



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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December 14, 2007

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 (RCW) 43.88.027, the Office of Financial Management has prepared this Comprehensive Annual Financial Report (CAFR) of the State of Washington for the fiscal year that ended June 30, 2007. Full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose, rests with the state. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The State Auditor has issued an unqualified (“clean”) opinion on the Washington State financial statements for the year ended June 30, 2007. 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.

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

Profile of Washington State

The State of Washington was created by an enabling act of Congress in 1889. The state is located on the Pacific Coast in the northwestern corner of the continental United States. Washington comprises 68,139 square miles and currently has a population of 6.5 million. Washington is famous for its scenery of breathtaking beauty and sharp contrasts. On the west side of the state, high mountains rise above coastal waters. The forests of the Olympic Peninsula are among the rainiest places in the world. Washington's coastline has hundreds of bays and inlets that make excellent harbors. In the eastern part of the state, the flat semi-desert land stretches for long distances without a single tree.

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

East of the Cascades Mountain range, farmers raise livestock and grow wheat on large ranches. Washington leads the nation in apple production. The state produces large amounts of lumber, pulp, paper, and other wood products. The mild moist climate in western Washington makes the region excellent for dairy farming and the production of flower bulbs.

Governmental Structure

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

Types of Services Provided and Reporting Entity

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

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

1.A to the financial statements explains more fully which organizations are included in the reporting entity.

The Budget Cycle

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

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

Washington State's Economy and Revenue Outlook

Summary

Since the nation's economic recovery began in the fourth quarter of 2001, the State of Washington has gained more than 258,000 jobs, or about 9.7 percent growth. The state job recovery started slowly; it picked up speed in Fiscal Year 2006 and maintained that speed through Fiscal Year 2007. A dramatic turnaround in the aerospace industry, persistent growth in the state's housing markets due to continued in-migration, and an increase in disposable household income from home mortgage refinancing have aided the state's recovery.

The relative strength of the state's recovery reflects the growing diversity within the state's economy, elements of which include a vital export base, the presence of knowledge-based industries such as business, professional, health, and financial services, and a high quality of life that continues to support strong population growth.

Washington State's non-farm payroll employment grew by a healthy 2.7 percent in Fiscal Year 2007, moderating a bit from the 3.0 percent pace set in Fiscal Year 2006. The aerospace industry maintained its fast hiring pace through Fiscal Year 2007 that started in Fiscal Year 2006; the sector added 7,300 workers, an increase of more than 10 percent, thanks to strong aircraft sales and a lengthening backlog of orders. Total manufacturing employment grew by 3.5 percent, the third straight year of positive growth during this recovery and expansion period.

Washington's unemployment rate continued to improve in Fiscal Year 2007, reflecting the gains in employment. The unemployment rate fell to 4.8 percent, marking the fourth year of improvement since the 2003 recession year.

Personal income grew at a rate of 7.6 percent in Fiscal Year 2007, attributable to gains in both wage and non-wage income. Real personal income – after factoring out inflation – still grew at a healthy 5.1 percent, well above the 1.2 percent increase in 2006.

Washington's outlook for Fiscal Year 2008 is for more moderate economic growth. Non-farm payroll employment in Washington is forecasted to increase in Fiscal Year 2008 by 2.4 percent, which is slower than the 2.7 percent growth in Fiscal Year 2007 and the 3.0 percent growth in 2006. Personal income is also predicted to grow by 7.0 percent in current terms, and by 4.8 percent in real terms in Fiscal Year 2008.

General Fund-State revenues are forecasted to grow at a 7.6 percent rate in the 2007-09 Biennium, compared to the 18.7 percent increase in the 2005-07 Biennium. Some of this slower growth is due to legislative changes in the tax system that take full effect in the 2007-09 Biennium, including aerospace industry tax credits. Based on the November 2007 revenue forecast, Washington will have an estimated unrestricted reserve of \$954 million by the end of the 2007-09 Biennium, up from \$781 million in the previous biennium. In addition, the 2007 Legislature passed a resolution to send to a vote of the people a constitutional amendment that requires 1 percent of "general state revenue" for each fiscal year be transferred into a new budget stabilization account. The amendment to the state constitution was approved by voters in the November 2007 general election. About \$430 million will be placed in the budget stabilization account by the end of the 2007-09 Biennium. Total reserves are estimated to total \$1.4 billion by the end of the 2007-09 Biennium. These projected reserves assume no further changes in appropriations for the 2007-09 Biennium.

Economic Condition in Fiscal Year 2007

Washington's non-farm payroll employment grew by 2.7 percent in Fiscal Year 2007, significantly faster than the 1.6 percent increase in U.S. non-farm payroll employment. The absolute increase in Washington's non-farm payroll employment was 76,800 during Fiscal Year 2007. Personal income in Washington also grew at a faster rate than U.S. personal income: 7.6 percent in Washington compared to 6.4 percent for the U.S. Because Washington's labor market has been adding jobs at a quicker pace than the national average, it holds that the wage income component of personal income would also outpace the national average in 2007. Real per capita income growth was up in Washington by 3.3 percent over the same period, compared to 3.0 percent for the nation as a whole. Again, strong job growth had a positive impact on Washington's personal income and per capita personal income growth.

Aerospace employment provided the brightest spot in Washington's manufacturing sector in Fiscal Year 2007. After reaching a cyclical low point in 2004, aerospace employment made a modest comeback in Fiscal Year 2005, increasing by 1,300 jobs; growth accelerated in Fiscal Year 2006 with an addition of 5,700 jobs (a 9 percent increase); and

in Fiscal Year 2007, the aerospace industry added 7,300 jobs, more jobs than in the previous two years combined, for a growth rate of over 10 percent. While this increase in aerospace jobs is not as steep as in years past, this is because of the industry's new "global network" production model that shares design and production processes with overseas suppliers.

Manufacturing employment other than aerospace was considerably less vibrant, rising by only 1.2 percent. Most durable manufacturing industries experienced higher employment in Fiscal Year 2007, while nondurable manufacturing employment fell in Fiscal Year 2007.

Employment in durable manufacturing other than aerospace grew by 2 percent in Fiscal Year 2007 (an increase of 2,500 jobs), while employment in durable manufacturing declined by 0.2 percent nationally. Employment patterns in durable manufacturing industries were mixed in Washington during Fiscal Year 2007; employment in lumber and wood products, electrical equipment, and other transportation equipment were down, while primary metal, fabricated metal, computers, machinery, other durable manufacturing, and clay glass sand and cement were up. Washington's lumber industry is dependent upon national home building trends. Even though housing construction in Washington was solid in Fiscal Year 2007, the national markets had weakened, resulting in a fall-off in wood products demand and employment. Employment in other transportation equipment (other than aerospace) fell by 1.6 percent, while employment in fabricated metal products rose by 5.8 percent in Fiscal Year 2007. Machinery manufacturing employment grew 6.6 percent in 2007, and employment in other durable manufacturing was up by 2.6 percent. Primary metals employment rose 9.1 percent, the fastest job increase next to aerospace. Electrical equipment, appliances and components employment had slightly increased by 0.5 percent, while computers and electronic products were up 1.2 percent (an increase of 300 jobs).

Non-durable manufacturing employment in Washington decreased by a modest 0.1 percent in Fiscal Year 2007, a loss of about 100 jobs. Nationally, non-durable manufacturing employment declined by 1.1 percent over the same period. In Washington, food (0.4 percent), paper (3.9 percent), and printing manufacturing (2.2 percent) experienced employment losses in Fiscal Year 2007. Petroleum (0.7 percent) and other non-durable manufacturing (4.1 percent) reported employment gains.

Washington's non-manufacturing employment grew by 2.6 percent during Fiscal Year 2007. The construction industry posted an 8.5 percent gain in employment, thanks to continued overall employment, income, and population growth. Employment in the information sector rose by 5.3 percent; though software publishing accounts for half the employment within this division, their employment rose 2.4 percent. Wholesale trade employment rose by 3.4 percent, while retail trade employment grew by 2.2 percent. Employment increased 3.1 percent in the services sector on the strength of job growth in the professional and business services, which rose 4.4 percent. Transportation, warehousing, and utilities employment increased by 2 percent. Employment also grew in the public sector as state and local government jobs increased by 0.6 percent.

Several non-manufacturing industries recorded job losses. Employment in the financial activities industry declined by 0.1 percent as credit problems from across the nation were felt at locally headquartered firms. Federal government civilian employment also declined by 1 percent in Fiscal Year 2007. Employment in the natural resources industry fell at a rate of 3.7 percent in Fiscal Year 2007 as certain mining operations were impacted by recent legal limitations.

Economic Outlook

The economic forecast for Washington State for Fiscal Year 2008 reflects a maturing of the recovery at both the state and national levels. According to the November 13, 2007 forecast by the state Economic and Revenue Forecast Council, growth in Washington's non-farm payroll employment is predicted to increase by 2.4 percent in Fiscal Year 2008, a rate closer to the state's long-term average employment growth and significantly higher than the expected national growth rate of 0.9 percent for non-farm payroll employment. Washington's personal income is expected to grow by 7.0 percent in Fiscal Year 2008 while U.S. personal income growth is predicted to be 5.8 percent for the same period.

Manufacturing employment in Washington is projected to continue growing in Fiscal Year 2008. The aerospace industry is expected to add another 5,200 workers in Fiscal Year 2008, for a growth rate of 6.9 percent. Those durable manufacturing sectors that provide inputs to the aerospace industry are also expected to show increased employment in Fiscal Year 2008; primary and fabricated metal manufacturers should grow 9.4 and 5.2 percent respectively. Computers, machinery, and electrical equipment manufacturers should post job gains, but only in the 1 percent range. The wood products industry is expected to lose about 1,200 jobs in Fiscal Year 2008 as the nation's home-building market remains lethargic. Other transportation equipment manufacturers are likely to cut payrolls as demand for trucks and boats soften. Clay, glass, sand, and cement producers will provide stability to "other durable goods" manufacturers, thanks to strength in commercial construction.

Most sectors of non-durable manufacturing are expected to be stable or continue to increase employment in Fiscal Year 2008. Employment in food manufacturing is forecasted to grow by 0.2 percent, and employment in other nondurable manufacturing will grow by 0.9 percent. Employment in paper and paper products manufacturing is expected to fall by 5.3 percent in Fiscal Year 2008, a continuation of the payroll losses in 2007.

In the non-manufacturing sectors, the strongest employment growth in Fiscal Year 2008 is predicted to occur in construction, as commercial building and infrastructure projects take up slack from the slowing residential market. Professional and business services (3.7 percent) and information services (3.3 percent) should maintain a quick rate of job growth, thanks to a still healthy economy. Strong foreign currencies will spur higher volumes of exports, and thus, demand for transportation and warehousing, and wholesale trade jobs, which should grow 2.6 percent and 3.1 percent respectively in Fiscal Year 2008. Education and health services employment is expected to add another 9,700 jobs – a 2.8 percent rate of growth – as an aging population continues to drive up the demand for health care services. Increases in personal income will push up demand for leisure and

hospitality services, and retail trade; employment in these industries should grow 3.1 and 1.9 percent correspondingly. Financial services are expected to return to positive employment growth in Fiscal Year 2008 after a weak performance the prior year brought about by the nationwide mortgage credit crisis. State and local government employment is expected to grow 1.6 percent in Fiscal Year 2008 in response to sustained population growth and increases in personal income.

The only non-manufacturing sectors expected to experience employment decreases in Fiscal Year 2008 are natural resources and mining (2.7 percent) and the federal government (0.5 percent).

General Fund-State Revenues

General Fund-State revenues for the 2005-07 Biennium were \$29.8 billion, an increase of 18.7 percent in nominal terms over the previous biennium. Revenue growth is expected to be slow in the 2007-09 Biennium. General Fund-State collections are forecasted to increase by 7.6 percent during that two-year period, generating revenue of \$32 billion. Based on the November 2007 revenue forecast, Washington will have an estimated unrestricted reserve of \$954 million by the end of the 2007-09 Biennium, up from \$781 million in the previous biennium. In addition, the 2007 Legislature passed a resolution to send to a vote of the people a constitutional amendment that requires 1 percent of “general state revenue” for each fiscal year be transferred into a new budget stabilization account. The amendment to the constitution was approved by the voters in the November 2007 general election. About \$430 million will be placed in the budget stabilization account by the end of the 2007-09 Biennium. Total reserves are estimated to total \$1.4 billion by the end of the 2007-09 Biennium. These projected reserves assume no further changes in appropriations for the 2007-09 Biennium.

Major Initiatives

Led by Governor Chris Gregoire, the State of Washington continued to enjoy a strong economy in 2007. This enabled the Governor and Legislature to make critical investments in education, health care and the environment while creating a reserve fund, approved by voters in November 2007, to help meet needs in the future. Strategic policy and budget steps were taken to improve public schools and the state’s higher education system, strengthen the economy for the long-term, expand health coverage to children, and improve the environmental health of Puget Sound. Governor Gregoire and the Legislature also took actions to enhance public safety, help seniors and people with disabilities pay for their prescriptions, and improve services for foster children and developmentally disabled individuals.

Throughout the year, Governor Gregoire maintained her strong commitment to make state government more accountable to citizens and to make state government agencies more mobile, flexible, and better able to deliver services that citizens need. She convened monthly accountability forums, bringing together multiple agencies to improve performance. These efforts have yielded encouraging results.

Education

During the 2007 legislative session, the Governor and Legislature made major new investments in all levels of the education system, from early learning through the K-12 system and continuing through college, job training and beyond. These investments grew out of the Governor's Washington Learns initiative, which is dedicated to building a world-class, learner-focused, and seamless education system.

Early Learning: In 2006, the Legislature granted Governor Gregoire's request for a cabinet-level Department of Early Learning to better ensure that pre-kindergarten children have access to learning programs in venues including day care. The agency is now up and running and supporting several key initiatives enacted during the 2007 legislative session.

These initiatives include an effort to provide early learning information to parents and families, establishing a rating system for child care providers, expanding pre-kindergarten programs and all-day kindergarten, and, in conjunction with the Thrive by Five public-private partnership, investing in early reading programs throughout the State of Washington.

Public Schools: The two-year budget enacted in 2007 was designed to fundamentally change educational expectations, delivery and results with a substantial investment at all levels, from early learning through K-12 to higher education and job training. The budget included an education funding increase of nearly \$900 per student in kindergarten through 12th grade and \$2.5 billion overall.

A major piece of this investment was Governor Gregoire's effort to dramatically strengthen math and science education. The budget called for more funding for teacher training and development, increased pay for teachers who are certified in math and science, and more opportunities for students to participate in hands-on science learning.

Other key education measures included investments to increase equity among school districts and giving voters the opportunity to lower the threshold for school levy approval from 60 percent to 50 percent, which the public approved in November. The budget also made additional key investments in programs to support struggling students and those students participating in special education programs.

Higher Education: The Governor and Legislature provided significant funding and policy actions to open college doors to more high school graduates. In particular, the budget created nearly 10,000 new slots for incoming students over the next two years, offered more scholarship opportunities, expanded eligibility for grant programs, and capped tuition increases at the college level. The budget also made further investments in research programs at state universities with the goal of boosting innovation in fields in which the state has already made critical progress.

Finally, the Governor and Legislature moved forward on the establishment of a new University of Washington campus in north Puget Sound. The new campus will serve as

another point of access to higher education for students from Snohomish, Island and Skagit counties.

Health Care

Governor Gregoire has set a goal of providing access to health insurance to all Washington children by 2010. In 2007, she continued her steady progress toward that goal by increasing access to health insurance for an additional 38,500 Washington children. Some of her other efforts around children's health included raising reimbursement rates for pediatricians to ensure that children actually get in to see a doctor and providing increased childhood immunizations. The Governor also won a stand-off with the federal government to ensure that newborn citizens eligible for Medicaid are indeed covered by the program and not prevented from participation because of unnecessary paperwork.

The Governor and Legislature provided help for seniors and low-income people who are struggling with the high cost of prescription drugs. As of November 2007, over 65,000 Washingtonians have enrolled in the Washington Prescription Drug Program and used it to fill nearly 47,000 prescriptions, saving an average of \$26 per prescription. Additionally, the Governor and Legislature enacted a measure to help low-income seniors and vulnerable people cover the cost of their prescription drug co-payments.

Another policy change that was completed in 2007 required health insurance plans to cover mental illness the same as they cover any other health care condition. The state also started a pilot Center for Foster Care Health Services to ensure that these children receive the care they need. Additionally, the budget provided funding for programs to lure doctors, nurses and dentists to eastern Washington, and reforms were enacted to help small businesses provide health coverage to their employees.

Economic Development

In 2007, the Governor and state leaders introduced an economic development strategy known as The Next Washington. This ten-year business plan for the state calls for growing the economy by investing in the skills employees need to succeed today, building a foundation for success by investing in infrastructure across the state, and developing an "Open for Business" approach to government to make Washington an affordable and efficient place to do business. This strategy calls for making a series of targeted investments in areas where the state can lead the world, including fields like global health, alternative energy, tourism, and the state's ports.

This year, the state increased its investment in tourism by increasing funds and partnering with the private sector to boost tourism promotion. The state took steps to help small businesses prosper by investing in the federal network of small business development centers and supporting local economic development councils for the first time in 16 years. The state also saved business owners and workers over \$315 million through a six-month holiday from workers' compensation insurance. Lower unemployment insurance premiums will save small businesses another \$10 million annually.

Environment

Governor Gregoire and the Legislature continued to show a strong commitment to protecting the state's natural environment in 2007. In addition to their work in 2006 to grow a strong biofuels industry, they took a series of steps to protect and improve Puget Sound and to address climate change. One of the key results of the 2007 legislative session was to create a new state agency solely responsible for the cleanup of Puget Sound. The new Puget Sound Partnership works collaboratively with all levels of government, tribes, businesses and citizen groups in its charge to lead and coordinate efforts to protect and restore Puget Sound by 2020.

Governor Gregoire and the Legislature also moved Washington ahead in an effort to set goals for reducing greenhouse gas emissions and create clean energy jobs, and establish an emissions performance standard for new power plants. These measures were enacted after the Governor signed an executive order in February establishing goals for reductions in climate pollution, increases in jobs, and reductions in expenditures on imported fuel. Governor Gregoire's executive order directs the Washington departments of Ecology and Community, Trade and Economic Development to lead a process that will engage business, community and environmental leaders over the next year in developing a plan to combat climate change.

Human Services

Governor Gregoire led many initiatives to improve human services programs. In particular, important steps were taken to strengthen the state's services for foster children and individuals with developmental disabilities. The budget provides funding for monthly caseworker visits for children in foster care to monitor their safety and well-being, improves reimbursements to foster parents and providers of specialized behavioral rehabilitation services, tries to keep families together by funding more thorough searches for extended family members, and increases funding to meet the mental health treatment needs of foster children.

The budget also meets the immediate needs of people with developmental disabilities by providing additional residential capacity to support people who are leaving hospitals and detention facilities, are aging out of the children's foster care system, or whose caregivers are aging and finding it difficult to continue to provide adequate care. The state will also increase payment rates to community residential service providers to ensure access to quality services.

Public Safety

Governor Gregoire and the Legislature made important progress on enhancing public safety and reducing crime. This year, budget and policy changes took a particular emphasis on reducing repeat criminal activity by better keeping track of offenders upon release and targeting the primary causes of recidivism, emphasizing education, workforce skills and treatment programs that address dependency and mental health issues. They also made investments in employment programs for people leaving prison, reducing the risk that they will commit future crimes. The efforts are projected to eliminate the need for at least one 1,000-bed prison by 2017.

The budget also works to ensure that mentally ill offenders and sex offenders are better managed and receive the treatment they need both before and after release from prison to reduce the risk they pose to the community. Another key initiative seeks to reduce youth criminal behavior by involving families and communities in the criminal justice process, better managing kids in institutions, integrating treatment throughout the juvenile system and using scientifically proven treatment strategies for at-risk youth.

Transportation

In the area of transportation, the state continued to move forward on key infrastructure projects providing funding for critical safety, freight and mobility transportation projects. The state also invested in four 144-car auto passenger ferries and increased funding for vanpools and public transportation, as well as bike and pedestrian improvements.

Government Efficiency

In 2007, Governor Gregoire continued her aggressive effort, begun two years ago, to improve the performance of Washington state government. She undertook this initiative through a process called Government Management, Accountability and Performance (GMAP). Modeled on similar endeavors used successfully in New York City and Baltimore, the process includes forums in which the Governor and key staff work directly with individual cabinet members to identify problems, establish goals, and measure results using hard data.

After two years, the process has yielded measurable improvements, including significant reductions in mid-management positions and in unanticipated leave by state employees, faster responses to traffic tie-ups on state highways, improvements in the protection of vulnerable children and adults, better customer service to citizens and providers seeking information from state hotlines, and expedited grant application processes for municipalities working on water quality improvement projects.

The Governor and Legislature also continued to use strategic budgeting principles first used successfully in 2003. This approach, known as Priorities of Government, involves making strategic spending decisions based on what citizens need most in an environment of limited resources.

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, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. Washington State has received a Certificate of Achievement for the last twenty 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 commitment of the Governor to the Legislature, the citizens of Washington State, and the financial community to maintain financial statements in conformance with the highest standards of financial accountability.

Sincerely,

A handwritten signature in black ink, appearing to read "V. A. Moore". The signature is fluid and cursive, with a long horizontal stroke at the end.

Victor A. Moore
Director