

Basic Financial Statements
Governmental-wide Financial Statements

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Statement of Net Assets

June 30, 2008

(expressed in thousands)

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|----------------------|--------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| ASSETS | | | | |
| Cash and pooled investments | \$ 7,849,675 | \$ 7,377,465 | \$ 15,227,140 | \$ 58,554 |
| Taxes receivable (net of allowance) | 2,988,925 | 5,072 | 2,993,997 | - |
| Other receivables (net of allowance) | 1,172,710 | 1,275,103 | 2,447,813 | 1,401 |
| Internal balances (net) | 45,620 | (45,620) | - | - |
| Due from other governments | 3,266,263 | 63,601 | 3,329,864 | - |
| Inventories | 97,091 | 73,510 | 170,601 | - |
| Investments, noncurrent | 4,035,851 | 12,547,911 | 16,583,762 | 22,041 |
| Other assets | 163,218 | 368,232 | 531,450 | 42,754 |
| Capital assets (Note 6): | | | | |
| Non-depreciable assets | 19,556,275 | 309,902 | 19,866,177 | 34,767 |
| Depreciable assets, net of depreciation | 8,136,149 | 1,685,445 | 9,821,594 | 368,940 |
| Total capital assets, net of depreciation | 27,692,424 | 1,995,347 | 29,687,771 | 403,707 |
| Total Assets | \$ 47,311,777 | \$ 23,660,621 | \$ 70,972,398 | \$ 528,457 |
| LIABILITIES | | | | |
| Accounts payable | \$ 1,393,881 | \$ 125,539 | \$ 1,519,420 | \$ 13,221 |
| Contracts and retainage payable | 156,124 | 20,087 | 176,211 | 2,908 |
| Accrued liabilities | 669,816 | 255,998 | 925,814 | 3,826 |
| Obligations under security lending agreements | 1,274,148 | 2,487,403 | 3,761,551 | - |
| Due to other governments | 777,673 | 28,928 | 806,601 | - |
| Unearned revenue | 929,866 | 55,199 | 985,065 | 2,487 |
| Long-term liabilities (Note 7): | | | | |
| Due within one year | 1,037,879 | 2,152,083 | 3,189,962 | - |
| Due in more than one year | 14,975,785 | 22,819,321 | 37,795,106 | 34,934 |
| Total Liabilities | 21,215,172 | 27,944,558 | 49,159,730 | 57,376 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 17,028,412 | 520,998 | 17,549,410 | 365,180 |
| Restricted for: | | | | |
| Unemployment compensation | - | 4,406,380 | 4,406,380 | - |
| Other purposes | 1,894,460 | - | 1,894,460 | 24,092 |
| Capital projects | 442,994 | - | 442,994 | - |
| Expendable permanent fund principal | 1,871,521 | - | 1,871,521 | - |
| Nonexpendable permanent endowments | 1,315,113 | - | 1,315,113 | - |
| Unrestricted (deficit) | 3,544,105 | (9,211,315) | (5,667,210) | 81,809 |
| Total Net Assets | \$ 26,096,605 | \$ (4,283,937) | \$ 21,812,668 | \$ 471,081 |

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

Statement of Activities
 For the Fiscal Year Ended June 30, 2008
 (expressed in thousands)

| Functions/Programs | Expenses | Program Revenues | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT | | | | |
| Governmental Activities: | | | | |
| General government | \$ 1,609,142 | \$ 651,364 | \$ 288,126 | \$ 2,375 |
| Education - elementary and secondary (K-12) | 7,476,060 | 12,798 | 853,442 | - |
| Education - higher education | 5,709,645 | 1,718,092 | 1,636,376 | 12,568 |
| Human services | 11,259,878 | 250,623 | 5,735,256 | - |
| Adult corrections | 1,019,980 | 9,459 | 2,275 | - |
| Natural resources and recreation | 931,030 | 375,669 | 146,935 | 23,286 |
| Transportation | 1,894,289 | 894,379 | 62,981 | 708,041 |
| Interest on long-term debt | 642,914 | - | - | - |
| Total Governmental Activities | <u>30,542,938</u> | <u>3,912,384</u> | <u>8,725,391</u> | <u>746,270</u> |
| Business-Type Activities: | | | | |
| Workers' compensation | 4,068,599 | 1,596,174 | 7,823 | - |
| Unemployment compensation | 790,538 | 1,093,586 | 30,070 | - |
| Higher education student services | 1,470,168 | 1,443,756 | 3,909 | - |
| Other | 1,203,546 | 1,230,461 | 16 | - |
| Total Business-Type Activities | <u>7,532,851</u> | <u>5,363,977</u> | <u>41,818</u> | <u>-</u> |
| Total Primary Government | <u>\$ 38,075,789</u> | <u>\$ 9,276,361</u> | <u>\$ 8,767,209</u> | <u>\$ 746,270</u> |
| COMPONENT UNITS | \$ 29,633 | \$ 16,055 | \$ 240 | \$ 829 |
| Total Component Units | <u>\$ 29,633</u> | <u>\$ 16,055</u> | <u>\$ 240</u> | <u>\$ 829</u> |

General Revenues:

- Taxes - sales and use
- Taxes - business and occupation
- Taxes - property
- Taxes - motor vehicle and fuel
- Taxes - excise
- Taxes - other
- Interest and investment earnings

Total general revenues

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

Contributions to endowments

Transfers

- Change in Net Assets
- Net assets - Beginning, as restated
- Net assets - Ending

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

State of Washington

| Net (Expense) Revenue and Changes in Net Assets | | | |
|--|-----------------------------|----------------------|--------------------|
| Primary Government | | | |
| Governmental Activities | Business-Type Activities | Total | Component Units |
| \$ (667,277) | \$ - | \$ (667,277) | |
| (6,609,820) | - | (6,609,820) | |
| (2,342,609) | - | (2,342,609) | |
| (5,273,999) | - | (5,273,999) | |
| (1,008,246) | - | (1,008,246) | |
| (385,140) | - | (385,140) | |
| (228,888) | - | (228,888) | |
| (642,914) | - | (642,914) | |
| <u>(17,158,893)</u> | <u>-</u> | <u>(17,158,893)</u> | |
| - | (2,464,602) | (2,464,602) | |
| - | 333,118 | 333,118 | |
| - | (22,503) | (22,503) | |
| - | 26,931 | 26,931 | |
| <u>-</u> | <u>(2,127,056)</u> | <u>(2,127,056)</u> | |
| <u>(17,158,893)</u> | <u>(2,127,056)</u> | <u>(19,285,949)</u> | |
| | | | <u>\$ (12,509)</u> |
| | | | <u>\$ (12,509)</u> |
| 8,341,000 | - | 8,341,000 | - |
| 2,850,548 | - | 2,850,548 | - |
| 1,741,739 | - | 1,741,739 | - |
| 1,169,900 | - | 1,169,900 | - |
| 780,953 | 61,507 | 842,460 | - |
| 2,009,002 | 53,278 | 2,062,280 | - |
| 463,899 | 766,644 | 1,230,543 | 6,519 |
| <u>17,357,041</u> | <u>881,429</u> | <u>18,238,470</u> | <u>6,519</u> |
| 198,148 | (1,245,627) | (1,047,479) | (5,990) |
| 94,900 | - | 94,900 | - |
| 271,600 | (271,600) | - | - |
| 564,648 | (1,517,227) | (952,579) | (5,990) |
| 25,531,957 | (2,766,710) | 22,765,247 | 477,071 |
| <u>\$ 26,096,605</u> | <u>\$ (4,283,937)</u> | <u>\$ 21,812,668</u> | <u>\$ 471,081</u> |

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Basic Financial Statements
Fund Financial Statements

Balance Sheet
GOVERNMENTAL FUNDS
 June 30, 2008
 (expressed in thousands)

| | General | Higher Education Special Revenue | Higher Education Endowment | Nonmajor Governmental Funds | Total |
|---|---------------------|--|----------------------------------|-----------------------------------|----------------------|
| ASSETS | | | | | |
| Cash and pooled investments | \$ 1,185,063 | \$ 866,218 | \$ 689,597 | \$ 4,442,032 | \$ 7,182,910 |
| Investments | 36,772 | 806,581 | 2,903,090 | 241,263 | 3,987,706 |
| Taxes receivable (net of allowance) | 2,875,042 | 15,955 | - | 97,928 | 2,988,925 |
| Other receivables (net of allowance) | 355,105 | 295,832 | 41,988 | 618,372 | 1,311,297 |
| Due from other funds | 132,884 | 198,713 | 122 | 392,107 | 723,826 |
| Due from other governments | 899,570 | 130,566 | - | 2,119,069 | 3,149,205 |
| Inventories | 25,649 | 12,670 | - | 38,807 | 77,126 |
| Total Assets | \$ 5,510,085 | \$ 2,326,535 | \$ 3,634,797 | \$ 7,949,578 | \$ 19,420,995 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 878,994 | \$ 120,379 | \$ - | \$ 335,096 | \$ 1,334,469 |
| Contracts and retainages payable | 29,655 | 2,824 | 3,089 | 102,947 | 138,515 |
| Accrued liabilities | 236,562 | 129,093 | 14,202 | 120,367 | 500,224 |
| Obligations under security lending agreements | 271,091 | 190,763 | 584,704 | 197,926 | 1,244,484 |
| Due to other funds | 274,994 | 127,300 | 2,078 | 334,624 | 738,996 |
| Due to other governments | 550,314 | 15,632 | - | 103,924 | 669,870 |
| Deferred revenues | 1,328,819 | 188,843 | 19,690 | 694,194 | 2,231,546 |
| Claims and judgments payable | 20,868 | - | - | 10,396 | 31,264 |
| Total Liabilities | 3,591,297 | 774,834 | 623,763 | 1,899,474 | 6,889,368 |
| Fund Balances: | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 112,071 | 184,819 | - | 911,064 | 1,207,954 |
| Inventories | 19,044 | 12,670 | - | 38,807 | 70,521 |
| Permanent funds | - | - | 3,011,034 | 175,600 | 3,186,634 |
| Other specific purposes | 69,679 | 192,412 | - | 2,023,438 | 2,285,529 |
| Unreserved, designated for, reported in: | | | | | |
| Working capital | 1,040,563 | - | - | - | 1,040,563 |
| Higher education | - | 155,679 | - | - | 155,679 |
| Special revenue funds | - | - | - | 220 | 220 |
| Debt service funds | - | - | - | 362,122 | 362,122 |
| Unreserved, undesignated | 677,431 | 1,006,121 | - | - | 1,683,552 |
| Unreserved, undesignated reported in: | | | | | |
| Special revenue funds | - | - | - | 2,432,112 | 2,432,112 |
| Capital project funds | - | - | - | 106,741 | 106,741 |
| Total Fund Balances | 1,918,788 | 1,551,701 | 3,011,034 | 6,050,104 | 12,531,627 |
| Total Liabilities and Fund Balances | \$ 5,510,085 | \$ 2,326,535 | \$ 3,634,797 | \$ 7,949,578 | \$ 19,420,995 |

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, 2008
(expressed in thousands)

Total Fund Balances for Governmental Funds \$ 12,531,627

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 | \$ 19,532,045 | |
| Depreciable assets | 13,265,636 | |
| Less: Accumulated depreciation | <u>(5,561,720)</u> | |
| Total capital assets | | 27,235,961 |

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. 1,305,821

Unmatured interest on general obligation bonds is not recognized in the funds until due. (280,610)

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. 163,558

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 | \$ (13,673,474) | |
| Accreted interest on bonds | (295,056) | |
| Compensated absences | (497,558) | |
| Other postemployment obligations | (221,375) | |
| Unfunded pension obligation | (113,416) | |
| Claims and judgments | (28,278) | |
| Other obligations | <u>(30,595)</u> | |
| Total long-term liabilities | | <u>(14,859,752)</u> |

Net Assets of Governmental Activities \$ 26,096,605

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, 2008
 (expressed in thousands)

| | General | Higher Education Special Revenue | Higher Education Endowment | Nonmajor Governmental Funds | Total |
|---|---------------------|-------------------------------------|-------------------------------|-----------------------------------|----------------------|
| REVENUES | | | | | |
| Retail sales and use taxes | \$ 8,256,288 | \$ - | \$ - | \$ 84,712 | \$ 8,341,000 |
| Business and occupation taxes | 2,760,425 | - | - | 90,123 | 2,850,548 |
| Property taxes | 1,494,542 | - | - | 247,197 | 1,741,739 |
| Excise taxes | 707,272 | - | - | 73,681 | 780,953 |
| Motor vehicle and fuel taxes | - | - | - | 1,169,900 | 1,169,900 |
| Other taxes | 1,088,561 | 194,638 | - | 724,630 | 2,007,829 |
| Licenses, permits, and fees | 97,493 | 628 | - | 812,543 | 910,664 |
| Timber sales | 2,847 | - | 18,995 | 106,380 | 128,222 |
| Other contracts and grants | 162,238 | 613,894 | - | 25,510 | 801,642 |
| Federal grants-in-aid | 6,556,642 | 1,089,377 | - | 1,120,954 | 8,766,973 |
| Charges for services | 56,614 | 1,475,957 | 1 | 538,541 | 2,071,113 |
| Investment income (loss) | 123,303 | 108,416 | 58,857 | 173,323 | 463,899 |
| Miscellaneous revenue | 84,881 | 124,681 | 8,198 | 498,133 | 715,893 |
| Escheated property | 57,444 | - | - | - | 57,444 |
| Contributions and donations | - | - | 94,900 | - | 94,900 |
| Total Revenues | 21,448,550 | 3,607,591 | 180,951 | 5,665,627 | 30,902,719 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 662,824 | - | - | 590,857 | 1,253,681 |
| Human services | 10,921,497 | - | - | 1,193,810 | 12,115,307 |
| Natural resources and recreation | 336,242 | - | - | 561,162 | 897,404 |
| Transportation | 41,818 | 1,906 | - | 1,758,860 | 1,802,584 |
| Education | 8,234,996 | 3,571,524 | 413 | 1,053,428 | 12,860,361 |
| Intergovernmental | 30,697 | - | - | 348,524 | 379,221 |
| Capital outlays | 56,872 | 146,291 | 4,370 | 2,056,501 | 2,264,034 |
| Debt service: | | | | | |
| Principal | 15,014 | 10,070 | - | 561,264 | 586,348 |
| Interest | 330 | 7,812 | 2 | 580,510 | 588,654 |
| Total Expenditures | 20,300,290 | 3,737,603 | 4,785 | 8,704,916 | 32,747,594 |
| Excess of Revenues Over (Under) Expenditures | 1,148,260 | (130,012) | 176,166 | (3,039,289) | (1,844,875) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Bonds issued | - | - | - | 1,891,150 | 1,891,150 |
| Payments to refunded bond escrow agents | - | - | - | (58,125) | (58,125) |
| Other debt issued | 12,084 | 6,154 | - | 867 | 19,105 |
| Bond issue premium | - | - | - | 123,487 | 123,487 |
| Capital lease acquisitions | 26 | 69 | - | - | 95 |
| Transfers in | 72,007 | 291,663 | 14,357 | 2,249,697 | 2,627,724 |
| Transfers (out) | (1,216,749) | (127,062) | (97,145) | (940,546) | (2,381,502) |
| Total Other Financing Sources (Uses) | (1,132,632) | 170,824 | (82,788) | 3,266,530 | 2,221,934 |
| Net Change in Fund Balances | 15,628 | 40,812 | 93,378 | 227,241 | 377,059 |
| Fund Balances - Beginning, as restated | 1,903,160 | 1,510,889 | 2,917,656 | 5,822,863 | 12,154,568 |
| Fund Balances - Ending | \$ 1,918,788 | \$ 1,551,701 | \$ 3,011,034 | \$ 6,050,104 | \$ 12,531,627 |

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, 2008
(expressed in thousands)

Net Change in Fund Balances - Total Governmental Funds \$ 377,059

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

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

| | | |
|----------------------------|------------------|-----------|
| Capital outlays | \$ 2,309,232 | |
| Less: Depreciation expense | <u>(462,485)</u> | 1,846,747 |

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. (61,435)

Accrued interest on general obligation bonds is reported as an expense in the Statement of Activities but does not use current financial resources and, therefore, is not recognized in governmental funds. (54,369)

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. (8,403)

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

| | | |
|---|-----------------|-------------|
| Bonds and other financing contracts issued | \$ (1,852,225) | |
| Principal payments on bonds and other financing contracts | 586,348 | |
| Accreted interest on bonds | <u>(30,245)</u> | (1,296,122) |

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

| | | |
|----------------------------------|--------------|-----------|
| Unfunded pension obligations | \$ (16,701) | |
| Compensated absences | (14,455) | |
| Claims and judgments | 3,963 | |
| Other postemployment obligations | (221,375) | |
| Other obligations | <u>9,739</u> | (238,829) |

Change in Net Assets of Governmental Activities \$ 564,648

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

Statement of Fund Net Assets
PROPRIETARY FUNDS
June 30, 2008
(expressed in thousands)

| | Business-Type Activities Enterprise Funds | | | | Governmental Activities | |
|--|--|------------------------------|--|---------------------------------|----------------------------|------------------------------|
| | Workers' Compensation | Unemployment Compensation | Higher Education Student Services | Nonmajor Enterprise Funds | Total | Internal Service Funds |
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash and pooled investments | \$ 29,716 | \$ 4,019,881 | \$ 484,087 | \$ 294,216 | \$ 4,827,900 | \$ 620,253 |
| Investments | 2,152,094 | - | 2,996 | 394,475 | 2,549,565 | 30,075 |
| Taxes receivable (net of allowance) | - | - | - | 5,072 | 5,072 | - |
| Other receivables (net of allowance) | 714,033 | 385,380 | 135,751 | 39,939 | 1,275,103 | 18,411 |
| Due from other funds | 2,279 | 2,369 | 38,564 | 21,011 | 64,223 | 183,253 |
| Due from other governments | 899 | 14,777 | 33,470 | 3,650 | 52,796 | 7,283 |
| Inventories | 141 | - | 39,529 | 33,840 | 73,510 | 19,966 |
| Prepaid expenses | 7 | - | 14,205 | 350 | 14,562 | 4,449 |
| Total Current Assets | 2,899,169 | 4,422,407 | 748,602 | 792,553 | 8,862,731 | 883,690 |
| Noncurrent Assets: | | | | | | |
| Investments, noncurrent | 11,019,221 | - | 176,584 | 1,352,106 | 12,547,911 | 64,582 |
| Other noncurrent assets | 131,542 | - | 53,224 | 168,904 | 353,670 | 129 |
| Capital assets: | | | | | | |
| Land and other non-depreciable assets | 3,240 | - | 53,663 | 79,072 | 135,975 | 3,836 |
| Buildings | 62,705 | - | 1,626,261 | 407,397 | 2,096,363 | 123,257 |
| Other improvements | 1,638 | - | 41,453 | 15,516 | 58,607 | 17,923 |
| Furnishings, equipment, and collections | 63,057 | - | 338,787 | 63,413 | 465,257 | 746,364 |
| Infrastructure | - | - | 34,909 | - | 34,909 | 478 |
| Accumulated depreciation | (67,435) | - | (758,064) | (144,192) | (969,691) | (455,791) |
| Construction in progress | 4,188 | - | 132,774 | 36,965 | 173,927 | 20,395 |
| Total Noncurrent Assets | 11,218,156 | - | 1,699,591 | 1,979,181 | 14,896,928 | 521,173 |
| Total Assets | 14,117,325 | 4,422,407 | 2,448,193 | 2,771,734 | 23,759,659 | 1,404,863 |
| LIABILITIES | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts payable | 6,809 | - | 80,809 | 37,921 | 125,539 | 59,410 |
| Contracts and retainages payable | 2,611 | - | 11,250 | 53,126 | 66,987 | 17,548 |
| Accrued liabilities | 157,093 | 6,072 | 76,932 | 131,541 | 371,638 | 32,653 |
| Obligations under security lending agreements | 2,152,094 | - | - | 335,309 | 2,487,403 | 29,662 |
| Bonds and notes payable | 3,625 | - | 37,405 | 54,838 | 95,868 | 22,094 |
| Due to other funds | 7,897 | 1,006 | 63,744 | 32,781 | 105,428 | 121,251 |
| Due to other governments | - | 8,949 | 9 | 13,583 | 22,541 | 21 |
| Unearned revenues | 20,338 | - | 34,765 | 96 | 55,199 | 4,141 |
| Claims and judgments payable | 1,890,542 | - | - | 3,130 | 1,893,672 | 164,851 |
| Total Current Liabilities | 4,241,009 | 16,027 | 304,914 | 662,325 | 5,224,275 | 451,631 |
| Noncurrent Liabilities: | | | | | | |
| Claims and judgments payable | 19,996,606 | - | - | 4,572 | 20,001,178 | 602,359 |
| Bonds and notes payable | 25,930 | - | 1,131,383 | 254,403 | 1,411,716 | 157,097 |
| Other long-term liabilities | 19,177 | - | 28,377 | 1,358,873 | 1,406,427 | 30,218 |
| Total Noncurrent Liabilities | 20,041,713 | - | 1,159,760 | 1,617,848 | 22,819,321 | 789,674 |
| Total Liabilities | 24,282,722 | 16,027 | 1,464,674 | 2,280,173 | 28,043,596 | 1,241,305 |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | 37,838 | - | 300,996 | 182,164 | 520,998 | 277,271 |
| Restricted for: | | | | | | |
| Unemployment compensation | - | 4,406,380 | - | - | 4,406,380 | - |
| Unrestricted | (10,203,235) | - | 682,523 | 309,397 | (9,211,315) | (113,713) |
| Total Net Assets (Deficit) | \$ (10,165,397) | \$ 4,406,380 | \$ 983,519 | \$ 491,561 | \$ (4,283,937) | \$ 163,558 |

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
PROPRIETARY FUNDS
 For the Fiscal Year Ended June 30, 2008
 (expressed in thousands)

| | Business-Type Activities Enterprise Funds | | | | Governmental Activities | |
|---|--|------------------------------|--|---------------------------------|----------------------------|------------------------------|
| | Workers' Compensation | Unemployment Compensation | Higher Education Student Services | Nonmajor Enterprise Funds | Total | Internal Service Funds |
| | | | | | | |
| OPERATING REVENUES | | | | | | |
| Sales | \$ - | \$ - | \$ 115,182 | \$ 612,620 | \$ 727,802 | \$ 131,529 |
| Less: Cost of goods sold | - | - | 84,175 | 444,059 | 528,234 | 105,272 |
| Gross profit | - | - | 31,007 | 168,561 | 199,568 | 26,257 |
| Charges for services | 110 | - | 1,223,302 | 61,828 | 1,285,240 | 682,227 |
| Premiums and assessments | 1,563,953 | 1,081,019 | - | - | 2,644,972 | 1,182,926 |
| Federal aid for unemployment insurance benefits | - | 30,070 | - | - | 30,070 | - |
| Lottery ticket proceeds | - | - | - | 521,103 | 521,103 | - |
| Miscellaneous revenue | 32,150 | 12,567 | 100,866 | 8,655 | 154,238 | 46,126 |
| Total Operating Revenues | 1,596,213 | 1,123,656 | 1,355,175 | 760,147 | 4,835,191 | 1,937,536 |
| OPERATING EXPENSES | | | | | | |
| Salaries and wages | 133,773 | - | 546,354 | 93,458 | 773,585 | 293,087 |
| Employee benefits | 46,911 | - | 123,304 | 36,336 | 206,551 | 83,434 |
| Personal services | 7,533 | - | 12,655 | 26,925 | 47,113 | 22,231 |
| Goods and services | 72,567 | - | 548,769 | 129,462 | 750,798 | 342,156 |
| Travel | 4,183 | - | 20,069 | 3,056 | 27,308 | 5,381 |
| Premiums and claims | 3,727,966 | 790,538 | 1 | 34 | 4,518,539 | 1,175,717 |
| Lottery prize payments | - | - | - | 314,923 | 314,923 | - |
| Depreciation and amortization | 10,281 | - | 67,868 | 16,201 | 94,350 | 68,286 |
| Guaranteed education tuition expense | - | - | - | 62,800 | 62,800 | - |
| Miscellaneous expenses | 63,442 | - | 12,861 | 288 | 76,591 | 828 |
| Total Operating Expenses | 4,066,656 | 790,538 | 1,331,881 | 683,483 | 6,872,558 | 1,991,120 |
| Operating Income (Loss) | (2,470,443) | 333,118 | 23,294 | 76,664 | (2,037,367) | (53,584) |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Earnings (loss) on investments | 486,261 | 182,237 | 65,768 | 32,378 | 766,644 | 18,281 |
| Interest expense | (1,942) | - | (54,114) | (37,328) | (93,384) | (8,948) |
| Distributions to other governments | - | - | - | (38,674) | (38,674) | - |
| Other revenue (expenses) | 7,785 | - | 8,315 | 141,054 | 157,154 | 5,636 |
| Total Nonoperating Revenues (Expenses) | 492,104 | 182,237 | 19,969 | 97,430 | 791,740 | 14,969 |
| Income (Loss) Before Contributions and Transfers | (1,978,339) | 515,355 | 43,263 | 174,094 | (1,245,627) | (38,615) |
| Capital contributions | - | - | - | - | - | 4,834 |
| Transfers in | 21,453 | - | 69,544 | 23,241 | 114,238 | 107,894 |
| Transfers (out) | (22,956) | - | (134,142) | (228,740) | (385,838) | (82,516) |
| Net Contributions and Transfers | (1,503) | - | (64,598) | (205,499) | (271,600) | 30,212 |
| Change in Net Assets | (1,979,842) | 515,355 | (21,335) | (31,405) | (1,517,227) | (8,403) |
| Net Assets (Deficit) - Beginning, as restated | (8,185,555) | 3,891,025 | 1,004,854 | 522,966 | (2,766,710) | 171,961 |
| Net Assets (Deficit) - Ending | \$ (10,165,397) | \$ 4,406,380 | \$ 983,519 | \$ 491,561 | \$ (4,283,937) | \$ 163,558 |

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

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008
(expressed in thousands)

| | Business-Type Activities Enterprise Funds | | | |
|---|--|------------------------------|--|---------------------------------|
| | Workers' Compensation | Unemployment Compensation | Higher Education Student Services | Nonmajor Enterprise Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 1,399,135 | \$ 1,110,451 | \$ 1,362,333 | \$ 1,348,899 |
| Payments to suppliers | (1,768,524) | (791,763) | (677,284) | (1,060,613) |
| Payments to employees | (174,539) | - | (650,947) | (124,403) |
| Other receipts (payments) | 32,150 | 40,200 | 100,866 | 8,655 |
| Net Cash Provided (Used) by Operating Activities | (511,778) | 358,888 | 134,968 | 172,538 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Transfers in | 21,453 | - | 69,544 | 23,241 |
| Transfers out | (22,956) | - | (134,142) | (228,740) |
| Operating grants and donations received | 7,876 | - | 4,121 | 11 |
| Taxes and license fees collected | 4 | - | - | 142,218 |
| Distributions to other governments | - | - | - | (38,674) |
| Other noncapital financing sources | - | - | - | 4,464 |
| Net Cash Provided (Used) by Noncapital Financing Activities | 6,377 | - | (60,477) | (97,480) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Interest paid | (1,389) | - | (52,703) | (10,468) |
| Principal payments on long-term capital financing | (3,526) | - | (129,558) | (22,574) |
| Proceeds from long-term capital financing | - | - | 223,054 | 23,220 |
| Proceeds from sale of capital assets | 35 | - | 14,752 | 1,516 |
| Acquisitions of capital assets | (4,758) | - | (216,846) | (36,398) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (9,638) | - | (161,301) | (44,704) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipt of interest | 923,614 | 182,237 | 19,849 | 113,589 |
| Proceeds from sale of investment securities | 6,873,370 | - | 104,600 | 574,760 |
| Purchases of investment securities | (7,307,097) | - | (14,688) | (732,300) |
| Net Cash Provided (Used) by Investing Activities | 489,887 | 182,237 | 109,761 | (43,951) |
| Net Increase (Decrease) in Cash and Pooled Investments | (25,152) | 541,125 | 22,951 | (13,597) |
| Cash and Pooled Investments, July 1 | 54,868 | 3,478,756 | 461,136 | 307,813 |
| Cash and Pooled Investments, June 30 | \$ 29,716 | \$ 4,019,881 | \$ 484,087 | \$ 294,216 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | \$ (2,470,443) | \$ 333,118 | \$ 23,294 | \$ 76,664 |
| Adjustments to Reconcile Operating Income | | | | |
| (Loss) to Net Cash Provided by Operations: | | | | |
| Depreciation | 10,281 | - | 67,868 | 16,201 |
| Change in Assets: Decrease (Increase) | | | | |
| Receivables (net of allowance) | (108,875) | 26,996 | 22,916 | (21,170) |
| Inventories | 27 | - | (4,057) | 11,944 |
| Prepaid expenses | 23 | - | 3,304 | 969 |
| Change in Liabilities: Increase (Decrease) | | | | |
| Payables | 2,057,209 | (1,226) | 21,643 | 87,930 |
| Net Cash or Cash Equivalents Provided by (Used in) Operating Activities | \$ (511,778) | \$ 358,888 | \$ 134,968 | \$ 172,538 |

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

State of Washington

Continued

| Governmental Activities | |
|------------------------------------|---------------------------------------|
| Total | Internal Service Funds |
| \$ 5,220,818 | \$ 1,930,873 |
| (4,298,184) | (1,542,042) |
| (949,889) | (374,448) |
| 181,871 | 46,110 |
| <u>154,616</u> | <u>60,493</u> |
| | |
| 114,238 | 107,894 |
| (385,838) | (82,516) |
| 12,008 | 5,685 |
| 142,222 | - |
| (38,674) | - |
| 4,464 | (3) |
| <u>(151,580)</u> | <u>31,060</u> |
| | |
| (64,560) | (8,957) |
| (155,658) | (26,920) |
| 246,274 | 38,134 |
| 16,303 | 5,320 |
| <u>(258,002)</u> | <u>(79,957)</u> |
| <u>(215,643)</u> | <u>(72,380)</u> |
| | |
| 1,239,289 | 14,855 |
| 7,552,730 | 230,726 |
| <u>(8,054,085)</u> | <u>(228,437)</u> |
| <u>737,934</u> | <u>17,144</u> |
| | |
| 525,327 | 36,317 |
| 4,302,573 | 583,936 |
| <u>\$ 4,827,900</u> | <u>\$ 620,253</u> |
| | |
| \$ (2,037,367) | \$ (53,584) |
| | |
| 94,350 | 68,286 |
| (80,133) | (65,414) |
| 7,914 | (1,297) |
| 4,296 | (968) |
| <u>2,165,556</u> | <u>113,470</u> |
| <u>\$ 154,616</u> | <u>\$ 60,493</u> |

Statement of Cash Flows
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2008

(expressed in thousands)

| | Business-Type Activities | | | |
|--|--------------------------|--------------|-----------|------------|
| | Enterprise Funds | | | |
| | Workers' | Unemployment | Higher | Nonmajor |
| | Compensation | Compensation | Education | Enterprise |
| | | | Student | Funds |
| | | | Services | |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | | |
| Contributions of capital assets | \$ - | \$ - | \$ - | \$ - |
| Amortization of annuity prize liability | - | - | - | 22,659 |
| Increase (decrease) in fair value of investments | 421,234 | - | (1,795) | (79,982) |
| Refunding bonds issued | - | - | 90,975 | - |
| Refunded bonds redeemed | - | - | (91,540) | - |
| Amortization of debt premium (issue costs/discount) | - | - | 361 | - |
| Accretion of interest on zero coupon bonds | - | - | - | (3,825) |
| Increase in ownership of joint venture | - | - | 48,242 | - |

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

Concluded

| Governmental Activities | |
|------------------------------------|---------------------------------------|
| | Internal Service Funds |
| Total | |
| \$ - | \$ 4,834 |
| 22,659 | - |
| 339,457 | 1,020 |
| 90,975 | - |
| (91,540) | - |
| 361 | - |
| (3,825) | - |
| <u>48,242</u> | <u>-</u> |

Statement of Fiduciary Net Assets

FIDUCIARY FUNDS

June 30, 2008
(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 | \$ 9,031 | \$ 2,241,849 | \$ 336,581 | \$ 281,662 |
| Investments | - | 3,446,978 | - | - |
| Receivables, pension and other employee benefit plans: | | | | |
| Employers | - | - | 112,936 | - |
| Members (net of allowance) | - | - | 3,056 | - |
| Interest and dividends | - | - | 189,361 | - |
| Investment trades pending | - | - | 372,817 | - |
| Other receivables, all other funds | - | 18,655 | - | 15,609 |
| Due from other funds | - | - | 46,251 | 2,583 |
| Due from other governments | - | - | - | 36,732 |
| Total Current Assets | 9,031 | 5,707,482 | 1,061,002 | 336,586 |
| Noncurrent Assets: | | | | |
| Investments, noncurrent, pension and other employee benefit plans: | | | | |
| Public equity | - | - | 28,622,027 | - |
| Fixed income | - | - | 13,626,393 | - |
| Private equity | - | - | 13,837,207 | - |
| Real estate | - | - | 8,688,560 | - |
| Security lending | - | - | 3,979,830 | - |
| Liquidity | - | - | 1,612,050 | - |
| Tangible asset | - | - | 447,753 | - |
| Other | - | - | 422,013 | - |
| Investments, noncurrent, all other funds | 23,082 | 1,024,781 | - | 54,916 |
| Other noncurrent assets | - | - | - | 63,830 |
| Capital assets: | | | | |
| Furnishings, equipment, and collections | 81 | - | - | - |
| Accumulated depreciation | (81) | - | - | - |
| Total Noncurrent Assets | 23,082 | 1,024,781 | 71,235,833 | 118,746 |
| Total Assets | 32,113 | 6,732,263 | 72,296,835 | \$ 455,332 |
| LIABILITIES | | | | |
| Accounts payable | 121 | - | - | \$ 21,487 |
| Contracts and retainages payable | - | - | - | 39,466 |
| Accrued liabilities | 149 | 291 | 961,454 | 115,001 |
| Obligations under security lending agreements | - | 113,595 | 3,971,818 | 16,932 |
| Due to other funds | - | 46 | 47,647 | 6,768 |
| Due to other governments | - | - | - | 191,848 |
| Unearned revenues | - | - | 812 | - |
| Other long-term liabilities | - | - | - | 63,830 |
| Total Liabilities | 270 | 113,932 | 4,981,731 | \$ 455,332 |
| NET ASSETS | | | | |
| Net assets held in trust for: | | | | |
| Pension benefits | - | - | 64,880,910 | - |
| Deferred compensation participants | - | - | 2,434,194 | - |
| Local government pool participants | - | 6,618,331 | - | - |
| Individuals, organizations & other governments | 31,843 | - | - | - |
| Total Net Assets | \$ 31,843 | \$ 6,618,331 | \$ 67,315,104 | |

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, 2008
(expressed in thousands)

| | Private- Purpose Trust | Local Government Investment Pool | Pension and Other Employee Benefit Plans |
|--|------------------------------|---|--|
| ADDITIONS | | | |
| Contributions: | | | |
| Employers | \$ - | \$ - | \$ 907,675 |
| Members | - | - | 907,231 |
| State | - | - | 60,546 |
| Pool participants | - | 14,895,563 | 188,735 |
| Total Contributions | - | 14,895,563 | 2,064,187 |
| Investment Income: | | | |
| Net appreciation (depreciation) in fair value | - | - | (2,958,775) |
| Interest and dividends | - | 267,102 | 2,095,780 |
| Less: Investment expenses | - | - | (246,356) |
| Net Investment Income | - | 267,102 | (1,109,351) |
| Other Additions: | | | |
| Escheated property | 82,899 | - | - |
| Transfers from other pension plans | - | - | 330,005 |
| Other contracts, grants and miscellaneous | 43 | 1 | 835 |
| Total Other Additions | 82,942 | 1 | 330,840 |
| Total Additions | 82,942 | 15,162,666 | 1,285,676 |
| DEDUCTIONS | | | |
| Pension benefits | - | - | 2,502,419 |
| Pension refunds | - | - | 208,482 |
| Transfers to other pension plans | - | - | 330,005 |
| Administrative expenses | 3,057 | 3,897 | 3,797 |
| Distributions to pool participants | - | 14,349,674 | 135,876 |
| Payments to or on behalf of individuals, organizations and other governments in accordance with trust agreements | 101,373 | - | - |
| Total Deductions | 104,430 | 14,353,571 | 3,180,579 |
| Net Increase (Decrease) | (21,488) | 809,095 | (1,894,903) |
| Net Assets - Beginning, as restated | 53,331 | 5,809,236 | 69,210,007 |
| Net Assets - Ending | \$ 31,843 | \$ 6,618,331 | \$ 67,315,104 |

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

Statement of Fund Net Assets
COMPONENT UNITS
 June 30, 2008
(expressed in thousands)

| | Public Stadium | Nonmajor Component Units | Total |
|---|-------------------|-----------------------------|-------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and pooled investments | \$ 6,543 | \$ 10,881 | \$ 17,424 |
| Investments | 5,964 | 35,166 | 41,130 |
| Other receivables (net of allowance) | 583 | 818 | 1,401 |
| Prepaid expenses | 25 | 211 | 236 |
| Total Current Assets | 13,115 | 47,076 | 60,191 |
| Noncurrent Assets: | | | |
| Investments, noncurrent | 19,633 | 2,408 | 22,041 |
| Other noncurrent assets | - | 42,518 | 42,518 |
| Capital assets: | | | |
| Land | 34,677 | - | 34,677 |
| Buildings | 459,132 | - | 459,132 |
| Furnishings and equipment | 23,611 | 1,226 | 24,837 |
| Accumulated depreciation | (113,999) | (1,030) | (115,029) |
| Construction in progress | 90 | - | 90 |
| Total Noncurrent Assets | 423,144 | 45,122 | 468,266 |
| Total Assets | \$ 436,259 | \$ 92,198 | \$ 528,457 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 283 | \$ 12,938 | \$ 13,221 |
| Contracts and retainages payable | 2,908 | - | 2,908 |
| Accrued liabilities | 3,761 | 65 | 3,826 |
| Unearned revenues | 82 | 2,405 | 2,487 |
| Total Current Liabilities | 7,034 | 15,408 | 22,442 |
| Noncurrent Liabilities: | | | |
| Other long-term liabilities | 34,934 | - | 34,934 |
| Total Noncurrent Liabilities | 34,934 | - | 34,934 |
| Total Liabilities | 41,968 | 15,408 | 57,376 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 364,984 | 196 | 365,180 |
| Restricted for deferred sales tax | 23,592 | - | 23,592 |
| Restricted for other purposes | - | 500 | 500 |
| Unrestricted | 5,715 | 76,094 | 81,809 |
| Total Net Assets (Deficit) | \$ 394,291 | \$ 76,790 | \$ 471,081 |

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, 2008
(expressed in thousands)

| | Public Stadium | Nonmajor Component Units | Total |
|---|-------------------|-----------------------------|-------------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 952 | \$ 15,103 | \$ 16,055 |
| Total Operating Revenues | 952 | 15,103 | 16,055 |
| OPERATING EXPENSES | | | |
| Salaries and wages | 379 | 4,515 | 4,894 |
| Employee benefits | 66 | 1,414 | 1,480 |
| Personal services | 160 | 1,425 | 1,585 |
| Goods and services | 2,526 | 2,344 | 4,870 |
| Travel | 4 | 26 | 30 |
| Depreciation and amortization | 16,200 | 124 | 16,324 |
| Miscellaneous expenses | - | 210 | 210 |
| Total Operating Expenses | 19,335 | 10,058 | 29,393 |
| Operating Income (Loss) | (18,383) | 5,045 | (13,338) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Earnings (loss) on investments | 3,404 | 3,115 | 6,519 |
| Operating grants and contributions | - | 240 | 240 |
| Distributions of operating grants | - | (240) | (240) |
| Total Nonoperating Revenues (Expenses) | 3,404 | 3,115 | 6,519 |
| Income (Loss) Before Contributions and Transfers | (14,979) | 8,160 | (6,819) |
| Capital grants and contributions | 829 | - | 829 |
| Total Contributions and Transfers | 829 | - | 829 |
| Change in Net Assets | (14,150) | 8,160 | (5,990) |
| Net Assets - Beginning, as restated | 408,441 | 68,630 | 477,071 |
| Net Assets - Ending | \$ 394,291 | \$ 76,790 | \$ 471,081 |

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

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