STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOVEMBER 2012

State of Washington
Office of Financial Management

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2012

November 2012

Report Prepared by

Office of Financial Management
Stan Marshburn, Director

Statewide Accounting
Wendy Jarrett, CPA, Assistant Director
Bret Brodersen
Andrea Brown
Suzanne Coit, CPA
Cheryl Hainje
Steve Nielson
Patricia Sanborn, CPA
Michael Schaub
Kim Thompson, CPA
Pam Valencia
Wendy Weeks, CPA
Jayda Williams
Anwar Wilson

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

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Table of Contents

INTRODUCTORY SECTION

Required Supplementary Information

Combining and Individual Fund Financial Statements

Debt Capacity

Demographic Information

Operating Information

INTRODUCTORY SECTION

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STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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

November 15, 2012

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

In accordance with Revised Code of Washington 43.88.027, the Office of Financial Management has prepared this Comprehensive Annual Financial Report (CAFR) of the state of Washington for the fiscal year ending June 30, 2012. 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 unqualified ("clean") opinion on the Washington State financial statements for the fiscal year ending June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

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

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

Profile of Washington State

Washington State was created in 1889 by an enabling act of Congress. The State is located on the Pacific Coast, in the northwestern corner of the continental United States, and comprises 71,303 square miles. Its current population is 6.8 million. Washington is famous for its breathtakingly beautiful scenery and sharp contrasts. On the west side of the state, high mountains rise above coastal waters. The forests of the Olympic Peninsula are among the world's rainiest places. The state's coastline has hundreds of bays and inlets that make excellent harbors, while in the eastern part, flat semi-desert land stretches for long distances without a single tree.

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

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

GOVERNMENTAL STRUCTURE

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

TYPES OF SERVICES PROVIDED AND REPORTING ENTITY

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

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

THE BUDGET CYCLE

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

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

Washington State's Economy and Revenue Outlook

SUMMARY

Since the nation's recession began in December 2007, Washington State lost almost 206,000 jobs, or about 6.9 percent of total nonfarm payroll employment. While the state appeared to lag the nation into this slowdown, local losses accelerated in late 2008 and, for the most part, began to mirror national trends. By June 2009, the nation was officially out of recession, and national economic indicators were signaling a recovery in economic output. However, employment was noticeably restrained as employers sought to increase output through productivity gains instead of by hiring additional workers. Employment patterns were inconsistent throughout 2010 as the use of temporary Census workers in the late spring and summer masked the below-average employment trends in the remainder of the economy. Employment growth turned positive in the last quarter of 2010 and advanced slowly through 2011. Employment maintained its positive track through 2012, though at a growth rate less than half the historic norm. Job growth is expected to grow at a 1.9 percent pace in 2013, slightly faster than in 2012. Because of Washington's export-dependent economy, and despite the increasingly cautious Asian outlook, Washington is still expected to lead the nation during this recovery and expansion in terms of job and income growth, thanks to continued hiring trends and the above-average wages in aerospace and software.

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

Washington's nonfarm payroll employment grew by 1.6 percent in fiscal year 2012, compared to the 0.6 percent gain in fiscal year 2011, and the 3.9 percent drop in fiscal year 2010. The aerospace industry was able to maintain relatively steady payrolls despite weakness in the global airline industry, thanks primarily to a long backlog of orders. Increasing the delivery pace for the large backlog should strengthen payrolls in fiscal year 2013. Total manufacturing employment grew 4.9 percent in fiscal year 2012 as production schedules ramped up, and a favorable dollar gave Washington products an advantage in the international markets.

Washington's unemployment rate fell by a percentage point in fiscal year 2012, as a slow-growing national economy, weak housing markets, and volatile energy costs continued to hamper the labor markets. As the annual unemployment rate eased down to 8.6 percent from 9.6 percent in the previous year, Washington's jobless rate tracked closely with the national average throughout this period.

Personal income grew 4.6 percent in fiscal year 2012, despite the slow pace of hiring. Real personal income — after factoring out inflation — grew by 2.2 percent in fiscal year 2012 after gaining 3.0 percent in fiscal year 2011. In comparison, real personal income fell 2.5 percent in fiscal year 2010.

Washington's outlook for fiscal year 2013 is for modest gains in economic growth as the recovery and expansion from the financial crisis and recession take hold in the local economy. Nonfarm payroll employment in Washington is forecasted to increase by 1.9 percent in fiscal year 2013. Personal income in fiscal year 2013 is predicted to grow by 4.4 percent in current terms, and by 2.6 percent in real terms.

General Fund-State revenues are forecasted to grow at a 7.1 percent rate in the 2013–15 biennium compared to the 7.8 percent gain in the 2011–13 biennium. The slow economy, sluggish hiring, and weak housing markets have had a negative effect on revenue growth. Particularly hard hit have been retail sales and real estate excise taxes.

ECONOMIC CONDITION IN FISCAL YEAR 2012

Washington's nonfarm payroll employment grew by 1.6 percent in fiscal year 2012, compared to the 1.4 percent growth in U.S. nonfarm payroll employment. The absolute increase in Washington's nonfarm payroll employment was 43,500 during fiscal year 2012. Personal income in Washington grew 4.6 percent, leading the U.S. gain of 3.7 percent. Because Washington's personal income had not fallen to the same degree as the nation in the previous two years, the rebound effect in Washington was somewhat lessened during the subsequent recovery (i.e., the state did not have near as deep a hole from which to extract itself). Real per capita income grew by 0.9 percent in Washington over the same period, again leading the nation, which experienced a 0.5 percent gain.

Aerospace employment provided an anchor for Washington's manufacturing sector in fiscal year 2012. Even though aerospace employment did ratchet down a modest amount in fiscal year 2010, fiscal year 2011 saw a return to aerospace employment gains with an additional 1,400 workers, a growth rate of 1.7 percent. Employment during fiscal year 2012 was a vigorous 10.1 percent with a gain of 8,400 new workers. The ramping up of production schedules and the adding of a line to help boost 787 deliveries will lend stability to aerospace and other manufacturing employment for the foreseeable future.

Manufacturing employment, other than aerospace, was not near as hearty but still grew by 2.6 percent. Durable manufacturing industries, which had experienced pullbacks in employment in fiscal year 2010, turned up in fiscal year 2011 as the national economy and export market began to strengthen, and carried that momentum into 2012. Nondurable manufacturing employment, which had declined 4.6 percent in fiscal year 2010, eased upward by 0.9 percent in fiscal year 2011, and gained another 1.4 percent in fiscal year 2012 as demand for processed food and paper products solidified.

In comparative terms, employment in durable manufacturing in Washington grew by 6.3 percent in fiscal year 2012, while employment in durable manufacturing nationwide increased by 3.1 percent, one of the few bright spots in the nation's labor market. Employment patterns in durable manufacturing industries were mixed in Washington during fiscal year 2012. Specifically, employment in lumber and wood products, nonmetallic mineral products, and other durable goods were all down, while primary metal, fabricated metal, computers, machinery, electrical equipment, aerospace, and ship and boatbuilding were all on the plus side of the ledger.

Washington's lumber industry is dependent upon local and national home building trends. The housing market in Washington had begun to soften in fiscal year 2008, and the national markets had been weak since the end of fiscal year 2007. The ongoing weakness in home building resulted in a 3.2 percent decline in wood products employment in fiscal year 2012. Employment in other transportation equipment (other than aerospace) strengthened as demand for heavy trucks, and ships and boats rebounded, thanks to renewed wholesale and other distribution activity. As aerospace employment strengthened, employment in primary and fabricated metal products — major suppliers to aerospace — grew by 7.6 percent in fiscal year 2012, despite the more intense use of composite materials in newer aircraft. Machinery manufacturing employment also increased 7.6 percent in fiscal year 2012. Computers and electronic products were up 3.0 percent, while employment in other durable manufacturing was down by 0.5 percent.

Nondurable manufacturing employment in Washington increased by 1.4 percent in fiscal year 2012, a gain of about 1,100 jobs. Nationally, nondurable manufacturing employment gained just 0.1 percent over the same period. In Washington, employment in food manufacturing grew 2.2 percent in fiscal year 2012 as a result of accelerated demand in the export markets. Printing and paper products employment dropped 7.6 percent in fiscal year 2012 as a result of declining national demand for magazines and newspapers and the closure of a large paper mill in Western Washington.

Washington's non-manufacturing employment advanced 1.3 percent in fiscal year 2012. All major nonfarm services sectors, except government, posted payroll gains for fiscal year 2012 with professional and business services outpacing the field with a growth of 3.3 percent.

The construction industry posted a 0.5 percent loss in employment in fiscal year 2012 as the housing market remained weak throughout most of the year, though by the end of the year there were signs the housing market had finally begun to post modest price gains. The housing market was bolstered by continued declines in mortgage interest rates, which were likely a major factor in stemming the decline in housing prices. Weakness in the labor market and a continued high level of mortgage delinquencies will continue to weigh heavily on the housing market and construction sector in the near term.

For many years, employment growth in the information sector has relied almost exclusively on the strength of software publishing. However in fiscal year 2010, after a run of 27 years, software employment fell 2.6 percent because of restructuring at Microsoft. The sector's employment stabilized in the last half of fiscal year 2010 and began a slow upturn in fiscal year 2011, growing 0.8 percent. Job gains in fiscal year 2012 were twice that pace at 1.6 percent.

Wholesale trade grew by 3.1 percent in fiscal year 2012, and retail trade employment increased by 2.1 percent, a welcome quickening from the 0.6 percent and 0.7 percent respective gains in fiscal year 2011. Professional and business service jobs advanced by 3.3 percent in fiscal year 2012, as the great majority of activities in the sector gained strength over the year; only waste management and remediation services declined because of the completion of several contracted activities at the Hanford nuclear reservation. Education and health services reported an increase of 1.4 percent during fiscal year 2012, much slower than this sector has posted in the past. Leisure and hospitality services recorded a 1.9 percent increase as food and beverage establishments experienced a turnaround, and as hotels and motels were experiencing higher occupancy rates. Employment slumped another 1.0 percent in the public sector as state and local governments continued to be beset with revenue shortfalls resulting in payroll cuts.

ECONOMIC OUTLOOK

The forecast for Washington State for fiscal year 2013 reflects the continuation of slow but steady employment growth at both the state and national levels. According to the September 19, 2012, forecast by the state Economic and Revenue Forecast Council, Washington's nonfarm payroll employment is predicted to increase by 1.9 percent in fiscal year 2013, a bit quicker than that of the nation. Up until the middle of fiscal year 2010, the economic recovery was characterized by an expansion of existing workers' hours rather than new hiring. In addition, an aggressive cycle of productivity gains through the early period of economic recovery also kept hiring at bay. With the end of the productivity surge in early 2011, employers began to expand their payrolls to increase output in 2012. This pattern should hold in fiscal year 2013.

Manufacturing employment in Washington is projected to continue its upward course in fiscal year 2013. The aerospace industry is expected to add another 5,900 workers and durable manufacturing, aside from the aerospace sector, is expected to grow by 3,600 jobs as business investment and exports boost demand. As a result, primary and fabricated metals, machinery and electrical equipment, computer and electronic products, and other transportation equipment are all expected to solidify their employment bases.

The wood products industry was hard hit by both the housing bubble and the slowdown in international trade. But after five years of downward trending employment, the wood products sector began to hold its own in fiscal year 2012 as the nation's multi-family market and increased residential remodeling helped shore up demand for wood products. Payroll gains of 1.9 percent are expected in fiscal year 2013 as demand for new apartments strengthens.

Nondurable manufacturing gains should be mixed in fiscal year 2013, and at a slower pace than durable goods. Employment in food manufacturing is expected to post a modest 0.8 percent gain. Employment in paper and paper products manufacturing is expected to decline by 3.2 percent, and printing and related activities will lose 1.3 percent. Petroleum, coal, plastics, and rubber products should increase by 1.3 percent while other nondurable manufacturing should increase by 6.5 percent.

In the non-manufacturing sectors, the strongest employment growth in fiscal year 2013 is predicted to occur in transportation, warehousing, and utilities services with a gain of 3.8 percent. Professional and business services are expected to expand 3.6 percent as business-to-business related activity increases, particularly in computer systems design and employment services. Information payrolls are expected to gain 2.0 percent, thanks to the resumption of growth in software publishing that is expected to swell by 3.3 percent in fiscal year 2013. Competition for skilled technical workers kept employment growth stunted in fiscal year 2011 and into fiscal year 2012, but enhanced compensation packages helped boost employment in the latter stages of the year and should help the sector carry some momentum through fiscal year 2013.

Wholesale and retail trade should post moderate job gains of 2.4 percent and 1.5 percent respectively in fiscal year 2013. Increased international trade volumes will help boost demand for wholesale trade activity. Retail payrolls will likely be spurred by both growth in income and overall nonfarm payroll employment.

Education and health service jobs should also post a moderate 1.6 percent gain in fiscal year 2013. Health care services have proven to be much less susceptible to economic downturns than other sectors of the economy, although in this recovery, employment gains have been below average. The coverage provided by public and private insurers offers the economic buffer for this sector.

Leisure and hospitality jobs are projected to grow 2.7 percent in fiscal year 2013. Travel and dining-out activities were put on hold during the recession. Recent gains have been modest because of the slow growth in overall employment and incomes. Because both overall income and employment are expected to post moderate gains in 2013, so too should the leisure and hospitality sector.

After four consecutive years of decline, the construction sector should finally experience a modest rebound in fiscal year 2013. Construction declined by almost 70,000 jobs between fiscal year 2008 and fiscal year 2012. Payrolls are expected to increase by 2.0 percent in fiscal year 2013, thanks to growing demand for rental apartments and modest increases in single family construction and remodeling.

Employment in financial activities will remain slow because of continued difficulties among state-chartered banks; many were over-exposed in commercial building loans when the market weakened. Those banks that survived the shake-out have been directed by the Federal Deposit Insurance Corporation to strengthen their balance sheets, which in some ways has been detrimental to small business lending activity. Payrolls are expected to post a 1.3 percent in fiscal year 2013.

Federal government payrolls will decline by 2.4 percent in fiscal year 2013 because of the easing of defense-related federal expenditures. State and local government employment will also dip 0.3 percent as slow labor markets and slower-than-expected consumer spending result in lower-than-average revenue collections.

Washington's personal income is expected to grow by 4.4 percent in fiscal year 2013, a bit quicker than the 4.3 percent growth in U.S. personal income for the same period. Employment is expected to gain traction in fiscal year 2013 and, as a result, the wage component of personal income should grow at a 4.0 percent pace. Because of the declines in unemployment (slow though they may be), the use of unemployment compensation — an important component of personal income — will actually decline by more than 14.0 percent in fiscal year 2013. Proprietors' income is projected to grow at a 4.5 percent clip in fiscal year 2013 as entrepreneurs capture gains as the economy grows. Dividends, interest, and rents will grow at a 6.3 percent pace as financial markets extend their recovery.

Major Initiatives

As was the case for most states, Washington has experienced significant budget upheaval during the past four years. While there are increasing signs that the state's economy and revenue collections are stabilizing, significant challenges remain as Washington develops its 2013–15 biennial budget.

Washington State, with its heavy reliance on sales taxes and sectors such as home construction, was particularly hard hit by the Great Recession. In the first year of the downfall, total taxable retail sales in Washington dropped by 10.4 percent and fell another 6 percent the following year. To put that in perspective, the previous biggest decrease in taxable retail sales since at least the 1950s was a 1.4 percent decline in the year following the September 11, 2001, attacks.

In previous recessions, the national and state economies typically began to recover within a year. But in the Great Recession, which already was far deeper than any downturn since the Great Depression, the turnaround took much longer. State tax collections did not even begin to rebound for three years. In fact, on a real per-capita basis, General Fund revenue collections in 2012 remain well below the peak in 2007.

Over a four-year period, nearly every quarterly state revenue forecast brought more bad news. In all, the state's revenue projections for the 2009–11 and 2011–13 biennia fell by $10 billion — a nearly 16 percent decline compared to original forecasts.

During that time, Governor Gregoire and the Legislature reduced existing and projected spending by more than $11 billion. They enacted landmark pension and debt service reforms that will lead to billions of dollars in future savings. They eliminated dozens of state boards and commissions, and they engineered the largest agency consolidations in modern times. Also during that time, the state general government workforce was shrunk by more than 11 percent to fewer than 60,000 employees, bringing the number of state workers to its lowest level since the mid-1990s. Meanwhile, the number of managers in state government has been cut by nearly 16 percent.

The 2012 legislative session resulted in lawmakers approving a supplemental budget that included nearly $300 million in additional spending cuts and reduced funding to local governments by $74 million. The budget assumed $120 million in savings resulting from agencies spending less than their appropriations after the 2012 supplemental reductions.

For the first time in several years, however, the 2012 supplemental budget made no new cuts to K-12 or higher education, though the Governor and lawmakers agreed to permanently repeal Initiative 728, which targeted funds to reduce class size.

Meanwhile, for future budgets, Washington governors and legislators will face another new challenge. Under legislation approved this year, beginning with the 2013–15 biennium, Washington will be the only state in the nation required to pass a budget that balances spending against anticipated revenue over a four-year period. To this end, the Legislature created a new State Budget Outlook Work Group to develop longer-term revenue and expenditure outlooks. The work group is composed of members from the Office of Financial Management (OFM), the Legislative Evaluation and Accountability Program, Office of the State Treasurer, the Economic and Revenue Forecast Council, the Caseload Forecast Council, and the Senate and House Ways and Means Committees.

A preliminary four-year outlook completed in August 2012 by OFM projects the state faces a nearly $500 million General Fund shortfall at the end of the next biennium, including reserves. But the outlook does not take into account the additional funding (estimated at more than $1 billion in the 2013–15 budget) needed for K-12 to meet the requirements of the Washington Supreme Court's ruling earlier this year that the state for years has failed to meet its constitutional "paramount duty" to amply fund basic education.

As it begins building its 2013–15 budget, OFM is once again using the Priorities of Government process. In OFM's initial budget instructions to agencies, then-Director Marty Brown cautioned that General Fund revenues will once again be "very limited" and that any proposals for new spending will have to be offset by new cuts. He also urged agencies to look for ways to make more fee-based programs self-supporting and stressed that the Governor's priority for any increase in General Fund revenue will be for K-12 education.

Despite these enormous budget challenges, Washington's Governor and Legislature enacted a number of changes that continued the path of progress that the state had embarked on when Governor Gregoire first took office in 2005. Chief among them were reforms and efficiencies that delivered better critical services at greater value to taxpayers. Following is a sample of these major developments accomplished with severely reduced revenue.

TRANSFORMING GOVERNMENT

In 2011, lawmakers approved the Governor's proposal for the state's most significant agency consolidation in decades, including creation of the Department of Enterprise Services (DES). The new agency — which merged the Department of General Administration, Department of Information Services, Department of Personnel, the State Printer, and portions of OFM — is now operational. DES provides central support to state agencies in facilities and lease management, fleet management, purchasing and contracts, business systems applications, printing, and human resource services, as well as accounting and budgeting services for small agencies. OFM continues to handle policy, budget, forecasting, and labor relations.

The Legislature also approved the creation of the Consolidated Technology Services agency to coordinate information technology services managed separately by state agencies.

During the current biennium, this reorganization of state government is expected to save $18.8 million and employ about 85 fewer employees. Future savings will be realized through possible contracting out of certain services and implementation of actions to reduce or eliminate redundant activities.

Another major consolidation merged the state's two largest purchasers of health care — the Medicaid program at the Department of Social and Health Services and the Health Care Authority. The merger dramatically increased the purchasing power of the new agency, which provides health coverage for more than 1.6 million Washington residents.

In recent years, Washington has also adopted other reforms that will significantly bend state government's cost curve. These include pension reforms projected to save more than $10 billion in state and local funds over the next 25 years. Unemployment insurance reform measures passed in 2011 were projected to save businesses, especially small businesses, $300 million in the past year alone.

Long-term Financial Planning. Under a bipartisan agreement that Governor Gregoire helped broker in 2011, starting in fiscal year 2015, the State Finance Committee will gradually lower the state debt limit by fiscal year 2022. The 2012 Legislature passed Joint Resolution 8221 to reduce the constitutional debt limit over a 20-year period so that the constitutional debt limit will be 8 percent by 2035. The measure was put before state voters in the general election November 6, 2012. It was passed by voters though the election results will not be final until certified by the Secretary of State.

Additionally, the 2011 Legislature passed Substitute Senate Bill 5181 that directs the State Finance Committee to set a more restrictive working debt limit for budget development purposes. That working limit phases down to 7.75 percent by fiscal year 2022 starting in fiscal year 2016. The committee may adjust that working debt limit due to extraordinary economic conditions. The committee is authorized to delay or reduce bond issuance in order to not exceed the recommended working debt limit. The legislation also established a commission to examine the state's use of debt, make recommendations on debt policy and debt limitations, and determine whether a constitutional change is needed.

EDUCATION

Teacher/Principal Evaluations and Assignments. Implementation of the state's new research-based, four-tier evaluation system is advanced by describing performance expectations, student growth data components, and probationary period provisions. Additionally, training to effectively use the new systems is described and must be completed before evaluators use the new systems. This will ensure teachers and principals have the tools they need to be effective educators. Beginning in the 2015–16 school year, evaluation results must be used as one of multiple factors in making personnel decisions.

Collaborative Schools. Washington is creating new partnerships through the Collaborative Schools for Innovation and Success Pilot Project. Six school districts, each in partnership with a public or private college of education, select a low-achieving elementary school in which innovative practices in meeting the needs of struggling students are implemented and school-based educator preparation programs are delivered. Project results are intended to shape the future delivery of instructional programs to close performance gaps and change how educators are prepared to teach upon graduation.

Certification of STEM Teachers. Washington's Professional Educator Standards Board is revising certification and certificate renewal standards for elementary teachers, and secondary science and mathematics teachers, to include integration of knowledge and skills in STEM, or science, technology, engineering, and math. The Professional Educator Standards Board is revising the teacher certification assessments in both teaching effectiveness and subject matter knowledge to integrate the STEM knowledge and skills.

Demonstrating College-Level Skills. Higher education institutions are including national multidisciplinary STEM examinations on the list of exams that may be taken in high school to demonstrate college-level skills and to meet certain lower-division general education or postsecondary professional technical education requirements. The legislation is an outgrowth of the Governor's landmark Launch Year bill passed in 2011.

Student Achievement Council. Washington created this council, effective fiscal year 2013, whose purpose is to boost educational attainment in addition to recommending improvements and innovations for our public colleges and universities. A strategic action plan is required every two years, as is a 10-year road map that will be updated every two years. By providing smooth, seamless, and functional linkages from one education step to another from high school through college, and by enhancing the institutions of higher education, more students will successfully prepare for their futures, including graduating from high school, completing certificates or degrees, and entering careers. The council replaces the Higher Education Coordinating Board, and has a broader scope of responsibilities to include connecting high school and postsecondary education.

Laboratory Schools. Washington's colleges and universities prepare teachers and leaders for our schools. They also house the seeds of innovation and research of best practices. While improvements are occurring in our schools, many educators, students, and parents are frustrated that too many students still are not meeting state academic standards and are not ready for career or college. The Governor signed into law her proposal to create six, university-led laboratory schools among the schools in the bottom 5 percent of persistently low-achieving schools.

Higher Education Funding Task Force. Lawmakers took action on several recommendations from the Higher Education Funding Task Force, which the Governor appointed last year. The state is renewing its commitment to higher education by providing for sustainable, long-term funding that links tuition and state support and gives higher education governing boards the ability to manage their institutions' budgets. Legislation also strengthens accountability and performance measures, and creates an endowment to help low- and middle-income Washington students earn a bachelor's degree.

HEALTH CARE AND HUMAN SERVICES

Health Benefit Exchange. This legislation represents the next step in Washington's development of a health benefit exchange, called for under the federal Patient Protection and Affordable Care Act to give individuals and small businesses a place to choose affordable, high-quality health insurance coverage. The exchange governing board has the authority needed to make the exchange operational and self-sustaining, and to ensure the quality and value of the insurance plans offered. The law keeps plans in the exchange from being overwhelmed by high-cost enrollees and becoming unaffordable.

Hospitals. For the first time, legislation requires hospitals to disclose the compensation of top executives and to complete community needs assessments to maintain their nonprofit status. Hospitals are now also required to provide transparency in patient billing if they charge an added facility fee.

Child Welfare. To address concerns for children in state foster care, the Governor signed legislation that institutes performance-based contracting to reform the delivery of child welfare services. She also signed a measure to create a new approach to respond to allegations of child abuse and neglect, and another that allows the reinvestment of savings from decreases in the child welfare caseload into prevention services.

Community-based Care. Washington stopped admitting clients to the Yakima Valley School and stopped admitting clients younger than 21 to residential habilitation centers in the past year. The state now allows people with developmental disabilities choices in supported employment and individualized community access programs.

Public Safety. A long-time leader in the fight against human trafficking, Washington again took strides to combat this scourge by passing legislation that adds commercial sexual abuse of a minor to the racketeering statute and makes advertising the commercial sexual abuse of a minor a crime.

ECONOMIC DEVELOPMENT

Creating Jobs. Through the transportation and capital budgets, tens of thousands of jobs will be created or supported in Washington to help get people back to work.

Regulatory Reform. To assist the 95 percent of Washington employers with fewer than 50 workers, the Governor issued Executive Order 12-01 to formalize a business liaison program for all state agencies having significant regulations affecting small businesses. It is charged with developing an annual outreach plan to help agency directors connect with small businesses. The aim is to help small businesses without diminishing public health and safety by cutting the time, cost, and inconsistent requirements associated with multiple regulatory inspections and requirements.

Aerospace. The Governor set up the Office of Aerospace to continue advancing the state's interests in keeping a competitive industry in the state. Washington's aerospace industry fuels jobs for thousands of Washington families and travel for billions of passengers each year. The state is home to more than 720 aerospace-related companies that design and manufacture products.

Center for Aerospace Technology and Innovation. The center supports university research relevant to aerospace industry innovation, including the creation of products and processes that grow the sector and lead to new jobs. The center is to be jointly located at the University of Washington and Washington State University to serve students and industries throughout Washington.

Aerospace Workforce Coordination. Aerospace manufacturing training is coordinated through the State Board for Community and Technical Colleges and an industry-led advisory board. The Workforce Training and Education Coordinating Board provides accountability measures to ensure that training programs meet employment demands.

ENVIRONMENT AND ENERGY

Alternative Energy. The state is now providing expedited permitting and funding to establish aviation biofuel production facilities. In addition, Washington has authorized and funded planning for renewable energy, fishing, and other uses for the state's outer coast.

State Parks Discover Pass. At the Governor's urging, the Legislature approved a new approach to funding state parks. Sales of the newly created Discover Pass, along with the current opt-out vehicle registration donation program, are not on track to replace General Fund support of the state parks system in four years, as originally projected. Additional legislation may be introduced in the next legislative session. However, legislation passed in 2012 allows for the pass to be transferred from one family vehicle to another.

TRANSPORTATION

Transportation Budget. Governor Gregoire signed a transportation budget that will invest $5.4 billion in more than 1,000 projects across the state. She signed two bills that will increase transportation revenue by $183 million in the 2013–15 biennium.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Washington State for its CAFR for the fiscal year that ended June 30, 2011. 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 25 years. The Office of Financial Management considers this report to be in conformity with the Certificate of Achievement Program requirements, and will submit it to the GFOA.

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

Sincerely,

/s/

Stan Marshburn
Director

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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, 2011

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

President

Executive Director

Statewide Elected Officials
As of June 30, 2012

Governor
Christine Gregoire

Lieutenant Governor
Brad Owen

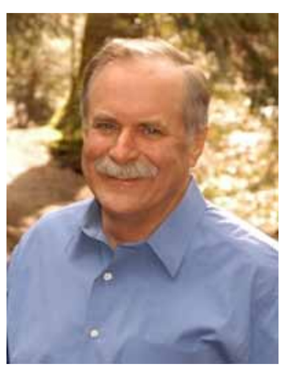
Secretary of State
Sam Reed

Treasurer
Jim McIntire

State Auditor
Brian Sonntag

Attorney General
Rob McKenna

Superintendent of Public Instruction
Randy Dorn



Commissioner of Public Lands
Peter J. Goldmark

Insurance Commissioner
Mike Kreidler

2012 Organization Chart

Washington State Government

Legislative Branch

Senate

Joint Legislative Audit and Review Committee
Joint Legislative Systems Committee
Joint Transportation Committee
Legislative Ethics Board

House of Representatives

Legislative Evaluation and Accountability Program Committee
Office of the State Actuary
Redistricting Commission *(activated decennially)*
Statute Law Committee *(Code Reviser)*

Executive Branch

Judicial Branch

Supreme Court

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

Agencies Managed by Statewide Elected Officials

Commissioner of Public Lands
Department of Natural Resources
Forest Practices Board

Insurance Commissioner

Treasurer
Public Deposit Protection Commission
State Finance Committee

Lieutenant Governor

Governor

Office of the Governor
Office of the Education Ombudsman
Governor's Office of Indian Affairs
Office of the Family and Children's Ombudsman

Attorney General
Executive Ethics Board

Superintendent of Public Instruction
Board of Education
Professional Educator Standards Board

Auditor

Secretary of State
Productivity Board
State Library

Agencies Led by Governor-Appointed Executives

Environment and Natural Resources

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

General Government

Board of Accountancy
Office of Administrative Hearings
Dept. of Archaeology and Historic Preservation
Consolidated Technology Services
Dept. of Enterprise Services
- *Building Code Council*

Dept. of Financial Institutions
Office of Financial Management
- *Sentencing Guidelines Commission*
- Office of the Chief Information Officer
  - *Technology Services Board*
- Office of the State Human Resources Director
  - *Personnel Resources Board*

Lottery Commission
Military Department
Dept. of Retirement Systems

Transportation

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

Health and Human Services

Dept. of Corrections
- *Indeterminate Sentence Review Board*

Dept. of Employment Security
Dept. of Health *(occupational regulatory boards)*
Health Care Authority
- *Public Employees Benefits Board*

Dept. of Labor and Industries
Council for Children and Families
Dept. of Services for the Blind
Dept. of Social and Health Services
Dept. of Veterans Affairs

Education

Center for Childhood Deafness and Hearing Loss
- *Board of Trustees*

Dept. of Early Learning
School for the Blind
Workforce Training and Education Coordinating Board

Community and Economic Development

Commission on African-American Affairs
Arts Commission
Commission on Asian Pacific American Affairs
Dept. of Commerce
- *Economic Development Commission*
- *Energy Facility Site Evaluation Council*
- *Public Works Board*

Commission on Hispanic Affairs
Office of Minority and Women's Business Enterprises

Agencies Under Authority of a Board

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*

Fish and Wildlife Commission
Board of Natural Resources
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
Gambling Commission
Horse Racing Commission
Investment Board
Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement System Board
Liquor Control Board
Pension Funding Council
Public Disclosure Commission
Public Employment Relations Commission
- *Marine Employees' 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
Board of Health
Health Care Facilities Authority
Human Rights Commission
Board of Industrial Insurance Appeals
Tobacco Settlement Authority

Education

State Board for Community and Technical Colleges
Eastern Washington State Historical Society
Governing Boards of Four-Year Institutions of Higher Education
- *University of Washington*
- *Washington State University*
- *Central Washington University*
- *Eastern Washington University*
- *Western Washington University*
- *The Evergreen State College*

Higher Education Coordinating Board
Higher Education Facilities Authority
Innovate Washington
Boards of Trustees
- *Community Colleges*
- *Technical Colleges*

Washington State Historical Society

Community and Economic Development

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

PREPARED BY THE
OFFICE OF FINANCIAL
MANAGEMENT
JUNE 2012

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FINANCIAL SECTION

Washington State Auditor
Brian Sonntag

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

November 15, 2012

The Honorable Christine Gregoire
Governor, State of Washington

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, 2012, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Department of Retirement Systems, Washington's Lottery, Local Government Investment Pool, University of Washington, and the funds managed by the State Investment Board. Those financial statements represent part or all of the total assets, net assets, and revenues or additions of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information as follows:

Opinion Unit	Percent of Total Assets	Percent of Net Assets	Percent of Total Revenues/ Additions
Governmental Activities	12.6%	23.0%	8.2.%
Business-Type Activities	76.6%	100%	30.9%
Higher Education Special Revenue Fund	50.7%	52.9%	49.0%
Higher Education Endowment Fund	96.0%	96.3%	100.0%
Higher Education Student Services Fund	71.7%	72.0%	79.8%
Workers' Compensation Fund	96.3%	100%	32.8%
Guaranteed Education Tuition Program Fund	82.4%	100%	6.7%
Aggregate Discretely Presented Component Units and Remaining Fund Information	90.7%	93.1%	61.8%

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Department of Retirement Systems, Washington's Lottery, Local Government Investment Pool, University of Washington, and the funds managed by the State Investment Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 1.D.1, the financial statements include pension trust fund investments valued at $25.5 billion which comprise 28.7% of total assets and 31.0% of net assets of the aggregate discretely presented component units and remaining fund information. The fair values of these investments have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or, in the case of investments in partnerships, the general partners.

As described in Note 2, during the year ended June 30, 2012, the State implemented Governmental Accounting Standards Board *Statement No. 64 - Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*.

In accordance with *Government Auditing Standards*, we have also issued our report 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules and information, pension plan information, other postemployment benefits information, and infrastructure assets reported using the modified approach 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 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 the 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.

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

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

BRIAN SONNTAG, CGFM
STATE AUDITOR

MD&A
Management's Discussion and Analysis

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MD&A
Management's Discussion & Analysis

As managers of the state of Washington, we offer this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. We present this information in conjunction with the information included in our letter of transmittal, which can be found preceding this narrative, and with the state's financial statements, which follow. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total assets of the state of Washington exceeded its liabilities by $20.51 billion (reported as net assets). Of this amount, $(8.37) billion was reported as "unrestricted (deficit) net assets." A negative balance indicates that no funds were available for discretionary purposes.

- The state of Washington's governmental funds reported a combined ending fund balance of $11.64 billion, an increase of 10.3 percent compared with the prior year.

- While the state's capital assets increased by $1.78 billion and total bond debt increased by $2.28 billion during the current fiscal year, the state's investment in capital assets net of related debt is $20.36 billion.

Overview of the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

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

The government-wide financial statements can be found on pages 39-41 of this report.

FUND FINANCIAL STATEMENTS

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

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for three major funds and an aggregate total for all nonmajor funds. The state's major governmental funds are the General Fund, Higher Education Special Revenue Fund, and the Higher Education Endowment Fund. Individual fund data for the state's nonmajor governmental funds are provided in the form of combining statements elsewhere in this report. The governmental fund financial statements can be found on pages 44-47 of this report.

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

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

The internal service funds are combined for presentation purposes. Individual fund data for the state's nonmajor proprietary funds are provided in the form of combining statements elsewhere in this report. The proprietary fund financial statements can be found on pages 48-55 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the state of Washington's own programs. Washington's fiduciary funds include state administered pension plans. The accounting used for fiduciary funds is much like that used for proprietary funds. Individual fund data for the state's fiduciary funds are provided in the form of combining statements elsewhere in this report. The fiduciary fund financial statements can be found on pages 56-57 of this report.

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

Refer to Note 1 on pages 63-64 for more detailed information. Individual fund data for the state's nonmajor component units are provided in the form of combining statements elsewhere in this report. The component unit financial statements can be found on pages 58-59 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 61-159 of this report.

OTHER REQUIRED INFORMATION

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

Required supplementary information can be found on pages 161-180 of this report.

The combining statements referred to earlier are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 181-241 of this report.

STATE OF WASHINGTON

Statement of Net Assets

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current and other assets	$ 18,354	$ 17,210	$ 21,429	$ 23,249	$ 39,783	$ 40,459
Capital assets	34,298	32,960	2,390	1,947	36,688	34,907
Total assets	52,652	50,170	23,819	25,196	76,471	75,366
LIABILITIES						
Current and other liabilities	3,446	3,900	527	3,109	3,973	7,009
Long-term liabilities outstanding	24,116	21,540	27,869	27,832	51,985	49,372
Total liabilities	27,562	25,440	28,396	30,941	55,958	56,381
NET ASSETS						
Invested in capital assets, net of related debt	19,561	18,723	797	718	20,358	19,441
Restricted	5,296	4,847	3,225	3,199	8,521	8,046
Unrestricted (deficit)	233	1,160	(8,599)	(9,662)	(8,366)	(8,502)
Total net assets	$ 25,090	$ 24,730	$ (4,577)	$ (5,745)	$ 20,513	$ 18,985

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the state of Washington, total assets exceed liabilities by $20.51 billion at June 30, 2012 as compared to $18.99 billion as reported at June 30, 2011.

The largest portion of the state's net assets (99.2 percent for fiscal year 2012 as compared to 102.4 percent for fiscal year 2011) reflects its 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 assets (41.5 percent for fiscal year 2012 as compared to 42.4 percent for fiscal year 2011) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $(8.37) billion represents unrestricted (deficit) net assets. The state's overall negative balance is caused by deficits in business-type activities.

In governmental activities, unrestricted net assets decreased from $1.16 billion in fiscal year 2011 to $232.6 million in fiscal year 2012. The decline was largely due to an increase in K-12 and higher education expenses of $471.1 million over fiscal year 2011, combined with a decrease in investment earnings of $305.6 million over the same period.

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

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

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

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

STATE OF WASHINGTON

Changes in Net Assets

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
REVENUES						
Program revenues:						
Charges for services	$ 5,226	$ 4,902	$ 6,393	$ 6,466	$ 11,619	$ 11,368
Operating grants and contributions	11,790	12,609	1,443	2,305	13,233	14,914
Capital grants and contributions	944	833	1	13	945	846
General revenues:						
Taxes	16,341	16,166	72	174	16,413	16,340
Interest and investment earnings (loss)	169	474	1,150	1,611	1,319	2,085
Other general revenues	-	-	30	-	30	-
Total revenues	34,470	34,984	9,089	10,569	43,529	45,553
EXPENSES						
General government	(1,219)	(1,674)	-	-	(1,219)	(1,674)
Education - K-12	(8,257)	(8,055)	-	-	(8,257)	(8,055)
Education - Higher education	(6,526)	(6,257)	-	-	(6,526)	(6,257)
Human services	(13,168)	(13,364)	-	-	(13,168)	(13,364)
Adult corrections	(886)	(935)	-	-	(886)	(935)
Natural resources and recreation	(982)	(996)	-	-	(982)	(996)
Transportation	(2,396)	(1,981)	-	-	(2,396)	(1,981)
Interest on long-term debt	(911)	(882)	-	-	(911)	(882)
Workers' compensation	-	-	(1,919)	(1,219)	(1,919)	(1,219)
Unemployment compensation	-	-	(2,817)	(3,690)	(2,817)	(3,690)
Higher education student services	-	-	(1,834)	(1,820)	(1,834)	(1,820)
Liquor control	-	-	(566)	(556)	(566)	(556)
Washington's lottery	-	-	(407)	(393)	(407)	(393)
Other business-type activities	-	-	(211)	(784)	(211)	(784)
Total expenses	(34,345)	(34,144)	(7,754)	(8,462)	(42,099)	(42,606)
Excess (deficiency) of revenues over expenses before contributions to endowments and transfers	125	840	1,335	2,107	1,460	2,947
Contributions to endowments	47	69	-	-	47	69
Transfers	165	231	(165)	(231)	-	-
Special item	-	-	-	(223)	-	(223)
Increase (decrease) in net assets	337	1,140	1,170	1,653	1,507	2,793
Net assets - July 1, as restated	24,753	23,590	(5,747)	(7,398)	19,006	16,192
Net assets - June 30	$ 25,090	$ 24,730	$ (4,577)	$ (5,745)	$ 20,513	$ 18,985

Governmental Activities. Governmental activities resulted in an increase in the state of Washington's net assets of $337.3 million. A number of factors contributed to the increase:

- Tax revenues increased by $176.7 million in fiscal year 2012 as compared to fiscal year 2011 reflecting slow positive growth in the economy. Sales and use taxes reported a slight increase of $178 thousand. Sales and use taxes are the main tax revenue for governmental activities. Business and occupation tax, the second largest source of tax revenue in governmental activities, increased by $72.5 million in fiscal year 2012 over 2011. It is a tax on the gross receipts of all businesses operating in Washington. Increases in tax revenues for property, hazardous waste, beer, and real estate excise are reflective of the economic increases.

- Operating and capital grants and contributions decreased by $707.4 million in fiscal year 2012 as compared to fiscal year 2011. While American Recovery and Reinvestment Act (ARRA) grants contributed $135 million in fiscal year 2012, it was a decrease of $1.02 billion from the level contributed in fiscal year 2011. Offsetting the decrease in ARRA grants were increases in non-ARRA transportation and supplemental nutrition assistance grants.

- Expenses grew slightly in fiscal year 2012 as compared to fiscal year 2011. The expenses for human services and education comprised 81.4 percent of the total expenses for governmental activities which is fairly consistent with the 81.1 percent in fiscal year 2011. Education expenses for K-12 increased in fiscal year 2012 over fiscal year 2011 by $202.3 million or 2.5 percent reflecting an increase in payments to schools.

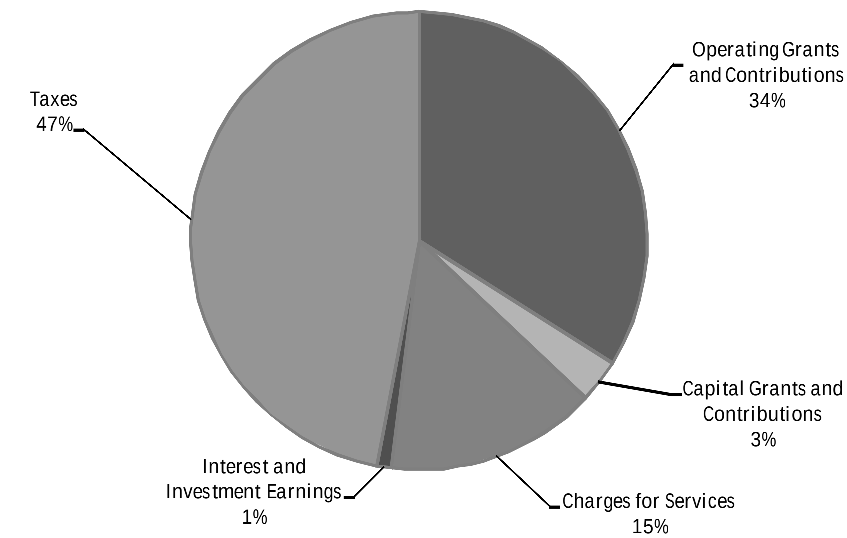
Business-Type Activities. Business-type activities increased the state of Washington's net assets by $1.17 billion which included increases in both the workers' compensation and unemployment compensation activities. Key factors contributing to the operating results of business-type activities are:

- The workers' compensation activity increase in net assets in fiscal year 2012 was $1.16 billion compared to $1.81 billion in fiscal year 2011. Premium revenue increased by $31.5 million as a result of an increase in the number of hours reported by employers, an increase in the number of employer accounts, and changes in premium rates. Claim costs increased by $590.7 million in fiscal year 2012 compared with fiscal year 2011 in large part due to changes in the discount rates, inflation rates, and payout projections. Claim payments to beneficiaries declined due to a temporary COLA freeze, reduction in claim frequency, lower insurance exposure and ability to contain medical cost growth. Nonoperating investment income increased by $28.5 million due to an increase in net realized and unrealized capital gains.

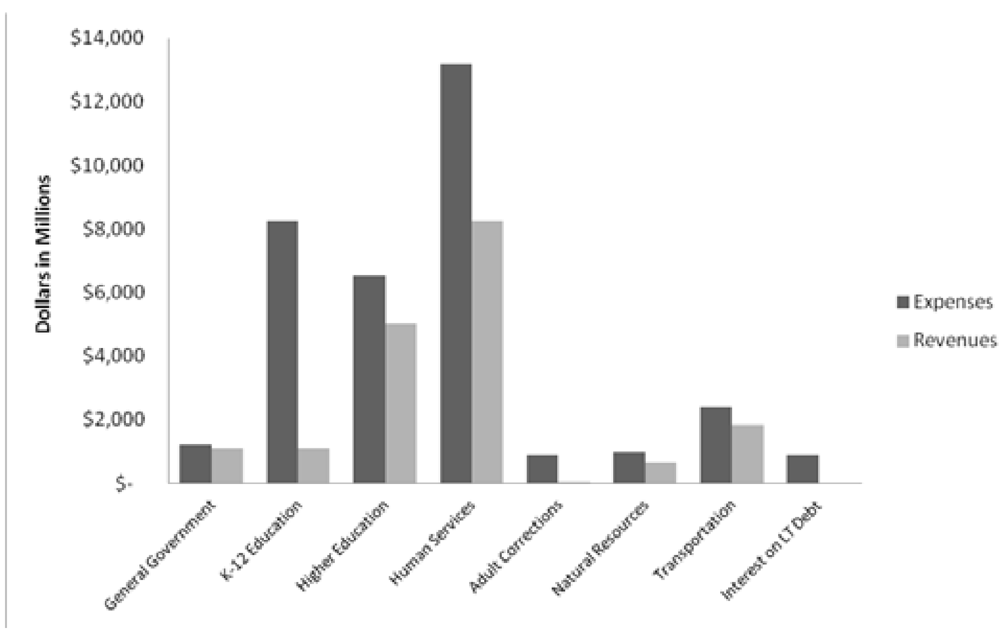
- The unemployment compensation activity reported an operating loss in fiscal year 2012 of $51.8 million, compared to $171.3 million operating income in fiscal year 2011. Washington's unemployment insurance program is an experience-based system. Because of a healthy unemployment benefits fund and tax cuts adopted by the Legislature in 2011, unemployment tax rates decreased an average of 13 percent. This contributed to a premium decrease of 14.5 percent in premium charges to employers. Unemployment insurance benefits declined by $873.8 million in fiscal year 2012 over fiscal year 2011. The decrease in benefit costs was the result of a decline in the number of claims and the duration of claims. The annual unemployment rate for the state was 8.6 percent in fiscal year 2012, down from 9.6 percent in fiscal year 2011, and the insured rate declined to 2.4 percent in fiscal year 2012 from 3 percent in fiscal year 2011.

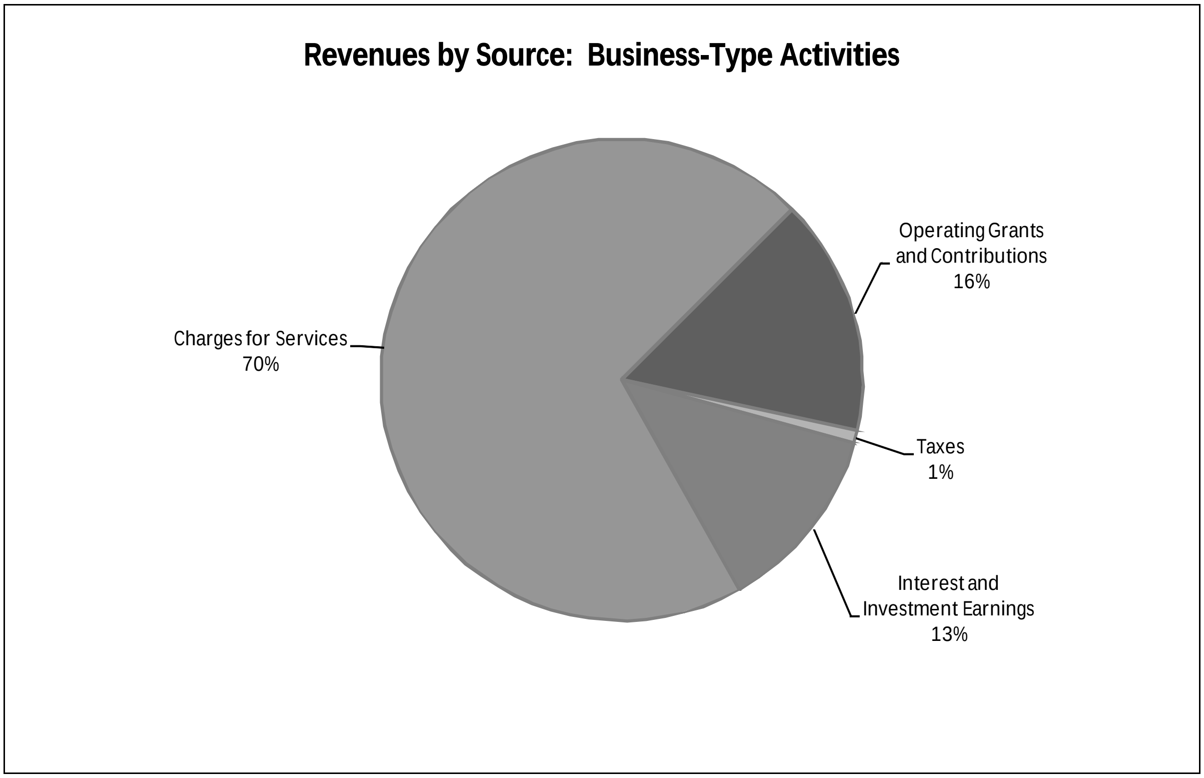
- The higher education student services activity reported relatively proportional increases in both expenses and charges for services when compared to the prior year. Additionally, both liquor control and Washington's lottery activities reported operating revenues and expenses consistent with the prior year.

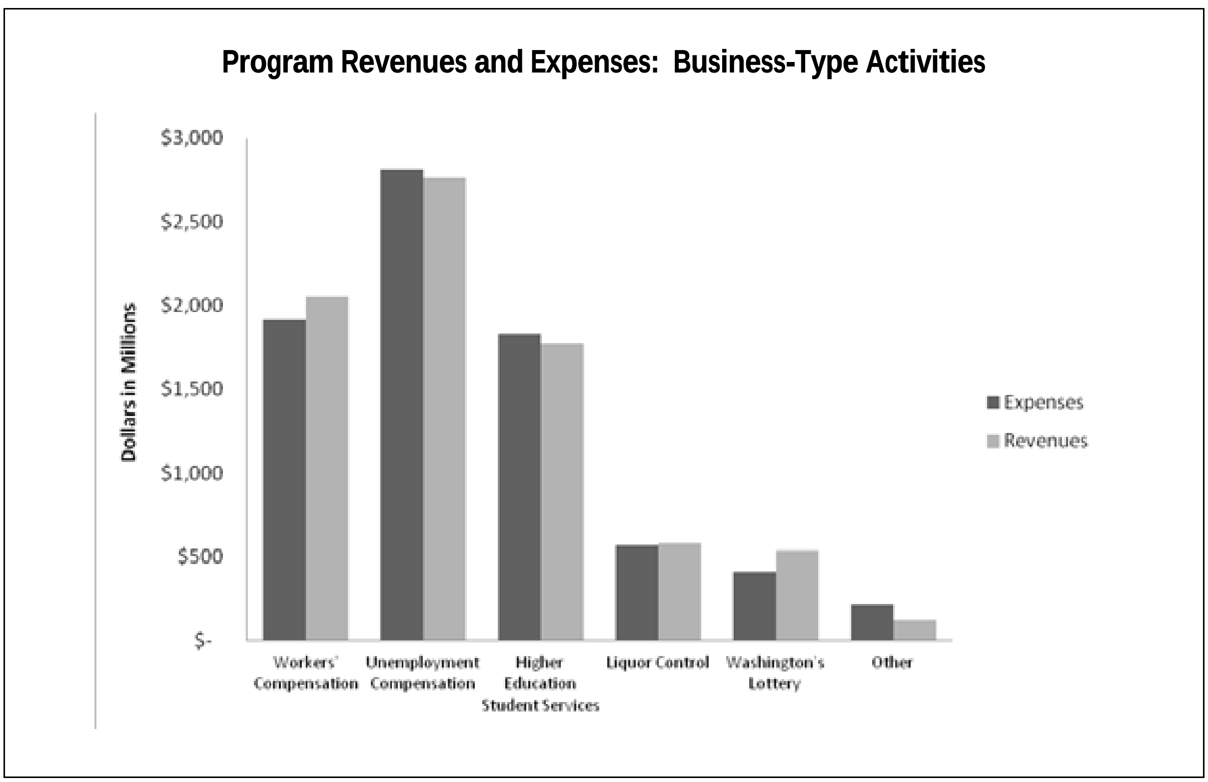
Revenues by Source: Governmental Activities



Program Revenues and Expenses: Governmental Activities




Revenues by Source: Business-Type Activities
Operating Grants and Contributions 16%
Charges for Services 70%
Taxes 1%
Interest and Investment Earnings 13%


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

Financial Analysis of the Government's Funds

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

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

Adjustments to Beginning Fund Balances. As described in Note 2 to the financial statements on pages 72 and 73, beginning fund balances of governmental funds were adjusted including the reclassification of the Other Activities Fund from a major fund to a nonmajor governmental fund after separately reporting the Guaranteed Education Tuition Program Fund as a major enterprise fund.

Fund Balances. At June 30, 2012, the state's governmental funds reported combined ending fund balances of $11.64 billion. Of this amount, $2.26 billion or 19.4 percent is nonspendable, either due to its form or legal constraints, and $5.08 billion or 43.7 percent is restricted for specific programs by external constraints, constitutional provisions or contractual obligations. An additional $3.58 billion or 30.8 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 $710.1 million or 6.1 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. At the end of fiscal year 2012, total fund balance for the General Fund equaled $1.0 billion, a decrease of $213.6 million over fiscal year 2011. Assigned fund balance included $710.1 million in fiscal year 2012 which is assigned for working capital purposes. This amount relates to certain accrued 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
	2012	**2011**	**(Decrease)**
REVENUES			
Taxes	$ 14,547	$ 14,423	$ 124
Federal grants	8,824	9,597	(773)
Investment revenue (loss)	(6)	(15)	9
Other	618	645	(27)
Total	23,983	24,650	(667)
EXPENDITURES			
Human services	13,209	13,473	(264)
Education	9,169	9,211	(42)
Other	1,350	1,519	(169)
Total	23,728	24,203	(475)
Net transfers in (out)	(560)	(215)	(345)
Other financing sources	91	354	(263)
Net increase (decrease) in fund balance	$ (214)	$ 586	$ (800)

Expenditures continue to be concentrated in services and programs most vital to citizens – primarily human services and public education. As previously noted, the net decrease reflects in reduction American Recovery and Reinvestment Act (ARRA) grants.

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

- The fund balance of the Higher Education Special Revenue Fund increased by $195 million in fiscal year 2012. Increases in tuition offset the increased costs of higher education activities.

- The fund balance for the Higher Education Endowment Fund decreased by $61.9 million. Support from donors decreased by $22.2 million and investment earnings decreased by $347.4 million compared to fiscal year 2011.

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

- The Workers' Compensation Fund reported an increase in net assets of $1.16 billion in fiscal year 2012. Operating revenues increased by $27.5 million and operating expenses increased by $700.3 million as compared to fiscal year 2011. As noted previously, operating revenues increased due to an increase in in reported hours and premium rates, and claims expense increased due to the workers' compensation changes to discount rates, inflations rates, and payout projections. Investment income increased as compared to fiscal year 2011 due to net realized and unrealized capital gains.

- Washington's Unemployment Compensation Fund reported an increase in net assets of $25.8 million. Premium revenues decreased by $226.2 million in fiscal year 2012 over 2011, and federal aid decreased by $869.7 million over the same period. These were offset by a decrease in unemployment benefit claims by $873.8 million in fiscal year 2012 as compared to 2011. As reported previously, the unemployment rate decreased and the insured rate further declined in fiscal year 2012.

- The Guaranteed Education Tuition (GET) Program Fund was presented as a major fund for the first time in fiscal year 2012. The GET program reported a decrease in net assets of $66.3 million in fiscal year 2012. While the program continues to attract new enrollments, the loss resulted from investment returns that were significantly lower for the plan year than the assumed rate.

- The Higher Education Student Services and other nonmajor enterprise funds reported activity generally consistent with prior years.

General Fund Budgetary Highlights

Differences between the original budget of the General Fund and the final amended budget reflect adjustments related to changes in the state's economy during the fiscal year ended June 30, 2012. Changes to estimates are summarized as follows:

- Estimated biennial resources decreased by $1.64 billion over the course of the first fiscal year. Estimated resource decreases are reported in taxes, grants, and investment revenue reflecting the continued sluggish economy. Actual revenues are consistent with the revised estimates.

- Appropriated expenditure authority decreased by $988.6 million over the course of the fiscal year ended June 30, 2012. The largest decreases were recorded in human services and education of $810.4 million and $261.2 million, respectively.

The state did not overspend its legal spending authority for the first fiscal year of the 2011-2013 biennium. Actual General Fund revenues and expenditures were 49.0 and 49.1 percent of final budgeted revenues and appropriations, respectively, for the 2011-2013 biennium.

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

Capital Assets. The state of Washington's investment in capital assets for its governmental and business-type activities as of June 30, 2012, totaled $36.69 billion (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, museum and historical collections, buildings and other improvements, furnishings, equipment, and intangibles, as well as construction in progress.

Washington's fiscal year 2012 investment in capital assets, net of current year depreciation, increased $1.78 billion over fiscal year 2011, including increases to the state's transportation infrastructure of $922.8 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 $5.04 billion.

Additional information on the state of Washington's capital assets can be found in Note 6 beginning on page 100 of this report.

Infrastructure. The state uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated and certain maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 20,631 lane miles of pavement, 3,245 bridges and 48 highway safety rest areas. Fiscal year 2012 included an adjustment to reclassify $907.4 million from infrastructure to land.

STATE OF WASHINGTON

Capital Assets - Net of Depreciation

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 2,358	$ 1,331	$ 63	$ 65	$ 2,421	$ 1,396
Transportation infrastructure and other assets not depreciated	20,991	21,092	-	-	20,991	21,092
Buildings	7,511	7,080	1,402	1,363	8,913	8,443
Furnishings, equipment and intangible assets	1,480	1,368	162	144	1,642	1,512
Other improvements and infrastructure	1,145	1,119	81	82	1,226	1,201
Construction in progress	813	970	681	293	1,494	1,263
Total	$ 34,298	$ 32,960	$ 2,389	$ 1,947	$ 36,687	$ 34,907

The state's goal is to maintain 90 percent of pavement, 95 percent of bridges, and 95 percent of safety rest areas at a condition level of fair or better. The condition of these assets, along with the rating scales for pavement, bridges, rest areas, and additional detail comparing planned to actual preservation and maintenance spending are available in the required supplementary information beginning on page 177.

An analysis of the current methods for evaluating condition assessment for state highway system assets is currently underway. This analysis is intended to refine future rating criteria and approaches for gathering and reporting condition assessments. Any modification to historic ratings or approaches will be included in the next report.

Pavement is assessed each year. The most recent pavement condition assessment indicated that 91.2 percent of pavement was in fair or better condition. The condition of pavement has declined in the last three assessment periods. Over the past five fiscal years, state spending on preservation and maintenance of pavement was generally less than planned. The average variance between planned and actual was 3 percent over the five years, and less than one percent for fiscal year 2012.

Bridges are assessed on a two year cycle. The most recent bridge condition assessment indicated that 95.4 percent of bridges were in fair or better condition. The condition of bridges has declined over the last three assessment periods. Over the past five fiscal years, state spending on preservation and maintenance of bridges was less than planned. The average variance in planned to actual was 20 percent over the five years, and 8 percent for fiscal year 2012.

Bond Debt. At the end of fiscal year 2012, the state of Washington had general obligation bond debt outstanding of $17.85 billion, an increase of 6.1 percent from fiscal year 2011. This debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized $7.42 billion general obligation debt that remains unissued.

During fiscal year 2012, the state issued general obligation debt, totaling $3.34 billion, for various capital and transportation projects as well as to refund outstanding bonds. Bonds totaling $2.25 billion were retired during the year. Washington's governmental refunding activity produced a savings of $258.3 million in future debt service costs.

General obligation debt is subject to the constitutional limitation as prescribed by the State Constitution. The aggregate debt contracted by the state as of June 30, 2012, does not exceed that amount for which payments of principal and interest in any fiscal year would require the state to expend more than 9 percent of the arithmetic mean of its general state revenues for the three immediately preceding fiscal years. The arithmetic mean of its general state revenues for fiscal years 2009, 2010, and 2011 is $12.08 billion. The debt service limitation, 9 percent of this mean, is $1.09 billion. The state's maximum annual debt service as of June 30, 2012, subject to the constitutional debt limitation is $1.03 billion, or $55.7 million less than the debt service limitation.

For further information on the debt limit, refer to the Certification of the Debt Limitation of the State of Washington, available from the Office of the State Treasurer or at: http://www.tre.wa.gov/documents/debt_cdl2012.pdf.

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

As of June 30, 2012, the state of Washington's general obligation debt was rated Aa1 by Moody's Investor Service, AA+ by Standard & Poor's Rating Group (S & P), and AA+ by Fitch Ratings.

STATE OF WASHINGTON

Bond Debt

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
General obligation (GO) bonds	$ 17,838	$ 16,750	$ 15	$ 18	$ 17,853	$ 16,768
Accreted interest on zero interest rate GO bonds	415	393	-	-	415	393
Revenue bonds	1,657	740	1,682	1,423	3,339	2,163
Total	$ 19,910	$ 17,883	$ 1,697	$ 1,441	$ 21,607	$ 19,324

The state had revenue debt outstanding at June 30, 2012, of $3.34 billion, an increase of $1.18 billion over fiscal year 2011. This increase is primarily related to revenue bonds issued by state colleges and universities. This debt is not supported or intended to be supported by the full faith and credit of the state. Revenue bond debt is generally secured by specific sources of revenue. The exception is the University of Washington who issues general revenue bonds that are payable from general revenues of the university.

Additional information on the state's bond debt obligations is presented in Note 7 beginning on page 104 of this report.

Additional information on the state's legal debt limit is presented in the statistical section on page 266 of this report.

Conditions with Expected Future Impact

Economic Outlook. The forecast for Washington for fiscal year 2013 reflects the continuation of slow but steady growth. That said, in the coming year, legislative leaders and management will be facing a number of challenges.

- The state's economy continues to be adversely impacted by uncertainty caused by on-going concerns about the sovereign debt crisis in Europe and the slowing Asian economies.

- The uncertainty surrounding U.S. tax and budget policy also threatens the U.S and Washington economies. In the absence of Congressional action before the end of the year, payroll and income tax rates will increase and across-the-board budget cuts will be implemented as of January 2013. The Congressional Budget Office estimates that the impact of not addressing this "fiscal cliff" would be a return to recession in the first half of 2013.

- Additional funding (estimated at more than $1 billion in the 2013-15 biennium) is needed for K-12 to meet the requirements of the Washington Supreme Court's ruling earlier this year for the state to fund basic education.

- The September 2012 state's revenue forecast of General Fund state revenue increased expected revenue for the 2011 – 2013 biennium by $29 million.

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

On June 30, 2012, $129.5 million was transferred to the BSA from the General Fund in accordance with the provisions of the Constitution.

The BSA has a fund balance of $130 million as of June 30, 2012.

Liquor Sales and Distribution. After 78 years of state control, with the passage of Initiative 1183, the distribution and retail sale of spirits was transferred to the private sector on June 1, 2012. A forecast of the revenue impact to the state is unstable due to the lack of trend data, but the state is expected to gain new revenue for a number of reasons including:

- A modest increase in consumption.

- Higher prices in the private market increasing revenues from the state's liquor excise tax.

- New distributor and retailer fees are assessed on the sales price, 10 percent and 17 percent respectively, to offset the state's loss of liquor profits upon privatization.

- A requirement that $150 million be generated from the aforementioned fees in the first year of privatization and, if not, liquor distributors must pay the difference.

- Subsequent legislative action which reduced the sharing of liquor revenues with cities and counties.

State activities related to promoting public safety by enforcing laws and regulations related to alcohol and tobacco sales and use are ongoing.

General Election. There were measures on the state's November 6, 2012, general election ballot that addressed state laws related to state revenues requiring legislative approval for increases to taxes and fees; authorizing charter schools; modifying the state debt limit calculation; investment of funds of certain four-year public institutions of higher education; and the regulation and taxation of marijuana production and distribution. These measures, if passed, could impact the state fiscally.

Election results are not final or official until certified. By law December 6, 2012, is the last day for the Office of the Secretary of State to certify general election returns.

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

Requests for Information

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

Basic Financial Statements

Government-wide Financial Statements

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Statement of Net Assets

June 30, 2012

(expressed in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and pooled investments	$ 3,943,256	$ 3,392,560	$ 7,335,816	$ 66,813
Taxes receivable (net of allowance for uncollectibles)	3,295,285	9,807	3,305,092	-
Other receivables (net of allowance for uncollectibles)	1,281,749	1,473,508	2,755,257	3,790
Internal balances	145,197	(145,197)	-	-
Due from other governments	3,905,693	138,081	4,043,774	-
Inventories	93,382	77,042	170,424	-
Investments, noncurrent	4,894,434	15,873,041	20,767,475	-
Other assets	25,361	391,256	416,617	107,524
Restricted assets:				
Cash and pooled investments	700,545	219,710	920,255	-
Receivables	68,758	-	68,758	-
Capital assets:				
Non-depreciable assets	24,162,414	744,211	24,906,625	34,678
Depreciable assets (net of accumulated depreciation)	10,135,948	1,645,366	11,781,314	307,378
Total capital assets	34,298,362	2,389,577	36,687,939	342,056
Total Assets	$ 52,652,022	$ 23,819,385	$ 76,471,407	$ 520,183
LIABILITIES				
Accounts payable	$ 1,328,826	$ 126,039	$ 1,454,865	$ 46,509
Contracts and retainage payable	176,549	21,086	197,635	-
Accrued liabilities	645,058	214,925	859,983	291
Due to other governments	896,186	120,977	1,017,163	-
Unearned revenue	399,489	43,628	443,117	6,452
Long-term liabilities:				
Due within one year	1,448,177	2,118,637	3,566,814	4,723
Due in more than one year	22,667,570	25,750,851	48,418,421	15,773
Total Liabilities	27,561,855	28,396,143	55,957,998	73,748
NET ASSETS				
Invested in capital assets, net of related debt	19,561,010	796,911	20,357,921	321,560
Restricted for:				
Unemployment compensation	-	3,224,951	3,224,951	-
Higher education	974,930	-	974,930	-
Expendable endowment funds	2,013,123	-	2,013,123	-
Nonexpendable permanent endowments	2,049,194	-	2,049,194	-
Transportation	58,400	-	58,400	-
Loan programs	145,085	-	145,085	-
Other purposes	55,851	-	55,851	16,092
Unrestricted (deficit)	232,574	(8,598,620)	(8,366,046)	108,783
Total Net Assets (Deficit)	$ 25,090,167	$ (4,576,758)	$ 20,513,409	$ 446,435

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

Statement of Activities

For the Fiscal Year Ended June 30, 2012

(expressed in thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
PRIMARY GOVERNMENT				
Governmental Activities:				
General government	$ 1,219,452	$ 702,378	$ 361,393	$ 16,237
Education - elementary and secondary (K-12)	8,257,047	10,410	1,091,895	-
Education - higher education	6,526,255	2,662,428	2,332,228	24,204
Human services	13,168,201	530,889	7,714,706	-
Adult corrections	885,592	7,959	1,759	-
Natural resources and recreation	981,928	434,090	176,295	41,407
Transportation	2,396,443	878,307	111,798	862,466
Interest on long-term debt	910,936	-	-	-
Total Governmental Activities	34,345,854	5,226,461	11,790,074	944,314
Business-Type Activities:				
Workers' compensation	1,919,382	2,046,356	8,449	-
Unemployment compensation	2,816,581	1,346,162	1,418,585	-
Higher education student services	1,833,932	1,761,634	15,349	758
Liquor control	565,544	582,371	10	-
Washington's lottery	407,026	535,205	-	-
Other	211,105	121,142	333	-
Total Business-Type Activities	7,753,570	6,392,870	1,442,726	758
Total Primary Government	$ 42,099,424	$ 11,619,331	$ 13,232,800	$ 945,072
COMPONENT UNITS	$ 59,821	$ 17,912	$ 31,528	$ 1,038
Total Component Units	$ 59,821	$ 17,912	$ 31,528	$ 1,038

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

Other general revenues

Total general revenues

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

Contributions to endowments

Transfers

Change in Net Assets

Net Assets (Deficit) - Beginning, as restated

Net Assets (Deficit) - Ending

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (139,444)	$ -	$ (139,444)	
(7,154,742)	-	(7,154,742)	
(1,507,395)	-	(1,507,395)	
(4,922,606)	-	(4,922,606)	
(875,874)	-	(875,874)	
(330,136)	-	(330,136)	
(543,872)	-	(543,872)	
(910,936)	-	(910,936)	
(16,385,005)	-	(16,385,005)	
-	135,423	135,423	
-	(51,834)	(51,834)	
-	(56,191)	(56,191)	
-	16,837	16,837	
-	128,179	128,179	
-	(89,630)	(89,630)	
-	82,784	82,784	
(16,385,005)	82,784	(16,302,221)	
			$ (9,343)
			(9,343)
7,349,394	-	7,349,394	-
3,149,427	-	3,149,427	-
1,897,095	-	1,897,095	-
1,177,987	-	1,177,987	-
495,133	-	495,133	-
470,765	-	470,765	-
438,351	-	438,351	-
430,052	-	430,052	-
933,441	72,034	1,005,475	-
168,603	1,150,357	1,318,960	1,666
-	30,208	30,208	-
16,510,248	1,252,599	17,762,847	1,666
125,243	1,335,383	1,460,626	(7,677)
47,210	-	47,210	-
164,880	(164,880)	-	-
337,333	1,170,503	1,507,836	(7,677)
24,752,834	(5,747,261)	19,005,573	454,112
$ 25,090,167	$ (4,576,758)	$ 20,513,409	$ 446,435

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Basic Financial Statements

Fund Financial Statements

Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2012
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	$ 240,986	$ 279,162	$ 54,069	$ 2,509,627	$ 3,083,844
Investments	506	1,566,164	3,076,685	276,092	4,919,447
Taxes receivable (net of allowance)	3,165,658	18,145	-	111,482	3,295,285
Other receivables (net of allowance)	167,553	334,760	24,246	733,660	1,260,219
Due from other funds	192,710	489,442	1	1,131,941	1,814,094
Due from other governments	1,220,082	142,758	-	2,326,272	3,689,112
Inventories and prepaids	12,891	12,785	-	51,230	76,906
Restricted assets:					
Cash and investments	17,511	-	-	683,034	700,545
Receivables	9,359	4,387	-	2,732	16,478
Total Assets	$ 5,027,256	$ 2,847,603	$ 3,155,001	$ 7,826,070	$ 18,855,930
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 832,338	$ 65,354	$ 26,881	$ 356,455	$ 1,281,028
Contracts and retainages payable	34,014	4,578	1,866	133,919	174,377
Accrued liabilities	182,757	268,033	17,567	67,332	535,689
Due to other funds	773,794	280,852	1,769	609,896	1,666,311
Due to other governments	573,775	667	-	174,829	749,271
Deferred and unearned revenue	1,594,335	212,877	10,518	958,778	2,776,508
Claims and judgments payable	31,620	-	-	6,077	37,697
Total Liabilities	4,022,633	832,361	58,601	2,307,286	7,220,881
Fund Balances:					
Nonspendable fund balance	54,726	50,187	1,919,384	237,436	2,261,733
Restricted fund balance	161,689	706,621	1,177,016	3,036,092	5,081,418
Committed fund balance	78,117	1,258,434	-	2,245,212	3,581,763
Assigned fund balance	710,091	-	-	44	710,135
Total Fund Balances	1,004,623	2,015,242	3,096,400	5,518,784	11,635,049
Total Liabilities and Fund Balances	$ 5,027,256	$ 2,847,603	$ 3,155,001	$ 7,826,070	$ 18,855,930

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

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

June 30, 2012
(expressed in thousands)

Total Fund Balances for Governmental Funds		$ 11,635,049
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Non-depreciable assets	$ 24,108,407	
Depreciable assets	16,765,640	
Less: Accumulated depreciation	(7,306,983)	
Total capital assets		33,567,064
Some of the state's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		2,378,095
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.		17,200
Unmatured interest on general obligation bonds is not recognized in the funds until due.		(369,349)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		28,658
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	$ (19,418,060)	
Accreted interest on bonds	(414,719)	
Compensated absences	(516,640)	
Other postemployment benefits obligations	(1,080,800)	
Unfunded pension obligations	(282,423)	
Claims and judgments	(39,089)	
Pollution remediation obligations	(165,234)	
Other obligations	(249,585)	
Total long-term liabilities		(22,166,550)
Net Assets of Governmental Activities		$ 25,090,167

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, 2012
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
REVENUES					
Retail sales and use taxes	$ 7,273,665	$ -	$ -	$ 75,729	$ 7,349,394
Business and occupation taxes	3,144,561	-	-	4,866	3,149,427
Property taxes	1,897,095	-	-	-	1,897,095
Excise taxes	434,144	-	-	60,989	495,133
Motor vehicle and fuel taxes	-	-	-	1,177,987	1,177,987
Other taxes	1,797,296	104,397	-	289,055	2,190,748
Licenses, permits, and fees	99,040	289	-	1,144,402	1,243,731
Timber sales	4,504	85	14,117	108,857	127,563
Other contracts and grants	222,614	759,077	-	51,304	1,032,995
Federal grants-in-aid	8,823,659	1,756,230	104	1,325,396	11,905,389
Charges for services	30,152	2,270,186	69	599,602	2,900,009
Investment income (loss)	(6,206)	68,846	21,000	84,963	168,603
Miscellaneous revenue	185,580	115,740	1,979	364,714	668,013
Unclaimed property	77,392	-	-	-	77,392
Contributions and donations	-	-	47,210	-	47,210
Total Revenues	23,983,496	5,074,850	84,479	5,287,864	34,430,689
EXPENDITURES					
Current:					
General government	745,243	578	116	422,599	1,168,536
Human services	13,209,496	340	-	692,840	13,902,676
Natural resources and recreation	373,388	-	-	546,897	920,285
Transportation	41,710	-	-	1,746,354	1,788,064
Education	9,168,705	4,680,077	2,268	422,836	14,273,886
Intergovernmental	105,105	-	-	294,306	399,411
Capital outlays	66,799	188,279	16,543	1,952,015	2,223,636
Debt service:					
Principal	16,482	38,746	-	672,878	728,106
Interest	709	10,206	-	872,718	883,633
Total Expenditures	23,727,637	4,918,226	18,927	7,623,443	36,288,233
Excess of Revenues Over (Under) Expenditures	255,859	156,624	65,552	(2,335,579)	(1,857,544)
OTHER FINANCING SOURCES (USES)					
Bonds issued	72,766	66,661	-	2,330,179	2,469,606
Refunding bonds issued	-	-	-	1,508,470	1,508,470
Payments to escrow agents for refunded bond debt	-	-	-	(1,759,458)	(1,759,458)
Issuance premiums	3,194	308	-	536,461	539,963
Other debt issued	15,181	2,963	-	3,198	21,342
Refunding COPs issued	3,270	3,795	-	3,749	10,814
Payments to escrow agents for refunded COP debt	(3,565)	(3,890)	-	(3,846)	(11,301)
Transfers in	495,654	90,667	2,154	2,080,241	2,668,716
Transfers out	(1,056,323)	(125,356)	(129,583)	(1,205,409)	(2,516,671)
Total Other Financing Sources (Uses)	(469,823)	35,148	(127,429)	3,493,585	2,931,481
Net Change in Fund Balances	(213,964)	191,772	(61,877)	1,158,006	1,073,937
Fund Balances - Beginning, as restated	1,218,587	1,823,470	3,158,277	4,360,778	10,561,112
Fund Balances - Ending	$ 1,004,623	$ 2,015,242	$ 3,096,400	$ 5,518,784	$ 11,635,049

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, 2012
(expressed in thousands)

Net Change in Fund Balances - Total Governmental Funds		$ 1,073,937
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	$ 1,582,076	
Less: Depreciation expense	(531,783)	1,050,293
Some revenues in the Statement of Activities do not provide current financial resources, and therefore, are deferred in governmental funds. Also, revenues related to prior periods that became available during the current period are reported in governmental funds but are eliminated in the Statement of Activities. This amount is the net adjustment.		121,998
Pension trust funding in excess of annual required contributions uses current financial resources, but does not qualify as an expense.		6,500
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of the internal service funds is reported with governmental activities.		123,573
Bond proceeds and other financing contracts provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net assets. In the current period, these amounts consist of:		
Bonds and other financing contracts issued	$ (4,012,560)	
Principal payments on bonds and other financing contracts	2,342,527	
Accreted interest on bonds	(21,538)	(1,691,571)
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	$ (14,443)	
Other postemployment benefits obligations	(213,465)	
Unfunded pension obligations	(48,103)	
Pollution remediation obligations	2,985	
Claims and judgments	(2,786)	
Accrued interest	(5,850)	
Unclaimed property	(29,080)	
Other obligations	(36,655)	(347,397)
Change in Net Assets of Governmental Activities		$ 337,333

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

Statement of Fund Net Assets
PROPRIETARY FUNDS
June 30, 2012

(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
ASSETS				
Current Assets:				
Cash and pooled investments	$ 43,400	$ 2,651,456	$ 518,048	$ 551
Investments	-	-	3,792	-
Taxes receivable (net of allowance)	-	-	-	-
Other receivables (net of allowance)	686,635	570,170	171,504	5,596
Due from other funds	45	5,237	425,567	1
Due from other governments	1,144	76,316	49,757	-
Inventories	220	-	50,548	-
Prepaid expenses	-	-	12,056	-
Restricted assets:				
Cash and investments	-	-	219,710	-
Receivables	-	-	-	-
Total Current Assets	731,444	3,303,179	1,450,982	6,148
Noncurrent Assets:				
Investments, noncurrent	13,321,862	-	323,233	2,021,274
Other noncurrent assets	-	-	94,466	284,000
Capital assets:				
Land and other non-depreciable assets	3,240	-	57,840	-
Buildings	65,134	-	1,995,850	-
Other improvements	1,289	-	83,808	-
Furnishings, equipment, and intangibles	87,316	-	484,305	132
Infrastructure	-	-	41,682	-
Accumulated depreciation	(92,371)	-	(1,065,835)	(128)
Construction in progress	2,976	-	678,438	-
Total Noncurrent Assets	13,389,446	-	2,693,787	2,305,278
Total Assets	14,120,890	3,303,179	4,144,769	2,311,426
LIABILITIES				
Current Liabilities:				
Accounts payable	5,001	-	108,186	567
Contracts and retainages payable	6,824	-	14,031	160,000
Accrued liabilities	139,378	8,610	137,222	86
Bonds and notes payable	3,400	-	24,375	-
Due to other funds	8,595	1,092	576,327	132
Due to other governments	-	68,526	18	-
Unearned revenue	7,689	-	35,939	-
Claims and judgments payable	1,776,096	-	-	-
Total Current Liabilities	1,946,983	78,228	896,098	160,785
Noncurrent Liabilities:				
Claims and judgments payable	20,820,254	-	-	-
Bonds and notes payable	11,475	-	1,760,783	-
Other long-term liabilities	41,095	-	121,166	2,782,191
Total Noncurrent Liabilities	20,872,824	-	1,881,949	2,782,191
Total Liabilities	22,819,807	78,228	2,778,047	2,942,976
NET ASSETS				
Invested in capital assets, net of related debt	52,708	-	710,639	5
Restricted for:				
Unemployment compensation	-	3,224,951	-	-
Unrestricted	(8,751,625)	-	656,083	(631,555)
Total Net Assets (Deficit)	$ (8,698,917)	$ 3,224,951	$ 1,366,722	$ (631,550)

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

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 135,874	$ 3,349,329	$ 826,427
39,439	43,231	958
9,807	9,807	-
39,603	1,473,508	21,530
5,969	436,819	112,780
4,266	131,483	43,970
26,274	77,042	19,567
731	12,787	5,073
-	219,710	-
-	-	52,280
261,963	5,753,716	1,082,585
206,672	15,873,041	7,013
1	378,467	-
1,717	62,797	6,475
41,605	2,102,589	438,424
2,545	87,642	15,796
46,015	617,768	829,163
-	41,682	1,818
(45,981)	(1,204,315)	(607,910)
-	681,414	47,532
252,574	18,641,085	738,311
514,537	24,394,801	1,820,896
12,285	126,039	47,798
230	181,085	2,172
79,615	364,911	50,260
3,233	31,008	63,526
36,105	622,251	73,542
5,600	74,144	16,492
-	43,628	1,076
1,546	1,777,642	236,282
138,614	3,220,708	491,148
10,057	20,830,311	708,918
9,110	1,781,368	496,019
194,720	3,139,172	96,153
213,887	25,750,851	1,301,090
352,501	28,971,559	1,792,238
33,559	796,911	254,650
-	3,224,951	-
128,477	(8,598,620)	(225,992)
$ 162,036	$ (4,576,758)	$ 28,658

Statement of Revenues, Expenses, and Changes in Fund Net Assets
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012
(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
OPERATING REVENUES				
Sales	$ -	$ -	$ 116,400	$ -
Less: Cost of goods sold	-	-	78,208	-
Gross profit	-	-	38,192	-
Charges for services	-	-	1,547,421	28,542
Premiums and assessments	2,014,841	1,318,792	-	-
Federal aid for unemployment insurance benefits	-	1,418,585	-	-
Lottery ticket proceeds	-	-	-	-
Miscellaneous revenue	31,640	27,370	103,073	-
Total Operating Revenues	2,046,481	2,764,747	1,688,686	28,542
OPERATING EXPENSES				
Salaries and wages	136,406	-	671,655	2,097
Employee benefits	54,379	-	168,247	511
Personal services	8,013	-	11,765	109
Goods and services	69,194	-	705,634	1,566
Travel	3,779	-	21,891	21
Premiums and claims	1,478,821	2,816,581	-	-
Lottery prize payments	-	-	-	-
Depreciation and amortization	6,634	-	92,137	7
Guaranteed education tuition program expense	-	-	-	92,573
Miscellaneous expenses	161,317	-	17,823	-
Total Operating Expenses	1,918,543	2,816,581	1,689,152	96,884
Operating Income (Loss)	127,938	(51,834)	(466)	(68,342)
NONOPERATING REVENUES (EXPENSES)				
Earnings (loss) on investments	1,026,074	77,648	20,515	2,066
Interest expense	(839)	-	(66,572)	-
Distributions to other governments	-	-	-	-
Tax and license revenue	97	-	-	-
Other revenues (expenses)	8,324	-	10,089	-
Total Nonoperating Revenues (Expenses)	1,033,656	77,648	(35,968)	2,066
Income (Loss) Before Contributions and Transfers	1,161,594	25,814	(36,434)	(66,276)
Capital contributions	-	-	758	-
Transfers in	-	-	112,275	-
Transfers out	-	-	(46,860)	-
Net Contributions and Transfers	-	-	66,173	-
Change in Net Assets	1,161,594	25,814	29,739	(66,276)
Net Assets (Deficit) - Beginning, as restated	(9,860,511)	3,199,137	1,336,983	(565,274)
Net Assets (Deficit) - Ending	$ (8,698,917)	$ 3,224,951	$ 1,366,722	$ (631,550)

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

	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
	$ 642,391	$ 758,791	$ 109,850
	423,287	501,495	98,502
	219,104	257,296	11,348
	29,666	1,605,629	679,636
	560	3,334,193	1,451,616
	-	1,418,585	-
	535,197	535,197	-
	3,556	165,639	115,911
	788,083	7,316,539	2,258,511
	91,133	901,291	298,509
	41,897	265,034	108,332
	13,618	33,505	15,764
	133,104	909,498	328,983
	2,527	28,218	3,292
	-	4,295,402	1,300,023
	311,545	311,545	-
	5,040	103,818	72,683
	-	92,573	-
	129	179,269	1,351
	598,993	7,120,153	2,128,937
	189,090	196,386	129,574
	24,054	1,150,357	4,648
	(13,436)	(80,847)	(24,125)
	(51,075)	(51,075)	-
	71,937	72,034	21
	29,357	47,770	(4,889)
	60,837	1,138,239	(24,345)
	249,927	1,334,625	105,229
	-	758	5,509
	15,987	128,262	38,303
	(246,282)	(293,142)	(25,468)
	(230,295)	(164,122)	18,344
	19,632	1,170,503	123,573
	142,404	(5,747,261)	(94,915)
	$ 162,036	$ (4,576,758)	$ 28,658

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012
(expressed in thousands)

	Business-Type Activities Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 1,948,307	$ 1,355,949	$ 1,551,578
Payments to suppliers	(1,986,510)	(2,797,590)	(752,113)
Payments to employees	(183,967)	-	(826,262)
Other receipts	31,641	1,461,394	103,073
Net Cash Provided (Used) by Operating Activities	(190,529)	19,753	76,276
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	112,275
Transfers out	-	-	(46,860)
Operating grants and donations received	8,425	-	11,507
Taxes and license fees collected	97	-	-
Distributions to other governments	-	-	-
Other noncapital financing activity	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	8,522	-	76,922
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	(897)	-	(59,562)
Principal payments on long-term capital financing	(3,205)	-	(95,333)
Proceeds from long-term capital financing	-	-	345,756
Proceeds from sale of capital assets	-	-	80,684
Acquisitions of capital assets	(5,160)	-	(623,554)
Net Cash Provided (Used) by Capital and Related Financing Activities	(9,262)	-	(352,009)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	1,045,446	77,648	13,266
Proceeds from sale of investment securities	6,271,751	-	54,305
Purchases of investment securities	(7,125,900)	-	(99,507)
Net Cash Provided (Used) by Investing Activities	191,297	77,648	(31,936)
Net Increase (Decrease) in Cash and Pooled Investments	28	97,401	(230,747)
Cash and Pooled Investments, July 1, as restated	43,372	2,554,055	968,505
Cash and Pooled Investments, June 30	$ 43,400	$ 2,651,456	$ 737,758
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	$ 127,938	$ (51,834)	$ (466)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:			
Depreciation	6,634	-	92,137
Revenue reduced for uncollectible accounts	44,622	-	904
Change in Assets: Decrease (Increase)			
Receivables	(66,546)	52,596	(114,113)
Inventories	(125)	-	(8,572)
Prepaid expenses	-	-	7,030
Change in Liabilities: Increase (Decrease)			
Payables	(303,052)	18,991	99,356
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ (190,529)	$ 19,753	$ 76,276

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

Continued

Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Total	Governmental Activities: Internal Service Funds
$ 218,186	$ 1,197,294	$ 6,271,314	$ 2,241,305
(93,826)	(940,945)	(6,570,984)	(1,794,277)
(2,508)	(131,890)	(1,144,627)	(396,348)
-	3,555	1,599,663	114,203
121,852	128,014	155,366	164,883
-	15,987	128,262	38,303
-	(246,282)	(293,142)	(25,468)
-	341	20,273	58
-	72,642	72,739	21
-	(51,075)	(51,075)	-
-	30,208	30,208	-
-	(178,179)	(92,735)	12,914
-	(616)	(61,075)	(24,016)
-	(3,140)	(101,678)	(28,935)
-	-	345,756	50,885
-	115	80,799	15,638
-	(625)	(629,339)	(104,114)
-	(4,266)	(365,537)	(90,542)
204,359	72	1,340,791	3,673
2,537,658	90,935	8,954,649	177,375
(2,865,151)	(45,467)	(10,136,025)	(121,303)
(123,134)	45,540	159,415	59,745
(1,282)	(8,891)	(143,491)	147,000
1,833	144,765	3,712,530	679,427
$ 551	$ 135,874	$ 3,569,039	$ 826,427
$ (68,342)	$ 189,090	$ 196,386	$ 129,574
7	5,040	103,818	72,683
-	80	45,606	100
(21,656)	(10,507)	(160,226)	765
-	29,780	21,083	(2,357)
-	91	7,121	(605)
211,843	(85,560)	(58,422)	(35,277)
$ 121,852	$ 128,014	$ 155,366	$ 164,883

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2012
(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	$ -	$ -	$ 758
Acquisition of capital assets through Certificates of Participation/capital leases	-	-	49
Acquisition of capital assets through revenue bonds (Revenue Ruling 63-20 tax-exempt obligations)	-	-	-
Amortization of annuity prize liability	-	-	-
Increase (decrease) in fair value of investments	(20,133)	-	300
Debt refunding deposited with escrow agent	-	-	167,210
Amortization of debt premium (issue costs/discount)	-	-	523
Increase in ownership of joint venture	-	-	7,185

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

Concluded

Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ -	$ -	$ 758	$ 5,676
-	18	67	3,994
-	-	-	252,232
-	12,820	12,820	-
(203,895)	23,982	(199,746)	836
-	-	167,210	4,531
-	-	523	-
-	-	7,185	-

Statement of Fiduciary Net Assets
FIDUCIARY FUNDS
June 30, 2012
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
ASSETS				
Current Assets:				
Cash and pooled investments	$ 4,437	$ 3,607,554	$ 43,829	$ 308,820
Investments	-	3,851,367	-	-
Receivables, pension and other employee benefit plans:				
Employers	-	-	140,120	-
Members (net of allowance)	-	-	3,112	-
Interest and dividends	-	-	180,776	-
Investment trades pending	-	-	1,068,524	-
Due from other pension and other employee benefit funds	-	-	6,047	-
Other receivables, all other funds	-	1,045	-	5,241
Due from other funds	-	-	8	2
Due from other governments	-	-	-	19,200
Total Current Assets	4,437	7,459,966	1,442,416	333,263
Noncurrent Assets:				
Investments, noncurrent, pension and other employee benefit plans:				
Public equity	-	-	28,433,502	-
Fixed income	-	-	12,570,897	-
Private equity	-	-	16,086,973	-
Real estate	-	-	8,594,518	-
Liquidity	-	-	1,500,683	-
Tangible assets	-	-	832,781	-
Investments, noncurrent, all other funds	1,638	1,034,231	-	556
Other noncurrent assets	-	-	-	46,978
Capital assets:				
Furnishings, equipment, and intangibles	33	-	-	-
Accumulated depreciation	(24)	-	-	-
Total Noncurrent Assets	1,647	1,034,231	68,019,354	47,534
Total Assets	6,084	8,494,197	69,461,770	$ 380,797
LIABILITIES				
Accounts payable	129	-	-	$ 9,436
Contracts and retainages payable	-	-	-	29,005
Accrued liabilities	128	50,115	1,408,590	50,135
Obligations under security lending agreements	-	441,000	-	-
Due to other funds	-	-	1,526	73
Due to other pension and other employee benefit funds	-	-	6,047	-
Due to other governments	-	6,333	-	245,170
Unearned revenue	-	-	883	-
Other long-term liabilities	-	-	-	46,978
Total Liabilities	257	497,448	1,417,046	$ 380,797
NET ASSETS				
Net assets held in trust for:				
Pension benefits	-	-	65,110,447	
Deferred compensation participants	-	-	2,934,277	
Local government pool participants	-	7,996,749	-	
Individuals, organizations, and other governments	5,827	-	-	
Total Net Assets	$ 5,827	$ 7,996,749	$ 68,044,724	

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

Statement of Changes in Fiduciary Net Assets
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2012
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans
ADDITIONS			
Contributions:			
Employers	$ -	$ -	$ 1,148,986
Members	-	-	1,004,116
State	-	-	66,472
Participants	-	13,903,008	178,449
Total Contributions	-	13,903,008	2,398,023
Investment Income:			
Net appreciation (depreciation) in fair value	-	-	(483,356)
Earnings (loss) on investments	(43)	-	-
Interest and dividends	-	14,998	1,537,709
Less: Investment expenses	-	-	(267,338)
Net Investment Income (Loss)	(43)	14,998	787,015
Other Additions:			
Unclaimed property	90,773	-	-
Transfers from other pension plans	-	-	2,960
Other contracts, grants and miscellaneous	8	-	798
Total Other Additions	90,781	-	3,758
Total Additions	90,738	13,918,006	3,188,796
DEDUCTIONS			
Pension benefits	-	-	3,094,343
Pension refunds	-	-	337,928
Transfers to other pension plans	-	-	2,960
Administrative expenses	3,246	787	4,316
Distributions to participants	-	14,783,598	171,740
Payments to or on behalf of individuals, organizations and other governments in accordance with state unclaimed property laws	114,610	-	-
Total Deductions	117,856	14,784,385	3,611,287
Net Increase (Decrease)	(27,118)	(866,379)	(422,491)
Net Assets - Beginning	32,945	8,863,128	68,467,215
Net Assets - Ending	$ 5,827	$ 7,996,749	$ 68,044,724

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

Statement of Fund Net Assets
COMPONENT UNITS
June 30, 2012
(expressed in thousands)

	Public Stadium	Nonmajor Component Units	Total
ASSETS			
Current Assets:			
Cash and pooled investments	$ 7,129	$ 13,211	$ 20,340
Investments	-	42,555	42,555
Investments - restricted	3,919	-	3,919
Other receivables (net of allowance)	530	3,260	3,790
Prepaid expenses	21	114	135
Total Current Assets	11,599	59,140	70,739
Noncurrent Assets:			
Other noncurrent assets	14,327	93,062	107,389
Capital assets:			
Land	34,677	-	34,677
Buildings	460,609	-	460,609
Furnishings, equipment and intangible assets	20,010	1,608	21,618
Accumulated depreciation	(173,318)	(1,532)	(174,850)
Construction in progress	1	-	1
Total Noncurrent Assets	356,306	93,138	449,443
Total Assets	367,905	152,278	520,183
LIABILITIES			
Current Liabilities:			
Accounts payable	59	42,062	42,121
Contracts and retainages payable	3,271	-	3,271
Accrued liabilities	3,939	52	3,991
Unearned revenue	-	6,452	6,452
Total Current Liabilities	7,269	48,566	55,835
Noncurrent Liabilities:			
Other long-term liabilities	17,913	-	17,913
Total Noncurrent Liabilities	17,913	-	17,913
Total Liabilities	25,182	48,566	73,748
NET ASSETS			
Invested in capital assets, net of related debt	321,484	76	321,560
Restricted for deferred sales tax	15,009	-	15,009
Restricted for other purposes	-	1,083	1,083
Unrestricted	6,230	102,553	108,783
Total Net Assets (Deficit)	$ 342,723	$ 103,712	$ 446,435

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2012
(expressed in thousands)

	Public Stadium	Nonmajor Component Units	Total
OPERATING REVENUES			
Charges for services	$ 1,039	$ 16,873	$ 17,912
Total Operating Revenues	1,039	16,873	17,912
OPERATING EXPENSES			
Salaries and wages	395	4,395	4,790
Employee benefits	111	1,404	1,515
Personal services	614	1,636	2,250
Goods and services	3,035	2,012	5,047
Travel	10	27	37
Depreciation and amortization	15,443	149	15,592
Miscellaneous expenses	-	1,140	1,140
Total Operating Expenses	19,608	10,763	30,371
Operating Income (Loss)	(18,569)	6,110	(12,459)
NONOPERATING REVENUES (EXPENSES)			
Earnings (loss) on investments	768	898	1,666
Operating grants and contributions	-	29,456	29,456
Distributions of operating grants	-	(29,456)	(29,456)
Naming rights	2,072	-	2,072
Other	6	-	6
Total Nonoperating Revenues (Expenses)	2,846	898	3,744
Income (Loss) before Contributions	(15,723)	7,008	(8,715)
Capital grants and contributions	1,038	-	1,038
Total Contributions	1,038	-	1,038
Change in Net Assets	(14,685)	7,008	(7,677)
Net Assets - Beginning	357,408	96,704	454,112
Net Assets - Ending	$ 342,723	$ 103,712	$ 446,435

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

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Index

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Note 1

Summary of Significant Accounting Policies

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

A. REPORTING ENTITY

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

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

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

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

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

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

The University of Washington issues general revenue bonds that are payable from general revenues, including student tuition and fees, grant indirect cost recovery, sales and services revenue, and investment income. The remainder of the college revenue bonds 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 assets reside with the state.

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

Retirement Systems. The state of Washington, through the Department of Retirement Systems, administers eight retirement systems for public employees of the state and political subdivisions: the Public Employees' Retirement System, the Teachers' Retirement System, the School Employees' Retirement System, the Law Enforcement Officers' and Fire Fighters' Retirement System, the

Washington State Patrol Retirement System, the Public Safety Employees' Retirement System, the Judicial Retirement System, and the Judges' Retirement Fund. The director of the Department of Retirement Systems is appointed by the Governor.

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

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

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

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

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

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

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

Other Blended Component Units. Tumwater Office Properties, FYI Properties, the University of Washington (UW) Physicians, UW Medicine Neighborhood Clinics, Twenty-Fifth Avenue Properties, TSB Properties, Washington Biomedical Research Properties I and II, and Washington Biomedical Research Facilities 3 are blended component units in the state's financial statements. All the aforementioned blended component units provide services entirely or almost entirely to the state. Financial information for these blended component units may be obtained from their respective administrative offices.

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

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

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

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

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

The Washington State Public Stadium Authority (PSA) was created by the Legislature to acquire, construct, own, and operate a football/soccer stadium, exhibition center, and parking garage. Construction was completed in 2002. PSA capital assets, net of accumulated depreciation, total $342.0 million. The state issued general obligation bonds for a portion of the cost of the stadium construction. The total public share of the stadium and exhibition center cost did not exceed $300 million from all state and local government funding sources, as defined in statute.

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

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

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

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

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

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

The state accounts for the Medical Center's interest in SCCA under the equity method of accounting. Income of $7.2 million was recorded in fiscal year 2012, bringing the total equity investment to $82.3 million which is recognized in the state's financial statements in the Higher Education Student Services Fund.

Separate financial statements for SCCA may be obtained from:

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

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

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

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

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

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

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

- Charges to customers for goods and services of the program. A customer is one who directly benefits from the goods or services or is otherwise directly affected by the program, such as a state citizen or taxpayer, or other governments or nongovernmental entities.

- Amounts received from outside entities that are restricted to one or more specific programs. These amounts can be operating or capital in nature.

- Earnings on investments that are restricted to a specific program are also considered program revenues.

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

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

Fund Financial Statements

The state uses 678 accounts that are combined into 54 rollup funds. The state presents separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements, with nonmajor funds being combined into a single column regardless of fund type. Internal service and fiduciary funds are reported by fund type. Major funds include:

Major Governmental Funds:

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

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

Major Enterprise Funds:

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

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

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

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

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

Nonmajor Governmental Funds:

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

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

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

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

Nonmajor Proprietary Funds:

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

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

The state reports the following fiduciary funds:

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

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

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

The state reports both deferred and unearned revenues on its governmental fund balance. Deferred 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 and liabilities associated with the operations of these funds are included on their respective statements of net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

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

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Cash and Investments

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

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

Certain pension trust fund investments, including real estate and private equity, are reported at fair value based on appraisals or estimates in the absence of readily ascertainable fair values. At June 30, 2012, these investments are valued at $25.51 billion. Because of the inherent uncertainties in the estimation of fair value, it is possible that the estimates will change.

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

2. Receivables and Payables

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

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

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

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

3. Inventories and Prepaids

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

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

Inventories of governmental funds are valued at cost and recorded using the consumption method. Proprietary funds expense inventories when used or sold.

For governmental fund financial reporting, inventory balances are also recorded as a reservation of fund balance indicating that they do not constitute "available spendable resources" except for $7.1 million in federally donated consumable inventories, which are offset by unearned revenues 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

Unspent proceeds of state bond issues and other debt financing programs are classified as restricted assets because their use is limited by applicable bond and other debt covenants. These are reflected on the balance sheets and statements of net assets.

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 $1,000,000 or more that are identifiable by meeting one of the following conditions:
    - The asset is capable of being separated or divided and sold, transferred, licensed, rented, exchanged; or
    - The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable;
- All capital assets acquired with Certificates of Participation, a debt financing program administered by the Office of the State Treasurer; and
- All other capital assets with a unit cost (including ancillary costs) of $5,000 or greater, or collections with a total cost of $5,000 or greater except for assets held by the University of Washington (UW). The capitalization threshold for all other capital assets held by the UW is $2,000.

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

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

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

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

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

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

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

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

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

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

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

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

For government-wide financial reporting purposes, capital assets of the state are reported as assets in the applicable governmental or business-type activities column on the Statement of Net Assets. 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. Compensated Absences

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

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

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

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

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

7. Long-Term Liabilities

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

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

8. Fund Equity

In governmental fund type accounts, fund equity is called "fund balance." Fund balance is reported in the following classifications which reflect the extent to which the state is bound to honor constraints on the purposes for which the amounts can be spent: nonspendable, restricted, committed, assigned, and unassigned.

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

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

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.

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 the Supplemental Pension Fund premiums 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.

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

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

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

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

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

The state secures commercial insurance for certain coverage offered, but self-insures the risk of loss for the Uniform Medical Plan. The Uniform Medical Plan enrolled 63 percent of the eligible subscribers in fiscal year 2012. Claims are paid from premiums collected, and claims adjudication is contracted through a third-party administrator.

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

2. Postemployment Benefits

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

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

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

3. Interfund/Interagency Activities

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

4. Donor-restricted Endowments

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

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

The net appreciation available for authorization for expenditure by governing boards totaled $266.4 million. This amount is reported as restricted for expendable endowment funds on the government-wide Statement of Net Assets.

Note 2
Accounting, Reporting, and Entity Changes

Reporting Changes. Effective for fiscal year 2012 reporting, the state adopted the following new standard issued by the Governmental Accounting Standards Board (GASB):

Statement No. 64 *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53.* GASB Statement No. 64 clarifies the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. Existing state reporting and disclosure practices comply with the requirements of Statement No. 64.

Fund Reclassification. During fiscal year 2012, it was determined that one activity reported in the Other Activities Fund, which was a major enterprise fund in fiscal year 2011, would itself qualify as a major fund for fiscal year 2012. Accordingly, the Guaranteed Education Tuition Program Fund is removed from the Other Activities Fund and reported as a major fund with a beginning fund balance (deficit) of $(565.3) million and the Other Activities Fund is reported within Nonmajor Enterprise Funds with a beginning fund balance of $68.2 million.

It was also determined that two other activities being reported in Other Activities would be more appropriately reported as governmental activities, one in the General Fund and the other in the Multimodal Transportation Fund, a non-major governmental fund. Accordingly, beginning fund balances were restated by a reduction of $5.5 million in Other Activities, increase of $386 thousand in the General Fund, and an increase of $5.1 million in the Multimodal Transportation Fund to effect proper fund classification of the activities.

Prior Period Adjustments. The University of Washington recorded a prior period adjustment for a change in capitalization threshold. While the University's capitalization threshold has been at $2,000, for state reporting purposes they converted to the $5,000 level. For fiscal year 2012 reporting, the state adopted the $2,000 threshold for the University. As a result, the Higher Education Student Services Fund, a major enterprise fund, is reporting a beginning balance adjustment of $3.6 million and an increase of $1.3 million is reported in the Higher Education Revolving Fund, an internal service fund.

The UW also recorded a prior period adjustment to correct fund classification of the UW Educational Outreach and Genome Sciences activities to a special revenue fund. As a result of the reclassification, the beginning balance of the Higher Education Special Revenue Fund, a major governmental fund, increased by $3.0 million, the Higher Education Revolving Fund, an internal service fund, decreased by $2.3 million, and pooled cash in an agency fund decreased by $762 thousand.

The Department of Ecology recorded a period adjustment of $1.3 million in a Nonmajor Governmental Fund to record a receivable for monies held in trust for which the state is the beneficiary under a prior year court ordered pollution remediation settlement. The state also recognized the associated pollution remediation obligation.

The Legislature abolished the Spokane Intercollege Research and Technology Institute agency which reported in the Higher Education Student Services Fund and transferred residual balances to Innovate Washington, a new agency, which reports in the Higher Education Special Revenue Fund. As a result, the beginning fund balance of the Higher Education Student Services was reduced by $280 thousand and the Higher Education Special Revenue Fund was increased by $280 thousand.

The state recorded a prior period adjustment $54.5 million to report Other Postemployment Benefits liability in the Internal Service Funds. The liability was previously reported at the government-wide level, but not at the fund statement level.

Governmental Capital Assets and Long-term Obligations. The state's adoption of a $2,000 capitalization threshold for the University of Washington noted above also resulted in a $13.9 million prior period adjustment to governmental capital assets.

Fund equity at July 1, 2011, has been restated as follows (expressed in thousands):

	Fund equity (deficit) at June 30, 2011, as previously reported	Fund Reclassification	Prior Period Adjustment	Fund equity (deficit) as restated, July 1, 2011
Governmental Funds:				
General	$ 1,218,201	$ 386	$ -	$ 1,218,587
Higher Education Special Revenue	1,820,202	-	3,268	1,823,470
Higher Education Endowment	3,158,277	-	-	3,158,277
Nonmajor Governmental	4,354,388	5,094	1,296	4,360,778
Proprietary Funds:				
Enterprise Funds:				
Workers' Compensation	(9,860,511)	-	-	(9,860,511)
Unemployment Compensation	3,199,137	-	-	3,199,137
Higher Education Student Services	1,333,704	-	3,279	1,336,983
Guaranteed Education Tuition Program*	-	(565,274)	-	(565,274)
Other Activities**	(496,637)	496,637	-	-
Nonmajor Enterprise	79,247	63,157	-	142,404
Internal Service Funds	(39,519)	-	(55,396)	(94,915)
Fiduciary Funds:				
Private Purpose Trust	32,945	-	-	32,945
Local Government Investment Pool	8,863,128	-	-	8,863,128
Pension and Other Employee Benefit Plans	68,467,215	-	-	68,467,215
Component Units:				
Public Stadium	357,408	-	-	357,408
Nonmajor Component Units	96,704	-	-	96,704

* The Guaranteed Education Tuition Program Fund was reported In the Other Activities Fund, a major fund in fiscal year 2011, but is reported as a major proprietary fund in fiscal year 2012.

** The Other Activities Fund which was reported as a major proprietary fund in fiscal year 2011 became a nonmajor enterprise fund for reporting purposes in fiscal year 2012.

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, 2012, $1.12 billion of the state's deposits with financial institutions were either insured or collateralized, with the remaining $17.7 million uninsured/uncollateralized.

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

1. Summary of Investment Policies

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

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

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

Eligible Investments. The WSIB is authorized by statute as having investment management responsibility for pension funds. The WSIB is authorized to invest as provided by statute (chapter 43.33A RCW) and WSIB policy in the following: U.S. treasury bills; discount notes; repurchase agreements; reverse repurchase agreements; banker's acceptances; commercial paper; guaranteed investment contracts; U.S. government and agency (government sponsored corporations eligible for collateral purposes at the Federal Reserve) securities; non-U.S. dollar bonds; investment grade corporate bonds; non-investment grade corporate bonds; publicly traded mortgage-backed securities; privately placed mortgages; private placements of corporate debt; U.S. and foreign common stock; U.S. preferred stock; convertible securities; private equity including but not limited to investment corporations, partnerships, and limited liability companies for venture capital, leveraged buy-outs, real estate, and other tangible assets, or other forms of private equity; asset-backed securities; and derivative securities including futures, options, options on futures, forward contracts, and swap transactions. There were no violations of these investment restrictions during fiscal year 2012.

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 insurance fund. These plans hold shares in the CTF, which represent a percentage ownership in the pool of investments. Plans are allowed to purchase or sell units in the CTF, based on the fair value of the underlying assets, on the first business day of each month.

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

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

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

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

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

To achieve the performance and diversification objectives of the pension trust funds, the public markets equity program seeks to achieve the highest return possible from active management consistent with prudent risk management and the desire for downside protection with passive management as the default; 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 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 costs and is used when active managers cannot be identified and monitored with existing resources. Passive management is also used when it is considered an appropriate alternative to active management, typically in more efficient markets. Active management is used when the pension trust funds can identify, access, and monitor successful managers in markets that are less efficient. Active management seeks to enhance the risk/return profile of the program.

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

The fixed income portfolio limits exposure to any corporate issuer to 3 percent of the pension trust funds' fixed income portfolio's market value. The fixed income portfolio is constrained by policy from investing more than 1 percent of the portfolio's par holdings in any single issuer with a quality rating below investment grade (as defined by Barclays Capital Global Family of Fixed Income Indices). Total market value of below investment grade credit bonds (as defined by Barclays Capital Global Family of Fixed Income Indices) shall not exceed 15 percent of the market value of the fixed income portfolio. The total market value of below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities shall not exceed 5 percent of the market value of the fixed income portfolio. The duration of the portfolio (the sensitivity of the portfolio's fair value to changes in the level of interest rates) is targeted to be within 20 percent of the duration of the Barclays Capital Universal Index.

The major sector allocations of the fixed income portfolio are limited to the following ranges: U.S treasuries and government agencies – 10 percent to 45 percent, credit bonds – 10 percent to 60 percent, asset-backed securities – 0 percent to 10 percent, commercial mortgage-backed securities – 0 percent to 10 percent, and mortgage-backed securities – 5 percent to 45 percent.

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

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

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

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

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

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

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

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

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

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

2. Unfunded Commitments

The WSIB has entered into a number of agreements that commit the pension trust funds, upon request, to make additional investment purchases up to predetermined amounts. As of June 30, 2012, the pension trust funds had unfunded commitments of $9.07 billion, $7.18 billion, $408.4 million, and $194.8 million in private equity, real estate, tangible assets, and the innovation portfolio, respectively.

3. Securities Lending

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

The pension trust funds report securities lent (the underlying securities) as assets in the Statement of Net Assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Securities received as collateral are reported as assets if the pension trust funds have the ability to pledge or sell them without a borrower default. Liabilities resulting from these transactions are also reported in the Statement of Net Assets. Securities lending transactions collateralized by securities that the pension trust funds do not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities.

In anticipation of the custodian bank conversion on July 1, 2012, the pension trust funds recalled all securities on loan. There were no assets on loan at June 30, 2012, and no collateral held related to securities lending transactions.

Fixed income and equity securities were loaned during the fiscal year and collateralized by the pension trust funds' agent with cash, U.S. government securities (exclusive of mortgage-backed securities and letters of credit), and irrevocable letters of credit. When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest, of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest, of the loaned securities.

During fiscal year 2012, securities lending transactions could be terminated on demand by either the WSIB or the borrower. The weighted average maturity of loans for 2012 was 1.5 days.

Cash collateral was invested by the WSIB's agents in securities in the WSIB's separately managed short-term investment pool. Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold absent borrower default. There are no restrictions on the amount of securities that can be lent.

Securities were lent with the agreement that they would be returned in the future for exchange of the collateral. JPMorgan indemnified the WSIB by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return the loaned securities or pay distributions thereon. JPMorgan'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 2012, 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 2012 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. Increases in prevailing interest rates generally translate into decreases in fair values of those investments, and decreases in interest rates result in increases in valuations.

While the WSIB does not have a formal policy specifically for interest rate risk, the pension trust funds' fixed income investments are actively managed to meet or exceed the return of the Barclays Capital Universal Index, with a duration that is not 20 percent higher or lower than the duration of the index. As of June 30, 2012, the duration of the pension trust funds' fixed income investments was within the duration target of this index.

The schedule below provides information about the interest rate risks associated with the pension trust funds' investments as of June 30, 2012. The schedule displays various asset classes held by maturity in years and credit ratings. Residential mortgage-backed, commercial mortgage-backed, and asset-backed 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. All other securities on this schedule are reported using the stated maturity date. Certain foreign investments are recorded in U.S. dollars (USD), while others are recorded in non U.S. dollars (Non USD) but have been converted to U.S. dollars for reporting purposes.

Pension Trust Funds
Schedule of Maturities and Credit Quality
June 30, 2012
(expressed in thousands)

		Maturity				
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**	**More than 10 Years**	**Credit Rating**
Asset-backed securities	$ 20,133	$ -	$ 20,113	$ -	$ 20	Multiple
Residential mortgage-backed securities	1,828,200	407,760	1,420,379	61	-	Multiple
Commercial mortgage-backed securities	233,569	-	233,569	-	-	Multiple
Corporate bonds - domestic (USD)	980,534	-	195,683	615,398	169,453	Multiple
Corporate bonds - domestic (Non USD)	62,171	-	62,171	-	-	Multiple
Corporate bonds - foreign (USD)	3,881,367	15,936	659,954	2,576,569	628,908	Multiple
Corporate bonds - foreign (Non USD)	160,521	-	73,555	55,812	31,154	Multiple
U.S. government treasuries	3,282,516	300,743	2,175,807	805,966	-	Aaa
Foreign government and agencies (USD)	1,122,853	-	135,001	829,062	158,790	Multiple
Foreign government and agencies (Non USD)	619,043	-	154,596	285,694	178,753	Multiple
Supranational (Non USD)	379,992	7,563	271,937	100,492	-	Aaa
	12,570,899	$ 732,002	$ 5,402,765	$ 5,269,054	$ 1,167,078	
Corporate stock (USD)	2,917,446					
Corporate stock (Non USD)	9,557,040					
Commingled equity index funds	9,914,679					
Alternative investments	25,514,273					
Liquidity	1,500,573					
Total	$ 61,974,910					

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

Pension Trust Funds
Investments with Multiple Credit Ratings
June 30, 2012
(expressed in thousands)

	Investment Type									
Moody's Equivalent Credit Rating	**Asset-Backed Securities**	**Residential Mortgage-Backed Securities**	**Commercial Mortgage-Backed Securities**	**Corporate Bonds - Domestic (USD)**	**Corporate Bonds - Domestic (Non USD)**	**Corporate Bonds - Foreign (USD)**	**Corporate Bonds - Foreign (Non USD)**	**Foreign Government and Agencies (USD)**	**Foreign Government and Agencies (Non USD)**	**Total**
Aaa	$ 20,113	$ 1,810,713	$ 189,359	$ -	$ -	$ -	$ -	$ -	$ 169,112	$ 2,189,297
Aa1	20	-	-	-	-	-	-	18,408	22,019	40,447
Aa2	-	2,206	-	-	-	28,541	-	28,825	-	59,572
Aa3	-	-	44,210	57,490	-	16,480	-	63,094	-	181,274
A1	-	-	-	22,033	-	62,279	10,273	285,193	24,510	404,288
A2	-	15,281	-	189,906	21,902	65,031	31,154	24,133	42,494	389,901
A3	-	-	-	49,640	-	334,750	32,401	25,618	68,517	510,926
Baa1	-	-	-	207,127	-	513,425	21,220	49,459	25,858	817,089
Baa2	-	-	-	205,090	40,269	949,835	20,758	281,266	105,862	1,603,080
Baa3	-	-	-	66,946	-	1,072,689	44,715	285,937	105,146	1,575,433
Ba1 or lower	-	-	-	182,302	-	838,337	-	60,920	55,525	1,137,084
Total	$ 20,133	$ 1,828,200	$ 233,569	$ 980,534	$ 62,171	$ 3,881,367	$ 160,521	$ 1,122,853	$ 619,043	$ 8,908,391

5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Rated debt investments of the pension trust funds as of June 30, 2012, were rated by Moody's and/or an equivalent national rating organization.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The WSIB policy states no corporate fixed income issue shall exceed 3 percent of cost at the time of purchase or 6 percent of fair value thereafter of the fund, and no high yield issues shall exceed 1 percent of cost or 2 percent of fair value of the fund. There was no concentration of credit risk exceeding these policy guidelines as of June 30, 2012.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the pension trust funds would not be able to recover the value of investments that are in the possession of an outside party. The WSIB does not have a policy specifically for custodial credit risk. The WSIB mitigates custodial credit risk by having its investment securities held by its custodian. Also, investment securities are registered in the name of the WSIB for the benefit of the pension trust funds, excluding cash and cash equivalents and repurchase agreements held as securities lending collateral.

6. Foreign Currency Risk

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

The following schedule presents the exposure of pension fund investments to foreign currency risk. The schedule provides information on deposits and investments held in various foreign currencies. Private equity and real estate are presented according to the financial reporting currency of the individual funds. This is not a presentation of currency exposure relating to the underlying holdings. The schedule is stated in U.S. dollars.

Pension Trust Funds
Foreign Currency Exposure by Country
June 30, 2012
(expressed in thousands)

Foreign Currency Denomination	**Investment Type** Currency	Fixed Income	Common Stock	Private Equity	Real Estate	**Total**
Australia-Dollar	$ 1,663	$ 387,973	$ 556,211	$ -	$ 24,674	$ 970,521
Brazil-Real	323	295,387	119,277	-	-	414,987
Canada-Dollar	4,241	-	742,340	-	-	746,581
Denmark-Krone	1,808	-	105,052	-	-	106,860
E.M.U.-Euro	21,940	-	2,314,191	2,112,225	168,632	4,616,988
Hong Kong-Dollar	2,602	-	388,007	-	-	390,609
India-Rupee	-	123,752	83,881	-	-	207,633
Indonesia-Rupiah	679	71,417	61,284	-	-	133,380
Japan-Yen	21,098	-	1,576,982	-	-	1,598,080
Malaysia-Ringgit	2,379	68,517	25,813	-	-	96,709
Mexico-Peso	218	57,012	41,567	-	-	98,797
Singapore-Dollar	1,576	-	141,508	-	-	143,084
South Korea-Won	1	-	151,774	-	-	151,775
Sweden-Krona	2,127	-	240,710	1,654	-	244,491
Switzerland-Franc	2,282	-	682,056	-	-	684,338
Turkey-Lira	-	62,982	40,291	-	-	103,273
United Kingdom-Pound	25,144	-	1,956,769	4,174	-	1,986,087
Other-Miscellaneous	3,431	154,687	329,327	-	-	487,445
Total	$ 91,512	$ 1,221,727	$ 9,557,040	$ 2,118,053	$ 193,306	$ 13,181,638

7. Derivatives

Pension trust funds are authorized to utilize various derivative financial instruments, including mortgage-backed securities, financial futures, forward contracts, interest rate swaps, credit default swaps, equity swaps, and options. Derivative transactions involve, to varying degrees, market and credit risk. In connection with the cash overlay program, at June 30, 2012, the pension trust funds held investments in financial futures, forward currency contracts, and other derivative securities that are recorded at fair value with changes in value recognized in investment income in the Statement of Changes in Net Assets in the period of change.

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

A derivative instrument could be a contract negotiated on behalf of the pension trust funds and a specific counterparty. This would typically be referred to as an “over the counter (OTC) contract” such as forward contracts and “to be announced (TBA) securities.” 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, 2012, the pension trust funds counterparty risk was not deemed to be significant, whether evaluating counterparty exposure outright or netting collateral against net asset positions on contracts with each counterparty.

Mortgage TBAs are used to achieve the desired market exposure of a security or asset class or adjust portfolio duration. A TBA is a contract for the purchase or sale of agency mortgage-backed securities to be delivered at a future agreed-upon date. TBAs carry future settlement risk due to the possibility of not receiving the asset or associated gains specified in the contract. Such loss associated with failure by counterparties to deliver under the contracts was not deemed material at June 30, 2012.

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

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

At June 30, 2012, the pension trust funds had outstanding forward currency contracts to purchase foreign currencies with a fair value of $1.03 billion and outstanding contracts to sell foreign currencies with a fair value of $1.03 billion. The net unrealized gain of $2.2 million is included in the Statement of Changes in Net Assets. The contracts have varying maturity dates ranging from July 2, 2012, to September 19, 2012.

At June 30, 2012, the pension trust funds' fixed income portfolio held derivative securities consisting of collateralized mortgage obligations with a fair value of $682.0 million. Domestic and foreign passive equity index fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative securities by passive equity index fund managers is unavailable.

Derivatives which are exchange traded are not subject to credit risk. The maximum loss that would be recognized at June 30, 2012, if all counterparties fail to perform as contracted is de minimus.

At June 30, 2012, the counterparties for forward currency contracts that are subject to credit risk had a credit rating of no less than A1 using the Moody's rating scale.

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

Pension Trust Funds
Derivative Investments
June 30, 2012
(expressed in thousands)

	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional
Futures Contracts:			
Bond index futures	$ 54,598	$ 1,840	$ 4,520
Equity index futures	(3,770)	3,725	1,049
Total	$ 50,828	$ 5,565	$ 5,569
To Be Announced (TBA) Securities:			
FHLMC TBA	$ 1,208	$ 47,713	$ 43,906
FNMA TBA	9,940	182,609	171,016
GNMA TBA	2,415	61,270	56,042
Total	$ 13,563	$ 291,592	$ 270,964
Forward Currency Contracts:			
Australia-Dollar	$ (9,147)	$ 40	$ 240,943
Brazil-Real	(282)	-	-
Canada-Dollar	(6,869)	554	127,606
Denmark-Krone	(572)	(14)	25,933
E.M.U.-Euro	(34,124)	(2,412)	246,525
Hong Kong-Dollar	1	-	222,301
Israel-Shekel	(1)	(1)	922
Japan-Yen	(1,822)	(10)	8,198,145
Mexico-Peso	(7)	(7)	6,500
New Zealand-Dollar	(467)	(169)	6,141
Norway-Krone	(2,957)	(11)	142,531
Singapore-Dollar	(713)	(3)	1,547
South Africa-Rand	175	177	56,459
Sweden-Krona	(3,565)	(188)	282,251
Switzerland-Franc	(8,396)	(1)	19,690
United Kingdom-Pound	(8,655)	(115)	74,865
United States-Dollar	74,798	-	1,023,077
Total	$ (2,603)	$ (2,160)	$ 10,675,436

8. Reverse Repurchase Agreements – None.

C. INVESTMENTS – WORKERS' COMPENSATION FUND

1. Summary of Investment Policies

Under RCW 43.33A.030, trusteeship of the Workers' Compensation Fund investments is vested in the voting members of the 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, as it makes investment decisions and seeks to meet its investment objectives.

The Workers' Compensation Fund consist 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.
- Treasury inflation protection securities (TIPS).
- U.S. treasuries and government agencies.
- Credit bonds.
- Mortgage-backed securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.
- Asset-backed securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.
- Commercial mortgage-backed securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.
- Investment grade non-U.S. dollar bonds.

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

- All assets under the management of the WSIB are to be invested to maximize return at a prudent level of risk in accordance with RCW 43.33A.110 and RCW 43.33A.140.
- Asset allocations are to be reviewed every three to four years or sooner if there are significant changes in funding levels or the liability durations.
- Assets are to be rebalanced across asset classes when the fair value of the assets falls outside the policy ranges. The timing of any rebalancing will be based on market opportunities, cash flows, and the consideration of transaction costs; therefore, they need not occur immediately.
- Sector allocation for U.S. equities should be within a range of 55 percent to 65 percent. Allocation for international equities should be within a range of 35 percent to 45 percent.
- The benchmark and structure for U.S. equities will be the broad U.S. stock market as defined by the MSCI US IMI passive mandate. The benchmark and structure for international equities will be the Morgan Stanley Capital International All Country World Ex U.S. Investable Market Index. Both portfolios will be 100 percent passively managed in commingled index funds. The commingled funds may use futures for hedging or establishing a long position.
- TIPS will be managed to plus or minus 20 percent of the duration of the Barclays Capital U.S. TIPS Index.
- The structure of the fixed income portfolio varies depending upon the required duration target. 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.

- Sector allocation of fixed income investments must be managed within the following prescribed ranges: U.S. treasuries and government agencies – 5 percent to 25 percent, credit bonds – 20 percent to 70 percent, asset-backed securities – 0 percent to 10 percent, commercial mortgage-backed securities – 0 percent to 10 percent and mortgage-backed securities – 0 percent to 25 percent. These targets are long-term in nature. Deviations may occur in the short term as a result of interim market conditions. However, if a range is exceeded the portfolios must be rebalanced to the target allocations as soon as it is practical.

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

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

2. Securities Lending

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

The Workers' Compensation Fund reports securities lent (the underlying securities) as assets in the Statement of Net Assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Securities received as collateral are reported as assets if the Workers' Compensation Fund has the ability to pledge or sell them without a borrower default. Liabilities resulting from these transactions are also reported in the Statement of Net Assets. Securities lending transactions collateralized by securities that the Workers' Compensation Fund does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities.

In anticipation of the custodian bank conversion on July 1, 2012, the Workers' Compensation Fund recalled all securities on loan. There were no assets on loan at June 30, 2012, and no collateral held related to securities lending transactions.

During fiscal year 2012, fixed income securities were loaned and collateralized by the WSIB's agent with cash and U.S. government securities (exclusive of mortgage-backed securities and letters of credit) and irrevocable letters of credit. When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest, of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest, of the loaned securities. Securities lending transactions could be terminated on demand by either the Workers' Compensation Fund or the borrower. The weighted average maturity of loans was 1.5 days.

Cash collateral was invested by the Workers' Compensation Fund in the WSIB's short-term investment pool. Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold absent borrower default. There are no restrictions on the amount of securities that can be lent.

Securities were lent with the agreement that they would be returned in the future for exchange of the collateral. JPMorgan 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. JPMorgan'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 2012, there were no significant violations of legal or contractual provisions, no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the Workers' Compensation Fund incurred no losses during fiscal year 2012 resulting from a default by either the borrowers or the securities lending agents.

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Increases in prevailing interest rates generally translate into decreases in fair values of those investments.

While the WSIB does not have a formal policy specifically for interest rate risk, the Workers' Compensation Fund fixed income portfolio is managed to set duration targets. The duration targets will be reviewed every three years, or sooner, if there are significant changes in the funding levels or the liability durations. As of June 30, 2012, the Workers'

Compensation Fund portfolio durations were within the prescribed duration targets.

The schedule below provides information about the interest rate risks associated with the Workers' Compensation Fund investments as of June 30, 2012. The schedule displays various asset classes held by maturity in years and credit ratings. Residential mortgage-backed, commercial mortgage-backed, and asset-backed 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. All other securities on the schedule are reported using the stated maturity date.

Workers' Compensation Fund
Schedule of Maturities and Credit Quality
June 30, 2012
(expressed in thousands)

		Maturity				
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**	**More than 10 Years**	**Credit Rating**
Residential mortgage-backed securities	$ 1,743,809	$ 25,143	$ 1,004,023	$ 667,980	$ 46,663	Aaa
Commercial mortgage-backed securities	429,228	30,322	377,786	21,120	-	Multiple
Corporate bonds-domestic	3,191,256	203,994	534,684	1,021,460	1,431,118	Multiple
Corporate bonds-foreign (USD)	2,463,565	267,206	439,806	814,804	941,749	Multiple
Foreign government and agencies (USD)	941,850	44,791	396,713	303,048	197,298	Multiple
Supranational (USD)	184,781	45,792	138,989	-	-	Aaa
U.S. government treasuries	777,685	145,357	599,355	32,973	-	Aaa
U.S. treasury inflation protected securities	1,889,532	-	597,280	618,101	674,151	Aaa
	11,621,706	$ 762,605	$ 4,088,636	$ 3,479,486	$ 3,290,979	
Commingled index funds-domestic	951,396					
Commingled index funds-foreign	628,820					
Money market funds	119,900					
Total	$ 13,321,822					

USD: Reported in U.S. dollars

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

Workers' Compensation Fund
Investments with Multiple Credit Ratings
June 30, 2012
(expressed in thousands)

	Investment Type				
Moody's Equivalent Credit Rating	**Commercial Mortgage-Backed Securities**	**Corporate Bonds - Domestic**	**Corporate Bonds- Foreign (USD)**	**Foreign Government and Agencies (USD)**	**Total**
Aaa	$ 332,934	$ 6,101	$ -	$ 166,303	$ 505,338
Aa2	-	-	-	53,237	53,237
Aa3	96,294	226,940	224,345	139,208	686,787
A1	-	178,665	225,957	248,947	653,569
A2	-	762,672	35,017	-	797,689
A3	-	481,087	313,892	-	794,979
Baa1	-	558,674	425,599	27,297	1,011,570
Baa2	-	770,301	636,284	146,050	1,552,635
Baa3	-	123,108	443,673	83,253	650,034
Ba1 or lower	-	83,708	158,798	77,555	320,061
Total	$ 429,228	$ 3,191,256	$ 2,463,565	$ 941,850	$ 7,025,899

4. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The rated debt investments of the Workers' Compensation Fund as of June 30, 2012, 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 corporate fixed income issue's cost shall not 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, 2012.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the Workers' Compensation Fund would not be able to recover the value of investments that are in the possession of an outside party. The Workers' Compensation Fund does not have a policy specifically for custodial credit risk. The WSIB mitigates custodial credit risk by having its investment securities held by its custodian. Also, investment securities are registered in the name of the WSIB for the benefit of the Workers' Compensation Fund, excluding cash and cash equivalents and repurchase agreements held as securities lending collateral.

5. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Workers' Compensation Fund does not have a formal policy to limit foreign currency risk. At June 30, 2012, the Workers' Compensation Fund had $628.8 million invested in an international commingled equity index fund.

6. Derivatives

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

Consistent with the Workers' Compensation Fund's authority to invest in derivatives, international active equity managers may make limited investments in financial futures, forward contracts or other derivative securities to manage exposure to currency rate risk and equitize excess cash holdings. No such derivative securities were held as of June 30, 2012.

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, 2012, the only derivative securities held directly by the Workers' Compensation Fund were collateralized mortgage obligations of $1.74 billion.

7. Reverse Repurchase Agreements – None.

D. INVESTMENTS – LOCAL GOVERNMENT INVESTMENT POOL

1. Summary of Investment Policies

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

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

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

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

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

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

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

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

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

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

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

- Investments are restricted to fixed rate securities that mature in 397 days or less, floating and variable rate securities that mature in 762 days or less, and securities utilized in repurchase agreements.
- The weighted average maturity of the portfolio will not exceed 60 days.
- The weighted average life of the portfolio will not exceed 120 days.
- The purchase of investments in securities other than those issued by the U.S. government or its agencies will be limited.
- Cash generated through securities lending or reverse repurchase agreement transactions will not increase the dollar amount of specified investment types beyond stated limits.

2. Securities Lending

State statutes permit the LGIP to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The LGIP, which has contracted with a lending agent to lend securities in the LGIP, earns a fee for this activity. The lending agent lends securities and receives collateral, which can be in the form of cash or other securities. The collateral, unless it is cash received from the lending of non coupon-bearing securities, 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 market 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. On June 30, 2012, there was $441.0 million invested with the LGIP by the lending agent. The average life of both the loans and the investment of cash received as collateral was one day.

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 2012, the LGIP had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the LGIP. Furthermore, the contract requires the lending agent to indemnify the LGIP if the borrowers fail to return the securities (and if collateral is inadequate to replace the securities lent) or if the borrower fails to pay the LGIP for income distribution by the securities' issuers while the securities are on loan.

The LGIP cannot pledge or sell collateral securities received unless the borrower defaults. The LGIP investment policy limits the amount of reverse repurchase agreements and securities lending to 30 percent of the total portfolio. There were no violations of legal or contractual provisions and no losses resulting from a default of a borrower or lending agent during the year. There was $441.0 million on loan as of June 30, 2012.

3. Interest Rate Risk

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

The LGIP policy places a 60-day maximum on the weighted average maturity and a 120-day maximum on the weighted average life. Further, the maximum maturity of any security will not exceed 397 days, except securities utilized in repurchase agreements and U.S. agency floating or variable rate notes may have a maximum maturity of 762 days, provided that they have reset dates within one year and that on any reset date can reasonably be expected to have a market value that approximates its amortized cost. As of June 30, 2012, the LGIP had a weighted average maturity of 40 days and a weighted average life of 112 days.

The following schedule presents the LGIP investments, deposits, and related maturities, by type, and provides information about the interest rate risks associated with the LGIP investments as of June 30, 2012:

Local Government Investment Pool (LGIP)
June 30, 2012
(expressed in thousands)

		Maturity	
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**
U.S. agency securities	$ 3,374,944	$ 2,340,713	$ 1,034,231
U.S. treasury securities	1,649,151	1,649,151	-
Repurchase agreements	3,609,500	3,609,500	-
Demand deposit accounts	599,041	599,041	-
Certificates of deposit and other	87,873	87,873	-
Total	$ 9,320,509	$ 8,286,278	$ 1,034,231

4. Credit Risk

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

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

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of a failure of the counterparty, the LGIP will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The LGIP investment policy requires that securities purchased by the office be held by the master custodian, acting as an independent third party, in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the LGIP's exposure to risk and insure the safety of the investment. All securities utilized in repurchase agreements were rated AAA 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. With the exception of U.S. treasury and U.S. agency securities, the LGIP limits the purchase of securities of any one issuer to no more than 5 percent of the portfolio.

As of June 30, 2012, U.S. treasury securities comprised 17.7 percent of the total portfolio. U.S. agency securities comprised 36.2 percent of the total portfolio, including Federal Home Loan Mortgage Corporation (4.5 percent), Federal Home Loan Bank (15.3 percent), Federal National Mortgage Association (9.4 percent), and Federal Farm Credit Bank (7.0 percent).

5. Foreign Currency Risk - None.

6. Derivatives - None.

7. Repurchase and Reverse Repurchase Agreements

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

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

If the dealers default on their obligations to resell these securities to the LGIP or to provide equal value in securities or cash, the LGIP would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. During the fiscal year there was no credit risk for the LGIP due to the fair value plus accrued interest of the underlying securities being less than the fair value plus accrued interest of the reinvested cash. On June 30, 2012, there were no obligations under reverse repurchase agreements.

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

The securities utilized in repurchase agreements are priced daily and held by the LGIP's custodian in the state's name. Collateralized Mortgage Obligations utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency. As of June 30, 2012, repurchase agreements totaled $3.61 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 73 percent of the total investments in Higher Education Special Revenue, Endowment, and Student Services Funds.

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

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

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

The University combines most short-term cash balances in the Invested Funds Pool. At June 30, 2012, the Invested Funds Pool totaled $1.39 billion. The fund also owns units in the Consolidated Endowment Fund valued at $422.9 million on June 30, 2012.

By University policy, departments with qualifying funds in the Invested Funds Pool receive distributions based on their average balances and on the type of balance. Campus depositors received 2 percent in fiscal year 2012. Endowment operating and gift accounts received 3 percent in fiscal year 2012. 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 the spending of appreciation in the CEF under comprehensive prudent standards.

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

The University records its permanent endowments at the lower of original gift value or current market value in the Restricted Nonexpendable Net Assets category. Of the total $1.31 billion permanent endowment funds (at fair value) as of June 30, 2012, the aggregate amount of the deficiencies where the fair value of the assets is less than the original gifts is $41.6 million.

Funds in irrevocable trusts managed by trustees other than the University are not reported in the financial statements. The fair value of these funds was $49.1 million at June 30, 2012. Income received from these trusts, which is included in investment income, was $2.3 million for the year ended June 30, 2012.

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 $7.9 million in 2012 from the sale of investments.

The calculation of realized gains and losses is independent of the net appreciation of the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and are sold in the current year include the net appreciation of these investments reported in the prior year(s). The net depreciation in the fair value of investments during the year ended June 30, 2012 was $35.1 million.

The following schedule presents the fair value of the University of Washington's investments by type at June 30, 2012:

University of Washington
June 30, 2012
(expressed in thousands)

Investment Type	**Fair Value**
Cash equivalents	$ 243,017
Fixed income	1,726,157
Equity	974,827
Non-marketable alternatives	405,866
Absolute return	332,359
Real assets	166,461
Miscellaneous	7,343
Total	$ 3,856,030

2. Funding Commitments

The University enters into contracts with investment managers to fund alternate investments. As of June 30, 2012, the University had outstanding commitments to fund alternative investments in the amount of $233.7 million.

3. Securities Lending

The University's investment policies permit it to lend its securities to broker dealers and other entities. Due to market conditions, the University terminated this program in September 2008, and as of June 30, 2012, the University had no securities on loan.

4. Interest Rate Risk

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

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 negative perceptions of the issuer's ability to make these payments will cause prices to decline.

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

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

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

The composition of the fixed income securities at June 30, 2012, along with credit quality and effective duration measures is summarized below. The schedule excludes $248.4 million of fixed-income securities held outside the CEF and the Invested Funds Pool, which makes up 6.4 percent of the University's investments.

University of Washington
Invested Funds Pool and Consolidated Endowment Fund
Fixed Income Credit Quality and Effective Duration
June 30, 2012
(expressed in thousands, duration in years)

Investments	U.S. Government	Investment Grade	Non-Investment Grade	Not Rated	Total	Duration (in years)
U.S. treasuries	$ 825,433	$ -	$ -	$ -	$ 825,433	3.20
U.S. government agency	534,137	-	-	-	534,137	2.61
Mortgage-backed	-	64,500	16,739	5,920	87,159	3.59
Asset-backed	-	122,815	3,757	-	126,572	2.02
Corporate and other	-	142,890	151	4,384	147,425	1.62
Total	$ 1,359,570	$ 330,205	$ 20,647	$ 10,304	$ 1,720,726	2.84

6. Foreign Currency Risk

The University's investment policies permit investments in international equity and other asset classes that can include foreign currency exposure. At June 30, 2012, the University had net outstanding forward commitments to sell foreign currency with a total fair value of $10.9 million, which equals 0.28 percent of the total portfolio.

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

University of Washington
Consolidated Endowment Fund
Foreign Currency Risk
June 30, 2012
(expressed in thousands)

Foreign Currency	Amount
E.M.U.-Euro	$ 70,764
Britain-Pound	67,889
China-Renminbi	52,213
India-Rupee	49,802
Japan-Yen	48,273
Russia-Ruble	38,328
Brazil-Real	36,451
Canada-Dollar	28,153
Hong Kong-Dollar	24,181
Switzerland-Franc	22,876
South Korean-Won	22,465
Australia-Dollar	14,271
Thailand-Baht	13,564
Taiwan-Dollar	13,159
Indonesia-Rupiah	12,829
Remaining currencies	122,296
Total	$ 637,514

7. Derivatives

The University's investment policies allow investing in various derivative instruments, including futures, swaps, and forwards, to manage its exposure to market fluctuations in various asset classes. 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.

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, 2012.

The University did not hold any investment or hedging derivatives as of June 30, 2012. Details on foreign currency derivatives are disclosed under Foreign Currency Risk.

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

University of Washington
Derivative Investments
June 30, 2012
(expressed in thousands)

Category	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional
Futures contracts	$ 8,336	$ 90,732	$ 86,732

8. Reverse Repurchase Agreements – None.

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

1. Summary of Investment Policies

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

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

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

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

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

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

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

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

2. Securities Lending

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

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

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

The contract with the lending agent requires them to indemnify the OST if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or if the borrower fails to pay the OST for income distribution by the securities' issuers while the securities are on loan. The OST cannot pledge or sell collateral securities received unless the borrower defaults. At June 30, 2012, there were no securities on loan.

The OST investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the OST. During fiscal year 2012, the OST had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the OST.

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

3. Interest Rate Risk

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

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

The following schedule presents the fair value of the OST's investments by type at June 30, 2012:

Office of the State Treasurer (OST)
Cash Management Account
June 30, 2012
(expressed in thousands)

		Maturity		
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**
U.S. agency obligations	$ 1,055,336	$ 20,000	$ 1,015,346	$ 19,990
U.S. government obligations	589,694	-	589,694	-
Repurchase agreements	2,225,000	2,225,000	-	-
Certificates of deposit	151,797	151,797	-	-
Investments with LGIP	350,322	350,322	-	-
Demand deposit accounts	61,446	61,446	-	-
Municipal bonds	12	12	-	-
Total	$ 4,433,607	$ 2,808,577	$ 1,605,040	$ 19,990

4. Credit Risk

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

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

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. For non-governmental securities, the OST limits its exposure to concentration of credit risk by restricting the amount of investments to no more than 5 percent of the portfolio to any single issuer. During fiscal year 2012, the non-governmental securities of a single issuer held by the Cash Management Account did not exceed 5 percent of the total portfolio.

5. Foreign Currency Risk - None.

6. Derivatives - None.

7. Reverse Repurchase Agreements

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

If the dealers default on their obligations to resell these securities to the OST or to provide equal value in securities or cash, the OST would suffer an economic loss equal to the differences between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. The OST investment policy limits the amount of reverse repurchase agreements to 30 percent of the total portfolio.

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

The market value, plus accrued income, of securities utilized in all other repurchase agreements will be 102 percent of the value of the repurchase agreement. The securities utilized in repurchase agreements are priced daily and held by the Treasury/Trust custodian in the state's name. Collateralized mortgage obligations utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council test or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency. There were no reverse repurchase agreements as of June 30, 2012.

Note 4
Receivables and Deferred/Unearned Revenue

A. GOVERNMENTAL FUNDS

Taxes Receivable
Taxes receivable at June 30, 2012, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property	$ 991,803	$ -	$ -	$ 178	$ 991,981
Sales	1,545,033	-	-	-	1,545,033
Business and occupation	670,164	-	-	-	670,164
Estate	1,053	18,145	-	-	19,198
Fuel	-	-	-	111,739	111,739
Other	6,598	-	-	355	6,953
Subtotals	3,214,651	18,145	-	112,272	3,345,068
Less: Allowance for uncollectible receivables	48,993	-	-	790	49,783
Total Taxes Receivable	$ 3,165,658	$ 18,145	$ -	$ 111,482	$ 3,295,285

Other Receivables
Other receivables at June 30, 2012, consisted of the following (expressed in thousands):

Other Receivables	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Public assistance (1)	$ 823,955	$ -	$ -	$ -	$ 823,955
Accounts receivable	26,418	174,564	812	72,506	274,300
Interest	-	7,582	4,064	3,504	15,150
Loans (2)	3,995	130,636	-	448,990	583,621
Long-term contracts (3)	1,867	-	9,912	66,612	78,391
Miscellaneous	121,592	46,414	9,458	181,054	358,518
Subtotals	977,827	359,196	24,246	772,666	2,133,935
Less: Allowance for uncollectible receivables	810,274	24,436	-	39,006	873,716
Total Other Receivables	$ 167,553	$ 334,760	$ 24,246	$ 733,660	$ 1,260,219

Notes:

(1) Public assistance receivables mainly represent amounts owed the state as a part of the Support Enforcement Program at the Department of Social and Health Services for the amounts due from persons required to pay support for individuals currently on state assistance, and have a low realization expectation. Accordingly, the receivable is offset by a large allowance for uncollectible receivables.

(2) Significant long-term portions of loans receivable include $107.0 million in the Higher Education Special Revenue Fund for student loans and $421.8 million in Nonmajor Governmental Funds for low income housing, public works, and economic development/revitalization loans.

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

Deferred and Unearned Revenue

Deferred and unearned revenue at June 30, 2012, consisted of the following (expressed in thousands):

Deferred and Unearned Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property taxes	$ 964,786	$ -	$ -	$ 57	$ 964,843
Other taxes	475,362	14,924	-	283	490,569
Timber sales	1,867	-	9,912	66,612	78,391
Charges for services	107,078	191,217	606	38,268	337,169
Donable goods	-	-	-	7,103	7,103
Grants and donations	18,317	1,552	-	9,694	29,563
Loan programs	-	13	-	801,626	801,639
Seizure of forfeited assets	-	-	-	6,390	6,390
Miscellaneous	26,925	5,171	-	28,745	60,841
Total Deferred and Unearned Revenue	$ 1,594,335	$ 212,877	$ 10,518	$ 958,778	$ 2,776,508

B. PROPRIETARY FUNDS

Taxes Receivable

Taxes receivable at June 30, 2012, consisted of $9.8 million in liquor taxes reported in Nonmajor Enterprise Funds.

Other Receivables

Other receivables at June 30, 2012, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds						Governmental Activities
Other Receivables	**Workers' Compensation**	**Unemployment Compensation**	**Higher Education Student Services**	**Guaranteed Education Tuition Program**	**Nonmajor Enterprise Funds**	**Total**	**Internal Service Funds**
Accounts receivable	$ 156,880	$ -	$ 240,597	$ 6	$ 39,818	$ 437,301	$ 12,366
Interest	109,783	-	526	5,589	-	115,898	9
Miscellaneous	576,663	665,224	2,862	1	48	1,244,798	9,509
Subtotals	843,326	665,224	243,985	5,596	39,866	1,797,997	21,884
Less: Allowance for uncollectible receivables	156,691	95,054	72,481	-	263	324,489	354
Total Other Receivables	$ 686,635	$ 570,170	$ 171,504	$ 5,596	$ 39,603	$ 1,473,508	$ 21,530

Unearned Revenue

Unearned revenue at June 30, 2012, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds						Governmental Activities
Unearned Revenue	**Workers' Compensation**	**Unemployment Compensation**	**Higher Education Student Services**	**Guaranteed Education Tuition Program**	**Nonmajor Enterprise Funds**	**Total**	**Internal Service Funds**
Charges for services	$ 3	$ -	$ 35,606	$ -	$ -	$ 35,609	$ 1,074
Other taxes	510	-	-	-	-	510	-
Miscellaneous	7,176	-	333	-	-	7,509	2
Total Unearned Revenue	$ 7,689	$ -	$ 35,939	$ -	$ -	$ 43,628	$ 1,076

C. FIDUCIARY FUNDS

Other Receivables

Other receivables at June 30, 2012, consisted of the following (expressed in thousands):

Other Receivables	Local Government Investment Pool	Agency Funds
Interest	$ 1,045	$ 6,903
Other	-	1,872
Subtotals	1,045	8,775
Less: Allowance for uncollectible receivables	-	3,534
Total Other Receivables	$ 1,045	$ 5,241

Unearned Revenue

Unearned revenue at June 30, 2012, consisted of $883 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, 2012, 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	$ -	$ 975	$ -	$ 125,545	$ 985
Higher Education Special Revenue	56,845	-	-	9,063	253
Higher Education Endowment	-	-	-	1	-
Nonmajor Governmental Funds	681,675	133,807	1,769	171,700	35
Workers' Compensation	6	-	-	19	-
Unemployment Compensation	1,732	1,750	-	1,091	74
Higher Education Student Services	836	142,774	-	281,719	238
Guaranteed Education Tuition Program	1	-	-	-	-
Nonmajor Enterprise Funds	4,223	576	-	442	20
Internal Service Funds	28,476	970	-	20,316	6,990
Fiduciary Funds	-	-	-	-	-
Totals	$ 773,794	$ 280,852	$ 1,769	$ 609,896	$ 8,595

Nearly all interfund balances are expected to be paid within one year from the date of the financial statements. These balances resulted from the time lag between the dates that (1) interfund goods and services were provided and when the payments occurred and (2) interfund transfers were accrued and when the liquidations occurred. Interfund balances include a $28.5 million loan from a nonmajor governmental fund to the General Fund which is expected to be paid over the next six years.

In addition to the interfund balances noted in the schedule above, there are interfund balances of $6.0 million within the state’s Pension Trust Funds.

Due From						
Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Totals
$ 1	$ 28,465	$ 126	$ 33,762	$ 2,851	$ -	$ 192,710
-	407,832	-	-	15,449	-	489,442
-	-	-	-	-	-	1
1,091	139,920	-	253	1,669	22	1,131,941
-	-	-	-	20	-	45
-	40	-	189	188	173	5,237
-	-	-	-	-	-	425,567
-	-	-	-	-	-	1
-	40	2	574	50	42	5,969
-	30	4	1,317	53,315	1,362	112,780
-	-	-	10	-	-	10
$ 1,092	$ 576,327	$ 132	$ 36,105	$ 73,542	$ 1,599	$ 2,363,703

B. INTERFUND TRANSFERS

Interfund transfers as reported in the financial statements for the year ended June 30, 2012, 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	$ -	$ 906	$ -	$ 1,041,373	$ -
Higher Education Special Revenue	26,056	-	369	6,552	-
Higher Education Endowment	-	8,488	-	121,095	-
Nonmajor Governmental Funds	243,623	37,915	1,785	900,941	-
Workers' Compensation	-	-	-	-	-
Unemployment Compensation	-	-	-	-	-
Higher Education Student Services	-	43,175	-	-	-
Guaranteed Education Tuition Program	-	-	-	-	-
Nonmajor Enterprise Funds	220,015	-	-	10,280	-
Internal Service Funds	5,960	183	-	-	-
Totals	$ 495,654	$ 90,667	$ 2,154	$ 2,080,241	$ -

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

On June 30, 2012, $129.5 million was transferred from the General Fund Basic Account to the Budget Stabilization Account (BSA) in accordance with the provisions of the Constitution. The BSA is reported as an Administrative Account within the General Fund. The Constitution details a limited number of circumstances under which funds can be appropriated from the BSA, one of which is a favorable vote of at least three-fifths of the members of each house of the Legislature.

In addition to the transfers noted in the schedule above, there were transfers of $3.0 million within the state's Pension Trust Funds.

Transferred To					
Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Internal Service Funds	Totals
$ -	$ -	$ -	$ -	$ 14,044	$ 1,056,323
-	90,603	-	-	1,776	125,356
-	-	-	-	-	129,583
-	21,145	-	-	-	1,205,409
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	3,685	46,860
-	-	-	-	-	-
-	-	-	15,987	-	246,282
-	527	-	-	18,798	25,468
$ -	$ 112,275	$ -	$ 15,987	$ 38,303	$ 2,835,281

Note 6
Capital Assets

Capital assets at June 30, 2012, 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, 2012 (expressed in thousands):

Capital Assets	Balances July 1, 2011*	Additions	Deletions / Adjustments**	Balances June 30, 2012
Capital assets, not being depreciated:				
Land	$ 1,330,517	$ 1,041,379	$ (13,772)	$ 2,358,124
Transportation infrastructure	20,976,355	922,836	(1,031,694)	20,867,497
Intangible assets - indefinite lives	3,415	1,520	(3,415)	1,520
Art collections, library reserves, and museum and historical collections	113,071	9,641	(40)	122,672
Construction in progress	969,522	261,622	(418,543)	812,601
Total capital assets, not being depreciated	23,392,880			24,162,414
Capital assets, being depreciated:				
Buildings	10,778,797	739,774	(57,286)	11,461,285
Accumulated depreciation	(3,698,571)	(270,520)	18,352	(3,950,739)
Net buildings	7,080,226			7,510,546
Other improvements	1,214,674	60,790	(9,499)	1,265,965
Accumulated depreciation	(539,010)	(48,175)	4,611	(582,574)
Net other improvements	675,664			683,391
Furnishings, equipment and intangible assets	4,184,669	380,951	(128,246)	4,437,374
Accumulated depreciation	(2,801,889)	(258,530)	103,312	(2,957,107)
Net furnishings, equipment and intangible assets	1,382,780			1,480,267
Infrastructure	840,985	45,231	-	886,216
Accumulated depreciation	(397,230)	(27,242)	-	(424,472)
Net infrastructure	443,755			461,744
Total capital assets, being depreciated, net	9,582,425			10,135,948
Governmental Activities Capital Assets, Net	$ 32,975,305			$ 34,298,362

* Beginning balances reflect the prior period adjustment to the capitalization threshold for the University of Washington (UW) which resulted in an increase in governmental furnishings and equipment of $112.4 million and an increase to accumulated depreciation of $97.2 million.

** Adjustment activity includes a UW transfer of net assets from the Higher Education Student Services Fund, a major enterprise fund, to the Higher Education Revolving Fund, an internal service fund, of $7.8 million. The Department of Transportation made adjustments to transportation infrastructure to reclassify $907.4 million to land, and properly expense items previously capitalized that should not have been.

B. BUSINESS-TYPE CAPITAL ASSETS

The following is a summary of business-type capital asset activity for the year ended June 30, 2012 (expressed in thousands):

Capital Assets	Balances July 1, 2011*	Additions	Deletions / Adjustments **	Balances June 30, 2012
Capital assets, not being depreciated:				
Land	$ 65,264	$ -	$ (2,502)	$ 62,762
Art collections	35	-	-	35
Construction in progress	292,830	429,113	(40,529)	681,414
Total capital assets, not being depreciated	358,129			744,211
Capital assets, being depreciated:				
Buildings	2,040,447	219,346	(157,204)	2,102,589
Accumulated depreciation	(677,007)	(57,252)	34,053	(700,206)
Net buildings	1,363,440			1,402,383
Other improvements	83,305	4,825	(488)	87,642
Accumulated depreciation	(28,057)	(3,807)	342	(31,522)
Net other improvements	55,248			56,120
Furnishings, equipment and intangible assets	584,580	87,045	(53,857)	617,768
Accumulated depreciation	(437,021)	(41,273)	22,038	(456,256)
Net furnishings, equipment and intangible assets	147,559			161,512
Infrastructure	41,273	409	-	41,682
Accumulated depreciation	(14,845)	(1,486)	-	(16,331)
Net infrastructure	26,428			25,351
Total capital assets, being depreciated, net	1,592,675			1,645,366
Business-Type Activities Capital Assets, Net	$ 1,950,804			$ 2,389,577

* Beginning balances reflect the prior period adjustment to the capitalization threshold for the University of Washington (UW) which resulted in an increase in furnishings and equipment of $20.5 million and an increase in accumulated depreciation of $16.9 million.

** Adjustment activity includes a UW transfer of net assets from the Higher Education Student Services Fund, a major enterprise fund, to the Higher Education Revolving Fund, an internal service fund, of $7.8 million.

C. DEPRECIATION

Depreciation expense for the year ended June 30, 2012, was charged by the primary government as follows (expressed in thousands):

		Amount
Governmental Activities:		
General government	$	50,529
Education - elementary and secondary (K-12)		2,198
Education - higher education		335,704
Human services		31,265
Adult corrections		46,610
Natural resources and recreation		41,566
Transportation		96,595
Total Depreciation Expense - Governmental Activities *	$	604,467
Business-Type Activities:		
Workers' compensation	$	6,634
Unemployment compensation		-
Higher education student services		92,137
Guaranteed education tuition program		7
Other		5,040
Total Depreciation Expense - Business-Type Activities	$	103,818

* Includes $72.7 million internal service fund depreciation that was allocated to functions as a part of the net internal service fund activity.

D. CONSTRUCTION IN PROGRESS

Major construction commitments of the state at June 30, 2012, are as follows (expressed in thousands):

Agency / Project Commitments	Construction In Progress June 30, 2012	Remaining Project Commitments
Department of Enterprise Services:		
O'Brien Building improvement, Transportation Building preservation, Capitol Campus High Voltage System and other projects	$ 63,617	$ 16,484
Department of Labor and Industries:		
Early claims solution software and Retro rewrite	3,681	13,080
Department of Social and Health Services:		
Residential housing unit renovations and other projects	25,651	6,193
Department of Veterans Affairs:		
Veterans Cemetery, Walla Walla Veterans Home and other projects	9,873	31,769
Department of Corrections:		
Prison intake center	-	252,226
Correctional center housing units and kitchen expansion and other projects	31,235	24,868
Department of Transportation:		
State ferry vessels and terminals and other projects	149,268	231,568
Transportation infrastructure	-	3,073,930
Department of Fish and Wildlife:		
Voights Creek Hatchery, Skookumchuck Hatchery renovation, Deschutes Watershed Center, and other projects	10,426	26,017
Employment Security Department:		
Next generation TAXIS system project	27,447	27,030
University of Washington:		
HUB renovation	95,052	13,550
Washington Biomed Research Facilities	97,406	89,654
UW Bothell sportfield and Husky stadium projects	95,439	138,337
UWMC expansion	190,207	69,083
Elm, Alder and Lander Student Hall renovations, and Mercer Hall replacement	129,899	284,474
Odegard renovation, high voltage infrastructure, UW Tacoma & Bothell and other projects	122,582	64,107
Washington State University:		
Veterinary Medical Research Building, Agricultural Animal Health Research Facility, and Global Animal Health Building	103,522	59,369
Biomedical and Health Sciences Building	14,944	63,671
Martin Stadium improvements	38,664	41,336
Clean Technology Laboratory	539	57,161
Duncan Dunn/Community Hall renovation, Northside Resident Hall construction, and other projects	35,195	45,306
Eastern Washington University:		
Patterson Hall renovation, residence hall project, and other projects	32,388	53,149
Central Washington University:		
Hogue Hall renovation, new residence hall construction, and other projects	61,390	14,200
The Evergreen State College:		
Communication Building project and other projects	10,255	13,434
Western Washington University:		
Carver and Fraser Hall renovation, housing and dining, and other projects	11,772	336
Community and Technical Colleges:		
Bellevue Health Science Building	3,011	42,276
Everett index replacement, Parks Union and Jackson remodel	14,864	19,778
Green River Lindbloom Center, Trades and Industry and SMT renovation	4,427	82,988
Seattle Community College District Employment Residence Center, Georgetown PSIEC, and wood construction replacement	30,005	3,768
Tacoma Health Careers Center	2,262	38,772
Other miscellaneous community college projects	44,089	116,089
Other Agency Projects	34,906	28,537
Total Construction in Progress	$ 1,494,016	$ 5,042,540

Note 7
Long-Term Liabilities

A. BONDS PAYABLE

Bonds payable at June 30, 2012, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

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

Legislative authorization arises from:

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

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

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

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

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

The State Constitution and current statutes require the State Treasurer to certify the debt service limitation for each fiscal year. In accordance with these provisions, the debt service limitation for fiscal year 2012 is $1.09 billion.

This computation excludes specific bond issues and types, which are not secured by general state revenues. Of the $17.85 billion general obligation bond debt outstanding at June 30, 2012, $10.71 billion is subject to the limitation.

Based on the debt limitation calculation, the debt service requirements as of June 30, 2012, did not exceed the authorized debt service limitation.

For further information on the debt limit refer to the Certification of the Debt Limitation of the State of Washington available from the Office of the State Treasurer at: http://www.tre.wa.gov/documents/debt_cdl2012.pdf, or to Schedule 11 in the Statistical Section of this report.

Authorized But Unissued
The state had a total of $7.42 billion in general obligation bonds authorized but unissued as of June 30, 2012, for the purpose of capital construction, higher education, and transportation projects throughout the state.

Interest Rates
Interest rates on fixed rate general obligation bonds ranged from 0.3 to 6.75 percent. Variable rate demand obligations (VRDO) of $108.8 million as of June 30, 2012, are remarketed on a weekly basis. Interest rates on revenue bonds range from 2 to 7.4 percent.

Debt Service Requirements to Maturity

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

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

Outstanding general obligations bonds are presented in the Washington State Treasurer's Annual Report for 2012. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington, 98504-0200, phone number (360) 902-9000 or TTY dial 711 for the Washington Relay Service, or by visiting their website at: http://www.tre.wa.gov/aboutUs/publications/annualReports.shtml.

Total debt service requirements to maturity for general obligation bonds as of June 30, 2012, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
General Obligation Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2013	$ 695,292	$ 847,183	$ 3,400	$ 717	$ 698,692	$ 847,900
2014	765,572	826,184	3,605	527	769,177	826,711
2015	798,035	801,394	3,820	325	801,855	801,719
2016	817,732	770,862	4,050	110	821,782	770,972
2017	844,159	757,285	-	-	844,159	757,285
2018-2022	4,118,737	3,192,832	-	-	4,118,737	3,192,832
2023-2027	3,990,131	2,169,955	-	-	3,990,131	2,169,955
2028-2032	3,487,804	1,193,629	-	-	3,487,804	1,193,629
2033-2037	1,737,345	332,984	-	-	1,737,345	332,984
2038-2042	583,044	65,052	-	-	583,044	65,052
Total Debt Service Requirements	$ 17,837,851	$ 10,957,360	$ 14,875	$ 1,679	$ 17,852,726	$ 10,959,039

Revenue Bonds

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

The University of Washington issues general revenue bonds that are payable from general revenues, including student tuition and fees, grant indirect cost recovery, sales and services revenue, and investment income. General revenue bonds outstanding as of June 30, 2012, include $221.0 million in governmental activities and $1.16 billion in business-type activities.

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

Total debt service requirements for revenue bonds to maturity as of June 30, 2012, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Revenue Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2013	$ 19,733	$ 81,142	$ 18,482	$ 86,267	$ 38,215	$ 167,409
2014	29,210	87,179	48,842	86,970	78,052	174,149
2015	26,728	85,613	43,965	84,835	70,693	170,448
2016	76,599	83,250	46,288	82,553	122,887	165,803
2017	80,802	79,286	47,985	80,339	128,787	159,625
2018-2022	441,552	333,788	258,200	365,734	699,752	699,522
2023-2027	406,477	211,587	268,650	294,554	675,127	506,141
2028-2032	294,660	123,506	275,175	217,812	569,835	341,318
2033-2037	168,687	59,381	373,670	144,269	542,357	203,650
2038-2042	112,708	10,992	300,573	36,862	413,281	47,854
Total Debt Service Requirements	$ 1,657,156	$ 1,155,724	$ 1,681,830	$ 1,480,195	$ 3,338,986	$ 2,635,919

Governmental activities include revenue bonds outstanding at June 30, 2012, of $388.8 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 $706.4 million, payable through 2032. For the current year, pledged revenue and debt service were $44.8 million and $44.3 million, respectively.

Governmental activities include revenue bonds outstanding at June 30, 2012, of $500.4 million issued for the Washington State Department of Transportation. The bonds were issued to finance a portion of the costs of constructing the State Route 520 Floating Bridge and Eastside Project.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is $702.5 million, payable through 2025. The bonds were issued on June 6, 2012, so both pledged revenue and debt service were zero for the current year.

Governmental activities include revenue bonds outstanding at June 30, 2012, of $179.9 million issued by Washington State University. The bonds were issued to fund various capital construction projects.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is $294.1 million, payable through 2038. For the current year, pledged revenue and debt service were $27.8 million and $7.1 million, respectively.

Governmental activities include revenue bonds outstanding at June 30, 2012, of $52.9 million issued by the Tumwater Office Properties (TOP), which is a blended component unit of the state. The bonds, issued in 2004, are payable solely from the trust estate pledged under the indenture, including rental payments. The bonds were used to construct an office building in Tumwater, Washington which the state occupied beginning in fiscal year 2006.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is $82.9 million, payable through 2028. For the current year, both pledged revenue and debt service were $3.9 million.

Governmental activities include revenue bonds outstanding at June 30, 2012, of $304.5 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 $584.2 million, payable through 2039. For the current year, both pledged revenue and debt service were $17.5 million.

Additionally, governmental activities include revenue bonds outstanding at June 30, 2012, of $9.7 million issued by the City of Aberdeen. The bonds were used to extend utilities to the state Department of Corrections Stafford Creek Corrections Center (SCCC). The Department of Corrections entered into an agreement with the City of Aberdeen to pay a system development fee sufficient to pay the debt service on the bonds. The bonds were issued in 1998 and 2002, and refunded by the City in 2010, and are payable solely from current operating appropriations.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on these bonds is $11.6 million, payable through 2022. For the current year, both pledged revenue and debt service were $1.6 million.

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

Total pledged specific revenues for the state's colleges and universities to repay the principal and interest of revenue bonds as of June 30, 2012, are as follows (expressed in thousands):

Source of Revenue Pledged	Housing and Dining Revenues (Net of Operating Expenses)	Student Facilities Fees and Earnings on Invested Fees	Parking Revenues (Net of Operating Expenses)	Bookstore Revenues
Current revenue pledged	$ 31,097	$ 43,598	$ 2,687	$ 38
Current year debt service	19,617	19,728	777	228
Total future revenues pledged *	477,223	458,458	9,311	5,024
Description of debt	Housing and dining bonds, issued in 1998-2012	Student facilities bonds, issued in 1996-2009 and refunding revenue bonds, issued in 2002-2012	Parking system and refunding revenue bonds, issued in 2004-2005	Student union and recreation center bonds issued in 2004
Purpose of debt	Construction and renovation of student housing and dining projects	Construction, renovation and improvements to student activity facilities and sports stadium	Construction of parking garage and improvements	Construct new bookstore as part of new student union and recreation center building
Term of commitment	2013-2042	2019-2038	2024-2030	2034
Percentage of debt service to pledged revenues (current year)	63.08%	45.25%	28.92%	594.19%

* Total future principal and interest payments.

B. CERTIFICATES OF PARTICIPATION

Certificates of participation at June 30, 2012, 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, 2012, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Certificates of Participation	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2013	$ 83,552	$ 25,667	$ 8,587	$ 2,855	$ 92,139	$ 28,522
2014	48,711	15,377	6,124	1,710	54,835	17,087
2015	43,240	13,715	4,810	1,526	48,050	15,241
2016	39,458	12,131	4,389	1,349	43,847	13,480
2017	27,695	18,785	3,081	2,089	30,776	20,874
2018-2022	113,345	38,427	12,608	4,274	125,953	42,701
2023-2027	80,712	17,211	8,978	1,914	89,690	19,125
2028-2032	31,933	2,842	3,552	316	35,485	3,158
Total Debt Service Requirements	$ 468,646	$ 144,155	$ 52,129	$ 16,033	$ 520,775	$ 160,188

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 assets.

Current Year Defeasances

Bonds

Governmental Activities. On November 9, 2011, the state issued $461.4 million of various purpose general obligation refunding bonds with an average interest rate of 4.84 percent to refund $488.1 million of various purpose general obligation bonds with an average interest rate of 4.91 percent. The refunding resulted in a $58.4 million gross debt service savings over the next 13 years and a net present value savings of $48.7 million.

Also on November 9, 2011, the state issued $42.3 million of motor vehicle fuel tax refunding bonds with an average interest rate of 4.84 percent to refund $43.7 million of motor vehicle fuel tax general obligation bonds with an average interest rate of 4.91 percent. The refunding resulted in a $3.9 million gross debt service savings over the next 13 years and a net present value savings of $2.9 million.

On February 21, 2012, the state issued $733.7 million of various purpose general obligation refunding bonds with an average interest rate of 4.43 percent to refund $781.2 million of various purpose general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a $145.6 million gross debt service savings over the next 18 years and a net present value savings of $114.7 million.

Also on February 21, 2012, the state issued $271.1 million of motor vehicle fuel tax refunding bonds with an average interest rate of 4.37 percent to refund $288.5 million of motor vehicle fuel tax general obligation bonds with an average interest rate of 4.93 percent. The refunding resulted in a $50.4 million gross debt service savings over the next 18 years and a net present value savings of $40.5 million.

Business-Type Activities. On July 28, 2011, the University of Washington issued $211.4 million in general revenue and refunding bonds. $74.5 million of the proceeds were used to refund $89.3 million of 63-20 financings issued through third parties. The refunded bonds had coupon rates ranging from 5 to 6.6 percent; the new bonds have an average interest rate of 4.623 percent. The refunding resulted in a $17.0 million gross debt service savings over the next 20.7 years and resulted in a total economic gain of $13.7 million.

On March 7, 2012, the University of Washington issued $50.3 million of general revenue and refunding bonds with an average interest rate of 4.79 percent to refund $62.0 million of existing bonds with an average interest rate of 4.99 percent. The refunding resulted in an $8.2 million gross debt service savings over the next 11.7 years and an economic gain of $8.0 million.

On April 17, 2012, Central Washington University issued $7.7 million in business-type activity revenue refunding bonds with an average interest rate of 3.34 percent to refund $7.5 million of business-type activity revenue bonds with an average interest rate of 5.31 percent. The refunding resulted in a $1.6 million gross debt service savings over the next 20 years and an economic loss of $101,577.

On April 30, 2012, Western Washington University issued $24.4 million in student recreation fee revenue and refunding bonds with an average interest rate of 3.92 percent to refund $23.6 million of student recreation fee revenue bonds with an average interest rate of 5.19 percent. The refunding resulted in a $697,615 gross debt service loss over the next 15 years and an economic gain of $2.7 million.

Certificates of Participation (COPs)

On August 24, 2011, the state issued $16.5 million in refunding certificates of participation with an average interest rate of 4.67 percent to refund $18.1 million of certificates of participation with interest rates between 4.57 and 5.28 percent. The refunding resulted in a $2.4 million gross debt service savings over the next 12 years and a net present value savings of $2.1 million.

On March 23, 2012, the state issued $9.1 million in refunding certificates of participation with an average interest rate of 2.71 percent to refund $10.1 million of certificates of participation with an average interest rate of 4.84 percent. The refunding resulted in a $1.0 million gross savings over the next 10.5 years and a net present value savings of $998,000.

Prior Year Defeasances

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

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

General Obligation Bond Debt

On June 30, 2012, $1.91 billion of general obligation bonded debt outstanding is considered defeased.

Revenue Bond Debt

On June 30, 2012, $75.2 million of revenue bonded debt outstanding is considered defeased.

Certificates of Participation Debt

On June 30, 2012, $66.1 million of certificates of participation debt outstanding is considered defeased.

D. LEASES

Leases at June 30, 2012, 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, 2012, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Land (non-depreciable)	$ 1,918	$ -
Buildings	4,105	4,512
Equipment	24,026	5,791
Less: Accumulated depreciation	(16,547)	(7,871)
Totals	$ 13,502	$ 2,432

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2012 (expressed in thousands):

	Capital Leases		Operating Leases	
Capital and Operating Leases	**Governmental Activities**	**Business-Type Activities**	**Governmental Activities**	**Business-Type Activities**
By Fiscal Year:				
2013	$ 3,242	$ 825	$ 106,319	$ 25,960
2014	1,911	963	97,718	25,256
2015	1,582	946	86,326	23,930
2016	278	933	67,070	21,245
2017	134	920	45,637	16,638
2018-2022	420	2,592	163,632	20,295
2023-2027	25	48	114,636	13,045
2028-2032	-	-	112,458	15,119
2033-2037	-	-	117,831	17,523
2038-2042	-	-	41,026	19,133
Total Future Minimum Payments	7,592	7,227	952,653	198,144
Less: Executory Costs and Interest Costs	(441)	(1,505)	-	-
Net Present Value of Future Minimum Lease Payments	$ 7,151	$ 5,722	$ 952,653	$ 198,144

The total operating lease rental expense for fiscal year 2012 for governmental activities was $277.0 million, of which $1.0 million was for contingent rentals. The total operating lease rental expense for fiscal year 2012 for business-type activities was $51.2 million, of which $34 thousand was for contingent rentals.

E. CLAIMS AND JUDGMENTS

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

Workers' Compensation

At June 30, 2012, $35.42 billion of unpaid claims and claim adjustment expenses are presented at their net present and settlement value of $22.60 billion. These claims are discounted at assumed interest rates of 2.0 percent (time loss and medical) to 6.5 percent (pensions) to arrive at a settlement value.

The claims and claim adjustment liabilities of $22.60 billion as of June 30, 2012, include $10.86 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 $11.74 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 2011 and 2012 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
2011	$ 24,025,832	1,016,932	(2,099,453)	$ 22,943,311
2012	$ 22,943,311	1,731,341	(2,078,302)	$ 22,596,350

Risk Management

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

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

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

As of June 30, 2012, outstanding and actuarially determined claims against the state and its agencies, with the exception of the University of Washington, including actuarially projected defense costs were $813.4 million for which the state has recorded a liability. The state is restricted by law from accumulating funds in the Self Insurance Liability Program in excess of 50 percent of total outstanding and actuarially determined liabilities.

At June 30, 2012, the Risk Management Fund held $107.9 million in cash and pooled investments designated for payment of these claims under the state's Self Insurance Liability Program.

Changes in the balances of risk management claims liabilities during fiscal years 2011 and 2012 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
2011	$ 727,136	86,297	(74,051)	(36,750)	$ 702,632
2012	$ 702,632	170,437	(42,747)	(16,949)	$ 813,373

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, 2012, health insurance claims liabilities totaling $68.9 million are fully funded with cash and investments, net of obligations under securities lending agreements.

Changes in the balances of health insurance claim liabilities during fiscal years 2011 and 2012 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
2011	$ 88,395	736,340	(739,745)	$ 84,990
2012	$ 84,990	771,328	(787,411)	$ 68,907

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 25 projects in progress for which the state has recorded a liability of $26.4 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, 2012, the state has recorded a liability of $138.8 million for remaining project commitments.

Overall, the state has recorded a pollution remediation liability of $165.2 million, measured at its estimated amount, using the expected cash flow technique. The overall estimate is based on professional judgment, experience, and historical cost data. For some projects, the state can reasonably estimate the range of expected outlays early in the process because the site situation is common or similar to other sites with which the state has experience. In other cases, the estimates are limited to an amount specified in a settlement agreement, consent decree, or contract for remediation services.

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

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

G. LONG-TERM LIABILITY ACTIVITY

Long-term liability activity at June 30, 2012, 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 2012 is as follows (expressed in thousands):

Governmental Activities:	Beginning Balance July 1, 2011	Additions	Reductions	Ending Balance June 30, 2012	Amounts Due Within One Year
Long-Term Debt:					
GO Bonds Payable:					
General obligation (GO) bonds	$ 16,084,175	$ 3,337,180	$ 2,214,805	$ 17,206,550	$ 659,800
GO - zero coupon bonds (principal)	666,196	-	34,895	631,301	35,492
Subtotal - GO bonds payable	16,750,371	3,337,180	2,249,700	17,837,851	695,292
Accreted interest - GO - zero coupon bonds	393,181	21,538	-	414,719	-
Revenue bonds payable	739,691	972,208	54,743	1,657,156	19,733
Less: Deferred amounts for issuance discounts	(7,310)	626	-	(6,684)	-
Total Bonds Payable	17,875,933	4,331,552	2,304,443	19,903,042	715,025
Other Liabilities:					
Certificates of participation	481,929	57,433	70,716	468,646	83,552
Claims and judgments	891,239	276,626	145,881	1,021,984	279,411
Installment contracts	7,012	-	213	6,799	96
Leases	5,913	3,954	2,716	7,151	3,120
Compensated absences	537,454	326,364	309,867	553,951	67,244
Unfunded pension obligations	234,320	48,392	289	282,423	-
Other postemployment benefits obligations	921,841	224,649	-	1,146,490	-
Pollution remediation obligations	168,219	20,739	23,724	165,234	-
Unclaimed property refunds	100,172	29,086	6	129,252	51
Other	316,097	1,180,040	1,065,362	430,775	299,678
Total Other Liabilities	3,664,196	2,167,283	1,618,774	4,212,705	733,152
Total Long-Term Debt	$ 21,540,129	$ 6,498,835	$ 3,923,217	$ 24,115,747	$ 1,448,177

For governmental activities, certificates of participation are being repaid approximately 52 percent from the General Fund, 35 percent from the Higher Education Special Revenue Fund, and the balance from various governmental funds. The compensated absences liability will be liquidated approximately 44 percent by the General Fund, 33 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 80 percent by the Risk Management Fund (an internal service fund), 7 percent by the Health Insurance Fund (an internal service fund), and the balance by various other governmental funds. The other postemployment benefits obligations liability will be liquidated approximately 44 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 84 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 2012 (expressed in thousands) is as follows:

Business-Type Activities	Beginning Balance July 1, 2011	Additions	Reductions	Ending Balance June 30, 2012	Amounts Due Within One Year
Long-Term Debt:					
General obligation bonds payable	$ 18,080	$ -	$ 3,205	$ 14,875	$ 3,400
Revenue bonds payable	1,423,167	445,554	186,891	1,681,830	18,482
Plus: Unamortized amounts issuance premiums	13,662	63,897	4,898	72,661	-
Less: Deferred amounts for issuance discounts	(449)	33	-	(416)	-
Less: Deferred gain/loss on bond refunding	(8,517)	510	7,666	(15,673)	-
Total Bonds Payable	1,445,943	509,994	202,660	1,753,277	21,882
Other Liabilities:					
Certificates of participation	61,666	10,310	19,847	52,129	8,587
Less: Deferred amounts for issuance discounts	-	4	(1,244)	1,248	-
Claims and judgments	22,955,326	633,244	980,617	22,607,953	1,777,642
Lottery prize annuities payable	240,158	54,087	87,666	206,579	40,137
Tuition benefits payable	2,730,700	336,759	125,459	2,942,000	160,000
Leases	6,490	67	835	5,722	539
Compensated absences	60,991	28,841	24,243	65,589	33,097
Other postemployment benefits obligations	105,926	26,965	-	132,891	-
Other	225,200	493,625	616,725	102,100	76,753
Total Other Liabilities	26,386,457	1,583,902	1,854,148	26,116,211	2,096,755
Total Long-Term Debt	$ 27,832,400	$ 2,093,896	$ 2,056,808	$ 27,869,488	$ 2,118,637

Note 8
No Commitment Debt

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

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

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

The schedule below presents the June 30, 2012, balances for the "No Commitment" debt of the state's financing authorities (expressed in thousands):

Financing Authorities	Principal Balance
Washington State Housing Finance Commission	$ 3,622,082
Washington Higher Education Facilities Authority	674,828
Washington Health Care Facilities Authority	5,425,000
Washington Economic Development Finance Authority	838,121
Total No Commitment Debt	$ 10,560,031

Note 9
Governmental Fund Balances

A. GOVERNMENTAL FUND BALANCES

The state's governmental fund balances are classified according to the relative constraints that control how amounts can be spent. Classifications include:

- **Nonspendable.** Balances that either are not in a spendable form or are legally or contractually required to remain intact.
- **Restricted.** Balances that are restricted for specific purposes by the constitution, enabling legislation or external resource providers such as creditors, grantors, or laws or regulations of other governments. Net assets restricted as a result of enabling legislation totaled $29.7 million at June 30, 2012.
- **Committed.** Balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature.
- **Assigned.** Balances that are constrained by management to be used for specific purposes, but are neither restricted nor committed.
- **Unassigned.** Residual balances that are not contained in the other classifications.

A summary of governmental fund balances at June 30, 2012, is as follows (expressed in thousands):

Fund Balances	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Nonspendable:					
Permanent funds	$ -	$ -	$ 1,856,749	$ 192,447	$ 2,049,196
Consumable inventories	12,883	10,457	-	43,363	66,703
Petty cash	555	2,800	-	1,625	4,980
Investments	-	36,930	62,635	1	99,566
Other receivables – long-term	41,288	-	-	-	41,288
Total Nonspendable Fund Balance	54,726	50,187	1,919,384	237,436	2,261,733
Restricted for:					
Higher education	-	706,621	1,153,452	81,573	1,941,646
Education	-	-	23,408	11,954	35,362
Transportation	-	-	-	759,321	759,321
Other purposes	5,704	-	-	21,595	27,299
Human services	-	-	156	202,937	203,093
Wildlife and natural resources	17,137	-	-	783,013	800,150
Local grants and loans	7,171	-	-	283	7,454
School construction	1,573	-	-	131,077	132,650
State facilities	-	-	-	265,148	265,148
Budget stabilization	130,104	-	-	-	130,104
Debt service	-	-	-	86,924	86,924
Pollution remediation	-	-	-	140,548	140,548
Unspent bond proceeds	-	-	-	29,589	29,589
Operations and maintenance	-	-	-	2,566	2,566
Unspent GARVEE bond proceeds	-	-	-	517,395	517,395
Third tier debt service	-	-	-	2,169	2,169
Total Restricted Fund Balance	161,689	706,621	1,177,016	3,036,092	5,081,418
Committed for:					
Higher education	42,473	1,258,434	-	57,658	1,358,565
Education	-	-	-	1,599	1,599
Transportation	-	-	-	120,819	120,819
Other purposes	5,560	-	-	149,926	155,486
Human services	8,959	-	-	262,897	271,856
Wildlife and natural resources	15,983	-	-	435,838	451,821
Local grants and loans	5,142	-	-	985,123	990,265
State facilities	-	-	-	14,431	14,431
Debt service	-	-	-	216,921	216,921
Total Committed Fund Balance	78,117	1,258,434	-	2,245,212	3,581,763
Assigned for:					
Working capital	710,091	-	-	-	710,091
Other purposes	-	-	-	44	44
Total Assigned Fund Balance	710,091	-	-	44	710,135
Total Fund Balance	$ 1,004,623	$ 2,015,242	$ 3,096,400	$ 5,518,784	$ 11,635,049

B. BUDGET STABILIZATION ACCOUNT

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

By June 30th 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.

As June 30, 2012, the Budget Stabilization Account had restricted fund balance of $130.1 million.

Note 10
Deficit Net Assets

Risk Management Fund

The Risk Management Fund, an internal service fund, had deficit net assets of $709.7 million at June 30, 2012. The Risk Management Fund is used to administer the Self-Insurance Liability Program. This 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 Self Insurance Liability Program, initiated in 1990, is intended to provide funds for the payment of all tort claims and defense expenses.

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

The following schedule details the changes in fund balance for the Risk Management Fund during the fiscal year ended June 30, 2012 (expressed in thousands):

Risk Management Fund	Net Assets (Deficit)
Balance, July 1, 2011, as restated	$ (610,964)
Fiscal year 2012 activity	(98,778)
Balance, June 30, 2012	$ (709,742)

Note 11
Retirement Plans

A. GENERAL

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

Basis of Accounting

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

Investments

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

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

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

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

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

In January 2012, the Department of Retirement Systems began collecting contributions from state institutions of higher education for deposit in the Higher Education Retirement Plan Supplemental Benefit Fund. The contributions are to begin prefunding the unfunded future obligations related to the supplemental benefits of the Higher Education Retirement Plans. Refer to Note 11.J Higher Education Retirement Plans.

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

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

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

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

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

Plan Disclosures

Plan descriptions, funding policies, a table of employer contributions required and paid for defined benefit plans, schedules of funded status and funding progress, defined benefit pension plans valuations, annual pension cost, and three year trend information follow in Note 11.B through G, respectively. Information related to changes in actuarial assumptions and methods, and changes in benefit provisions are provided in Note 11.H and I. For information related to defined contribution plans, refer to Note 11.J. Details on plan net assets and changes in plan net assets of pension plans and other employee benefit funds administered by the state are presented in Note 11.K.

Membership of each state administered plan consisted of the following at June 30, 2011, the date of the latest actuarial valuation for all plans:

Number of Participating Members

Plans	Retirees and Beneficiaries Receiving Benefits	Terminated Members Entitled To But Not Yet Receiving Benefits	Active Plan Members Vested	Active Plan Members Nonvested	Total Members
PERS 1	53,264	1,789	7,260	473	62,786
PERS 2	24,711	24,456	87,495	29,601	166,263
PERS 3	1,388	3,680	10,823	16,765	32,656
TRS 1	36,118	581	3,700	40	40,439
TRS 2	2,657	2,423	5,719	4,566	15,365
TRS 3	2,934	6,200	33,040	19,138	61,312
SERS 2	3,823	4,874	13,849	6,935	29,481
SERS 3	2,605	5,388	19,042	12,506	39,541
LEOFF 1	7,932	1	250	-	8,183
LEOFF 2	2,015	655	13,692	3,113	19,475
WSPRS 1	875	117	767	-	1,759
WSPRS 2	-	6	145	170	321
PSERS 2	15	1	167	4,020	4,203
JRS	124	-	3	-	127
Judges	13	-	-	-	13
JRA	1	169	9	-	179
VFFRPF	3,836	6,142	4,008	6,554	20,540
Total	142,311	56,482	199,969	103,881	502,643

Following is a summary of the number of government employers participating in state administered retirement plans as of June 30, 2012:

Number of Participating Employers

Plans	State Agencies	School Districts	Counties/ Municipalities	Other Political Subdivisions	Total Employers
PERS 1	129	220	155	174	678
PERS 2	169	-	274	494	937
PERS 3	157	-	206	300	663
TRS 1	47	257	-	-	304
TRS 2	24	295	-	-	319
TRS 3	35	302	-	-	337
SERS 2	-	299	-	-	299
SERS 3	-	301	-	-	301
LEOFF 1	-	-	42	12	54
LEOFF 2	8	-	212	153	373
WSPRS 1	1	-	-	-	1
WSPRS 2	1	-	-	-	1
PSERS 2	10	-	65	1	76
JRS	1	-	-	-	1
Judges	-	-	-	-	-
JRA	3	-	-	-	3
VFFRPF	-	-	-	642	642
Total	585	1,674	954	1,776	4,989

Employers can participate in multiple systems and/or plans. The actual total number of participating employers as of June 30, 2012 is 1,965.

B. PLAN DESCRIPTIONS

Public Employees' Retirement System

The Legislature established the Public Employees' Retirement System (PERS) in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments. Approximately 50 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature.

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

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

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill with less than five years to live.

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

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

All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for reporting purposes.

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During fiscal year 2012, the rate was 5.5 percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. PERS Plan 3 defined contribution retirement benefits are financed from employee contributions and investment earnings. Members in PERS Plan 3 can elect to withdraw total employee contributions adjusted by earnings and losses from the investment of those contributions upon separation from PERS-covered employment.

PERS Plan 1 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. AFC is the monthly average of the 24 consecutive highest-paid service credit months. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. If a survivor option is chosen, the benefit is reduced.

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 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.

Effective June 30, 2011, the automatic annual benefit increase for retirees/beneficiaries in PERS Plan 1 was eliminated, and the Adjusted Minimum Benefit limit was increased to $1,545 per month. Additionally, the minimum employer contribution rates for the unfunded liability were lowered.

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

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced if a survivor option is chosen. Plan 1 members may elect to receive an optional COLA amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

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

The survivor of a Plan 1 member who dies after having earned 10 years of service credit has the option of receiving either a monthly benefit or a lump sum payment of the member's contributions plus interest.

LEOFF Plan 1 members who transferred service credit to PERS Plan 1 between July 1, 1997, and July 1, 1998, are permitted to include the years of transferred service in meeting the 25 years of member service requirement to qualify for up to five years of prior, or non-interruptive, military service credit.

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. AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

Half time service credit is granted for members of PERS Plan 2 and Plan 3 for educational employment prior to January 1, 1987.

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old, can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

Plan 2 benefits are actuarially reduced if a survivor option is chosen.

The surviving spouse or beneficiary of a PERS Plan 2 member who dies after having earned 10 years of service credit has the option of either a monthly benefit or a lump sum payment of the member's contributions plus interest.

The defined benefit component of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same COLA as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after 5 service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least 10 service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65;
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

Plan 3 benefits are actuarially reduced if a survivor option is chosen. Refer to section J of this note for a description of the defined contribution component of PERS Plan 3.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3 the monthly benefit amount is 1 percent of the AFC per year of service. Benefits are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

Beneficiaries of a PERS Plan 2 or Plan 3 member with 10 years of service who is killed in the course of employment receive retirement benefits without actuarial reduction. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

PERS Plan 2 and Plan 3 members may have up to 10 years of interruptive military service credit; five years at no cost, and five years that may be purchased by paying the required contributions. A member who becomes totally incapacitated for continued employment while serving in the uniformed services, or a surviving spouse or eligible children, may request interruptive military service credit.

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

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

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement, and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

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

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

Additional COLAs were provided to PERS Plan 1 retirees in July 2009 and new alternative early retirement provisions were created for PERS Plan 2 and Plan 3 members.

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

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

Members who chose to participate would:

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

Members who did not choose to participate would:

- Continue to accrue service credit at the regular multiplier.
- Not be subject to a benefit cap.
- Continue to participate in JRA, if applicable.
- Continue to pay contributions at the regular PERS rate.
- Never be a participant in the JBM program.

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

Members required to join the JBM program would:

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

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

Material changes, if any, in PERS benefit provisions for the fiscal year ended June 30, 2012, are listed in the table at the end of this section.

Teachers' Retirement System

The Legislature established the Teachers' Retirement System (TRS) in 1938. 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 retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature.

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

TRS members who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS members joining the system on or after July 1, 1996, and those who exercised their transfer option, 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. Notwithstanding, TRS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

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

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

TRS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the TRS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During fiscal year 2012, the rate was 5.5 percent compounded quarterly. Members in TRS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from TRS-covered employment.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. TRS Plan 3 defined contribution benefits are financed from employee contributions and investment earnings. Employees in TRS Plan 3 can elect to withdraw total employee contributions adjusted by earnings and losses from the investment of those contributions upon separation from TRS-covered employment.

TRS Plan 1 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. AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

The monthly benefit is subject to a minimum for TRS Plan 1 retirees who have at least 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. If a survivor option is chosen, the benefit is reduced. Plan 1 members may elect to receive an optional COLA amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

Effective June 30, 2011, the automatic annual benefit increase for retirees/beneficiaries in TRS Plan 1 was eliminated, and the Adjusted Minimum Benefit limit was increased to $1,545 per month. Additionally, the minimum employer contribution rates for the unfunded liability were lowered.

TRS Plan 1 provides death, as well as, permanent and temporary disability benefits. TRS Plan 1 members receive the following additional lump sum death benefits: retired members $400 (if retired with 10 years of full-time membership), $400 (if inactive with 10 years of membership), active members $600 (if employed full-time at time of death). The survivor of a TRS Plan 1 member who dies after having earned 10 years of service credit has the option, upon the member's death, of either a monthly survivor benefit or the lump sum of contributions plus interest.

TRS Plan 1 members on temporary disability receive a monthly payment of $180 payable for up to two years, for the same occurrence. After five years of service, members on a disability retirement receive a benefit based on their salary and service to date of disability.

TRS Plan 2 retirement benefits are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. AFC is the monthly average of the 60 consecutive highest-paid service credit months. 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.

TRS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

TRS Plan 2 members who have 30 or more years of service credit and are at least 55 years old, can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

TRS Plan 2 retirement benefits are actuarially reduced if a survivor option is chosen. Additionally, the surviving spouse or eligible children of a TRS Plan 2 member who dies after having earned 10 years of service credit has the option of either a monthly benefit or a lump sum payment of the member's contributions plus interest.

The defined benefit portion of TRS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. AFC is the monthly average of the 60 consecutive highest-paid service credit months. There is no cap on years of service credit; and Plan 3 provides the same COLA as Plan 2.

TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service if 12 months of that service are earned after age 44; or after five service credit years earned in TRS Plan 2 by July 1, 1996. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested TRS Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least 10 service credit years and are 55 years old, the benefit is reduced by an ERF that varies according to age, for each year before age 65;

- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced 3 percent for each year before age 65, or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

TRS Plan 3 retirement benefits are actuarially reduced if a survivor option is chosen.

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

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

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

TRS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

TRS members can receive service credit for military service that interrupts employment. Additionally, TRS members who become totally incapacitated for continued employment while serving in the uniformed services, or a surviving spouse or eligible children, may request interruptive military service credit.

TRS members may purchase up to 24 consecutive months of service credit for each period of temporary duty disability. Additionally, TRS Plan 2 and Plan 3 members who have two years of earned service credit may purchase up to seven years of service credit for public education experience earned in another state or with the federal government.

TRS members may also purchase up to five years of additional service credit, once eligible for retirement. This credit can only be purchased at the time of retirement, and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of TRS members killed in the course of employment receive survivor benefits without actuarial reduction. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

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

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

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

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

Members who chose to participate would:

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

Members who did not choose to participate would:

- Continue to accrue service credit at the regular multiplier.
- Not be subject to a benefit cap.
- Continue to participate in JRA, if applicable.
- Continue to pay contributions at the regular TRS rate.
- Never be a participant in the JBM program.

Newly elected or appointed justices and judges who chose to become TRS members on or after January 1, 2007, were required to participate in the JBM program. Members required to join the JBM program would:

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

Material changes, if any, in TRS benefit provisions for the fiscal year ended June 30, 2012, are listed in the table at the end of this section.

School Employees' Retirement System

The Legislature established the School Employees' Retirement System (SERS) effective in 2000. Membership in the system includes classified employees of school districts and educational service districts. SERS is comprised principally of non-state agency employees. SERS retirement benefit provisions are established in chapters 41.34 and 41.35 RCW and may be amended only by the Legislature.

SERS is a cost-sharing multiple-employer retirement system comprised of two separate plans for membership purposes: Plan 2 is a defined benefit plan and Plan 3 is a defined benefit plan with a defined contribution component.

As of September 1, 2000, the membership of classified school employees in PERS Plan 2 was transferred to SERS Plan 2. Those who joined on or after October 1, 1977, and by August 31, 2000, are SERS Plan 2 members unless they exercised an option to transfer their membership to Plan 3.

Until June 30, 2007, SERS members joining the system on or after September 1, 2000 became members of SERS Plan 3. Legislation passed in 2007 gives SERS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of either SERS Plan 2 or Plan 3. At the end of the 90 days, any member who has not made a choice becomes a member of Plan 3. Notwithstanding, SERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

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

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

SERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the SERS Plan 2 defined benefit plan accrue interest at a rate specified by the Director of DRS. During fiscal year 2012, the rate was 5.5 percent compounded quarterly. Members in SERS Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from SERS-covered employment.

SERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service. AFC is the monthly average of the 60 consecutive highest-paid service credit months. 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.

SERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. SERS Plan 3 defined contribution benefits are financed from employee contributions and investment earnings. Employees in SERS Plan 3 can elect to withdraw total employee contributions adjusted by earnings and losses from the investment of those contributions upon separation from SERS-covered employment.

SERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service. AFC is the monthly average of the 60 consecutive highest paid service credit months. 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.

Half time service credit is granted for members of SERS Plan 2 and Plan 3 for educational employment prior to January 1, 1987.

SERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

SERS Plan 2 members who have 30 service credit years and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65; or

- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

SERS Plan 2 retirement benefits are actuarially reduced if a survivor option is chosen.

The surviving spouse or eligible child of a SERS Plan 2 member who dies after having earned 10 years of service credit has the option of either a monthly benefit or a lump sum payment of the member's contributions plus interest.

The defined benefit portion of SERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same COLA as Plan 2.

Effective June 7, 2006, SERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after 5 years of service if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by September 1, 2000. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested SERS Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least 10 service credit years and are 55 years old, the benefit is reduced by an ERF that varies according to age, for each year before age 65;

- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

SERS Plan 3 retirement benefits are also actuarially reduced if a survivor option is chosen. Refer to section J of this note for a description of the defined contribution component of SERS Plan 3.

SERS Plan 2 and Plan 3 members may have up to 10 years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions.

SERS members who become totally incapacitated for continued employment while serving in the uniformed services, or a surviving spouse or eligible children, may request interruptive military service credit.

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

SERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3 the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

SERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Should any such member die during this active duty, the member's surviving spouse or eligible children may purchase service credit on behalf of the deceased member.

Beneficiaries of a SERS Plan 2 or Plan 3 member with 10 years of service who is killed in the course of employment receive retirement benefits without actuarial reduction. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

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

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

Material changes, if any, in SERS benefit provisions for the fiscal year ended June 30, 2012, are listed in the table at the end of this section.

Law Enforcement Officers' and Fire Fighters' Retirement System

The Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians.

LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the Legislature.

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. 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.

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. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During fiscal year 2012, the rate was 5.5 percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

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:

Term of Service	Percent of FAS
20+	2.0%
10-19	1.5%
5-9	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A COLA is granted based on the Consumer Price Index.

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability benefit is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement, and can be used only to provide the member with a monthly annuity that is paid in addition to the member's benefit.

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), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A COLA is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit.

LEOFF Plan 2 members can receive service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while serving in the uniformed services, or a surviving spouse or eligible children may request interruptive military service credit.

Employer authorized shared leave received by LEOFF Plan 2 members from a non-state employer, must receive the same treatment in respect to service credit and FAS that a member would normally receive if using accrued annual leave or sick leave. This applies to directly and indirectly transferred leave, such as through a shared leave pool, and includes leave transferred prior to the effective date of the act providing that retirement contributions were made on the shared leave.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of a survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of the FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries. Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of health care insurance premiums paid to the Washington state Health Care Authority.

Beginning in 2011, when state General Fund revenues increase by at least 5 percent over the prior biennium's revenues, the State Treasurer will transfer, subject to legislative appropriation, specific amounts into a Local Public Safety Enhancement Account. Half of this transfer will be proportionately distributed to all jurisdictions with LEOFF Plan 2 members. The other half will be transferred to a LEOFF Retirement System Benefits Improvement Account to fund benefit enhancements for LEOFF Plan 2 members.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Director of the Department of Labor and Industries.

Legislation passed in 2009 provides to the Washington-state-registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

The optional lump sum payment payable upon remarriage is increased for LEOFF Plan 2 survivors of a member killed in the course of employment from 24 times the monthly allowance that the member was receiving at the time of remarriage to an amount equal to 36 times the monthly allowance.

Portability of retirement benefits allows for LEOFF Plan 2 members' compensation that is reportable in all dual members' systems, except in WSPRS, to be included in the calculation of all dual members' benefits, and removing the "maximum benefit rule" for dual members who have less than 15 years of service in one capped plan and service in one uncapped plan.

Department of Fish and Wildlife Enforcement Officers can transfer service credit earned as an enforcement officer in PERS Plan 2 or PERS Plan 3 to LEOFF Plan 2. Member, employer and state contribution rates will increase to the extent necessary to fund the difference in the value of the service credit transferred between the plans and the member contributions transferred into LEOFF Plan 2.

Active LEOFF members can choose whether or not to obtain and pay for Medicare coverage through a "divided referendum" process.

Material changes, if any, in LEOFF benefit provisions for the fiscal year ended June 30, 2012, are listed in the table at the end of this section.

Washington State Patrol Retirement System

The Washington State Patrol Retirement System (WSPRS) was established by the Legislature in 1947. Any commissioned employee of the Washington State Patrol is eligible to participate. WSPRS benefits are established in chapter 43.43 RCW and may be amended only by the Legislature.

WSPRS is a single-employer defined benefit retirement system. WSPRS members who joined the system by December 31, 2002, are Plan 1 members. Those who joined on or after January 1, 2003, are Plan 2 members. For financial reporting and investment purposes, however, both plans are accounted for in the same pension fund.

WSPRS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to WSPRS accrue interest at a rate specified by the Director of DRS. During fiscal year 2012, the rate was 5.364 percent annually, compounded monthly. Members in WSPRS can elect to withdraw total employee contributions and interest earnings thereon upon separation from WSPRS-covered employment.

WSPRS member contribution rates will be no more than 7 percent of pay plus half the cost of any future benefit improvements. The employer will pay the contribution rate required to cover all system costs that are not covered by the member contribution rate. Also a minimum total contribution rate is established for WSPRS, beginning July 1, 2010.

There is no vesting requirement for active WSPRS members. Inactive WSPRS members are vested after the completion of five years of eligible service. Members are eligible for retirement at the age of 55 with five years of service, or after 25 years of service, and must retire at age 65. This mandatory requirement, however, does not apply to the chief of the Washington State Patrol.

The monthly benefit is 2 percent of the average final salary (AFS) per year of service, capped at 75 percent. A cost-of-living allowance is granted, based on the Consumer Price Index, capped at 3 percent annually.

For WSPRS Plan 1 members, AFS is based on the average of the 24 highest-paid service credit months and excludes voluntary overtime. Death benefits for these members, if on active duty, consist of the following: (1) If eligible spouse, 50 percent of the AFS, plus 5 percent of the AFS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the AFS; or (2) If no eligible spouse, 30 percent of AFS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of AFS, or (3) If no spouse or eligible children, beneficiary gets refund of contributions and interest.

For WSPRS Plan 2 members, AFS is based on the average of the 60 consecutive highest-paid service credit months and excludes both voluntary overtime and cash-outs of annual and holiday leave. At retirement, these members also have the option of selecting an actuarially reduced benefit in order to provide for post-retirement survivor benefits.

WSPRS members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement, and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

WSPRS benefit provisions include death benefits; however, the system provides no disability benefits. Disability benefits may be available from the Washington State Patrol. If disability benefits are received, the member may be eligible to acquire service credit for the period of disability.

Beneficiaries of a WSPRS Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries. Benefits to eligible surviving spouses and dependents of WSPRS members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington State Health Care Authority.

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

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a WSPRS member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Director of the Department of Labor and Industries.

The death benefit amount is adjusted each year by the Seattle Consumer Price Index up to a maximum of 3 percent each year. This applies to all members of WSPRS Plan 2 killed in the course of employment since January 1, 2009.

WSPRS Plan 2 members may receive up to five years of no-cost service credit for military service that interrupts employment. Additionally, WSPRS Plan 2 members who become totally incapacitated for continued employment while serving in the uniformed services, or a surviving spouse or eligible children may request interruptive service credit.

Compensation for members of WSPRS Plans 1 and 2 who become totally disabled during the line of duty includes any payments for premiums for employer-provided medical insurance.

Legislation passed in 2009 provides to the Washington-state-registered domestic partners of WSPRS members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

Material changes, if any, in WSPRS benefit provisions for the fiscal year ended June 30, 2012, are listed in the table at the end of this section.

Public Safety Employees' Retirement System

The Public Safety Employees' Retirement System (PSERS) was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions have been established by chapter 41.37 RCW and may be only amended by the Legislature.

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS membership includes:

- Full-time employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30, 2006; and,

- Full-time employees hired on or after July 1, 2006, by a covered employer, that meet at least one of the PSERS eligibility criteria.

A "covered employer" is one that participates in PSERS. Covered employers include:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol;

- Washington state counties;
- Corrections departments of Washington state cities except for Seattle, Tacoma and Spokane; and
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

To be eligible for PSERS, an employee must work on a full-time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During fiscal year 2012, the rate was 5.5 percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PSERS-covered employment.

PSERS members are vested after an employee completes five years of eligible service. PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. There is no cap on years of service credit; and a cost-of-living allowance is granted based on the Consumer Price Index, capped at 3 percent annually.

PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies.

PSERS members can receive service credit for military service that interrupts employment. Additionally, PSERS members who become totally incapacitated for continued employment while serving in the uniformed services, or a surviving spouse or eligible children may request interruptive military service credit.

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

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit is 2 percent of the average final compensation (AFC) for each year of service. AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with 10 or more service credit years in PSERS), or less than 65 (with fewer than 10 service credit years). There is no cap on years of service credit and a cost-of-living allowance is granted based on the Consumer Price Index, capped at 3 percent annually.

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

Beneficiaries of a PSERS Plan 2 member with 10 years of service who is killed in the course of employment receive retirement benefits without actuarial reduction. This provision applies to any member killed in the course of employment, if found eligible by the Director of the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The optional lump sum payment payable upon remarriage is increased for PSERS Plan 2 survivors of a member killed in the course of employment from 24 times the monthly allowance that the member was receiving at the time of remarriage to an amount equal to 36 times the monthly allowance.

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

Material changes, if any, to PSERS benefit provisions for the fiscal year ended June 30, 2012, are listed in the table at the end of this section.

Judicial Retirement System

The Judicial Retirement System (JRS) was established by the Legislature in 1971. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts on or after August 9, 1971. The system was closed to new entrants on July 1, 1988, with new judges joining PERS. JRS retirement benefit provisions are established in chapter 2.10 RCW and may be amended only by the Legislature.

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

Employee contributions accrue interest at a rate specified by the Director of DRS. During fiscal year 2012, the rate on employee contributions was 5.5 percent, compounded quarterly. JRS members who are vested in the plan may not elect to withdraw their contributions upon termination. However, any JRS member that left the system before July 1, 1988, or his/her spouse, who was ineligible to receive a benefit at that time, may apply and receive a refund of such contributions from DRS, if said contributions have not been already refunded via a sundry claims appropriation from the Legislature.

JRS members are eligible for retirement at the age of 60 with 15 years of service, or at the age of 60 after 12 years of service (if the member left office involuntarily) with at least 15 years after beginning judicial service.

The benefit per year of service calculated as a percent of 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.

Term of Service	Percent of FAS
15+	3.5%
10-14	3.0%

Death and disability benefits are also provided. Eligibility for death benefits while on active duty requires 10 or more years of service. A monthly spousal benefit is provided which is equal to 50 percent of the benefit that the member would have received if retired. If the member is retired, the surviving spouse receives the greater of 50 percent of the member's retirement benefit or 25 percent of the FAS. For members with 10 or more years of service, a disability benefit of 50 percent of FAS is provided.

Material changes, if any, in JRS benefit provisions for the fiscal year ended June 30, 2012, are listed in the table at the end of this section.

Judges' Retirement Fund

The Judges' Retirement Fund was created by the Legislature on March 22, 1937, pursuant to chapter 2.12 RCW, to provide retirement benefits to judges of the Supreme Court, Court of Appeals, or Superior Courts of the state of Washington. Subsequent legislation required that all judges first appointed or elected to office on or after August 1, 1971, enter the Judicial Retirement System. Judges' retirement benefit provisions are established in chapter 2.12 RCW and may be amended only by the Legislature.

The Judges' Retirement Fund is an agent multiple-employer retirement system comprised of a single defined benefit plan. There are currently no active members in this plan. Retirement benefits are financed on a pay-as-you-go basis from a combination of past employee and employer contributions, and a special funding situation in which the state contributes to the plan.

Material changes, if any, in benefit provisions for Judges for the fiscal year ended June 30, 2012, are listed in the table at the end of this section.

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

The Volunteer Fire Fighters' Relief Act was created by the Legislature in 1935 and the pension portion of the act was added in 1945. Membership in the system requires volunteer firefighter service with a fire department of an electing municipality of Washington State, emergency work as an emergency medical technician with an emergency medical service district, or work as a commissioned reserve law enforcement officer. Retirement benefits are established in chapter 41.24 RCW and may be amended only by the Legislature.

The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) is a cost-sharing multiple-employer retirement system that provides death and active duty disability benefits to all members, and optional defined benefit pension plan payments.

VFFRPF retirement benefits are financed from a combination of investment earnings, member contributions, municipality contributions, and a special funding situation where the state pays the remaining contributions. Since retirement benefits cover volunteer service, benefits are paid based on years of service not salary. Members are vested after ten years of service. VFFRPF members accrue no interest on contributions and may elect to withdraw their contributions upon termination.

After 25 years of active membership, members having reached the age of 65 and who have paid their annual retirement fee for 25 years are entitled to receive a monthly benefit of $50 plus $10 per year of service. The maximum monthly benefit is $300. Reduced pensions are available for members under the age of 65 or with less than 25 years of service.

Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of $152,000. Funeral and burial expenses are also paid in a lump sum of $2,000 for members on active duty. Members receiving disability benefits at the time of death shall be paid $500.

Members injured while on active duty shall receive disability payments of $2,550 per month for up to six months; thereafter, payments are reduced. Disabled members receive $1,275 per month, their spouse $255, and dependent children $110.

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

Effective July 22, 2007, vocational rehabilitation may be paid for disabled members who are unable to return to their previous employment. Members who qualify are subject to a $4,000 maximum limit and are required to follow certain conditions established by the Board and authorized by chapter 41.24 RCW.

Effective June 10, 2010, members of the VFFRPF retirement system with vested pensions who have reached age 65 may, under certain conditions, retire from service, draw their pensions, and return to service. Additional service does not count toward the pension, and members cannot draw disability compensation. Departments opting to allow their members to participate in the retire-rehire program agree to pay for annual physicals and an additional surcharge.

Material changes, if any, in VFFRPF benefit provisions for the fiscal year ended June 30, 2012, are listed in the table at the end of this section.

Material Legislative Changes to Pension Plans

For the Fiscal Year Ended June 30, 2012

System/Plan Affected	Effective Date	Description of the changes
LEOFF Plan 2, PERS, PSERS, SERS, TRS and WSPRS	7/1/11	DRS is required to include the qualifying foregone compensation during the 2011-2013 biennium in the benefits calculation of retiring government employees in LEOFF Plan 2, PERS, PSERS, SERS, TRS and WSPRS. (Chapter 5, Laws of 2011)
PERS, PSERS, SERS, TRS and Higher Education Retirement Plan Supplemental Benefit Fund	7/1/11 – 1/1/12	Multi-faceted legislation that: • Limits to 867 the post-retirement hours that a PERS Plan 1 or TRS Plan 1 retiree may work prior to suspension of the pension benefit. • Applies the return to work provision of the applicable retirement system to higher education positions eligible for Higher Education Retirement Plans (HERPs). • Prohibits higher education institutions and entities from offering participation in a HERP to any newly hired employee that has retired or is eligible to retire from a DRS administered retirement plan. • Provides, for newly hired employees eligible to participate in a HERP, the option at time of hire to participate in PERS Plan 3, TRS Plan 3 or a HERP. • Creates the Higher Education Retirement Plan Supplemental Benefit Fund. • Requires institutions to contribute a percentage of their HERP-covered employees' salary to DRS to be invested by the Washington State Investment Board. These funds are intended to be used to pay required supplemental benefits to eligible HERP retirees. (Chapter 47, Laws of 2011)
PSERS	7/22/11	The employer definition within PSERS is modified to include correctional entities formed by PSERS employers under the Interlocal Cooperation Act (RCW 39.34). (Chapter 68, Laws of 2011)

PERS Plan 3, SERS Plan 3 and TRS Plan 3	7/22/11	The investment option for new employees who default into membership in PERS Plan 3, SERS Plan 3 or TRS Plan 3 by failing to choose a retirement plan within the allotted 90 days is changed from the Total Allocation Portfolio to a Retirement Strategy Fund, based on the member's birth year and an assumed retirement at age 65. (Chapter 80, Laws of 2011)
All systems, plans	6/7/12*	This legislation allows same-gender couples to marry, and automatically converts certain domestic partnerships to marriages unless the couple marries or dissolves the partnership before June 30, 2014. Under the provisions of this bill, survivor benefits may be available to certain members of the state's retirement systems sooner than under current law. (Chapter 3, Laws of 2012) *This law will remain on hold pending the results of a referendum to take place in November, 2012.
WSPRS	6/7/12	Current WSPRS members who have service credit earned as commercial vehicle enforcement officers within PERS Plan 2 may transfer said credit into the WSPRS. The member must pay the full actuarial cost of the transfer. (Chapter 72, Laws of 2012)
VFFRPF	6/7/12	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 make a contribution to the system equal to the actuarial value of the resulting benefit increase. (Chapter 239, Laws of 2012)
LEOFF, PERS, PSERS, SERS and TRS	6/7/12	This legislation amends the retirement statutes to clarify that governmental contractors are not employers under the system, unless otherwise qualifying, and that the determination of whether an employee/employer relationship has been established shall be based solely on the relationship between the contracted employee and the governmental employer. (Chapter 236, Laws of 2012)
LEOFF Plan 2	6/7/12	The initial timeline to transfer service credit under RCW 41.26.435 is moved from June 30, 2014 to June 30, 2012. (Chapter 248, Laws of 2012)

C. FUNDING POLICIES

With the exception of LEOFF Plan 2, the Legislature provided for minimum contribution rates for all retirement plans (Chapter 561, Laws of 2009). The LEOFF Plan 2 Retirement Board provided for minimum contribution rates for the LEOFF Plan 2. These minimum rates went into effect beginning with the 2011-13 biennium.

As part of Substitute House Bill 2021, the Legislature reduced the Plan 1 UAAL minimum rates starting in 2015 to 3.5 percent in PERS and to 5.75 percent in TRS.

All employers are required to contribute at the level established by the Legislature. The table at the end of this section provides the required contribution rates for all plans (expressed as a percentage of current year covered payroll) at the close of fiscal year 2012.

Public Employees' Retirement System

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

- Plan 1 - Employee contribution rates are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials.

- Plan 2/3 - The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3.

- Plan 3 – The employee contribution rates range from 5 to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee's age.

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

Teachers' Retirement System

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.32 and 41.45 RCW.

- Plan 1 - Employee contribution rates are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state elected officials.

- Plan 2/3 – Employer and employee for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3.

- Plan 3 – Employee contribution rates range from 5 to 15 percent, based on member choice. Two of the options are graduated rated dependent on the employee's age.

As a result of the implementation of the Judicial Benefit Multiplier (JBM) Program in January 2007, a second tier of employee rates were developed to fund the increased retirement benefits of those judges who participate in the program.

School Employees' Retirement System

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. The methods used to determine the contribution requirements are established under state statute in chapters 41.35 and 41.45 RCW.

- Plan 2/3 - Employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3.

- Plan 3 - Employee contribution rates range from 5 to 15 percent, based on member choice. Two of the options are graduated dependent on the employee's age.

Law Enforcement Officers' and Fire Fighters' Retirement System

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

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board.

However, this special funding situation is not mandated by the State Constitution and this funding requirement could be returned to the employers by a change of statute. For fiscal year 2012, the state contributed $52.8 million to LEOFF Plan 2.

Washington State Patrol Retirement System

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

The preliminary employee and the state contribution rates are developed by the Office of the State Actuary to fully fund the plan. State statute also requires employees to contribute at a rate of at least 4.85 percent.

Public Safety Employees' Retirement System

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The methods used to determine the contribution requirements are established under state statute in chapters 41.37 and 41.45 RCW.

The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2.

Judicial Retirement System

Contributions made are based on rates set in chapter 2.10 RCW. By statute, employees are required to contribute 7.5 percent with an equal amount contributed by the state. In addition, the state guarantees the solvency of the Judicial Retirement System on a pay-as-you-go basis. Each biennium, the Legislature, through biennial appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For fiscal year 2012, the state contributed $8.1 million.

Judges' Retirement Fund

Past contributions were made based on rates set in chapter 2.12 RCW. By statute, employees were required to contribute 6.5 percent with an equal amount contributed by the state. However, there are no active members remaining in the Judges' Retirement Fund.

The state guarantees the solvency of the Judges' Retirement Fund on a pay-as-you-go basis. Each biennium, therefore, the Legislature, through appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For fiscal year 2012, however, no such appropriations or contributions were needed or made.

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

The retirement provisions of Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) are funded through member contributions of $30 per year, varying employer contributions, and 40 percent of the Fire Insurance Premium Tax, as per chapter 41.24 RCW.

Employers consist of fire departments, emergency medical service districts and law enforcement agencies. The contribution rate for fire districts is set by the Legislature and was $30 per member for the years 2011 and 2012. The rate for emergency medical service districts and law enforcement agencies is set each year by the State Board for Volunteer Fire Fighters' and Reserve Officers' Relief and Pension, based on the actual cost of participation as determined by the Office of the State Actuary. For the year 2012, the rate was $90 per member. Employers may opt to pay the member's fee on their behalf.

VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination.

Administrative expenses are funded through fire insurance premium taxes and are maintained in a separate fund. Amounts not needed for administrative expenses are transferred to VFFRPF.

Required contribution rates (expressed as a percentage of current year covered payroll) for all retirement plans at the close of fiscal year 2012 were as follows:

Required Contribution Rates	Employer			Employee		
	Plan 1	Plan 2	Plan 3	Plan 1	Plan 2	Plan 3
PERS						
Members Not Participating in JBM						
State agencies*	7.08%	7.08%	7.08%**	6.00%	4.64%	***
Local governmental units*	7.08%	7.08%	7.08%**	6.00%	4.64%	***
State govt elected officials*	10.54%	7.08%	7.08%**	7.50%	4.64%	***
Members Participating in JBM						
State agencies*	9.58%	9.58%	9.58%**	9.76%	9.10%	7.50%****
Local governmental units*	7.08%	7.08%	7.08%**	12.26%	11.60%	7.50%****
TRS						
Members Not Participating in JBM						
State agencies*	8.04%	8.04%	8.04%**	6.00%	4.69%	***
Local governmental units*	8.04%	8.04%	8.04%**	6.00%	4.69%	***
State govt elected officials*	8.04%	8.04%	8.04%**	7.50%	4.69%	***
Members Participating in JBM						
State agencies*	8.04%	N/A	N/A	9.76%	N/A	N/A
SERS						
State agencies*	N/A	7.58%	7.58%**	N/A	4.09%	***
Local governmental units*	N/A	7.58%	7.58%**	N/A	4.09%	***
LEOFF						
Ports and universities*	N/A	8.62%	N/A	N/A	8.46%	N/A
Local governmental units*	0.16%	5.24%	N/A	N/A	8.46%	N/A
State of Washington	N/A	3.38%	N/A	N/A	N/A	N/A
WSPRS						
State agencies*	8.07%	8.07%	N/A	6.59%	6.59%	N/A
PSERS						
State agencies*	N/A	8.74%	N/A	N/A	6.36%	N/A
Local governmental units*	N/A	8.74%	N/A	N/A	6.36%	N/A
JRS						
State agencies*	7.50%	N/A	N/A	7.50%	N/A	N/A

* Includes an administrative expense rate of 0.16%.
** 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 available.

D. EMPLOYER CONTRIBUTIONS REQUIRED AND PAID

The following table presents the state of Washington's required contributions in millions of dollars to cost-sharing plans in accordance with the funding policy. All contributions required by the funding method were paid.

Plans	2012	2011	2010
PERS Plan 1	$124.0	$72.3	$78.2
PERS Plan 2/3	182.8	158.0	160.4
TRS Plan 1	3.1	4.4	5.6
TRS Plan 2/3	1.1	0.7	0.8
PSERS Plan 2	7.4	8.0	7.8
LEOFF Plan 2	52.8	52.9	52.2
VFFRPF	5.6	5.7	5.7

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

E. FUNDED STATUS AND FUNDING PROGRESS

The funded status of each plan as of June 30, 2011, the most recent actuarial valuation date, is as follows (dollars in millions):

Plans	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
PERS Plan 1	$ 8,883.4	$ 12,571.2	$ 3,687.8	71%	$ 431.8	854%
PERS Plan 2/3*	20,996.7	21,626.6	629.9	97%	8,148.4	8%
TRS Plan 1	7,485.0	9,231.8	1,746.8	81%	284.2	615%
TRS Plan 2/3*	7,140.6	7,193.8	53.2	99%	4,085.0	1%
SERS Plan 2/3*	2,872.1	2,956.0	83.9	97%	1,490.0	6%
LEOFF Plan 1	5,565.3	4,144.7	(1,420.6)	134%	24.5	0%
LEOFF Plan 2*	6,620.7	5,941.2	(679.5)	111%	1,534.7	0%
WSPRS Plan 1/2*	949.5	859.4	(90.1)	110%	81.5	0%
PSERS Plan 2*	140.7	126.5	(14.2)	111%	232.8	0%
JRS	5.1	109.3	104.2	5%	0.5	22,574%
Judges	2.3	3.9	1.6	61%	-	N/A
VFFRPF	167.8	167.8	-	100%	N/A	N/A

N/A indicates data not applicable.

Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

* These plans use the aggregate actuarial cost method which does not identify or separately amortize unfunded actuarial liabilities. For this reason, the information shown above has been prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress of these plans.

Source: Washington State Office of the State Actuary

Defined Benefit Pension Plans Administered by the State

For the Fiscal Year Ended June 30, 2012

The information was determined as part of the actuarial valuations at the dates indicated below. Additional information as of the latest valuation follows.

	PERS Plan 1	PERS Plan 2/3	TRS Plan 1	TRS Plan 2/3	SERS Plan 2/3
Valuation date	6/30/2011	6/30/2011	6/30/2011	6/30/2011	6/30/2011
Actuarial cost method	Entry age normal (1)	Aggregate (2)	Entry age normal (1)	Aggregate (2)	Aggregate (2)
Amortization method					
Funding	Level % (4)	N/A	Level % (4)	N/A	N/A
GASB	Level $	N/A	Level $	N/A	N/A
Remaining amortization years (closed)	10-year rolling	Open plan	10-year rolling	Open plan	Open plan
Remaining amortization period (closed)	N/A	N/A	N/A	N/A	N/A
Asset valuation method	8-year graded smoothed fair value (5)	8-year graded smoothed fair value (5)	8-year graded smoothed fair value (5)	8-year graded smoothed fair value (5)	8-year graded smoothed fair value (5)
Actuarial assumptions					
Investment rate of return (7)	7.90%	7.90%	7.90%	7.90%	7.90%
Projected salary increases					
Salary inflation at 3.75% (8), plus the merit increases described below:					
Initial salary merit (grades down to 0%)	6.1%	6.1%	5.8%	5.8%	6.9%
Merit period (years of service)	17 yrs	17 yrs	26 yrs	26 yrs	20 yrs
Includes inflation at	N/A	3.00%	N/A	3.00%	3.00%
cost of living adjustments	Minimum COLA (6)	CPI increase, maximum 3%	Minimum COLA (6)	CPI increase, maximum 3%	CPI increase, maximum 3%

N/A indicates data not applicable.

(1) PERS and TRS Plans 1 use a variation of the entry age normal (EAN) cost method, whereas LEOFF Plan 1 uses a variation of the frozen initial liability (FIL) cost method.

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

(3) Pay as you go basis for funding.

(4) Level percent of system payroll, including system growth.

(5) Asset Valuation Method - 8 year smoothed fair value: The actuarial value of assets is calculated under an adjusted market value method by starting with the market value of assets. For subsequent years, the actuarial value of assets is determined by adjusting the market value of assets to reflect the difference between the actual investment return and the expected investment return during each of the last 8 years or, if fewer, the completed years since adoption, at the following rates per year (annual recognition). The VFFRPF annual gain/loss is centered around a 7% expected rate of return instead of 8% and LEOFF Plan 2 around 7.5%.

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

LEOFF Plan 1	LEOFF Plan 2	PSERS Plan 2	WSPRS	JRS	Judges	VFFRPF (9)
6/30/2011	6/30/2011	6/30/2011	6/30/2011	6/30/2011	6/30/2011	6/30/2011
Frozen initial liability (1)	Aggregate (2)	Aggregate (2)	Aggregate (2)	Entry age (3)	Entry age (3)	Entry age (9)
Level % (4)	N/A	N/A	N/A	N/A	N/A	Level $
Level $	N/A	N/A	N/A	Level $	Level $	Level $
13	Open plan	Open plan	Open plan	5-year rolling	5-year rolling	Open plan
6/30/2024	N/A	N/A	N/A	N/A	N/A	15-year rolling
8-year graded smoothed fair value (5)	8-year graded smoothed fair value (5)	8-year graded smoothed fair value (5)	8-year graded smoothed fair value (5)	Market	Market	8-year graded smoothed fair value (5)
7.90%	7.50%	7.90%	7.90%	4.00%	4.00%	7.00%
11.0%	11.0%	6.1%	7.1%	0.0%	0.0%	N/A
21 yrs	21 yrs	17 yrs	26 yrs	N/A	N/A	N/A
3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	N/A
CPI increase	CPI increase maximum 3%	CPI increase, maximum 3%	CPI increase, maximum 3%	CPI increase, maximum 3%	None	None

(6) The PERS Plan 1 and TRS Plan 1 COLA: Qualifying retirees receive an increase in their monthly benefit once a year. The COLA on minimum benefit levels is calculated as the last unrounded minimum COLA amount increased by 3%, rounded to the nearest penny. These are some historical monthly COLA amounts per year of service:

Date	COLA Type	Amount
7/1/2002	Uniform	$1.14
7/1/2003	Uniform	$1.18
7/1/2004	Uniform	$1.21
7/1/2005	Uniform	$1.25
7/1/2006	Uniform	$1.29
7/1/2007	Uniform	$1.33
7/1/2008	Uniform	$1.73
7/1/2009	Uniform	$1.83
7/1/2010	Uniform	$1.88
7/1/2011	Minimum	$1.94
7/1/2012	Minimum	$2.00

(7) The Legislature prescribes the assumed rate of investment return for all plans except Judicial, Judges, and VFFRPF.

(8) WSPRS also assumes a variable salary merit increase for a merit period of 25 years.

(9) VFFRPF uses the entry age funding method for pensions, and the aggregate funding method for the relief costs.

F. ANNUAL PENSION COST AND OTHER RELATED INFORMATION

Current year annual pension cost, net pension obligation (NPO) and related information for the current year for the state's single employer and agent multiple-employer defined benefit plans are as follows (dollars in millions):

Annual Pension Cost and Net Pension Obligation	WSPRS	JRS	Judges
Annual required contribution	$2.9	$22.6	$0.3
Interest on NPO	(1.1)	2.7	(0.0)
Adjustment to annual required contribution	1.8	(14.8)	0.2
Annual pension cost	3.6	10.5	0.4
Less: Contributions made	6.5	8.1	0.0
Increase (decrease) in NPO	(2.9)	2.4	0.4
NPO at beginning of year	(13.9)*	68.6	(0.8)
NPO at end of year	$(16.8)	$71.0	$(0.4)

*Amount restated from prior year's CAFR.

G. THREE YEAR HISTORICAL TREND INFORMATION

The following table presents three-year trend information for the state's single employer and agent multiple-employer defined benefit plans (dollars in millions):

Single and Agent Employer Plans	2012	2011	2010
WSPRS			
Annual pension cost	$3.6	$2.8*	$7.1
% of APC contributed	180.6	187.5*	74.2
NPO	$(16.8)	$(13.9)*	$(11.4)
JRS			
Annual pension cost	$10.5	$7.7	$9.1
% of APC contributed	77.1	141.6	127.5
NPO	$71.0	$68.6	$71.8
Judges			
Annual pension cost	$0.4	$0.3	$0.2
% of APC contributed	0.0	0.0	0.0
NPO	$(0.4)	$(0.8)	$(1.1)

*Amounts restated from prior year's CAFR.

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

H. CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

The assumed return on investment earnings was decreased from 8.0 percent for all plans to 7.9 percent (7.5 percent for LEOFF Plan 2).

The assumed general salary growth was decreased from 4.0 percent for all plans to 3.75 percent (4.5 percent for LEOFF Plan 2).

The assumed rate of inflation was decreased from 3.5 percent to 3.0 percent for all plans.

The assumed system growth was decreased from 1.25 percent (0.90 percent for TRS plans) to 0.95 percent (0.80 percent for TRS plans), while the LEOFF plans remained at 1.25 percent.

The medical inflation assumption associated with non-pension benefits payable to members and survivors in LEOFF and WSPRS plans was changed.

I. CHANGES IN BENEFIT PROVISIONS

Effective June 30, 2011, the automatic annual benefit increase for retirees/beneficiaries in PERS Plan 1 and TRS Plan 1 were eliminated, and the Adjusted Minimum Benefit limit was increased to $1,545 per month. Additionally, the minimum employer contribution rates for the unfunded liability of both of these plans were lowered.

J. DEFINED CONTRIBUTION PLANS

Public Employees' Retirement System Plan 3

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to section B of this note for PERS plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

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

For fiscal year 2012, covered payroll was $1.45 billion, employee contributions required and made were $95.2 million, and plan refunds paid out were $66.2 million.

Teachers' Retirement System Plan 3

The Teachers' Retirement System (TRS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to section B of this note for TRS plan descriptions.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. There are currently no requirements for employer contributions to the defined contribution component of TRS Plan 3.

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

For fiscal year 2012, covered payroll was $3.38 billion, employee contributions required and made were $255.9 million and plan refunds paid out were $150.4 million.

School Employees' Retirement System Plan 3

The School Employees' Retirement System (SERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to section B of this note for SERS plan descriptions.

SERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. There are currently no requirements for employer contributions to the defined contribution component of SERS Plan 3.

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

For fiscal year 2012, covered payroll was $898.8 million, employee contributions required and made were $59.0 million and plan refunds paid out were $60.9 million.

Judicial Retirement Account

The Judicial Retirement Account (JRA) Plan was established by the Legislature in 1988 to provide supplemental retirement benefits. It is a defined contribution plan administered by the state Administrative Office of the Courts, under the direction of the Board for Judicial Administration. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts, and who are members of PERS for their services as a judge. Vesting is full and immediate. There are three participating employers in JRA.

From January 1, 2007 through December 31, 2007, any judicial members of the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) eligible to participate in JRA were able to make a one-time irrevocable election to discontinue future contributions to JRA, in lieu of prospective contributions to the Judicial Benefit Multiplier Program (JBM). Beginning January 1, 2007, any newly elected or appointed Supreme Court justice, Court of Appeals judge or Superior Court judge could no longer participate in JRA and would be enrolled in the JBM Program (enacted in 2006).

JRA plan members are required to contribute 2.5 percent of covered salary. The state, as employer, contributes an equal amount on a monthly basis. The employer and employee obligations to contribute are established per chapter 2.14 RCW. Plan provisions and contribution requirements are established in state statute and may be amended only by the Legislature.

A JRA member who separates from judicial service for any reason is entitled to receive a lump-sum distribution of the accumulated contributions. The administrator of JRA may adopt rules establishing other payment options. If a member dies, the amount of accumulated contributions standing to the member's credit at the time of the member's death is to be paid to the member's estate, or such person or persons, trust or organization as the member has nominated by written designation.

For fiscal year 2012, covered payroll was $1.4 million and the contribution requirement was $76 thousand. Actual employer and employee contributions were $38 and $38 thousand respectively. Plan benefits paid out for fiscal year 2012 totaled $811 thousand.

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

Higher Education Retirement Plans

The Higher Education Retirement Plans are privately administered defined contribution plans with a supplemental defined benefit plan component. As authorized by chapter 28B.10 RCW, the plans cover higher education faculty and other positions as designated by each institution. The state and regional universities, the state college, and the state community and technical colleges each participate in a plan. Effective June 2010, eligible employees of the Higher Education Coordinating Board have the ability to participate in the Higher Education Retirement Plan instead of the Public Employees' Retirement System.

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 28.B.10.400 et. seq. assigns the authority to establish and amend benefit provisions to: the board of regents of the state universities, the boards of trustees of the regional universities and the state college, and the state board for community colleges.

Employee contribution rates, based on age, range from 5 to 10 percent of salary. The employers match the employee contributions. The employer and employee obligations to contribute are established per chapter 28B.10 RCW.

Effective July 29, 2009, domestic partners registered with the state will be treated the same as married spouses, to the extent that treatment is not in conflict with federal laws.

For fiscal year 2012, covered payroll was $1.96 billion. Employer and employee contributions were $165.6 and $165.6 million respectively, for a total of $331.2 million.

These contribution amounts represent approximately 8.4 percent each of covered payroll for employers and employees.

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

An actuarial valuation of the supplemental component of the Higher Education Retirement plans was done at the end of fiscal year 2011. The previous valuation was performed in 2009.

The Unfunded Actuarial Accrued Liability (UAAL) calculated as of June 30, 2011, and 2009, was $357.4 million and $336.5 million, respectively, and is amortized over a 13 year period. The Annual Required Contribution (ARC) of $49.8 million consists of amortization of the UAL ($28.9 million) and normal cost (or current cost) ($19.9 million).

The UAL and ARC were established using the entry age normal cost method. The actuarial assumptions included an investment rate of return of 4.3 to 8 percent and projected salary increases ranging from 2 to 4 percent. Approximately $1.91 billion and $1.79 billion of payroll were covered under these plans during 2011 and 2009, respectively.

A 0.25 percent of pay employer contribution rate was initiated in January 1, 2012 for employees covered by higher education retirement plans. The contributions are deposited in the Higher Education Retirement Plan Supplemental Benefit Fund administered by the Department of Retirement Systems and invested by the State Investment Board. The contribution rate increases to 0.5 percent of pay beginning January 1, 2013.

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

Net Pension Obligation	2012	2011	2010
Annual required contribution	$ 49.8	$ 49.8	$ 43.5
Payments to beneficiaries	(4.1)	(3.7)	(3.7)
Increase (decrease) in NPO	45.7	46.1	39.8
NPO at beginning of year	165.7	119.6	79.8
NPO at end of year	$211.4	$165.7	$119.6

K. PLAN NET ASSETS AND CHANGES IN PLAN NET ASSETS

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

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

June 30, 2012

(expressed in thousands)

continued

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit
ASSETS					
Cash and pooled investments	$ 656	$ 4,405	$ 240	$ 1,160	$ 5,013
Receivables:					
Employer accounts receivable	4,144	46,269	4,681	2,436	25,362
Member accounts receivable (net of allowance)	752	180	-	464	23
Due from other funds	-	-	-	-	-
Due from other pension and other employee benefit funds	-	420	240	-	2,705
Interest and dividends	21,598	60,313	2,904	18,130	20,614
Investment trades pending	127,579	356,587	17,171	107,104	121,847
Total Receivables	154,073	463,769	24,996	128,134	170,551
Investments, Noncurrent:					
Public equity	2,673,213	7,471,712	1,084,388	2,244,179	2,553,113
Fixed income	1,500,936	4,195,153	202,015	1,260,045	1,433,495
Private equity	1,920,747	5,368,536	258,518	1,612,479	1,834,443
Real estate	1,026,165	2,868,158	138,114	861,472	980,057
Liquidity	173,322	492,426	27,794	145,422	173,472
Tangible assets	99,432	277,915	13,383	83,474	94,964
Total Investments, Noncurrent	7,393,815	20,673,900	1,724,212	6,207,071	7,069,544
Total Assets	7,548,544	21,142,074	1,749,448	6,336,365	7,245,108
LIABILITIES					
Accrued liabilities	171,320	462,438	25,021	144,452	157,947
Due to other funds	67	689	-	27	385
Due to other pension and other employee benefit funds	2,962	240	-	2,475	-
Unearned revenues	59	412	-	167	9
Total Liabilities	174,408	463,779	25,021	147,121	158,341
NET ASSETS					
Net assets held in trust for:					
Pension Benefits	7,374,136	20,678,295	1,724,427	6,189,244	7,086,767
(Schedule of Funding Progress by Plan begins on Page 167)					
Deferred compensation participants	-	-	-	-	-
Total Net Assets	$ 7,374,136	$ 20,678,295	$ 1,724,427	$ 6,189,244	$ 7,086,767

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

June 30, 2012
(expressed in thousands)

continued

	TRS Plan 3 Defined Contribution	SERS Plan 2/3 Defined Benefit	SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2
ASSETS					
Cash and pooled investments	$ 4,268	$ 3,499	$ 995	$ 229	$ 995
Receivables:					
Employer accounts receivable	22,427	9,774	5,122	-	16,995
Member accounts receivable (net of allowance)	-	9	-	73	50
Due from other funds	-	-	-	-	8
Due from other pension and other employee benefit funds	-	2,677	-	-	-
Interest and dividends	9,051	8,222	2,742	14,348	19,342
Investment trades pending	53,523	48,598	16,214	84,791	114,351
Total Receivables	85,001	69,280	24,078	99,212	150,746
Investments, Noncurrent:					
Public equity	3,163,308	1,018,291	673,503	1,776,663	2,396,046
Fixed income	629,680	571,737	190,759	997,547	1,345,314
Private equity	805,802	731,651	244,114	1,276,561	1,721,597
Real estate	430,502	390,887	130,419	682,007	919,769
Liquidity	84,910	67,320	25,078	114,793	165,159
Tangible assets	41,714	37,876	12,637	66,084	89,123
Total Investments, Noncurrent	5,155,916	2,817,762	1,276,510	4,913,655	6,637,008
Total Assets	5,245,185	2,890,541	1,301,583	5,013,096	6,788,749
LIABILITIES					
Accrued liabilities	74,106	63,122	23,596	109,890	147,861
Due to other funds	-	140	-	12	164
Due to other pension and other employee benefit funds	230	-	140	-	-
Unearned revenues	-	5	-	-	227
Total Liabilities	74,336	63,267	23,736	109,902	148,252
NET ASSETS					
Net assets held in trust for:					
Pension Benefits	5,170,849	2,827,274	1,277,847	4,903,194	6,640,497
(Schedule of Funding Progress by Plan begins on Page 167)					
Deferred compensation participants	-	-	-	-	-
Total Net Assets	$ 5,170,849	$ 2,827,274	$ 1,277,847	$ 4,903,194	$ 6,640,497

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

June 30, 2012

(expressed in thousands)

continued

	WSPRS Plan 1/2	PSERS Plan 2	JRS	JRA	Judges
ASSETS					
Cash and pooled investments	$ 629	$ 252	$ 3,490	$ 9	$ 1,869
Receivables:					
Employer accounts receivable	504	1,925	2	-	-
Member accounts receivable (net of allowance)	2	-	2	2	-
Due from other funds	-	-	-	-	-
Due from other pension and other employee benefit funds	-	5	-	-	-
Interest and dividends	2,569	497	-	-	-
Investment trades pending	15,186	2,938	-	-	-
Total Receivables	18,261	5,365	4	2	-
Investments, Noncurrent:					
Public equity	318,183	61,557	-	12,257	-
Fixed income	178,650	34,562	-	-	-
Private equity	228,619	44,229	-	-	-
Real estate	122,141	23,630	-	-	-
Liquidity	20,622	6,374	5	-	3
Tangible assets	11,835	2,290	-	-	-
Total Investments, Noncurrent	880,050	172,642	5	12,257	3
Total Assets	898,940	178,259	3,499	12,268	1,872
LIABILITIES					
Accrued liabilities	19,834	3,793	31	-	2
Due to other funds	18	20	-	-	-
Due to other pension and other employee benefit funds	-	-	-	-	-
Unearned revenues	4	-	-	-	-
Total Liabilities	19,856	3,813	31	-	2
NET ASSETS					
Net assets held in trust for:					
Pension Benefits (Schedule of Funding Progress by Plan begins on Page 167)	879,084	174,446	3,468	12,268	1,870
Deferred compensation participants	-	-	-	-	-
Total Net Assets	$ 879,084	$ 174,446	$ 3,468	$ 12,268	$ 1,870

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

June 30, 2012
(expressed in thousands)

concluded

	VFFRPF	Deferred Compensation	Higher Ed Supplemental	Total
ASSETS				
Cash and pooled investments	$ 13,495	$ 2,611	$ 14	$ 43,829
Receivables:				
Employer accounts receivable	-	-	479	140,120
Member accounts receivable (net of allowance)	-	1,555	-	3,112
Due from other funds	-	-	-	8
Due from other pension and other employee benefit funds	-	-	-	6,047
Interest and dividends	440	-	6	180,776
Investment trades pending	2,601	-	34	1,068,524
Total Receivables	3,041	1,555	519	1,398,587
Investments, Noncurrent:				
Public equity	54,509	2,931,869	711	28,433,502
Fixed income	30,605	-	399	12,570,897
Private equity	39,166	-	511	16,086,973
Real estate	20,924	-	273	8,594,518
Liquidity	3,450	4	529	1,500,683
Tangible assets	2,027	-	27	832,781
Total Investments, Noncurrent	150,681	2,931,873	2,450	68,019,354
Total Assets	167,217	2,936,039	2,983	69,461,770
LIABILITIES				
Accrued liabilities	3,371	1,762	44	1,408,590
Due to other funds	4	-	-	1,526
Due to other pension and other employee benefit funds	-	-	-	6,047
Unearned revenues	-	-	-	883
Total Liabilities	3,375	1,762	44	1,417,046
NET ASSETS				
Net assets held in trust for:				
Pension Benefits (Schedule of Funding Progress by Plan begins on Page 167)	163,842	-	2,939	65,110,447
Deferred compensation participants	-	2,934,277	-	2,934,277
Total Net Assets	$ 163,842	$ 2,934,277	$ 2,939	$ 68,044,724

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

For the Fiscal Year Ended June 30, 2012
(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	$ 257,196	$ 385,253	$ -	$ 111,937	$ 213,852
Members	31,601	326,129	95,172	17,820	31,175
State	-	-	-	-	-
Participants	-	-	-	-	-
Total Contributions	288,797	711,382	95,172	129,757	245,027
Investment Income:					
Net appreciation (depreciation) in fair value	(68,907)	(125,498)	(14,778)	(57,185)	(42,948)
Interest and dividends	187,954	495,364	24,908	157,833	168,836
Less: investment expenses	(32,680)	(85,208)	(4,755)	(27,450)	(29,490)
Net investment income (loss)	86,367	284,658	5,375	73,198	96,398
Transfers from other pension plans	97	270	1,432	38	16
Other additions	-	-	-	-	-
Total Additions	375,261	996,310	101,979	202,993	341,441
DEDUCTIONS					
Pension benefits	1,173,683	377,000	321	913,864	91,400
Pension refunds	4,554	35,715	66,245	1,552	2,170
Transfers to other pension plans	-	1,376	338	-	213
Administrative expenses	659	650	-	293	89
Distributions to participants	-	-	-	-	-
Total Deductions	1,178,896	414,741	66,904	915,709	93,872
Net Increase (Decrease)	(803,635)	581,569	35,075	(712,716)	247,569
Net Assets - Beginning	8,177,771	20,096,726	1,689,352	6,901,960	6,839,198
Net Assets - Ending	$ 7,374,136	$ 20,678,295	$ 1,724,427	$ 6,189,244	$ 7,086,767

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

For the Fiscal Year Ended June 30, 2012
(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	$ -	$ 74,640	$ -	$ 3	$ 80,480
Members	255,867	24,316	59,022	1,410	139,119
State	-	-	-	-	52,770
Participants	-	-	-	-	-
Total Contributions	255,867	98,956	59,022	1,413	272,369
Investment Income:					
Net appreciation (depreciation) in fair value	(27,593)	(17,300)	(8,731)	(39,971)	(38,039)
Interest and dividends	76,096	67,492	23,235	122,274	158,003
Less: investment expenses	(14,438)	(11,744)	(4,132)	(21,157)	(27,101)
Net investment income (loss)	34,065	38,448	10,372	61,146	92,863
Transfers from other pension plans	618	11	407	-	10
Other additions	-	-	-	-	-
Total Additions	290,550	137,415	69,801	62,559	365,242
DEDUCTIONS					
Pension benefits	1,150	53,630	302	343,438	78,152
Pension refunds	150,404	2,516	60,929	435	11,214
Transfers to other pension plans	520	306	163	-	44
Administrative expenses	-	59	-	162	1,095
Distributions to participants	-	-	-	-	-
Total Deductions	152,074	56,511	61,394	344,035	90,505
Net Increase (Decrease)	138,476	80,904	8,407	(281,476)	274,737
Net Assets - Beginning	5,032,373	2,746,370	1,269,440	5,184,670	6,365,760
Net Assets - Ending	$ 5,170,849	$ 2,827,274	$ 1,277,847	$ 4,903,194	$ 6,640,497

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

For the Fiscal Year Ended June 30, 2012
(expressed in thousands)

continued

	WSPRS Plan 1/2	PSERS Plan 2	JRS	JRA	Judges
ADDITIONS					
Contributions:					
Employers	$ 6,454	$ 15,285	$ 31	$ 38	$ -
Members	7,030	15,298	31	38	-
State	-	-	8,100	-	-
Participants	-	-	-	-	-
Total Contributions	13,484	30,583	8,162	76	-
Investment Income:					
Net appreciation (depreciation) in fair value	(6,345)	(388)	6	(136)	5
Interest and dividends	21,535	3,811	13	126	13
Less: investment expenses	(3,712)	(647)	(8)	(18)	-
Net investment income (loss)	11,478	2,776	11	(28)	18
Transfers from other pension plans	53	8	-	-	-
Other additions	-	-	-	4	-
Total Additions	25,015	33,367	8,173	52	18
DEDUCTIONS					
Pension benefits	40,368	70	9,765	811	482
Pension refunds	262	1,920	-	-	-
Transfers to other pension plans	-	-	-	-	-
Administrative expenses	50	4	-	-	-
Distributions to participants	-	-	-	-	-
Total Deductions	40,680	1,994	9,765	811	482
Net Increase (Decrease)	(15,665)	31,373	(1,592)	(759)	(464)
Net Assets - Beginning	894,749	143,073	5,060	13,027	2,334
Net Assets - Ending	$ 879,084	$ 174,446	$ 3,468	$ 12,268	$ 1,870

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

For the Fiscal Year Ended June 30, 2012
(expressed in thousands)

concluded

	VFFRPF	Deferred Compensation	Higher Ed Supplemental	Total
ADDITIONS				
Contributions:				
Employers	$ 882	$ -	$ 2,935	$ 1,148,986
Members	88	-	-	1,004,116
State	5,602	-	-	66,472
Participants	-	178,449	-	178,449
Total Contributions	6,572	178,449	2,935	2,398,023
Investment Income:				
Net appreciation (depreciation) in fair value	(933)	(34,609)	(6)	(483,356)
Interest and dividends	3,730	26,474	12	1,537,709
Less: investment expenses	(625)	(4,171)	(2)	(267,338)
Net investment income (loss)	2,172	(12,306)	4	787,015
Transfers from other pension plans	-	-	-	2,960
Other additions	-	794	-	798
Total Additions	8,744	166,937	2,939	3,188,796
DEDUCTIONS				
Pension benefits	9,907	-	-	3,094,343
Pension refunds	12	-	-	337,928
Transfers to other pension plans	-	-	-	2,960
Administrative expenses	1,255	-	-	4,316
Distributions to participants	-	171,740	-	171,740
Total Deductions	11,174	171,740	-	3,611,287
Net Increase (Decrease)	(2,430)	(4,803)	2,939	(422,491)
Net Assets - Beginning	166,272	2,939,080	-	68,467,215
Net Assets - Ending	$ 163,842	$ 2,934,277	$ 2,939	$ 68,044,724

Note 12
Other Postemployment Benefits

Plan Description and Funding Policy

In addition to pension benefits as described in Note 11, the state, through the Health Care Authority (HCA), administers an agent multiple-employer other postemployment benefit plan (OPEB). Per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the Health Care Authority, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. PEBB programs include medical, dental, life and long-term disability.

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 54 of the state's K-12 schools and educational service districts (ESDs) and 207 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 246 K-12 schools and ESDs. As of June 2012, membership in the PEBB plan consisted of the following:

	Active Employees	Retirees [1]	Total
State	106,255	27,807	134,062
K-12 schools and ESDs [2]	1,800	29,245	31,045
Political subdivisions	11,375	1,261	12,636
Total	119,430	58,313	177,743

[1] Retirees include retired employees, surviving spouses, and terminated members entitled to a benefit.
[2] In fiscal year 2012, there were 98,349 full-time equivalent active employees in the 246 K-12 schools and ESDs that elected to limit participation in PEBB only to their retirees.

For fiscal year 2012, the estimated monthly cost for PEBB benefits for active employees (average across all plans and tiers) is as follows:

Required Premium [3]	
Medical	$880
Dental	83
Life	5
Long-term disability	2
Total	$970
Employer contribution	$852
Employee contribution	118
Total	$970

[3] Per 2012 Index Rate Model 3.60.

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs.

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to PEBB plans depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, PSERS, TRS, SERS, WSPRS, and Higher Education.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2011, the average weighted implicit subsidy was valued at $301 per member per month, and in calendar year 2012, the average weighted implicit subsidy is projected to be $326 per member per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the Health Care Authority administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. In calendar year 2011, the explicit subsidy was $183 per member per month, and in calendar year 2012, the explicit subsidy is $150 per member per month.

Retirees participating in the PEBB life insurance program received an explicit subsidy of $5 per member per month in calendar year 2011. The retiree subsidy of life insurance was eliminated effective January 2012.

Administrative costs as well as implicit and explicit subsidies are funded by required contributions from participating employers. The subsidies provide monetary assistance for medical and life insurance benefits.

Contributions are set each biennium as part of the budget process. In fiscal year 2012, the cost of the subsidies was approximately 6.5 percent of the cost of benefits for active employees. The benefits are funded on a pay-as-you-go basis.

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employers individual plan and actuarial methods and assumptions used.

The PEBB OPEB plan is accounted for as an agency fund on an accrual basis. The plan has no investments or other assets. The PEBB OPEB plan does not issue a publicly available financial report.

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to: http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm.

Annual OPEB Cost and Net OPEB Obligation

The state's (general government agencies and higher education institutions) annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the state as the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following tables show the components of the state's annual OPEB cost for fiscal year 2012, the amount contributed to the plan, and changes in the state's Net OPEB Obligation (NOO) (expressed in thousands):

Annual required contribution	$ 320,991
Interest on Net OPEB Obligation	46,250
Amortization of Net OPEB Obligation	(36,954)
Annual OPEB cost (expense)	330,286
Contributions made	(78,673)
Increase in Net OPEB Obligation	251,613
Net OPEB Obligation - beginning of year	1,027,767
Net OPEB Obligation - end of year*	$1,279,381
*estimated	

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2010, 2011 and 2012 were as follows (expressed in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/12	$330,286	23.8%	$1,279,381
6/30/11	328,568	23.9%	1,027,767
6/30/10	354,420	19.8%	777,872

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2011, the latest date for which information is available, was as follows (expressed in thousands):

Actuarial accrued liability (AAL)	$3,491,970
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$3,491,970
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	$5,937,061
UAAL as a percentage of covered payroll	58.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions were as follows:

Actuarial valuation date	January 1, 2011
Actuarial cost method	Projected Unit Credit (PUC)
Amortization method	Closed, level percentage of projected payroll amortization method
Remaining amortization period	30 years
Asset valuation method	N/A - no assets
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	4.0%
Health care inflation rate	7.0% initial rate, 5% ultimate rate in 2083
Inflation rate	3.5%

In addition to the assumptions above, several factors also significantly contributed to the actuarial results. The PEBB voted to permanently eliminate the subsidy paid for life insurance premiums beginning in January 2012. Also in January 2012, explicit subsidies for retirees enrolled in Medicare Parts A and B were reduced from $183 per month to $150 per month.

Note 13
Commitments and Contingencies

A. CONSTRUCTION AND OTHER COMMITMENTS

Capital Commitments

Outstanding commitments related to state infrastructure and facility construction, improvement, and/or renovation totaled $5.04 billion at June 30, 2012.

Encumbrances

Encumbrances, which represent commitments related to unperformed contracts for goods or services, are included in restricted, committed or assigned fund balance, as appropriate. Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at the end of fiscal year 2012 are (in thousands):

General Fund	$ 1,581
Higher Education Special Revenue Fund	169
Nonmajor Governmental Funds	21,223

B. SUMMARY OF SIGNIFICANT LITIGATION

Pending Litigation

The state and its agencies are parties to numerous routine legal proceedings that normally occur in governmental operations. In addition, at any given point, there may be numerous lawsuits involving the implementation, reduction, or elimination of specific state programs that could significantly impact expenditures, revenues, and potentially have future budgetary impact. This summary considers significant litigation not covered by tort insurance. Tort case liabilities are disclosed in Note 7E, Claims and Judgments, Risk Management.

The state is the defendant in a number of cases alleging inadequate funding of state programs or services. Claims include: funding inadequacies and inequities in basic education; inadequate funding for care of foster children, the disabled and elderly, and inadequate funding for the provision of, daily personal care, medical and mental health services to children, the elderly and the disabled. Collective claims in these programmatic and service cases exceed $650 million exclusive of the basic education case, which could be substantial but is difficult to quantify at this juncture. In addition, adverse rulings in some of these cases could result in significant future costs.

The state is also a defendant in a number of cases contesting: the denial of health care benefits to seasonal and part-time state employees; the methodologies used to calculate reimbursement rates to certain health care providers, and the scope of covered care. Claims in this category exceed $258 million.

The Department of Revenue routinely has claims for refunds in various stages of administrative and legal review. Cases involving claims for refunds currently total approximately $95 million, though an adverse ruling could result in additional claims being brought by similarly situated taxpayers. In addition, the state is defending cases challenging the constitutionality of certain taxes that fund discrete state programs.

The state is a defendant in a number of lawsuits related to: habitat restoration and environmental clean-up arising out of highway/roadway construction and maintenance and historic mining activity. While estimates are not available for all lawsuits, claims for damages equate to approximately $254 million.

The state is a defendant in a number of lawsuits by employees and employee unions alleging various infractions of law or contract. These suits claim back pay, damages, or future entitlements in excess of $760 million. Of the $760 million, $243 million is associated with a single case challenging the legislative repeal of the so-called gain-sharing benefit offered to members of certain state retirement plans. Pursuant to the legislative repeal, replacement benefits were offered in lieu of gain-sharing. It is estimated that if the gain-sharing benefit is restored and replacement benefits are retained, the biennial cost to the state would be approximately $243 million for the 2013-15 biennium. A second retirement benefits case challenges the legislative discontinuation of annual cost of living increases for PERS and TRS Plan 1 retirees. The anticipated biennial cost-savings to the state associated with the challenged legislation is estimated to be approximately $500 million for the 2013-15 biennium.

The state is contesting these lawsuits and the outcomes are uncertain at this time.

Tobacco Settlement

In November 1998, Washington joined 45 other states in a Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers to provide restitution for monies spent under health care programs for the treatment of smoking-related illnesses. Washington's share of the settlement was approximately $112.9 million in fiscal year 2012 and is subject to various offsets, reductions, and adjustments. Beginning in 2008, Washington received the first of ten "strategic contribution payments" under the MSA. This payment is subject to the same offsets, reductions, and adjustments as are applicable to the base payment. The 2012 strategic contribution payment was approximately $36.5 million.

In 2006, 2007, 2008, and 2009, determinations were made that disadvantages experienced by manufacturers as a result of participating in the MSA were a "significant factor" contributing to market share losses by those manufacturers. These determinations related to sales data for the years 2003, 2004, 2005, and 2006. Washington faces a potential "nonparticipating manufacturer (NPM) adjustment" in its share of between $0 and $130 million for the year 2003, $0 and $137 million for the year 2004, $0 and $131 million for the year 2005, and $0 and $119 million for the year 2006.

In addition, the states and the participating manufacturers have entered into an agreement under which the states will not contest that the disadvantages experienced by manufacturers as a result of participating in the MSA were a significant factor contributing to market share losses for the years 2007, 2008 and 2009, respectively. Washington faces a potential NPM adjustment of between $0 and $123 million for the year 2007, $0 and $173 million for the year 2008, and $0 and $176 million for the year 2009.

Washington and 37 other states each filed court actions seeking declarations that they had diligently enforced their escrow statutes – a defense to the adjustment claim. Thirty-six of the 37 states are participating in a single national arbitration of the NPM adjustment dispute.

The dispute is being presented to a three-member panel of retired judges. The panel is in place and some preliminary hearings have been held. The arbitration will comprise some presentations made by the states collectively and individually. The Washington specific hearing will begin in December 2012 and hearings will conclude in 2013. The panel will not issue its decision as to any individual state until the entire arbitration with all states has been completed.

C. FEDERAL ASSISTANCE

The state has received federal financial assistance for specific purposes that are generally subject to review or audit by the grantor agencies.

Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the state.

The state does estimate and recognize a claims and judgments liability for disallowances when determined by the grantor agency or for probable disallowances based on experience pertaining to these grants; however, these recognized liabilities and any unrecognized disallowances are considered immaterial to the state's overall financial condition.

D. ARBITRAGE REBATE

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue.

The rebatable arbitrage must be paid to the federal government. State agencies and universities responsible for investments from bond proceeds carefully monitor their investments to restrict earnings to a yield less than the bond issue, and therefore limit any state arbitrage liability. The state estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition.

E. OTHER COMMITMENTS AND CONTINGENCIES

School Bond Guarantee Program

Washington voters passed a constitutional amendment in November 1999, creating the Washington State School Bond Guarantee Program.

The program's purpose is to provide savings to state taxpayers by pledging the full faith and credit of the state of Washington to the full and timely payment of voter-approved school district general obligation bonds in the event a school district is unable to make a payment.

The issuing school district remains responsible for the repayment of the bonds, including any payment the state makes under the guarantee.

The State Treasurer introduced the School Bond Guarantee Program in March 2000. At the end of fiscal year 2012, the state had guaranteed 212 school districts' voter-approved general obligation debt with 185 districts having a total outstanding principal of $8.33 billion. The state estimates that the school bond guarantee liability, if any, will be immaterial to its overall financial condition.

Local Option Capital Asset Lending Program

On September 1, 1998, the state lease-purchase program was extended to local governments seeking low cost financing of essential equipment 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 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, 2012, outstanding certificates of participation notes totaled $78 million for 188 local governments participating in LOCAL. The state estimates that the LOCAL program liability, if any, will be immaterial to its overall financial condition.

Note 14
Subsequent Events

A. BOND ISSUES

In July 2012, Western Washington University issued $9.2 million in revenue bonds to refund a portion of the University's Housing and Dining System Revenue Bonds, Series 2003.

In August 2012, Washington State University issued $27.4 million in general revenue bonds to partially fund construction of the Spokane Biomedical and Health Sciences Building.

In July 2012, the state issued:

- $78.3 million in refunding taxable general obligation bonds.

In August 2012, the state issued:

- $205.4 million in motor vehicle fuel tax general obligation bonds for various transportation projects.
- $273.5 million in general obligation bonds for various capital projects.
- $40.5 million in taxable general obligation bonds for various capital projects.

In September 2012, the state issued:

- $352.2 million in various general obligation refunding bonds.
- $380.4 million in motor vehicle fuel tax general obligation refunding bonds.

In November 2012, the University of Washington is planning to issue general revenue bonds of $330.0 million. The bonds will provide partial funding for renovations to Husky Stadium, student residence halls and apartments, construction of a science building at the Bothell campus, and pay off $50 million in commercial paper.

B. CERTIFICATES OF PARTICIPATION

In August 2012, the state issued $81.2 million in Certificates of Participation.

C. GENERAL ELECTION

There were measures on the state's November 6, 2012, general election ballot that addressed state laws related to state revenues requiring legislative approval for increases to taxes and fees; authorizing charter schools; modifying the state debt limit calculation; investment of funds of certain four-year public institutions of higher education; and the regulation and taxation of marijuana production and distribution. These measures, if passed, could impact the state fiscally.

Election results are not final or official until certified. By law December 6, 2012, is the last day for the Office of the Secretary of State to certify general election returns.

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

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RSI
Required Supplementary Information

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BUDGETARY COMPARISON SCHEDULE
General Fund

Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012
(expressed in thousands)

	Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 62,736	$ 62,736	$ 62,736	$ -
Resources				
Taxes	31,065,106	29,422,460	14,441,656	(14,980,804)
Licenses, permits, and fees	176,925	198,346	99,040	(99,306)
Other contracts and grants	523,672	540,521	222,561	(317,960)
Timber sales	7,280	6,090	4,504	(1,586)
Federal grants-in-aid	15,009,646	14,882,339	7,057,761	(7,824,578)
Charges for services	60,097	63,916	30,152	(33,764)
Investment income (loss)	3,563	(26,090)	(8,958)	17,132
Miscellaneous revenue	395,704	399,181	179,596	(219,585)
Unclaimed property	108,623	166,959	109,263	(57,696)
Transfers from other funds	1,897,780	1,958,035	1,150,752	(807,283)
Total Resources	49,311,132	47,674,493	23,349,063	(24,325,430)
Charges To Appropriations				
General government	3,550,365	3,541,324	1,687,817	1,853,507
Human services	24,280,399	23,470,006	11,470,787	11,999,219
Natural resources and recreation	639,392	628,298	283,560	344,738
Transportation	101,879	93,777	43,432	50,345
Education	18,765,529	18,504,331	9,175,482	9,328,849
Capital outlays	627,393	747,691	153,544	594,147
Transfers to other funds	939,890	930,859	687,956	242,903
Total Charges To Appropriations	48,904,847	47,916,286	23,502,578	24,413,708
Excess Available For Appropriation Over (Under) Charges To Appropriations	406,285	(241,793)	(153,515)	88,278
Reconciling Items				
Debt service	-	-	(26)	(26)
Bond sale proceeds	103,825	120,844	72,766	(48,078)
Issuance premiums	-	-	2,586	2,586
Refunding COPs issued	-	-	3,270	3,270
Pmts to escrow agents for refunded debt	-	-	(3,565)	(3,565)
Assumed reversions	-	120,000	-	(120,000)
Working capital adjustment	-	238,000	-	(238,000)
Changes in reserves (net)	-	-	(26,272)	(26,272)
Entity adjustments (net)	-	-	(71,182)	(71,182)
Total Reconciling Items	103,825	478,844	(22,423)	(501,267)
Budgetary Fund Balance, June 30	$ 510,110	$ 237,051	$ (175,938)	$ (412,989)

BUDGETARY COMPARISON SCHEDULE
Budget to GAAP Reconciliation

General Fund
For the Fiscal Year Ended June 30, 2012
(expressed in thousands)

		General Fund
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "Total Resources" from the Budgetary Comparison Schedule	$	23,349,063
Differences - budget to GAAP:		
The following items are inflows of budgetary resources but are not revenue for financial reporting purposes:		
Transfers from other funds		(1,150,752)
Budgetary fund balance at the beginning of the biennium		(62,736)
Appropriated loan principal repayment		(1,598)
The following items are not inflows of budgetary resources but are revenue for financial reporting purposes:		
Noncash commodities and electronic food stamp benefits		1,761,673
Revenues collected for other governments		106,017
Unanticipated receipts		3,410
Noncash revenues		(28,517)
Other		6,060
Biennium total revenues		23,982,620
Nonappropriated activity		876
Total Revenues (GAAP Basis) as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$	23,983,496
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "Total Charges to Appropriations" from the Budgetary Comparison Schedule	$	23,502,578
Differences - budget to GAAP:		
The following items are outflows of budgetary resources but are not expenditures for financial reporting purposes:		
Appropriated transfers to other funds		(1,264,455)
Other transfers to other funds		(687,956)
Appropriated loan disbursements		(35)
The following items are not outflows of budgetary resources but are recorded as current expenditures for financial reporting purposes:		
Noncash commodities and electronic food stamp benefits		1,761,673
Distributions to other governments		106,017
Certificates of participation and capital lease acquisitions		10,771
Expenditures related to unanticipated receipts		3,410
Interest on debt service		26
Other		6,060
Biennium total expenditures		23,438,089
Nonappropriated activity		289,548
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$	23,727,637

BUDGETARY INFORMATION

Notes to Required Supplementary Information

GENERAL BUDGETARY POLICIES AND PROCEDURES

The Governor is required to submit a budget to the Legislature no later than December 20 of the year preceding odd-numbered year sessions of the Legislature.

The budget is a proposal for expenditures in the ensuing biennial period based upon anticipated revenues from the sources and rates existing by law at the time of submission of the budget. The Governor may additionally submit, as an appendix to the budget, a proposal for expenditures in the ensuing biennium from revenue sources derived from proposed changes in existing statutes.

The appropriated budget and any necessary supplemental budgets are legally required to be adopted through the passage of appropriation bills by the Legislature and approved by the Governor. Operating appropriations are generally made at the fund/account and agency level; however, in a few cases, appropriations are made at the fund/account and agency/program level. Operating appropriations cover either the entire biennium or a single fiscal year within the biennium. Capital appropriations are biennial and are generally made at the fund/account, agency, and project level.

The legal level of budgetary control is at the fund/account, agency, and appropriation level, with administrative controls established at lower levels of detail in certain instances. The accompanying budgetary schedule is not presented at the legal level of budgetary control. This is due to the large number of appropriations within individual agencies that would make such a presentation in the accompanying financial schedule extremely cumbersome. Section 2400.121 of the GASB Codification of Governmental Accounting and Financial Reporting Standards provides for the preparation of a separate report in these extreme cases.

For the state of Washington, a separate report has been prepared for the 2011-13 biennium to illustrate legal budgetary compliance. Appropriated budget versus actual expenditures, and estimated versus actual revenues and other financing sources (uses) for appropriated funds at agency and appropriation level are presented in the Budget-to-Actual Detail Report for governmental funds. A copy of this report is available at the Office of Financial Management, PO Box 43113, Olympia, Washington 98504-3113.

Legislative appropriations are strict legal limits on expenditures/expenses, and over-expenditures are prohibited. All appropriated and certain nonappropriated funds are further controlled by the executive branch through the allotment process. This process allocates the expenditure/expense plan into monthly allotments by program, source of funds, and object of expenditure. Because allotments are not the strict legal limit on expenditures/expenses, the accompanying budgetary schedule is shown on an appropriation versus actual comparison rather than an allotment versus actual comparison.

Proprietary funds typically earn revenues and incur expenses (i.e., depreciation or budgeted asset purchases) not covered by the allotment process. Budget estimates are generally made outside the allotment process according to prepared business plans. These proprietary fund business plan estimates are adjusted only at the beginning of each fiscal year.

Additional fiscal control is exercised through various means. OFM is authorized to make expenditure/expense allotments based on availability of unanticipated receipts, mainly federal government grant increases made during a fiscal year. State law does not preclude the over-expenditure of allotments.

Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at fiscal year-end are reported as restricted, committed or assigned fund balance.

Budgetary Reporting vs. GAAP Reporting

Governmental funds are budgeted materially in conformance with GAAP. However, the presentation in the accompanying budgetary schedules is different in certain respects from the corresponding Statements of Revenues, Expenditures, and Changes in Fund Balance (governmental operating statement). In the accompanying budgetary schedules, budget and actual expenditures are reported only for appropriated activities. Expenditures are classified based on whether the appropriation is from the operating or capital budget. Expenditures funded by operating budget appropriations are reported as current expenditures classified by the function of the agency receiving the appropriation. Expenditures funded by capital budget appropriations are reported as capital outlays.

However, in the governmental operating statements, all governmental funds are included and expenditures are classified according to what was actually purchased. Capital outlays are capital asset acquisitions such as land, buildings, and equipment. Debt service expenditures are principal and interest payments. Current expenditures are all other governmental fund expenditures classified based on the function of the agency making the expenditures.

Additionally, certain governmental activities are excluded from the budgetary schedules because they are not appropriated. These activities include activities designated as nonappropriated by the Legislature, such as the Higher Education Special Revenue Fund, Higher Education Endowment Fund, Tobacco Settlement Securitization Bond Debt Service Fund, federal surplus food commodities, electronic food stamp benefits, capital leases, note proceeds, and resources collected and distributed to other governments.

Further, certain expenditures are appropriated as operating transfers. These transfers are reported as operating transfers on the budgetary schedules and as expenditures on the governmental operating statements. The factors contributing to the differences between the Budgetary Comparison Schedule and the Statement of Revenues, Expenditures, and Changes in Fund Balance are noted in the previous Budget to GAAP Reconciliation.

Budgetary Fund Balance generally includes the following as reported on the Governmental Funds Balance Sheet: restricted, committed, assigned, and unassigned fund balances. The negative General Fund Basic Account ending budgetary fund balance is offset by assigned fund balance for GAAP reporting purposes.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress
Public Employees' Retirement System - Plan 1
Valuation Years 2011 through 2006
(dollars in millions)

	2011	2010	2009	2008	2007	2006
Actuarial valuation date	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007	9/30/2006
Actuarial value of plan assets	$ 8,883	$ 9,293	$ 9,776	$ 9,853	$ 9,715	$ 9,591
Actuarial accrued liability	12,571	12,538	13,984	13,901	13,740	13,129
Unfunded actuarial liability	3,688	3,245	4,208	4,048	4,025	3,538
Percentage funded	71%	74%	70%	71%	71%	73%
Covered payroll	432	507	580	638	676	725
Unfunded actuarial liability as a percentage of covered payroll	854%	640%	726%	634%	595%	488%

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Public Employees' Retirement System - Plan 2/3
Valuation Years 2011 through 2006
(dollars in millions)

	2011	2010	2009	2008	2007	2006
Actuarial valuation date	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007	N/A
Actuarial value of plan assets	$ 20,997	$ 19,474	$ 18,260	$ 16,693	$ 14,888	N/A
Actuarial accrued liability	21,627	20,029	18,398	16,508	14,661	N/A
Unfunded actuarial liability	630	555	138	(185)	(227)	N/A
Percentage funded	97%	97%	99%	101%	102%	N/A
Covered payroll	8,148	8,206	8,132	7,869	7,157	N/A
Unfunded actuarial liability as a percentage of covered payroll	8%	7%	0%	0%	0%	N/A

PERS Plan 2/3 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

N/A indicates data not available.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress
Teachers' Retirement System - Plan 1
Valuation Years 2011 through 2006
(dollars in millions)

	2011	2010	2009	2008	2007	2006
Actuarial valuation date	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007	9/30/2006
Actuarial value of plan assets	$ 7,485	$ 7,791	$ 8,146	$ 8,262	$ 8,302	$ 8,275
Actuarial accrued liability	9,232	9,201	10,820	10,754	10,826	10,359
Unfunded actuarial liability	1,747	1,410	2,674	2,492	2,524	2,084
Percentage funded	81%	85%	75%	77%	77%	80%
Covered payroll	284	344	389	432	426	478
Unfunded actuarial liability as a percentage of covered payroll	615%	410%	687%	577%	592%	436%

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Teachers' Retirement System - Plan 2/3
Valuation Years 2011 through 2006
(dollars in millions)

	2011	2010	2009	2008	2007	2006
Actuarial valuation date	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007	N/A
Actuarial value of plan assets	$ 7,141	$ 6,593	$ 6,160	$ 5,681	$ 5,277	N/A
Actuarial accrued liability	7,194	6,558	6,048	5,264	4,682	N/A
Unfunded (assets in excess of) actuarial liability	53	(36)	(112)	(417)	(595)	N/A
Percentage funded	99%	101%	102%	108%	113%	N/A
Covered payroll	4,085	3,966	3,957	3,621	3,318	N/A
Unfunded actuarial liability as a percentage of covered payroll	1%	0%	0%	0%	0%	N/A

TRS Plan 2/3 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

N/A indicates data not available.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress
School Employees' Retirement System - Plan 2/3
Valuation Years 2011 through 2006
(dollars in millions)

	2011	2010	2009	2008	2007	2006
Actuarial valuation date	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007	N/A
Actuarial value of plan assets	$ 2,872	$ 2,664	$ 2,503	$ 2,303	$ 2,133	N/A
Actuarial accrued liability	2,956	2,706	2,493	2,207	1,998	N/A
Unfunded (assets in excess of) actuarial liability	84	41	(10)	(96)	(135)	N/A
Percentage funded	97%	98%	100%	104%	107%	N/A
Covered payroll	1,490	1,475	1,467	1,379	1,283	N/A
Unfunded actuarial liability as a percentage of covered payroll	6%	3%	0%	0%	0%	N/A

SERS Plan 2/3 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

N/A indicates data not available.

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 1
Valuation Years 2011 through 2006
(dollars in millions)

	2011	2010	2009	2008	2007	2006
Actuarial valuation date	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007	9/30/2006
Actuarial value of plan assets	$ 5,565	$ 5,561	$ 5,612	$ 5,592	$ 5,298	$ 5,018
Actuarial accrued liability	4,145	4,393	4,492	4,368	4,340	4,309
Unfunded (assets in excess of) actuarial liability	(1,420)	(1,168)	(1,120)	(1,224)	(958)	(709)
Percentage funded	134%	127%	125%	128%	122%	116%
Covered payroll	25	29	33	37	43	48
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	0%	0%	0%	N/A

N/A indicates data not available.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress
Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 2
Valuation Years 2011 through 2006
(dollars in millions)

	2011	2010	2009	2008	2007	2006
Actuarial valuation date	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007	N/A
Actuarial value of plan assets	$ 6,621	$ 6,043	$ 5,564	$ 5,053	$ 4,360	N/A
Actuarial accrued liability	5,941	5,164	4,641	3,998	3,626	N/A
Unfunded (assets in excess of) actuarial liability	(680)	(879)	(923)	(1,055)	(734)	N/A
Percentage funded	111%	117%	120%	126%	120%	N/A
Covered payroll	1,535	1,490	1,442	1,345	1,234	N/A
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	0%	0%	0%	N/A

LEOFF Plan 2 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

N/A indicates data not available.

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Washington State Patrol Retirement System - Plan 1/2
Valuation Years 2011 through 2006
(dollars in millions)

	2011	2010	2009	2008	2007	2006
Actuarial valuation date	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007	N/A
Actuarial value of plan assets	$ 949	$ 920	$ 900	$ 870	$ 800	N/A
Actuarial accrued liability	859	812	790	745	702	N/A
Unfunded (assets in excess of) actuarial liability	(90)	(108)	(110)	(125)	(98)	N/A
Percentage funded	110%	113%	114%	117%	114%	N/A
Covered payroll	82	83	83	79	72	N/A
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	0%	0%	0%	N/A

WSPRS Plan 1/2 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

N/A indicates data not available.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress

continued

Schedule of Funding Progress
Public Safety Employees' Retirement System - Plan 2
Valuation Years 2011 through 2006
(dollars in millions)

	2011	2010	2009	2008	2007	2006
Actuarial valuation date	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007	N/A
Actuarial value of plan assets	$ 141	$ 103	$ 69	$ 39	$ 14	N/A
Actuarial accrued liability	127	94	64	37	19	N/A
Unfunded (assets in excess of) actuarial liability	(14)	(9)	(5)	(2)	6	N/A
Percentage funded	111%	109%	108%	106%	74%	N/A
Covered payroll	233	227	223	200	134	N/A
Unfunded actuarial liability as a percentage of covered payroll	0%	0%	0%	0%	0%	N/A

PSERS Plan 2 uses the aggregate actuarial cost method. Effective for reporting year 2007, this Schedule of Funding Progress is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status and funding progress information of this plan as required by GASB Statement No. 50.

N/A indicates data not available.

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Judicial Retirement System
Valuation Years 2011 through 2006
(dollars in millions)

	2011	2010	2009	2008	2007	2006
Actuarial valuation date	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007	9/30/2006
Actuarial value of plan assets	$ 5.0	$ 4.0	$ 2.0	$ 1.0	$ 1.0	$ 0.3
Actuarial accrued liability	109	84	89	92	85	88
Unfunded actuarial liability	104	80	87	91	84	88
Percentage funded	5%	5%	2%	1%	1%	0%
Covered payroll	0.5	0.7	0.9	1.3	1.3	1.4
Unfunded actuarial liability as a percentage of covered payroll	22574%	11565%	9667%	7000%	6462%	6286%

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION
Schedules of Funding Progress

concluded

Schedule of Funding Progress
Judges' Retirement Fund
Valuation Years 2011 through 2006
(dollars in millions)

	2011	2010	2009	2008	2007	2006
Actuarial valuation date	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007	9/30/2006
Actuarial value of plan assets	$ 2.3	$ 2.8	$ 3.3	$ 3.6	$ 4.0	$ 4.1
Actuarial accrued liability	3.9	3.2	3.4	3.5	3.9	4.0
Unfunded (assets in excess of) actuarial liability	1.6	0.4	0.1	(0.1)	(0.1)	(0.1)
Percentage funded	61%	87%	97%	103%	103%	103%
Covered payroll	-	-	-	-	-	-
Unfunded actuarial liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

N/A indicates data not available.

Source: Washington State Office of the State Actuary.

Schedule of Funding Progress
Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund
Valuation Years 2011 through 2006
(dollars in millions)

	2011	2010	2009	2008	2007	2006
Actuarial valuation date	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007	12/31/2006
Actuarial value of plan assets***	$ 168	$ 166	$ 166	$ 161	$ 151	$ 140
Actuarial accrued liability*	168	166	163	153	141	142
Unfunded (assets in excess of) actuarial liability	-	-	(3)	(8)	(10)	2
Percentage funded	100%	100%	102%	105%	107%	99%
Covered payroll**	N/A	N/A	N/A	N/A	N/A	N/A
Unfunded actuarial liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

* Pension plan liability only - excludes relief benefits.

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

*** Board for Volunteer Fire Fighters adopted a new funding policy as of 2010 where assets above the accrued pension liability are allocated to fund relief benefits.

N/A indicates data not available.

Source: Washington State Office of the State Actuary.

PENSION PLAN INFORMATION

Schedules of Contributions from Employers and Other Contributing Entities (cont'd)

Schedules of Contributions from Employers and Other Contributing Entities
For the Fiscal Years Ended June 30, 2012 through 2007
(dollars in millions)

	2012	2011	2010	2009	2008	2007
PUBLIC EMPLOYEES' RETIREMENT PLAN SYSTEM - PLAN 1						
Employers' annual required contribution	$ 508.0	$ 439.3	$ 627.8	$ 620.2	$ 453.1	$ 397.3
Employers' actual contribution	257.2	145.6	154.0	325.2	221.8	118.7
Percentage contributed	51%	33%	25%	52%	49%	30%
PUBLIC EMPLOYEES' RETIREMENT PLAN SYSTEM - PLAN 2/3						
Employers' annual required contribution	$ 407.7	$ 408.6	$ 383.1	$ 369.7	$ 363.3	$ 331.3
Employers' actual contribution	385.3	328.3	327.5	439.7	318.7	242.5
Percentage contributed	95%	80%	85%	119%	88%	73%
TEACHERS' RETIREMENT SYSTEM - PLAN 1						
Employers' annual required contribution	$ 254.0	$ 205.9	$ 406.1	$ 391.0	$ 294.7	$ 249.8
Employers' actual contribution	111.9	96.8	112.7	178.9	113.1	60.5
Percentage contributed	44%	47%	28%	46%	38%	24%
TEACHERS' RETIREMENT SYSTEM - PLAN 2/3						
Employers' annual required contribution	$ 232.2	$ 232.3	$ 221.1	$ 186.9	$ 208.9	$ 167.7
Employers' actual contribution	213.9	168.3	165.0	160.8	109.5	102.2
Percentage contributed	92%	72%	75%	86%	52%	61%
SCHOOL EMPLOYEES' RETIREMENT SYSTEM - PLAN 2/3						
Employers' annual required contribution	$ 85.2	$ 88.6	$ 82.3	$ 71.5	$ 75.8	$ 71.5
Employers' actual contribution	74.6	62.3	62.1	63.5	52.1	45.9
Percentage contributed	88%	70%	75%	89%	69%	64%

The Annual Required Contribution (ARC) changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic experience gains and losses. The methods used to derive the ARC for this reporting disclosure are different from the methods used to derive the actual contributions required by law. These differences include the use of different actuarial valuations (actual contributions may be based on an earlier valuation), and different actuarial cost methods. For these reasons the actual contributions will not match the ARCs. Starting in 2009, the ARC for PERS and TRS Plans 1 was calculated using the Entry Age Normal cost method with a rolling 10-year amortization (excluding the temporary rate ceilings). Starting in 2011, the calculation of the ARC reflects the underlying actuarial cost method (excluding minimum contribution rates).

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Schedules of Contributions from Employers and Other Contributing Entities (cont'd)

Schedules of Contributions from Employers and Other Contributing Entities
For the Fiscal Years Ended June 30, 2012 through 2007
(dollars in millions)

	2012	2011	2010	2009	2008	2007
LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM - PLAN 1						
Employers' annual required contribution	$ -	$ -	$ -	$ -	$ -	$ 0.1
Employers' actual contribution	-	-	-	-	-	0.1
Percentage contributed	N/A	N/A	N/A	N/A	N/A	100%
State annual required contribution	$ -	$ -	$ -	$ -	$ -	$ -
State actual contribution	-	-	-	-	-	-
Percentage contributed	N/A	N/A	N/A	N/A	N/A	N/A
LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM - PLAN 2						
Employers' annual required contribution*	$ 97.3	$ 84.0	$ 111.1	$ 105.3	$ 61.3	$ 56.9
Employers' actual contribution	80.5	79.7	77.0	77.8	73.4	58.2
Percentage contributed	83%	95%	69%	74%	120%	102%
State annual required contribution*	$ 38.2	$ 33.6	$ 44.4	$ 42.1	$ 40.8	$ 38.0
State actual contribution	52.8	52.0	51.4	51.1	45.9	37.9
Percentage contributed	138%	155%	116%	121%	113%	100%
WASHINGTON STATE PATROL RETIREMENT SYSTEM						
Employers' annual required contribution	$ 2.9	$ 2.3	$ 6.6	$ 5.0	$ 6.8	$ 5.3
Employers' actual contribution	6.5	5.3	5.3	6.4	6.1	3.3
Percentage contributed	224%	230%	80%	128%	90%	62%

N/A indicates data not available.

*The Annual Required Contribution (ARC) for the LEOFF Plan 2 presented is the Office of the State Actuary's recommended figure.

The Annual Required Contribution (ARC) changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic experience gains and losses. The methods used to derive the ARC for this reporting disclosure are different from the methods used to derive the actual contributions required by law. These differences include the use of different actuarial valuations (actual contributions may be based on an earlier valuation), and different actuarial cost methods. For these reasons the actual contributions will not match the ARCs. Starting in 2009, the ARC for PERS and TRS Plans 1 was calculated using the Entry Age Normal cost method with a rolling 10-year amortization (excluding the temporary rate ceilings). Starting in 2011, the calculation of the ARC reflects the underlying actuarial cost method (excluding minimum contribution rates).

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION

Schedules of Contributions from Employers and Other Contributing Entities (concl'd)

Schedules of Contributions from Employers and Other Contributing Entities
For the Fiscal Years Ended June 30, 2012 through 2007
(dollars in millions)

	2012	2011	2010	2009	2008	2007
PUBLIC SAFETY EMPLOYEES' RETIREMENT PLAN SYSTEM - PLAN 2						
Employers' annual required contribution	$ 14.7	$ 14.7	$ 14.8	$ 14.3	$ 12.4	$ 7.1
Employers' actual contribution	15.3	15.6	15.2	14.5	11.7	6.6
Percentage contributed	104%	106%	103%	101%	94%	93%
JUDICIAL RETIREMENT SYSTEM						
Employers' annual required contribution	$ 22.6	$ 18.6	$ 20.4	$ 21.2	$ 26.6	$ 37.3
Employers' actual contribution	8.1	10.9	11.6	10.2	9.6	9.6
Percentage contributed	36%	59%	57%	48%	36%	26%
JUDGES' RETIREMENT FUND						
Employers' annual required contribution	$ 0.3	$ 0.1	$ -	$ -	$ -	$ -
Employers' actual contribution	-	-	-	-	-	0.3
Percentage contributed	N/A	N/A	N/A	N/A	N/A	N/A
VOLUNTEER FIRE FIGHTERS' AND RESERVE OFFICERS' RELIEF AND PENSION FUND						
Employers' annual required contribution	$ 1.0	$ 1.1	$ 1.0	$ 1.1	$ 1.0	$ 1.0
Employers' actual contribution	1.0	1.1	1.0	1.0	1.0	1.0
Percentage contributed	100%	100%	100%	91%	100%	100%
State annual required contribution	$ 3.7	$ 4.2	$ 1.8	$ 1.4	$ 0.9	$ 2.0
State actual contribution	5.6	5.8	5.7	5.2	5.0	6.0
Percentage contributed	151%	138%	317%	371%	556%	300%

N/A indicates data not available.

The Annual Required Contribution (ARC) changes each year with the experience of the plans. Factors influencing the experience include changes in funding methods, assumptions, plan provisions, and economic and demographic experience gains and losses. The methods used to derive the ARC for this reporting disclosure are different from the methods used to derive the actual contributions required by law. These differences include the use of different actuarial valuations (actual contributions may be based on an earlier valuation), and different actuarial cost methods. For these reasons the actual contributions will not match the ARCs. Starting in 2009, the ARC for PERS and TRS Plans 1 was calculated using the Entry Age Normal cost method with a rolling 10-year amortization (excluding the temporary rate ceilings). Starting in 2011, the calculation of the ARC reflects the underlying actuarial cost method (excluding minimum contribution rates).

Source: Washington State Office of the State Actuary

OTHER POSTEMPLOYMENT BENEFITS INFORMATION
Schedule of Funding Progress

Schedule of Funding Progress
Other Postemployment Benefits
Valuation Years 2011 through 2008
(dollars in millions)

	2011	2009	2008
Actuarial valuation date	1/1/2011	1/1/2009	1/1/2008
Actuarial value of plan assets	$ -	$ -	$ -
Actuarial accrued liability (AAL)*	3,492	3,787	4,014
Unfunded actuarial accrued liability (UAAL)	3,492	3,787	4,014
Funded ratio	0%	0%	0%
Covered payroll	5,937	5,678	5,170
UAAL as a percentage of covered payroll	59%	67%	78%

* Based on projected unit credit actuarial cost method.

Source: Washington State Office of the State Actuary

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

Condition Assessment

The state of Washington reports certain networks of infrastructure assets under the modified approach of the Governmental Accounting Standards Board Statement No. 34. Expenditures to maintain and preserve these assets are budgeted, recorded and reported in lieu of depreciation expense. The state must meet the following requirements to report networks of assets under the modified approach:

- Maintain an up-to-date inventory of eligible infrastructure assets in an asset management system.
- Disclose the condition level established by administrative or executive policy, or by legislative action at which assets are to be preserved or maintained.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Document that assets are being preserved approximately at or above the disclosed condition level.
- Annually estimate the cost to maintain and preserve the assets at the established condition level.

Assets accounted for under the modified approach include the state's network of highway pavements, bridges and rest areas. In fiscal year 2012, the state was responsible to maintain and preserve 20,631 pavement lane miles, 3,245 bridges and tunnels, and 48 rest areas.

Beginning in fiscal year 2012, state managed airports are reported as land and land improvements. In prior years, they were reported as infrastructure using the modified approach.

PAVEMENT CONDITION

The Washington State Department of Transportation (WSDOT) performs highway pavement assessments each year utilizing three measurements to develop a scaled condition assessment: Pavement Structural Condition (PSC), International Roughness Index (IRI), and rutting.

The WSDOT uses the following rating scale for PSC:

Category	PSC Range	Description
Very Good	80 – 100	Little or no distress. Example: Flexible pavement with 5 percent of wheel track length having "hairline" severity alligator cracking will have a PSC of 80.
Good	60 – 79	Early stage deterioration. Example: Flexible pavement with 15 percent of wheel track length having "hairline" alligator cracking will have a PSC of 70.
Fair	40 – 59	This is the threshold value for rehabilitation. Example: Flexible pavement with 25 percent of wheel track length having "hairline" alligator cracking will have a PSC of 50.
Poor	20 – 39	Structural deterioration. Example: Flexible pavement with 25 percent of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 30.
Very Poor	0 – 19	Advanced structural deterioration. Example: Flexible pavement with 40 percent of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 10. May require extensive repair and thicker overlays.

The IRI scale is measured in inches per mile. The WSDOT assesses pavements with a ride performance measure less than 221 inches per mile to be in fair or better condition.

Rutting is measured in inches with a measurement of 0.58 inches or less assessed at a condition of fair or better.

PSC, IRI, and rutting are combined to rate a section of pavement which is assigned the lowest condition of any of the three indices.

The WSDOT's policy is to maintain 90 percent of pavements at a condition level of fair or better. The following table shows the combined conditions and the ratings for pavement for each index:

Category	PSC	IRI	Rutting
Very Good	80 – 100	< 96	< 0.24
Good	60 – 79	96 – 170	0.24 – 0.41
Fair	40 – 59	171 – 220	0.42 – 0.58
Poor	20 – 39	221 – 320	0.59 – 0.74
Very Poor	0 – 19	> 320	> 0.74

The following table shows payment condition ratings for state highways:

Pavement Percentage in Fair or Better Condition Calendar Year		
2011	**2010**	**2009**
91.2%	92.7%	93.0%

The following table reflects the state's estimated and actual expenditures necessary to preserve state highways at the established condition level:

Pavement Preservation and Maintenance - Planned to Actual - Fiscal Year *(expressed in thousands)*					
	2012	**2011**	**2010**	**2009**	**2008**
Planned	$ 148,811	$ 122,203	$ 168,204	$ 144,897	$ 137,215
Actual	$ 148,366	$ 117,811	$ 159,441	$ 128,449	$ 147,369

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about pavements, refer to the WSDOT's website at: http://www.wsdot.wa.gov/Business/MaterialsLab/Pavements/default.htm.

BRIDGE CONDITION

The WSDOT performs sample condition assessments on state owned bridges in excess of 20 feet in length each year with all bridges inspected over a two year cycle. Underwater bridge components are inspected at least once every five years in accordance with Federal Highway Administration (FHWA) requirements.

The WSDOT uses a performance measure which classifies a bridge as good, fair, or poor using the National Bridge Inspection Standards (NBIS) codes for bridge superstructure, substructure, and deck. The following categories for condition rating are based on the structural sufficiency standards established in FHWA's "Recording and Coding Guide for the Structural Inventory and Appraisal of the Nation's Bridges."

Category	National Bridge Inventory Code	Description
Good	6, 7, or 8	A range from no problems noted to some minor deterioration of structural elements.
Fair	5	All primary structural elements are sound but may have deficiencies such as minor section loss, deterioration, cracking, spalling or scour.
Poor	4 or less	Advanced deficiencies such as section loss, deterioration, cracking, spalling, scour or seriously affected primary structural components.

The WSDOT's policy is to maintain 95 percent of bridges at a condition level of fair or better. The following table shows bridge condition ratings:

Bridges Percentage in Fair or Better Condition Calendar Year		
2011	**2009**	**2007**
95.4%	97.7%	97.2%

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)*					
	2012	**2011**	**2010**	**2009**	**2008**
Planned	$ 66,510	$ 46,708	$ 54,490	$ 76,801	$ 23,687
Actual	$ 61,026	$ 43,709	$ 44,436	$ 29,992	$ 36,008

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about bridges, refer to the WSDOT's website at:
http://www.wsdot.wa.gov/eesc/bridge/index.cfm.

SAFETY REST AREA CONDITION

The WSDOT performs safety rest area condition assessments every two years. Sites are given a good to poor numerical rating for each of the following functional components: ADA compliance; proximity to the next rest area; traffic flow/access from/to the highway; security (fencing, visibility, and lighting); facility size (vehicle/pedestrian circulation, parking, potential facility expansion); drainage; landscaping maintenance; signage; water supply (rate flow, potable, hydrant system), and sanitation (municipal or on-site). A weighting multiplier is applied based on the criticality of each component.

The WSDOT's policy is to maintain 95 percent of safety rest areas in a condition of fair or better. The following table shows the safety rest area condition ratings:

Safety Rest Areas Percentage in Fair or Better Condition Calendar Year		
2011	**2009**	**2007**
100.0%	97.6%	95.2%

The following table reflects the state's estimated and actual expenditures necessary to preserve the safety rest areas at the established condition level:

Safety Rest Areas Preservation and Maintenance - Planned to Actual - Fiscal Year *(expressed in thousands)*					
	2012	**2011**	**2010**	**2009**	**2008**
Planned	$ 6,278	$ 6,259	$ 5,815	$ 6,007	$ 5,667
Actual	$ 6,467	$ 6,514	$ 5,925	$ 5,824	$ 5,855

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about safety rest areas, refer to WSDOT's website at: http://www.wsdot.wa.gov/safety/restareas.

Nonmajor Funds

Combining and Individual Fund Financial Statements

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Nonmajor

Governmental Funds

The Nonmajor Governmental Funds fall into the four categories as described below.

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are 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, 2012

(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
ASSETS					
Cash and pooled investments	$ 1,895,658	$ 248,536	$ 365,200	$ 233	$ 2,509,627
Investments	41,355	7,458	29,333	197,946	276,092
Taxes receivable (net of allowance)	111,482	-	-	-	111,482
Other receivables (net of allowance)	698,151	23,347	11,673	489	733,660
Due from other funds	824,410	3,330	304,201	-	1,131,941
Due from other governments	2,310,986	-	15,284	2	2,326,272
Inventories and prepaids	51,230	-	-	-	51,230
Restricted assets:					
Cash and investments	613,027	-	70,007	-	683,034
Receivables	3	-	2,729	-	2,732
Total Assets	$ 6,546,302	$ 282,671	$ 798,427	$ 198,670	$ 7,826,070
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 325,947	$ -	$ 30,508	$ -	$ 356,455
Contracts and retainages payable	118,708	-	15,211	-	133,919
Accrued liabilities	62,951	1,469	2,912	-	67,332
Due to other funds	314,256	244	294,917	479	609,896
Due to other governments	157,036	-	17,793	-	174,829
Deferred and unearned revenue	936,267	-	22,511	-	958,778
Claims and judgments payable	6,077	-	-	-	6,077
Total Liabilities	1,921,242	1,713	383,852	479	2,307,286
Fund Balances:					
Nonspendable fund balance	44,990	-	-	192,446	237,436
Restricted fund balance	2,589,505	89,093	351,749	5,745	3,036,092
Committed fund balance	1,990,521	191,865	62,826	-	2,245,212
Assigned fund balance	44	-	-	-	44
Total Fund Balances	4,625,060	280,958	414,575	198,191	- 5,518,784
Total Liabilities and Fund Balances	$ 6,546,302	$ 282,671	$ 798,427	$ 198,670	$ 7,826,070

NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - by Fund Type
For the Fiscal Year Ended June 30, 2012
(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
REVENUES					
Retail sales and use taxes	$ 75,729	$ -	$ -	$ -	$ 75,729
Business and occupation taxes	4,866	-	-	-	4,866
Excise taxes	60,989	-	-	-	60,989
Motor vehicle and fuel taxes	1,177,987	-	-	-	1,177,987
Other taxes	289,055	-	-	-	289,055
Licenses, permits, and fees	1,144,402	-	-	-	1,144,402
Timber sales	100,644	-	8,213	-	108,857
Other contracts and grants	49,644	-	1,660	-	51,304
Federal grants-in-aid	1,325,290	-	78	28	1,325,396
Charges for services	474,514	61,602	63,486	-	599,602
Investment income (loss)	69,867	907	957	13,232	84,963
Miscellaneous revenue	327,781	28,322	8,037	574	364,714
Total Revenues	5,100,768	90,831	82,431	13,834	5,287,864
EXPENDITURES					
Current:					
General government	330,062	399	92,105	33	422,599
Human services	686,689	-	6,151	-	692,840
Natural resources and recreation	470,734	-	76,163	-	546,897
Transportation	1,746,289	-	65	-	1,746,354
Education	141,715	-	281,121	-	422,836
Intergovernmental	294,306	-	-	-	294,306
Capital outlays	1,661,619	-	290,396	-	1,952,015
Debt service:					
Principal	1,912	668,820	2,146	-	672,878
Interest	4,388	865,247	3,083	-	872,718
Total Expenditures	5,337,714	1,534,466	751,230	33	7,623,443
Excess of Revenues Over (Under) Expenditures	(236,946)	(1,443,635)	(668,799)	13,801	(2,335,579)
OTHER FINANCING SOURCES (USES)					
Bonds issued	1,547,965	-	782,214	-	2,330,179
Refunding bonds issued	-	1,508,470	-	-	1,508,470
Payments to escrow agents for refunded bond debt	-	(1,759,458)	-	-	(1,759,458)
Issuance premiums	187,845	256,430	92,186	-	536,461
Other debt issued	421	-	2,777	-	3,198
Refunding COPs issued	3,749	-	-	-	3,749
Payments to escrow agents for refunded COP debt	(3,846)	-	-	-	(3,846)
Transfers in	354,581	1,499,838	225,822	-	2,080,241
Transfers out	(933,418)	(46,023)	(219,441)	(6,527)	(1,205,409)
Total Other Financing Sources (Uses)	1,157,297	1,459,257	883,558	(6,527)	3,493,585
Net Change in Fund Balances	920,351	15,622	214,759	7,274	1,158,006
Fund Balances - Beginning, as restated	3,704,709	265,336	199,816	190,917	4,360,778
Fund Balances - Ending	$ 4,625,060	$ 280,958	$ 414,575	$ 198,191	$ 5,518,784

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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; and the collection of tobacco settlement monies.

Wildlife and Natural Resources Fund

The Wildlife and Natural Resources Fund accounts for the protection and management programs of the state's wildlife, habitats, and natural resources, including forests, water, and parks.

Local Construction & Loan Fund

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

NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2012
(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Central Administrative and Regulatory	Human Services	Wildlife and Natural Resources
ASSETS					
Cash and pooled investments	$ 844,246	$ 161,695	$ 159,449	$ 194,281	$ 424,130
Investments	3,131	2,048	1,615	33,164	937
Taxes receivable (net of allowance)	110,911	53	235	-	-
Other receivables (net of allowance)	39,541	12,084	70,345	470,861	71,044
Due from other funds	143,573	13,684	113,850	135,335	339,682
Due from other governments	129,351	71,701	26,176	316,517	642,567
Inventories and prepaids	41,482	1,385	7,228	9	1,126
Restricted assets:					
Cash and investments	4,841	608,186	-	-	-
Receivables	-	-	3	-	-
Total Assets	$ 1,317,076	$ 870,836	$ 378,901	$ 1,150,167	$ 1,479,486
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 195,276	$ 76,185	$ 6,697	$ 39,987	$ 7,619
Contracts and retainages payable	71,761	9,487	1,399	1,973	23,968
Accrued liabilities	32,549	5,601	5,473	7,829	10,644
Due to other funds	131,084	31,067	12,497	111,133	24,751
Due to other governments	65,560	66,719	7,926	1,800	9,464
Deferred and unearned revenue	17,786	15,423	109,400	526,299	46,441
Claims and judgments payable	-	-	6,077	-	-
Total Liabilities	514,016	204,482	149,469	689,021	122,887
Fund Balances:					
Nonspendable fund balance	41,214	1,424	206	966	1,180
Restricted fund balance	741,399	567,472	22,786	202,940	923,549
Committed fund balance	20,447	97,458	206,396	257,240	431,870
Assigned fund balance	-	-	44	-	-
Total Fund Balances	803,060	666,354	229,432	461,146	1,356,599
Total Liabilities and Fund Balances	$ 1,317,076	$ 870,836	$ 378,901	$ 1,150,167	$ 1,479,486

Local Construction and Loan	Total
$ 111,857	$ 1,895,658
460	41,355
283	111,482
34,276	698,151
78,286	824,410
1,124,674	2,310,986
-	51,230
-	613,027
-	3
$ 1,349,836	$ 6,546,302
$ 183	$ 325,947
10,120	118,708
855	62,951
3,724	314,256
5,567	157,036
220,918	936,267
-	6,077
241,367	1,921,242
-	44,990
131,359	2,589,505
977,110	1,990,521
-	44
1,108,469	4,625,060
$ 1,349,836	$ 6,546,302

NONMAJOR SPECIAL REVENUE FUNDS

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

For the Fiscal Year Ended June 30, 2012

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Central Administrative and Regulatory	Human Services	Wildlife and Natural Resources
REVENUES					
Retail sales and use taxes	$ -	$ 53,257	$ 22,317	$ 113	$ 42
Business and occupation taxes	-	-	-	415	4,451
Excise taxes	-	52	158	34,741	-
Motor vehicle and fuel taxes	1,162,312	3,054	-	-	12,621
Other taxes	23	-	75,349	3,635	198,643
Licenses, permits, and fees	383,563	139,952	109,876	376,491	134,377
Timber sales	-	-	4,022	-	63,756
Other contracts and grants	26,366	17,171	1,383	3,483	1,241
Federal grants-in-aid	589,103	335,821	86,424	260,193	53,749
Charges for services	201,764	28,428	62,908	173,474	7,940
Investment income (loss)	8,850	1,268	29,598	7,370	12,864
Miscellaneous revenue	38,709	29,377	25,857	70,886	120,908
Total Revenues	2,410,690	608,380	417,892	930,801	610,592
EXPENDITURES					
Current:					
General government	6,723	3,924	222,481	63,342	10,551
Human services	-	-	5,998	678,345	2,346
Natural resources and recreation	723	-	8,461	762	460,788
Transportation	1,188,685	524,374	26,233	6,158	839
Education	-	-	41,340	54,610	148
Intergovernmental	234,316	2,084	56,393	1,431	82
Capital outlays	1,195,535	449,975	3,203	1,641	11,265
Debt service:					
Principal	437	310	549	89	527
Interest	192	113	746	65	3,272
Total Expenditures	2,626,611	980,780	365,404	806,443	489,818
Excess of Revenues Over (Under) Expenditures	(215,921)	(372,400)	52,488	124,358	120,774
OTHER FINANCING SOURCES (USES)					
Bonds issued	528,790	1,019,175	-	-	-
Issuance premiums	37,840	149,849	140	-	16
Other debt issued	-	-	123	-	298
Refunding COPs issued	-	-	3,749	-	-
Payments to escrow agents for refunded COP debt	-	-	(3,846)	-	-
Transfers in	146,423	33,900	36,465	34,474	42,293
Transfers out	(518,343)	(107,090)	(70,407)	(126,335)	(47,803)
Total Other Financing Sources (Uses)	194,710	1,095,834	(33,776)	(91,861)	(5,196)
Net Change in Fund Balances	(21,211)	723,434	18,712	32,497	115,578
Fund Balances - Beginning, as restated	824,271	(57,080)	210,720	428,649	1,241,021
Fund Balances - Ending	$ 803,060	$ 666,354	$ 229,432	$ 461,146	$ 1,356,599

Local Construction and Loan	Total
$ -	$ 75,729
-	4,866
26,038	60,989
-	1,177,987
11,405	289,055
143	1,144,402
32,866	100,644
-	49,644
-	1,325,290
-	474,514
9,917	69,867
42,044	327,781
122,413	5,100,768
23,041	330,062
-	686,689
-	470,734
-	1,746,289
45,617	141,715
-	294,306
-	1,661,619
-	1,912
-	4,388
68,658	5,337,714
53,755	(236,946)
-	1,547,965
-	187,845
-	421
-	3,749
-	(3,846)
61,026	354,581
(63,440)	(933,418)
(2,414)	1,157,297
51,341	920,351
1,057,128	3,704,709
$ 1,108,469	$ 4,625,060

NONMAJOR SPECIAL REVENUE FUNDS

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

For the Fiscal Year Ended June 30, 2012

(expressed in thousands)

	Motor Vehicle			
	Original Budget 2011-13 Biennium	**Final Budget 2011-13 Biennium**	**Actual 2011-13 Biennium**	**Variance with Final Budget**
Budgetary Fund Balance, July 1, as restated	$ 783,363	$ 783,363	$ 783,363	$ -
Resources				
Taxes	1,934,323	1,877,383	928,020	(949,363)
Licenses, permits, and fees	775,333	789,434	382,934	(406,500)
Other contracts and grants	74,801	152,618	26,366	(126,252)
Timber sales	-	-	-	-
Federal grants-in-aid	1,199,009	1,461,755	589,009	(872,746)
Charges for services	402,248	404,739	201,764	(202,975)
Investment income (loss)	17,776	16,471	6,908	(9,563)
Miscellaneous revenue	50,541	52,209	37,841	(14,368)
Dividend income	-	-	-	-
Transfers from other funds	276,574	225,046	174,546	(50,500)
Total Resources	5,513,968	5,763,018	3,130,751	(2,632,267)
Charges To Appropriations				
General government	18,008	19,410	6,723	12,687
Human services	-	-	-	-
Natural resources and recreation	2,171	2,171	723	1,448
Transportation	1,682,533	1,689,826	798,511	891,315
Education	-	-	-	-
Capital outlays	4,357,732	4,583,225	1,585,967	2,997,258
Transfers to other funds	1,094,904	1,058,360	546,466	511,894
Total Charges To Appropriations	7,155,348	7,352,992	2,938,390	4,414,602
Excess Available For Appropriation Over (Under) Charges To Appropriations	(1,641,380)	(1,589,974)	192,361	1,782,335
Reconciling Items				
Debt service	-	-	-	-
Bond sale proceeds	1,991,328	1,711,584	528,790	(1,182,794)
Issuance premiums	-	-	37,840	37,840
Refunding COPs Issued	-	-	-	-
Payments to refunded COP escrow agents	-	-	-	-
Entity adjustments (net)	-	-	3,161	3,161
Changes in reserves (net)	-	-	(306)	(306)
Total Reconciling Items	1,991,328	1,711,584	569,485	(1,142,099)
Budgetary Fund Balance, June 30	$ 349,948	$ 121,610	$ 761,846	$ 640,236

Continued

Multimodal Transportation				Central Administrative and Regulatory			
Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget	Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget
$ (58,292)	$ (58,292)	$ (58,292)	$ -	$ 204,730	$ 204,730	$ 204,730	$ -
115,858	115,924	56,363	(59,561)	78,848	74,201	14,806	(59,395)
284,117	310,710	137,623	(173,087)	226,400	219,105	71,069	(148,036)
6,461	4,705	938	(3,767)	4,002	4,402	-	(4,402)
-	-	-	-	10,712	10,712	4,022	(6,690)
417,209	289,240	27,380	(261,860)	93,899	145,007	35,183	(109,824)
118,719	118,719	28,428	(90,291)	111,796	116,836	14,360	(102,476)
1,539	1,586	54	(1,532)	47,407	53,578	28,662	(24,916)
42,066	44,407	21,556	(22,851)	36,752	40,616	11,947	(28,669)
-	-	-	-	-	3	-	(3)
86,354	81,000	33,900	(47,100)	47,044	51,103	21,257	(29,846)
1,014,031	907,999	247,950	(660,049)	861,590	920,293	406,036	(514,257)
1,307	5,309	3,924	1,385	318,588	353,613	138,420	215,193
-	-	-	-	13,895	14,425	5,454	8,971
-	-	-	-	17,242	15,551	8,627	6,924
394,070	418,312	166,127	252,185	54,932	56,678	24,096	32,582
-	-	-	-	9,427	9,352	5,045	4,307
1,528,607	2,138,442	478,470	1,659,972	7,684	3,876	1,114	2,762
185,729	234,692	97,090	137,602	123,608	157,261	33,444	123,817
2,109,713	2,796,755	745,611	2,051,144	545,376	610,756	216,200	394,556
(1,095,682)	(1,888,756)	(497,661)	1,391,095	316,214	309,537	189,836	(119,701)
-	-	-	-	-	-	(33)	(33)
1,187,949	1,989,872	1,019,175	(970,697)	-	-	-	-
-	69,910	149,849	79,939	-	-	133	133
-	-	-	-	-	-	3,749	3,749
-	-	-	-	-	-	(3,846)	(3,846)
-	-	(7,353)	(7,353)	-	-	32,900	32,900
-	-	920	920	-	-	6,487	6,487
1,187,949	2,059,782	1,162,591	(897,191)	-	-	39,390	39,390
$ 92,267	$ 171,026	$ 664,930	$ 493,904	$ 316,214	$ 309,537	$ 229,226	$ (80,311)

NONMAJOR SPECIAL REVENUE FUNDS

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

For the Fiscal Year Ended June 30, 2012

(expressed in thousands)

	Human Services			
	Original Budget 2011-13 Biennium	**Final Budget 2011-13 Biennium**	**Actual 2011-13 Biennium**	**Variance with Final Budget**
Budgetary Fund Balance, July 1, as restated	$ 331,843	$ 331,843	$ 331,843	$ -
Resources				
Taxes	71,246	67,354	30,171	(37,183)
Licenses, permits, and fees	745,995	778,244	339,544	(438,700)
Other contracts and grants	4,504	6,756	1,139	(5,617)
Timber sales	-	-	-	-
Federal grants-in-aid	532,641	558,693	197,143	(361,550)
Charges for services	160,382	155,149	129,727	(25,422)
Investment income (loss)	2,549	1,944	4,877	2,933
Miscellaneous revenue	354,480	388,846	59,622	(329,224)
Dividend income	808	404	-	(404)
Transfers from other funds	74,845	74,872	25,043	(49,829)
Total Resources	2,279,293	2,364,105	1,119,109	(1,244,996)
Charges To Appropriations				
General government	110,139	114,480	39,623	74,857
Human services	1,159,132	1,193,296	563,997	629,299
Natural resources and recreation	1,668	1,655	770	885
Transportation	14,582	14,923	5,776	9,147
Education	-	-	-	-
Capital outlays	230,134	291,610	31,646	259,964
Transfers to other funds	254,208	254,207	122,046	132,161
Total Charges To Appropriations	1,769,863	1,870,171	763,858	1,106,313
Excess Available For Appropriation Over (Under) Charges To Appropriations	509,430	493,934	355,251	(138,683)
Reconciling Items				
Debt service	-	-	-	-
Bond sale proceeds	-	-	-	-
Issuance premiums	-	-	-	-
Refunding COPs Issued	-	-	-	-
Payments to refunded COP escrow agents	-	-	-	-
Entity adjustments (net)	-	-	(1,954)	(1,954)
Changes in reserves (net)	-	-	106,883	106,883
Total Reconciling Items	-	-	104,929	104,929
Budgetary Fund Balance, June 30	$ 509,430	$ 493,934	$ 460,180	$ (33,754)

Concluded

Wildlife and Natural Resources				Local Construction and Loan			
Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget	Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget
$ 591,536	$ 591,536	$ 591,536	$ -	$ 111,597	$ 111,597	$ 111,597	$ -
342,573	389,872	215,673	(174,199)	164,246	83,580	37,443	(46,137)
277,683	280,094	90,704	(189,390)	397	397	-	(397)
2,805	4,989	1,241	(3,748)	-	-	-	-
131,755	131,755	44,550	(87,205)	143,469	143,469	32,866	(110,603)
124,863	154,866	53,749	(101,117)	-	-	-	-
23,784	18,649	7,936	(10,713)	-	-	-	-
4,661	4,002	11,837	7,835	923	855	9,576	8,721
311,955	360,268	144,646	(215,622)	624,212	906,829	134,654	(772,175)
-	-	-	-	-	-	-	-
101,252	144,960	44,102	(100,858)	14,405	14,405	61,026	46,621
1,912,867	2,080,991	1,205,974	(875,017)	1,059,249	1,261,132	387,162	(873,970)
208	208	58	150	3,522	3,487	1,794	1,693
5,420	5,399	2,346	3,053	-	-	-	-
634,717	674,862	278,896	395,966	-	-	-	-
1,417	1,416	682	734	-	-	-	-
450	550	147	403	-	-	-	-
764,641	870,809	154,842	715,967	872,901	1,044,430	100,002	944,428
85,903	120,706	44,417	76,289	92,914	122,914	63,440	59,474
1,492,756	1,673,950	481,388	1,192,562	969,337	1,170,831	165,236	1,005,595
420,111	407,041	724,586	317,545	89,912	90,301	221,926	131,625
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(25,776)	(25,776)	-	-	173	173
-	-	656,094	656,094	-	-	886,370	886,370
-	-	630,318	630,318	-	-	886,543	886,543
$ 420,111	$ 407,041	$ 1,354,904	$ 947,863	$ 89,912	$ 90,301	$ 1,108,469	$ 1,018,168

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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 payment of, general obligation transportation bond principal and interest.

Tobacco Settlement Securitization Bond Fund
The Tobacco Settlement Securitization Bond Fund accounts for the accumulation of resources for, and the payment of, principal and interest on bonds issued by the Tobacco Settlement Authority, a blended component unit of the state.

Transportation Revenue Bond Fund
The Transportation Revenue Bond Fund accounts for the accumulation of resources for, and the payment of, revenue transportation bond principal and interest.

NONMAJOR DEBT SERVICE FUNDS

Combining Balance Sheet

June 30, 2012

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Transportation Revenue Bond	Total
ASSETS					
Cash and pooled investments	$ 19,185	$ 168,560	$ 58,622	$ 2,169	$ 248,536
Investments	7,009	446	-	3	7,458
Other receivables (net of allowance)	1,286	626	21,435	-	23,347
Due from other funds	3,218	112	-	-	3,330
Total Assets	$ 30,698	$ 169,744	$ 80,057	$ 2,172	$ 282,671
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued liabilities	$ 432	$ 924	$ 113	$ -	$ 1,469
Due to other funds	68	176	-	-	244
Total Liabilities	500	1,100	113	-	1,713
Fund Balances:					
Restricted fund balance	6,980	-	79,944	2,169	89,093
Committed fund balance	23,218	168,644	-	3	191,865
Total Fund Balances	30,198	168,644	79,944	2,172	280,958
Total Liabilities and Fund Balances	$ 30,698	$ 169,744	$ 80,057	$ 2,172	$ 282,671

NONMAJOR DEBT SERVICE FUNDS

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

For the Fiscal Year Ended June 30, 2012

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Transportation Revenue Bond	Total
REVENUES					
Investment income (loss)	$ 139	$ 703	$ 61	$ 4	$ 907
Charges for services	16,861	-	44,741	-	61,602
Miscellaneous revenue	2	28,320	-	-	28,322
Total Revenues	17,002	29,023	44,802	4	90,831
EXPENDITURES					
Current:					
General government	-	-	399	-	399
Debt service:					
Principal	489,566	161,389	17,865	-	668,820
Interest	540,485	282,996	26,512	15,254	865,247
Total Expenditures	1,030,051	444,385	44,776	15,254	1,534,466
Excess of Revenues Over (Under) Expenditures	(1,013,049)	(415,362)	26	(15,250)	(1,443,635)
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	1,195,085	313,385	-	-	1,508,470
Payments to escrow agents for refunded bond debt	(1,391,455)	(368,003)	-	-	(1,759,458)
Issuance premiums	200,371	56,059	-	-	256,430
Transfers in	1,061,258	421,158	-	17,422	1,499,838
Transfers out	(46,023)	-	-	-	(46,023)
Total Other Financing Sources (Uses)	1,019,236	422,599	-	17,422	1,459,257
Net Change in Fund Balances	6,187	7,237	26	2,172	15,622
Fund Balances - Beginning	24,011	161,407	79,918	-	265,336
Fund Balances - Ending	$ 30,198	$ 168,644	$ 79,944	$ 2,172	$ 280,958

NONMAJOR DEBT SERVICE FUNDS

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

For the Fiscal Year Ended June 30, 2012

(expressed in thousands)

	General Obligation Bond			
	Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 24,011	$ 24,011	$ 24,011	$ -
Resources				
Charges for services	10,770	10,770	-	(10,770)
Investment income (loss)	269	246	-	(246)
Miscellaneous revenue	5	5	-	(5)
Transfers from other funds	203,942	203,942	84,117	(119,825)
Total Resources	238,997	238,974	108,128	(130,846)
Charges To Appropriations				
General government	167,917	164,904	82,031	82,873
Transfers to other funds	35,208	35,208	-	35,208
Total Charges To Appropriations	203,125	200,112	82,031	118,081
Excess Available For Appropriation Over (Under) Charges To Appropriations	35,872	38,862	26,097	(12,765)
Reconciling Items				
Debt service	-	-	(4,001)	(4,001)
Proceeds of refunding bonds	-	-	1,195,085	1,195,085
Payments to escrow agents for refunded bond debt	-	-	(1,391,455)	(1,391,455)
Issuance premiums	-	-	200,371	200,371
Entity adjustments (net)	-	-	4,101	4,101
Total Reconciling Items	-	-	4,101	4,101
Budgetary Fund Balance, June 30	$ 35,872	$ 38,862	$ 30,198	$ (8,664)

Transportation General Obligation Bond				Transportation Revenue Bond			
Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget	Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget
$ 161,407	$ 161,407	$ 161,407	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
1,048	971	317	(654)	-	-	-	-
-	-	28,320	28,320	-	-	1	1
899,637	929,284	421,158	(508,126)	50,000	57,002	17,422	(39,580)
1,062,092	1,091,662	611,202	(480,460)	50,000	57,002	17,423	(39,579)
968,905	927,784	442,943	484,841	48,441	56,307	15,254	41,053
-	-	-	-	-	-	-	-
968,905	927,784	442,943	484,841	48,441	56,307	15,254	41,053
93,187	163,878	168,259	4,381	1,559	695	2,169	1,474
-	-	(1,441)	(1,441)	-	-	-	-
-	-	313,385	313,385	-	-	-	-
-	-	(368,003)	(368,003)	-	-	-	-
-	-	56,059	56,059	-	-	-	-
-	-	385	385	-	-	3	3
-	-	385	385	-	-	3	3
$ 93,187	$ 163,878	$ 168,644	$ 4,766	$ 1,559	$ 695	$ 2,172	$ 1,477

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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, 2012

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
ASSETS			
Cash and pooled investments	$ 294,196	$ 71,004	$ 365,200
Investments	5	29,328	29,333
Other receivables (net of allowance)	8,602	3,071	11,673
Due from other funds	27,612	276,589	304,201
Due from other governments	1,210	14,074	15,284
Restricted assets:			
Cash and investments	-	70,007	70,007
Receivables	-	2,729	2,729
Total Assets	$ 331,625	$ 466,802	$ 798,427
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 12,811	$ 17,697	$ 30,508
Contracts and retainages payable	13,432	1,779	15,211
Accrued liabilities	579	2,333	2,912
Due to other funds	11,558	283,359	294,917
Due to other governments	17,793	-	17,793
Deferred and unearned revenue	5,134	17,377	22,511
Total Liabilities	61,307	322,545	383,852
Fund Balances:			
Restricted fund balance	265,148	86,601	351,749
Committed fund balance	5,170	57,656	62,826
Total Fund Balances	270,318	144,257	414,575
Total Liabilities and Fund Balances	$ 331,625	$ 466,802	$ 798,427

NONMAJOR CAPITAL PROJECTS FUNDS

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

For the Fiscal Year Ended June 30, 2012

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
REVENUES			
Timber sales	$ 8,213	$ -	$ 8,213
Other contracts and grants	-	1,660	1,660
Federal grants-in-aid	-	78	78
Charges for services	-	63,486	63,486
Investment income (loss)	28	929	957
Miscellaneous revenue	4,719	3,318	8,037
Total Revenues	12,960	69,471	82,431
EXPENDITURES			
Current:			
General government	92,079	26	92,105
Human services	6,151	-	6,151
Natural resources and recreation	76,163	-	76,163
Transportation	65	-	65
Education	213,820	67,301	281,121
Capital outlays	156,169	134,227	290,396
Debt service:			
Principal	-	2,146	2,146
Interest	-	3,083	3,083
Total Expenditures	544,447	206,783	751,230
Excess of Revenues Over (Under) Expenditures	(531,487)	(137,312)	(668,799)
OTHER FINANCING SOURCES (USES)			
Bonds issued	701,589	80,625	782,214
Issuance premiums	81,088	11,098	92,186
Other debt issued	-	2,777	2,777
Transfers in	951	224,871	225,822
Transfers out	(65,259)	(154,182)	(219,441)
Total Other Financing Sources (Uses)	718,369	165,189	883,558
Net Change in Fund Balances	186,882	27,877	214,759
Fund Balances - Beginning, as restated	83,436	116,380	199,816
Fund Balances - Ending	$ 270,318	$ 144,257	$ 414,575

NONMAJOR CAPITAL PROJECTS FUNDS

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

For the Fiscal Year Ended June 30, 2012

(expressed in thousands)

	State Facilities			
	Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 78,342	$ 78,342	$ 78,342	$ -
Resources				
Timber sales	16,430	16,430	8,213	(8,217)
Charges for services	-	-	-	-
Investment income (loss)	34	32	22	(10)
Miscellaneous revenue	9,502	4,970	4,013	(957)
Transfers from other funds	494	494	951	457
Total Resources	104,802	100,268	91,541	(8,727)
Charges To Appropriations				
General government	2,862	4,222	2,528	1,694
Education	-	-	-	-
Capital outlays	1,618,142	2,036,341	591,934	1,444,407
Transfers to other funds	81,664	81,438	12,028	69,410
Total Charges To Appropriations	1,702,668	2,122,001	606,490	1,515,511
Excess Available For Appropriation Over (Under) Charges To Appropriations	(1,597,866)	(2,021,733)	(514,949)	1,506,784
Reconciling Items				
Bond sale proceeds	1,603,915	2,098,312	701,589	(1,396,723)
Issuance premiums	-	-	81,088	81,088
Changes in reserves (net)	-	-	5,664	5,664
Entity adjustments (net)	-	-	(3,074)	(3,074)
Total Reconciling Items	1,603,915	2,098,312	785,267	(1,313,045)
Budgetary Fund Balance, June 30	$ 6,049	$ 76,579	$ 270,318	$ 193,739

Higher Education Facilities			
Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget
$ 116,380	$ 116,380	$ 116,380	$ -
500	500	-	(500)
131,153	131,856	63,486	(68,370)
463	429	163	(266)
1,107	1,106	128	(978)
88,544	88,544	40,518	(48,026)
338,147	338,815	220,675	(118,140)
2	15	26	(11)
13,640	12,793	4,019	8,774
233,891	254,327	79,686	174,641
5,298	5,298	10,350	(5,052)
252,831	272,433	94,081	178,352
85,316	66,382	126,594	60,212
4,260	6,790	6,790	-
-	787	788	1
-	-	-	-
-	-	10,085	10,085
4,260	7,577	17,663	10,086
$ 89,576	$ 73,959	$ 144,257	$ 70,298

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Nonmajor
Enterprise Funds

Enterprise Funds account for any activity for which a fee is charged to external users for goods or services. If an activity's principal revenue source meets any one of the following criteria, it is required to be reported as an enterprise fund: (1) an activity financed with debt that is secured solely by pledge of the net revenues from fees and charges for the activity; (2) laws or regulations which require that the activity's costs of providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues; or (3) pricing policies which establish fees and charges designed to recover the activity's costs, including capital costs. The Nonmajor Enterprise Funds are described below:

Liquor Fund
The Liquor Fund accounts for the administration and operation of state liquor stores and warehouses; the distribution of net sales and licensing revenues; and the enforcement of state liquor and tobacco laws and regulations. In November 2011, Washington state voters approved Initiative 1183 which privatized the distribution and retail sale of liquor effective June 1, 2012.

Lottery Fund
The Lottery Fund accounts for lottery ticket revenues, administrative and operating expenses of the Lottery Commission, and the distribution of revenue.

Institutional Fund
The Institutional Fund accounts for the enterprise activities carried out through vocational/education programs at state institutions.

Other Activities
The Other Activities Fund accounts for the operation of the pollution liability insurance program, the judicial information system, the local Certificate of Participation (COP) financing program, the local government audit program, and the Secretary of State's corporate public records program.

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Fund Net Assets

June 30, 2012

(expressed in thousands)

	Liquor	Lottery	Institutional	Other Activities	Total
ASSETS					
Current Assets:					
Cash and pooled investments	$ 21,635	$ 18,184	$ 4,978	$ 91,077	$ 135,874
Investments	-	39,439	-	-	39,439
Taxes receivable (net of allowance)	9,807	-	-	-	9,807
Other receivables (net of allowance)	16,748	21,157	1,341	357	39,603
Due from other funds	240	518	5,044	167	5,969
Due from other governments	2	-	504	3,760	4,266
Inventories	17,768	372	8,037	97	26,274
Prepaid expenses	-	618	101	12	731
Total Current Assets	66,200	80,288	20,005	95,470	261,963
Noncurrent Assets:					
Investments, noncurrent	-	206,672	-	-	206,672
Other noncurrent assets	-	1	-	-	1
Capital assets:					
Land and other non-depreciable assets	177	-	1,540	-	1,717
Buildings	28,777	-	12,828	-	41,605
Other improvements	97	667	1,679	102	2,545
Furnishings, equipment, and intangibles	17,280	766	18,837	9,132	46,015
Accumulated depreciation	(21,887)	(1,074)	(14,846)	(8,174)	(45,981)
Total Noncurrent Assets	24,444	207,032	20,038	1,060	252,574
Total Assets	90,644	287,320	40,043	96,530	514,537
LIABILITIES					
Current Liabilities:					
Accounts payable	1,566	5,481	3,076	2,162	12,285
Contracts and retainages payable	230	-	-	-	230
Accrued liabilities	1,172	68,469	1,774	8,200	79,615
Bonds and notes payable	2,585	-	644	4	3,233
Due to other funds	16,073	16,892	2,457	683	36,105
Due to other governments	-	-	-	5,600	5,600
Claims and judgments payable	-	-	-	1,546	1,546
Total Current Liabilities	21,626	90,842	7,951	18,195	138,614
Noncurrent Liabilities:					
Claims and judgments payable	-	-	-	10,057	10,057
Bonds and notes payable	2,710	-	6,390	10	9,110
Other long-term liabilities	15,409	168,809	4,262	6,240	194,720
Total Noncurrent Liabilities	18,119	168,809	10,652	16,307	213,887
Total Liabilities	39,745	259,651	18,603	34,502	352,501
NET ASSETS					
Invested in capital assets, net of related debt	19,150	359	13,004	1,046	33,559
Unrestricted	31,749	27,310	8,436	60,982	128,477
Total Net Assets (Deficit)	$ 50,899	$ 27,669	$ 21,440	$ 62,028	$ 162,036

NONMAJOR ENTERPRISE FUNDS

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

For the Fiscal Year Ended June 30, 2012

(expressed in thousands)

	Liquor	Lottery	Institutional	Other Activities	Total
OPERATING REVENUES					
Sales	$ 582,522	$ -	$ 59,716	$ 153	$ 642,391
Less: Cost of goods sold	380,578	-	42,623	86	423,287
Gross profit	201,944	-	17,093	67	219,104
Charges for services	479	-	1,527	27,660	29,666
Premiums and assessments	-	-	-	560	560
Lottery ticket proceeds	-	535,197	-	-	535,197
Miscellaneous revenue	448	-	11	3,097	3,556
Total Operating Revenues	202,871	535,197	18,631	31,384	788,083
OPERATING EXPENSES					
Salaries and wages	46,612	7,259	11,964	25,298	91,133
Employee benefits	25,470	2,782	4,678	8,967	41,897
Personal services	401	11,043	-	2,174	13,618
Goods and services	59,531	58,227	643	14,703	133,104
Travel	1,172	435	258	662	2,527
Lottery prize payments	-	311,545	-	-	311,545
Depreciation and amortization	3,095	132	816	997	5,040
Miscellaneous expenses	1	82	33	13	129
Total Operating Expenses	136,282	391,505	18,392	52,814	598,993
Operating Income (Loss)	66,589	143,692	239	(21,430)	189,090
NONOPERATING REVENUES (EXPENSES)					
Earnings (loss) on investments	-	24,038	-	16	24,054
Interest expense	(310)	(12,820)	(306)	-	(13,436)
Distributions to other governments	(48,374)	(2,701)	-	-	(51,075)
Tax and license revenue	51,819	15	-	20,103	71,937
Other revenues (expenses)	29,140	8	27	182	29,357
Total Nonoperating Revenues (Expenses)	32,275	8,540	(279)	20,301	60,837
Income (Loss) Before Transfers	98,864	152,232	(40)	(1,129)	249,927
Transfers in	3,261	12,046	680	-	15,987
Transfers out	(97,494)	(147,383)	(1,405)	-	(246,282)
Net Transfers	(94,233)	(135,337)	(725)	-	(230,295)
Change in Net Assets	4,631	16,895	(765)	(1,129)	19,632
Net Assets (Deficit) - Beginning, as restated	46,268	10,774	22,205	63,157	142,404
Net Assets (Deficit) - Ending	$ 50,899	$ 27,669	$ 21,440	$ 62,028	$ 162,036

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2012

(expressed in thousands)

	Liquor	Lottery	Institutional
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 571,253	$ 533,052	$ 64,215
Payments to suppliers	(451,665)	(426,376)	(45,825)
Payments to employees	(73,023)	(9,723)	(16,114)
Other receipts	447	-	13
Net Cash Provided (Used) by Operating Activities	47,012	96,953	2,289
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	3,261	12,046	680
Transfers out	(97,494)	(147,383)	(1,405)
Operating grants and donations received	8	-	-
Taxes and license fees collected	52,525	15	-
Distributions to other governments	(48,374)	(2,701)	-
Other noncapital financing activity	30,208	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(59,866)	(138,023)	(725)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	(310)	-	(306)
Principal payments on long-term capital financing	(2,465)	-	(671)
Proceeds from sale of capital assets	4	55	56
Acquisitions of capital assets	(155)	(262)	(50)
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,926)	(207)	(971)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	-	58	-
Proceeds from sale of investment securities	-	90,935	-
Purchases of investment securities	-	(45,467)	-
Net Cash Provided (Used) by Investing Activities	-	45,526	-
Net Increase (Decrease) in Cash and Pooled Investments	(15,780)	4,249	593
Cash and Pooled Investments, July 1, as restated	37,415	13,935	4,385
Cash and Pooled Investments, June 30	$ 21,635	$ 18,184	$ 4,978
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	$ 66,589	$ 143,692	$ 239
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:			
Depreciation	3,095	132	816
Revenue reduced for uncollectible accounts	-	80	-
Change in Assets: Decrease (Increase)			
Receivables	(11,748)	(2,144)	2,984
Inventories	31,298	8	(1,513)
Prepaid expenses	-	29	61
Change in Liabilities: Increase (Decrease)			
Payables	(42,222)	(44,844)	(298)
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 47,012	$ 96,953	$ 2,289
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Acquisition of capital assets through Certificates of Participation/capital leases	$ -	$ -	$ -
Amortization of annuity prize liability	-	12,820	-
Increase (decrease) in fair value of investments	-	23,980	-

Other Activities	Total
$ 28,774	$ 1,197,294
(17,079)	(940,945)
(33,030)	(131,890)
3,095	3,555
(18,240)	128,014
-	15,987
-	(246,282)
333	341
20,102	72,642
-	(51,075)
-	30,208
20,435	(178,179)
-	(616)
(4)	(3,140)
-	115
(158)	(625)
(162)	(4,266)
14	72
-	90,935
-	(45,467)
14	45,540
2,047	(8,891)
89,030	144,765
$ 91,077	$ 135,874
$ (21,430)	$ 189,090
997	5,040
-	80
401	(10,507)
(13)	29,780
1	91
1,804	(85,560)
$ (18,240)	$ 128,014
$ 18	$ 18
-	12,820
2	23,982

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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 Certification 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 distribution and apportionment of the full cost of data processing and data communication services to other state agencies, and for the payment of other costs incidental to the acquisition, operation, and administration of acquired data processing services, supplies, and equipment.

Higher Education Revolving Fund
The Higher Education Revolving Fund accounts for stores, data processing, educational, operational printing and duplication, motor pool, and other support service activities at colleges and universities.

Risk Management Fund
The Risk Management Fund administers tort and sundry claims filed against Washington state agencies, except for the University of Washington and the 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 Fund Net Assets

June 30, 2012

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
ASSETS			
Current Assets:			
Cash and pooled investments	$ 115,764	$ 31,995	$ 183,112
Investments	-	-	458
Other receivables (net of allowance)	6,430	1,736	5,996
Due from other funds	49,411	29,793	12,807
Due from other governments	1,750	7,484	3,914
Inventories	7,818	1,146	10,603
Prepaid expenses	3,527	1,541	5
Restricted assets:			
Receivables	2	52,278	-
Total Current Assets	184,702	125,973	216,895
Noncurrent Assets:			
Investments, noncurrent	8	-	6,391
Capital assets:			
Land and other non-depreciable assets	3,942	-	2,533
Buildings	138,243	245,219	54,962
Other improvements	12,549	3,150	97
Furnishings, equipment, and intangibles	455,951	242,412	127,869
Infrastructure	1,818	-	-
Accumulated depreciation	(297,983)	(186,857)	(120,215)
Construction in progress	38,368	8,088	1,076
Total Noncurrent Assets	352,896	312,012	72,713
Total Assets	537,598	437,985	289,608
LIABILITIES			
Current Liabilities:			
Accounts payable	7,626	8,752	9,704
Contracts and retainages payable	1,888	-	256
Accrued liabilities	18,361	2,125	27,867
Bonds and notes payable	42,419	16,986	4,121
Due to other funds	13,900	11,134	22,658
Due to other governments	16,480	-	-
Unearned revenue	410	2	254
Claims and judgments payable	-	-	12,953
Total Current Liabilities	101,084	38,999	77,813
Noncurrent Liabilities:			
Claims and judgments payable	-	-	49,967
Bonds and notes payable	127,135	330,951	37,933
Other long-term liabilities	53,130	13,399	27,159
Total Noncurrent Liabilities	180,265	344,350	115,059
Total Liabilities	281,349	383,349	192,872
NET ASSETS			
Invested in capital assets, net of related debt	213,954	16,352	24,268
Unrestricted	42,295	38,284	72,468
Total Net Assets (Deficit)	$ 256,249	$ 54,636	$ 96,736

Risk Management	Health Insurance	Total
$ 107,905	$ 387,651	$ 826,427
-	500	958
34	7,334	21,530
404	20,365	112,780
-	30,822	43,970
-	-	19,567
-	-	5,073
-	-	52,280
108,343	446,672	1,082,585
-	614	7,013
-	-	6,475
-	-	438,424
-	-	15,796
16	2,915	829,163
-	-	1,818
-	(2,855)	(607,910)
-	-	47,532
16	674	738,311
108,359	447,346	1,820,896
50	21,666	47,798
-	28	2,172
55	1,852	50,260
-	-	63,526
4,151	21,699	73,542
-	12	16,492
59	351	1,076
154,422	68,907	236,282
158,737	114,515	491,148
658,951	-	708,918
-	-	496,019
413	2,052	96,153
659,364	2,052	1,301,090
818,101	116,567	1,792,238
16	60	254,650
(709,758)	330,719	(225,992)
$ (709,742)	$ 330,779	$ 28,658

INTERNAL SERVICE FUNDS

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

For the Fiscal Year Ended June 30, 2012

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
OPERATING REVENUES			
Sales	$ 32,925	$ 58,041	$ 18,884
Less: Cost of goods sold	29,307	57,176	12,019
Gross profit	3,618	865	6,865
Charges for services	250,492	160,012	264,921
Premiums and assessments	410	-	-
Miscellaneous revenue	100,618	5,901	9,290
Total Operating Revenues	355,138	166,778	281,076
OPERATING EXPENSES			
Salaries and wages	132,303	42,172	116,325
Employee benefits	50,957	14,125	40,402
Personal services	5,581	1,962	6,733
Goods and services	130,105	83,424	89,065
Travel	1,850	118	1,244
Premiums and claims	-	-	-
Depreciation and amortization	33,289	26,855	12,476
Miscellaneous expenses	1,029	3	319
Total Operating Expenses	355,114	168,659	266,564
Operating Income (Loss)	24	(1,881)	14,512
NONOPERATING REVENUES (EXPENSES)			
Earnings (loss) on investments	313	-	2,464
Interest expense	(6,593)	(16,209)	(1,323)
Tax and license revenue	21	-	-
Other revenues (expenses)	(2,991)	(2,202)	356
Total Nonoperating Revenues (Expenses)	(9,250)	(18,411)	1,497
Income (Loss) Before Contributions and Transfers	(9,226)	(20,292)	16,009
Capital contributions	4,574	-	935
Transfers in	6,044	16,964	15,295
Transfers out	-	(14,924)	(10,544)
Net Contributions and Transfers	10,618	2,040	5,686
Change in Net Assets	1,392	(18,252)	21,695
Net Assets (Deficit) - Beginning, as restated	254,857	72,888	75,041
Net Assets (Deficit) - Ending	$ 256,249	$ 54,636	$ 96,736

Risk Management	Health Insurance	Total
$ -	$ -	$ 109,850
-	-	98,502
-	-	11,348
4,211	-	679,636
82,596	1,368,610	1,451,616
32	70	115,911
86,839	1,368,680	2,258,511
1,139	6,570	298,509
409	2,439	108,332
62	1,426	15,764
17,792	8,597	328,983
16	64	3,292
166,199	1,133,824	1,300,023
-	63	72,683
-	-	1,351
185,617	1,152,983	2,128,937
(98,778)	215,697	129,574
-	1,871	4,648
-	-	(24,125)
-	-	21
-	(52)	(4,889)
-	1,819	(24,345)
(98,778)	217,516	105,229
-	-	5,509
-	-	38,303
-	-	(25,468)
-	-	18,344
(98,778)	217,516	123,573
(610,964)	113,263	(94,915)
$ (709,742)	$ 330,779	$ 28,658

INTERNAL SERVICE FUNDS

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2012

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 275,179	$ 207,877	$ 283,212
Payments to suppliers	(191,445)	(144,048)	(94,267)
Payments to employees	(177,246)	(55,253)	(153,516)
Other receipts	98,910	5,900	9,291
Net Cash Provided (Used) by Operating Activities	5,398	14,476	44,720
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	6,044	16,964	15,295
Transfers out	-	(14,924)	(10,544)
Operating grants and donations received	5	19	34
Taxes and license fees collected	21	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	6,070	2,059	4,785
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	(6,484)	(16,209)	(1,323)
Principal payments on long-term capital financing	(14,663)	(9,846)	(4,426)
Proceeds from long-term capital financing	6,290	18,954	25,641
Proceeds from sale of capital assets	3,463	7,377	4,798
Acquisitions of capital assets	(41,562)	(27,374)	(35,163)
Net Cash Provided (Used) by Capital and Related Financing Activities	(52,956)	(27,098)	(10,473)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	128	-	2,481
Proceeds from sale of investment securities	-	-	5,159
Purchases of investment securities	-	-	(7,208)
Net Cash Provided (Used) by Investing Activities	128	-	432
Net Increase (Decrease) in Cash and Pooled Investments	(41,360)	(10,563)	39,464
Cash and Pooled Investments, July 1, as restated	157,124	42,558	143,648
Cash and Pooled Investments, June 30	$ 115,764	$ 31,995	$ 183,112
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	$ 24	$ (1,881)	$ 14,512
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:			
Depreciation	33,289	26,855	12,476
Revenue reduced for uncollectible accounts	99	-	1
Change in Assets: Decrease (Increase)			
Receivables	(8,120)	(10,174)	(581)
Inventories	(1,128)	(441)	(788)
Prepaid expenses	(1,026)	415	6
Change in Liabilities: Increase (Decrease)			
Payables	(17,740)	(298)	19,094
Net Cash or Cash Equivalents Provided by (Used In) Operating Activities	$ 5,398	$ 14,476	$ 44,720
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Contributions of capital assets	$ 4,741	$ -	$ 935
Acquisition of capital assets through Certificates of Participation/capital leases	-	-	3,994
Acquisition of capital assets through revenue bonds (Revenue Ruling 63-20 tax-exempt obligations)	-	252,232	-
Increase (decrease) in fair value of investments	18	-	-
Debt refunding deposited with escrow agent	4,531	-	-

Risk Management	Health Insurance	Total
$ 86,797	$ 1,388,240	$ 2,241,305
(73,817)	(1,290,700)	(1,794,277)
(1,493)	(8,840)	(396,348)
32	70	114,203
11,519	88,770	164,883
-	-	38,303
-	-	(25,468)
-	-	58
-	-	21
-	-	12,914
-	-	(24,016)
-	-	(28,935)
-	-	50,885
-	-	15,638
(15)	-	(104,114)
(15)	-	(90,542)
-	1,064	3,673
-	172,216	177,375
-	(114,095)	(121,303)
-	59,185	59,745
11,504	147,955	147,000
96,401	239,696	679,427
$ 107,905	$ 387,651	$ 826,427
$ (98,778)	$ 215,697	$ 129,574
-	63	72,683
-	-	100
(10)	19,650	765
-	-	(2,357)
-	-	(605)
110,307	(146,640)	(35,277)
$ 11,519	$ 88,770	$ 164,883
$ -	$ -	$ 5,676
-	-	3,994
-	-	252,232
-	818	836
-	-	4,531

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Fiduciary Funds

Fiduciary Funds account for assets held in a trustee or agent capacity for outside parties, including individuals, private organizations, and other governments.

AGENCY FUNDS

Agency Funds account for resources held by the state in a custodial capacity for other governments, private organizations, or individuals. The Agency Funds are described below:

Suspense Fund

The Suspense Fund accounts for receipts where final disposition is pending.

Local Government Distributions Fund

The Local Government Distributions Fund accounts for the receipt and allocation of taxes and fees imposed by local governments.

Pooled Investments Fund

The Pooled Investments Fund is used to administer the pooling and investing of surplus state funds, and the accumulation and allocation of interest earned among the various accounts and funds from which such investments and investment deposits were made. These balances are distributed to the owner funds at June 30.

Retiree Health Insurance Fund

The Retiree Health Insurance Fund accounts for premiums collected and payments for retiree insurance benefits.

Other Agency Fund

The Other Agency Fund accounts for (1) assets held for employees, foster children, inmates, patients, and residents of state institutions; (2) the local government share of contracted timber sales; and (3) monies held under other custodial responsibilities of the state.

AGENCY FUNDS

Combining Statement of Assets and Liabilities

June 30, 2012

(expressed in thousands)

	Suspense	Local Government Distributions	Retiree Health Insurance	Other Agency	Total
ASSETS					
Cash and pooled investments	$ 4,539	$ 240,874	$ 10,261	$ 53,146	$ 308,820
Other receivables	30	876	436	3,899	5,241
Due from other funds	-	-	-	2	2
Due from other governments	-	-	15,564	3,636	19,200
Investments, noncurrent	-	344	-	212	556
Other noncurrent assets	-	-	-	46,978	46,978
Total Assets	$ 4,569	$ 242,094	$ 26,261	$ 107,873	$ 380,797
LIABILITIES					
Accounts payable	$ -	$ -	$ 5,661	$ 3,775	$ 9,436
Contracts and retainages payable	-	-	20,373	8,632	29,005
Accrued liabilities	4,491	1,406	227	44,011	50,135
Due to other funds	-	-	-	73	73
Due to other governments	78	240,688	-	4,404	245,170
Other long-term liabilities	-	-	-	46,978	46,978
Total Liabilities	$ 4,569	$ 242,094	$ 26,261	$ 107,873	$ 380,797

AGENCY FUNDS

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2012

(expressed in thousands)

Continued

Suspense Fund	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS				
Cash and pooled investments	$ 3,154	$ 1,775,938	$ 1,774,553	$ 4,539
Other receivables	-	22,245	22,215	30
Due from other funds	-	143,584	143,584	-
Total Assets	$ 3,154	$ 1,943,576	$ 1,942,161	$ 4,569
LIABILITIES				
Accounts payable	$ 21	$ 5,266	$ 5,287	$ -
Contracts and retainages payable	13	19	32	-
Accrued liabilities	3,117	285,142	283,768	4,491
Due to other funds	2	2	4	-
Due to other governments	1	167,645	167,568	78
Total Liabilities	$ 3,154	$ 458,074	$ 456,659	$ 4,569
Local Government Distributions Fund				
ASSETS				
Cash and pooled investments	$ 230,041	$ 8,725,735	$ 8,714,902	$ 240,874
Other receivables	406	470	-	876
Due from other funds	-	23,432	23,432	-
Investments, noncurrent	-	18,188	17,844	344
Total Assets	$ 230,447	$ 8,767,825	$ 8,756,178	$ 242,094
LIABILITIES				
Accrued liabilities	$ -	$ 1,406	$ -	$ 1,406
Due to other funds	135	361	496	-
Due to other governments	230,312	2,942,338	2,931,962	240,688
Total Liabilities	$ 230,447	$ 2,944,105	$ 2,932,458	$ 242,094
Pooled Investments Fund				
ASSETS				
Cash and pooled investments	$ -	$ 558,484,849	$ 558,484,849	$ -
Other receivables	-	296,470	296,470	-
Total Assets	$ -	$ 559,645,724	$ 559,645,724	$ -
LIABILITIES				
Accounts payable	$ -	$ 361	$ 361	$ -
Accrued liabilities	-	60,600	60,600	-
Total Liabilities	$ -	$ 66,829	$ 66,829	$ -

AGENCY FUNDS

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2012

(expressed in thousands)

Concluded

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Retiree Health Insurance Fund				
ASSETS				
Cash and pooled investments	$ 8,879	$ 530,600	$ 529,218	$ 10,261
Other receivables	248	132,831	132,643	436
Due from other governments	15,129	309,904	309,469	15,564
Investments, noncurrent	28,151	79,525	107,676	-
Total Assets	$ 52,407	$ 1,052,860	$ 1,079,006	$ 26,261
LIABILITIES				
Accounts payable	$ 1,489	$ 300,704	$ 296,532	$ 5,661
Contracts and retainages payable	50,901	145,877	176,405	20,373
Accrued liabilities	17	210	-	227
Total Liabilities	$ 52,407	$ 446,791	$ 472,937	$ 26,261
Other Agency Funds				
ASSETS				
Cash and pooled investments	$ 52,111	$ 16,514,829	$ 16,513,794	$ 53,146
Other receivables	6,916	2,105,305	2,108,322	3,899
Due from other funds*	-	169,570	169,568	2
Due from other governments*	3,773	28,126	28,263	3,636
Investments, noncurrent	192	28,653	28,633	212
Other noncurrent assets	40,842	6,136	-	46,978
Total Assets	$ 103,834	$ 18,852,619	$ 18,848,580	$ 107,873
LIABILITIES				
Accounts payable	$ 3,934	$ 1,096,686	$ 1,096,845	$ 3,775
Contracts and retainages payable	9,431	640,308	641,107	8,632
Accrued liabilities*	3,015	5,568,654	5,527,658	44,011
Due to other funds	38,200	281,714	319,841	73
Due to other governments	8,411	71,054	75,061	4,404
Other long-term obligations	40,843	6,135	-	46,978
Total Liabilities	$ 103,834	$ 7,664,551	$ 7,660,512	$ 107,873
Totals - All Agency Funds				
ASSETS				
Cash and pooled investments	$ 294,185	$ 586,031,951	$ 586,017,316	$ 308,820
Other receivables	7,570	2,557,321	2,559,650	5,241
Due from other funds*	-	339,959	339,957	2
Due from other governments*	18,902	339,839	339,541	19,200
Investments, noncurrent	28,343	987,398	1,015,185	556
Other noncurrent assets	40,842	6,136	-	46,978
Total Assets	$ 389,842	$ 590,262,604	$ 590,271,649	$ 380,797
LIABILITIES				
Accounts payable	$ 5,444	$ 1,403,017	$ 1,399,025	$ 9,436
Contracts and retainages payable	60,345	786,204	817,544	29,005
Accrued liabilities*	6,149	5,916,012	5,872,026	50,135
Due to other funds	38,337	287,945	326,209	73
Due to other governments	238,724	3,181,037	3,174,591	245,170
Other long-term obligations	40,843	6,135	-	46,978
Total Liabilities	$ 389,842	$ 11,580,350	$ 11,589,395	$ 380,797

* Beginning balance reflects a prior period adjustment.

Nonmajor

Component Units

Discrete component units are entities which are legally separate from the state but which are financially accountable to the state. The nonmajor component units are described below:

Washington State Housing Finance Commission
The Washington State Housing Finance Commission makes funds available to help provide housing throughout the state, and to finance or refinance nursing homes and capital facilities owned and operated by nonprofit corporations.

Washington Health Care Facilities Authority
The Washington Health Care Facilities Authority makes funds available to qualified, nonprofit health care facilities in the state.

Washington Higher Education Facilities Authority
The Washington Higher Education Facilities Authority provides funding to qualified, nonprofit higher education institutions in the state.

Washington Economic Development Finance Authority
The Washington Economic Development Finance Authority makes funds available to qualified, small and medium-sized businesses in the state for qualifying manufacturing and processing facilities and projects.

NONMAJOR COMPONENT UNITS

Combining Statement of Fund Net Assets

June 30, 2012

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
ASSETS					
Current Assets:					
Cash and pooled investments	$ 10,613	$ 233	$ 2,133	$ 232	$ 13,211
Investments	38,710	3,600	-	245	42,555
Other receivables (net of allowance)	2,919	337	4	-	3,260
Prepaid expenses	91	8	15	-	114
Total Current Assets	52,333	4,178	2,152	477	59,140
Noncurrent Assets:					
Other noncurrent assets	93,062	-	-	-	93,062
Capital assets:					
Furnishings, equipment and intangible assets	1,608	-	-	-	1,608
Accumulated depreciation	(1,532)	-	-	-	(1,532)
Total Noncurrent Assets	93,138	-	-	-	93,138
Total Assets	145,471	4,178	2,152	477	152,278
LIABILITIES					
Current Liabilities:					
Accounts payable	41,880	95	87	-	42,062
Accrued liabilities	-	50	-	2	52
Unearned revenue	6,406	46	-	-	6,452
Total Current Liabilities	48,286	191	87	2	48,566
Total Liabilities	48,286	191	87	2	48,566
NET ASSETS					
Invested in capital assets, net of related debt	76	-	-	-	76
Restricted for other purposes	1,083	-	-	-	1,083
Unrestricted	96,026	3,987	2,065	475	102,553
Total Net Assets (Deficit)	$ 97,185	$ 3,987	$ 2,065	$ 475	$ 103,712

NONMAJOR COMPONENT UNITS

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

For the Fiscal Year Ended June 30, 2012

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
OPERATING REVENUES					
Charges for services	$ 15,200	$ 957	$ 488	$ 228	$ 16,873
Total Operating Revenues	15,200	957	488	228	16,873
OPERATING EXPENSES					
Salaries and wages	3,891	336	-	168	4,395
Employee benefits	1,258	103	-	43	1,404
Personal services	1,247	330	59	-	1,636
Goods and services	1,561	179	220	52	2,012
Travel	-	18	-	9	27
Depreciation and amortization	149	-	-	-	149
Miscellaneous expenses	1,135	5	-	-	1,140
Total Operating Expenses	9,241	971	279	272	10,763
Operating Income (Loss)	5,959	(14)	209	(44)	6,110
NONOPERATING REVENUES (EXPENSES)					
Earnings (loss) on investments	842	53	2	1	898
Operating grants and contributions	29,456	-	-	-	29,456
Distributions of operating grants	(29,456)	-	-	-	(29,456)
Total Nonoperating Revenues (Expenses)	842	53	2	1	898
Income (Loss)	6,801	39	211	(43)	7,008
Change in Net Assets	6,801	39	211	(43)	7,008
Net Assets - Beginning	90,384	3,948	1,854	518	96,704
Net Assets - Ending	$ 97,185	$ 3,987	$ 2,065	$ 475	$ 103,712

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SCHEDULES

COMBINING SCHEDULE FOR GENERAL FUND ACCOUNTS

Balance Sheet

June 30, 2012

(expressed in thousands)

	General Fund Basic Account	Administrative Accounts	Total
ASSETS			
Cash and pooled investments	$ 88	$ 240,898	$ 240,986
Investments	-	506	506
Taxes receivable (net of allowance)	3,165,658	-	3,165,658
Other receivables (net of allowance)	159,440	8,113	167,553
Due from other funds	176,695	16,015	192,710
Due from other governments	1,211,915	8,167	1,220,082
Inventories and prepaids	12,891	-	12,891
Restricted assets:			
Cash and investments	-	17,511	17,511
Receivables	9,359	-	9,359
Total Assets	$ 4,736,046	$ 291,210	$ 5,027,256
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 824,699	$ 7,639	$ 832,338
Contracts and retainages payable	31,505	2,509	34,014
Accrued liabilities	167,356	15,401	182,757
Due to other funds	718,260	55,534	773,794
Due to other governments	567,945	5,830	573,775
Deferred and unearned revenue	1,594,322	13	1,594,335
Claims and judgments payable	31,620	-	31,620
Total Liabilities	3,935,707	86,926	4,022,633
Fund Balances:			
Nonspendable fund balance	54,725	1	54,726
Restricted fund balance	5,702	155,987	161,689
Committed fund balance	-	78,117	78,117
Assigned fund balance	739,912	(29,821)	710,091
Total Fund Balances	800,339	204,284	1,004,623
Total Liabilities and Fund Balances	$ 4,736,046	$ 291,210	$ 5,027,256

Note: In the General Fund Basic Account, unassigned negative fund balance of ($380,221) was offset by a like amount of assigned fund balance to comply with the requirements of GASB Statement No. 54.

COMBINING SCHEDULE FOR GENERAL FUND ACCOUNTS

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2012

(expressed in thousands)

	General Fund Basic Account	Administrative Accounts	Total
REVENUES			
Retail sales and use taxes	$ 7,273,665	$ -	$ 7,273,665
Business and occupation taxes	3,144,561	-	3,144,561
Property taxes	1,897,095	-	1,897,095
Excise taxes	434,144	-	434,144
Other taxes	1,797,296	-	1,797,296
Licenses, permits, and fees	98,775	265	99,040
Timber sales	4,504	-	4,504
Other contracts and grants	222,561	53	222,614
Federal grants-in-aid	8,823,119	540	8,823,659
Charges for services	30,152	-	30,152
Investment income (loss)	(7,120)	914	(6,206)
Miscellaneous revenue	184,753	827	185,580
Unclaimed property	77,392	-	77,392
Total Revenues	23,980,897	2,599	23,983,496
EXPENDITURES			
Current:			
General government	715,160	30,083	745,243
Human services	13,179,608	29,888	13,209,496
Natural resources and recreation	316,632	56,756	373,388
Transportation	40,442	1,268	41,710
Education	8,840,829	327,876	9,168,705
Intergovernmental	33,312	71,793	105,105
Capital outlays	65,756	1,043	66,799
Debt service:			
Principal	16,482	-	16,482
Interest	708	1	709
Total Expenditures	23,208,929	518,708	23,727,637
Excess of Revenues Over (Under) Expenditures	771,968	(516,109)	255,859
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	72,766	72,766
Issuance premiums	929	2,265	3,194
Other debt issued	15,181	-	15,181
Refunding COPs issued	3,270	-	3,270
Payments to escrow agents for refunded COP debt	(3,565)	-	(3,565)
Transfers in	346,021	149,633	495,654
Transfers out	(1,388,947)	332,624	(1,056,323)
Total Other Financing Sources (Uses)	(1,027,111)	557,288	(469,823)
Net Change in Fund Balances	(255,143)	41,179	(213,964)
Fund Balances - Beginning, as restated	1,055,482	163,105	1,218,587
Fund Balances - Ending	$ 800,339	$ 204,284	$ 1,004,623

GENERAL FUND ACCOUNTS

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

For the Fiscal Year Ended June 30, 2012

(expressed in thousands)

	General Fund Basic Account			
	Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ (91,994)	$ (91,994)	$ (91,994)	$ -
Resources				
Taxes	31,210,941	29,568,204	14,513,449	(15,054,755)
Licenses, permits, and fees	176,311	197,711	98,775	(98,936)
Other contracts and grants	523,659	540,495	222,561	(317,934)
Timber sales	7,280	6,090	4,504	(1,586)
Federal grants-in-aid	15,009,121	14,880,984	7,057,761	(7,823,223)
Charges for services	60,097	63,916	30,152	(33,764)
Investment income (loss)	2,664	(26,910)	(9,529)	17,381
Miscellaneous revenue	403,657	406,931	183,764	(223,167)
Unclaimed property	108,623	166,959	109,263	(57,696)
Transfers from other funds	877,879	910,759	558,860	(351,899)
Total Resources	48,288,238	46,623,145	22,677,566	(23,945,579)
Charges To Appropriations				
General government	3,512,627	3,506,629	1,684,788	1,821,841
Human services	24,216,993	23,402,180	11,440,899	11,961,281
Natural resources and recreation	634,398	623,057	281,589	341,468
Transportation	97,374	89,284	42,163	47,121
Education	18,538,529	18,277,531	9,061,982	9,215,549
Capital outlays	357,021	389,796	78,359	311,437
Transfers to other funds	681,290	657,824	410,833	246,991
Total Charges To Appropriations	48,038,232	46,946,301	23,000,613	23,945,688
Excess Available For Appropriation Over (Under) Charges To Appropriations	250,006	(323,156)	(323,047)	109
Reconciling Items				
Debt service	-	-	(26)	(26)
Bond sale proceeds	-	-	-	-
Issuance premiums	-	-	321	321
Refunding COPs issued	-	-	3,270	3,270
Payments to escrow agents for refunded debt	-	-	(3,565)	(3,565)
Assumed reversions	-	120,000	-	(120,000)
Working capital adjustment	-	238,000	-	(238,000)
Changes in reserves (net)	-	-	(33,353)	(33,353)
Entity adjustments (net)	-	-	(23,821)	(23,821)
Total Reconciling Items	-	358,000	(57,174)	(415,174)
Budgetary Fund Balance, June 30	$ 250,006	$ 34,844	$ (380,221)	$ (415,065)

Administrative Accounts in the General Fund			
Original Budget 2011-13 Biennium	Final Budget 2011-13 Biennium	Actual 2011-13 Biennium	Variance with Final Budget
$ 154,730	$ 154,730	$ 154,730	$ -
(145,835)	(145,744)	(71,793)	73,951
614	635	265	(370)
13	26	-	(26)
-	-	-	-
525	1,355	-	(1,355)
-	-	-	-
899	820	571	(249)
(7,953)	(7,750)	(4,168)	3,582
-	-	-	-
1,019,901	1,047,276	591,892	(455,384)
1,022,894	1,051,348	671,497	(379,851)
37,738	34,695	3,029	31,666
63,406	67,826	29,888	37,938
4,994	5,241	1,971	3,270
4,505	4,493	1,269	3,224
227,000	226,800	113,500	113,300
270,372	357,895	75,185	282,710
258,600	273,035	277,123	(4,088)
866,615	969,985	501,965	468,020
156,279	81,363	169,532	88,169
-	-	-	-
103,825	120,844	72,766	(48,078)
-	-	2,265	2,265
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	7,081	7,081
-	-	(47,361)	(47,361)
103,825	120,844	34,751	(86,093)
$ 260,104	$ 202,207	$ 204,283	$ 2,076

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

For the Fiscal Year Ended June 30, 2012

(expressed in thousands)

Continued

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
REVENUES					
Taxes, net of related credits:					
Retail sales and use	$ 7,273,665	$ -	$ -	$ 75,729	$ 7,349,394
Business and occupation	3,144,561	-	-	4,866	3,149,427
Motor vehicle and fuel	-	-	-	1,177,987	1,177,987
Liquor, beer, and wine	295,984	-	-	27,401	323,385
Cigarette and tobacco	470,765	-	-	-	470,765
Insurance premiums	420,861	-	-	9,190	430,051
Public utilities	426,949	-	-	11,402	438,351
Property	1,897,095	-	-	-	1,897,095
Excise	434,144	-	-	60,989	495,133
Gift and inheritance	195	104,397	-	-	104,592
Other taxes	182,542	-	-	241,062	423,604
Total Taxes	14,546,761	104,397	-	1,608,626	16,259,784
Licenses, Permits, and Fees:					
Business and professions	84,008	-	-	131,247	215,255
Recreational hunting and fishing	772	-	-	39,490	40,262
Motor vehicle	4,059	289	-	466,668	471,016
Motor vehicle operators	-	-	-	69,745	69,745
Other fees	10,201	-	-	437,252	447,453
Total Licenses, Permits, and Fees	99,040	289	-	1,144,402	1,243,731
Federal Grants-In-Aid:					
Department of Health & Human Services	5,422,447	675,210	-	9,578	6,107,235
Department of Labor	84,158	4,920	-	175,175	264,253
Department of Agriculture	2,130,790	44,201	-	97,151	2,272,142
Department of Transportation	2,487	2,911	-	923,654	929,052
Department of Education	760,298	726,557	-	3,127	1,489,982
Other federal grants-in-aid	423,479	302,431	104	116,711	842,725
Total Federal Grants-In-Aid	8,823,659	1,756,230	104	1,325,396	11,905,389
Charges for Services:					
Tuition and student fees	-	1,788,900	-	80,407	1,869,307
Other charges	30,152	481,286	69	519,195	1,030,702
Total Charges For Services	30,152	2,270,186	69	599,602	2,900,009
Miscellaneous Revenue:					
Investment earnings (loss)	(6,206)	68,846	21,000	84,963	168,603
Timber sales	4,504	85	14,117	108,857	127,563
Fines and forfeitures	101,880	5,204	-	39,843	146,927
Other contracts and grants	222,614	759,077	-	51,304	1,032,995
Contributions and donations	-	-	47,210	-	47,210
Unclaimed property	77,392	-	-	-	77,392
Other	83,700	110,536	1,979	324,871	521,086
Total Miscellaneous Revenue	483,884	943,748	84,306	609,838	2,121,776
Total Revenues	23,983,496	5,074,850	84,479	5,287,864	34,430,689

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

For the Fiscal Year Ended June 30, 2012

(expressed in thousands)

Concluded

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
OTHER FINANCING SOURCES (USES)					
Bonds issued	72,766	66,661	-	2,330,179	2,469,606
Refunding bonds issued	-	-	-	1,508,470	1,508,470
Payments to escrow agents for refunded bond debt	-	-	-	(1,759,458)	(1,759,458)
Issuance premiums	3,194	308	-	536,461	539,963
Other debt issued	15,181	2,963	-	3,198	21,342
Refunding COPs issued	3,270	3,795	-	3,749	10,814
Payments to escrow agents for refunded COP debt	(3,565)	(3,890)	-	(3,846)	(11,301)
Transfers in	495,654	90,667	2,154	2,080,241	2,668,716
Transfers out	(1,056,323)	(125,356)	(129,583)	(1,205,409)	(2,516,671)
Total Other Financing Sources (Uses)	(469,823)	35,148	(127,429)	3,493,585	2,931,481
Total Revenues and Other Financing Sources (Uses)	$ 23,513,673	$ 5,109,998	$ (42,950)	$ 8,781,449	$ 37,362,170

Schedule of Expenditures
Governmental Funds

For the Fiscal Year Ended June 30, 2012
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
EXPENDITURES					
By Function:					
General government	$ 873,434	$ 578	$ 116	$ 2,251,771	$ 3,125,899
Human services	13,244,218	340	-	730,619	13,975,177
Natural resources and recreation	388,063	-	16,543	568,973	973,579
Transportation	42,900	-	-	3,393,467	3,436,367
Education	9,179,022	4,917,308	2,268	678,613	14,777,211
Total Expenditures	$ 23,727,637	$ 4,918,226	$ 18,927	$ 7,623,443	$ 36,288,233
By Object:					
Salaries and wages	$ 2,397,627	$ 1,828,462	$ 1	$ 1,045,808	$ 5,271,898
Employee benefits	818,928	633,733	-	347,409	1,800,070
Personal services	139,901	47,956	276	45,033	233,166
Goods and services	1,222,242	902,964	1,940	789,946	2,917,092
Travel	29,965	89,019	3	25,956	144,943
Subtotal	4,608,663	3,502,134	2,220	2,254,152	10,367,169
Grants and Subsidies:					
K-12 basic education	7,624,968	24,368	-	553,008	8,202,344
Public assistance	9,046,166	340	-	273,944	9,320,450
Other miscellaneous	2,258,745	1,154,153	164	750,422	4,163,484
Total Grants and Subsidies	18,929,879	1,178,861	164	1,577,374	21,686,278
Intergovernmental	105,105	-	-	294,306	399,411
Capital Outlays:					
Equipment	25,293	72,470	-	21,076	118,839
All other	41,506	115,809	16,543	1,930,939	2,104,797
Total Capital Outlays	66,799	188,279	16,543	1,952,015	2,223,636
Debt Service:					
Principal	16,482	38,746	-	672,878	728,106
Interest	709	10,206	-	872,718	883,633
Total Debt Service	17,191	48,952	-	1,545,596	1,611,739
Total Expenditures	$ 23,727,637	$ 4,918,226	$ 18,927	$ 7,623,443	$ 36,288,233

CLAIMS DEVELOPMENT INFORMATION

Workers' Compensation Fund
Basic Plan

Fiscal Years 2003 through 2012
(expressed in millions)

The table below illustrates how the fund's earned revenues (net of reinsurance) and investment income compare to the related costs of losses (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of each of the last ten fiscal years. The state has not purchased reinsurance since September 30, 2002 and has never had a qualifying event that generated a recovery.

The rows of the table are defined as follows:

1. This line shows each fiscal year's earned contribution revenues and investment revenues.
2. This line shows the fund's incurred claims (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). Claim values are reported as undiscounted.
3. This section shows the cumulative amounts paid as of the end of successive years for each policy year.
4. This section shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of claims not previously known.
5. This line compares the latest reestimated incurred claims amount to the amount originally established (line 2) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimates is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the table show data for successive fiscal years.

		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1.	Net earned required contribution and investment revenues	$ 2,111	$ 1,337	$ 2,452	$ 1,392	$ 2,406	$ 1,697	$ 1,692	$ 2,798	$ 2,525	$ 2,581
2.	Estimated incurred claims and expenses, end of policy year	2,284	2,505	2,308	2,141	2,196	2,256	2,363	2,312	2,254	2,086
3.	Paid (cumulative) as of:										
	End of policy year	233	244	260	278	295	310	322	298	289	284
	One year later	501	528	556	589	625	679	667	604	584	
	Two years later	650	681	715	754	817	890	863	772		
	Three years later	751	784	821	873	953	1,042	1,000			
	Four years later	824	860	906	964	1,059	1,162				
	Five years later	882	925	977	1,038	1,144					
	Six years later	934	982	1,039	1,103						
	Seven years later	982	1,031	1,094							
	Eight years later	1,027	1,076								
	Nine years later	1,066									
4.	Reestimated incurred claims and expenses:										
	End of policy year	2,284	2,505	2,308	2,141	2,196	2,256	2,363	2,312	2,254	2,086
	One year later	2,277	2,203	1,989	2,053	2,234	2,559	2,535	2,271	2,139	
	Two years later	2,045	1,971	1,939	2,055	2,390	2,647	2,538	2,261		
	Three years later	1,853	1,864	1,954	2,151	2,441	2,724	2,485			
	Four years later	1,767	1,886	2,025	2,196	2,526	2,662				
	Five years later	1,788	1,941	2,067	2,244	2,445					
	Six years later	1,829	1,966	2,111	2,198						
	Seven years later	1,868	2,016	2,056							
	Eight years later	1,907	1,965								
	Nine years later	1,873									
5.	Increase (decrease) in estimated incurred claims and expenses from end of policy year	(411)	(540)	(252)	57	249	406	122	(51)	(115)	-

Source: Washington State Department of Labor and Industries

CLAIMS DEVELOPMENT INFORMATION

Workers' Compensation Fund
Supplemental Pension Plan

Fiscal Years 2003 through 2012

(expressed in millions)

The table below illustrates how the fund's supplemental pension cost-of-living adjustments earned revenues (net of reinsurance) and investment income compare to the related costs of losses (net of loss assumed by reinsurers) as of the end of the last ten fiscal years. The state has not purchased reinsurance since September 30, 2002 and has never had a qualifying event that generated a recovery. The unallocated and other expenses of this plan are paid by the Workers' Compensation Basic Plan. This claims development information is reported separate from the basic plan for the following reasons: (1) This plan covers self-insured, while the basic does not; (2) This plan is not experienced rated while the basic plan is; and (3) Statutes restrict the funding of this plan to expected payments of the current year.

The rows of the table are defined as follows:

1. This line shows each fiscal year's earned contribution revenues and investment revenues.
2. This line shows the fund's incurred claims (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). Claim values are reported as undiscounted.
3. This section shows the cumulative amounts paid as of the end of successive years for each policy year.
4. This section shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of claims not previously known.
5. This line compares the latest reestimated incurred claims amount to the amount originally established (line 2) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimates is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the table show data for successive fiscal years.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Net earned required contribution and investment revenues	$ 293	$ 288	$ 326	$ 305	$ 283	$ 334	$ 349	$ 372	$ 440	$ 444
2. Estimated incurred claims and expenses, end of policy year	1,029	1,228	724	804	968	1,093	966	1,082	843	519
3. Paid (cumulative) as of:										
End of policy year	-	-	-	-	-	-	-	-	-	-
One year later	5	2	1	3	6	8	6	3	1	
Two years later	4	3	4	7	12	14	10	4		
Three years later	6	6	8	14	21	21	14			
Four years later	8	11	15	22	30	28				
Five years later	13	16	22	30	37					
Six years later	19	24	30	38						
Seven years later	26	31	38							
Eight years later	34	38								
Nine years later	42									
4. Reestimated incurred claims and expenses:										
End of policy year	1,029	1,228	724	804	968	1,093	966	1,082	843	519
One year later	1,045	722	721	927	1,176	1,121	1,174	843	577	
Two years later	676	720	848	1,065	1,125	1,316	980	601		
Three years later	667	811	971	998	1,272	1,152	718			
Four years later	759	940	897	1,119	1,116	847				
Five years later	871	858	990	958	831					
Six years later	780	919	862	736						
Seven years later	854	822	652							
Eight years later	758	623								
Nine years later	590									
5. Increase (decrease) in estimated incurred claims and expenses from end of policy year	(439)	(605)	(72)	(68)	(137)	(246)	(248)	(481)	(266)	-

Source: Washington State Department of Labor and Industries

CLAIMS DEVELOPMENT INFORMATION

Workers' Compensation Fund

Reconciliation of Claims Liabilities by Plan

Fiscal Years 2012 and 2011

(expressed in thousands)

The schedule below presents the changes in claims liabilities for the past two fiscal years for the fund's two benefit plans: Workers' Compensation Basic Plan and Workers' Compensation Supplemental Pension Plan.

	Basic Plan		Supplemental Pension Plan		Grand Total	
	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2011
Unpaid claims and claim adjustment expenses at beginning of year	$ 11,288,310	$ 11,223,311	$ 11,655,001	$ 12,802,521	$ 22,943,311	$ 24,025,832
INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES [1]						
Provision for insured events of the current year	1,524,878	1,549,771	298,647	400,714	1,823,525	1,950,485
Increase (decrease) in provision for insured events of prior years [2]	614,321	208,093	(706,505)	(1,141,646)	(92,184)	(933,553)
Total incurred claims and claim adjustment expenses	2,139,199	1,757,864	(407,858)	(740,932)	1,731,341	1,016,932
PAYMENTS						
Claims and claim adjustment expenses Attributable:						
To events of the current year	283,763	288,812	-	-	283,763	288,812
To insured events of prior years [3]	1,404,816	1,404,053	389,723	406,588	1,794,539	1,810,641
Total payments	1,688,579	1,692,865	389,723	406,588	2,078,302	2,099,453
Total unpaid claims and claim adjustment expenses at fiscal year end	$ 11,738,930	$ 11,288,310	$ 10,857,420	$ 11,655,001	$ 22,596,350	$ 22,943,311

[1] Incurred claims and claim adjustment expenses are reported net of discounts.

[2] Includes claims and claim adjustment expenses for all prior accident periods.

[3] Includes payments for all prior accident periods.

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STATISTICAL SECTION

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Statistical Section

This section of the state of Washington's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health.

These schedules contain trend information to help the reader understand how the state's financial performance and fiscal health has changed over time.

These schedules contain information to help the reader assess the state's most significant revenue sources: retail sales tax and business and occupation tax.

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.

These schedules offer demographic and economic indicators to help the reader understand the environment in which the state's financial activities take place.

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 Assets by Component

Last Ten Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2012	2011	2010	2009	2008
GOVERNMENTAL ACTIVITIES					
Invested in capital assets, net of related debt	$ 19,561	$ 18,723	$ 18,201	$ 17,551	$ 17,029
Restricted	5,296	4,847	5,214	4,887	5,524
Unrestricted	233	1,160	(217)	1,417	3,544
Total governmental activities net assets	$ 25,090	$ 24,730	$ 23,198	$ 23,855	$ 26,097
BUSINESS-TYPE ACTIVITIES					
Invested in capital assets, net of related debt	$ 797	$ 718	$ 913	$ 721	$ 521
Restricted	3,225	3,199	2,930	3,800	4,406
Unrestricted	(8,599)	(9,662)	(10,864)	(9,737)	(9,211)
Total business-type activities net assets	$ (4,577)	$ (5,745)	$ (7,021)	$ (5,216)	$ (4,284)
PRIMARY GOVERNMENT					
Invested in capital assets, net of related debt	$ 20,358	$ 19,441	$ 19,114	$ 18,272	$ 17,550
Restricted	8,521	8,046	8,144	8,687	9,930
Unrestricted	(8,366)	(8,502)	(11,081)	(8,320)	(5,667)
Total primary government net assets	$ 20,513	$ 18,985	$ 16,177	$ 18,639	$ 21,813
COMPONENT UNITS					
Invested in capital assets, net of related debt	$ 322	$ 332	$ 343	$ 354	$ 365
Restricted	16	20	21	23	24
Unrestricted	109	102	96	87	82
Total component units net assets	$ 446	$ 454	$ 460	$ 464	$ 471

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

2007	2006	2005	2004	2003
$ 16,189	$ 15,434	$ 14,975	$ 14,288	$ 13,513
5,072	4,343	4,351	3,505	2,995
4,269	3,384	1,900	1,854	2,346
$ 25,530	$ 23,161	$ 21,226	$ 19,647	$ 18,854
$ 598	$ 604	$ 510	$ 522	$ 543
3,891	3,164	2,341	1,624	1,513
(7,256)	(6,132)	(5,632)	(6,200)	(6,025)
$ (2,767)	$ (2,364)	$ (2,781)	$ (4,053)	$ (3,969)
$ 16,787	$ 16,039	$ 15,485	$ 14,810	$ 14,056
8,963	7,507	6,692	5,129	4,509
(2,986)	(2,748)	(3,732)	(4,346)	(3,679)
$ 22,764	$ 20,798	$ 18,445	$ 15,593	$ 14,886
$ 372	$ 392	$ 410	$ 428	$ 448
31	25	24	22	21
74	69	61	58	57
$ 477	$ 486	$ 495	$ 508	$ 526

FINANCIAL TRENDS

Schedule 2 – Changes in Net Assets

Last Ten Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2012	2011	2010	2009	2008
EXPENSES					
Governmental activities:					
General government	$ 1,219	$ 1,674	$ 1,738	$ 1,815	$ 1,609
Education - elementary and secondary (K-12)	8,257	8,055	8,468	8,549	7,476
Education - higher education	6,526	6,257	6,051	6,044	5,710
Human services	13,168	13,363	12,946	12,436	11,260
Adult corrections	886	935	938	1,044	1,020
Natural resources and recreation	982	996	1,084	1,062	931
Transportation	2,396	1,981	2,073	1,883	1,894
Intergovernmental grants (1)	-	-	-	-	-
Interest on long-term debt	910	882	810	728	643
Total governmental activities expenses	34,345	34,144	34,108	33,561	30,543
Business-type activities:					
Workers' compensation	1,919	1,219	4,268	2,544	4,068
Unemployment compensation	2,817	3,690	4,729	2,360	791
Higher education student services	1,834	1,820	1,628	1,502	1,470
Health insurance programs (2)	-	-	-	-	-
Liquor control (3)	566	556	552	540	-
Washington's lottery (3)	407	393	389	401	-
Other	210	784	345	391	1,204
Total business-type activities expenses	7,754	8,463	11,911	7,738	7,533
Total primary government expenses	$ 42,099	$ 42,607	$ 46,019	$ 41,299	$ 38,076
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	$ 702	$ 645	$ 534	$ 600	$ 651
Education - elementary and secondary (K-12)	10	16	12	19	13
Education - higher education	2,662	2,379	2,210	2,170	1,718
Human services	531	462	345	300	251
Adult corrections	8	7	18	9	10
Natural resources and recreation	434	478	564	400	376
Transportation	878	914	899	900	894
Operating grants and contributions	11,790	12,609	12,193	10,565	8,725
Capital grants and contributions	944	833	939	706	746
Total governmental activities program revenues	17,960	18,343	17,716	15,669	13,384
Business-type activities:					
Charges for services:					
Workers' compensation	2,046	2,019	1,755	1,856	1,596
Unemployment compensation	1,346	1,573	1,288	1,011	1,094
Higher education student services	1,762	1,615	1,698	1,556	1,444
Health insurance programs (2)	-	-	-	-	-
Liquor control (3)	582	596	593	574	-
Washington's lottery (3)	535	511	491	488	-
Other	121	152	162	156	1,230
Operating grants and contributions	1,443	2,305	2,468	572	42
Capital grants and contributions	1	13	-	-	-
Total business-type activities program revenues	7,836	8,784	8,455	6,212	5,406
Total primary government program revenues	$ 25,796	$ 27,127	$ 26,171	$ 21,881	$ 18,790
NET (EXPENSE)/REVENUE					
Governmental activities	$ (16,385)	$ (15,800)	$ (16,392)	$ (17,892)	$ (17,159)
Business-type activities	83	321	(3,456)	(1,526)	(2,127)
Total primary government net expense	$ (16,302)	$ (15,479)	$ (19,848)	$ (19,418)	$ (19,286)

(Refer to footnotes on page 250.)

continued

2007	2006	2005	2004	2003
$ 1,525	$ 1,320	$ 925	$ 918	$ 812
6,871	6,642	6,283	6,086	5,960
5,244	4,804	4,454	4,216	3,750
10,473	10,082	9,852	9,348	8,971
811	749	640	644	658
983	777	229	651	732
1,588	1,527	1,457	1,310	1,422
-	-	335	329	341
553	533	505	478	415
28,048	26,434	24,680	23,980	23,061
3,841	2,267	2,407	2,389	2,617
697	736	870	1,745	2,329
1,305	1,254	1,170	1,130	912
-	1,244	1,138	1,044	1,051
-	-	-	-	-
-	-	-	-	-
1,103	1,042	988	951	938
6,946	6,543	6,573	7,259	7,847
$ 34,994	$ 32,977	$ 31,253	$ 31,239	$ 30,908
$ 576	$ 513	$ 439	$ 449	$ 413
14	13	14	11	8
1,545	1,282	1,316	1,250	1,095
236	234	311	359	335
10	6	11	6	7
393	390	385	339	321
844	787	685	677	621
8,286	8,260	8,238	7,942	7,129
744	610	675	519	588
12,648	12,095	12,074	11,552	10,517
1,710	1,790	1,719	1,515	1,316
1,248	1,411	1,458	1,345	1,130
1,347	1,266	1,188	1,128	932
-	1,342	1,200	1,042	1,070
-	-	-	-	-
-	-	-	-	-
1,166	1,102	1,050	1,028	992
46	55	71	468	769
-	-	(2)	4	60
5,518	6,966	6,684	6,530	6,269
$ 18,166	$ 19,061	$ 18,758	$ 18,082	$ 16,786
$ (15,400)	$ (14,339)	$ (12,606)	$ (12,428)	$ (12,544)
(1,427)	423	111	(729)	(1,578)
$ (16,827)	$ (13,916)	$ (12,495)	$ (13,157)	$ (14,122)

FINANCIAL TRENDS

Schedule 2 – Changes in Net Assets

Last Ten Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2012	2011	2010	2009	2008
GENERAL REVENUES & OTHER CHANGES IN NET ASSETS					
Governmental activities:					
Taxes:					
Sales and use tax	$ 7,349	$ 7,349	$ 6,871	$ 7,306	$ 8,341
Business and occupation	3,149	3,077	2,597	2,614	2,851
Property	1,897	1,858	1,822	1,785	1,742
Other	3,946	3,881	3,692	4,296	3,959
Interest and investment earnings (loss)	169	474	449	(212)	464
Contributions to endowments	47	69	52	57	95
Extraordinary loss (asset impairment)	-	-	-	-	-
Transfers	165	231	252	(190)	272
Total governmental activities	16,722	16,939	15,735	15,656	17,724
Business-type activities:					
Taxes - other	72	174	160	113	115
Interest and investment earnings	1,150	1,611	1,742	291	767
Transfers	(165)	(231)	(252)	190	(272)
Other general revenue	30	-	-	-	-
Special item - transfer of Convention and Trade Center to another government	-	(223)	-	-	-
Total business-type activities	1,088	1,331	1,650	594	610
Total primary government	$ 17,810	$ 18,270	$ 17,385	$ 16,250	$ 18,334
CHANGE IN NET ASSETS					
Governmental activities	$ 337	$ 1,140	$ (657)	$ (2,236)	$ 565
Business-type activities	1,171	1,653	(1,806)	(932)	(1,517)
Total primary government	$ 1,508	$ 2,793	$ (2,463)	$ (3,168)	$ (952)
COMPONENT UNITS					
Total expenses	$ 60	$ 131	$ 68	$ 29	$ 30
Program revenues:					
Charges for services	18	17	16	15	16
Operating grants and contributions	32	105	44	1	-
Capital grants and contributions	1	1	1	1	1
Total program revenues	51	123	61	17	17
Net (expense) / revenue	(9)	(8)	(7)	(12)	(13)
General revenues - sales and use taxes	-	-	-	-	-
General revenues - interest and investment earnings	2	2	3	5	7
Total component units - change in net assets	$ (8)	$ (6)	$ (4)	$ (7)	$ (6)

(1) Intergovernmental grants is zero beginning in 2006 due to reclassification to the appropriate governmental activity.

(2) Health insurance programs is zero beginning in 2007 due to fund reclassifications.

(3) Liquor control and Washington's lottery were separated from other business-type activities in 2009.

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

concluded

2007	2006	2005	2004	2003
$ 7,951	$ 7,429	$ 6,736	$ 6,234	$ 5,974
2,756	2,484	2,291	2,078	1,940
1,689	1,630	1,590	1,527	1,483
4,308	3,957	3,370	3,253	2,805
818	475	363	294	252
97	131	69	46	36
-	(84)	-	-	-
204	252	184	199	619
17,824	16,273	14,603	13,632	13,109
108	100	95	116	86
1,316	147	1,249	286	1,316
(204)	(252)	(184)	(199)	(619)
-	-	-	-	-
-	-	-	-	-
1,220	(5)	1,160	203	783
$ 19,044	$ 16,268	$ 15,763	$ 13,835	$ 13,893
$ 2,424	$ 1,934	$ 1,997	$ 1,204	$ 565
(207)	418	1,271	(526)	(795)
$ 2,216	$ 2,352	$ 3,268	$ 678	$ (229)
$ 30	$ 29	$ 29	$ 30	$ 28
15	13	12	11	10
-	-	1	-	-
1	1	1	1	31
16	14	13	12	41
(14)	(15)	(16)	(18)	14
-	-	-	-	2
5	3	3	-	2
$ (9)	$ (12)	$ (13)	$ (18)	$ 18

FINANCIAL TRENDS

Schedule 3 – Fund Balances, Governmental Funds [1]

Last Ten Fiscal Years (expressed in thousands)
(modified accrual basis of accounting)

	2012	2011	2010	2009	2008
GENERAL FUND					
Nonspendable	$ 54,726	$ 89,916	N/A	N/A	N/A
Restricted	161,689	23,273	N/A	N/A	N/A
Committed	78,117	98,077	N/A	N/A	N/A
Assigned	710,091	1,114,699	N/A	N/A	N/A
Unassigned	-	(107,764)	N/A	N/A	N/A
Reserved	N/A	N/A	$ 76,164	$ 74,929	$ 200,794
Unreserved, designated for:					
Working capital	N/A	N/A	863,652	897,763	1,040,563
Unrealized gains	N/A	N/A	-	-	-
Unreserved, undesignated	N/A	N/A	(561,067)	189,258	677,431
Total General Fund	1,004,623	1,218,201	378,749	1,161,950	1,918,788
ALL OTHER GOVERNMENTAL FUNDS					
Nonspendable	2,207,007	3,664,194	N/A	N/A	N/A
Restricted	4,919,729	3,790,577	N/A	N/A	N/A
Committed	3,503,646	2,052,523	N/A	N/A	N/A
Assigned	44	45	N/A	N/A	N/A
Unassigned	-	(174,472)	N/A	N/A	N/A
Reserved	N/A	N/A	6,298,440	4,993,402	6,549,844
Unreserved, designated for:					
Unrealized gains	N/A	N/A	-	-	-
Higher education	N/A	N/A	107,624	155,679	155,679
Special revenue funds	N/A	N/A	157	165	220
Debt service funds	N/A	N/A	170,200	267,470	362,122
Other specific purpose	N/A	N/A	-	-	-
Unreserved, undesignated	N/A	N/A	2,297,145	814,231	1,006,121
Unreserved, undesignated, reported in:					
Nonmajor special revenue funds	N/A	N/A	1,219,705	1,848,410	2,432,112
Nonmajor capital project funds	N/A	N/A	69,192	307,556	106,741
Total all other governmental funds	10,630,426	9,332,867	10,162,463	8,386,913	10,612,839
Total governmental fund balances	$ 11,635,049	$ 10,551,068	$ 10,541,212	$ 9,548,863	$ 12,531,627

[1] Beginning in fiscal year 2011, fund balance categories were reclassified as a result of implementing GASB Statement No. 54. Fund balance was not restated to the new categories for prior years.

N/A indicates data not available.

Source: Washington State Office of Financial Management, Accounting Division

2007	2006	2005	2004	2003
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
$ 119,687	$ 230,848	$ 55,602	$ 166,043	$ 48,687
1,002,963	1,076,631	1,004,131	964,631	908,194
-	-	-	-	6,944
780,510	569,326	865,443	385,436	404,376
1,903,160	1,876,805	1,925,176	1,516,110	1,368,201
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
5,435,860	5,061,345	4,546,263	4,209,890	3,682,240
-	-	-	3,809	4,814
155,679	155,679	155,679	155,679	-
221	229	165	174	-
220,474	206,228	177,961	288,231	100,354
-	-	-	-	155,847
1,151,829	454,714	573,576	515,597	569,134
3,040,036	2,585,037	1,528,463	1,474,023	1,211,403
246,060	70,275	166,393	-	109,627
10,250,159	8,533,507	7,148,500	6,647,403	5,833,419
$ 12,153,319	$ 10,410,312	$ 9,073,676	$ 8,163,513	$ 7,201,620

FINANCIAL TRENDS

Schedule 4 – Revenues, Expenditures, and Other Financing Sources (Uses)
All Governmental Fund Types

Last Ten Fiscal Years (expressed in millions)

	2012	2011	2010	2009	2008
REVENUES					
Taxes:					
Retail sales and use	$ 7,349	$ 7,349	$ 6,871	$ 7,306	$ 8,341
Business and occupation	3,149	3,077	2,597	2,614	2,851
Motor vehicle and fuel	1,178	1,206	1,219	1,183	1,170
Liquor, beer, and wine	323	229	223	222	214
Cigarette and tobacco	471	494	426	432	413
Insurance premiums	430	413	406	408	415
Public utilities	438	450	416	430	428
Property	1,897	1,858	1,822	1,785	1,742
Excise	495	447	471	487	781
Gift and inheritance	105	123	82	139	111
Other taxes	424	438	418	361	427
Total Taxes	16,260	16,084	14,951	15,368	16,892
Licenses, permits, and fees	1,244	1,072	987	899	911
Federal grants-in-aid	11,905	12,599	12,388	10,548	8,767
Charges and miscellaneous revenue	4,852	4,722	4,460	4,145	3,869
Investment income (loss)	169	474	449	(212)	464
Total Revenues	34,431	34,951	33,235	30,748	30,903
EXPENDITURES					
Current:					
General government	1,169	1,375	1,474	1,377	1,254
Human services	13,903	14,134	13,736	13,154	12,115
Natural resources and recreation	920	966	889	999	897
Transportation	1,788	1,809	1,876	1,847	1,803
Education	14,275	14,086	13,989	13,826	12,860
Intergovernmental	399	393	382	383	379
Capital outlays	2,224	2,403	2,260	2,446	2,264
Debt service:					
Principal	728	697	671	645	586
Interest	884	830	740	670	589
Total Expenditures	36,288	36,692	36,016	35,348	32,748
Revenues Over (Under) Expenditures	(1,858)	(1,741)	(2,782)	(4,599)	(1,845)
OTHER FINANCING SOURCES (USES):					
Bonds issued, net of refunding	2,759	989	3,416	1,781	1,957
Other debt issued, net of refunding	21	154	112	49	19
Transfers in	2,669	3,860	3,699	4,125	2,628
Transfers out	(2,517)	(3,636)	(3,452)	(4,340)	(2,382)
Net Other Financing Sources (Uses)	2,931	1,367	3,774	1,615	2,222
Net Change in Fund Balances	$ 1,074	$ (374)	$ 993	$ (2,985)	$ 377
Debt service as a percentage of noncapital expenditures	4.7%	4.5%	4.2%	4.0%	3.9%

(1) Certain fund type reclassifications occurred in fiscal years 2003 and 2004.

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

2007	2006	2005	2004 (1)	2003 (1)
$ 7,952	$ 7,429	$ 6,736	$ 6,235	$ 5,974
2,756	2,484	2,291	2,078	1,940
1,135	1,030	931	926	752
207	197	152	144	134
439	469	354	353	362
392	379	357	346	317
408	381	345	330	309
1,688	1,630	1,590	1,527	1,483
1,107	1,067	902	687	583
183	19	(38)	140	124
437	419	360	335	223
16,704	15,502	13,981	13,100	12,203
863	788	707	666	651
8,317	8,095	8,010	7,702	6,974
3,559	3,345	3,350	3,184	2,937
818	475	363	294	252
30,261	28,206	26,411	24,946	23,016
1,146	990	934	860	803
11,242	10,777	10,486	9,962	9,538
906	729	704	643	689
1,647	1,489	1,487	1,297	1,363
11,789	11,103	10,539	10,085	9,472
378	359	335	330	341
2,296	1,710	1,741	1,542	1,489
528	500	461	415	441
545	509	497	468	418
30,477	28,165	27,183	25,601	24,553
(216)	41	(772)	(655)	(1,537)
1,674	1,162	1,190	1,214	797
63	44	26	18	39
3,308	3,312	2,771	2,100	2,775
(3,086)	(3,068)	(2,501)	(1,864)	(2,146)
1,959	1,451	1,487	1,469	1,465
$ 1,743	$ 1,492	$ 715	$ 814	$ (73)
3.8%	3.8%	3.8%	3.7%	3.7%

FINANCIAL TRENDS

Schedule 5 – Revenues, Expenditures, and Other Financing Sources (Uses)
General Fund

Last Ten Fiscal Years (expressed in millions)

	2012	2011	2010	2009	2008
REVENUES					
Taxes:					
Retail sales and use	$ 7,274	$ 7,275	$ 6,802	$ 7,234	$ 8,256
Business and occupation	3,145	3,072	2,593	2,530	2,760
Liquor, beer, and wine	296	202	198	163	157
Cigarette and tobacco	471	498	349	68	47
Insurance premiums	421	404	397	253	261
Public utilities	427	449	400	417	415
Property	1,897	1,858	1,822	1,529	1,495
Excise	434	414	418	433	707
Gift and inheritance	-	1	-	-	4
Other taxes	183	250	192	163	205
Total Taxes	14,547	14,424	13,169	12,791	14,307
Licenses, permits, and fees	99	88	86	95	97
Federal grants-in-aid	8,824	9,597	9,648	8,311	6,557
Charges and miscellaneous revenue	520	556	481	326	364
Investment income (loss)	(6)	(15)	(9)	64	123
Total Revenues	23,983	24,650	23,375	21,587	21,449
EXPENDITURES					
Current:					
General government	745	923	822	726	663
Human services	13,209	13,473	13,209	11,912	10,921
Natural resources and recreation	373	388	360	340	336
Transportation	42	41	44	37	42
Education	9,169	9,211	9,243	9,044	8,235
Intergovernmental	105	102	30	32	31
Capital outlays	67	49	54	69	57
Debt service:					
Principal	16	16	20	18	15
Interest	1	1	1	1	-
Total Expenditures	23,728	24,203	23,783	22,179	20,300
Revenues Over (Under) Expenditures	256	447	(408)	(592)	1,149
OTHER FINANCING SOURCES (USES)					
Bonds issued, net of refunding	76	340	-	-	-
Other debt issued, net of refunding	15	14	4	27	12
Transfers in	496	939	1,187	952	72
Transfers out	(1,056)	(1,154)	(1,566)	(1,144)	(1,217)
Net Other Financing Sources (Uses)	(470)	139	(375)	(165)	(1,133)
Net Change in Fund Balances	$ (214)	$ 586	$ (783)	$ (757)	$ 16

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

	2007	2006	2005	2004	2003
	$ 7,870	$ 7,357	$ 6,675	$ 6,174	$ 5,948
	2,685	2,412	2,228	2,019	1,893
	154	147	105	100	93
	58	61	61	62	63
	249	242	228	218	203
	395	369	334	318	298
	1,442	1,384	1,395	1,393	1,349
	1,014	977	808	623	515
	4	(1)	(38)	140	124
	226	216	192	178	123
	14,097	13,165	11,988	11,225	10,610
	92	85	79	76	75
	6,204	6,113	6,012	5,917	5,354
	327	283	429	388	425
	106	73	36	5	36
	20,826	19,720	18,544	17,610	16,498
	640	602	552	515	496
	10,191	9,809	9,519	8,989	8,538
	361	292	271	268	271
	39	42	27	27	16
	7,765	7,407	7,243	6,977	6,911
	30	28	28	27	27
	49	56	78	67	65
	15	15	12	10	16
	-	1	2	-	-
	19,090	18,252	17,733	16,880	16,339
	1,736	1,468	811	730	159
	-	-	-	-	-
	5	17	16	5	11
	128	248	524	308	588
	(1,843)	(1,825)	(942)	(895)	(728)
	(1,710)	(1,560)	(402)	(582)	(129)
	$ 26	$ (92)	$ 409	$ 148	$ 31

REVENUE CAPACITY

Schedule 6 – Sales Subject to Retail Sales Tax by Industry

Last Ten Calendar Years (expressed in millions)

Industry [1]	2011	2010	2009	2008	2007
Retail trade:					
Building materials, garden equipment and supplies	$ 4,280	$ 4,290	$ 4,234	$ 4,894	$ 5,377
General merchandise stores	10,063	10,086	9,872	9,802	9,980
Motor vehicles & parts	10,178	9,504	9,218	10,562	12,741
All other retail trade	23,436	22,464	21,640	23,272	23,565
Total retail sales	47,957	46,344	44,964	48,530	51,663
Construction	15,445	15,704	17,771	23,540	24,435
Accommodations & food services	11,866	11,293	10,871	11,237	11,033
Wholesale trade	8,048	7,618	7,498	8,703	9,328
Information	4,997	4,957	4,762	4,915	4,766
Manufacturing	2,207	2,084	2,106	2,644	3,085
All other industries	13,221	12,808	12,907	14,439	14,647
Total sales subject to retail sales tax	$ 103,741	$ 100,808	$ 100,879	$ 114,008	$ 118,957
Direct retail sales tax rate [2]	6.5%	6.5%	6.5%	6.5%	6.5%

[1] Industry classifications are based on North American Industry Classification System (NAICS) codes.

[2] State retail sales tax rate only; excludes local retail sales tax rate.

Source: Washington State Department of Revenue, Quarterly Business Review

	2006	2005	2004	2003	2002
	$ 5,379	$ 4,936	$ 4,437	$ 3,883	$ 3,501
	9,538	8,907	8,289	7,773	7,557
	12,461	12,049	11,482	11,073	10,595
	22,308	20,296	18,516	17,429	16,959
	49,686	46,188	42,724	40,158	38,612
	21,818	18,515	15,934	14,076	13,719
	10,253	9,520	8,836	8,259	7,935
	8,601	8,240	7,584	7,176	7,225
	4,614	4,628	4,409	4,325	4,323
	2,699	2,492	2,268	2,118	2,061
	13,771	12,571	11,681	11,547	11,486
	$ 111,442	$ 102,154	$ 93,436	$ 87,659	$ 85,361
	6.5%	6.5%	6.5%	6.5%	6.5%

REVENUE CAPACITY

Schedule 7 – Number of Retail Sales Taxpayers by Industry

Current Calendar Year and Nine Years Ago

	2011			2002		
Industry [1]	Number of Businesses	Rank	Percent of Total Businesses	Number of Businesses	Rank	Percent of Total Businesses
Retail trade	50,710	1	26.0%	47,536	1	27.4%
Construction	37,785	2	19.4%	34,658	2	20.0%
Other services [2]	20,381	3	10.4%	19,293	3	11.1%
Management, education & health services	19,004	4	9.7%	14,853	4	8.6%
Accommodations & food services	18,198	5	9.3%	14,842	5	8.5%
Professional, scientific & technical services	12,912	6	6.6%	10,002	8	5.8%
All other industries [3]	11,752	7	6.0%	11,165	6	6.4%
Wholesale trade	10,274	8	5.3%	10,154	7	5.8%
Manufacturing	9,365	9	4.8%	7,832	9	4.5%
Arts, entertainment & recreation	4,957	10	2.5%	3,258	10	1.9%
Total	195,338		100%	173,593		100%

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes. The state of Washington is legally prohibited from disclosing the names of individual taxpayers. The information in this table is intended to assist readers in understanding the degree to which the state's retail sales tax revenue may be concentrated.

(2) Other services consist of repair and maintenance, personal service, and religious, civic and other organizations.

(3) All other industries include real estate and rental leasing, transportation and warehousing, and information.

Source: Washington State Department of Revenue

REVENUE CAPACITY

Schedule 8 – Number of Business and Occupation (B&O) Taxpayers by Industry

Current Calendar Year and Nine Years Ago

	2011			2002		
Industry [(1)]	Number of Businesses	Rank	Percent of Total Businesses	Number of Businesses	Rank	Percent of Total Businesses
Retailing	194,843	1	42.2%	152,251	1	42.6%
Service and other activities, and gambling contests less than $50,000/year	150,342	2	32.6%	103,817	2	29.0%
Wholesaling	85,872	3	18.6%	73,540	3	20.6%
Manufacturing	9,578	4	2.1%	9,849	4	2.8%
Other B&O tax classifications	6,547	5	1.4%	5,147	5	1.4%
Insurance agents/insurance brokers commissions	4,899	6	1.1%	4,178	6	1.2%
Royalties and child care	3,817	7	0.8%	2,587	8	0.7%
Warehousing, radio and TV broadcasting, public road construction, and government contracting	2,390	8	0.5%	3,218	7	0.9%
Processing for hire, and printing and publishing	1,764	9	0.4%	1,790	9	0.5%
Travel agent commissions/international charter, freight brokers, and stevedoring	1,659	10	0.3%	1,087	10	0.3%
Total	461,711		100%	357,464		100%

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes. The state of Washington is legally prohibited from disclosing the names of individual taxpayers. The information in this table is intended to assist readers in understanding the degree to which the state's business and occupation tax revenue may be concentrated.

Source: Washington State Department of Revenue

REVENUE CAPACITY

Schedule 9 – Taxable Sales by Business and Occupation Tax Classification

Last Ten Calendar Years (expressed in millions)

Industry [1]	2011	2010	2009	2008	2007
Retailing	$ 146,698	$ 138,995	$ 136,738	$ 153,775	$ 155,997
Wholesaling	125,471	110,041	105,659	135,935	128,820
Service and other activities	78,617	75,069	74,061	77,880	75,729
Manufacturing, wholesaling, and retailing of airplanes and components	35,414	32,383	33,323	25,770	32,672
Manufacturing	26,020	23,260	21,725	27,177	25,829
Other business & occupation tax classifications	46,173	42,825	40,721	44,125	41,031
Total	$ 458,393	$ 422,573	$ 412,227	$ 464,662	$ 460,078
State B&O tax rate range	0.1 - 1.9%	0.1 - 1.9%	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.

N/A indicates data not available.

Source: Washington State Department of Revenue, Quarterly Business Review

2006	**2005**	**2004**	**2003**	**2002**
$ 146,018	$ 133,888	$ 121,453	$ 112,158	$ 108,462
113,614	110,516	98,988	91,610	90,567
69,571	63,270	56,575	51,968	48,204
27,277	5,006	N/A	N/A	N/A
29,101	29,988	31,814	25,333	25,036
34,578	38,943	40,039	37,805	39,906
$ 420,159	$ 381,611	$ 348,869	$ 318,875	$ 312,175
0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.5%	0.1 - 1.5%	0.1 - 1.5%

DEBT CAPACITY

Schedule 10 – Ratios of Outstanding Debt by Type (1)

Last Ten Fiscal Years (expressed in millions, except per capita)

	2012	2011	2010	2009	2008
Governmental Activities					
General obligation bonds	$ 17,838	$ 16,750	$ 16,540	$ 14,049	$ 12,927
Revenue bonds	1,657	740	743	616	555
Certificates of participation	469	482	449	395	383
Capital leases/installment contracts	7	6	14	10	15
Total Governmental Activities Debt	19,971	17,978	17,746	15,070	13,880
Business-Type Activities					
General obligation bonds	15	18	60	69	80
Revenue bonds	1,682	1,423	1,084	1,074	1,115
Certificates of participation	52	62	293	310	261
Capital leases	6	6	6	10	15
Total Business-Type Activities Debt	1,755	1,509	1,443	1,463	1,471
Total Primary Government Debt	$ 21,726	$ 19,487	$ 19,189	$ 16,533	$ 15,351
DEBT RATIOS					
Total Primary Government					
Ratio of total debt to personal income (2)	7.24%	6.50%	6.78%	5.97%	5.31%
Total debt per capita (3)	$ 3,187	$ 2,879	$ 2,854	$ 2,478	$ 2,323
General Bond Debt					
Ratio of general bonded debt to retail sales subject to tax (4)	17.21%	16.16%	16.47%	13.99%	11.41%
General bonded debt per capita (3)	$ 2,619	$ 2,478	$ 2,469	$ 2,116	$ 1,968

(1) Refer to Note 7 for long-term liability activity.

(2) Personal income data can be found in Schedule 13. 2012 personal income data not available, used 2011 data to calculate 2012 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. 2012 retail sales data not available, used 2011 data to calculate 2012 ratio.

Source: Washington State Office of Financial Management

2007	2006	2005	2004	2003
$ 11,573	$ 10,464	$ 9,842	$ 9,173	$ 8,376
608	615	564	511	518
382	333	315	274	276
20	18	24	28	32
12,583	11,430	10,745	9,986	9,202
101	120	138	155	172
889	794	585	520	455
246	239	251	247	248
21	21	21	14	6
1,257	1,174	995	936	881
$ 13,840	$ 12,604	$ 11,740	$ 10,922	$ 10,083
5.07%	5.00%	5.10%	4.92%	4.87%
$ 2,121	$ 1,963	$ 1,864	$ 1,759	$ 1,646
9.81%	9.50%	9.77%	9.98%	9.75%
$ 1,789	$ 1,649	$ 1,584	$ 1,502	$ 1,395

DEBT CAPACITY

Schedule 11 – Legal Debt Margin Information

Last Ten Fiscal Years (expressed in millions)

	2012	2011	2010	2009	2008
Legal Debt Limitation Calculation [1]					
Three year mean, general state revenues	$ 12,080	$ 12,176	$ 12,518	$ 14,422	$ 13,545
Times: Percentage of three year mean, general state revenues [2]	9%	9%	9%	7%	7%
Equals: Debt service limitation	$ 1,087	$ 1,096	$ 1,127	$ 1,010	$ 948
Debt service limitation	$ 1,087	$ 1,096	$ 1,127	$ 1,010	$ 948
Less: Projected maximum annual debt service of outstanding bonds as of June 30	1,031	995	971	797	747
Equals: Debt service capacity	$ 56	$ 101	$ 156	$ 213	$ 201
Remaining state general obligation debt capacity [3]	$ 874	$ 1,425	$ 2,267	$ 2,791	$ 2,889
Plus: Debt outstanding, bonds issued & projected sales subject to debt service limitation as of June 30	10,708	10,470	10,163	8,032	7,244
Equals: Maximum debt authorization subject to limitation	$ 11,582	$ 11,895	$ 12,430	$ 10,823	$ 10,133
Debt service capacity as a percentage of total debt service limitation	5.2%	9.2%	13.8%	21.1%	21.2%
Remaining debt capacity as a percentage of maximum debt authorized	7.5%	12.0%	18.2%	25.8%	28.5%

[1] The legal debt limitation limits the amount of state debt that may be incurred by restricting the amount of general state revenues which may be allocated to pay principal and interest on debt subject to these limitations.

[2] Prior to 2010, the level of debt incurred by the state was constrained by two different calculations - one constitutional and one statutory. Effective for 2010, the statutory debt limit was modified to be the same as the constitutional debt limit.

[3] The remaining debt capacity each year is the calculated present value of the debt service capacity utilizing a yearly interest rate assumption. Interest rate assumption for 2012 is 3.96 percent.

Source: Office of the State Treasurer, Certification of the Debt Limitation of the State of Washington

2007	2006	2005	2004	2003
$ 10,315	$ 9,323	$ 9,932	$ 9,130	$ 8,886
9%	9%	7%	7%	7%
$ 928	$ 839	$ 695	$ 639	$ 622
$ 928	$ 839	$ 695	$ 639	$ 622
772	740	623	594	560
$ 156	$ 99	$ 72	$ 45	$ 62
$ 2,390	$ 1,484	$ 993	$ 607	$ 846
7,439	7,304	6,047	5,693	5,622
$ 9,829	$ 8,788	$ 7,040	$ 6,300	$ 6,468
16.8%	11.8%	10.4%	7.0%	10.0%
24.3%	16.9%	14.1%	9.6%	13.1%

DEBT CAPACITY

Schedule 12 – Revenue Bond Coverage [1]

Last Ten Fiscal Years (expressed in millions)

Fiscal Fiscal Year	Gross Revenues [2]	Less: Operating Expenses [3]	Net Available Revenue	Scheduled Debt Service [4] Principal	Interest	Coverage Ratio
Governmental Activities						
2012	$ 78	$ -	$ 78	$ 28	$ 49	1.01
2011	60	3	57	21	36	1.00
2010	61	3	58	25	36	0.95
2009	73	3	70	34	38	0.97
2008	67	2	65	25	36	1.07
2007	48	2	46	7	37	1.05
2006	41	1	40	5	35	1.00
2005	41	-	41	8	34	0.98
2004	39	-	39	7	33	0.98
2003 [5]	N/A	N/A	-	N/A	N/A	-
Business-Type Activities						
2012	$ 1,689	$ 1,597	$ 92	$ 53	$ 63	0.79
2011	1,522	1,575	(53)	40	50	(0.59)
2010	1,604	1,376	228	38	51	2.56
2009	1,478	1,281	197	26	54	2.46
2008	1,355	1,264	91	32	44	1.20
2007	1,270	1,120	150	16	39	2.73
2006	1,176	1,072	104	14	29	2.42
2005	1,102	998	104	12	26	2.74
2004	1,047	971	76	10	16	2.92
2003	991	917	74	8	17	2.96

(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) With the exception of Tobacco Settlement Authority (TSA) bonds, scheduled debt service amounts are based on previous fiscal year disclosure information collected from individual agencies and reported in Note 7. TSA revenue bonds contain a "turbo" repayment requirement, so the actual principal payments are used on this schedule.

(5) N/A - No revenue bonds outstanding for governmental activities prior to 2004.

Source: Washington State Office of Financial Management

DEMOGRAPHIC INFORMATION

Schedule 13 – Personal Income Comparison
Washington State vs. United States

Last Ten Calendar Years (expressed in billions, except per capita)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Washington State										
Personal income	$ 300	$ 283	$ 277	$ 289	$ 273	$ 252	$ 230	$ 222	$ 207	$ 200
Percent change	6%	2%	-4%	6%	8%	10%	4%	7%	4%	2%
Per capita	$ 43,878	$ 42,024	$ 41,504	$ 44,106	$ 42,192	$ 39,570	$ 36,766	$ 35,998	$ 33,909	$ 33,126
United States										
Personal income	$ 12,947	$ 12,322	$ 11,867	$ 12,460	$ 11,912	$ 11,268	$ 10,486	$ 9,937	$ 9,378	$ 9,060
Percent change	5%	4%	-5%	5%	6%	7%	6%	6%	4%	2%
Per capita	$ 41,560	$ 39,791	$ 38,637	$ 40,947	$ 39,506	$ 37,725	$ 35,452	$ 33,909	$ 32,295	$ 31,481
Washington Per Capita Rate as % of United States Per Capita Rate	106%	106%	107%	108%	107%	105%	104%	106%	105%	105%

Note: The Bureau of Economic Analysis periodically revises its personal income data for periods up to 10 years.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Schedule 14 – Population and Components of Change
Washington State vs. United States

Last Ten Calendar Years (expressed in thousands)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Washington State (1)										
Population	6,817.8	6,767.9	6,724.5	6,672.2	6,608.3	6,525.1	6,420.3	6,298.8	6,208.5	6,126.9
Net increase	49.9	43.4	52.4	63.9	83.2	104.8	121.4	90.3	81.6	67.6
Percent change	0.7%	0.6%	0.8%	1.0%	1.3%	1.6%	1.9%	1.5%	1.3%	1.1%
Components of change:										
Births	84.1	85.3	88.2	89.8	89.6	87.8	83.2	81.8	81.0	79.1
Deaths	48.6	48.0	47.7	48.1	47.9	46.2	45.3	45.6	46.0	44.7
Net migration	14.4	6.1	11.8	22.2	41.5	63.2	83.6	54.1	46.7	33.2
United States (2)										
Population	N/A	311,592	309,330	307,007	304,375	301,580	298,593	295,753	293,046	290,326
Percent change	N/A	0.7%	0.8%	0.9%	0.9%	1.0%	1.0%	0.9%	0.9%	0.9%

(1) Washington State population estimates are as of April 1 each year. Population estimates for 2009 through 2003 have been revised to reflect intercensal estimates. Intercensal estimates are estimates of population between official census dates. Intercensal estimates are more accurate than postcensal estimates because they are bracketed on both sides by decennial or state-certified special census counts. Estimates for 2010 have been replaced with the 2010 U.S. Census Bureau count. Estimates for 2011 and 2012 are postcensal estimates developed by the Washington State Office of Financial Management.

(2) United States population intercensal estimates are as of July 1 of each year. Population estimates not available for 2012.

Some figures may not total due to rounding.

N/A indicates data not available.

Sources:
Washington State Office of Financial Management
U.S. Census Bureau, Population Division

DEMOGRAPHIC INFORMATION

Schedule 15 – Annual Average Civilian Labor Force Unemployment Rates Washington State vs. United States

Last Ten Calendar Years

	2011	2010	2009	2008	2007
Washington State (in thousands)					
Civilian labor force	3,485	3,516	3,535	3,479	3,393
Employment	3,166	3,167	3,206	3,286	3,237
Total unemployment	319	349	329	193	156
Unemployment percentage rate	9.2%	9.9%	9.3%	5.5%	4.6%
United States (in millions)					
Civilian labor force	153.6	153.9	154.2	154.3	153.1
Employment	139.9	139.1	139.9	145.4	146.0
Total unemployment	13.7	14.8	14.3	8.9	7.1
Unemployment percentage rate	8.9%	9.6%	9.3%	5.8%	4.6%
Washington Unemployment Rate as % of United States Unemployment Rate	103.4%	103.1%	100.0%	94.8%	100.0%

Note: The Washington State Economic and Revenue Forecast Council periodically revises its civilian labor force and employment data for periods up to 5 years.

Source: Washington State Economic and Revenue Forecast, September 2012

	2006	2005	2004	2003	2002
	3,319	3,259	3,200	3,146	3,105
	3,155	3,080	3,000	2,913	2,877
	164	179	200	233	228
	5.0%	5.5%	6.3%	7.4%	7.3%
	151.4	149.3	147.4	146.5	145.1
	144.4	141.7	139.2	137.7	136.5
	7.0	7.6	8.2	8.8	8.6
	4.6%	5.1%	5.6%	6.0%	5.9%
	108.7%	107.8%	112.5%	123.3%	123.7%

DEMOGRAPHIC INFORMATION

Schedule 16 –Annual Average Wage Rates by Industry

Last Ten Calendar Years

	Annual Average Wages [2]				
Industry [1]	2011	2010	2009	2008	2007
Information	$ 119,968	$ 109,777	$ 105,715	$ 104,053	$ 96,240
Management of companies and enterprises	102,009	95,731	87,642	87,431	86,867
Utilities	82,058	77,591	84,410	76,945	73,736
Professional, scientific, and technical services	77,178	75,376	71,837	70,120	70,104
Finance and insurance	73,154	70,137	71,304	72,653	70,044
Manufacturing	68,065	64,925	62,931	61,260	59,568
Wholesale trade	65,831	63,348	61,569	61,041	59,345
Mining	58,871	55,654	52,981	54,718	58,056
Government	52,174	51,394	50,420	48,705	46,914
Construction	52,304	51,127	51,043	49,443	46,783
Transportation and warehousing	49,628	47,743	46,522	45,433	45,320
Health care and social assistance	45,852	44,673	43,561	41,424	39,474
Administrative and support services [3]	42,942	41,466	39,571	37,536	36,463
Real estate, rental and leasing	39,816	38,359	36,777	36,669	36,334
Education services	35,576	35,158	34,505	33,550	32,076
Retail trade	30,917	30,021	29,356	29,268	29,082
Arts, entertainment, and recreation	25,023	25,121	25,527	26,949	27,643
Other services	24,549	24,227	24,881	25,637	24,385
Agriculture, forestry, fishing, and hunting	25,097	24,034	23,675	24,491	23,413
Accommodation and food services	18,062	17,632	17,063	16,430	16,019

(1) Industry classifications and wages are based on North American Industry Classification System (NAICS) codes.

(2) Wages include only employment covered by unemployment insurance. Wages may not include private firms or disclosure of individual employers.

(3) 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

	2006		2005		2004		2003		2002
$	91,081	$	82,647	$	78,918	$	104,042	$	102,309
	85,031		75,236		75,776		69,743		67,659
	70,404		65,615		63,915		59,570		59,284
	63,687		61,181		58,486		56,933		54,645
	66,684		62,382		62,091		57,954		53,944
	58,196		54,953		51,788		50,546		50,901
	56,572		53,458		52,027		49,070		47,774
	54,924		52,592		51,454		49,517		48,110
	44,745		42,915		41,756		40,546		39,360
	43,746		41,482		40,171		39,468		39,396
	44,078		42,798		41,780		40,219		39,501
	37,654		36,162		34,919		33,444		32,144
	34,533		33,649		33,466		33,314		30,806
	34,948		32,744		30,582		29,552		28,562
	30,901		29,860		28,453		27,738		27,618
	28,174		27,330		26,602		26,047		25,508
	27,139		25,724		24,331		22,622		21,908
	23,009		22,010		26,467		25,692		25,336
	22,239		21,122		20,495		20,152		19,909
	15,469		15,014		14,765		14,309		13,950

DEMOGRAPHIC INFORMATION

Schedule 17 – Principal Employers by Industry

Current Calendar Year and Nine Years Ago

Industry [1]	2011 Annual Averages			2002 Annual Averages		
	Number of Employees [2]	Percent of Total	Number of Employers	Number of Employees [2]	Percent of Total	Number of Employers
Government	519,251	18.3%	2,098	490,324	18.8%	2,017
Health care and social assistance	327,373	11.5%	14,379	260,778	9.9%	13,028
Retail trade	307,676	10.8%	13,959	297,953	11.5%	16,040
Manufacturing	265,656	9.3%	6,768	280,964	10.8%	7,738
Accommodation and food services	222,164	7.8%	12,798	199,896	7.7%	11,595
Professional, scientific, and technical services	162,889	5.7%	18,392	131,001	5.0%	16,191
Administrative and support services [3]	136,020	4.8%	9,418	118,810	4.6%	8,814
Other services	132,114	4.6%	64,034	74,461	2.9%	10,857
Construction	126,993	4.5%	20,075	142,285	5.5%	24,142
Wholesale trade	119,854	4.2%	12,945	111,634	4.3%	12,855
Information	103,561	3.6%	2,470	92,715	3.6%	2,627
Agriculture, forestry, fishing, and hunting	89,570	3.2%	7,082	76,389	2.9%	9,457
Finance and insurance	87,144	3.1%	5,401	96,701	3.7%	5,500
Transportation and warehousing	80,673	2.8%	3,949	78,224	3.0%	4,194
Arts, entertainment, and recreation	45,000	1.6%	2,402	40,715	1.6%	2,335
Real estate, rental and leasing	43,149	1.5%	6,058	45,009	1.7%	6,378
Education services	35,116	1.2%	2,497	26,632	1.0%	1,871
Mgmt. of companies and enterprises	33,221	1.2%	619	30,186	1.2%	577
Utilities	4,827	0.2%	233	4,461	0.2%	242
Mining	2,142	0.1%	164	2,965	0.1%	182
Total average employment [4]	2,844,393	100.0%	205,741	2,602,103	100.0%	156,640

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes. The state of Washington is legally prohibited from disclosing the names of individual employers. The information in this table is intended to assist readers in understanding the degree of concentration in the state's employment base.

(2) The number of employees is based on annual averages and represents only employees covered by unemployment insurance.

(3) Employment classified under administrative and support services include waste management and remediation services.

(4) Total employment is based on annual averages and may not include private firms or disclosure of individual employers.

Source: Washington State Employment Security Department, Quarterly Census of Employment and Wages

DEMOGRAPHIC INFORMATION

Schedule 18 – Fortune 500 Companies Headquartered in Washington

Last Two Calendar Years
(Ranked by Company Revenues)

Rank 2011	Rank 2010	Company	Revenues (in millions)	Profit / (Loss) (in millions)	Employees Worldwide	Headquarters
24	28	Costco Wholesale	$ 88,915	$ 1,462	128,000	Issaquah
37	38	Microsoft	69,943	23,150	90,000	Redmond
56	78	Amazon.com	48,077	631	56,200	Seattle
159	238	Paccar	16,355	1,042	23,400	Bellevue
227	229	Starbucks	11,700	1,246	149,000	Seattle
242	254	Nordstrom	10,877	683	56,500	Seattle
374	354	Weyerhaeuser	6,618	331	12,800	Federal Way
395	384	Expeditors Intl. of Washington	6,151	386	13,590	Seattle

Source: Fortune Magazine, May 21, 2012

Schedule 19 – Principal Agricultural Commodities Value [1]

Last Ten Calendar Years (dollars in millions)

Commodities	% Change 2011 vs. 2010	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Apples	18.8	$ 1,831	$ 1,541	$ 1,413	$ 1,288	$ 1,780	$ 1,403	$ 1,032	$742	$ 1,178	$ 1,023
Milk [2]	34.4	1,277	950	684	1,002	1,062	688	836	861	675	674
Wheat	23.0	1,138	925	594	745	949	618	456	524	521	497
Potatoes	17.9	771	654	646	693	675	562	535	460	489	512
Hay, all	40.7	716	509	452	581	498	401	367	380	344	375
Cattle/calves	4.2	592	568	473	496	574	584	601	476	476	451
Cherries, all	45.5	534	367	231	297	327	273	338	242	176	151
Nursery [3]	2.0	306	300	300	321	318	304	326	329	310	299
Grapes, all	(11.7)	189	214	209	199	174	147	141	122	144	135
Pears, all	(1.1)	186	188	158	171	178	159	142	128	129	116

(1) Acreage and/or yield data is preliminary. The value may not be finalized until up to two years after production.

(2) Value at average returns per 100 pounds of milk in combined marketings of milk and cream plus value of milk used for home consumption and milk fed to calves.

(3) Includes greenhouse products and floriculture.

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	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Exports [1]	$ 77,284	$ 64,723	$ 58,468	$ 77,088	$ 78,453	$ 68,202	$ 51,533	$ 46,051	$ 41,776	$ 41,730
Imports	86,997	80,020	67,896	87,511	85,469	81,953	81,308	65,135	55,762	54,059
Trade balance	$ (9,713)	$ (15,297)	$ (9,428)	$ (10,422)	$ (7,016)	$ (13,752)	$ (29,775)	$ (19,084)	$ (13,987)	$ (12,329)
Two-way trade	$ 164,281	$ 144,743	$ 126,364	$ 164,599	$ 163,922	$ 150,155	$ 132,841	$ 111,186	$ 97,538	$ 95,789

[1] Export figures indicate total international trade from the state of Washington, including bonded shipments to other states and Canada (includes Boeing Company figures).

Some figures may not total due to rounding.

Source: Washington State Department of Commerce

Schedule 21 – Value of Trade with Major Export Trading Partners

Last Ten Calendar Years (expressed in millions)

Export Partners [1]	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Canada	$ 17,353	$ 14,936	$ 13,326	$ 17,049	$ 15,267	$ 12,894	$ 10,581	$ 8,758	$ 7,141	$ 6,414
China (Mainland)	11,962	11,695	7,607	8,614	9,357	8,030	6,576	4,219	2,968	3,032
Japan	8,036	7,368	6,475	10,677	10,567	9,810	9,272	8,779	7,988	6,865
Korea	4,096	3,378	2,584	4,003	3,683	3,161	2,467	3,296	3,014	3,712
United Arab Emirates	2,715	909	2,897	2,160	2,119	2,980	1,855	102	682	950
Hong Kong	2,386	1,205	1,950	1,231	1,269	792	754	754	697	652
Malaysia	2,348	2,775	2,085	2,126	1,102	1,537	428	696	277	939
Taiwan	2,070	2,556	1,917	3,142	3,702	3,332	3,822	2,761	2,503	1,464
United Kingdom	1,921	1,083	1,356	1,316	1,753	1,022	878	1,029	1,369	1,165
Turkey	1,657	1,369	329	709	154	576	64	30	71	569

[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]	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
China (Mainland)	$ 31,100	$ 32,228	$ 27,341	$ 30,632	$ 28,684	$ 24,198	$ 22,653	$ 16,138	$ 13,955	$ 12,155
Canada	16,284	13,948	10,916	15,877	16,925	18,555	21,390	18,291	15,917	15,658
Japan	16,198	13,886	11,656	17,274	15,858	15,980	15,245	13,367	11,425	10,389
Korea	3,760	3,315	2,719	3,875	4,235	4,264	4,270	3,468	2,788	2,637
Taiwan	3,291	3,141	2,414	4,072	3,610	3,451	3,519	2,776	2,160	2,382
Russia	2,275	366	414	324	575	394	429	384	350	324
Vietnam	1,421	1,234	1,160	1,092	1,130	904	819	473	301	177
France	1,163	1,240	483	742	546	733	854	511	468	750
Thailand	959	974	804	1,154	1,221	1,389	1,296	918	813	841
Indonesia	957	819	750	842	1,065	1,100	1,069	816	627	879

[1] Import figures are based on all Washington State ports, all methods of transportation.

N/A indicates data not available.

Source: Washington State Department of Commerce

DEMOGRAPHIC INFORMATION

Schedule 23 – Property Value and Construction

Last Ten Calendar Years (expressed in millions)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Value of all taxable property:										
Assessed value	$ 793,703	$ 824,885	$ 862,108	$ 919,505	$ 841,309	$ 738,395	$ 634,883	$ 573,677	$ 535,208	$ 506,838
Property value of exemptions:										
Senior citizen	$ 4,170	$ 5,362	$ 6,491	$ 8,715	$ 8,022	$ 6,604	$ 5,267	$ 3,839	$ 3,362	$ 3,327
Head of household	65	72	77	84	105	44	68	47	56	56
Total exemptions	$ 4,236	$ 5,434	$ 6,568	$ 8,799	$ 8,127	$ 6,648	$ 5,335	$ 3,886	$ 3,418	$ 3,383
New construction and improvements:										
Assessed value	$ 7,207	$ 9,001	$ 13,443	$ 19,435	$ 20,861	$ 19,680	$ 15,393	$ 12,872	$ 11,356	$ 10,724

Source: Washington State Department of Revenue, Property Tax Statistics Report

Schedule 24 – Residential Building Activity

Last Ten Calendar Years (dollars in millions)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Permits	20,864	20,691	17,011	28,919	47,397	50,033	52,988	50,089	42,825	40,200
Valuations	$ 4,036	$ 3,891	$ 3,186	$ 5,063	$ 8,130	$ 8,540	$ 8,742	$ 7,535	$ 6,346	$ 5,473

Source: U.S. Census Bureau

OPERATING INFORMATION

Schedule 25 – Full-Time Equivalent Staff Comparison (Budgeted Funds)

Last Ten Fiscal Years

Function	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government	9,082	9,196	9,696	9,899	9,734	9,508	9,330	9,272	9,004	8,867
Human services	31,766	32,133	34,034	35,015	34,720	33,669	32,918	33,368	32,964	32,909
Natural resources	6,011	5,928	6,120	6,479	6,596	6,507	6,254	6,253	6,245	6,275
Transportation	10,458	10,783	11,037	11,264	11,300	11,025	10,662	10,549	10,373	10,410
Education	48,603	49,454	49,086	49,889	49,070	47,984	47,477	47,327	46,491	45,802
Total	105,920	107,494	109,973	112,546	111,420	108,693	106,641	106,769	105,077	104,263
Percentage change	-1.5%	-2.3%	-2.3%	1.0%	2.5%	1.9%	-0.1%	1.6%	0.8%	0.4%

Notes: A Full-Time Equivalent (FTE) is one full calendar year of paid employment, or the equivalent of 2,088 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in state government. It is a computed average number of state employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year. 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	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government	2,845	3,060	3,234	3,285	3,225	3,175	3,108	3,102	3,022	3,030
Human services	17,192	16,962	16,984	17,699	17,944	17,548	17,051	17,130	17,167	17,701
Natural resources	1,595	1,712	2,080	2,505	2,462	2,193	2,175	2,166	2,226	2,066
Transportation	367	371	418	373	449	343	428	307	334	188
Education	14,941	16,535	17,675	21,269	21,082	20,171	19,587	19,265	19,297	18,512
Total	36,940	38,640	40,391	45,131	45,162	43,430	42,349	41,970	42,046	41,497
Percentage change	-4.4%	-4.3%	-10.5%	-0.1%	4.0%	2.6%	0.9%	-0.2%	1.3%	0.1%

Notes: A Full-Time Equivalent (FTE) is one full calendar year of paid employment, or the equivalent of 2,088 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in state government. It is a computed average number of state employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year. 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

	2012	2011	2010	2009	2008
Department of Revenue					
Number of state excise taxpayer registered accounts	816,922	824,588	793,056	804,145	782,010
Number of taxable real estate excise tax (REET) sales	209,442	206,805	215,233	198,515	250,971
Department of Enterprise Services (1)					
Number of leases for office space (2)	521	580	619	569	626
Gross square feet of leased office space (in thousands)	7,467	9,046	8,874	7,521	7,764
Number of owned buildings (3)	38	38	38	46	46
Gross square feet of owned office space (in thousands)	3,004	3,004	3,004	3,102	3,102
Liquor Control Board (4)					
Retail licensees	15,044	13,628	13,450	13,040	12,925
Non-retail licensees	4,916	3,244	3,051	2,798	2,519
Number of state owned liquor stores	-	166	164	161	161
Number of contracted liquor stores	-	162	159	155	154

(1) As a result of the 2011 legislation to consolidate central service functions of state government, the Department of General Administration became part of the newly created Washington State Department of Enterprise Services on October 1, 2011.

(2) The number of leases for office space only includes leases that the Department of Enterprise Services has acquired. The number of leases does not include leases done under a delegation of authority by another state agency, and does not include space that may include multiple uses, such as warehouse and office, office and classrooms, etc.

(3) In fiscal year 2010, five small buildings on the Wheeler site were demolished to make way for construction of a new office building.

(4) With the passage of Initiative 1183, which privatized the distribution and retail sale of liquor, the Washington State Liquor Control Board closed its state liquor stores and ceased liquor distribution operations on June 1, 2012.

Sources:

Washington State Department of Revenue, Tax Statistics
Washington State Department of Enterprise Services
Washington State Liquor Control Board

2007	2006	2005	2004	2003
774,295	759,235	718,224	692,845	652,373
316,432	364,906	364,900	344,056	316,635
610	604	549	529	568
8,662	7,789	6,753	6,650	6,667
44	44	44	44	44
3,101	3,101	2,893	2,893	2,878
13,006	12,650	12,331	12,121	11,791
2,471	1,954	1,690	1,409	1,393
161	161	159	161	157
154	154	153	154	155

OPERATING INFORMATION

Schedule 28 – Operating and Capital Asset Indicators by Function
Human Services

Last Ten Fiscal Years

	2012	2011	2010	2009	2008
Department of Social and Health Services (1)					
Mental health programs:					
Mental health state facilities (2)	3	3	3	3	4
Mental health state facilities available beds	1,161	1,176	1,197	1,264	1,359
Mental health state facilities average daily census (3)	1,077	1,078	1,101	1,172	1,251
Community outpatient mental health facilities (4)	161	184	177	149	144
Community outpatient mental health programs, clients served (5)	133,696	137,692	132,801	125,658	127,637
Income assistance programs:					
Temporary assistance for needy families caseload	54,471	65,140	64,451	56,459	50,122
Food assistance caseload (6)	580,977	536,635	458,123	351,617	288,281
Health Care Authority (7)					
Medical assistance programs:					
Monthly average caseload certified eligible	1,223,976	1,217,844	1,157,853	1,066,289	972,444
Department of Corrections					
Number of correctional institutions (8)	12	12	13	15	15
Offenders in confinement (9)	17,697	18,483	18,457	18,627	18,551
Prison and work release operating capacity	16,855	17,060	16,856	16,756	15,785
Department of Health					
Licensed health professionals (10)	378,041	372,657	357,771	351,441	330,850
Department of Labor and Industries					
Claims filed, injured or ill workers	101,524	100,690	102,734	116,616	136,791
Electrical inspections performed	173,358	171,861	189,763	216,305	265,564
Workplaces inspected each year by the Washington Industrial Safety and Health (WISHA) program	5,213	5,812	7,435	7,285	5,217

(1) Due to reporting lags and corrections, the Department of Social and Health Services (DSHS) periodically revises historical data.

(2) Facitilities include: Eastern State Hospital, Western State Hospital, and Child Study and Treatment Center. Beginning January 2008, the mental health state facilities count no longer includes the Program for Assisted Living Skills (PALS) as it became funded by community dollars, and was subsequently closed in February 2011.

(3) The average daily census is based on the count of individuals in residence at midnight.

(4) The increased number of community outpatient mental health facilities in fiscal year 2010 is due to funding shifts and legislation.

(5) Excludes involuntary clients.

(6) Data reflects state fiscal year average, total participating households.

(7) The medical assistance programs transferred from the Department of Social and Health Services to the Health Care Authority in July 2011. Due to reporting lags, the Health Care Authority periodically revises its data for periods up to five years.

(8) In 2011, McNeil Island Corrections Center closed. In 2010, Ahtanum View Corrections Center and Pine Lodge Corrections Center for Women closed.

(9) Offenders in confinement include offenders in prison, work release, and in-state rented beds.

(10) Includes certified, licensed, and registered health professionals. Emergency medical technicians were not included in the counts for years prior to 2007.

Sources:
Washington State Department of Social and Health Services
Washington State Health Care Authority
Washington State Department of Corrections
Washington State Department of Health
Washington State Department of Labor and Industries

2007	2006	2005	2004	2003
4	4	4	4	4
1,380	1,280	1,247	1,218	1,287
1,292	1,262	1,207	1,192	1,225
150	150	150	150	150
119,958	120,419	125,411	130,804	127,788
51,939	55,524	57,026	55,610	54,636
279,985	273,551	251,455	220,130	192,334
887,966	894,804	857,599	862,935	864,389
15	15	15	15	15
18,471	17,905	17,580	16,046	15,580
15,222	15,013	15,002	15,341	13,262
331,147	287,512	284,439	275,023	265,607
140,308	140,887	139,365	137,835	140,710
282,100	172,402	180,401	162,503	153,874
6,451	7,154	7,225	6,877	7,854

OPERATING INFORMATION

Schedule 29 – Operating and Capital Asset Indicators by Function
Transportation

Last Ten Fiscal Years

	2012	2011	2010	2009	2008
Department of Transportation					
Number of ferries	23	21	22	22	24
Vehicles on ferries (in thousands)	9,983	9,973	10,134	9,910	10,391
Passengers on ferries (in thousands)	12,236	12,374	12,504	12,598	12,901
State highway miles of travel [1]					
Rural (in thousands)	N/A	11,353	11,521	11,362	10,988
Urban (in thousands)	N/A	20,103	20,243	20,093	19,754
State highway lane miles					
Rural	13,814	13,795	13,744	13,724	13,685
Urban	6,817	6,792	6,755	6,668	6,566
Total	20,631	20,587	20,499	20,392	20,251
Pavement patching & repair (square feet) [2]	113,304	135,952	179,585	128,076	100,124
Pavement striping maintenance (miles) [2]	18,763	26,608	16,801	18,140	20,020
Anti & de-icing liquid application (gallons in thousands) [2]	2,421	1,774	2,834	4,724	3,938
Litter pickup (cubic yards) [2]	25,537	27,320	26,739	12,230	18,452
Department of Licensing [3]					
Total vehicle registrations (in thousands)	6,938	6,974	6,752	6,862	7,028
Licensed drivers (in thousands)	5,300	5,181	5,109	4,905	4,842
Washington State Patrol [4]					
Total contacts	1,256,590	1,272,526	1,258,637	1,257,774	1,237,584
Citations issued	518,327	520,447	523,786	540,181	570,691
Motorist assists	301,512	310,013	296,887	305,421	306,650
Collisions investigated	35,001	37,106	34,182	36,922	39,289
Number of traffic officers	626	624	636	633	616

(1) N/A indicates data is not available for fiscal year 2012. Data is available only on a calendar year basis.

(2) N/A indicates data is not available prior to 2005.

(3) Vehicle count includes all registered vehicles for which registration fees were paid. Driver count includes all licensed drivers.

(4) Prior to 2006, data was available only on a calendar year basis. Due to time and activity adjustments, the Washington State Patrol periodically revises its data up to three years.

Sources:
Washington State Department of Transportation
Washington State Department of Licensing
Washington State Patrol

2007	2006	2005	2004	2003
28	28	28	28	29
10,827	10,597	10,810	10,867	10,812
13,163	12,960	13,071	13,541	13,703
11,564	11,397	11,293	11,354	12,900
20,406	20,367	20,336	20,203	18,763
13,668	13,652	13,641	14,337	13,978
6,505	6,447	6,362	5,633	5,226
20,173	20,099	20,003	19,970	19,204
92,216	160,280	116,357	N/A	N/A
20,328	23,145	27,389	N/A	N/A
4,541	3,507	3,446	N/A	N/A
17,234	22,916	41,115	N/A	N/A
6,732	6,638	6,494	6,419	6,215
4,774	4,690	4,587	4,412	4,319
1,255,500	1,309,510	1,356,300	1,482,090	1,508,647
592,122	541,287	506,462	518,721	571,272
309,864	344,249	352,615	329,896	409,954
40,666	40,535	40,175	36,449	32,874
626	626	651	686	684

OPERATING INFORMATION

Schedule 30 – Operating and Capital Asset Indicators by Function
Natural Resources and Recreation

Last Ten Fiscal Years

	2012	2011	2010	2009	2008
State Parks and Recreation Commission					
Number of official, developed state parks	116	116	118	120	120
Number of owned or managed properties	243	241	183	219	231
Acreage of state parks (1)	121,711	121,547	121,506	121,152	121,010
Attendance at state parks (in thousands)	35,338	38,896	44,315	41,535	41,590
Department of Fish and Wildlife					
Recreational licenses issued					
Hunting licenses	316,509	349,676	363,357	364,810	370,235
Fishing licenses	1,229,981	1,147,059	1,156,707	1,009,075	943,904
Hatchery releases (pounds in thousands) (2)					
Salmon releases	4,029	4,183	4,413	4,330	4,433
Trout releases (3)	1,493	1,395	1,380	1,414	1,410
Department of Natural Resources (2)					
Common schools trust land acreage (in thousands)	1,794	1,803	1,810	1,813	1,799
Total trust land acreage (in thousands)	2,918	2,929	2,944	2,947	2,923
Timber acres harvested	19,763	20,609	26,841	27,168	24,625
Timber volume harvested (thousand board feet)	514,039	669,442	805,946	504,939	504,796
Timber volume sold (thousand board feet)	552,756	597,083	741,666	545,634	660,247
Natural area preserve sites	54	54	54	53	52
Natural area preserve acreage	38,284	36,896	35,585	35,365	31,207
Natural resources conservation area sites	31	31	30	30	29
Natural resources conservation area acreage	111,136	108,100	97,293	96,989	93,534

(1) Prior to 2007, acreage owned by the U.S. Bureau of Land Management, leased jointly by State Parks and the Department of Fish and Wildlife (DFW), and managed by DFW was included.

(2) Fiscal year 2012 data is preliminary.

(3) Trout releases do not include trout lodge fish purchased by DFW.

N/A indicates data not available.

Sources:

Washington State Parks and Recreation Commission

Washington State Department of Fish and Wildlife

Washington State Department of Natural Resources

2007	2006	2005	2004	2003
120	120	114	120	120
231	226	227	229	231
120,146	260,487	260, 028	259,453	259,244
39,297	40,026	40,331	40,410	45,960
359,510	342,230	330,453	321,906	324,544
954,478	929,884	963,088	1,031,213	955,037
4,786	4,702	4,749	4,786	5,004
1,522	1,410	1,494	1,512	1,504
1,757	1,757	1,758	1,752	1,748
2,877	2,876	2,875	2,882	2,862
29,687	N/A	30,529	27,629	24,405
493,341	657,962	694,999	616,051	494,266
570,531	527,609	598,445	547,749	542,607
52	51	49	49	48
29,991	29,975	29,871	30,074	29,786
31	30	28	28	28
88,862	87,793	87,357	86,401	84,795

OPERATING INFORMATION

Schedule 31 – Operating and Capital Asset Indicators by Function
Education

Last Ten Academic Years

	2011-12	2010-11	2009-10	2008-09	2007-08
K-12 Enrollment [(1)]					
K-8	676,555	673,558	668,055	663,124	653,862
9-12	307,953	312,691	314,318	312,954	313,598
Private and home based	12	9	14	12	19
Summer [(2)]	745	1,155	1,222	642	538
Running start	12,766	12,824	12,487	11,824	11,176
UW transition	113	108	104	102	103
Total	998,144	1,000,345	996,200	988,658	979,296
High school graduates [(3)]	N/A	59,732	60,835	58,687	58,005
Higher Education					
Community and Technical Colleges:					
Number of campuses	34	34	34	34	34
Enrollment [(1) (4)]	153,395	162,328	160,778	148,000	136,723
Associate degrees granted	27,846	26,434	22,368	21,295	20,911
Baccalaureate degrees granted [(5)]	155	138	51	35	N/A
Student achievement points [(6)]	361,715	390,300	393,135	352,419	308,800
Public Universities [(7)]					
Number of campuses	10	10	10	10	10
Enrollment [(1)]	104,702	103,214	101,165	98,292	94,310
Baccalaureate degrees granted	N/A	24,527	22,798	22,061	21,641
Masters degrees granted	N/A	5,490	5,138	4,772	4,715
Doctors degrees granted	N/A	955	880	878	811
Professional degrees granted	N/A	738	717	684	691

(1) K-12 enrollment figures are preliminary for academic year 2011-12. Enrollment is based on a full-time equivalent student, which is defined as:

- Kindergarten - 4 classroom hours/day for 90 days or 2 classroom hours/day for 180 days.
- Grades 1 through 3 - 4 classroom hours/day for 180 days.
- Grades 4 through 12 - 5 classroom hours/day for 180 days.
- Undergraduate student - 15 credit hours per term.
- Graduate student - 10 credit hours per term.

(2) The increase in skills center summer students beginning in 2009-10 is due to reporting and funding changes. Summer enrollment figures for 2011-12 are preliminary.

(3) 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. High school graduates for academic year 2011-12 not available at time of report.

(4) Enrollment figures include all non-Running Start students, which may include students under the age of 18. Beginning in academic year 2006-07, figures also include students enrolled in baccalaureate partnership programs.

(5) Baccalaureate degrees awarded by community and technical colleges, beginning in academic year 2008-09.

(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 within the community and technical college system. The initiative was implemented in 2007 to increase educational attainment in Washington State, therefore data is not available for prior academic years.

(7) Public Universities include all 4-year public institutions and branch campuses. In 2006, the Spokane campus of Washington State University was combined with the Pullman campus. Degrees granted for academic year 2011-12 not available at time of report.

2006-07	2005-06	2004-05	2003-04	2002-03
648,975	649,655	648,526	650,269	650,596
313,370	311,684	307,451	302,091	298,912
23	22	52	89	100
333	332	473	438	352
10,811	10,256	9,761	9,351	8,814
100	109	109	105	71
973,612	972,058	966,372	962,343	958,845
58,875	56,874	57,449	57,926	60,525
34	34	34	34	34
132,346	130,933	131,489	138,241	139,753
20,763	21,450	21,632	22,326	20,403
N/A	N/A	N/A	N/A	N/A
295,259	N/A	N/A	N/A	N/A
10	11	11	11	11
92,215	91,571	91,358	90,075	89,511
21,442	20,989	20,882	20,456	19,454
4,711	4,748	4,750	4,685	4,591
838	814	739	670	638
718	681	649	648	634

N/A indicates data not available.

Sources:
- Washington State Office of Financial Management
- Washington State Office of Superintendent of Public Instruction
- Washington State Board of Community and Technical Colleges
- Washington State Higher Education Coordinating Board

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Washington State Office of Financial Management
Insurance Building • PO Box 43113
Olympia, WA 98504-3113 • (360) 902-0555 • Fax (360) 664-2832