State of Washington

Office of Financial Management

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2005

December 2005

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State Investment Board
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For the Fiscal Year Ended June 30, 2005

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INTRODUCTORY SECTION

STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT
Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

December 21, 2005

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

In accordance with Chapter 43.88.027 of the Revised Code of Washington, the Office of Financial Management (OFM) has prepared this Comprehensive Annual Financial Report (CAFR) of the state of Washington for the fiscal year that ended June 30, 2005. 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, 2005. 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 6.3 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 Cascade Mountain Range, farmers raise livestock and 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, Commissioner of Public Lands, and Insurance Commissioner. Thirty-nine agency heads are appointed by, and report to, the Governor. Ninety 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 with 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, environment 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 economic recovery began in the fourth quarter of 2001, Washington has gained more than 100,000 jobs, or about 3.7 percent growth. Although the state job recovery started slowly, it picked up strength in Fiscal Year 2005. A turnaround in the aerospace industry, a strong growth in the housing sector due to low interest rates, and an increase in disposable household income from home mortgage refinancing have aided the state recovery.

The relative strength of the state's recovery reflects the underlying strengths of the state economy, which includes 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.

After two years of decline and one year of growth below 1 percent, Washington State's non-farm payroll employment grew by a robust 2.4 percent in Fiscal Year 2005. Personal income grew at a rate of 7.8 percent that fiscal year. While this was a significant improvement over growth rates of 1.7 percent in Fiscal Year 2003 and 3.6 percent in Fiscal Year 2004, about 3 percentage points of the increase in Fiscal Year 2005 was due to Microsoft's special dividend paid in November 2004. The aerospace industry turned around in Fiscal Year 2005 and posted a modest but positive employment increase of 2 percent after six fiscal years of decline. Total manufacturing employment grew by 1.5 percent, breaking the trend of falling employment in that sector. In Fiscal Year 2005, Washington's unemployment rate receded to 5.7 percent, significantly lower than the 6.9 percent rate for Fiscal Year 2004 and only slightly above the national unemployment rate of 5.3 percent in Fiscal Year 2005.

Washington's outlook for Fiscal Year 2006 is for a continuation in the strong economic activity. Non-farm payroll employment in Washington is forecast to increase in Fiscal Year 2006 by 2.5 percent, the strongest growth since Fiscal Year 2000. Personal income growth is also predicted to grow by 3.8 percent in Fiscal Year 2006. This lower growth rate of Washington personal income is artificially low due to the effects of Microsoft's special dividend in November 2004. General Fund-State revenues are forecast to grow at an even stronger 12.6 percent rate in the 2005-07 Biennium, compared to the increase of 10.6 percent in the 2003-05 Biennium.

Economic Condition in Fiscal Year 2005

Washington's non-farm payroll employment grew by 2.4 percent in Fiscal Year 2005, a significantly faster rate than the 1.6 percent increase in U.S. non-farm payroll employment. Washington's non-farm payroll employment increased by almost 65,000 during Fiscal Year 2005. Personal income in Washington grew more rapidly than U.S. personal income, 7.8 percent in Washington compared to 6.4 percent for the U.S. However, about 3 percentage points of the increase for Washington in Fiscal Year 2005 was due to Microsoft's special dividend in November 2004. Without the dividend, Washington personal income growth would have been below U.S. personal income growth. Real per capita income growth was up in Washington by 5.0 percent over the same period, compared to 3.6 percent for the nation as a whole. Again, Microsoft's special dividend significantly affected Washington's growth rate.

Aerospace employment and manufacturing employment provided some modest bright spots for Washington's employment growth. After adding more than 15,000 employees in Fiscal Year 1998, employment in the aerospace industry fell by nearly 50,000 in Fiscal Years 1999 through 2004. Aerospace employment made a modest comeback in Fiscal Year 2005, increasing by 1,200. Manufacturing employment other than aerospace also grew, rising by 1.3 percent. All durable manufacturing industries except one also experienced higher employment in Fiscal Year 2005 compared to Fiscal Year 2004. Employment in most nondurable manufacturing industries continued to decline in Fiscal Year 2005.

Employment in durable manufacturing other than aerospace grew by 3.5 percent in Fiscal Year 2005 (an increase of 4,100 jobs) while employment in durable manufacturing nationally inched up by 0.9 percent. Employment increased in all durable manufacturing industries in Washington during Fiscal Year 2005, except the computer and electronic products industry where employment was down 1.1 percent (loss of 300 jobs). Employment in electrical equipment, appliances and components grew by 4.9 percent and employment in other transportation equipment (transportation equipment other than aerospace) increased by 8.4 percent. Employment in wood products rose by 6.1 percent, and employment in fabricated metal products rose by 4.3 percent in Fiscal Year 2005. Machinery manufacturing experienced growing employment at the rate of 6.8 percent. The smallest percentage increases in employment in the durable manufacturing sector during Fiscal Year 2005 occurred in other durable manufacturing, up by 1.7 percent, and the primary metals industry, up only 0.2 percent (an increase of fewer than 100 jobs).

Non-durable manufacturing employment in Washington decreased by 1.8 percent in Fiscal Year 2005, a loss of 1,500 jobs. Nationally, non-durable manufacturing employment declined by 1.5 percent. In Washington, all non-durable manufacturing industries experienced employment losses in Fiscal Year 2005, except petroleum products, which rose by 1.1 percent. The largest percentage losses in employment occurred in food manufacturing, a 2.4 percent decline, and paper and paper products manufacturing, a 3.9 percent loss. Employment in printing decreased by 2.1 percent.

Washington's non-manufacturing employment grew by 2.2 percent during Fiscal Year 2005, with construction employment growing by 6.4 percent, services employment increasing by 2.5 percent, and employment in the natural resources industry rising at a rate of 5.8 percent. Wholesale trade employment rose by 3.5 percent, retail trade employment grew by 2.1 percent, and transportation, warehousing and utilities employment increased by 3.4 percent. Employment in the information sector rose by 0.6 percent and employment in the financial activities industry increased by 0.4 percent. State and local government employment grew by 1.0 percent, but federal government civilian employment declined by 0.2 percent in Fiscal Year 2005.

Economic Outlook

The economic forecast for Washington State for Fiscal Year 2006 reflects the impact of the long-awaited recovery at both the state and national levels. According to the November 2005 forecast by the state Economic and Revenue Forecast Council, growth in Washington's non-farm payroll employment is predicted to increase by 2.5 percent in Fiscal Year 2006, a rate closer to the state's long-term average employment growth and significantly higher than the expected national growth rate of 1.5 percent for non-farm payroll employment in Fiscal Year 2006.

Washington's personal income growth will slow in Fiscal Year 2006 with growth of only 3.8 percent, but this is a statistical artifact created by Microsoft's special dividend in Fiscal Year 2004. U.S. personal income growth is predicted to be 5.8 percent in Fiscal Year 2006. Without the data anomaly caused by the Microsoft special dividend, Washington's personal income would be forecast to grow faster than U.S. personal income in Fiscal Year 2006.

Manufacturing employment in Washington is projected to continue growing in Fiscal Year 2006. Aerospace employment is expected to grow strongly in Fiscal Year 2006, by 8.6 percent. Other manufacturing sectors are also expected to show some increase in employment, adding about 1,500 jobs (0.8 percent increase) in Fiscal Year 2006. Most sectors of durable manufacturing besides aerospace are expected to increase in employment. The fastest employment growth in non-aerospace manufacturing is expected in machinery, 4.8 percent; electrical equipment, appliances and components, 4.1 percent; and other transportation equipment, 5.5 percent. Most sectors of non-durable manufacturing are expected to continue declining in Fiscal Year 2006. Employment in food manufacturing is forecast to fall by 3.2 percent, and employment in paper and paper products manufacturing will decline by 0.9 percent. Employment in printing should grow by 1.5 percent in Fiscal Year 2006.

In the non-manufacturing sectors, the strongest growth is predicted to occur in software publishing and the construction sector. Employment in software publishing is predicted to increase by 5.3 percent and construction employment is forecast to grow by 5.1 percent in Fiscal Year 2006. Information employment and wholesale trade employment growth are also expected to be bright spots in the continuing recovery. Employment in those sectors should grow by a relatively robust 3.1 percent and 3.5 percent, respectively, in Fiscal Year 2006.

With the exception of federal government civilian employment and natural resources, all other non-manufacturing sectors are expected to increase employment. Retail trade employment is forecast to show slightly positive growth of 1.8 percent, and services employment is expected to increase by 2.8 percent in Fiscal Year 2006. Employment in transportation, warehousing and utilities is predicted to grow by 2.4 percent, and employment in financial activities is expected to increase by only 1.0 percent. After significant budget cuts in previous years, state and local government employment is expected to grow by 1.2 percent in Fiscal Year 2006.
A few Washington industries will continue to experience no growth going into Fiscal Year 2006. Federal government civilian employment is forecast to fall in Fiscal Year 2006 by 0.6 percent. The poorest growth performance among the non-manufacturing sectors is predicted to occur in the natural resources industry. The natural resources industry is forecast to drop by 1.1 percent in Fiscal Year 2006.

General Fund-State Revenues

General Fund-State revenues for the 2003-05 Biennium were $23.4 billion, an increase of 10.6 percent in nominal terms over the previous biennium. Revenue growth is expected to be even stronger in the 2005-07 Biennium. General Fund-State collections are forecast to increase by 12.6 percent during that two-year period, generating revenue of $26.3 billion. Based on the November 2005 revenue forecast, Washington will have an estimated reserve of $1.453 billion by the end of the 2005-07 Biennium, up slightly from $853 million in the previous biennium. These projected reserves assume no further changes in appropriations for the 2005-07 Biennium.

Major Initiatives

Washington State made progress in 2005 to strengthen its transportation system and improve educational opportunities for secondary and higher education students. Steps were taken to nurture the state's recovering economy, improve its health care system for children, protect its natural environment, and make state government more efficient.

Transportation

Newly elected Governor Christine Gregoire and the Legislature approved a transportation improvement package of $8.5 billion to be spent over 16 years to address congestion and safety on critical roads and bridges across Washington, and to strengthen mass transit systems. The package is financed by an additional 9.5-cent tax on a gallon of gasoline. The tax is phased in over four years. One penny of the new tax – $602 million – goes to cities and counties for local transportation needs. Other transportation fees in the package buy public transportation and rail improvements. The gasoline tax was challenged by a citizen initiative, but voters in the November 2005 election upheld the tax.

Public Education

The Governor and Legislature used proceeds from increases in tobacco and liquor taxes, along with partial restoration of an estate tax, to establish and finance an Education Legacy Trust Fund. The fund provides $138 million in the next biennium to reinstate financing for smaller class sizes in public schools, a step approved by citizen passage of Initiative 728 in 2000. Teacher pay Initiative 732, passed in 2000, also was reinstated, providing cost-of-living increases for public school staff at a cost of $139 million to the General Fund. The Governor and Legislature took additional actions to improve public schools in 2005, including approval of a program to provide classroom help for struggling high school students, and funding to launch an 18-month study of the state's entire education system from early learning through higher education.

Higher Education

To meet growing enrollment demand in the state's system of higher education, Governor Gregoire and the Legislature provided $74.1 million from the new Education Legacy Trust Fund to create 7,900 new enrollment slots at state colleges and universities, bringing the number of full-time, state-subsidized enrollments to more than 224,000. The new enrollments will enable the state to keep up with the projected demand for access to the state's higher education system in the next biennium. The Governor and Legislature also agreed to allow institutions of higher education to increase tuition by set limits in order to increase spending to attract and retain high-quality faculty and to help finance financial aid for students from lower-income families.

Economic Development

To further nurture Washington's recovering economy, the Legislature and Governor balanced competing demands and agreed on a $26 billion biennial state budget without raising general consumer and business taxes. In addition, the Legislature approved Governor Gregoire's proposal to move Washington into leading-edge medical research and improve the quality and yield of farm crops through a new $1 billion Life Sciences Discovery Fund. Bonus money from the tobacco settlement – $350 million – will be used as seed money to attract public and private contributions for research over 10 years to create new jobs and commerce in the next 10 to 15 years. The Legislature also approved the Governor's proposal that clarifies rules governing research scientists and companies, as well as public resources in order to more easily move research findings into commercial development. Other steps taken to strengthen Washington's economy included passage of a $3.3 billion public works budget to provide much-needed facilities for higher education, public schools and local communities.

Environment

Significant steps were taken in 2005 to reduce global warming emissions. Governor Gregoire and the Legislature adopted most of California's tough vehicle emissions standards for new cars sold in Washington beginning with the 2009 model year. Also signed into law was the nation's most aggressive green buildings legislation, requiring all major public agency facilities exceeding 5,000 square feet, including school buildings receiving state funding, to meet the green building council's Leadership in Energy and Environmental Design (LEED) standards. Meeting the standards will save energy, water and natural resources while producing considerable savings in operating costs. The Governor and Legislature also provided funding to better guard against oil spills in Washington waters and to reduce toxic and wastewater pollution.

Government Efficiency

Governor Gregoire and the Legislature took big steps to make Washington's government more efficient and accountable. They reduced the ranks of middle management by 1,000 positions and redeployed the $50 million in savings to better deliver services. The Legislature also authorized performance audits of state government operations, and established the Governor's Government Management Accountability and Performance (GMAP) program to require that state agencies present clear goals and data with which to measure progress in meeting the goals. In addition, state government launched a program to leverage its purchasing power for cheaper products – and in a way that reduces the need for costly warehouse space and inventory control.

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, 2004. 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 eighteen 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 professional standards.

Sincerely,

Victor A. Moore
Director

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, 2004

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.

Nancy L. Zielke

President

Jeffrey R. Esser

Executive Director

State of Washington Elected Officials as of June 30, 2005


Christine Gregoire
Governor


Brad Owen
Lieutenant Governor

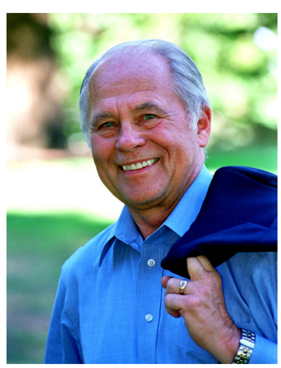

Sam Reed
Secretary of State

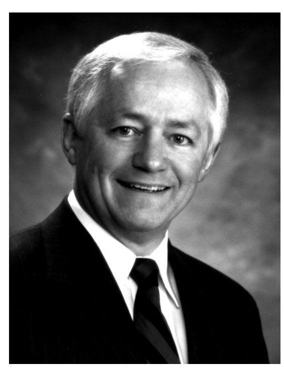

Michael Murphy
Treasurer


Brian Sonntag
State Auditor


Rob McKenna
Attorney General


Terry Bergeson
Superintendent of Public Instruction


Doug Sutherland
Commissioner of Public Lands


Mike Kreidler
Insurance Commissioner

2004-2005 Organization Chart

Washington State Government

Legislative Branch

Senate — House of Representatives

- Joint Legislative Audit and Review Committee
- Legislative Ethics Board
- Legislative Evaluation and Accountability Program
- Office of the State Actuary
- Joint Legislative Systems Committee
- Redistricting Commission
  - *(activated decennially)*

Executive Branch

Judicial Branch

Supreme Court

- Court of Appeals
- Superior Courts
- District Courts
- Municipal Courts
- Supreme Court Clerk
- Supreme Court Commissioner
- Administrator for the Courts
- Office of Public Defense
- Law Library
- Reporter of Decisions
- Commission on Judicial Conduct
- Office of Civil Legal Aid

Agencies Managed by Statewide Elected Officers

- **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**
    - *Puget Sound Action Team*
    - *Salmon Recovery Office*
    - *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 Managed by Governor-appointed Executives

Environment and Natural Resources

- Department of Ecology
- Department of Agriculture
  - *commodity commissions*
- Interagency Committee for Outdoor Recreation
  - *Salmon Recovery Funding Board*
- Pollution Liability Insurance Program

General Government

- Office of Financial Management
- Department of General Administration
- Department of Revenue
- Department of Personnel
  - *Personnel Resources Board*
- Department of Retirement Systems
  - *Employee Retirement Benefits Board*
- Department of Information Systems
  - *Integrated Justice Information Board*
- Lottery Commission
- Department of Financial Institutions
- Military Department
- Public Printer
- Office of Administrative Hearings
- Board of Accountancy

Transportation

- Department of Transportation
- State Patrol
- Department of Licensing
  - *occupational regulatory boards*
- Traffic Safety Commission

Health and Human Services

- Department of Social and Health Services
- Department of Labor and Industries
- Department of Employment Security
- Department of Health
  - *occupational regulatory boards*
- Department of Corrections
- Department of Veterans Affairs
- Council for the Prevention of Child Abuse and Neglect
- Health Care Authority
  - *Public Employees' Benefits Board*
- Department of Services for the Blind

Education

- School for the Blind
- School for the Deaf
  - *Board of Trustees*
- Workforce Training and Education Coordinating Board

Community and Economic Development

- Department of Community, Trade, and Economic Development
  - *Economic Development Commission*
  - *Energy Facility Site Evaluation Council*
  - *Public Works Board*
  - *Building Code Council*
- Office of Minority and Women's Business Enterprises
- Commission on Asian Pacific American Affairs
- Commission on African-American Affairs
- Commission on Hispanic Affairs
- Arts Commission
- Department of Archaeology and Historic Preservation

Agencies Under Authority of a Board

Environment and Natural Resources

- Fish and Wildlife Commission
  - *Department of Fish and Wildlife*
- Parks and Recreation Commission
- Environmental Hearings Office
  - *Environmental and Land Use Hearings Board*
  - *Pollution Control Hearings Board*
  - *Shorelines Hearings Board*
  - *Forest Practices Appeals Board*
  - *Hydraulic Appeals Board*
- Conservation Commission
- Columbia River Gorge Commission
- Growth Management Hearings Boards
  - *Eastern Washington*
  - *Central Puget Sound*
  - *Western Washington*
- Board of Natural Resources

General Government

- Liquor Control Board
- Utilities and Transportation Commission
- Personnel Appeals Board
  - *(abolished 2006)*
- Public Employment Relations Commission
- Board of Tax Appeals
- Public Disclosure Commission
- Board for Volunteer Firefighters and Reserve Officers
- Gambling Commission
- Horse Racing Commission
- Investment Board
- Statute Law Committee
  - *Code Reviser*
- Municipal Research Council
- Economic and Revenue Forecast Council
- Caseload Forecast Council
- Pension Funding Council
- Forensic Investigations Council
- Citizens' Commission on Salaries for Elected Officials
- State Capitol Committee
- Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Board

Transportation

- Board of Pilotage Commissioners
- Marine Employees' Commission
- Transportation Improvement Board
- Freight Mobility Strategic Investment Board
- County Road Administration Board

Health and Human Services

- Human Rights Commissior
- Indeterminate Sentence Review Board
- Board of Industrial Insuranc Appeals
- Criminal Justice Training Commission
- Sentencing Guidelines Commission
- Health Care Facilities Authority
- Board of Health
- Home Care Quality Authori
- Tobacco Settlement Authority

Education

- Higher Education Coordinating Board
- 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*
- Board for Community and Technical Colleges
- Boards of Trustees
  - *Community Colleges*
  - *Technical Colleges*
- Spokane Intercollegiate Research and Technology Institute
- Higher Education Facilities Authority
- Washington State Historical Society
- Eastern Washington State Historical Society

Community and Economic Development

- Convention and Trade Center
- Housing Finance Commission
- Economic Development Finance Authority
- Life Sciences Discovery Fund Authority

PREPARED BY THE OFFICE OF FINANCIAL MANAGEMENT 6/05

FINANCIAL SECTION

Washington State Auditor
Brian Sonntag

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

December 20, 2005

The Honorable Christine Gregoire
Governor, State of Washington

Dear Governor Gregoire:

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 fiscal year ended June 30, 2005, 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 and the Local Government Investment Pool, which represent 12 percent and 49 percent, respectively of the assets and revenues/additions of the aggregate discretely presented component units and remaining fund information. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Department of Retirement Systems and the Local Government Investment Pool, is based upon their reports.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our report and the report 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, 2005, and the respective changes

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in financial position and cash flows where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the Unites States of America.

The management's discussion and analysis and the required supplementary information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 combining and individual fund statements and schedules listed in the table of contents are for purposes of additional analysis, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

BRIAN SONNTAG, CGFM

STATE AUDITOR

Management's Discussion and 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, 2005. 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 $19.1 billion (reported as *net assets*). Of this amount, $3.2 billion was reported as "unrestricted net assets." Unrestricted net assets represent the amount available to be used to meet the state's ongoing obligations to citizens and creditors.

- The state of Washington's governmental funds reported combined ending fund balances of $9.1 billion, an increase of $910 million in comparison with the prior year.

- Unreserved fund balance for the General Fund was $865 million, or 4.9 percent of total General Fund expenditures.

- The state's capital assets increased by $2.1 billion while total bond debt increased by $792 million during the current fiscal year.

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.

The S*tatement 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.

The S*tatement 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, unemployment compensation and health insurance programs, as well as various higher education student services such as housing and dining.

The government-wide financial statements can be found on pages 33-35 of this report.

Fund Financial Statements - A *fund* is a grouping 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 *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

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 non-major funds. The state's major governmental funds are the General Fund, Higher Education Special Revenue Fund, and the Higher Education Endowment Permanent Fund. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The governmental fund financial statements can be found on pages 38-41 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, 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, and the Higher Education Student Services Fund, which are considered to be major funds, as well as an aggregated total for all non-major enterprise funds. The internal service funds are combined for presentation purposes. Individual fund data for the state's non-major proprietary funds are provided in the form of *combining statements* elsewhere in this report.

The proprietary fund financial statements can be found on pages 42-45 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 statement 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.

The fiduciary fund financial statements can be found on pages 46-47 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 non-major component units. Refer to Note 1 on pages 52-54 for more detailed information. Individual fund data for the state's non-major component units are provided in the form of combining statements elsewhere in this report.

The financial statements for the state's component units can be found on pages 48-49 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 50-124 of this report.

Other required information. In addition to this discussion and analysis, this report also presents required supplementary information on budgetary comparisons, pension plan funding, and infrastructure assets reported using the modified approach. Required supplementary information can be found on pages 126-145 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 149-210 of this report.

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 $19.1 billion at June 30, 2005 as compared to $15.6 billion at June 30, 2004.

The largest portion of the state's net assets (48.1 percent for Fiscal Year 2005 as compared to 53.5 percent for Fiscal Year 2004) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), 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.

State of Washington's Net Assets

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	$ 14,365	$ 13,110	$ 17,280	$ 15,032	$ 31,645	$ 28,142
Capital assets	23,361	21,294	1,525	1,452	24,886	22,746
Total assets	37,726	34,404	18,805	16,484	56,531	50,888
Long-term liabilities outstanding	12,143	11,325	19,496	18,646	31,639	29,971
Other liabilities	3,744	3,432	2,091	1,891	5,835	5,323
Total Liabilities	15,887	14,757	21,587	20,537	37,474	35,294
Net assets:						
Invested in capital assets, net of related debt	8,655	7,817	510	522	9,165	8,339
Restricted	4,327	3,106	2,341	1,624	6,668	4,730
Unrestricted	8,857	8,723	(5,632)	(6,199)	3,225	2,524
Total net assets	$ 21,839	$ 19,646	$ (2,781)	$ (4,053)	$ 19,058	$ 15,593

A portion of the state of Washington's net assets (34.9 percent for Fiscal Year 2005 as compared to 30.3 percent for Fiscal Year 2004) represents resources that are subject to constitutional or external restrictions on how they may be used. The remaining balance of *unrestricted net assets* may be used to meet the state's ongoing obligations to citizens and creditors.

State of Washington's Changes in Net Assets

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	$ 3,161	$ 3,091	$ 6,615	$ 6,058	$ 9,776	$ 9,149
Grants and contributions	8,913	8,461	69	473	8,982	8,934
General revenues:						
Taxes	13,988	13,093	95	116	14,083	13,209
Interest and investment earnings	363	294	1,249	286	1,612	580
Total revenues	26,425	24,939	8,028	6,933	34,453	31,872
Expenses:						
General government	(925)	(918)	-	-	(925)	(918)
Education - K-12	(6,283)	(6,086)	-	-	(6,283)	(6,086)
Education - higher education	(4,455)	(4,216)	-	-	(4,455)	(4,216)
Human services	(9,852)	(9,348)	-	-	(9,852)	(9,348)
Adult corrections	(640)	(644)	-	-	(640)	(644)
Natural resources and recreation	(229)	(651)	-	-	(229)	(651)
Transportation	(1,457)	(1,310)	-	-	(1,457)	(1,310)
Intergovernmental grants	(335)	(329)	-	-	(335)	(329)
Interest on long-term debt	(505)	(478)	-	-	(505)	(478)
Workers' compensation	-	-	(2,407)	(2,389)	(2,407)	(2,389)
Unemployment compensation	-	-	(870)	(1,745)	(870)	(1,745)
Higher education student services	-	-	(1,170)	(1,130)	(1,170)	(1,130)
Health insurance programs	-	-	(1,138)	(1,044)	(1,138)	(1,044)
Other business-type activities	-	-	(988)	(951)	(988)	(951)
Total expenses	(24,681)	(23,980)	(6,573)	(7,259)	(31,254)	(31,239)
Excess (deficiency) of revenues over expenses before contributions to endowments and transfers	1,744	959	1,455	(326)	3,199	633
Contributions to endowments	69	46	-	-	69	46
Transfers	184	199	(184)	(199)	-	-
Increase (decrease) in net assets	1,997	1,204	1,271	(525)	3,268	679
Net assets - July 1, as restated*	19,842	18,442	(4,052)	(3,528)	15,790	14,914
Net assets - June 30	$ 21,839	$ 19,646	$ (2,781)	$ (4,053)	$ 19,058	$ 15,593

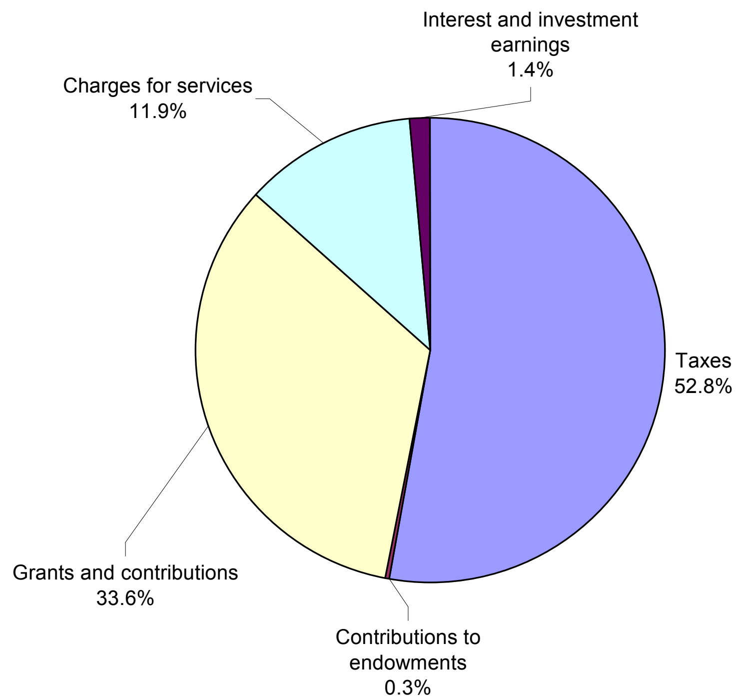
*Note: Net assets as of July 1, 2004, have been restated to reflect fund-type reclassification and prior period error correction.

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.

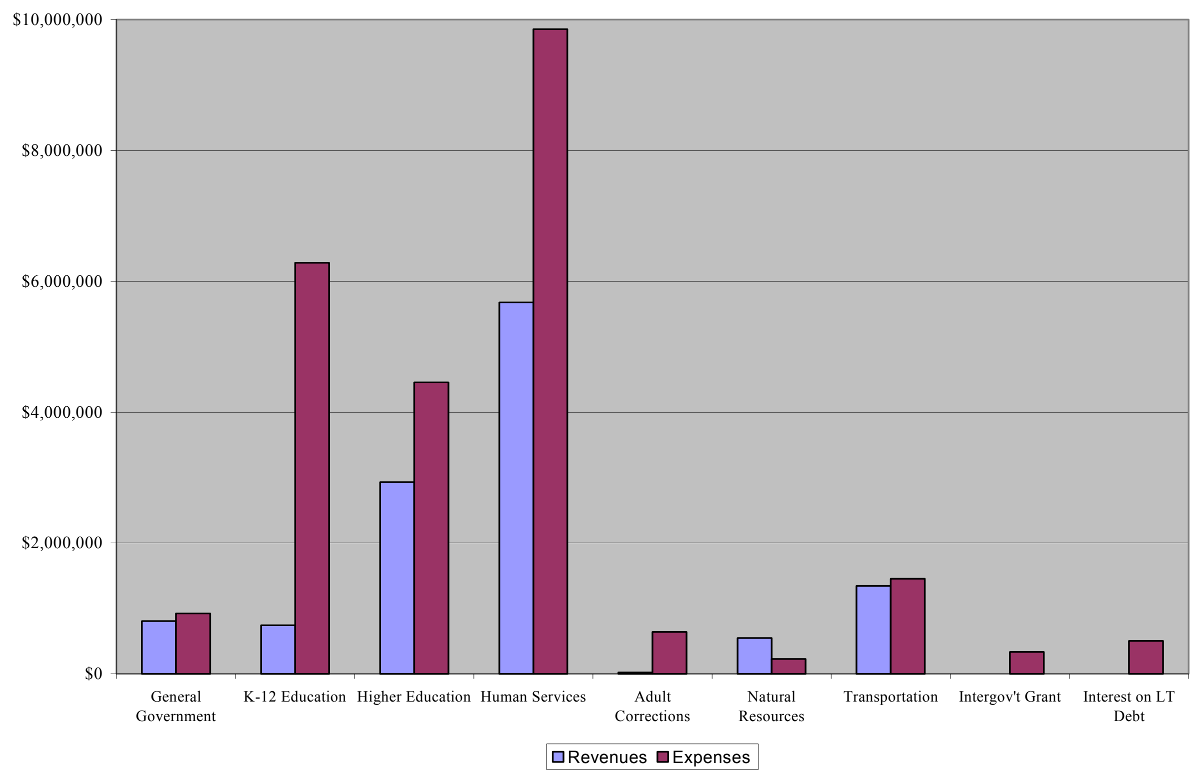
Governmental activities. Governmental activities resulted in a net increase in the state of Washington's net assets of $2 billion. Key elements of this increase are as follows:

- Increases in tax revenues reflect strong economic and personal income growth during Fiscal Year 2005 as well as gains in employment.
- Increases in tax revenues also resulted from very strong growth in the housing sector that was attributable to low interest rates.
- A series of revenue enhancements initiated by the state in Fiscal Year 2004 continue to result in increases in taxes, as well as fines and penalties related to delinquent taxes.

Revenues by Source – Governmental Activities



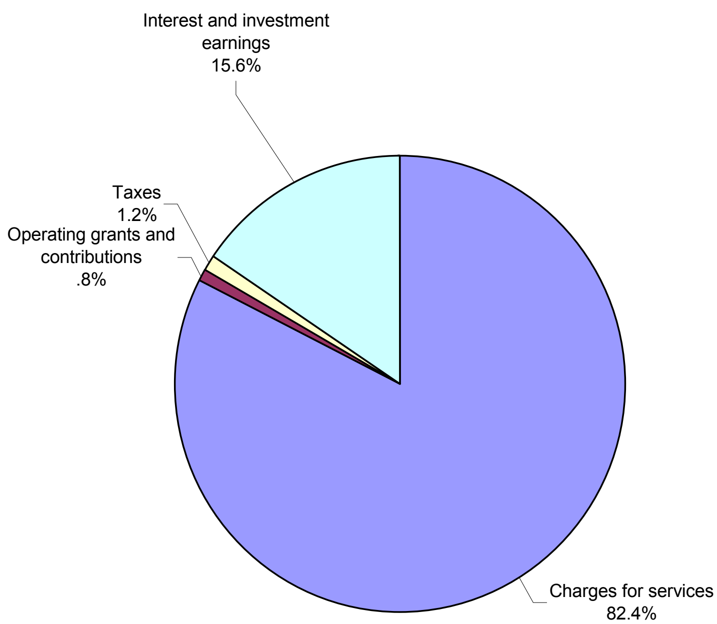
Expenses and Program Revenues - Governmental Activities



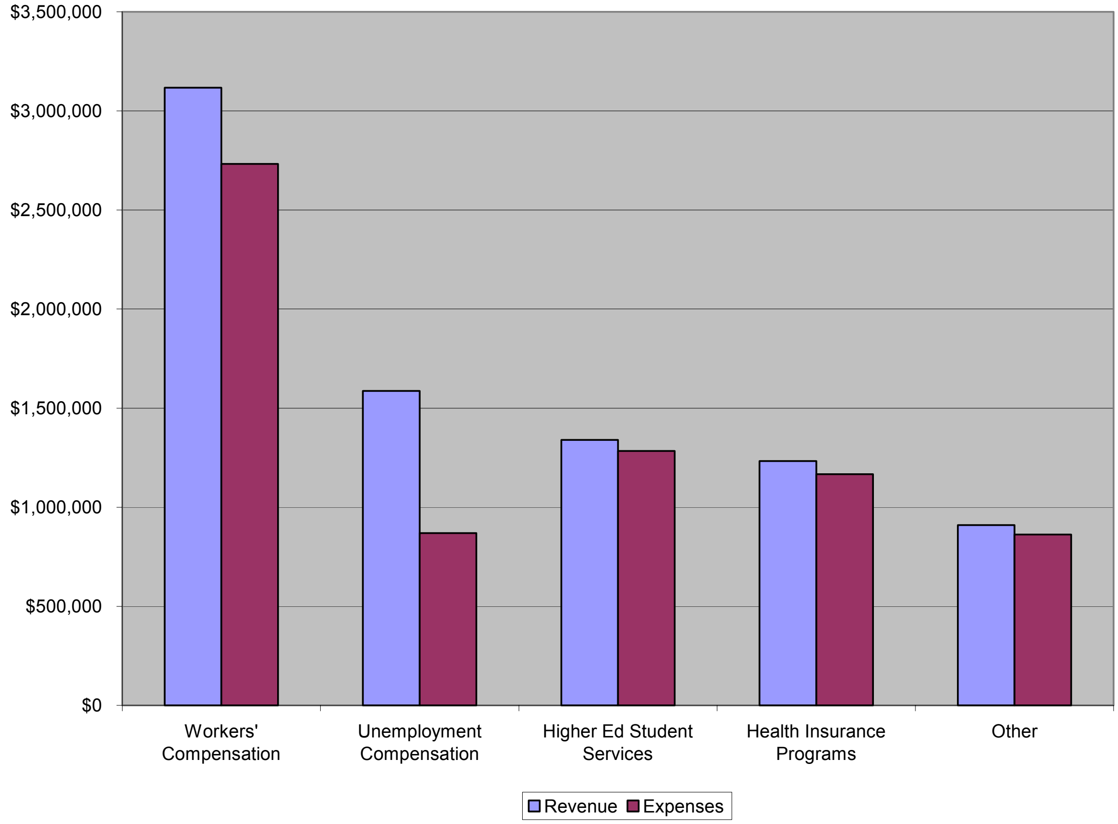
Business-type activities. Business-type activities increased the state of Washington's net assets by $1.3 billion. Key factors contributing to this increase are:

- Earnings on investments increased by 77% in Fiscal Year 2005 compared to 2004. This increase is primarily due to higher interest rates and gains on investments.
- The state's economic recovery was reflected by a healthy reduction in unemployment. Expenditures for unemployment compensation benefits decreased by 50% in Fiscal Year 2005 compared to 2004.

Revenues by Source – Business-type Activities



Expenses and Program Revenues – Business-type Activities



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 discussed earlier, the focus of the state of Washington's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the state of Washington's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the state of Washington. At the end of the fiscal year, total fund balance for the General Fund equaled $1.9 billion. Unreserved fund balance, the amount considered available to spend, totaled $865 million. $1 billion of the General Fund fund balance relates to certain accrued revenues and has been designated for working capital purposes. It is not considered available to spend.

The fund balance of the state of Washington's General Fund increased by $409 million during the current fiscal year.

State of Washington's General Fund

(in millions of dollars)

	Fiscal Year 2005	Fiscal Year 2004	Difference Increase (Decrease)
Revenues			
Taxes	$ 11,988	$ 11,225	$ 763
Federal grants	6,012	5,917	95
Investment revenue	36	5	31
Other	508	463	45
Total	18,544	17,610	934
Expenditures			
Human services	9,519	8,989	530
Education	7,243	6,977	266
Other	970	914	56
Total	17,732	16,880	852
Net transfers in (out)	(418)	(587)	169
Other financing sources	15	5	10
Net increase (decrease) in fund balance	$ 409	$ 148	$ 261

The state's recovery from recession combined with state revenue enhancements measures are reflected in increased tax revenue collection. Expenditure growth continues to be limited to services and programs most vital to citizens – primarily health care, public education and economic development.

In addition to the General Fund, the state reports the Higher Education Special Revenue and Higher Education Endowment Funds as major governmental funds. The fund balance for the Higher Education Endowment Fund increased by $210 million, which was consistent with the prior year's growth.

Non-major governmental fund revenue increased by $306 million in Fiscal Year 2005 compared with Fiscal Year 2004 primarily related to growth in tax revenues. This revenue increase resulted in an increase of fund balance of $116 million.

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

The Workers' Compensation Fund, Unemployment Compensation Fund and Higher Education Student Services Fund are major proprietary funds. The Workers' Compensation Fund reported income of $384 million in Fiscal Year 2005. While Workers' Compensation claims expenses continued to exceed assessment revenue resulting in an operating loss, a dramatic increase in interest earnings enabled the fund to report a positive change in net assets in Fiscal Year 2005. The Unemployment Compensation Fund reported income of $717 million in Fiscal Year 2005 compared with an income of $111 million in Fiscal Year 2004. This reflects the reduction in the state's unemployment rate. Activity for the various non-major proprietary funds resulted in an increase to net assets of $115 million.

General Fund Budgetary Highlights

Differences between the General Fund original budget and the final amended budget reflect adjustments to deal with the changes in the state's economy over the two-year period ended June 30, 2005. Over that two year period revenues were fairly static, and are summarized as follows:

- Estimated tax revenues increased $39 million. This amount is the net of a decrease of $240 million in Fiscal Year 2004, and an increase of $279 in Fiscal Year 2005.
- Resources provided by transfers in from other funds increased by $374 million.
- Estimated revenues from federal grants-in-aid increased by $641 million over original estimates. However, actual revenues from federal grants were only $95 million over the original estimates.
- Appropriated expenditures increased by $1.1 billion. But, largely due to the failure to realize estimated federal grant revenues, actual appropriated expenditures were only $710 million over original estimates.

Capital Asset, 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, 2005, amounts to $24.9 billion (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, museum and historical collections, buildings and other improvements, furnishings and equipment, as well as construction in progress.

Washington's Fiscal Year 2005 investment in capital assets, net of current year depreciation, was $2.1 billion, including increases to the state's highway infrastructure of $826 million and buildings of $303 million. The state's construction in progress includes both new construction and major improvements to state infrastructure and facilities including correctional facilities, ferry vessels and terminals, and buildings on the capitol and college and university campuses. Remaining commitments on these construction projects total $2.3 billion.

Additional information on the state of Washington's capital assets can be found in Note 6 beginning on page 86 of this report.

State of Washington's Capital Assets

(net of depreciation)

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	$ 1,207	$ 1,184	$ 87	$ 101	$ 1,294	$ 1,285
Highway system infrastructure and other assets not depreciated	13,440	12,618	-	-	13,440	12,618
Buildings	4,737	4,501	1,166	1,099	5,903	5,600
Furnishings, equipment and collections	1,353	1,314	135	119	1,488	1,433
Other improvements and miscellaneous	1,373	695	53	46	1,426	741
Construction in progress	1,251	1,032	84	87	1,335	1,119
Total	$ 23,361	$ 21,344	$ 1,525	$ 1,452	$ 24,886	$ 22,796

Infrastructure. The state of Washington first reported infrastructure under the requirements of the Governmental Accounting Standards Board in Fiscal Year 2002. Transportation infrastructure reported includes the state highway system, emergency airfields and a short rail line. While the rail line is reported net of depreciation, the state highway system and emergency airfields are reported using the modified approach. Under the modified approach, rather than recording depreciation, asset condition is reported. The condition of these assets, along with their rating scales for pavements, bridges and airfields are further explained in the notes and required supplementary information to the financial statements.

The Department of Transportation accomplished a net addition of 33 lane miles and 6 bridges in Fiscal Year 2005. The state highway system and emergency airfields continue to meet established condition levels. No significant changes in condition levels were noted for pavements or bridges. Amounts spent during Fiscal Year 2005 to maintain/preserve these infrastructure assets were not significantly different from estimated spending plans according to the biennial budget.

Fiscal Year 2006 commitments made for ongoing infrastructure projects that extend beyond the Fiscal Year 2005 amount to $892 million representing 549 projects.

Bond debt. At the end of Fiscal Year 2005, the state of Washington had general obligation bond debt outstanding of $9.98 billion, an increase of 7 percent over Fiscal Year 2004. This debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized $6.25 billion general obligation debt that remained unissued.

The state had revenue debt outstanding at June 30, 2005, of $1.13 billion, an increase of $114 million over Fiscal Year 2004. This increase is primarily related to revenue bonds issued by state colleges and universities. Revenue bond debt is secured by specific sources of revenue.

Three times during the year, the state issued general obligation debt, totaling $1.52 billion for various capital and transportation projects as well as for refunding purposes. The state took advantage of the historically low interest rates that prevailed through Fiscal Year 2005 to refund outstanding bonds. This refunding will save taxpayers over $39.8 million (net present value) in future interest payments. The state ranked 23rd in a list of the top 100 issuers ranked by amount financed by municipal issuers in calendar year 2004, according to The Bond Buyer's 2005 Yearbook.

State of Washington's Bond Debt

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation (GO) bonds	$ 9,842	$ 9,173	$ 138	$ 155	$ 9,980	$ 9,328
Accreted interest on zero interest rate GO bonds	201	178	24	21	225	199
Revenue bonds	549	496	576	515	1,125	1,011
Total	$ 10,592	$ 9,847	$ 738	$ 691	$ 11,330	$ 10,538

The Washington State Constitution and the Revised Code of Washington limit the amount of general obligation (GO) debt that may be issued, the latter being the most restrictive. For the fiscal year ended June 30, 2005, the maximum GO debt authorized by statutory limit was $7.04 billion. The debt capacity remaining was $992.97 million. Specific bond issues and types that are not secured by general state revenues, such as motor fuel tax and reimbursable bonds, are excluded from the limitation.

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, 2005, the state of Washington's general obligation debt was rated Aa1 (negative outlook) by Moody's Investor Service, AA (stable outlook) by Standard &Poor's Rating Group (S & P), and AA by Fitch Ratings.

Additional information on the state's bond debt obligations is presented in Note 7 beginning on page 90 of this report. Additional information on the state's legal debt limit is presented in the statistical section beginning on page 224 of this report.

Economic Factors and Next Year's Budgets and Rates

- Washington's outlook for Fiscal Year 2006 is for a continuation in the strong economic growth. It reflects the impact of the long awaited recovery at both the state and national levels.
- Revenue growth in the General Fund is expected to be even stronger in the 2005-07 Biennium than in the previous biennium.
- Overall, personal income and employment are expected to continue to grow in Fiscal Year 2006.

Legislative leaders and management will consider these factors in preparing the state's budget for future years.

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, PO Box 43113, Olympia, WA 98504-3113.

Basic Financial Statements

Government-wide Financial Statements

State of Washington
Statement of Net Assets
June 30, 2005
(expressed in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash and pooled investments	$ 4,854,666	$ 4,272,366	$ 9,127,032	$ 39,419
Taxes receivable (net of allowance)	2,647,232	4,841	2,652,073	-
Other receivables (net of allowance)	844,207	1,319,160	2,163,367	2,065
Internal balances (net)	(7,938)	7,938	-	-
Due from other governments	2,425,507	65,312	2,490,819	-
Inventories	82,150	77,593	159,743	-
Investments, noncurrent	3,387,938	11,401,658	14,789,596	26,005
Other assets	132,114	131,291	263,405	21,545
Capital assets (Note 6):				
Non-depreciable assets	15,897,768	171,249	16,069,017	34,677
Depreciable assets, net of depreciation	7,462,788	1,353,885	8,816,673	414,563
Total capital assets, net of depreciation	23,360,556	1,525,134	24,885,690	449,240
Total Assets	37,726,432	18,805,293	56,531,725	538,274
LIABILITIES				
Accounts payable	1,129,380	132,044	1,261,424	2,791
Contracts and retainage payable	93,172	31,993	125,165	2,342
Accrued liabilities	412,428	230,103	642,531	125
Obligations under securities lending	1,057,592	1,610,032	2,667,624	-
Due to other governments	539,986	42,739	582,725	-
Unearned revenue	511,735	44,214	555,949	767
Long-term liabilities (Note 7):				
Due within one year	749,335	1,854,262	2,603,597	-
Due in more than one year	11,393,539	17,641,257	29,034,796	37,000
Total Liabilities	15,887,167	21,586,644	37,473,811	43,025
NET ASSETS				
Invested in capital assets, net of related debt	8,654,757	510,264	9,165,021	409,898
Restricted for:				
Unemployment compensation	-	2,340,868	2,340,868	-
Other purposes	591,839	-	591,839	24,485
Capital projects	1,817,396	-	1,817,396	-
Expendable permanent fund principal	658,026	-	658,026	-
Nonexpendable permanent endowments	1,260,296	-	1,260,296	-
Unrestricted (deficit)	8,856,951	(5,632,483)	3,224,468	60,866
Total Net Assets	$ 21,839,265	$ (2,781,351)	$ 19,057,914	$ 495,249

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

State of Washington
Statement of Activities
For the Fiscal Year Ended June 30, 2005
(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	$ 925,328	$ 439,389	$ 363,597	$ 2,385
Education--elementary and secondary (K-12)	6,283,426	13,652	730,385	
Education--higher education	4,454,542	1,315,617	1,585,850	29,258
Human services	9,851,651	310,695	5,355,294	12,572
Adult corrections	639,745	10,677	3,458	7,836
Natural resources and recreation	229,105	385,262	135,787	26,937
Transportation	1,456,646	685,519	63,539	596,428
Intergovernmental grants	334,762	-	-	-
Interest on long-term debt	504,756	-	-	-
Total governmental activities	24,679,961	3,160,811	8,237,910	675,416
Business-type Activities:				
Workers' compensation	2,406,679	1,718,680	7,835	-
Unemployment compensation	870,453	1,457,967	52,377	-
Higher education student services	1,170,310	1,187,524	10,987	-
Health insurance programs	1,137,668	1,200,239	-	-
Other	987,676	1,050,177	-	(2,223)
Total business-type activities	6,572,786	6,614,587	71,199	(2,223)
Total Primary Government	$ 31,252,747	$ 9,775,398	$ 8,309,109	$ 673,193
Total Component Units	$ 28,750	$ 11,600	$ 600	$ 562

General revenues:
Taxes - sales and use taxes
Taxes - business and occupation taxes
Taxes - property
Taxes - other
Interest and investment earnings
Total general revenues
Excess (deficiency) of revenues over expenses before contributions to endowments and transfers
Contributions to endowments
Transfers
Change in net assets
Net assets -- beginning, as restated
Net assets -- 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
$ (119,957)	$ -	$ (119,957)	
(5,539,389)	-	(5,539,389)	
(1,523,817)	-	(1,523,817)	
(4,173,090)	-	(4,173,090)	
(617,774)	-	(617,774)	
318,881	-	318,881	
(111,160)	-	(111,160)	
(334,762)	-	(334,762)	
(504,756)	-	(504,756)	
(12,605,824)	-	(12,605,824)	
-	(680,164)	(680,164)	
-	639,891	639,891	
-	28,201	28,201	
-	62,571	62,571	
-	60,278	60,278	
-	110,777	110,777	
(12,605,824)	110,777	(12,495,047)	
			$ (15,988)
6,736,239	-	6,736,239	-
2,290,959	-	2,290,959	-
1,590,305	-	1,590,305	-
3,370,091	94,688	3,464,779	-
362,751	1,249,246	1,611,997	3,248
14,350,345	1,343,934	15,694,279	3,248
1,744,521	1,454,711	3,199,232	(12,740)
69,105	-	69,105	-
183,764	(183,764)	-	-
1,997,390	1,270,947	3,268,337	(12,740)
19,841,875	(4,052,298)	15,789,577	507,989
$ 21,839,265	$ (2,781,351)	$ 19,057,914	$ 495,249

Fund Financial Statements

GOVERNMENTAL FUNDS
Balance Sheet

June 30, 2005
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	**Total**
Assets:					
Cash and pooled investments	$ 1,388,520	$ 205,706	$ 414,007	$ 2,664,572	$ 4,672,805
Investments	-	827,227	2,287,063	237,287	3,351,577
Taxes receivable (net of allowance)	2,539,239	-	-	107,993	2,647,232
Other receivables (net of allowance)	236,579	217,925	39,501	475,720	969,725
Due from other funds	191,050	109,480	14	279,671	580,215
Due from other governments	622,091	124,659	-	1,589,677	2,336,427
Inventories	20,082	8,996	-	32,918	61,996
Total Assets	$ 4,997,561	$ 1,493,993	$ 2,740,585	$ 5,387,838	$ 14,619,977
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 729,756	$ 61,500	$ 5	$ 305,252	$ 1,096,513
Contracts and retainages payable	16,576	545	2,099	73,388	92,608
Accrued liabilities	120,649	90,800	13,110	82,616	307,175
Obligations under security lending agreements	382,259	110,056	351,596	213,017	1,056,928
Due to other funds	562,325	76,236	2,050	258,677	899,288
Due to other governments	81,871	12,504	-	106,150	200,525
Deferred revenues	1,158,276	149,267	14,525	543,312	1,865,380
Claims and judgments payable	20,673	-	-	7,211	27,884
Total Liabilities	3,072,385	500,908	383,385	1,589,623	5,546,301
Fund Balances:					
Reserved for:					
Encumbrances	4,216	2,383	-	343,060	349,659
Inventories	15,605	8,996	-	32,918	57,519
Permanent funds	-	-	2,357,200	172,009	2,529,209
Other specific purposes	35,781	252,451	-	1,377,246	1,665,478
Unreserved, designated for, reported in:					
Working capital	1,004,131	-	-	-	1,004,131
Higher education	-	155,679	-	-	155,679
Special revenue funds	-	-	-	165	165
Debt service funds	-	-	-	177,961	177,961
Unreserved, undesignated	865,443	573,576	-	-	1,439,019
Unreserved, undesignated reported in:					
Special revenue funds	-	-	-	1,528,463	1,528,463
Capital project funds	-	-	-	166,393	166,393
Total Fund Balances	1,925,176	993,085	2,357,200	3,798,215	9,073,676
Total Liabilities and Fund Balances	$ 4,997,561	$ 1,493,993	$ 2,740,585	$ 5,387,838	$ 14,619,977

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

State of Washington
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2005
(expressed in thousands)

Total fund balances for governmental funds		$ 9,073,676
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	$ 15,855,266	
Depreciable assets, net of depreciation	7,149,391	
Total capital assets		23,004,657
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.		1,355,940
Accrued current interest on general obligation bonds		(193,349)
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.		(51,759)
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 notes payable	(10,614,974)	
Accrued interest on bonds	(203,752)	
Claims and judgments	(92,053)	
Other obligations	(439,121)	
Total long-term liabilities		(11,349,900)
Net assets of governmental activities		$ 21,839,265

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

GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	**Total**
Revenues:					
Retail sales and use taxes	$ 6,674,434	$ -	$ -	$ 61,805	$ 6,736,239
Business and occupation taxes	2,227,926	-	-	63,033	2,290,959
Property taxes	1,394,793	-	-	195,512	1,590,305
Excise taxes	807,749	-	-	93,763	901,512
Motor vehicle and fuel taxes	-	-	-	930,975	930,975
Other taxes	882,925	-	-	647,915	1,530,840
Licenses, permits, and fees	78,973	511	-	627,240	706,724
Timber sales	3,097	-	12,688	154,987	170,772
Other contracts and grants	272,762	537,501	-	17,010	827,273
Federal grants-in-aid	6,011,964	1,048,309	-	949,819	8,010,092
Charges for services	48,214	1,108,273	-	439,268	1,595,755
Investment income (loss)	35,750	60,866	193,655	72,480	362,751
Miscellaneous revenue	105,226	157,028	2,566	422,659	687,479
Contribution and donations	-	-	69,105	-	69,105
Total Revenues	18,543,813	2,912,488	278,014	4,676,466	26,410,781
Expenditures:					
Current:					
General government	552,382	-	-	381,525	933,907
Human services	9,518,818	-	-	967,062	10,485,880
Natural resources and recreation	271,090	-	-	432,974	704,064
Transportation	26,671	2,339	-	1,457,505	1,486,515
Education	7,243,096	2,751,789	88	543,746	10,538,719
Intergovernmental	27,665	-	-	307,097	334,762
Capital outlays	78,121	113,404	-	1,549,752	1,741,277
Debt service:					
Principal	12,363	13,109	-	435,358	460,830
Interest	2,262	6,119	-	488,699	497,080
Total Expenditures	17,732,468	2,886,760	88	6,563,718	27,183,034
Excess of Revenues Over (Under) Expenditures	811,345	25,728	277,926	(1,887,252)	(772,253)
Other Financing Sources (Uses):					
Bonds issued	-	2,918	-	1,141,700	1,144,618
Refunding bonds issued	-	-	-	439,399	439,399
Payment to refunded bond escrow agent	-	-	-	(462,495)	(462,495)
Notes issued	15,564	9,638	-	1,252	26,454
Bond issue premium (discount)	-	-	-	68,325	68,325
Capital lease acquisitions	-	75	-	-	75
Transfers in	524,365	182,266	3,883	2,060,851	2,771,365
Transfers (out)	(942,208)	(241,369)	(71,407)	(1,245,849)	(2,500,833)
Total Other Financing Sources (Uses)	(402,279)	(46,472)	(67,524)	2,003,183	1,486,908
Net change in fund balances	409,066	(20,744)	210,402	115,931	714,655
Fund Balances - Beginning, as restated	1,516,110	1,013,829	2,146,798	3,682,284	8,359,021
Fund Balances - Ending	$ 1,925,176	$ 993,085	$ 2,357,200	$ 3,798,215	$ 9,073,676

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

State of Washington

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

Net change in fund balances--total governmental funds	$ 714,655
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. This is the amount by which capital outlays exceeded depreciation in the current period.	2,034,599
Bond proceeds provide current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the statement of net assets. Also, repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(756,113)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.	19,069
Because some revenues will not be collected for several months after the state's fiscal year end, they are not considered "available" revenues in the governmental funds. Deferred revenues increased by this amount this year.	(14,820)
Change in net assets of governmental activities	$ 1,997,390

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

PROPRIETARY FUNDS
Statement of Fund Net Assets

June 30, 2005
(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	$ 21,590	$ 1,832,548	$ 332,117	$ 403,948	$ 2,590,203	$ 171,264
Investments	1,372,012	-	2,111	308,040	1,682,163	758
Taxes receivable (net of allowance)	-	-	-	4,841	4,841	-
Other receivables (net of allowance)	668,728	513,681	111,974	24,777	1,319,160	5,332
Due from other funds	1,210	2,552	49,728	42,223	95,713	72,660
Due from other governments	778	8,834	30,970	21,701	62,283	6,760
Inventories	181	-	31,298	46,114	77,593	20,152
Prepaid expenses	29	-	20,761	536	21,326	1,264
Total Current Assets	2,064,528	2,357,615	578,959	852,180	5,853,282	278,190
Noncurrent Assets:						
Investments, noncurrent	10,185,293	-	152,520	1,063,845	11,401,658	46,201
Other noncurrent assets	-	-	-	109,965	109,965	-
Capital Assets:						
Land	3,240	-	6,156	77,532	86,928	1,389
Buildings	62,441	-	1,181,790	394,483	1,638,714	63,806
Other improvements	1,020	-	31,491	12,602	45,113	21,452
Furnishings, equipment, and collections	50,927	-	250,853	62,892	364,672	601,113
Infrastructure	-	-	32,957	-	32,957	-
Accumulated depreciation	(30,212)	-	(586,149)	(111,210)	(727,571)	(372,974)
Construction in progress	-	-	84,073	248	84,321	41,113
Total Noncurrent Assets	10,272,709	-	1,153,691	1,610,357	13,036,757	402,100
Total Assets	$ 12,337,237	$ 2,357,615	$ 1,732,650	$ 2,462,537	$ 18,890,039	$ 680,290
Liabilities						
Current Liabilities:						
Accounts payable	$ 8,831	$ -	$ 61,638	$ 61,575	$ 132,044	$ 32,867
Contracts and retainages payable	2,119	-	7,415	22,459	31,993	499
Accrued liabilities	161,421	590	51,034	122,501	335,546	17,815
Obligations under security lending agreements	1,372,012	-	-	238,020	1,610,032	664
Bonds and notes payable	3,054	-	23,877	46,451	73,382	7,545
Due to other funds	6,934	1,043	39,166	61,716	108,859	20,214
Due to other governments	-	15,114	10	3,502	18,626	168
Unearned revenues	13,962	-	29,981	271	44,214	2,295
Claims and judgments payable	1,595,470	-	-	79,968	1,675,438	79,835
Total Current Liabilities	3,163,803	16,747	213,121	636,463	4,030,134	161,902
Non-Current Liabilities:						
Claims and judgments payable	15,683,425	-	-	2,403	15,685,828	464,491
Bonds and notes payable	36,832	-	622,746	274,496	934,074	84,511
Other long-term liabilities	11,257	-	8,919	1,001,178	1,021,354	21,145
Total Non-Current Liabilities	15,731,514	-	631,665	1,278,077	17,641,256	570,147
Total Liabilities	18,895,317	16,747	844,786	1,914,540	21,671,390	732,049
Net Assets:						
Invested in capital assets, net of related debt	47,530	-	321,591	141,143	510,264	263,844
Restricted for:						
Unemployment compensation	-	2,340,868	-	-	2,340,868	-
Unrestricted	(6,605,610)	-	566,273	406,854	(5,632,483)	(315,603)
Total Net Assets (Deficit)	$ (6,558,080)	$ 2,340,868	$ 887,864	$ 547,997	$ (2,781,351)	$ (51,759)

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

PROPRIETARY FUNDS
Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Fiscal Year Ended June 30, 2005
(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	$ -	$ -	$ 124,189	$ 495,947	$ 620,136	$ 133,290
Less: Cost of goods sold	-	-	82,522	340,065	422,587	117,031
Gross profit	-	-	41,667	155,882	197,549	16,259
Charges for services	27	-	975,519	70,750	1,046,296	529,842
Premiums and assessments	1,689,490	1,444,307	-	1,200,214	4,334,011	71,706
Federal aid for unemployment insurance benefits	-	52,377	-	-	52,377	-
Lottery ticket proceeds	-	-	-	458,132	458,132	-
Miscellaneous revenue	31,549	13,660	84,517	5,868	135,594	39,730
Total Operating Revenues	1,721,066	1,510,344	1,101,703	1,890,846	6,223,959	657,537
Operating Expenses:						
Salaries and wages	111,995	-	460,340	79,066	651,401	225,483
Employee benefits	29,247	-	81,859	23,274	134,380	54,194
Personal services	4,586	-	14,712	18,480	37,778	16,380
Goods and services	66,145	-	412,737	108,398	587,280	275,577
Travel	3,180	-	15,900	1,728	20,808	3,640
Premiums and claims	2,165,729	870,453	548	1,126,099	4,162,829	23,130
Lottery prize payments	-	-	-	280,863	280,863	-
Depreciation and amortization	3,202	-	54,934	15,173	73,309	52,789
Miscellaneous expenses	20,364	-	11,897	44,709	76,970	1,065
Total Operating Expenses	2,404,448	870,453	1,052,927	1,697,790	6,025,618	652,258
Operating Income (Loss)	(683,382)	639,891	48,776	193,056	198,341	5,279
Nonoperating Revenues (Expenses):						
Earnings (loss) on investments	1,065,226	76,677	16,173	91,170	1,249,246	4,257
Interest expense	(2,231)	-	(34,861)	(47,036)	(84,128)	(5,034)
Distributions to other governments	-	-	-	(40,451)	(40,451)	-
Other revenue (expenses)	5,449	-	14,286	114,193	133,928	321
Total Nonoperating Revenues (Expenses)	1,068,444	76,677	(4,402)	117,876	1,258,595	(456)
Income (Loss) Before Contributions and Transfers	385,062	716,568	44,374	310,932	1,456,936	4,823
Capital contributions (Return of capital contributions)	-	-	-	(2,223)	(2,223)	11,020
Transfers in	325,602	-	207,924	47,910	581,436	27,890
Transfers (out)	(326,724)	-	(196,685)	(241,793)	(765,202)	(24,664)
Net Contributions and Transfers	(1,122)	-	11,239	(196,106)	(185,989)	14,246
Change in Net Assets	383,940	716,568	55,613	114,826	1,270,947	19,069
Net Assets (Deficit) - Beginning, as restated	(6,942,020)	1,624,300	832,251	433,171	(4,052,298)	(70,828)
Net Assets (Deficit) - Ending	$ (6,558,080)	$ 2,340,868	$ 887,864	$ 547,997	$ (2,781,351)	$ (51,759)

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

PROPRIETARY FUNDS
Statement of Cash Flows

Continued

For the Fiscal Year Ended June 30, 2005
(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
Cash Flows from Operating Activities:						
Receipts from customers	$ 1,607,624	$ 1,425,626	$ 1,108,901	$ 2,204,084	$ 6,346,235	$ 720,697
Payments to suppliers	(1,526,994)	(854,723)	(577,731)	(1,827,221)	(4,786,669)	(438,447)
Payments to employees	(139,751)	-	(539,532)	(101,748)	(781,031)	(277,899)
Other receipts (payments)	31,549	58,870	84,518	5,863	180,800	39,234
Net Cash Provided (Used) by Operating Activities	(27,572)	629,773	76,156	280,978	959,335	43,585
Cash Flows from Noncapital Financing Activities:						
Transfers in	325,602	-	207,924	47,910	581,436	27,890
Transfers out	(326,724)	-	(196,685)	(241,793)	(765,202)	(24,664)
Operating grants and donations received	8,538	-	10,519	(6)	19,051	907
Taxes and license fees collected	5	-	-	114,254	114,259	-
Cash transfer related to a fund reclassification	-	(47)	-	-	(47)	-
Distributions to other governments	-	-	-	(40,451)	(40,451)	-
Net Cash Provided (Used) by Noncapital Financing Activities	7,421	(47)	21,758	(120,086)	(90,954)	4,133
Cash Flows from Capital and Related Financing Activities:						
Interest paid	(2,231)	-	(34,794)	(12,832)	(49,857)	(5,048)
Principal payments on long-term capital financing	(2,899)	-	(75,562)	(123,270)	(201,731)	(10,216)
Proceeds from long-term capital financing	-	-	112,078	118,596	230,674	50,629
Proceeds from sale of capital assets	-	-	53,568	8,286	61,854	7,051
Acquisitions of capital assets	(12,866)	-	(175,093)	(20,964)	(208,923)	(81,649)
Net Cash or Pooled Investments Provided by (Used in) Capital and Related Financing Activities	(17,996)	-	(119,803)	(30,184)	(167,983)	(39,233)
Cash Flows from Investing Activities:						
Receipt of interest	616,531	76,677	16,009	28,515	737,732	4,265
Proceeds from sale of investment securities	(7,046,684)	-	44,347	372,381	(6,629,956)	(8,319)
Purchases of investment securities	6,463,338	-	(48,785)	(455,173)	5,959,380	1,538
Net Cash Provided by (Used in) Investing Activities	33,185	76,677	11,571	(54,277)	67,156	(2,516)
Net Increase (Decrease) in Cash and Pooled Investments	(4,962)	706,403	(10,318)	76,431	767,554	5,969
Cash and Pooled Investments, July 1	26,552	1,126,145	342,435	327,517	1,822,649	165,295
Cash and Pooled Investments, June 30	$ 21,590	$ 1,832,548	$ 332,117	$ 403,948	$ 2,590,203	$ 171,264
Cash Flows from Operating Activities:						
Operating Income (Loss)	$ (683,382)	$ 639,891	$ 48,776	$ 193,056	$ 198,341	$ 5,279
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:						
Depreciation	3,202	-	54,934	15,173	73,309	52,789
Provision for uncollectible accounts	19,597	-	2,191	11	21,799	22
Other non-cash items	-	-	-	-	0	-
Change in Assets: Decrease (Increase)						
Receivables (net of allowance)	(82,308)	(25,847)	9,830	(21,145)	(119,470)	(15,195)
Inventories	(4)	-	801	(3,628)	(2,831)	96
Prepaid expenses	(28)	-	(15,448)	244	(15,232)	509
Change in Liabilities: Increase (Decrease)						
Payables	715,351	15,729	(24,928)	97,267	803,419	85
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ (27,572)	$ 629,773	$ 76,156	$ 280,978	$ 959,335	$ 43,585

PROPRIETARY FUNDS
Statement of Cash Flows

Concluded

For the Fiscal Year Ended June 30, 2005
(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
Noncash Investing, Capital and Financing Activities:						
Contributions of capital assets	$ -	$ -	$ -	$ 2,223	$ 2,223	$ 11,020
Amortization of long-term lotto prize liability	-	-	-	31,220	31,220	-
Increase (decrease) in fair value of investments	437,168	-	3	22,552	459,723	(12)
Refunding bonds issued	-	-	85,910	-	85,910	-
Refunded bonds redeemed	-	-	(79,480)	-	(79,480)	-
Gain (loss) on refunding activity	-	-	83	-	83	-
Amortization of debt premium (issue costs/discount)	-	-	153	-	153	-
Accretion of interest on zero coupon bonds	-	-	-	3,092	3,092	-

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

FIDUCIARY FUNDS
Statement of Fiduciary Net Assets

June 30, 2005
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
Assets:				
Cash and pooled investments	$ 17,523	$ 3,312,778	$ 50,641	$ 262,240
Investments	-	1,296,448	-	1,980
Other receivables (net of allowance)	4,801	9,086	189,294	81,295
Due from other funds	337	-	26,284	375,857
Due from other governments	8	-	48,391	27,270
Total Current Assets	22,669	4,618,312	314,610	748,642
Noncurrent Assets:				
Investments, noncurrent	70,556	270,845	55,470,727	39,498
Other noncurrent assets	-	-	-	52,724
Capital Assets:				
Furnishings, equipment, and collections	86	-	-	-
Accumulated depreciation	(78)	-	-	-
Total Noncurrent Assets	70,564	270,845	55,470,727	92,222
Total Assets	$ 93,233	$ 4,889,157	$ 55,785,337	$ 840,864
Liabilities:				
Accounts payable	$ 3,763	$ -	$ -	$ 17,603
Contracts and retainages payable	-	-	-	18,263
Accrued liabilities	16,552	44,014	82,045	160,529
Obligations under security	-	80,900	4,376,381	26,497
Due to other funds	64	42	28,150	94,449
Due to other governments	-	-	-	461,735
Unearned revenues	-	-	847	-
Other long-term liabilities	70,579	-	-	61,788
Total Liabilities	90,958	124,956	4,487,423	$ 840,864
Net Assets:				
Net assets held in trust for:				
Pension benefits	-	-	49,374,891	
Deferred compensation participants	-	-	1,923,023	
Local government pool participants	-	4,764,201	-	
Individuals, organizations & other governments	2,275	-	-	
Total Net Assets	$ 2,275	$ 4,764,201	$ 51,297,914	

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

FIDUCIARY FUNDS
Statement of Changes in Fiduciary Net Assets

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans
Additions:			
Contributions:			
Employers	$ -	$ -	$ 184,098
Members	-	-	521,511
State	-	-	32,201
Pool participants	-	10,627,232	160,029
Total Contributions	-	10,627,232	897,839
Investment Income:			
Net appreciation (depreciation) in fair value	-	-	4,727,107
Interest and dividends	-	100,137	1,241,542
Less: Investment expenses	-	-	(113,322)
Net Investment Income	-	100,137	5,855,327
Other additions:			
Transfers from other pension plans	-	-	5,469
Transfers in	28,237	-	-
Other contracts, grants and miscellaneous	93,441	2	2,320
Total other additions	121,678	2	7,789
Total Additions	121,678	10,727,371	6,760,955
Deductions:			
Pension benefits	-	-	2,087,258
Pension refunds	-	-	126,280
Transfers to other pension plans	-	-	5,469
Transfers out	118,229	-	-
Administrative expenses	3,169	4,085	1,308
Distributions to pool participants	-	10,724,648	83,741
Payments to or on behalf of individuals, organizations and other governments in accordance with trust agreements	445	-	-
Total Deductions	121,843	10,728,733	2,304,056
Net Increase (Decrease)	(165)	(1,362)	4,456,899
Net Assets - Beginning, as restated	2,440	4,765,563	46,841,015
Net Assets - Ending	$ 2,275	$ 4,764,201	$ 51,297,914

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

COMPONENT UNITS
Statement of Fund Net Assets

June 30, 2005
(expressed in thousands)

	Public Stadium	Nonmajor Component Units	**Total**
Assets			
Current Assets:			
Cash and pooled investments	$ 4,409	$ 3,971	$ 8,380
Investments	-	31,039	31,039
Other receivables (net of allowance)	551	1,514	2,065
Prepaid expenses	32	227	259
Total Current Assets	4,992	36,751	41,743
Noncurrent Assets:			
Investments, noncurrent	23,886	2,119	26,005
Other noncurrent assets	-	21,286	21,286
Capital Assets:			
Land	34,677	-	34,677
Buildings	451,174	-	451,174
Furnishings and equipment	25,616	1,075	26,691
Accumulated depreciation	(62,458)	(844)	(63,302)
Total Noncurrent Assets	472,895	23,636	496,531
Total Assets	$ 477,887	$ 60,387	$ 538,274
Liabilities			
Current Liabilities:			
Accounts payable	$ 694	$ 2,097	$ 2,791
Contracts and retainages payable	2,342	-	2,342
Accrued liabilities	41	84	125
Unearned revenues	-	767	767
Total Current Liabilities	3,077	2,948	6,025
Non-Current Liabilities:			
Other long-term liabilities	37,000	-	37,000
Total Non-Current Liabilities	37,000	-	37,000
Total Liabilities	40,077	2,948	43,025
Net Assets:			
Invested in capital assets, net of related debt	409,667	231	409,898
Restricted for deferred sales tax	23,885	-	23,885
Restricted for other purposes	-	600	600
Unrestricted	4,258	56,608	60,866
Total Net Assets (Deficit)	$ 437,810	$ 57,439	$ 495,249

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

COMPONENT UNITS
Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	Public Stadium	Nonmajor Component Units	**Total**
Operating Revenues:			
Charges for services	$ 882	$ 10,718	$ 11,600
Total Operating Revenues	882	10,718	11,600
Operating Expenses:			
Salaries and wages	350	3,893	4,243
Employee benefits	52	999	1,051
Personal services	109	628	737
Goods and services	278	2,607	2,885
Travel	3	24	27
Depreciation and amortization	18,558	111	18,669
Miscellaneous expenses	-	462	462
Total Operating Expenses	19,350	8,724	28,074
Operating Income (Loss)	(18,468)	1,994	(16,474)
Nonoperating Revenues (Expenses):			
Earnings (loss) on investments	2,285	963	3,248
Interest expense	-	(76)	(76)
Operating grants and contributions	-	600	600
Distributions of operating grants	-	(600)	(600)
Total Nonoperating Revenues (Expenses)	2,285	887	3,172
Income(Loss) Before Contributions and Transfers	(16,183)	2,881	(13,302)
Capital grants and contributions	562	-	562
Total Contributions and Transfers	562	-	562
Change in Net Assets	(15,621)	2,881	(12,740)
Net Assets - Beginning	453,431	54,558	507,989
Net Assets - Ending	$ 437,810	$ 57,439	$ 495,249

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

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2005

Index to the Notes to the Basic Financial Statements

Page

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 evaluating how to define the state of Washington, for financial reporting purposes, management has considered: 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 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 state 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 state 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 for construction of facilities for certain revenue generating activities such as housing, dining, and parking. 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 seven 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 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 state 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 nine of the aforementioned retirement systems are included in the primary government's financial statements.

BLENDED COMPONENT UNIT

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 entity is blended in the state's financial statements:

Tobacco Settlement Authority (TSA) – The TSA was created by the Washington State 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 to issue bonds to securitize a portion of the state's future tobacco settlement revenue in order to generate funds for increased costs of health care, long-term care, and other programs of the state. In November 2002, the TSA issued $517 million in bonds and transferred $450 million to the state in exchange for 29.2 percent of the state's tobacco settlement revenue stream for the estimated 17-year period that the bonds remain outstanding.

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

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 state 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 state 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 $449 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
401 Second Avenue South, Suite 520
Seattle, WA 98104-0280

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 health insurance and 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 563 accounts that are combined into 58 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 grants and contracts received for research and other educational purposes. This fund also accounts for charges for services by state institutions of higher education.

- **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.

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 legally restricted 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 non-interstate highway system; K-12 school construction; and construction and loan programs for local public works projects.

- **Debt Service Funds** account for the accumulation of resources for, and the payment of, principal and interest on the state's bonds issued in support of governmental activities.

- **Capital Projects Funds** account for the acquisition, construction, or improvement of major capital facilities including higher education facilities.

- **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 health insurance program; the state lottery; state liquor stores; the guaranteed college tuition program; and the convention and trade center.

- **Internal Service Funds** account for the provision of legal, motor pool, data processing, risk management, 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 and defined contribution pension plans, and other employee benefit plans.

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

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

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

Operating and Nonoperating Revenues and Expenses

The state's proprietary funds make a distinction between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing goods and services directly related to the principal operations of the funds. For example, operating revenues for the state's workers' compensation and health insurance funds consist of premiums collected and investment earnings. 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.

Application of Restricted/Unrestricted Resources
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.

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 collected 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 both the qualifying expenditures are made and the revenues are considered available. 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 one year.

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 collected 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 recognized when the related liability is incurred. Exceptions to the general modified accrual expenditure recognition criteria include unmatured interest on general long-term obligations which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with available expendable financial resources.

The state reports deferred revenues on its governmental fund balance sheet under certain conditions. Deferred revenues arise when a potential revenue does not meet both the "measurable" and the "available" criteria for revenue recognition in the current period. Deferred revenues also 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 the incurrence of qualifying expenditures.

All proprietary and trust funds are accounted for on a flow of 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 are presented as 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted.

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. As a result, the cash balances of funds with surplus pooled balances are not reduced for these investments. For reporting purposes, pooled cash is stated at fair value or amortized cost, which approximates fair value. For the purposes of the Statement of Cash Flows, the state considers cash and 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, to be cash equivalents.

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 SEC'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.

Long-term 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. Certain pension trust fund investments, including real estate and private equity, are valued based on appraisals or independent advisors. Additional disclosure describing investments is provided in Note 3.

2. Receivables and Payables

Receivables in the state's governmental funds 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.

3. Inventories

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.

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

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 $4.5 million in federally donated consumable inventories, which are offset by deferred revenues because they do not constitute an "available" resource until consumed.

4. Capital Assets

Except as noted below, it is the state's policy to capitalize:

- all land;
- all additions and improvements to the state highway system;
- infrastructure, other than the state highway system, with a cost of $100,000 or more;
- all other capital assets with a unit cost of $5,000 or more.
- capital assets acquired by capital leases with a net present value or fair market value, whichever is less, of less than $10,000 are not capitalized.

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. 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 proprietary and trust funds, net interest costs (if material) incurred during the period of construction are capitalized.

Art collections, library reserve collections, and museum and historical collections, that are considered inexhaustible in that their value does not diminish over time, are not capitalized by the state 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 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
Infrastructure	20-50 years

The cost and related accumulated depreciation of capital assets retired from service, or disposed of, 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 expense related to capital assets is also reported in the Statement of Activities. Capital assets and the related depreciation 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 acquired. No depreciation is reported.

5. Compensated Absences

State employees accrue vested annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed 30 days 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 60 days 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 leave 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.

6. 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. Original issuance premiums and discounts on debt issuance are also reported as other financing sources and uses respectively. Issue costs are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report the difference between fund assets and fund liabilities as "fund balance." Reserved fund balance represents that portion of fund balance that is: (1) not available for appropriation or expenditure, and/or (2) legally segregated for a specific future use. Unreserved, designated fund balance indicates tentative plans for future use of financial resources. Unreserved, undesignated fund balance represents the amount available for appropriation.

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

E. Other Information

1. General Budgetary Policies and Procedures

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 schedules presented as Required Supplementary Information (RSI) are 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 schedules 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 2003-2005 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 Report CAF1054 for governmental funds. A copy of this report is available at the Office of Financial Management, 6639 Capitol Boulevard, PO Box 43113, Olympia, Washington 98504-3113. For additional budgetary information, refer to the notes to RSI.

2. Insurance Activities

Workers' Compensation

Title 51 RCW establishes the state of Washington's workers' compensation program. The statute requires all applicable employers to insure payment of benefits for job related injuries and diseases 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, disability, and pension payments to qualifying individuals sustaining work-related injuries. 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 cost-of-living adjustments (COLA) 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.

Premiums are based on individual employers' reported payroll hours and insurance rates based on each employer's risk classification(s) and past experience. In addition to its regular premium plans, the Workers' Compensation Fund offers a retrospective premium rating plan under which premiums are adjusted annually for up to four years following the plan year based on individual employers' loss experience. Initial adjustments to the standard premiums are paid to or collected from the employers approximately ten months after the end of each plan year.

The Workers' Compensation Fund establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported (IBNR). 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 liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic, legal, and social factors. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Risk Management
Washington State operates a risk management 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 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 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 three fiscal years. Otherwise, the risk management 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 risk management liability program in proportion to the anticipated exposure to liability losses.

Health Insurance
The state of Washington administers and provides medical, dental, basic life, and long-term disability insurance coverage for eligible state employees. In addition, the state offers coverage to K-12 school districts, educational service districts, 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.

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 also available on a self-paid basis to eligible retirees, former employees, and employees who are temporarily not in pay status.

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 46 percent of the eligible subscribers in Fiscal Year 2005. 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.

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 reports endowments in higher education endowment permanent accounts. These accounts are established outside of the state treasury for use by the higher education institutions. State law permits the governing boards of the institutions to appropriate for expenditure as much of the net appreciation, realized and unrealized, in the fair value of the assets of an endowment fund as is deemed prudent under the facts and circumstances prevailing at the time.

Generally, the institutions use a 5 percent spending rate policy for authorizing and spending investment income.

The net appreciation available for authorization for expenditure by governing boards totaled $126.9 million and is reported in the nonexpendable portion of the reserve for permanent funds.

Note 2 - Accounting and Reporting Changes

Fund equity at July 1, 2004, has been restated as follows (expressed in thousands):

	Fund equity at June 30, 2004, as previously reported	Fund Reclassification	Prior Period Adjustment	Fund equity as restated, July 1, 2004
Governmental Funds:				
General	$ 1,516,110	-	-	$ 1,516,110
Higher Education Special Revenue	1,013,829	-	-	1,013,829
Higher Education Endowment	1,951,337	-	195,461	2,146,798
Nonmajor Governmental	3,682,237	47		3,682,284
Proprietary Funds:				
Enterprise Funds:				
Workers' Compensation	(6,942,020)	-	-	(6,942,020)
Unemployment Compensation	1,624,347	(47)	-	1,624,300
Higher Education Student Services	831,421	-	830	832,251
Nonmajor Enterprise	433,171	-	-	433,171
Internal Service Funds	(70,828)			(70,828)
Fiduciary Funds:				
Private Purpose Trust	2,440	-	-	2,440
Local Government Investment Pool	4,765,563	-	-	4,765,563
Pension and Other Employee Benefit Plans	46,841,015	-	-	46,841,015
Component Units:				
Public Stadium	453,431	-	-	453,431
Nonmajor Component Units	54,558	-	-	54,558

Reporting Changes

Effective for Fiscal Year 2005 reporting, the state implemented two new accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3,* and

Statement No. 44, *Economic Condition Reporting: The Statistical Section – an amendment of NCGA Statement 1.*

Fund Reclassification – It was discovered that activity of a certain Nonmajor Governmental Fund was incorrectly being reported within the Unemployment Compensation Fund. As a result, beginning fund balances were restated to effect proper fund classification.

Prior Period Adjustment –The Evergreen State College recorded a prior period adjustment in the Higher Education Student Services Fund to record infrastructure that had not been properly recorded in prior years.

Washington State University recorded a prior period adjustment in the Higher Education Endowment Fund to properly reflect the accounting for its foundation.

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 restrict the State Treasurer 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) constitutes a multiple financial institution collateral pool. Pledged securities under the PDPC collateral pool are held by the PDPC's agent in the name of the collateral pool.

At June 30, 2005, $1.9 billion of the state's deposits with financial institutions were either insured or collateralized, with the remaining $53.4 million uninsured/uncollateralized. The Federal Deposit Insurance Corporation (FDIC) covers the state's insured deposits and the PDPC provides collateral protection.

B. Investments – Pension and Other Employee Benefit Trust Funds (Pension Trust Funds)

1. SUMMARY OF INVESTMENT POLICIES

The Washington State Investment Board (WSIB) has been authorized by statute as having the investment management responsibility for the pension trust funds. The WSIB manages pension fund assets to maximize return at a prudent level of risk (RCW 43.33A.110). WSIB establishes asset allocation targets that must be considered at all times when making investment decisions.

Eligible Investments - Pension trust funds are invested in the Commingled Trust Fund (CTF). The CTF is comprised of public market equities, fixed income securities, private equity investments and real estate. The CTF's performance benchmark objective is to exceed the return of a policy benchmark consisting of public market indices weighted according to asset allocation targets. The asset allocation for the CTF is formally reviewed every three to four years.

The public markets equity portion of the pension trust funds includes strategies in the U.S., developed international and emerging markets. Since the U.S. equity markets are generally efficient, the domestic equity portfolio is entirely (100 percent) passively managed. Over time, the domestic equity portfolio should closely track the return of a broad U.S. market benchmark, the Dow Jones Wilshire 5000 Index. Non-U.S. markets are generally less efficient than the U.S. market: therefore, more active management is included in the approach taken with international markets. The weightings of the elements of the developed markets and emerging markets of the non-U.S. equity program is similar to the weightings of the MSCI All Country World ex. U.S. Index that serves as the benchmark for the WSIB's entire non-U.S. program.

The fixed income investments of the pension trust funds are actively managed to exceed the return of the Lehman Universal Index, with volatility similar to or less than the index. The portfolio constraints are that no corporate fixed income issue shall exceed 3 percent of cost at the time of purchase or 6 percent of market value thereafter of the fund, and no high yield issues shall exceed 1 percent of cost or 2 percent of market value of the fund. Permissible fixed income market segments include: U.S. Treasuries and government agencies, Treasury Inflation Protection Securities, investment-grade credit bonds, high yield bonds, publicly traded mortgage backed securities, commercial mortgage-backed securities, privately-placed mortgages, private placements of corporate debt, asset-backed securities, convertible securities, non-dollar bonds, real estate mortgages and Washington State Housing Finance Commission taxable municipal bonds up to a total of $25 million with a maximum of $10 million per year.

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 (including leveraged, management and employee buyouts), distressed, international and mezzanine investments. Private equity investments are made through limited partnership vehicles. The private equity portfolio has diversified investments in companies in a variety of stages of growth. The portfolio also includes a broad cross-section of opportunities in different industries, and geographic regions.

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 combination of 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. The real estate portfolio is managed to deliver risk-adjusted returns that are consistent with the Board'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 to liquidation, acquisition, and ongoing operational decisions like annual capital expenditures.

2. SECURITIES LENDING

State law and Board policy permit the WSIB to participate in securities lending programs to augment investment income. The Board has entered into an agreement with State Street Bank and Trust (SSB) to act as agent for the WSIB in securities lending transactions. As SSB is the custodian bank for the WSIB, it is counterparty to securities lending transactions.

In accordance with GASB Statement 28, the WSIB 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 assets if the WSIB has the ability to pledge or sell them without a borrower default. Liabilities resulting from these transactions are reported in the statement of net assets. Securities lending transactions collateralized by securities that the WSIB does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities.

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 were denominated in United States dollars, were securities whose primary trading market was located in the United States or were sovereign debt issued by foreign governments, the collateral requirement was 102 percent of the market value of the securities loaned. When the loaned securities were not denominated in United States dollars or were securities whose primary trading market was not located in the United States, the collateral requirement was 105 percent of the market value of the loaned securities. The collateral held and market value of securities on loan at June 30, 2005 were $4.4 billion and $4.3 billion respectively.

During Fiscal Year 2005, securities lending transactions could be terminated on demand by either the WSIB or the borrower. The average term of overall loans was 26 days.

Cash collateral was invested by the WSIB's agents in securities issued or guaranteed by the U.S. government, the WSIB's short-term investment pool (average weighted maturity of 266 days) or term loans. 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. SSB 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. SSB'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 2005, there were no significant violations of legal or contractual provisions, or failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the WSIB incurred no losses during Fiscal Year 2005 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 of debt investments will adversely affect the fair value of an investment. The pension fixed income investments are actively managed to exceed the return of the Lehman Universal Index, with volatility as measured by duration to be similar to or less than the index. Pension trust funds are invested in U.S. agencies and corporate debt variable-rate securities, most of which reset periodically to the market interest rate. Because these securities frequently reprice to prevailing market rates, interest rate risk is substantially reduced at each periodic reset date.

The following schedule presents the pension fund investments by type and provides information about the interest rate risks associated with the pension trust funds investments as of June 30, 2005. The schedule displays various asset classes held by maturity in years and credit ratings. Variable-rate securities are presented according to the length of time until the next reset date rather than the stated maturity.

Pension Trust Funds
June 30, 2005
(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	$ 29,967	$ 27,435	$ 2,532	$ -	$ -	Aaa
Mortgages:						
Collateralized Mortgage Obligations	973,944	95,544	418,114	363,768	96,518	Aaa
Pass Throughs	2,538,057	-	2,262,931	275,126	-	Aaa
Non-Standard Mortgages	5,340	-	1,418	3,922	-	Aaa
Commercial Mortgage Backed Securities	405,503	-	177,367	228,136	-	Multiple
Corporate Bonds - Domestic	4,035,134	435,391	1,481,297	1,434,490	683,956	Multiple
Government Securities - Domestic:						
US Government Treasuries	786,154	-	224,683	135,376	426,095	Aaa
Treasury Inflation Protected Securities	2,376,456	-	1,618,842	757,614		Aaa
Variable Rate Notes	334,665	70,364	264,301	-	-	Multiple
	$ 11,485,220	$ 628,734	$ 6,451,485	$ 3,198,432	$ 1,206,569	
Corporate Stock - Foreign	4,978,815					
Commingled Index Funds - Domestic	15,570,892					
Commingled Index Funds - Foreign	2,671,239					
Money Market Funds	1,284,315					
Private Equity	6,898,947					
Real Estate	4,423,171					
Currencies	27,403					
Securities Lending Collateral Balances	4,367,254					
Defined Contribution Plans Assets:						
Short-Horizon	36,780					
Mid-Horizon	114,397					
Long-Horizon	104,477					
Mutual Funds:						
Domestic Equity Passive	1,097,805					
Non-US Passive Developed	172,271					
Domestic Equity Active	958,850					
Non-US Active Developed	52,390					
Washington State Bond Fund	270,849					
Savings Pool	653,054					
Money Market Mutual Funds	292,098					
Total	**$ 55,460,227**					

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

Pension Trust Funds
Investments with Multiple Credit Ratings
(expressed in thousands)

Moody's Equivalent Credit Rating	Investment Type: Corporate Bonds - Domestic	Variable Rate Notes	Commercial Mortgage Backed Securities	Total
Aaa	$ 405,507	$ -	$ 382,673	$ 788,180
Aa1	21,400	-	22,830	44,230
Aa2	201,810	70,127	-	271,937
Aa3	417,339	114,818	-	532,157
A1	494,331	26,988	-	521,319
A2	258,929	50,138	-	309,067
A3	249,214	29,916	-	279,130
Baa1	598,979	-	-	598,979
Baa2	518,902	19,400	-	538,302
Baa3	450,902	-	-	450,902
Ba1	133,346	23,278	-	156,624
Ba2	47,539	-	-	47,539
Ba3	132,052	-	-	132,052
B1	21,375	-	-	21,375
B2	51,853	-	-	51,853
B3	10,239	-	-	10,239
D	21,417	-	-	21,417
Total	$ 4,035,134	$ 334,665	$ 405,503	$ 4,775,302

4. CREDIT RISK

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, 2005, 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 market value thereafter of the fund, and no high yield issues shall exceed 1 percent of cost or 2 percent of market value of the fund. There was no concentration of credit risk exceeding these policy guidelines as of June 30, 2005.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of failure of the custodian, the WSIB would not be able to recover its investment securities or collateral securities that are in the possession of the custodian. The WSIB has no formal policy regarding custodial credit risk. However, as all of the pension fund system assets are registered and held in the State of Washington's name, they are not subject to custodial credit risk.

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 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, which are stated in U.S. dollars. The pension trust funds also had $2.7 billion invested in an international commingled equity index fund. As such, these currency denominations are not presented in the following schedule.

Pension Trust Funds
Foreign Currency Risk
(expressed in thousands)

Foreign Currency Denomination	Investment Type: Short Term	Equity	Private Equity	Real Estate	**Total**
Australia-Dollar	$ 887	$ 228,856	$ -	$ -	$ 229,743
Austria-Schilling	-	60,894	-	-	60,894
Belgium-Franc	-	69,056	-	-	69,056
Brazil-Real	12	42,962	-	-	42,974
Britain-Pound	6,457	875,645	103,508	55,539	1,041,149
Bulgaria-Lev	8	-	-	-	8
Canada-Dollar	765	181,549	14,462	9,158	205,934
Chinese Yuan	-	-	-	1,831	1,831
Czech Kroner	-	-	-	258	258
Denmark-Krone	818	32,143	-	-	32,961
E.M.U.-Euro	11,502	64,401	547,596	209,502	833,001
Egypt-Pound	-	3,905	-	-	3,905
Finland-Markka	-	61,417	-	-	61,417
France-Franc	-	474,097	986	-	475,083
Germany-Mark	-	337,059	-	-	337,059
Greece-Drachma	-	23,545	-	-	23,545
Hong Kong-Dollar	720	101,769	-	13,639	116,128
Hungary-Forint	-	13,223	-	2,584	15,807
Indonesia-Rupiah	35	6,932	-	-	6,967
Ireland-Punt	-	5,968	-	-	5,968
Italy-Lira	-	169,215	-	-	169,215
Japan-Yen	3,830	889,995	-	222,199	1,116,024
Korean Won	-	-	-	7,452	7,452
Lithuania-Litas	-	194	-	-	194
Malaysia-Ringgit	-	2,215	-	-	2,215
Mexico-Peso	(22)	21,300	-	89,982	111,260
Netherland-Guilder	-	253,950	-	-	253,950
New Zealand-Dollar	16	18,711	-	-	18,727
Norway-Krone	211	127,349	-	-	127,560
Pakistan-Rupee	1	13,928	-	-	13,929
Philippines-Peso	21	1,344	-	-	1,365
Poland-Zloty	-	27,803	-	1,034	28,837
Portugal-Escudo	-	4,620	-	-	4,620
Singapore-Dollar	560	35,913	-	-	36,473
South Africa-Rand	-	20,052	-	-	20,052
South Korea-Won	1	31,940	-	-	31,941
Spain-Peseta	-	229,716	-	-	229,716
Sweden-Krona	414	154,254	92,140	-	246,808
Switzerland-Franc	1,166	225,164	-	-	226,330
Taiwan Dollar	-	-	-	2,498	2,498
Thai Baht	-	-	-	281	281
Turkey-Lira	2	26,277	-	-	26,279
Total	**$ 27,404**	**$ 4,837,361**	**$ 758,692**	**$ 615,957**	**$ 6,239,414**

6. DERIVATIVES
WSIB 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 varying degrees of market and credit risk. WSIB 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 WSIB 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, 2005. 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, 2005, the only derivative securities held directly by WSIB were collateralized mortgage obligations (CMOs) of $973.9 million

7. REVERSE REPURCHASE AGREEMENTS
State law permits WSIB to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers margin against a decline in market value of the securities. If the dealers default on their obligations to resell these securities to the state or provide securities or cash of equal value, WSIB would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. There were no reverse repurchase agreements during the year and there were no liabilities outstanding as of June 30, 2005.

C. Investments – Workers' Compensation Fund

1. SUMMARY OF INVESTMENT POLICIES
Under RCW 43.33A.030, trusteeship over the investment of the workers' compensation fund investments is vested in the WSIB. The Legislature established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB must comply with other state laws, such as the Ethics in Public Service Act, RCW 42.52, as it makes investment decisions and seeks to meet its investment objectives.

In accordance with state laws, workers' compensation fund investments are to be 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 those above, achieve a maximum return at a prudent level of risk.

Eligible Investments – Eligible investments include:

- U.S. Equities.
- International Equities.
- U.S. Treasuries and Government Agencies.
- Credit Bonds.
- Mortgage-Backed Securities rated BBB- or higher by Standard & Poor's and Baa3 or higher by Moody's Investor's Service (Moody's).
- Asset-Backed Securities rated BBB- or higher by Standard & Poor's and Baa3 or higher by Moody's.
- Commercial Mortgage-Backed Securities rated BBB- or higher by Standard & Poor's and Baa3 or higher by Moody's.
- Investment Grade Non-U.S. Dollar Bonds.

Investment Restrictions - To meet stated objectives, investments of workers' compensation funds are subject to the following constraints:

- Asset allocation between equity and fixed income investments must fall within prescribed limits and are to be reviewed every three to four years or sooner if there are significant changes in funding levels or the liability durations.
- No corporate fixed income issue cost shall exceed 3 percent of the fund's market value at the time of purchase, nor shall its market value exceed 6 percent of the fund's market value at any time.
- Allocation of equity investments between U.S. and International must fall within prescribed limits. The benchmark and structure for U.S. equities is the broad U.S. stock market as defined by the Dow Jones-Wilshire 5000. The benchmark and structure for international equities is the Morgan Stanley Capital Indexes Europe, Australia, Far East (MSCI EAFE) index. Both portfolios are 100 percent passively

managed in commingled index funds. The commingled funds may use futures for hedging or establishing a long position.

- The fixed income portfolios' structure varies depending upon the required duration target. The duration targets are reviewed every three years, or sooner, if there are significant changes in the funding levels or the liability durations.
- Sector allocation of fixed income investments must be managed within the prescribed ranges. 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 as soon as it is practical to the target allocations.
- Total holdings of below investment grade credit bonds (rated BB+ or below by Standard & Poor's or rated Ba1 or below by Moody's) should not exceed 5 percent of total fixed income holdings.

2. SECURITIES LENDING

State law and Board policy permit the WSIB to participate in securities lending programs to augment investment income. The Board has entered into an agreement with State Street Bank and Trust (SSB) to act as agent for the WSIB in securities lending transactions. As SSB is the custodian bank for the WSIB, it is counterparty to securities lending transactions.

The Securities Lending Collateral Balances included are from securities required to be listed under GASB 3 Category 3 – Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the government's name. (This includes the amount of any repurchase agreement that exceeds the market value of the underlying securities.)

In accordance with GASB Statement 28, the WSIB 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 assets if the WSIB has the ability to pledge or sell them without a borrower default. Liabilities resulting from these transactions are reported in the statement of net assets. Securities lending transactions collateralized by securities that the WSIB does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities.

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 were denominated in United States dollars, were securities whose primary trading market was located in the United States or were sovereign debt issued by foreign governments, the collateral requirement was 102 percent of the market value of the securities loaned. When the loaned securities were not denominated in United States dollars or were securities whose primary trading market was not located in the United States, the collateral requirement was 105 percent of the market value of the loaned securities. The collateral held and market value of securities on loan at June 30, 2005 was $1.4 billion and $1.2 billion respectively.

During Fiscal Year 2005, securities lending transactions could be terminated on demand by either the WSIB or the borrower. The average term of overall loans was 26 days.

Cash collateral was invested by the WSIB's agents in securities issued or guaranteed by the U.S. government, the WSIB's short-term investment pool (average weighted maturity of 266 days) or term loans. 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. SSB 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. SSB'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 2005, 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 WSIB incurred no losses during fiscal year 2005 resulting from a default by either the borrowers or the securities lending.

3. INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The workers' compensation fixed income investments are actively managed to exceed the return of the Lehman Aggregate Index, with volatility as measured by duration to be similar to or less than the index. As of June 30, 2005, the durations of the various fixed income classes were within the duration targets of the Lehman Aggregate Index.

The workers' compensation fund investments include both U.S. agencies and corporate debt variable-rate securities, most of which reset periodically to the market interest rate. Because these securities frequently reprice to prevailing market rates, interest rate risk is substantially reduced at each periodic reset date.

The following schedule presents the workers' compensation fund investments by type and provides information about the interest rate risks associated with the investments as of June 30, 2005. The schedule displays various asset classes held by maturity in years and credit ratings. Variable-rate securities are presented according to the length of time until the next reset date rather than the stated maturity.

Workers' Compensation Fund
June 30, 2005
(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	$ 11,715	$ 4,360	$ 7,355	$ -	$ -	Aaa
Mortgages:						
Collateralized Mortgage Obligations	1,179,189	24,409	280,883	688,764	185,133	Aaa
Pass Throughs	16,905	-	644	277	15,984	Aaa
Non-Standard Mortgages	35,812	-	33,466	687	1,659	Aaa
Commercial Mortgage Backed Securities	521,281	-	276,540	244,741	-	Aaa
Corporate Bonds - Domestic	5,012,097	100,242	1,185,862	1,177,843	2,548,150	Multiple
Government Securities-Domestic:						
US Government Treasuries	1,055,322	6,965	75,667	31,976	940,714	Aaa
US Government Agencies	235,323	847	-	-	234,476	Aaa
Variable Rate Notes	158,375	33,100	125,275	-	-	Multiple
	8,226,019	$ 169,923	$ 1,985,692	$ 2,144,288	$ 3,926,116	
Commingled Index Funds-Domestic	1,521,613					
Commingled Index Funds-Foreign	285,755					
Money Market Funds	151,922					
Securities Lending Collateral Balances	1,371,104					
Total	**$ 11,556,413**					

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, 2005
(expressed in thousands)

	Investment Type		
Moody's Equivalent Credit Rating	Corporate Bonds - Domestic	Variable Rate Notes	**Total**
Aaa	$ 371,129.00	$ -	$ 371,129.00
Aa1	57,525	-	57,525
Aa2	109,836	22,966	132,802
Aa3	472,972	-	472,972
A1	635,389	103,515	738,904
A2	666,338	-	666,338
A3	446,534	22,960	469,494
Baa1	775,278	-	775,278
Baa2	886,173	8,934	895,107
Baa3	431,976	-	431,976
Ba1	88,402	-	88,402
Ba2	3,071	-	3,071
Ba3	46,218	-	46,218
B1	21,256	-	21,256
Total	$ 5,012,097	$ 158,375	$ 5,170,472

4. CREDIT RISK

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 funds as of June 30, 2005, 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 that the cost of no corporate fixed income issue shall exceed 3 percent of the fund's market value at the time of purchase, nor shall its market value exceed 6 percent of the fund's market value at any time. There was no concentration of credit risk as of June 30, 2005.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of failure of the custodian, the WSIB would not be able to recover its investment securities or collateral securities that are in the possession of the custodian. The WSIB has no formal policy regarding custodial credit risk. However, as all of the workers' compensation fund system assets are registered and held in the State of Washington's name, they are not subject to custodial credit risk.

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 WSIB does not have a formal policy to limit foreign currency risk. The workers' compensation funds had $285.8 million invested in an international commingled equity index fund. As such, no currency denomination is presented.

6. DERIVATIVES

WSIB 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. WSIB 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 WSIB 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, 2005. 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, 2005, the only derivative securities held directly by WSIB were collateralized mortgage obligations (CMOs) of $1.2 billion.

7. REVERSE REPURCHASE AGREEMENTS
State law permits WSIB to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers margin against a decline in market value of the securities. If the dealers default on their obligations to resell these securities to the state or provide securities or cash of equal value, WSIB would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. There were no reverse repurchase agreements during Fiscal Year 2005 and there were no liabilities outstanding as of June 30, 2005.

D. Investments – Local Government Investment Pool (LGIP)

1. SUMMARY OF INVESTMENT POLICIES
The LGIP is managed and operated by the Office of the State Treasurer (OST). The OST is responsible for establishing the investment policy for the pool. It is reviewed annually 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.

Investment Objectives - The LGIP is comparable to 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.

The objectives of the LGIP investment policy, in priority order, are safety, liquidity, and return on investment. To provide for the safety and liquidity of 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 the policy.
- Limit the purchase of investments in securities so that the weighted average maturity of the portfolio, as defined in Section VI of the policy, does not exceed 90 days.
- Limit the purchase of investments to securities that have a maximum final maturity of 397 days, with the exceptions listed in section VI of the policy.
- Limit the purchase of investments in securities other than those issued by the U.S. government or its agencies.
- Prepare regular reports of portfolio activity.

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.

Within the restrictions necessary to ensure the safety and liquidity of funds, the investment portfolio of the LGIP will be structured to attain a market rate of return throughout an economic cycle.

Eligible Investments - Eligible investments are only those securities and deposits authorized by statute (RCW 39.58, 39.59, 43.84.080 and 43.250). 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 with financial institutions qualified by the Washington Public Deposit Protection Commission.
- Obligations of the state of Washington or its political sub-divisions.

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

- All money market securities are required to be rated A-1 by Standard and Poor's Corporation and P-1 by Moody's Investors Services, Inc.
- Investments are restricted to fixed rate securities that mature in 397 days or less, and floating and variable rate securities that mature in 762 days or less.
- The weighted average maturity of the portfolio may not exceed 90 days.
- 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
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 2005, 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 with the lending agent requires them 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 neither violations of legal or contractual provisions nor any losses resulting from a default of a borrower or lending agent during the year.

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, 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 LGIP. The securities held as collateral and the securities underlying the cash collateral are held by the LGIP's custodian. At June 30, 2005, all LGIP securities on loan were collateralized by cash and other securities and are classified in the following schedule of custodial credit risk according to the category for the collateral received on the securities lent. On June 30, 2005, the average life of both the loans and the investment of cash received as collateral was one day.

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 policy places a 90-day maximum on the weighted average maturity. Further, the maximum maturity of any security may not exceed 397 days, except securities utilized in repurchase agreements and U.S. Agency floating or variable rate notes with reset dates less than a year and which on any reset date can reasonably be expected to have a market value that approximates its amortized cost. As of June 30, 2005, the LGIP had a weighted average maturity of 33 days.

The following schedule presents the LGIP investments by type and provides information about the interest rate risks associated with the LGIP investments as of June 30, 2005.

Local Government Investment Pool (LGIP)
June 30, 2005
(expressed in thousands)

		Custodial Credit Risk	Maturity	
Investment Type	**Fair Value**	Insured or Held in state's name	Less than 1 year	1-5 years
U.S. Agency Obligations	$ 2,812,919	$ 2,812,919	$ 2,622,973	$ 189,946
U.S. Government Obligations	49,766	49,766	49,766	-
Certificates of Deposit	572,484	572,484	572,484	-
Repurchase Agreements	1,566,853	1,566,853	1,566,853	-
Securities Lending	80,899	-	80,899	-
Total	$ 5,082,921	$ 5,002,022	$ 4,892,975	$ 189,946

4. CREDIT RISK

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a failure of the counter party, 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. All securities held as collateral were rated AAA. The market value of securities held for collateral must be at least 102 percent of the value of the repurchase agreement.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The LGIP mitigates concentration of credit risk by limiting the percentage of the portfolio invested with any one issuer.

5. FOREIGN CURRENCY RISK - None

6. DERIVATIVES – None

7. REVERSE REPURCHASE AGREEMENTS

State law also permits the LGIP to enter into reverse repurchase agreements, which are, by contract, sales of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities pledged as collateral by the LGIP underlying the reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in the fair value of the securities. If the dealers default on their obligations to resell these securities to the LGIP or to provide equal value in securities or cash, the LGIP would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest.

Repurchase agreements are collateralized at 102 percent. The collateral is priced daily and held by the LGIP's custodian in the state's name. Collateral for mortgage-backed repurchase agreements with a maturity date longer than seven days will be priced at 105 percent of fair value, plus accrued interest. Collateralized Mortgage Obligations (CMO) used as collateral for repurchase agreements must pass the Federal Financial Institutions Examination Council (FFIEC) test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency.

On June 30, 2005, there were no obligations under reverse repurchase agreements.

E. Investments – Higher Education Special Revenue and Endowment Funds

1. SUMMARY OF INVESTMENT POLICIES

The investments of the University of Washington represent 65 percent of the total investments in Higher Education Special Revenue and Endowment 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 (UWINCO), comprised of Board members and investment professionals, advise 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 lent securities, mutual funds, venture capital, private equity, distressed, marketable alternatives, mortgages, real estate, and miscellaneous investments.

The University combines most short-term cash balances in the Invested Funds Pool. At June 30, 2005, the Invested Funds Pool totaled $646.4 million. The fund also owns units in the Consolidated Endowment Fund valued at $337.8 million on June 30, 2005. By University policy, departments with qualifying funds in the Invested Funds Pool receive one of four rates of return based on the realized yield of the portfolio. Long-term deposits received 3.5 percent for Fiscal Year 2005. Operating and plant fund balances of self-sustaining units received 3.2 percent. Royalty accounts received 1.0 percent and gift accounts received 3.0 percent. 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 subscribe to or dispose of 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. The CEF income distribution is 5 percent of the average fair value of the CEF for the previous three years. State law allows for the spending of appreciation in the CEF.

The University records its permanent endowments at the lower of original value or current market value in the Restricted Nonexpendable Net Assets category. Of the total of approximately $775 million permanent endowment funds (at market value) as of June 30, 2005, the aggregate amount of the deficiencies for all funds for which the fair value of the assets is less than the original gifts is $2.8 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 approximately $52 million at June 30, 2005. Income received from these trusts was $2 million for the year ended June 30, 2005.

2. SECURITIES LENDING

The University's investment policies permit it to lend its securities to broker dealers and other entities. The University's custodian lends securities for collateral in the form of cash or other securities, with the simultaneous agreement to return the collateral for the same securities in the future. U.S. securities are loaned and secured by collateral valued at 102 percent of the fair value of the securities plus any accrued interest. Non-U.S. securities are loaned and secured by collateral valued at 105 percent of the fair value of the securities plus any accrued interest. At year-end, the University had no credit risk exposure to borrowers because the amounts the University owes the borrowers exceed the amounts the borrowers owe the University.

The contract with the custodian requires it to indemnify the University if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the University for income distributions by the securities' issuers while the securities are on loan.

Either the University or the borrower can terminate all securities loans on demand, although the average term of overall loans is 87 days. Cash collateral is invested in a short-term investment pool that had an average weighted maturity of 28 days as of June 30, 2005. The relationship between the maturities of the investment pool and the University's loans is affected by the maturities of the securities loaned by other entities that use the custodian's pool. The University cannot determine the maturities of these loaned securities. The University cannot sell or pledge non-cash collateral unless the borrower defaults. Non-cash collateral at June 30, 2005, was $35.7 million.

Securities on loan at June 30, 2005, totaled $360.9 million, and are presented by investment type in the following schedule. The securities lending program resulted in net revenues of $.7 million for the year ended June 30, 2005.

The following schedule presents the fair value of the University of Washington's investments by type at June 30, 2005.

University of Washington
June 30, 2005
(expressed in thousands)

Investment Type	**Fair Value**
Cash Equivalents	$ 76,919
Domestic Fixed Income	604,305
Domestic Fixed Income-Loaned	294,567
Foreign Fixed Income	48,358
Domestic Equity	518,615
Domestic Equity-Loaned	38,500
Foreign Equity	277,122
Foreign Equity-Loaned	27,812
Venture Capital	170,383
Buyout	243,350
Opportunistic	16,857
Marketable Alternatives	21
Real Estate	12,484
Miscellaneous	3
Total Investments	2,329,296
Collateral from Securities Lending - Cash	339,231
Total	**$ 2,668,527**

3. 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 the ample freedom for the manager to perform, while controlling the interest rate risk in the portfolio. Modified duration, which estimates the sensitivity of a bond's price to interest rate changes, is based on Macaulay duration. Macaulay duration is the basic calculation developed for a portfolio of bonds assembled to fund a fixed liability. Macaulay duration is calculated as follows: sum of discounted time-weighted cash flows / bond price. Modified duration is calculated using the following formula: Macaulay duration / (1 + yield-to-maturity/ number of coupon payments per year).

The Interest Rate Risk Schedule presents the modified duration of the University's investments for which duration is measured.

Approximately $166.5 million of additional domestic fixed income securities (including Loaned) and $6.9 million of additional foreign fixed income securities, which in total makeup 7.4 percent of the University's investments, are not included in the duration figures below. These investments, some of which are managed by the University and others by the University's affiliates, are not invested under the same investment strategy or with the same custodian as those detailed in the following schedule.

University of Washington
Interest Rate Risk
Duration as of June 30, 2005
(expressed in thousands, modified duration in years)

	Consolidated Endowment Fund		Invested Funds Pool		Other	
	Asset Value	Duration	Asset Value	Duration	Asset Value	Duration
Domestic Fixed Income						
Asset Backed	$ 7,029	1.73	$ 127,909	1.29	$ 2,525	1.36
Cash Equivalents (Short-term Money Market)	2,689	0.05	10,481	0.05	1,668	0.04
Corporate Bonds	12,420	4.44	20,249	2.22	13,841	6.08
Government & Agencies	42,921	6.15	296,738	3.92	9,218	5.83
Mortgage Related	26,167	2.87	153,790	1.83	4,727	2.85
Subtotal	91,226	4.46	609,167	2.72	31,979	4.84
Foreign Fixed Income						
International Fixed	37,367	6	1,201	4	2,891	6
Total	$ 128,593	4.93	$ 610,368	2.72	$ 34,870	4.91

4. CREDIT RISK

The University investment policies limit investments to investment grade assets. The Investment Policy for the University's operating funds reflects a higher level of credit risk/loss sensitivity and requires each manager to maintain a specific average AA rating as issued by a nationally recognized rating organization. Additionally, the investment policy requires the operating funds to have 50 percent of the assets invested in government and government agency issues. The Investment Policy for the CEF reflects its long-term nature by specifying average quality rating levels by individual manager, but still restricting investments to investment grade credits.

5. FOREIGN CURRENCY RISK

The University's investment policies permit investments in international equity and other asset classes that can include foreign currency exposure.

The University's investment strategy within the Invested Funds Pool is to hedge exposure to foreign currency. Within this pool, the University enters into foreign currency forward contracts, futures contracts, and options to hedge the foreign currency exposure.

At June 30, 2005, the University had net outstanding forward commitments to sell foreign currency with a total fair value of $32.7 million, which equals 1.4 percent of the total portfolio.

As part of the investment strategy, the University does not hedge foreign currency exposure within the equity portion of the Consolidated Endowment Fund.

The following schedule details the market value of foreign denominated securities by currency type in the Consolidated Endowment Fund.

University of Washington
Consolidated Endowment Fund
Foreign Currency Risk
June 30, 2005
(expressed in thousands)

Foreign Currency	Market Value
Euro	$ 63,907
British - Pound	43,280
Japan - Yen	37,641
Switzerland - Franc	15,832
South Korean - Won	14,232
Hong Kong Dollar	12,811
China - Rimenbi	11,412
Taiwan - NTD	11,221
Mexico - Pesc	10,634
Other (less than 3% each)	139,935
Total	$ 360,905

6. DERIVATIVES
The University's investments include certain derivative instruments and structured notes that derive their value from a security, asset, or index. Such investments are governed by the University's Investment Policies and Guidelines, which effectively constrain their use by establishing (a) duration parameters which limit price sensitivity to interest rate fluctuations (market risk), (b) minimum quality ratings at both the security and portfolio level, and (c) a market index as a performance benchmark.

7. REVERSE REPURCHASE AGREEMENTS - None

F. Investments – Office of the State Treasurer (OST) Cash Management Account

1. SUMMARY OF INVESTMENT POLICIES
The 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 (RCW 39.58, 39.59, 43.84.080 and 43.250). 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 State Treasurer adheres with 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, for proceeds of bonds or other debt obligations, when the investments are made in order to

comply with the Internal Revenue Code of 1986, as amended.
- Obligations of the state of Washington or its political sub-divisions.

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 (CMO) requires prior approval from the treasurer or assistant treasurer; CMO securities must pass the Federal Institutions Examination Council (FFIEC) test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency.
- The allocation to investments subject to high 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, 2005, securities on loan approximated $620 million. All OST securities on loan were collateralized by cash and other securities and are classified in the schedule of custodial credit risk according to the category for the collateral received on the securities lent. On June 30, 2005, the average life of both the loans and the investment of cash received as collateral was one day.

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 2005, 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 two main portfolios. The OST's investment policy limits the weighted average maturity of its investments, according to the objectives of each portfolio.

The following schedule presents the fair value of the OST's investments by type at June 30, 2005.

Office of the State Treasurer (OST)
Cash Management Account
June 30, 2005
(expressed in thousands)

		Custodial Credit Risk	Maturity		
Investment Type	**Fair Value**	Insured or Held in state's name	Less than 1 year	1-5 years	6-10 years
U.S. Government Obligations	$ 381,079	$ 381,079	$ 286,747	$ 94,332	$ -
U.S. Agency Obligations	2,108,922	2,108,922	1,425,227	673,704	9,991
Certificates of Deposit	719,263	719,263	719,263	-	-
Repurchase Agreements	869,000	869,000	869,000	-	-
Securities Lending	620,441	-	620,441	-	-
Total	$ 4,698,705	$ 4,078,264	$ 3,920,678	$ 768,036	$ 9,991

4. CREDIT RISK

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 certificates of deposit with qualified public depositories.

Custodial Credit Risk - The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The OST investment policy requires that securities purchased by the office to 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. The OST limits its exposure to concentration of credit risk by restricting the amount of investments with a single issuer to a percentage of the total portfolio. Percentages are monitored on a daily basis. During Fiscal Year 2005, the Cash Management Account did not have more than 5 percent of total investments in a single issuer.

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 (CMO) utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council (FFIEC) test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency.

During the Fiscal Year 2005, the OST did not enter into any reverse repurchase agreements and there were no obligations under reverse repurchase agreements outstanding at year-end.

Note 4 - Receivables and Deferred/Unearned Revenues

A. Governmental Funds

Taxes Receivable

Taxes receivable at June 30, 2005, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property	$ 838,470	$ -	$ -	$ 662	$ 839,132
Sales	1,231,478	-	-	17,030	1,248,508
Business and occupation	396,693	-	-	-	396,693
Estate	15,961	-	-	-	15,961
Fuel	-	-	-	83,166	83,166
Other	87,009	-	-	7,268	94,277
Subtotals	2,569,611	-	-	108,126	2,677,737
Less: Allowance for uncollectible receivables	30,372	-	-	133	30,505
Total Taxes Receivable	$ 2,539,239	$ -	$ -	$ 107,993	$ 2,647,232

Other Receivables

Other receivables at June 30, 2005, consisted of the following (expressed in thousands):

Other Receivables	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	**Total**
Public assistance (1)	$ 1,160,955	$ -	$ -	$ -	$ 1,160,955
Accounts receivable	22,388	91,996	612	57,895	172,891
Interest	-	7,156	7,487	4,648	19,291
Loans (2)	1,154	122,902	-	246,302	370,358
Long-term contracts (3)	444	-	13,865	109,898	124,207
Miscellaneous	7,135	12,991	17,611	80,855	118,592
Subtotals	1,192,076	235,045	39,575	499,598	1,966,294
Less: Allowance for uncollectible receivables (1)	955,497	17,120	74	23,878	996,569
Total Other Receivables	$ 236,579	$ 217,925	$ 39,501	$ 475,720	$ 969,725

Note: (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 $95 million in the Higher Education Special Revenue Fund for student loans and $239 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 Revenues

Deferred revenues at June 30, 2005, consisted of the following (expressed in thousands):

Deferred Revenues	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property taxes	$ 814,948	$ -	$ -	$ -	$ 814,948
Other taxes	268,912	-	-	32	268,944
Timber sales	-	-	13,865	100,902	114,767
Charges for services	15,567	44,323	-	20,505	80,395
Donable goods	347	-	-	-	347
Miscellaneous	58,502	104,944	660	421,873	585,979
Total Deferred Revenues	$ 1,158,276	$ 149,267	$ 14,525	$ 543,312	$ 1,865,380

B. Proprietary Funds

Taxes Receivable

Taxes receivable at June 30, 2005, consisted of $4.8 million in liquor taxes reported in Nonmajor Enterprise Funds.

Other Receivables

Other receivables at June 30, 2005, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds					Governmental Activities
Other Receivables	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds	**Total**	Internal Service Funds
Accounts receivable	$ 100,064	$ -	$ 175,832	$ 21,223	$ 297,119	$ 3,646
Interest	101,694	-	522	2,984	105,200	384
Loans	-	-	4	-	4	-
Miscellaneous	544,879	621,895	2,509	690	1,169,973	1,454
Subtotals	746,637	621,895	178,867	24,897	1,572,296	5,484
Less: Allowance for uncollectible receivables	77,909	108,214	66,893	120	253,136	152
Total Other Receivables	$ 668,728	$ 513,681	$ 111,974	$ 24,777	$ 1,319,160	$ 5,332

Unearned Revenues

Unearned revenues at June 30, 2005, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds					Governmental Activities
Unearned Revenues	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds	**Total**	Internal Service Funds
Charges for services	$ -	$ -	$ 10,809	$ 268	$ 11,077	$ 1,927
Miscellaneous	13,962		19,172	3	33,137	368
Total Unearned Revenues	$ 13,962	$ -	$ 29,981	$ 271	$ 44,214	$ 2,295

C. Fiduciary Funds

Other Receivables

Other receivables at June 30, 2005, consisted of the following (expressed in thousands):

Other Receivables	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
Accounts receivable	$ 3	$ -	$ 1,988	$ 10,415
Interest	-	9,086	136,449	25,709
Loans	-	-	-	16
Miscellaneous	4,798	-	50,980	45,841
Subtotals	4,801	9,086	189,417	81,981
Less: Allowance for uncollectible receivables	-	-	123	686
Total Other Receivables	$ 4,801	$ 9,086	$ 189,294	$ 81,295

Unearned Revenues

Unearned revenues at June 30, 2005, consisted of $.8 million for service credit restorations reported in Pension and Other Employee Benefit Plans Funds.

Note 5 - Interfund Balances and Transfers

A. Interfund Balances

The following balances at June 30, 2005, represent due from and due to balances among all funds and state agencies (expressed in thousands):

	Due From						
Due To	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
General	$ 75,844	$ 7,585	$ -	$ 78,514	$ 305	$ -	$ -
Higher Educ. Special Revenue	26,589	26,984	-	18,010	243	-	7,986
Higher Education Endowment	-	-	-	-	-	-	-
Nonmajor Governmental Funds	124,990	112	2,050	99,954	391	1,043	-
Workers' Compensation	87	-	-	360	579	-	-
Unemployment Compensation	1,045	963	-	196	33	-	-
Higher Educ. Student Services	440	37,992	-	1,218	83	-	7,266
Nonmajor Enterprise Funds	13,743	25	-	4,391	318	-	54
Internal Service Funds	18,215	2,427	-	18,126	4,749	-	12
Fiduciary Funds	301,372	148	-	37,908	233	-	23,848
Totals	$ 562,325	$ 76,236	$ 2,050	$ 258,677	$ 6,934	$ 1,043	$ 39,166

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.

Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	**Totals**
$ 12,030	$ 1,271	$ 15,501	$ 191,050
158	3,991	25,519	109,480
-	-	14	14
10,689	1,397	39,045	279,671
122	42	20	1,210
27	59	229	2,552
-	9	2,720	49,728
22,437	945	310	42,223
15,962	12,459	710	72,660
291	41	38,637	402,478
$ 61,716	$ 20,214	$ 122,705	$ 1,151,066

B. Interfund Transfers

Interfund transfers as reported in the financial statements reflect transfers between agencies and accounts reported within the same fund.

Net transfers between funds for the year ended June 30, 2005, consisted of the following (expressed in thousands):

	Transferred To						
Transferred From	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation	Higher Education Student Services	Nonmajor Enterprise Funds
General	$ 1,300	$ 12,043	$ -	$ 890,424	$ -	$ -	$ 780
Higher Educ. Special Revenue	456	84,132	2,863	113,835	-	38,392	-
Higher Education Endowment	-	44,678	19	26,707	-	3	-
Nonmajor Governmental Funds	346,560	13,962	1,001	882,944	-	-	1,129
Workers' Compensation	-	-	-	1,122	325,602	-	-
Higher Educ. Student Services	-	22,769	-	213	-	169,423	-
Nonmajor Enterprise Funds	57,820	-	-	137,972	-	-	46,001
Internal Service Funds	-	4,682	-	7,634	-	106	-
Private Purpose Trust	118,229	-	-	-	-	-	-
Totals	$ 524,365	$ 182,266	$ 3,883	$ 2,060,851	$ 325,602	$ 207,924	$ 47,910

Additionally, there are transfers within the state's Pension trust funds. The transfers from Pension trust funds are into other Pension trust funds.

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

Internal Service Funds	Private Purpose Trust	**Totals**
$ 9,424	$ 28,237	$ 942,208
1,691	-	241,369
-	-	71,407
253	-	1,245,849
-	-	326,724
4,280	-	196,685
-	-	241,793
12,242	-	24,664
-	-	118,229
$ 27,890	$ 28,237	$ 3,408,928

Note 6 - Capital Assets

A. Governmental Capital Assets

The following is a summary of governmental capital asset activity for the year ended June 30, 2005 (expressed in thousands):

Capital Assets	Balances July 1, 2004	Additions	Deletions	Balances June 30, 2005
Capital assets, not being depreciated:				
Land	$ 1,184,360	27,270	(4,304)	$ 1,207,326
Highway System Infrastructure**	12,512,825	825,884	-	13,338,709
Construction in Progress	1,031,962	543,806	(324,372)	1,251,396
Art Collections, Library Reserves, and Museum and Historical Collections	104,716	1,515	(5,894)	100,337
Total capital assets, not being depreciated	14,833,863			15,897,768
Capital assets, being depreciated:				
Buildings	6,663,761	455,702	(20,866)	7,098,597
Accumulated depreciation*	(2,163,168)	(199,172)	881	(2,361,459)
Net buildings	4,500,593			4,737,138
Furnishings, equipment, and collections	3,123,156	242,374	(73,160)	3,292,370
Accumulated depreciation*	(1,809,481)	(175,531)	45,519	(1,939,493)
Net furnishings, equipment and collections	1,313,675			1,352,877
Other improvements	764,255	129,980	(1,187)	893,048
Accumulated depreciation*	(273,996)	(40,860)	180	(314,676)
Net other improvements	490,259			578,372
Infrastructure (other)**	315,734	599,739	-	915,473
Accumulated depreciation	(110,385)	(10,687)	-	(121,072)
Net infrastructure (other)	205,349			794,401
Total capital assets, being depreciated, net	6,509,876			7,462,788
Governmental activities capital assets, net	$ 21,343,739			$ 23,360,556

*Beginning balances have been restated to reflect prior period error corrections.

**The state first reported infrastructure under the new requirements of the Governmental Accounting Standards Board Statement Number 34 in Fiscal Year 2002. The state accounts for the state highway system and emergency airfields using the modified approach and reports them as non-depreciable highway system infrastructure. The state's short rail line is depreciated and is reported as depreciable infrastructure (other). Under the modified approach, rather than recording depreciation, asset condition is reported. The rating scales for pavements, bridges, and airfields are further explained in the Required Supplementary Information.

B. Business-type Capital Assets

The following is a summary of business-type capital asset activity for the year ended June 30, 2005, (expressed in thousands):

Capital Assets	Balances July 1, 2004	Additions	Deletions	Balances June 30, 2005
Capital assets, not being depreciated:				
Land	$ 100,626	5,484	(19,217)	$ 86,893
Construction in Progress	87,002	91,757	(94,438)	84,321
Art Collections	37	-	(2)	35
Total capital assets, not being depreciated	187,665			171,249
Capital assets, being depreciated:				
Buildings	1,533,326	134,459	(29,071)	1,638,714
Accumulated depreciation	(434,007)	(40,047)	1,352	(472,702)
Net buildings	1,099,319			1,166,012
Furnishings, equipment, and collections	326,602	49,445	(11,375)	364,672
Accumulated depreciation	(207,987)	(30,610)	8,582	(230,015)
Net furnishings, equipment, and collections	118,615			134,657
Other Improvements	35,567	11,803	(2,257)	45,113
Accumulated depreciation	(12,688)	(1,582)	51	(14,219)
Net other improvements	22,879			30,894
Infrastructure (other)	33,949	4,348	(5,340)	32,957
Accumulated depreciation	(10,393)	(1,070)	828	(10,635)
Net infrastructure (other)	23,556			22,322
Total capital assets, being depreciated, net	1,264,369			1,353,885
Business-type activities capital assets, net	$ 1,452,034			$ 1,525,134

C. Depreciation

Depreciation expense for the year ended June 30, 2005, was charged to functions of the primary government as follows (expressed in thousands):

	Amount
Governmental Activities:	
General Government	$ 38,741
Education - Elementary and Secondary (K-12)	2,837
Education - Higher Education	222,764
Human Services	26,724
Adult Corrections	24,212
Natural Resources and Recreation	42,882
Transportation	68,090
Total Depreciation Expense - Governmental Activities	$ 426,250 *

Business-Type Activities:	
Workers' Compensation	$ 3,202
Unemployment Compensation	-
Higher Education Student Services	54,934
Health Insurance Programs	201
Other	14,972
Total Depreciation Expense - Business-Type Activities	$ 73,309

*Includes $52.8 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, 2005, are as follows (expressed in thousands):

D. Construction in Progress

Agency/Project Commitments	Construction In Progress June 30, 2005	Remaining Project Commitments
Department of Personnel:		
Human resource management system	$ 31,699	$ 30,950
Department of General Administration:		
Legislative and other buildings rehab., repairs & expansion, and other projects	237,004	210,278
Military Department:		
Readiness centers and other projects	15,893	13,192
Department of Social and Health Services:		
State hospital & juvenile rehab construction & renovations, and other projects	107,433	11,004
Department of Corrections:		
Correctional centers construction, improvements, and other projects	243,219	187,180
Department of Transportation:		
State Highway System, maintenance facilities, and ferry vessels and terminals	199,138	965,966
Department of Fish and Wildlife:		
Hatchery renovations, site improvements, and other projects	20,742	8,174
Department of Natural Resources:		
Light industrial park	1,870	8,288
Higher Education Facilities:		
University of Washington	239,834	110,736
Washington State University	48,921	405,393
Eastern Washington University	28,483	13,346
Central Washington University	48,954	23,271
The Evergreen State College	7,268	12,590
Western Washington University	20,846	9,005
Community and Technical Colleges	77,868	248,148
Other Agencies Miscellaneous Projects	6,545	4,740
Total Construction in Progress	$ 1,335,717	$ 2,262,261

Note 7 – Long-Term Liabilities

A. Bonds Payable

Bonds payable at June 30, 2005, 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 State Legislature or by a body designated by statute (presently the State Finance Committee). Legislative authorization arises from an affirmative vote of 60 percent of both legislative houses without voter consent, or from an affirmative vote of more than 50 percent of both legislative houses and a majority of the voters voting thereon. The State Finance Committee debt authorization does not require voter approval; however, it is limited to providing for: (1) temporary deficiencies in the state treasury (must be discharged within 12 months of the date of incurrence); (2) appropriations already made by the legislature; or (3) refunding of outstanding obligations of the state.

Legal Debt Limitation

The State Constitution and current statutes generally limit debt authorized in the preceding procedures. The limitations prohibit the issuance of new debt if it would cause the maximum annual debt service, on all thereafter-outstanding general obligation debt, to exceed a specified percentage of the arithmetic mean of general state revenues for the preceding three fiscal years. These limitations are on the incurrence of new debt, not on the amount of debt service that may be paid by the state in future years.

As certified by the State Treasurer, the maximum debt authorization subject to limitation for Fiscal Year 2005 was $7.0 billion, under both the then current constitutional and statutory limitations. This computation excludes specific bond issues and types, which are not secured by general state revenues. Based on the debt limitation calculation, the debt service requirements as of June 30, 2005, did not exceed the authorized debt service limitation.

Authorized but unissued

The state had a total of $6.25 billion in bonds authorized but unissued as of June 30, 2005, for the purpose of public building and schools construction and renovation, higher education purposes, and highways construction and improvement.

Interest rates

Interest rates on fixed rate general obligation bonds ranged from 2.0 to 7.0 percent. Variable rate demand obligations (VRDO) of $168.2 million as of June 30, 2005, are remarketed on a weekly basis. Interest rates on revenue bonds range from 1.5 to 7.4 percent.

DEBT SERVICE REQUIREMENTS TO MATURITY

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

- Acquisition and construction of capital facilities for public and common schools, higher education, public and mental health, corrections, natural resource conservation;
- Construction and improvements of highways, roads, bridges, ferries, and other transit improvements;
- Assistance to municipalities for construction of water and sewage treatment facilities and corrections facilities; and
- Refunding of general obligation bonds outstanding.

Outstanding general obligations bonds are presented in the Washington State Treasurer's Annual Report for 2005. 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.

Total debt service requirements to maturity for general obligation bonds, as of June 30, 2005, are as follows (expressed in thousands):

General Obligation Bonds	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest	Totals Principal	Totals Interest
By Fiscal Year:						
2006	$ 454,979	$ 458,460	$ 17,955	$ 5,451	$ 472,934	$ 463,911
2007	458,153	452,986	19,150	4,436	477,303	457,422
2008	476,116	430,329	20,655	3,333	496,771	433,662
2009	483,150	408,970	11,335	4,899	494,485	413,869
2010	465,825	390,057	8,987	4,432	474,812	394,489
2011-2015	2,321,894	1,659,028	30,951	12,288	2,352,845	1,671,316
2016-2020	2,435,367	1,258,797	29,366	61,951	2,464,733	1,320,748
2021-2025	1,823,851	670,863	-	-	1,823,851	670,863
2026-2030	922,336	344,494	-	-	922,336	344,494
2031-2035	-	-	-	-	-	-
Total Debt Service Requirements	$ 9,841,671	$ 6,073,984	$ 138,399	$ 96,790	$ 9,980,070	$ 6,170,774

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. These bonds pledge income derived from acquired or constructed assets for retirement of the debt and payment of the related interest.

The Tobacco Settlement Authority (TSA), a blended component unit of the state, issued revenue bonds secured by the TSA's right to receive 29.2 percent of the state's tobacco settlement revenue stream. These bonds are reported within governmental activities. The state's Colleges and Universities issue revenue bonds for the purpose of housing, dining, parking, and student facilities construction. These bonds are reported within governmental and business-type activities as applicable.

Total debt service requirements for revenue bonds to maturity as of June 30, 2005, are as follows (expressed in thousands):

Revenue Bonds	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest	Totals Principal	Totals Interest
By Fiscal Year:						
2006	$ 110	$ 35,128	$ 13,934	$ 28,631	$ 14,044	$ 63,759
2007	-	35,053	16,133	28,079	16,133	63,132
2008	13,270.0	34,977	16,836	27,361	30,106	62,338
2009	12,750	34,359	17,690	26,595	30,440	60,954
2010	12,400	33,741	18,196	25,690	30,596	59,431
2011-2015	86,640	156,587	108,003	114,913	194,643	271,500
2016-2020	103,085	126,415	129,682	87,973	232,767	214,388
2021-2025	120,280	91,171	126,726	58,131	247,006	149,302
2026-2030	153,860	50,037	95,651	29,331	249,511	79,368
2031-2035	61,180	4,605	42,382	5,157	103,562	9,762
Total Debt Service Requirements	$ 563,575	$ 602,073	$ 585,233	$ 431,861	$ 1,148,808	$ 1,033,934

DEBT REFUNDINGS

When advantageous and permitted by statute and bond covenants, the State Finance Committee authorizes the refunding of outstanding 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 has been removed from the government-wide statement of net assets.

CURRENT YEAR DEFEASANCES

Governmental Activities:

On May 3, 2005, the state issued $343.6 million of Various Purpose General Obligation Refunding Bonds (Series R-2005A) with an average interest rate of 4.98 percent to refund $341.6 million of Various Purpose General Obligation Bonds from several different series with an average interest rate of 5.80 percent. The refunding resulted in a $40.7 million gross debt service savings over the next 20 years and an economic gain of $31.2 million.

On May 3, 2005, the state issued $95.8 million in Motor Vehicle Fuel Tax General Obligation Refunding Bonds (Series R-2005B) with an average interest rate of 4.14 percent to refund $90.8 million of Motor Vehicle Fuel Tax General Obligation bonds from several series with an average interest rate of 5.64 percent. The refunding resulted in an $11.8 million gross debt service savings over the next 20 years and an economic gain of $8.6 million.

Business-Type Activities:

On September 29, 2004, the University of Washington issued $4.57 million in Parking System Revenue and Refunding Bonds (Series 2004) with an average interest rate of 3.43 percent to refund $3.96 million of Parking System Revenue Bonds with an average interest rate of 6.13 percent. The refunding resulted in $4 thousand gross debt service savings over the next 11 years and an economic loss of $1 thousand.

On April 20, 2005, Washington State University issued $16.3 million in Housing and Dining Services Revenue and Refunding Bonds (Series 2005) with an average interest rate of 4.45 percent, to refund $14.73 million of Housing and Dining Services Revenue Bonds with an average interest rate of 5.85 percent. The refunding resulted in a $1.3 million gross debt service savings over the next 25 years and an economic gain of $829 thousand.

On May 11, 2005, Washington State University issued $8.84 million in Parking Services Revenue and Refunding Bonds (Series 2005), with an average interest rate of 4.12 percent, to refund $7.99 million of Parking Services Revenue Bonds with an average interest rate of 5.71 percent. The refunding resulted in $732 thousand gross debt service savings over the next 19 years and an economic gain of $513 thousand.

On May 24, 2005, Western Washington University issued $12.6 million in Housing and Dining Revenue and Refunding bonds (Series 2005), with an average interest rate of 3.88 percent, to refund $11.2 million of Housing and Dining Revenue Bonds with an average interest rate of 5.71 percent. The refunding resulted in $3.2 million gross debt service savings over the next 20 years and an economic gain of $2.8 million.

On June 7, 2005, the University of Washington issued $43.6 million in Student Facilities Fee Revenue and Refunding Bonds (Series 2005) with an average interest rate of 4.82 percent, to refund $41.6 million of Student Facilities Fee Revenue Bonds with an average interest rate of 5.77 percent. The refunding resulted in $3.6 million gross debt service savings over the next 25 years and an economic gain of $2.1 million.

PRIOR YEAR DEFEASANCES

In prior years, the state defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the prior bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the state's financial statements.

General Obligation Bond Debt:

On June 30, 2005, $479.7 million of general obligation bonded debt outstanding is considered defeased.

Revenue Bond Debt:

On June 30, 2005, $69.5 million of revenue bonded debt outstanding is considered defeased.

B. Certificates of Participation

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, 2005, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Certificates of Participation	Principal	Interest	Principal	Interest	Principal	Interest
By Fiscal Year:						
2006	$ 31,629	$ 15,340	$ 37,524	$ 18,198	$ 69,153	$ 33,538
2007	25,456	12,324	16,291	10,389	41,747	22,713
2008	23,150	11,337	15,678	9,718	38,828	21,055
2009	25,087	10,418	18,960	9,052	44,047	19,470
2010	23,097	9,365	17,761	8,222	40,858	17,587
2011-2015	129,800	34,760	92,012	24,640	221,812	59,400
2016-2020	45,761	6,967	42,218	6,651	87,979	13,618
2021-2025	10,538	875	10,203	847	20,741	1,722
2026-2030	-	-	-	-	-	-
2031-2035	-	-	-	-	-	-
Total Debt Service Requirements	$ 314,518	$ 101,386	$ 250,647	$ 87,717	$ 565,165	$ 189,103

C. Claims and Judgments

Claims and judgments are materially related to three activities: workers' compensation, risk management, and health insurance. Workers' compensation and health insurance are business-type activities, and risk management is a governmental activity. 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 1E.

Workers' Compensation

Changes in the balances of workers' compensation claims liabilities during Fiscal Years 2004 and 2005 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
FY 2004	$ 15,863,852	2,267,506	(1,540,260)	$ 16,591,098
FY 2005	$ 16,591,098	2,289,923	(1,602,126)	$ 17,278,895

At June 30, 2005, $30.6 billion of unpaid claims and claim adjustment expenses are presented at their net present and settlement value of $17.3 billion. These claims are discounted at assumed interest rates of 2.5 percent (time loss and medical) to 6.5 percent (pensions) to arrive at a settlement value that is net of third party recoveries.

The claims and claim adjustment liabilities of $17.3 billion, as of June 30, 2005, include $8.7 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 $8.6 billion are fully funded by long-term investments, net of obligations under securities lending agreements.

Risk Management

Changes in the balances of risk management claims liabilities during Fiscal Years 2004 and 2005 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
FY 2004	$ 498,914	59,882	(29,755)	(15,710)	$ 513,331
FY 2005	$ 513,331	34,857	(23,130)	(16,945)	$ 508,113

Risk Management reports claims and judgment liabilities 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. It also includes an actuarial estimate of loss adjustment expenses for tort defense. Because actual claims 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. Claims 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 property and casualty matters. As of June 30, 2005, outstanding and actuarially determined claims against the state and its public authorities were $508.1 million for which the state has recorded a liability. The state is restricted by law from accumulating funds in the Self Insurance Liability Program in excess of 50 percent of total outstanding and actuarially determined claims. At June 30, 2005, the Risk Management Fund held $77.6 million in cash and pooled investments designated for payment of these claims under the state's Self Insurance Liability Program.

Health Insurance

Changes in the balances of Health Insurance claim liabilities during Fiscal Years 2004 and 2005 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
FY 2004	$ 47,934	431,539	(412,594)	$ 66,879
FY 2005	$ 66,879	524,106	(512,556)	$ 78,429

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, 2005, health insurance claims liabilities totaling $78.4 million are fully funded with cash and investments, net of obligations under securities lending agreements

D. Leases

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 state 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.
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Leased land, buildings and equipment under capital leases as of June 30, 2005, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Land (non-depreciable)	$ 1,918	$ -
Buildings	4,258	6,271
Equipment	3,327	131
Less: Accumulated Depreciation	(1,927)	(944)
Totals	$ 7,576	$ 5,458

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2005, (expressed in thousands):

	Capital Leases		Operating Leases	
Capital and Operating Leases	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
By Fiscal Year:				
2006	$ 6,397	$ 3,969	$ 113,429	$ 25,556
2007	5,219	4,554	100,256	24,265
2008	3,204	4,264	81,230	21,862
2009	3,256	4,141	71,327	20,803
2010	2,565	1,887	61,675	20,406
2011-2015	5,362	2,821	198,651	96,461
2016-2020	550	1,925	83,608	94,500
2021-2025	137	816	69,856	98,000
2026-2030	-	-	56,589	103,000
2031-2035	-	-	43,731	120,000
Total Future Minimum Payments	26,690	24,377	880,352	624,853
Less: Executory costs and interest costs	3,181	3,689	-	-
Net Present Value of future minimum lease payments	$ 23,509	$ 20,688	$ 880,352	$ 624,853

The total operating lease rental expense for Fiscal Year 2005 was $201.8 million.

E. Long-Term Liability Activity

Long-term liability activity for the Fiscal Year 2005 (expressed in thousands) was as follows:

Governmental Activities:	Beginning Balance July 1, 2004	Additions	Reductions	Ending Balance June 30, 2005	Amounts Due Within One Year
Long-term Debt:					
GO Bonds Payable -					
General obligation (GO) bonds	$ 8,522,375	1,413,295	838,990	$ 9,096,680	$ 443,245
GO - zero coupon bonds (principal)	651,006	110,002	16,017	744,991	11,734
Subtotal - GO Bonds payable	9,173,381	1,523,297	855,007	9,841,671	454,979
Accreted Interest - GO - zero coupon bonds	178,241	22,817	-	201,058	-
Revenue Bonds Payable	510,655	60,720	7,800	563,575	110
Less: Deferred amounts for issuance discounts	(12,770)	-	(773)	(11,997)	-
Less: Unamortized bond issuance costs	(2,152)	-	(131)	(2,021)	-
Total Bonds Payable	9,847,355	1,606,834	861,903	10,592,286	455,089
Other Liabilities -					
Certificates of participation	274,061	74,199	33,742	314,518	31,629
Claims and judgments	583,332	173,509	156,255	600,586	111,267
Installment contracts	221	-	110	111	111
Leases	27,743	680	4,914	23,509	6,397
Compensated absences	412,295	294,192	268,239	438,248	42,408
Unfunded pension obligations	55,500	11,725	-	67,225	-
Other	124,831	344,173	362,613	106,391	102,434
Total Other Liabilities	1,477,983	898,478	825,873	1,550,588	294,246
Total	$11,325,338	2,505,312	1,687,776	$ 12,142,874	$ 749,335

For Governmental Activities, payments on the certificates of participation are being repaid directly from various governmental funds. The compensated absences liability will be liquidated approximately 53 percent by the General Fund, 24 percent by the Higher Education Special Revenue Funds, and the balance by various other governmental funds. The claims and judgments liability will be liquidated primarily through the risk management fund, an internal service fund. Leases, installment contract obligations, and other liabilities will be repaid from various other governmental funds.

Revenue bonds outstanding at June 30, 2005 of $502.9 million were issued by the Tobacco Settlement Authority (TSA), which is a blended component unit of the state. 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, and undistributed TSA bond proceeds. 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.

Business-Type Activities	Beginning Balance July 1, 2004	Additions	Reductions	Ending Balance June 30, 2005	Amounts Due Within One Year
Long-term Debt:					
GO Bonds Payable					
General obligation (GO) bonds	$ 126,100	-	16,960	$ 109,140	$ 17,955
GO - zero coupon bonds (principal)	29,259	-	-	29,259	-
Subtotal - GO Bonds payable	155,359	-	16,960	138,399	17,955
Accreted Interest - GO - zero coupon bonds	20,744	3,092	-	23,836	-
Revenue Bonds Payable	520,179	144,470	79,416	585,233	13,934
Less: Deferred amounts on refunding	(3,891)	(5,790)	(273)	(9,408)	-
Plus: Unamortized amounts issuance premiums	1,616	4,833	2,734	3,715	-
Less: Deferred amounts for issuance discounts	(1,638)	(522)	(313)	(1,847)	-
Less: Unamortized bond issuance costs	(1,742)	(544)	(236)	(2,050)	-
Total Bonds Payable	690,627	145,539	98,288	737,878	31,889
Other liabilities -					
Certificates of participation	246,550	9,530	5,433	250,647	37,524
Less: Deferred amounts for issuance discounts	(1,904)	146	(1)	(1,757)	-
Claims and judgments	16,661,334	2,303,849	1,603,918	17,361,266	1,675,438
Lottery prize annuities payable	498,034	37,503	74,777	460,760	68,705
Tuition benefits payable	462,294	157,397	18,402	601,289	-
Leases	14,245	17,415	10,972	20,688	3,969
Compensated absences	41,564	24,591	20,840	45,315	17,986
Other	32,501	51,901	64,968	19,433	18,751
Total Other Liabilities	17,954,618	2,602,332	1,799,309	18,757,641	1,822,373
Total	$18,645,245	2,747,871	1,897,597	$ 19,495,519	$ 1,854,262

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 state 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 table below presents the latest available balances for the "No Commitment" debt of the state's financing authorities (expressed in thousands):

Financing Authorities	**Principal Balance**
Washington State Housing Finance Commission	$ 2,422,245
Washington Higher Education Facilities Authority	382,206
Washington Health Care Facilities Authority	3,100,000
Washington Economic Development Finance Authority	376,020
Total No Commitment Debt	$ 6,280,471

Note 9 – Fund Balances Reserved for Other Specific Purposes

The nature and purposes of fund balances reserved for other specific purposes as of June 30, 2005, are listed below (expressed in thousands):

Fund Balances	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	**Totals**
Reserved for Other Specific Purposes:					
Long-term student loans	$ -	$ 95,099	$ -	$ -	$ 95,099
Investments with trustees	608	-	-	459	1,067
Long-term receivables	34,518	373	-	1,315,778	1,350,669
Long-term investments	-	152,620	-	60,174	212,794
Petty cash	655	4,359	-	835	5,849
Total Reserved for Other Specific Purposes	$ 35,781	$ 252,451	$ -	$ 1,377,246	$ 1,665,478

Note 10 - Deficit Net Assets

At June 30, 2005, there were two proprietary funds with deficit net assets.

The Workers' Compensation Fund, an enterprise fund, had deficit net assets of $6.6 billion at June 30, 2005. The fund is used to account for the workers' compensation program, which provides time-loss, medical, disability, and pension payments to qualifying individuals sustaining work-related injuries. 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 cost-of-living adjustments (COLA) 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.

The following schedule details the changes in total net assets for the Workers' Compensation Fund during the fiscal year ended June 30, 2005 (expressed in thousands):

Workers' Compensation Fund	Net Assets (Deficit)
Balance, July 1, 2004	$ (6,942,020)
Fiscal Year 2005 activity	383,940
Balance, June 30, 2005	$ (6,558,080)

The Risk Management Fund, an internal service fund, had deficit net assets of $430.8 million at June 30, 2005. The Risk Management Fund is used to account for the claims, torts, and judgments generally arising from automobile and general government operations, and loss adjustment expenses for tort defense. These costs are supported by premium assessments to state agencies that are designed to cover current and future claim losses. Outstanding and incurred but not reported claims are actuarially determined and accrued, resulting in the deficit net assets.

The Self Insurance Liability Program, initiated in 1990, is intended to provide funds for the payment of all claims and loss adjustment expenses for tort defense.

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.

The following schedule details the changes in net assets for the Risk Management Fund during the fiscal year ended June 30, 2005 (expressed in thousands):

Risk Management Fund	Net Assets (Deficit)
Balance, July 1, 2004	$ (445,029)
Fiscal Year 2005 activity	14,224
Balance, June 30, 2005	$ (430,805)

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 12 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 seven retirement systems comprising 11 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

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, and LEOFF systems and plans was funded by an employer rate of .19 percent of employee salaries. Administration of the WSPRS, JRS, and Judges plans is funded by means of legislative appropriations.

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.

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

In addition to the retirement plans administered by the state of Washington, eligible higher education state employees may participate in a Higher Education Retirement Plan, privately administered defined contribution plans.

Plan descriptions, funding policies, and a table of employer contributions required and paid for defined benefit plans follow at Notes 11.B through D respectively. For information related to defined contribution plans, refer to Note 11.I. Details on plan net assets and changes in plan net assets of pension plans administered by the state are presented at Note 11.J.

Membership of each state administered plan consisted of the following at September 30, 2004, the date of the latest actuarial valuation for all plans except for VFFRPF which had an actuarial valuation performed on December 31, 2004.

Number of Participating Members

Defined Benefit Plans Administered by the State	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	54,568	2,993	16,605	1,224	75,390
PERS 2	12,106	16,754	76,987	41,585	147,432
PERS 3	222	1,284	9,447	10,408	21,361
TRS 1	34,624	1,475	9,617	245	45,961
TRS 2	1,127	2,510	6,835	635	11,107
TRS 3	541	2,761	19,979	29,323	52,604
SERS 2	1,097	2,428	15,880	4,544	23,949
SERS 3	481	2,035	11,060	18,370	31,946
LEOFF 1	8,110	7	848	0	8,965
LEOFF 2	432	521	11,231	3,523	15,707
WSPRS 1	762	100	855	142	1,859
WSPRS 2	-	-	-	60	60
JRS	127	2	19	-	148
Judges	16	-	-	-	16
JRA	2	16	197	-	215
VFFRPF	3,110	4,657	4,862	7,247	19,876
Total	117,325	37,543	184,422	117,306	456,596

Following is a summary of the number of government employers participating in state administered retirement plans as of June 30, 2005.

Number of Participating Employers

Plan	State Agencies	School Districts	Counties/ Municipalities	Other Political Subdivisions
PERS 1	153	241	202	230
PERS 2	167	-	270	454
PERS 3	148	-	183	233
TRS 1	81	281	-	-
TRS 2	33	270	-	-
TRS 3	40	292	-	-
SERS 2	9	289	-	-
SERS 3	10	289	-	-
LEOFF 1	-	-	91	20
LEOFF 2	8	-	220	141
WSPRS 1	1	-	-	-
WSPRS 2	1	-	-	-
JRS	3	-	-	-
Judges	-	-	-	-
JRA	3	-	-	-
VFFRPF	-	-	-	650

Employers can participate in multiple systems and/or plans.

B. Plan Description

Public Employees' Retirement System (PERS)

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 participants 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 exercise 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. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3.

PERS is comprised of three separate plans for reporting purposes: 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 2 defined benefit plans accrue interest at a rate specified by DRS. During Fiscal Year 2005, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in PERS Plan 1 and 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment. PERS Plan 3 defined contribution benefits are financed from employee contributions and investment earnings. Employees 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.

The Legislature established 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. The Higher Education Retirement Plans are not administered by DRS. Approximately 51 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in state statute and may be amended only by the state Legislature.

PERS Plan 1 retirement benefits are vested after an employee completes 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 annual benefit is 2 percent of the average final compensation (AFC) per year of service (AFC is based on the greatest compensation during any 24 eligible consecutive compensation months), capped at 60 percent.

PERS Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including 12 months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2.

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

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 payable to the age of 60. The allowance 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. A member with five years of membership service is eligible for non-duty disability retirement. Prior to the age of 55, the allowance 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.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the AFC for each year of service. For Plan 3 the allowance amount is 1 percent of the AFC for each 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.

Legislation passed in the 2005 session, effective April 21, 2005, allows PERS Plan 2 and Plan 3 members to opt out of plan membership if deemed to be terminally ill, with less than five years to live (Chapter 131 Laws of 2005).

The PERS Plan 1 veteran's definition was expanded to include conflicts in the Persian Gulf and Afghanistan (Chapter 255, Laws of 2005).

Emergency Medical Technicians (EMTs) in PERS may transfer into LEOFF Plan 2 and have the option of transferring their past service (Chapter 459, Laws of 2005).

There were no other material changes in PERS benefit provisions for the fiscal year ended June 30, 2005.

PERS pension benefit provisions have been established by chapter 41.40 RCW.

Teachers' Retirement System (TRS)

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 combination defined benefit/defined contribution plan. TRS participants 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 participants joining the system on or after July 1, 1996, and those who exercised their transfer option, are members of TRS Plan 3.

TRS is comprised of three separate plans for reporting purposes: 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 2 defined benefit plans accrue interest at a rate specified by DRS. During Fiscal Year 2005, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in TRS Plan 1 and 2 can elect to withdraw total employee contributions and interest thereon upon separation from TRS-covered employment. 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 was legislatively established in 1938. Eligibility for membership requires service as a certificated employee in grades K-12 in the public schools. TRS is comprised principally of non-state employees. TRS retirement benefit provisions are established in state statute and may be amended only by the state Legislature.

TRS Plan 1 retirement benefits are vested after an employee completes 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 annual pension is 2 percent of the average final compensation (AFC) per year of service (AFC is based on the greatest compensation during the highest of any consecutive two compensation contract years), capped at 60 percent.

TRS Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including 12 months that were earned after age 54; or five service credit years earned in TRS Plan 2 by July 1, 1996, and transferred to Plan 3. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. Refer to section I of this note for a description of the defined contribution component of TRS Plan 3.

TRS Plan 1 provides death and temporary disability benefits. TRS Plan 1 members receive the following additional lump sum death benefits: retired members-$400 (if retired with ten years of full-time membership), $400 (if inactive with ten years of membership), active members $600 (if employed full-time at time of death). 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 an allowance based on their salary and service to date of disability. Members enrolled in TRS prior to April 25, 1973, may elect a benefit based on the formula in effect at that time.

TRS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the AFC for each year of service. For Plan 3, the allowance amount is 1 percent of the AFC for each 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.

Legislation passed in the 2005 session, effective April 21, 2005, allows TRS Plan 2 and Plan 3 members to opt out of plan membership if deemed to be terminally ill, with less than five years to live (Chapter 131, Laws of 2005).

The TRS Plan 1 Certified Educational Staff Associates (ESAs) benefit formula was improved by annualizing the salaries of part-time ESAs when calculating their average final compensation so they may receive proportionate retirement benefits (Chapter 23, Laws of 2005).

There were no other material changes in TRS benefit provisions for the fiscal year ended June 30, 2005.

TRS pension benefit provisions have been established by chapters 41.32 and 41.34 RCW.

School Employees' Retirement System (SERS)

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 combination defined benefit/defined contribution plan. 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. SERS participants joining the system on or after September 1, 2000, and those who exercised their transfer option, are members of SERS Plan 3.

SERS is comprised of two separate plans for reporting purposes: 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 a 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 DRS. During Fiscal Year 2005, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in SERS Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from SERS-covered employment. 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.

The Legislature established SERS in 2000. Membership in the system includes all classified employees of school districts or educational service districts. SERS is comprised principally of non-state employees. SERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

SERS Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the average final compensation (AFC) per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle 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. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including 12 months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to September 1, 2000. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. Refer to section I of this note for a description of the defined contribution component of SERS Plan 3.

SERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the AFC for each year of service. For Plan 3 the allowance amount is 1 percent of the AFC for each 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.

Legislation passed in the 2005 session, effective April 21, 2005, allows SERS Plan 2 and Plan 3 members to opt out of plan membership if deemed to be terminally ill, with less than five years to live (Chapter 131, Laws of 2005).

There were no other material changes in SERS benefit provisions for the fiscal year ended June 30, 2005.

SERS pension benefit provisions have been established by chapter 41.35 RCW.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants 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.

LEOFF defined benefit 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 state legislative appropriations. Employee contributions to the LEOFF Plan 1 and 2 defined benefit plans accrue interest at a rate specified by DRS. During Fiscal Year 2005, the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in LEOFF Plan 1 and 2 can elect to withdraw total employee contributions and interest earnings thereon upon separation from LEOFF-covered employment.

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement officers and firefighters. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included prospectively effective July 27, 2003, being a major exception. LEOFF retirement benefit provisions are established in state statute and may be amended only by the state Legislature. 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 for the LEOFF Plan 2 retirement plan.

LEOFF Plan 1 retirement benefits are vested after an employee completes 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. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of FAS. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

LEOFF Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the FAS per year of service (FAS is based on the highest consecutive 60 months). Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit commences prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 1 provides death and disability benefits. Death benefits for 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 surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS. In addition, a duty death benefit of $150,000 is provided to Plan 1 and Plan 2 members.

The LEOFF Plan 1 disability allowance 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 allowance or service retirement allowance.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, and to reflect the choice of a survivor option.

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 allowance of at least 10 percent of FAS. If the 2 percent per year of service disability benefit results in a greater benefit than the minimum 10 percent, the member receives the greater benefit. The first 10 percent of the line-duty disability benefit is not subject to federal income tax. The line-duty disability benefit applies to all LEOFF Plan 2 members disabled in the line of duty on or after January 1, 2001.

Legislation passed in the 2005 session, effective May 13, 2005, removed the actuarial reduction for the difference between age 53 and the age at retirement, if the disability was incurred in the line of duty (Chapter 451, Laws of 2005).

Emergency Medical Technicians (EMTs) in PERS may transfer into LEOFF Plan 2 and have the option of transferring their past service (Chapter 459, Laws of 2005).

LEOFF Plan 1 ex-spouse benefits were enhanced by allowing continuance after the death of the member (Chapter 62, Laws of 2005).

There were no other material changes in LEOFF benefit provisions for the fiscal year ended June 30, 2005.

LEOFF pension benefit provisions have been established by chapter 41.26 RCW.

Washington State Patrol Retirement System (WSPRS)

WSPRS is a single-employer defined benefit retirement system. WSPRS participants 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 DRS. During Fiscal Year 2005, the DRS-established rate on employee contributions was 5.5 percent annually, compounded monthly. Employees in WSPRS can elect to withdraw total employee contributions and interest earnings thereon upon separation from WSPRS-covered employment.

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 state statute and may be amended only by the state Legislature.

WSPRS retirement benefits are vested after an employee completes 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. The annual pension is 2 percent of the average final salary (AFS), capped at 75 percent, per year of service. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

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. In addition, a duty death benefit of $150,000 is provided to all WSPRS members.

For WSPRS Plan 1 members, AFS is based on the average of the two highest-paid service credit years and excludes voluntary overtime. Death benefits for Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the AFS, plus 5 percent of the AFS for each surviving child, with a limitation on the combined allowances 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.

For WSPRS Plan 2 members, AFS is based on the average of the five consecutive highest-paid service credit years and excludes both voluntary overtime and cash-outs of annual and holiday leave. At retirement, Plan 2 members also have the option of selecting an actuarially reduced benefit in order to provide for post-retirement survivor benefits. Death benefits for active-duty Plan 2 members 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 allowance reflecting a joint and 100 percent survivor option *or* 150 percent of the member's accumulated contributions, at the survivor's option.

Beneficiaries of a WSPRS Plan 2 member with 10 years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not of normal retirement age at death. 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.

There were no material changes in WSPRS benefit provisions for the fiscal year ended June 30, 2005.

WSPRS pension benefit provisions have been established by chapter 43.43 RCW.

Judicial Retirement System (JRS)

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.

During Fiscal Year 2005, the DRS established rate on employee contributions was 5.5 percent, compounded quarterly. JRS employees 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 state legislature.

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 Plan 2. JRS retirement benefit provisions are established in state statute and may be amended only by the state 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 average final compensation (AFC) is as follows:

Term of Service	Percent of AFC
15+	3.5%
10-14	3.0%

Death and disability benefits are also provided. Eligibility for death benefits while on active duty requires ten or more years of service. A monthly spousal benefit is provided which is equal to 50 percent of the benefit a 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 AFC. For members with ten or more years of service, a disability benefit of 50 percent of AFC is provided.

There were no material changes in JRS benefit provisions for the fiscal year ended June 30, 2005.

JRS pension benefit provisions have been established by chapter 2.10 RCW.

Judges' Retirement Fund (Judges)

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 were financed on a pay-as-you-go basis from a combination of past employee contributions, past employer contributions, and a special funding situation in which the state paid the remaining contributions. Retirees did not earn interest on their contributions, nor could they elect to withdraw their contributions upon termination.

The Judges' Retirement Fund was created by the Legislature on March 22, 1937, pursuant to RCW 2.12, 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 9, 1971, enter the Judicial Retirement System. Judges' retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Judges' members are eligible for retirement at the age of 70 with ten years of service, or at any age with 18 years of service. Members are eligible to receive a partial retirement allowance after 12 years of credited service as a judge. With the exception of a partial retirement allowance, the member receives a benefit equal to one-half of the monthly salary being received as a judge at the time of retirement, or at the end of the term immediately prior to retirement if retirement occurs after the expiration of the member's term in office. A partial retirement allowance is based on the proportion of the member's 12 or more years of service in relation to 18 years of service.

There were no material changes in Judges' benefit provisions for the fiscal year ended June 30, 2005.

Judges' pension benefit provisions have been established by chapter 2.12 RCW.

The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF)

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. VFFRPF members accrue no interest on contributions and may elect to withdraw their contributions upon termination.

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 state statute and may be amended only by the state Legislature. Since retirement benefits cover volunteer service, benefits are paid based on years of service not salary. Members are vested after ten years of service.

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 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. Benefit provisions for VFFRPF are established under the authority of chapter 41.24 RCW.

Effective July 1, 2001, the disability income benefits and the maximum survivor benefits under the Relief Plan are increased for increases in the CPI.

As of July 24, 2005 the annual fee that each municipal corporation must pay for Relief Plan members increases from $10 to $30 (Chapter 37, Laws of 2005).

There were no other material changes in VFFRPF benefit provisions for the fiscal year ended June 30, 2005.

C. Funding Policies

Contributions towards the amortization of the PERS 1 and TRS 1 unfunded actuarial accrued liability are suspended for the 2003-2005 and 2005-2007 biennia.

The estimated value of future gain-sharing benefits is included in the liabilities for accounting disclosure purposes. However, the actual contribution rates at the close of the fiscal year ending 2005 were based on the 2003 actuarial valuations, which did not include the value of gain-sharing benefits.

Public Employees' Retirement System (PERS)

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. Employee contribution rates for Plan 1 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. 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. All employers are required to contribute at the level established by the Legislature. There are no employer contributions to PERS Plan 3 defined contribution. Employees who participate in the defined contribution portion of PERS Plan 3 contribute to the defined contribution plan instead of the defined benefit portion of PERS Plan 3. The employee chooses from six rate options provided in statute ranging from 5 to 15 percent, two of the options are graduated rates dependent on the employee's age. The Employee Retirement Benefits Board sets Plan 3 employee 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.

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2005 were as follows:

PERS Actual Contribution Rates

	PLAN 1	PLAN 2	PLAN 3
Employer Rates:			
State agencies*	1.38%	1.38%	1.38%**
Local governmental units*	1.38%	1.38%	1.38%**
State gov't elected officials*	1.98%	1.38%	1.38%**
Employee Rates:			
State agencies	6.00%	1.18%	***
Local governmental units	6.00%	1.18%	***
State gov't elected officials	7.50%	1.18%	***

*The employer rates include an administrative expense rate of 0.19 percent and 0.01 percent pay-as-you-go cost for Plan 1 minimum pension benefit.
**Plan 3 defined benefit portion only.
***Variable from 5% to 15% based on rate selected by the member.

Teachers' Retirement System (TRS)

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. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state elected officials. . 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. All employers are required to contribute at the level established by the Legislature. There are no employer contributions to TRS Plan 3 defined contribution. Employees who participate in the defined contribution portion of TRS Plan 3 contribute to the defined contribution plan instead of the defined benefit portion of TRS Plan 3. The employee chooses from six rate options provided in statute ranging from 5 to 15 percent, two of the options are graduated rates dependent on the employee's age. The Employee Retirement Benefits Board sets Plan 3 employee 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.

Required contribution rates (expressed as a percentage of current-year covered payroll) at the close of Fiscal Year 2005 were as follows:

TRS Actual Contribution Rates

	Plan 1	Plan 2	Plan 3
Employer Rates *	1.37%	1.37%	1.37%**
Employee Rates:			
State agencies	6.00%	0.87%	***
Local governmental units	6.00%	0.87%	***
State gov't elected officials	7.50%	0.87%	***

*The employer rates include an administrative expense rate of 0.19 percent and 0.01 percent pay-as-you-go cost for Plan 1 minimum pension benefit.
** Plan 3 defined benefit portion only.
*** Variable from 5% to 15% based on rate selected by the member.

School Employees' Retirement System (SERS)

Each biennium the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. 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. All employers are required to contribute at the level established by the Legislature. There are no employer contributions to SERS Plan 3 defined contribution. Employees who participate in the defined contribution portion of SERS Plan 3 contribute to the defined contribution plan instead of the defined benefit portion of SERS Plan 3. The employee chooses from six rate options provided in statute ranging from 5 to 15 percent, two of the options are graduated rates dependent on the employee's age. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates.

The methods used to determine the contribution requirements are established under state statute in chapters 41.35 and 41.45 RCW.

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2005 were as follows:

SERS Actual Contribution Rates

	Plan 2	Plan 3
Employer Rates:		
State agencies*	1.04%	1.04% **
Local governmental units*	1.04%	1.04% **
Employee Rates:		
State agencies	0.85%	***
Local governmental units	0.85%	***

*The employer rates include an administrative expense rate of 0.19percent.
**Plan 3 defined benefit portion only.
***Variable from 5% to 15% based on rate selected by the member.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

Beginning July 1, 2000, Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF 2 Board. All employers are required to contribute at the level required by state statute.

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2005 were as follows:

LEOFF Actual Contribution Rates

	Plan 1	Plan 2
Employer Rates:		
Ports and Universities*	NA	5.28%
Local governmental units*	0.19%	3.25%
(cities, counties, fire districts, etc)		
Employee Rates:		
Ports and Universities	NA	5.09%
Local governmental units	NA	5.09%
(cities, counties, fire districts, etc)		
State of Washington	NA	2.03%

*The employer rates include an administrative expense rate of 0.19 percent and 0.01 percent pay-as-you-go cost for Plan 1 minimum pension benefit

The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 1 and Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 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 2005, the state contributed $21.3 million to LEOFF Plan 2.

Washington State Patrol Retirement System (WSPRS)

State statute (chapter 43.43 RCW) obligates employees to contribute at a fixed rate of 2 percent for Fiscal Year 2005. The Pension Funding Council in accordance with chapter 41.45 RCW adopts contribution rates for the employee and the state. The employee and the state are required to contribute at the level required by state statute.

Required contribution rates (expressed as a percentage of current year covered payroll) at the close of Fiscal Year 2005 were as follows:

WSPRS Actual Contribution Rates

	Plan 1	Plan 2
Employer rate	NA	NA
Employee rate	2.00%	2.00%

Judicial Retirement System (JRS)

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 JRS 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 2005, the state contributed $6.2 million.

Judges' Retirement Fund (Judges)

Contributions made are based on rates set in chapter 2.12 RCW. By statute, employees are required to contribute 6.5 percent with an equal amount contributed by the state. In addition, the state guarantees the solvency of the Judges' Retirement Fund on a pay-as-you-go basis. As of June 30, 2005, there are no active members remaining in the Judges Retirement Fund and member contributions are no longer collected. Each biennium, the Legislature, through biennial appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For Fiscal Year 2005, the state contributed $0.5 million.

The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF)

The retirement provisions of VFFRPF is funded through member contributions of $30 per year, employer contributions of $30 per year, and 40 percent of the Fire Insurance Premium Tax, as per chapter 41.24 RCW. VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination. The death and disability provisions of VFFRPF are funded by an employer contribution rate, which as of July 24, 2005 has increased from $10 to $30 per member (Chapter 37, Laws of 2005).

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.

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.

	2005	2004	2003
PERS Plan 1	$11.3	$11.5	$28.8
PERS Plan 2/3	36.7	34.3	18.5
TRS Plan 1	0.3	0.3	0.6
TRS Plan 2/3	0.2	0.2	0.1
SERS Plan 2/3	0.0	0.0	0.0
LEOFF Plan 1	0.0	0.0	0.0
LEOFF Plan 2	21.6	20.5	16.6
VFFRPF	4.4	4.4	3.3

There are no long-term contracts for contributions for any of the retirement plans administered by the state.

E. 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 (amounts in millions);

	WSPRS	JRS	Judges
Annual Pension Cost and Net Pension Obligation:			
Annual required contribution	$ 3.4	$21.7	$ 0.1
Interest on NPO	(2.0)	4.4	(0.2)
Adjustment to annual required contribution	3.0	(14.0)	0.6
Annual pension cost	4.4	12.1	0.5
Less contributions made	0.0	6.2	0.5
Increase (decrease) in NPO	4.4	6.0	0.0
NPO at beginning of year	(24.6)	55.5	(2.6)
NPO at end of year	(20.2)	61.4	(2.6)
Actuarial Assumptions:			
Valuation date	9/30/04	9/30/04	9/30/04
Actuarial cost method	Aggregate*	Entry age	Entry age
Amortization method	n/a	Level $	Level $
Remaining amortization period (closed)	n/a	12/31/08	12/31/08
Asset valuation method	8 year graded smoothed fair value	Market	Market
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
Projected salary increases	4.5%**	4.5%	4.5%
Includes inflation at	3.5%	3.5%	3.5%
Cost-of-living adjustments	CPI increase, maximum 3%	3.00%	none

* The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities.

** WSPRS also assumes a 6 percent salary merit increase for a merit period of 20 years.

F. Three Year Historical Trend Information

The following table presents three-year trend information in millions for the plans listed:

	2005	2004	2003
WSPRS			
Annual Pension Cost	$4.4	$3.8	$1.2
% of APC contributed	0.0	0.0	0.0
NPO	$(20.2)	$(24.6)	$(28.4)
JRS			
Annual Pension Cost	$12.1	$11.8	$11.4
% of APC contributed	50.8	52.5	54.6
NPO	$61.4	$55.5	$49.9
Judges			
Annual Pension Cost	$0.5	$0.6	$0.4
% of APC contributed	100.0	83.3	75.0
NPO	$(2.6)	$(2.6)	$(2.7)

There are no long-term contracts for contributions for any of the retirement plans administered by the state.

G. Changes in Actuarial Assumptions and Methods

Pension funding legislation was adopted during the 2005 legislative session (Chapter 370, Laws of 2005), which creates a short-term change in funding policy. The policy is to adopt annual contribution rates over a four-year "phase-in" period from 2005-09, to suspend payments on the Plan 1 Unfunded Actuarial Accrued Liability in PERS and TRS during the 2005-07 biennium, and to delay recognition of the cost of future gain-sharing benefits until the 2007-09 biennium.

The Plan 2/3 normal cost rates were determined without adjustment for the lag in time between the valuation date and the date the rates become effective.

The estimated value of future gain-sharing benefits is included in the liabilities for accounting disclosure purposes, but not for funding purposes.

The demographic assumptions for LEOFF plan 2 were modified for a disability benefit enhancement.

H. Changes in Benefit Provisions

The 2005 legislative session provided the following changes in benefit provisions.

The PERS Plan 1 veteran's definition was expanded to include conflicts in the Persian Gulf and Afghanistan (Chapter 255, Laws of 2005).

Emergency Medical Technicians (EMTs) in PERS may transfer into LEOFF Plan 2 and have the option of transferring their past service (Chapter 459, Laws of 2005).

Legislation passed in the 2005 session, effective April 21, 2005, allows PERS 2/3, TRS 2/3, and SERS 2/3 members to opt out of plan membership if deemed to be terminally ill, with less than five years to live (Chapter 131, Laws of 2005).

The TRS Plan 1 certified Educational Staff Associates (ESAs) benefit formula was improved by annualizing the salaries of part-time ESAs when calculating their average final compensation so they may receive proportionate retirement benefits (Chapter 23, Laws of 2005).

Legislation passed in the 2005 session effective May 13, 2005 removed the actuarial reduction in LEOFF for the difference between age 53 and the age at retirement, if the disability was incurred in the line of duty (Chapter 451, Laws of 2005).

LEOFF Plan 1 ex-spouse benefits were enhanced by allowing continuance after the death of the member (Chapter 62, Laws of 2005).

I. Defined Contribution Plans

Public Employees' Retirement System Plan 3 (PERS 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). Eligible employees include: 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. PERS participants 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 exercise an option to transfer their membership to Plan 3. PERS participants who joined 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. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. 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 RCW 41.40, 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 solely dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions as authorized by the Employee Retirement Benefits Board. Any expenses caused in conjunction with self-directed investments are to be paid by members. Absent a member's self-direction, PERS Plan 3 investments are made in the same portfolio as that of the PERS 2/3 defined benefit plan.

For Fiscal Year 2005, employee contributions required and made were $59 million, and plan refunds paid out were $25.5 million.

Teachers' Retirement System Plan 3 (TRS 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). Eligible employees include certificated employees in grades K-12 in the public schools. TRS participants 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 participants joining the system on or after July 1, 1996, and those who exercised their transfer option, are members of TRS Plan 3. 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 RCW 41.34, 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 solely dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions as authorized by the Employee Retirement Benefits Board. Any expenses caused in conjunction with self-directed investments are to be paid by members. Absent a member's self-direction, TRS Plan 3 investments are made in the same portfolio as that of the TRS 2/3 defined benefit plan.

For Fiscal Year 2005, employee contributions required and made were $183.6 million and plan refunds paid out were $35.6 million.

School Employees' Retirement System Plan 3 (SERS 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). Eligible employees include classified employees of school districts and educational service districts who joined PERS Plan 2 on or after October 1, 1977, and by August 31, 2000, and were transferred to SERS Plan 2 on September 1, 2000. Members transferred from PERS Plan 2 to SERS Plan 2 may exercise an option to transfer their membership to SERS Plan 3. SERS participants joining the system on or after September 1, 2000, are also members of SERS Plan 3. 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 RCW 41.35, 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 solely dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions as authorized by the Employee Retirement Benefits Board. Any expenses caused in conjunction with self-directed investments are to be paid by members. Absent a member's self-direction, SERS Plan 3 investments are made in the same portfolio as that of the SERS 2/3 defined benefit plan.

For Fiscal Year 2005, employee contributions required and made were $46.7 million and plan refunds paid out were $21.5 million.

Judicial Retirement Account (JRA)

The Judicial Retirement Account 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 the PERS for their services as a judge. Vesting is full and immediate. There are three participating employers in JRA.

Member contributions equal 2.5 percent of covered salary and the state, as employer, matches this amount. Contributions are collected by the Administrative Office of the Courts. 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 State Legislature.

Current-year covered payroll for JRA employees was $24.1 million for the fiscal year ended June 30, 2005. For Fiscal Year 2005, the contribution requirement for JRA was $1.2 million. Actual employer and employee contributions were $601.5 thousand each, for a total of $1.2 million. Plan benefits paid out for Fiscal Year 2005 totaled $411 thousand.

A JRA member who separates from judicial service for any reason is entitled to receive a lump-sum distribution of the accumulated contributions. If a member dies, the amount of accumulated contributions standing to the member's credit at the time of the member's death shall be paid to such a person or persons having an insurable interest in the member's life, per written designation of the member.

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. DRS is responsible for all record keeping, accounting, and reporting of member accounts. The SIB has the full power to establish investment policy, develop participant investment options, and manage the investment funds from the JRA plan, consistent with the provisions of RCW 2.14.080 and RCW 43.84.150.

Higher Education Retirement Plans

The Higher Education Retirement Plans are privately administered defined contribution plans with a supplemental plan component. As authorized by RCW 28B.10, 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. 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. For Fiscal Year 2005, covered payroll was $1.4 billion. Employer and employee contributions were $114.7 million each, for a total of $229.4 million. These contribution amounts represent approximately 8 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 evaluation of the supplemental component of the Higher Education Retirement plans was done at the end of Fiscal Year 2004. The previous evaluation was performed in 1999. The Unfunded Actuarial Accrued Liability (UAL) calculated as of June 30, 2004 and 1999 was $48.1 million and $26.2 million, respectively, and is amortized over a 19.5-year period. The Annual Required Contribution (ARC) of $5.1 million consists of amortization of the UAL ($2.8 million) and normal cost (or current cost) ($2.1 million). The UAL and ARC were established using the entry age normal cost method. The actuarial assumptions included an investment rate of return of 6 to 8 percent and projected salary increases ranging from 2 to 4 percent. Approximately $1.1 billion and $573.9 million of payroll was covered under these plans during 2004 and 1999, respectively. The following table reflects the activity in the Net Pension Obligation for the year ended June 30, 2005 (in millions):

Balance as of July 1, 2003	$ 0.0
Annual Required Contribution FY 04	5.1
Payments to Beneficiaries FY 04	(2.2)
Balance as of June 30, 2004	(2.8)
Annual Required Contribution FY05	5.1
Payments to Beneficiaries FY 05	(2.1)
Balance as of June 30, 2005	$ 5.8

Annual payments for the Fiscal Years 2004 and 2003 were $2.2 million and $2.4 million, respectively, and approximated the ARC.

J. 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, 2005

(expressed in thousands)

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit	TRS Plan 3 Defined Contribution	SERS Plan 2/3 Defined Benefit
Assets:							
Cash and pooled investments	$ 6,737	$ 3,752	$ 80	$ 5,600	$ 261	$ 2,985	$ 764
Receivables:							
Interest and dividends	27,605	34,625	1,463	23,331	12,222	4,149	4,926
Due from other funds	4	182	4,350	3	3,507	12,905	828
Due from other governments	3,935	8,043	3,168	3,323	3,058	16,111	1,167
Other (net of allowance)	10,848	13,036	548	9,087	4,575	1,552	1,844
Total Receivables	42,392	55,886	9,529	35,744	23,362	34,717	8,765
Investments, Noncurrent:							
Asset backed securities	6,049	7,622	322	5,114	2,686	914	1,082
Collateralized mort obligations	196,566	247,705	10,470	166,198	87,311	29,694	35,180
Corporate stock	1,625,823	2,048,804	86,602	1,374,642	722,164	245,610	290,974
Government bonds	5,531	6,970	295	4,676	2,457	836	990
Repurchase agreements	361,249	453,929	19,157	305,316	160,250	54,331	64,605
Certificates of deposit	97,779	123,218	5,208	82,673	43,432	14,771	17,500
Mutual funds	3,681,713	4,639,566	623,397	3,112,909	1,635,356	1,743,351	658,919
Mortgages	571,424	720,089	30,437	483,142	253,817	86,325	102,268
Real estate	892,705	1,124,956	47,552	754,787	396,525	134,859	159,768
Private equity	1,392,378	1,754,626	74,168	1,177,263	618,471	210,344	249,195
Investments on loan	855,445	1,078,001	45,567	723,284	379,975	129,232	153,099
Short term investments	744,011	941,524	39,578	632,708	341,559	113,211	137,497
Other noncurrent investments	-	-	-	-	-	-	-
Total Investments, Noncurrent	10,430,673	13,147,010	982,753	8,822,712	4,644,003	2,763,478	1,871,077
Total Assets	$ 10,479,802	$ 13,206,648	$ 992,362	$ 8,864,056	$ 4,667,626	$ 2,801,180	$ 1,880,606
Liabilities:							
Obligations under security lending agreements	$ 883,025	$ 1,111,470	$ 46,933	$ 746,481	$ 392,200	$ 132,969	$ 158,096
Accrued liabilities	23,458	15,485	599	19,320	5,378	1,699	2,186
Due to other funds	192	5,118	176	139	13,364	3,505	4,657
Deferred revenues	108	314	-	315	82	-	16
Total Liabilities	906,783	1,132,387	47,708	766,255	411,024	138,173	164,955
Net Assets							
Net Assets Held in Trust for:							
Pension Benefits	9,573,019	12,074,261	944,654	8,097,801	4,256,602	2,663,007	1,715,651
(Schedule of funding progress by plan begins on page 130)							
Deferred Compensation Participants	-	-	-	-	-	-	-
Total Net Assets	$ 9,573,019	$ 12,074,261	$ 944,654	$ 8,097,801	$ 4,256,602	$ 2,663,007	$ 1,715,651

SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2	WSPRS Plan 1/2	JRS	JRA	Judges	VFFRPF	Deferred Compensation	**Total**
$ 710	$ 1,633	$ 1,068	$ 638	$ 491	$ 7	$ 4,283	$ 20,739	$ 893	$ 50,641
1,482	14,485	9,759	2,080	5	-	-	316	-	136,448
4,454	3	2	-	1	-	8	36	1	26,284
4,137	-	5,384	55	10	-	-	-	-	48,391
555	5,463	3,660	777	-	-	-	119	782	52,846
10,628	19,951	18,805	2,912	16	-	8	471	783	263,969
326	3,179	2,146	457	-	-	-	70	-	29,967
10,617	103,331	69,757	14,851	-	-	-	2,264	-	973,944
87,817	854,663	576,973	122,831	-	-	-	18,713	-	8,055,616
299	2,907	1,963	418	-	-	-	61	-	27,403
19,426	189,588	127,815	27,279	80	1	647	7,283	135	1,791,091
5,281	51,401	34,700	7,387	-	-	-	1,126	-	484,476
402,894	1,935,404	1,306,568	278,149	-	9,559	-	42,379	1,273,275	21,343,439
30,865	300,387	202,787	43,170	-	-	-	6,578	-	2,831,289
48,219	469,278	316,804	67,442	-	-	-	10,276	-	4,423,171
75,209	731,946	494,128	105,193	-	-	-	16,026	-	6,898,947
46,208	449,691	303,580	64,627	-	-	-	9,844	-	4,238,553
39,832	391,228	271,792	56,293	2,001	-	-	8,560	-	3,719,794
-	-	-	-	-	4,955	-	-	648,082	653,037
766,993	5,483,003	3,709,013	788,097	2,081	14,515	647	123,180	1,921,492	55,470,727
$ 778,331	$ 5,504,587	$ 3,728,886	$ 791,647	$ 2,588	$ 14,522	$ 4,938	$ 144,390	$ 1,923,168	$ 55,785,337
$ 47,501	$ 463,875	$ 312,982	$ 66,699	$ 80	$ 1	$ 647	$ 13,287	$ 135	$ 4,376,381
607	7,633	4,072	1,300	152	-	10	137	9	82,045
825	11	156	6	-	-	-	-	1	28,150
-	-	12	-	-	-	-	-	-	847
48,933	471,519	317,222	68,005	232	1	657	13,424	145	4,487,423
729,398	5,033,068	3,411,664	723,642	2,356	14,521	4,281	130,966	-	49,374,891
-	-	-	-	-	-	-	-	1,923,023	1,923,023
$ 729,398	$ 5,033,068	$ 3,411,664	$ 723,642	$ 2,356	$ 14,521	$ 4,281	$ 130,966	$ 1,923,023	$ 51,297,914

Combining Statement of Changes in Plan Net Assets

Pension and Other Employee Benefit Funds

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit	TRS Plan 3 Defined Contribution	SERS Plan 2/3 Defined Benefit
Additions:							
Contributions:							
Employers	$ 22,361	$ 74,720	$ -	$ 8,792	$ 33,767	$ -	$ 10,160
Members	57,249	67,209	59,029	42,428	4,020	183,645	4,425
State	-	-	-	-	-	-	-
Participants	-	-	-	-	-	-	-
Total Contributions	79,610	141,929	59,029	51,220	37,787	183,645	14,585
Investment Income:							
Net appreciation (depreciation) in fair value	940,878	1,144,775	70,344	793,617	404,585	208,877	163,113
Interest and dividends	245,073	298,190	13,330	206,640	107,940	34,480	43,392
Less: Investment expenses	(22,154)	(27,829)	(815)	(18,700)	(12,093)	(2,264)	(4,782)
Net Investment Income	1,163,797	1,415,136	82,859	981,557	500,432	241,093	201,723
Transfers from other pension plans	242	254	1,337	168	500	604	1,959
Other additions	-	-	-	-	3	-	-
Total Additions	1,243,649	1,557,319	143,225	1,032,945	538,722	425,342	218,267
Deductions:							
Pension benefits	880,874	102,742	-	741,118	17,118	-	10,114
Pension refunds	5,143	24,086	25,533	1,180	3,109	35,583	2,190
Transfers to other pension plans	39	3,462	162	33	618	634	333
Administrative expenses	447	425	-	127	34	-	37
Distributions to participants	-	-	-	-	-	-	-
Total Deductions	886,503	130,715	25,695	742,458	20,879	36,217	12,674
Net Increase (Decrease)	357,146	1,426,604	117,530	290,487	517,843	389,125	205,593
Net Assets - Beginning	9,215,873	10,647,657	827,124	7,807,314	3,738,759	2,273,882	1,510,058
Net Assets - Ending	$ 9,573,019	$ 12,074,261	$ 944,654	$ 8,097,801	$ 4,256,602	$ 2,663,007	$ 1,715,651

SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2	WSPRS Plan 1/2	JRS	JRA	Judges	VFFRPF	Deferred Compensation	**Total**
$ -	$ 9	$ 32,781	$ -	$ 155	$ 602	$ -	$ 751	$ -	$ 184,098
46,738	(1)	54,558	1,316	155	602	-	138	-	521,511
-	-	21,266	-	5,995	-	500	4,440	-	32,201
-	-	-	-	-	-	-	-	160,029	160,029
46,738	8	108,605	1,316	6,305	1,204	500	5,329	160,029	897,839
57,716	488,672	318,619	69,672	2	437	13	10,780	55,007	4,727,107
12,676	127,136	82,855	18,117	77	341	97	3,172	48,026	1,241,542
(438)	(11,505)	(8,346)	(1,640)	(5)	(19)	(24)	(348)	(2,360)	(113,322)
69,954	604,303	393,128	86,149	74	759	86	13,604	100,673	5,855,327
290	-	17	98	-	-	-	-	-	5,469
-	-	-	-	-	15	-	-	2,302	2,320
116,982	604,311	501,750	87,563	6,379	1,978	586	18,933	263,004	6,760,955
-	279,956	8,978	27,606	8,761	411	641	8,939	-	2,087,258
21,479	5	7,765	173	-	-	14	20	-	126,280
147	40	1	-	-	-	-	-	-	5,469
-	113	74	21	-	-	-	30	-	1,308
-	-	-	-	-	-	-	-	83,741	83,741
21,626	280,114	16,818	27,800	8,761	411	655	8,989	83,741	2,304,056
95,356	324,197	484,932	59,763	(2,382)	1,567	(69)	9,944	179,263	4,456,899
634,042	4,708,871	2,926,732	663,879	4,738	12,954	4,350	121,022	1,743,760	46,841,015
$ 729,398	$ 5,033,068	$ 3,411,664	$ 723,642	$ 2,356	$ 14,521	$ 4,281	$ 130,966	$ 1,923,023	$ 51,297,914

Note 12 - Commitments and Contingencies

A. Construction and Other Commitments

Outstanding commitments related to state infrastructure and facility construction, improvement, and/or renovation totaled $2.26 billion at June 30, 2005.

B. Summary of Significant Litigation

The state and its agencies are parties to numerous routine legal proceedings that normally occur in governmental operations. At any given point, there may be numerous lawsuits involving state agencies that could impact expenditures. There is a recurring volume of tort and other claims for compensation and damages against the state and some specific state agencies, including the Departments of Transportation, Corrections, Social and Health Services, and the University of Washington. A significant portion of pending litigation relates to the implementation of specific state programs, and funds are reserved each biennium for handling this litigation. The collective impact of these claims, however, is not likely to have a material impact on state revenues or expenditures.

<u>Social and Health Services</u>
During the reporting period, there have been additional challenges or developments in pending cases involving the administration of state social service programs. These include:

Arc of Washington v. Braddock. This is a class action lawsuit pending in the U.S. District Court. Plaintiffs allege that Medicaid eligible developmentally disabled clients are not receiving adequate services under state and federal Medicaid law. An additional class of plaintiffs failed to successfully intervene in the Arc case. Those plaintiffs have filed a related case in federal court entitled *Boyle v. Arnold Williams, et al*. A potential award based on the biennial cost of providing the services sought in these lawsuits was originally estimated at approximately $165 to $222 million. An intermediate ruling of the Ninth Circuit Court of Appeals, however, stated that plaintiffs had no right under the Americans with Disabilities Act to be placed on the State's Medicaid waiver program. This ruling significantly reduced the potential exposure, but an updated figure has not been developed.

Pierce County, et al v. DSHS, et al. This is a case pending in Thurston County Superior Court. Plaintiffs seek injunctive relief and damages associated with an alleged failure on the part of the State to provide greater services at Western State Hospital (WSH) to persons who are civilly committed under the State's mental health laws. In late November, the trial court issued an oral ruling requiring WSH to promptly accept civilly committed patients or reimburse Pierce County for their care. The county also claimed breach of contract pertaining to the formulation of the contracts establishing Medicaid rates between 2001 and 2005 and asserted that the State illegally required Pierce County to use Medicaid savings to provide services to non-Medicaid eligible individuals. The trial court rejected these latter two claims. The oral ruling has not yet been reduced to an order, and appeals will be considered. New program costs alone could be as much as $5 million annually, and there will likely be some damages awarded.

Braam v. State. This class action is pending in Whatcom County Superior Court. Plaintiffs seek both damages and injunctive relief on behalf of all foster children with three or more placements. The original verdict was set aside on appeal and a new trial was ordered. As part of a pretrial mediation stipulation the State agreed to supplement its child welfare reform plan in six areas identified in Plaintiff's complaint. A five member panel is overseeing these settlement activities. Based on the current recommendations of the panel, estimated additional program costs will be at least $50 million. The panel's initial report setting forth benchmarks, professional standards, and action steps was released in late November 2005.

Townsend v. Braddock. In this federal class action lawsuit, Plaintiff class seeks declaratory and injunctive relief under the Americans with Disabilities Act establishing a substantial expansion of eligibility for elderly persons for certain home and community based care programs. The case is currently stayed while the parties attempt to reach a settlement. Potential costs are not yet quantifiable but, due to the small number of eligible clients, will probably not exceed $5 million per year.

Capital Medical Center, et al. v. DSHS. This is a class action pending in Thurston County involving various hospitals formerly participating in the Medically Indigent Program. Plaintiffs allege that the Department improperly deducted as much as $2,000 for every patient treated under the program. On summary judgment the Department failed to establish that it had the authority to engage in these deductions. The case is proceeding to final judgment on two other remaining issues. Potential damages could reach as much as $20 million depending on the exact terms of the final judgment.

Group Health Cooperative v. DSHS. In this Thurston County case, Group Health claims that the Department breached certain managed care contracts between 1992 and 2001 by failing to identify and decertify persons simultaneously receiving other public benefits while enrolled in the Group Health Plan. There is no trial date set. Potential damages have been estimated at $14.6 million.

Transportation

Lower Elwha Klallam Tribe, et al. v. WSDOT, et al. Plaintiff Tribes have brought suit in Thurston County Superior Court alleging that the Washington State Department of Transportation and the State Department of Archaeology and Historic Preservation negligently disturbed a significant archaeology site during construction of a graving dock near Port Angeles. The complaint seeks cash damages and injunctive relief. The complaint does not specify the amount of damages sought but negotiations have indicated that the Tribe's claim exceeds $5 million. The court stayed the litigation until January 2006 to enable the parties to pursue settlement negotiations.

U.S. v. Washington. In this federal court lawsuit, various Tribes seek significantly accelerated remediation schedules associated with eliminating or replacing existing transportation structures that block fish passage. The State has already identified over $200 million in remedial costs associated with the remediation of these structures. Absent litigation, WSDOT would address these costs over a 20 year period based on available resources. Additional costs are associated with repair of blocking culverts on forest roads under the control of state natural resource agencies. Trial is scheduled for March of 2007.

Squaxin Tribe and Swinomish Tribe v. Stephens and Department of Licensing. In this case the Plaintiff Tribes seek a federal court injunction prohibiting the imposition of the state gas tax on gasoline sales at tribally owned gas stations. The Tribes rely primarily on various federal pre-emption theories to support their claim. The Federal District Court recently ruled that the incidence of the state tax was on the tribal retailers and that therefore, the state tax was pre-empted. If upheld on appeal, this ruling for the two Plaintiff Tribes will likely reduce fuel tax revenues by at least $400,000 per year. A more significant impact on fuel tax revenues will follow if other Tribes seek similar exemptions based on this case.

Commencement Bay Superfund Site. The State of Washington was named a potentially responsible party in 1990 for sediment contamination at the Thea Foss Waterway in Tacoma. Seventy parties have assigned their claims against the State to three major utilities. The cleanup costs are estimated at approximately $60 million.

United States v. WSDOT & Southgate. A federal court action under federal environmental law seeking restitution to the U.S. Environmental Protection Agency (EPA) arising from remediation of a contaminated well field in Tumwater. The lawsuit alleges that the WSDOT materials lab was the source of the contamination. The EPA seeks $11 million.

Personnel

Davis, et al. v. DOT. This lawsuit involves 400 class members who are current or former employees of the Washington State Ferries. Plaintiffs work twelve hour shifts on seven day intervals. Oncoming crews relieve retiring crews during their shift so there is no gap between shifts. Plaintiffs rely on two different wage recovery statutes, Department of Labor and Industries regulations and collective bargaining agreements, to seek additional compensation for the work performed during shift overlap periods. The claims of Plaintiff Class will likely exceed $12 million. Trial is scheduled for February of 2006.

Revenue

There is a recurring volume of lawsuits seeking refunds of taxes paid to the state. All are not reported here.

Estate of Hemphill. Class Plaintiffs prevailed in the Washington State Supreme Court on a claim involving the state estate tax in relation to the federal inheritance tax. The State must reimburse Class Plaintiffs for taxes collected under the state estate tax. The total amount of refunds is $167.7 million, of which $137.5 million was paid in Fiscal Year 2005.

Microsoft Corp. v. Department of Revenue. Microsoft seeks a refund of deferred sales and use taxes alleging that it does not owe such tax on retained software or software not sold for profit. Microsoft seeks a refund of at least $16 million, plus statutory interest.

Qwest Corp. v. Department of Revenue. Qwest seeks property tax refunds alleging that the Department's valuations of its operating property in Washington between 2001 and 2004 were excessive. The Department estimates that Qwest's refund claims total approximately $55 million, plus statutory interest. Trial is scheduled to begin on February 14, 2006.

Texaco Refining and Marketing, Inc. v. Department of Revenue. Texaco alleges that the Department overvalued exchanges of petroleum products it made with other oil companies. This case is currently on appeal to the Washington State Court of Appeals. Texaco seeks refunds of B&O, Hazardous Substances, and Petroleum Products Taxes totaling $5.7 million, plus statutory interest.

Washington State Farm Bureau Federation, et al. v. Gregoire. This action pending in Snohomish County Superior Court challenges the validity of revenue measures enacted by the 2005 Legislature, including sales and use tax on extended warranties, cigarettes and liquor, and a tax on the transfer of decedents' estates. Revenues from these measures for the 2005-2007 biennium are projected to be approximately $401 million.

Education

School Districts' Alliance for Adequate Funding of Special Education, et al. v. State of Washington, et al. Plaintiffs challenge the Legislature's method and adequacy of funding for special education based on a flat, per capita rate per eligible student and the limitation of excess funding to 12.7 percent of the total district student population. Trial is scheduled for October of 2006. Additional costs resulting from a ruling in plaintiffs' favor would be as much as $360 million per biennium.

General Government

Washington Public Employees Association v. State; and, Shroll v. State. A consolidated class action suit brought on behalf of state employees in "common classes," general government agencies and higher education institutions under the jurisdiction of the Personnel Resources Board. Plaintiffs seek back pay and prospective wage adjustments to rectify alleged discrepancies between the highest and lowest salaries within the common class. Plaintiffs prevailed in the State Court of Appeals and the State has sought Supreme Court review. Plaintiffs seek at least $67 million in back pay and $7 million a year in prospective wage adjustments. Wage claim statutes allow for double damages in certain circumstances so the $67 million could become $134 million.

Natural Resources

WEC v. Sutherland. This case involves judicial review of the adequacy of a Final Environmental Impact Statement (FEIS) for the Board of Natural Resources and Department of Natural Resources' decision establishing a new sustainable harvest level for DNR-managed forested lands in Western Washington. This harvest level set in September 2004 would have averaged 597 MMBF/year (million board feet per year) over the 2005-2014 decade, estimated to result in a net revenue of $151 million per year. The King County Superior Court found the FEIS to be inadequate. No final order has been entered as of this writing.

Should an order be entered and upheld consistent with the Judge's memorandum decision, the September 2004 harvest level for Western Washington would be invalidated, a revised EIS would need to be developed, and a new harvest level decision based on the revised EIS would be required. The short-term impact of this decision will be to return harvest levels to the no action alternative, which is estimated to result in net revenue of $121 million per year over the planning decade, or about $30 million less per year than the harvest level set in 2004. The Department estimates it would take two years to prepare the needed additional environmental and economic analyses. The long-term impact will depend on any new harvest level decision.

ASARCO Bankruptcy. ASARCO filed for Chapter 11 bankruptcy on September 9, 2005. ASARCO's smelter operation in Tacoma/Ruston is a Superfund site under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). The "Groundwater/Sediments Unit" of the Superfund site includes about 110 acres of state-owned aquatic land. The primary contaminants of aquatic lands are arsenic and copper. Under CERCLA, the State is also a Potentially Responsible Party (PRP) because it owns the contaminated property and the State could be responsible for much of the cost of clean up if ASARCO evades liability through bankruptcy. The U.S. Environmental Protection Agency (EPA) currently estimates the cost of clean up for the entire site at $22 million. The clean up of state-owned aquatic lands is estimated at $11 million.

Tort Cases and Claims

Stephen Joyce v. DOC. Parolee, on a suspended driver's license, killed a young mother. The jury found for the plaintiff in September 2000 and Department of Corrections (DOC) appealed. The Court of Appeals, Division II, affirmed. The Washington State Supreme Court affirmed in part, reversed in part, and remanded to the trial court for further proceedings thereby overturning the nearly $22.5 million verdict. The State sought a ruling from the Supreme Court to limit DOC's liability for crimes unrelated to conditions of supervision of prior offenses, but was unsuccessful. Motions for Reconsideration filed by both parties are still pending in the Supreme Court.

Thelma Taylor/Amanda Morgan-Hayes/Karen Peterson v. DOC. Plaintiffs, in three separate lawsuits, claim substantial damages because DOC allegedly failed to properly assess and supervise offender Michael J. Braae. The case is stayed, with no trial date yet set. This case is significant because if the State is found liable for negligent supervision of Michael J. Braae the combined damages to his numerous victims will be substantial.

Aba Sheikh v. DSHS. Plaintiff was assaulted by four assailants, two of whom were dependent children in foster care. The jury awarded over $10 million, finding DSHS liable for about $8 million of the total. Department of Social and Health Service's (DSHS) appeal was certified for direct review by the State Supreme Court, which heard oral argument on June 9, 2005, and has yet to render a decision. (Note: the Court of Appeals, in Terrell C. v. DSHS (2004), review denied 2005, held that the purpose of DSHS's duty to control children was to protect the children, and not to protect third persons. The Aba Sheikh case, if allowed to stand, would conflict with and constitute a reversal of Terrell C., creating a new cause of action against DSHS.)

Daniel Albertson, GAL v. DSHS and Ronald Young. Ronald Young was arrested and pled guilty to sexually abusing his foster children, which he photographed and posted on the internet. The present lawsuit involves seven allegedly injured children. The AGO is obtaining investigative reports from the criminal action. This matter is significant because potential damages exposure could be substantial if liability is proven against the State for placing children in his care.

WSP and Officer Idland. Trooper Idland is accused of sexually molesting female motorists after he pulled them over for driving under the influence of intoxicants. There are currently eight tort claims filed, with additional claims likely. Idland pled guilty to custodial sexual misconduct. Plaintiffs are claiming negligent hiring, retention, and supervision by the WSP. If the claims are successful, damages could be substantial.

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

<u>School Bond Guarantee Program</u>

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 2005, the state had guaranteed 172 school districts' voter-approved general obligation debt with a total outstanding principal of $4.6 billion. The state estimates that school bond guarantee liability, if any, will be immaterial to its overall financial condition.

<u>Local Option Capital Asset Lending Program (LOCAL)</u>

On September 1, 1998, the state lease-purchase program was extended to local governments seeking low cost financing of essential equipment. The 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 COP's 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, 2005, outstanding certificates of participation notes totaled $53.5 million for 220 local governments participating in LOCAL. The state estimates that LOCAL program liability, if any, will be immaterial to its overall financial condition.

Office Building Lease
The 2001 Legislature authorized the state to lease-develop an office building in Tumwater, Washington. On October 23, 2003, the state entered into a ground lease and a lease agreement with Tumwater Office Properties (TOP), a Washington nonprofit corporation. The agreements call for TOP to design and construct an office building and to finance it with tax-exempt obligations that meet the requirements of Revenue Ruling 63-20 and Revenue Procedure 82-26 issued by the Internal Revenue Service. The state is required to make monthly payments that equal the required debt service on the bonds. Additional amounts may also be due per the terms of the lease agreement. The lease agreements provide the state with options to purchase the building during the term of the lease and transfer ownership of the building to the state at the end of the lease. The office building was occupied starting in early fiscal year 2006.

Note 13 - Subsequent Events

A. Bond Issues

In July 2005, the state refunded $461.2 million in Various Purpose General Obligation bonds, series R-2006A.

In August 2005, the state issued $64.2 million in General Obligation Taxable Bonds, Series 2006T.

In August 2005, the state issued $229.9 million in Various Purpose General Obligation Bonds, Series 2006A and $197 million in Motor Vehicle Fuel Tax General Obligation Bonds, Series 2006B.

In September 2005, the state issued $55 million in Motor Vehicle Fuel Tax General Obligation Bonds, Series 2006C.

B. Certificates of Participation

In August 2005, the state issued $16.6 million in Certificates of Participation for various state and local government real estate purchases, Series 2005D.

In August 2005, the state issued $6.8 million in Certificates of Participation for various state and local government equipment purchases, Series 2005E.

In December 2005, the state plans to issue $11 million in Certificates of Participation for various state and local government equipment purchases, Series 2005F.

Required Supplementary Information

Budgetary Information
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	General Fund			
	Original Budget 2003-05 Biennium	Final Budget 2003-05 Biennium	Actual 2003-05 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	$ 404,581	$ 404,581	$ 404,581	$ -
Resources:				
Taxes	22,791,756	22,830,612	23,158,534	327,922
Licenses, permits, and fees	156,491	155,089	154,486	(603)
Other contracts and grants	477,517	533,271	525,943	(7,328)
Timber sales	8,600	8,600	8,562	(38)
Federal grants-in-aid	10,630,943	11,271,670	10,726,343	(545,327)
Charges for services	78,120	89,321	92,718	3,397
Interest income	65,240	65,240	54,607	(10,633)
Miscellaneous revenue	86,885	103,589	87,175	(16,414)
Transfers from other funds	297,642	672,040	830,136	158,096
Total Resources	34,997,775	36,134,013	36,043,085	(90,928)
Charges to appropriations:				
General government	2,297,684	2,685,210	2,616,620	68,590
Human services	17,118,189	17,588,984	17,416,619	172,365
Natural resources and recreation	456,814	525,584	489,730	35,854
Transportation	54,139	57,521	53,640	3,881
Education	14,176,517	14,291,867	14,213,990	77,877
Capital outlays	244,073	275,637	115,289	160,348
Transfers to other funds	99,884	99,874	251,182	(151,308)
Total Charges to appropriations	34,447,300	35,524,677	35,157,070	367,607
Excess available for appropriation				
Over (Under) charges to appropriations	550,475	609,336	886,015	276,679
Reconciling Items:				
Changes in reserves (net)	-	-	(91,848)	(91,848)
Entity adjustments (net)	-	-	75,492	75,492
Total Reconciling Items	-	-	(16,356)	(16,356)
Budgetary Fund Balance, June 30	$ 550,475	$ 609,336	$ 869,659	$ 260,323

Budgetary Information
Budgetary Comparison Schedule
Budget to GAAP Reconciliation
General Fund

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	General Fund
Sources/inflows of resources	
Actual amounts (budgetary basis) "Total Resources" from the Budgetary Comparison Schedule	$ 36,043,085
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not revenue for financial reporting purposes:	
Transfers from other funds	(830,136)
Budgetary fund balance at the beginning of the year	(404,581)
The following items are not inflows of budgetary resources but are revenue for financial reporting purposes:	
Noncash commodities and electronic food stamp benefits	1,056,547
Unanticipated receipts	157,698
Noncash revenues	75,492
Revenues collected for other governments	55,644
Biennium total revenues	36,153,749
Fiscal Year 2004 total revenues	(17,609,936)
Total revenues (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 18,543,813
Uses/outflows of resources	
Actual amounts (budgetary basis) "Total Charges to Appropriations" from the Budgetary Comparison Schedule.	$ 35,157,070
Differences - budget to GAAP:	
Budgeted expenditure transfers are recorded as expenditures in the budget statement but are recorded as other financing source (use) for financial reporting purposes.	(1,583,744)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(251,182)
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	1,056,547
Expenditures related to unanticipated receipts	157,698
Capital lease acquisitions	20,568
Distributions to other governments	55,644
Biennium total expenditures	34,612,601
Fiscal Year 2004 total expenditures	(16,880,133)
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 17,732,468

Budgetary Information

Notes to Required Supplementary Information

General Budgetary Policies and Procedures

The Governor is required to submit a budget to the state 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 schedules are 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 schedules 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 2003-05 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 Report CAF1054 for governmental funds. A copy of this report is available at the Office of Financial Management, 6639 Capitol Boulevard, PO Box 43113, Olympia, Washington 98504-3113.

Legislative appropriations are strict legal limits on expenditures/expenses, and overexpenditures 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. According to statute RCW 43.88.110(2), except under limited circumstances, the original allotments are approved by the Governor and may be revised on a quarterly basis and must be accompanied by an explanation of the reasons for significant changes. Because allotments are not the strict legal limit on expenditures/expenses, the budgetary schedules presented as required supplementary information (RSI) are 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, although RCW 43.88.110(3) requires that the Legislature be provided an explanation of major variances.

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 reservations of fund balance.

Budgetary Reporting versus 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 fixed 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 includes the following as reported on the Governmental Funds Balance Sheet: Unreserved, undesignated fund balance; and Reserved for encumbrances.

Pension Plan Information

Public Employees' Retirement System - Plan 1

Schedule of Funding Progress

Valuation Years 2004 through 1999 (dollars in millions)

	2004	2003	2002	2001	2000	1999
Actuarial Valuation Date	9/30/2004	9/30/2003	9/30/2002	9/30/2001	12/31/2000	12/31/1999
Actuarial Value of Plan Assets	$ 9,928	$ 10,227	$ 10,757	$ 10,990	$ 11,111	$ 10,456
Actuarial Accrued Liability	12,855	12,692	12,560	12,088	11,695	11,636
Unfunded Actuarial Liability	2,927	2,465	1,803	1,098	584	1,180
Percentage Funded	77%	81%	86%	91%	95%	90%
Covered Payroll	863	945	1,023	1,085	1,132	1,184
Unfunded Actuarial Liability as a Percentage of Covered Payroll	339%	261%	176%	101%	52%	100%

Source: Washington State Office of the State Actuary

Teachers' Retirement System - Plan 1

Schedule of Funding Progress

Valuation Years 2004 through 1999 (dollars in millions)

	2004	2003	2002	2001	2000	1999
Actuarial Valuation Date	9/30/2004	9/30/2003	9/30/2002	9/30/2001	6/30/2000	6/30/1999
Actuarial Value of Plan Assets	$ 8,728	$ 9,086	$ 9,365	$ 9,342	$ 9,372	$ 8,696
Actuarial Accrued Liability	10,401	10,325	10,235	9,895	9,566	9,529
Unfunded Actuarial Liability	1,673	1,239	869	553	194	833
Percentage Funded	84%	88%	91%	94%	98%	91%
Covered Payroll	616	692	741	800	957	984
Unfunded Actuarial Liability as a Percentage of Covered Payroll	272%	179%	117%	69%	20%	85%

Source: Washington State Office of the State Actuary

Pension Plan Information

Law Enforcement Officers' and Fire Fighters' Retirement System- Plan 1

Schedule of Funding Progress

Valuation Years 2004 through 1999 (dollars in millions)

	2004	2003	2002	2001	2000	1999
Actuarial Valuation Date	9/30/2004	9/30/2003	9/30/2002	9/30/2001	12/31/2000	12/31/1999
Actuarial Value of Plan Assets	$ 4,666	$ 4,803	$ 5,095	$ 5,369	$ 5,440	$ 5,150
Actuarial Accrued Liability	4,266	4,275	4,259	4,153	4,002	4,125
Unfunded (Assets in Excess of)						
Actuarial Liability	(400)	(528)	(836)	(1,216)	(1,438)	(1,025)
Percentage Funded	109%	112%	120%	129%	136%	125%
Covered Payroll	64	71	80	87	95	106
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A

Source: Washington State Office of the State Actuary

Judicial Retirement System

Schedule of Funding Progress

Valuation Years 2004 through 1999 (dollars in millions)

	2004	2003	2002	2001	2000	1999
Actuarial Valuation Date	9/30/2004	9/30/2003	9/30/2002	9/30/2001	12/31/2000	12/31/1999
Actuarial Value of Plan Assets	$ 4	$ 6	$ 8	$ 10	$ 10	$ 9
Actuarial Accrued Liability	89	91	92	92	93	94
Unfunded Actuarial Liability	85	85	84	82	83	85
Percentage Funded	4%	7%	9%	11%	11%	10%
Covered Payroll	2.4	2.6	3.0	3.0	4.0	4.0
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	3542%	3269%	2800%	2733%	2075%	2125%

Source: Washington State Office of the State Actuary

Pension Plan Information

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

Schedule of Funding Progress

Valuation Years 2004 through 1999 (dollars in millions)

	2004	2003	2002	2001	2000	1999
Actuarial Valuation Date	12/31/2004	12/31/2003	12/31/2002	12/31/2001	12/31/2000	12/31/1999
Actuarial Value of Plan Assets	$ 120	$ 120	$ 124	$ 129	$ 126	$ 118
Actuarial Accrued Liability*	115	112	110	99	96	98
Unfunded (Assets in Excess of)						
Actuarial Liability	(5)	(8)	(14)	(30)	(30)	(20)
Percentage Funded	104%	107%	113%	130%	131%	120%
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.

Source: Washington State Office of the State Actuary

Judges' Retirement Fund

Schedule of Funding Progress

Valuation Years 2004 through 1999 (dollars in millions)

	2004	2003	2002	2001	2000	1999
Actuarial Valuation Date	9/30/2004	9/30/2003	9/30/2002	9/30/2001	12/31/2000	12/31/1999
Actuarial Value of Plan Assets	$ 4.4	$ 4.5	$ 4.7	$ 4.9	$ 4.7	$ 4.4
Actuarial Accrued Liability	4.7	5.2	5.5	6.0	6.1	6.4
Unfunded Actuarial Liability	0.3	0.7	0.8	1.1	1.4	2.0
Percentage Funded	94%	87%	85%	82%	77%	69%
Covered Payroll	0.0	0.0	0.1	0.1	0.1	0.1
Unfunded Actuarial Liability as a						
Percentage of Covered Payroll	N/A	N/A	800%	1100%	1400%	2000%

Source: Washington State Office of the State Actuary

Pension Plan Information

Schedules of Contributions from Employers and Other Contributing Entities

For the Fiscal Years Ended June 30, 2005 through 2000

	2005	2004	2003	2002	2001	2000
Public Employees' Retirement System - Plan 1 (expressed in millions)						
Employers' Annual Required Contribution	$ 340.3	$ 295.1	$ 228.9	$ 164.3	$ 118.8	$ 199.2
Employers' Actual Contribution	22.4	22.8	56.6	68.6	181.7	200.2
Percentage Contributed	7%	8%	25%	42%	153%	101%
Public Employees' Retirement System - Plan 2/3 (expressed in millions)						
Employers' Annual Required Contribution	$ 227.7	$ 192.6	$ 141.7	$ 72.0	$ 55.6	$ 103.6
Employers' Actual Contribution	74.7	69.4	38.2	51.0	115.0	101.9
Percentage Contributed	33%	36%	27%	71%	207%	98%
Teachers' Retirement System - Plan 1 (expressed in millions)						
Employers' Annual Required Contribution	$ 224.3	$ 185.7	$ 153.4	$ 119.8	$ 90.6	$ 176.1
Employers' Actual Contribution	8.8	11.4	20.4	59.5	141.3	183.0
Percentage Contributed	4%	6%	13%	50%	156%	104%
Teachers' Retirement System - Plan 2/3 (expressed in millions)						
Employers' Annual Required Contribution	$ 117.4	$ 96.2	$ 79.5	$ 66.7	$ 40.4	$ 56.2
Employers' Actual Contribution	33.8	29.9	18.2	46.4	69.6	75.3
Percentage Contributed	29%	31%	23%	70%	172%	134%
School Employees' Retirement System - Plan 2/3 (expressed in millions)						
Employers' Annual Required Contribution	$ 64.0	$ 52.3	$ 44.2	$ 19.5	$ 6.7	**
Employers' Actual Contribution	10.2	9.1	6.2	11.3	19.9	**
Percentage Contributed	16%	17%	14%	58%	297%	**

Source: Washington State Office of the State Actuary

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 gains and losses. The methods used to derive the ARC for this accounting disclosure are different from that 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 Annual Required Contributions.

** SERS did not exist prior to 9/1/2000

Pension Plan Information

Schedules of Contributions from Employers and Other Contributing Entities

For the Fiscal Years Ended June 30, 2005 through 2000

	2005	2004	2003	2002	2001	2000
Law Enforcement Officers' and Fire Fighters' Retirement System - Plan 1 (expressed in millions)						
Employers' Annual Required Contribution	$ -	$ -	$ -	$ -	$ -	$ 6.3
Employers' Actual Contribution	-	-	0.1	0.1	0.1	6.3
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 (expressed in millions)						
Employers' Annual Required Contribution	$ 48.5	$ 41.5	$ 34.1	$ 26.2	$ 20.3	$ 26.9
Employers' Actual Contribution	32.8	30.8	25.6	24.0	31.5	26.2
Percentage Contributed	68%	74%	75%	92%	155%	97%
State Annual Required Contribution	32.3	27.7	22.7	17.5	13.5	18.0
State Actual Contribution	21.3	20.2	16.4	15.6	20.9	17.1
Percentage Contributed	66%	73%	72%	89%	155%	95%
Washington State Patrol Retirement System (expressed in millions)						
Employers' Annual Required Contribution	$ 3.4	$ 2.6	$ -	$ -	$ -	$ -
Employers' Actual Contribution	-	-	-	-	-	-
Percentage Contributed	0%	0%	N/A	N/A	N/A	N/A

N/A indicates data not available.

Source: Washington State Office of the State Actuary

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 gains and losses. The methods used to derive the ARC for this accounting disclosure are different from that 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 Annual Required Contributions.

Pension Plan Information

Schedules of Contributions from Employers and Other Contributing Entities

For the Fiscal Years Ended June 30, 2005 through 2000

	2005	2004	2003	2002	2001	2000
Judicial Retirement System (expressed in millions)						
Employers' Annual Required Contribution	$ 21.7	$ 18.5	$ 16.2	$ 14.2	$ 13.3	$ 12.5
Employers' Actual Contribution	6.2	6.2	6.2	6.2	7.3	7.3
Percentage Contributed	29%	34%	38%	44%	55%	58%
Judges' Retirement Fund (expressed in millions)						
Employers' Annual Required Contribution	$ 0.1	$ 0.2	$ 0.1	$ 0.2	$ 0.2	$ 0.3
Employers' Actual Contribution	0.5	0.5	0.3	0.3	0.8	0.8
Percentage Contributed	500%	250%	300%	150%	400%	267%
Volunteer Fire Fighters' and and Reserve Officers' Relief and Pension Fund (expressed in millions)						
Employers' Annual Required Contribution	$ 0.7	$ 0.8	$ 0.8	$ 0.8	$ 0.7	$ 0.7
Employers' Actual Contribution	0.7	0.8	0.8	0.8	0.7	0.7
Percentage Contributed	100%	100%	100%	100%	100%	100%
State Annual Required Contribution	1.8	1.5	0.7	-	-	0.1
State Actual Contribution	4.4	4.4	3.3	3.3	3.3	2.7
Percentage Contributed	244%	293%	471%	N/A	N/A	2700%

N/A indicates data not available.

Source: Washington State Office of the State Actuary

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 gains and losses. The methods used to derive the ARC for this accounting disclosure are different from that 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

Pension Plan Information

Notes to the Required Supplementary Information
Defined Benefit Pension Plans

For the Fiscal Year Ended June 30, 2005

The information presented in the required supplementary schedules 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	9/30/2004	9/30/2004	9/30/2004	9/30/2004	9/30/2004
Actuarial Cost Method	entry age	aggregate***	entry age	aggregate***	aggregate***
Amortization Method					
Funding	level %	n/a	level %	n/a	n/a
GASB	level $	n/a	level $	n/a	n/a
Remaining amortization period (closed)	7/1/07-6/30/24	n/a	9/1/07-6/30/24	n/a	n/a
Asset valuation method	8-year graded smoothed fair value*	8-year graded smoothed fair value*	8-year graded smoothed fair value*	8-year graded smoothed fair value*	8-year graded smoothed fair value*
Actuarial assumptions:					
Investment Rate of Return	8.00%	8.00%	8.00%	8.00%	8.00%
Projected Salary Increases					
Salary Inflation at 4.5%, plus the merit increases described below:					
initial salary merit (grades down to 0%)	6.1%	6.1%	6.2%	6.2%	7.0%
merit period (years of service)	17 yrs	17 yrs	17 yrs	17 yrs	17 yrs
Includes inflation at		3.50%		3.50%	3.50%
Cost of living adjustments	Uniform COLA** Gainsharing COLA**	CPI increase, maximum 3%	Uniform COLA** Gainsharing COLA**	CPI increase, maximum 3%	CPI increase, maximum 3%

N/A indicates data not applicable.

* 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):

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%			

The actuarial value of assets is subject to a 30% market value corridor, so it will lie between 70% and 130% of the market value of assets.

LEOFF Plan 1	LEOFF Plan 2	VFFRPF
9/30/2004	9/30/2004	12/31/2004
entry age	aggregate***	entry age
level %	n/a	level $
level $	n/a	level $
6/30/2024	n/a	12/31/2017
8-year graded smoothed fair value*	8-year graded smoothed fair value*	4-year smoothed fair value
8.00%	8.00%	8.00%
11.7%	11.7%	n/a
21 yrs	21 yrs	
3.50%	3.50%	n/a
CPI increase	CPI increase, maximum 3%	none

** The Uniform COLA and Gainsharing COLA.
Generally, all retirees over age 66 receive an increase in their monthly benefit at least once a year.
The Gainsharing COLA is added every even-numbered year if certain extraordinary investment gains are ach
In 1998 it was $0.11. On 1/1/2000 it was $0.28 per year of service. On 1/1/2002 and 1/1/2004 no Gainshar
was added.

The Uniform COLA increase is added every July. The next Uniform COLA amount is calculated as the last U
COLA amount plus any Gainsharing COLA amount, all increased by 3%.
On 7/1/2000, it was ($0.77+$0.28)x1.03 = $1.08. On 7/1/2001, it was ($1.08+$0.00)x1.03 = $1.11.
On 7/1/2002, it was ($1.11+$0.00)x1.03 = $1.14. On 7/1/2003, it was ($1.14+$0.00)x1.03 = $1.18.
On 7/1/2004, it was ($1.18+$0.00)x1.03 = $1.21. On 7/1/2005, it was ($1.21 = $0.00)x 1.03 = $1.25.

*** The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities.
**** The method is pay-as-you-go for the funding of JRS and Judges.

Information about Infrastructure Assets Reported Using the Modified Approach

Condition Assessment

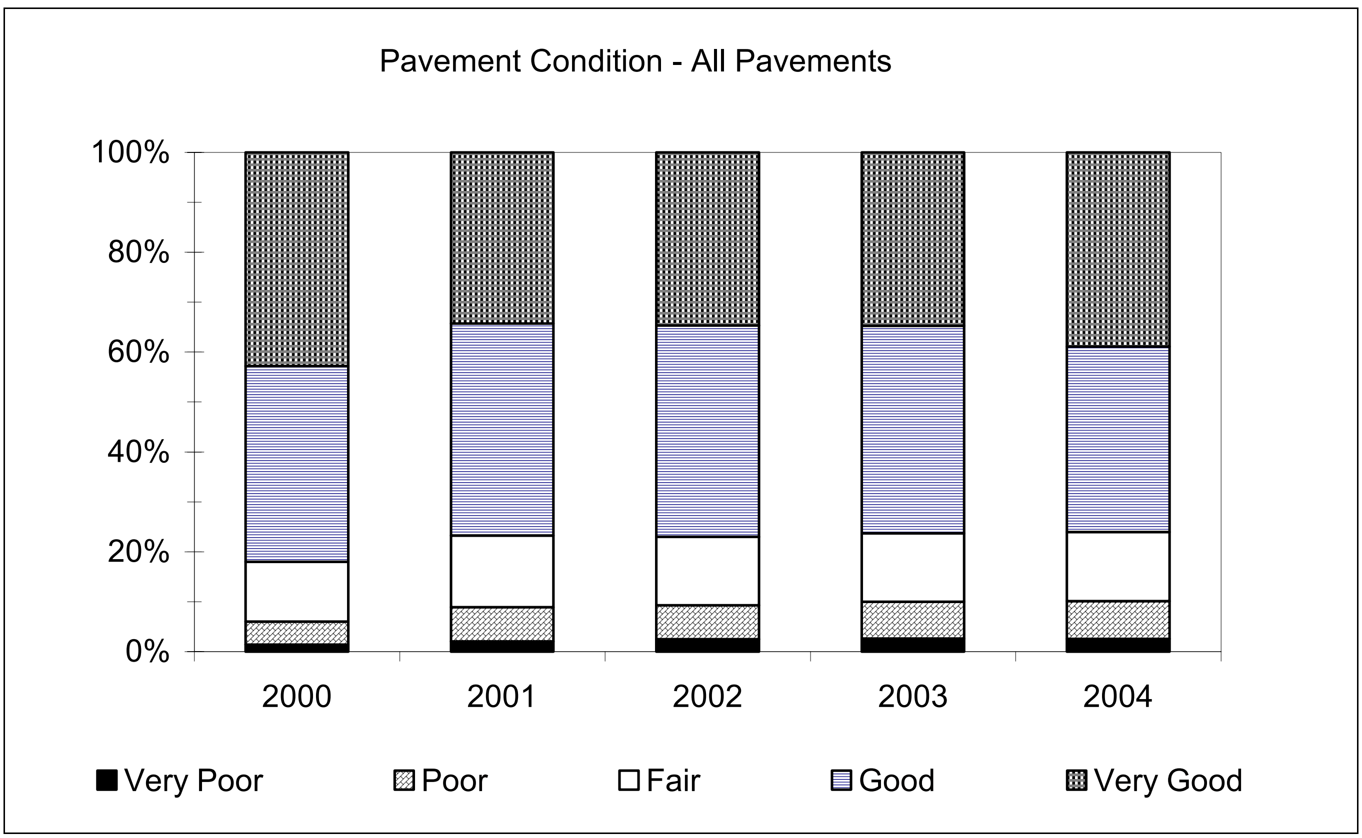
Pavement Condition

The Washington State Department of Transportation (WSDOT) owns and maintains 20,003 lane miles of highway, including ramps, collectors and special use lanes. Special use lanes include High Occupancy Vehicle (HOV), climbing, chain-up, holding, slow vehicle turnout, two-way turn, weaving/speed change, bicycle, transit, truck climbing shoulder, turn and acceleration lanes. Special use and ramp/collector lane miles make up 1,688 of the total lane miles. There are approximately 69 lane miles under construction.

WSDOT has been rating pavement condition since 1969. Pavement rated in *good* condition is smooth and has few defects. Pavement in *poor* condition is characterized by cracking, patching, roughness and rutting. Pavement condition is rated using three factors: Pavement Structural Condition (PSC), International Roughness Index (IRI), and Rutting.

In 1993 the Legislature required WSDOT to rehabilitate pavements at the Lowest Life Cycle Cost (LLCC), which has been determined to occur at a PSC range between 40 and 60, or when triggers for roughness or rutting are met. The trend over the last five years has shown that the percentage of pavements in poor or very poor condition has remained fairly stable at 9 to 10% except in 2000 when it was at 6%. WSDOT uses LLCC analysis to manage its pavement preservation program. The principles behind LLCC are basic – if rehabilitation is done too early, pavement life is wasted; if rehabilitation is done too late, very costly repair work may be required, especially if the underlying structure is compromised. WSDOT continually looks for ways to best strike the balance between these two basic principles.

While the goal for pavements is zero miles in 'poor' condition, marginally good pavements may deteriorate into poor condition during the lag time between assessment and actual rehabilitation. As a result, a small percentage of marginally good pavements will move into the 'poor' condition category for any given assessment period.



The Department of Transportation manages State Highways targeting the LLCC per the Pavement Management System due date. While the department has a long-term goal of no pavements in poor condition (a pavement condition index less than 40, on a 100 point scale), the current policy is to maintain 90 percent of all highway pavement types at a pavement condition index of 40 or better with no more than 10 percent of its highways at a pavement condition index below 40. The most recent assessment found that State Highways were within the prescribed parameters with only ten percent of all pavement types with a pavement condition index below 40.

WSDOT uses the following scale for Pavement Structural Condition (PSC):

Category	PSC Range	Description
Very Good	80 – 100	Little or no distress. Example: Flexible pavement with 5% of wheel track length having "hairline" severity alligator cracking will have a PSC of 80.
Good	60 - 80	Early stage deterioration. Example: Flexible pavement with 15% of wheel track length having "hairline" alligator cracking will have a PSC of 70.
Fair	40 - 60	This is the threshold value for rehabilitation. Example: Flexible pavement with 25% of wheel track length having "hairline" alligator cracking will have a PSC of 50.
Poor	20 - 40	Structural deterioration. Example: Flexible pavement with 25% of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 30.
Very Poor	0 - 20	Advanced structural deterioration. Example: Flexible pavement with 40% of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 10. May require extensive repair and thicker overlays.

The PSC is a measure based on distresses such as cracking and patching, which are related to the pavement's ability to carry loads. Pavements develop structural deficiencies due to truck traffic and cold weather. WSDOT attempts to program rehabilitation for pavement segments when they are projected to reach a PSC of 50. A PSC of 50 can occur due to various amounts and severity of distress. For rigid pavements (such as Portland cement concrete), a PSC of 50 represents 50 percent of the concrete slabs exhibiting joint faulting with a severity of 1/8 to 1/4 inch (faulting is the elevation difference at slab joints and results in a rough ride – particularly in large trucks). Further, a PSC of 50 can also be obtained if 25 percent of concrete slabs exhibit two to three cracks per panel.

The International Roughness Index (IRI) uses a scale in inches per mile. WSDOT considers pavements with a ride performance measures greater than 220 inches per mile to be in poor condition. For example, new asphalt overlays typically have ride values below 75 inches per mile, which is very smooth.

Rutting is measured in millimeters: a pavement with more than 12 millimeters of rutting is considered in poor condition. The three indices (PSC, IRI, and Rutting) are combined to rate a section of pavement, which is assigned the lowest category of any of the three ratings.

The following table shows the combined explanatory categories and the ratings for each index.

Category	PSC	IRI	Rutting
Very Good	100 – 80	< 95	< 4
Good	80 – 60	95 – 170	4 – 8
Fair	60 – 40	170 – 220	8 – 12
Poor	40 – 20	220 – 320	12 – 16
Very Poor	0 – 20	> 320	> 16

Since 1999, WSDOT has used an automated pavement distress survey procedure. In the automated survey, high-resolution video images are collected at highway speed and these video images are then rated on special workstations at 3-6 mph speed. This change has also resulted in a more detailed classification and recording of various distresses that are rated.

Pavement condition surveys are generally conducted in the fall of each year, then analyzed during the winter and spring, with the previous year's results available in July each year. In 2004, WSDOT rated pavement condition on 17,762 of the 20,003 lane miles of highway. The chart on the following page shows recent pavement condition ratings for the State Highway System, using the combination of the three indices described above.

Condition Rating of Washington State Department of Transportation's Pavement

Percentage of Pavement in Fair or Better Condition

	2004*	2003*	2002*	2001*	2000*
Statewide - Chip Seals	86	86	89	89	92
Statewide - Asphalt	92	91	91	92	95
Statewide - Concrete	85	93	92	92	92
Statewide - All Pavements	90	90	91	91	94

Percentage of Pavement in Poor or Very Poor Condition

	2004*	2003*	2002*	2001*	2000*
Statewide - Chip Seals	14	14	11	11	8
Statewide - Asphalt	8	9	9	8	5
Statewide - Concrete	15	7	8	8	8
Statewide - All Pavements	10	10	9	9	6

* Calendar year data. Assessments are typically made in the fall of each year, and verified during the winter and spring, with final results available in July. Years indicated are when the physical assessment was done in the fall.

Note: The All Pavements percentages are calculated from total database averages, not a statistical average of the three pavement type percentages. Numbers are rounded to full percentage points.

New for 2005 – IRI or rutting not used for sections identified as under construction in rating distress.

More information about pavement management at the Department of Transportation may be obtained at:
http://www.wsdot.wa.gov/biz/mats/pavement/structural.htm

Bridge Condition

During Fiscal Year 2005 there were 3,082 state-owned vehicular structures over twenty feet in length with a total area of 43,818,935 square feet. In addition to bridges, the 3,082 structures include 77 culverts and 30 ferry terminal structures. All bridges are inspected on a two to four year interval, with no more than 10 percent of the bridges inspected less than every three years. Divers inspect underwater bridge components at least once every five years in accordance with Federal Highway Administration (FHWA) requirements. Special emphasis is given to the ongoing inspection and maintenance of major bridges representing a significant public investment due to size, complexity or strategic location. Information related to public bridges is maintained in the Washington State Bridge Inventory System (WSBIS). This system is used to develop preservation strategies and comprehensive recommendations for maintenance and construction, and for reporting to the FHWA.

WSDOT's policy is to maintain 95 percent of its bridges at a structural condition of at least fair, meaning that all primary structural elements are sound. The most recent assessment found that state-owned bridges were within the prescribed parameters with 98 percent having a condition rating of fair or better and only 2 percent of bridges having a condition rating of poor. Bridges rated as poor may have structural deficiencies that restrict the weight and type of traffic allowed. No bridges that are currently rated as poor are unsafe for public travel. Any bridges determined to be unsafe are closed to traffic. WSDOT had no closed bridges as of June 30, 2005.

WSDOT's Bridge Seismic Retrofit Program prioritizes state bridges for seismic retrofit, and performs these retrofits as funding permits. Retrofit priorities are based on seismic risk of a site, structural detail deficiencies, and route importance. In 1991, 937 bridges were classified as needing retrofitting and were included in the Seismic Retrofit Program. From 1991 to the end of June 2005, WSDOT has fully or partially retrofitted 368 bridges. Of those, 191 are completely retrofitted, 162 are partially retrofitted, and 15 are under contract to be retrofitted.

The following condition rating data is based on the structural sufficiency standards established in the FHWA "Recording and Coding Guide for the Structural Inventory and Appraisal of the Nation's Bridges." This structural rating relates to the evaluation of bridge superstructure, deck, substructure, structural adequacy and waterway adequacy. Three categories of condition were established in relation to the FHWA criteria as follows:

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.

Note: Bridges rated in poor condition may be restricted for the weight and type of traffic allowed.

Condition Rating of Washington State Department of Transportation's Bridges

Percentage of Bridges in Fair or Better Condition

Bridge Type	2005	2004	2003	2002	2001
Reinforced Concrete (1,300 bridges in FY 2005)	98.6	98	98	97	96
Prestressed Concrete (1,296 bridges in FY2005)	99.5	99.5	99.5	99.5	99
Steel (348 bridges* in FY 2005)	94.3	93	93	92	91
Timber (63 bridges in FY 2005)	69.2	70	69	70	71
Statewide - All Bridges (3,007 out of 3,082 bridges in FY 2005)	97.6	97.4	97	96.7	96

Percentage of Bridges in Poor Condition

Bridge Type	2005	2004	2003	2002	2001
Reinforced Concrete (19 bridges in FY 2005)	1.4	2	2	3	4
Prestressed Concrete (7 bridges in FY 2005)	0.5	0.5	0.5	0.5	1
Steel (21 bridges* in FY 2005)	5.7	6.5	7	8	9
Timber (28 bridges in FY 2005)	30.8	30	31	30	29
Statewide - All Bridges (75 out of 3,082 bridges in FY 2005)	2.4	2.6	3	3.3	4

*The steel bridge ratings for FY2005 include 24 ferry terminal structures rated as fair or better and six ferry terminal structures rated as poor. While the terminals are included in a depreciable asset category, they are included here with bridge condition information since they are evaluated by the WSDOT Bridge Office on a periodic basis.

Note: Bridges rated as poor may have structural deficiencies that restricted the weight and type of traffic allowed. WSDOT currently has 12 posted bridges and 146 restricted bridges. Posted bridges have signs posted which inform of legal weight limits. Restricted bridges are those where overweight permits will not be issued for travel by overweight vehicles. Refer to http://www.wsdot.wa.gov/freight/mcs/ for more information. Any bridges determined to be unsafe are closed to traffic. WSDOT had no closed bridges as of June 30, 2005.

Additional information regarding the Department of Transportation's bridge inspection program may be obtained at: http://www.wsdot.wa.gov/eesc/bridge/index.cfm

Emergency Air Field Condition

The Washington State Department of Transportation (WSDOT), through its Aviation Division is authorized by RCW 47.68.100 to acquire and maintain airports. Under this authority, WSDOT owns eight emergency airfields and leases several others. Most of the airfields are located near or adjacent to state highways and range in character from paved to gravel or turf. The prime task of the airfields is to provide emergency facilities. Two airfields are in operational condition 12 months of the year, with five operational from June to October each year. One is only available for emergency search and rescue use. In accordance with WSDOT policy, maintenance is done on each airfield annually to keep it at its existing condition of use. Each airfield is inspected a minimum of three times per year.

The definitions below form the rating criteria for the current airfield condition ratings which follow.

Category	Definition
General Use Community Airport	An airport with a paved runway capable of handling aircraft with a maximum gross certificated takeoff weight of 12,500 pounds.
Limited Use Community Airport	An airport with an unpaved runway capable of handling aircraft with a maximum gross certificated takeoff weight of 12,500 pounds.
General Recreational Use Airport	An airport with a turf (unpaved) runway near access to recreational opportunities with capacity for aircraft less than 12,500 pounds.
Limited Search and Rescue Forward Operating Location	An airport with a landing pad only capable of accommodating rotorcraft.

Condition Rating of Washington State Emergency Airfields

	Number of Airports
Owned airports:	
Acceptable for general use as a community airport	1
Acceptable for limited use as a community airport	1
Acceptable for general recreation use	5
Limited search and rescue forward operating location	1
Total owned airports	8

	2005	2004	2003	2002	2001
Percentage of airports acceptable for general recreational use or better	88	88	88	88	88
Percentage of airports not acceptable for general recreational use or better	12	12	12	12	12

Note: One airport is open only as a limited search and rescue operating location and is expected to remain in that status. For pictures of specific airfields, refer to the Department of Transportation's website at:

http://www.wsdot.wa.gov/Aviation/airports/default.htm

Information about Infrastructure Assets Reported Using the Modified Approach

Comparison of Budgeted-to-Actual Preservation and Maintenance

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	FY 2002			FY 2003		
Pavements	Budget	Actual	Variance	Budget	Actual	Variance
Preservation	$ 134,810	$ 127,946	$ 6,864	$ 119,160	$ 123,883	$ (4,723)
Maintenance	23,746	19,485	4,261	22,796	24,123	(1,327)
Total	$ 158,556	$ 147,431	$ 11,125	$ 141,956	$ 148,006	$ (6,050)
Bridges						
Preservation	$ 24,270	$ 16,307	$ 7,963	$ 22,460	$ 23,988	$ (1,528)
Maintenance	11,430	11,012	418	11,222	12,853	(1,631)
Total	$ 35,700	$ 27,319	$ 8,381	$ 33,682	$ 36,841	$ (3,159)
Emergency Air Fields						
Preservation & Maint.	$ 70	$ 64	$ 6	$ 70	$ 58	$ 12

In addition to increasing and improving the state highway system, WSDOT places a high priority on preserving and maintaining the current highway system. WSDOT breaks out preservation and maintenance into two separate functions. Preservation can be described as projects that maintain the structural integrity of the existing highway system including roadway pavements, safety features, bridges, and other structures/facilities. The Maintenance function handles the day-to-day needs that occur such as guardrail replacement, patching pot holes, installing signs, vegetation control, etc.

In 1996 WSDOT embarked on an initiative to use outcome based performance measures for evaluating the effectiveness of the Maintenance Program. The Maintenance Accountability Process (MAP) is a comprehensive planning, measuring and managing process that provides a means for communicating the impacts of policy and budget decisions on program service delivery. WSDOT uses it to identify investment choices and affects of those choices in communicating with the legislature and other stakeholders. The MAP measures and communicates the outcomes of 34 distinct highway maintenance activities. Maintenance results are measured via field condition surveys and reported as Level of Service (LOS) ratings, which range from A to F. LOS targets are defined in terms of the condition of various highway features (i.e. percent of guardrail on the highway system that is damaged) and are set commensurate with the level of funding provided for the WSDOT highway maintenance program. More information about MAP may be obtained at: http://www.wsdot.wa.govaintenance/accountability.htm.

Notes: Numbers for the Pavement and Bridges budget amounts are calculated based on the 2003-2005 biennial plan as shown in the WSDOT May 2005 *Monthly Financial Report* for sub-programs P1 (Roadway Preservation), P2 (Structures Preservation), and M2 (Roadway, Bridge & Tunnel maintenance). For FY 2005, the annual budget amount was calculated as half the biennial amount plus any FY 2005 increase to the budget. The Preservation budgeted and actual amounts were adjusted for capitalized infrastructure and equipment in FY 2005.

The emergency airfields (program F3, State Airport Construction and Maintenance) budget amount came from the same sources as for pavements and bridges described above but is only one-fourth of the biennial total plus 1/2 of the FY 2005 increase to the budget.

The state implemented the requirements of Statement Number 34 of the Governmental Accounting Standards Board (GASB), including the provisions related to capitalizing and reporting infrastructure on the modified approach, in Fiscal Year 2002. While budget to actual information is not available for years prior to Fiscal Year 2002 using the GASB definitions of preservation and maintenance, historical budget to actual information for the entire Construction and Maintenance programs is available by contacting the WSDOT Budget Office at (360) 705-7500.

FY 2004			FY 2005		
Budget	Actual	Variance	Budget	Actual	Variance
$ 116,902	$ 107,229	$ 9,673	$ 118,055	$ 122,868	$ (4,813)
21,254	18,064	3,190	20,657	18,715	1,942
$ 138,156	$ 125,293	$ 12,863	$ 138,712	$ 141,583	$ (2,871)
$ 30,637	$ 24,780	$ 5,857	$ 16,768	$ 14,332	$ 2,436
11,292	11,267	25	11,159	11,151	8
$ 41,929	$ 36,047	$ 5,882	$ 27,927	$ 25,483	$ 2,444
$ 70	$ 71	$ (1)	$ 108	$ 129	$ (21)

Combining and Individual Fund Financial Statements – Nonmajor Funds

Nonmajor Governmental Funds

The nonmajor governmental funds fall into the four categories as described below.

Special Revenue Funds account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments and for major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds account for the accumulation of resources for, and the payment of, principal and interest on the state's bonds issued in support of governmental activities.

Capital Projects Funds account for the acquisition, construction, or improvement of major capital facilities including higher education facilities (other than those financed by proprietary funds for individuals, private organizations, or other governments).

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.

Combining Balance Sheet - by Fund Type

Nonmajor Governmental Funds

June 30, 2005
(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	**Total**
Assets:					
Cash and pooled investments	$ 2,066,647	$ 162,153	$ 401,291	$ 34 ,481	$ 2,664,572
Investments	22,845	7,342	35,736	171,364	237,287
Taxes receivable (net of allowance)	107,993	-	-	-	107,993
Other receivables (net of allowance)	443,790	18,379	12,019	1,532	475,720
Due from other funds	251,575	1,413	26,683	-	279,671
Due from other governments	1,582,710	-	6,967	-	1,589,677
Inventories	32,918	-	-	-	32,918
Total Assets	$ 4,508,478	$ 189,287	$ 482,696	$ 207,377	$ 5,387,838
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 252,913	$ -	$ 52,311	$ 28	$ 305,252
Contracts and retainages payable	40,694	-	32,694	-	73,388
Accrued liabilities	80,899	280	1,345	92	82,616
Obligations under security lending agreements	160,598	11,046	6,725	34,648	213,017
Due to other funds	211,669	-	46,408	600	258,677
Due to other governments	100,690	-	5,460	-	106,150
Deferred revenues	531,422	-	11,890	-	543,312
Claims and judgments payable	7,211	-	-	-	7,211
Total Liabilities	1,386,096	11,326	156,833	35,368	1,589,623
Fund Balances:					
Reserved for:					
Encumbrances	220,101	-	122,959	-	343,060
Inventories	32,918	-	-	-	32,918
Permanent funds	-	-	-	172,009	172,009
Other specific purposes	1,340,735	-	36,511	-	1,377,246
Unreserved, designated for, reported in:					
Special revenue funds	165	-	-	-	165
Debt service funds	-	177,961	-	-	177,961
Unreserved, undesignated reported in:					
Special revenue funds	1,528,463	-	-	-	1,528,463
Capital project funds	-	-	166,393	-	166,393
Total Fund Balances	3,122,382	177,961	325,863	172,009	3,798,215
Total Liabilities and Fund Balances	$ 4,508,478	$ 189,287	$ 482,696	$ 207,377	$ 5,387,838

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - by Fund Type

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent	**Total**
Revenues:					
Retail sales and use taxes	$ 61,805	$ -	$ -	$ -	$ 61,805
Business and occupation taxes	63,033	-	-	-	63,033
Property taxes	195,512	-	-	-	195,512
Excise taxes	93,763	-	-	-	93,763
Motor vehicle and fuel taxes	930,975	-	-	-	930,975
Other taxes	647,915	-	-	-	647,915
Licenses, permits, and fees	627,240	-	-	-	627,240
Timber sales	146,866	-	8,121	-	154,987
Other contracts and grants	12,205	-	4,805	-	17,010
Federal grants-in-aid	942,430	-	7,383	6	949,819
Charges for services	403,880	-	35,388	-	439,268
Investment income (loss)	56,628	3,544	1,705	10,603	72,480
Miscellaneous revenue	357,371	45,995	18,929	364	422,659
Total Revenues	4,539,623	49,539	76,331	10,973	4,676,466
Expenditures:					
Current:					
General government	300,828	86	80,611	-	381,525
Human services	954,155	-	12,907	-	967,062
Natural resources and recreation	396,245	-	36,729	-	432,974
Transportation	1,456,260	-	1,245	-	1,457,505
Education	435,953	-	107,793	-	543,746
Intergovernmental	307,097	-	-	-	307,097
Capital outlays	931,343	-	618,409	-	1,549,752
Debt service:					
Principal	4,983	430,368	7	-	435,358
Interest	2,895	485,708	96	-	488,699
Total Expenditures	4,789,759	916,162	857,797	-	6,563,718
Excess of Revenues Over (Under) Expenditures	(250,136)	(866,623)	(781,466)	10,973	(1,887,252)
Other Financing Sources (Uses):					
Bonds issued	418,870	-	722,830	-	1,141,700
Refunding bonds issued	-	439,399	-	-	439,399
Payment to refunded bond escrow agent	-	(462,495)	-	-	(462,495)
Notes issued	1,252	-	-	-	1,252
Bond issue premium (discount)	12,902	25,353	30,070	-	68,325
Transfers in	1,042,992	897,686	120,173	-	2,060,851
Transfers (out)	(1,064,468)	(143,590)	(30,623)	(7,168)	(1,245,849)
Total Other Financing Sources (Uses)	411,548	756,353	842,450	(7,168)	2,003,183
Net change in fund balances	161,412	(110,270)	60,984	3,805	115,931
Fund Balances - Beginning, as restated	2,960,970	288,231	264,879	168,204	3,682,284
Fund Balances - Ending	$ 3,122,382	$ 177,961	$ 325,863	$ 172,009	$ 3,798,215

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 legally restricted to expenditures for specified purposes. The non-major Special Revenue Funds are described below:

Motor Vehicle Fund revenues are generated from vehicle fuel taxes, vehicle licenses, and federal transportation agencies. This fund accounts for the following: (1) highway activities of the Washington State Patrol; (2) operations of the state ferry system; and (3) maintenance of non-interstate highways and bridges, completion and preservation of the interstate system, and other transportation improvements.

Multimodal Transportation Fund revenues are derived principally from motor vehicle operators. This fund accounts for activities relating to drivers' licensing, driver improvement, financial responsibility, maintenance of driving records, and other non-highway transportation improvements.

Common School Construction Fund revenues are obtained principally from the sale of timber and investment earnings. This fund provides financing to local school districts under the control of the State Board of Education for construction of common school facilities.

The Central Administrative and Regulatory Fund accounts for operating expenditures of certain administrative and regulatory agencies.

The Human Services Fund accounts for the following: (1) funds provided to local governments for the construction or substantial remodeling of detention and correctional facilities; and (2) defraying the cost of administering unemployment compensation.

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.

The Local Construction and Loan Fund accounts for construction and loan programs for local public works projects.

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005
(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Common School Construction	Central Administrative and Regulatory	Human Services
Assets:					
Cash and pooled investments	$ 499,464	$ 115,761	$ 21,896	$ 328,251	$ 385,343
Investments	175	-	-	2,884	11,030
Taxes receivable (net of allowance)	83,140	-	-	3,532	13,200
Other receivables (net of allowance)	19,219	3,980	51,373	52,229	242,455
Due from other funds	66,055	10,104	64,633	17,312	52,625
Due from other governments	59,408	35,142	3,613	25,158	130,707
Inventories	29,428	228	-	126	2,886
Total Assets	$ 756,889	$ 165,215	$ 141,515	$ 429,492	$ 838,246
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 132,245	$ 18,668	$ 924	$ 14,477	$ 58,374
Contracts and retainages payable	13,549	1,435	9,017	3,232	491
Accrued liabilities	25,050	1,563	83	4,520	24,306
Obligations under security lending agreements	54,837	13,885	3,184	15,971	34,925
Due to other funds	69,627	13,052	6,147	15,550	53,482
Due to other governments	52,714	25,697	2,745	7,294	905
Deferred revenues	9,393	6,326	46,137	119,877	276,166
Claims and judgments payable	-	-	-	7,211	-
Total Liabilities	357,415	80,626	68,237	188,132	448,649
Fund Balances:					
Reserved for:					
Encumbrances	-	-	82,134	-	-
Inventories	29,428	228	-	126	2,886
Other specific purposes	1,820	1,104	3,605	9,324	48,905
Unreserved, designated for, reported in:					
Special revenue funds	-	-	-	-	69
Unreserved, undesignated	368,226	83,257	(12,461)	231,910	337,737
Total Fund Balances	399,474	84,589	73,278	241,360	389,597
Total Liabilities and Fund Balances	$ 756,889	$ 165,215	$ 141,515	$ 429,492	$ 838,246

Wildlife and Natural Resources	Local Construction and Loan	**Total**
$ 543,762	$ 172,170	$ 2,066,647
8,756	-	22,845
871	7,250	107,993
66,482	8,052	443,790
33,121	7,725	251,575
413,446	915,236	1,582,710
250	-	32,918
$ 1,066,688	$ 1,110,433	$ 4,508,478
$ 14,478	$ 13,747	$ 252,913
12,961	9	40,694
7,464	17,913	80,899
34,741	3,055	160,598
45,876	7,935	211,669
11,192	143	100,690
59,170	14,353	531,422
-	-	7,211
185,882	57,155	1,386,096
125,320	12,647	220,101
250	-	32,918
395,959	880,018	1,340,735
-	96	165
359,277	160,517	1,528,463
880,806	1,053,278	3,122,382
$ 1,066,688	$ 1,110,433	$ 4,508,478

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Common School Construction	Central Administrative and Regulatory	Human Services
Revenues:					
Retail sales and use taxes	$ -	$ 55,168	$ -	$ 6,497	$ 112
Business and occupation taxes	-	-	-	-	63,033
Property taxes	-	-	-	195,512	-
Excise taxes	859	38	-	-	28,413
Motor vehicle and fuel taxes	917,734	2,430	-	-	-
Other taxes	28	-	-	106,332	395,101
Licenses, permits, and fees	326,772	58,938	-	88,884	58,229
Timber sales	57	-	70,057	4,964	-
Other contracts and grants	5,718	32	-	1,648	1,552
Federal grants-in-aid	430,140	217,950	-	66,555	186,128
Charges for services	153,816	51,611	-	46,391	149,625
Investment income (loss)	9,525	1,900	(323)	17,210	7,646
Miscellaneous revenue	14,728	21,973	15,614	27,744	191,054
Total Revenues	1,859,377	410,040	85,348	561,737	1,080,893
Expenditures:					
Current:					
General government	3,686	90	3,080	199,286	91,513
Human services	10	-	-	57,864	893,005
Natural resources and recreation	593	-	-	7,336	1,670
Transportation	1,045,190	370,524	-	22,259	17,184
Education	-	-	169,273	209,988	56,692
Intergovernmental	219,522	1,580	-	84,967	941
Capital outlays	804,088	68,056	14,837	11,557	4,401
Debt service:					
Principal	2,952	197	-	757	295
Interest	469	209	-	461	138
Total Expenditures	2,076,510	440,656	187,190	594,475	1,065,839
Excess of Revenues Over (Under) Expenditures	(217,133)	(30,616)	(101,842)	(32,738)	15,054
Other Financing Sources (Uses):					
Bonds issued	368,703	20,465	-	5,705	-
Notes issued	286	-	-	727	-
Bond issue premium (discount)	11,461	1,243	-	198	-
Transfers in	71,176	23,333	160,436	341,718	416,275
Transfers (out)	(242,998)	(22,213)	(20,931)	(326,545)	(438,469)
Total Other Financing Sources (Uses)	208,628	22,828	139,505	21,803	(22,194)
Net change in fund balances	(8,505)	(7,788)	37,663	(10,935)	(7,140)
Fund Balances - Beginning, as restated	407,979	92,377	35,615	252,295	396,737
Fund Balances - Ending	$ 399,474	$ 84,589	$ 73,278	$ 241,360	$ 389,597

Wildlife and Natural Resources	Local Construction and Loan	**Total**
$ 28	$ -	$ 61,805
-	-	63,033
-	-	195,512
-	64,453	93,763
10,811	-	930,975
107,211	39,243	647,915
94,220	197	627,240
71,788	-	146,866
3,255	-	12,205
41,657	-	942,430
2,437	-	403,880
10,815	9,855	56,628
84,474	1,784	357,371
426,696	115,532	4,539,623
2,832	341	300,828
3,276	-	954,155
370,418	16,228	396,245
1,103	-	1,456,260
-	-	435,953
87	-	307,097
28,391	13	931,343
782	-	4,983
1,616	2	2,895
408,505	16,584	4,789,759
18,191	98,948	(250,136)
15,000	8,997	418,870
239	-	1,252
-	-	12,902
25,898	4,156	1,042,992
(9,154)	(4,158)	(1,064,468)
31,983	8,995	411,548
50,174	107,943	161,412
830,632	945,335	2,960,970
$ 880,806	$ 1,053,278	$ 3,122,382

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Motor Vehicle			
	Original Budget 2003-05 Biennium	Final Budget 2003-05 Biennium	Actual 2003-05 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	$ 256,631	$ 256,631	$ 256,631	$ -
Resources:				
Taxes	1,314,084	1,316,096	1,389,469	73,373
Licenses, permits, and fees	641,226	631,665	634,868	3,203
Other contracts and grants	1,574	4,058	8,468	4,410
Timber sales	-	-	59	59
Federal grants-in-aid	734,474	742,497	685,888	(56,609)
Charges for services	287,412	289,171	312,646	23,475
Interest income	24,692	24,692	16,004	(8,688)
Miscellaneous revenue	17,377	41,447	11,229	(30,218)
Transfers from other funds	218,998	212,498	165,608	(46,890)
Total Resources	3,496,468	3,518,755	3,480,870	(37,885)
Charges to appropriations:				
General government	11,037	13,267	8,886	4,381
Human services	-	-	-	-
Natural resources and recreation	1,137	1,137	1,092	45
Transportation	1,269,829	1,278,212	1,266,696	11,516
Education	-	-	-	-
Capital outlays	2,784,360	2,892,027	2,229,474	662,553
Transfers to other funds	453,299	449,895	454,087	(4,192)
Total Charges to appropriations	4,519,662	4,634,538	3,960,235	674,303
Excess available for appropriation Over (Under) charges to appropriations	(1,023,194)	(1,115,783)	(479,365)	636,418
Reconciling Items:				
Bond sale proceeds	871,050	871,050	827,537	(43,513)
Bond issue premium (discount)	-	-	20,464	20,464
Changes in reserves (net)	-	-	469	469
Entity adjustments (net)	-	-	(879)	(879)
Accounting and reporting changes (net)	-	-	-	-
Total Reconciling Items	871,050	871,050	847,591	(23,459)
Budgetary Fund Balance, June 30	$ (152,144)	$ (244,733)	$ 368,226	$ 612,959

Continued

Multimodal Transportation				Common School Construction			
Original Budget 2003-05 Biennium	Final Budget 2003-05 Biennium	Actual 2003-05 Biennium	Variance with Final Budget	Original Budget 2003-05 Biennium	Final Budget 2003-05 Biennium	Actual 2003-05 Biennium	Variance with Final Budget
$ 65,333	$ 65,333	$ 65,333	$ -	$ 163,670	$ 163,670	$ 163,670	$ -
108,720	113,739	114,103	364	-	-	-	-
124,310	116,300	119,305	3,005	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	72,953	70,020	123,853	53,833
35,464	34,920	21,011	(13,909)	3,000	3,000	261	(2,739)
155	155	2,499	2,344	-	-	-	-
4,723	4,723	2,244	(2,479)	12,399	12,399	380	(12,019)
25,906	37,771	24,979	(12,792)	24,176	23,191	29,370	6,179
-	-	10,333	10,333	378,875	382,057	304,109	(77,948)
364,611	372,941	359,807	(13,134)	655,073	654,337	621,643	(32,694)
477	477	193	284	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
225,213	230,110	219,845	10,265	-	-	-	-
-	-	-	-	-	-	-	-
93,843	103,522	60,568	42,954	783,872	781,259	538,717	242,542
24,900	24,900	33,597	(8,697)	14,817	14,817	13,259	1,558
344,433	359,009	314,203	44,806	798,689	796,076	551,976	244,100
20,178	13,932	45,604	31,672	(143,616)	(141,739)	69,667	211,406
48,060	48,060	40,465	(7,595)	-	-	-	-
-	-	2,305	2,305	-	-	-	-
-	-	551	551	-	-	886	886
-	-	(5,668)	(5,668)	-	-	(880)	(880)
-	-	-	-	-	-	-	-
48,060	48,060	37,653	(10,407)	-	-	6	6
$ 68,238	$ 61,992	$ 83,257	$ 21,265	$ (143,616)	$ (141,739)	$ 69,673	$ 211,412

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Central Administrative and Regulatory			
	Original Budget 2003-05 Biennium	Final Budget 2003-05 Biennium	Actual 2003-05 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	$ 255,581	$ 255,581	$ 255,581	$ -
Resources:				
Taxes	371,220	384,936	376,647	(8,289)
Licenses, permits, and fees	87,142	90,116	104,091	13,975
Other contracts and grants	-	-	-	-
Timber sales	8,123	7,879	10,305	2,426
Federal grants-in-aid	62,917	56,904	54,598	(2,306)
Charges for services	73,491	79,104	82,392	3,288
Interest income	25,536	25,536	29,870	4,334
Miscellaneous revenue	19,246	19,714	21,400	1,686
Transfers from other funds	195,876	458,124	466,057	7,933
Total Resources	1,099,132	1,377,894	1,400,941	23,047
Charges to appropriations:				
General government	252,393	272,599	228,764	43,835
Human services	95,180	100,405	99,677	728
Natural resources and recreation	21,373	21,359	21,005	354
Transportation	35,318	39,388	37,004	2,384
Education	398,203	409,619	409,610	9
Capital outlays	29,629	31,575	22,225	9,350
Transfers to other funds	102,551	361,236	369,543	(8,307)
Total Charges to appropriations	934,647	1,236,181	1,187,828	48,353
Excess available for appropriation Over (Under) charges to appropriations	164,485	141,713	213,113	71,400
Reconciling Items:				
Bond sale proceeds	-	-	-	-
Bond issue premium (discount)	-	-	-	-
Changes in reserves (net)	-	-	416	416
Entity adjustments (net)	-	-	19,405	19,405
Accounting and reporting changes (net)	-	-	(1,024)	(1,024)
Total Reconciling Items	-	-	18,797	18,797
Budgetary Fund Balance, June 30	$ 164,485	$ 141,713	$ 231,910	$ 90,197

Continued

Human Services: Original Budget 2003-05 Biennium *	Human Services: Final Budget 2003-05 Biennium	Human Services: Actual 2003-05 Biennium	Human Services: Variance with Final Budget	Wildlife and Natural Resources: Original Budget 2003-05 Biennium	Wildlife and Natural Resources: Final Budget 2003-05 Biennium	Wildlife and Natural Resources: Actual 2003-05 Biennium	Wildlife and Natural Resources: Variance with Final Budget
$ 234,046	$ 234,046	$ 234,046	$ -	$ 467,259	$ 467,259	$ 467,259	$ -
893,873	922,037	940,819	18,782	170,005	217,813	223,999	6,186
111,197	110,834	112,539	1,705	116,810	125,052	122,796	(2,256)
2,004	-	-	-	12,323	9,813	6,237	(3,576)
-	-	-	-	109,699	102,396	130,749	28,353
262,620	323,378	249,427	(73,951)	104,748	105,053	81,883	(23,170)
16,004	16,004	208,320	192,316	4,172	4,172	4,636	464
42,491	42,491	11,582	(30,909)	33,265	32,911	19,937	(12,974)
709,808	657,562	414,681	(242,881)	135,627	139,532	172,327	32,795
268,940	551,057	547,892	(3,165)	40,845	52,686	50,061	(2,625)
2,540,983	2,857,409	2,719,306	(138,103)	1,194,753	1,256,687	1,279,884	23,197
174,575	181,238	174,520	6,718	4,338	4,472	4,469	3
1,753,698	1,683,322	1,647,951	35,371	6,177	6,173	6,173	-
3,996	3,994	3,600	394	508,151	504,029	440,242	63,787
33,566	34,668	32,832	1,836	1,165	1,199	1,173	26
3,461	6,700	6,675	25	-	-	-	-
58,756	96,805	33,721	63,084	574,826	717,443	346,787	370,656
236,947	548,138	554,351	(6,213)	38,150	40,769	38,924	1,845
2,264,999	2,554,865	2,453,650	101,215	1,132,807	1,274,085	837,768	436,317
275,984	302,544	265,656	(36,888)	61,946	(17,398)	442,116	459,514
-	-	-	-	42,500	42,500	32,000	(10,500)
-	-	-	-	-	-	-	-
-	-	(2,745)	(2,745)	-	-	4,587	4,587
-	-	29,712	29,712	-	-	5,894	5,894
-	-	45,183	45,183	-	-	-	-
-	-	72,150	72,150	42,500	42,500	42,481	(19)
$ 275,984	$ 302,544	$ 337,806	$ 35,262	$ 104,446	$ 25,102	$ 484,597	$ 459,495

*Amount changed due to fund reclassification.

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

Nonmajor Special Revenue Funds

Concluded

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Local Construction and Loan Fund			
	Original Budget 2003-05 Biennium	Final Budget 2003-05 Biennium	Actual 2003-05 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	$ 97,370	$ 97,370	$ 97,370	$ -
Resources:				
Taxes	157,109	187,700	190,853	3,153
Licenses, permits, and fees	-	-	-	-
Other contracts and grants	-	-	-	-
Timber sales	-	-	-	-
Federal grants-in-aid	-	-	-	-
Charges for services	-	-	-	-
Interest income	3,154	3,154	10,751	7,597
Miscellaneous revenue	130,457	130,443	159,497	29,054
Transfers from other funds	16,624	17,124	8,812	(8,312)
Total Resources	404,714	435,791	467,283	31,492
Charges to appropriations:				
General government	2,556	2,729	2,691	38
Human services	-	-	-	-
Natural resources and recreation	599	598	465	133
Transportation	-	-	-	-
Education	-	-	-	-
Capital outlays	591,072	801,580	288,714	512,866
Transfers to other funds	33,398	33,398	16,699	16,699
Total Charges to appropriations	627,625	838,305	308,569	529,736
Excess available for appropriation Over (Under) charges to appropriations	(222,911)	(402,514)	158,714	561,228
Reconciling Items:				
Bond sale proceeds	43,786	43,786	29,897	(13,889)
Bond issue premium (discount)	-	-	-	-
Changes in reserves (net)	-	-	(13,414)	(13,414)
Entity adjustments (net)	-	-	(1,937)	(1,937)
Accounting and reporting changes (net)	-	-	-	-
Total Reconciling Items	43,786	43,786	14,546	(29,240)
Budgetary Fund Balance, June 30	$ (179,125)	$ (358,728)	$ 173,260	$ 531,988

Nonmajor Debt Service Funds

Debt Service Funds account for the accumulation of resources 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:

The General Obligation Bond Fund accounts for the accumulation of resources for, and the payment of, non-transportation related general obligation long-term debt principal and interest.

The Transportation General Obligation Bond Fund accounts for the accumulation of resources for, and payment of, general obligation transportation bond principal and interest.

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.

Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2005
(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Total
Assets:				
Cash and pooled investments	$ 13,574	$ 86,116	$ 62,463	$ 162,153
Investments	7,342	-	-	7,342
Other receivables (net of allowance)	17	-	18,362	18,379
Due from other funds	1,293	120	-	1,413
Total Assets	$ 22,226	$ 86,236	$ 80,825	$ 189,287
Liabilities and Fund Balances				
Liabilities:				
Accrued liabilities	$ 221	$ 58	$ 1	$ 280
Obligations under security lending agreements	1,762	9,284	-	11,046
Total Liabilities	1,983	9,342	1	11,326
Fund Balances:				
Unreserved, designated	20,243	76,894	80,824	177,961
Total Fund Balances	20,243	76,894	80,824	177,961
Total Liabilities and Fund Balances	$ 22,226	$ 86,236	$ 80,825	$ 189,287

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Debt Service Funds

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	**Total**
Revenues:				
Investment income (loss)	$ 454	$ 853	$ 2,237	$ 3,544
Miscellaneous revenue	7,364	-	38,631	45,995
Total Revenues	7,818	853	40,868	49,539
Expenditures:				
General government	-	-	86	86
Debt service:				
Principal	340,048	82,520	7,800	430,368
Interest	368,290	84,652	32,766	485,708
Total Expenditures	708,338	167,172	40,652	916,162
Excess of Revenues Over (Under) Expenditures	(700,520)	(166,319)	216	(866,623)
Other Financing Sources (Uses):				
Refunding bonds issued	343,599	95,800	-	439,399
Payment to refunded bond escrow agent	(366,526)	(95,969)	-	(462,495)
Bond issue premium (discount)	24,691	662	-	25,353
Transfers in	733,177	164,509	-	897,686
Transfers (out)	(143,590)	-	-	(143,590)
Total Other Financing Sources (Uses)	591,351	165,002	-	756,353
Net change in fund balances	(109,169)	(1,317)	216	(110,270)
Fund Balances - Beginning, as restated	129,412	78,211	80,608	288,231
Fund Balances - Ending	$ 20,243	$ 76,894	$ 80,824	$ 177,961

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

Nonmajor Debt Service Funds

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	General Obligation Bond			
	Original Budget 2003-05 Biennium	Final Budget 2003-05 Biennium	Actual 2003-05 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	$ 60,106	$ 60,106	$ 60,106	$ -
Resources:				
Federal grants-in-aid	-	-	-	-
Interest income	-	-	-	-
Miscellaneous revenue	-	-	-	-
Transfers from other funds	131,368	131,368	234,450	103,082
Total Resources	191,474	191,474	294,556	103,082
Charges to appropriations:				
General government	145,093	148,102	147,957	145
Transfers to other funds	-	-	103,846	-
Debt service	-	-	3,511	(3,511)
Total Charges to appropriations	145,093	148,102	255,314	(3,366)
Excess available for appropriation Over (Under) charges to appropriations	46,381	43,372	39,242	99,716
Reconciling Items:				
Proceeds of refunding bonds	-	-	586,754	586,754
Payments to refunded bond escrow agents	-	-	(622,148)	(622,148)
Bond issue premium (discount)	-	-	38,904	38,904
Entity adjustments (net)	-	-	5,679	5,679
Accounting and reporting changes (net)	-	-	(28,188)	(28,188)
Total Reconciling Items	-	-	(18,999)	(18,999)
Budgetary Fund Balance, June 30	$ 46,381	$ 43,372	$ 20,243	$ 80,717

Transportation General Obligation Bond			
Original Budget 2003-05 Biennium	Final Budget 2003-05 Biennium	Actual 2003-05 Biennium	Variance with Final Budget
$ 75,996	$ 75,996	$ 75,996	$ -
-	-	-	-
2,690	2,690	1,333	(1,357)
-	-	-	-
325,032	328,061	316,136	(11,925)
403,718	406,747	393,465	(13,282)
339,032	316,126	316,113	13
-	-	-	-
-	-	1,915	(1,915)
339,032	316,126	318,028	(1,902)
64,686	90,621	75,437	(15,184)
-	-	309,320	309,320
-	-	(321,347)	(321,347)
-	-	13,942	13,942
-	-	(458)	(458)
-	-	-	-
-	-	1,457	1,457
$ 64,686	$ 90,621	$ 76,894	$ (13,727)

Nonmajor Capital Projects Funds

Capital Projects Funds account for the acquisition, construction, or improvement of major capital facilities (other than those financed by proprietary funds for individuals, private organizations, or other governments). The Capital Projects Funds are described below:

The State Facilities Fund accounts for the construction and remodeling of public buildings.

The Higher Education Facilities Fund accounts for the acquisition, construction, and remodeling of higher education facilities.

Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2005
(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
Assets:			
Cash and pooled investments	$ 224,188	$ 177,103	$ 401,291
Investments	-	35,736	35,736
Other receivables (net of allowance)	8,734	3,285	12,019
Due from other funds	22,135	4,548	26,683
Due from other governments	5,601	1,366	6,967
Total Assets	$ 260,658	$ 222,038	$ 482,696
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 28,009	$ 24,302	$ 52,311
Contracts and retainages payable	26,268	6,426	32,694
Accrued liabilities	1,326	19	1,345
Obligations under security lending agreements	486	6,239	6,725
Due to other funds	33,849	12,559	46,408
Due to other governments	5,460	-	5,460
Deferred revenues	9,166	2,724	11,890
Total Liabilities	104,564	52,269	156,833
Fund Balances:			
Reserved for:			
Encumbrances	117,353	5,606	122,959
Other specific purposes	632	35,879	36,511
Unreserved, undesignated	38,109	128,284	166,393
Total Fund Balances	156,094	169,769	325,863
Total Liabilities and Fund Balances	$ 260,658	$ 222,038	$ 482,696

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Capital Projects Funds

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
Revenues:			
Timber sales	$ 8,121	$ -	$ 8,121
Other contracts and grants	-	4,805	4,805
Federal grants-in-aid	-	7,383	7,383
Charges for services	-	35,388	35,388
Investment income (loss)	25	1,680	1,705
Miscellaneous revenue	8,563	10,366	18,929
Total Revenues	16,709	59,622	76,331
Expenditures:			
Current:			
General government	78,689	1,922	80,611
Human services	12,907	-	12,907
Natural resources and recreation	36,729	-	36,729
Transportation	1,245	-	1,245
Education	74,183	33,610	107,793
Capital outlays	360,214	258,195	618,409
Debt service:			
Principal	7	-	7
Interest	27	69	96
Total Expenditures	564,001	293,796	857,797
Excess of Revenues Over (Under) Expenditures	(547,292)	(234,174)	(781,466)
Other Financing Sources (Uses):			
Bonds issued	559,693	163,137	722,830
Bond issue premium (discount)	25,471	4,599	30,070
Transfers in	253	119,920	120,173
Transfers (out)	(16,651)	(13,972)	(30,623)
Total Other Financing Sources (Uses)	568,766	273,684	842,450
Net change in fund balances	21,474	39,510	60,984
Fund Balances - Beginning, as restated	134,620	130,259	264,879
Fund Balances - Ending	$ 156,094	$ 169,769	$ 325,863

Combining Schedule of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual

Nonmajor Capital Projects Funds

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	State Facilities			
	Original Budget 2003-05 Biennium	Final Budget 2003-05 Biennium	Actual 2003-05 Biennium	Variance with Final Budget
Budgetary fund balance, July 1	$ 59,815	$ 59,815	$ 59,815	$ -
Resources:				
Other contracts and grants	-	-	-	-
Timber sales	11,375	9,912	12,902	2,990
Federal grants-in-aid	-	-	-	-
Charges for services	-	-	-	-
Interest income	526	526	50	(476)
Miscellaneous revenue	17,483	17,458	16,644	(814)
Transfers from other funds	829	716	930	214
Total Resources	90,028	88,427	90,341	1,914
Charges to appropriations:				
General government	9,762	9,898	6,055	3,843
Education	-	-	-	-
Capital outlays	1,573,157	1,832,343	1,065,057	767,286
Transfers to other funds	14,550	15,050	15,055	(5)
Total Charges to appropriations	1,597,469	1,857,291	1,086,167	771,124
Excess available for appropriation Over (Under) charges to appropriations	(1,507,441)	(1,768,864)	(995,826)	773,038
Reconciling Items:				
Bond sale proceeds	1,272,507	1,272,507	1,098,103	(174,404)
Bond issue premium (discount)	-	-	52,945	52,945
Changes in reserves (net)	-	-	178	178
Entity adjustments (net)	-	-	62	62
Total Reconciling Items	1,272,507	1,272,507	1,151,288	(121,219)
Budgetary Fund Balance, June 30	$ (234,934)	$ (496,357)	$ 155,462	$ 651,819

Higher Education Facilities			
Original Budget 2003-05 Biennium	Final Budget 2003-05 Biennium	Actual 2003-05 Biennium	Variance with Final Budget
$ 90,120	$ 90,120	$ 90,120	$ -
-	-	-	-
132	132	42	(90)
-	-	-	-
47,541	49,262	66,533	17,271
9,882	9,882	1,331	(8,551)
309	309	562	253
67,100	67,100	70,022	2,922
215,084	216,805	228,610	11,805
273	2,540	1,014	1,526
150	150	150	-
343,040	472,412	278,172	194,240
18,289	18,290	18,290	-
361,752	493,392	297,626	195,766
(146,668)	(276,587)	(69,016)	207,571
196,330	196,330	208,635	12,305
-	-	9,967	9,967
-	-	(35,879)	(35,879)
-	-	20,183	20,183
196,330	196,330	202,906	6,576
$ 49,662	$ (80,257)	$ 133,890	$ 214,147

Nonmajor 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 state's non-major permanent fund is described below:

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

Balance Sheet

Nonmajor Permanent Funds

June 30, 2005

(expressed in thousands)

	Common School Permanent
Assets:	
Cash and pooled investments	$ 34,481
Investments	171,364
Other receivables (net of allowance)	1,532
Total Assets	$ 207,377
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	$ 28
Accrued liabilities	92
Obligations under security lending agreements	34,648
Due to other funds	600
Total Liabilities	35,368
Fund Balance:	
Reserved for:	
Permanent funds	172,009
Total Fund Balance	172,009
Total Liabilities and Fund Balance	$ 207,377

Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Permanent Funds

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	Common School Permanent
Revenues:	
Investment income	$ 10,603
Federal grants-in-aid	6
Miscellaneous revenue	364
Total Revenues	10,973
Other Financing Sources (Uses):	
Transfers (out)	(7,168)
Total Other Financing Sources (Uses)	(7,168)
Net change in fund balance	3,805
Fund Balance - Beginning, as restated	168,204
Fund Balance - Ending	$ 172,009

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:

The Liquor Fund accounts for the administration and operation of state liquor stores, warehouses, and the distribution of net proceeds.

The Convention and Trade Fund accounts for the acquisition, design, construction, promotion, and operation of the State Convention and Trade Center.

The Lottery Fund accounts for lottery ticket revenues, administrative and operating expenses of the Lottery Commission, and the distribution of revenue.

The Institutional Fund accounts for the enterprise activities (industries) carried out through vocational/education programs at the correctional institutions.

The Health Insurance Fund accounts for payment of health care coverage to low-income residents and premiums for employees' insurance benefit contracts.

The Other Activities Fund accounts for the following: (1) the guaranteed college tuition program; (2) the operation of computer systems for legislative information; (3) the production and sale of statute law publications and official reports; and (4) Judicial Information System users.

Combining Statement of Fund Net Assets

Nonmajor Enterprise Funds

June 30, 2005
(expressed in thousands)

	Liquor	Convention and Trade	Lottery	Institutional
Assets				
Current Assets:				
Cash and pooled investments	$ 26,715	$ 40,416	$ 38,983	$ 11,947
Investments	-	-	70,020	-
Taxes receivable (net of allowance)	4,841	-	-	-
Other receivables (net of allowance)	3,719	1,003	14,844	302
Due from other funds	841	232	481	16,745
Due from other governments	-	-	-	468
Inventories	34,174	-	331	11,586
Prepaid expenses	-	267	107	153
Total Current Assets	70,290	41,918	124,766	41,201
Noncurrent Assets:				
Investments, noncurrent	-	-	442,017	-
Other noncurrent assets	-	-	-	-
Capital Assets:				
Land	177	77,355	-	-
Buildings	15,154	379,329	-	-
Other improvements	134	8,523	780	3,094
Furnishings, equipment, and collections	24,495	5,150	2,777	15,656
Accumulated depreciation	(11,416)	(75,990)	(3,101)	(8,934)
Construction in progress	24	-	-	224
Total Noncurrent Assets	28,568	394,367	442,473	10,040
Total Assets	$ 98,858	$ 436,285	$ 567,239	$ 51,241
Liabilities				
Current Liabilities:				
Accounts payable	$ 26,745	$ 27	$ 2,327	$ 5,159
Contracts and retainages payable	-	1,959	-	-
Accrued liabilities	14,552	1,664	90,478	689
Obligations under security	-	-	-	-
Bonds and notes payable	2,220	18,265	-	330
Due to other funds	6,201	47	8,240	889
Due to other governments	-	-	63	-
Unearned revenues	3	31	-	24
Claims and judgments payable	-	-	-	-
Total Current Liabilities	49,721	21,993	101,108	7,091
Non-Current Liabilities:				
Claims and judgments payable	-	-	-	-
Bonds and notes payable	7,195	258,194	-	9,020
Other long-term liabilities	3,797	-	392,820	1,030
Total Non-Current Liabilities	10,992	258,194	392,820	10,050
Total Liabilities	60,713	280,187	493,928	17,141
Net Assets:				
Invested in capital assets, net of related debt	19,153	117,909	456	690
Unrestricted	18,992	38,189	72,855	33,410
Total Net Assets (Deficit)	$ 38,145	$ 156,098	$ 73,311	$ 34,100

Health Insurance	Other Activities	Total
$ 157,654	$ 128,233	$ 403,948
24,064	213,956	308,040
-	-	4,841
1,202	3,707	24,777
21,300	2,624	42,223
18,109	3,124	21,701
23	-	46,114
-	9	536
222,352	351,653	852,180
75,874	545,954	1,063,845
-	109,965	109,965
-	-	77,532
-	-	394,483
-	71	12,602
1,416	13,398	62,892
(1,134)	(10,635)	(111,210)
-	-	248
76,156	658,753	1,610,357
$ 298,508	$ 1,010,406	$ 2,462,537
$ 24,114	$ 3,203	$ 61,575
20,483	17	22,459
240	14,878	122,501
24,064	213,956	238,020
-	25,636	46,451
21,395	24,944	61,716
-	3,439	3,502
213	-	271
78,429	1,539	79,968
168,938	287,612	636,463
-	2,403	2,403
-	87	274,496
342	603,189	1,001,178
342	605,679	1,278,077
169,280	893,291	1,914,540
281	2,654	141,143
128,947	114,461	406,854
$ 129,228	$ 117,115	$ 547,997

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	Liquor	Convention and Trade	Lottery	Institutional
Operating Revenues:				
Sales	$ 444,314	$ -	$ -	$ 51,633
Less: Cost of goods sold	302,702	-	-	37,363
Gross profit	141,612	-	-	14,270
Charges for services	308	12,915	-	-
Premiums and assessments	-	-	-	-
Lottery ticket proceeds	-	-	458,132	-
Miscellaneous revenue	140	764	-	2,176
Total Operating Revenues	142,060	13,679	458,132	16,446
Operating Expenses:				
Salaries and wages	33,511	5,889	6,741	10,877
Employee benefits	11,156	2,658	1,679	2,667
Personal services	2,282	5,086	6,309	-
Goods and services	38,159	4,424	47,413	489
Travel	412	35	325	137
Premiums and claims	-	-	-	21
Lottery prize payments	-	-	280,863	-
Depreciation and amortization	4,533	8,016	161	1,302
Miscellaneous expenses	10	-	12	33
Total Operating Expenses	90,063	26,108	343,503	15,526
Operating Income (Loss)	51,997	(12,429)	114,629	920
Nonoperating Revenues (Expenses):				
Earnings (loss) on investments	-	-	43,219	1
Interest expense	(539)	(15,270)	(31,220)	-
Distributions to other governments	(36,263)	-	(4,188)	-
Other revenue (expenses)	57,597	42,948	10	(16)
Total Nonoperating Revenues (Expenses)	20,795	27,678	7,821	(15)
Income (Loss) Before Contributions and Transfers	72,792	15,249	122,450	905
Capital contributions (Return of capital contributions)	-	(2,058)	-	(165)
Transfers in	6,093	-	11,162	669
Transfers (out)	(84,101)	(5,000)	(122,606)	-
Net Contributions and Transfers	(78,008)	(7,058)	(111,444)	504
Change in Net Assets	(5,216)	8,191	11,006	1,409
Net Assets (Deficit) - Beginning, as restated	43,361	147,907	62,305	32,691
Net Assets (Deficit) - Ending	$ 38,145	$ 156,098	$ 73,311	$ 34,100

Health Insurance	Other Activities	**Total**
$ -	$ -	$ 495,947
-	-	340,065
-	-	155,882
18	57,509	70,750
1,200,214	-	1,200,214
-	-	458,132
7	2,781	5,868
1,200,239	60,290	1,890,846
4,335	17,713	79,066
1,057	4,057	23,274
918	3,885	18,480
5,019	12,894	108,398
60	759	1,728
1,126,078	-	1,126,099
-	-	280,863
201	960	15,173
-	44,654	44,709
1,137,668	84,922	1,697,790
62,571	(24,632)	193,056
3,721	44,229	91,170
-	(7)	(47,036)
-	-	(40,451)
-	13,654	114,193
3,721	57,876	117,876
66,292	33,244	310,932
-	-	(2,223)
29,881	105	47,910
(29,887)	(199)	(241,793)
(6)	(94)	(196,106)
66,286	33,150	114,826
62,942	83,965	433,171
$ 129,228	$ 117,115	$ 547,997

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	Liquor	Convention and Trade	Lottery	Institutional
Cash Flows from Operating Activities:				
Receipts from customers	$ 445,417	$ 15,190	$ 463,656	$ 38,797
Payments to suppliers	(333,088)	(9,527)	(405,414)	(38,428)
Payments to employees	(44,301)	(8,526)	(8,400)	(13,525)
Other receipts (payments)	140	764		2,171
Net Cash Provided (Used) by Operating Activities	68,168	(2,099)	49,842	(10,985)
Cash Flows from Noncapital Financing Activities:				
Transfers in	6,093	-	11,162	669
Transfers out	(84,101)	(5,000)	(122,606)	-
Operating grants and donations received	-	-	-	(6)
Taxes and license fees collected	57,613	42,948	20	-
Distributions to other governments	(36,263)	-	(4,188)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(56,658)	37,948	(115,612)	663
Cash Flows from Capital and				
Interest paid	(539)	(12,286)	-	-
Principal payments on long-term capital financing	(2,182)	(17,380)	-	-
Proceeds from long-term capital financing	-	-	-	9,350
Proceeds from sale of capital assets	71	5,786	-	2,262
Acquisitions of capital assets	(4,249)	(9,135)	(179)	(5,339)
Net Cash or Pooled Investments Provided by (Used in) Capital and Related Financing Activities	(6,899)	(33,015)	(179)	6,273
Cash Flows from Investing Activities:				
Receipt of interest	-	-	1,145	1
Proceeds from sale of investment securities	-	-	148,718	-
Purchases of investment securities	-	-	(80,222)	-
Net Cash Provided by (Used in) Investing Activities	-	-	69,641	1
Net Increase (Decrease) in Cash	4,611	2,834	3,692	(4,048)
Cash and Pooled Investments, July 1	22,104	37,582	35,291	15,995
Cash and Pooled Investments, June 30	$ 26,715	$ 40,416	$ 38,983	$ 11,947
Cash Flows from Operating Activities:				
Operating Income (Loss)	$ 51,997	$ (12,429)	$ 114,629	$ 920
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:				
Depreciation	4,533	8,016	161	1,302
Provision for uncollectible accounts	-	-	11	-
Change in Assets: Decrease (Increase)				
Receivables (net of allowance)	792	2,268	5,525	(12,838)
Inventories	(565)	-	(45)	(2,995)
Prepaid expenses	-	65	118	57
Change in Liabilities: Increase (Decrease)				
Payables	11,411	(19)	(70,557)	2,569
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 68,168	$ (2,099)	$ 49,842	$ (10,985)
Noncash Investing, Capital, and Financing Activities:				
Contributions of Capital Assets	$ -	$ 2,058	$ -	$ 165
Amortization of interest on long-term prize liability	-	-	31,220	-
Increase (decrease) in fair value of investments	-	-	42,074	-
Accretion of interest on zero coupon bonds	-	3,092	-	-

Health Insurance	Other Activities	**Total**
$ 1,212,281	$ 28,743	$ 2,204,084
(1,126,932)	86,168	(1,827,221)
(5,391)	(21,605)	(101,748)
7	2,781	5,863
79,965	96,087	280,978
29,881	105	47,910
(29,887)	(199)	(241,793)
-	-	(6)
-	13,673	114,254
-	-	(40,451)
(6)	13,579	(120,086)
-	(7)	(12,832)
-	(103,708)	(123,270)
-	109,246	118,596
3	164	8,286
(55)	(2,007)	(20,964)
(52)	3,688	(30,184)
3,438	23,931	28,515
(28,373)	252,036	372,381
-	(374,951)	(455,173)
(24,935)	(98,984)	(54,277)
54,972	14,370	76,431
102,682	113,863	327,517
$ 157,654	$ 128,233	$ 403,948
$ 62,571	$ (24,632)	$ 193,056
201	960	15,173
-	-	11
11,984	(28,876)	(21,145)
(23)	-	(3,628)
-	4	244
5,232	148,631	97,267
$ 79,965	$ 96,087	$ 280,978
$ -	$ -	$ 2,223
-	-	31,220
136	(19,658)	22,552
-	-	3,092

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:

The General Services Fund accounts for the cost of providing the following services to state agencies: (1) legal services; (2) operation and management of real estate; (3) facilities and related services; (4) central stores; (5) operations of the motor pool; (6) auditing of state and local governmental units; (7) administration of the state civil service law; (8) administrative hearings; and (9) archives and records management.

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.

The Printing Services Fund accounts for the operation of the state printing plant.

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.

The Risk Management Fund accounts for the administration of liability, property, and vehicle claims, including investigation, claim processing, negotiation and settlement, and other expenses relating to settlements and judgments against the state not otherwise budgeted.

Combining Statement of Fund Net Assets

Internal Service Funds

June 30, 2005
(expressed in thousands)

	General Services	Data Processing Revolving	Printing Services	Higher Education Revolving
Assets				
Current Assets:				
Cash and pooled investments	$ 36,350	$ 17,676	$ 783	$ 38,815
Investments	652	-	-	106
Other receivables (net of allowance)	2,612	153	-	2,561
Due from other funds	27,054	32,647	3,000	8,549
Due from other governments	3,174	3,293	81	146
Inventories	6,095	477	411	13,169
Prepaid expenses	12	1,178	74	-
Total Current Assets	75,949	55,424	4,349	63,346
Noncurrent Assets:				
Investments, noncurrent	-	-	-	46,201
Capital Assets:				
Land	1,359	-	-	30
Buildings	58,551	-	-	5,255
Other improvements	12,817	8,589	-	46
Furnishings, equipment, and collections	369,185	138,923	11,423	81,582
Accumulated depreciation	(192,896)	(108,849)	(7,421)	(63,808)
Construction in progress	7,532	33,118	-	463
Total Noncurrent Assets	256,548	71,781	4,002	69,769
Total Assets	$ 332,497	$ 127,205	$ 8,351	$ 133,115
Liabilities				
Current Liabilities:				
Accounts payable	$ 9,533	$ 14,828	$ 1,868	$ 6,638
Contracts and retainages payable	490	-	-	9
Accrued liabilities	7,420	1,587	286	8,460
Obligations under security	664	-	-	-
Bonds and notes payable	3,695	2,765	170	915
Due to other funds	6,238	1,639	41	10,594
Due to other governments	104	1	-	63
Unearned revenues	1,702	155	-	423
Claims and judgments payable	-	-	-	7,000
Total Current Liabilities	29,846	20,975	2,365	34,102
Non-Current Liabilities:				
Claims and judgments payable	-	-	-	29,213
Bonds and notes payable	45,589	33,510	1,744	3,668
Other long-term liabilities	13,199	4,306	428	3,177
Total Non-Current Liabilities	58,788	37,816	2,172	36,058
Total Liabilities	88,634	58,791	4,537	70,160
Net Assets:				
Invested in capital assets, net of related debt	207,264	35,507	2,088	18,985
Unrestricted	36,599	32,907	1,726	43,970
Total Net Assets (Deficit)	$ 243,863	$ 68,414	$ 3,814	$ 62,955

Risk Management	Total
$ 77,640	$ 171,264
-	758
6	5,332
1,410	72,660
66	6,760
-	20,152
-	1,264
79,122	278,190
-	46,201
-	1,389
-	63,806
-	21,452
-	601,113
-	(372,974)
-	41,113
-	402,100
$ 79,122	$ 680,290
$ -	$ 32,867
-	499
62	17,815
-	664
-	7,545
1,702	20,214
-	168
15	2,295
72,835	79,835
74,614	161,902
435,278	464,491
-	84,511
35	21,145
435,313	570,147
509,927	732,049
-	263,844
(430,805)	(315,603)
$ (430,805)	$ (51,759)

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Internal Service Funds

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	General Services	Data Processing Revolving	Printing Services	Higher Education Revolving
Operating Revenues:				
Sales	$ 21,518	$ 37,319	$ 32,882	$ 41,571
Less: Cost of goods sold	17,079	35,555	28,168	36,229
Gross profit	4,439	1,764	4,714	5,342
Charges for services	249,421	111,562	-	167,230
Premiums and assessments	-	-	-	-
Miscellaneous revenue	28,163	6,088	-	5,479
Total Operating Revenues	282,023	119,414	4,714	178,051
Operating Expenses:				
Salaries and wages	119,000	30,169	2,292	72,994
Employee benefits	28,759	6,558	575	18,066
Personal services	11,024	35	37	5,189
Goods and services	96,172	73,075	1,562	70,174
Travel	2,076	360	26	1,152
Premiums and claims	-	-	-	-
Depreciation and amortization	26,399	18,004	473	7,913
Miscellaneous expenses	139	396	-	530
Total Operating Expenses	283,569	128,597	4,965	176,018
Operating Income (Loss)	(1,546)	(9,183)	(251)	2,033
Nonoperating Revenues (Expenses):				
Earnings (loss) on investments	204	405	16	3,632
Interest expense	(2,236)	(1,535)	(36)	(1,227)
Other revenue (expenses)	247	(35)	(5)	116
Total Nonoperating Revenues (Expenses)	(1,785)	(1,165)	(25)	2,521
Income (Loss) Before Contributions and Transfers	(3,331)	(10,348)	(276)	4,554
Capital contributions (Return of capital contributions)	10,976	-	-	44
Transfers in	2,830	9,714	-	15,346
Transfers (out)	(10,051)	(450)	-	(14,163)
Net Contributions and Transfers	3,755	9,264	-	1,227
Change in Net Assets	424	(1,084)	(276)	5,781
Net Assets (Deficit) - Beginning, as restated	243,439	69,498	4,090	57,174
Net Assets (Deficit) - Ending	$ 243,863	$ 68,414	$ 3,814	$ 62,955

Risk Management	**Total**
$ -	$ 133,290
-	117,031
-	16,259
1,629	529,842
71,706	71,706
-	39,730
73,335	657,537
1,028	225,483
236	54,194
95	16,380
34,594	275,577
26	3,640
23,130	23,130
-	52,789
-	1,065
59,109	652,258
14,226	5,279
-	4,257
-	(5,034)
(2)	321
(2)	(456)
14,224	4,823
-	11,020
-	27,890
-	(24,664)
-	14,246
14,224	19,069
(445,029)	(70,828)
$ (430,805)	$ (51,759)

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	General Services	Data Processing Revolving	Printing Services	Higher Education Revolving
Cash Flows from Operating Activities:				
Receipts from customers	$ 273,388	$ 133,661	$ 34,278	$ 206,505
Payments to suppliers	(122,958)	(110,835)	(30,992)	(108,734)
Payments to employees	(147,032)	(36,333)	(2,834)	(90,444)
Other receipts (payments)	27,667	6,089		5,478
Net Cash Provided (Used) by Operating Activities	31,065	(7,418)	452	12,805
Cash Flows from Noncapital Financing Activities:				
Transfers in	2,830	9,714	-	15,346
Transfers out	(10,051)	(450)	-	(14,163)
Operating grants and donations received	245	-	-	662
Net Cash Provided (Used) by Noncapital Financing Activities	(6,976)	9,264	-	1,845
Cash Flows from Capital and				
Interest paid	(2,250)	(1,535)	(36)	(1,227)
Principal payments on long-term capital financing	(3,718)	(5,475)	(256)	(767)
Proceeds from long-term capital financing	6,381	41,750	2,170	328
Proceeds from sale of capital assets	5,456	131	389	1,075
Acquisitions of capital assets	(37,182)	(31,496)	(2,582)	(10,389)
Net Cash or Pooled Investments Provided by (Used in) Capital and Related Financing Activities	(31,313)	3,375	(315)	(10,980)
Cash Flows from Investing Activities:				
Receipt of interest	216	405	16	3,628
Proceeds from sale of investment securities	-	-	-	(8,319)
Purchases of investment securities	-	-	-	1,538
Net Cash Provided by (Used in) Investing Activities	216	405	16	(3,153)
Net Increase (Decrease) in Cash	(7,008)	5,626	153	517
Cash and Pooled Investments, July 1	43,358	12,050	630	38,298
Cash and Pooled Investments, June 30	$ 36,350	$ 17,676	$ 783	$ 38,815
Cash Flows from Operating Activities:				
Operating Income (Loss)	$ (1,546)	$ (9,183)	$ (251)	$ 2,033
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:				
Depreciation	26,399	18,004	473	7,913
Provision for uncollectible accounts	14	-	-	8
Change in Assets: Decrease (Increase)				
Receivables (net of allowance)	1,525	(15,373)	1,397	(2,292)
Inventories	1,536	(118)	(67)	(1,255)
Prepaid expenses	(2)	544	(36)	3
Change in Liabilities: Increase (Decrease)				
Payables	3,139	(1,292)	(1,064)	6,395
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 31,065	$ (7,418)	$ 452	$ 12,805
Noncash Investing, Capital, and Financing Activities:				
Contributions of capital assets	$ 10,976	$ -	$ -	$ 44
Increase (decrease) in fair value of investments	(12)	-	-	-

Risk Management	**Total**
$ 72,865	$ 720,697
(64,928)	(438,447)
(1,256)	(277,899)
-	39,234
6,681	43,585
-	27,890
-	(24,664)
-	907
-	4,133
-	(5,048)
-	(10,216)
-	50,629
-	7,051
-	(81,649)
-	(39,233)
-	4,265
-	(8,319)
-	1,538
-	(2,516)
6,681	5,969
70,959	165,295
$ 77,640	$ 171,264
$ 14,226	$ 5,279
-	52,789
-	22
(452)	(15,195)
-	96
-	509
(7,093)	85
$ 6,681	$ 43,585
$ -	$ 11,020
-	(12)

Fiduciary Funds

Fiduciary Funds account for assets held in a trustee or agent capacity for outside parties, including individuals, private organizations, and other governments.

Private-Purpose Trust Funds

Private-Purpose Trust Funds are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments. The Private-Purpose Trust Funds are described below:

The Human Services Trust Fund accounts for miscellaneous human services activities such as recoveries on behalf of children receiving support payments from non-custodial parents.

The Other Private-Purpose Trust Fund accounts for various assets held in trust for other governments, individuals, or the public at large such as the administration of unclaimed property.

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:

The Suspense Fund accounts for receipts where final disposition is pending.

The Local Government Distributions Fund accounts for the receipt and allocation of taxes and fees imposed by local governments.

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.

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.

Combining Statement of Fiduciary Net Assets

Private-Purpose Trust Funds

June 30, 2005

(expressed in thousands)

	Human Services Trust	Other Private-Purpose Trust	**Total**
Assets			
Current Assets:			
Cash and pooled investments	$ 213	$ 17,310	$ 17,523
Other receivables (net of allowance)	4,798	3	4,801
Due from other funds	62	275	337
Due from other governments	-	8	8
Total Current Assets	5,073	17,596	22,669
Noncurrent Assets:			
Investments, noncurrent	-	70,556	70,556
Capital Assets:			
Furnishings, equipment, and collections	-	86	86
Accumulated depreciation	-	(78)	(78)
Total Noncurrent Assets	-	70,564	70,564
Total Assets	$ 5,073	$ 88,160	$ 93,233
Liabilities:			
Accounts payable	$ 3,485	$ 278	$ 3,763
Accrued liabilities	64	16,488	16,552
Due to other funds	-	64	64
Other long-term liabilities	-	70,579	70,579
Total Liabilities	3,549	87,409	90,958
Net Assets:			
Net assets held in trust for:			
Individuals, organizations & other governments	1,524	751	2,275
Total Net Assets	$ 1,524	$ 751	$ 2,275

Combining Statement of Changes in Fiduciary Net Assets

Private-Purpose Trust Funds

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	Human Services Trust	Other Private-Purpose Trust	**Total**
Additions:			
Transfers in	$ -	$ 28,237	$ 28,237
Other contracts, grants and miscellaneous	138	93,303	93,441
Total Additions	138	121,540	121,678
Deductions:			
Transfers out	-	118,229	118,229
Administrative expenses	2	3,167	3,169
Payments to or on behalf of individuals, organizations and other governments in accordance with trust agreements	445	-	445
Total Deductions	447	121,396	121,843
Net Increase (Decrease)	(309)	144	(165)
Net Assets - Beginning, as restated	1,833	607	2,440
Net Assets - Ending	$ 1,524	$ 751	$ 2,275

Combining Statement of Assets and Liabilities

Agency Funds

June 30, 2005
(expressed in thousands)

	Suspense	Local Gov't Distrib.	Pooled Investments	Other Agency	**Total**
Assets:					
Cash and pooled investments	$ 13,891	$ 169,210	$ -	$ 79,139	$ 262,240
Investments	-	-	-	1,980	1,980
Other receivables (net of allowance)	31	-	67,831	13,433	81,295
Due from other funds	11,186	278,503	10,335	75,833	375,857
Due from other governments	136	-	-	27,134	27,270
Investments, noncurrent	-	24,654	-	14,844	39,498
Other noncurrent assets	-	-	-	52,724	52,724
Total Assets	$ 25,244	$ 472,367	$ 78,166	$ 265,087	$ 840,864
Liabilities:					
Accounts payable	$ 2,175	$ -	$ -	$ 15,428	$ 17,603
Contracts and retainages payable	-	-	-	18,263	18,263
Accrued liabilities	6,462	-	59,025	95,042	160,529
Obligations under security lending agreements	-	25,122	-	1,375	26,497
Due to other funds	2,118	7	19,141	73,183	94,449
Due to other governments	14,489	438,174	-	9,072	461,735
Other long-term liabilities	-	9,064	-	52,724	61,788
Total Liabilities	$ 25,244	$ 472,367	$ 78,166	$ 265,087	$ 840,864

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Continued

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

Suspense Fund	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Assets:				
Cash and pooled investments	$ 8,201	$ 1,026,456	$ 1,020,766	$ 13,891
Other receivables (net of allowance)	33	45,208	45,210	31
Due from other funds	5,110	65,033	58,957	11,186
Due from other governments	-	136	-	136
Total Assets	$ 13,344	$ 1,136,833	$ 1,124,933	$ 25,244
Liabilities:				
Accounts payable	$ 1,344	$ 22,723	$ 21,892	$ 2,175
Contracts and retainages payable	-	43	43	-
Accrued liabilities	4,923	181,344	179,805	6,462
Due to other funds	2,014	2,110	2,006	2,118
Due to other governments	5,063	65,677	56,251	14,489
Total Liabilities	$ 13,344	$ 271,897	$ 259,997	$ 25,244

Local Government Distributions Fund	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Assets:				
Cash and pooled investments	$ 141,790	$ 6,438,889	$ 6,411,469	$ 169,210
Due from other funds	246,948	31,555	-	278,503
Investments, noncurrent	23,211	1,443	-	24,654
Total Assets	$ 411,949	$ 6,471,887	$ 6,411,469	$ 472,367
Liabilities:				
Accrued liabilities	$ -	$ 309	$ 309	$ -
Obligations under security lending agreements	23,987	1,135	-	25,122
Due to other funds	4	3	-	7
Due to other governments	383,184	2,570,802	2,515,812	438,174
Other long-term obligations	4,774	8,580	4,290	9,064
Total Liabilities	$ 411,949	$ 2,580,829	$ 2,520,411	$ 472,367

Pooled Investments Fund	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Assets:				
Cash and pooled investments	$ -	$ 409,529,166	$ 409,529,166	$ -
Investments	-	416,720	416,720	-
Other receivables (net of allowance)	84,507	177,363	194,039	67,831
Due from other funds	4,941	5,394	-	10,335
Investments, noncurrent	160,380	-	160,380	-
Total Assets	$ 249,828	$ 410,128,643	$ 410,300,305	$ 78,166
Liabilities:				
Accounts payable	$ -	$ 709	$ 709	$ -
Accrued liabilities	240,737	134,715	316,427	59,025
Due to other funds	9,091	10,050	-	19,141
Total Liabilities	$ 249,828	$ 145,474	$ 317,136	$ 78,166

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Concluded

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Other Agency Funds				
Assets:				
Cash and pooled investments	$ 129,767	$ 12,526,812	$ 12,577,440	$ 79,139
Investments	1,500	1,980	1,500	1,980
Other receivables (net of allowance)	15,231	153,943	155,741	13,433
Due from other funds	233,620	57,296	215,083	75,833
Due from other governments	26,787	7,412	7,065	27,134
Investments, noncurrent	9,595	38,996	33,747	14,844
Other noncurrent assets	67,269	64,712	79,257	52,724
Total Assets	$ 483,769	$ 12,851,151	$ 13,069,833	$ 265,087
Liabilities:				
Accounts payable	$ 14,379	$ 68,402	$ 67,353	$ 15,428
Contracts and retainages payable	19,078	227,084	227,899	18,263
Accrued liabilities	258,621	4,039,996	4,203,575	95,042
Obligations under security lending agreements	1,443	72	140	1,375
Due to other funds	119,495	3,514	49,826	73,183
Due to other governments	3,484	81,598	76,010	9,072
Other long-term obligations	67,269	64,712	79,257	52,724
Total Liabilities	$ 483,769	$ 4,485,378	$ 4,704,060	$ 265,087
Totals - All Agency Funds				
Assets:				
Cash and pooled investments	$ 279,758	$ 429,521,323	$ 429,538,841	$ 262,240
Investments	1,500	418,700	418,220	1,980
Other receivables (net of allowance)	99,771	376,514	394,990	81,295
Due from other funds	490,619	159,278	274,040	375,857
Due from other governments	26,787	7,548	7,065	27,270
Investments, noncurrent	193,186	40,439	194,127	39,498
Other noncurrent assets	67,269	64,712	79,257	52,724
Total Assets	$ 1,158,890	$ 430,588,514	$ 430,906,540	$ 840,864
Liabilities:				
Accounts payable	$ 15,723	$ 91,834	$ 89,954	$ 17,603
Contracts and retainages payable	19,078	227,127	227,942	18,263
Accrued liabilities	504,281	4,356,364	4,700,116	160,529
Obligations under security lending agreements	25,430	11,257	140	26,497
Due to other funds	130,604	15,677	51,832	94,449
Due to other governments	391,731	2,718,077	2,648,073	461,735
Other long-term obligations	72,043	73,292	83,547	61,788
Total Liabilities	$ 1,158,890	$ 7,493,628	$ 7,801,604	$ 840,864

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:

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.

The Washington Health Care Facilities Authority makes funds available to qualified, nonprofit health care facilities in the state.

The Washington Higher Education Facilities Authority provides funding to qualified, nonprofit higher education institutions in the state.

The Washington Economic Development Finance Authority makes funds available to qualified, small and medium-sized businesses in the state.

Combining Statement of Fund Net Assets

Nonmajor Component Units

June 30, 2005
(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	**Total**
Assets					
Current Assets:					
Cash and pooled investments	$ 2,712	$ 208	$ 1,015	$ 36	$ 3,971
Investments	29,436	1,350	-	253	31,039
Other receivables (net of allowance)	1,313	201	-	-	1,514
Prepaid expenses	189	33	5	-	227
Total Current Assets	33,650	1,792	1,020	289	36,751
Noncurrent Assets:					
Investments, noncurrent	-	2,119	-	-	2,119
Other noncurrent assets	21,286	-	-	-	21,286
Capital Assets:					
Furnishings, equipment, and collections	1,075	-	-	-	1,075
Accumulated depreciation	(844)	-	-	-	(844)
Total Noncurrent Assets	21,517	2,119	-	-	23,636
Total Assets	$ 55,167	$ 3,911	$ 1,020	$ 289	$ 60,387
Liabilities					
Current Liabilities:					
Accounts payable	$ 1,934	$ 28	$ 135	$ -	$ 2,097
Accrued liabilities	-	56	-	28	84
Unearned revenues	598	130	39	-	767
Total Current Liabilities	2,532	214	174	28	2,948
Non-Current Liabilities:					
Other long-term liabilities	-	-	-	-	-
Total Non-Current Liabilities	-	-	-	-	-
Total Liabilities	2,532	214	174	28	2,948
Net Assets:					
Invested in capital assets, net of related debt	231	-	-	-	231
Restricted for other purposes	600	-	-	-	600
Unrestricted	$ 51,804	3,697	846	261	56,608
Total Net Assets (Deficit)	$ 52,635	$ 3,697	$ 846	$ 261	$ 57,439

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Nonmajor Component Units

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
Operating Revenues:					
Charges for services	$ 9,315	$ 762	$ 346	$ 295	$ 10,718
Total Operating Revenues	9,315	762	346	295	10,718
Operating Expenses:					
Salaries and wages	3,487	306	-	100	3,893
Employee benefits	915	60	-	24	999
Personal services	398	121	109	-	628
Goods and services	2,169	200	172	66	2,607
Travel	-	18	-	6	24
Depreciation and amortization	111	-	-	-	111
Miscellaneous expenses	457	5	-	-	462
Total Operating Expenses	7,537	710	281	196	8,724
Operating Income (Loss)	1,778	52	65	99	1,994
Nonoperating Revenues (Expenses):					
Earnings (loss) on investments	897	50	13	3	963
Interest expense	(76)	-	-	-	(76)
Operating grants and contributions	600	-	-	-	600
Distributions of operating grants	(600)	-	-	-	(600)
Total Nonoperating Revenues (Expenses)	821	50	13	3	887
Income(Loss) Before Contributions and Transfers	2,599	102	78	102	2,881
Capital grants and contributions	-	-	-	-	-
Total Contributions and Transfers	-	-	-	-	-
Change in Net Assets	2,599	102	78	102	2,881
Net Assets - Beginning	50,036	3,595	768	159	54,558
Net Assets - Ending	$ 52,635	$ 3,697	$ 846	$ 261	$ 57,439

Schedules

Schedule of Revenues and Other Financing Sources (Uses) - Governmental Funds

For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	**Total**
Taxes:					
Retail sales	$ 6,228,817	$ -	$ -	$ 56,333	$ 6,285,150
Business and occupation	2,284,649	-	-	63,033	2,347,682
Use (compensating)	446,064	-	-	5,472	451,536
Motor vehicle and fuel	-	-	-	930,975	930,975
Liquor, beer, and wine	105,421	-	-	46,766	152,187
Cigarette and tobacco	61,254	-	-	292,759	354,013
Insurance premiums	228,038	-	-	129,344	357,382
Public utility	333,682	-	-	10,845	344,527
Property	1,394,793	-	-	195,512	1,590,305
Motor vehicle excise	(411)	-	-	828	417
Other excise	808,160	-	-	92,935	901,095
Gift and inheritance	(37,740)	-	-	-	(37,740)
Other taxes	192,381	-	-	168,202	360,583
Subtotal	12,045,108	-	-	1,993,004	14,038,112
Tax Credits:					
Business and occupation	(56,723)	-	-	-	(56,723)
Use (compensating)	(447)	-	-	-	(447)
Other tax credits	(111)	-	-	-	(111)
Total Taxes	11,987,827	-	-	1,993,004	13,980,831
Licenses, Permits, and Fees:					
Business and professions	58,115	-	-	81,420	139,535
Hunting and fishing	1,301	-	-	27,205	28,506
Motor vehicle	3,709	511	-	350,952	355,172
Motor vehicle operators	(11)	-	-	48,640	48,629
Other fees	15,859	-	-	119,023	134,882
Total Licenses, Permits, and Fees	78,973	511	-	627,240	706,724
Federal Grants-In-Aid:					
Department of Health and Human Services	4,123,678	545,972	-	6,385	4,676,035
Department of Labor	112,351	570	-	104,723	217,644
Department of Agriculture	839,689	29,372	-	96,688	965,749
Department of Transportation	2,002	2,971	-	646,095	651,068
Department of Education	604,845	242,250	-	3,669	850,764
Other federal grants-in-aid	329,399	227,174	-	92,259	648,832
Total Federal Grants-In-Aid	6,011,964	1,048,309	-	949,819	8,010,092
Charges For Services:					
Tuition and student fees	-	905,605	-	35,492	941,097
Other charges	48,214	202,668	-	403,776	654,658
Total Charges For Services	48,214	1,108,273	-	439,268	1,595,755
Miscellaneous Revenue:					
Investment income	35,750	60,866	193,655	72,480	362,751
Timber sales	3,097	-	12,688	154,987	170,772
Fines and forfeitures	3,876	5,578	8	94,959	104,421
Other contracts and grants	272,762	537,501	-	17,010	827,273
Other	101,350	151,450	71,663	327,699	652,162
Total Miscellaneous Revenue	416,835	755,395	278,014	667,135	2,117,379
Total Revenues	18,543,813	2,912,488	278,014	4,676,466	26,410,781
Other Financing Sources (Uses):					
Bonds issued	-	2,918	-	1,141,700	1,144,618
Refunding bonds issued	-	-	-	439,399	439,399
Payment to refunded bond escrow agent	-	-	-	(462,495)	(462,495)
Notes issued	15,564	9,638	-	1,252	26,454
Bond issue premium (discount)	-	-	-	68,325	68,325
Transfers in	524,365	182,266	3,883	2,060,851	2,771,365
Transfers (out)	(942,208)	(241,369)	(71,407)	(1,245,849)	(2,500,833)
Capital lease acquisitions	-	75	-	-	75
Total Other Financing Sources (Uses)	(402,279)	(46,472)	(67,524)	2,003,183	1,486,908
Total Revenues and Other Financing Sources (Uses)	$ 18,141,534	$ 2,866,016	$ 210,490	$ 6,679,649	$ 27,897,689

Schedule of Expenditures - Governmental Funds

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	**Total**
By Function:					
General government	$ 591,943	$ -	$ -	$ 1,660,170	$ 2,252,113
Human services	9,563,114	-	-	1,060,616	10,623,730
Natural resources and recreation	294,515	-	-	513,988	808,503
Transportation	27,299	2,339	-	2,350,411	2,380,049
Education	7,255,597	2,884,421	88	978,533	11,118,639
Total Expenditures	$ 17,732,468	$ 2,886,760	$ 88	$ 6,563,718	$ 27,183,034
By Object:					
Salaries and wages	$ 2,433,690	$ 1,085,333	$ 1	$ 872,979	$ 4,392,003
Employee benefits	589,469	355,811	0	206,505	1,151,785
Personal services	106,997	32,708	6	81,692	221,403
Goods and services	988,706	696,022	40	721,131	2,405,899
Travel	35,660	65,381	4	29,338	130,383
Subtotal	4,154,522	2,235,255	51	1,911,645	8,301,473
Grants and Subsidies:					
K-12 basic education	5,780,707	-	-	245,147	6,025,854
Public assistance	6,792,509	-	-	394,062	7,186,571
Other miscellaneous	884,319	518,873	37	1,231,958	2,635,187
Total Grants and Subsidies	13,457,535	518,873	37	1,871,167	15,847,612
Intergovernmental	27,665	-	-	307,097	334,762
Capital Outlays:					
Equipment	30,915	57,011	-	43,561	131,487
All other	47,206	56,393	-	1,506,191	1,609,790
Total Capital Outlays	78,121	113,404	-	1,549,752	1,741,277
Debt Service:					
Principal	12,363	13,109	-	435,358	460,830
Interest	2,262	6,119	-	488,699	497,080
Total Debt Service	14,625	19,228	-	924,057	957,910
Total Expenditures	$ 17,732,468	$ 2,886,760	$ 88	$ 6,563,718	$ 27,183,034

Workers' Compensation Fund - Basic Plan
Claims Development Information
Fiscal Years 1996 through 2005 (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 9/30/02 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).
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 new 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.

		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
1.	Net earned required contribution and investment revenues	$ 1,274	$ 1,257	$ 2,013	$ 927	$ 1,057	$ 1,449	$ 1,197	$ 2,111	$ 1,337	$ 2,452
2.	Estimated incurred claims and expenses, end of policy year	1,620	1,681	1,700	1,732	1,902	1,925	2,124	2,284	2,505	2,308
3.	Paid (cumulative) as of:										
	End of policy year	192	191	196	205	218	230	226	233	244	260
	One year later	396	409	420	438	473	494	500	501	528	
	Two years later	502	522	545	564	608	646	653	650		
	Three years later	568	596	627	643	706	747	756			
	Four years later	617	651	684	707	777	825				
	Five years later	658	693	731	758	837					
	Six years later	692	731	770	800						
	Seven years later	721	763	805							
	Eight years later	746	794								
	Nine years later	770									
4.	Reestimated incurred claims and expenses:										
	End of policy year	1,620	1,681	1,700	1,732	1,902	1,925	2,124	2,284	2,505	2,308
	One year later	1,565	1,602	1,627	1,690	1,838	1,963	2,158	2,277	2,203	
	Two years later	1,507	1,553	1,651	1,694	1,913	2,067	2,277	2,045		
	Three years later	1,455	1,575	1,643	1,770	1,977	2,226	2,079			
	Four years later	1,500	1,576	1,678	1,794	2,088	2,039				
	Five years later	1,466	1,601	1,690	1,839	1,881					
	Six years later	1,471	1,593	1,687	1,682						
	Seven years later	1,456	1,575	1,554							
	Eight years later	1,429	1,478								
	Nine years later	1,336									
5.	Increase (decrease) in estimated incurred claims and expenses from end of policy year	(284)	(203)	(146)	(50)	(21)	114	(45)	(239)	(302)	

Source: Washington State Department of Labor and Industries

Workers' Compensation Fund - Supplemental Pension Plan
Claims Development Information
Fiscal Years 1996 through 2005 (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 9/30/02 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.
(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).
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 new 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.

		1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
1.	Net earned required contribution and investment revenues	$ 173	$ 154	$ 170	$ 193	$ 225	$ 267	$ 281	$ 293	$ 288	$ 326
2.	Estimated incurred claims and expenses, end of policy year	751	795	790	548	635	628	807	1,029	1,228	724
3.	Paid (cumulative) as of:										
	End of policy year	-	-	-	-	-	-	-	-	-	-
	One year later	3	4	6	7	8	5	2	5	2	
	Two years later	8	11	14	12	12	8	11	4		
	Three years later	9	13	17	18	17	22	6			
	Four years later	14	20	24	24	30	15				
	Five years later	20	27	30	37	27					
	Six years later	26	34	41	37						
	Seven years later	33	40	44							
	Eight years later	37	49								
	Nine years later	47									
4.	Reestimated incurred claims and expenses:										
	End of policy year	751	795	790	548	635	628	807	1,029	1,228	724
	One year later	793	812	527	666	730	786	945	1,045	722	
	Two years later	792	610	727	754	844	910	1,046	676		
	Three years later	633	753	798	860	959	1,064	701			
	Four years later	754	817	860	932	1,099	727				
	Five years later	773	864	924	1,034	746					
	Six years later	790	898	971	732						
	Seven years later	810	936	695							
	Eight years later	814	705								
	Nine years later	603									
5.	Increase (decrease) in estimated incurred claims and expenses from end of policy year	(148)	(90)	(95)	184	111	99	(106)	(353)	(506)	

Source: Washington State Department of Labor and Industries

Workers' Compensation Fund

Reconciliation of Claims Liabilities by Plan

Fiscal Years 2005 and 2004 (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 2005	FY 2004	FY 2005	FY 2004	FY 2005	FY 2004
Unpaid claims and claim adjustment expenses at beginning of year	$ 8,361,558	$ 7,997,273	$ 8,229,540	$ 7,866,579	$ 16,591,098	$ 15,863,852
Incurred claims and claim adjustment expenses:						
Provision for insured events of the current year	1,741,476	1,382,174	1,574,029	390,374	3,315,505	1,772,548
Increase (decrease) in provision for insured events of prior years	(239,709)	228,262	(785,873)	266,696	(1,025,582)	494,958
Total incurred claims and claim adjustment expenses	1,501,767	1,610,436	788,156	657,070	2,289,923	2,267,506
Payments:						
Claims and claim adjustment expenses attributable:						
To events of the current year	259,673	244,334	-	-	259,673	244,334
To insured events of prior years	1,047,741	1,001,817	294,712	294,109	1,342,453	1,295,926
Total payments	1,307,414	1,246,151	294,712	294,109	1,602,126	1,540,260
Total unpaid claims and claim adjustment expenses at fiscal year end	$ 8,555,911	$ 8,361,558	$ 8,722,984	$ 8,229,540	$ 17,278,895	$ 16,591,098

Source: Washington State Department of Labor and Industries

Claims Liability Development by Program

Fiscal Year 2005 (expressed in thousands)

Claim liabilities are discounted and adjusted to present an appropriate settlement or carrying value. The schedule below presents the discounts and adjustments to claim liabilities for the current fiscal year.

Program/Category	Undiscounted Liabilities	Discount Rate	Discounted Liabilities	Provision For Settlement Value Uncertainty	Overpayment Adjustments	Carrying Value
Benefit Reserves:						
Accident	$ 3,594,675	2.5%	$ 3,240,413	$ -	$ 14,687	$ 3,255,100
Medical Aid	4,073,953	2.5%	2,642,908	-	968	2,643,876
Pensions	8,331,696	6.5%	2,283,885	-	1,316	2,285,201
Supplemental Pension (COLA)	14,186,000	2.5%	8,713,000	-	9,985	8,722,985
Sub-Total Benefits	30,186,324		16,880,206	-	26,956	16,907,162
Claims Admin Expense (CAE) Reserves	421,632	2.5%	371,733	-	-	371,733
Total Benefits and CAE Reserves	$ 30,607,956		$ 17,251,939	$ -	$ 26,956	$ 17,278,895

Source: Washington State Department of Labor and Industries

STATISTICAL SECTION

Statistical Section Narrative and Table of Contents

This part 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.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the state's financial performance and fiscal health has changed over time. The schedules presented from an entity wide perspective only include FY 2002 and forward, coinciding with the implementation of GASB 34. Fund perspective schedules are presented for the last ten years, except where noted. Schedules included are:

Entity Wide Perspective:

Fund Perspective:

Revenue Capacity

These schedules contain information to help the reader assess the state's most significant revenue sources: retail sales tax, business and occupation tax, and property tax. Schedules included are:

Debt Capacity

These schedules present information to help the reader assess the affordability of the state's current levels of outstanding debt and the state's ability to issue additional debt in the future. Schedules included are:

Demographic Information

These schedules offer demographic and economic indicators to help the reader understand the environment in which the state's financial activities take place. Schedules included are:

Operating Information

These schedules offer operating data to help the reader understand how the information in the state's financial report relates to the services it provides and the activities it performs. Schedules included are:

Schedule 1
Net Assets by Component

Last Four Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2005	2004	2003	2002
Primary Government				
Governmental activities				
Invested in capital assets, net of related debt	$ 8,654.7	$ 7,816.5	$ 9,032.7	$ 8,253.0
Restricted	4,327.6	3,106.6	2,344.0	2,153.1
Unrestricted	8,857.0	8,723.3	7,477.7	7,736.7
Total governmental activities net assets	$ 21,839.3	$ 19,646.4	$ 18,854.4	$ 18,142.8
Business-type activities				
Invested in capital assets, net of related debt	$ 510.3	$ 522.3	$ 543.3	$ 355.1
Restricted	2,340.8	1,624.2	1,513.4	1,883.7
Unrestricted	(5,632.5)	(6,199.6)	(6,025.1)	(5,413.2)
Total business-type activities net assets	$ (2,781.4)	$ (4,053.1)	$ (3,968.4)	$ (3,174.4)
Total Primary government				
Invested in capital assets, net of related debt	$ 9,165.0	$ 8,338.8	$ 9,576.0	$ 8,608.1
Restricted	6,668.4	4,730.8	3,857.4	4,036.8
Unrestricted	3,224.5	2,523.7	1,452.6	2,323.5
Total primary government net assets	$ 19,057.9	$ 15,593.3	$ 14,886.0	$ 14,968.4
Component Units				
Invested in capital assets, net of related debt	$ 409.9	$ 428.1	$ 448.1	$ 436.1
Restricted	24.4	22.2	21.3	14.9
Unrestricted	60.9	57.7	56.5	57.3
Total component units net assets	$ 495.2	$ 508.0	$ 525.9	$ 508.3

Source: State of Washington Comprehensive Annual Financial Reporting System

Schedule 2
Changes in Net Assets

Continued

Last Four Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2005	2004	2003	2002
Expenses				
Governmental Activities:				
General Government	$ 925.3	$ 918.2	$ 812.3	$ 997.3
Education--elementary and secondary (K-12)	6,283.4	6,085.8	5,959.9	5,747.1
Education--higher education	4,454.5	4,216.0	3,750.1	3,920.2
Human services	9,851.7	9,347.7	8,971.4	8,903.5
Adult corrections	639.7	643.8	657.6	600.3
Natural resources and recreation	229.1	651.3	731.5	563.7
Transportation	1,456.6	1,309.9	1,422.3	1,263.7
Intergovernmental grants	334.8	329.5	341.4	349.6
Interest on long-term debt	504.8	478.2	415.0	578.3
Total governmental activities expenses	24,680.0	23,980.3	23,061.5	22,923.9
Business-type Activities:				
Workers' compensation	2,406.7	2,388.8	2,616.6	2,146.6
Unemployment compensation	870.5	1,744.7	2,328.8	1,871.8
Higher education student services	1,170.3	1,130.5	911.9	809.9
Health insurance programs	1,137.7	1,043.7	1,051.3	994.0
Other	987.7	951.2	937.7	923.8
Total business-type activities expenses	6,572.8	7,258.9	7,846.3	6,746.1
Total primary government expenses	31,252.7	31,239.2	30,907.8	29,670.0
Program Revenues				
Governmental activities:				
Charges for services:				
General government	439.4	448.5	412.9	439.4
Education--elementary and secondary (K-12)	13.7	10.9	7.8	6.3
Education--higher education	1,315.6	1,250.4	1,095.3	986.4
Human services	310.7	358.8	335.1	523.3
Adult corrections	10.7	5.6	7.3	13.0
Natural resources and recreation	385.3	339.4	321.4	361.9
Transportation	685.5	677.4	620.9	576.1
Operating grants and contributions	8,237.9	7,942.4	7,128.3	6,632.2
Capital grants and contributions	675.4	518.6	588.0	549.6
Total governmental activities program revenues	12,074.1	11,551.9	10,517.0	10,088.1
Business-type activites:				
Charges for services:				
Workers' compensation	1,718.7	1,515.4	1,315.6	1,069.6
Unemployment compensation	1,458.0	1,345.0	1,130.3	1,161.0
Higher education student services	1,187.5	1,128.0	932.2	823.5
Health insurance programs	1,200.2	1,041.6	1,069.5	982.2
Other	1,050.2	1,027.6	991.6	950.3
Operating grants and contributions	71.2	468.5	769.5	268.8
Capital grants and contribtuions	(2.2)	4.3	60.3	-
Total business-type activities program revenues	6,683.5	6,530.4	6,269.0	5,255.4
Total primary government program revenues	18,757.6	18,082.3	16,786.0	15,343.5
Net (Expense)/Revenue				
Governmental activities	(12,605.9)	(12,428.4)	(12,544.5)	(12,835.8)
Business-type activities	110.8	(728.5)	(1,577.3)	(1,490.7)
Total primary governmental net (expense)/revenue	$ (12,495.1)	$ (13,156.9)	$ (14,121.7)	$ (14,326.5)

Schedule 2
Changes in Net Assets

Concluded

Last Four Fiscal Years (expressed in millions)
(accrual basis of accounting)

	2005	2004	2003	2002
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Sales and use tax	$ 6,736.2	$ 6,234.5	$ 5,974.4	$ 5,879.3
Business and occupation	2,291.0	2,078.3	1,940.0	1,934.0
Property	1,590.3	1,527.2	1,483.1	1,426.2
Other	3,370.1	3,252.6	2,805.0	2,790.8
Interest and investment earnings	362.8	294.4	251.9	189.3
Contributions to endowments	69.1	45.9	36.1	29.3
Transfers	183.8	199.2	618.7	147.8
Total governmental activities	14,603.3	13,632.0	13,109.3	12,396.7
Business-type activities:				
Taxes - other	94.7	116.2	85.7	82.7
Interest and investment earnings	1,249.2	285.9	1,316.4	613.2
Transfers	(183.8)	(199.2)	(618.7)	(147.8)
Total business-type activities	1,160.2	202.9	783.3	548.1
Total primary government	15,763.5	13,834.9	13,892.6	12,944.8
Change in Net Assets				
Governmental activities	1,997.4	1,203.6	564.9	(439.1)
Business-type activites	1,270.9	(525.6)	(794.0)	(942.6)
Total change in net assets - primary government	3,268.3	678.0	(229.1)	(1,381.7)
Total Component Units				
Total expenses	28.7	29.9	27.8	11.3
Program Revenues:				
Charges for services	11.6	11.1	10.1	10.1
Operating grants and contributions	0.6	0.4	0.2	55.2
Capital grants and contributions	0.6	0.5	31.2	-
Total program revenues	12.8	12.0	41.5	65.3
Net (expense) / revenue	(15.9)	(17.9)	13.7	54.0
General revenues - Sales and use taxes	-	-	1.9	1.3
General revenues - Interest and investment earnings	3.2	-	2.1	3.4
Change in net assets - Total component units	$ (12.7)	$ (17.9)	$ 17.7	$ 58.7

Source: State of Washington Comprehensive Annual Financial Reporting System

Schedule 3
Fund Balances, Governmental Funds

Last Four Fiscal Years (expressed in thousands)
(modified accrual basis of accounting)

	2005	2004	2003	2002
General Fund				
Reserved	$ 55,602	$ 166,043	$ 48,687	$ 91,031
Unreserved, designated for:				
Working capital	1,004,131	964,631	908,194	848,153
Unrealized gains	-	-	6,944	-
Unreserved, undesignated	865,443	385,436	404,376	398,374
Total General Fund	1,925,176	1,516,110	1,368,201	1,337,558
All Other Governmental Funds				
Reserved	4,546,263	4,209,890	3,682,240	3,874,727
Unreserved, designated for:				
Unrealized gains	-	3,809	4,814	2,343
Higher education	155,679	155,679	-	-
Special revenue funds	165	174	-	-
Debt service funds	177,961	288,231	100,354	101,557
Other specific purpose	-	-	155,847	155,816
Unreserved, undesignated	573,576	515,597	569,134	284,873
Unreserved, undesignated, reported in:				
Nonmajor special revenue funds	1,528,463	1,474,023	1,211,403	1,343,467
Nonmajor capital projects funds	166,393	-	109,627	31,649
Total all other governmental funds	7,148,500	6,647,403	5,833,419	5,794,432
Total Governmental Fund Balances	$ 9,073,676	$ 8,163,513	$ 7,201,620	$ 7,131,990

Source: State of Washington Comprehensive Annual Financial Reporting System

Schedule 4
Revenues, Expenditures, and Other Financing Sources (Uses)
All Governmental Fund Types
Last Ten Fiscal Years (expressed in millions)

	2005	2004*	2003*	2002*	2001	2000	1999	1998	1997	1996
Revenues:										
Taxes:										
Retail sales	$ 6,285.2	$ 5,841.0	$ 5,605.1	$ 5,499.6	$ 5,525.0	$ 5,432.5	$ 4,989.0	$ 4,652.4	$ 4,436.5	$ 4,177.6
Business and occupation	2,291.0	2,078.3	1,940.0	1,934.0	2,018.3	1,829.5	1,850.4	1,862.9	1,787.7	1,703.2
Use (compensating)	451.1	393.5	369.3	379.7	409.6	380.0	333.3	330.3	333.0	295.3
Motor vehicle and fuel	931.0	925.7	752.4	742.7	736.1	964.0	717.8	708.2	685.2	676.7
Liquor, beer, and wine	152.2	144.4	134.0	129.3	125.3	119.2	91.0	129.7	117.0	113.2
Cigarette and tobacco	354.0	352.5	362.4	330.7	264.9	277.3	278.5	276.7	277.6	278.3
Insurance premiums	357.4	345.6	316.7	291.3	279.7	261.2	239.0	228.8	212.2	202.7
Public utility	344.5	329.8	309.0	306.5	302.6	282.1	249.0	242.3	234.4	232.4
Property	1,590.3	1,527.2	1,483.1	1,426.2	1,366.7	1,332.8	1,276.8	1,230.9	1,170.6	1,107.3
Excise	901.5	687.3	583.3	501.8	509.4	631.5	1,134.7	1,060.8	921.5	836.4
Gift and inheritance	(37.7)	139.9	124.4	114.2	106.3	82.6	69.7	82.2	88.5	61.4
Other (less credits)	360.5	335.1	222.8	258.4	263.8	215.3	193.5	193.1	148.5	139.2
Total Taxes	13,980.8	13,100.3	12,202.6	11,914.4	11,907.7	11,808.1	11,422.7	10,998.3	10,412.7	9,823.7
Licenses, permits, and fees	706.7	665.6	650.9	612.3	614.2	596.2	556.0	510.7	492.0	476.1
Federal grants-in-aid	8,010.1	7,701.6	6,973.9	6,574.3	5,757.5	5,303.9	4,763.0	4,623.5	4,576.9	4,382.0
Charges and miscellaneous revenue	3,350.4	3,184.2	2,936.6	2,769.4	2,146.0	2,015.4	1,724.6	1,683.1	1,646.5	1,489.9
Interest income	362.8	294.4	251.9	189.2	228.1	202.3	203.3	192.7	175.2	167.3
Total Revenues	26,410.8	24,946.0	23,015.9	22,059.6	20,653.6	19,925.9	18,669.7	18,008.3	17,303.3	16,339.0
Expenditures:										
Current:										
General government	933.9	860.3	803.1	870.1	881.4	706.7	720.4	739.2	1,122.2	987.2
Human services	10,485.9	9,962.4	9,537.8	9,339.1	8,379.4	7,708.6	7,045.0	6,827.7	6,526.4	6,145.5
Natural resources and recreation	704.1	643.0	689.2	640.0	637.2	552.3	553.0	529.4	522.8	498.1
Transportation	1,486.5	1,297.0	1,362.7	1,283.1	1,093.7	872.8	873.2	787.0	931.4	859.3
Education	10,538.7	10,084.8	9,472.0	9,001.8	8,469.8	7,962.1	7,609.7	7,246.3	7,071.9	6,707.2
Intergovernmental	334.8	329.5	341.4	349.6	321.1	645.9	441.8	424.4	N/A	N/A
Capital outlays	1,741.3	1,541.7	1,488.6	1,205.6	1,192.5	1,188.8	1,179.2	991.3	1,112.2	969.3
Debt service										
Interest	460.8	414.7	441.0	428.9	399.9	388.2	351.1	336.0	300.0	304.6
Principal	497.1	467.7	417.6	401.6	394.9	359.1	350.1	338.2	318.7	299.9
Total Expenditures	27,183.0	25,601.1	24,553.4	23,519.8	21,769.9	20,384.5	19,123.5	18,219.5	17,905.6	16,771.2
Revenues Over (Under) Expenditures	(772.3)	(655.1)	(1,537.5)	(1,460.2)	(1,116.2)	(457.1)	(453.8)	(211.2)	(602.3)	(432.1)
Other Financing Sources (Uses):										
Bonds issued, net of refunding	1,189.8	1,214.2	796.7	937.8	820.5	581.1	519.8	739.8	638.9	454.0
Notes issued	26.5	18.1	32.1	9.9	23.3	25.9	12.9	15.6	7.8	4.9
Transfer In	2,771.4	2,099.9	2,775.1	2,758.3	2,286.2	1,843.9	1,768.3	1,673.1	1,319.1	1,308.5
Transfer Out	(2,500.8)	(1,863.6)	(2,146.3)	(2,613.6)	(1,906.5)	(1,646.4)	(1,613.7)	(1,531.3)	(1,185.7)	(1,150.6)
Capital lease acquisitions	0.1	-	7.0	-	10.3	-	-	1.5	0.2	-
Net Other Financing Sources (Uses)	1,486.9	1,468.6	1,464.6	1,092.4	1,233.7	804.4	687.3	898.7	780.3	616.8
Net Change in Fund Balances	$ 714.7	$ 813.5	$ (72.9)	$ (367.8)	$ 117.5	$ 347.3	$ 233.5	$ 687.5	$ 178.0	$ 184.6
Debt service as a percentage of noncapital expenditures	3.9%	3.8%	3.9%	3.9%	4.0%	4.1%	4.1%	4.1%	3.8%	4.0%

*Certain fund type reclassifications occurred in Fiscal Years 2002, 2003 and 2004.

Source: State of Washington Comprehensive Annual Financial Reporting System, GAAP Basis.

Schedule 5
Revenues, Expenditures, and Other Financing Sources (Uses)
General Fund

Last Ten Fiscal Years (expressed in millions)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Revenues:										
Taxes:										
Retail sales	$ 6,228.8	$ 5,785.8	$ 5,578.8	$ 5,464.2	$ 5,502.4	$ 5,419.5	$ 4,988.4	$ 4,651.1	$ 4,435.4	$ 4,169.1
Business and occupation	2,227.9	2,018.7	1,893.0	1,889.3	2,031.2	1,838.3	1,846.5	1,867.7	1,750.0	1,670.4
Use (compensating)	445.6	388.2	369.3	379.0	410.3	380.8	334.0	331.4	333.0	295.3
Liquor, beer, and wine	105.4	100.2	93.3	90.2	87.7	83.7	79.8	77.2	74.6	72.5
Cigarette and tobacco	61.3	62.2	63.2	76.7	97.6	102.0	86.6	84.5	86.3	80.3
Insurance premiums	228.0	217.6	202.9	182.5	177.8	173.4	158.3	153.9	141.3	172.3
Public utility	333.7	318.2	298.2	296.3	302.6	282.1	249.0	242.3	234.4	232.4
Property	1,394.8	1,393.0	1,349.2	1,293.1	1,366.7	1,332.8	1,276.8	1,230.9	1,170.6	1,107.3
Excise	807.7	623.0	514.6	431.1	476.5	552.7	815.8	815.4	695.3	627.0
Gift and inheritance	(37.7)	139.9	124.4	114.2	106.3	82.6	69.7	82.2	88.5	61.4
Other (less credits)	192.3	178.4	122.9	125.6	116.3	91.9	114.0	87.9	82.9	73.9
Total Taxes	11,987.8	11,225.1	10,609.7	10,342.2	10,675.4	10,339.7	10,019.0	9,624.5	9,092.3	8,561.9
Licenses, permits, and fees	79.0	75.5	74.9	75.5	123.9	131.2	122.4	101.5	95.1	88.3
Federal grants-in-aid	6,012.0	5,916.8	5,353.9	5,130.9	4,633.6	4,304.6	3,864.0	3,794.5	3,595.8	3,438.4
Charges and miscellaneous revenue	429.3	387.8	424.5	337.8	500.7	487.2	451.5	473.1	443.6	382.3
Interest income	35.8	4.8	35.5	19.6	111.4	106.6	99.1	90.1	82.9	76.3
Total Revenues	18,543.8	17,609.9	16,498.5	15,906.0	16,045.0	15,369.3	14,556.0	14,083.7	13,309.7	12,547.2
Expenditures:										
Current:										
General government	552.4	514.6	495.6	526.6	673.7	551.0	569.3	610.6	736.8	639.9
Human services	9,518.8	8,988.7	8,538.4	8,303.8	7,653.1	7,055.2	6,502.7	6,338.9	5,999.8	5,786.1
Natural resources and recreation	271.1	268.1	270.5	262.9	368.4	296.6	299.3	274.4	279.3	250.8
Transportation	26.7	27.0	16.0	28.6	48.3	45.5	41.3	26.5	24.5	24.1
Education	7,243.1	6,977.4	6,910.8	6,777.8	6,608.2	6,241.0	5,982.8	5,755.4	5,557.1	5,338.0
Intergovernmental	27.7	26.7	26.8	23.1	57.1	172.4	185.7	179.6	N/A	N/A
Capital outlays	78.1	67.4	65.1	57.5	95.4	71.5	85.1	72.2	72.0	77.7
Debt service										
Interest	12.3	10.1	15.8	10.5	15.8	15.9	16.2	21.5	10.1	15.4
Principal	2.3	0.1	0.2	1.7	2.7	3.8	2.3	4.4	3.1	4.0
Total Expenditures	17,732.5	16,880.1	16,339.2	15,992.5	15,522.7	14,452.9	13,684.7	13,283.5	12,682.7	12,136.0
Revenues Over (Under) Expenditures	811.3	729.8	159.3	(86.5)	522.3	916.4	871.3	800.2	627.0	411.2
Other Financing Sources (Uses):										
Notes issued	15.6	5.0	11.4	7.0	5.7	4.0	3.5	2.0	3.3	1.1
Transfer In	524.4	308.1	587.9	675.6	432.0	432.4	429.1	526.2	268.1	375.2
Transfer Out	(942.2)	(895.0)	(727.9)	(740.3)	(1,044.0)	(1,091.0)	(1,017.9)	(962.3)	(787.2)	(682.4)
Capital lease acquisitions	-	-	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	(402.3)	(581.9)	(128.6)	(57.7)	(606.3)	(654.6)	(585.3)	(434.1)	(515.8)	(306.1)
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ 409.0	$ 147.9	$ 30.7	$ (144.2)	$ (84.0)	$ 261.9	$ 285.9	$ 366.1	$ 111.2	$ 105.1

Source: State of Washington Comprehensive Annual Financial Reporting System, GAAP Basis.

Schedule 6
Taxable Retail Sales by Category

Last Ten Calendar Years (expressed in millions)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Building material and hardware stores	$ 4,807	$ 4,248	$ 3,880	$ 3,310	$ 3,263	$ 3,235	$ 3,072	$ 2,747	$ 2,429	$ 2,316
General merchandise	8,290	7,816	6,328	6,177	6,040	5,739	5,346	5,095	4,820	4,590
Food stores	3,523	3,486	4,634	4,605	4,453	4,460	4,286	4,141	3,916	3,770
Motor vehicle and parts dealers	11,120	10,690	10,069	9,765	9,759	8,888	8,267	7,550	6,902	6,453
Service stations	654	663	721	742	795	522	471	431	402	383
Apparel stores	2,577	2,351	2,077	2,004	1,948	1,833	1,791	1,775	1,683	1,651
Home furnishings and appliances	2,096	1,930	1,774	1,791	1,844	1,819	1,741	1,583	1,452	1,466
Electronics and music stores	2,453	2,254	1,983	2,156	2,422	2,166	1,807	1,733	1,537	1,390
Eating and drinking establishments	7,239	6,689	6,375	6,115	5,969	5,609	5,271	5,010	4,683	4,534
Other retail stores	6,889	6,564	6,824	6,520	6,530	6,111	5,638	5,332	4,842	4,540
Services	10,634	10,316	10,902	10,791	10,670	10,155	9,523	8,908	8,254	8,232
Contracting	15,780	13,971	13,646	13,831	14,060	12,820	11,397	10,216	9,014	9,043
All other outlets	17,374	16,681	16,147	17,093	17,587	16,870	15,968	15,454	14,368	13,945
Total	$ 93,436	$ 87,659	$ 85,361	$ 84,899	$ 85,338	$ 80,227	$ 74,577	$ 69,974	$ 64,300	$ 62,314
State direct sales tax rate[1]	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%

[1] State tax rate only; excludes local sales tax rate.

Source: Quarterly Business Review, Washington State Department of Revenue

Schedule 7
Taxable Sales by Business and Occupation Tax Classification

Last Ten Calendar Years (expressed in millions)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Retailing	$ 121,453	$ 112,158	$ 108,462	$ 108,329	$ 108,312	$ 101,136	$ 94,738	$ 89,057	$ 84,111	$ 79,564
Wholesaling	98,988	91,610	90,567	109,153	111,698	106,634	98,889	91,335	76,907	71,607
Service and Other Activities	56,575	51,968	48,204	48,834	47,610	41,857	31,611	38,297	34,135	32,020
Manufacturing	31,814	25,333	25,036	27,471	32,941	31,894	33,533	34,311	33,442	30,384
Retailing of Interstate Transportation Equipment	10,996	10,389	13,401	3,849	3,794	4,722	3,531	2,834	2,696	2,603
Other Business & Occupation Classifications	29,043	27,416	26,504	24,043	22,413	20,969	19,260	22,376	22,020	21,107
Total	$ 348,869	$ 318,875	$ 312,175	$ 321,678	$ 326,766	$ 307,212	$ 281,561	$ 278,209	$ 253,312	$ 237,284
State B&O tax rate range	.138 - 1.5%	.138 - 1.5%	.138 - 1.5%	.138 - 1.5%	.138 - 1.5%	.138 - 1.5%	.138 - 1.5%	.011 - 1.5%	.011 - 1.5%	.011 - 1.5%

Source: Quarterly Business Review, Washington State Department of Revenue

Schedule 8
Property Tax Levies and Collections

Last Ten Calendar Years (expressed in millions)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Total Property Tax Levies	$ 6,531	$ 6,254	$ 5,978	$ 5,711	$ 5,412	$ 5,083	$ 4,723	$ 4,571	$ 4,293	$ 4,010
Current tax collections	$ 6,432	$ 6,124	$ 5,734	$ 5,521	$ 5,204	$ 4,891	$ 4,546	$ 4,407	$ 4,129	$ 3,856
Delinquent tax collections	-	121	156	150	168	153	146	133	121	119
Total Tax Collections	$ 6,432	$ 6,245	$ 5,890	$ 5,671	$ 5,372	$ 5,044	$ 4,692	$ 4,540	$ 4,250	$ 3,975
Outstanding delinquent taxes	$ 99	$ 9	$ 88	$ 40	$ 40	$ 39	$ 31	$ 31	$ 43	$ 35
Percent of current taxes collected	98.5%	97.9%	95.9%	96.7%	96.2%	96.2%	96.3%	96.4%	96.2%	96.2%
Ratio of total tax collections to tax levy	98.5%	99.9%	98.5%	99.3%	99.3%	99.2%	99.3%	99.3%	99.0%	99.1%
Ratio of delinquent taxes to total tax levy	1.5%	0.1%	1.5%	0.7%	0.7%	0.8%	0.7%	0.7%	1.0%	0.9%

Source: Tax Statistics, Washington State Department of Revenue.

Schedule 9
Assessed and Estimated Actual Value of Property

Last Ten Calendar Years (expressed in millions)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Real Property										
Assessed value	$ 540,549	$ 502,936	$ 473,121	$ 444,313	$ 410,088	$ 375,084	$ 350,203	$ 324,134	$ 303,221	$ 288,297
Estimated actual value	590,145	551,909	527,978	496,391	459,908	422,543	390,079	359,568	336,838	329,199
Personal Property										
Assessed value	33,128	32,272	33,717	34,374	31,103	29,573	28,384	27,774	27,222	25,285
Estimated actual value	34,967	33,746	35,623	35,905	32,773	30,419	29,346	29,879	28,389	26,271
Total										
Assessed value	$ 573,677	$ 535,208	$ 506,838	$ 478,687	$ 441,191	$ 404,657	$ 378,587	$ 351,908	$ 330,443	$ 313,582
Estimated actual value	625,112	585,655	563,601	532,296	492,681	452,962	419,425	389,447	365,227	355,470
Total Direct Property Tax Rate [1]	$ 12.21	$ 12.33	$ 12.52	$ 12.96	$ 13.39	$ 13.56	$ 13.52	$ 13.93	$ 13.82	$ 13.53
Ratio of total assessed value to total estimated actual value	91.8%	91.4%	89.9%	89.9%	89.5%	89.3%	90.3%	90.4%	90.5%	88.2%

[1] Rate is the weighted average of regular, special and state rates.

Source: Tax Statistics, Washington State Department of Revenue.

Schedule 10
Property Tax Levies

Overlapping Governments

Last Ten Calendar Years (expressed in millions)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
State	$ 1,527	$ 1,485	$ 1,445	$ 1,397	$ 1,326	$ 1,278	$ 1,238	$ 1,189	$ 1,099	$ 1,066
Local school districts	2,094	2,004	1,896	1,802	1,727	1,604	1,458	1,415	1,333	1,187
Counties	1,148	1,094	1,066	1,020	972	924	872	849	820	789
Cities and towns	919	861	829	798	734	666	632	589	549	503
Other districts	843	810	742	694	653	611	523	529	492	465
Total Property Tax Levies	$ 6,531	$ 6,254	$ 5,978	$ 5,711	$ 5,412	$ 5,083	$ 4,723	$ 4,571	$ 4,293	$ 4,010

Source: Tax Statistics, Washington State Department of Revenue.

Schedule 11
Ratios of Outstanding Debt by Type

Last Ten Fiscal Years (expressed in millions, except per capita)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Governmental Activities Debt										
General Obligation Bonds	$ 9,842	$ 9,173	$ 8,376	$ 7,997	$ 7,475	$ 7,055	$ 6,645	$ 6,357	$ 5,931	$ 5,561
Revenue Bonds	550	496	502	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Certificates of Participation	315	274	276	249	214	190	169	156	156	153
Capital leases/Installment contracts	24	28	32	35	18	8	5	6	5	6
Total Governmental Activities Debt	10,731	9,971	9,186	8,281	7,706	7,252	6,819	6,519	6,092	5,720
Business-Type Activities Debt										
General Obligation Bonds	138	155	172	187	205	222	237	250	261	262
Higher Education Revenue Bonds	576	513	448	324	278	218	181	146	147	156
Certificates of Participation	251	247	248	236	275	274	96	83	81	38
Capital Leases	21	14	6	2	2	2	2	2	2	2
Total Business-Type Activities Debt	986	929	874	749	759	716	516	481	491	457
Total Primary Government Debt	$ 11,717	$ 10,900	$ 10,060	$ 9,030	$ 8,465	$ 7,968	$ 7,335	$ 7,000	$ 6,583	$ 6,177
Debt Ratios										
Ratio of Total Debt to Personal Income [1]	5.74%	5.46%	5.07%	4.65%	4.51%	4.54%	4.48%	4.66%	4.71%	4.76%
Per Capita [2]	$ 1,873	$ 1,767	$ 1,650	$ 1,495	$ 1,417	$ 1,352	$ 1,258	$ 1,217	$ 1,162	$ 1,109
Net General Obligation Bonded Debt										
Gross Bonded Debt	$ 11,106	$ 10,337	$ 9,498	$ 8,508	$ 7,957	$ 7,495	$ 7,063	$ 6,753	$ 6,339	$ 5,978
Less: Debt Service Funds	178	288	100	102	83	211	88	88	80	82
Net Bonded Debt	$ 10,928	$ 10,049	$ 9,398	$ 8,406	$ 7,874	$ 7,284	$ 6,975	$ 6,665	$ 6,259	$ 5,896
Ratio of Net Bonded Debt to Estimated Actual Property Value [3]	1.75%	1.82%	1.70%	1.59%	1.59%	1.58%	1.65%	1.71%	1.74%	1.75%
Per Capita [2]	$ 1,747	$ 1,629	$ 1,541	$ 1,391	$ 1,318	$ 1,236	$ 1,196	$ 1,159	$ 1,105	$ 1,059

[1] Personal income data can be found in Schedule 14. 2005 Personal Income data not available. Used 2004 Personal Income to calculate 2005 ratio.

[2] Population data can be found in Schedule 16.

[3] Estimated Actual Property Value data can be found in Schedule 9. 2005 Property tax roll not assessed until 2006.
2004 Estimated Assessed Value used to calculate 2005 ratio.

Source: Washington State Office of Financial Management - Accounting Division

Schedule 12
Legal Debt Margin Information
Last Ten Fiscal Years (dollars in millions)

Legal Debt Limitation Calculation for Fiscal Year 2005 (Statutory Debt Limitation)

Three year mean, general state revenues	$ 9,932
Legal Debt Limitation:	
Debt service limitation (7 percent of above)	695
Less: Projected maximum annual debt service of outstanding bonds as of June 30 of the preceding fiscal year	623
Debt service capacity	$ 72
Remaining State general obligation debt capacity [1]	$ 993
Plus: Debt outstanding bond issued & projected sales subject to limitation as of June 30 of the preceding fiscal year	6,047
Maximum Debt Authorization Subject to Limitation	$ 7,040

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Debt service limitation	$ 695	$ 639	$ 622	$ 606	$ 581	$ 554	$ 529	$ 510	$ 494	$ 476
Total debt service applicable to limit	623	594	560	567	560	531	504	480	436	398
Debt service capacity	$ 72	$ 45	$ 62	$ 39	$ 21	$ 23	$ 25	$ 30	$ 58	$ 78
Debt service capacity as a % of total debt service limitation	10.4%	7.0%	10.0%	6.4%	3.6%	4.2%	4.7%	5.9%	11.7%	16.4%
Remaining State general obligation debt capacity [2]	$ 993	$ 607	$ 846	$ 550	$ 299	$ 294	$ 375	$ 417	$ 764	$ 1,057
Debt outstanding bonds issued & projected sales subject to debt service limitation	6,047	5,693	5,622	5,406	5,114	4,870	4,647	4,231	3,974	3,791
Maximum debt authorization subject to limitation [3]	$ 7,040	$ 6,300	$ 6,468	$ 5,956	$ 5,413	$ 5,164	$ 5,022	$ 4,648	$ 4,738	$ 4,848
Remaining debt capacity as a % of maximum debt authorized	14.1%	9.6%	13.1%	9.2%	5.5%	5.7%	7.5%	9.0%	16.1%	21.8%

[1] Interest rate assumption for 2005 is 5.2 percent.

[2] The remaining debt capacity each year is the calculated present value of the debt service capacity utilizing a yearly interest rate assumption.

[3] Statutory Debt Limitation.

Source: Office of the State Treasurer – Certification of the Debt Limitation of the State of Washington.

Schedule 13
Revenue Bond Coverage

Last Ten Fiscal Years (expressed in millions)

Fiscal Year	Gross Revenues [1]	Less: Operating Expenses [2]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
Governmental Activities						
2005	41	-	41	1	33	1.21
2004	39	-	39	N/A	N/A	-
2003	N/A	N/A	-	N/A	N/A	-
2002	N/A	N/A	-	N/A	N/A	-
2001	N/A	N/A	-	N/A	N/A	-
2000	N/A	N/A	-	N/A	N/A	-
1999	N/A	N/A	-	N/A	N/A	-
1998	N/A	N/A	-	N/A	N/A	-
1997	N/A	N/A	-	N/A	N/A	-
1996	N/A	N/A	-	N/A	N/A	-
Business-Type Activities						
2005	1,102	998	104	12	26	2.74
2004	1,068	971	97	10	50	1.62
2003	1,015	917	98	8	17	3.92
2002	912	854	58	8	12	2.90
2001	838	806	32	6	12	1.78
2000	775	716	59	5	10	3.93
1999	758	674	84	6	8	6.00
1998	712	603	109	6	8	7.79
1997	636	548	88	6	8	6.29
1996	676	591	85	6	9	5.67

[1] Total revenues (including earnings on investments).

[2] Total operating expenses exclusive of depreciation.

N/A - No revenue bonds outstanding for governmental activities prior to 2004.

Source: Washington State Office of Financial Management - Accounting Division.

Schedule 14
Personal Income Comparison
Washington vs. United States
Last Ten Calendar Years (dollars in billions)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
In Current Dollars:										
Washington										
Amount	$ 199.7	$ 204.0	$ 198.4	$ 194.4	$ 187.9	$ 175.5	$ 163.8	$ 150.1	$ 139.7	$ 129.8
Percent change	4.7%	2.8%	2.0%	3.5%	7.0%	7.2%	9.1%	7.5%	7.6%	5.3%
Per Capita	32,378	33,452	32,838	32,536	31,879	30,099	28,487	26,502	25,091	23,729
United States										
Amount	$ 8,972.5	$ 9,161.8	$ 8,878.9	$ 8,724.1	$ 8,429.7	$ 7,802.4	$ 7,423.0	$ 6,915.1	$ 6,520.6	$ 6,152.3
Percent change	3.3%	3.2%	1.8%	3.5%	8.0%	5.1%	7.3%	6.1%	6.0%	5.3%
Per Capita	30,856	31,507	30,926	30,600	29,872	27,962	26,909	25,363	24,205	23,312
Washington as % of U.S.	104.9%	106.2%	106.2%	106.3%	106.7%	107.6%	105.9%	104.5%	103.7%	101.8%

Source: Washington State Economic and Revenue Forecast Council - November 2005 forecast.

Schedule 15
Personal Income by Component
Last Ten Calendar Years (dollars in billions)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Total personal income	$ 216.3	$ 201.3	$ 197.3	$ 193.5	$ 187.9	$ 175.5	$ 163.8	$ 150.1	$ 139.7	$ 129.8
Percent change	7.4%	2.0%	2.0%	3.0%	7.0%	7.2%	9.1%	7.5%	7.6%	5.3%
Total earnings	$ 166.4	$ 157.8	$ 153.0	$ 150.0	$ 147.0	$ 138.2	$ 126.7	$ 115.1	$ 106.7	$ 99.8
Percent change	5.5%	3.1%	2.0%	2.0%	6.4%	9.0%	10.1%	7.8%	7.0%	4.5%
Wages and salaries	$ 118.3	$ 114.1	$ 111.4	$ 110.6	$ 110.0	$ 103.8	$ 94.2	$ 85.2	$ 77.2	$ 71.6
Percent change	3.7%	2.4%	0.7%	0.6%	6.0%	10.2%	10.6%	10.3%	7.9%	6.0%
Other labor income	$ 29.8	$ 27.2	$ 25.5	$ 23.2	$ 22.9	$ 21.3	$ 20.1	$ 18.5	$ 17.8	$ 17.3
Percent change	9.3%	6.8%	9.7%	1.6%	7.5%	5.6%	9.0%	4.0%	2.8%	3.1%
Farm proprietor's income	$ 0.8	$ 0.7	$ 0.4	$ 0.2	$ 0.4	$ 0.4	$ 0.7	$ 0.7	$ 1.0	$ 0.7
Percent change	29.3%	77.1%	73.1%	-51.9%	24.4%	-51.1%	8.4%	-34.7%	51.9%	-7.2%
Nonfarm proprietor's income	$ 17.5	$ 15.8	$ 15.7	$ 15.9	$ 13.7	$ 12.8	$ 11.6	$ 10.7	$ 10.7	$ 10.2
Percent change	11.1%	0.4%	-1.5%	16.4%	7.2%	9.8%	8.7%	0.2%	4.7%	-2.4%
Less: Personal contributions for										
Social insurance	$ 20.2	$ 19.0	$ 18.2	$ 17.8	$ 18.2	$ 17.0	$ 16.1	$ 14.6	$ 13.8	$ 13.2
Percent change	6.4%	4.2%	2.3%	-2.0%	7.3%	5.5%	10.1%	5.5%	4.5%	4.7%
Plus: Residence adjustment	$ 2.5	$ 2.3	$ 2.3	$ 2.3	$ 2.2	$ 1.9	$ 1.8	$ 1.7	$ 1.6	$ 1.4
Percent change	7.4%	-0.6%	1.6%	6.0%	12.5%	6.1%	6.2%	9.6%	14.9%	12.3%
Dividends, interest, and rent	$ 39.0	$ 32.3	$ 33.6	$ 33.9	$ 34.5	$ 31.4	$ 31.5	$ 28.9	$ 26.8	$ 24.5
Percent change	20.7%	-3.7%	-0.9%	-1.8%	10.1%	-0.5%	9.2%	7.6%	9.6%	7.0%
Transfer payments	$ 28.5	$ 27.9	$ 26.6	$ 25.1	$ 22.3	$ 21.0	$ 19.8	$ 19.1	$ 18.4	$ 17.5
Percent change	2.1%	4.8%	6.2%	12.4%	6.4%	6.1%	3.7%	3.8%	5.1%	7.0%

Note: Figures may not total due to rounding.

Source: Washington State Economic and Revenue Forecast Council - November 2005 forecast.

Schedule 16
Total Resident Population and Components of Change

Last Ten Calendar Years (figures in thousands)

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
United States Population[1]	N/A	293,655.4	290,788.9	287,102.0	285,102.0	282,192.1	279,040.1	275,854.1	272,646.9	269,394.2
Percent Change[1]	N/A	1.0%	1.3%	0.7%	1.0%	1.1%	1.2%	1.2%	1.2%	1.1%
Washington Population	6,256.4	6,167.8	6,098.3	6,041.7	5,974.9	5,894.1	5,830.8	5,750.0	5,663.8	5,567.8
Percent Change	1.1%	1.1%	0.9%	1.1%	1.4%	1.1%	1.4%	1.5%	1.7%	1.8%
Washington Population change:										
Number	88.6	69.5	56.6	66.8	80.8	63.3	80.8	86.3	96.0	97.7
Births number	81.9	81	79.1	79.3	80.7	79.9	79.8	78.8	78.0	77.0
Deaths number	43.9	45.9	44.7	44.9	43.9	43.7	43.1	41.6	42.6	41.2
Net migration number	50.6	34.4	22.2	32.4	44.0	27.2	44.2	49.0	60.6	61.8

Notes: Births, deaths, and migration year figures are April through March.
Population figures are as of April 1 of each year.
Birth and death figures are estimated for the years 2004 and 2005.
[1] 2005 U.S. Population number not available.

Source: Washington State Office of Financial Management - November 2005 forecast.

Schedule 17
Annual Average Civilian Labor Force, Unemployment and Unemployment Rates For Washington and The United States

Last Ten Calendar Years (figures in thousands)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Washington State										
Civilian Labor Force	3,234	3,140	3,109	3,024	3,056	3,094	3,056	2,999	2,887	2,817
Employment	3,032	2,903	2,883	2,831	2,896	2,948	2,910	2,856	2,699	2,638
Total Unemployment	201	237	226	193	160	146	146	143	188	179
Unemployment Percentage Rate	6.2%	7.5%	7.3%	6.4%	5.2%	4.7%	4.8%	4.8%	6.5%	6.4%
United States										
Civilian Labor Force	146,500	146,500	145,100	143,900	142,600	141,000	139,100	137,600	134,900	133,100
Employment	137,700	137,700	136,700	137,100	136,900	135,100	132,800	130,800	127,600	125,700
Total Unemployment	8,800	8,800	8,400	6,800	5,700	5,900	6,300	6,800	7,300	7,400
Unemployment Percentage Rate	6.0%	6.0%	5.8%	4.7%	4.0%	4.2%	4.5%	4.9%	5.4%	5.6%
Washington Rate as % of U.S. Rate	103.6%	125.7%	125.6%	135.1%	131.0%	112.8%	105.5%	96.5%	120.3%	114.3%

Source: Washington State Economic and Revenue Forecast Council - November 2005 forecast.

Schedule 18
Employment by Sector

Last Ten Calendar Years (figures in thousands)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Nonagricultural Wage and Salary										
Workers Employed in Washington State										
Manufacturing:										
Food	34.1	34.8	35.3	37.2	38.9	38.6	38.3	39.1	40.1	39.9
Wood products	18.6	17.8	18.0	18.9	21.9	21.2	21.9	22.9	22.7	22.5
Paper and paper products	12.7	13.3	13.3	14.1	14.4	15.2	15.6	15.6	15.6	15.7
Primary and fabricated metals	22.3	22.1	23.5	27.0	29.8	30.0	31.4	30.7	29.4	28.0
Computer and electronic equipment	22.1	23.4	26.2	32.4	34.4	33.3	35.0	33.5	30.1	27.6
Machinery and electrical equipment	17.1	16.3	16.7	18.6	19.8	19.2	18.3	17.8	16.5	15.5
Aerospace	61.5	65.3	75.7	87.3	86.2	98.3	112.0	105.1	86.4	80.2
Other manufacturing	75.2	74.2	76.4	80.7	86.6	87.7	88.0	85.7	84.2	82.0
Total Manufacturing	263.6	266.7	285.0	316.2	331.9	343.4	360.6	350.4	325.0	311.4
Nonmanufacturing:										
Natural resources	9.2	8.6	9.4	9.8	10.0	10.6	10.3	10.8	10.5	10.4
Construction	164.2	156.2	154.2	158.8	160.6	153.8	143.4	137.3	127.4	122.5
Transportation, warehousing and utilities	89.8	87.9	88.3	92.4	95.4	94.3	93.5	90.1	89.4	87.6
Trade	429.6	421.9	421.0	431.4	436.5	424.8	412.5	400.7	390.8	380.8
Information	92.5	92.3	93.6	99.0	97.6	85.2	77.2	72.4	68.3	64.2
Financial activities	152.1	151.9	146.2	145.2	142.3	142.8	136.3	128.5	124.9	121.7
Services	977.6	951.3	940.2	939.1	953.8	919.4	895.2	866.0	828.5	803.9
State and local government	454.1	450.5	447.0	437.5	413.5	406.8	398.7	390.2	382.0	374.3
Federal civilian government	69.7	70.2	69.2	67.9	69.9	67.6	67.2	67.9	68.6	70.1
Total Nonmanufacturing	2,438.8	2,391.3	2,369.0	2,381.2	2,379.7	2,305.3	2,234.3	2,163.8	2,090.5	2,035.5
Total Wage and Salary Workers	2,702.3	2,658.0	2,654.0	2,697.3	2,711.6	2,648.7	2,594.8	2,514.1	2,415.5	2,346.9

Notes: (1) Average of monthly data.

Source: Washington State Economic and Revenue Forecast Council - November 2005 forecast.

Schedule 19
Average Annual Wage Rates

Last Ten Calendar Years

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Mining	$ 46,699	$ 50,746	$ 48,388	$ 48,525	N/A	N/A	N/A	N/A	N/A	N/A
Construction	42,154	41,994	41,974	41,008	N/A	N/A	N/A	N/A	N/A	N/A
Manufacturing	52,489	50,984	51,431	48,206	N/A	N/A	N/A	N/A	N/A	N/A
Transportation, warehousing and utilities	44,813	42,824	42,159	40,884	N/A	N/A	N/A	N/A	N/A	N/A
Retail trade	28,106	27,470	26,915	25,896	N/A	N/A	N/A	N/A	N/A	N/A
Wholesale trade	54,309	50,763	49,517	48,679	N/A	N/A	N/A	N/A	N/A	N/A
Information	91,133	101,977	102,182	110,659	N/A	N/A	N/A	N/A	N/A	N/A
Financial activities	54,993	51,519	48,105	46,715	N/A	N/A	N/A	N/A	N/A	N/A
Services	36,059	35,198	34,037	32,901	N/A	N/A	N/A	N/A	N/A	N/A
State and local government	37,536	36,599	35,559	34,191	33,875	32,372	31,291	30,252	29,531	28,620
Federal civilian government	55,639	52,669	49,327	47,270	44,716	42,754	42,336	41,202	39,802	37,585

Note: Employment and wages are reported on by North American Industry Code (NAIC). Wages are not available before 2001 on a NAIC basis for most industry sectors.

Source: Washington State Economic and Revenue Forecast Council - November 2005 forecast.

Schedule 20
Washington's Twenty-Five Largest Public Companies
(Ranked by 2003 Revenues)

Ranking	Company	Description of company	Revenues (in millions)
1	Costco Wholesale Corp.	Worldwide wholesale club operator	$ 42,545.6
2	Microsoft Corp.	Software development	32,187.0
3	Weyerhaeuser Co.	Natural resource and forest products	19,873.0
4	Washington Mutual Inc.	National financial services	18,013.0
5	AT&T Wireless Services Inc.	Digital wireless networking	16,695.0
6	Paccar Inc.	Heavy-duty truck manufacturing and financial services	8,194.9
7	Safeco Corp.	Financial services and insurance	7,358.1
8	Nordstrom Inc.	Apparel retailer	5,975.1
9	Amazon.com Inc.	Online retailer	5,263.7
10	Starbucks Corp.	Coffee roaster and retailer	4,075.5
11	Expeditors International of Washington Inc.	International logistics company	2,624.9
12	Puget Energy Inc.	Supplies utilities to Washington State	2,491.5
13	Alaska Air Group Inc.	Holding company for Alaska and Horizon airlines	2,444.8
14	Potlatch Corp.	Paper and paper products	1,506.6
15	Western Wireless Corp.	Wireless telecommunications	1,501.3
16	Plum Creek Timber Co. Inc.	Natural resource and forest products	1,196.0
17	Avista Corp.	Holding company for utilities	1,123.4
18	Unova Inc.	Specializing in automated data and industrial automation systems	1,122.6
19	Nextel Partners Inc.	Provides digital wireless communications service	1,019.0
20	Labor Ready Inc.	Temporary employment services	891.2
21	Longview Fibre Co.	Natural resource and forest products in midsized and smaller markets in the United States	773.3
22	Esterline Technology Corp.	Specialized manufacturing company serving aerospace, defense markets and electronic equipment manufacturers	562.5
23	Getty Images Inc.	E-commerce provider of photography and related media services	523.2
24	The Nautilus Group Inc.	Direct marketer of fitness equipment	498.8
25	Washington Federal Savings	Specializing in real estate loans	465.2

Source: Puget Sound Business Journal 2005 Book of Lists

Schedule 21
Fortune 500 Companies Headquartered in Washington

Ranking 2004	Ranking 2003	Company	Revenues (in millions)	Profits (in millions)	Employees Worldwide	Headquarters/ Location
29	29	Costco Wholesale Corp.	$ 48,107	$ 882	82,150	Issaquah
41	46	Microsoft Corp.	36,835	8,168	57,000	Redmond
89	95	Weyerhaeuser Co.	22,665	1,283	53,600	Federal Way
131	103	Washington Mutual Inc.	15,962	2,878	52,579	Seattle
188	250	Paccar Inc.	11,396	907	20,500	Bellevue
285	267	Safeco Corp.	7,336	562	9,200	Seattle
294	286	Nordstrom Inc.	7,131	393	49,700	Seattle
303	342	Amazon.com Inc.	6,921	588	9,000	Seattle
372	425	Starbucks Corp.	5,294	392	96,700	Seattle

Source: Fortune, April 18, 2005

Schedule 22
Value of Agricultural Production

Last Ten Calendar Years (dollars in millions)

	% Change 2004 Vs 2003	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Field crops	4.0	$1,799.0	$1,730.2	$1,799.0	$1,750.2	$1,697.5	$1,617.7	$1,648.1	$1,869.7	$2,083.2	$2,121.2
Fruit and nut crops	(10.2)	1,485.0	1,653.0	1,450.7	1,315.2	1,164.7	1,233.0	1,070.2	1,235.8	1,232.7	1,351.3
Vegetable crops	(12.8)	366.0	419.8	361.7	310.2	329.7	299.3	357.0	357.6	307.6	317.1
Berry crops	18.9	78.7	66.2	62.4	61.5	46.7	66.2	40.4	50.1	54.4	53.1
Total Crops	(3.6)	3,728.7	3,869.2	3,673.8	3,437.1	3,238.6	3,216.2	3,115.7	3,513.2	3,677.9	3,842.7
Specialty products (1)	5.4	535.0	507.7	522.0	589.2	623.7	587.9	579.4	569.7	575.7	640.7
Livestock and livestock products	15.9	1,678.4	1,448.2	1,348.8	1,576.0	1,516.0	1,546.3	1,537.4	1,444.1	1,457.4	1,395.9
State Total		$ 5,942.1	$ 5,825.1	$ 5,544.6	$ 5,602.3	$ 5,378.3	$ 5,350.4	$ 5,232.5	$ 5,527.0	$ 5,711.0	$ 5,879.3

Note: (1) Includes forest products, christmas trees, floriculture, nursery and other horticultural products, and mushrooms.

Source: United States Department of Agriculture (USDA), Washington Agricultural Statistics Service.

Schedule 23
Rank Order of Principal Commodities Value

Last Ten Calendar Years (dollars in thousands)

Commodities	Rank 2004	% Change 2004 Vs 2003	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Apples	1	(18.3)	$962,458	$1,178,020	$1,023,000	$900,250	$750,200	$856,000	$700,000	$821,400	$912,700	$1,021,750
Milk	2	27.5	861,144	675,301	674,400	827,100	715,904	824,715	846,834	732,423	792,277	687,934
Wheat, all	3	0.6	524,493	521,163	496,873	423,681	443,369	345,299	414,218	560,608	755,680	742,500
Cattle and calves	4	0.1	476,099	475,522	451,016	492,641	560,729	454,222	458,719	468,580	409,697	450,009
Potatoes, fall	5	(6.0)	459,669	489,038	512,487	552,240	446,250	476,000	447,480	431,984	451,203	553,823
Hay, all	6	11.8	376,512	336,881	375,366	375,328	355,261	307,027	312,588	361,824	371,347	328,878
Nursery & greenhouse products (1)	7	6.1	328,931	310,085	298,533	288,399	288,432	282,211	273,793	262,620	245,000	245,000
Cherries, all	8	37.8	242,018	175,610	151,385	147,598	157,228	115,860	128,801	132,694	118,940	106,519
Pears, all	9	2.9	132,902	129,152	116,437	108,627	105,995	121,204	107,886	123,670	125,768	118,166
Forest products, farm (2)	10	8.3	130,000	120,000	140,000	171,000	225,000	235,000	247,000	255,000	300,000	338,000
Grapes, all	11	(14.8)	127,455	149,672	134,605	138,195	126,760	114,400	105,276	124,410	57,744	73,676
Broilers (3)	12	31.1	98,224	74,904	65,078	81,704	N/A	N/A	N/A	N/A	N/A	N/A
Aquaculture (including trout eggs & fish)	13	6.1	89,363	84,239	89,690	83,271	N/A	N/A	N/A	N/A	N/A	N/A
Onions, all	14	(38.4)	86,729	140,763	112,538	67,497	64,605	51,795	84,255	99,569	55,452	45,940
Eggs	15	10.0	77,348	70,323	55,460	62,544	59,759	59,031	69,023	75,024	89,961	93,241
Hops	16	7.2	76,640	71,513	83,288	91,911	94,591	80,930	73,457	89,306	93,953	99,290
Sweet corn, all	17	(11.0)	68,474	76,900	72,247	66,268	70,261	64,103	65,752	61,905	57,584	69,221
Corn, grain	18	48.7	60,900	40,950	37,772	26,752	46,805	41,940	46,550	54,150	69,930	66,861
Christmas trees	19	0.0	60,000	60,000	60,000	59,000	60,000	60,000	48,000	45,000	45,000	42,000
Corn, silage	20	12.7	51,545	45,750	53,040	48,360	40,755	41,470	43,500	45,430	37,700	34,344
Asparagus	21	14.2	49,420	43,277	44,893	48,910	54,876	51,216	61,217	64,204	63,312	58,659
Red raspberries	22	27.6	46,635	36,554	36,985	37,784	25,888	48,291	22,664	28,020	30,459	35,182
Mint oil	23	7.5	44,911	41,768	43,254	35,740	34,309	37,236	54,501	53,066	54,413	51,547
Barley	24	(10.6)	34,643	38,756	49,504	41,160	66,199	50,882	53,404	80,630	72,019	59,299
Kentucky bluegrass seed	25	35.8	28,000	20,625	18,915	22,875	25,840	18,160	17,500	17,466	17,457	13,694
Haylage	26	6.7	21,600	20,250	18,011	26,075	21,924	43,763	36,685	N/A	N/A	N/A
Green peas, processing	27	(0.7)	20,287	20,439	13,804	18,148	24,638	22,588	26,921	25,342	20,408	30,246
Lentils	28	8.5	17,968	16,562	17,024	12,032	12,495	11,993	9,877	14,495	24,784	34,449
Blueberries	29	32.6	16,000	12,068	9,741	11,688	9,364	7,833	6,565	7,769	5,639	3,096
Mushrooms	30	17.4	15,877	13,525	14,497	16,711	14,160	15,307	15,751	14,392	14,731	N/A

Note: (1) Includes floriculture.
(2) Value of forest products sold from operations meeting the USDA farm definition.
(3) Washington Fryer Commission total weight multiplied by USDA US average bird liveweight price per pound.
N/A indicates data not available.

Source: United States Department of Agriculture (USDA), Washington Agricultural Statistics Service.

Schedule 24
International Trade Facts
All Washington Ports
Last Ten Calendar Years (dollars in millions)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Exports (1)	$ 46,051	$ 41,776	$ 41,730	$ 42,935	$ 42,100	$ 46,513	$ 48,780	$ 47,685	$ 40,380	$ 34,986
Imports	65,135	55,762	54,059	58,144	64,991	59,676	55,604	53,193	46,849	47,972
Trade balance	(19,084)	(13,987)	(12,329)	(15,209)	(22,891)	(13,163)	(6,824)	(5,508)	(6,469)	(12,986)
Two-way trade	111,186	97,538	95,789	101,079	107,091	106,189	104,384	100,878	87,229	82,958

Note: (1) These figures indicate total international trade from the state of Washington, including bonded shipments to other states and Canada (includes Boeing Company figures).

Source: Washington State Department of Community, Trade and Economic Development (U.S. Census Bureau).

Schedule 25
Major Export Trading Partners
Last Ten Calendar Years (dollars in millions)

Partners	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Japan	$ 8,779	$ 7,988	$ 6,865	$ 5,938	$ 6,837	$ 7,868	$ 8,754	$ 9,871	$ 9,026	$ 8,719
Canada	8,758	7,141	6,414	6,525	7,210	6,904	6,836	7,131	6,230	6,051
China	4,219	2,968	3,032	3,445	2,540	2,453	3,852	2,273	2,091	1,602
Korea	3,296	3,014	3,712	3,605	3,445	2,923	1,837	4,290	4,609	4,504
Taiwan	2,761	2,503	1,464	1,970	2,076	1,278	2,409	2,246	2,330	2,422
France	2,011	597	1,883	1,157	950	1,337	836	250	299	276
Netherlands	1,700	2,027	914	834	1,518	1,482	877	1,216	1,052	802
Singapore	1,602	2,186	2,459	2,770	690	1,434	1,745	1,968	1,545	1,353
Ireland	1,530	903	617	586	492	422	100	80	50	83
United Kingdom	1,029	1,369	1,165	2,721	3,203	4,312	4,451	4,551	1,788	1,299
Australia	918	1,278	2,124	481	517	617	576	599	702	347
Hong Kong	751	696	652	824	785	861	1,429	1,331	1,724	1,328
Philippines	718	483	431	378	396	352	363	581	N/A	N/A
Malaysia	696	277	939	742	414	529	1,469	1,354	593	578
Pakistan	587	12	14	8	8	25	62	139	N/A	N/A
Germany	509	746	983	1,728	1,855	2,043	2,278	1,497	1,120	949
Vietnam	444	584	44	34	33	27	29	38	N/A	N/A
Hungary	443	283	6	5	6	8	5	3	N/A	N/A
Spain	435	154	211	376	1,010	927	43	167	126	118
Thailand	359	796	223	619	578	711	943	1,347	1,194	563

Note: 1995-1999 statistics based on all Washington State ports, all methods of transportation.
N/A indicates data not available.

Source: Washington State Department of Community, Trade and Economic Development (U.S. Census Bureau).

Schedule 26
Major Import Trading Partners
Last Ten Calendar Years (dollars in millions)

Partners	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Japan	$ 18,291	$ 15,917	$ 15,658	$ 17,074	$ 20,022	$ 19,622	$ 19,303	$ 20,833	$ 18,877	$ 20,507
China	16,138	13,955	12,155	9,875	10,651	9,288	8,428	7,612	6,655	6,578
Canada	13,367	11,425	10,389	12,659	14,690	11,961	10,429	9,663	8,107	6,810
Korea	3,468	2,788	2,637	2,558	2,793	2,507	2,337	2,354	2,124	2,568
Taiwan	2,776	2,160	2,382	3,200	4,021	3,845	4,105	3,217	3,062	3,569
Hong Kong	978	882	913	1,634	1,345	1,116	1,183	1,380	1,237	1,091
Malaysia	955	690	724	772	958	808	816	599	669	715
Thailand	918	813	841	1,015	1,332	1,152	1,195	1,179	977	980
Indonesia	816	627	879	880	781	739	762	647	600	669
United Kingdom	758	842	1,256	2,342	1,645	2,478	2,172	1,744	836	793
Singapore	536	507	356	302	322	325	291	237	306	431
France	507	472	750	859	726	736	341	121	162	198
Australia	470	395	738	663	904	841	714	844	695	536
Argentina	422	326	206	136	167	235	52	78	N/A	N/A
Philippines	418	405	550	1,011	1,089	1,070	813	381	380	498
Germany	412	356	497	489	496	444	397	311	305	251

Note: Based on all Washington State ports, all methods of transportation.

Source: Washington State Department of Community, Trade and Economic Development (U.S. Census Bureau).

Schedule 27
Property Value and Construction

Last Ten Calendar Years (dollars in millions)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Property Value:										
Assessed value	$ 573,677	$ 535,208	$ 506,838	$ 478,687	$ 441,192	$ 404,657	$ 378,587	$ 378,587	$ 330,443	$ 313,582
Exemptions:										
Senior citizen	$ 3,839	$ 3,362	$ 3,327	$ 4,066	$ 4,187	$ 4,609	$ 4,796	$ 2,883	$ 2,999	$ 3,037
Head of household	47	56	56	53	47	43	47	44	54	50
Total Exemptions	$ 3,886	$ 3,418	$ 3,383	$ 4,119	$ 4,234	$ 4,652	$ 4,843	$ 2,927	$ 3,053	$ 3,087
New Construction:										
Value	$ 12,872	$ 11,356	$ 10,724	$ 10,896	$ 10,527	$ 9,542	$ 9,195	$ 8,497	$ 6,818	$ 7,794

Source: Tax Statistics, Washington State Department of Revenue.

Schedule 28
Residential Building Activity

Last Ten Calendar Years (dollars in millions)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Permits	50,089	42,825	40,200	38,345	39,021	42,752	45,727	41,089	39,597	38,445
Valuations	$ 7,535	$ 6,346	$ 5,473	$ 4,689	$ 4,426	$ 4,578	$ 4,745	$ 4,225	$ 3,773	$ 3,578

Source: U.S. Department of Commerce, Bureau of the Census.

Schedule 29
Accrued State Retail Sales Tax*

Last Ten Calendar Years (dollars in millions)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Sales Subject to Retail Sales Tax:										
Gross	$144,549	$132,285	$126,515	$127,819	$128,778	$118,527	$110,400	$102,800	$ 95,648	$ 90,107
Taxable	93,436	87,659	85,361	84,899	85,339	80,228	74,577	69,975	64,301	62,315
Accrued State Retail Sales Tax	6,073	5,698	5,549	5,518	5,547	5,215	4,847	4,548	4,179	4,054

*State tax only, excludes accrued local sales tax revenues.
Source: Quarterly Business Review, Washington State Department of Revenue.

Schedule 30
Full-Time Equivalent Staff Comparison
Budgeted Funds
Last Ten Fiscal Years

Function	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
General government	9,272	9,004	8,867	8,761	8,637	8,510	8,416	8,179	8,228	8,024
Human services	33,368	32,964	32,909	33,080	32,884	32,587	32,003	30,665	30,201	29,823
Natural resources and recreation	6,253	6,245	6,275	6,307	6,190	5,955	5,921	5,910	6,057	6,079
Transportation	10,549	10,373	10,410	10,531	10,250	10,254	10,140	9,827	9,958	9,753
Education	47,327	46,491	45,802	45,139	44,081	42,623	41,426	40,448	39,238	38,116
Total	106,769	105,077	104,263	103,818	102,042	99,929	97,906	95,029	93,682	91,795
Percentage Change	1.6%	0.8%	0.4%	1.7%	2.1%	2.1%	3.0%	1.4%	2.1%	-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.

FTE staff years can be computed two ways:
(1) By accumulating all FTE staff months for a full year and dividing by 12.
(2) By accumulating all paid hours for one full year and dividing by 2,088 (the available work hours in a year).

Figures include:
Operating and capital FTEs.
FTEs of nonbudgeted Higher Education funds.

Source: Washington State Office of Financial Management - Accounting Division.

Schedule 31
Full-Time Equivalent Staff Comparison
General Fund State
Last Ten Fiscal Years

Function	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
General government	3,102	3,022	3,030	2,904	2,925	2,874	2,870	2,763	2,874	2,769
Human services	17,130	17,167	17,701	17,398	17,132	16,122	16,242	16,159	15,593	14,878
Natural resources and recreation	2,166	2,226	2,066	2,189	2,157	1,902	1,787	1,637	1,842	1,773
Transportation	307	334	188	391	416	405	407	211	222	174
Education	19,265	19,297	18,512	18,555	18,464	17,944	17,681	17,358	16,846	16,391
Total	41,970	42,046	41,497	41,437	41,094	39,247	38,987	38,128	37,377	35,985
Percentage Change	-0.2%	1.3%	0.1%	0.8%	4.7%	0.7%	2.3%	2.0%	3.9%	-3.2%

Notes: A Full-Time Equivalent (FTE) is one full calendar year of paid employment, or the equivalent of 2,088 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in state government. It is a computed average number of state employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year. This data includes operating and capital FTEs.

FTE staff years can be computed two ways:
(1) By accumulating all FTE staff months for a full year and dividing by 12.
(2) By accumulating all paid hours for one full year and dividing by 2,088 (the available work hours in a year).

Source: Washington State Office of Financial Management - Accounting Division.

Schedule 32
Operating and Capital Asset Indicators by Function
General Government

Last Ten Fiscal years

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Department of Revenue (1)										
Number of state excise taxpayer registered accounts *	N/A	692,845	652,373	617,491	580,599	543,380	511,828	481,526	447,489	428,383
Number of taxable real estate excise tax (REET) sales *	N/A	344,056	316,635	287,851	272,480	279,597	289,890	277,638	246,871	249,715
Convention and Trade Center (2)										
Number of national/international/regional events	53	45	41	36	38	34	33	39	40	37
Attendance of national/international/regional events	179,493	161,101	141,090	111,163	129,600	118,440	143,201	200,644	204,373	164,000
Number of local events	454	499	481	407	347	337	284	326	305	286
Attendance of local events	219,191	266,717	284,242	260,702	235,000	280,149	411,949	278,062	275,420	244,800
General Administration (GA) (3)										
Number of state motor pool vehicles **	1,375	1,382	1,389	1,379	1,378	1,403	1,413	N/A	N/A	N/A
Total state motor pool mileage **	19,395,375	19,386,563	19,788,941	19,060,068	21,003,842	20,300,091	20,840,815	N/A	N/A	N/A
Number of leases for office space ***	549	529	568	557	621	665	N/A	N/A	N/A	N/A
Gross square feet of leased office space ***	6,752,962	6,650,177	6,667,180	6,587,952	7,173,869	7,514,541	N/A	N/A	N/A	N/A
Number of GA owned buildings	35	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gross square feet of GA owned office space ****	3,362,225	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Liquor Control Board (4)										
Retail licensees	12,331	12,121	11,791	11,453	11,337	11,244	11,195	11,151	11,064	11,032
Non-retail licensees	1,933	1,409	1,393	1,166	1,178	1,013	946	949	908	816
Number of state owed liquor stores	159	161	157	157	157	154	157	156	159	163
Number of contracted stores	153	154	155	157	157	159	159	159	160	160

* Data available on a calendar year basis.

** Data not available prior to 1999.

*** Data not available prior to 2000.

**** Data not available prior to 2005.

Sources:

(1) Tax Statistics, Washington State Department of Revenue
(2) Washington State Convention and Trade Center
(3) Washington State Department of General Administration
(4) Washington State Liquor Control Board

Schedule 33
Operating and Capital Asset Indicators by Function
Human Services

Last Ten Fiscal Years

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Department of Social and Health Services (1)										
Mental Health Programs										
Mental health state facilities	4	4	4	4	4	4	4	4	4	4
Mental health state facilities available beds	1,247	1,218	1,287	1,379	1,398	1,398	1,315	1,315	1,315	1,349
Mental health state facilities average daily population	1,207	1,192	1,225	1,342	1,359	1,357	1,354	1,311	1,250	1,250
Community mental health facilities	150	150	150	150	150	150	153	164	174	174
Community mental health programs total clients served *	N/A	131,069	127,967	125,524	120,742	112,105	106,911	106,737	99,237	94,736
Medical Assistance Programs										
Monthly average caseload certified eligible *	N/A	862,935	864,389	840,018	790,244	727,964	728,307	746,110	749,743	679,468
Income Assistance Programs										
Temporary Assistance for Needy Families (TANF) caseload	57,015	55,607	54,659	55,068	54,759	58,797	66,145	84,029	N/A	N/A
Food assistance caseload	251,341	220,125	192,310	164,531	144,661	139,341	154,662	182,563	190,969	202,842
Department of Corrections (2)										
Number of correctional institutions	15	15	15	15	15	15	14	14	12	12
Prison population	15,810	16,046	15,580	15,405	14,242	13,736	13,473	12,814	11,695	11,039
Prison operating capacity	15,002	15,341	13,262	13,262	12,867	12,587	11,828	11,529	10,563	10,053
Department of Health (3)										
Licensed health professionals	284,439	275,023	202,009	197,940	192,362	186,284	178,830	177,195	172,814	167,360
Department of Labor & Industries (4)										
Claims filed, injured or ill workers	139,365	137,835	140,710	149,061	167,071	180,310	177,707	181,906	182,556	177,989
Electrical wiring jobs inspected	180,401	162,503	153,874	133,828	128,048	134,042	136,052	132,542	122,887	122,320
Workplaces inspected each year by WISHA program	N/A	6,728	7,688	7,868	6,864	7,339	7,059	7,171	6,565	7,156

* Data not available for Fiscal Year 2005

** Data available on a calendar year basis

Source:
(1) Data Book, Washington State Office of Financial Management
(2) Washington State Department of Corrections
(3) Washington State Department of Health
(4) Washington State Department of Labor and Industries

Schedule 34
Operating and Capital Asset Indicators by Function
Transportation
Last Ten Fiscal Years

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Department of Transportation (1)										
Number of ferries	28	28	29	29	29	29	29	25	26	26
Vehicles on ferries (in '000s)	10,810	10,867	10,812	11,141	11,463	11,543	11,379	11,214	10,914	10,741
Passengers on ferries (in '000s)	13,071	13,541	13,703	14,489	15,140	15,330	15,118	14,701	13,968	13,859
State Highway Annual Vehicle Miles of Travel										
Rural * (in '000s)	N/A	11,353,781	12,900,329	12,731,757	12,398,501	12,271,911	12,167,552	11,904,186	11,624,399	11,120,687
Urban * (in '000s)	N/A	20,203,475	18,763,381	18,754,309	18,272,192	18,162,694	17,916,570	17,415,929	16,918,735	16,188,271
Lane Miles										
Rural	13,641	14,337	13,978	13,962	13,663	13,665	13,661	13,655	13,647	13,661
Urban	6,362	5,633	5,226	5,203	4,369	4,330	4,320	4,318	4,312	4,239
Total	20,003	19,970	19,204	19,165	18,032	17,995	17,981	17,973	17,959	17,900
Pavement patching and repair ** (square feet)	116,357	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pavement striping maintenance ** (miles)	27,389	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Anti-icing & de-icing liquid application ** (gallons)	3,445,811	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Litter pickup ** (cubic yards)	41,115	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Department of Licensing (2)										
Vehicle registrations	3,973,636	3,923,669	3,804,575	3,748,839	3,719,441	3,798,657	3,314,671	3,394,079	3,318,019	3,231,234
Licensed drivers	4,681,927	4,504,581	4,441,038	4,400,194	4,355,207	4,298,998	4,160,480	4,156,768	4,010,133	3,908,283
State Patrol (3)										
Total contacts ***	640,848	1,482,090	1,508,647	1,442,087	1,449,618	782,548	813,350	840,913	889,285	904,563
Total citations issued ***	N/A	518,721	571,272	N/A	395,747	377,283	359,220	365,677	377,134	394,185
Total motorists assists ***	N/A	329,896	409,954	N/A	541,105	447,206	438,155	428,946	438,716	439,493
Collisions Investigated ***	15,190	36,449	32,874	31,401	41,977	41,804	38,606	42,861	N/A	N/A
Number of traffic officers ***	660	686	684	811	N/A	N/A	N/A	N/A	N/A	N/A

* Data available on a calendar year basis.

** Data not available prior to 2005.

*** Data available on a calendar year basis. N/A data not available. 2005 data through June 30, 2005.

Source:
(1) Washington State Department of Transportation
(2) Washington State Department of Licensing
(3) Washington State Patrol

Schedule 35
Operating and Capital Asset Indicators by Function
Natural Resources and Recreation
Last Ten Fiscal Years

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
State Parks and Recreation Commission (1)										
Number of developed state parks	114	120	120	126	126	126	126	126	126	125
Number of owned or managed properties	227	229	231	238	239	240	241	241	241	241
Acreage of state parks	260, 028	259,453	259,244	262,393	262,564	262,292	262,012	261,711	261,200	261,169
Attendance at state parks	40,330,551	40,409,572	45,959,752	48,864,376	47,774,327	46,443,781	48,137,786	52,732,440	48,839,683	50,993,500
Department of Fish and Wildlife (2)										
Recreational hunting licenses issued *	330,453	321,906	324,544	332,769	372,858	336,961	N/A	N/A	N/A	N/A
Recreational fishing licenses issued *	963,088	1,031,213	955,037	1,068,136	1,161,682	970,668	N/A	N/A	N/A	N/A
Hatchery salmon releases (pounds)	4,125,109	11,060,080	4,959,865	5,294,546	5,771,287	6,135,802	6,571,369	6,664,727	6,014,568	6,790,304
Hatchery trout releases (pounds)	1,092,381	1,416,713	1,484,203	1,461,580	1,503,437	1,568,799	1,307,768	1,417,847	1,277,577	1,287,396
Department of Natural Resources (3)										
Common schools trust land acreage	1,758,366	1,752,181	1,747,828	1,745,485	1,746,020	1,749,895	1,774,460	1,784,863	1,784,722	1,781,617
Total trust land acreage	2,875,313	2,881,984	2,862,290	2,859,932	2,859,732	2,863,066	2,885,289	2,894,788	2,893,498	2,889,079
Timber acres harvested *	30,529	27,629	24,405	23,921	26,955	32,383	N/A	N/A	N/A	N/A
Timber volume harvested (mbf) **	694,999	616,051	494,266	492,173	514,951	627,992	627,031	553,506	648,254	543,583
Timber volume sold (mbf) **	598,445	547,749	542,607	494,798	460,753	501,431	570,367	579,494	573,122	562,895
Natural area preserve sites	49	49	48	47	47	47	48	47	45	44
Natural area preserve acreage	29,871	30,074	29,786	27,787	27,058	25,253	24,795	23,430	24,817	22,893
Natural resources conservation area sites	28	28	28	27	27	27	24	24	24	23
Natural resources conservation area acreage	87,357	86,401	84,795	85,408	84,006	82,020	54,953	50,973	48,307	47,046

* Data not available prior to 2000.

** mbf: thousand board feet.

Source:
(1) Washington State Parks and Recreation Commission
(2) Washington State Department of Fish and Wildlife
(3) Washington State Department of Natural Resources

Schedule 36
Operating and Capital Asset Indicators by Function
Education

Last Ten Academic Years

	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96
K-12 Enrollment [1] (1)										
K-8	648,535	650,269	650,596	651,692	650,126	649,978	652,518	648,748	643,671	636,028
9-12	307,434	302,091	298,912	295,890	292,309	290,515	286,311	280,856	273,768	262,974
Private & Homebased	51	89	100	169	185	139	125	189	231	254
Summer	392	438	352	467	434	347	383	347	246	541
Running Start	9,761	9,351	8,814	8,305	7,938	7,467	7,001	6,251	5,510	4,452
UW Transition	109	105	71	43	40	38	41	43	41	40
Total	966,282	962,343	958,845	956,566	951,032	948,484	946,379	936,434	923,467	904,289
High school graduates*	N/A	57,926	60,525	54,359	56,277	58,939	55,418	54,472	51,741	49,241
Higher Education [2] (2)										
Community and Technical Colleges										
Number of campuses	34	34	34	34	34	33	32	32	32	32
Enrollment**	131,489	138,241	139,753	133,962	128,093	125,131	121,302	117,925	118,515	118,075
Associate degrees granted	21,632	22,326	20,403	18,516	17,526	17,949	17,611	18,155	18,145	18,385
Public Universities (3)										
Number of campuses	11	11	11	11	11	11	11	11	11	11
Enrollment***	91,358	90,075	89,511	87,969	84,832	82,778	81,991	80,605	79,571	78,095
Baccalaureate degrees granted	20,882	20,456	19,454	18,635	17,522	18,211	17,663	18,006	17,801	17,396
Masters degrees granted	4,750	4,685	4,591	4,285	4,051	4,008	3,747	3,771	3,757	3,868
Doctors degrees granted	739	670	638	613	641	604	663	649	699	646
Professional degrees granted	649	648	634	642	645	588	566	472	475	453

[1] A Full-Time Equivalent student 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.

Data may not add due to rounding
Preliminary data. Data not complete until final report is received in January 2006.
*2004-05 high school graduates data not available at time of report.

[2] A Full-Time Equivalent student is defined as:

Undergraduate student -- 15 credit hours per term.
Graduate student -- 10 credit hours per term.
Beginning in 1997-98, figures include Private Career College (PCC) enrollments.

*** Include all 4-year public institutions and branch campuses.

Source:

(1) Washington State Office of Financial Management - Forecasting Division (Office of the Superintendent of Public Instruction)
(2) Washington State Board of Community and Technical Colleges
(3) Washington State Institutions of Higher Education