67
Plan Fiduciary Net Position - Beginning	683	582	515
Plan Fiduciary Net Position - Ending	$ 795	$ 683	$ 582
Plan's Net Pension Liability (Asset) - Ending	$ 1,670	$ 2,165	$ 2,515
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability /(Asset)	32.25%	23.98%	18.79%
Covered Payroll [1]	N/A	N/A	N/A
State's Net Pension Liability/(Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A

N/A indicates data not available.

1. Covered payroll is not applicable because there are no active plan employees.

*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

2015	2014	2013
$ —	$ —	N/A
138	137	N/A
—	—	N/A
182	—	N/A
95	—	N/A
(444)	(444)	N/A
(29)	(307)	N/A
3,146	3,453	N/A
$ 3,117	$ 3,146	$ 3,453
$ —	$ —	N/A
—	—	N/A
4	7	N/A
(444)	(444)	N/A
—	—	N/A
—	—	N/A
(440)	(437)	N/A
955	1,392	N/A
$ 515	$ 955	$ 1,392
$ 2,602	$ 2,191	$ 2,061
16.52%	30.36%	40.31%
N/A	N/A	N/A
N/A	N/A	N/A

PENSION PLAN INFORMATION
Single Employer Plans

Schedule of Contributions
Washington State Patrol Retirement System - Plan 1/2

Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	$ 17,020	$ 14,700	$ 2,320	$ 111,612	13.17%
2018	16,648	14,203	2,445	109,243	13.00%
2017	8,179	7,587	592	93,053	8.15%
2016	7,618	7,044	574	86,660	8.13%
2015	6,810	6,679	131	84,388	7.91%
2014	6,677	6,587	90	85,046	7.75%
2013	2,500	6,478	(3,978)	81,895	7.91%
2012	2,900	6,454	(3,554)	81,578	7.91%
2011	2,300	5,251	(2,951)	81,882	6.41%
2010	6,600	5,271	1,329	82,764	6.37%

Prior to 2014, the Annual Required Contribution amounts are presented for the Actuarially Determined Contributions.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Contributions
Judicial Retirement System

Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	$ 7,914	$ 8,400	$ (486)	$ —	N/A
2018	8,317	8,700	(383)	—	N/A
2017	8,761	9,300	(539)	—	N/A
2016	8,999	9,500	(501)	—	N/A
2015	9,132	10,600	(1,468)	—	N/A
2014	9,205	10,600	(1,395)	—	N/A
2013	21,700	10,112	11,588	160	6320.00%
2012	22,600	8,131	14,469	407	1997.79%
2011	18,600	10,906	7,694	611	1784.94%
2010	20,400	11,649	8,751	1,053	1106.27%

Contributions in relation to the Actuarially Determined Contributions are based on state contributions. Prior to 2014, the Annual Required Contribution amounts are presented for the Actuarially Determined Contributions.

N/A indicates data not available. Beginning in 2014, there are no active members.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Single Employer Plans

Schedule of Contributions
Judges' Retirement Fund

Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	$ 395	$ 500	$ (105)	$ —	N/A
2018	395	500	(105)	—	N/A
2017	439	499	(60)	—	N/A
2016	444	501	(57)	—	N/A
2015	539	—	539	—	N/A
2014	425	—	425	—	N/A
2013	400	—	400	—	N/A
2012	300	—	300	—	N/A
2011	100	—	100	—	N/A
2010	—	—	—	—	N/A

Contributions in relation to the Actuarially Determined Contributions are based on state contributions. Prior to 2014, the Annual Required Contribution amounts are presented for the Actuarially Determined Contributions.

N/A indicates data not available. There are no active employees.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of the State's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1

Last Five Measurement Years *

(expressed in thousands)

	2018	2017	2016	2015	2014
State PERS Plan 1 employers' proportion of the net pension liability/(asset)	41.97%	41.88%	41.99%	41.57%	42.37%
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset)	$ 1,874,226	$ 1,987,268	$ 2,255,244	$ 2,174,623	$ 2,134,189
Covered payroll of employees participating in PERS Plan 1	$ 69,330	$ 85,341	$ 103,235	$ 120,686	$ 143,836
Covered payroll of employees participating in PERS Plan 2/3	5,237,495	4,928,806	4,648,843	4,363,171	4,215,934
Covered payroll of employees participating in PSERS Plan 2	198,511	175,395	155,768	140,977	130,172
Covered Payroll	$ 5,505,336	$ 5,189,542	$ 4,907,846	$ 4,624,834	$ 4,489,942
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	34.04%	38.29%	45.95%	47.02%	47.53%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	63.22%	61.24%	57.03%	59.10%	61.19%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of the State's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 2/3

Last Five Measurement Years *

(expressed in thousands)

	2018	2017	2016	2015	2014
State PERS Plan 2/3 employers' proportion of the net pension liability/(asset)	50.41%	50.20%	49.72%	49.10%	49.27%
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	$ 860,776	$ 1,744,067	$ 2,503,313	$ 1,754,418	$ 995,856
State PERS Plan 2/3 employers' covered payroll	$ 5,237,495	$ 4,928,806	$ 4,648,843	$ 4,363,171	$ 4,215,934
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	16.43%	35.39%	53.85%	40.21%	23.62%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	95.77%	90.97%	85.82%	89.20%	93.29%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of the State's Proportionate Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 1

Last Five Measurement Years *
(expressed in thousands)

	2018	2017	2016	2015	2014
State TRS Plan 1 employers' proportion of the net pension liability/(asset)	1.10%	1.03%	0.97%	0.86%	0.78%
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset)	$ 32,177	$ 31,172	$ 33,026	$ 27,186	$ 22,924
Covered payroll of employees participating in TRS Plan 1	$ 1,893	$ 2,475	$ 5,735	$ 3,913	$ 4,611
Covered payroll of employees participating in TRS Plan 2/3	61,292	52,534	41,803	33,705	25,673
Covered Payroll	$ 63,185	$ 55,009	$ 47,538	$ 37,618	$ 30,284
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	50.93%	56.67%	69.47%	72.27%	75.70%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	66.52%	65.58%	62.07%	65.70%	68.77%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of the State's Proportionate Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 2/3

Last Five Measurement Years *
(expressed in thousands)

	2018	2017	2016	2015	2014
State TRS Plan 2/3 employers' proportion of the net pension liability/(asset)	1.06%	0.96%	0.87%	0.72%	0.59%
State TRS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	$ 4,757	$ 8,873	$ 11,896	$ 6,107	$ 1,913
State TRS Plan 2/3 employers' covered payroll	$ 61,292	$ 52,534	$ 41,803	$ 33,705	$ 25,673
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	7.76%	16.89%	28.46%	18.12%	7.45%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	96.88%	93.14%	88.72%	92.48%	96.81%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of the State's Proportionate Share of the Net Pension Liability
Public Safety Employees' Retirement System (PSERS) Plan 2

Last Five Measurement Years *
(expressed in thousands)

	2018	2017	2016	2015	2014
State PSERS Plan 2 employers' proportion of the net pension liability/(asset)	50.48%	49.14%	47.97%	47.93%	48.26%
State PSERS Plan 2 employers' proportionate share of the net pension liability / (asset)	$ 625	$ 9,628	$ 20,386	$ 8,748	$ (6,988)
State PSERS Plan 2 employers' covered payroll	$ 198,511	$ 175,395	$ 155,768	$ 140,977	$ 130,172
State PSERS Plan 2 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	0.32%	5.49%	13.09%	6.21%	-5.37%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	99.79%	96.26%	90.41%	95.08%	105.01%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of the State's Proportionate Share of the Net Pension Liability
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1

Last Five Measurement Years *
(expressed in thousands)

	2018	2017	2016	2015	2014
State's nonemployer proportion of the net pension liability/(asset)	87.12%	87.12%	87.12%	87.12%	87.12%
State as nonemployer contributing entity proportionate share of the net pension liability/(asset)	$(1,581,665)	$(1,321,802)	$ (897,585)	$(1,049,988)	$(1,056,583)
Plan fiduciary net position as a percentage of the total pension liability/(asset)	144.42%	135.96%	123.74%	127.36%	126.91%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of the State's Proportionate Share of the Net Pension Liability
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2

Last Five Measurement Years *

(expressed in thousands)

	2018	2017	2016	2015	2014
State LEOFF Plan 2 employers' proportion of the net pension liability/(asset)	0.87%	0.85%	0.88%	0.83%	0.84%
State as nonemployer contributing entity proportion of the net pension liability/(asset)	39.30%	39.35%	39.46%	39.80%	39.52%
State LEOFF Plan 2 employers' proportionate share of the net pension liability/(asset)	$ (17,707)	$ (11,823)	$ (5,113)	$ (8,580)	$ (11,164)
State as nonemployer contributing entity total proportionate share of the net pension liability/(asset)	(797,902)	(545,988)	(229,538)	(409,091)	(524,419)
Total	$ (815,609)	$ (557,811)	$ (234,651)	$ (417,671)	$ (535,583)
State LEOFF Plan 2 employers' covered payroll	$ 21,892	$ 20,396	$ 19,828	$ 18,744	$ 18,259
State LEOFF Plan 2 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	-80.88%	-57.97%	-25.79%	-45.77%	-61.14%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	118.50%	113.36%	106.04%	111.67%	116.75%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 1
Fiscal Year Ended June 30*
(dollars in thousands)

	2019	2018	2017
Contractually required contributions (CRC)	$ 299,745	$ 280,513	$ 251,924
Employer contributions related to covered payroll of employees participating in PERS Plan 1	$ 7,092	$ 8,769	$ 9,537
Employer UAAL contributions related to covered payroll of employees participating in PERS Plan 2/3 and PSERS Plan 2	292,653	271,744	242,387
Contributions in relation to the actuarially determined contributions	299,745	280,513	251,924
Contribution Deficiency (Excess)	$ —	$ —	$ —
Covered payroll of employees participating in PERS Plan 1	$ 54,779	$ 69,330	$ 85,341
Covered payroll of employees participating in PERS Plan 2/3	5,469,217	5,237,495	4,928,806
Covered payroll of employees participating in PSERS Plan 2	321,991	198,511	175,395
Covered Payroll	$ 5,845,987	$ 5,505,336	$ 5,189,542
Contributions as a percentage of covered payroll	5.13%	5.10%	4.85%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 2/3
Fiscal Year Ended June 30*
(dollars in thousands)

	2019	2018	2017
Contractually Required Contributions	$ 412,466	$ 389,001	$ 306,591
Contributions in relation to the contractually required contributions	412,466	389,001	306,591
Contribution Deficiency (Excess)	$ —	$ —	$ —
Covered Payroll	$ 5,469,217	$ 5,237,495	$ 4,928,806
Contributions as a percentage of covered payroll	7.54%	7.43%	6.22%

* This schedule is to be built prospectively until it contains ten years of data.

	2016	2015	2014
	$ 238,158	$ 191,618	$ 188,639
	$ 11,385	$ 11,072	$ 12,964
	226,773	180,546	175,675
	238,158	191,618	188,639
	$ —	$ —	$ —
	$ 103,235	$ 120,686	$ 143,836
	4,648,843	4,363,171	4,215,935
	155,768	140,977	130,172
	$ 4,907,846	$ 4,624,834	$ 4,489,943
	4.85%	4.14%	4.20%

	2016	2015	2014
	$ 287,049	$ 219,395	$ 209,455
	287,049	219,395	209,455
	$ —	$ —	$ —
	$ 4,648,843	$ 4,363,171	$ 4,215,935
	6.17%	5.03%	4.97%

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of Contributions
Teachers' Retirement System (TRS) Plan 1

Fiscal Year Ended June 30*
(dollars in thousands)

		2019		2018		2017
Contractually required contributions	$	5,436	$	4,582	$	3,608
Employer contributions related to covered payroll of employees participating in TRS Plan 1	$	241	$	272	$	326
Employer UAAL contributions related to covered payroll of employees participating in TRS Plan 2/3		5,195		4,310		3,282
Contributions in relation to the actuarially determined contributions		5,436		4,582		3,608
Contribution Deficiency (Excess)	$	—	$	—	$	—
Covered payroll of employees participating in TRS Plan 1	$	1,557	$	1,893	$	2,475
Covered payroll of employees participating in TRS Plan 2/3		43,082		61,292		52,534
Covered Payroll	$	44,639	$	63,185	$	55,009
Contributions as a percentage of covered payroll		12.18%		7.25%		6.56%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of Contributions
Teachers' Retirement System (TRS) Plan 2/3

Fiscal Year Ended June 30*
(dollars in thousands)

		2019		2018		2017
Contractually required contributions	$	5,542	$	4,699	$	3,542
Contributions in relation to the contractually required contributions		5,542		4,699		3,542
Contribution Deficiency (Excess)	$	—	$	—	$	—
Covered Payroll	$	43,082	$	61,292	$	52,534
Contributions as a percentage of covered payroll		12.86%		7.67%		6.74%

* This schedule is to be built prospectively until it contains ten years of data.

	2016		2015		2014
$	2,940	$	1,920	$	1,537
$	369	$	388	$	451
	2,571		1,532		1,086
	2,940		1,920		1,537
$	—	$	—	$	—
$	5,735	$	3,913	$	4,611
	41,803		33,705		25,673
$	47,538	$	37,618	$	30,284
	6.18%		5.10%		5.08%

	2016		2015		2014
$	2,827	$	1,924	$	1,454
	2,827		1,924		1,454
$	—	$	—	$	—
$	41,803	$	33,705	$	25,673
	6.76%		5.71%		5.66%

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of Contributions
Public Safety Employees' Retirement System (PSERS) Plan 2
Fiscal Year Ended June 30*
(dollars in thousands)

	2019	2018	2017
Contractually Required Contributions	$ 17,602	$ 13,330	$ 11,465
Contributions in relation to the contractually required contributions	17,602	13,330	11,465
Contribution Deficiency (Excess)	$ —	$ —	$ —
Covered Payroll	$ 321,991	$ 198,511	$ 175,395
Contributions as a percentage of covered payroll	5.47%	6.72%	6.54%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of Contributions
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2
Fiscal Year Ended June 30*
(dollars in thousands)

	2019	2018	2017
Contractually Required Contributions	$ 1,654	$ 1,512	$ 1,346
Contributions in relation to the contractually required contributions	1,654	1,512	1,346
Contribution Deficiency (Excess)	$ —	$ —	$ —
Covered Payroll	$ 23,388	$ 21,892	$ 20,396
Contributions as a percentage of covered payroll	7.07%	6.91%	6.60%

* This schedule is to be built prospectively until it contains ten years of data.

	2016		2015		2014
$	10,233	$	8,932	$	8,100
	10,233		8,932		8,100
$	—	$	—	$	—
$	155,768	$	140,977	$	130,172
	6.57%		6.34%		6.22%

	2016		2015		2014
$	1,345	$	1,224	$	1,184
	1,345		1,224		1,184
$	—	$	—	$	—
$	19,828	$	18,744	$	18,259
	6.78%		6.53%		6.48%

PENSION PLAN INFORMATION

Notes to Required Supplementary Information

Methods and assumptions used in calculations of Actuarially Determined Contributions for PERS, TRS, PSERS, LEOFF, and WSPRS. The Office of the State Actuary (OSA) calculates the Actuarially Determined Contributions (ADC) based on the results of an actuarial valuation consistent with the state's funding policy defined under chapter 41.45 of the Revised Code of Washington (RCW). Consistent with the state's contribution rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. The actuarial valuation with a June 30, 2015, valuation date, completed in the fall of 2016, determined the ADC for the period beginning July 1, 2017, and ending June 30, 2019.

Methods and assumptions used in calculations of the ADC for JRS and Judges. The OSA calculates the ADC based on the results of an actuarial valuation, and sets the ADC equal to the expected benefit payments from the plan. Consistent with the state's funding policy defined under RCWs 2.10.90 and 2.12.60, the Legislature makes biennial appropriations in order to ensure the fund is solvent to make the necessary benefit payments.

OSA calculates the ADC consistent with the methods described above. Adopted contribution rates may be different pending the actions of the governing bodies. For instance, for the period beginning July 1, 2015, and ending June 30, 2017, the contribution rates adopted by the Pension Funding Council, and unchanged by the Legislature, reflect a phase-in of the increase to contribution rates that resulted from a change to the mortality assumption. This is the second of three biennia over which this increase is expected to be phased-in for PERS 1/2/3, TRS 1/2/3, PSERS 2, and WSPRS 1/2.

PENSION PLAN INFORMATION
Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Contributions
Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined	Contribution Deficiency (Excess)
2019	$ 926	$ 8,436	$ (7,510)
2018	3,523	8,050	(4,527)
2017	4,528	7,494	(2,966)
2016	6,846	8,153	(1,307)
2015	6,653	6,816	(163)
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)

Notes: Neither covered payroll nor contributions as a percentage of covered payroll are applicable. This is a volunteer organization.

Beginning in 2017, the methodology for determining the Actuarially Determined Contributions was revised to reflect the timing of the contributions based upon the Board for Volunteer Firefighters adoption cycle and the actuarial funding methods selected.

Prior to 2014, the Annual Required Contribution amounts are presented for the Actuarially Determined Contributions.

Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Investment Returns
Last Six Fiscal Years*

	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	8.23%	8.84%	13.26%	2.19%	4.05%	18.50%

*This schedule is to be built prospectively until it contains ten years of data.

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

Last Seven Fiscal Years*
(expressed in thousands)

	2019	2018	2017
Total Pension Liability			
Service cost	$ 828	$ 853	$ 869
Interest	13,119	13,151	12,946
Changes of benefit terms	—	—	—
Differences between expected and actual experience	(1,857)	(2,707)	(1,998)
Changes in assumptions	—	16	463
Benefit payments, including refunds of member contributions	(11,913)	(11,573)	(11,074)
Net Change in Total Pension Liability	177	(260)	1,206
Total Pension Liability - Beginning	192,440	192,700	191,494
Total Pension Liability - Ending	$ 192,617	$ 192,440	$ 192,700
Plan Fiduciary Net Position			
Contributions - municipalities	$ 797	$ 823	$ 848
Contributions - member	54	65	69
Contributions - state as nonemployer contributing entity	7,639	7,227	6,646
Net investment income	20,101	19,860	26,114
Benefit payments, including refunds of member contributions	(11,913)	(11,573)	(11,074)
Administrative expense	(1,352)	(918)	(1,466)
Other	—	—	—
Net Change in Plan Fiduciary Net Position	15,326	15,484	21,137
Plan Fiduciary Net Position--Beginning	245,284	229,800	208,663
Plan Fiduciary Net Position--Ending	$ 260,610	$ 245,284	$ 229,800
Plan's Net Pension Liability/(Asset)--Ending	$ (67,993)	$ (52,844)	$ (37,100)

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

2016	2015	2014	2013
$ 893	$ 919	$ 1,240	N/A
12,887	12,656	12,480	N/A
—	—	—	N/A
(176)	(2,948)	—	N/A
101	1,931	—	N/A
(10,795)	(10,501)	(10,771)	N/A
2,910	2,057	2,949	N/A
188,584	186,527	183,578	N/A
$ 191,494	$ 188,584	$ 186,527	$ 183,578
$ 918	$ 913	$ 953	N/A
67	76	95	N/A
7,235	5,903	6,383	N/A
4,588	8,289	31,892	N/A
(10,795)	(10,501)	(10,771)	N/A
(1,205)	(1,020)	(1,469)	N/A
—	—	(22)	N/A
808	3,660	27,061	N/A
207,855	204,195	177,134	N/A
$ 208,663	$ 207,855	$ 204,195	$ 177,134
$ (17,169)	$ (19,271)	$ (17,668)	$ 6,444

PENSION PLAN INFORMATION
Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Net Pension Liability

Last Seven Fiscal Years*
(expressed in thousands)

	2019	2018	2017
Total Pension Liability - Ending	$ 192,617	$ 192,440	$ 192,700
Plan Fiduciary Net Position - Ending	260,610	245,284	229,800
Plan's Net Pension Liability/(Asset) - Ending	$ (67,993)	$ (52,844)	$ (37,100)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/(Asset)	135.30%	127.46%	119.25%
Covered Payroll	N/A	N/A	N/A
Plan's Net Pension Liability/(Asset) as a Percentage of Covered Payroll	N/A	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

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, 2017, valuation date, completed in the fall of 2018, determines the ADC for the period ending June 30, 2019.

	2016		2015		2014		2013
$	191,494	$	188,584	$	186,527	$	183,578
	208,663		207,855		204,195		177,134
$	(17,169)	$	(19,271)	$	(17,668)	$	6,444
	108.97%		110.22%		109.47%		96.49%
	N/A		N/A		N/A		N/A
	N/A		N/A		N/A		N/A

PENSION PLAN INFORMATION
Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Total Pension Liability and Related Ratios
University of Washington

Fiscal Years Ended and Measurement Date June 30*
(expressed in thousands)

	2019	2018	2017
Total Pension Liability			
Service cost	$ 11,823	$ 14,788	$ 19,891
Interest	16,277	16,128	15,097
Changes of benefit terms	—	—	—
Differences between expected and actual experience	102,713	(33,953)	(74,918)
Changes in assumptions	58,228	(17,105)	(28,553)
Benefit payments	(7,482)	(6,130)	(5,136)
Other	—	—	—
Net Change in Total Pension Liability	181,559	(26,272)	(73,619)
Total Pension Liability - Beginning	412,481	438,753	512,372
Total Pension Liability - Ending	$ 594,040	$ 412,481	$ 438,753
Covered payroll	$ 787,384	$ 759,688	$ 801,161
Total Pension Liability/(Asset) as a Percentage of Covered Payroll	75.44 %	54.30 %	54.76 %

*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

Schedule of Changes in Total Pension Liability and Related Ratios
Washington State University

Fiscal Years Ended and Measurement Date June 30*
(expressed in thousands)

	2019	2018	2017
Total Pension Liability			
Service cost	$ 2,112	$ 2,763	$ 3,803
Interest	3,241	3,261	3,140
Changes of benefit terms	—	—	—
Differences between expected and actual experience	(1,022)	(7,171)	(16,389)
Changes in assumptions	7,997	(3,255)	(6,574)
Benefit payments	(2,439)	(2,181)	(1,890)
Other	—	—	—
Net Change in Total Pension Liability	9,889	(6,583)	(17,910)
Total Pension Liability - Beginning	82,831	89,414	107,324
Total Pension Liability - Ending	$ 92,720	$ 82,831	$ 89,414
Covered payroll	$ 171,012	$ 186,365	$ 196,596
Total Pension Liability/(Asset) as a Percentage of Covered Payroll	54.22 %	44.45 %	45.48 %

*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
Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Total Pension Liability and Related Ratios
Central Washington University

Fiscal Years Ended and Measurement Date June 30*
(expressed in thousands)

	2019	2018	2017
Total Pension Liability			
Service cost	$ 61	$ 91	$ 150
Interest	293	299	293
Changes of benefit terms	—	—	—
Differences between expected and actual experience	(710)	(466)	(1,270)
Changes in assumptions	428	(272)	(616)
Benefit payments	(411)	(412)	(411)
Other	—	—	—
Net Change in Total Pension Liability	(339)	(760)	(1,854)
Total Pension Liability - Beginning	7,717	8,477	10,331
Total Pension Liability - Ending	$ 7,378	$ 7,717	$ 8,477
Covered payroll	$ 8,952	$ 10,368	$ 11,028
Total Pension Liability/(Asset) as a Percentage of Covered Payroll	82.41 %	74.43 %	76.87 %

*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

Schedule of Changes in Total Pension Liability and Related Ratios
Eastern Washington University

Fiscal Years Ended and Measurement Date June 30*
(expressed in thousands)

	2019	2018	2017
Total Pension Liability			
Service cost	$ 463	$ 477	$ 658
Interest	614	429	420
Changes of benefit terms	—	—	—
Differences between expected and actual experience	421	3,867	(2,852)
Changes in assumptions	1,014	(621)	(647)
Benefit payments	(316)	(202)	(140)
Other	—	—	—
Net Change in Total Pension Liability	2,196	3,950	(2,561)
Total Pension Liability - Beginning	15,551	11,601	14,162
Total Pension Liability - Ending	$ 17,747	$ 15,551	$ 11,601
Covered payroll	$ 32,357	$ 34,114	$ 38,505
Total Pension Liability/(Asset) as a Percentage of Covered Payroll	54.85 %	45.59 %	30.13 %

*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
Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Total Pension Liability and Related Ratios
The Evergreen State College

Fiscal Years Ended and Measurement Date June 30*
(expressed in thousands)

	2019	2018	2017
Total Pension Liability			
Service cost	$ 154	$ 210	$ 296
Interest	235	237	230
Changes of benefit terms	—	—	—
Differences between expected and actual experience	(108)	(565)	(1,327)
Changes in assumptions	694	(229)	(387)
Benefit payments	(137)	(183)	(158)
Other	—	—	—
Net Change in Total Pension Liability	838	(530)	(1,346)
Total Pension Liability - Beginning	5,980	6,510	7,856
Total Pension Liability - Ending	$ 6,818	$ 5,980	$ 6,510
Covered payroll	$ 14,999	$ 15,978	$ 16,941
Total Pension Liability/(Asset) as a Percentage of Covered Payroll	45.46 %	37.43 %	38.43 %

*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

Schedule of Changes in Total Pension Liability and Related Ratios
Western Washington University

Fiscal Years Ended and Measurement Date June 30*
(expressed in thousands)

	2019	2018	2017
Total Pension Liability			
Service cost	$ 551	$ 737	$ 1,057
Interest	825	837	842
Changes of benefit terms	—	—	—
Differences between expected and actual experience	2,298	(2,233)	(5,278)
Changes in assumptions	2,821	(819)	(2,126)
Benefit payments	(420)	(380)	(298)
Other	—	—	—
Net Change in Total Pension Liability	6,075	(1,858)	(5,803)
Total Pension Liability - Beginning	20,962	22,820	28,623
Total Pension Liability - Ending	$ 27,037	$ 20,962	$ 22,820
Covered payroll	$ 53,024	$ 52,750	$ 55,840
Total Pension Liability/(Asset) as a Percentage of Covered Payroll	50.99 %	39.74 %	40.87 %

*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
Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Total Pension Liability and Related Ratios
State Board for Community and Technical Colleges

Fiscal Years Ended and Measurement Date June 30*
(expressed in thousands)

	2019	2018	2017
Total Pension Liability			
Service cost	$ 2,851	$ 3,827	$ 5,417
Interest	3,449	3,517	3,514
Changes of benefit terms	—	—	—
Differences between expected and actual experience	6,503	(10,402)	(25,336)
Changes in assumptions	12,227	(3,519)	(5,980)
Benefit payments	(1,818)	(1,300)	(902)
Other	—	—	—
Net Change in Total Pension Liability	23,212	(7,877)	(23,287)
Total Pension Liability - Beginning	87,173	95,050	118,337
Total Pension Liability - Ending	$ 110,385	$ 87,173	$ 95,050
Covered payroll	$ 331,420	$ 353,910	$ 375,725
Total Pension Liability/(Asset) as a Percentage of Covered Payroll	33.31 %	24.63 %	25.30 %

*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

Higher Education Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

The Higher Education Supplemental Retirement Plans are 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. No assets are accumulated in trusts or equivalent arrangements.

Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, salary growth, and the variable income investment return.

OTHER POSTEMPLOYMENT BENEFITS INFORMATION

Schedule of Changes in Total OPEB Liability and Related Ratios

Measurement Date of June 30*

(expressed in thousands)

	2018	2017
Total OPEB Liability		
Service cost	$ 317,866	$ 394,955
Interest	218,339	184,999
Changes in benefit terms	—	—
Difference between expected and actual experience	199,258	—
Changes in assumptions	(1,390,198)	(902,431)
Benefit payments	(92,200)	(94,279)
Changes in proportion	(15)	—
Other	—	—
Net Changes in Total OPEB Liability	(746,950)	(416,755)
Total OPEB Liability - Beginning as restated	5,826,832	6,242,577
Total OPEB Liability - Ending	$ 5,079,882	$ 5,825,822
Covered-employee payroll	$ 8,401,635	$ 7,878,188
Total OPEB liability as a percentage of covered-employee payroll	60.46 %	73.95 %

*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

Notes to Required Supplementary Information

The Public Employees' Benefits Board OPEB plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis.

Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, salary projections, and participation percentages.

Total OPEB liability beginning balance for the measurement date of June 30, 2018, was restated to reflect the changes in proportion between the state and the Washington Economic Development Finance Authority which operates on a cash basis and does not report an OPEB liability. The restatement also includes OPEB amounts for the Health Care Benefits Exchange which was omitted from the table in the prior year.

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 at which assets are to be preserved or maintained, as established by administrative or executive policy, or by legislative action.
- 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 of Washington's network of highway pavements, bridges, and rest areas. In fiscal year 2019, the state was responsible for maintaining and preserving 20,815 pavement lane miles, 3,932 bridges and tunnels, and 47 highway safety 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% 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% 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% of wheel track length having "hairline" alligator cracking will have a PSC of 50.
Poor	20 - 39	Structural deterioration. Example: Flexible pavement with 25% of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 30.
Very Poor	0 - 19	Advanced structural deterioration. Example: Flexible pavement with 40% of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 10. May require extensive repair and thicker overlays.

The IRI scale is measured in inches per mile. WSDOT assesses pavement 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 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 WSDOT's policy is to maintain 85 percent of pavements at a condition level of fair or better, based on an average condition level of the last three assessments.

The following table shows pavement condition ratings for state highways:

Pavements Percentage in Fair or Better Condition Two-Year Cycle Ending Calendar Year			
2017	**2015**	**2013**	**Average of Last Three Assessments**
93.2%	93.2%	92.8%	93.1%

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)*					
	2019	**2018**	**2017**	**2016**	**2015**
Planned	$ 227,625	$ 263,555	$ 304,040	$ 160,423	$ 173,716
Actual	269,236	271,474	264,315	161,211	142,789
Variance	$ (41,611)	$ (7,919)	$ 39,725	$ (788)	$ 30,927
	-18.3%	-3.0%	13.1%	-0.5%	17.8%

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 activities 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 inspects and performs condition assessments every two fiscal years on all of the 3,344 state-owned bridges in excess of 20 feet in length. 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 established in FHWA's *Recording and Coding Guide for the Structural Inventory and Appraisal of the Nation's Bridges*, which classifies the physical condition of bridges as good, fair, or poor based on structural sufficiency standards for the following bridge components: bridge superstructure, substructure, and deck. The appraisal data is collected in the National Bridge Inventory (NBI) and assigned a code from 0 to 9, with 0 being in a failed condition and 9 being in excellent condition.

Category	National Bridge Inventory Code	Description
Good	7 or 8	A range from no problems noted to some minor problems.
Fair	5 or 6	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 90 percent of bridges at a condition level of fair or better, based on an average condition level of the last three assessments.

The following table shows condition ratings for state bridges:

Bridges
Percentage in Fair or Better Condition
Two-Year Cycle Ending Fiscal Year

2019	2017	2015	Average of Last Three Assessments
92.9%	91.8%	92.1%	92.3%

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)

	2019	2018	2017	2016	2015
Planned	$ 182,409	$ 106,595	$ 45,891	$ 75,160	$ 71,078
Actual	146,816	87,068	45,088	66,339	64,060
Variance	$ 35,593	$ 19,527	$ 803	$ 8,821	$ 7,018
	19.5%	18.3%	1.7%	11.7%	9.9%

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 activities 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 condition assessments on safety rest areas every two fiscal years. Sites and buildings are divided into functional components that are assessed with a five-tiered condition scale: excellent, good, fair, poor, and unacceptable condition. 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, based on an average condition level of the last three assessments.

The following table shows condition ratings for safety rest areas:

Safety Rest Areas
Percentage in Fair or Better Condition
Two-Year Cycle Ending Fiscal Year *

2019	2017	2015	Average of Last Three Assessments
97.8%	100.0%	100.0%	99.3%

* In 2019, the reporting methodology was changed from calendar year basis to fiscal year basis to align with the WSDOT accounting policy.

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)

	2019	2018	2017	2016	2015
Planned	$ 11,084	$ 9,609	$ 9,964	$ 7,204	$ 8,463
Actual	9,004	7,986	8,011	7,185	8,369
Variance	$ 2,080	$ 1,623	$ 1,953	$ 19	$ 94
	18.8%	16.9%	19.6%	0.3%	1.1%

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 activities in response to economic forecasts and other factors.

For more information about safety rest areas, refer to the 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, 2019

(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
ASSETS					
Cash and cash equivalents	$ 3,098,049	$ 297,370	$ 177,359	$ —	$ 3,572,778
Investments	49,178	—	—	233,665	282,843
Taxes receivable (net of allowance)	236,485	—	—	—	236,485
Receivables (net of allowance)	894,399	17,239	20,434	618	932,690
Due from other funds	366,206	2,549	36,493	—	405,248
Due from other governments	2,477,016	—	13,807	1	2,490,824
Inventories and prepaids	46,678	—	—	—	46,678
Restricted cash and investments	139,700	36,519	31,835	—	208,054
Restricted receivables	6,015	—	—	—	6,015
Total Assets	$ 7,313,726	$ 353,677	$ 279,928	$ 234,284	$ 8,181,615
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 400,014	$ —	$ 74,380	$ —	$ 474,394
Accrued liabilities	144,890	985	36,758	4	182,637
Due to other funds	556,271	1,107	71,998	661	630,037
Due to other governments	165,161	—	39,430	—	204,591
Unearned revenue	109,899	—	5,462	—	115,361
Claims and judgments payable	145,946	—	—	—	145,946
Total Liabilities	1,522,181	2,092	228,028	665	1,752,966
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	125,484	—	4,742	—	130,226
Deferred inflows on hedging derivatives	667	—	—	—	667
Total Deferred Inflows of Resources	126,151	—	4,742	—	130,893
FUND BALANCES					
Nonspendable fund balance	46,679	—	—	219,338	266,017
Restricted fund balance	2,764,488	62,116	13,661	32,543	2,872,808
Committed fund balance	2,854,227	289,469	37,403	—	3,181,099
Unassigned fund balance	—	—	(3,906)	(18,262)	(22,168)
Total Fund Balances	5,665,394	351,585	47,158	233,619	6,297,756
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 7,313,726	$ 353,677	$ 279,928	$ 234,284	$ 8,181,615

NONMAJOR GOVERNMENTAL FUNDS

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

For the Fiscal Year Ended June 30, 2019

(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
REVENUES					
Retail sales and use taxes	$ 154,146	$ —	$ —	$ —	$ 154,146
Business and occupation taxes	4,359	—	—	—	4,359
Excise taxes	440,595	—	—	—	440,595
Motor vehicle and fuel taxes	1,671,195	—	—	—	1,671,195
Other taxes	324,155	—	—	—	324,155
Licenses, permits, and fees	1,894,045	—	—	—	1,894,045
Other contracts and grants	140,891	—	12,055	—	152,946
Timber sales	132,374	—	10,597	—	142,971
Federal grants-in-aid	1,203,339	—	342	2	1,203,683
Charges for services	619,402	25,586	82,431	—	727,419
Investment income (loss)	101,779	7,468	1,081	16,637	126,965
Miscellaneous revenue	485,411	59,190	4,556	1,147	550,304
Total Revenues	7,171,691	92,244	111,062	17,786	7,392,783
EXPENDITURES					
Current:					
General government	426,808	173	179,266	42	606,289
Human services	1,122,909	—	10,066	—	1,132,975
Natural resources and recreation	644,678	—	206,125	—	850,803
Transportation	2,288,971	—	—	—	2,288,971
Education	159,373	—	490,266	—	649,639
Intergovernmental	404,921	—	—	—	404,921
Capital outlays	1,286,747	—	511,193	—	1,797,940
Debt service:					
Principal	17,394	1,099,635	9,955	—	1,126,984
Interest	2,851	1,023,651	11,547	—	1,038,049
Total Expenditures	6,354,652	2,123,459	1,418,418	42	9,896,571
Excess of Revenues Over (Under) Expenditures	817,039	(2,031,215)	(1,307,356)	17,744	(2,503,788)
OTHER FINANCING SOURCES (USES)					
Bonds issued	265,125	—	729,045	—	994,170
Issuance premiums	44,145	—	120,332	—	164,477
Other debt issued	6,338	—	—	—	6,338
Refunding COPs issued	3,265	—	—	—	3,265
Transfers in	664,615	2,071,131	146,245	—	2,881,991
Transfers out	(1,954,558)	(46,871)	(65,137)	(6,968)	(2,073,534)
Total Other Financing Sources (Uses)	(971,070)	2,024,260	930,485	(6,968)	1,976,707
Net Change in Fund Balances	(154,031)	(6,955)	(376,871)	10,776	(527,081)
Fund Balances - Beginning, as restated	5,819,425	358,540	424,029	222,843	6,824,837
Fund Balances - Ending	$ 5,665,394	$ 351,585	$ 47,158	$ 233,619	$ 6,297,756

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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, 2019

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Central Administrative and Regulatory	Human Services
ASSETS				
Cash and cash equivalents	$ 962,211	$ 529,703	$ 354,823	$ 383,171
Investments	—	—	1,138	48,040
Taxes receivable (net of allowance)	160,188	7,962	16,033	37,439
Receivables (net of allowance)	77,911	22,469	121,620	548,341
Due from other funds	235,173	10,424	15,445	14,078
Due from other governments	126,376	49,485	28,718	592,943
Inventories and prepaids	42,067	169	4,155	—
Restricted cash and investments	5,932	—	133,768	—
Restricted receivables	685	—	5,330	—
Total Assets	$ 1,610,543	$ 620,212	$ 681,030	$ 1,624,012
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 253,571	$ 35,371	$ 15,628	$ 62,074
Accrued liabilities	64,725	7,287	10,258	15,896
Due to other funds	242,078	24,180	24,558	175,015
Due to other governments	69,775	78,883	1,619	6,172
Unearned revenue	41,163	30,419	18,495	2,647
Claims and judgments payable	—	—	145,946	—
Total Liabilities	671,312	176,140	216,504	261,804
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	28,530	7,794	2,630	56
Deferred inflows on hedging derivatives	667	—	—	—
Total Deferred Inflows of Resources	29,197	7,794	2,630	56
FUND BALANCES				
Nonspendable fund balance	42,067	169	4,155	—
Restricted fund balance	805,395	102,026	6,507	596,178
Committed fund balance	62,572	334,083	451,234	765,974
Total Fund Balances	910,034	436,278	461,896	1,362,152
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,610,543	$ 620,212	$ 681,030	$ 1,624,012

Wildlife and Natural Resources	Local Construction and Loan	Total
$ 724,283	$ 143,858	$ 3,098,049
—	—	49,178
14,852	11	236,485
82,181	41,877	894,399
84,795	6,291	366,206
954,967	724,527	2,477,016
287	—	46,678
—	—	139,700
—	—	6,015
$ 1,861,365	$ 916,564	$ 7,313,726
$ 32,078	$ 1,292	$ 400,014
39,305	7,419	144,890
79,338	11,102	556,271
4,514	4,198	165,161
17,175	—	109,899
—	—	145,946
172,410	24,011	1,522,181
55,545	30,929	125,484
—	—	667
55,545	30,929	126,151
288	—	46,679
1,203,842	50,540	2,764,488
429,280	811,084	2,854,227
1,633,410	861,624	5,665,394
$ 1,861,365	$ 916,564	$ 7,313,726

NONMAJOR SPECIAL REVENUE FUNDS

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

For the Fiscal Year Ended June 30, 2019

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Central Administrative and Regulatory	Human Services
REVENUES				
Retail sales and use taxes	$ —	$ 87,920	$ 66,190	$ —
Business and occupation taxes	—	—	—	455
Excise taxes	—	365	—	416,526
Motor vehicle and fuel taxes	1,647,180	1,438	—	—
Other taxes	14	—	133,394	33,441
Licenses, permits, and fees	583,691	270,260	298,844	567,207
Other contracts and grants	34,005	24,338	3,542	77,009
Timber sales	29	—	1,315	—
Federal grants-in-aid	522,880	365,902	84,348	198,940
Charges for services	310,496	90,851	83,876	120,246
Investment income (loss)	32,364	14,036	30,040	10,052
Miscellaneous revenue	57,004	39,357	64,029	104,549
Total Revenues	3,187,663	894,467	765,578	1,528,425
EXPENDITURES				
Current:				
General government	5,980	867	322,329	86,471
Human services	—	—	12,205	1,107,280
Natural resources and recreation	1,464	—	18,890	757
Transportation	1,549,088	686,747	42,693	9,925
Education	—	—	50,518	57,098
Intergovernmental	262,906	15,152	125,213	1,593
Capital outlays	1,123,014	131,899	11,387	4,732
Debt service:				
Principal	7,085	405	4,517	126
Interest	1,026	17	1,422	29
Total Expenditures	2,950,563	835,087	589,174	1,268,011
Excess of Revenues Over (Under) Expenditures	237,100	59,380	176,404	260,414
OTHER FINANCING SOURCES (USES)				
Bonds issued	265,125	—	—	—
Issuance premiums	42,876	—	981	—
Other debt issued	1,600	—	4,375	—
Refunding COPs issued	—	—	—	—
Transfers in	119,412	199,316	21,305	196,986
Transfers out	(879,447)	(238,929)	(175,629)	(410,149)
Total Other Financing Sources (Uses)	(450,434)	(39,613)	(148,968)	(213,163)
Net Change in Fund Balances	(213,334)	19,767	27,436	47,251
Fund Balances - Beginning as restated	1,123,368	416,511	434,460	1,314,901
Fund Balances - Ending	$ 910,034	$ 436,278	$ 461,896	$ 1,362,152

Wildlife and Natural Resources	Local Construction and Loan	Total
$ 36	$ —	$ 154,146
3,904	—	4,359
—	23,704	440,595
22,577	—	1,671,195
157,306	—	324,155
173,964	79	1,894,045
1,997	—	140,891
92,330	38,700	132,374
31,269	—	1,203,339
13,933	—	619,402
11,037	4,250	101,779
172,146	48,326	485,411
680,499	115,059	7,171,691
837	10,324	426,808
3,424	—	1,122,909
619,865	3,702	644,678
518	—	2,288,971
1,733	50,024	159,373
57	—	404,921
15,710	5	1,286,747
5,261	—	17,394
357	—	2,851
647,762	64,055	6,354,652
32,737	51,004	817,039
—	—	265,125
288	—	44,145
363	—	6,338
3,265	—	3,265
119,732	7,864	664,615
(121,740)	(128,664)	(1,954,558)
1,908	(120,800)	(971,070)
34,645	(69,796)	(154,031)
1,598,765	931,420	5,819,425
$ 1,633,410	$ 861,624	$ 5,665,394

NONMAJOR SPECIAL REVENUE FUNDS

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

For the Biennium Ended June 30, 2019

(expressed in thousands)

	Motor Vehicle			
	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 562,899	$ 562,899	$ 562,899	$ —
Resources				
Taxes	3,690,058	3,412,491	2,826,738	(585,753)
Licenses, permits, and fees	1,101,168	1,165,318	1,567,739	402,421
Other contracts and grants	74,531	106,198	61,001	(45,197)
Timber sales	—	—	60	60
Federal grants-in-aid	1,000,910	1,162,042	1,013,680	(148,362)
Charges for services	603,207	628,601	612,034	(16,567)
Investment income (loss)	25,314	2	31,291	31,289
Miscellaneous revenue	63,605	54,041	102,146	48,105
Transfers from other funds	417,869	214	418,277	418,063
Total Resources	7,539,561	7,091,806	7,195,865	104,059
Charges To Appropriations				
General government	13,529	18,009	11,253	6,756
Human services	—	—	—	—
Natural resources and recreation	2,490	2,569	2,539	30
Transportation	2,025,037	2,104,818	2,054,583	50,235
Education	—	—	—	—
Capital outlays	3,909,863	4,103,761	3,131,081	972,680
Transfers to other funds	1,072,479	—	1,700,121	(1,700,121)
Total Charges To Appropriations	7,023,398	6,229,157	6,899,577	(670,420)
Excess Available For Appropriation Over (Under) Charges To Appropriations	516,163	862,649	296,288	(566,361)
Reconciling Items				
Debt service	—	—	—	—
Bond sale proceeds	981,040	940,829	477,970	(462,859)
Issuance premiums	—	—	79,730	79,730
Refunding COPs issued	—	—	—	—
Noncash activity (net)	—	—	10,885	10,885
Nonappropriated fund balances	—	—	4,066	4,066
Changes in reserves (net)	—	—	(972)	(972)
Total Reconciling Items	981,040	940,829	571,679	(369,150)
Budgetary Fund Balance, June 30	$ 1,497,203	$ 1,803,478	$ 867,967	$ (935,511)

Continued

Multimodal Transportation				Central Administrative and Regulatory			
Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
$ 325,552	$ 325,552	$ 325,552	$ —	$ 254,578	$ 254,578	$ 254,578	$ —
177,432	180,038	153,378	(26,660)	127,079	15,151	2,029	(13,122)
577,457	607,536	577,981	(29,555)	563,287	487,084	487,926	842
1,435	2,205	1,039	(1,166)	2,682	560	—	(560)
—	—	—	—	6,889	5,373	5,230	(143)
38,613	139,589	236,217	96,628	84,214	77,677	85,207	7,530
169,262	190,353	178,308	(12,045)	119,505	113,262	37,522	(75,740)
7,450	—	12,292	12,292	43,809	33,813	49,047	15,234
53,280	61,984	53,057	(8,927)	37,052	47,489	27,364	(20,125)
360,504	—	297,976	297,976	44,320	101,967	84,355	(17,612)
1,710,985	1,507,257	1,835,800	328,543	1,283,415	1,136,954	1,033,258	(103,696)
700	1,620	1,427	193	490,764	473,980	431,612	42,368
—	—	—	—	11,654	13,599	12,041	1,558
—	—	—	—	37,938	38,990	38,610	380
637,608	667,451	603,286	64,165	75,107	83,848	78,912	4,936
—	—	—	—	211	211	165	46
294,849	356,163	250,653	105,510	7,692	16,675	6,302	10,373
457,402	—	582,748	(582,748)	362,150	240,637	268,194	(27,557)
1,390,559	1,025,234	1,438,114	(412,880)	985,516	867,940	835,836	32,104
320,426	482,023	397,686	(84,337)	297,899	269,014	197,422	(71,592)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	4,479	4,479	—	—	36,716	36,716
—	—	36,206	36,206	—	—	209,082	209,082
—	—	(2,262)	(2,262)	—	—	14,521	14,521
—	—	38,423	38,423	—	—	260,319	260,319
$ 320,426	$ 482,023	$ 436,109	$ (45,914)	$ 297,899	$ 269,014	$ 457,741	$ 188,727

NONMAJOR SPECIAL REVENUE FUNDS

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

For the Biennium Ended June 30, 2019

(expressed in thousands)

	Human Services			
	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 1,162,379	$ 1,162,379	$ 1,162,379	$ —
Resources				
Taxes	821,860	940,996	864,373	(76,623)
Licenses, permits, and fees	1,056,319	1,773,864	1,127,154	(646,710)
Other contracts and grants	156,633	3,931	3,890	(41)
Timber sales	—	—	—	—
Federal grants-in-aid	523,337	337,191	280,527	(56,664)
Charges for services	238,416	234,718	231,735	(2,983)
Investment income (loss)	4,056	6,470	3,181	(3,289)
Miscellaneous revenue	218,229	368,418	223,035	(145,383)
Transfers from other funds	496,116	101,923	22,372	(79,551)
Total Resources	4,677,345	4,929,890	3,918,646	(1,011,244)
Charges To Appropriations				
General government	157,226	168,468	154,854	13,614
Human services	1,785,376	1,786,421	1,624,212	162,209
Natural resources and recreation	1,872	1,967	1,526	441
Transportation	18,213	22,131	20,087	2,044
Education	17,085	17,084	15,590	1,494
Capital outlays	39,699	201,489	98,102	103,387
Transfers to other funds	900,030	900,783	819,799	80,984
Total Charges To Appropriations	2,919,501	3,098,343	2,734,170	364,173
Excess Available For Appropriation Over (Under) Charges To Appropriations	1,757,844	1,831,547	1,184,476	(647,071)
Reconciling Items				
Debt service	—	—	—	—
Bond sale proceeds	—	—	—	—
Issuance premiums	—	—	—	—
Refunding COPs issued	—	—	—	—
Noncash activity (net)	—	—	50,401	50,401
Nonappropriated fund balances	—	—	107,600	107,600
Changes in reserves (net)	—	—	19,675	19,675
Total Reconciling Items	—	—	177,676	177,676
Budgetary Fund Balance, June 30	$ 1,757,844	$ 1,831,547	$ 1,362,152	$ (469,395)

Concluded

Wildlife and Natural Resources				Local Construction and Loan			
Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
$ 1,380,783	$ 1,380,783	$ 1,380,783	$ —	$ 1,121,867	$ 1,121,867	$ 1,121,867	$ —
310,279	361,110	358,619	(2,491)	38,398	46,873	47,440	567
342,477	267,807	217,659	(50,148)	358	—	—	—
9,506	10,542	3,553	(6,989)	—	—	—	—
179,029	135,960	107,627	(28,333)	155,680	83,049	74,217	(8,832)
123,157	40,981	54,186	13,205	—	(3,000)	—	3,000
20,615	24,258	25,428	1,170	—	—	—	—
13,492	7,819	8,885	1,066	4,950	4,017	4,876	859
457,698	417,959	437,894	19,935	524,029	287,049	268,807	(18,242)
245,378	242,466	246,388	3,922	15,492	15,203	16,235	1,032
3,082,414	2,889,685	2,841,022	(48,663)	1,860,774	1,555,058	1,533,442	(21,616)
1,140	1,213	1,146	67	8,934	8,927	8,623	304
6,854	6,640	6,303	337	—	—	—	—
841,594	846,235	779,981	66,254	7,620	7,619	6,301	1,318
1,666	1,173	950	223	—	35	—	35
1,947	1,946	1,946	—	—	—	—	—
558,459	888,828	313,840	574,988	262,596	552,010	222,458	329,552
104,336	239,457	256,457	(17,000)	267,578	267,604	266,947	657
1,515,996	1,985,492	1,360,623	624,869	546,728	836,195	504,329	331,866
1,566,418	904,193	1,480,399	576,206	1,314,046	718,863	1,029,113	310,250
—	—	(10)	(10)	—	—	—	—
—	—	—	—	—	—	—	—
—	—	255	255	—	—	—	—
—	—	3,265	3,265	—	—	—	—
—	—	(7,820)	(7,820)	—	—	(6,177)	(6,177)
—	—	82,456	82,456	—	—	5,182	5,182
—	—	74,577	74,577	—	—	(166,494)	(166,494)
—	—	152,723	152,723	—	—	(167,489)	(167,489)
$ 1,566,418	$ 904,193	$ 1,633,122	$ 728,929	$ 1,314,046	$ 718,863	$ 861,624	$ 142,761

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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, transportation general obligation 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 revenue 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, transportation revenue bond principal and interest.

NONMAJOR DEBT SERVICE FUNDS

Combining Balance Sheet

June 30, 2019

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Transportation Revenue Bond	Total
ASSETS					
Cash and cash equivalents	$ 2,941	$ 285,177	$ 166	$ 9,086	$ 297,370
Receivables (net of allowance)	—	845	16,394	—	17,239
Due from other funds	1,565	973	—	11	2,549
Restricted cash and investments	—	—	36,519	—	36,519
Total Assets	$ 4,506	$ 286,995	$ 53,079	$ 9,097	$ 353,677
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accrued liabilities	$ —	$ 977	$ 8	$ —	$ 985
Due to other funds	3	1,104	—	—	1,107
Total Liabilities	3	2,081	8	—	2,092
FUND BALANCES					
Restricted fund balance	—	—	53,071	9,045	62,116
Committed fund balance	4,503	284,914	—	52	289,469
Total Fund Balances	4,503	284,914	53,071	9,097	351,585
Total Liabilities and Fund Balances	$ 4,506	$ 286,995	$ 53,079	$ 9,097	$ 353,677

NONMAJOR DEBT SERVICE FUNDS

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

For the Fiscal Year Ended June 30, 2019

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Transportation Revenue Bond	Total
REVENUES					
Charges for services	$ 25,586	$ —	$ —	$ —	$ 25,586
Investment income (loss)	762	5,210	1,031	465	7,468
Miscellaneous revenue	14	24,782	34,394	—	59,190
Total Revenues	26,362	29,992	35,425	465	92,244
EXPENDITURES					
Current:					
General government	—	—	173	—	173
Debt service:					
Principal	672,903	310,697	26,415	89,620	1,099,635
Interest	604,616	343,856	8,967	66,212	1,023,651
Total Expenditures	1,277,519	654,553	35,555	155,832	2,123,459
Excess of Revenues Over (Under) Expenditures	(1,251,157)	(624,561)	(130)	(155,367)	(2,031,215)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,288,634	626,643	—	155,854	2,071,131
Transfers out	(46,871)	—	—	—	(46,871)
Total Other Financing Sources (Uses)	1,241,763	626,643	—	155,854	2,024,260
Net Change in Fund Balances	(9,394)	2,082	(130)	487	(6,955)
Fund Balances - Beginning	13,897	282,832	53,201	8,610	358,540
Fund Balances - Ending	$ 4,503	$ 284,914	$ 53,071	$ 9,097	$ 351,585

NONMAJOR DEBT SERVICE FUNDS

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

For the Biennium Ended June 30, 2019

(expressed in thousands)

	General Obligation Bond			
	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ (50)	$ (50)	$ (50)	$ —
Resources				
Charges for services	—	31,430	—	(31,430)
Investment income (loss)	697	507	—	(507)
Miscellaneous revenue	20	10	—	(10)
Transfers from other funds	220,886	262,720	210,092	(52,628)
Total Resources	221,553	294,617	210,042	(84,575)
Charges To Appropriations				
General government	211,728	210,532	210,092	440
Transfers to other funds	—	35,377	—	35,377
Total Charges To Appropriations	211,728	245,909	210,092	35,817
Excess Available For Appropriation Over (Under) Charges To Appropriations	9,825	48,708	(50)	(48,758)
Reconciling Items				
Debt service	—	(1,870)	(2,001)	(131)
Bond sale proceeds	—	31,225	—	(31,225)
Proceeds of refunding bonds	—	(235,374)	1,271,480	1,506,854
Payments to escrow agents for refunded bond debt	—	—	(1,524,297)	(1,524,297)
Issuance premiums	—	242,068	254,818	12,750
Noncash activity (net)	—	—	175	175
Nonappropriated fund balances	—	—	4,378	4,378
Total Reconciling Items	—	36,049	4,553	(31,496)
Budgetary Fund Balance, June 30	$ 9,825	$ 84,757	$ 4,503	$ (80,254)

Transportation General Obligation Bond				Transportation Revenue Bond			
Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
$ 287,988	$ 287,988	$ 287,988	$ —	$ 8,400	$ 8,400	$ 8,400	$ —
—	—	—	—	—	—	—	—
3,538	2,000	3,015	1,015	233	—	593	593
53,561	37,515	37,297	(218)	—	—	—	—
1,376,408	1,590,810	1,242,382	(348,428)	311,811	386,944	311,810	(75,134)
1,721,495	1,918,313	1,570,682	(347,631)	320,444	395,344	320,803	(74,541)
1,280,199	1,321,081	1,287,667	33,414	311,766	311,766	311,765	1
—	—	—	—	—	—	—	—
1,280,199	1,321,081	1,287,667	33,414	311,766	311,766	311,765	1
441,296	597,232	283,015	(314,217)	8,678	83,578	9,038	(74,540)
—	—	(44)	(44)	—	—	—	—
—	—	—	—	—	—	—	—
—	—	29,305	29,305	—	—	—	—
—	—	(32,639)	(32,639)	—	—	—	—
—	—	3,378	3,378	—	—	—	—
—	—	1,899	1,899	—	—	59	59
—	—	—	—	—	—	—	—
—	—	1,899	1,899	—	—	59	59
$ 441,296	$ 597,232	$ 284,914	$ (312,318)	$ 8,678	$ 83,578	$ 9,097	$ (74,481)

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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, 2019

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
ASSETS			
Cash and cash equivalents	$ 123,415	$ 53,944	$ 177,359
Receivables (net of allowance)	12,436	7,998	20,434
Due from other funds	33,791	2,702	36,493
Due from other governments	2,037	11,770	13,807
Restricted cash and investments	3,847	27,988	31,835
Total Assets	$ 175,526	$ 104,402	$ 279,928
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 58,190	$ 16,190	$ 74,380
Accrued liabilities	28,892	7,866	36,758
Due to other funds	49,075	22,923	71,998
Due to other governments	39,430	—	39,430
Unearned revenue	426	5,036	5,462
Total Liabilities	176,013	52,015	228,028
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	3,419	1,323	4,742
Total Deferred Inflows of Resources	3,419	1,323	4,742
FUND BALANCES			
Restricted fund balance	—	13,661	13,661
Committed fund balance	—	37,403	37,403
Unassigned fund balance	(3,906)	—	(3,906)
Total Fund Balances	(3,906)	51,064	47,158
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 175,526	$ 104,402	$ 279,928

NONMAJOR CAPITAL PROJECTS FUNDS

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

For the Fiscal Year Ended June 30, 2019

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
REVENUES			
Other contracts and grants	$ —	$ 12,055	$ 12,055
Timber sales	9,526	1,071	10,597
Federal grants-in-aid	—	342	342
Charges for services	—	82,431	82,431
Investment income (loss)	157	924	1,081
Miscellaneous revenue	4,072	484	4,556
Total Revenues	13,755	97,307	111,062
EXPENDITURES			
Current:			
General government	179,266	—	179,266
Human services	10,066	—	10,066
Natural resources and recreation	206,125	—	206,125
Education	378,197	112,069	490,266
Capital outlays	338,251	172,942	511,193
Debt service:			
Principal	16	9,939	9,955
Interest	7	11,540	11,547
Total Expenditures	1,111,928	306,490	1,418,418
Excess of Revenues Over (Under) Expenditures	(1,098,173)	(209,183)	(1,307,356)
OTHER FINANCING SOURCES (USES)			
Bonds issued	697,720	31,325	729,045
Issuance premiums	120,332	—	120,332
Transfers in	676	145,569	146,245
Transfers out	(9,127)	(56,010)	(65,137)
Total Other Financing Sources (Uses)	809,601	120,884	930,485
Net Change in Fund Balances	(288,572)	(88,299)	(376,871)
Fund Balances - Beginning	284,666	139,363	424,029
Fund Balances - Ending	$ (3,906)	$ 51,064	$ 47,158

NONMAJOR CAPITAL PROJECTS FUNDS

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

For the Biennium Ended June 30, 2019

(expressed in thousands)

	State Facilities			
	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ (70,005)	$ (70,005)	$ (70,005)	$ —
Resources				
Timber sales	17,953	13,474	15,440	1,966
Charges for services	—	—	—	—
Investment income (loss)	—	84	114	30
Miscellaneous revenue	2,038,831	2,694,441	9,456	(2,684,985)
Transfers from other funds	492	1,502	1,355	(147)
Total Resources	1,987,271	2,639,496	(43,640)	(2,683,136)
Charges To Appropriations				
General government	8,661	4,609	4,004	605
Education	—	—	—	—
Capital outlays	973,850	3,579,001	1,711,960	1,867,041
Transfers to other funds	27,765	58,800	10,706	48,094
Total Charges To Appropriations	1,010,276	3,642,410	1,726,670	1,915,740
Excess Available For Appropriation Over (Under) Charges To Appropriations	976,995	(1,002,914)	(1,770,310)	(767,396)
Reconciling Items				
Bond sale proceeds	1,289,492	1,350,420	1,498,510	148,090
Issuance premiums	—	144,758	264,740	119,982
Noncash activity (net)	—	—	653	653
Nonappropriated fund balances	—	—	2,501	2,501
Total Reconciling Items	1,289,492	1,495,178	1,766,404	271,226
Budgetary Fund Balance, June 30	$ 2,266,487	$ 492,264	$ (3,906)	$ (496,170)

Higher Education Facilities			
Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
$ 23,747	$ 23,747	$ 23,747	$ —
1,000	2,008	2,080	72
168,908	177,660	156,118	(21,542)
836	485	843	358
525	444	283	(161)
83,013	113,524	99,527	(13,997)
278,029	317,868	282,598	(35,270)
—	—	—	—
27,324	25,101	24,026	1,075
22,783	245,570	213,476	32,094
5,173	5,747	7,851	(2,104)
55,280	276,418	245,353	31,065
222,749	41,450	37,245	(4,205)
—	—	—	—
—	—	—	—
—	—	(25)	(25)
—	—	13,844	13,844
—	—	13,819	13,819
$ 222,749	$ 41,450	$ 51,064	$ 9,614

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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.

Guaranteed Education Tuition Program Fund
The Guaranteed Education Tuition Program Fund accounts for the guaranteed college tuition program.

Paid Family and Medical Leave Compensation Fund
The Paid Family and Medical Leave Compensation Fund accounts for the family and medical leave insurance program.

Other Activities Fund
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, 2019

(expressed in thousands)

	Lottery	Institutional	Guaranteed Education Tuition Program
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 24,142	$ 2,665	$ 18,872
Investments	15,179	—	67,795
Taxes receivable (net of allowance)	—	—	—
Receivables (net of allowance)	29,750	564	21,808
Due from other funds	407	18,212	39
Due from other governments	1,268	474	21
Inventories	480	9,389	—
Prepaid expenses	12	264	—
Total Current Assets	71,238	31,568	108,535
Noncurrent Assets:			
Investments, noncurrent	119,319	—	1,306,895
Other noncurrent assets	5	—	81,742
Capital assets:			
Land and other non-depreciable assets	—	1,540	—
Buildings	—	12,828	—
Other improvements	889	4,807	—
Furnishings, equipment, and intangibles	1,484	20,771	17
Accumulated depreciation	(1,759)	(16,319)	(15)
Construction in progress	—	—	—
Total Noncurrent Assets	119,938	23,627	1,388,639
Total Assets	191,176	55,195	1,497,174
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on refundings	—	62	—
Deferred outflows on pensions	1,159	4,658	310
Deferred outflows on OPEB	278	3,533	136
Total Deferred Outflows of Resources	1,437	8,253	446
Total Assets and Deferred Outflows of Resources	$ 192,613	$ 63,448	$ 1,497,620

Continued

Paid Family and Medical Leave Compensation	Other Activities	Total
$ 25,942	$ 68,616	$ 140,237
—	—	82,974
—	405	405
163,661	664	216,447
89	1,132	19,879
—	5,302	7,065
—	96	9,965
—	32	308
189,692	76,247	477,280
126	—	1,426,340
—	—	81,747
—	—	1,540
—	—	12,828
—	82	5,778
1,269	11,812	35,353
(372)	(7,129)	(25,594)
27,892	—	27,892
28,915	4,765	1,565,884
218,607	81,012	2,043,164
—	—	62
502	6,296	12,925
790	3,490	8,227
1,292	9,786	21,214
$ 219,899	$ 90,798	$ 2,064,378

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Net Position

June 30, 2019

(expressed in thousands)

	Lottery	Institutional	Guaranteed Education Tuition Program
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 4,186	$ 8,388	$ 122
Accrued liabilities	57,199	2,840	86,751
Obligations under security lending agreements	—	—	22,205
Bonds and notes payable	—	460	—
Total OPEB liability	96	301	21
Due to other funds	21,922	490	164
Due to other governments	—	420	—
Unearned revenue	794	—	—
Claims and judgments payable	—	—	—
Total Current Liabilities	84,197	12,899	109,263
Noncurrent Liabilities:			
Claims and judgments payable	—	—	—
Bonds and notes payable	—	3,225	—
Net pension liability	4,053	11,292	954
Total OPEB Liability	5,119	16,095	1,136
Other long-term liabilities	108,165	2,631	1,021,206
Total Noncurrent Liabilities	117,337	33,243	1,023,296
Total Liabilities	201,534	46,142	1,132,559
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on pensions	1,485	4,209	358
Deferred inflows on OPEB	2,188	6,255	597
Total Deferred Inflows of Resources	3,673	10,464	955
NET POSITION			
Net investment in capital assets	614	20,005	1
Unrestricted	(13,208)	(13,163)	364,105
Total Net Position	(12,594)	6,842	364,106
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 192,613	$ 63,448	$ 1,497,620

Concluded

Paid Family and Medical Leave Compensation	Other Activities	Total
$ 5,563	$ 1,483	$ 19,742
431	12,414	159,635
—	—	22,205
1,078	1,232	2,770
12	398	828
432	519	23,527
—	2,571	2,991
1,802	—	2,596
—	5,088	5,088
9,318	23,705	239,382
—	13,174	13,174
—	—	3,225
578	18,311	35,188
648	21,266	44,264
88	2,858	1,134,948
1,314	55,609	1,230,799
10,632	79,314	1,470,181
220	6,839	13,111
252	8,292	17,584
472	15,131	30,695
27,711	3,533	51,864
181,084	(7,180)	511,638
208,795	(3,647)	563,502
$ 219,899	$ 90,798	$ 2,064,378

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2019

(expressed in thousands)

	Lottery	Institutional	Guaranteed Education Tuition Program
OPERATING REVENUES			
Sales	$ —	$ 102,228	$ —
Less: Cost of goods sold	—	(66,987)	—
Gross profit	—	35,241	—
Charges for services	2,701	5,070	44,437
Premiums and assessments	—	—	—
Lottery ticket proceeds	803,278	—	—
Miscellaneous revenue	127	593	986
Total Operating Revenues	806,106	40,904	45,423
OPERATING EXPENSES			
Salaries and wages	8,370	24,718	3,465
Employee benefits	2,375	10,044	570
Personal services	11,316	—	1,233
Goods and services	80,161	956	709
Travel	445	355	47
Guaranteed education tuition program expense	—	—	363,840
Lottery prize payments	490,355	—	—
Depreciation and amortization	163	1,553	3
Miscellaneous expenses	37	27	—
Total Operating Expenses	593,222	37,653	369,867
Operating Income (Loss)	212,884	3,251	(324,444)
NONOPERATING REVENUES (EXPENSES)			
Earnings (loss) on investments	10,111	—	82,666
Interest expense	(4,401)	(113)	—
Tax and license revenue	11	—	—
Other revenues (expenses)	—	(43)	—
Total Nonoperating Revenues (Expenses)	5,721	(156)	82,666
Income (Loss) Before Transfers	218,605	3,095	(241,778)
Transfers in	13,938	1,291	—
Transfers out	(229,720)	(1,677)	—
Net Transfers	(215,782)	(386)	—
Change in Net Position	2,823	2,709	(241,778)
Net Position - Beginning, as restated	(15,417)	4,133	605,884
Net Position - Ending	$ (12,594)	$ 6,842	$ 364,106

Paid Family and Medical Leave Compensation	Other Activities	Total
$ —	$ 228	$ 102,456
—	(134)	(67,121)
—	94	35,335
—	35,431	87,639
231,773	29,600	261,373
—	—	803,278
1	4,100	5,807
231,774	69,225	1,193,432
5,945	39,241	81,739
2,588	11,516	27,093
4,049	3,038	19,636
5,326	20,450	107,602
63	1,299	2,209
—	—	363,840
—	—	490,355
285	874	2,878
—	845	909
18,256	77,263	1,096,261
213,518	(8,038)	97,171
1,745	104	94,626
—	—	(4,514)
—	22,145	22,156
—	456	413
1,745	22,705	112,681
215,263	14,667	209,852
—	2,668	17,897
—	(13,378)	(244,775)
—	(10,710)	(226,878)
215,263	3,957	(17,026)
(6,468)	(7,604)	580,528
$ 208,795	$ (3,647)	$ 563,502

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2019

(expressed in thousands)

	Lottery	Institutional	Guaranteed Education Tuition Program
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 801,826	$ 97,427	$ 74,437
Payments to suppliers	(583,253)	(64,773)	(966,186)
Payments to employees	(11,429)	(34,781)	(4,226)
Other receipts	127	593	986
Net Cash Provided (Used) by Operating Activities	207,271	(1,534)	(894,989)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	13,938	1,291	—
Transfers out	(229,720)	(1,677)	—
Operating grants and donations received	—	—	—
Taxes and license fees collected	11	—	—
Other noncapital financing activity	—	—	—
Net Cash Provided (Used) by Noncapital Financing Activities	(215,771)	(386)	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	—	(179)	—
Principal payments on long-term capital financing	—	(435)	—
Proceeds from sale of capital assets	—	1,123	—
Acquisitions of capital assets	—	(1,101)	—
Net Cash Provided (Used) by Capital and Related Financing Activities	—	(592)	—
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	—	—	26,928
Proceeds from sale of investment securities	15,190	—	1,126,812
Purchases of investment securities	(3,997)	—	(331,794)
Net Cash Provided (Used) by Investing Activities	11,193	—	821,946
Net Increase (Decrease) in Cash and Pooled Investments	2,693	(2,512)	(73,043)
Cash and cash equivalents, July 1	21,449	5,177	91,915
Cash and cash equivalents, June 30	$ 24,142	$ 2,665	$ 18,872
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ 212,884	$ 3,251	$ (324,444)
Adjustments to Reconcile Operating Income (Loss)			
to Net Cash Provided (Used) by Operating Activities:			
Depreciation	163	1,553	3
Revenue reduced for uncollectible accounts	36	—	—
Change in Assets: Decrease (Increase)			
Receivables	(4,469)	(9,870)	30,000
Inventories	(29)	(593)	—
Prepaid expenses	21	(111)	—
Change in Deferred Outflows of Resources: Increase (Decrease)	(20)	(3,130)	29
Change in Liabilities: Increase (Decrease)			
Payables	(3,051)	1,230	(601,121)
Change in Deferred Inflows of Resources: Decrease (Increase)	1,736	6,136	544
Net Cash Provided (Used) by Operating Activities	$ 207,271	$ (1,534)	$ (894,989)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Amortization of annuity prize liability	$ 4,401	$ —	$ —
Increase (decrease) in fair value of investments	10,111	—	56,780
Amortization of debt premium/discount	—	67	—

Paid Family and Medical Leave Compensation	Other Activities	Total
$ 69,920	$ 67,687	$ 1,111,297
(7,821)	(25,981)	(1,648,014)
(7,804)	(52,793)	(111,033)
1	4,094	5,801
54,296	(6,993)	(641,949)
—	2,668	17,897
—	(13,378)	(244,775)
—	477	477
—	21,780	21,791
(82,000)	—	(82,000)
(82,000)	11,547	(286,610)
—	—	(179)
—	—	(435)
—	—	1,123
(23,232)	(461)	(24,794)
(23,232)	(461)	(24,285)
1,048	104	28,080
—	—	1,142,002
—	—	(335,791)
1,048	104	834,291
(49,888)	4,197	(118,553)
75,830	64,419	258,790
$ 25,942	$ 68,616	$ 140,237
$ 213,518	$ (8,038)	$ 97,171
285	874	2,878
—	—	36
(163,655)	2,428	(145,566)
—	23	(599)
—	(5)	(95)
(1,291)	(1,763)	(6,175)
4,967	(8,449)	(606,424)
472	7,937	16,825
$ 54,296	$ (6,993)	$ (641,949)
$ —	$ —	$ 4,401
697	—	67,588
—	—	67

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Internal Service Funds

Internal Service Funds account for state activities that provide goods and services to other state departments or agencies on a cost-reimbursement basis. The Internal Service Funds are described below:

General Services Fund

The General Services Fund accounts for the cost of providing the following services to state agencies: (1) legal services; (2) 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, 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, 2019

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 62,083	$ 35,202	$ 462,819
Investments	73	—	8,368
Receivables (net of allowance)	3,591	180	39,081
Due from other funds	58,868	12,678	17,773
Due from other governments	9,450	144	9,060
Inventories	7,103	—	8,517
Prepaid expenses	3,991	4,037	5,001
Restricted cash and investments	190,471	—	12
Restricted receivables	2,988	—	—
Total Current Assets	338,618	52,241	550,631
Noncurrent Assets:			
Investments, noncurrent	—	—	41,689
Capital assets:			
Land and other non-depreciable assets	4,725	—	2,834
Buildings	261,656	286,818	60,199
Other improvements	12,933	1,581	608
Furnishings, equipment, and intangibles	712,594	127,747	176,398
Infrastructure	2,035	—	135
Accumulated depreciation	(457,999)	(216,016)	(176,072)
Construction in progress	1,068	—	199
Total Noncurrent Assets	537,012	200,130	105,990
Total Assets	875,630	252,371	656,621
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on refundings	1,333	1,748	—
Deferred outflows on pensions	29,550	3,715	27,307
Deferred outflows on OPEB	13,729	995	2,076
Total Deferred Outflows of Resources	44,612	6,458	29,383
Total Assets and Deferred Outflows of Resources	$ 920,242	$ 258,829	$ 686,004

Continued

Risk Management	Health Insurance	Total
$ —	$ 390,749	$ 950,853
—	1,728	10,169
4	20,984	63,840
2,875	20,231	112,425
6,500	16,784	41,938
—	—	15,620
—	—	13,029
—	—	190,483
—	—	2,988
9,379	450,476	1,401,345
—	—	41,689
—	—	7,559
—	—	608,673
—	—	15,122
8	579	1,017,326
—	—	2,170
(8)	(324)	(850,419)
—	—	1,267
—	255	843,387
9,379	450,731	2,244,732
—	—	3,081
255	494	61,321
66	660	17,526
321	1,154	81,928
$ 9,700	$ 451,885	$ 2,326,660

INTERNAL SERVICE FUNDS

Combining Statement of Net Position

June 30, 2019

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 10,048	$ 5,309	$ 6,317
Accrued liabilities	29,729	2,072	71,391
Bonds and notes payable	119,878	7,644	3,784
Net pension liability	—	—	1,196
Total OPEB liability	1,959	343	716
Due to other funds	6,043	2,397	21,048
Due to other governments	92,929	—	1,425
Unearned revenue	3,818	—	80
Claims and judgments payable	—	—	21,266
Total Current Liabilities	264,404	17,765	127,223
Noncurrent Liabilities:			
Claims and judgments payable	—	—	78,897
Bonds and notes payable	237,266	254,446	24,285
Net pension liability	88,843	19,765	107,438
Total OPEB Liability	104,723	18,361	38,266
Other long-term liabilities	15,491	3,361	5,754
Total Noncurrent Liabilities	446,323	295,933	254,640
Total Liabilities	710,727	313,698	381,863
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on refundings	120	—	—
Deferred inflows on pensions	32,515	7,513	24,501
Deferred inflows on OPEB	42,923	12,248	26,738
Total Deferred Inflows of Resources	75,558	19,761	51,239
NET POSITION			
Net investment in capital assets	259,413	(60,212)	36,232
Unrestricted	(125,456)	(14,418)	216,670
Total Net Position	133,957	(74,630)	252,902
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 920,242	$ 258,829	$ 686,004

Concluded

Risk Management	Health Insurance	Total
$ 55	$ 25,690	$ 47,419
81	2,481	105,754
—	—	131,306
—	—	1,196
15	84	3,117
140,581	21,115	191,184
—	—	94,354
—	438	4,336
76,104	104,846	202,216
216,836	154,654	780,882
572,991	—	651,888
—	—	515,997
697	2,303	219,046
789	4,469	166,608
171	559	25,336
574,648	7,331	1,578,875
791,484	161,985	2,359,757
—	—	120
214	692	65,435
341	1,757	84,007
555	2,449	149,562
—	255	235,688
(782,339)	287,196	(418,347)
(782,339)	287,451	(182,659)
$ 9,700	$ 451,885	$ 2,326,660

INTERNAL SERVICE FUNDS

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2019

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
OPERATING REVENUES			
Sales	$ 30,957	$ 99	$ 14,181
Less: Cost of goods sold	(25,039)	(99)	(12,440)
Gross profit	5,918	—	1,741
Charges for services	319,093	162,020	265,828
Premiums and assessments	558	—	75,221
Miscellaneous revenue	156,666	20,026	10,118
Total Operating Revenues	482,235	182,046	352,908
OPERATING EXPENSES			
Salaries and wages	177,715	38,490	100,010
Employee benefits	59,379	5,640	41,337
Personal services	7,194	5,632	10,673
Goods and services	155,321	82,435	102,511
Travel	3,722	134	1,619
Premiums and claims	—	—	7,487
Depreciation and amortization	70,176	17,477	19,405
Miscellaneous expenses	96	—	15
Total Operating Expenses	473,603	149,808	283,057
Operating Income (Loss)	8,632	32,238	69,851
NONOPERATING REVENUES (EXPENSES)			
Earnings (loss) on investments	1,242	—	7,907
Interest expense	(8,053)	(13,587)	(993)
Tax and license revenue	12	—	—
Other revenues (expenses)	(100)	981	900
Total Nonoperating Revenues (Expenses)	(6,899)	(12,606)	7,814
Income (Loss) Before Contributions and Transfers	1,733	19,632	77,665
Capital contributions	11,334	—	—
Transfers in	13,733	15,697	33,683
Transfers out	(2,300)	(7,697)	(39,003)
Net Contributions and Transfers	22,767	8,000	(5,320)
Change in Net Position	24,500	27,632	72,345
Net Position - Beginning, as restated	109,457	(102,262)	180,557
Net Position - Ending	$ 133,957	$ (74,630)	$ 252,902

Risk Management	Health Insurance	Total
$ —	$ —	$ 45,237
—	—	(37,578)
—	—	7,659
3,991	—	750,932
100,639	1,626,982	1,803,400
(1)	793	187,602
104,629	1,627,775	2,749,593
1,458	11,173	328,846
419	3,788	110,563
58	11,502	35,059
26,743	6,023	373,033
20	106	5,601
211,444	1,618,692	1,837,623
—	41	107,099
—	11	122
240,142	1,651,336	2,797,946
(135,513)	(23,561)	(48,353)
—	8,766	17,915
—	—	(22,633)
—	—	12
—	—	1,781
—	8,766	(2,925)
(135,513)	(14,795)	(51,278)
—	—	11,334
—	17,423	80,536
—	—	(49,000)
—	17,423	42,870
(135,513)	2,628	(8,408)
(646,826)	284,823	(174,251)
$ (782,339)	$ 287,451	$ (182,659)

INTERNAL SERVICE FUNDS
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019
(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 343,852	$ 165,536	$ 356,878
Payments to suppliers	(199,810)	(88,436)	(117,677)
Payments to employees	(245,998)	(52,662)	(142,812)
Other receipts	157,123	20,027	10,116
Net Cash Provided (Used) by Operating Activities	55,167	44,465	106,505
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	13,733	15,697	33,683
Transfers out	(2,300)	(7,697)	(39,003)
Operating grants and donations received	726	775	—
Taxes and license fees collected	12	—	—
Net Cash Provided (Used) by Noncapital Financing Activities	12,171	8,775	(5,320)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	(12,228)	(13,322)	(995)
Principal payments on long-term capital financing	(43,100)	(10,367)	(5,437)
Proceeds from long-term capital financing	48,125	—	88
Proceeds from sale of capital assets	2,134	—	1,099
Acquisitions of capital assets	(61,748)	(4,515)	(13,882)
Net Cash Provided (Used) by Capital and Related Financing Activities	(66,817)	(28,204)	(19,127)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	1,014	—	7,452
Proceeds from sale of investment securities	—	—	212,694
Purchases of investment securities	—	—	(22,203)
Net Cash Provided (Used) by Investing Activities	1,014	—	197,943
Net Increase (Decrease) in Cash and Pooled Investments	1,535	25,036	280,001
Cash and cash equivalents, July 1, as restated	251,019	10,166	182,830
Cash and cash equivalents, June 30	$ 252,554	$ 35,202	$ 462,831
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ 8,632	$ 32,238	$ 69,851
Adjustments to Reconcile Operating Income (Loss)			
to Net Cash Provided (Used) by Operating Activities:			
Depreciation	70,176	17,477	19,405
Revenue reduced for uncollectible accounts	(91)	—	(5)
Change in Assets: Decrease (Increase)			
Receivables	(6,119)	3,441	1,644
Inventories	21	—	(136)
Prepaid expenses	(634)	1,752	(34)
Change in Deferred Outflows of Resources: Increase (Decrease)	(13,358)	2,776	(16,254)
Change in Liabilities: Increase (Decrease)			
Payables	(43,899)	(21,427)	16,425
Change in Deferred Inflows of Resources: Decrease (Increase)	40,439	8,208	15,609
Net Cash Provided (Used) by Operating Activities	$ 55,167	$ 44,465	$ 106,505
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Contributions of capital assets	$ 11,334	$ —	$ —
Increase (decrease) in fair value of investments	185	—	344
Debt refunding deposited with escrow agent	—	227,875	—
Amortization of debt premium/discount	4,371	574	—

Risk Management	Health Insurance	Total
$ 95,896	$ 1,659,989	$ 2,622,151
(94,023)	(1,599,402)	(2,099,348)
(1,873)	(14,913)	(458,258)
—	793	188,059
—	46,467	252,604
—	17,423	80,536
—	—	(49,000)
—	—	1,501
—	—	12
—	17,423	33,049
—	—	(26,545)
—	—	(58,904)
—	—	48,213
—	—	3,233
—	(110)	(80,255)
—	(110)	(114,258)
—	4,119	12,585
—	546	213,240
—	—	(22,203)
—	4,665	203,622
—	68,445	375,017
—	322,304	766,319
$ —	$ 390,749	$ 1,141,336
$ (135,513)	$ (23,561)	$ (48,353)
—	41	107,099
—	—	(96)
(8,592)	34,748	25,122
—	—	(115)
—	—	1,084
(43)	197	(26,682)
143,774	33,381	128,254
374	1,661	66,291
$ —	$ 46,467	$ 252,604
$ —	$ —	$ 11,334
—	4,021	4,550
—	—	227,875
—	—	4,945

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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.

PENSION FUNDS

Pension Trust Funds account for transactions, assets, liabilities, and plan net position available for plan benefits of the various state public employee retirement systems. Refer to Note 11, Retirement Plans, for a description of the individual pension plans.

Public Employees' Retirement System Plan 1 Fund

The Public Employees' Retirement System Plan 1 Fund provides benefits for state and local government employees who are members of this closed cost-sharing, multiple-employer defined benefit pension plan.

Public Employees' Retirement System Plan 2/3 Fund

The Public Employees' Retirement System Plan 2/3 Fund provides the defined benefit portion of benefits for state and local government employees who are members of Plan 2, a cost-sharing, multiple-employer defined benefit pension plan, and Plan 3, a combination defined benefit/defined contribution plan.

Public Employees' Retirement System Plan 3 Fund

The Public Employees' Retirement System Plan 3 fund provides the defined contribution portion of benefits for state and local government employees who are members of this combination defined benefit/defined contribution plan.

Teachers' Retirement System Plan 1 Fund

The Teachers' Retirement System Plan 1 Fund provides benefits for certificated public school instructors, administrators, or supervisors who are members of this closed cost-sharing, multiple-employer defined benefit pension plan.

Teachers' Retirement System Plan 2/3 Fund

The Teachers' Retirement System Plan 2/3 Fund provides the defined benefit portion of benefits for certificated public school instructors, administrators, or supervisors who are members of Plan 2, a cost-sharing, multiple-employer defined benefit pension plan, and Plan 3, a combination defined benefit/defined contribution plan.

Teachers' Retirement System Plan 3 Fund

The Teachers' Retirement System Plan 3 fund provides the defined contribution portion of benefits for certificated public school instructors, administrators, or supervisors who are members of this combination defined benefit/defined contribution plan.

School Employees' Retirement System Plan 2/3 Fund

The School Employees' Retirement System Plan 2/3 Fund provides the defined benefit portion of benefits for classified employees of public school districts and educational service districts who are members of Plan 2, a cost-sharing, multiple-employer defined benefit pension plan, or Plan 3, a combination defined benefit/defined contribution plan.

School Employees' Retirement System Plan 3 Fund

The School Employees' Retirement System Plan 3 Fund provides the defined contribution portion of benefits for classified employees of public school districts and educational service districts who are members of this combination defined benefit/defined contribution plan.

Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 Fund

The Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 Fund provides benefits for full-time, fully compensated local law enforcement officers and firefighters who are members of this closed cost-sharing, defined benefit pension plan.

Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Fund

The Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Fund provides benefits for full-time, fully compensated local law enforcement officers and firefighters who are members of this cost-sharing, defined benefit pension plan.

Washington State Patrol Retirement System Plan 1/2 Fund

The Washington State Patrol Retirement System Plan 1/2 Fund provides benefits for commissioned officers of the Washington State Patrol who are members of this single-employer, defined benefit pension plan.

Public Safety Employees' Retirement System Plan 2 Fund

The Public Safety Employees' Retirement System Plan 2 fund provides benefits for state and local government employees in criminal justice or criminal custodial positions who are members of this cost-sharing, multiple-employer defined benefit pension plan.

Judicial Retirement System Fund
The Judicial Retirement System Fund provides benefits for judges of the state Supreme Court, Court of Appeals, and Superior Courts who are members of this closed single-employer, defined-benefit pension plan.

Judicial Retirement Account Fund
The Judicial Retirement Account Fund provides benefits for judges of the state Supreme Court, Court of Appeals, and Superior Courts who are members of this defined contribution pension plan.

Judges' Retirement Fund
The Judges' Retirement Fund provides benefits for judges of the state Supreme Court, Court of Appeals, and Superior Courts who are members of this closed single-employer, defined-benefit pension plan.

Volunteer Fire Fighters' Retirement System Fund
The Volunteer Fire Fighters' Retirement System Fund provides benefits to volunteer fire fighters of electing municipalities of the state who are members of this cost-sharing, multiple-employer defined benefit pension plan.

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:

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.

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Plan Net Position

June 30, 2019

(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 AND DEFERRED OUTFLOWS OF RESOURCES					
Cash and cash equivalents	$ —	$ —	$ 237	$ —	$ 2,566
Receivables:					
Employer accounts receivable	1,383	81,953	8,061	515	47,031
Member accounts receivable (net of allowance)	1,020	3,381	—	247	134
Due from other pension and other employee benefit funds	54,159	2,962	1,352	43,453	4,833
Interest and dividends	26,158	141,883	6,299	19,593	53,185
Investment trades pending	308,581	1,681,597	74,591	231,119	629,993
Other receivables, all other funds	17	33	—	13	30
Total Receivables	391,318	1,911,809	90,303	294,940	735,206
Investments, Noncurrent:					
Liquidity	120,847	641,452	35,463	89,304	257,180
Fixed income	1,622,454	8,807,239	426,442	1,215,178	3,223,388
Public equity	2,476,114	13,603,124	1,819,619	1,854,549	5,340,026
Private equity	1,730,454	9,393,499	454,828	1,296,068	3,437,954
Real estate	1,439,380	7,813,452	378,323	1,078,061	2,859,668
Tangible assets	400,641	2,174,815	105,303	300,070	795,967
Total Investments, Noncurrent	7,789,890	42,433,581	3,219,978	5,833,230	15,914,183
Security lending collateral	52,421	285,667	12,671	39,262	107,022
Total Assets	8,233,629	44,631,057	3,323,189	6,167,432	16,758,977
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on OPEB	21	37	—	7	7
Total Deferred Outflows of Resources	21	37	—	7	7
Total Assets and Deferred Outflows of Resources	$ 8,233,650	$ 44,631,094	$ 3,323,189	$ 6,167,439	$ 16,758,984
LIABILITIES					
Accrued liabilities	$ 329,901	$ 1,770,397	$ 83,019	$ 248,460	$ 665,705
Obligations under security lending agreements	52,421	285,667	12,671	39,262	107,022
Due to other pension and other employee benefit funds	—	42,936	2,962	—	43,453
Unearned revenues	48	251	—	—	61
Total Liabilities	382,370	2,099,251	98,652	287,722	816,241
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows on OPEB	25	39	—	7	4
Total Deferred Inflows of Resources	25	39	—	7	4
NET POSITION					
Net position restricted for:					
Pensions	7,851,255	42,531,804	3,224,537	5,879,710	15,942,739
Deferred compensation participants	—	—	—	—	—
Total Net Position	7,851,255	42,531,804	3,224,537	5,879,710	15,942,739
Total Liabilities Deferred Inflows of Resources, and Net Position	$ 8,233,650	$ 44,631,094	$ 3,323,189	$ 6,167,439	$ 16,758,984

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Plan Net Position

June 30, 2019

(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 AND DEFERRED OUTFLOWS OF RESOURCES					
Cash and cash equivalents	$ 11,869	$ 1,368	$ 2,544	$ 495	$ 572
Receivables:					
Employer accounts receivable	33,046	18,980	7,511	—	24,978
Member accounts receivable (net of allowance)	—	77	—	236	145
Due from other pension and other employee benefit funds	—	1,658	—	—	—
Interest and dividends	19,078	20,391	5,138	20,181	47,470
Investment trades pending	225,762	241,551	60,825	238,654	562,548
Other receivables, all other funds	—	13	—	3	8
Total Receivables	277,886	282,670	73,474	259,074	635,149
Investments, Noncurrent:					
Liquidity	113,296	96,204	28,356	88,909	213,986
Fixed income	1,276,001	1,246,517	343,315	1,254,800	2,957,766
Public equity	5,153,633	2,013,505	953,700	1,915,018	4,514,006
Private equity	1,360,939	1,329,493	366,168	1,338,326	3,154,652
Real estate	1,132,020	1,105,863	304,576	1,113,212	2,624,019
Tangible assets	315,089	307,809	84,777	309,854	730,376
Total Investments, Noncurrent	9,350,978	6,099,391	2,080,892	6,020,119	14,194,805
Security lending collateral	38,352	41,035	10,332	40,542	95,564
Total Assets	9,679,085	6,424,464	2,167,242	6,320,230	14,926,090
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on OPEB	—	2	—	—	41
Total Deferred Outflows of Resources	—	2	—	—	41
Total Assets and Deferred Outflows of Resources	$ 9,679,085	$ 6,424,466	$ 2,167,242	$ 6,320,230	$ 14,926,131
LIABILITIES					
Accrued liabilities	$ 246,597	$ 254,946	$ 69,940	$ 250,840	$ 591,833
Obligations under security lending agreements	38,352	41,034	10,332	40,542	95,564
Due to other pension and other employee benefit funds	4,833	10,120	1,658	—	—
Unearned revenues	—	1	—	—	289
Total Liabilities	289,782	306,101	81,930	291,382	687,686
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows on OPEB	—	4	—	6	31
Total Deferred Inflows of Resources	—	4	—	6	31
NET POSITION					
Net position restricted for:					
Pensions	9,389,303	6,118,361	2,085,312	6,028,842	14,238,414
Deferred compensation participants	—	—	—	—	—
Total Net Position	9,389,303	6,118,361	2,085,312	6,028,842	14,238,414
Total Liabilities Deferred Inflows of Resources, and Net Position	$ 9,679,085	$ 6,424,466	$ 2,167,242	$ 6,320,230	$ 14,926,131

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Plan Net Position

June 30, 2019

(expressed in thousands)

Continued

	WSPRS Plan 1/2	PSERS Plan 2	JRS	JRA
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Cash and cash equivalents	$ 448	$ 353	$ 8,440	$ 10
Receivables:				
Employer accounts receivable	983	3,947	—	—
Member accounts receivable (net of allowance)	1	—	4	1
Due from other pension and other employee benefit funds	—	—	—	—
Interest and dividends	4,549	2,375	—	—
Investment trades pending	53,824	28,095	—	—
Other receivables, all other funds	3	2	30	—
Total Receivables	59,360	34,419	34	1
Investments, Noncurrent:				
Liquidity	21,396	16,284	39	—
Fixed income	282,997	147,718	—	—
Public equity	431,897	225,440	—	9,281
Private equity	301,835	157,551	—	—
Real estate	251,064	131,050	—	—
Tangible assets	69,882	36,477	—	—
Total Investments, Noncurrent	1,359,071	714,520	39	9,281
Security lending collateral	9,144	4,773	—	—
Total Assets	1,428,023	754,065	8,513	9,292
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on OPEB	1	7	—	—
Total Deferred Outflows of Resources	1	7	—	—
Total Assets and Deferred Outflows of Resources	$ 1,428,024	$ 754,072	$ 8,513	$ 9,292
LIABILITIES				
Accrued liabilities	$ 56,592	$ 29,626	$ 15	$ —
Obligations under security lending agreements	9,144	4,773	—	—
Due to other pension and other employee benefit funds	—	2,455	—	—
Unearned revenues	—	—	—	—
Total Liabilities	65,736	36,854	15	—
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows on OPEB	1	2	—	—
Total Deferred Inflows of Resources	1	2	—	—
NET POSITION				
Net position restricted for:				
Pensions	1,362,287	717,216	8,498	9,292
Deferred compensation participants	—	—	—	—
Total Net Position	1,362,287	717,216	8,498	9,292
Total Liabilities Deferred Inflows of Resources, and Net Position	$ 1,428,024	$ 754,072	$ 8,513	$ 9,292

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Plan Net Position

June 30, 2019

(expressed in thousands)

Concluded

	Judges	VFFRPF	Deferred Compensation	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Cash and cash equivalents	$ 973	$ 21,041	$ 2,962	$ 53,878
Receivables:				
Employer accounts receivable	—	—	82	228,470
Member accounts receivable (net of allowance)	—	—	1,792	7,038
Due from other pension and other employee benefit funds	—	—	—	108,417
Interest and dividends	—	800	—	367,100
Investment trades pending	—	9,482	—	4,346,622
Other receivables, all other funds	3	25	7	187
Total Receivables	3	10,307	1,881	5,057,834
Investments, Noncurrent:				
Liquidity	4	3,597	—	1,726,317
Fixed income	—	49,856	—	22,853,671
Public equity	—	76,088	4,706,380	45,092,380
Private equity	—	53,175	—	24,374,942
Real estate	—	44,230	—	20,274,918
Tangible assets	—	12,311	—	5,643,371
Total Investments, Noncurrent	4	239,257	4,706,380	119,965,599
Security lending collateral	—	1,611	—	738,396
Total Assets	980	272,216	4,711,223	125,815,707
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on OPEB	—	—	—	123
Total Deferred Outflows of Resources	—	—	—	123
Total Assets and Deferred Outflows of Resources	$ 980	$ 272,216	$ 4,711,223	$ 125,815,830
LIABILITIES				
Accrued liabilities	$ 2	$ 9,996	$ 1,035	$ 4,608,904
Obligations under security lending agreements	—	1,611	—	738,395
Due to other pension and other employee benefit funds	—	—	—	108,417
Unearned revenues	—	—	—	650
Total Liabilities	2	11,607	1,035	5,456,366
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows on OPEB	—	—	—	119
Total Deferred Inflows of Resources	—	—	—	119
NET POSITION				
Net position restricted for:				
Pensions	978	260,609	—	115,649,157
Deferred compensation participants	—	—	4,710,188	4,710,188
Total Net Position	978	260,609	4,710,188	120,359,345
Total Liabilities Deferred Inflows of Resources, and Net Position	$ 980	$ 272,216	$ 4,711,223	$ 125,815,830

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2019

(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	$ 726,384	$ 820,188	$ —	$ 500,822	$ 523,733
Members	9,827	668,736	154,982	2,856	124,672
State	—	—	—	—	—
Participants	—	—	—	—	—
Total Contributions	736,211	1,488,924	154,982	503,678	648,405
Investment Income:					
Net appreciation (depreciation) in fair value	515,571	2,794,778	188,283	386,247	1,045,266
Interest and dividends	181,004	949,610	45,757	136,075	355,362
Less: investment expenses	(55,713)	(291,176)	(13,716)	(41,918)	(109,852)
Net investment income (loss)	640,862	3,453,212	220,324	480,404	1,290,776
Transfers from other plans	17	32,589	3,390	17	84,930
Other additions	4	—	—	3	—
Total Additions	1,377,094	4,974,725	378,696	984,102	2,024,111
DEDUCTIONS					
Pension benefits	1,198,938	1,207,093	—	905,079	382,016
Pension refunds	3,859	47,782	117,315	1,010	4,394
Transfers to other plans	17	4,251	33,054	—	2,645
Administrative expenses	259	658	—	76	197
Distributions to participants	—	—	—	—	—
Total Deductions	1,203,073	1,259,784	150,369	906,165	389,252
Net Increase (Decrease)	174,021	3,714,941	228,327	77,937	1,634,859
Net Position - Beginning, as restated	7,677,234	38,816,863	2,996,210	5,801,773	14,307,880
Net Position - Ending	$ 7,851,255	$ 42,531,804	$ 3,224,537	$ 5,879,710	$ 15,942,739

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2019

(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	$ —	$ 200,604	$ —	$ 3	$ 115,882
Members	389,550	80,636	86,755	146	204,384
State	—	—	—	—	72,960
Participants	—	—	—	—	—
Total Contributions	389,550	281,240	86,755	149	393,226
Investment Income:					
Net appreciation (depreciation) in fair value	576,959	401,045	128,432	398,806	935,078
Interest and dividends	133,842	136,041	36,440	139,446	317,771
Less: investment expenses	(41,177)	(41,932)	(10,741)	(43,093)	(98,532)
Net investment income (loss)	669,624	495,154	154,131	495,159	1,154,317
Transfers from other plans	3,004	21,251	1,976	—	203
Other additions	—	—	—	—	—
Total Additions	1,062,178	797,645	242,862	495,308	1,547,746
DEDUCTIONS					
Pension benefits	—	183,406	—	369,072	304,874
Pension refunds	406,482	4,591	105,109	—	9,087
Transfers to other plans	84,959	1,983	21,237	—	—
Administrative expenses	—	25	—	94	831
Distributions to participants	—	—	—	—	—
Total Deductions	491,441	190,005	126,346	369,166	314,792
Net Increase (Decrease)	570,737	607,640	116,516	126,142	1,232,954
Net Position - Beginning, as restated	8,818,566	5,510,721	1,968,796	5,902,700	13,005,460
Net Position - Ending	$ 9,389,303	$ 6,118,361	$ 2,085,312	$ 6,028,842	$ 14,238,414

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2019

(expressed in thousands)

Continued

	WSPRS Plan 1/2	PSERS Plan 2	JRS	JRA
ADDITIONS				
Contributions:				
Employers	$ 14,700	$ 32,468	$ —	$ 9
Members	10,744	33,198	—	9
State	—	—	8,400	—
Participants	—	—	—	—
Total Contributions	25,444	65,666	8,400	18
Investment Income:				
Net appreciation (depreciation) in fair value	89,692	46,350	98	299
Interest and dividends	30,962	15,324	166	10
Less: investment expenses	(9,515)	(4,605)	—	(12)
Net investment income (loss)	111,139	57,069	264	297
Transfers from other plans	770	—	—	—
Other additions	—	—	—	51
Total Additions	137,353	122,735	8,664	366
DEDUCTIONS				
Pension benefits	64,252	2,936	7,958	1,141
Pension refunds	117	3,739	—	—
Transfers to other plans	—	—	—	—
Administrative expenses	131	16	—	—
Distributions to participants	—	—	—	—
Total Deductions	64,500	6,691	7,958	1,141
Net Increase (Decrease)	72,853	116,044	706	(775)
Net Position - Beginning, as restated	1,289,434	601,172	7,792	10,067
Net Position - Ending	$ 1,362,287	$ 717,216	$ 8,498	$ 9,292

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2019

(expressed in thousands)

Concluded

	Judges	VFFRPF	Deferred Compensation	Total
ADDITIONS				
Contributions:				
Employers	$ —	$ 797	$ —	$ 2,935,590
Members	—	54	—	1,766,549
State	500	7,639	—	89,499
Participants	—	—	312,768	312,768
Total Contributions	500	8,490	312,768	5,104,406
Investment Income:				
Net appreciation (depreciation) in fair value	10	16,048	201,678	7,724,640
Interest and dividends	17	5,723	5,719	2,489,269
Less: investment expenses	—	(1,669)	(5,726)	(769,377)
Net investment income (loss)	27	20,102	201,671	9,444,532
Transfers from other plans	—	—	(1)	148,146
Other additions	—	—	21,321	21,379
Total Additions	527	28,592	535,759	14,718,463
DEDUCTIONS				
Pension benefits	338	11,893	—	4,638,996
Pension refunds	—	20	—	703,505
Transfers to other plans	—	—	—	148,146
Administrative expenses	—	1,352	—	3,639
Distributions to participants	—	—	256,448	256,448
Total Deductions	338	13,265	256,448	5,750,734
Net Increase (Decrease)	189	15,327	279,311	8,967,729
Net Position - Beginning, as restated	789	245,282	4,430,877	111,391,616
Net Position - Ending	$ 978	$ 260,609	$ 4,710,188	$ 120,359,345

AGENCY FUNDS

Combining Statement of Assets and Liabilities

June 30, 2019

(expressed in thousands)

	Local Government Distributions	Retiree Health Insurance	Other Agency	Total
ASSETS				
Cash and cash equivalents	$ 10,976	$ 8,418	$ 176,630	$ 196,024
Other receivables	—	5,790	5,569	11,359
Due from other governments	48	20,904	1,036	21,988
Other noncurrent assets	—	—	55,436	55,436
Total Assets	$ 11,024	$ 35,112	$ 238,671	$ 284,807
LIABILITIES				
Accounts payable	$ —	$ 5,059	$ 420	$ 5,479
Contracts payable	—	29,652	98	29,750
Accrued liabilities	36	401	170,673	171,110
Due to other governments	10,988	—	12,044	23,032
Other long-term liabilities	—	—	55,436	55,436
Total Liabilities	$ 11,024	$ 35,112	$ 238,671	$ 284,807

AGENCY FUNDS

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2019

(expressed in thousands)

Continued

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Suspense Fund				
ASSETS				
Cash and cash equivalents	$ —	$ 38,491,763	$ 38,491,763	$ —
Other receivables	—	30,444	30,444	—
Due from other funds	—	23,585	23,585	—
Due from other governments	—	187	187	—
Total Assets	$ —	$ 38,545,979	$ 38,545,979	$ —
LIABILITIES				
Accounts payable	$ —	$ 4,661	$ 4,661	$ —
Accrued liabilities	—	2,013,197	2,013,197	—
Due to other funds	—	60,331,559	60,331,559	—
Due to other governments	—	216,494	216,494	—
Total Liabilities	$ —	$ 62,565,911	$ 62,565,911	$ —
Local Government Distributions Fund				
ASSETS				
Cash and cash equivalents	$ 10,909	$ 5,399,182	$ 5,399,115	$ 10,976
Due from other funds	—	122,408	122,408	—
Due from other governments	43	68	63	48
Total Assets	$ 10,952	$ 5,521,658	$ 5,521,586	$ 11,024
LIABILITIES				
Accrued liabilities	$ —	$ 36	$ —	$ 36
Due to other funds	—	6	6	—
Due to other governments	10,952	5,515,514	5,515,478	10,988
Other long-term liabilities	—	6,113	6,113	—
Total Liabilities	$ 10,952	$ 5,521,669	$ 5,521,597	$ 11,024
Pooled Investments Fund				
ASSETS				
Cash and cash equivalents	$ —	$ 225,770,337	$ 225,770,337	$ —
Other receivables	—	2,416,871	2,416,871	—
Investment trades pending receivable	—	74,099,301	74,099,301	—
Due from other funds	—	5,095	5,095	—
Total Assets	$ —	$ 302,291,604	$ 302,291,604	$ —
LIABILITIES				
Accounts payable	$ —	$ 101	$ 101	$ —
Accrued liabilities	—	382,822,835	382,822,835	—
Obligations under security lending agreements	—	11,205	11,205	—
Due to other funds	—	10,134	10,134	—
Total Liabilities	$ —	$ 382,844,275	$ 382,844,275	$ —

AGENCY FUNDS

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2019

(expressed in thousands)

Concluded

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Retiree Health Insurance Fund				
ASSETS				
Cash and cash equivalents	$ 23,117	$ 725,815	$ 740,514	$ 8,418
Other receivables	5,479	264,319	264,008	5,790
Due from other governments	21,434	457,326	457,856	20,904
Total Assets	$ 50,030	$ 1,447,460	$ 1,462,378	$ 35,112
LIABILITIES				
Accounts payable	$ 22,990	$ 480,018	$ 497,949	$ 5,059
Contracts payable	26,513	3,139	—	29,652
Accrued liabilities	527	242,657	242,783	401
Total Liabilities	$ 50,030	$ 725,814	$ 740,732	$ 35,112
Other Agency Funds				
ASSETS				
Cash and cash equivalents	$ 172,371	$ 8,664,726	$ 8,660,467	$ 176,630
Restricted cash and investments	—	404	404	—
Other receivables	(3,234)	629,606	620,803	5,569
Investment trades pending receivable	—	52,436	52,436	—
Due from other funds	—	50,733	50,733	—
Due from other governments	1,509	54,207	54,680	1,036
Other noncurrent assets	60,087	—	4,651	55,436
Total Assets	$ 230,733	$ 9,452,112	$ 9,444,174	$ 238,671
LIABILITIES				
Accounts payable	$ (3,076)	$ 1,365,822	$ 1,362,326	$ 420
Contracts payable	410	—	312	98
Accrued liabilities	153,730	8,676,300	8,659,357	170,673
Due to other funds	18,710	32,152	50,862	—
Due to other governments	872	96,660	85,488	12,044
Other long-term liabilities	60,087	—	4,651	55,436
Total Liabilities	$ 230,733	$ 10,170,934	$ 10,162,996	$ 238,671
Totals - All Agency Funds				
ASSETS				
Cash and cash equivalents	$ 206,397	$ 279,051,823	$ 279,062,196	$ 196,024
Restricted cash and investments	—	404	404	—
Other receivables	2,245	3,341,240	3,332,126	11,359
Investment trades pending receivable	—	74,151,737	74,151,737	—
Due from other funds	—	201,821	201,821	—
Due from other governments	22,986	511,788	512,786	21,988
Other noncurrent assets	60,087	—	4,651	55,436
Total Assets	$ 291,715	$ 357,258,813	$ 357,265,721	$ 284,807
LIABILITIES				
Accounts payable	$ 19,914	$ 1,850,602	$ 1,865,037	$ 5,479
Contracts payable	26,923	3,139	312	29,750
Accrued liabilities	154,257	393,755,025	393,738,172	171,110
Obligations under security lending agreements	—	11,205	11,205	—
Due to other funds	18,710	60,373,851	60,392,561	—
Due to other governments	11,824	5,828,668	5,817,460	23,032
Other long-term liabilities	60,087	6,113	10,764	55,436
Total Liabilities	$ 291,715	$ 461,828,603	$ 461,835,511	$ 284,807

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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, 2019

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 28,476	$ 542	$ 1,032	$ 673	$ 30,723
Investments	45,624	3,400	—	—	49,024
Receivables (net of allowance)	10,306	183	4	—	10,493
Prepaid expenses	445	12	13	—	470
Total Current Assets	84,851	4,137	1,049	673	90,710
Noncurrent Assets:					
Other noncurrent assets	396,437	—	—	—	396,437
Capital assets:					
Other improvements	176	—	—	—	176
Furnishings, equipment and intangible assets	2,004	—	—	—	2,004
Accumulated depreciation	(1,958)	—	—	—	(1,958)
Total Noncurrent Assets	396,659	—	—	—	396,659
Total Assets	481,510	4,137	1,049	673	487,369
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on pensions	813	74	—	—	887
Deferred outflows on OPEB	157	9	—	—	166
Total Deferred Outflows of Resources	970	83	—	—	1,053
Total Assets and Deferred Outflows of Resources	$ 482,480	$ 4,220	$ 1,049	$ 673	$ 488,422
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 296	$ 67	$ 66	$ —	$ 429
Accrued liabilities	37,458	105	—	—	37,563
Total OPEB liability	—	3	—	—	3
Unearned revenue	9,077	—	—	—	9,077
Total Current Liabilities	46,831	175	66	—	47,072
Noncurrent Liabilities:					
Net pension liability	3,076	224	—	—	3,300
Total OPEB liability	2,948	161	—	—	3,109
Total Noncurrent Liabilities	6,024	385	—	—	6,409
Total Liabilities	52,855	560	66	—	53,481
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows on pensions	1,058	85	—	—	1,143
Deferred inflows on OPEB	1,170	67	—	—	1,237
Total Deferred Inflows of Resources	2,228	152	—	—	2,380
NET POSITION					
Net investment in capital assets	223	—	—	—	223
Restricted for other purposes	1,083	—	—	—	1,083
Unrestricted	426,091	3,508	983	673	431,255
Total Net Position	427,397	3,508	983	673	432,561
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 482,480	$ 4,220	$ 1,049	$ 673	$ 488,422

NONMAJOR COMPONENT UNITS

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2019

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
EXPENSES	$ 11,779	$ 989	$ 357	$ 286	$ 13,411
PROGRAM REVENUES					
Charges for services	89,289	1,338	—	434	91,061
Operating grants and contributions	1,967	—	—	—	1,967
Total Program Revenues	91,256	1,338	—	434	93,028
Net Program Revenues (Expense)	79,477	349	(357)	148	79,617
GENERAL REVENUES					
Earnings (loss) on investments	3,914	83	27	12	4,036
Total General Revenues	3,914	83	27	12	4,036
Change in Net Position	83,391	432	(330)	160	83,653
Net Position - Beginning, as restated	344,006	3,076	1,313	513	348,908
Net Position - Ending	$ 427,397	$ 3,508	$ 983	$ 673	$ 432,561

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Individual Fund Schedules

COMBINING SCHEDULE FOR GENERAL FUND ACCOUNTS

Balance Sheet

June 30, 2019

(expressed in thousands)

	General Fund Basic Account	Administrative Accounts	Total
ASSETS			
Cash and cash equivalents	$ 981,026	$ 2,375,179	$ 3,356,205
Investments	2,436	89,372	91,808
Taxes receivable (net of allowance)	4,845,644	—	4,845,644
Receivables (net of allowance)	684,127	14,687	698,814
Due from other funds	357,067	33,843	390,910
Due from other governments	1,540,709	2,446	1,543,155
Inventories and prepaids	14,375	—	14,375
Restricted cash and investments	1,845	17,038	18,883
Restricted receivables	6,916	—	6,916
Total Assets	$ 8,434,145	$ 2,532,565	$ 10,966,710
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 1,407,282	$ 50,188	$ 1,457,470
Accrued liabilities	391,830	24,566	416,396
Due to other funds	218,820	65,390	284,210
Due to other governments	1,393,292	3,601	1,396,893
Unearned revenue	155,931	56	155,987
Claims and judgments payable	51,884	—	51,884
Total Liabilities	3,619,039	143,801	3,762,840
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	2,349,690	4,659	2,354,349
Total Deferred Inflows of Resources	2,349,690	4,659	2,354,349
FUND BALANCES			
Nonspendable fund balance	49,614	—	49,614
Restricted fund balance	—	1,699,486	1,699,486
Committed fund balance	—	684,619	684,619
Assigned fund balance	1,416,952	—	1,416,952
Unassigned fund balance	998,850	—	998,850
Total Fund Balances	2,465,416	2,384,105	4,849,521
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 8,434,145	$ 2,532,565	$ 10,966,710

COMBINING SCHEDULE FOR GENERAL FUND ACCOUNTS

Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2019

(expressed in thousands)

	General Fund Basic Account	Administrative Accounts	Total
REVENUES			
Retail sales and use taxes	$ 11,950,570	$ 1,500	$ 11,952,070
Business and occupation taxes	4,447,626	—	4,447,626
Property taxes	2,339,469	—	2,339,469
Excise taxes	1,146,348	—	1,146,348
Other taxes	1,915,048	—	1,915,048
Licenses, permits, and fees	128,216	1,954	130,170
Other contracts and grants	295,512	67	295,579
Timber sales	1,715	—	1,715
Federal grants-in-aid	13,295,265	516	13,295,781
Charges for services	50,407	48	50,455
Investment income (loss)	60,152	53,927	114,079
Miscellaneous revenue	281,667	18,575	300,242
Unclaimed property	74,631	—	74,631
Total Revenues	35,986,626	76,587	36,063,213
EXPENDITURES			
Current:			
General government	845,286	103,951	949,237
Human services	19,580,586	173,576	19,754,162
Natural resources and recreation	382,969	98,643	481,612
Transportation	49,729	5,871	55,600
Education	14,170,969	591,465	14,762,434
Intergovernmental	56,550	75,479	132,029
Capital outlays	68,448	5,593	74,041
Debt service:			
Principal	12,996	159	13,155
Interest	3,499	29	3,528
Total Expenditures	35,171,032	1,054,766	36,225,798
Excess of Revenues Over (Under) Expenditures	815,594	(978,179)	(162,585)
OTHER FINANCING SOURCES (USES)			
Bonds issued	—	177,390	177,390
Issuance premiums	222	427	649
Other debt issued	2,228	—	2,228
Transfers in	513,081	217,521	730,602
Transfers out	(2,440,737)	1,111,910	(1,328,827)
Total Other Financing Sources (Uses)	(1,925,206)	1,507,248	(417,958)
Net Change in Fund Balances	(1,109,612)	529,069	(580,543)
Fund Balances - Beginning	3,575,028	1,855,036	5,430,064
Fund Balances - Ending	$ 2,465,416	$ 2,384,105	$ 4,849,521

GENERAL FUND ACCOUNTS

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

For the Biennium Ended June 30, 2019

(expressed in thousands)

	General Fund Basic Account			
	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 1,100,552	$ 1,100,552	$ 1,100,552	$ —
Resources				
Taxes	42,053,351	42,711,209	42,962,317	251,108
Licenses, permits, and fees	221,908	239,996	251,766	11,770
Other contracts and grants	735,270	867,362	625,813	(241,549)
Timber sales	6,294	4,158	3,639	(519)
Federal grants-in-aid	23,762,662	24,543,335	23,582,180	(961,155)
Charges for services	96,731	101,042	98,773	(2,269)
Investment income (loss)	25,413	35,832	35,542	(290)
Miscellaneous revenue	410,560	521,151	488,687	(32,464)
Unclaimed property	131,846	177,886	176,173	(1,713)
Transfers from other funds	855,941	2,084,261	2,145,935	61,674
Total Resources	69,400,528	72,386,784	71,471,377	(915,407)
Charges To Appropriations				
General government	3,701,116	4,163,689	4,051,455	112,234
Human services	35,560,442	36,114,008	35,499,019	614,989
Natural resources and recreation	711,429	796,875	704,298	92,577
Transportation	113,315	114,678	102,298	12,380
Education	27,060,076	27,486,210	27,251,653	234,557
Capital outlays	154,106	439,758	98,013	341,745
Transfers to other funds	712,225	2,665,198	2,670,112	(4,914)
Total Charges To Appropriations	68,012,709	71,780,416	70,376,848	1,403,568
Excess Available For Appropriation Over (Under) Charges To Appropriations	1,387,819	606,368	1,094,529	488,161
Reconciling Items				
Bond sale proceeds	—	—	—	—
Issuance premiums	—	—	—	—
Assumed reversions	216,868	194,869	—	(194,869)
Working capital adjustment	—	—	97,000	97,000
Noncash activity (net)	—	—	70,205	70,205
Nonappropriated fund balances	—	—	—	—
Changes in reserves (net)	—	—	(262,884)	(262,884)
Total Reconciling Items	216,868	194,869	(95,679)	(290,548)
Budgetary Fund Balance, June 30	$ 1,604,687	$ 801,237	$ 998,850	$ 197,613

Administrative Accounts in the General Fund			
Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
$ 1,700,407	$ 1,700,407	$ 1,700,407	$ —
(176,334)	(150,548)	(151,058)	(510)
1,689	3,486	1,841	(1,645)
—	—	—	—
—	—	—	—
1,050	—	—	—
20	156	—	(156)
18,173	41,580	47,709	6,129
35,050	19,152	(10,968)	(30,120)
—	—	—	—
2,159,146	2,120,837	3,631,349	1,510,512
3,739,201	3,735,070	5,219,280	1,484,210
518,367	97,962	48,048	49,914
53,687	300,270	297,982	2,288
7,556	84,995	82,798	2,197
5,276	11,465	11,300	165
231,084	493,459	491,363	2,096
160,672	499,843	187,158	312,685
1,162,800	954,638	2,106,975	(1,152,337)
2,139,442	2,442,632	3,225,624	(782,992)
1,599,759	1,292,438	1,993,656	701,218
188,943	202,047	236,980	34,933
—	716	1,144	428
—	—	—	—
—	—	—	—
—	—	28,916	28,916
—	—	123,121	123,121
—	—	288	288
188,943	202,763	390,449	187,686
$ 1,788,702	$ 1,495,201	$ 2,384,105	$ 888,904

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STATISTICAL SECTION

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

These schedules contain trend information to help the reader understand how the state's financial performance and fiscal health has changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the state's most significant revenue sources: Retail sales tax and business and occupation tax.

Debt capacity

These schedules present information to help the reader assess the affordability of the state's current levels of outstanding debt, and the state's ability to issue additional debt in the future.

Demographic Information

These schedules offer demographic and economic indicators to help the reader understand the environment in which the state's financial activities take place.

Operating Information

These schedules offer operating data to help the reader understand how the information in the state's financial report relates to the services it provides and the activities it performs.

FINANCIAL TRENDS

Schedule 1 - Net Position by Component

Last Ten Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2019	2018	2017	2016
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	$ 22,261	$ 21,749	$ 21,048	$ 19,942
Restricted	11,358	11,328	9,718	8,518
Unrestricted	(3,207)	(4,163)	(3,377)	(2,691)
Total governmental activities net position	$ 30,412	$ 28,914	$ 27,389	$ 25,769
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	$ 911	$ 847	$ 751	$ 745
Restricted	5,067	4,825	4,581	4,485
Unrestricted	(9,679)	(9,816)	(8,734)	(8,724)
Total business-type activities net position	$ (3,700)	$ (4,144)	$ (3,402)	$ (3,494)
PRIMARY GOVERNMENT				
Net investment in capital assets	$ 23,173	$ 22,596	$ 21,799	$ 20,687
Restricted	16,426	16,153	14,300	13,002
Unrestricted	(12,886)	(13,979)	(12,111)	(11,415)
Total primary government net position	$ 26,712	$ 24,770	$ 23,988	$ 22,274
COMPONENT UNITS				
Net investment in capital assets	$ 358	$ 351	$ 333	$ 354
Restricted	4	10	9	15
Unrestricted	596	511	446	477
Total component units net position	$ 957	$ 872	$ 788	$ 846

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

	2015	2014	2013	2012	2011	2010
	$ 19,958	$ 19,816	$ 19,706	$ 19,561	$ 18,723	$ 18,201
	8,320	6,589	6,524	5,296	4,847	5,214
	(3,944)	399	111	233	1,160	(217)
	$ 24,334	$ 26,804	$ 26,341	$ 25,090	$ 24,730	$ 23,198
	$ 973	$ 625	$ 740	$ 797	$ 718	$ 913
	4,240	3,815	3,469	3,225	3,199	2,930
	(8,945)	(8,318)	(9,067)	(8,599)	(9,662)	(10,864)
	$ (3,732)	$ (3,878)	$ (4,858)	$ (4,577)	$ (5,745)	$ (7,021)
	$ 20,931	$ 20,441	$ 20,446	$ 20,358	$ 19,441	$ 19,114
	12,560	10,404	9,993	8,521	8,046	8,144
	(12,889)	(7,919)	(8,956)	(8,366)	(8,502)	(11,081)
	$ 20,602	$ 22,926	$ 21,483	$ 20,513	$ 18,985	$ 16,177
	$ 379	$ 420	$ 320	$ 322	$ 332	$ 343
	20	22	13	16	20	21
	432	374	131	109	102	96
	$ 831	$ 816	$ 464	$ 446	$ 454	$ 460

FINANCIAL TRENDS

Schedule 2 - Changes in Net Position

Last Ten Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2019	2018	2017	2016
EXPENSES				
Governmental activities:				
General government	$ 1,491	$ 1,687	$ 1,945	$ 1,658
Education - elementary and secondary (K-12)	13,872	12,012	11,042	10,153
Education - higher education	7,985	7,662	7,633	7,531
Human services	19,822	18,863	18,216	17,209
Adult corrections	1,142	1,067	1,062	983
Natural resources and recreation	1,351	1,185	1,266	1,264
Transportation	2,809	2,485	2,118	2,363
Interest on long-term debt	1,032	1,002	1,027	991
Total governmental activities expenses	49,504	45,962	44,309	42,153
Business-type activities:				
Workers' compensation	3,975	3,690	3,269	3,238
Unemployment compensation	963	935	1,027	1,020
Higher education student services	3,330	3,119	3,022	2,495
Liquor control [1]	—	—	—	—
Washington's lottery	598	557	520	535
Guaranteed education tuition program [2]	370	174	306	(152)
Paid Family Medical Leave	18	—	—	—
Other	182	188	190	161
Total business-type activities expenses	9,437	8,662	8,334	7,296
Total primary government expenses	$ 58,941	$ 54,624	$ 52,642	$ 49,449
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	$ 972	$ 908	$ 887	$ 853
Education - elementary and secondary (K-12)	21	28	23	21
Education - higher education	3,046	3,059	2,807	2,762
Human services	775	737	1,080	724
Adult corrections	9	29	9	7
Natural resources and recreation	525	617	524	468
Transportation	1,424	1,794	1,313	1,206
Operating grants and contributions	16,728	16,120	15,832	15,358
Capital grants and contributions	807	973	1,012	1,113
Total governmental activities program revenues	24,307	24,263	23,487	22,510
Business-type activities:				
Charges for services:				
Workers' compensation	2,666	2,775	2,780	2,557
Unemployment compensation	1,062	1,039	994	1,139
Higher education student services	3,355	3,139	2,871	2,395
Liquor control [1]	—	—	—	—
Washington's lottery	806	737	676	698
Guaranteed education tuition program [2]	45	84	29	(348)
Paid Family Medical Leave	232	—	—	—
Other	177	146	175	155
Operating grants and contributions	65	66	65	70
Capital grants and contributions	1	—	5	—
Total business-type activities program revenues	8,409	7,986	7,594	6,666
Total primary government program revenues	$ 32,716	$ 32,249	$ 31,081	$ 29,176
NET (EXPENSE)/REVENUE				
Governmental activities	$ (25,198)	$ (21,699)	$ (20,822)	$ (19,643)
Business-type activities	(1,027)	(676)	(739)	(630)
Total primary government net expense	$ (26,225)	$ (22,375)	$ (21,562)	$ (20,273)

Refer to footnotes at the end of Schedule 2.

Continued

2015	2014	2013	2012	2011	2010
$ 1,987	$ 1,607	$ 1,537	$ 1,219	$ 1,674	$ 1,738
9,426	8,914	8,237	8,257	8,055	8,468
7,095	6,910	6,992	6,526	6,257	6,051
16,890	15,052	13,182	13,168	13,363	12,946
956	911	844	886	935	938
1,335	1,137	1,096	982	996	1,084
2,309	2,400	2,379	2,396	1,981	2,073
981	938	955	910	882	810
40,978	37,869	35,222	34,345	34,144	34,108
3,018	3,142	3,329	1,919	1,219	4,268
968	1,380	1,983	2,817	3,690	4,729
2,314	2,080	1,927	1,834	1,820	1,628
—	—	—	566	556	552
466	463	437	407	393	389
(585)	185	(105)	—	—	—
—	—	—	—	—	—
157	133	126	210	784	345
6,338	7,383	7,697	7,754	8,463	11,911
$ 47,317	$ 45,252	$ 42,919	$ 42,099	$ 42,607	$ 46,019
$ 887	$ 870	$ 977	$ 702	$ 645	$ 534
21	26	14	10	16	12
2,815	2,741	2,760	2,662	2,379	2,210
659	612	544	531	462	345
8	8	8	8	7	18
455	510	421	434	478	564
1,139	1,082	1,025	878	914	899
15,158	13,240	12,027	11,790	12,609	12,193
867	1,066	997	944	833	939
22,010	20,155	18,773	17,960	18,343	17,716
2,375	2,237	2,154	2,046	2,019	1,755
1,257	1,349	1,308	1,346	1,573	1,288
2,216	1,987	1,857	1,762	1,615	1,698
—	—	—	582	596	593
603	595	570	535	511	491
53	138	174	—	—	—
—	—	—	—	—	—
126	110	103	121	152	162
77	326	870	1,443	2,305	2,468
—	—	—	1	13	—
6,707	6,742	7,036	7,836	8,784	8,455
$ 28,717	$ 26,897	$ 25,809	$ 25,796	$ 27,127	$ 26,171
$ (18,969)	$ (17,714)	$ (16,449)	$ (16,385)	$ (15,800)	$ (16,392)
369	(641)	(661)	83	321	(3,456)
$ (18,600)	$ (18,355)	$ (17,110)	$ (16,302)	$ (15,479)	$ (19,848)

FINANCIAL TRENDS

Schedule 2 - Changes in Net Position

Last Ten Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2019	2018	2017	2016
GENERAL REVENUES & OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes:				
Sales and use tax	$ 12,106	$ 11,154	$ 10,363	$ 9,740
Business and occupation	4,452	4,183	3,862	3,636
Property	3,359	3,347	2,098	2,062
Other	6,091	6,179	5,561	5,254
Interest and investment earnings (loss)	646	561	614	168
Contributions to endowments	152	109	100	66
Transfers	217	152	119	152
Total governmental activities	27,023	25,686	22,717	21,078
Business-type activities:				
Taxes - other	22	23	21	21
Interest and investment earnings	1,681	502	880	999
Transfers	(217)	(152)	(119)	(152)
Other general revenue [(3)]	—	—	—	—
Special item [(4)]	—	—	—	—
Total business-type activities	1,486	373	782	868
Total primary government	$ 28,509	$ 26,058	$ 23,499	$ 21,946
CHANGE IN NET POSITION				
Governmental activities	$ 1,824	$ 3,986	$ 1,895	$ 1,435
Business-type activities	459	(304)	43	237
Total primary government	$ 2,284	$ 3,683	$ 1,938	$ 1,672
COMPONENT UNITS				
Total expenses	$ 788	$ 727	$ 727	$ 1,165
Program revenues:				
Charges for services	802	742	722	1,093
Operating grants and contributions	34	31	13	68
Capital grants and contributions	—	—	—	—
Total program revenues	836	774	734	1,161
Net (expense) / revenue	49	46	7	(4)
General revenues - property taxes and other	24	40	21	20
General revenues - interest and investment earnings (loss)	12	3	2	9
Total component units - change in net position	$ 85	$ 90	$ 31	$ 25

1. The Liquor control distribution and sale of spirits ceased with the passage of initiative 1183. The remaining activities of Liquor control for enforcement and regulation of alcohol and tobacco sales were reclassified to a governmental activity.
2. Guaranteed education tuition program was separated from other business-type activities in 2013.
3. Liquor and Cannabis Board auctioned off "Right to Sell" at state owned liquor stores as part of the closeout process in 2012.
4. The Convention and Trade Center was transferred to another government in 2011.

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

Concluded

2015	2014	2013	2012	2011	2010
$ 9,001	$ 8,365	$ 7,710	$ 7,349	$ 7,349	$ 6,871
3,394	3,267	3,294	3,149	3,077	2,597
2,018	1,974	1,940	1,897	1,858	1,822
3,719	4,244	4,128	3,946	3,881	3,692
307	621	397	169	474	449
65	66	63	47	69	52
136	94	114	165	231	252
18,641	18,631	17,646	16,722	16,939	15,735
20	22	22	72	174	160
377	1,618	523	1,150	1,611	1,742
(136)	(94)	(114)	(165)	(231)	(252)
—	—	—	30	—	—
—	—	—	—	(223)	—
261	1,546	431	1,088	1,331	1,650
$ 18,902	$ 20,177	$ 18,077	$ 17,810	$ 18,270	$ 17,385
$ (328)	$ 917	$ 1,197	$ 337	$ 1,140	$ (657)
630	905	(230)	1,171	1,653	(1,806)
$ 302	$ 1,822	$ 967	$ 1,508	$ 2,793	$ (2,463)
$ 1,080	$ 859	$ 46	$ 60	$ 131	$ 68
945	802	33	18	17	16
126	95	29	32	105	44
—	—	2	1	1	1
1,071	897	64	51	123	61
(9)	38	18	(9)	(8)	(7)
18	17	—	—	—	—
5	(14)	—	2	2	3
$ 14	$ 41	$ 18	$ (8)	$ (6)	$ (4)

FINANCIAL TRENDS

Schedule 3 - Fund Balances, Governmental Funds (1)

Last Ten Fiscal Years (expressed in thousands)
(modified accrual basis of accounting)

	2019	2018	2017	2016
GENERAL FUND				
Nonspendable	$ 49,614	$ 45,400	$ 42,922	$ 45,578
Restricted	1,699,486	1,476,149	1,658,761	558,708
Committed	684,619	387,930	140,905	114,958
Assigned	1,416,952	1,513,952	1,257,952	1,155,952
Unassigned	998,850	2,006,633	1,100,552	1,355,071
Reserved	N/A	N/A	N/A	N/A
Unreserved, designated for:				
Working capital	N/A	N/A	N/A	N/A
Unrealized gains	N/A	N/A	N/A	N/A
Unreserved, undesignated	N/A	N/A	N/A	N/A
Total General Fund	4,849,521	5,430,064	4,201,092	3,230,267
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable	2,810,988	2,768,321	2,638,831	2,493,189
Restricted	4,813,391	5,298,543	4,340,500	4,050,297
Committed	6,969,551	6,065,013	5,765,961	6,013,887
Assigned	107,300	18,300	18,300	18,300
Unassigned	(22,168)	(256)	(70,020)	(11,821)
Reserved	N/A	N/A	N/A	N/A
Unreserved, designated for:				
Unrealized gains	N/A	N/A	N/A	N/A
Higher education	N/A	N/A	N/A	N/A
Special revenue funds	N/A	N/A	N/A	N/A
Debt service funds	N/A	N/A	N/A	N/A
Other specific purpose	N/A	N/A	N/A	N/A
Unreserved, undesignated	N/A	N/A	N/A	N/A
Unreserved, undesignated, reported in:				
Nonmajor special revenue funds	N/A	N/A	N/A	N/A
Nonmajor capital project funds	N/A	N/A	N/A	N/A
Total all other governmental funds	14,679,062	14,149,921	12,693,572	12,563,852
Total governmental fund balances	$ 19,528,583	$ 19,579,985	$ 16,894,664	$ 15,794,119

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

2015	2014	2013	2012	2011	2010
$ 47,353	$ 50,475	$ 49,819	$ 54,726	$ 89,916	N/A
533,279	416,652	299,165	161,689	23,273	N/A
105,667	142,586	59,579	78,117	98,077	N/A
1,014,952	879,952	835,152	710,091	1,114,699	N/A
964,168	336,476	138,875	—	(107,764)	N/A
N/A	N/A	N/A	N/A	N/A	76,164
N/A	N/A	N/A	N/A	N/A	863,652
N/A	N/A	N/A	N/A	N/A	—
N/A	N/A	N/A	N/A	N/A	(561,067)
2,665,419	1,826,141	1,382,590	1,004,623	1,218,201	378,749
2,487,573	2,438,057	2,289,499	2,207,007	3,664,194	N/A
3,835,980	4,008,161	3,895,017	4,919,729	3,790,577	N/A
5,860,326	5,138,780	4,937,328	3,503,646	2,052,523	N/A
16,060	—	40	44	45	N/A
(167,356)	—	(79,327)	—	(174,472)	N/A
N/A	N/A	N/A	N/A	N/A	6,298,440
N/A	N/A	N/A	N/A	N/A	—
N/A	N/A	N/A	N/A	N/A	107,624
N/A	N/A	N/A	N/A	N/A	157
N/A	N/A	N/A	N/A	N/A	170,200
N/A	N/A	N/A	N/A	N/A	—
N/A	N/A	N/A	N/A	N/A	2,297,145
N/A	N/A	N/A	N/A	N/A	1,219,705
N/A	N/A	N/A	N/A	N/A	69,192
12,032,583	11,584,998	11,042,557	10,630,426	9,332,867	10,162,463
$ 14,698,002	$ 13,411,139	$ 12,425,147	$ 11,635,049	$ 10,551,068	$ 10,541,212

FINANCIAL TRENDS

Schedule 4 - Revenues, Expenditures, and Other Financing Sources (Uses)
All Governmental Fund Types

Last Ten Fiscal Years (expressed in millions)

	2019	2018	2017	2016
REVENUES				
Taxes:				
Retail sales and use	$ 12,106	$ 11,154	$ 10,363	$ 9,740
Business and occupation	4,452	4,183	3,862	3,636
Motor vehicle and fuel	1,671	1,732	1,680	1,486
Liquor, beer, and wine	390	371	355	348
Cigarette and tobacco	397	422	430	451
Insurance premiums	640	631	604	535
Public utilities	482	482	483	469
Property	3,359	3,347	2,098	2,062
Excise	1,636	1,600	1,461	1,203
Gift and inheritance	300	209	168	136
Other taxes	403	600	540	430
Total Taxes	25,835	24,729	22,044	20,496
Licenses, permits, and fees	2,025	2,408	1,907	1,766
Federal grants-in-aid	15,963	15,646	15,370	15,034
Charges and miscellaneous revenue	6,523	6,348	6,336	5,831
Investment income (loss)	646	561	614	168
Total Revenues	50,992	49,692	46,269	43,295
EXPENDITURES				
Current:				
General government	1,556	1,355	1,450	1,289
Human services	20,901	19,817	19,026	18,037
Natural resources and recreation	1,332	1,128	1,181	1,214
Transportation	2,345	2,124	2,068	1,955
Education	21,312	19,102	18,059	16,922
Intergovernmental	537	504	497	492
Capital outlays	2,104	1,781	2,428	2,200
Debt service:				
Principal	1,180	1,144	1,125	1,040
Interest	1,070	1,035	1,042	999
Total Expenditures	52,338	47,990	46,876	44,147
Revenues Over (Under) Expenditures	(1,346)	1,703	(607)	(852)
OTHER FINANCING SOURCES (USES):				
Bonds issued, net of refunding	1,371	1,389	1,539	1,709
Other debt issued, net of refunding	53	47	70	102
Transfers in	4,605	4,634	4,545	4,317
Transfers out	(4,420)	(4,502)	(4,446)	(4,180)
Net Other Financing Sources (Uses)	1,609	1,568	1,708	1,948
Net Change in Fund Balances	$ 264	$ 3,270	$ 1,101	$ 1,096
Debt service as a percentage of noncapital expenditures (1)	4.4%	4.7%	4.9%	4.8%

1. Percentage is calculated by dividing principal and interest by total expenditures less capital outlays. The capital outlays can be found on the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

2015	2014	2013	2012	2011	2010
$ 9,001	$ 8,365	$ 7,710	$ 7,349	$ 7,349	$ 6,871
3,394	3,267	3,294	3,149	3,077	2,597
1,253	1,215	1,195	1,178	1,206	1,219
331	321	365	323	229	223
474	443	465	471	494	426
556	467	436	430	413	406
455	464	440	438	450	416
2,018	1,974	1,940	1,897	1,858	1,822
927	717	651	495	447	471
150	157	104	105	123	82
410	474	444	424	438	418
18,969	17,864	17,044	16,260	16,084	14,951
1,660	1,627	1,599	1,244	1,072	987
14,712	13,168	11,889	11,905	12,599	12,388
5,751	5,369	5,321	4,852	4,722	4,460
307	621	397	169	474	449
41,399	38,649	36,250	34,431	34,951	33,235
1,330	1,280	1,162	1,169	1,375	1,474
17,566	15,733	13,957	13,903	14,134	13,736
1,239	1,037	1,043	920	966	889
1,883	1,817	1,797	1,788	1,809	1,876
15,915	15,130	14,551	14,275	14,086	13,989
465	456	440	399	393	382
2,247	2,293	2,456	2,224	2,403	2,260
944	868	784	728	697	671
982	939	921	884	830	740
42,572	39,552	37,111	36,288	36,692	36,016
(1,174)	(903)	(861)	(1,858)	(1,741)	(2,782)
1,368	2,038	1,344	2,759	989	3,416
31	45	156	21	154	112
5,062	4,356	3,152	2,669	3,860	3,699
(4,937)	(4,274)	(3,051)	(2,517)	(3,636)	(3,452)
1,524	2,165	1,601	2,931	1,367	3,774
$ 350	$ 1,262	$ 740	$ 1,074	$ (374)	$ 993
4.7%	4.8%	4.9%	4.7%	4.5%	4.2%

FINANCIAL TRENDS

Schedule 5 - Revenues, Expenditures, and Other Financing Sources (Uses)

General Fund

Last Ten Fiscal Years (expressed in millions)

	2019	2018	2017	2016
REVENUES				
Taxes:				
Retail sales and use	$ 11,952	$ 11,003	$ 10,221	$ 9,623
Business and occupation	4,448	4,177	3,857	3,632
Liquor, beer, and wine	318	303	290	284
Cigarette and tobacco	397	422	430	451
Insurance premiums	600	601	577	510
Public utilities	461	462	463	449
Property	2,339	2,770	2,098	2,062
Excise	1,146	1,139	1,055	933
Gift and inheritance	—	(6)	2	—
Other taxes	139	373	348	245
Total Taxes	21,800	21,244	19,341	18,189
Licenses, permits, and fees	130	124	130	116
Federal grants-in-aid	13,296	13,013	12,680	12,196
Charges and miscellaneous revenue	723	795	1,000	611
Investment income (loss)	114	1	(5)	26
Total Revenues	36,063	35,178	33,146	31,138
EXPENDITURES				
Current:				
General government	949	864	884	802
Human services	19,754	18,686	17,959	17,072
Natural resources and recreation	482	465	429	534
Transportation	56	57	62	67
Education	14,762	13,067	12,176	11,403
Intergovernmental	132	102	123	119
Capital outlays	74	79	70	111
Debt service:				
Principal	13	14	12	8
Interest	4	4	4	3
Total Expenditures	36,226	33,338	31,719	30,121
Revenues Over (Under) Expenditures	(162)	1,840	1,428	1,016
OTHER FINANCING SOURCES (USES)				
Bonds issued, net of refunding	178	61	129	102
Other debt issued, net of refunding	2	2	1	75
Transfers in	731	686	713	577
Transfers out	(1,329)	(1,360)	(1,300)	(1,205)
Net Other Financing Sources (Uses)	(418)	(611)	(457)	(452)
Net Change in Fund Balances	$ (580)	$ 1,229	$ 971	$ 565

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

	2015	2014	2013	2012	2011	2010
	$ 8,903	$ 8,275	$ 7,629	$ 7,274	$ 7,275	$ 6,802
	3,389	3,262	3,291	3,145	3,072	2,593
	282	274	340	296	202	198
	474	443	465	471	498	349
	529	457	426	421	404	397
	437	447	423	427	449	400
	2,018	1,974	1,940	1,897	1,858	1,822
	787	650	583	434	414	418
	(1)	—	3	—	1	—
	207	226	194	183	250	192
	17,025	16,008	15,294	14,547	14,424	13,169
	115	108	105	99	88	86
	12,053	10,226	8,780	8,824	9,597	9,648
	583	506	540	520	556	481
	8	7	(17)	(6)	(15)	(9)
	29,784	26,855	24,702	23,983	24,650	23,375
	846	833	721	745	923	822
	16,794	14,920	13,236	13,209	13,473	13,209
	445	409	420	373	388	360
	37	42	48	42	41	44
	10,177	9,754	9,115	9,169	9,211	9,243
	117	114	108	105	102	30
	52	51	76	67	49	54
	8	9	18	16	16	20
	1	3	—	1	1	1
	28,477	26,134	23,742	23,728	24,203	23,783
	1,308	721	960	256	447	(408)
	192	170	127	76	340	—
	7	—	4	15	14	4
	466	518	596	496	939	1,187
	(1,119)	(965)	(1,312)	(1,056)	(1,154)	(1,566)
	(454)	(277)	(585)	(470)	139	(375)
	$ 854	$ 444	$ 375	$ (214)	$ 586	$ (783)

REVENUE CAPACITY

Schedule 6 - Sales Subject to Retail Sales Tax by Industry

Last Ten Calendar Years (expressed in millions)

Industry [1]	2018	2017	2016	2015
Retail trade:				
Building materials, garden equipment and supplies	$ 7,460	$ 6,909	$ 6,344	$ 5,909
General merchandise stores	11,771	11,486	11,256	11,086
Motor vehicles & parts	17,759	17,188	16,311	14,987
All other retail trade	34,531	31,156	29,334	27,691
Total retail sales	71,521	66,739	63,245	59,673
Construction	35,155	30,979	28,101	24,459
Accommodations & food services	18,866	17,799	16,738	15,677
Wholesale trade	11,026	10,111	9,882	9,295
Information	6,967	6,866	6,702	6,754
Manufacturing	3,260	2,964	2,744	2,589
All other industries	23,379	20,143	18,993	16,917
Total sales subject to retail sales tax	$ 170,174	$ 155,601	$ 146,405	$ 135,364
Direct retail sales tax rate [2]	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

2014	2013	2012	2011	2010	2009
$ 5,348	$ 4,982	$ 4,537	$ 4,280	$ 4,290	$ 4,234
10,711	10,511	10,311	10,063	10,086	9,872
13,540	12,565	11,359	10,178	9,504	9,218
26,725	25,582	24,261	23,436	22,464	21,640
56,324	53,640	50,468	47,957	46,344	44,964
21,086	19,256	16,628	15,445	15,704	17,771
14,365	13,334	12,611	11,866	11,293	10,871
9,053	8,750	8,266	8,048	7,618	7,498
5,972	5,429	5,117	4,997	4,957	4,762
2,478	2,286	2,114	2,207	2,084	2,106
15,566	14,506	13,849	13,221	12,808	12,907
$ 124,844	$ 117,201	$ 109,053	$ 103,741	$ 100,808	$ 100,879
6.5%	6.5%	6.5%	6.5%	6.5%	6.5%

REVENUE CAPACITY

Schedule 7 - Retail Sales Tax Due by Industry

Current Calendar Year and Nine Years Ago (expressed in millions)

	2018			2009		
Industry [1]	Amount of Retail Sales Tax Due	Rank	Percent of Total Retail Sales Tax Due	Amount of Retail Sales Tax Due	Rank	Percent of Total Retail Sales Tax Due
Retail trade	4,649	1	42.0%	2,923	1	44.6%
Construction	2,285	2	20.7%	1,155	2	17.6%
Accommodations & food services	1,226	3	11.1%	707	3	10.8%
All other industries [2]	866	4	7.8%	579	4	8.8%
Wholesale trade	717	5	6.5%	487	5	7.4%
Management, education & health services	446	6	4.0%	170	7	2.6%
Other services [3]	298	7	2.7%	216	6	3.3%
Professional, scientific & technical services	256	8	2.3%	117	9	1.8%
Manufacturing	212	9	1.9%	137	8	2.1%
Arts, entertainment & recreation	106	10	1.0%	66	10	1.0%
Total	11,061		100%	6,557		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. All other industries include real estate and rental leasing, transportation and warehousing, and information.
3. Other services consist of repair and maintenance, personal service, and religious, civic and other organizations.

Source: Washington State Department of Revenue

REVENUE CAPACITY

Schedule 8 - Business and Occupation (B&O) Tax Due by Industry

Current Calendar Year and Nine Years Ago (expressed in millions)

	2018			2009		
Industry [1]	**Amount of Tax Due**	**Rank**	**Percent of Total Tax Due**	**Amount of Tax Due**	**Rank**	**Percent of Total Tax Due**
Service and other activities, and gambling contests less than $50,000/year	1,857	1	41.9%	1,111	1	41.2%
Retailing	1,035	2	23.4%	644	2	23.9%
Wholesaling	851	3	19.2%	511	3	19.0%
Other B&O tax classifications	431	4	9.7%	262	4	9.7%
Manufacturing	132	5	3.0%	105	5	3.9%
Royalties and child care	52	6	1.2%	7	10	0.3%
Warehousing, radio and TV broadcasting, public road construction, and government contracting	30	7	0.7%	27	6	1.0%
Travel agent commissions/international charter, freight brokers, and stevedoring	18	8	0.4%	8	9	0.3%
Insurance agent/insurance broker commissions	13	9	0.3%	9	8	0.3%
Processing for hire, and printing and publishing	10	10	0.2%	10	7	0.4%
Total	4,429		100%	2,694		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 (B&O) Tax Classification

Last Ten Calendar Years (expressed in millions)

Industry [1]	2018	2017	2016	2015
Retailing	$ 219,823	$ 204,797	$ 192,256	$ 181,856
Wholesaling	175,749	159,429	147,375	142,875
Service and other activities	123,815	117,639	108,591	101,555
Manufacturing, wholesaling, and retailing of airplanes and components	59,750	57,510	60,974	63,497
Manufacturing	27,316	25,030	24,346	25,188
Other business & occupation tax classifications	62,620	58,122	55,230	53,897
Total	$ 669,073	$ 622,527	$ 588,772	$ 568,868
State B&O tax rate range	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.6%

1. Industry classifications are based on North American Industry Classification System (NAICS) codes.

Source: Washington State Department of Revenue, Quarterly Business Review

2014	2013	2012	2011	2010	2009
$ 173,663	$ 163,752	$ 153,467	$ 146,698	$ 138,995	$ 136,738
142,992	136,837	131,471	125,471	110,041	105,659
93,327	88,826	83,537	78,617	75,069	74,061
61,433	54,744	48,788	35,414	32,383	33,323
28,848	28,320	26,556	26,020	23,260	21,725
52,131	48,833	46,974	46,173	42,825	40,721
$ 552,394	$ 521,312	$ 490,793	$ 458,393	$ 422,573	$ 412,227
0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.9%	0.1 - 1.9%	0.1 - 1.9%	0.1 - 1.6%

DEBT CAPACITY

Schedule 10 - Ratios of Outstanding Debt by Type [(1)]

Last Ten Fiscal Years (expressed in millions, except per capita)

	2019	2018	2017	2016
Governmental Activities				
General obligation bonds	$ 21,486	$ 21,334	$ 21,034	$ 20,518
Revenue bonds	2,234	2,308	2,326	2,377
Certificates of participation	753	756	752	718
Capital leases/installment contracts	10	11	5	6
Total Governmental Activities Debt	24,483	24,409	24,117	23,619
Business-Type Activities				
General obligation bonds	—	—	—	—
Revenue bonds	2,317	2,326	2,307	2,215
Certificates of participation	173	120	92	49
Capital leases/installment contracts	68	72	75	9
Total Business-Type Activities Debt	2,558	2,518	2,474	2,273
Total Primary Government Debt	$ 27,041	$ 26,928	$ 26,591	$ 25,892
DEBT RATIOS				
Total Primary Government				
Ratio of total debt to personal income [(2)]	6.3%	6.5%	6.6%	7.1%
Total debt per capita [(3)]	$ 3,641	$ 3,625	$ 3,637	$ 3,604
General Bond Debt				
Ratio of general bonded debt to retail sales subject to tax [(4)]	12.6%	13.7%	14.4%	15.2%
General bonded debt per capita [(3)]	$ 2,893	$ 2,872	$ 2,877	$ 2,856

1. Refer to Note 7 for long-term liability activity.
2. Personal income data can be found in Schedule 13. Personal income data for 2019 is not available; used 2018 data to calculate 2019 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 2019 is not available; used 2018 data to calculate 2019 ratio.

Source: Washington State Office of Financial Management, Accounting Division

	2015	2014	2013	2012	2011	2010
	$ 19,868	$ 19,370	$ 18,638	$ 17,838	$ 16,750	$ 16,540
	2,316	1,894	1,706	1,657	740	743
	580	570	588	469	482	449
	5	11	12	7	6	14
	22,769	21,845	20,944	19,971	17,978	17,746
	4	8	11	15	18	60
	1,991	2,236	2,031	1,682	1,423	1,084
	42	38	42	52	62	293
	13	15	15	6	6	6
	2,050	2,297	2,099	1,755	1,509	1,443
	$ 24,819	$ 24,142	$ 23,043	$ 21,726	$ 19,487	$ 19,189
	6.8%	6.9%	7.2%	7.2%	6.5%	6.8%
	$ 3,515	$ 3,465	$ 3,348	$ 3,187	$ 2,879	$ 2,854
	14.7%	15.5%	17.1%	17.2%	16.2%	16.5%
	$ 2,814	$ 2,781	$ 2,710	$ 2,619	$ 2,478	$ 2,469

DEBT CAPACITY

Schedule 11 - Legal Debt Margin Information [1]

Last Ten Fiscal Years (expressed in millions)

	2019	2018	2017	2016
Legal Debt Limitation Calculation [2]				
Six year mean, general state revenues	$ 18,309	$ 17,178	$ 16,334	$ 15,499
Times: Percentage of six year mean, general state revenues	8.3%	8.3%	8.3%	8.5%
Equals: Debt service limitation	$ 1,511	$ 1,417	$ 1,348	$ 1,317
Debt service limitation	$ 1,511	$ 1,417	$ 1,348	$ 1,317
Less: Projected maximum annual debt service of outstanding bonds as of June 30	1,194	1,167	1,172	1,155
Equals: Debt service capacity	$ 316	$ 250	$ 176	$ 162
Remaining state general obligation debt capacity [3]	$ 4,650	$ 3,862	$ 2,937	$ 2,632
Plus: Debt outstanding, bonds issued & projected sales subject to debt service limitation as of November 2018	11,667	11,364	11,644	11,348
Equals: Maximum debt authorization subject to limitation	$ 16,317	$ 15,226	$ 14,581	$ 13,980
Debt service capacity as a percentage of total debt service limitation	20.9%	17.6%	13.1%	12.3%
Remaining debt capacity as a percentage of maximum debt authorized	28.5%	25.4%	20.1%	18.8%

1. The legal debt limitation limits the amount of state debt that may be incurred by restricting the amount of general state revenues which may be allocated to pay principal and interest on debt subject to these limitations.
2. From November 1972 through June 30, 2014, the Constitution prohibited the issuance of new debt if it would cause the maximum annual debt service to exceed nine percent of the arithmetic mean of general state revenues for the preceding three fiscal years. Beginning in fiscal year 2015, the debt limit was subject to an amendment of the state Constitution passed in 2012 specifying that maximum annual payments of principal and interest on all debt subject to the limit may not exceed a percentage of the average of the prior six years' general state revenues.
3. The remaining debt capacity each year is the calculated present value of the debt service capacity utilizing an interest rate assumption. The interest rate assumption for 2019 is 4.58 percent.

Figures may not total due to rounding.

Source: Office of the State Treasurer, Certification of the Debt Limitation of the State of Washington

	2015	2014	2013	2012	2011	2010
	$ 14,794	$ 13,245	$ 12,533	$ 12,080	$ 12,176	$ 12,518
	8.5%	9.0%	9.0%	9.0%	9.0%	9.0%
	$ 1,257	$ 1,192	$ 1,128	$ 1,087	$ 1,096	$ 1,127
	$ 1,257	$ 1,192	$ 1,128	$ 1,087	$ 1,096	$ 1,127
	1,129	1,125	1,056	1,031	995	971
	$ 128	$ 67	$ 72	$ 56	$ 101	$ 156
	$ 2,031	$ 977	$ 1,142	$ 874	$ 1,425	$ 2,267
	11,160	11,208	10,730	10,708	10,470	10,163
	$ 13,191	$ 12,185	$ 11,872	$ 11,582	$ 11,895	$ 12,430
	10.2%	5.6%	6.4%	5.2%	9.2%	13.8%
	15.4%	8.0%	9.6%	7.5%	12.0%	18.2%

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						
2019	$ 106	$ 12	$ 95	$ 54	$ 51	0.90
2018	97	8	89	51	51	0.88
2017	103	7	96	57	47	0.92
2016	101	6	95	54	47	0.94
2015	93	13	80	50	41	0.88
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
Business-Type Activities						
2019	$ 3,311	$ 2,992	$ 319	$ 79	$ 100	1.78
2018	3,100	2,795	304	131	99	1.32
2017	2,804	2,701	103	98	90	0.55
2016	2,339	2,170	169	89	88	0.95
2015	2,153	1,978	175	82	102	0.95
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

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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Washington State										
Personal income	$ 458	$ 429	$ 404	$ 385	$ 363	$ 336	$ 329	$ 304	$ 287	$ 279
Percent change	7 %	6 %	5 %	6 %	8 %	2 %	8 %	6 %	3 %	-5 %
Per capita	$60,781	$57,743	$55,415	$53,696	$51,465	$48,240	$47,723	$44,555	$42,524	$41,851
United States										
Personal income	$17,819	$16,879	$16,121	$15,718	$14,992	$14,181	$14,010	$13,327	$12,552	$12,059
Percent change	6 %	5 %	3 %	5 %	6 %	1 %	5 %	6 %	4 %	-4 %
Per capita	$53,712	$51,731	$49,883	$48,985	$47,060	$44,851	$44,599	$42,735	$40,546	$39,284
Washington per capita rate as % of United States per capita rate	113 %	112 %	111 %	110 %	109 %	108 %	107 %	104 %	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 Fiscal Years (expressed in thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Washington State [1]										
Population	7,546.4	7,427.6	7,310.3	7,183.7	7,061.4	6,968.2	6,882.4	6,817.8	6,767.9	6,724.5
Net increase	118.8	117.3	126.6	122.3	93.2	85.8	64.6	49.9	43.4	52.3
Percent change	1.6%	1.6%	1.8%	1.7%	1.3%	1.3%	1.0%	0.7%	0.6%	0.8%
Components of change: [2]										
Births	87.1	87.5	89.7	89.8	88.5	87.0	87.3	87.1	86.4	88.4
Deaths	58.3	57.0	56.1	54.7	52.8	50.7	51.1	49.2	48.8	47.7
Net migration	90.1	86.8	93.0	87.1	57.6	49.5	28.5	12.0	5.8	11.5
United States [3]										
Population	N/A	327,167	325,147	323,071	320,743	318,386	316,058	313,874	311,580	309,326
Percent change	N/A	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%

1. Washington state population estimates are as of April 1 each year. 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 2019 are postcensal estimates developed by the Washington State Office of Financial Management.
2. Births and deaths are estimated for the most recent years due to a lag in reporting. The historical series may be revised in cases where more accurate data becomes available.
3. United States population intercensal estimates are as of July 1 of each year.

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

	2018	2017	2016	2015
Washington State (in thousands)				
Civilian labor force	3,791	3,719	3,644	3,545
Employment	3,620	3,544	3,451	3,346
Total unemployment	170	175	193	199
Unemployment percentage rate	4.5%	4.7%	5.3%	5.6%
United States (in millions)				
Civilian labor force	162.1	160.3	159.2	157.1
Employment	155.8	153.3	151.4	148.8
Total unemployment	6.3	7.0	7.8	8.3
Unemployment percentage rate	3.9%	4.4%	4.9%	5.3%
Washington unemployment rate as % of United States unemployment rate	115.4%	106.8%	108.2%	105.7%

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, June 2019

2014	2013	2012	2011	2010	2009
3,488	3,457	3,463	3,482	3,515	3,535
3,275	3,217	3,185	3,162	3,167	3,206
213	240	278	320	348	329
6.1%	6.9%	8.0%	9.2%	9.9%	9.3%
155.9	155.4	155.0	153.6	153.9	154.2
146.3	143.9	142.5	139.9	139.1	139.9
9.6	11.5	12.5	13.7	14.8	14.3
6.2%	7.4%	8.1%	8.9%	9.6%	9.3%
98.4%	93.2%	98.8%	103.4%	103.1%	100.0%

DEMOGRAPHIC INFORMATION

Schedule 16 - Annual Average Wage Rates by Industry

Last Ten Calendar Years

Industry [2]	Annual Average Wages [1] 2018 [3]	2017	2016	2015
Information	$ 194,863	$ 172,592	$ 159,236	$ 150,503
Management of companies and enterprises	118,097	111,942	109,462	108,447
Professional, scientific, and technical services	101,410	92,323	88,223	85,968
Utilities	99,718	93,057	88,789	85,644
Finance and insurance	95,089	90,869	88,308	92,790
Wholesale trade	80,439	76,856	73,903	72,523
Manufacturing	79,377	76,301	74,641	73,860
Mining	71,083	71,120	67,389	67,425
Construction	64,470	61,227	58,887	56,925
Government	63,832	61,187	58,945	57,274
Transportation and warehousing	60,374	58,058	56,173	54,344
Retail trade	58,866	52,542	45,930	38,300
Real estate, rental and leasing	55,188	51,553	48,965	47,459
Health care and social assistance [4]	52,690	50,971	49,337	46,986
Administrative and support services [5]	50,370	48,484	47,050	45,934
Other services [4]	40,410	38,832	37,557	37,437
Education services	39,008	38,455	37,667	36,414
Arts, entertainment, and recreation	32,522	32,074	30,908	30,509
Agriculture, forestry, fishing, and hunting	32,405	31,154	29,971	28,398
Accommodation and food services	24,003	22,766	21,301	20,451

1. Wages include only employment covered by unemployment insurance. 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 wage base.
2. Industry classifications and wages are based on North American Industry Classification System (NAICS) codes.
3. 2018 data is preliminary.
4. A number of state-funded programs that provide nonmedical, home-based services for the elderly and persons with disabilities were incorrectly classified as other services. Effective January 2014, these were classified correctly as health care and social assistance. This reclassification caused the average annual wage for other services to increase. Wages classified as other services do not include public administration.
5. 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

	2014	2013	2012	2011	2010	2009
	$ 148,429	$ 135,304	$ 131,872	$ 119,968	$ 109,777	$ 105,715
	106,518	105,501	105,535	102,009	95,731	87,642
	84,883	81,893	79,972	77,178	75,376	71,837
	87,212	86,373	84,024	82,058	77,591	84,410
	82,102	79,587	77,455	73,154	70,137	71,304
	70,169	68,230	68,481	65,831	63,348	61,569
	74,303	70,798	69,306	68,065	64,925	62,931
	63,404	62,444	60,231	58,871	55,654	52,981
	55,037	53,735	53,056	52,304	51,127	51,043
	55,603	53,733	52,871	52,174	51,394	50,420
	52,293	51,967	50,876	49,628	47,743	46,522
	36,127	34,084	32,364	30,917	30,021	29,356
	45,181	43,426	42,040	39,816	38,359	36,777
	44,245	47,733	47,067	45,852	44,673	43,561
	44,382	43,261	43,381	42,942	41,466	39,571
	35,571	26,717	25,651	24,549	24,227	24,881
	36,918	36,775	36,226	35,576	35,158	34,505
	29,725	27,771	25,276	25,023	25,121	25,527
	27,758	26,880	26,295	25,097	24,034	23,675
	19,561	19,136	18,698	18,062	17,632	17,063

DEMOGRAPHIC INFORMATION

Schedule 17 - Principal Employers by Industry

Current Calendar Year and Nine Years Ago

	2018 Annual Averages			2009 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	561,377	16.6%	2,111	525,176	18.5%	2,065
Health care and social assistance [3]	421,651	12.5%	54,943	319,440	11.3%	14,027
Retail trade	379,684	11.3%	14,293	304,268	10.7%	14,228
Manufacturing	284,064	8.4%	7,481	262,508	9.3%	7,020
Accommodation and food services	283,084	8.4%	14,533	220,324	7.8%	12,656
Professional, scientific, and technical services	201,607	6.0%	25,730	155,746	5.5%	18,169
Construction	200,006	5.9%	25,714	148,731	5.2%	23,230
Administrative and support services [4]	168,668	5.0%	12,189	128,328	4.5%	9,416
Wholesale Trade	133,599	4.0%	12,759	120,198	4.2%	12,994
Information	133,107	3.9%	4,023	103,077	3.6%	2,461
Agriculture, Forestry, fishing, and hunting	106,996	3.2%	7,024	89,624	3.2%	7,375
Transportation and warehousing	103,495	3.1%	4,582	80,448	2.8%	4,040
Other Services	99,108	2.9%	18,751	121,497	4.3%	54,776
Finance and Insurance	94,508	2.8%	5,818	92,702	3.3%	5,836
Real estate, rental and leasing	53,437	1.6%	6,938	46,347	1.6%	6,446
Arts, entertainment, and recreation	52,894	1.6%	2,826	45,322	1.6%	2,427
Mgmt. of companies and enterprises	44,609	1.3%	631	32,162	1.1%	622
Education services	44,073	1.3%	3,320	33,122	1.2%	2,286
Utilities	5,036	0.1%	224	5,037	0.2%	228
Mining	2,572	0.1%	142	2,298	0.1%	165
Total average employment	3,373,575	100%	224,032	2,836,355	100%	200,467

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. A number of state-funded programs that provide nonmedical, home-based services for the elderly and persons with disabilities were incorrectly classified as other services. Effective January 2014, these were classified correctly as health care and social assistance. This reclassification caused the annual average number of employees to increase. Employees classified as other services do not include public administration.
4. Employment classified under administrative and support services includes waste management and remediation services.

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 2018	Rank 2017	Company	Revenues (in millions)	Profit / (Loss) (in millions)	Employees Worldwide	Headquarters
5	8	Amazon.com	$ 232,887	$ 10,073	647,500	Seattle
14	15	Costco Wholesale	141,576	3,134	194,000	Issaquah
26	30	Microsoft	110,360	16,571	131,000	Redmond
121	132	Starbucks	24,720	4,518	291,000	Seattle
130	155	Paccar	23,496	2,195	28,000	Bellevue
196	183	Nordstrom	15,860	564	74,000	Seattle
280	295	Expedia Group	11,223	406	24,500	Bellevue
368	355	Alaska Air Group	8,264	437	23,376	Seattle
374	408	Expeditors Intl. of Washington	8,138	618	17,400	Seattle
406	394	Weyerhaeuser	7,476	748	9,300	Seattle

Source: fortune.com/fortune500 (June 2019)

Schedule 19 - Principal Agricultural Commodities Value (1)

Last Ten Calendar Years (dollars in millions)

Commodities	% Change 2018 vs. 2017	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Apples	-10%	$ 2,186	$ 2,430	$ 2,351	$ 2,319	$ 1,896	$ 2,134	$ 2,482	$ 1,932	$ 1,541	$ 1,413
Milk (2)	-5%	1,132	1,189	1,097	1,136	1,624	1,299	1,160	1,277	950	684
Wheat	22%	845	691	657	600	715	1,014	1,162	1,122	922	597
Potatoes	15%	788	687	813	772	771	797	700	771	654	646
Cattle/calves	-3%	652	672	704	849	806	715	659	587	567	468
Hay, all	1%	519	516	479	499	703	675	626	714	509	452
Hops	-7%	428	459	382	280	208	185	144	157	163	265
Cherries, sweet	-10%	426	475	491	437	502	379	491	527	364	223
Grapes, all	13%	361	319	360	289	302	278	249	186	214	209
Eggs	71%	241	141	117	332	177	148	137	140	121	106

1. Acreage and/or yield data is preliminary. Data in the table may be revised periodically.
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.

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	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Exports [1]	$ 86,971	$ 88,218	$ 90,424	$ 94,781	$ 93,908	$ 98,740	$ 84,187	$ 77,284	$ 64,723	$ 58,468
Imports	99,955	94,493	92,729	91,496	90,639	89,559	93,614	86,997	80,020	67,896
Trade balance	$ (12,984)	$ (6,275)	$ (2,305)	$ 3,285	$ 3,269	$ 9,181	$ (9,427)	$ (9,713)	$ (15,297)	$ (9,428)
Two-way trade	$ 186,926	$ 182,711	$ 183,153	$ 186,277	$ 184,547	$ 188,299	$ 177,801	$ 164,281	$ 144,743	$ 126,364

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]	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Canada	$ 18,599	$ 16,672	$ 15,676	$ 17,052	$ 18,937	$ 27,635	$ 18,135	$ 17,353	$ 14,936	$ 13,326
China (Mainland)	10,732	14,919	14,753	16,315	18,880	16,390	14,027	11,962	11,695	7,607
Japan	7,303	6,683	8,091	7,569	8,908	8,465	9,850	8,036	7,368	6,475
Korea, Republic of	5,771	4,615	5,129	5,071	3,644	3,371	3,903	4,096	3,378	2,584
United Kingdom	4,453	2,247	3,800	2,514	2,710	2,530	1,452	1,921	1,083	1,356
Taiwan	2,867	3,022	3,376	3,902	2,734	2,295	1,866	2,070	2,556	1,917
United Arab Emirates	1,971	3,961	4,049	3,174	3,212	3,969	5,017	2,715	909	2,897
Philippines	1,938	1,906	1,631	1,266	1,337	1,680	1,579	914	871	801
India	1,920	1,044	783	636	1,105	1,888	898	783	1,063	1,704
Ireland	1,880	1,827	1,991	904	602	50	937	1,331	1,577	1,791

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]	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
China (Mainland)	$ 32,219	$ 29,002	$ 28,710	$ 29,910	$ 28,968	$ 31,776	$ 33,820	$ 31,100	$ 32,228	$ 27,341
Canada	18,725	17,834	16,600	16,873	18,953	17,529	16,430	16,284	13,948	10,916
Japan	17,720	18,631	18,982	17,682	16,816	17,036	19,129	16,198	13,886	11,656
Korea, Republic of	4,239	4,812	5,000	5,014	4,945	4,529	4,380	3,760	3,315	2,719
Taiwan	3,207	3,396	3,415	3,574	3,347	3,131	3,442	3,291	3,141	2,414
Vietnam	2,896	2,502	2,110	1,996	1,346	1,326	1,637	1,421	1,234	1,160
Ireland	1,780	2,509	3,046	548	82	24	21	16	9	7
Singapore	1,698	1,413	1,439	1,060	638	576	275	258	515	1,631
Germany	1,454	1,001	967	912	853	896	760	763	588	524
Russia	1,449	903	880	525	709	641	1,401	2,275	366	414

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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Value of all taxable property:										
Assessed value	$ 1,276,450	$ 1,134,145	$ 1,022,092	$ 949,759	$ 880,155	$ 808,328	$ 767,064	$ 793,703	$ 824,885	$ 862,108
Property value of exemptions:										
Senior citizen	$ 8,108	$ 4,871	$ 3,601	$ 3,590	$ 3,183	$ 2,491	$ 2,689	$ 4,170	$ 5,362	$ 6,491
Head of household	50	132	51	58	60	56	61	65	72	77
Total exemptions	$ 8,158	$ 5,003	$ 3,652	$ 3,648	$ 3,243	$ 2,547	$ 2,750	$ 4,236	$ 5,434	$ 6,568
New construction and improvements:										
Assessed value	$ 22,239	$ 19,286	$ 16,122	$ 13,656	$ 11,213	$ 9,198	$ 6,598	$ 7,207	$ 9,001	$ 13,443

Source: Washington State Department of Revenue, Property Tax Statistics Report

Schedule 24 - Residential Building Activity

Last Ten Calendar Years (dollars in millions)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Permits	47,746	45,794	44,077	40,374	33,898	32,962	28,118	20,864	20,691	17,011
Valuations	$ 9,808	$ 9,913	$ 9,116	$ 8,519	$ 7,017	$ 6,684	$ 5,649	$ 4,036	$ 3,891	$ 3,186

Source: U.S. Census Bureau

OPERATING INFORMATION

Schedule 25 - Full-Time Equivalent Staff Comparison (Budgeted Funds)

Last Ten Fiscal Years

Function	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General government	8,813	8,633	8,612	8,420	8,386	8,256	8,268	9,082	9,196	9,696
Human services	37,285	36,095	35,221	33,722	33,105	32,744	32,205	31,766	32,133	34,034
Natural resources	6,982	6,828	6,741	6,661	6,520	6,256	6,232	6,011	5,928	6,120
Transportation	10,643	10,543	10,291	10,185	10,230	10,334	10,457	10,458	10,783	11,037
Education	53,164	52,889	52,866	52,216	52,296	51,303	50,406	48,603	49,454	49,086
Total	116,887	114,988	113,731	111,204	110,537	108,893	107,568	105,920	107,494	109,973
Percentage change	1.7%	1.1%	2.3%	0.6%	1.5%	1.2%	1.6%	-1.5%	-2.3%	-2.3%

Notes: A Full-Time Equivalent (FTE) is one full calendar year of paid employment or the equivalent of 2,088 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in state government. It is a computed average number of state employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year. Figures include 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	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General government	3,075	2,911	2,898	2,794	2,825	2,740	2,870	2,845	3,060	3,234
Human services	22,045	20,441	19,893	18,791	18,508	18,487	17,569	17,192	16,962	16,984
Natural resources	1,572	1,785	1,700	1,819	1,341	1,474	1,667	1,595	1,712	2,080
Transportation	356	357	326	358	306	360	354	367	371	418
Education	15,763	14,653	15,054	15,257	15,087	14,189	14,969	14,941	16,535	17,675
Total	42,811	40,147	39,871	39,019	38,067	37,250	37,429	36,940	38,640	40,391
Percentage change	6.6%	0.7%	2.2%	2.5%	2.2%	-0.5%	1.3%	-4.4%	-4.3%	-10.5%

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

	2019	2018	2017	2016
Department of Revenue				
Number of state excise taxpayer registered accounts	712,928	712,884	692,856	669,897
Number of taxable real estate excise tax (REET) sales	264,181	300,136	286,686	270,689
Department of Enterprise Services (1)				
Number of leases for office space (2)	497	492	483	552
Gross square feet of leased office space (in thousands)	7,347	7,037	7,236	7,392
Number of owned office buildings (3)	24	22	28	29
Gross square feet of owned office space (in thousands)	2,843	2,533	2,784	2,780
Liquor and Cannabis Board				
Liquor: (4)				
Retail licensees	18,235	18,528	18,298	17,132
Non-retail licensees	7,690	7,337	6,874	6,279
Number of state owned liquor stores	N/A	N/A	N/A	N/A
Number of contracted liquor stores	N/A	N/A	N/A	N/A
Marijuana: (5)				
Producer licensees	1,137	1,208	1,167	1,035
Processor licensees	1,224	1,280	1,175	992
Retail licensees	482	505	507	428
Transportation Licenses	15	16	9	N/A
Research Licenses	1	N/A	N/A	N/A

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 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 2019, the increase in owned office buildings results from the General Administration building and the Irving R. Newhouse building. Previously, the General Administration was reported under the "unclassified" category and the Irving R. Newhouse was reported as "special use."
4. With the passage of Initiative 1183, which privatized the distribution and retail sale of liquor, the Washington State Liquor and Cannabis Board closed its state liquor stores and ceased liquor distribution operations on June 1, 2012.
5. The passage of Initiative 502, which legalized marijuana for recreational use, included these new license types.

N/A indicates data is not applicable.

Sources:
Washington State Department of Revenue, Tax Statistics
Washington State Department of Enterprise Services
Washington State Liquor and Cannabis Board

2015	2014	2013	2012	2011	2010
684,306	742,139	790,312	816,922	824,588	793,056
254,147	242,434	241,595	209,442	206,805	215,233
560	546	532	521	580	619
7,542	7,749	7,624	7,467	9,046	8,874
37	37	37	38	38	38
2,990	2,990	2,990	3,004	3,004	3,004
17,739	16,246	15,655	15,044	13,628	13,450
5,626	5,649	5,364	4,916	3,244	3,051
N/A	N/A	N/A	N/A	166	164
N/A	N/A	N/A	N/A	162	159
530	57	N/A	N/A	N/A	N/A
456	47	N/A	N/A	N/A	N/A
171	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

OPERATING INFORMATION

Schedule 28 - Operating and Capital Asset Indicators by Function
Human Services

Last Ten Fiscal Years

	2019	2018	2017	2016
Department of Social and Health Services (1)				
Mental health programs:				
Mental health state hospitals (2)	3	3	3	3
Mental health state hospitals available beds	1,234	1,221	1,205	1,192
Mental health state hospitals average daily census (3)	1,085	1,113	1,143	1,123
Income assistance programs:				
Temporary assistance for needy families caseload (TANF/SFA)	25,417	26,031	28,556	31,287
Food assistance caseload (4)	490,476	511,711	531,149	561,112
Health Care Authority (5)				
Medical assistance programs:				
Monthly average caseload certified eligible	1,797,117	1,853,207	1,880,287	1,838,532
Community outpatient mental health facilities (6)	191	210	179	120
Community outpatient mental health programs, clients served (7)	150,859	180,299	176,392	177,974
Department of Corrections				
Number of correctional institutions (8)	12	12	12	12
Offenders in confinement (9)	19,328	19,802	19,413	18,991
Prison and work release operating capacity	17,453	17,454	17,434	17,434
Department of Health				
Licensed health professionals (10)	484,056	468,421	455,806	437,775
Department of Labor and Industries				
Claims filed, injured or ill workers	111,837	111,604	109,965	110,498
Electrical inspections performed	260,302	251,114	216,809	233,148
Workplaces inspected each year by the Washington Industrial Safety and Health (WISHA) program (11)	5,063	4,256	4,403	4,082

1. Due to reporting lags and corrections, the Department of Social and Health Services (DSHS) periodically revises historical data.
2. Facilities include: Eastern State Hospital, Western State Hospital, and Child Study and Treatment Center.
3. The Average Daily Census is the number of patients in residence at midnight each day. ADC is calculated by dividing the sum of daily in-residence census by the number of days in the month.
4. Data reflects the state fiscal year average of total participating households in the Basic Food Program.
5. The medical assistance programs transferred from the Department of Social and Health Services to the Health Care Authority in July 2011.
6. Fluctuations in the number of community outpatient health facilities are due to funding shifts and legislations. Data reflect the total distinct counts (by State Fiscal Year) of community outpatient mental health agencies actively enrolled in Provider One. The count is based on an agency's Tax Identification Number.
7. 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. Note that the service count for SFY 2019 is incomplete, due to the underreporting of encounter data to the Behavioral Health Data System by submitting entities participating in Integrated Managed Care.
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. Licensed health professionals include certified, licensed, and registered health professionals. These counts exclude ARNP licenses as duplicative due to their dual credential mandate.
11. Timing of inspections within the fiscal year can result in delays in report filings. Due to reporting lags, data may be revised.

2015	2014	2013	2012	2011	2010
3	3	3	3	3	3
1,161	1,161	1,161	1,161	1,176	1,197
1,101	1,117	1,087	1,077	1,078	1,101
35,159	42,571	48,675	54,433	65,140	64,451
582,204	595,150	597,494	581,020	536,635	458,123
1,722,935	1,412,069	1,234,885	1,226,705	1,218,534	1,158,205
131	157	161	161	184	177
170,469	152,155	145,053	138,609	138,071	132,112
12	12	12	12	12	13
18,445	18,121	17,930	17,697	18,483	18,457
17,498	17,187	17,101	16,855	17,060	16,856
417,504	401,828	388,856	378,041	372,657	357,766
109,359	106,903	103,328	101,524	100,690	102,734
214,439	203,975	189,027	173,358	171,861	189,763
4,918	5,292	4,854	5,516	6,240	7,689

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

OPERATING INFORMATION

Schedule 29 - Operating and Capital Asset Indicators by Function

Transportation

Last Ten Fiscal Years

	2019	2018	2017	2016
Department of Transportation				
Number of ferries	23	23	23	24
Vehicles on ferries (in thousands)	10,555	10,709	10,545	10,563
Passengers on ferries (in thousands)	13,701	13,858	13,681	13,525
State highway miles of travel (1)				
Rural (in millions)	N/A	11,915	11,611	11,487
Urban (in millions)	N/A	23,460	23,015	22,741
State highway lane miles (2)				
Rural	13,129	13,113	13,114	13,113
Urban	7,686	7,697	7,682	7,650
Total	20,815	20,810	20,796	20,763
Pavement patching & repair (square feet) (3)	1,880,860	2,097,641	2,456,825	3,826,649
Pavement striping maintenance (miles)	21,364	19,064	19,780	19,600
Anti & de-icing liquid application (gallons in thousands)	2,393	1,747	4,007	1,688
Litter pickup (cubic yards)	18,899	19,641	25,530	18,169
Department of Licensing (4)				
Total vehicle registrations (in thousands)	8,164	8,063	7,792	7,214
Licensed drivers (in thousands)	5,705	5,916	5,778	5,639
Washington State Patrol (5)				
Total contacts	1,187,875	1,222,738	1,128,175	1,141,911
Citations issued	464,813	470,870	434,452	464,024
Motorist assists	325,231	331,282	335,063	328,208
Collisions investigated	43,062	44,181	46,223	43,501
Number of traffic officers	607	608	583	539

1. The Annual Vehicle Miles Traveled report lags for one year, so there is no data for current year.
2. The Highway and Lane Miles report is based on a calendar year.
3. The Maintenance Operations Division has a mobile application to track units, HATS (Highway Activity Tracking System), that began July 1, 2015. With this system, maintenance personnel are able to more accurately track the type of work they are doing as well as the amount.
4. Vehicle count includes all registered vehicles. Driver count includes all licensed drivers.
5. Due to time and activity adjustments, the Washington State Patrol periodically revises its data up to three years.

N/A indicates data is not available.

Sources:
Washington State Department of Transportation
Washington State Department of Licensing
Washington State Patrol

2015	2014	2013	2012	2011	2010
24	22	22	23	21	22
10,372	10,156	10,045	9,983	9,973	10,134
13,261	12,651	12,350	12,236	12,374	12,504
11,098	10,641	10,371	11,252	11,353	11,521
22,237	21,536	21,278	19,963	20,103	20,243
13,091	13,085	13,798	13,814	13,795	13,744
7,641	7,606	6,882	6,817	6,792	6,755
20,732	20,691	20,680	20,631	20,587	20,499
74,263	86,948	82,415	113,304	135,952	179,585
23,156	16,835	17,203	18,763	26,608	16,801
1,210	2,721	2,154	2,421	1,774	2,834
18,876	22,586	29,428	25,537	27,320	26,739
7,039	6,866	6,755	6,683	6,662	6,631
5,520	5,404	5,310	5,230	5,180	5,108
1,228,396	1,225,768	1,262,584	1,256,569	1,272,526	1,258,637
509,689	506,862	516,593	518,315	520,447	523,786
316,659	300,806	296,170	301,511	310,013	296,887
37,996	35,479	33,989	34,995	37,106	34,182
589	585	635	626	624	636

OPERATING INFORMATION

Schedule 30 - Operating and Capital Asset Indicators by Function
Natural Resources and Recreation

Last Ten Fiscal Years

	2019	2018	2017	2016
State Parks and Recreation Commission				
Number of official, developed state parks	125	125	124	124
Number of owned or managed properties [1]	94	94	91	91
Acreage of state parks	121,077	123,007	122,908	138,613
Attendance at state parks (in thousands)	37,997	36,745	35,373	35,055
Department of Fish and Wildlife				
Recreational licenses issued [2]				
Hunting licenses	699,475	615,528	597,025	607,849
Fishing licenses	1,267,619	1,333,380	1,397,951	1,525,780
Hatchery releases (pounds in thousands) [3]				
Salmon releases	3,640	3,565	3,590	3,502
Trout releases [4]	1,427	1,581	1,489	1,575
Department of Natural Resources [3]				
Common schools trust land acreage (in thousands)	1,784	1,786	1,788	1,788
Total trust land acreage (in thousands)	3,135	3,132	3,133	3,125
Timber acres sold	21,338	17,608	20,392	24,382
Timber volume harvested (thousand board feet)	497,941	512,143	483,357	480,898
Timber volume sold (thousand board feet)	488,142	500,675	520,498	526,382
Natural area preserve sites	56	56	56	56
Natural area preserve acreage	40,427	40,347	37,642	37,273
Natural resources conservation area sites	38	38	37	36
Natural resources conservation area acreage	124,127	122,742	121,857	118,579

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. Recreational licenses issued include secondary license documents such as endorsements, catch cards, duplicates and applications taken from Monthly Sales Statistics report.
3. Fiscal year 2019 data is preliminary.
4. Trout releases do not include trout lodge fish purchased by DFW.

Sources:
Washington State Parks and Recreation Commission
Washington State Department of Fish and Wildlife
Washington State Department of Natural Resources

2015	2014	2013	2012	2011	2010
123	123	116	116	116	118
93	93	243	243	241	183
137,781	138,266	123,952	121,711	121,547	121,506
33,045	34,000	35,625	35,338	38,896	44,315
595,169	556,745	548,873	533,420	594,673	626,491
1,546,250	1,503,651	1,407,714	1,456,268	1,355,967	1,383,337
3,874	3,780	4,167	4,035	4,211	4,395
1,588	1,643	1,587	1,513	1,396	1,384
1,790	1,791	1,780	1,794	1,803	1,810
3,122	3,122	3,072	2,918	2,929	2,944
23,499	21,966	20,303	22,250	20,609	26,841
449,115	471,343	480,140	514,039	669,442	805,946
467,555	489,917	497,447	549,229	597,083	741,666
55	55	55	55	54	54
36,342	36,245	36,156	38,284	36,896	35,585
36	36	35	35	31	30
114,244	113,116	113,032	111,136	108,100	97,293

OPERATING INFORMATION

Schedule 31 - Operating and Capital Asset Indicators by Function
Education

Last Ten Academic Years

	2018-19	2017-18	2016-17	2015-16
K-12 Enrollment (1)				
K-8	761,106	756,379	747,548	726,137
9-12	303,618	307,373	307,714	307,575
Summer	778	962	972	1,031
Running start	24,023	22,484	20,560	18,562
Open doors [1418] youth reengagement program (2)	5,553	4,785	4,117	3,561
UW transition	115	114	112	116
Washington Youth Academy (3)	330	335	342	N/A
Total	1,095,523	1,092,432	1,081,365	1,056,982
High school graduates (4)	N/A	67,966	65,491	64,126
Higher Education				
Community and Technical Colleges:				
Number of campuses	34	34	34	34
Enrollment (1) (5)	N/A	127,994	130,577	135,108
Associate degrees granted	N/A	30,315	29,534	29,624
Baccalaureate degrees granted	N/A	1,005	785	497
Student achievement points (6)	N/A	473,517	481,409	470,380
Public Universities: (7)				
Number of campuses	11	11	11	11
Enrollment (1)	N/A	N/A	111,221	109,834
Baccalaureate degrees granted	N/A	N/A	25,515	25,295
Masters degrees granted	N/A	N/A	6,489	6,028
Doctors degrees granted	N/A	N/A	1,081	1,125
Professional degrees granted	N/A	N/A	832	790

1. K-12 enrollment figures are preliminary for academic year 2018-19. 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 youth re-engagement 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.
3. The Washington Youth Academy (WYA), beginning in academic year 2009-10, serves youth from every county in Washington. WYA is a National Guard Youth Challenge program focusing on academic intervention and credit recovery and is the only publicly-funded military-style academy in the state for 16-18 year olds who have or are at risk of dropping out of high school.
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. Figures also include students enrolled in baccalaureate partnership programs.
6. Student achievement points are the number of intermediate steps achieved by students that are shown to be predictors of the degree or certificate outcome. Student achievement points are essential to the Student Achievement Initiative (SAI) within the community and technical college system. The initiative was implemented in 2007 to increase educational attainment in Washington state. In 2012, after reviewing the data from the first six years of implementation, the State Board approved revisions to SAI which were effective in 2013-14. The revisions included additional points awarded for student retention and critical transitions for students starting less than college-ready, and for second year achievement.

2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
705,175	696,390	680,696	676,539	673,558	668,055
307,417	306,030	306,819	307,949	312,691	314,318
993	1,010	929	821	1,155	1,222
17,070	15,090	13,623	12,767	12,824	12,487
2,905	2,058	747	119	N/A	N/A
108	107	114	113	108	104
N/A	N/A	N/A	N/A	N/A	N/A
1,033,668	1,020,685	1,002,928	998,308	1,000,336	996,186
62,598	60,680	60,475	60,552	59,732	60,835
34	34	34	34	34	34
138,724	143,292	147,433	153,395	162,328	160,778
29,137	28,758	28,191	27,846	26,434	22,368
286	244	192	155	138	51
486,326	502,179	342,424	361,715	390,300	393,135
11	11	11	10	10	10
107,935	106,038	105,112	104,702	103,214	101,165
24,947	24,167	24,616	24,280	23,289	22,794
5,858	5,761	5,809	5,597	5,498	5,138
1,131	1,022	1,032	915	1,035	1,114
774	781	799	777	661	523

7. Public Universities include all four-year public institutions and branch campuses. The universities periodically update the number of degrees granted to more accurately reflect the data at the institution level. Enrollment is the annual average total four-year FTE enrollment from the State-Funded Public Higher Education Enrollment Report.

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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