State of Washington

Office of Financial Management

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

November 2017

State of Washington

Office of Financial Management

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

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Department of Retirement Systems
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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017

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STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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November 2, 2017

The Honorable Jay Inslee, Governor
Honorable Members of the Legislature
Citizens of the State
State of Washington
Olympia, WA 98504

In accordance with Revised Code of Washington 43.88.027, the Office of Financial Management has prepared this Comprehensive Annual Financial Report (CAFR) of the state of Washington for the fiscal year ended June 30, 2017. Full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control established for this purpose, rests with the state. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The State Auditor has issued an unmodified ("clean") opinion on the Washington state financial statements for the fiscal year ended June 30, 2017. The independent auditor's report is located at the front of the financial section of this report.

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

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

Profile of Washington State

Washington state was created in 1889 by an enabling act of Congress. The state is located on the Pacific Coast, in the northwestern corner of the continental United States, and comprises 71,303 square miles. Its current population is 7.3 million. Washington is famous for its breathtakingly beautiful scenery and sharp contrasts. On the west side of the state, high mountains rise above coastal waters. The forests of the Olympic Peninsula are among the world's rainiest places.

The state's coastline features hundreds of bays and inlets that make excellent harbors, while in the eastern part, flat semi-desert land stretches for long distances without a single tree.

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

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

GOVERNMENTAL STRUCTURE

As established in the state Constitution, Washington state has Executive, Legislative, and Judicial branches of government. The Executive Branch is composed of nine elected officials: the Governor, Lieutenant Governor, Secretary of State, State Treasurer, State Auditor, Attorney General, Superintendent of Public Instruction, Insurance Commissioner, and Commissioner of Public Lands. Thirty-nine agency heads are appointed by, and report to, the Governor. Seventy-eight agency heads report to boards appointed, in whole or in part, by the Governor. The Legislative Branch is composed of the Senate (with 49 members) and the House of Representatives (with 98 members). The Judicial Branch is composed of the State Supreme Court, the highest court in the state, which has nine Justices. Every two years, three Justices are elected for six-year terms. A Chief Justice is chosen from among the most senior Justices. The Judicial Branch also includes the state's superior courts, justices of the peace, and such inferior courts as the Legislature may provide.

TYPES OF SERVICES PROVIDED AND REPORTING ENTITY

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

The accompanying report includes all funds and subsidiary accounts of the primary government, Washington state as legally defined, as well as its component units. Component units are legally separate entities for which the primary government is financially accountable or ones that have relationships with the state such that exclusion would cause the state's financial statements to be misleading or incomplete. The determination of "financial accountability" is based on criteria established in Governmental Accounting Standards Board Statements No. 14 and No. 61. Note 1.A to the financial statements explains more fully component units which are included in the reporting entity.

THE BUDGET CYCLE

Washington enacts budgets for a two-year cycle, beginning on July 1 of each odd-numbered year. By law, the Governor must propose a biennial budget in December, the month before the

Legislature convenes in regular session. The biennial budget enacted by the Legislature can be modified in any legislative session through changes to the original appropriations. Since the inception of annual legislative sessions in 1979, it has become common for the Legislature to enact annual revisions to the state's biennial budget. These revisions are referred to as supplemental budgets.

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

Washington State's Economy and Revenue Outlook

Washington's economy has continued to outpace the nation during this period of expansion. Recent economic performance has narrowed that gap somewhat, but Washington should outperform the nation in job and income growth during the next several years.

Washington's jobless rate moved above the national rate during the past two years after having mirrored the national figures for much of the economic recovery. Washington's rate has traditionally been higher than the national norm due to the state's outsized share of seasonal industries and its attractiveness to in-migrants searching for opportunity and the Northwest experience. More recent figures show Washington's jobless rate remaining above the national average, likely the result of an increase in workforce participation. In fundamental ways, that reflects an increase in workers' confidence in finding gainful employment. By the end of the next biennium (2019-21), Washington's unemployment rate is projected to fall to 4.3 percent, down from the current 4.6 percent.

Personal income in Washington is expected to make above-average gains over the next biennium. Real personal income should gain 3.5 percent in fiscal year 2019 and 3.7 percent in fiscal year 2020, measurably higher than projections for the nation. On a per-capita basis, Washington's real personal income should reach $51,551 at the end of fiscal year 2020, more than $4,600 above the U.S. average.

These gains in Washington's personal income will occur notwithstanding declines in aerospace employment, which is expected to fall by 2.4 percent in fiscal year 2019 and 1.6 percent in fiscal year 2020. Though this places a drag on overall nonfarm employment growth, Washington is still projected to net a 1.9 percent increase in total payroll jobs in fiscal year 2019 and a 1.5 percent increase in fiscal year 2020, again measurably better than projections for the nation.

Construction activity in Washington is expected to increase at a healthy rate in fiscal years 2019-20. While multi-family construction growth was prompted by demand for rental units in the aftermath of the recession, income gains have renewed demand for single-family housing. Building permits should reach 42,400 in fiscal year 2019 and 41,800 in fiscal year 2020. As a result, construction employment should jump by 1.5 percent and 0.6 percent, respectively. That should boost construction jobs to 6 percent of total nonfarm employment, a bit above historic averages yet reflective of a strong housing and commercial building market.

General Fund-State revenues are forecasted to grow at a 6.6 percent pace in fiscal year 2019 and 3.9 percent in fiscal year 2020, compared to the 6.2 percent gain in fiscal year 2017 and the 6.0 percent increase in fiscal year 2018. The expanding economy, strong gains in hiring and robust housing markets have had a positive effect on revenue growth. Further economic growth, continued job gains, and sustained expansion in the housing and commercial building markets should keep revenues growing at a sound pace.

Major Initiatives

In recent years, Governor Jay Inslee and the Legislature approved historic spending increases on several fronts.

The 2015-17 operating budget included an additional $1.3 billion to meet the state's kindergarten-through-12th grade basic education obligation; made another large investment in early learning; cut tuition and expanded financial aid for students at public colleges and universities; added child protective and child welfare service workers; and made important investments in mental health services.

The Legislature also approved a $16 billion transportation investment package to address critical statewide maintenance and safety needs, relieve congestion, and improve freight mobility. And lawmakers approved a $3.9 billion capital budget that was projected to support 21,000 jobs and included more than $800 million for school construction and kindergarten-through-third grade class-size reduction.

Even with those investments, however, the state faced enormous fiscal and policy challenges heading into the current two-year budget cycle (2017–19). During the 2017 legislative session, Governor Inslee and lawmakers once again made significant progress, especially with investments in K-12 education and mental health services.

EDUCATION

Under the state Supreme Court's 2012 McCleary v. State of Washington decision, the state is under court order to meet its constitutional obligation to adequately fund basic education. The state made progress in both the 2013-15 and 2015-17 budgets toward meeting this obligation, but not enough progress to satisfy the court. In September 2014, the court found the state in contempt for failing to produce a long-term basic education funding plan and threatened sanctions if such a plan was not in place by the end of the 2015 legislative session.

To continue meeting the state's obligations under the McCleary decision, the Governor and the Legislature increased funding for basic education by about $1.3 billion for the 2015–17 biennium. The state's two-year budget provided full funding for materials, supplies and operating costs; expanded full-day kindergarten to all students in the 2016-17 school year; and reduced class sizes in kindergarten through third grade.

But again, the court was not satisfied with the outcomes of the 2015 legislative session, and in August 2015, imposed penalties of $100,000 per day until the Legislature adopted a complete plan for complying with the state's constitutional obligation.

In 2016, Governor Inslee signed Senate Bill 6195 to ensure continuing bipartisan collaboration on fully funding basic education and to commit the Legislature to adopting measures in the 2017 legislative session that finish the job of fully funding basic education. The bipartisan Education Funding Task Force analyzed methods to eliminate dependence on local levies that have been paying for a portion of basic education and to prepare recommendations on competitive compensation that help school districts recruit and retain educators.

After holding a hearing in September 2016, the Supreme Court issued an order the following month acknowledging progress made in the 2015-17 biennial budget but maintaining the $100,000 per day penalty, pending legislative action in the 2017 session.

On June 30, 2017, the Governor signed a biennial budget that adds $1.8 billion for basic education. The two-year budget — along with House Bill 2242 — provides funding beginning this biennium and a plan to complete these investments in the 2019-20 school year:

- $1.1 billion to increase educator compensation allocations and provide health insurance benefits through a statewide system. Among other changes, the new law eliminates the salary grid for certificated staff to provide districts flexibility in salary levels, implements a regional compensation factor based on housing costs, and raises the minimum teacher salary to $40,000. Districts will begin offering health insurance benefits through the state program in January 2020 to all staff who work at least 630 hours annually.
- $383.0 million for other basic education enhancements to increase services for students not meeting academic standards, highly capable instruction, transitional bilingual instruction, special education students, and career and technical education programs.
- $165.0 million for higher costs of the Local Effort Assistance program. The funds will lower local maintenance and operations (M&O) levy authority in 2019 to reflect the increase in state funding for compensation. The local M&O levy is limited to provide only "enrichment" and "supplementation" to basic education.
- $23.0 million more for teacher mentoring and student support programs.

When fully implemented, new funding for school districts will total $5.6 billion during the next four years.

Aside from more funding for McCleary, the 2017-19 biennial budget also invested $46 million in early learning, including $25 million to add 1,800 spaces in the Early Childhood Education and Assistance Program, the state's preschool program for children from low-income families.

In addition, the two-year budget included $49 million for the State Need Grant program to hold students harmless from tuition increases, expand the grant to 875 students annually and boost the grant award for students attending private, nonprofit four-year colleges and universities.

Under current law, tuition increases are capped at the average annual percentage growth in the median hourly wage. Public baccalaureate universities and colleges, and community and technical colleges may increase tuition by up to 2.2 percent in the first year of the biennium and 2.0 percent in the second year of the biennium.

MENTAL HEALTH

The 2017-19 budget provides more than $100.0 million in state funds ($177.0 million total funds) for improvements to the state's mental health system, informed by recommendations from outside experts. This includes investments to address challenges at Western State Hospital and to expand resources to serve people in community settings where the chances of successful treatment are much greater. New investments include:

- $61.0 million to fund improvements at Western State Hospital based upon consultant and federal Centers for Medicare and Medicaid Services recommendations, and add 200 more full-time equivalent employees.
- $11.0 million for 96 new beds to provide crisis stabilization and intervention services that will help reduce psychiatric hospital admissions.
- $16.5 million to increase forensic capacity for court-ordered placements.
- $66.0 million to build capacity for civil commitments in the community instead of the public mental health hospitals, including higher payment rates for community hospitals.
- $32.0 million to enlarge discharge placement capacity in the community, including more adult family homes, skilled nursing facilities, shared supportive housing and state-operated living alternatives. This will help hard-to-place individuals transition from the state hospitals into the community.

DEPARTMENT OF CHILDREN, YOUTH AND FAMILIES

Governor Inslee signed House Bill 1661 in July 2017, creating the Department of Children, Youth, and Families (DCYF). The new agency will restructure how the state serves at-risk children and youth, with the goal of producing better outcomes in all Washington communities.

DCYF, after a yearlong transition period that began after the bill was passed, will oversee several services now offered through the state Department of Social and Health Services (DSHS) and the Department of Early Learning (DEL). These include all programs from the Children's Administration in DSHS, such as Child Protective Services (including the Family Assessment Response program), licensed foster care and adoption support, as well as all DEL services, including the Early Childhood Education and Assistance Program for preschoolers and Working Connections Child Care for low-income families.

Starting in July 2019, the new department will also administer programs offered by the Juvenile Rehabilitation Administration and the Office of Juvenile Justice in DSHS. Those programs include juvenile rehabilitation institutions, community facilities and parole services for youth.

The creation of the new department follows the suggestions of the bipartisan Blue Ribbon Commission on the Delivery of Services to Children and Families convened by the Governor in February 2016 to recommend a state system that focuses more clearly on preventing harm to children and youth, rather than reacting once harm has occurred.

HEALTH CARE

Access to health care has increased dramatically in Washington since the 2010 passage of the federal Patient Protection and Affordable Care Act (ACA), which gave Washingtonians the unprecedented opportunity to choose affordable, high-quality health insurance coverage. More than 170,000 people have been enrolled for private insurance through the state's health insurance exchange, the Washington Healthplanfinder. Washington also opted to expand its Medicaid program under the ACA. These actions have provided coverage to more than 750,000 people in the state. As a result, the percentage of Washington residents without health insurance has fallen from 16 percent to 5 percent.

Besides improving access to health care, the state endeavors to make health care more affordable. To that end, Washington has undertaken a number of initiatives to drive down costs and improve the health of its citizens.

For example, the state's Plan for a Healthier Washington will transform health care so people experience better health by receiving better care right when they need it and finding care that is more accessible and affordable. As part of this effort, the state is integrating mental health and substance abuse treatment with primary medical care. And, under legislation passed in 2014, the state is operating an all-payer claims database that will significantly improve the transparency of health care costs and quality, which will help purchasers and patients make more informed health care choices.

A new state-federal partnership will bolster efforts to improve the physical and mental health of Washington families and transform the state's Apple Health (Medicaid) program to control costs. The partnership is the result of an agreement in principle on a five-year Medicaid demonstration waiver to continue implementing the Governor's Healthier Washington plan. Among other aims, the initiative is expected to:

- Reduce use of high-cost services such as acute care hospitals, psychiatric hospitals, and nursing home facilities.
- Improve health for Apple Health clients by focusing on prevention and proactive management of diabetes and cardiovascular disease, pediatric obesity, smoking, mental illness, and substance abuse.
- Accelerate Medicaid payment reform to pay providers for better health outcomes, not just services rendered.
- Bend the Medicaid cost curve below the national trend.

In 2016, Governor Inslee issued Executive Order 16-09 to respond to the opioid use public health crisis. The order coordinates efforts by state agencies and other private and public partners to implement the comprehensive state opioid response plan. The plan has a four-part focus: to prevent the next generation from becoming addicted to opioids in the first place; treat people with opioid use disorder and link them to support services, including housing; intervene in opioid overdoses to prevent death; and use data more effectively to detect opioid misuse and abuse, monitor serious conditions and overdoses, and evaluate interventions to respond more effectively. The Legislature funded many of these activities and passed major legislation in 2017 to implement the order.

The Governor also continued his Healthiest Next Generation initiative, a public-private partnership launched in 2014 that has developed strategies to ensure healthy weight in children through such actions as promoting breastfeeding, supporting child care providers and schools by providing more nutritious meal and drink options, and encouraging children to be more active. The initiative also supports youth substance use prevention and education efforts such as regulating e-cigarettes. In fact, Washington was the first state in the nation to pass legislation to comprehensively regulate e-cigarettes. Governor Inslee has also continued a focus on employee wellness, launching the program SmartHealth, with online access to health improvement and wellness tools.

The Governor convened an Aging Summit to help the state prepare for the needs of an aging population. The summit generated a number of policy recommendations, such as the need for investments in long-term care and nursing homes. The summit also resulted in the formation of a joint legislative and executive branch committee, as well as legislation to implement the Community First Choice Option and develop an Alzheimer's disease plan for Washington. The Governor recently announced a private-public partnership to implement a more affordable small business retirement marketplace. AARP recently ranked Washington as number one in the nation for long-term care.

ENVIRONMENT AND ENERGY

The Governor continues to tackle the issue of carbon pollution, a cornerstone of his agenda.

At his urging, the 2015-17 budget included $40.4 million for programs to support research institutions, utilities, and businesses as they develop, demonstrate, and deploy new renewable, clean energy, and energy-efficiency programs. The sum of $25 million was provided for grants to state agencies, school districts, universities, and local governments to improve the energy efficiency of public facilities and street lighting, and to install solar energy systems to cut energy demand and costs.

In September 2016, the state Department of Ecology issued rules to limit carbon pollution from major polluters in the state. Under the Clean Air Rule, businesses that are responsible for 100,000 metric tons of carbon pollution annually will be required to cap and then gradually reduce their emissions. Natural gas distributors, petroleum fuel producers and importers, power plants, metal manufacturers, waste facilities, and state and federal facilities are included under the rule and need to reduce their emissions by an average of 1.7 percent a year starting in 2017. A total of $4.5 million was provided by the Legislature to implement this rule in the 2017-19 biennium.

Rising safety and environmental risks associated with rapid changes in how crude oil is transported through rail corridors and over waters are affecting the state. As petroleum shipments from Alaska decline, transport of crude oil from the Bakken region via rail is increasing. To address these risks, Governor Inslee sponsored House Bill 1449, later signed into law, which expands the state oil spill tax to oil transported by rail. This bill provides additional oil spill prevention and preparedness funding, advanced notice and reporting requirements for oil transported by rail and pipelines, enhanced authority of safety inspections at rail crossings, and stronger oil spill contingency planning requirements.

Washington faced its largest wildfire season in 2015 when 1.1 million acres burned statewide. Last year, however, 308,000 acres burned, still a considerable toll. In response to these dramatic fire seasons, the Governor secured an additional $8.7 million in the 2016 supplemental budget to improve the ability of state and local fire districts to respond to and prevent wildfires and to improve forest health.

TRANSPORTATION

In 2017, the Governor and the Legislature continued implementation of the transportation revenue package passed in 2015, which will support more than 200,000 family-wage jobs across the state. The 2017-19 state transportation budget includes more funding for several high-priority projects around the state, including $64.0 million for the North Spokane corridor, $15.0 million to add capacity on Interstate 5 near Seattle, $73.0 million for I-90 improvements at Snoqualmie Pass, and $110.0 million for regional and rural mobility grants.

RESULTS WASHINGTON

Washington is a recognized national leader in adapting proven private-sector principles to improve state government. Governor Inslee's innovative Results Washington initiative, launched in 2013, uses data and multi-agency teams to spur improvements in education, the economy, the environment, health, safety, and effective government. More than half of Results Washington's nearly 200 measures are on track to meet or beat their targets.

In addition, state agencies have launched hundreds of improvement projects of their own. This work has led to faster services, easier-to-use documents, fewer errors, slashed backlogs, and millions of dollars in cost avoidance.

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

A key tenet of this effort is transparency and accountability. The Governor meets regularly with teams of state agency directors to discuss progress, new data, challenges, and next steps. These meetings are open to the public and streamed live over the Internet. Goals, improvement strategies and current data are also posted online at www.results.wa.gov.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Washington state for its CAFR for the fiscal year that ended June 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. Washington state has received a Certificate of Achievement for the past 30 years. The Office of Financial Management considers this report to be in conformity with the Certificate of Achievement Program requirements, and will submit it to the GFOA.

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

Sincerely,

David Schumacher
Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Washington

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

Statewide Elected Officials

As of June 30, 2017

Governor
Jay Inslee

Lieutenant Governor
Cyrus Habib

Secretary of State
Kim Wyman

Treasurer
Duane Davidson

State Auditor
Pat McCarthy

Attorney General
Bob Ferguson

Superintendent of Public Instruction
Chris Reykdal

Commissioner of Public Lands
Hilary Franz

Insurance Commissioner
Mike Kreidler

2017 Organization Chart

Washington State Government

Legislative Branch

Senate and House of Representatives

- Joint Legislative Audit & Review Committee
- Joint Legislative Systems Committee
- Joint Transportation Committee
- Legislative Ethics Board
- Office of Legislative Support Services
- Legislative Evaluation & Accountability Program (LEAP) Committee
- Office of the State Actuary
- Redistricting Commission *(activated decennially)*
- Statute Law Committee *(Code Reviser's Office)*

Executive Branch

Judicial Branch

Supreme Court

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

Agencies Managed by Statewide Elected Officials

Commissioner of Public Lands
- *Dept. of Natural Resources*
- *- Board of Natural Resources*
- *- Forest Practices Board*

Insurance Commissioner

Treasurer
- *Public Deposit Protection Commission*
- *State Finance Committee*

Lieutenant Governor

Governor
- Office of the Governor
  - *Office for Regulatory Innovation & Assistance*
  - *Results Washington*
  - *Office of the Education Ombuds*
  - *Office of the Family & Children's Ombuds*

Attorney General
- *Executive Ethics Board*

Superintendent of Public Instruction
- *Board of Education*
- *Professional Educator Standards Board*

Auditor

Secretary of State
- *State Library*

Agencies Led by Governor-Appointed Executives

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

General Government
- Board of Accountancy
- Office of Administrative Hearings
- Dept. of Archaeology and Historic Preservation
- Consolidated Technology Services (WaTech)
  - *- Technology Services Board*
- Dept. of Enterprise Services
  - *- Building Code Council*
- Dept. of Financial Institutions
- Office of Financial Management
  - *- Personnel Resources Board*
  - *- Sentencing Guidelines Comm.*
  - *- Washington Commission on National and Community Service*
- Governor's Office of Indian Affairs
- State Lottery
- Military Department
- Dept. of Retirement Systems
- Dept. of Revenue

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

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

** operational on July 1, 2018*

Education
- Center for Childhood Deafness and Hearing Loss
  - *- Board of Trustees*
- Dept. of Early Learning
- School for the Blind
- Workforce Training and Education Coordinating Board

Community and Economic Development
- Commission on African-American Affairs
- Arts Commission
- Commission on Asian Pacific American Affairs
- Dept. of Commerce
  - *- Community Economic Revitalization Board*
  - *- Developmental Disabilities Council*
  - *- Public Works Board*
- Commission on Hispanic Affairs
- Office of Minority and Women's Business Enterprises

Agencies Under Authority of a Board, Council, or Commission

Environment and Natural Resources
- Columbia River Gorge Commission
- Conservation Commission
- Environmental and Land Use Hearings Office
  - *- Growth Management Hearings Board*
  - *- Pollution Control Hearings Board*
  - *- Shorelines Hearings Board*
- Dept. of Fish and Wildlife
  - *- Fish and Wildlife Commission*
- Parks and Recreation Commission
- Washington Materials Management and Financing Authority

General Government
- Caseload Forecast Council
- Citizens' Commission on Salaries for Elected Officials
- Economic and Revenue Forecast Council
- Forensic Investigations Council
- Gambling Commission
- Horse Racing Commission
- Investment Board
- Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board
- Liquor and Cannabis Board
- Public Disclosure Commission
- Public Employment Relations Commission
- Board of Tax Appeals
- Utilities and Transportation Commission
  - *- Energy Facility Site Evaluation Council*
- Board of Volunteer Firefighters and Reserve Officers

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

Health and Human Services
- Criminal Justice Training Commission
- Health Care Facilities Authority
- Human Rights Commission
- Board of Industrial Insurance Appeals
- Tobacco Settlement Authority

Education
- Charter School Commission
- State Board for Community and Technical Colleges
  - *- Boards of Trustees for 34 community and technical colleges*
- Governing Boards of Four-Year Institutions of Higher Education:
  - *- Central Washington University*
  - *- Eastern Washington University*
  - *- The Evergreen State College*
  - *- University of Washington*
  - *- Washington State University*
  - *- Western Washington University*
- Washington Student Achievement Council
- Eastern Washington State Historical Society
- Washington State Historical Society
- Higher Education Facilities Authority

Community and Economic Development
- Economic Development Finance Authority
- Housing Finance Commission
- Life Sciences Discovery Fund Authority

Prepared by Office of Financial Management August 2017

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FINANCIAL SECTION

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Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

November 2, 2017

The Honorable Jay Inslee
Governor, State of Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Department of Retirement Systems, Local Government Investment Pool, University of Washington, and the funds managed by the State Investment Board. Those financial statements represent part or all of the total assets, net position, and revenues or additions of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information as follows:

Opinion Unit	Percent of Total Assets	Percent of Net Position	Percent of Total Revenues/ Additions
Governmental Activities	13.6%	25.4%	8.3%
Business-Type Activities	76.1%	100.0%	38.2%
Higher Education Special Revenue Fund	57.1%	56.6%	54.2%
Higher Education Endowment Fund	96.7%	96.6%	93.9%
Higher Education Student Services Fund	72.0%	100.0%	69.2%
Workers' Compensation Fund	92.7%	100.0%	16.5%
Guaranteed Education Tuition Program Fund	94.1%	100.0%	88.3%
Aggregate Discretely Presented Component Units and Remaining Fund Information	93.5%	94.8%	73.4%

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Department of Retirement Systems, Local Government Investment Pool, University of Washington, and the funds managed by the State Investment Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audit and the reports of 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As explained in Note 1.D.1, the financial statements include pension trust fund investments valued at $39.3 billion, which comprise 30.5 percent of total assets and 32.7 percent of net position of the aggregate discretely presented component units and remaining fund information. The fair values of these investments have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or, in the case of investments in partnerships, the general partners. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining financial statements and individual fund schedules are presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the State. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated November 2, 2017, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the State's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

MD&A
Management's Discussion and Analysis

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MD&A

Management's Discussion & Analysis

As managers of the state of Washington, we offer this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. We present this information in conjunction with the information included in our letter of transmittal, which can be found preceding this narrative, and with the state's financial statements, which follow. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total assets and deferred outflows of the state of Washington exceeded its liabilities and deferred inflows by $23.99 billion (reported as net position). Of this amount, $(12.11) billion was reported as "unrestricted net position." A negative balance indicates that no funds were available for discretionary purposes.

- The state of Washington's governmental funds reported a combined ending fund balance of $16.89 billion, an increase of 7.0 percent compared with the prior year.

- The state's capital assets increased by $1.63 billion, total bond debt increased by $557.3 million, and the state's net investment in capital assets is $21.80 billion.

Overview of the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

The business-type activities of the state of Washington include the workers' compensation and unemployment compensation programs, as well as Washington's lottery, the Guaranteed Education Tuition Program (GET), and various higher education student services such as housing and dining.

The government-wide financial statements can be found on pages 38-41 of this report.

FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

The internal service funds are combined for presentation purposes. Individual fund data for the state's nonmajor proprietary funds are provided in the form of combining statements elsewhere in this report. The proprietary fund financial statements can be found on pages 48-57 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the state of Washington's own programs. Washington's fiduciary funds include state administered pension plans. The accounting used for fiduciary funds is much like that used for proprietary funds. Individual fund data for the state's fiduciary funds are provided in the form of combining statements elsewhere in this report. The fiduciary fund financial statements can be found on pages 58-59 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 three major component units: the Valley Medical Center, the Washington State Public Stadium Authority and the Health Benefit Exchange, as well as four nonmajor component units. Refer to Note 1 on pages 69-70 for more detailed information. Individual fund data for the state's nonmajor component units are provided in the form of combining statements elsewhere in this report. The component unit financial statements can be found on pages 60-65 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 68-176 of this report.

OTHER INFORMATION

This report also presents required supplementary information on budgetary comparisons, pension plans and other postemployment benefits information, and infrastructure assets reported using the modified approach.

Required supplementary information can be found on pages 179-209 of this report.

The combining statements referred to earlier are presented immediately following the required supplementary information. Combining financial statements and individual fund schedules can be found on pages 213-277 of this report.

STATE OF WASHINGTON

Statement of Net Position

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016 *	2017	2016
ASSETS						
Current and other assets	$ 26,295	$ 25,362	$ 26,535	$ 25,435	$ 52,830	$ 50,797
Capital assets	40,512	38,962	3,108	3,030	43,620	41,992
Total assets	66,807	64,324	29,643	28,465	96,450	92,789
DEFERRED OUTFLOWS OF RESOURCES	1,320	771	197	132	1,517	903
LIABILITIES						
Current and other liabilities	5,976	5,643	1,090	968	7,066	6,611
Long-term liabilities outstanding	34,527	32,797	32,143	31,014	66,670	63,811
Total liabilities	40,503	38,440	33,233	31,982	73,736	70,422
DEFERRED INFLOWS OF RESOURCES	235	886	9	59	244	945
NET POSITION						
Net investment in capital assets	21,048	19,942	751	781	21,799	20,723
Restricted	9,718	8,518	4,581	4,485	14,299	13,003
Unrestricted	(3,377)	(2,691)	(8,734)	(8,710)	(12,111)	(11,401)
Total net position	$ 27,389	$ 25,769	$ (3,402)	$ (3,444)	$ 23,987	$ 22,325

*Prior year balances restated for comparability

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the state of Washington, total assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $23.99 billion at June 30, 2017, as compared to $22.33 billion as reported at June 30, 2016.

The largest portion of the state's net position (90.9 percent for fiscal year 2017 as compared to 92.8 percent for fiscal year 2016) reflects its net investment in capital assets (e.g., land, buildings, equipment, and intangible assets) less any related debt used to acquire those assets that is still outstanding. The state of Washington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the state of Washington's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the state of Washington's net position (59.6 percent for fiscal year 2017 as compared to 58.2 percent for fiscal year 2016) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $(12.11) billion represents unrestricted net position. The state's overall negative balance in unrestricted net position is largely due to deficits in business-type activities.

In governmental activities, net position increased from $25.77 billion in fiscal year 2016 to $27.39 billion in fiscal year 2017. The increase reflects increases in grants and tax revenues that outpaced the increases in expenses.

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

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

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

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

STATE OF WASHINGTON

Changes in Net Position

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program revenues:						
Charges for services	$ 6,643	$ 6,039	$ 7,524	$ 6,915	$ 14,167	$ 12,954
Operating grants and contributions	15,832	15,357	65	70	15,897	15,427
Capital grants and contributions	1,012	1,113	5	-	1,017	1,113
General revenues:						
Taxes	21,883	20,692	21	21	21,904	20,713
Interest and investment earnings (loss)	614	168	880	999	1,494	1,167
Total revenues	45,984	43,369	8,495	8,005	54,479	51,374
EXPENSES						
General government	(1,945)	(1,658)	-	-	(1,945)	(1,658)
Education - K-12	(11,042)	(10,153)	-	-	(11,042)	(10,153)
Education - Higher education	(7,633)	(7,532)	-	-	(7,633)	(7,532)
Human services	(18,216)	(17,209)	-	-	(18,216)	(17,209)
Adult corrections	(1,062)	(983)	-	-	(1,062)	(983)
Natural resources and recreation	(1,266)	(1,264)	-	-	(1,266)	(1,264)
Transportation	(2,118)	(2,363)	-	-	(2,118)	(2,363)
Interest on long-term debt	(1,027)	(991)	-	-	(1,027)	(991)
Workers' compensation	-	-	(3,269)	(3,238)	(3,269)	(3,238)
Unemployment compensation	-	-	(1,027)	(1,020)	(1,027)	(1,020)
Higher education student services	-	-	(3,022)	(2,494)	(3,022)	(2,494)
Washington's lottery	-	-	(520)	(535)	(520)	(535)
Guaranteed education tuition program	-	-	(306)	152	(306)	152
Other business-type activities	-	-	(190)	(161)	(190)	(161)
Total expenses	(44,309)	(42,153)	(8,334)	(7,296)	(52,643)	(49,449)
Excess (deficiency) of revenues over expenses before contributions to endowments and transfers	1,675	1,216	161	709	1,836	1,925
Contributions to endowments	100	67	-	-	100	67
Transfers	119	152	(119)	(152)	-	-
Special item	-	-	-	(319)	-	(319)
Increase (decrease) in net position	1,894	1,435	42	238	1,936	1,673
Net position - July 1, as restated	25,495	24,334	(3,444)	(3,732)	22,051	20,602
Net position - June 30	$ 27,389	$ 25,769	$ (3,402)	$ (3,494)	$ 23,987	$ 22,275

Governmental Activities. Governmental activities resulted in an increase in the state of Washington's net position of $1.89 billion. A number of factors were in play including increases in tax revenues and spending on K-12 education and human services.

- Tax revenues increased by $1.19 billion in fiscal year 2017 as compared to fiscal year 2016 reflecting positive growth in the economy. Sales and use tax reported an increase of $622.4 million. Sales and use tax are the main tax revenue for governmental activities. Real estate excise tax revenue increased by $257.9 million. Real estate excise taxes are levied on the sale of real estate. These tax revenue increases reflect the rebounding economy, recovering housing markets, and improving employment picture in Washington.

- Operating grants and contributions grew by $474.7 million in fiscal year 2017 compared with 2016 and were matched with an increase in human services expenses.

- Expenses grew by $888.7 million for K-12 education in 2017 as compared to fiscal year 2016. The state is working to meet the requirements of the state Supreme Court's 2012 McCleary ruling to meet its constitutional duty to fund basic education.

Business-Type Activities. Business-type activities increased the state of Washington's net position by $42.8 million. Workers' compensation, unemployment compensation, and guaranteed education tuition activities contributed to the increase. Key factors contributing to the operating results of business-type activities are:

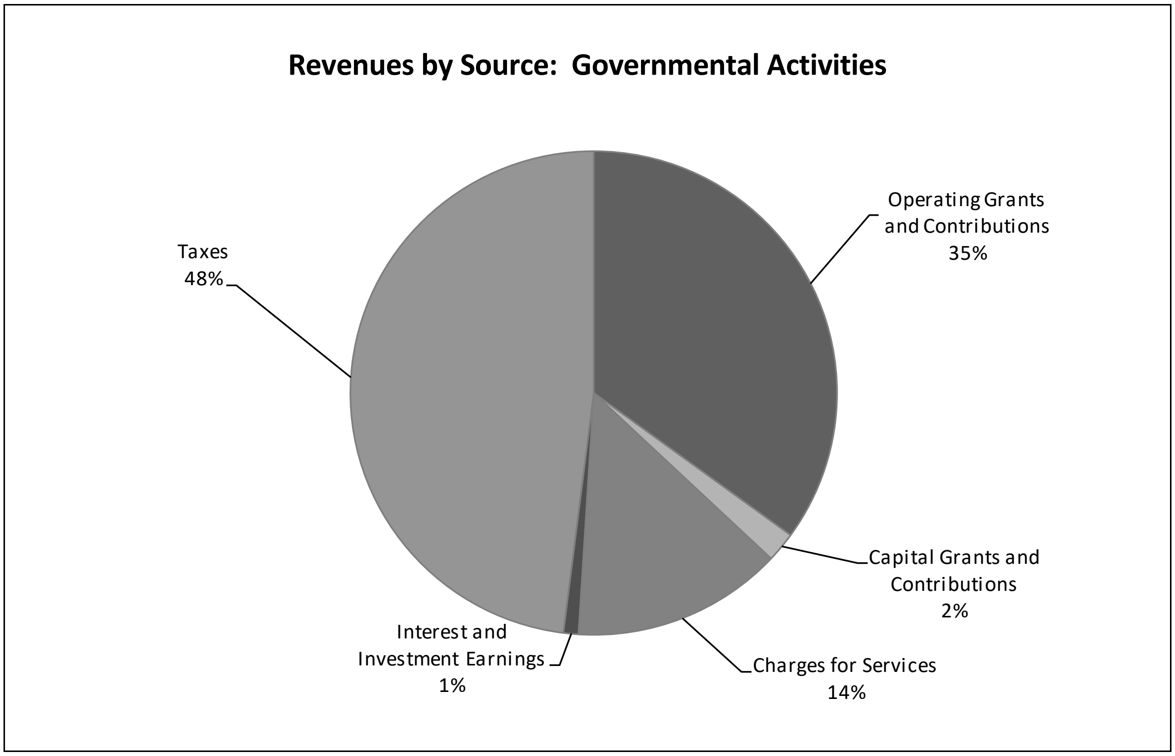
- The workers' compensation activity increase in net position in fiscal year 2017 was $70.5 million compared to an increase of $202.2 million in fiscal year 2016. Premium revenue increased by $202.1 million as a result of an increase in the number of hours reported by employers and an increase in the number of hours reported by businesses in higher rate classes. Claim costs increased by $13.4 million in fiscal year 2017 compared with fiscal year 2016, reflecting little change in the number of time-loss claims. Nonoperating investment income decreased by $323.6 million as compared to fiscal year 2016, due predominately to a net decrease in realized and unrealized gains on debt securities. The workers' compensation portfolio is 85.9 percent debt securities.

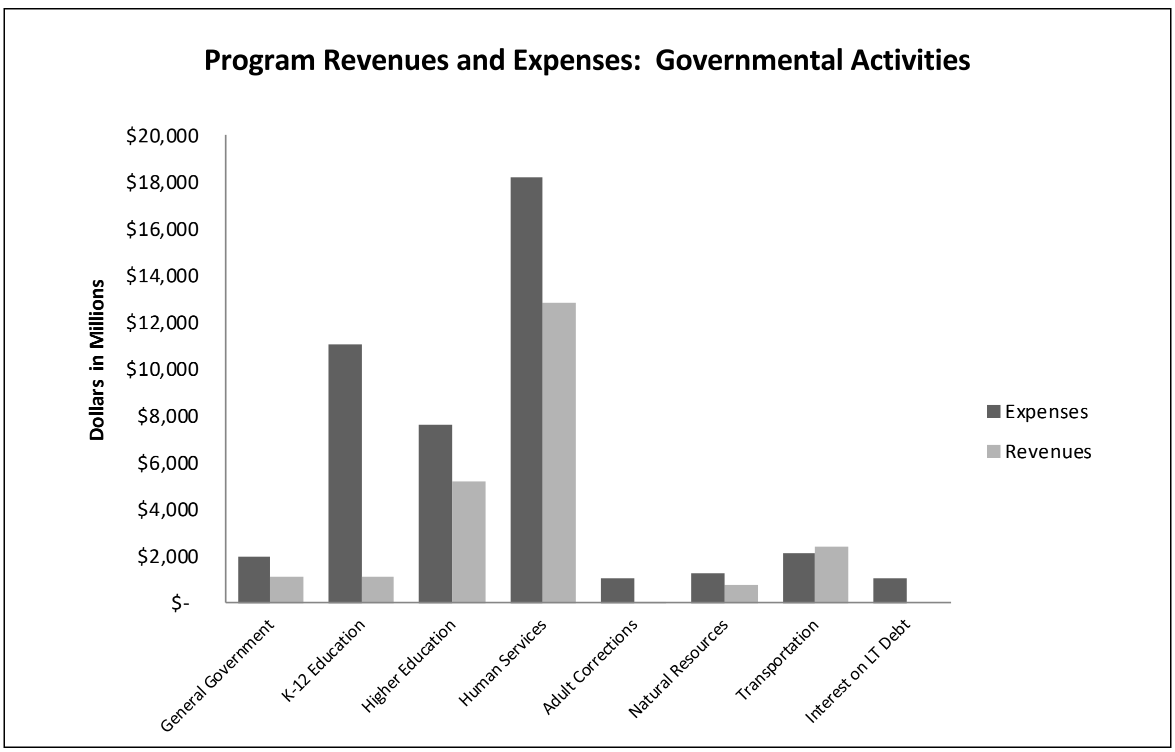
- The unemployment compensation activity reported an operating income in fiscal year 2017 of $3.8 million compared to $157.6 million in fiscal year 2016. Washington's unemployment insurance program is an experience-based system with the largest part of an individual employer's tax rate being based on the employer's layoff experience over the past four years. The unemployment rate for the state for June 2017 was 4.5 percent, down from 5.5 percent in June 2016, and the insured rate declined to 1.4 percent in fiscal year 2017 from 1.5 percent in fiscal year 2016. The insured rate decline, results in premium revenue decreasing by 12.9 percent. The $2.0 million decline in federal aid also reflects the decrease in the unemployment rate.

- The Guaranteed Education Tuition (GET) Program reported a decrease in net position of $54.8 million, decreasing its funded status to 132.4 percent, down from 136 percent the previous year. This is due to the GET Board authorizing account holders to request refunds of contributions with no penalties.

  While current year investment returns were up, the actuarial valuation of the obligation for future tuition benefits assumed a higher rate of investment return based on a recent experience study. The valuation also assumed a lower rate of tuition growth in response to recently enacted legislation. Overall the tuition benefit obligation increased by less than a percent.

- The remaining business-type activities reported relatively proportional increases in both operating revenues and expenses when compared to the prior year.


Revenues by Source: Governmental Activities
Operating Grants and Contributions 35%
Taxes 48%
Capital Grants and Contributions 2%
Interest and Investment Earnings 1%
Charges for Services 14%


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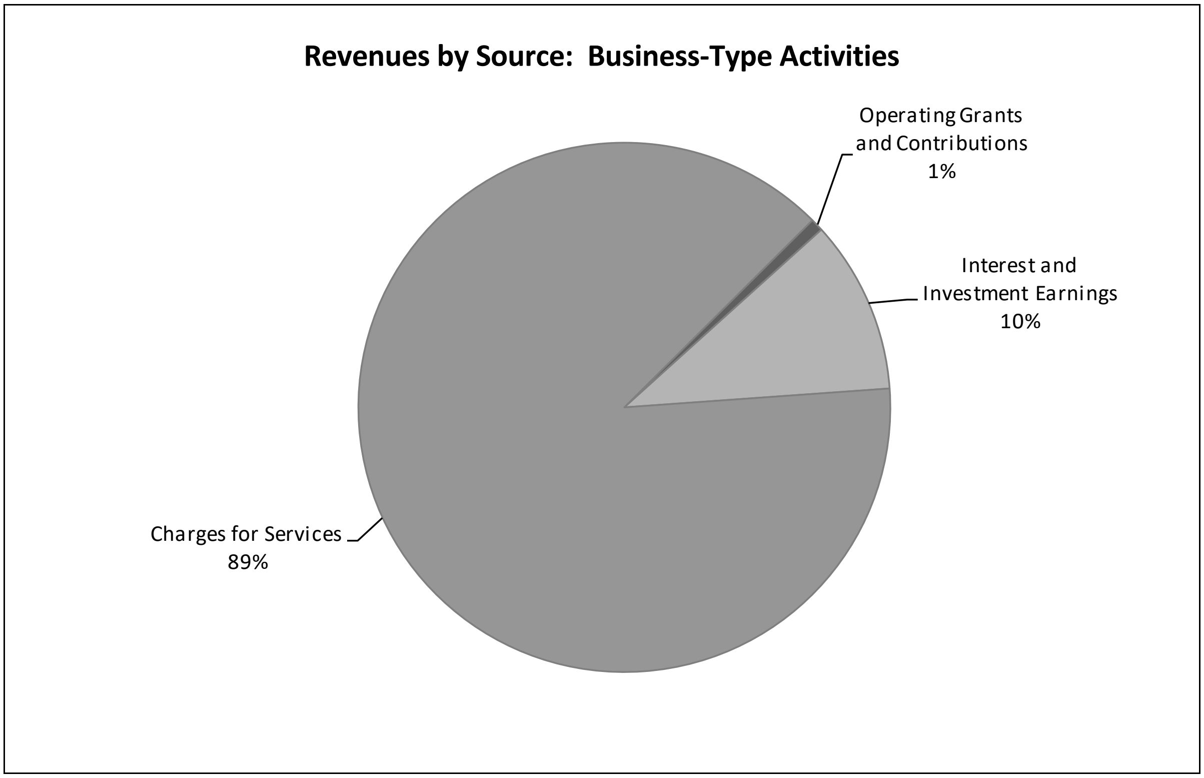
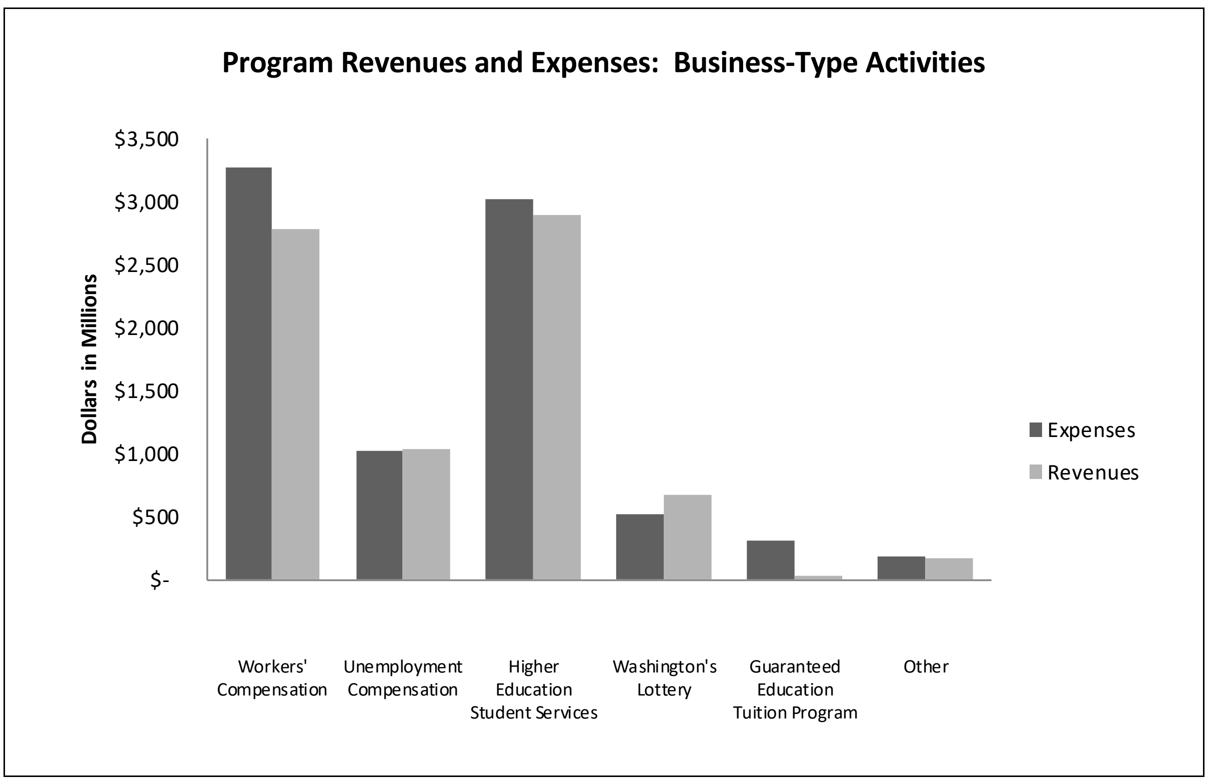
General Government
K-12 Education
Higher Education
Human Services
Adult Corrections
Natural Resources
Transportation
Interest on LT Debt
Expenses
Revenues


Revenues by Source: Business-Type Activities
Operating Grants and Contributions 1%
Interest and Investment Earnings 10%
Charges for Services 89%


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

Financial Analysis of the State's Funds

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

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

Fund Balances. At June 30, 2017, the state's governmental funds reported combined ending fund balances of $16.89 billion. Of this amount, $2.68 billion or 15.9 percent is nonspendable, either due to its form or legal constraints; and $6.00 billion or 35.5 percent is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional $5.91 billion or 35.0 percent of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. An additional $1.28 billion or 7.6 percent of total fund balance has been assigned to specific purposes by management.

The General Fund is the chief operating fund of the state of Washington. The fund balance improved as a result of operations by $970.8 million in fiscal year 2017, as compared to an $564.8 million gain in fiscal year 2016. Increased revenues from taxes and targeted spending increases in K-12 education and social and health services combined with a concerted effort to hold the line on other spending were the key contributing factors. Assigned fund balance of $1.26 billion is reported for fiscal year 2017 and relates to certain accrued and non-cash revenues which are not considered by management to be available for budgetary purposes.

STATE OF WASHINGTON

General Fund

(in millions of dollars)

	Fiscal Year 2017	Fiscal Year 2016	Difference Increase (Decrease)
REVENUES			
Taxes	$ 19,341	$ 18,188	$ 1,153
Federal grants	12,680	12,196	484
Investment revenue (loss)	(5)	26	(31)
Other	1,130	728	402
Total	33,146	31,138	2,008
EXPENDITURES			
Human services	17,959	17,072	887
Education	12,176	11,403	773
Other	1,584	1,646	(62)
Total	31,719	30,121	1,598
Net transfers in (out)	(587)	(628)	41
Other financing sources	131	176	(45)
Net increase (decrease) in fund balance	$ 971	$ 565	$ 406

General Fund expenditures continue to be concentrated in services and programs most vital to citizens – primarily human services and public education.

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

- The change in fund balance of the Higher Education Special Revenue Fund in fiscal year 2017 was a decrease of $167.7 million compared to an increase of $31.6 million in fiscal year 2016. The decline in fiscal year 2017 was largely due to a 2.5 percent decrease in federal grants. Revenues showed a modest gain of 2.7 percent reflecting the state's decision to limit tuition growth to the average percentage growth in the state's median hourly wage.

- The fund balance for the Higher Education Endowment Fund increased by $402.8 million in fiscal year 2017. Fiscal year 2017 reported an increase of $450.5 million in investment earnings compared to last fiscal year.

Proprietary Funds. The state of Washington's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Significant changes reported in fiscal year 2017 are as follows:

- The Workers' Compensation Fund reported an increase in net position of $70.5 million in fiscal year 2017. Operating revenues increased by $222.9 million and operating expenses increased by $31.2 million as compared to fiscal year 2016. As previously reported, operating revenues increased due to an increase in reported hours in higher rate classes and claims expense increased slightly due to an increase in the state's average annual wage. Investment income decreased $323.6 million over fiscal year 2016 due to a decrease in net realized and unrealized capital gains.

- Washington's Unemployment Compensation Fund reported an increase in net position of $96.3 million. As reported previously, premium revenue increased reflecting a growing workforce and higher taxable wage base. Unemployment benefit claims expense increased slightly by $6.9 million in fiscal year 2017 as compared to 2016 and federal aid decreased by $2.0 million over the same period. The slight increase in benefit claims and slight decrease in federal aid are consistent with an overall stable unemployment rate.

- The Guaranteed Education Tuition (GET) Program Fund reported a decrease in net position of $54.8 million in fiscal year 2017. As previously reported, the decrease is due primarily to account holders taking advantage this year of the opportunity to receive a refund on their contributions without penalties.

- The Higher Education Student Services Fund and the nonmajor enterprise funds reported consistent activity when compared to the prior year.

Adjustments to Beginning Proprietary Fund Net Position. As described in Note 2 to the financial statements on pages 80 and 81, beginning fund net position of the Higher Education Student Services Fund were adjusted as a result of implementing GASB Statement Nos. 73 and 80.

General Fund Budgetary Highlights

Differences between the original budget of the General Fund and the final amended budget reflect increases in mandatory costs driven by rising caseloads and school enrollment as well as other high priority needs. Changes to estimates are summarized as follows:

- Estimated biennial resources increased by $3.14 billion over the course of the biennium. The major increase in estimated resources is additional sales tax and excise tax collected.

- Appropriated expenditure authority increased by $2.17 billion over the biennium to address increases in the state's mental health and children services programs. The other major increase in appropriation authority was in K-12 education. This is the state working on meeting its obligation under the Supreme Court's 2012 McCleary ruling to meet its constitutional duty to fund basic education.

The state did not overspend its legal spending authority for the 2015-17 biennium. Actual General Fund revenues and expenditures were 97.9 and 97.4 percent of final budgeted resources and appropriations, respectively, for the 2015-17 biennium.

Capital Assets, Infrastructure, and Bond Debt Administration

Capital Assets. The state of Washington's investment in capital assets for its governmental and business-type activities as of June 30, 2017, totaled $43.62 billion (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, museum and historical collections, buildings and other improvements, furnishings, equipment, and intangible assets, as well as construction in progress.

Washington's fiscal year 2017 investment in capital assets, net of current year depreciation, increased $1.63 billion over fiscal year 2016, including increases to the state's transportation infrastructure of $808.5 million. The state's construction in progress includes both new construction and major improvements to state capital facilities and infrastructure. Remaining commitments on these construction projects total $2.92 billion.

Additional information on the state of Washington's capital assets can be found in Note 6 beginning on page 118 of this report.

Infrastructure. The state uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated and certain maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 20,797 lane miles of pavement, 3,312 bridges, and 47 highway safety rest areas. Infrastructure asset categories are assessed on a two-year cycle, either on a calendar year or fiscal year basis.

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

STATE OF WASHINGTON

Capital Assets - Net of Depreciation

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016 *	2017	2016
Land	$ 2,666	$ 2,666	$ 70	$ 69	$ 2,736	$ 2,735
Transportation infrastructure and other assets not depreciated	24,838	24,030	5	5	24,843	24,035
Buildings	8,434	7,951	2,521	2,581	10,955	10,532
Furnishings, equipment, and intangible assets	2,009	1,793	220	215	2,229	2,008
Other improvements and infrastructure	1,390	1,277	77	78	1,467	1,355
Construction in progress	1,176	1,245	215	81	1,391	1,326
Total	$ 40,513	$ 38,962	$ 3,108	$ 3,029	$ 43,621	$ 41,991

*Prior year balances restated for comparability

The state's goal is to maintain 85 percent of pavements and 90 percent of bridges at a condition level of fair or better. The condition of these assets, along with the rating scales, and additional detail comparing planned to actual preservation and maintenance spending are available in the required supplementary information beginning on page 206.

The most recent pavements condition assessment indicates that 93.2 percent of pavements were in fair or better condition. The condition of pavements has remained steady in the last three assessment periods, averaging 92.4 percent in fair or better condition. For fiscal year 2017, actual maintenance and preservation expenditures were 13.1 percent lower than planned, and over the past five fiscal years, the actual expenditures were 8.7 percent lower than planned.

The most recent bridge condition assessment indicates that 91.8 percent of bridges were in good or fair condition. The condition of bridges has remained steady over the last three assessment periods, averaging 91.8 percent in good or fair condition. For fiscal year 2017, the actual maintenance and preservation expenditures were 1.7 percent lower than planned, and over the past five fiscal years, the actual expenditures were 8.6 percent lower than planned.

Bond Debt. At the end of fiscal year 2017, the state of Washington had general obligation bond debt outstanding including accreted interest and issuance premiums of $21.03 billion, an increase of 2.5 percent from fiscal year 2016. This debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized $10.44 billion general obligation debt that remains unissued.

General obligation debt is subject to the limitation prescribed by the State Constitution. The aggregate debt contracted by the state as of June 30, 2017, does not exceed that amount for which payments of principal and interest in any fiscal year would require the state to expend more than 8.3 percent of the arithmetic mean of its general state revenues for the six immediately preceding fiscal years. The arithmetic mean of its general state revenues for fiscal years 2011-2016 is $16.33 billion. The debt service limitation, 8.30 percent of this mean, is $1.35 billion. The state's maximum annual debt service as of June 30, 2017, subject to the constitutional debt limitation is $1.17 billion, or $176.0 million less than the debt service limitation.

For further information on the debt limit, refer to Schedule 11 in the statistical section of this report or the Certification of the Debt Limitation of the State of Washington, available from the Office of the State Treasurer at: http://tre.wa.gov/wp-content/uploads/Debt-Limit-Report-2017-Final.pdf.

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

As of June 30, 2017, the state of Washington's general obligation debt was rated Aa1 by Moody's Investor Service, AA+ by Standard & Poor's Rating Group (S & P), and AA+ by Fitch Ratings.

STATE OF WASHINGTON

Bond Debt

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation (GO) bonds	$ 20,576	$ 20,039	$ -	$ -	$ 20,576	$ 20,039
Accreted interest on zero interest rate GO bonds	458	479	-	-	458	479
Revenue bonds	2,326	2,377	2,307	2,215	4,633	4,592
Total	$ 23,360	$ 22,895	$ 2,307	$ 2,215	$ 25,667	$ 25,110

The state had revenue debt outstanding at June 30, 2017, of $4.63 billion, an increase of $41.0 million over fiscal year 2016. The increase is primarily related to revenue bonds issued by state colleges and universities. This debt is not supported or intended to be supported by the full faith and credit of the state. Revenue bond debt is generally secured by specific sources of revenue. The exception is the University of Washington and Washington State University which issue general revenue bonds that are payable from general revenues of each university.

General obligation and revenue bonds totaling $1.16 billion were refunded during the year. Washington's refunding activity produced $189.8 million in gross debt service savings.

Additional information on the state's bond debt obligations is presented in Note 7 beginning on page 122 of this report.

Conditions with Expected Future Impact

Economic Outlook. Washington is well positioned for economic and population expansion. The state has a diverse industrial and environmental base that supports trade with Pacific Rim countries as well as knowledge-based industries including information technology, health, business, and financial services.

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

That said, in the coming year, legislative leaders and management will be facing a number of challenges including:

- Under legislation approved in 2012, and beginning with the 2013-15 biennium, Washington became the only state in the nation required to pass a budget that balances spending against anticipated revenue over a four-year period.

- Washington continues to address the requirements of the state Supreme Court 2012 McCleary ruling that found the state has failed to meet its constitutional requirement to amply fund basic education. To address these issues, the 2017 Legislature added significant funding, along with a number of policy changes, in HB 2242 and the 2017-19 biennial operating budget.

- During the 2017 legislative session, the Legislature passed a capital budget that only included reappropriations for projects originally funded but not completed in the 2015-17 biennium. No new capital projects have been authorized in the 2017-19 biennium.

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

On June 30, 2017, $1.12 billion was transferred to the BSA from the General Fund in accordance with the provisions of the Constitution. During fiscal year 2017, by three-fifths vote of each house, the Legislature appropriated $38.1 million from the BSA solely for emergency fire service mobilization, fire suppression, and fire damage recovery costs. The BSA had a fund balance of $1.64 billion as of June 30, 2017.

The Guaranteed Education Tuition Program. The funded status of the Guaranteed Education Tuition (GET) Program decreased during fiscal year 2017 reflecting account holders requesting refunds. Engrossed Second Substitute Bill (E2SSB) 5954, which was signed into law by the Governor on July 6, 2015, reduced tuition at all public institutions of higher education during the 2015-16 and 2016-17 academic years and limits tuition growth in future years. Subsequent to the passage of E2SSB 5954, the GET Program Committee authorized account holders, upon request, to receive a refund of their contributions or a fixed payout value, whichever is greater. Account holders have until September 1, 2017, or until 60 days after a new 529 savings plan opens (whichever is later), to request a refund. GET will reopen for new enrollment on November 1, 2017.

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, Accounting Division, P.O. Box 43127, Olympia, WA 98504-3127.

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position

June 30, 2017

(expressed in thousands)

Continued

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and cash equivalents	$ 7,883,566	$ 6,286,576	$ 14,170,142	$ 242,419
Taxes receivable (net of allowance for uncollectibles)	3,886,584	-	3,886,584	-
Other receivables (net of allowance for uncollectibles)	2,749,484	1,649,138	4,398,622	96,938
Internal balances	210,852	(210,852)	-	-
Due from other governments	3,972,568	129,645	4,102,213	-
Inventories and prepaids	115,963	61,680	177,643	19,174
Restricted cash and investments	350,130	27,908	378,038	-
Restricted receivables, current	81,498	42,901	124,399	-
Investments, noncurrent	5,912,893	18,214,959	24,127,852	77,111
Restricted investments, noncurrent	-	55,371	55,371	18,600
Restricted receivables, noncurrent	-	901	901	-
Restricted net pension asset	1,132,002	234	1,132,236	-
Other assets	-	276,011	276,011	231,964
Capital assets:				
Non-depreciable assets	28,680,336	289,799	28,970,135	77,868
Depreciable assets (net of accumulated depreciation)	11,832,665	2,818,238	14,650,903	559,772
Total capital assets	40,513,001	3,108,037	43,621,038	637,640
Total Assets	66,808,541	29,642,509	96,451,050	1,323,846
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on hedging derivatives	373	-	373	-
Deferred outflows on refundings	4,844	39,519	44,363	-
Deferred outflows on pensions	1,314,548	157,913	1,472,461	3,548
Total Deferred Outflows of Resources	1,319,765	197,432	1,517,197	3,548
Total Assets and Deferred Outflows of Resources	$ 68,128,306	$ 29,839,941	$ 97,968,247	$ 1,327,394

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

Statement of Net Position

June 30, 2017

(expressed in thousands)

Concluded

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Accounts payable	$ 1,601,499	$ 235,917	$ 1,837,416	$ 67,793
Contracts payable	84,325	18,543	102,868	-
Accrued liabilities	2,205,723	580,959	2,786,682	96,823
Obligations under security lending agreements	116,397	142,719	259,116	-
Due to other governments	1,548,955	48,459	1,597,414	-
Unearned revenues	419,465	63,419	482,884	9,131
Long-term liabilities:				
Due within one year	1,798,522	2,422,680	4,221,202	10,368
Due in more than one year	32,728,585	29,719,458	62,448,043	312,139
Total Liabilities	40,503,471	33,232,154	73,735,625	496,254
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on refundings	147	9	156	-
Deferred inflows on pensions	235,286	9,298	244,584	908
Deferred inflows on property taxes	-	-	-	42,717
Total Deferred Inflows of Resources	235,433	9,307	244,740	43,625
NET POSITION				
Net investment in capital assets	21,047,954	750,923	21,798,877	332,885
Restricted for:				
Unemployment compensation	-	4,581,264	4,581,264	-
Nonexpendable permanent endowments	2,586,760	-	2,586,760	-
Expendable endowment funds	1,387,345	-	1,387,345	-
Pensions	1,132,002	234	1,132,236	-
Wildlife and natural resources	1,040,971	-	1,040,971	-
Transportation	991,845	-	991,845	-
Budget stabilization	1,638,335	-	1,638,335	-
Higher education	125,251	-	125,251	-
Other purposes	815,514	-	815,514	8,626
Unrestricted	(3,376,575)	(8,733,941)	(12,110,516)	446,004
Total Net Position	27,389,402	(3,401,520)	23,987,882	787,515
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 68,128,306	$ 29,839,941	$ 97,968,247	$ 1,327,394

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

Statement of Activities

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities:				
General government	$ 1,944,933	$ 887,206	$ 240,747	$ 4,607
Education - K-12 education	11,041,527	23,291	1,100,824	-
Education - higher education	7,633,420	2,807,478	2,345,974	63,260
Human services	18,215,949	1,079,616	11,705,151	25,444
Adult corrections	1,061,998	8,518	3,622	-
Natural resources and recreation	1,266,023	523,769	189,515	36,599
Transportation	2,118,483	1,313,231	246,544	881,636
Interest on long-term debt	1,026,863	-	-	-
Total Governmental Activities	44,309,196	6,643,109	15,832,377	1,011,546
Business-Type Activities:				
Workers' compensation	3,269,451	2,779,548	9,075	-
Unemployment compensation	1,027,266	994,085	36,955	-
Higher education student services	3,021,763	2,870,609	18,225	5,314
Washington's lottery	519,943	676,046	-	-
Guaranteed education tuition program	305,573	29,329	-	-
Other	190,003	174,961	448	-
Total Business-Type Activities	8,333,999	7,524,578	64,703	5,314
Total Primary Government	$ 52,643,195	$ 14,167,687	$ 15,897,080	$ 1,016,860
COMPONENT UNITS	$ 727,094	$ 721,629	$ 12,577	$ -
Total Component Units	$ 727,094	$ 721,629	$ 12,577	$ -

General Revenues:

Taxes, net of related credits:

Sales and use

Business and occupation

Property

Motor vehicle and fuel

Excise

Cigarette and tobacco

Public utilities

Insurance premium

Other

Interest and investment earnings

Total general revenues

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

Contributions to endowments

Transfers

Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (812,373)	$ -	$ (812,373)	
(9,917,412)	-	(9,917,412)	
(2,416,708)	-	(2,416,708)	
(5,405,738)	-	(5,405,738)	
(1,049,858)	-	(1,049,858)	
(516,140)	-	(516,140)	
322,928	-	322,928	
(1,026,863)	-	(1,026,863)	
(20,822,164)	-	(20,822,164)	
-	(480,828)	(480,828)	
-	3,774	3,774	
-	(127,615)	(127,615)	
-	156,103	156,103	
-	(276,244)	(276,244)	
-	(14,594)	(14,594)	
-	(739,404)	(739,404)	
(20,822,164)	(739,404)	(21,561,568)	
			$ 7,112
			7,112
10,362,569	-	10,362,569	-
3,861,604	-	3,861,604	-
2,097,507	-	2,097,507	21,490
1,679,628	-	1,679,628	-
1,461,029	21,078	1,482,107	-
430,022	-	430,022	-
482,776	-	482,776	-
603,963	-	603,963	-
903,844	-	903,844	290
614,341	880,476	1,494,817	2,142
22,497,283	901,554	23,398,837	23,922
1,675,119	162,150	1,837,269	31,034
99,680	-	99,680	-
119,333	(119,330)	3	-
1,894,132	42,820	1,936,952	31,034
25,495,270	(3,444,340)	22,050,930	756,481
$ 27,389,402	$ (3,401,520)	$ 23,987,882	$ 787,515

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Basic Financial Statements

Fund Financial Statements

Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2017
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Cash and cash equivalents	$ 2,814,582	$ 189,375	$ 521,724	$ 3,495,951	$ 7,021,632
Investments	63,023	1,601,430	3,957,516	359,012	5,980,981
Taxes receivable (net of allowance)	3,672,482	9,397	-	204,705	3,886,584
Receivables (net of allowance)	561,752	1,264,553	47,844	846,484	2,720,633
Due from other funds	387,622	344,219	252	514,799	1,246,892
Due from other governments	1,067,653	167,930	-	2,621,665	3,857,248
Inventories and prepaids	13,412	26,973	-	47,327	87,712
Restricted cash and investments	34,269	9,140	-	99,428	142,837
Restricted receivables	39,499	26,126	-	168	65,793
Total Assets	8,654,294	3,639,143	4,527,336	8,189,539	25,010,312
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on hedging derivatives	-	-	-	373	373
Total Deferred Outflows of Resources	-	-	-	373	373
Total Assets and Deferred Outflows of Resources	$ 8,654,294	$ 3,639,143	$ 4,527,336	$ 8,189,912	$ 25,010,685
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 982,758	$ 72,933	$ 36,487	$ 458,392	$ 1,550,570
Contracts payable	31,520	3,168	3,263	45,297	83,248
Accrued liabilities	311,480	544,471	671,935	173,989	1,701,875
Obligations under security lending agreements	65,927	1,344	115	44,724	112,110
Due to other funds	322,991	55,805	2,818	687,696	1,069,310
Due to other governments	1,101,989	21,887	-	225,058	1,348,934
Unearned revenue	105,157	239,965	-	69,743	414,865
Claims and judgments payable	60,883	-	-	129,952	190,835
Total Liabilities	2,982,705	939,573	714,618	1,834,851	6,471,747
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	1,470,497	6,985	19,736	147,056	1,644,274
Total Deferred Inflows of Resources	1,470,497	6,985	19,736	147,056	1,644,274
FUND BALANCES					
Nonspendable fund balance	42,922	10,505	2,376,534	251,792	2,681,753
Restricted fund balance	1,658,761	62,336	1,416,448	2,861,716	5,999,261
Committed fund balance	140,905	2,601,444	-	3,164,517	5,906,866
Assigned fund balance	1,257,952	18,300	-	-	1,276,252
Unassigned fund balance	1,100,552	-	-	(70,020)	1,030,532
Total Fund Balances	4,201,092	2,692,585	3,792,982	6,208,005	16,894,664
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 8,654,294	$ 3,639,143	$ 4,527,336	$ 8,189,912	$ 25,010,685

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

Reconciliation of the Balance Sheet to the Statement of Net Position
GOVERNMENTAL FUNDS
June 30, 2017

(expressed in thousands)

Total Fund Balances for Governmental Funds		$ 16,894,664
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Non-depreciable assets	$ 28,587,987	
Depreciable assets	20,847,978	
Less: Accumulated depreciation	(9,750,864)	
Total capital assets		39,685,101
Some of the state's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are considered deferred inflows in the funds.		1,644,273
Certain pension trust funds have been funded in excess of the annual required contributions, creating a year-end asset. This asset is not a financial resource and therefore is not reported in the funds.		1,132,002
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the funds.		1,249,136
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the funds.		(224,256)
Unmatured interest on general obligation bonds is not recognized in the funds until due.		(405,381)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		(163,696)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds and other financing contracts payable	$ (23,015,569)	
Accreted interest on bonds	(457,635)	
Compensated absences	(584,749)	
Other postemployment benefits obligations	(2,742,955)	
Net pension liability	(4,679,659)	
Unclaimed property	(197,411)	
Pollution remediation obligations	(150,853)	
Claims and judgments	(39,557)	
Other obligations	(554,053)	
Total long-term liabilities		(32,422,441)
Net Position of Governmental Activities		$ 27,389,402

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

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

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
REVENUES					
Retail sales and use taxes	$ 10,220,907	$ -	$ -	$ 141,662	$ 10,362,569
Business and occupation taxes	3,857,209	-	-	4,395	3,861,604
Property taxes	2,097,507	-	-	-	2,097,507
Excise taxes	1,055,486	43,538	-	362,005	1,461,029
Motor vehicle and fuel taxes	2	-	-	1,679,626	1,679,628
Other taxes	2,109,725	208,170	-	261,842	2,579,737
Licenses, permits, and fees	130,004	984	-	1,775,941	1,906,929
Other contracts and grants	243,558	970,165	-	260,223	1,473,946
Timber sales	2,521	-	13,929	112,026	128,476
Federal grants-in-aid	12,680,077	1,399,266	-	1,290,635	15,369,978
Charges for services	44,800	2,566,676	-	707,896	3,319,372
Investment income (loss)	(5,027)	122,046	461,743	35,579	614,341
Miscellaneous revenue	643,577	127,717	3,360	473,891	1,248,545
Contributions and donations	-	-	99,680	-	99,680
Unclaimed property	65,709	-	-	-	65,709
Total Revenues	33,146,055	5,438,562	578,712	7,105,721	46,269,050
EXPENDITURES					
Current:					
General government	883,760	1,675	141	564,828	1,450,404
Human services	17,958,633	-	-	1,067,488	19,026,121
Natural resources and recreation	428,905	-	-	751,994	1,180,899
Transportation	61,919	-	-	2,005,980	2,067,899
Education	12,175,890	5,265,148	8,318	609,632	18,058,988
Intergovernmental	122,714	-	-	374,071	496,785
Capital outlays	70,089	293,011	518	2,064,364	2,427,982
Debt service:					
Principal	12,112	25,968	-	1,087,361	1,125,441
Interest	4,495	22,493	-	1,014,650	1,041,638
Total Expenditures	31,718,517	5,608,295	8,977	9,540,368	46,876,157
Excess of Revenues Over (Under) Expenditures	1,427,538	(169,733)	569,735	(2,434,647)	(607,107)
OTHER FINANCING SOURCES (USES)					
Bonds issued	128,197	82,162	-	1,075,518	1,285,877
Refunding bonds issued	-	-	-	964,470	964,470
Payments to escrow agents for refunded bond debt	-	-	-	(1,184,067)	(1,184,067)
Issuance premiums	1,253	6,537	-	465,683	473,473
Issuance discounts	(396)	-	-	(62)	(458)
Other debt issued	1,218	37,273	-	30,634	69,125
Refunding COPs issued	-	11,797	-	2,860	14,657
Payment to escrow agents for refunded COP debt	-	(13,109)	-	(1,129)	(14,238)
Transfers in	712,773	815,478	181,702	2,834,830	4,544,783
Transfers out	(1,299,758)	(938,111)	(348,619)	(1,859,482)	(4,445,970)
Total Other Financing Sources (Uses)	(456,713)	2,027	(166,917)	2,329,255	1,707,652
Net Change in Fund Balances	970,825	(167,706)	402,818	(105,392)	1,100,545
Fund Balances - Beginning	3,230,267	2,860,291	3,390,164	6,313,397	15,794,119
Fund Balances - Ending	$ 4,201,092	$ 2,692,585	$ 3,792,982	$ 6,208,005	$ 16,894,664

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

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

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

Net Change in Fund Balances - Total Governmental Funds		$ 1,100,545
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlays	$ 2,197,017	
Less: Depreciation expense	(692,043)	1,504,974
Some revenues in the Statement of Activities do not provide current financial resources, and therefore, are unavailable in governmental funds. Also, revenues related to prior periods that became available during the current period are reported in governmental funds but are eliminated in the Statement of Activities. This amount is the net adjustment.		(147,069)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is reported with governmental activities.		(58,426)
Bond proceeds and other financing contracts provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net position. In the current period, these amounts consist of:		
Bonds and other financing contracts issued	$ (2,784,663)	
Principal payments on bonds and other financing contracts	2,277,018	
Accreted interest on bonds	21,591	(486,054)
Some expenses/revenue reductions reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not recognized in governmental funds. Also payments of certain obligations related to prior periods are recognized in governmental funds but are eliminated in the Statement of Activities. In the current period, the net adjustments consist of:		
Compensated absences	$ (42,667)	
Other postemployment benefits	(370,297)	
Pensions	228,571	
Pollution remediation	3,292	
Claims and judgments	74,696	
Accrued interest	(5,847)	
Unclaimed property	(32,197)	
Other obligations	124,611	(19,838)
Change in Net Position of Governmental Activities		$ 1,894,132

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

Statement of Net Position
PROPRIETARY FUNDS
June 30, 2017
(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 35,025	$ 4,253,071	$ 928,156	$ 2,154
Investments	745,361	-	29,694	163,505
Receivables (net of allowance)	893,085	389,002	308,888	32,047
Due from other funds	57	3,025	21,960	17
Due from other governments	1,352	32,872	75,972	-
Inventories	177	-	40,888	-
Prepaid expenses	1,605	-	10,667	-
Restricted cash and investments	654	-	27,254	-
Restricted receivables	-	-	42,901	-
Total Current Assets	1,677,316	4,677,970	1,486,380	197,723
Noncurrent Assets:				
Investments, noncurrent	15,755,192	-	285,873	2,051,063
Restricted investments, noncurrent	-	-	55,371	-
Restricted receivables, noncurrent	-	-	901	-
Restricted net pension asset	-	-	234	-
Other noncurrent assets	4,940	-	162,691	108,375
Capital assets:				
Land and other non-depreciable assets	3,240	-	69,560	-
Buildings	65,134	-	3,717,136	-
Other improvements	1,289	-	100,808	-
Furnishings, equipment, and intangibles	105,907	-	863,443	17
Infrastructure	-	-	57,646	-
Accumulated depreciation	(119,489)	-	(2,002,746)	(9)
Construction in progress	9,068	-	204,628	-
Total Noncurrent Assets	15,825,281	-	3,515,545	2,159,446
Total Assets	17,502,597	4,677,970	5,001,925	2,357,169
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on refundings	-	-	39,439	-
Deferred outflows on pensions	36,560	-	106,967	410
Total Deferred Outflows of Resources	36,560	-	146,406	410
Total Assets and Deferred Outflows of Resources	$ 17,539,157	$ 4,677,970	$ 5,148,331	$ 2,357,579

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

Continued

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 115,118	$ 5,333,524	$ 739,862
14,492	953,052	11,029
26,116	1,649,138	28,851
19,817	44,876	72,077
7,997	118,193	35,138
8,135	49,200	14,889
208	12,480	13,362
-	27,908	207,293
-	42,901	15,705
191,883	8,231,272	1,138,206
122,831	18,214,959	42,956
-	55,371	-
-	901	-
-	234	-
5	276,011	-
1,540	74,340	6,355
12,828	3,795,098	523,803
2,599	104,696	15,623
39,974	1,009,341	952,608
-	57,646	2,621
(26,299)	(2,148,543)	(759,104)
1,763	215,459	85,991
155,241	21,655,513	870,853
347,124	29,886,785	2,009,059
80	39,519	1,634
13,976	157,913	68,623
14,056	197,432	70,257
$ 361,180	$ 30,084,217	$ 2,079,316

Statement of Net Position
PROPRIETARY FUNDS
June 30, 2017
(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 8,712	$ -	$ 211,950	$ 120
Contracts payable	7,769	43	10,731	168,000
Accrued liabilities	192,653	72,457	307,449	3,792
Obligations under security lending agreements	94,318	-	-	48,401
Bonds and notes payable	-	-	143,105	-
Due to other funds	6,066	1,360	223,419	165
Due to other governments	2	22,846	6,287	-
Unearned revenue	7,438	-	55,980	-
Claims and judgments payable	2,035,874	-	2,854	-
Total Current Liabilities	2,352,832	96,706	961,775	220,478
Noncurrent Liabilities:				
Claims and judgments payable	24,604,664	-	-	-
Bonds and notes payable	-	-	2,329,760	-
Net pension liability	155,439	-	450,538	1,668
Other long-term liabilities	70,801	-	326,594	1,572,741
Total Noncurrent Liabilities	24,830,904	-	3,106,892	1,574,409
Total Liabilities	27,183,736	96,706	4,068,667	1,794,887
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on refundings	-	-	9	-
Deferred inflows on pensions	2,526	-	6,488	(1)
Total Deferred Inflows of Resources	2,526	-	6,497	(1)
NET POSITION				
Net investment in capital assets	65,149	-	659,197	8
Restricted for:				
Unemployment compensation	-	4,581,264	-	-
Pensions	-	-	234	-
Unrestricted	(9,712,254)	-	413,736	562,685
Total Net Position	(9,647,105)	4,581,264	1,073,167	562,693
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 17,539,157	$ 4,677,970	$ 5,148,331	$ 2,357,579

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

Concluded

		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
$ 15,134	$ 235,916	$ 50,929
-	186,543	1,077
70,415	646,766	91,956
-	142,719	4,287
1,644	144,749	109,348
31,239	262,249	32,214
1,352	30,487	126,805
1	63,419	4,600
5,396	2,044,124	174,960
125,181	3,756,972	596,176
10,277	24,614,941	590,442
4,272	2,334,032	557,956
55,722	663,367	323,162
136,982	2,107,118	164,100
207,253	29,719,458	1,635,660
332,434	33,476,430	2,231,836
-	9	147
285	9,298	11,029
285	9,307	11,176
26,569	750,923	96,636
-	4,581,264	-
-	234	-
1,892	(8,733,941)	(260,332)
28,461	(3,401,520)	(163,696)
$ 361,180	$ 30,084,217	$ 2,079,316

Statement of Revenues, Expenses, and Changes in Net Position
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
OPERATING REVENUES				
Sales	$ -	$ -	$ 85,418	$ -
Less: Cost of goods sold	-	-	(50,957)	-
Gross profit	-	-	34,461	-
Charges for services	15	-	2,623,939	29,261
Premiums and assessments	2,718,319	979,725	-	-
Lottery ticket proceeds	-	-	-	-
Federal aid for unemployment insurance benefits	-	36,955	-	-
Miscellaneous revenue	61,223	14,360	145,177	68
Total Operating Revenues	2,779,557	1,031,040	2,803,577	29,329
OPERATING EXPENSES				
Salaries and wages	160,503	-	1,171,965	3,313
Employee benefits	68,697	-	291,469	803
Personal services	5,686	-	37,059	57
Goods and services	81,875	-	1,148,252	511
Travel	3,867	-	27,328	32
Premiums and claims	2,887,423	1,027,266	162	-
Guaranteed education tuition program expense	-	-	-	300,854
Lottery prize payments	-	-	-	-
Depreciation and amortization	9,851	-	184,269	3
Miscellaneous expenses	51,549	-	24,424	-
Total Operating Expenses	3,269,451	1,027,266	2,884,928	305,573
Operating Income (Loss)	(489,894)	3,774	(81,351)	(276,244)
NONOPERATING REVENUES (EXPENSES)				
Earnings (loss) on investments	551,367	92,498	18,857	221,511
Interest expense	-	-	(85,878)	-
Tax and license revenue	120	-	-	-
Other revenues (expenses)	9,066	-	34,302	-
Total Nonoperating Revenues (Expenses)	560,553	92,498	(32,719)	221,511
Income (Loss) Before Contributions and Transfers	70,659	96,272	(114,070)	(54,733)
Capital contributions	-	-	5,314	-
Transfers in	-	-	596,492	-
Transfers out	(192)	-	(543,571)	(42)
Net Contributions, Transfers, and Special Items	(192)	-	58,235	(42)
Change in Net Position	70,467	96,272	(55,835)	(54,775)
Net Position - Beginning, as restated	(9,717,572)	4,484,992	1,129,002	617,468
Net Position - Ending	$ (9,647,105)	$ 4,581,264	$ 1,073,167	$ 562,693

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

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 101,646	$ 187,064	$ 42,343
(65,846)	(116,803)	(35,498)
35,800	70,261	6,845
36,424	2,689,639	666,182
35,730	3,733,774	1,653,944
673,293	673,293	-
-	36,955	-
4,080	224,908	158,231
785,327	7,428,830	2,485,202
63,553	1,399,334	319,664
28,990	389,959	150,819
18,753	61,555	25,719
92,708	1,323,346	311,857
2,295	33,522	4,571
-	3,914,851	1,639,906
-	300,854	-
422,536	422,536	-
1,862	195,985	104,038
7,492	83,465	648
638,189	8,125,407	2,557,222
147,138	(696,577)	(72,020)
(3,759)	880,474	1,916
(5,911)	(91,789)	(21,839)
20,958	21,078	25
282	43,650	2,261
11,570	853,413	(17,637)
158,708	156,836	(89,657)
-	5,314	10,711
22,345	618,837	222,054
(194,362)	(738,167)	(201,534)
(172,017)	(114,016)	31,231
(13,309)	42,820	(58,426)
41,770	(3,444,340)	(105,270)
$ 28,461	$ (3,401,520)	$ (163,696)

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2017
(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 2,594,253	$ 1,036,843	$ 2,619,261	$ 42,424
Payments to suppliers	(2,170,500)	(985,978)	(1,155,783)	(260,151)
Payments to employees	(221,182)	-	(1,430,241)	(3,938)
Other receipts	61,223	52,001	145,176	68
Net Cash Provided (Used) by Operating Activities	263,794	102,866	178,413	(221,597)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	596,492	-
Transfers out	(192)	-	(543,571)	(42)
Operating grants and donations received	9,100	-	19,562	-
Taxes and license fees collected	120	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	9,028	-	72,483	(42)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid	-	-	(93,623)	-
Principal payments on long-term capital financing	-	-	(73,138)	-
Proceeds from long-term capital financing	-	-	222,456	-
Proceeds from sale of capital assets	-	-	26,557	-
Acquisitions of capital assets	(7,558)	-	(260,420)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(7,558)	-	(178,168)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of interest	586,122	92,498	2,877	68,587
Proceeds from sale of investment securities	7,072,884	-	44,048	600,891
Purchases of investment securities	(7,932,791)	-	(75,220)	(452,400)
Net Cash Provided (Used) by Investing Activities	(273,785)	92,498	(28,295)	217,078
Net Increase (Decrease) in Cash and Pooled Investments	(8,521)	195,364	44,433	(4,561)
Cash and cash equivalents, July 1, as restated	44,200	4,057,707	910,977	6,715
Cash and cash equivalents, June 30	$ 35,679	$ 4,253,071	$ 955,410	$ 2,154
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	$ (489,894)	$ 3,774	$ (81,351)	$ (276,244)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:				
Depreciation	9,851	-	184,269	3
Revenue reduced for uncollectible accounts	47,049	-	2,233	-
Change in Assets: Decrease (Increase)				
Receivables	(124,062)	57,804	(97,847)	47,997
Inventories	24	-	4,584	-
Prepaid expenses	368	-	4,728	-
Other assets	-	-	62	-
Change in Deferred Outflows of Resources: Increase (Decrease)	(11,735)	-	(45,238)	(143)
Change in Liabilities: Increase (Decrease)				
Payables	848,784	41,288	235,076	6,942
Change in Deferred Inflows of Resources: Decrease (Increase)	(16,591)	-	(28,103)	(152)
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 263,794	$ 102,866	$ 178,413	$ (221,597)

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

Continued

		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
$ 837,686	$ 7,130,467	$ 2,403,737
(603,043)	(5,175,455)	(1,976,725)
(86,783)	(1,742,144)	(436,721)
4,063	262,531	158,675
151,923	475,399	148,966
22,345	618,837	222,054
(194,362)	(738,167)	(201,534)
442	29,104	2,167
20,957	21,077	26
(150,618)	(69,149)	22,713
(220)	(93,843)	(19,902)
(395)	(73,533)	(43,128)
-	222,456	37,232
63	26,620	7,004
(9,530)	(277,508)	(146,610)
(10,082)	(195,808)	(165,404)
27	750,111	3,717
18,248	7,736,071	1,158
(6,119)	(8,466,530)	(9,761)
12,156	19,652	(4,886)
3,379	230,094	1,389
111,739	5,131,338	945,766
$ 115,118	$ 5,361,432	$ 947,155
$ 147,138	$ (696,577)	$ (72,020)
1,862	195,985	104,038
23	49,305	210
(8,260)	(124,368)	39,977
134	4,742	(366)
66	5,162	(629)
-	62	-
(6,001)	(63,117)	(31,425)
21,976	1,154,066	118,009
(5,015)	(49,861)	(8,828)
$ 151,923	$ 475,399	$ 148,966

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2017
(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Contributions of capital assets	$ -	$ -	$ 5,314	$ -
Acquisition of capital assets through capital leases	-	-	2,029	-
Amortization of annuity prize liability	-	-	-	-
Increase (decrease) in fair value of investments	(31,278)	-	1,826	153,292
Debt refunding deposited with escrow agent	-	-	98,170	-
Amortization of debt premium/discount	-	-	10,874	-
Increase in ownership of joint venture	-	-	14,136	-

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

Concluded

		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
$ -	$ 5,314	$ 10,711
-	2,029	145
5,758	5,758	-
(3,786)	120,054	(2,100)
-	98,170	14,600
-	10,874	-
-	14,136	-

Statement of Net Position
FIDUCIARY FUNDS
June 30, 2017

(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
ASSETS				
Cash and cash equivalents	$ 5,134	$ 7,109,495	$ 52,180	178,499
Receivables, pension and other employee benefit plans:				
Employers	-	-	192,189	-
Members (net of allowance)	-	-	4,033	-
Interest and dividends	-	-	255,402	-
Investment trades pending	-	-	2,391,569	-
Due from other pension and other employee benefit funds	-	-	67,283	-
Other receivables, all other funds	-	4,406	80	9,516
Due from other governments	-	-	-	19,932
Investments:				
Liquidity	-	2,974,121	2,177,400	-
Fixed income	-	990,011	16,883,958	-
Public equity	-	-	43,787,828	-
Private equity	-	-	19,478,090	-
Real estate	-	-	16,339,953	-
Tangible assets	-	-	3,488,177	-
Security lending collateral	-	-	714,372	2,128
Other noncurrent assets	-	-	-	46,737
Capital assets:				
Furnishings, equipment, and intangibles	37	-	-	-
Accumulated depreciation	(31)	-	-	-
Total Assets	5,140	11,078,033	105,832,514	256,812
LIABILITIES				
Accounts payable	114	-	-	$ 4,580
Contracts payable	-	-	-	43,281
Accrued liabilities	90	120,417	2,701,469	126,742
Obligations under security lending agreements	-	-	714,372	2,128
Due to other funds	-	72	-	-
Due to other pension and other employee benefit funds	-	-	67,283	-
Due to other governments	-	49,278	-	33,344
Unearned revenue	-	-	937	-
Other long-term liabilities	-	-	-	46,737
Total Liabilities	204	169,767	3,484,061	$ 256,812
NET POSITION				
Net position restricted for:				
Pensions	-	-	98,267,929	
Deferred compensation participants	-	-	4,080,524	
Local government pool participants	-	10,908,266	-	
Individuals, organizations, and other governments	4,936	-	-	
Total Net Position	$ 4,936	$ 10,908,266	$ 102,348,453	

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

Statement of Changes in Net Position
FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2017
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans
ADDITIONS			
Contributions:			
Employers	$ -	$ -	$ 2,206,625
Members	-	-	1,422,667
State	-	-	78,600
Participants	-	18,670,324	287,130
Total Contributions	-	18,670,324	3,995,022
Investment Income:			
Net appreciation (depreciation) in fair value	-	-	10,763,732
Interest and dividends	-	64,191	2,125,857
Less: Investment expenses	-	-	(403,893)
Net Investment Income (Loss)	-	64,191	12,485,696
Other Additions:			
Unclaimed property	67,322	-	-
Transfers from other plans	-	-	10,357
Miscellaneous revenue	5	3	13,449
Total Other Additions	67,327	3	23,806
Total Additions	67,327	18,734,518	16,504,524
DEDUCTIONS			
Pension benefits	-	-	4,070,680
Pension refunds	-	-	528,116
Transfers to other plans	-	-	10,357
Administrative expenses	4,436	1,815	3,183
Distributions to participants	-	17,367,811	232,229
Payments to or on behalf of individuals, organizations and other governments in accordance with state unclaimed property laws	59,732	-	-
Transfers out	3	-	-
Total Deductions	64,171	17,369,626	4,844,565
Net Increase (Decrease)	3,156	1,364,892	11,659,959
Net Position - Beginning	1,780	9,543,374	90,688,494
Net Position - Ending	$ 4,936	$ 10,908,266	$ 102,348,453

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

Statement of Net Position
COMPONENT UNITS
June 30, 2017
(expressed in thousands)

	Public Stadium	Health Benefit Exchange	Valley Medical Center
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 8,362	$ 4,423	$ 104,015
Investments	-	-	21,920
Investments, restricted	-	-	-
Receivables (net of allowance)	953	6,524	76,947
Inventories	-	-	5,457
Prepaid expenses	25	1,332	11,968
Total Current Assets	9,340	12,279	220,307
Noncurrent Assets:			
Investments, noncurrent	-	-	77,111
Restricted investments, noncurrent	-	-	18,600
Other noncurrent assets	-	135	-
Capital assets:			
Land	34,677	-	13,414
Buildings	460,953	-	438,099
Other improvements	-	121	18,852
Furnishings, equipment and intangible assets	9,163	49,425	235,201
Accumulated depreciation	(238,295)	(45,527)	(368,569)
Construction in progress	-	-	29,777
Total Noncurrent Assets	266,498	4,154	462,485
Total Assets	275,838	16,433	682,792
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on pensions	13	2,376	-
Total Deferred Outflows of Resources	13	2,376	-
Total Assets and Deferred Outflows of Resources	$ 275,851	$ 18,809	$ 682,792

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

Continued

Nonmajor Component Units	Total
$ 53,979	$ 170,779
49,720	71,640
-	-
12,514	96,938
-	5,457
392	13,717
116,605	358,531
-	77,111
-	18,600
231,829	231,964
-	48,091
-	899,052
-	18,973
2,062	295,851
(1,713)	(654,104)
-	29,777
232,178	965,315
348,783	1,323,846
1,159	3,548
1,159	3,548
$ 349,942	$ 1,327,394

Statement of Net Position
COMPONENT UNITS
June 30, 2017
(expressed in thousands)

	Public Stadium	Health Benefit Exchange	Valley Medical Center
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 50	$ 11,127	$ 20,204
Contracts payable	1,558	-	-
Accrued liabilities	579	741	102,986
Unearned revenue	-	-	-
Total Current Liabilities	2,187	11,868	123,190
Noncurrent Liabilities:			
Net pension liability	217	9,095	-
Other long-term liabilities	-	134	297,092
Total Noncurrent Liabilities	217	9,229	297,092
Total Liabilities	2,404	21,097	420,282
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on property taxes	-	-	42,717
Deferred inflows on pensions	36	863	-
Total Deferred Inflows of Resources	36	863	42,717
NET POSITION			
Net investment in capital assets	266,498	4,019	62,018
Restricted for:			
Deferred sales tax	(498)	-	-
Other purposes	-	-	8,041
Unrestricted	7,411	(7,170)	149,734
Total Net Position	273,411	(3,151)	219,793
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 275,851	$ 18,809	$ 682,792

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

Concluded

Nonmajor Component Units	Total
$ 36,412	$ 67,793
-	1,558
1,327	105,633
9,131	9,131
46,870	184,115
5,601	14,913
-	297,226
5,601	312,139
52,471	496,254
-	42,717
9	908
9	43,625
350	332,885
-	(498)
1,083	9,124
296,029	446,004
297,462	787,515
$ 349,942	$ 1,327,394

Statement of Revenues, Expenses, and Changes in Net Position
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2017
(expressed in thousands)

	Public Stadium	Health Benefit Exchange	Valley Medical Center
EXPENSES	$ 19,128	$ 60,435	$ 621,070
PROGRAM REVENUES			
Charges for services	3,689	51,671	576,042
Operating grants and contributions	-	8,769	-
Total Program Revenues	3,689	60,440	576,042
Net Program Revenues (Expense)	(15,439)	5	(45,028)
GENERAL REVENUES			
Earnings (loss) on investments	68	-	1,550
Property taxes	-	-	21,490
Other	-	-	290
Total General Revenues	68	-	23,330
Change in Net Position	(15,371)	5	(21,698)
Net Position - Beginning, as restated	288,782	(3,156)	241,491
Net Position - Ending	$ 273,411	$ (3,151)	$ 219,793

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

Nonmajor Component Units	Total
$ 26,461	$ 727,094
90,227	721,629
3,808	12,577
94,035	734,206
67,574	7,112
524	2,142
-	21,490
-	290
524	23,922
68,098	31,034
229,364	756,481
$ 297,462	$ 787,515

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Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2017

Note 1

Summary of Significant Accounting Policies

The accompanying financial statements of the state of Washington have been prepared in conformity with generally accepted accounting principles (GAAP). The Office of Financial Management (OFM) is the primary authority for the state's accounting and reporting requirements. OFM has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is nationally accepted as the standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the significant accounting policies:

A. REPORTING ENTITY

In defining the state of Washington for financial reporting purposes, management considers all funds, organizations, institutions, agencies, departments, and offices that are legally part of the state (the primary government) and organizations that are financially accountable to the state. Additionally, other organizations that do not meet the financial accountability criteria may be included in the reporting entity if the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading.

Financial accountability exists when the primary government appoints a voting majority of an organization's governing body and is either (1) able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The primary government is also financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board. An organization is fiscally dependent if it is unable to determine its budget without another government having the substantive authority to approve or modify that budget, to levy taxes or set rates or charges without substantive approval by another government, or to issue bonded debt without substantive approval by another government. The organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists: (1) the primary government is legally entitled to or can access the organization's resources; (2) the primary government is legally obligated or has otherwise assumed the obligation to finance or provide financial support to the organization; (3) the primary government is obligated in some manner for the debt of the organization.

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

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

The Legislature creates these agencies, assigns their programs, approves operational funding, and requires financial accountability. The Legislature also authorizes all bond issuances for capital construction projects for the benefit of state agencies. The legal liability for these bonds and the ownership of agency assets reside with the state.

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

The University of Washington (UW) and Washington State University issue general revenue bonds that are payable from general revenues, including student tuition, grant indirect cost recovery, sales and services revenue, and investment income. All other revenue bonds issued by colleges and universities pledge the income derived from acquired or constructed assets such as housing, dining, and parking facilities. These revenue bonds are payable solely from, and secured by, fees and revenues derived from the operation of constructed facilities. The legal liability for the bonds and the ownership of the college and university assets reside with the state.

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

Retirement Systems. The state of Washington, through the Department of Retirement Systems (DRS), administers eight retirement systems for public employees of the state and political subdivisions: the Public Employees' Retirement System, the Teachers' Retirement System, the School Employees' Retirement System, the Law Enforcement Officers' and Fire Fighters' Retirement System, the Washington State Patrol Retirement System, the Public Safety Employees' Retirement System, the Judicial Retirement System, and the Judges' Retirement Fund. The director of DRS is appointed by the Governor.

There are three additional retirement systems administered outside of the DRS. The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund is administered through the State Board for Volunteer Fire Fighters and Reserve Officers, which is appointed by the Governor. The Judicial Retirement Account is administered through the Administrative Office of the Courts under the direction of the Board for Judicial Administration. The Higher Education Retirement Plan Supplemental Benefit Fund Plans are administered by the state's colleges and universities.

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

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

Blended Component Units

Blended component units, although legally separate entities, are part of the state's operations in substance. Accordingly, they are reported as part of the state and blended into the appropriate funds. Financial information for the state's blended component units may be obtained from the Office of Financial Management, Accounting Division, P.O. Box 43127, Olympia, WA 98504-3127. The following entities are blended in the state's financial statements:

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

Association of University Physicians (UWP) was established for the exclusive benefit of the University of Washington School of Medicine (UWSOM). UWP employs UWSOM faculty and bills and collects for their clinical services as an agent for UWSOM.

UW Medicine Neighborhood Clinics (Neighborhood Clinics) were established for the exclusive benefit of the UWSOM, UWP and its affiliated medical centers, Harborview Medical Center and the UW Medical Center. The Neighborhood Clinics were organized to coordinate and develop patient care in a community clinical setting. They enhance the academic environment of UWSOM by providing additional sites of primary care practice and training for faculty, residents, and students.

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

Tumwater Office Properties and FYI Properties were formed to design and construct office facilities to house state employees. The facilities were financed with tax-exempt obligations that meet the requirements of Revenue Ruling 63-20 and Revenue Procedure 82-26 issued by the Internal Revenue Service.

Northwest Hospital and Medical Center was created January 1, 2010, under an affiliation agreement between UW Medicine and Northwest Hospital and Medical Center (Northwest Hospital). UW Medicine is an academic medical center comprised of UWSOM, UW Neighborhood Clinics, UW Medical Center, Harborview Medical Center, UWP, as well as the University's membership in the Seattle Cancer Care Alliance and the Children's University Medical Group.

Northwest Hospital is a 281-bed full service acute care hospital. The University is the sole corporate member of Northwest Hospital.

Discrete Component Units

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

The state's component units each have a year-end of June 30 with the exception of the Washington Economic

Development Finance Authority and the Washington Health Benefit Exchange, which have a December 31 year-end.

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

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

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

Washington Health Care Facilities Authority
410 11th Avenue SE, Suite 201
Olympia, WA 98501

Washington State Housing Finance Commission
Washington Higher Education Facilities Authority
Washington Economic Development Finance Authority
1000 Second Avenue, Suite 2700
Seattle, WA 98104-3601

The **Washington State Public Stadium Authority (PSA**) was created by the Legislature to acquire, construct, own, and operate a football/soccer stadium, exhibition center, and parking garage. Construction was completed in 2002. At June 30, 2017, PSA capital assets, net of accumulated depreciation, total $266.5 million. The state issued general obligation bonds for a portion of the cost of the stadium construction. The total public share of the stadium and exhibition center cost did not exceed $300 million from all state and local government funding sources, as required in statute.

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

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

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

The **Washington Health Benefit Exchange (Exchange)** was created by the Legislature to implement a central marketplace for individuals, families, and small employers to shop for health insurance and access federal tax credits pursuant to the Patient Protection and Affordable Care Act of 2010. Federal grant funding financed the Exchange design, development, and implementation phases as well as the first full year of operation during 2014. Beginning in 2015, the Exchange became self-sustaining through Medicaid program cost reimbursements, premium tax assessments, and other assessments.

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

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

Valley Medical Center was created July 1, 2011, through a strategic alliance between UW Medicine and Public Hospital District No. 1 of King County. Valley Medical Center owns and operates a 321-bed full service acute care hospital and 45 clinics located throughout southeast King County. Financial reports of Valley Medical Center may be obtained at the following address:

Valley Medical Center
400 S. 43rd Street
Renton, WA 98055-5010

Joint Ventures

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

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

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

The state accounts for the Medical Center's interest in the SCCA under the equity method of accounting. Income of $14.1 million was recorded in fiscal year 2017, bringing the total equity investment to $141.8 million which is recognized in the state's financial statements in the Higher Education Student Services Fund.

Separate financial statements for the SCCA may be obtained from:

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

The University of Washington and Seattle Children's Hospital established **Children's University Medical Group (CUMG)** to assist the organizations in carrying out their pediatric patient care, as well as charitable, educational, and scientific missions.

Separate financial statements for CUMG may be obtained from:

Children's University Medical Group
4500 Sand Point Way NE, Suite 100
Seattle, WA 98105

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

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

Statement of Net Position. The Statement of Net Position presents the state's non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. As a general rule, balances between governmental and business-type activities are eliminated.

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

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

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

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

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

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

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

Fund Financial Statements

The state uses 671 accounts that are combined into 51 rollup funds. The state presents separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements, with nonmajor funds being combined into a single column regardless of fund type. Internal service and fiduciary funds are reported by fund type. Major funds include:

Major Governmental Funds:

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

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

- **Higher Education Endowment Permanent Fund** accounts for gifts and bequests that the donors have specified must remain intact. Each gift is governed by various restrictions on the investment and use of the income earned on investments.

Major Enterprise Funds:

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

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

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

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

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

Nonmajor Governmental Funds:

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

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

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

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

Nonmajor Proprietary Funds:

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

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

The state reports the following fiduciary funds:

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

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

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

The state reports both unavailable and unearned revenues on its governmental fund balance sheet. Unavailable revenues arise when a potential revenue does not meet both the "measurable" and the "available" criteria for revenue recognition in the current period. Unearned revenues arise when resources are received by the state before it has a legal claim to them, such as when grant monies are received prior to incurring qualifying expenditures/expenses.

All proprietary and trust funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets, liabilities, deferred outflows of resources, and deferred inflows of resources associated with the operations of these funds are included on their respective statements of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

1. Cash and Investments

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

The method of accounting for investments varies depending upon the fund classification. Investments in the state's Local Government Investment Pool (LGIP), a qualified external investment pool, are reported at amortized cost which approximates fair value. The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at: http://tre.wa.gov/wp-content/uploads/lgipCafrFY17.pdf, or phone number (360) 902-9000. TTY users dial 711 to be connected to the state TTY operator.

The fair value of certain pension trust fund investments that are organized as limited partnerships and have no readily ascertainable fair values (including real estate, private equity, and tangible assets) has been determined by using the net asset value per share of the Pension Funds ownership interest in partners' capital. These values are based on the individual investee's capital account balance reported at fair value at the closest available reporting period, adjusted for subsequent activity. At June 30, 2017, these alternative investments are valued at $39.31 billion. Because of the inherent uncertainties in the estimation of fair values, it is possible that the estimates will change in the near-term or the subsequent sale of assets would be different than the June 30, 2017, reported net asset value.

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

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

2. Receivables and Payables

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

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

3. Inventories and Prepaids

Consumable inventories, consisting of expendable materials and supplies held for consumption, are valued and reported in the state's financial statements if the fiscal year-end balance on hand at an inventory control point is estimated to be $50,000 or more. Consumable inventories are valued at cost using either the first-in, first-out or weighted average methods. Donated consumable inventories are recorded at fair value.

All merchandise inventories are considered reportable for financial statement purposes. Merchandise inventories are generally valued at cost using the first-in, first-out method. Inventories of governmental funds are valued at cost and recorded using the consumption method. Proprietary funds expense inventories when used or sold.

For governmental fund financial reporting, inventory balances are also recorded as a nonspendable fund balance indicating that they do not constitute "available spendable resources," except for $4.5 million in federally donated consumable inventories, which are offset by unearned revenue because they are not earned until they are distributed to clients.

Prepaid items are those certain types of supplies and/or services (not inventory) that are acquired or purchased during an accounting period but not used or consumed during that accounting period.

In governmental fund type accounts, prepaid items are generally accounted for using the purchases method. Under the purchases method, prepaid items are treated as expenditures when purchased and residual balances, if any, at year-end are not accounted for as assets.

In proprietary and trust fund type accounts, prepaid items are accounted for using the consumption method. The portion of supplies or services consumed or used during a period is recorded as an expense. The balance that remains is reported as an asset until consumed or used.

4. Restricted Assets

Certain cash, investments, and other assets are classified as restricted assets on the Statement of Net Position and Balance Sheet because their use is limited by debt covenants, escrow arrangements, or other regulations.

5. Capital Assets

Capital assets are tangible and intangible assets held and used in state operations, which have a service life of more than one year and meet the state's capitalization policy.

It is the state's policy to capitalize:

- All land, including land use rights with indefinite lives acquired with the purchase of the underlying land, and ancillary costs;
- The state highway system operated by the Department of Transportation;
- Infrastructure, other than the state highway system, with a cost of $100,000 or more;
- Buildings, building improvements, improvements other than buildings, and leasehold improvements with a cost of $100,000 or more;
- Intangible assets, either purchased or internally developed, with a cost of $1 million or more that are identifiable by meeting one of the following conditions:
    - The asset is capable of being separated or divided and sold, transferred, licensed, rented, or exchanged;
    - The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable;
- All capital assets acquired with Certificates of Participation, a debt financing program administered by the Office of the State Treasurer; and
- All other capital assets with a unit cost (including ancillary costs) of $5,000 or greater, or collections with a total cost of $5,000 or greater.

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

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

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

The value of assets constructed by agencies for their own use includes all direct construction costs and costs that are related to the construction. In enterprise and trust funds, net interest costs (if material) incurred during the period of construction are capitalized. In fiscal year 2017, $91.0 million in interest costs were incurred, and $13.5 million net interest costs were capitalized.

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

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

Depreciation/amortization is calculated using the straight-line method over the estimated useful lives of the assets.

Generally, estimated useful lives are as follows:

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

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

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

- Maintenance of an up-to-date inventory of system assets;

- Performance of condition assessments of the assets at least every three years with summarization of the results using a measurement scale; 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 Position. Depreciation/amortization expense related to capital assets is reported in the Statement of Activities.

Capital assets and the related depreciation/amortization expense are also reported in the proprietary fund financial statements.

In governmental funds, capital assets are not capitalized in the accounts that acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in the year assets are acquired or construction costs are incurred. No depreciation/amortization is reported.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund equity that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The category of deferred outflow of resources reported in the government-wide and proprietary fund statements of net position relates to debt refunding, pensions, and hedging derivative instruments.

Deferred outflows on debt refunding result when the net carrying value of refunded debt exceeds its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred outflows on pensions are recorded when projected earnings on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. State contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

Deferred outflows on hedging derivative instruments represent the unrealized loss in fair value of the contract at fiscal year end.

In addition to liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of fund equity that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported by the state relate to unavailable revenue, debt refunding, pensions, and hedging derivative instruments.

Unavailable revenue arises only under the modified accrual basis of accounting, and so is reported only on the governmental funds balance sheet. Governmental funds report deferred inflows for unavailable revenues primarily from two sources: taxes and long-term receivables. These amounts are recognized as inflows of resources in the periods that the amounts become available.

Deferred inflows on refunding result when the reacquisition price of the refunding debt exceeds the net carrying value of the refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred inflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the state's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

Deferred inflows on hedging derivative instruments represent the unrealized gain in fair value of the contract at fiscal year end.

7. Compensated Absences

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

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

It is the state's policy to liquidate its compensated absences obligations with future resources rather than advance funding it with available spendable financial resources.

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

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

8. Long-Term Liabilities

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

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

9. Fund Equity

In governmental fund type accounts, fund equity is called "fund balance." Fund balance is reported in classifications which reflect the extent to which the state is bound to honor constraints on the purposes for which the amounts can be spent. Classifications include:

- **Nonspendable** fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.

- **Restricted** fund balance represents amounts for which constraints are placed on their use by the state constitution, enabling legislation, or external resource providers such as creditors, grantors, or laws or regulations of other governments.

- **Committed** fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by state law as adopted by the state Legislature. The commitment remains in place until the Legislature changes or eliminates the state law.

- **Assigned** fund balance represents amounts that are intended for a specific purpose by management, but are neither restricted nor committed. Generally, assignment is expressed by joint legislative and executive staff action.

- **Unassigned** fund balance represents the residual amount for the General Fund that is not contained in the other classifications. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

For government-wide reporting as well as in proprietary funds, fund equity is called net position. Net position is comprised of three components: net investment in capital assets; restricted; and unrestricted.

- **Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

- **Restricted** net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

- **Unrestricted** net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, it is the state's policy to use restricted resources first and then use unrestricted resources as they are needed.

In fiduciary funds, net assets are held in trust for individuals and external organizations.

E. OTHER INFORMATION

1. Insurance Activities

Workers' Compensation. Title 51 RCW establishes the state of Washington's workers' compensation program. The statute requires all employers to secure coverage for job-related injuries and diseases, with few exceptions, through the Workers' Compensation Fund or through self-insurance.

Direct private insurance is not authorized, although self-insurers are permitted to reinsure up to 80 percent of their obligations through private insurers.

The Workers' Compensation Fund, an enterprise fund, is used to account for the workers' compensation program which provides time-loss, medical, vocational, disability, and pension benefits to qualifying individuals sustaining work-related injuries or illnesses. The main benefit plans of the workers' compensation program are funded based on rates that will keep these plans solvent in accordance with recognized actuarial principles. The supplemental pension plan supports cost-of-living adjustments (COLA) granted for time-loss and disability payments; however, these are funded on a pay-as-you-go basis. By statute, the state is only allowed to collect enough revenue to fund the current COLA payments.

Premiums are based on individual employers' reported payroll hours and insurance rates based on each employer's risk classification(s) and past experience, except for the Supplemental Pension Fund premiums which are based on a flat rate per hours worked independent of risk class or past experience. In addition to its regular premium plan which is required for all employers, the Workers' Compensation Fund offers a voluntary retrospective premium-rating plan under which premiums are subject to three annual adjustments based on group and individual employers' loss experience. Initial adjustments to the standard premiums are paid to or collected from the groups and individual employers approximately ten months after the end of each plan year.

The Department of Labor and Industries, as administrator of the workers' compensation program, establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have already occurred. The length of time for which such costs must be estimated varies depending on the benefit involved. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liabilities, claims adjudication, and judgments, the process used in computing claims liabilities does not necessarily result in an exact amount.

Claims payable are recomputed quarterly using a variety of actuarial and statistical techniques. These techniques are used to produce current estimates that reflect recent settlements, claim frequency, expected inflation, and other economic, legal, and social factors. Adjustments to claims payable are charged or credited to claims expense in the periods in which they are made.

The Department of Labor and Industries prepares a stand-alone financial report for its workers' compensation program. Copies of the report that include financial statements and required supplementary information may be obtained by writing to Washington State Department of Labor and Industries, PO Box 44833, Olympia, Washington 98504-4833 or by visiting their website at: http://www.lni.wa.gov/ClaimsIns/Insurance/Learn/StateFund/Reports/Default.asp.

Risk Management. The state of Washington operates a self-insurance liability program pursuant to RCW 4.92.130. The state manages its tort claims as an insurance business activity rather than a general governmental activity. The state's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, the state's management believes it is more economical to manage its risks internally and set aside assets for claims settlement in the Risk Management Fund, an internal service fund. Coverage is provided up to $10 million for each claim with no deductible. Commercial insurance is purchased for various liabilities arising from the operations of the Washington state governmental functions in order to limit the exposure to catastrophic losses. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past ten fiscal years. Otherwise, the self-insurance liability program services all claims against the state for injuries and property damage to third parties. The majority of state funds and agencies participate in the self-insurance liability program in proportion to their anticipated exposure to liability losses.

Health Insurance. The state of Washington administers and provides medical, dental, basic life, and basic long-term disability insurance coverage for eligible state employees and their dependents. In addition, school districts, educational service districts, charter schools, the Washington State Health Benefits Exchange, tribal governments, political subdivisions, and employee organizations representing state civil service employees can contract with the state to provide these benefits to their employees. The state establishes eligibility requirements and approves plan benefits of all participating health care organizations. Because the state and its employees are the predominant participants in the employee health insurance program, it is accounted for in an internal service fund, the Public Employees' and Retirees' Insurance Account.

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

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

Most coverage is also available on a self-paid basis to eligible retirees. In accordance with the provisions of GASB Statement No. 43, the Public Employees' and Retirees Insurance Account is used to account for the retiree health insurance program. For additional information, refer to Note 12.

The state secures commercial insurance for certain coverage offered, but self-insures the risk of loss for the Uniform Medical Plan. The Uniform Medical Plan enrolled approximately 65 percent of the eligible subscribers in fiscal year 2017. Claims are paid from premiums collected, and claims adjudication is contracted through a third-party administrator.

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

2. Postemployment Benefits

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

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

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

3. Interfund/Interagency Activities

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

4. Donor-restricted Endowments

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

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

The net appreciation available for authorization for expenditure by governing boards totaled $613.5 million. This amount is reported as restricted for expendable endowment funds on the government-wide Statement of Net Position.

Note 2

Accounting, Reporting, and Entity Changes

Reporting Changes. Effective for fiscal year 2017 reporting, the state adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB Statement No. 73 addresses three separate subjects, two of which were effective for fiscal year 2016 and one of which is effective for fiscal year 2017 reporting. It establishes financial reporting requirements for defined benefit pensions that are provided to employees of state and local governmental employers and that are not administered through trusts or equivalent arrangements and therefore outside the scope of Statement No. 68.

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB Statement No. 74 establishes financial reporting standards for state and local governmental other postemployment benefit (OPEB) plans other than pension plans. It also establishes financial reporting standards for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through trusts or equivalent arrangements.

Statement No. 77 *Tax Abatement Disclosures*. GASB Statement No. 77 establishes financial reporting standards for tax abatement agreements entered into by state and local governments.

Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pension plans provided to the employees of state and local governmental employers through cost-sharing multiple-employer plans that meet the criteria of paragraph 4 of Statement No. 68 and that (a) are not state or local governmental pension plans, (b) are used to provide benefits to both employees of governmental employers and to employees of non-governmental employers, and (c) have no predominant governmental employers. This statement did not have an impact on the financial statements.

Statement No. 79 *Certain External Investment Pools and Pool Participants*. GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. While certain provisions of Statement No. 79 were effective for fiscal year 2016 reporting, its provisions related to portfolio quality, custodial credit risk, and shadow pricing are effective for fiscal year 2017 reporting.

Statement No. 80 *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

Statement No. 82 *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB Statement No. 82 amends the definition of covered payroll for pensions reported in required supplementary information. Instead of presenting covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, the required supplementary information will present covered payroll, defined as the payroll on which contributions to a pension plan are based.

Fund Reclassification. Northwest Hospital and Medical Center, a component unit of the University of Washington, was reclassified from a discrete component unit to a blended component unit as a result of the implementation of GASB Statement No. 80. Accordingly, the beginning fund balance of the Higher Education Student Services Fund, a major proprietary fund, was increased by $89.5 million.

Prior Period Adjustment. The state recorded adjustments to the beginning net position in the following funds as a result of implementing GASB Statement No. 73:

- Higher Education Student Services Fund, a major proprietary fund, a reduction in the amount of $39.4 million.
- Higher Education Revolving Fund, a major internal service fund, an increase in the amount of $228.8 million.

The Public Stadium Authority, a major component unit, recorded a reduction to the beginning net position balance in the amount of $16 thousand in order to report the pension liability as of the financial statement date. Previously, the pension information was not available in time to report the current year's pension liability.

Governmental Capital Assets and Long-term Obligations. The state recorded a beginning balance adjustment to long-term obligations associated with governmental funds of $502.1 million as a result of the implementation of GASB Statement No. 73.

Fund equity at July 1, 2016, has been restated as follows (expressed in thousands):

	Fund equity (deficit) at June 30, 2016, as previously reported	Fund Reclassification	Prior Period Adjustment	Fund equity (deficit) as restated, July 1, 2016
Governmental Funds:				
General	$ 3,230,267	$ -	$ -	$ 3,230,267
Higher Education Special Revenue	2,860,291	-	-	2,860,291
Higher Education Endowment	3,390,164	-	-	3,390,164
Nonmajor Governmental	6,313,397	-	-	6,313,397
Proprietary Funds:				
Enterprise Funds:				
Workers' Compensation	(9,717,572)	-	-	(9,717,572)
Unemployment Compensation	4,484,992	-	-	4,484,992
Higher Education Student Services	1,078,921	89,498	(39,417)	1,129,002
Guaranteed Education Tuition Program	617,468	-	-	617,468
Nonmajor Enterprise	41,770	-	-	41,770
Internal Service Funds	(334,072)	-	228,802	(105,270)
Fiduciary Funds:				
Private Purpose Trust	1,780	-	-	1,780
Local Government Investment Pool	9,543,374	-	-	9,543,374
Pension and Other Employee Benefit Plans	90,688,494	-	-	90,688,494
Component Units:				
Public Stadium	288,798	-	(16)	288,782
Health Benefit Exchange	(3,156)	-	-	(3,156)
Valley Medical Center	241,491	-	-	241,491
Northwest Hospital	89,498	(89,498)	-	-
Nonmajor Component Units	229,364	-	-	229,364

Note 3
Deposits and Investments

A. DEPOSITS

Custodial Credit Risk. Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, it is the risk that the state would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties.

The state minimizes custodial credit risk by restrictions set forth in state law. Statutes require state agencies to deposit funds in financial institutions that are physically located in Washington unless otherwise expressly permitted by statute and authorized by the Washington Public Deposit Protection Commission (PDPC). The PDPC, established under chapter 39.58 of the Revised Code of Washington (RCW), makes and enforces regulations and administers a collateral pool program to ensure public funds are protected if a financial institution becomes insolvent. Securities pledged are held by a trustee agent for the benefit of the collateral pool.

At June 30, 2017, $1.21 billion of the state's deposits with financial institutions were insured or collateralized, with the remaining $729 thousand uninsured/uncollateralized.

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

1. Summary of Investment Policies

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

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

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

Eligible Investments. The WSIB is authorized by statute as having investment management responsibility for pension trust funds. The WSIB is authorized to invest as provided by statute (chapter 43.33A RCW) and WSIB policy in the following: U.S. treasury bills; discount notes; repurchase agreements; reverse repurchase agreements; banker's acceptances; commercial paper; guaranteed investment contracts; U.S. government and agency (government sponsored corporations eligible for collateral purposes at the Federal Reserve) securities; non-U.S. dollar bonds; investment grade corporate bonds; non-investment grade corporate bonds; publicly traded mortgage-backed securities; privately placed mortgages; private placements of corporate debt; U.S. and foreign common stock; U.S. preferred stock; convertible securities; private equity including but not limited to investment corporations, partnerships, and limited liability companies for venture capital, leveraged buy-outs, real estate, and other tangible assets, or other forms of private equity; asset-backed securities; and derivative securities including futures, options, options on futures, forward contracts, and swap transactions. There were no violations of these investment restrictions during fiscal year 2017.

Commingled Trust Fund. Pension trust funds are invested in the Commingled Trust Fund (CTF). The CTF is a diversified pool of investments used as an investment vehicle for 14 separate retirement plans and one supplemental pension funding account. These plans hold shares in the CTF which represent a percentage ownership in the pool of investments. Plans are allowed to purchase or sell shares in the CTF, based on the fair value of the underlying assets, on the first business day of each month.

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

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

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

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

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

To achieve the performance and diversification objectives of the pension trust funds, the public markets equity program seeks to achieve the highest return possible consistent with prudent risk management and the desire for downside protection, with passive equity strategies as the default whenever strategies with better risk/return profiles cannot be identified; provide diversification to the pension trust funds' overall investment program; maintain liquidity in public equity; and maintain transparency into all public equity strategies to the extent possible.

Public Markets Equities. The public markets equity portion of the pension trust funds invests in publicly traded equities globally, including equity securities in the U.S., developed non-U.S., and emerging markets. The program has a global benchmark, currently the Morgan Stanley Capital International (MSCI) All Country World Investable Market Index. A mix of external managers approved by the WSIB is used to manage the program. Passive management delivers broad diversified equity market exposure at low cost and is used when active managers cannot be identified and monitored appropriately. Passive management is also used when it is considered an appropriate alternative to active management, typically in more efficient markets. Active management is used when the pension trust funds can identify, access, and monitor successful managers in markets that are less efficient. Active management seeks to enhance the risk/return profile of the program.

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

RCW 43.33A.140 prohibits a corporate fixed income issues cost from exceeding 3 percent of the CTF's market value at the time of purchase and 6 percent of its market value thereafter. However, the WSIB manages with a more restrictive concentration constraint, limiting exposure to any corporate issuer to 3 percent of the CTF fixed income portfolio's market value at all times.

The fixed income portfolio is constrained by policy from investing more than 1 percent of the portfolio's par value in any single issuer with a quality rating below investment grade (as defined by Bloomberg Barclays Capital Global Family of Fixed Income Indices). Total market value of below investment grade credit bonds (as defined by Bloomberg Barclays Capital Global Family of Fixed Income Indices) shall not exceed 15 percent of the market value of the fixed income portfolio. Although below investment grade mortgage-backed, asset-backed, or commercial mortgage-backed securities may not be purchased, portfolio holdings that are downgraded to those levels or are no longer rated may continue to be held. The total market value of below investment grade mortgage-backed, asset-backed, and commercial mortgage-backed securities shall not exceed 5 percent of the market value of the fixed income portfolio. The duration of the portfolio is targeted to be within plus or minus 20 percent of the duration of the Bloomberg Barclays Capital Universal Index.

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

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

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

The private equity investment portfolio is managed to meet or exceed the returns of the MSCI All Country World Investable Market Index, lagged by one calendar quarter, by

300 basis points in the long run. To meet the return and plan objectives, the private equity portfolio has diversified investments in companies in a variety of growth stages. The portfolio also includes a broad cross-section of opportunities in different industries and geographic regions.

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

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

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

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

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

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

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

Currently, there are two investment strategies in the innovation portfolio involving private partnerships.

2. Valuation of Investments

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

The following table presents fair value measurements as of June 30, 2017:

Pension Trust Funds
Investments Measured at Fair Value
June 30, 2017
(expressed in thousands)

		Fair Value Measurements Using		
Investments by fair value level	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Debt securities				
Mortgage and other asset-backed securities	$ 1,107,113		$ 1,107,113	
Corporate bonds	9,058,733		9,058,733	
U.S. and foreign government and agency securities	6,718,112		6,718,112	
Total debt securities	16,883,958		16,883,958	
Equity securities				
Common and preferred stock	21,439,031	21,374,738	60,601	3,692
Depository receipts and other miscellaneous	691,630	690,057	255	1,318
Mutual funds and exchange traded funds	2,215	2,215	-	-
Real estate investment trusts	326,766	326,766	-	-
Private equity and tangible asset funds	180,301	180,301	-	-
Total equity securities	22,639,943	22,574,077	60,856	5,010
Total investments by fair value level	39,523,901	$ 22,574,077	$ 16,944,814	$ 5,010
Investments measured at net asset value (NAV)				
Private equity	19,428,002			
Real estate	16,339,952			
Tangible assets	3,357,964			
Collective investment trust funds (equity securities)	12,457,658			
Total investments measured at the NAV	51,583,576			
Total investments measured at fair value	$ 91,107,477			
Other assets (liabilities) measured at fair value				
Collateral held under securities lending agreements	$ 712,951	$ -	$ 712,951	
Net foreign exchange contracts receivable-forward and spot	16,985	-	16,985	
Net swap contracts receivable	514	-	514	
Margin variation payable-futures contracts	(10,274)	(10,274)	-	
Obligations under securities lending agreements	(712,951)	-	(712,951)	
Total other assets (liabilities) measured at fair value	$ 7,225	$ (10,274)	$ 17,499	

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

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

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

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

The limited partnerships' annual financial statements are audited by independent auditors. These investments are valued at approximately $39.31 billion as of June 30, 2017. Because of the inherent uncertainties in estimating fair values, it is possible that the estimates will change in the near-term or the subsequent sale of assets will be different than the June 30, 2017, reported net asset value.

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

Pension Trust Funds
Alternative Assets Expected Liquidation Periods
June 30, 2017
(expressed in thousands)

	Investment Type				
Liquidation Periods	**Private Equity**	**Real Estate**	**Tangible Assets**	**Total**	**Percentage of Total**
Publicly traded-Level 1	$ 50,088	$ -	$ 130,213	$ 180,301	0.5%
Less than 3 years	86,416	1,392,007	-	1,478,423	3.8%
3 to 9 years	6,512,933	1,594,692	591,319	8,698,944	22.1%
10 or more years	12,828,653	13,353,253	2,766,645	28,948,551	73.6%
Total	$ 19,478,090	$ 16,339,952	$ 3,488,177	$ 39,306,219	100.0%

Private Equity. This includes 277 private equity limited liability partnerships that invest primarily in the United States, Europe, and Asia in leveraged buyouts, venture capital, distressed debt, and growth equity. The fair value of individual capital account balances is based on the valuation reported by private equity partnerships using the following methodologies to value the underlying portfolio companies:

- Valuations of publicly traded portfolio companies are based on active exchanges using quoted market prices as of the close of trading for each month-end.

- When a portfolio company investment does not have a readily available market price but has a return that is determined by reference to an asset for which a market price is readily available, valuations are based on the closing market price of the reference asset on the valuation date, adjusted for unique factors that affect the fair value of the investment held.

- When the portfolio company investments are private holdings and are not traded on active security exchanges, valuation methodologies consist primarily of income and market approaches. The income approach involves a discounted cash flow analysis based on portfolio companies' projections. The market approach involves valuing a company at a multiple of a specified financial measure, generally earnings before interest, taxes, depreciation, and amortization, based on multiples of comparable publicly traded companies.

Real Estate. This includes 36 real estate investments. Targeted investment structures within the real estate portfolio include real estate operating companies, limited liability companies, joint ventures, commingled funds, and co-investments. Real estate partnerships provide quarterly valuations to the pension trust fund management based on the most recent capital account balance. Individual properties are valued by the investment management at least annually and are adjusted as frequently as quarterly if material market or operational changes have occurred. Properties are generally externally appraised every one to five years, depending upon the investment. Structured finance investments receive quarterly adjustments by the partners, generally applying the assumption that all such positions will be held to maturity. Annual audits of most partnerships include a review of compliance with the partnership's valuation policies.

Tangible Assets. This includes 40 limited liability structures and funds. The primary goal of the tangible asset portfolio is to generate a long-term sustainable and stable income stream, as well as generate appreciation at least commensurate with inflation. Valuation practices of general partners and asset managers are consistent with private equity limited partnerships.

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

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

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

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

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

Gains and losses on futures contracts are settled daily, based on a notional (underlying) principal value, and do not involve an actual transfer of the specific instrument. The margin variation represents the current gain or loss remaining to be settled from the prior day. The custodial bank provides quoted prices for these securities from a reputable pricing vendor.

3. Unfunded Commitments

The WSIB has entered into a number of agreements that commit the pension trust funds, upon request, to make additional investment purchases up to predetermined amounts. As of June 30, 2017, the pension trust funds had total unfunded commitments of $23.56 billion in the following asset classes: $12.94 billion in private equity, $7.03 billion in real estate, and $3.59 billion in tangible assets.

4. Securities Lending

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

The fair value of the securities on loan at June 30, 2017, was approximately $1.85 billion. The pension trust funds report securities on loan in their respective categories in the Statement of Net Position. At June 30, 2017, cash collateral received totaling $712.9 million is reported as securities lending obligation, and the fair value of the reinvested cash collateral totaling $712.9 million is reported as security lending collateral in the Statement of Net Position.

Securities received as collateral for which the pension trust funds do not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position. Total securities received as collateral at June 30, 2017, was $1.19 billion.

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

The following table summarizes the securities held by the pension trust funds from reinvestment of cash collateral and securities received as collateral at June 30, 2017 (in millions):

Mortgage-backed securities	$1,004.7
Repurchase agreements	312.2
Treasuries	182.5
Commercial paper	159.2
Yankee CD	129.8
Cash equivalents and other	111.7
Total collateral held	$1,900.1

During fiscal year 2017, securities lending transactions could be terminated on demand by either the pension trust funds or the borrower. As of June 30, 2017, the cash collateral held had an average duration of 19.1 days and an average weighted final maturity of 62.6 days.

Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold absent borrower default. No more than 20 percent of the total on loan value could be held by a specific borrower. Collateral investment guidelines specifically prohibit European domiciled holdings. There are no restrictions on the amount of securities that can be lent.

Securities were lent with the agreement that they would be returned in the future for exchange of the collateral. State Street Corporation indemnified the pension trust funds by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return the loaned securities or pay distributions thereon. State Street Corporation's responsibilities included performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable federal regulations concerning securities lending. During fiscal year 2017, there were no significant violations of legal or contractual provisions and no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the pension trust funds incurred no losses during fiscal year 2017 resulting from a default by either the borrowers or the securities lending agents.

5. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. The risk is managed within the portfolios using effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of fixed income investments.

While the pension trust funds do not have a formal policy relating to interest rate risk, the pension trust funds' fixed income investments are actively managed to meet or exceed the return of the Bloomberg Barclays U.S. Universal Index, with a duration target within plus or minus 20 percent of the duration of the portfolio's performance benchmark. As of June 30, 2017, the duration of the pension trust funds' fixed income investments was within the duration target of this index.

The two schedules below provide information about the interest rate risks associated with the pension trust funds' investments as of June 30, 2017. The schedules display various asset classes held by maturity in years, effective durations, and credit ratings. All debt securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities, taking into account possible prepayments of principal.

Pension Trust Funds
Schedule of Maturities and Effective Duration
June 30, 2017
(expressed in thousands)

		Maturity				
Investment Type	**Total Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**	**More than 10 Years**	**Effective Duration (in years)**
Mortgage and other asset-backed securities	$ 929,252	$ 13,800	$ 652,272	$ 263,180	$ -	4.18
Corporate bonds	9,058,733	568,182	3,791,358	3,347,491	1,351,702	6.02
U.S. government and agency securities	5,145,612	488,654	2,619,944	1,461,586	575,428	5.51
Foreign government and agency securities	1,572,500	125,656	528,526	630,241	288,077	5.63
Total internally managed fixed income	16,706,097	1,196,292	7,592,100	5,702,498	2,215,207	5.72
Mortgage-backed TBA Forwards	177,861	177,861	-	-	-	0.00
Total investments categorized	16,883,958	$ 1,374,153	$ 7,592,100	$ 5,702,498	$ 2,215,207	5.66*
Investments not required to be categorized:						
Cash and cash equivalents	2,236,762					
Equity securities	34,917,300					
Alternative investments	39,306,219					
Total investments not categorized	76,460,281					
Total Investments	$ 93,344,239					

* *Excludes cash and cash equivalents*

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

Pension Trust Funds
Investment Credit Ratings
June 30, 2017
(expressed in thousands)

	Investment Type			
Moody's Equivalent Credit Rating	**Mortgage and Other Asset-Backed Securities**	**Corporate Bonds**	**Foreign Government and Agency Securities**	**Total Fair Value**
Aaa	$ 1,106,263	$ 449,661	$ 102,562	$ 1,658,486
Aa1	-	-	58,977	58,977
Aa2	-	92,778	63,812	156,590
Aa3	-	395,136	222,581	617,717
A1	-	807,105	44,924	852,029
A2	146	353,836	-	353,982
A3	-	1,262,731	68,233	1,330,964
Baa1	-	1,243,202	101,458	1,344,660
Baa2	-	1,400,845	147,785	1,548,630
Baa3	-	1,786,145	207,351	1,993,496
Ba1 or lower	704	1,267,294	554,817	1,822,815
Total	$ 1,107,113	$ 9,058,733	$ 1,572,500	$ 11,738,346

6. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The pension trust funds' investment policies limit the fixed income securities to investment grade or higher at the time of purchase. Investment grade securities are those fixed income securities with a Moody's rating of Aaa to Baa or a Standard and Poor's rating of AAA to BBB. The rated debt investments of the pension trust funds as of June 30, 2017, were rated by Moody's and/or an equivalent national rating organization.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The policy of the pension trust funds states no corporate fixed income issue cost shall exceed 3 percent of cost at the time of purchase or 6 percent of fair value thereafter of the fund, and no high yield issues shall exceed 1 percent of cost or 2 percent of fair value of the fund. There was no concentration of credit risk exceeding these policy guidelines as of June 30, 2017.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the pension trust funds would not be able to recover the value of their deposits, investments, or collateral securities. The pension trust funds do not have a policy relating to custodial credit risk. The WSIB mitigates custodial credit risk by having its investment securities (excluding cash, cash equivalents, and repurchase agreements held as securities lending collateral) registered and held in the name of the WSIB for the benefit of the pension trust funds.

7. Foreign Currency Risk

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

The following schedule presents the exposure of the pension trust funds' investments to foreign currency risk. The schedule provides information on deposits and investments held in various foreign currencies. Private equity and real estate are presented according to the financial reporting currency of the individual funds. This is not a presentation of currency exposure relating to the underlying holdings. The schedule is stated in U.S. dollars. In addition, the CTF has foreign currency exposure at June 30, 2017, of $910.9 million invested in two emerging markets commingled equity investment funds.

Pension Trust Funds
Foreign Currency Exposure by Country
June 30, 2017
(expressed in thousands)

	Investment Type in U.S. Dollar Equivalent					
Foreign Currency Denomination	**Cash and Cash Equivalents**	**Debt Securities**	**Equity Securities**	**Alternative Assets**	**Open Foreign Exchange Contracts-Net**	**Total**
Australia-Dollar	$ 8,954	$ 186,303	$ 537,506	$ 45,207	$ 372	$ 778,342
Brazil-Real	1,416	182,585	183,502	-	149	367,652
Canada-Dollar	16,205	-	697,275	-	375	713,855
Chile-Peso	187	63,641	18,565	-	(78)	82,315
Columbia-Peso	4	81,100	869	-	-	81,973
Denmark-Krone	35	-	191,175	-	1,595	192,805
E.M.U.-Euro	11,336	-	3,402,286	2,945,221	3,414	6,362,257
Hong Kong-Dollar	7,080	-	799,840	-	(68)	806,852
India-Rupee	1,490	88,812	328,673	-	(10)	418,965
Indonesia-Rupiah	415	29,622	67,013	-	2	97,052
Japan-Yen	14,613	-	2,657,137	-	5,616	2,677,366
Malaysia-Ringgit	833	49,005	58,532	-	-	108,370
Mexico-Peso	1,524	84,267	88,102	-	1,015	174,908
New Taiwan-Dollar	33	-	242,245	-	(228)	242,050
Singapore-Dollar	536	-	191,540	-	91	192,167
South Africa-Rand	354	-	126,492	-	342	127,188
South Korea-Won	5,562	-	400,195	-	1,666	407,423
Sweden-Krona	2,335	-	404,192	-	(210)	406,317
Switzerland-Franc	61	-	975,620	-	1,351	977,032
Thailand-Baht	821	-	93,225	-	(17)	94,029
Turkey-Lira	156	21,365	138,414	-	477	160,412
United Kingdom-Pound	14,701	-	2,248,883	-	39	2,263,623
Other	1,207	110,691	192,649	-	1,092	305,639
Total	$ 89,858	$ 897,391	$ 14,043,930	$ 2,990,428	$ 16,985	$18,038,592

8. Derivatives

Pension trust funds are authorized to utilize various derivative financial instruments including financial futures, forward contracts, interest rate swaps, credit default swaps, equity swaps, and options. Derivative transactions involve, to varying degrees, market and credit risk. At June 30, 2017, the pension trust funds held investments in financial futures, forward currency contracts, and total return swap contracts that are recorded at fair value with changes in value recognized in investment income in the Statement of Revenues, Expenses, and Changes in Net Position in the period of change. The derivative instruments are considered investment derivatives and not hedging derivatives.

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

A derivative instrument could be a contract negotiated on behalf of the pension trust funds and a specific counterparty. This would typically be referred to as an over the counter (OTC) contract, such as forward and total return swap contracts. Alternatively, a derivative instrument, such as futures, could be listed and traded on an exchange and referred to as "exchange traded."

Inherent in the use of OTC derivatives, the pension trust funds are exposed to counterparty credit risk on all open OTC positions. Counterparty credit risk is the risk that a derivative counterparty may fail to meet its payment obligation under the derivative contract. As of June 30, 2017, the pension trust funds counterparty risk was approximately $29.2 million. The majority of the counterparties (86 percent) held a credit rating of A1 on Moody's rating scale. All counterparties held investment grade credit ratings of A3 and above.

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

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

At June 30, 2017, the pension trust funds had outstanding forward currency contracts with a net unrealized gain of $17.0 million. The aggregate forward currency exchange contracts receivable and payable were $2.19 billion and $2.17 billion, respectively. The contracts have varying maturity dates ranging from July 3, 2017, to September 20, 2017.

Total return swap contracts are agreements where one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of the underlying or reference asset. Total return swaps allow the party receiving the total return to gain exposure and benefit from a reference asset without physically owning the security. The pension trust funds swap total bond market index returns for total equity index returns as the reference asset in emerging markets. The contracts have varying maturity dates ranging from July 27, 2017, to September 20, 2017. The values of these contracts are highly sensitive to interest rate changes.

At June 30, 2017, the pension trust funds' fixed income portfolio held derivative securities consisting of collateralized mortgage obligations with a fair value of $40.5 million. Domestic and foreign commingled investment trust fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative securities by these funds is unavailable.

Derivatives which are exchange traded are not subject to credit risk. The counterparty credit ratings for forward currency and total return swap contracts that are subject to credit risk outstanding at June 30, 2017, had a credit rating of no less than A3 using Moody's rating scale.

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

Pension Trust Funds
Derivative Investments
June 30, 2017
(expressed in thousands)

	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional
Futures Contracts:			
Bond index futures	$ (1,222)	$ (1,539)	$ 421,700
Equity index futures	269,489	(8,735)	83,805
Total	$268,267	$ (10,274)	$ 505,505
Forward Currency Contracts	$ 20,780	$ 16,994	$ 2,172,204
Total Return Swap Contracts:			
Total return swaps bond	$ (1,377)	$ 142	$ 32,832
Total return swaps equity	13,199	108	(98,398)
Total	$ 11,822	$ 250	$ (65,566)

9. Reverse Repurchase Agreements – None.

C. INVESTMENTS – WORKERS' COMPENSATION FUND

1. Summary of Investment Policies

Under RCW 43.33A.030, trusteeship of the Workers' Compensation Fund investments is vested in the voting members of the Washington State Investment Board (WSIB). The Legislature established a standard of care for investment of these funds in RCW 43.33A.140. Additionally, the WSIB and its staff must comply with other state laws, such as the Ethics in Public Service Act, chapter 42.52 RCW, in making investment decisions and seeking to meet investment objectives.

The Workers' Compensation Fund consists of contributions from employers and their employees participating in the state workers' compensation program and related earnings on those contributions. The workers' compensation program provides medical, time-loss, and disability benefit payments to qualifying individuals sustaining work-related injuries.

In accordance with state laws, the Workers' Compensation Fund investments are managed to limit fluctuations in the industrial insurance premiums and, subject to this purpose, achieve a maximum return at a prudent level of risk. Based on this requirement, the order of the objectives is:

- Maintain the solvency of the funds.
- Maintain premium rate stability.
- Ensure sufficient assets are available to fund the expected liability payments.
- Subject to the objectives above, achieve a maximum return at a prudent level of risk.

Eligible Investments. Eligible investments are securities and deposits that are in accordance with the WSIB's investment policy and chapter 43.33A RCW. Eligible investments include:

- U.S. equities.
- International equities.
- U.S. treasuries and government agencies.
- Credit bonds.
- Mortgage-backed securities rated investment grade, as defined by Bloomberg Barclays Family of Fixed Income Indices.
- Asset-backed securities rated investment grade, as defined by Bloomberg Barclays Family of Fixed Income Indices.

- Commercial mortgage-backed securities rated investment grade, as defined by Bloomberg Barclays Family of Fixed Income Indices.

- Investment grade non-U.S. dollar bonds.

- Real estate.

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

- All assets under the management of the WSIB are to be invested to maximize return at a prudent level of risk in accordance with RCW 43.33A.110 and RCW 43.33A.140.

- No corporate fixed income issue cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time.

- Asset allocations are to be reviewed every four years or sooner if there are significant changes in funding levels or the liability durations.

- Assets are to be rebalanced across asset classes when the fair value of the assets falls outside the policy ranges. The timing of any rebalancing will be based on market opportunities, cash flows, and the consideration of transaction costs; therefore, they need not occur immediately.

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

Equity. Sector allocation for U.S. equities should be within a range of 47 percent to 57 percent. Allocation for international equities should be within a range of 43 percent to 53 percent.

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

Fixed Income. Sector allocation of fixed income investments must be managed within the ranges presented below. Deviations may occur in the short term as a result of interim market conditions. However, if a range is exceeded, the portfolios must be rebalanced to the target allocations as soon as it is practical.

Target allocations for the Fixed Income Sectors:

U.S. treasuries and government agencies	5% – 25%
Credit bonds	20% – 80%
Asset-backed securities	0% – 10%
Commercial mortgage-backed securities	0% – 10%
Mortgage-backed securities	0% – 25%

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

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

- To generate a six percent annual investment return over a rolling 10-year period.

- The return will be generated by current income, and the portfolio will be intentionally constructed to focus on yield rather than total return.

- The portfolio will be diversified across geography and property type.

- The benchmark for the portfolio is a total net return of 6 percent measured over a rolling 10-year period.

- No more than 15 percent of the real estate portfolio will be invested in a single property after the program's build-out period.

2. Valuation of Investments

The Workers' Compensation Fund reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Unrealized gains and losses are included in the Statement of Revenues, Expenses, and Changes in Net Position. The table below presents fair value measurements as of June 30, 2017.

Workers' Compensation Fund
Investments Measured at Fair Value
June 30, 2017
(expressed in thousands)

		Fair Value Measurements Using		
Investments by fair value level	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Debt securities				
Mortgage and other asset-backed securities	$ 1,252,255		$ 1,252,255	
Corporate bonds	9,524,313		9,524,313	
U.S. and foreign government and agency securities	3,322,956		3,322,956	
Total investments by fair value level	14,099,524		$ 14,099,524	
Investments measured at net asset value (NAV)				
Commingled equity investment trusts	2,106,218			
Total investments measured at the NAV	2,106,218			
Total investments measured at fair value	$ 16,205,742			
Other assets (liabilities) measured at fair value				
Collateral held under securities lending agreements	94,142		94,142	
Obligations under securities lending agreements	(94,142)		(94,142)	
Total other assets (liabilities) measured at fair value	$ -		$ -	

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

Investments measured at net asset value (NAV). The Workers' Compensation Fund invests in seven separate collective investment trust funds (fund), operated by a bank or trust company, and groups assets contributed into a commingled investment fund. These mutual fund-type investments are not available to the general public and are open-ended funds, which issue or reduce shares for contributions and redemptions from the fund. The commingled fund manager determines a periodic price per unit of the collective trust by obtaining fair values of the underlying holdings using reputable pricing sources and computing an overall net asset value per share. The holdings within each fund are publicly traded equity securities.

Six funds are passively managed to collectively approximate the capitalization weighted total rates of return of the MSCI All Country World Ex U.S. Investable Market Index. Each fund has monthly openings, and contributions and withdrawals can be made on each opening date. The fund manager, at its discretion, reserves the right to delay the processing of deposits and withdrawals from each fund in order to ensure that securities transactions will be carried out in an orderly manner. The fund may suspend valuation and withdrawal rights when, at the fund manager's sole discretion, prevailing market conditions or other circumstances, events, or occurrences make the disposition or valuation of investments impracticable or inadvisable, or when the fund manager otherwise considers such action to be in the best interest of the participants or believes that such action would assist in eliminating or mitigating an adverse effect on the fund or participants.

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

3. Securities Lending

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

The fair value of the securities on loan at June 30, 2017, was approximately $506.1 million. The Workers' Compensation Fund reports securities on loan in the Statement of Net Position in their respective categories. At June 30, 2017, cash collateral received totaling $94.1 million is reported as a securities lending obligation, and the fair value of the reinvested cash collateral totaling $94.1 million is reported as security lending collateral in the Statement of Net Position. Securities received as collateral for which the Workers' Compensation Fund does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in the Statement of Net Position. Total securities received as collateral at June 30, 2017, was $430.3 million.

During fiscal year 2017, debt securities were loaned and collateralized by the Workers' Compensation Fund's agent with cash and U.S. government or U.S. agency securities including U.S. agency mortgage-backed securities (exclusive of letters of credit). When the loaned securities had collateral denominated in the same currency, the collateral requirement was 102 percent of the fair value, including accrued interest, of the securities loaned. All other securities were required to be collateralized at 105 percent of the fair value, including accrued interest, of the loaned securities.

The following table summarizes the securities held from reinvestment of cash collateral and securities received as collateral at June 30, 2017 (in millions):

Mortgage-backed securities	$429.4
Repurchase agreements	41.2
Commercial paper	21.0
Yankee CD	17.1
Cash equivalents and other	15.7
Total collateral held	$524.4

During fiscal year 2017, securities lending transactions could be terminated on demand by either the Workers' Compensation Fund or the borrower. As of June 30, 2017, the cash collateral held had an average duration of 19.1 days and an average weighted final maturity of 62.6 days. Because the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. Non-cash collateral could not be pledged or sold absent borrower default. No more than 20 percent of the total on loan value can be held by a specific borrower. Collateral investment guidelines specifically prohibit European domiciled holdings. There are no restrictions on the amount of securities that can be lent.

Securities were lent with the agreement that they would be returned in the future for exchange of the collateral. State Street Corporation indemnified the Workers' Compensation Fund by agreeing to purchase replacement securities or return the cash collateral in the event a borrower failed to return the loaned securities or pay distributions thereon. State Street Corporation's responsibilities included performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable federal regulations concerning securities lending.

During fiscal year 2017, there were no significant violations of legal or contractual provisions, and no failures by any borrowers to return loaned securities or to pay distributions thereon. Further, the Workers' Compensation Fund incurred no losses during fiscal year 2017 resulting from a default by either the borrowers or the securities lending agents.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. While the Workers' Compensation Fund does not have a formal policy relating to interest rate risk, the risk is managed within the Workers' Compensation Fund portfolio using effective duration, which is the measure of a debt investment's exposure to fair value changes arising from changes in interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of fixed income investments. As of June 30, 2017, the Workers' Compensation Fund portfolio durations were within the prescribed duration targets.

The following two schedules provide information about the interest rate risks associated with the Workers' Compensation Fund investments as of June 30, 2017. The schedules display various asset classes held by maturity in years, effective duration, and credit ratings. All debt securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities, taking into account possible prepayments of principal.

Workers' Compensation Fund
Schedule of Maturities and Effective Duration
June 30, 2017
(expressed in thousands)

Investment Type	Total Fair Value	Maturity: Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Effective Duration (in years)
Mortgage and other asset-backed securities	$ 1,252,255	$ 4,449	$ 790,690	$ 404,776	$ 52,340	4.8
Corporate bonds	9,524,313	286,490	4,185,071	2,387,038	2,665,714	6.9
U.S. government and agency securities	2,464,572	159,588	1,074,527	821,981	408,476	6.8
Foreign government and agencies	858,384	-	567,899	259,764	30,721	4.6
Total investments categorized	14,099,524	$ 450,527	$ 6,618,187	$ 3,873,559	$ 3,157,251	6.6*
Investments not required to be categorized:						
Commingled investment trusts	2,106,218					
Cash and cash equivalents	200,515					
Total investments not categorized	2,306,733					
Total Investments	$ 16,406,257					

* *Excludes cash and cash equivalents*

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

Workers' Compensation Fund
Investment Credit Ratings
June 30, 2017
(expressed in thousands)

Moody's Equivalent Credit Rating	Investment Type: Mortgage and Other Asset-Backed Securities	Corporate Bonds	Foreign Government and Agencies	Total Fair Value
Aaa	$ 1,252,255	$ 545,263	$ 241,826	$ 2,039,344
Aa1	-	114,369	-	114,369
Aa2	-	114,626	143,472	258,098
Aa3	-	752,893	303,495	1,056,388
A1	-	1,786,795	88,275	1,875,070
A2	-	1,097,503	-	1,097,503
A3	-	1,696,543	-	1,696,543
Baa1	-	1,121,269	27,596	1,148,865
Baa2	-	1,192,272	-	1,192,272
Baa3	-	765,282	53,720	819,002
Ba1 or lower	-	337,498	-	337,498
Total	$ 1,252,255	$ 9,524,313	$ 858,384	$ 11,634,952

5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Workers' Compensation Fund investment policies limit the fixed income securities to investment grade or higher at the time of purchase. Investment grade securities are those fixed income securities with a Moody's rating of Aaa to Baa or a Standard and Poor's rating of AAA to BBB.

The rated debt investments of the Workers' Compensation Fund as of June 30, 2017, were rated by Moody's and/or an equivalent national rating organization.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Workers' Compensation Fund policy states that no corporate fixed income issues cost shall exceed 3 percent of the fund's fair value at the time of purchase, nor shall its fair value exceed 6 percent of the fund's fair value at any time. There was no concentration of credit risk as of June 30, 2017.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the Workers' Compensation Fund would not be able to recover the value of its deposits, investments, or collateral securities. The Workers' Compensation Fund does not have a policy relating to custodial credit risk. The WSIB mitigates custodial credit risk by having its investment securities (excluding cash, cash equivalents, and repurchase agreements held as securities lending collateral) registered and held in the name of the WSIB for the benefit of the Workers' Compensation Fund.

6. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Workers' Compensation Fund does not have a formal policy to limit foreign currency risk. At June 30, 2017, the only securities held by the Workers' Compensation Fund with foreign currency exposure were $785.2 million (excludes U.S. dollar denominated securities) invested in an international commingled equity index fund.

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

Workers' Compensation Fund
Foreign Currency Exposure by Country
June 30, 2017
(expressed in thousands)

Foreign Currency Denomination	Equity Securities
Australia-Dollar	$ 39,031
Brazil-Real	12,006
Canada-Dollar	53,110
Denmark-Krone	9,877
E.M.U.-Euro	174,944
Hong Kong-Dollar	56,921
India-Rupee	17,977
Japan-Yen	138,291
Mexico-Peso	6,864
New Taiwan-Dollar	25,091
Singapore-Dollar	7,441
South Africa-Rand	12,118
South Korea-Won	29,773
Sweden-Krona	18,539
Switzerland-Franc	44,890
United Kingdom-Pound	102,328
Miscellaneous Foreign Currencies	35,965
Total	$ 785,166

7. Derivatives

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

Domestic and foreign passive equity index fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative securities by passive equity index fund managers is unavailable.

At June 30, 2017, the only derivative securities held directly by the Workers' Compensation Fund were collateralized mortgage obligations of $746.6 million.

8. Reverse Repurchase Agreements – None.

D. INVESTMENTS – LOCAL GOVERNMENT INVESTMENT POOL

1. Summary of Investment Policies

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

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

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

The OST prepares a stand-alone LGIP financial report. A copy of the report is available from the OST, PO Box 40200, Olympia, Washington 98504-0200, online at: http://tre.wa.gov/wp-content/uploads/lgipCafrFY17.pdf, or phone number (360) 902-9000. TTY users dial 711 to be connected to the state TTY operator.

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

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

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

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

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

- Obligations of the U.S. government.
- Obligations of U.S. government agencies or of corporations wholly owned by the U.S. government.
- Obligations of supranational institutions provided that, at the time of investment, the institution has the U.S government as its largest shareholder.
- Obligations of government-sponsored corporations that are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve.
- Certificates of deposit or demand deposits with financial institutions qualified by the Washington Public Deposit Protection Commission.

Investment Restrictions. To provide for safety and liquidity of funds, the LGIP policy places the following restrictions on the investment portfolio:

- Investments are restricted to fixed rate securities that mature in 397 days or less, except securities utilized in repurchase agreements and U.S. government and supranational floating or variable rate securities which may have a maximum maturity of 762 days, provided they have reset dates within one year and that on any reset date can reasonably be expected to have a market value that approximates their amortized cost.

- The weighted average maturity of the portfolio will not exceed 60 days.
- The weighted average life of the portfolio will not exceed 120 days.
- The purchase of investments in securities other than those issued by the U.S. government or its agencies will be limited.
- Cash generated through securities lending or reverse repurchase agreement transactions will not increase the dollar amount of specified investment types beyond stated limits.

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

2. Valuation of Investments

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

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

3. Securities Lending

State statutes permit the LGIP to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The LGIP has contracted with Citibank, N.A. as a lending agent and receives a share of income earned from this activity. The lending agent lends securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the market value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent. Cash collateral received from the lending of non-coupon-bearing securities shall not be valued at less than 102 percent of market value, not to exceed par.

The cash is invested by the lending agent in accordance with investment guidelines approved by the LGIP. The securities held as collateral and the securities underlying the cash collateral are held by the LGIP's custodian. One option available to the lending agent is to invest cash collateral with the LGIP. Maturities of investments made with cash collateral are generally matched to maturities of securities loaned.

During fiscal year 2017, the LGIP lent U.S. agency and treasury securities. Cash collateral was reinvested in the LGIP and interest bearing bank deposits. At fiscal year end, there were no securities on loan.

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 2017, the LGIP had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the LGIP. Furthermore, contracts require the lending agent to indemnify the LGIP if the borrowers fail to return securities and if collateral is inadequate to replace the securities lent, or if the borrowers fail to pay the LGIP for income distribution by the securities' issuers while the securities are on loan.

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

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. To mitigate the effect of interest rate risk, the LGIP portfolio is invested in high quality, highly liquid obligations with limited maximum and average maturities. The LGIP's policy establishes weighted average maturity and weighted average life limits not to exceed 60 and 120 days, respectively. As of June 30, 2017, the LGIP had a weighted average maturity of 26 days and a weighted average life of 72 days.

The following schedule presents the LGIP investments and related maturities, and provides information about the associated interest rate risks as of June 30, 2017:

Local Government Investment Pool (LGIP)
Schedule of Maturities
June 30, 2017
(expressed in thousands)

		Maturity	
Investment Type	**Amortized Cost**	**Less than 1 Year**	**1-5 Years**
U.S. agency securities	$ 6,996,226	$ 6,091,218	$ 905,008
U.S. government securities	1,627,974	1,627,974	-
Supranational securities	334,865	249,862	85,003
Repurchase agreements	4,700,000	4,700,000	-
Interest bearing bank accounts	1,139,453	1,139,453	-
Certificates of deposit	74,045	74,045	-
Total Investments	$ 14,872,563	$ 13,882,552	$ 990,011

5. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The LGIP investment policy limits the types of securities available for investment to obligations of the U.S. government or its agencies, obligations of supranational institutions, obligations of government-sponsored corporations, and deposits with qualified public depositaries.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the LGIP will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. The LGIP investment policy requires that securities purchased be held by the master custodian, acting as an independent third party, in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the LGIP's exposure to risk and ensure the safety of the investment. All securities utilized in repurchase agreements were rated AAA by Moody's and AA+ by Standard & Poor's. The fair value of securities utilized in repurchase agreements must be at least 102 percent of the value of the repurchase agreement.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The LGIP mitigates concentration of credit risk by limiting the purchase of securities of any one issuer, with the exception of U.S. treasury and U.S. agency securities, to no more than 5 percent of the portfolio.

Repurchase agreements comprise 31.6 percent of the total portfolio as of June 30, 2017. The LGIP limits the securities utilized in repurchase agreements to U.S. treasury and U.S. agency securities. The LGIP requires delivery of all securities utilized in repurchase agreements and the securities are priced daily.

As of June 30, 2017, U.S. treasury securities comprised 10.9 percent of the total portfolio. U.S. agency securities comprised 47.0 percent of the total portfolio, including Federal Home Loan Bank (34.2 percent), Federal Farm Credit Bank (12.5 percent), and Federal National Mortgage Association (0.3 percent). Supranational securities comprised 2.3 percent of the total portfolio.

6. Foreign Currency Risk - None.

7. Derivatives - None.

8. Repurchase and Reverse Repurchase Agreements

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

The securities utilized in repurchase agreements are limited to government securities, are priced daily, and are held by the LGIP's custodian in the state's name. As of June 30, 2017, repurchase agreements totaled $4.70 billion.

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 value of the securities.

If the dealers default on their obligations to resell these securities to the LGIP or to provide equal value in securities or cash, the LGIP would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. During fiscal year 2017, the LGIP did not enter into any reverse repurchase agreements.

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

1. Summary of Investment Policies

The investments of the University of Washington represent 78 percent of the total investments in Higher Education Special Revenue, Endowment, and Student Services Funds.

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

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

The University combines most short-term cash balances in the Invested Funds Pool. At June 30, 2017, the Invested Funds Pool totaled $1.66 billion. The fund also owns units in the Consolidated Endowment Fund valued at $614.5 million on June 30, 2017.

By University policy, departments with qualifying funds in the Invested Funds Pool receive distributions based on their average balances and on the type of balance. Campus depositors received 1 percent in fiscal year 2017. University Advancement received 3 percent of the average balances in endowment operating and gift accounts in fiscal year 2017. The difference between the actual earnings of the Invested Funds Pool and the calculated distributions is used to support activities benefiting all University departments.

The majority of the endowed funds are invested in a pooled fund called the Consolidated Endowment Fund (CEF). Individual endowments purchase units in the pool on the basis of a per unit valuation of the CEF at fair value on the last business day of the calendar quarter. Income is distributed based on the number of units held. Chapter 24.55 RCW and the Uniform Prudent Management of Institutional Funds Act allow for total return expenditure in the CEF under comprehensive prudent standards.

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

The University records its permanent endowments at the lower of original gift value or current market value in the Restricted Nonexpendable Net Position category. Of the endowments that are recorded at current market value, the net deficiency from the original gift value is $2.1 million at June 30, 2017.

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 $112.8 million at June 30, 2017. Income received from these trusts, which is included in investment income, was $4.6 million for the year ended June 30, 2017.

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. The University realized net gains of $47.5 million in fiscal year 2017 from the sale of investments.

The calculation of realized gains and losses is independent of the net appreciation of the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and are sold in the current year include the net appreciation (depreciation) of these investments reported in the prior year(s). The net appreciation in the fair value of investments during the year ended June 30, 2017, was $337.1 million.

2. Valuation of Investments

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

The following schedule presents the fair value of the University's investments by type at June 30, 2017:

University of Washington
Investments Measured at Fair Value
June 30, 2017
(expressed in thousands)

		Fair Value Measurements Using		
Investments by fair value level	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Fixed income securities				
U.S. treasury	$ 777,094	$ 3,059	$ 774,035	$ -
U.S. government agency	573,706	9,497	564,209	-
Mortgage-backed	205,503	-	205,503	-
Asset-backed	141,845	-	141,845	-
Corporate and other	249,196	16,856	232,340	-
Total fixed income securities	1,947,344	29,412	1,917,932	-
Equity securities				
Global equity investments	740,427	711,755	28,672	-
Private equity and venture capital funds	1,340	-	-	1,340
Real estate	9,396	-	-	9,396
Other	2,754	1,482	-	1,272
Total equity securities	753,917	713,237	28,672	12,008
Total investments by fair value level	2,701,261	$ 742,649	$ 1,946,604	$ 12,008
Investments measured at net asset value (NAV)				
Global equity investments	1,272,046			
Absolute return strategy funds	465,553			
Private equity and venture capital funds	339,876			
Real asset funds	183,070			
Other	69,630			
Total investments measured at the NAV	2,330,175			
Total investments measured at fair value	5,031,436			
Cash equivalents at amortized cost	275,400			
Total Investments	$ 5,306,836			

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

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

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

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

The valuation method for investments measured at the NAV per share (or its equivalent) is presented on the following table:

University of Washington
Investments Measured at the Net Asset Value
June 30, 2017
(expressed in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Global equity investments	$ 1,272,046	$ 22,308	Monthly to annually	15-180 days
Absolute return strategy funds	465,553	45,490	Quarterly to annually	30-60 days
Private equity and venture capital funds	339,876	241,330	n/a	-
Real asset funds	183,070	68,452	n/a	-
Other	69,630	8,011	Quarterly to annually	30-95 days
Total investments measured at the NAV	$ 2,330,175			

Global Equity. This investment category includes public equity investments in separately managed accounts, long-only comingled funds, unconstrained limited partnerships, and passive market indices. For 2017, approximately 75 percent of the value of the investments in this category can be redeemed within 90 days, and 92 percent can be redeemed within one year. The remaining balance of these investments contains restrictions that do not allow for redemption within one year.

Absolute Return. This category includes investments in stable income and low-to-medium beta funds. Management of these funds seeks low correlation to broad equity markets by investing in assets that exhibit low volatility, deep discounts, and/or hedges against market downturns. Fair values have been determined using the NAV per share of the investments. Approximately 91 percent of the value of the investments in this category can be redeemed within one year. The remaining balance of these investments contains restrictions that do not allow for redemption within one year.

Private Equity. This category includes buyout, venture, and special situations funds. Fair values have been determined using the NAV per share (or its equivalent) of the ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the majority of the underlying assets of the funds will be liquidated over the next seven to ten years.

Real assets. This category includes real estate, natural resources, and other hard assets. Fair values have been determined using the NAV per share (or its equivalent) of the ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the majority of the underlying assets of the funds will be liquidated over the next seven to ten years.

Other. This category consists of fixed income and opportunistic investments and includes various types of non-investment grade and non-rated credit plus nominal equity exposure. Fair values have been determined using the NAV per share (or its equivalent) of the ownership interest in partners' capital. Approximately 81 percent of the value of the investments in this category can be redeemed or anticipate distribution within one year. The remaining balance of these investments contains restrictions on redemption within one year or will be distributed as underlying investments are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 10 years.

3. Funding Commitments

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2017, the University had outstanding commitments to fund alternative investments in the amount of $385.6 million. These commitments are expected to be called over a multi-year timeframe. The University believes it has adequate liquidity and funding sources to meet these obligations.

4. Securities Lending

The University's investment policies permit it to lend its securities to broker dealers and other entities. As of June 30, 2017, the University had no securities on loan.

5. Interest Rate Risk

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

Effective duration is a commonly used measure of interest rate risk. The longer the duration, the more sensitive the portfolio is to changes in interest rates. The weighted average effective duration of the University's fixed income portfolio was 1.95 years at June 30, 2017.

6. Credit Risk

Fixed income securities are subject to credit risk, which is the risk that the issuer or other counterparty to a financial instrument will not fulfill its obligations, or that negative perceptions of the issuer's ability to make these payments will cause prices to decline. The University's investment policies limit fixed income exposure to investment grade assets. The investment policy for the Invested Funds' cash pool requires each manager to maintain an average quality rating of AA as issued by a nationally recognized rating organization. The investment policy for the Invested Funds' liquidity pool requires each manager to maintain an average quality rating of A and to hold at least 25 percent of their portfolios in government and government agency issues.

The investment policy for the CEF reflects its long-term nature by specifying average quality rating levels by individual manager, but still restricting investments to investment grade credits.

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

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

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

The following schedule summarizes the composition of the fixed income securities along with credit quality and effective duration measures at June 30, 2017. The schedule excludes $15.6 million of fixed income securities held outside the CEF and the IF pool, which makes up 0.80 percent of the University's fixed income investments.

University of Washington
Invested Funds Pool and Consolidated Endowment Fund
Fixed Income Credit Quality and Effective Duration
June 30, 2017
(expressed in thousands)

Investment Type	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Effective Duration (in years)
U.S. treasuries	$ 774,034	$ -	$ -	$ -	$ 774,034	1.57
U.S. government agency	569,325	-	-	-	569,325	2.30
Mortgage-backed	-	135,624	49,402	20,477	205,503	1.50
Asset-backed	-	139,233	2,048	564	141,845	0.92
Corporate and other	-	171,826	40,591	28,595	241,012	3.68
Total	$ 1,343,359	$ 446,683	$ 92,041	$ 49,636	$ 1,931,719	1.95

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

7. Foreign Currency Risk

Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University's investment policies permit investments in international equity and other asset classes that can include foreign currency exposure. To manage foreign currency exposure, the University also enters into foreign currency forward contracts, futures contracts, and options. The University held non-U.S. denominated securities at June 30, 2017, of $1.12 billion.

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

University of Washington
Consolidated Endowment Fund
Foreign Currency Risk
June 30, 2017
(expressed in thousands)

Foreign Currency	Amount
India-Rupee	$ 169,112
Japan-Yen	117,709
E.M.U.-Euro	112,308
China-Renminbi	100,807
Brazil-Real	88,806
South Korea-Won	63,005
Hong Kong-Dollar	61,804
Britain-Pound	55,104
Russia-Ruble	43,103
Canada-Dollar	41,703
Mexico-Peso	32,802
Taiwan-Dollar	30,102
Philippines-Peso	26,002
Switzerland-Franc	24,202
Remaining currencies	155,211
Total	$ 1,121,780

8. Derivatives

The University's investment policies allow investing in various derivative instruments, including futures, swaps, and forwards, to manage exposures within or across the portfolio and to improve the portfolio's risk/return profile. Futures are financial contracts obligating the buyer to purchase an asset at a predetermined future date and price. Total return swaps involve commitments to pay interest in exchange for a market-linked return, both based on notional amounts. Derivative instruments are recorded on the contract date and are carried at fair value using listed price quotations or amounts that approximate fair value.

Credit exposure represents exposure to counterparties relating to financial instruments where gains exceed collateral held by the University or losses are less than the collateral posted by the University. There was no credit exposure as of June 30, 2017. The University had no hedging derivatives, only derivatives for investment purposes.

Details on foreign currency derivatives are disclosed under Foreign Currency Risk.

The following schedule presents the significant terms for derivatives held as investments by the University at June 30, 2017:

University of Washington
Derivative Investments
June 30, 2017
(expressed in thousands)

Description	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional
Swaps fixed income	$ -	$ 94,365	$ 94,365
Swaps fixed income short	$ (1,044)	$ (95,409)	$ (94,365)
Futures on contracts - long	$ (207)	$ 133,374	$ 133,581
Futures on contracts - short	$ 63	$ (74,723)	$ (74,786)

9. Reverse Repurchase Agreements – None.

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

1. Summary of Investment Policies

The Office of the State Treasurer (OST) operates the state's Cash Management Account for investing Treasury/Trust funds in excess of daily requirements. Investment income earned is allocated based on average daily cash balance. Pursuant to state law, all earnings on investments of Treasury/Trust funds are credited to the General Fund except as specifically provided in RCW 43.79A.040 and RCW 43.84.092. In fiscal year 2017, a portion of the investment income reported by the General Fund was earned by other funds.

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

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

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

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

- Obligations of the U.S. government.
- Obligations of U.S. government agencies or of corporations wholly owned by the U.S. government.
- U.S. dollar denominated obligations of supranational institutions, provided that at the time of investment the institution has the U.S. government as its largest shareholder.
- Obligations of government-sponsored enterprises that are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve.
- Commercial paper, provided that the OST adheres to policies and procedures of the Washington State Investment Board regarding commercial paper (RCW 43.84.080(5)).
- Corporate notes, provided that the State Treasurer adheres to the investment policies and procedures adopted by the Washington State Investment Board (WSIB), per RCW 39.58.080.
- Investment deposits with financial institutions qualified by the Washington Public Deposit Protection Commission (RCW 39.58.010(9)) and deposits made pursuant to RCW 39.58.080.

- Local Government Investment Pool (LGIP).
- Obligations of the state of Washington or its political subdivisions.

Investment Restrictions. To provide for the safety and liquidity of Treasury/Trust funds, the Cash Management Account investment portfolio is subject to the minimum restrictions listed below. Certain investment instruments are subject to more restrictive limitations.

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

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

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

2. Valuation of Investments

The OST reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The following table presents fair value measurements as of June 30, 2017:

Office of the State Treasurer (OST)
Cash Management Account
Investments Measured at Fair Value
June 30, 2017
(expressed in thousands)

		Fair Value Measurements Using		
Investments by fair value level	**Fair Value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Debt securities				
U.S. government securities	$ 1,707,868		$ 1,707,868	
U.S. agency securities	1,146,231		1,146,231	
Supranational securities	412,172		412,172	
Corporate notes	51,670		51,670	
Total investments measured at fair value	$ 3,317,941		$ 3,317,941	

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

3. Securities Lending

State statutes permit the OST to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The OST has contracted with Citibank, N.A. as a lending agent and receives a share of income earned from this activity. The 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, deposit accounts, or money market instruments, in accordance with investment guidelines approved by the OST. The securities held as collateral and the securities underlying the cash collateral are held by the custodian. During fiscal year 2017, cash received as collateral was invested in the LGIP money market fund and/or demand deposit accounts, which allow withdrawals each business day to cover maturing loans. At June 30, 2017, the fair value of cash collateral held totaled $120.2 million.

Contracts require the lending agent to indemnify the OST if the borrowers fail to return securities and if the collateral is inadequate to replace the securities lent, or if the borrower fails to pay the OST for income distribution by the securities' issuers while the securities are on loan. The OST cannot pledge or sell collateral securities received unless the borrower defaults. At June 30, 2017, the fair value of securities on loan totaled $117.3 million.

The OST investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the OST. During fiscal year 2017, 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.

4. Interest Rate Risk

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

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

The following schedules present the OST investments and related maturities, and provides information about the associated interest rate risks as of June 30, 2017:

Office of the State Treasurer (OST)
Cash Management Account
Schedule of Maturities and Effective Duration
June 30, 2017
(expressed in thousands)

	Total	Maturity	
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**
U.S. agency securities	$ 1,731,201	$ 358,655	$ 1,372,546
U.S. government securities	1,348,763	402,390	946,373
Supranational securities	422,166	39,893	382,273
Corporate notes	51,670	-	51,670
Certificates of deposit	169,350	169,350	-
Investments with LGIP	3,240,167	3,240,167	-
Interest bearing bank accounts	741	741	-
Total Investments	$ 6,964,058	$ 4,211,196	$ 2,752,862

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

Office of the State Treasurer (OST)
Cash Management Account
Investment Credit Ratings
June 30, 2017
(expressed in thousands)

	Investment Type		
S&P Credit Rating	**Corporate Notes**	**Supranationals**	**Total Fair Value**
AAA	$ 19,831	$ 422,166	$ 441,997
AA+	19,026	-	19,026
A+	12,813	-	12,813
Total	$ 51,670	$ 422,166	$ 473,836

5. Credit Risk

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

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

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. For non-governmental securities, the OST adheres to the WSIB policy on commercial paper and corporate notes investments which limits its exposure to concentration of credit risk by restricting the amount of investments to no more than 3 percent of the portfolio to any single issuer.

6. Foreign Currency Risk - None.

7. Derivatives - None.

8. Repurchase and Reverse Repurchase Agreements

Repurchase agreements and securities accepted for repurchase agreements are subject to the following additional restrictions:

Transactions will be conducted under the terms of a written master repurchase agreement and only with primary dealers, the state's bank of record, or master custodial bank.

Purchased securities utilized in repurchase agreements will be limited to government securities. Repurchase agreements with any single primary dealer or financial institution will not exceed 20 percent of the portfolio. The maximum term of repurchase agreements will be 180 days. The share of the portfolio allocated to repurchase agreements with maturities beyond 30 days will not exceed 30 percent of the total portfolio.

Securities utilized in repurchase agreements with a maturity date longer than seven days are priced at least weekly and are held by the Treasury/Trust custodian in the state's name.

The market value, plus accrued income, of securities utilized in repurchase agreements will be priced at 102 percent of the value of the repurchase agreement, plus accrued income.

There were no repurchase agreements as of June 30, 2017.

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 market 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 market 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 market 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. There were no reverse repurchase agreements during fiscal year 2017.

Note 4
Receivables, Unearned, and Unavailable Revenues

A. GOVERNMENTAL FUNDS

Taxes Receivable

Taxes receivable at June 30, 2017, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property	$ 1,047,408	$ -	$ -	$ -	$ 1,047,408
Sales	1,971,706	-	-	-	1,971,706
Business and occupation	693,692	-	-	-	693,692
Estate	1,713	9,245	-	-	10,958
Fuel	-	-	-	167,925	167,925
Beer and Wine	-	-	-	5,573	5,573
Marijuana	-	-	-	31,991	31,991
Real Estate Excise	3,413	152	-	133	3,698
Insurance Premium	2,259	-	-	-	2,259
Other	344	-	-	158	502
Subtotals	3,720,535	9,397	-	205,780	3,935,712
Less: Allowance for uncollectible receivables	48,053	-	-	1,075	49,128
Total Taxes Receivable	$ 3,672,482	$ 9,397	$ -	$ 204,705	$ 3,886,584

Receivables

Receivables at June 30, 2017, consisted of the following (expressed in thousands):

Receivables	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Public assistance [(1)]	$ 634,673	$ -	$ -	$ -	$ 634,673
Accounts receivable	536,971	1,160,670	23,683	322,268	2,043,592
Interest	5,763	9,179	4,425	7,693	27,060
Loans [(2)]	6,334	126,362	-	484,664	617,360
Long-term contracts [(3)]	2,560	-	19,736	96,278	118,574
Miscellaneous	11	223	-	30	264
Subtotals	1,186,312	1,296,434	47,844	910,933	3,441,523
Less: Allowance for uncollectible receivables	624,560	31,881	-	64,449	720,890
Total Receivables	$ 561,752	$ 1,264,553	$ 47,844	$ 846,484	$ 2,720,633

Notes:

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

(2) Significant long-term portions of loans receivable include $109.5 million in the Higher Education Special Revenue Fund for student loans and $473.5 million in Nonmajor Governmental Funds for low income housing, public works, and economic development/revitalization loans.

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

Unearned Revenue

Unearned revenue at June 30, 2017, consisted of the following (expressed in thousands):

Unearned Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Other taxes	$ 3,455	$ -	$ -	$ 92	$ 3,547
Charges for services	99,326	220,560	-	21,314	341,200
Donable goods	-	-	-	4,117	4,117
Grants and donations	2,262	4,560	-	6,555	13,377
Tolls	-	-	-	21,222	21,222
Transportation	-	-	-	7,844	7,844
Miscellaneous	114	14,845	-	**8,599**	23,558
Total Unearned Revenue	$ 105,157	$ 239,965	$ -	$ 69,743	$ 414,865

Unavailable Revenue

Unavailable revenue at June 30, 2017, consisted of the following (expressed in thousands):

Unavailable Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property taxes	$ 1,027,592	$ -	$ -	$ -	$ 1,027,592
Other taxes	435,345	6,985	-	85	442,415
Timber sales	2,560	-	19,736	96,317	118,613
Transportation	-	-	-	13,819	13,819
Charges for services	-	-	-	6,028	6,028
Miscellaneous	5,000	-	-	30,807	35,807
Total Unavailable Revenue	$ 1,470,497	$ 6,985	$ 19,736	$ 147,056	$ 1,644,274

B. PROPRIETARY FUNDS

Receivables

Receivables at June 30, 2017, consisted of the following (expressed in thousands):

Receivables	Business-Type Activities Enterprise Funds: Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Total	Governmental Activities: Internal Service Funds
Accounts receivable	$ 943,995	$ 492,824	$ 378,670	$ 27,626	$ 26,164	$ 1,869,279	$ 28,874
Interest	106,661	-	1,228	3,797	-	111,686	439
Investment trades pending	10,895	-	-	624	-	11,519	-
Miscellaneous	-	-	26	-	2	28	1
Subtotals	1,061,551	492,824	379,924	32,047	26,166	1,992,512	29,314
Less: Allowance for uncollectible receivables	168,466	103,822	71,036	-	50	343,374	463
Total Receivables	$ 893,085	$ 389,002	$ 308,888	$ 32,047	$ 26,116	$ 1,649,138	$ 28,851

Unearned Revenue

Unearned revenue at June 30, 2017, consisted of the following (expressed in thousands):

Unearned Revenue	Business-Type Activities Enterprise Funds: Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Total	Governmental Activities: Internal Service Funds
Charges for services	$ -	$ -	$ 55,573	$ -	$ 1	$ 55,574	$ 4,600
Grants and donations	5,594	-	-	-	-	5,594	-
Other taxes	218	-	-	-	-	218	-
Miscellaneous	1,626	-	407	-	-	2,033	-
Total Unearned Revenue	$ 7,438	$ -	$ 55,980	$ -	$ 1	$ 63,419	$ 4,600

C. FIDUCIARY FUNDS

Other Receivables

Other receivables at June 30, 2017, consisted of $14.0 million for interest and other miscellaneous amounts.

Unearned Revenue

Unearned revenue at June 30, 2017, consisted of $937 thousand for service credit restorations reported in Pension and Other Employee Benefit Plans.

Note 5

Interfund Balances and Transfers

A. INTERFUND BALANCES

Interfund balances as reported in the financial statements at June 30, 2017, consisted of the following (expressed in thousands):

	Due From				
Due To	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	$ -	$ 2,724	$ -	$ 343,191	$ 526
Higher Education Special Revenue	97,270	-	-	23,268	266
Higher Education Endowment	-	-	-	201	-
Nonmajor Governmental Funds	197,891	46,992	2,818	252,589	384
Workers' Compensation	19	-	-	5	-
Unemployment Compensation	1,566	999	-	317	36
Higher Education Student Services	448	2,739	-	18,624	88
Guaranteed Education Tuition Program	11	-	-	-	-
Nonmajor Enterprise Funds	12,035	23	-	4,921	34
Internal Service Funds	13,751	2,328	-	44,580	4,732
Fiduciary Funds	-	-	-	-	-
Totals	$ 322,991	$ 55,805	$ 2,818	$ 687,696	$ 6,066

Except as noted below, interfund balances are expected to be paid within one year from the date of the financial statements. These balances resulted from the time lag between the dates that (1) interfund goods and services were provided and when the payments occurred and (2) interfund transfers were accrued and when the liquidations occurred.

Interfund balances include: (1) a $9.9 million loan from a nonmajor governmental fund to the General Fund which is expected to be paid over the next three years; (2) a $4.9 million loan between nonmajor governmental funds which is expected to be paid over the next five years, and (3) a $162.4 million revolving loan from the Higher Education Special Revenue Fund to the Higher Education Student Services Fund.

In addition to the interfund balances noted in the schedule above, there are interfund balances of $67.3 million within the state's Pension Trust Funds.

Due From						
Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Totals
$ 10	$ 2	$ 153	$ 21,350	$ 19,666	$ -	$ 387,622
-	223,361	-	54	-	-	344,219
-	-	-	-	-	51	252
1,350	-	3	7,555	5,217	-	514,799
-	-	-	-	18	15	57
-	32	-	13	62	-	3,025
-	-	-	61	-	-	21,960
-	-	-	-	-	6	17
-	1	-	1,541	1,262	-	19,817
-	23	9	665	5,989	-	72,077
-	-	-	-	-	-	-
$ 1,360	$ 223,419	$ 165	$ 31,239	$ 32,214	$ 72	$ 1,363,845

B. INTERFUND TRANSFERS

Interfund transfers as reported in the financial statements for the year ended June 30, 2017, consisted of the following (expressed in thousands):

	Transferred To				
Transferred From	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	$ -	$ 627	$ 550	$ 1,283,683	$ -
Higher Education Special Revenue	84,769	-	20,313	195,714	-
Higher Education Endowment	-	160,520	-	28,099	-
Nonmajor Governmental Funds	472,679	85,815	716	1,292,702	-
Workers' Compensation	192	-	-	-	-
Unemployment Compensation	-	-	-	-	-
Higher Education Student Services	4,402	535,848	123	2,605	-
Guaranteed Education Tuition Program	42	-	-	-	-
Nonmajor Enterprise Funds	148,536	-	-	30,980	-
Internal Service Funds	2,150	32,668	160,000	1,047	-
Private Purpose Trust	3	-	-	-	-
Totals	$ 712,773	$ 815,478	$ 181,702	$ 2,834,830	$ -

Except as noted below, transfers are used to (1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, (2) move receipts designated for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (4) move profits from the Lottery Fund as required by law, and (5) transfer amounts to and from the General Fund as required by law.

On June 30, 2017, $1.12 billion was transferred from the General Fund Basic Account to the Budget Stabilization Account (BSA) in accordance with the provisions of the Constitution. The Constitution details a limited number of circumstances under which funds can be appropriated from the BSA, one of which is a favorable vote of at least three-fifths of the members of each house of the Legislature. The BSA is reported as an Administrative Account within the General Fund.

In addition to the transfers noted in the schedule above, there were transfers of $10.4 million within the state's Pension Trust Funds.

Transferred To							
Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Internal Service Funds	Private Purpose Trust	Totals
$ -	$ -	$ -	$ -	$ 14,898	$ -	$ 1,299,758
-	596,421	-	-	40,894	-	938,111
-	-	-	-	160,000	-	348,619
-	71	-	7,499	-	-	1,859,482
-	-	-	-	-	-	192
-	-	-	-	-	-	-
-	-	-	-	593	-	543,571
-	-	-	-	-	-	42
-	-	-	14,846	-	-	194,362
-	-	-	-	5,669	-	201,534
-	-	-	-	-	-	3
$ -	$ 596,492	$ -	$ 22,345	$ 222,054	$ -	$ 5,385,674

Note 6
Capital Assets

Capital assets at June 30, 2017, are reported by the state of Washington within Governmental Activities and Business-Type Activities, as applicable.

A. GOVERNMENTAL CAPITAL ASSETS

The following is a summary of governmental capital asset activity for the year ended June 30, 2017 (expressed in thousands):

Capital Assets	Balances July 1, 2016	Additions	Deletions/ Adjustments	Balances June 30, 2017
Capital assets, not being depreciated:				
Land	$ 2,665,708	$ 50,284	$ (49,944)	$ 2,666,048
Transportation infrastructure	23,894,300	808,520	-	24,702,820
Intangible assets - indefinite lives	14,938	-	-	14,938
Art collections, library reserves, and museum and historical collections	120,288	1,699	(1,260)	120,727
Construction in progress	1,245,246	609,201	(678,644)	1,175,803
Total capital assets, not being depreciated	27,940,480			28,680,336
Capital assets, being depreciated:				
Buildings	13,247,499	888,322	(30,562)	14,105,259
Accumulated depreciation	(5,296,077)	(385,772)	10,179	(5,671,670)
Net buildings	7,951,422			8,433,589
Other improvements	1,502,667	85,136	(2,159)	1,585,644
Accumulated depreciation	(770,018)	(55,140)	1,119	(824,039)
Net other improvements	732,649			761,605
Furnishings, equipment, and intangible assets	5,166,302	543,591	(273,398)	5,436,495
Accumulated depreciation	(3,372,811)	(316,883)	261,972	(3,427,722)
Net furnishings, equipment, and intangible assets	1,793,491			2,008,773
Infrastructure	1,091,718	123,812	(292)	1,215,238
Accumulated depreciation	(548,259)	(38,286)	5	(586,540)
Net infrastructure	543,459			628,698
Total capital assets, being depreciated, net	11,021,021			11,832,665
Governmental Activities Capital Assets, Net	$ 38,961,501			$ 40,513,001

B. BUSINESS-TYPE CAPITAL ASSETS

The following is a summary of business-type capital asset activity for the year ended June 30, 2017 (expressed in thousands):

Capital Assets	Balances July 1, 2016*	Additions	Deletions/ Adjustments	Balances June 30, 2017
Capital assets, not being depreciated:				
Land	$ 68,542	$ 4,646	$ (3,503)	$ 69,685
Intangible assets - indefinite lives	4,580	-	-	4,580
Art collections	75	-	-	75
Construction in progress	81,407	150,148	(16,096)	215,459
Total capital assets, not being depreciated	154,604			289,799
Capital assets, being depreciated:				
Buildings	3,737,011	67,266	(9,179)	3,795,098
Accumulated depreciation	(1,155,580)	(120,575)	2,186	(1,273,969)
Net buildings	2,581,431			2,521,129
Other improvements	100,793	4,273	(370)	104,696
Accumulated depreciation	(50,528)	(5,618)	338	(55,808)
Net other improvements	50,265			48,888
Furnishings, equipment, and intangible assets	977,923	122,238	(90,820)	1,009,341
Accumulated depreciation	(762,452)	(67,788)	40,699	(789,541)
Net furnishings, equipment, and intangible assets	215,471			219,800
Infrastructure	55,319	2,327	-	57,646
Accumulated depreciation	(27,203)	(2,004)	(18)	(29,225)
Net infrastructure	28,116			28,421
Total capital assets, being depreciated, net	2,875,283			2,818,238
Business-Type Activities Capital Assets, Net	$ 3,029,887			$ 3,108,037

* Beginning balance reflects the prior period adjustment to reclassify the Northwest Hospital from a discrete component unit of the University of Washington to a blended component unit, which resulted in an increase in capital assets of $393.3 million and an increase in accumulated depreciation of $281.5 million.

C. DEPRECIATION

Depreciation expense for the year ended June 30, 2017, was charged by the primary government as follows (expressed in thousands):

		Amount
Governmental Activities:		
General government	$	105,017
Education - elementary and secondary (K-12)		5,067
Education - higher education		446,958
Human services		38,375
Adult corrections		55,879
Natural resources and recreation		37,867
Transportation		106,918
Total Depreciation Expense - Governmental Activities *	$	796,081
Business-Type Activities:		
Workers' compensation	$	9,851
Unemployment compensation		-
Higher education student services		184,269
Guaranteed education tuition program		3
Other		1,862
Total Depreciation Expense - Business-Type Activities	$	195,985

* Includes $104.0 million internal service fund depreciation that was allocated to governmental activities as a component of net internal service fund activity.

D. CONSTRUCTION IN PROGRESS

Major construction commitments of the state at June 30, 2017, are as follows (expressed in thousands):

Agency / Project Commitments	Construction In Progress June 30, 2017	Remaining Project Commitments
Office of the Secretary of State:		
Library-Archives Building and other projects	$ 2,008	$ 86,571
Department of Revenue:		
Tax Legacy System replacement	13,092	40,780
Consolidated Technology Services:		
State Data Center buildout	10,332	91
Department of Enterprise Services:		
1063 Building project	86,836	7,502
Various projects	5,966	6,768
Department of Social and Health Services:		
Residential housing unit renovations and other projects	20,414	19,674
State hospitals	19,615	44,156
Department of Veterans Affairs:		
Walla Walla Veterans Home and other projects	42,692 -	3,787
Department of Corrections:		
Correctional center units security and safety improvements, and other projects	17,957	14,866
Department of Transportation:		
State ferry vessels and terminals, locomotives, and other projects	271,629	93,049
Transportation infrastructure	-	1,545,095
Department of Fish and Wildlife:		
Soos Creek renovation, Fir Island farm restoration, and other projects	33,642	57,868
University of Washington:		
Haggett and McCarty Hall projects	84,491	105,717
Life Sciences, Computer Sience Engineering and Burk Building	207,187	212,058
Parking and other projects	1,866	2,438
UW Medical Center expansion and renovation projects	20,048	11,848
Washington biomedical research facility	47,104	59,626
Washington State University:		
Animal Health Research, Museum of Art, Plant Science, Food Quality, and other facility projects	19,706	48,343
Chief Joseph Village and other housing projects	12,730	377
Cultural house	16,226	1,781
Parking lots, boiler, and other projects	346	1,025
Soccer field, locker rooms, and other athletics projects	1,007	2,069
Eastern Washington University:		
Engineering Building, Pence Union Building, and other projects	20,155	85,348
Interdisciplinary science center renovation	5,584	169,752
Central Washington University:		
Bouillon Hall, and other projects	15,066	1,046
Samuelson communication & tech center	37,015	16,496
The Evergreen State College:		
Housing and other projects	23,590	1,206
Western Washington University:		
Carver Hall renovation, residence hall, and other projects	86,376	48,138
Community and Technical Colleges:		
Bellevue student housing	10,790	40,666
Big Bend Professional Technical Building	1,400	41,703
ctcLink project	89,602	10,938
Edmonds Science, Engineering and Technology building project	2,913	41,183
Olympic College Instruction Center	34,034	13,076
Seattle integrated education center and Maritime Academy	40,387	2,789
Other miscellaneous community college projects	68,597	61,846
Other Agency Projects:	20,859	20,686
Total Construction in Progress	$ 1,391,262	$ 2,920,362

Note 7
Long-Term Liabilities

A. BONDS PAYABLE

Bonds payable at June 30, 2017, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

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

Legislative authorization arises:

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

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

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

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

Legal Debt Limitation

The State Constitution limits the amount of state debt that may be incurred by restricting the amount of general state revenues which may be allocated to pay principal and interest on debt subject to these limitations. In November 2012, voters passed a constitutional amendment specifying that maximum annual payments of principal and interest on all debt subject to the limit may not exceed a percentage of the average of the prior six years' general state revenues; this percentage currently stands at 8.3 percent and will decline to 8 percent by July 1, 2034. This limitation restricts the incurrence of new debt and not the amount of debt service that may be paid by the state in future years.

The State Constitution requires the State Treasurer to certify the debt service limitation for each fiscal year. In accordance with these provisions, the debt service limitation for fiscal year 2017 is $1.35 billion.

This computation excludes specific bond issues and types, that are not secured by general state revenues. Of the $19.19 billion general obligation bond debt principal outstanding at June 30, 2017, $11.64 billion is subject to the limitation.

Based on the debt limitation calculation, the debt service requirements as of June 30, 2017, did not exceed the authorized debt service limitation.

For further information on the debt limit refer to the Certification of the Debt Limitation of the State of Washington available from the Office of the State Treasurer at:
http://tre.wa.gov/wp-content/uploads/Debt-Limit-Report-2017-Final.pdf or to Schedule 11 in the Statistical Section of this report.

Authorized But Unissued

The state had a total of $10.44 billion in general obligation bonds authorized but unissued as of June 30, 2017, for the purpose of capital construction, higher education, transportation, and various other projects throughout the state.

Interest Rates

Interest rates on fixed rate general obligation bonds range from 0.5 to 5.75 percent. Interest rates on revenue bonds range from 0.9 to 7.4 percent.

Debt Service Requirements to Maturity

General Obligations Bonds

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

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

Outstanding general obligation bonds are presented in the Washington State Treasurer's Annual Report for 2017. 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 711, or by visiting their website at:
http://www.tre.wa.gov/about-us/resources/annual-reports/

Total debt service requirements to maturity for general obligation bonds as of June 30, 2017, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
General Obligation Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2018	$ 960,969	$ 950,082	$ -	$ -	$ 960,969	$ 950,082
2019	960,449	910,432	-	-	960,449	910,432
2020	959,772	872,736	-	-	959,772	872,736
2021	939,645	816,145	-	-	939,645	816,145
2022	947,742	753,827	-	-	947,742	753,827
2023-2027	4,831,771	3,126,480	-	-	4,831,771	3,126,480
2028-2032	4,549,624	1,954,544	-	-	4,549,624	1,954,544
2033-2037	3,213,495	834,610	-	-	3,213,495	834,610
2038-2042	1,798,650	201,511	-	-	1,798,650	201,511
2043-2047	30,120	968	-	-	30,120	968
Total Debt Service Requirements	$ 19,192,237	$ 10,421,335	$ -	$ -	$ 19,192,237	$ 10,421,335

Revenue Bonds

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

General Revenue.
The University of Washington and Washington State University issue general revenue bonds that are payable from general revenues, including student tuition, grant indirect cost recovery, sales and services revenue, and investment income. General revenue bonds outstanding as of June 30, 2017, include $834.6 million in governmental activities and $1.79 billion in business-type activities.

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

Total debt service requirements for revenue bonds to maturity as of June 30, 2017, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Revenue Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2018	$ 120,863	$ 105,737	$ 130,824	$ 98,548	$ 251,687	$ 204,285
2019	123,477	100,101	64,970	95,595	188,447	195,696
2020	127,604	94,199	66,764	92,354	194,368	186,553
2021	133,329	87,966	70,274	89,273	203,603	177,239
2022	139,842	81,431	73,418	85,920	213,260	167,351
2023-2027	550,143	311,454	371,065	376,503	921,208	687,957
2028-2032	360,529	215,734	404,913	282,587	765,442	498,321
2033-2037	283,959	135,971	401,069	190,027	685,028	325,998
2038-2042	242,503	66,995	387,074	87,052	629,577	154,047
2043-2047	152,075	30,363	149,922	14,280	301,997	44,643
2048-2052	84,453	10,709	4,971	199	89,424	10,908
Total Debt Service Requirements	$ 2,318,777	$ 1,240,660	$ 2,125,264	$ 1,412,338	$ 4,444,041	$ 2,652,998

Governmental activities include revenue bonds outstanding at June 30, 2017, of $208.8 million issued by the Tobacco Settlement Authority (TSA), which is a blended component unit of the state. In November 2002, the TSA issued $517.9 million in bonds and transferred $450.0 million to the state to be used for increased health care, long-term care, and other programs.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. The bonds are obligations of the TSA and are secured solely by the TSA's right to receive 29.2 percent of the state's tobacco settlement revenues, restricted investments of the TSA, undistributed TSA bond proceeds, and the earnings thereon held under the indenture authorizing the bonds. Total principal and interest remaining on the bonds is $305.2 million, payable through 2033. For the current year, both pledged revenue and debt service were $45.9 million.

Governmental activities include grant anticipation revenue bonds outstanding at June 30, 2017, of $658.0 million issued for the Washington State Department of Transportation. The bonds were issued to finance a portion of the cost of constructing the State Route 520 Floating Bridge and Eastside Project.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. The bonds are payable solely from Federal-Aid Highway Program funds, including federal reimbursements of debt service on the bonds and federal reimbursements to the state for projects or portions of projects not financed with bond proceeds. Total principal and interest remaining on the bonds is $897.3 million, payable through 2024. For the current year both pledged revenue and debt service were $100.1 million.

Governmental activities include the Transportation Infrastructure Finance and Innovation Act Bond (TIFIA Bond) outstanding at June 30, 2017, of $300.0 million. The bonds were issued to finance a portion of the State Route 520 Corridor Program.

The TIFIA Bond is payable solely from toll revenues and does not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of this bond. Total principal and interest remaining on the bond is $542.4 million, payable through 2051.

Governmental activities include revenue bonds outstanding at June 30, 2017, of $40.1 million issued by the Tumwater Office Properties (TOP), which is a blended component unit of the state. The bonds, issued in 2004, are payable solely from the trust estate pledged under the indenture, including rental payments. The bonds were used to construct an office building in Tumwater, Washington which the state occupied beginning in fiscal year 2006.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is $52.6 million, payable through 2029. For the current year, both pledged revenue and debt service were $3.6 million.

Governmental activities include revenue bonds outstanding at June 30, 2017, of $273.8 million issued by FYI Properties, a blended component unit of the state. The bonds, issued in 2009, are payable solely from the trust estate pledged under the indenture, including rental payments. The bonds were used to construct an office building in Olympia, Washington which the state occupied beginning in fiscal year 2012.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on the bonds is $474.2 million, payable through 2039. For the current year, both pledged revenue and debt service were $21.6 million.

Additionally, governmental activities include revenue bonds outstanding at June 30, 2017, of $3.5 million issued by the City of Aberdeen. The bonds were used to extend utilities to the state Department of Corrections Stafford Creek Corrections Center. The Department of Corrections entered into an agreement with the City of Aberdeen to pay a system development fee sufficient to pay the debt service on the bonds. The bonds were issued in 1998 and 2002, and refunded by the city in 2010, and are payable solely from current operating appropriations.

The bonds are not a general obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. Total principal and interest remaining on these bonds is $3.8 million, payable through 2022. For the current year, both pledged revenue and debt service were $1.6 million.

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

Total pledged specific revenues for the state's colleges and universities to repay the principal and interest of revenue bonds as of June 30, 2017, are as follows (expressed in thousands):

Source of Revenue Pledged	Housing and Dining Revenues (Net of Operating Expenses)	Student Facilities Fees and Earnings on Invested Fees	Bookstore Revenues
Current revenue pledged	$ 38,835	$ 82,507	$ 298
Current year debt service	19,113	12,045	202
Total future revenues pledged *	299,135	200,156	3,438
Description of debt	Housing and dining bonds issued in 1998-2016	Student facilities bonds issued in 2006-2016	Student union and recreation center bonds issued in 2004
Purpose of debt	Construction and renovation of student housing and dining	Construction and renovation of student activity and sports facilities	Construct new bookstore as part of new student union and recreation center building
Term of commitment	2017-2042	2017-2039	2034
Percentage of debt service to pledged revenues (current year)	49.2%	14.6%	67.8%

* Total future principal and interest payments.

B. CERTIFICATES OF PARTICIPATION

Certificates of participation at June 30, 2017, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

Current state law authorizes the state to enter into long-term financing contracts for the acquisition of real or personal property and for the issuance of certificates of participation in the contracts. These certificates of participation do not fall under the general obligation debt limitations and are generally payable only from annual appropriations by the Legislature.

Other specific provisions could also affect the state's obligation under certain agreements. The certificates of participation are recorded for financial reporting purposes if the possibility of the state not meeting the terms of the agreements is considered remote.

Total debt service requirements for certificates of participation to maturity as of June 30, 2017, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Certificates of Participation	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2018	$ 142,212	$ 48,875	$ 4,716	$ 1,621	$ 146,928	$ 50,496
2019	71,923	26,211	9,551	3,481	81,474	29,692
2020	68,117	22,996	9,045	3,054	77,162	26,050
2021	55,953	19,973	7,430	2,652	63,383	22,625
2022	51,119	17,380	6,788	2,308	57,907	19,688
2023-2027	175,453	56,766	23,298	7,538	198,751	64,304
2028-2032	106,202	23,946	14,103	3,180	120,305	27,126
2033-2037	52,437	7,710	6,963	1,024	59,400	8,734
2038-2042	7,309	233	971	31	8,280	264
Total Debt Service Requirements	$ 730,725	$ 224,090	$ 82,865	$ 24,889	$ 813,590	$ 248,979

C. DEBT REFUNDINGS

When advantageous and permitted by statute and bond covenants, the State Finance Committee authorizes the refunding of outstanding bonds and certificates of participation. Colleges and universities may also refund revenue bonds.

When the state refunds outstanding bonds, the net proceeds of each refunding issue are used to purchase U.S. government securities that are placed in irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds.

As a result, the refunded bonds are considered defeased and the liability is removed from the government-wide statement of net position.

Current Year Defeasances

Bonds

Governmental Activities.
On July 14, 2016, the state issued $531.3 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent to refund $577.7 million of various purpose general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a $88.9 million gross debt service savings over the next 18 years and a net present value savings of $76.4 million.

Also on July 14, 2016, the state issued $271.6 million of motor vehicle fuel tax general obligation refunding bonds with an average interest rate of 5 percent to refund $296.0 million of various purpose general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a $50.4 million gross debt service savings over the next 18 years and a net present value savings of $42.9 million.

On January 24, 2017, the state issued $137.1 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent to refund $155.2 million of various purpose general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a $26.1 million gross debt service savings over the next 9 years and a net present value savings of $22.8 million.

Also on January 24, 2017, the state issued $24.5 million of motor vehicle fuel tax general obligation refunding bonds with an average interest rate of 5 percent to refund $27.4 million of motor vehicle fuel tax general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a $4.1 million gross debt service savings over the next 9 years and a net present value savings of $3.6 million.

Business-Type Activities.
On July 14, 2016, the University of Washington issued $9.1 million in general obligation refunding bonds with an average interest rate of 4.9 percent to refund $9.8 million of general obligation bonds with an average interest rate of 5 percent. The refunding resulted in $3.3 million gross debt service savings over the next 15 years and an economic gain of $2.6 million.

On November 9, 2016, the University of Washington issued $25.0 million in general revenue refunding bonds with an average interest rate of 4.8 percent to refund $28.5 million general revenue bonds for the purchase of a capital asset with an average interest rate of 4.7 percent. The refunding resulted in $4.8 million gross debt service savings over the next 17 years and an economic gain of $3.9 million.

Also on November 9, 2016, the University of Washington issued $10.0 million in general revenue refunding bonds with an average interest rate of 2.9 percent to refund $9.8 million general revenue bonds for the purchase of a capital asset with an average interest rate of 4.7 percent. The refunding resulted in $1.4 million gross debt service savings over the next 17 years and an economic gain of $1.1 million.

On August 30, 2016, Eastern Washington University issued $23.5 million in general revenue refunding bonds with an average interest rate of 2.9 percent to refund $24.1 million general revenue bonds for the construction of the University's recreation center with an average interest rate of 4.6 percent. The refunding resulted in $6.2 million gross debt service savings over the next 22 years and an economic gain of $4.7 million.

On September 8, 2016, Central Washington University issued $29.2 million in general revenue refunding bonds with an average interest rate of 3.4 percent to refund $29.4 million general revenue bonds for the remodel of a residence hall with an average interest rate of 4.8 percent. The refunding resulted in $4.6 million gross debt service savings over the next 23 years and an economic gain of $205 thousand.

Certificates of Participation (COPs)

On August 30, 2016, the state issued $28.8 million in refunding certificates of participation with an average interest rate of 5.2 percent to refund $29.4 million of various purpose general obligation bonds with an average interest rate of 3.65 percent. The refunding resulted in a $4.2 million gross debt service savings over the next 12 years and a net present value savings of $3.8 million.

On August 30, 2016, the state issued $3.2 million in refunding certificates of participation with an average interest rate of 5.5 percent to refund $4.4 million of various purpose general obligation bonds with an average interest rate of 1.3 percent. The refunding resulted in a $182 thousand gross debt service savings over the next 5 years and a net present value savings of $185 thousand.

Prior Year Defeasances

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

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

General Obligation Bond Debt

On June 30, 2017, $3.58 billion of general obligation bond debt outstanding is considered defeased.

Revenue Bond Debt

On June 30, 2017, $42.1 million of revenue bond debt outstanding is considered defeased.

Certificates of Participation Debt

On June 30, 2017, $64.9 million of certificates of participation debt outstanding is considered defeased.

D. LEASES

Leases at June 30, 2017, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

The state leases land, office facilities, office and computer equipment, and other assets under a variety of agreements. Although lease terms vary, most leases are subject to appropriation from the Legislature to continue the obligation. If the possibility of receiving no funding from the Legislature is remote, leases are considered noncancelable for financial reporting purposes. Leases that represent acquisitions are classified as capital leases, and the related assets and liabilities are recorded in the financial records at the inception of the lease.

Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease. Certain operating leases are renewable for specified periods. In most cases, management expects that the leases will be renewed or replaced by other leases.

Land, buildings, and equipment under capital leases as of June 30, 2017, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Buildings	$ -	$ 4,512
Equipment	5,131	10,436
Less: Accumulated Depreciation	(2,463)	(8,091)
Totals	$ 2,668	$ 6,857

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2017 (expressed in thousands):

	Capital Leases		Operating Leases	
Capital and Operating Leases	**Governmental Activities**	**Business-Type Activities**	**Governmental Activities**	**Business-Type Activities**
By Fiscal Year:				
2018	$ 596	$ 2,463	$ 197,856	$ 58,900
2019	585	2,109	180,382	57,993
2020	593	1,770	163,986	57,839
2021	572	1,407	143,184	42,700
2022	510	1,383	110,289	33,699
2023-2027	616	1,045	110,272	56,938
2028-2032	-	-	36,821	45,768
2033-2037	-	-	25,407	52,934
2038-2042	-	-	19,865	61,226
2043-2047	-	-	5,982	70,825
Total Future Minimum Payments	3,472	10,177	994,044	538,822
Less: Executory Costs and Interest Costs	(216)	(781)	-	-
Net Present Value of Future Minimum Lease Payments	$ 3,256	$ 9,396	$ 994,044	$ 538,822

The total operating lease rental expense for fiscal year 2017 for governmental activities was $384.5 million, of which $43 thousand was for contingent rentals. The total operating lease rental expense for fiscal year 2017 for business-type activities was $37.2 million.

E. CLAIMS AND JUDGMENTS

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

Workers' Compensation

At June 30, 2017, $38.24 billion of unpaid claims and claim adjustment expenses are presented at their net present and settlement value of $26.64 billion. These claims are discounted at assumed interest rates of 1.5 percent (non-pension and cost of living adjustments), 4.5 to 6.2 percent (pensions not yet granted), and 6.2 percent (granted pensions) to arrive at a settlement value.

The claims and claim adjustment liabilities of $26.64 billion as of June 30, 2017, include $13.31 billion for supplemental pension cost of living adjustments (COLAs) that by statute are not to be fully funded.

These COLA payments are funded on a pay-as-you-go basis, and the workers' compensation actuaries have indicated that future premium payments will be sufficient to pay these claims as they come due.

The remaining claims liabilities of $13.33 billion are fully funded by long-term investments, net of obligations under securities lending agreements.

Changes in the balances of workers' compensation claims liabilities during fiscal years 2016 and 2017 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
2016	$ 25,066,149	3,024,336	(2,238,159)	$ 25,852,326
2017	$ 25,852,326	3,030,714	(2,242,502)	$ 26,640,538

Risk Management

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

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

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

As of June 30, 2017, outstanding and actuarially determined claims against the state and its agencies, with the exception of the University of Washington and the Department of Transportation Ferries Division, including actuarially projected defense costs were $603.0 million for which the state has recorded a liability. The state is restricted by law from accumulating funds in the Self Insurance Liability Program in excess of 50 percent of total outstanding and actuarially determined liabilities.

At June 30, 2017, the Risk Management Fund held $2.6 million in cash and pooled investments designated for payment of these claims under the state's Self Insurance Liability Program.

Changes in the balances of risk management claims liabilities during fiscal years 2016 and 2017 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
2016	$ 579,928	50,583	(38,755)	(22,935)	$ 568,821
2017	$ 568,821	182,654	(128,620)	(19,828)	$ 603,027

Health Insurance

The Health Insurance Fund establishes a liability when it becomes probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an actuarially determined amount for claims that have been incurred but not reported. Because actual claims liabilities depend on various complex factors, the process used in computing claims liabilities does not always result in an exact amount.

Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

At June 30, 2017, health insurance claims liabilities totaling $83.9 million are fully funded with cash and investments, net of obligations under securities lending agreements.

Changes in the balances of health insurance claims liabilities during fiscal years 2016 and 2017 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
2016	$ 73,607	1,023,194	(1,009,431)	$ 87,370
2017	$ 87,370	1,086,732	(1,090,211)	$ 83,891

F. POLLUTION REMEDIATION

The state reports pollution remediation obligations in accordance with GASB Statement No. 49. The liability reported involves estimates of financial responsibility and amounts recoverable as well as remediation costs.

The liability could change over time as new information becomes available and as a result of changes in remediation costs, technology, and regulations governing remediation efforts. Additionally, the responsibilities and liabilities discussed in this disclosure are intended to refer to obligations solely in the accounting context. This disclosure does not constitute an admission of any legal responsibility or liability. Further, it does not establish or affect the rights or obligations of any person under the law, nor does this disclosure impose upon the state any new mandatory duties or obligations.

The state and its agencies are participating as potentially responsible parties in numerous pollution remediation projects under the provisions of the federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA, generally referred to as Superfund) and the state Model Toxics Control Act.

There are 20 projects in progress for which the state has recorded a liability of $52.9 million.

The state has also voluntarily agreed to conduct certain remediation activities to the extent of funding paid to the state by third parties for such purposes. At June 30, 2017, the state has recorded a liability of $98.0 million for remaining project commitments.

Overall, the state has recorded a pollution remediation liability of $150.9 million, measured at its estimated amount, using the expected cash flow technique. The overall estimate is based on professional judgment, experience, and historical cost data. For some projects, the state can reasonably estimate the range of expected outlays early in the process because the site situation is common or similar to other sites with which the state has experience. In other cases, the estimates are limited to an amount specified in a settlement agreement, consent decree, or contract for remediation services.

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

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

G. LONG-TERM LIABILITY ACTIVITY

Long-term liability activity at June 30, 2017, is reported by the state of Washington within governmental activities and business-type activities, as applicable. Long-term liability activity for governmental activities for fiscal year 2017 is as follows (expressed in thousands):

Governmental Activities:	Beginning Balance July 1, 2016*	Additions	Reductions	Ending Balance June 30, 2017	Amounts Due Within One Year
Long-Term Debt:					
GO Bonds Payable:					
General obligation (GO) bonds	$ 18,566,435	$ 2,168,185	$ 1,954,630	$ 18,779,990	$ 907,440
GO - zero coupon bonds (principal)	471,656	-	59,409	412,247	53,529
Subtotal - GO bonds payable	19,038,091	2,168,185	2,014,039	19,192,237	960,969
Accreted interest - GO - zero coupon bonds	479,226	-	21,591	457,635	68,176
Revenue bonds payable	2,369,844	82,162	133,229	2,318,777	120,863
Plus: Unamortized premiums on bonds sold	1,007,716	464,877	81,535	1,391,058	-
Total Bonds Payable	22,894,877	2,715,224	2,250,394	23,359,707	1,150,008
Other Liabilities:					
Certificates of participation	703,100	118,588	90,963	730,725	142,212
Plus: Unamortized premiums on COPs sold	15,895	7,500	2,605	20,790	-
Claims and judgments	982,059	156,493	142,757	995,795	368,707
Installment contracts	1,728	-	137	1,591	137
Leases	4,130	235	1,109	3,256	534
Compensated absences	581,282	438,448	393,932	625,798	86,700
Net pension liability	4,352,316	1,604,991	954,486	5,002,821	-
Other postemployment benefits obligations	2,491,573	385,819	230	2,877,162	-
Pollution remediation obligations	154,145	12,586	15,878	150,853	-
Unclaimed property refunds	165,215	32,196	-	197,411	-
Other	725,408	231,266	395,476	561,198	50,224
Total Other Liabilities	10,176,851	2,988,122	1,997,573	11,167,400	648,514
Total Long-Term Debt	$ 33,071,728	$ 5,703,346	$ 4,247,967	$ 34,527,107	$ 1,798,522

* The beginning balance of certificates of participation has been restated by $1.4 million as a result of reclassification between fund types. The beginning balance of net pension liability has been restated by $273.3 million as a result of the implementation of GASB 73.

For governmental activities, certificates of participation are being repaid approximately 21 percent from the General Fund, 39 percent from the Higher Education Special Revenue Fund, 23 percent from the Motor Vehicle (a nonmajor special revenue fund), and the balance from various governmental funds. The compensated absences liability will be liquidated approximately 42 percent by the General Fund, 35 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The claims and judgments liability will be liquidated approximately 58 percent by the Risk Management Fund (an internal service fund), 12 percent by the Health Insurance Fund (a nonmajor internal service fund), and the balance by various other governmental funds. The other postemployment benefits liability will be liquidated approximately 46 percent by the General Fund, 30 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The net pension liability will be liquidated approximately 46 percent by the General Fund, 23 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The pollution remediation liability will be liquidated approximately 81 percent by the Wildlife and Natural Resources Fund (a nonmajor governmental fund), and the balance by various other governmental funds. The unclaimed property refunds will be liquidated against future unclaimed property deposited to the General Fund. Leases, installment contract obligations, and other liabilities will be repaid from various other governmental funds.

Long-term liability activity for business-type activities for fiscal year 2017 is as follows (expressed in thousands):

Business-Type Activities	Beginning Balance July 1, 2016*	Additions	Reductions	Ending Balance June 30, 2017	Amounts Due Within One Year
Long-Term Debt:					
Revenue bonds payable	$ 2,056,220	$ 211,813	$ 142,769	$ 2,125,264	$ 130,824
Plus: Unamortized premiums on bonds sold	158,559	40,717	17,234	182,042	-
Total Bonds Payable	2,214,779	252,530	160,003	2,307,306	130,824
Other Liabilities:					
Certificates of participation	44,899	44,135	6,169	82,865	4,716
Plus: Unamortized premiums on COPs sold	2,919	6,840	775	8,984	-
Claims and judgments	25,868,902	1,579,988	789,825	26,659,065	2,044,124
Installment contracts	81,871	-	16,153	65,718	3,023
Lottery prize annuities payable	126,082	40,666	45,372	121,376	13,499
Tuition benefits payable	1,726,000	34,378	20,378	1,740,000	168,000
Leases	9,373	2,029	2,006	9,396	2,619
Compensated absences	80,740	31,964	28,973	83,731	52,308
Net pension liability	534,904	238,846	110,383	663,367	-
Other postemployment benefits obligations	269,142	49,267	-	318,409	-
Other	48,706	56,349	23,134	81,921	3,567
Total Other Liabilities	28,793,538	2,084,462	1,043,168	29,834,832	2,291,856
Total Long-Term Debt	$ 31,008,317	$ 2,336,992	$ 1,203,171	$ 32,142,138	$ 2,422,680

* The beginning balance of certificates of participation has been restated by $1.4 million as a result of reclassification between fund types. The beginning balance of installment contracts has been restated by $81.9 million as result of the inclusion of a new component unit. The beginning balance of net pension liability has been restated by $39.4 million as a result of the implementation of GASB No. 73.

Note 8
No Commitment Debt

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

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

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

The schedule below presents the June 30, 2017, balances for the "No Commitment" debt of the state's financing authorities (expressed in thousands):

Financing Authorities		**Principal Balance**
Washington State Housing Finance Commission	$	4,271,164
Washington Higher Education Facilities Authority		630,233
Washington Health Care Facilities Authority		5,662,000
Washington Economic Development Finance Authority		688,432
Total No Commitment Debt	$	11,251,829

Note 9
Governmental Fund Balances

A. GOVERNMENTAL FUND BALANCES

The state's governmental fund balances are reported according to the relative constraints that control how amounts can be spent. Classifications include nonspendable, restricted, committed, and assigned, which are further described in Note 1.D.9.

A summary of governmental fund balances at June 30, 2017, is as follows (expressed in thousands):

Fund Balances	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Nonspendable:					
Permanent funds	$ -	$ -	$ 2,376,534	$ 210,226	$ 2,586,760
Consumable inventories	13,071	10,505	-	41,566	65,142
Other receivables – long-term	29,851	-	-	-	29,851
Total Nonspendable Fund Balance	$ 42,922	$ 10,505	$ 2,376,534	$ 251,792	$ 2,681,753
Restricted for: *					
Higher education	$ -	$ 62,336	$ 1,410,155	$ 40,105	$ 1,512,596
Education	-	-	5,906	33,144	39,050
Transportation	-	-	-	959,552	959,552
Other purposes	-	-	-	7,011	7,011
Human services	-	-	387	499,418	499,805
Wildlife and natural resources	-	-	-	1,040,971	1,040,971
Local grants and loans	20,424	-	-	229	20,653
School construction	2	-	-	113,175	113,177
Budget stabilization	1,638,335	-	-	-	1,638,335
Debt service	-	-	-	55,881	55,881
Pollution remediation	-	-	-	51,132	51,132
Operations and maintenance	-	-	-	9,205	9,205
Repair and replacement	-	-	-	14,673	14,673
Revenue stabilization	-	-	-	28,805	28,805
Third tier debt service	-	-	-	6,595	6,595
Fourth tier debt service	-	-	-	1,820	1,820
Total Restricted Fund Balance	$ 1,658,761	$ 62,336	$ 1,416,448	$ 2,861,716	$ 5,999,261
Committed for:					
Higher education	$ 86,468	$ 2,601,444	$ -	$ 23,701	$ 2,711,613
Education	172	-	-	2,427	2,599
Transportation	-	-	-	315,936	315,936
Other purposes	10,519	-	-	285,462	295,981
Human services	14,176	-	-	761,037	775,213
Wildlife and natural resources	25,978	-	-	392,785	418,763
Local grants and loans	3,592	-	-	1,044,639	1,048,231
State facilities	-	-	-	2,173	2,173
Debt service	-	-	-	336,357	336,357
Total Committed Fund Balance	$ 140,905	$ 2,601,444	$ -	$ 3,164,517	$ 5,906,866
Assigned for:					
Working capital	$ 1,257,952	$ 18,300	$ -	$ -	$ 1,276,252
Total Assigned Fund Balance	$ 1,257,952	$ 18,300	$ -	$ -	$ 1,276,252

*Net position restricted as a result of enabling legislation totaled $9.0 million.

B. BUDGET STABILIZATION ACCOUNT

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

By June 30 of each fiscal year, an amount equal to 1 percent of the general state revenues for that fiscal year is transferred to the Budget Stabilization Account.

The Budget Stabilization Account balance can only be used as follows: (a) if the Governor declares a state of emergency resulting from a catastrophic event that necessitates government action to protect life or public safety, then for that fiscal year money may be withdrawn and appropriated from the Budget Stabilization Account, via separate legislation setting forth the nature of the emergency and containing an appropriation limited to the above-authorized purposes as contained in the declaration, by a favorable vote of a majority of the members elected to each house of the Legislature; (b) if the employment growth forecast for any fiscal year is estimated to be less than 1 percent, then for that fiscal year money may be withdrawn and appropriated from the Budget Stabilization Account by the favorable vote of a majority of the members elected to each house of the Legislature; (c) any amount may be withdrawn and appropriated from the Budget Stabilization Account at any time by the favorable vote of at least three-fifths of the members of each house of the Legislature.

When the balance in the Budget Stabilization Account, including investment earnings, equals more than 10 percent of the estimated general state revenues in that fiscal year, the Legislature by the favorable vote of a majority of the members elected to each house of the Legislature may withdraw and appropriate the balance to the extent that the balance exceeds 10 percent of the estimated general state revenues. These appropriations may be made solely for deposit to the Education Construction Fund.

At June 30, 2017, the Budget Stabilization Account had restricted fund balance of $1.64 billion.

Note 10
Deficit Net Position

Data Processing Revolving Fund

The Data Processing Revolving Fund, an internal service fund, had a deficit net position of $100.6 million at June 30, 2017. The Data Processing Revolving Fund is primarily used to account for and report activities such as data processing and communication services to other state agencies.

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

The following schedule details the change in net position for the Data Processing Revolving Fund during the fiscal year ended June 30, 2017 (expressed in thousands):

Data Processing Revolving Fund	Net Position
Balance, July 1, 2016	$ (91,847)
Fiscal year 2017 activity	(8,726)
Balance, June 30, 2017	$ (100,573)

State Facilities Fund

The State Facilities Fund, a capital projects fund, had a deficit net position of $70.0 million at June 30, 2017. The State Facilities Fund is used to pay for various capital projects throughout the state.

The State Facilities Fund is primarily supported by bond proceeds, income from property, and sales of property. Costs were incurred during fiscal year 2017 but the bonds to support these projects were not issued until after June 30, 2017 resulting in a deficit net position.

The following schedule details the change in net position for the State Facilities Fund during the fiscal year ended June 30, 2017 (expressed in thousands):

State Facilities Fund	Net Position
Balance, July 1, 2016	$ 14,887
Fiscal year 2017 activity	(84,892)
Balance, June 30, 2017	$ (70,005)

Risk Management Fund

The Risk Management Fund, an internal service fund, had a deficit net position of $603.3 million at June 30, 2017. The Risk Management Fund is used to administer the Self-Insurance Liability Program (SILP). The SILP was initiated in 1990 and is intended to provide funds for the payment of all tort claims and defense expenses. The program investigates, processes, and adjudicates tort and sundry claims filed against Washington state agencies, with the exception of the University of Washington and the Department of Transportation Ferries Division.

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

The following schedule details the change in net position for the Risk Management Fund during the fiscal year ended June 30, 2017 (expressed in thousands):

Risk Management Fund	Net Position
Balance, July 1, 2016	$ (520,129)
Fiscal year 2017 activity	(83,206)
Balance, June 30, 2017	$ (603,335)

Note 11
Retirement Plans

A. GENERAL

The state implemented Statement No. 68 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Pensions* for the fiscal year 2015 financial reporting. Washington's pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

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

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

Basis of Accounting. Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all plans and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The following table represents the aggregate pension amounts for all plans for the state as an employer, for fiscal year 2017 (expressed in thousands):

Aggregate Pension Amounts - All Plans	
Pension liabilities	$ 5,666,188
Pension assets	$ (1,132,236)
Deferred outflows of resources related to pensions	$ 1,472,461
Deferred inflows of resources related to pensions	$ 244,584
Pension expense/expenditures	$ 477,527

Investments. The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes.

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

Department of Retirement Systems. As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers eight retirement systems covering eligible employees of the state and local governments. The Governor appoints the director of the DRS.

The DRS administered systems are comprised of 12 defined benefit pension plans and three defined benefit/defined contribution plans as follows:

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

- Judicial Retirement System (JRS)
  Defined benefit plan

- Judges' Retirement Fund (Judges)
  Defined benefit plan

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

Administration of the PERS, TRS, SERS, LEOFF, PSERS, and WSPRS systems and plans is funded by an employer rate of 0.18 percent of employee salaries. Administration of the JRS and Judges plans is funded by means of legislative appropriations.

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

The DRS prepares a stand-alone financial report that is compliant with the requirements of Statement 67 of the GASB. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at http://www.drs.wa.gov/administration/annual-report/.

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

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

Higher Education. As established in chapter 28B.10 RCW, eligible higher education state employees may participate in higher education retirement plans. These plans include a defined contribution plan administered by a third party with a supplemental defined benefit component (on a pay-as-you-go basis) which is administered by the state. The state implemented GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* for the fiscal year 2017 financial reporting.

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

B. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

1. DRS Plans – Employer Disclosures

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

Public Employees' Retirement System

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

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

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

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

Refer to Note 11.E for a description of the defined contribution component of PERS Plan 3.

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

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, capped at 60 percent. The AFC is the average of the member's 24 highest consecutive service months.

PERS Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional cost of living allowance (COLA) that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service. This is 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. Plan 1 members may elect to receive an optional COLA amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

PERS Plan 2 members have the option to retire early with reduced benefits.

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

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

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

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

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

Contributions. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine contribution requirements are established under state statute.

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

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

Required contribution rates for fiscal year 2017 are presented in the table in Note 11.B.3.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015, with the results rolled forward to the June 30, 2016, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

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

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

The Office of the State Actuary (OSA) selected a 7.5 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by WSIB. Refer to the 2015 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

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

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3, PSERS Plan 2, and SERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2017, the state reported $2.26 billion for its proportionate share of the collective net pension liability for PERS Plan 1 and $2.50 billion for PERS Plan 2/3. The state's proportion for PERS Plan 1 was 41.99 percent, an increase of 0.42 percent since the prior reporting period, and 49.72 percent for PERS Plan 2/3, an increase of 0.62 percent. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.5 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands):

PERS Plan 1 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	2,719,597
Current Discount Rate	$	2,255,244
1% Increase	$	1,855,639

PERS Plan 2/3 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	4,609,049
Current Discount Rate	$	2,503,313
1% Increase	$	(1,303,119)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017, the state recognized a PERS Plan 1 pension expense of $155.2 million, and recognized a PERS Plan 2/3 pension expense of $351.9 million. At June 30, 2017, PERS Plan 1 and PERS Plan 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	56,783	-
Change in proportion	-	-
State contributions subsequent to the measurement date	255,173	-
Total	$ 311,956	$ -

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 133,300	$ 82,639
Changes of assumptions	25,874	-
Net difference between projected and actual earnings on pension plan investments	306,333	-
Change in proportion	28,270	3,754
State contributions subsequent to the measurement date	312,182	-
Total	$ 805,959	$ 86,393

For PERS Plan 1, $255.2 million, and for PERS Plan 2/3, $312.2 million, reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

PERS Plan 1		
2018	$	(13,981)
2019	$	(13,981)
2020	$	52,149
2021	$	32,596
2022	$	-
Thereafter	$	-

PERS Plan 2/3		
2018	$	12,109
2019	$	9,182
2020	$	239,691
2021	$	146,402
2022	$	-
Thereafter	$	-

Teachers' Retirement System

Plan Description. The Legislature established the Teachers' Retirement System (TRS) in 1938. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature. Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative, or supervisory capacity. TRS is comprised principally of non-state agency employees.

TRS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

TRS members who joined the system by September 30, 1977, are a Plan 1 member. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS members joining the system on or after July 1, 1996, are members of TRS Plan 3.

Legislation passed in 2007 gives TRS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of TRS Plan 2 or Plan 3. At the end of 90 days, any member who has not made a choice becomes a member of Plan 3.

Refer to Note 11.E for a description of the defined contribution component of TRS Plan 3.

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

TRS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) for each year of service credit, up to a maximum of 60 percent. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

TRS Plan 1 members may elect to receive an optional cost of living allowance (COLA) amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

TRS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

TRS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of TRS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

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

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

TRS members meeting specific eligibility requirements, have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

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

Contributions. TRS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine contribution requirements are established under state statute.

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

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

Required contribution rates for fiscal year 2017 are presented in the table in Note 11.B.3.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015, with the results rolled forward to the June 30, 2016, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

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

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

The Office of the State Actuary (OSA) selected a 7.5 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by WSIB. Refer to the 2015 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

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

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including TRS Plan 2/3, whose rates include a component for the TRS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2017, the state reported a liability of $33.0 million for its proportionate share of the collective net pension liability for TRS Plan 1 and $11.9 million for TRS Plan 2/3. The state's proportion for TRS Plan 1 was 0.97 percent, an increase of 0.11 percent since the prior reporting period, and 0.87 percent for TRS Plan 2/3, an increase of 0.14 percent. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.5 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands):

TRS Plan 1 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	40,599
Current Discount Rate	$	33,026
1% Increase	$	26,503

TRS Plan 2/3 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	26,923
Current Discount Rate	$	11,896
1% Increase	$	(13,820)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017, the state recognized a TRS Plan 1 pension expense of $5.8 million, and recognized a TRS Plan 2/3 pension expense of $4.1 million. At June 30, 2017, TRS Plan 1 and TRS Plan 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

TRS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,048	-
Change in proportion	-	-
State contributions subsequent to the measurement date	3,598	-
Total	$ 4,646	$ -

TRS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 900	$ 528
Changes of assumptions	121	-
Net difference between projected and actual earnings on pension plan investments	1,915	-
Change in proportion	2,891	-
State contributions subsequent to the measurement date	3,500	-
Total	$ 9,327	$ 528

For TRS Plan 1, $3.6 million, and for TRS Plan 2/3, $3.5 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

TRS Plan 1		
2018	$	(271)
2019	$	(270)
2020	$	980
2021	$	609
2022	$	-
Thereafter	$	-

TRS Plan 2/3		
2018	$	799
2019	$	799
2020	$	2,283
2021	$	1,346
2022	$	72
Thereafter	$	-

Law Enforcement Officers' and Fire Fighters' Retirement System

Plan Description. The Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) was established in 1970 by the Legislature. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included effective July 27, 2003, being an exception.

LEOFF is a cost-sharing, multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The board's duties include adopting contribution rates and recommending policy changes to the Legislature.

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

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Years of Service	Percent of FAS
20+	2.0%
10-19	1.5%
5-9	1.0%

A cost of living allowance (COLA) is granted based on the Consumer Price Index.

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

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

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

Contributions. LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations.

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees are not required to contribute as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The methods used to determine contribution requirements are established under state statute.

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

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding

Council and the LEOFF Plan 2 Retirement Board. For fiscal year 2016, the state contributed $60.4 million to LEOFF Plan 2.

Beginning in 2011, when state General Fund revenues increase by at least 5 percent over the prior biennium's revenues, the State Treasurer will transfer, subject to legislative appropriation, specific amounts into a Local Public Safety Enhancement Account. Half of this transfer will be proportionately distributed to all jurisdictions with LEOFF Plan 2 members. The other half will be transferred to a LEOFF Retirement System Benefits Improvement Account to fund benefit enhancements for LEOFF Plan 2 members. However, this special funding situation is not mandated by the State Constitution and this funding requirement could be returned to the employers by a change of statute.

Required contribution rates for fiscal year 2017 are presented in the table in Note 11.B.3.

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

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2015, with the results rolled forward to the June 30, 2016, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

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

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

The Office of the State Actuary (OSA) selected a 7.5 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by WSIB. Refer to the 2015 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

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

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2017, the state reported an asset of $5.1 million for its proportionate share of the collective net pension asset for LEOFF Plan 2. The state's proportion for LEOFF Plan 2 was 0.88 percent, an increase of 0.04 percent since the prior reporting period. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers and the nonemployer contributing entity.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands):

LEOFF Plan 2 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	14,338
Current Discount Rate	$	(5,113)
1% Increase	$	(19,773)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017, the state recognized a LEOFF Plan 2 pension expense of $257 thousand. At June 30, 2017, LEOFF Plan 2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 701	$ -
Changes of assumptions	19	-
Net difference between projected and actual earnings on pension plan investments	1,837	-
Change in proportion	53	26
State contributions subsequent to the measurement date	1,385	-
Total	$ 3,995	$ 26

For LEOFF Plan 2, $1.4 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

LEOFF Plan 2		
2018	$	(20)
2019	$	(19)
2020	$	1,523
2021	$	1,049
2022	$	51
Thereafter	$	-

Public Safety Employees' Retirement System

Plan Description. The Public Safety Employees' Retirement System (PSERS) was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions are established in chapter 41.37 RCW and may be amended only by the Legislature. PSERS membership includes full-time employees meeting specific eligibility criteria that are employed by Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor and Cannabis Board, Parks and Recreation Commission, Washington State Patrol, Washington state counties, corrections departments of Washington state cities except for Seattle, Tacoma, and Spokane, or correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS is a cost-sharing, multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

Benefits Provided. PSERS provides retirement, disability, and death benefits to eligible members.

PSERS members are vested after an employee completes five years of eligible service. PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service, or at age 53 with 20 years of service. A cost of living allowance (COLA) is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

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

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

Contributions. PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. The methods used to determine contribution requirements are established under state statute.

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

Required contribution rates for fiscal year 2017 are presented in the table in Note 11.B.3.

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2015, with the results rolled forward to the June 30, 2016, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

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

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

The Office of the State Actuary (OSA) selected a 7.5 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by WSIB. Refer to the 2015 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

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

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3, PSERS Plan 2, and SERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2017, the state reported a liability of $20.4 million for its proportionate share of the collective net pension asset for PSERS Plan 2. The state's proportion for PSERS Plan 2 was 47.97 percent, an increase of 0.04 percent since the prior reporting period. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands):

PSERS Plan 2 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	88,518
Current Discount Rate	$	20,386
1% Increase	$	(28,145)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017, the state recognized a PSERS Plan 2 pension expense of $13.9 million. At June 30, 2017, PSERS Plan 2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

PSERS Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 6,944	$ -
Changes of assumptions	79	-
Net difference between projected and actual earnings on pension plan investments	4,204	-
Change in proportion	14	17
State contributions subsequent to the measurement date	11,419	-
Total	$ 22,660	$ 17

For PSERS Plan 2, $11.4 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

PSERS Plan 2		
2018	$	1,371
2019	$	1,371
2020	$	3,961
2021	$	3,103
2022	$	1,398
Thereafter	$	20

Washington State Patrol Retirement System

Plan Description. The Washington State Patrol Retirement System (WSPRS) was established by the Legislature in 1947. WSPRS benefits are established in chapter 43.43 RCW and may be amended only by the Legislature. Any commissioned employee of the Washington State Patrol is eligible to participate.

WSPRS is a single-employer, defined benefit retirement system. WSPRS members who joined the system by December 31, 2002, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after January 1, 2003, are Plan 2 members. For financial reporting and investment purposes, however, both plans are accounted for in the same pension fund.

Effective June 7, 2012, those WSPRS members who have service credit within PERS Plan 2 have options to transfer their service credit earned as commercial vehicle enforcement officers or as communications officers into the WSPRS, provided the member pays the full actuarial cost of the transfer.

At retirement, these members also have the option of selecting an actuarially reduced benefit in order to provide for post-retirement survivor benefits.

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

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

There is no vesting requirement for active WSPRS members. Inactive WSPRS members are vested after the completion of five years of eligible service. Active members are eligible for retirement at the age of 55 with no minimum required service credit, or at any age with 25 years of service credit, and must retire at age 65. This mandatory requirement does not apply to the Chief of the Washington State Patrol.

The monthly benefit is 2 percent of the average final salary (AFS) per year of service, capped at 75 percent. A cost of living allowance is granted based on the Consumer Price Index, capped at 3 percent annually.

WSPRS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

Contributions. WSPRS retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts the employee and state contribution rates, subject to revision by the Legislature. The preliminary employee and state contribution rates are developed by the Office of the State Actuary to fully fund the plan. The methods used to determine contribution requirements are established under state statute.

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

Required contribution rates for fiscal year 2017 are presented in the table in Note 11.B.3.

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2015, with the results rolled forward to the June 30, 2016, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

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

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

The Office of the State Actuary (OSA) selected a 7.5 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by WSIB. Refer to the 2015 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

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

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

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

Net Pension Liability/(Asset). At June 30, 2017, the state reported a net pension liability of $69.3 million.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands):

WSPRS Plan 1/2 Net Pension Liability/(Asset)		
1% Decrease	$	260,659
Current Discount Rate	$	69,316
1% Increase	$	(81,250)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017, the state recognized a WSPRS pension expense of $6.6 million. At June 30, 2017, the WSPRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

WSPRS Plan 1/2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 3,807	$ 7,363
Changes of assumptions	9	-
Net difference between projected and actual earnings on pension plan investments	21,852	-
Change in proportion	-	-
State contributions subsequent to the measurement date	7,587	-
Total	$ 33,255	$ 7,363

For WSPRS 1/2, $7.6 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

WSPRS Plan 1/2	
2018	$ (4,106)
2019	$ (5,378)
2020	$ 16,479
2021	$ 11,310
2022	$ -
Thereafter	$ -

Judges' Retirement Fund

Plan Description. The Judges' Retirement Fund was created by the Legislature on March 22, 1937, to provide retirement benefits to judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts of the state of Washington. Judges' retirement benefit provisions are established in chapter 2.12 RCW and may be amended only by the Legislature.

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

Benefits Provided. The Judges' Retirement Fund provides disability and retirement benefits to judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts of the state of Washington. The system was closed to new entrants on August 8, 1971, with new judges joining the Judicial Retirement System.

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

Contributions. There are no active members remaining in the Judges' Retirement Fund. Past contributions were made based on rates set in statute. By statute, employees were required to contribute 6.5 percent of covered payroll with an equal amount contributed by the state.

Retirement benefits are financed on a pay-as-you-go basis from a combination of investment earnings and employer contributions. Each biennium, the Legislature, through appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For fiscal year 2016, no such appropriations or contributions were made.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015, with the results rolled forward to the June 30, 2016, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	4.00%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report.

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

Discount Rate. Contributions are made to the Judges' Retirement Fund to ensure cash is available to make benefit payments. Since this plan is operated on a pay-as-you-go basis, the discount rate used to measure the total pension liability was set equal to the Bond Buyer

General Obligation 20-Bond Municipal Bond Index, or 2.85 percent for the June 30, 2016, measurement date. Refer to the table in Note 11.B.3 for the change in net pension liability.

Net Pension Liability/(Asset). At June 30, 2017, the state reported a net pension liability of $2.5 million.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 2.85 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate (expressed in thousands):

Judges' Net Pension Liability/(Asset)		
1% Decrease	$	2,650
Current Discount Rate	$	2,515
1% Increase	$	2,390

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017, the state recognized a Judges' Retirement Fund pension expense of $419 thousand. At June 30, 2017, the Judges' Retirement Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

Judges'	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	38	-
Change in proportion	-	-
State contributions subsequent to the measurement date	499	-
Total	$ 537	$ -

For the Judges' Retirement Fund, $499 thousand reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

Judges'		
2018	$	15
2019	$	15
2020	$	6
2021	$	2
2022	$	-
Thereafter	$	-

Judicial Retirement System

Plan Description. The Judicial Retirement System (JRS) was established by the Legislature in 1971. JRS retirement benefit provisions are established in chapter 2.10 RCW and may be amended only by the Legislature. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts on or after August 9, 1971.

JRS is a single-employer, defined benefit retirement system. There are no active members remaining in the Judicial Retirement System. For membership information refer to the table presented in Note 11.B.3.

Benefits Provided. JRS provides retirement, disability, and death benefits to eligible members.

JRS members are eligible for retirement at the age of 60 with 15 years of service, or 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 system was closed to new entrants on July 1, 1988, with new judges joining PERS.

The benefit per year of service calculated as a percent of final average salary (FAS) is shown in the table below. This benefit is capped at 75 percent of FAS, exclusive of cost-of-living increases.

Years of Service	Percent of FAS
15+	3.5%
10-14	3.0%

Contributions. JRS retirement benefits are financed on a pay-as-you-go basis from a combination of investment earnings, employer contributions, and employee contributions.

Past contributions were made based on rates set in statute. By statute, employees were required to contribute 7.5 percent of covered payroll with an equal amount contributed by the state.

JRS member contributions to the plan are not refundable.

The state guarantees the solvency of JRS on a pay-as-you-go basis. Each biennium, the Legislature, through appropriations from the state General Fund, contributes amounts sufficient to meet benefit payment requirements. For fiscal year 2016, the state contributed $9.5 million.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015, with the results rolled forward to the June 30, 2016, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	4.00%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report.

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

Discount Rate. Contributions are made to JRS to ensure cash is available to make benefit payments. Since this plan is operated on a pay-as-you-go basis, the discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 2.85 percent for the June 30, 2016, measurement date.

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

Net Pension Liability/(Asset). At June 30, 2017, the state reported a net pension liability of $97.9 million.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 2.85 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate (expressed in thousands):

JRS Net Pension Liability/(Asset)		
1% Decrease	$	108,084
Current Discount Rate	$	97,867
1% Increase	$	89,146

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017, the state recognized a JRS pension expense of $12.4 million. At June 30, 2017, JRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

JRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	257	-
Change in proportion	-	-
State contributions subsequent to the measurement date	9,300	-
Total	$ 9,557	$ -

For JRS, $9.3 million reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

JRS		
2018	$	88
2019	$	88
2020	$	58
2021	$	23
2022	$	-
Thereafter	$	-

2. DRS Plans – Nonemployer Contributing Entity Disclosures

For fiscal year 2017, the state was considered a nonemployer contributing entity in special funding situations for two DRS-administered pension plans, LEOFF Plan 1 and LEOFF Plan 2. State contributions are required by statute to be made directly to these plans to fund pensions. Note 11.B.1 provides the detailed descriptions of these plans, their benefit terms, contribution requirements, significant assumptions used to measure pension liability and mortality, and the discount rate.

Basis for Nonemployer Contributing Entity Contributions. LEOFF Plan 1 has a net pension asset as of the June 30, 2016, measurement date. If needed, RCW 41.26.080 would require employer and employee contributions of 6 percent, and the remaining liabilities funded by the state pursuant to chapter 41.45 RCW. For fiscal year 2016, the nonemployer contributing entity's proportionate share of the net pension asset was considered substantial at 87.12 percent based on historical contributions to the plan.

LEOFF Plan 2 has a net pension asset as of the June 30, 2016, measurement date. In this plan, the state is an employer and a nonemployer contributing entity. RCW 41.26.725 limits the employee contributions to 50 percent, employer contributions to 30 percent, and the state contribution to 20 percent of the cost of benefits. In no instance shall the state contribution exceed 4 percent of payroll. For fiscal year 2016, the nonemployer contributing entity's proportionate share of the net pension asset was considered substantial at 39.46 percent based on total plan contributions received in fiscal year 2016.

Collective Net Pension Liability/(Asset). At June 30, 2017, the state as a nonemployer contributing entity reported a net pension asset of $897.6 million and $229.5 million for its proportionate share of the collective net pension asset for LEOFF Plan 1 and LEOFF Plan 2, respectively. The nonemployer contributing entity's proportion for LEOFF Plan 1 was 87.12 percent, the same as the prior reporting period, and 39.46 percent for LEOFF Plan 2, a decrease of 0.34 percent. The proportion of the state nonemployer contributions related to LEOFF Plan 1 was based on historical contributions from the state and employers plus fiscal year 2016 retirement benefit payments. The proportion of the state nonemployer contributions related to LEOFF Plan 2 was based on the state's contributions to the pension plan relative to the total state contributions and all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the nonemployer contributing entity calculated using the discount rate of 7.5 percent, as well as what the nonemployer contributing entity's net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands):

LEOFF Plan 1 Nonemployer contributing entity proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	(533,202)
Current Discount Rate	$	(897,585)
1% Increase	$	(1,209,051)

LEOFF Plan 2 Nonemployer contributing entity proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	643,689
Current Discount Rate	$	(229,538)
1% Increase	$	(887,698)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017, the state as a nonemployer contributing entity recognized $(116.2) million pension expense for LEOFF Plan 1 and $11.54 million pension expense for LEOFF Plan 2.

At June 30, 2017, the state as a nonemployer contributing entity reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

LEOFF Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	91,238	-
Change in proportion	-	-
State contributions subsequent to the measurement date	-	-
Total	$ 91,238	$ -

LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 31,453	$ -
Changes of assumptions	865	-
Net difference between projected and actual earnings on pension plan investments	82,482	-
Change in proportion and difference between state contributions and proportionate share of contributions	2,373	1,148
State contributions subsequent to the measurement date	62,158	-
Total	$ 179,331	$ 1,148

For LEOFF Plan 2, $62.2 million, reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. No contributions were made subsequent to the measurement date for LEOFF plan 1.

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

LEOFF Plan 1	
2018	$ (18,855)
2019	$ (18,855)
2020	$ 79,019
2021	$ 49,929
2022	$ -
Thereafter	$ -

LEOFF Plan 2	
2018	$ (877)
2019	$ (877)
2020	$ 68,397
2021	$ 47,089
2022	$ 2,293
Thereafter	$ -

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

TABLE 1: Single Employer Plan Membership

Membership of the single employer plans administered by the Department of Retirement Systems consisted of the following at June 30, 2015, the date of the latest actuarial valuation for all plans:

Number of Participating Members				
Plans	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
WSPRS 1	1,078	76	498	1,652
WSPRS 2	-	28	470	498
JRS	103	-	-	103
Judges	12	-	-	12
Total	1,193	104	968	2,265

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

The following table presents the change in net pension liability/(asset) of the single employer plans administered by the Department of Retirement Systems at June 30, 2015, the date of the latest actuarial valuation for all plans (expressed in thousands):

Change in Net Pension Liability/(Asset)	WSPRS	JRS	Judges
TOTAL PENSION LIABILITY			
Service cost	$ 16,534	$ -	$ -
Interest	83,373	3,704	116
Changes of benefit terms	1,947	-	-
Differences between expected and actual experience	(10,431)	20	123
Changes of assumptions	2	8,737	181
Benefit payments, including refunds of member contributions	(54,159)	(9,131)	(440)
Net Change in Total Pension Liability	37,266	3,330	(20)
Total Pension Liability--Beginning	1,130,177	101,312	3,117
Total Pension Liability --Ending (a)	$ 1,167,443	$ 104,642	$ 3,097
PLAN FIDUCIARY NET POSITION			
Contributions--employer	$ 7,044	$ 9,500	$ 501
Contributions--employee	8,895	-	-
Net investment income	25,352	74	6
Benefit payments, including refunds of member contributions	(54,159)	(9,131)	(440)
Administrative expense	(60)	(1)	-
Other	429	-	-
Net Change in Plan Fiduciary Net Position	(12,499)	442	67
Plan Fiduciary Net Position--Beginning	1,110,626	6,333	515
Plan Fiduciary Net Position--Ending (b)	$ 1,098,127	$ 6,775	$ 582
Plan's Net Pension Liability (Asset)--Beginning	$ 19,551	$ 94,979	$ 2,602
Plan's Net Pension Liability (Asset)--Ending (a) - (b)	$ 69,316	$ 97,867	$ 2,515

TABLE 3: Required Contribution Rates

Required contribution rates (expressed as a percentage of current year covered payroll) for all retirement plans administered by the Department of Retirement Systems at the close of fiscal year 2017 were as follows:

Required Contribution Rates	Employer Plan 1	Employer Plan 2	Employer Plan 3		Employee Plan 1	Employee Plan 2	Employee Plan 3
PERS							
Employees Not Participating in JBM							
State agencies, local governmental units	6.23%	6.23%	6.23%		6.00%	6.12%	**
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	4.77%	4.77%	4.77%				
Total	11.18%	11.18%	11.18%	*			
State govt elected officials	11.73%	6.23%	6.23%		7.50%	6.12%	**
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	4.77%	4.77%	4.77%				
Total	16.68%	11.18%	11.18%	*			
Employees Participating in JBM							
State agencies	8.73%	8.73%	8.73%		9.76%	12.80%	7.50%***
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	4.77%	4.77%	4.77%				
Total	13.68%	13.68%	13.68%	*			
Local governmental units	6.23%	6.23%	6.23%		12.26%	15.30%	7.50%***
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	4.77%	4.77%	4.77%				
Total	11.18%	11.18%	11.18%	*			
TRS							
Employees Not Participating in JBM							
State agencies, local governmental units	6.72%	6.72%	6.72%		6.00%	5.95%	**
Administrative fee	0.18%	0.18%	0.18%				
TRS Plan 1 UAAL	6.23%	6.23%	6.23%				
Total	13.13%	13.13%	13.13%	*			
State govt elected officials	6.72%	6.72%	6.72%		7.50%	5.95%	**
Administrative fee	0.18%	0.18%	0.18%				
TRS Plan 1 UAAL	6.23%	6.23%	6.23%				
Total	13.13%	13.13%	13.13%	*			
Employees Participating in JBM							
State agencies	6.72%	N/A	N/A		9.76%	N/A	N/A
Administrative fee	0.18%	N/A	N/A				
TRS Plan 1 UAAL	6.23%	N/A	N/A				
Total	13.13%						
LEOFF							
Ports and universities	N/A	8.41%	N/A		N/A	8.41%	N/A
Administrative fee	N/A	0.18%	N/A				
Total		8.59%					
Local governmental units	N/A	5.05%	N/A		N/A	8.41%	N/A
Administrative fee	0.18%	0.18%	N/A				
Total	0.18%	5.23%					
State of Washington	N/A	3.36%	N/A		N/A	N/A	N/A
WSPRS							
State agencies	8.16%	8.16%	N/A		6.84%	6.84%	N/A
Administrative fee	0.18%	0.18%	N/A				
Total	8.34%	8.34%					
PSERS							
State agencies, local governmental units	N/A	6.59%	N/A		N/A	6.59%	N/A
Administrative fee	N/A	0.18%	N/A				
PSERS Plan 1 UAAL	N/A	4.77%	N/A				
Total		11.54%					

* Plan 3 defined benefit portion only.
** Variable from 5% to 15% based on rate selected by the member.
*** Minimum rate.
N/A indicates data not applicable.

C. PLAN ADMINISTERED BY THE STATE BOARD FOR VOLUNTEER FIRE FIGHTERS' AND RESERVE OFFICERS

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

Plan Description. The Volunteer Fire Fighters' Relief Act was created by the Legislature in 1935, and the pension portion of the act was added in 1945. As established in chapter 41.24 RCW, the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) is a cost-sharing, multiple-employer defined benefit plan and is administered by the State Board for Volunteer Fire Fighters and Reserve Officers. The board is appointed by the Governor and is comprised of five members of fire departments covered by chapter 41.24 RCW. Administration costs of the VFFRPF are funded through legislative appropriation.

As of June 30, 2017, there were approximately 450 municipalities contributing to the plan. Additionally, the state, a nonemployer contributing entity, contributes 40 percent of the fire insurance premium tax.

Plan Members. Membership in the VFFRPF requires volunteer firefighter service with a fire department of an electing municipality of Washington state, emergency work as an emergency medical technician with an emergency medical service district, or work as a commissioned reserve law enforcement officer.

At June 30, 2016 (the date of the latest valuation), VFFRPF membership consisted of the following:

Plan Membership	
Inactive plan members or beneficiaries currently receiving benefits	4,367
Inactive plan members entitled to but not yet receiving benefits	6,263
Active plan members	9,434
Total membership	20,064

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

Since retirement benefits cover volunteer service, benefits are paid based on years of service, not salary. Municipalities consist of fire departments, emergency medical service districts, and law enforcement agencies. After 25 years of active membership, members having reached the age of 65 and who have paid their annual retirement fee for 25 years are entitled to receive a monthly benefit of $50 plus $10 per year of service. The maximum monthly benefit is $300. Reduced pensions are available for members under the age of 65 or with less than 25 years of service.

Members are vested after ten years of service. VFFRPF members earn no interest on contributions and may elect to withdraw their contributions upon termination.

Death and active duty disability benefits are provided at no cost to the member. Death benefits in the line of duty consist of a lump sum of $214 thousand. Funeral and burial expenses are also paid in a lump sum of $2 thousand for members on active duty. Members receiving disability benefits at the time of death shall be paid $500.

Effective June 7, 2012, at any time prior to retirement or at the time of retirement, a member of the VFFRPF may purchase retirement pension coverage for years of eligible service prior to the member's enrollment in the system or for years of service credit lost due to the withdrawal of the member's pension fee contributions. A member choosing to purchase such retirement pension coverage must contribute to the system and amount equal to the actuarial value of the resulting benefit increase.

There were no material changes in VFFRPF benefit provisions for the fiscal year ended June 30, 2016.

Contributions. VFFRPF retirement benefits are financed from a combination of investment earnings, member contributions, municipality contributions, and state contributions. In accordance with chapter 41.24 RCW, the state contribution is set at 40 percent of the fire insurance premium tax. The state is considered a nonemployer contributing entity; however, this is not considered a special funding situation. For fiscal year 2017, the fire insurance premium tax contribution was $6.6 million.

The municipality rate for emergency medical service districts (EMSD) and law enforcement agencies is set each year by the State Board for Volunteer Fire Fighters and Reserve Officers, based on the actual cost of participation as determined by the Office of the State Actuary (OSA). All other contribution rates are set by the Legislature. Municipalities may opt to pay the member's fee on their behalf.

The contribution rates set for 2017 were the following:

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

Investments. The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which the WSIB invests.

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

The Office of the State Treasurer (OST) manages a small portion of the assets for the VFFRPF. By statute, balances in the accounts in the state treasury and in the custody of the treasurer may be pooled for banking and investment purposes.

The overall objective of the OST investment policy is to construct, from eligible investments noted below, an investment portfolio that is optimal or efficient. An optimal or efficient portfolio is one that provides the greatest expected return for a given expected level of risk, or the lowest expected risk for a given expected return. Eligible investments are only those securities and deposits authorized by statute.

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

Rate of Return. For the year ended June 30, 2017, the annual money-weighted rate of return on VFFRPF investments, net of pension plan investment expense, was 13.26 percent. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of external cash flows.

Pension Liability/(Asset). The components of the net pension liability of the participating VFFRPF municipalities at June 30, 2017, were as follows (dollars expressed in thousands):

Pension Liability	
Total pension liability	$ 192,700
Plan fiduciary net position	(229,800)
Participating municipality net pension liability/(asset)	$ (37,100)
Plan fiduciary net position as a percentage of the total pension liability	119.25%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015, and rolled forward to June 30, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.75%
Salary increases	N/A
Investment rate of return	7.00%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report.

The Office of the State Actuary (OSA) selected a 7.50 percent long–term expected rate of return on pension plan investments using a building-block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by WSIB.

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

For additional information and background on OSA's development of the long-term rate of return assumptions, refer to the 2015 Report on Financial Condition and Economic Experience Study on the OSA website. The selection of this assumption and economic experience studies are further detailed in the Actuarial Certification Letter.

In consultation with OST, OSA selected a 3.75 percent long-term investment rate of return on assets managed by OST. Based upon the investment portfolio, this assumption was calculated as 100 basis points above OSA's current inflation assumption of 2.75 percent for the United States National Comsumer Price Index.

As the VFFRPF has assets managed by both WSIB and OST, the long-term expected rate of return of 7 percent represents an approximate weighted-average of the assets managed by WSIB (7.5 percent expected return) and the assets managed by OST (3.75 percent expected return).

Discount Rate. The discount rate used to measure the total pension liability was 7 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members, municipalities, and the state will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7 percent on plan investments was applied to determine the total pension liability.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the municipalities calculated using the discount rate of 7 percent, as well as what the municipalities' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate (expressed in thousands):

Municipalities' Net Pension Liability/(Asset)		
1% Decrease	$	(13,894)
Current Discount Rate	$	(37,100)
1% Increase	$	(57,160)

D. HIGHER EDUCATION RETIREMENT PLAN SUPPLEMENTAL DEFINED BENEFIT PLANS

Plan Description. The Higher Education Retirement Plans are privately administered single-employer defined contribution plans with a supplemental defined benefit plan component which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component is financed on a pay-as-you-go basis. State institutions of higher education make direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals. No assets are accumulated in trusts or equivalent arrangements.

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

RCW 28B.10.400, et. seq. assigns the authority to establish and amend benefit provisions to the board of regents of the state universities, the boards of trustees of the regional universities and the state college, the state board for community and technical colleges, and the Student Achievement Council.

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

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

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

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

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

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to the June 30, 2017, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	3.50% - 4.25%
Fixed Income and Variable Income Investment Returns	4.25% - 6.25%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

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

Material assumption changes dring the measurement period include the discount rate increase from 2.85 percent to 3.58 percent and the variable income investment return assumption dropping from 6.75 percent to 6.25 percent.

Discount Rate. The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 3.58 percent for the June 30, 2017, measurement date.

Pension Expense. For the year ended June 30, 2017, the Higher Education Supplemental Retirement Plans reported the following for pension expense (expressed in thousands):

Pension Expense	
Plans	
University of Washington (UW)	$ 22,055
Washington State University (WSU)	3,567
Eastern Washington University (EWU)	556
Central Washington University (CWU)	(377)
The Evergreen State College (TESC)	258
Western Washington University (WWU)	794
State Board for Community and Technical Colleges (SBCTC)	4,811
Total	**$ 31,664**

Plan Membership. Membership of the Higher Education Supplemental Retirement Plans consisted of the following at June 30, 2016, the date of the latest actuarial valuation for all plans:

Number of Participating Members

Plans	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
University of Washington (UW)	696	4	7,046	7,746
Washington State University (WSU)	277	24	2,210	2,511
Eastern Washington University (EWU)	38	-	537	575
Central Washington University (CWU)	61	-	124	185
The Evergreen State College (TESC)	20	5	231	256
Western Washington University (WWU)	48	1	646	695
State Board for Community and Technical Colleges (SBCTC)	173	22	6,171	6,366
Total	1,313	56	16,965	18,334

Change in Total Pension Liability/(Asset). The following table presents the change in total pension liability/(asset) of Higher Education Supplemental Retirement Plans at June 30, 2017 (expressed in thousands):

Change in Total Pension Liability/(Asset)	UW	WSU	CWU	EWU	TESC	WWU	SBCTC
TOTAL PENSION LIABILITY							
Service cost	$ 19,891	$ 3,803	$ 150	$ 658	$ 296	$ 1,057	$ 5,417
Interest	15,097	3,140	293	420	230	842	3,514
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(74,918)	(16,389)	(1,270)	(2,852)	(1,327)	(5,278)	(25,336)
Changes of assumptions	(28,553)	(6,574)	(616)	(647)	(387)	(2,126)	(5,980)
Benefit payments	(5,136)	(1,890)	(411)	(140)	(158)	(298)	(902)
Other	-	-	-	-	-	-	-
Net Change in Total Pension Liability	(73,619)	(17,910)	(1,854)	(2,561)	(1,346)	(5,803)	(23,287)
Total Pension Liability--Beginning	512,372	107,324	10,331	14,162	7,856	28,623	118,337
Total Pension Liability --Ending (a)	$ 438,753	$ 89,414	$ 8,477	$ 11,601	$ 6,510	$ 22,820	$ 95,050

Sensitivity of the Total Pension Liability/(Asset) to Changes in the Discount Rate. The following table presents the total pension liability/(asset), calculated using the discount rate of 3.58 percent, as well as what the employers' total pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate (expressed in thousands):

Total Pension Liability (Asset)			
Plans	**1% Decrease**	**Current Discount Rate**	**1% Increase**
University of Washington (UW)	$ 507,452	$ 438,753	$ 382,026
Washington State University (WSU)	102,303	89,414	78,698
Eastern Washington University (EWU)	13,266	11,601	10,218
Central Washington University (CWU)	9,498	8,477	7,618
The Evergreen State College (TESC)	7,414	6,510	5,756
Western Washington University (WWU)	26,062	22,820	20,118
State Board for Community and Technical Colleges (SBCTC)	109,199	95,050	83,332
Total	**$ 775,194**	**$ 672,625**	**$ 587,766**

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.
At June 30, 2017, the Higher Education Supplemental Retirement Plans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

University of Washington (UW)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 65,554
Changes of assumptions	-	24,984
Transactions subsequent to the measurement date	-	-
Total	$ -	$ 90,538

Central Washington University (CWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 718
Changes of assumptions	-	348
Transactions subsequent to the measurement date	-	-
Total	$ -	$ 1,066

Washington State University (WSU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 13,980
Changes of assumptions	-	5,607
Transactions subsequent to the measurement date	-	-
Total	$ -	$ 19,587

The Evergreen State College (TESC)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 1,119
Changes of assumptions	-	327
Transactions subsequent to the measurement date	-	-
Total	$ -	$ 1,446

Eastern Washington University (EWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 2,427
Changes of assumptions	-	550
Transactions subsequent to the measurement date	-	-
Total	$ -	$ 2,977

Western Washington University (WWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 4,490
Changes of assumptions	-	1,809
Transactions subsequent to the measurement date	-	-
Total	$ -	$ 6,299

State Board for Community and Technical Colleges (SBCTC)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 22,003
Changes of assumptions	-	5,193
Transactions subsequent to the measurement date	-	-
Total	$ -	$ 27,196

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

University of Washington (UW)		
2018	$	(12,934)
2019	$	(12,934)
2020	$	(12,934)
2021	$	(12,934)
2022	$	(12,934)
Thereafter	$	(25,868)

Central Washington University (CWU)		
2018	$	(820)
2019	$	(246)
2020	$	-
2021	$	-
2022	$	-
Thereafter	$	-

Eastern Washington University (EWU)		
2018	$	(522)
2019	$	(522)
2020	$	(522)
2021	$	(522)
2022	$	(522)
Thereafter	$	(367)

State Board for Community and Technical Colleges (SBCTC)		
2018	$	(4,121)
2019	$	(4,121)
2020	$	(4,121)
2021	$	(4,121)
2022	$	(4,121)
Thereafter	$	(6,591)

Washington State University (WSU)		
2018	$	(3,377)
2019	$	(3,377)
2020	$	(3,377)
2021	$	(3,377)
2022	$	(3,377)
Thereafter	$	(2,702)

The Evergreen State College (TESC)		
2018	$	(268)
2019	$	(268)
2020	$	(268)
2021	$	(268)
2022	$	(268)
Thereafter	$	(106)

Western Washington University (WWU)		
2018	$	(1,105)
2019	$	(1,105)
2020	$	(1,105)
2021	$	(1,105)
2022	$	(1,105)
Thereafter	$	(774)

E. DEFINED CONTRIBUTION PLANS

Public Employees' Retirement System Plan 3

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to Note 11.B for PERS Plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

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

Teachers' Retirement System Plan 3

The Teachers' Retirement System (TRS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer Note 11.B for TRS Plan descriptions.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of TRS Plan 3.

TRS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, TRS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

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

Judicial Retirement Account

The Judicial Retirement Account (JRA) Plan was established by the Legislature in 1988 to provide supplemental retirement benefits. It is a defined contribution plan administered by the state Administrative Office of the Courts (AOC), under the direction of the Board for Judicial Administration. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts, and who are members of PERS for their services as a judge. Vesting is full and immediate. At June 30, 2017, there were three active members and 122 inactive members and one member receiving benefits in JRA. The state, through the AOC, is the sole participating employer.

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

JRA Plan members are required to contribute 2.5 percent of covered salary. The state, as employer, contributes an equal amount on a monthly basis. The employer and employee obligations to contribute are established per chapter 2.14 RCW. Plan provisions and contribution requirements are established in state statute and may be amended only by the Legislature.

A JRA member who separates from judicial service for any reason is entitled to receive a lump-sum distribution of the accumulated contributions. The administrator of JRA may adopt rules establishing other payment options. If a member dies, the amount of accumulated contributions standing to the member's credit at the time of the member's death is to be paid to the member's estate or such person or persons, trust or organization, as the member has nominated by written designation.

For fiscal year 2017, the state recognized pension expense for contributions of $17 thousand made to employee accounts. No plan refunds were made.

The administrator of JRA has entered an agreement with the DRS for accounting and reporting services, and the Washington State Investment Board (WSIB) for investment services. Under this agreement, the DRS is responsible for all record keeping, accounting, and reporting of member accounts and the WSIB is granted the full power to establish investment policy, develop participant investment options, and manage the investment funds for the JRA Plan, consistent with the provisions of RCW 2.14.080 and 43.84.150.

Higher Education Retirement Plans

The Higher Education Retirement Plans are privately administered defined contribution plans with a supplemental defined benefit plan component. The state and regional universities, the state college, the state community and technical colleges, and the Student Achievement Council each participate in a plan. As authorized by chapter 28B.10 RCW, the plans cover faculty and other positions as designated by each participating employer.

Contributions to the plans are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have, at all times, a 100 percent vested interest in their accumulations.

RCW 28B.10.400, et. seq. assigns the authority to establish and amend benefit provisions to the board of regents of the state universities, the boards of trustees of the regional universities and the state college, the state board for community and technical colleges, and the Student Achievement Council.

Employee contribution rates, based on age, range from 7.6 percent to 9.3 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 2017, employer and employee contributions were $204.3 and $204.1 million, respectively, for a total of $408.4 million.

Note 12
Other Postemployment Benefits

In addition to pension benefits as described in Note 11, the state, through the Health Care Authority (HCA), administers an agent multiple-employer defined benefit other postemployment benefit (OPEB) plan.

Plan Description and Contributions Information

Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs.

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 74 of the state's K-12 schools and educational service districts (ESDs), and 236 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 238 K-12 schools and ESDs. The PEBB plan is also available to charter schools, but none of the charter schools currently participate in PEBB. As of June 2017, membership in the PEBB plan consisted of the following:

	Active Employees	Retirees [2]	Total [1]
State	113,326	32,520	145,846
K-12 schools and ESDs [3]	3,081	35,551	38,632
Political subdivisions	14,288	2,032	16,320
Total [1]	130,695	70,103	200,798

[1] Based on June 2017 PEBB Total Subscribers Enrollment Report

[2] Retirees include retired employees, surviving spouses. COBRA/LWOP/RIF members are not included.

[3] In fiscal year 2017, there were 111,242 full-time equivalent active employees in the 238 K-12 schools, charter schools, and ESDs that elected to limit participation in PEBB to their retirees.

For calendar year 2017, the estimated monthly cost for PEBB benefits for each active employees (average across all plans and tiers) is as follows (expressed in dollars):

Required Premium [4]		
Medical	$	1,025
Dental		79
Life		4
Long-term disability		2
Total	$	1,110
Employer contribution	$	959
Employee contribution		151
Total	$	1,110

[4] Per 2017 PEBB Financial Projection Model 7.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2017 which includes projected claims cost at the time of this reporting.

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, PSERS, TRS, SERS, WSPRS, Higher Education, Judicial, and LEOFF 2.

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2016, the average weighted implicit subsidy was valued at $304 per member per month, and in calendar year 2017, the average weighted implicit subsidy is projected to be $328 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2016, the explicit subsidy was up to $150 per member per month, and it remained up to $150 per member per month in calendar year 2017.

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

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

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to: http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx.

Summary of Significant Accounting Policies

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported by the state as an agency fund using the accrual basis. It has no assets. The PEBB OPEB plan does not issue a publically available financial report.

Annual OPEB Cost and Net OPEB Obligation

The state's (general government agencies and higher education institutions) annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the state as the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following tables show the components of the state's annual OPEB cost for fiscal year 2017 and changes in the state's Net OPEB Obligation (NOO) (expressed in thousands). All contributions required by the funding method were paid.

Annual required contribution	$ 534,198
Interest on net OPEB obligation	103,527
Amortization of net OPEB obligation	(107,438)
Annual OPEB cost (expense)	530,287
Contributions made*	(95,431)
Increase in net OPEB obligation	434,856
Net OPEB obligation - beginning of year	2,760,715
Net OPEB obligation - end of year*	$ 3,195,571

*estimated

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2017, 2016, and 2015 were as follows (dollars expressed in thousands):

	2017	2016	2015
Annual OPEB cost	$ 530,287	$ 520,663	$ 502,376
% of annual OPEB cost contributed	18.00%	15.91%	14.70%
Net OPEB obligation	$ 3,195,571	$ 2,760,715	$ 2,322,888

Funded Status and Funding Progress

The funded status of the state's portion of the plan as of January 1, 2017, the latest date for which information is available, was as follows (expressed in thousands):

Actuarial accrued liability (AAL)	$ 5,480,321
Actuarial value of plan assets	-
Unfunded actuarial accrued liabliity (UAAL)	$ 5,480,321
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	$ 6,511,457
UAAL as a percentage of covered payroll	84.16%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare trends.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, as the state operates on a pay-as-you-go basis, the actuarial value of plan assets is zero.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions were as follows:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Projected Unit Credit (PUC)
Amortization method	Closed, level percentage of projected payroll amortization method
Remaining amortization period	30 years for each new layer of NOO
Asset valuation method	N/A - no assets
Actuarial assumptions:	
Investment rate of return	3.75%
Projected salary increases	3.75%
Health care inflation rate	7.0% initial rate, 4.9% ultimate rate in 2094
Inflation rate	3.0%

Note 13
Derivative Instruments

Hedging Derivatives

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

The following table presents the hedging derivative instruments as of June 30, 2017 (expressed in thousands):

	Changes in Fair Value		Fair Value at June 30, 2017		Notional amount
	Classification	Amount	Classification	Amount	(in gallons)
Governmental Activites					
Cash Flow Hedges:					
Commodity Swaps	Deferred Outflow	$ (823)	Accounts Payable	$ 373	23,268

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

Objective

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

Significant Terms

The significant terms of active hedges WSF entered into during fiscal year 2017 are presented in the table below:

Type	Counterparty	Contract price range per gallon	Variable rate received	Trade date	Settlement period	Monthly notional amount (in gallons)
Commodity Swap	Cargill	$1.83 - $1.90	NYMEX ULSD Heating Oil	7/7/2015	7/2016 - 6/2017	252,000
Commodity Swap	Cargill	$1.75 - $1.85	NYMEX ULSD Heating Oil	7/28/2015	7/2016 - 6/2017	252,000
Commodity Swap	Cargill	$1.42	NYMEX ULSD Heating Oil	5/10/2016	7/2016 - 6/2017	126,000 - 378,000
Commodity Swap	Cargill	$1.72	NYMEX ULSD Heating Oil	2/15/2017	7/2017 - 6/2018	42,000 - 294,000
Commodity Swap	BofA - Merrill Lynch	$1.96 - $2.03	NYMEX ULSD Heating Oil	7/2/2015	7/2016 - 6/2017	252,000
Commodity Swap	BofA - Merrill Lynch	$1.68 - $1.79	NYMEX ULSD Heating Oil	8/5/2015	7/2016 - 6/2017	252,000
Commodity Swap	BofA - Merrill Lynch	$1.31	NYMEX ULSD Heating Oil	1/15/2016	7/2017 - 6/2018	252,000
Commodity Swap	BofA - Merrill Lynch	$1.61	NYMEX ULSD Heating Oil	6/15/2016	7/2017 - 6/2018	252,000
Commodity Swap	BofA - Merrill Lynch	$1.56	NYMEX ULSD Heating Oil	8/12/2016	7/2017 - 6/2018	252,000
Commodity Swap	BofA - Merrill Lynch	$1.58	NYMEX ULSD Heating Oil	11/10/2016	7/2017 - 6/2018	252,000
Commodity Swap	BofA - Merrill Lynch	$1.42	NYMEX ULSD Heating Oil	1/15/2016	7/2018 - 6/2019	252,000
Commodity Swap	BofA - Merrill Lynch	$1.73	NYMEX ULSD Heating Oil	6/7/2016	7/2018 - 6/2019	252,000
Commodity Swap	BofA - Merrill Lynch	$1.57	NYMEX ULSD Heating Oil	5/3/2017	7/2018 - 6/2019	252,000

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

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

Fair Value

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

Risks

The following risks are generally associated with commodity swap agreements:

Basis risk. Basis risk is the risk that arises when variable rates or prices of a hedging derivative instrument and a hedged item are based on different reference rates. Statistically, the relationship between heating oil prices and diesel fuel prices has been quite stable over the past five years with a 98 percent correlation. This means that the heating oil futures price explains 98 percent of the variance in the price that WSF pays for its diesel fuel, making it highly reliable. In order to mitigate basis risk, WSF continually monitors the relationship between futures prices and the price of diesel fuel delivered.

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

Credit Risk. Credit risk is the risk that the counterparty fails to make the required payments or otherwise comply with the terms of the swap agreement. WSF is exposed to credit risk in the amount of the derivative's fair value. When the fair value of any derivative has a positive market value, then WSF is exposed to the actual risk that the counterparty will not fulfill its obligation. To mitigate credit risk, WSF monitors the credit ratings of the counterparties. At June 30, 2017, credit ratings of the state's counterparty were as follows:

Counterparty	Moody's	Standard & Poor's	Fitch
Cargill	A2	A	A
Bank of America Merrill Lynch International Limited	-	A+	A

Note 14
Tax Abatements

The State of Washington provides tax abatements through seven programs subject to the requirements of GASB Statement No. 77, seven of which are only available to businesses in the aerospace industry. Only tax abatement programs with greater than $10.0 million in taxes abated during the calendar year ended December 31, 2016, are disclosed. All tax abatement programs for the aerospace industry are disclosed.

Data Center Server Equipment and Power Infrastructure Sales and Use Tax Exemption

Per RCWs 82.08.986 and 82.12.986, the purchase or use of server equipment and power infrastructure in data centers within Washington, along with certain related labor and services charges, may be exempt from sales and use tax to encourage immediate investments in technology facilities. The Department of Revenue (DOR) will issue an exemption certificate, which the buyer must present to the seller at the time of the sale in order to make eligible tax-exempt purchases.

Within six years of the date that the exemption certificate is issued, the certificate holder must establish that net employment at the computer data center has increased by a minimum of 35 family wage positions or 3 family wage employment positions for each 20,000 square feet or less of space. Family wage employment positions are new permanent employment positions requiring 40 hours of weekly work, or their equivalent, at the eligible computer data center, and receiving a wage equivalent to or greater than 150 percent of the per capita personal income of the county in which the data center is located. All previously exempted sales and use tax are immediately due and payable for a qualifying business or tenant that does not meet these requirements.

High Unemployment County Sales & Use Tax Deferral for Manufacturing Facilities

To encourage public and private investment in low-income areas with high rates of unemployment, sales and use tax arising from certain construction and equipment purchases for new and expanding manufacturers, persons conditioning vegetable seeds, research and development, and commercial testing for manufacturers in a Community Empowerment Zone (CEZ) may be permanently deferred if the project meets specific criteria per chapter 82.60 RCW. To qualify for deferral, the business must submit an application to DOR prior to completion of construction or the business takes possession of the machinery and equipment. Approved applicants will receive a sales and use tax deferral certificate, which allows vendors and contractors to sell to the approved applicant without charging sales tax.

Deferred taxes need not be repaid if the business fills at least one permanent full-time position for each $750,000 investment with a resident of the CEZ by the end of the second calendar year following the year in which the project is certified as operationally complete. Failure to meet the employment requirement causes all deferred taxes to become immediately due. Each recipient of a deferral of taxes must file a complete annual survey with DOR for eight years following the year in which the project is operationally complete. If DOR finds that the project does not qualify for the deferral, all deferred taxes become immediately due.

High-Technology Sales and Use Tax Deferral

Chapter 82.63 RCW provides a deferral and ultimate waiver of sales and use tax to encourage the creation of high-wage, high-skilled jobs in Washington. The deferral applies to sales and use tax arising from the construction or expansion of a qualified research and development facility or a pilot scale manufacturing facility used in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology.

Businesses must apply for a deferral certificate prior to being issued a building permit for the project(s) or before taking possession of machinery and equipment. Eligible projects will receive a sales and use tax deferral certificate issued by DOR, which allows vendors and contractors to sell to the approved business without charging sales tax. An annual survey must be filed by May 31, of the year in which the project is certified and for the following seven years. If the investment project is used for any other purpose at any time during the calendar year in which the investment is certified as operationally complete, or during the next seven calendar years, a portion of the deferred taxes must be repaid immediately. The portion due is determined by a sliding scale ranging from 100 percent recapture in the year the project is operationally complete to 12.5 percent recapture in year eight.

Aerospace Incentives

The state of Washington provides seven tax abatement and incentive programs to the aerospace industry to encourage the industry's continued presence in the state of Washington.

RCWs 82.04.260(11), 82.04.290(3), and 82.04.250(3) allow for a reduced business and occupation (B&O) tax for manufacturers and processors for hire of commercial airplanes, component parts of commercial airplanes, or tooling designed for use in manufacturing commercial airplanes or components; non-manufacturers engaged in the business of aerospace product development; and certificated Federal Acquisition Regulation (FAR) repair stations making retail sales.

The purchase of goods and services, including labor, for the construction of new buildings used to manufacture commercial airplanes or fuselages or wings of commercial airplanes are exempt from sales and use tax per RCWs 82.08.980 and 82.12.980. The exemption also applies to new buildings or parts of new buildings used for storing raw materials or finished products used to manufacture commercial airplanes and certain commercial airplane parts. Port districts, political subdivisions, or municipal corporations may also use the sales and use tax exemption when constructing new facilities to lease to these manufacturers. The eligible purchaser must present a Buyers' Retail Sales Tax Exemption Certificate to the seller at the time of purchase. The amount of sales and use tax abated from the exemption for the construction of new facilities used to manufacture commercial airplanes, or fuselages or wings of commercial airplanes cannot be disclosed because there are fewer than three taxpayers that received the exemption in the calendar year ended December 31, 2016, per RCW 82.32.330(2).

RCW 82.04.4461 allows a business and occupation tax credit equal to 1.5 percent of expenditures on aerospace product development performed within Washington. A business claiming the credit must file an annual report with DOR.

Per RCW 82.04.4463, manufacturers and processors for hire of commercial airplanes or their component parts and aerospace tooling manufacturers are eligible for a business and occupation tax credit equal to the property and leasehold taxes paid on certain buildings, land, and the increased value from certain building renovations or expansions, as well as a portion of property taxes paid on certain machinery and equipment. The credit for machinery and equipment is equal to the amount of property taxes paid on the machinery and equipment multiplied by a fraction. Eligibility for the credit requires the building, land, and/or machinery and equipment be used exclusively in manufacturing commercial airplanes or their components or in manufacturing tooling specifically designed for use in manufacturing commercial airplanes or their components. A business claiming the credit must file an annual report with DOR.

Non-manufacturers engaged in the business of aerospace product development and certificated FAR repair stations making retail sales are eligible for a business and occupation tax credit equal to property and leasehold taxes on certain buildings, land, and the increased value of renovated buildings, and qualifying computer equipment and peripherals under RCW 82.04.4463. Eligibility for the credit requires the building, land, and/or computer equipment and peripherals be used exclusively in aerospace product development or in providing aerospace services. A business claiming the credit must file an annual report with DOR.

The purchase and use of computer hardware, software, or peripherals, including installation charges is exempt from sales and use tax per RCWs 82.08.975 and 82.12.975 if the buyer uses the purchased item primarily in developing, designing, and engineering aerospace products. The purchaser must present a Buyers' Retail Sales Tax Exemption Certificate to the seller at the time of purchase.

Leasehold interests in port district facilities used by a manufacturer of superefficient airplanes are exempt from leasehold excise tax per RCW 82.29A.137. In addition, all buildings, machinery, equipment, and other personal property of a lessee of a port district used exclusively in manufacturing superefficient airplanes is exempt from property taxation per RCW 84.36.655. No taxpayers were eligible for either of these exemptions during the calendar year ended December 31, 2016.

The following table shows the amount of taxes abated by the state of Washington during the calendar year ended December 31, 2016 (expressed in thousands):

Tax Abatement Program	**Amount of Taxes Abated**
Data center server equipment and power infrastructure sales and use tax exemption	$ 17,963
High unemployment county sales & use tax deferral for manufacturing facilities	14,582
High-technology sales and use tax deferral	60,424
Aerospace incentives:	
Reduced B&O tax rate	118,045
Credit for preproduction development expenditures	85,460
Credit for property and leasehold taxes paid on aerospace business facilities	33,654
Computer hardware, software, and peripherals sales and use tax exemption	3,232
TOTAL	$ 333,360

Note 15
Commitments and Contingencies

A. CAPITAL COMMITMENTS

Outstanding commitments related to state infrastructure and facility construction, improvement, and/or renovation totaled $2.92 billion at June 30, 2017.

B. ENCUMBRANCES

Encumbrances, which represent commitments related to unperformed contracts for goods or services, are included in restricted, committed or assigned fund balance, as appropriate. Operating encumbrances lapse at the end of the applicable appropriation period. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. There were no encumbrances outstanding against continuing appropriations at the end of fiscal year 2017.

C. SUMMARY OF SIGNIFICANT LITIGATION

Pending Litigation

The state and its agencies are parties to numerous routine legal proceedings that normally occur in governmental operations. In addition, at any given point, there may be numerous lawsuits involving the implementation, reduction, or elimination of specific state programs that could significantly impact expenditures, revenues, and potentially have future budgetary impact. This summary considers significant litigation not covered by tort insurance. Tort case liabilities are disclosed in Note 7.E, Claims and Judgments, Risk Management.

The state is the defendant in a number of cases alleging inadequate funding of state programs or services. Claims include: funding inadequacies and inequities in basic education; inadequate funding for care of the disabled and elderly; and inadequate funding for the provision of daily personal care, medical and mental health services to children, the elderly, and the disabled. Collective claims in these programmatic and service cases exceed $35 million exclusive of the basic education case, which will be substantial but is difficult to quantify at this juncture. In addition, adverse rulings in some of these cases could result in significant future costs.

The Department of Revenue routinely has claims for refunds or exemptions in various stages of administrative and legal review. Cases involving such claims currently total approximately $152 million, though an adverse ruling could result in additional claims being brought by similarly situated taxpayers.

The state is a defendant in a number of lawsuits related to habitat restoration and environmental remediation arising out of highway/roadway construction and maintenance. While estimates are not available for all lawsuits, claims for damages equate to approximately $155 million per annum.

The state is contesting these lawsuits and the outcomes are uncertain at this time.

Tobacco Settlement

In November 1998, Washington joined 45 other states in a Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers to provide restitution for monies spent under health care programs for the treatment of smoking-related illnesses. Washington's annual payment under the settlement was approximately $113.3 million in fiscal year 2017. Beginning in 2008, Washington received the first of ten "strategic contribution payments" under the MSA. This payment is subject to the same offsets, reductions, and adjustments as are applicable to the annual base payment. The fiscal year 2017 strategic contribution payment was approximately $37.9 million. This was the final strategic contribution payment due under MSA.

In 2006, 2007, 2008, and 2009, determinations were made that disadvantages experienced by manufacturers as a result of participating in the MSA were a "significant factor" contributing to market share losses by those manufacturers. These determinations related to sales data for the years 2003, 2004, 2005, and 2006.

With respect to 2003 sales data, Washington and a number of other states participated in a single national arbitration of the nonparticipating manufacturer (NPM) adjustment dispute. In late 2013, the arbitration panel issued a decision in Washington's favor, unanimously concluding that Washington proved that it diligently enforced the qualifying statute during calendar year 2003 and, therefore, for that calendar year is not subject to an NPM adjustment under the MSA. Of the 15 states that went to an arbitration hearing, only nine were found to have diligently enforced. As a result of that decision, in fiscal year 2014, Washington received approximately $14 million more than it would have otherwise received due to the release of amounts placed in the MSA Disputed Payment Account (DPA) related to the 2003 calendar year. More importantly, if Washington had not prevailed in the arbitration, its fiscal year 2014 payment would have been reduced by approximately $100 million due to the application of the NPM adjustment.

The panel's decision addressed only the 2003 calendar year. Washington and other states currently are engaged in negotiations with participating manufacturers regarding potential arbitration proceedings involving the 2004 calendar year. Washington faces a potential NPM adjustment in its share of between $0 and $137 million for the year 2004, $0 and $131 million for the year 2005, and $0 and $119 million for the year 2006. Washington's state-specific hearing is set for the week of April 9, 2018. Diligence determinations are expected in early 2019.

In addition, the states and the participating manufacturers have entered into an agreement under which the states will not contest that the disadvantages experienced by manufacturers as a result of participating in the MSA were a significant factor contributing to market share losses for the years 2007 through 2013. Washington faces potential NPM adjustments that put at risk Washington's entire MSA payment. For example, the potential NPM adjustment for the year 2007 is between $0 and $123 million, and for the year 2008, it is between $0 and $173 million.

D. FEDERAL ASSISTANCE

The state has received federal financial assistance for specific purposes that are generally subject to review or audit by the grantor agencies.

Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the state.

The state estimates and recognizes claims and judgments liabilities for disallowances when determined by the grantor agency or for probable disallowances based on experience pertaining to these grants; however, these recognized liabilities and any unrecognized disallowances are considered immaterial to the state's overall financial condition.

E. ARBITRAGE REBATE

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue.

The rebatable arbitrage must be paid to the federal government. The state estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition.

F. FINANCIAL GUARANTEES

School District Credit Enhancement Program

In accordance with chapter 39.98 RCW (School District Credit Enhancement Program), the state has guaranteed outstanding voter-approved general obligation bonds of school districts within the state in the amount of $11.41 billion at June 30, 2017. The guarantees extend through the life of the bonds, with a final maturity date of the longest series in 2043.

In the event that a school district has insufficient funds to make a required debt service payment on a guaranteed bond, the state is required to transfer sufficient funds to make the payment. School districts for which the state has made all or part of a debt service payment shall reimburse the state treasurer for all money drawn on their behalf, as well as interest and penalties. The state has not paid debt service on any school debt since the inception of the program in 2000.

G. COLUMBIA RIVER CROSSING

The Washington State Department of Transportation (WSDOT) and the Oregon Department of Transportation (ODOT) worked together, along with federal and local agencies, on the Columbia River Crossing (CRC) project. The CRC project was a bridge, transit, highway, bicycle and pedestrian improvement project intended to replace the existing two highway spans on Interstate 5 (I-5) across the Columbia River, along with new interchanges on both the Washington and Oregon sides of the river. It also included extension of light rail public transit into Vancouver, Washington.

In 2014, the CRC project was shut down due to lack of funding by both the Washington and Oregon legislatures. During the project, WSDOT expended approximately $54 million in federal funds, of which $15 million was jointly awarded to Washington and Oregon.

Under Federal Highway Administration (FHWA) policy, failure to advance a project to the construction phase within 10 years of the initial obligation of funds could trigger a requirement to repay federal funds used on the project. FHWA has granted Washington and Oregon an extension to September 30, 2019. WSDOT and ODOT continue discussions with FHWA regarding the I-5 bridge replacement, and the necessity and timing of repayment of federal funds.

Substitute Senate Bill 5806, effective July 23, 2017, provides $350,000 for the purpose of conducting a planning inventory to document existing planning data related to the construction of a new I-5 bridge over the Columbia River. WSDOT will submit a report to the legislature that details the findings of the planning inventory by December 1, 2017. In addition, it invited the Legislature of Oregon to participate in a joint legislative action committee. This committee is tasked with beginning a process toward project development and providing a report of findings and recommendations by December 15, 2018.

H. GUARANTEED EDUCATION TUITION (GET) LOSS CONTINGENCY

Engrossed Second Substitute Senate Bill (E2SSB) 5954 was signed into law by the Governor on July 6, 2015, establishing the College Affordability Program. It reduced tuition at all public institutions of higher education during the 2015-16 and 2016-17 academic years and limits tuition growth in future years. Subsequent to the passage of E2SSB 5954, the State Guaranteed Education Tuition (GET) Program Committee authorized account holders, upon request, to receive a refund of their contributions or a fixed payout value, whichever is greater. Account holders have until September 1, 2017, or until 60 days after a new 529 savings plan opens (whichever is later), to request a refund. Adjustments have been made to the GET program as a result of the College Affordability Program, and the GET program will reopen to new enrollments and unit purchases on November 1, 2017.

I. OTHER COMMITMENTS AND CONTINGENCIES

Local Option Capital Asset Lending Program

On September 1, 1998, the state lease-purchase program was extended to local governments seeking low cost financing of essential equipment and in the year 2000 for real estate. The Local Option Capital Assets Lending (LOCAL) program allows local governments to pool their financing requests together with Washington state agencies in Certificates of Participation (COPs). Refer to Note 7.B for the state's COP disclosure.

These COPs do not constitute a debt or pledge of the full faith and credit of the state; rather, local governments pledge their full faith and credit in a general obligation pledge.

In the event that any local government fails to make any payment, the state is obligated to withhold an amount sufficient to make such payment from the local government's share, if any, of state revenues or other amounts authorized or required by law to be distributed by the state to such local government, if otherwise legally permissible.

Upon failure of any local government to make a payment, the state is further obligated, to the extent of legally available appropriated funds to make such payment on behalf of such local government. The local government remains obligated to make all COP payments and reimburse the state for any conditional payments.

As of June 30, 2017, outstanding certificates of participation notes totaled $70.6 million for 145 local governments participating in LOCAL. The state estimates that the LOCAL program liability, if any, will be immaterial to its overall financial condition.

Note 16
Subsequent Events

A. BOND ISSUES

In September 2017, the state issued:

- $336.0 million in various purpose general obligation bonds to provide funds to pay and reimburse for various state capital projects.

- $100.8 million in motor vehicle fuel tax general obligation bonds to provide funds to pay and reimburse for construction of selected projects that are identified as transportation 2003 or 2005 projects.

- $36.7 million in taxable general obligation bonds to provide funds to pay and reimburse for various non-transportation capital projects.

- $27.3 million in general obligation refunding bonds for the purpose of refunding certain various general obligation bonds of the state.

- $29.3 million in motor vehicle fuel tax general obligation refunding bonds for the purpose of refunding certain motor vehicle fuel tax general obligation bonds of the state.

The state has tentative plans to issue general obligation refunding bonds later this year.

B. CERTIFICATES OF PARTICIPATION

In September 2017, the state issued $24.2 million in Certificates of Participation (COP).

C. STATE SUPREME COURT ORDER

Washington continues to face the requirements of the state Supreme Court 2012 McCleary ruling that found that the state has failed to meet its constitutional requirement to amply fund basic education. Although funding progress was made through the 2013-15 biennial budget, it was insufficient to satisfy the court. In September 2014, the court found the state in contempt and threatened sanctions if an acceptable funding plan was not in place by the end of the 2015 legislative session.

On August 13, 2015, shortly after the conclusion of the 2015 legislative session, the Washington State Supreme Court issued an order imposing daily penalties of $100 thousand to be held for basic education until the Legislature presents an acceptable plan to fully fund basic education as ordered in prior court rulings. On October 6, 2016, the Court acknowledged further progress made in the 2015-17 biennial budget but maintained the $100 thousand per day penalties pending legislative action in the 2017 session.

To address these issues, the 2017 Legislature added significant funding, along with a number of policy changes, in House Bill 2242 and the 2017-19 biennial operating budget. In fall 2017, the Supreme Court is expected to address whether the changes bring the state into constitutional compliance.

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Required Supplementary Information

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BUDGETARY COMPARISON SCHEDULE
General Fund

Budgetary Comparison Schedule
General Fund
For the Biennium Ended June 30, 2017
(expressed in thousands)

	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 1,550,847	$ 1,550,847	$ 1,550,847	$ -
Resources				
Taxes	35,743,517	37,162,688	37,286,751	124,063
Licenses, permits, and fees	229,281	235,778	246,339	10,561
Other contracts and grants	550,314	579,661	485,285	(94,376)
Timber sales	6,616	6,501	6,514	13
Federal grants-in-aid	22,720,205	22,958,888	21,768,591	(1,190,297)
Charges for services	76,910	89,613	86,513	(3,100)
Investment income (loss)	16,457	28,865	29,996	1,131
Miscellaneous revenue	285,145	446,516	678,406	231,890
Unclaimed property	121,876	137,378	133,897	(3,481)
Transfers from other funds	1,975,011	3,219,180	2,746,969	(472,211)
Total Resources	63,276,179	66,415,915	65,020,108	(1,395,807)
Charges To Appropriations				
General government	4,087,194	4,118,103	3,860,147	257,956
Human services	32,532,950	32,568,287	32,021,693	546,594
Natural resources and recreation	695,716	867,502	770,629	96,873
Transportation	104,731	156,354	133,382	22,972
Education	23,047,518	23,892,923	23,598,387	294,536
Capital outlays	759,279	731,382	326,813	404,569
Transfers to other funds	715,878	1,776,240	1,706,886	69,354
Total Charges To Appropriations	61,943,266	64,110,791	62,417,937	1,692,854
Excess Available For Appropriation Over (Under) Charges To Appropriations	1,332,913	2,305,124	2,602,171	297,047
Reconciling Items				
Bond sale proceeds	319,039	158,182	217,316	59,134
Issuance premiums	-	-	2,533	2,533
Bond issuance discount	-	-	(396)	(396)
Assumed reversions	172,500	218,768	-	(218,768)
Working capital adjustment	-	-	(243,000)	(243,000)
Noncash activity (net)	-	-	217,934	217,934
Nonappropriated fund balances	-	-	99,001	99,001
Changes in reserves (net)	-	-	4,659	4,659
Total Reconciling Items	491,539	376,950	298,047	(78,903)
Budgetary Fund Balance, June 30	$ 1,824,452	$ 2,682,074	$ 2,900,218	$ 218,144

The separately submitted report that demonstrates compliance at a legal level of budgetary control is traceable to the Schedule of Revenues, Expenditures and Other Financing Sources (Uses) - Budget and Actual found on page 276-277.

BUDGETARY COMPARISON SCHEDULE
General Fund - Budget to GAAP Reconciliation

General Fund
For the Biennium Ended June 30, 2017
(expressed in thousands)

Sources/Inflows of Resources		
Actual amounts (budgetary basis) "Total Resources"		
from the Budgetary Comparison Schedule	$	65,020,108
Differences - budget to GAAP:		
The following items are inflows of budgetary resources but are not		
revenue for financial reporting purposes:		
Transfers from other funds		(2,746,969)
Budgetary fund balance at the beginning of the biennium, as restated		(1,550,847)
Appropriated loan principal repayment		(606)
The following items are not inflows of budgetary resources but are		
revenue for financial reporting purposes:		
Noncash commodities and electronic food stamp benefits		3,069,775
Revenues collected for other governments		242,132
Unanticipated receipts		37,551
Noncash revenues		170,523
Other		12,725
Biennium total revenues		64,254,392
Fiscal year 2016 total revenues, as restated for fund reclassification		(31,137,700)
Nonappropriated activity		29,363
Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$	33,146,055
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "Total Charges to Appropriations"		
from the Budgetary Comparison Schedule	$	62,417,937
Differences - budget to GAAP:		
The following items are outflows of budgetary resources but are		
not expenditures for financial reporting purposes:		
Appropriated transfers to other funds		(2,969,306)
Other transfers to other funds		(1,706,886)
Appropriated loan disbursements		(106)
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		3,069,775
Distributions to other governments		242,132
Certificates of participation and capital lease acquisitions		49,918
Expenditures related to unanticipated receipts		37,551
Other		13,074
Biennium total expenditures		61,154,089
Fiscal year 2016 total expenditures, as restated for fund reclassification		(30,121,251)
Nonappropriated activity		685,679
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$	31,718,517

BUDGETARY COMPARISON SCHEDULE
Higher Education Special Revenue Fund

Budgetary Comparison Schedule
Higher Education Special Revenue Fund
For the Biennium Ended June 30, 2017
(expressed in thousands)

	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 335,583	$ 335,583	$ 335,583	$ -
Resources				
Taxes	455,330	459,935	468,702	8,767
Licenses, permits, and fees	-	968	-	(968)
Other contracts and grants	310	1,398	-	(1,398)
Charges for services	21,888	366,820	-	(366,820)
Investment income (loss)	1,741	3,053	1,365	(1,688)
Miscellaneous revenue	2,270	2,265	1	(2,264)
Transfers from other funds	54,500	56,220	54,695	(1,525)
Total Resources	871,622	1,226,242	860,346	(365,896)
Charges To Appropriations				
Education	456,902	434,551	433,841	710
Transfers to other funds	53,900	53,900	54,694	(794)
Total Charges To Appropriations	510,802	488,451	488,535	(84)
Excess Available For Appropriation Over (Under) Charges To Appropriations	360,820	737,791	371,811	(365,980)
Reconciling Items				
Issuance premiums	-	140	-	(140)
Refunding COPs issued	-	7,800	-	(7,800)
Payments to escrow agents for refunded debt	-	(11,000)	-	11,000
Working Capital Adjustment	-	-	(2,240)	(2,240)
Noncash activity (net)	-	-	31,768	31,768
Nonappropriated fund balances	-	-	2,238,496	2,238,496
Changes in reserves (net)	-	-	23,945	23,945
Total Reconciling Items	-	(3,060)	2,291,969	2,295,029
Budgetary Fund Balance, June 30	$ 360,820	$ 734,731	$ 2,663,780	$ 1,929,049

BUDGETARY COMPARISON SCHEDULE

Higher Education Special Revenue Fund - Budget to GAAP Reconciliation

Higher Education Special Revenue Fund
For the Biennium Ended June 30, 2017
(expressed in thousands)

Sources/Inflows of Resources		
Actual amounts (budgetary basis) "Total Resources"		
from the Budgetary Comparison Schedule	$	860,346
Differences - budget to GAAP:		
The following items are inflows of budgetary resources but are not		
revenue for financial reporting purposes:		
Transfers from other funds		(54,695)
Budgetary fund balance at the beginning of the biennium, as restated		(335,583)
The following items are not inflows of budgetary resources but are		
revenue for financial reporting purposes:		
Noncash revenues		(183)
Biennium total revenues		469,885
Fiscal year 2016 total revenues		(5,295,661)
Nonappropriated activity		10,264,338
Total Revenues (GAAP Basis) as reported on the Statement of Revenues,		
Expenditures, and Changes in Fund Balances - Governmental Funds	$	5,438,562
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "Total Charges to Appropriations"		
from the Budgetary Comparison Schedule	$	488,535
Differences - budget to GAAP:		
The following items are outflows of budgetary resources but are		
not expenditures for financial reporting purposes:		
Appropriated transfers to other funds		(26,665)
Other transfers to other funds		(54,694)
Biennium total expenditures		407,176
Fiscal year 2016 total expenditures		(5,369,983)
Nonappropriated activity		10,571,102
Total expenditures (GAAP basis) as reported on the Statement of Revenues,		
Expenditures, and Changes in Fund Balance - Governmental Funds	$	5,608,295

BUDGETARY INFORMATION
Notes to Required Supplementary Information

GENERAL BUDGETARY POLICIES AND PROCEDURES

The Governor is required to submit a budget to the Legislature no later than December 20 of the year preceding odd-numbered year sessions of the Legislature.

The budget is a proposal for expenditures in the ensuing biennial period based upon anticipated revenues from the sources and rates existing by law at the time of submission of the budget. The Governor may additionally submit, as an appendix to the budget, a proposal for expenditures in the ensuing biennium from revenue sources derived from proposed changes in existing statutes.

The appropriated budget and any necessary supplemental budgets are legally required to be adopted through the passage of appropriation bills by the Legislature and approved by the Governor. Operating appropriations are generally made at the fund/account and agency level; however, in a few cases, appropriations are made at the fund/account and agency/program level. Operating appropriations cover either the entire biennium or a single fiscal year in the biennium. Capital appropriations are biennial and are generally made at the fund/account, agency, and project level.

The legal level of budgetary control is at the fund/account, agency, and appropriation level, with administrative controls established at lower levels of detail in certain instances. The accompanying budgetary schedule is not presented at the legal level of budgetary control. This is due to the large number of appropriations within individual agencies that would make such a presentation in the accompanying financial schedule extremely cumbersome. Section 2400.121 of the Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards provides for the preparation of a separate report in these extreme cases.

For the state of Washington, a separate report has been prepared for the 2015-17 biennium to illustrate legal budgetary compliance. Appropriated budget versus actual expenditures, and estimated versus actual revenues and other financing sources (uses) for appropriated funds/accounts at agency and appropriation level are presented in the Budget-to-Actual Detail Report for governmental funds. The report is available on line at http://www.ofm.wa.gov/cafr/2017/default.asp.

Legislative appropriations are strict legal limits on expenditures; over-expenditures are prohibited. All appropriated and certain nonappropriated funds/accounts are further controlled by the executive branch through the allotment process. This process allocates the expenditure plan into monthly allotments by program, source of funds, and object of expenditure. State law does not preclude the over-expenditure of allotments.

Proprietary funds/accounts can earn revenues and incur expenses (i.e., depreciation or cost of goods sold) not covered by the allotment process. Budget estimates are generally made outside the allotment process according to prepared business plans. These proprietary fund/account business plan estimates are adjusted only at the beginning of each fiscal year.

Additional fiscal control is exercised through various means. OFM is authorized to estimate revenue and make expenditure allotments based on availability of unanticipated receipts, mainly federal government grant increases made during a fiscal year.

Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at fiscal year-end are reported as restricted, committed, or assigned fund balance.

Budgetary Reporting vs. GAAP Reporting

Governmental funds are budgeted materially in conformance with generally accepted accounting principles. However, the presentation in the accompanying budgetary schedules is different in certain respects from the corresponding Statements of Revenues, Expenditures, and Changes in Fund Balance (governmental operating statement). In the accompanying budgetary schedules, budget and actual expenditures are reported only for appropriated activities. Expenditures are classified based on whether the appropriation is from the operating or capital budget. Expenditures funded by operating budget appropriations are reported as current expenditures classified by the function of the agency receiving the appropriation. Expenditures funded by capital budget appropriations are reported as capital outlays.

However, in the governmental operating statements, all governmental funds are included and expenditures are classified according to what was actually purchased. Capital outlays are capital asset acquisitions such as land, buildings, and equipment. Debt service expenditures are principal and interest payments. Current expenditures are all other governmental fund expenditures classified based on the function of the agency making the expenditures.

Certain governmental activities are excluded from the budgetary schedules because they are not appropriated. These activities include activities designated as nonappropriated by the Legislature. Nonappropriated activities can represent a portion of a fund such as the Higher Education Special Revenue Fund or all of a fund such as the Higher Education Endowment and Tobacco Settlement Securitization Bond Debt Service Funds. Additionally, certain items including federal surplus food commodities, electronic food stamp benefits, and resources collected and distributed to other governments are also excluded because they are not appropriated.

Further, certain expenditures are appropriated as operating transfers. These transfers are reported as operating transfers on the budgetary schedules and as expenditures on the governmental operating statements.

In the General Fund, Budgetary Fund Balance equals restricted fund balance reduced by a portion that is not available for budgeting, committed, and unassigned fund balances as reported on the Governmental Funds Balance Sheet. In the Higher Education Special Revenue Fund, Budgetary Fund Balance equals the sum of restricted and committed fund balance as reported on the Governmental Funds Balance Sheet. In all other funds except Wildlife and Natural Resources, Budgetary Fund Balance equals total fund balance less nonspendable fund balance as reported on the Governmental Funds Balance Sheet. The Budgetary Fund Balance in the Wildlife and Natural Resources fund is further reduced by a portion of restricted fund balance that is not available for budgeting.

PENSION PLAN INFORMATION
Single Employer Plans

Schedule of Changes in Net Pension Liability and Related Ratios
Washington State Patrol Retirement System - Plan 1/2
Last Four Measurement Years*
(expressed in thousands)

	2016	2015	2014	2013
Total Pension Liability				
Service cost	$ 16,534	$ 16,633	$ 18,041	N/A
Interest	83,373	80,037	75,249	N/A
Changes of benefit terms	1,947	2,258	-	N/A
Differences between expected and actual experience	(10,431)	8,883	-	N/A
Changes in assumptions	2	17	-	N/A
Benefit payments, including refunds of employee contributions	(54,159)	(50,075)	(47,510)	N/A
Net Change in Total Pension Liability	37,266	57,753	45,780	N/A
Total Pension Liability - Beginning	1,130,177	1,072,424	1,026,644	N/A
Total Pension Liability - Ending (a)	$ 1,167,443	$ 1,130,177	$ 1,072,424	$ 1,026,644
Plan Fiduciary Net Position				
Contributions - employer	$ 7,044	$ 6,679	$ 6,587	N/A
Contributions - employee	8,895	6,323	6,555	N/A
Net investment income	25,352	49,046	176,856	N/A
Benefit payments, including refunds of employee contributions	(54,159)	(50,075)	(47,510)	N/A
Administrative expense	(60)	(67)	(84)	N/A
Other	429	293	509	N/A
Net Change in Plan Fiduciary Net Position	(12,499)	12,199	142,913	N/A
Plan Fiduciary Net Position - Beginning	1,110,626	1,098,427	955,514	N/A
Plan Fiduciary Net Position - Ending (b)	$ 1,098,127	$ 1,110,626	$ 1,098,427	$ 955,514
State's Net Pension Liability/(Asset) - Ending (a) - (b)	$ 69,316	$ 19,551	$ (26,003)	$ 71,130
Plan Fiduciary Net Position as a percentage of the Total Pension Liability /(Asset)	94.06%	98.27%	102.42%	93.07%
Covered-employee payroll	$ 86,660	$ 84,388	$ 85,046	$ 81,895
State's Net Pension Liability/(Asset) as a percentage of covered-employee payroll	79.99%	23.17%	-30.58%	86.86%

N/A indicates data not available.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Single Employer Plans

Schedule of Changes in Net Pension Liability and Related Ratios
Judicial Retirement System
Last Four Measurement Years*
(expressed in thousands)

	2016	2015	2014	2013
Total Pension Liability				
Service cost	$ -	$ -	$ -	N/A
Interest	3,704	4,382	4,319	N/A
Changes of benefit terms	-	-	-	N/A
Differences between expected and actual experience	20	1,590	-	N/A
Changes in assumptions	8,737	4,335	-	N/A
Benefit payments, including refunds of employee contributions	(9,131)	(9,336)	(9,480)	N/A
Net Change in Total Pension Liability	3,330	971	(5,161)	N/A
Total Pension Liability - Beginning	101,312	100,341	105,502	N/A
Total Pension Liability - Ending (a)	$ 104,642	$ 101,312	$ 100,341	$ 105,502
Plan Fiduciary Net Position				
Contributions - employer	$ 9,500	$ 10,600	$ 10,600	N/A
Contributions - employee	-	-	-	N/A
Net investment income	74	38	25	N/A
Benefit payments, including refunds of employee contributions	(9,131)	(9,336)	(9,480)	N/A
Administrative expense	(1)	-	-	N/A
Other	-	-	-	N/A
Net Change in Plan Fiduciary Net Position	442	1,302	1,145	N/A
Plan Fiduciary Net Position - Beginning	6,333	5,031	3,886	N/A
Plan Fiduciary Net Position - Ending (b)	$ 6,775	$ 6,333	$ 5,031	$ 3,886
State's Net Pension Liability/(Asset) - Ending (a) - (b)	$ 97,867	$ 94,979	$ 95,310	$ 101,616
Plan Fiduciary Net Position as a percentage of the Total Pension Liability/(Asset)	6.47%	6.25%	5.01%	3.68%
Covered-employee payroll [(1)]	N/A	N/A	N/A	$ 160
State's Net Pension Liability/(Asset) as a percentage of covered-employee payroll [(1)]	N/A	N/A	N/A	63510%

N/A indicates data not available.

[(1)] Covered-employee payroll is not applicable because there are no active plan employees.

*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Single Employer Plans

Schedule of Changes in Net Pension Liability and Related Ratios
Judges' Retirement Fund
Last Four Measurement Years*
(expressed in thousands)

	2016	2015	2014	2013
Total Pension Liability				
Service cost	$ -	$ -	$ -	N/A
Interest	116	138	137	N/A
Changes of benefit terms	-	-	-	N/A
Differences between expected and actual experience	123	182	-	N/A
Changes in assumptions	181	95	-	N/A
Benefit payments, including refunds of employee contributions	(440)	(444)	(444)	N/A
Net Change in Total Pension Liability	(20)	(29)	(307)	N/A
Total Pension Liability - Beginning	3,117	3,146	3,453	N/A
Total Pension Liability - Ending (a)	$ 3,097	$ 3,117	$ 3,146	$ 3,453
Plan Fiduciary Net Position				
Contributions - employer	$ 501	$ -	$ -	N/A
Contributions - employee	-	-	-	N/A
Net investment income	6	4	7	N/A
Benefit payments, including refunds of employee contributions	(440)	(444)	(444)	N/A
Administrative expense	-	-	-	N/A
Other	-	-	-	N/A
Net Change in Plan Fiduciary Net Position	67	(440)	(437)	N/A
Plan Fiduciary Net Position - Beginning	515	955	1,392	N/A
Plan Fiduciary Net Position - Ending (b)	$ 582	$ 515	$ 955	$ 1,392
State's Net Pension Liability/(Asset) - Ending (a) - (b)	$ 2,515	$ 2,602	$ 2,191	$ 2,061
Plan Fiduciary Net Position as a percentage of the Total Pension Liability/(Asset)	18.79%	16.52%	30.36%	40.31%
Covered-employee payroll [(1)]	N/A	N/A	N/A	N/A
State's Net Pension Liability/(Asset) as a percentage of covered-employee payroll [(1)]	N/A	N/A	N/A	N/A

N/A indicates data not available.
[(1)] Covered-employee payroll is not applicable because there are no active plan employees.
* This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Single Employer Plans

Schedule of Contributions
Washington State Patrol Retirement System - Plan 1/2
Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarial Determined Contributions	Contribution Deficiency (Excess)	Covered-employee Payroll	Contributions as a Percentage of Covered-employee Payroll
2017	$ 8,179	$ 7,587	$ 592	$ 93,053	8.15%
2016	7,618	7,044	574	86,660	8.13%
2015	6,810	6,679	131	84,388	7.91%
2014	6,677	6,587	90	85,046	7.75%
2013	2,500	6,478	(3,978)	81,895	7.91%
2012	2,900	6,454	(3,554)	81,578	7.91%
2011	2,300	5,251	(2,951)	81,882	6.41%
2010	6,600	5,271	1,329	82,764	6.37%
2009	5,000	6,371	(1,371)	82,719	7.70%
2008	6,800	6,064	736	78,781	7.70%

Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Single Employer Plans

Schedule of Contributions
Judicial Retirement System
Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarial Determined Contributions	Contribution Deficiency (Excess)	Covered-employee Payroll	Contributions as a Percentage of Covered-employee Payroll
2017	$ 8,761	$ 9,300	$ (539)	$ -	N/A
2016	8,999	9,500	(501)	-	N/A
2015	9,132	10,600	(1,468)	-	N/A
2014	9,205	10,600	(1,395)	-	N/A
2013	21,700	10,112	11,588	160	6320.00%
2012	22,600	8,131	14,469	407	1997.79%
2011	18,600	10,906	7,694	611	1784.94%
2010	20,400	11,649	8,751	1,053	1106.27%
2009	21,200	10,305	10,895	1,394	739.24%
2008	26,600	9,712	16,888	1,496	649.20%

Contributions in relation to the Actuarially Determined Contributions are based on state contributions.
N/A indicates data not available. Beginning in 2014, there are no active members.

Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Single Employer Plans

Schedule of Contributions
Judges' Retirement Fund
Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to the Actuarial Determined Contributions	Contribution Deficiency (Excess)	Covered-employee Payroll	Contributions as a Percentage of Covered-employee Payroll
2017	$ 439	$ 499	$ (60)	$ -	N/A
2016	444	501	(57)	-	N/A
2015	539	-	539	-	N/A
2014	425	-	425	-	N/A
2013	400	-	400	-	N/A
2012	300	-	300	-	N/A
2011	100	-	100	-	N/A
2010	-	-	-	-	N/A
2009	-	-	-	-	N/A
2008	-	300	(300)	-	N/A

Contributions in relation to the Actuarially Determined Contributions are based on state contributions.
N/A indicates data not available. There are no active employees.

Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of the State's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1
Measurement Date of June 30 *
(expressed in thousands)

	2016	2015	2014
State PERS Plan 1 employers' proportion of the net pension liability/(asset)	41.99%	41.57%	42.37%
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset)	$ 2,255,244	$ 2,174,623	$ 2,134,189
Covered payroll of employees participating in PERS plan 1	$ 103,235	$ 120,686	$ 143,836
Covered payroll of employees participating in PERS plan 2/3	4,648,843	4,363,171	4,215,934
Covered payroll of employees participating in PSERS plan 2	155,768	140,977	130,172
Covered-Employee Payroll	$ 4,907,846	$ 4,624,834	$ 4,489,942
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	45.95%	47.02%	47.53%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	57.03%	59.10%	61.19%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of the State's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 2/3
Measurement Date of June 30 *
(expressed in thousands)

	2016	2015	2014
State PERS Plan 2/3 employers' proportion of the net pension liability/(asset)	49.72%	49.10%	49.27%
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	$ 2,503,313	$ 1,754,418	$ 995,856
State PERS Plan 2/3 employers' covered-employee payroll	$ 4,648,843	$ 4,363,171	$ 4,215,934
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	53.85%	40.21%	23.62%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	85.82%	89.20%	93.29%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedule of the State's Proportionate Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 1
Measurement Date of June 30 *
(expressed in thousands)

	2016	2015	2014
State TRS Plan 1 employers' proportion of the net pension liability/(asset)	0.97%	0.86%	0.78%
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset)	$ 33,026	$ 27,186	$ 22,924
Covered payroll of employees participating in TRS plan 1	$ 5,735	$ 3,913	$ 4,611
Covered payroll of employees participating in TRS plan 2/3	41,803	33,705	25,673
Covered-employee payroll	$ 47,538	$ 37,618	$ 30,284
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	69.47%	72.27%	75.70%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	62.07%	65.70%	68.77%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of the State's Proportionate Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 2/3
Measurement Date of June 30 *
(expressed in thousands)

	2016	2015	2014
State TRS Plan 2/3 employers' proportion of the net pension liability/(asset)	0.87%	0.72%	0.59%
State TRS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	$ 11,896	$ 6,107	$ 1,913
State TRS Plan 2/3 employers' covered-employee payroll	$ 41,803	$ 33,705	$ 25,673
State TRS Plan 2/3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	28.46%	18.12%	7.45%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	88.72%	92.48%	96.81%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of the State's Proportionate Share of the Net Pension Liability
Public Safety Employees' Retirement System (PSERS) Plan 2
Measurement Date of June 30 *
(expressed in thousands)

	2016	2015	2014
State PSERS Plan 2 employers' proportion of the net pension liability/(asset)	47.97%	47.93%	48.26%
State PSERS Plan 2 employers' proportionate share of the net pension liability (asset)	$ 20,386	$ 8,748	$ (6,988)
State PSERS Plan 2 employers' covered-employee payroll	$ 155,768	$ 140,977	$ 130,172
State PSERS Plan 2 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	13.09%	6.21%	-5.37%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	90.41%	95.08%	105.01%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of the State's Proportionate Share of the Net Pension Liability
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1
Measurement Date of June 30 *
(expressed in thousands)

	2016	2015	2014
State's nonemployer proportion of the net pension liability/(asset)	87.12%	87.12%	87.12%
State as nonemployer contributing entity proportionate share of the net pension liability/(asset)	$ (897,585)	$ (1,049,988)	$ (1,056,583)
Plan fiduciary net position as a percentage of the total pension liability/(asset)	123.74%	127.36%	126.91%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of the State's Proportionate Share of the Net Pension Liability
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2
Measurement Date of June 30 *
(expressed in thousands)

	2016	2015	2014
State LEOFF Plan 2 employers' proportion of the net pension liability/(asset)	0.88%	0.83%	0.84%
State as nonemployer contributing entity proportion of the net pension liability/(asset)	39.46%	39.80%	39.52%
State LEOFF Plan 2 employers' proportionate share of the net pension liability/(asset)	$ (5,113)	$ (8,580)	$ (11,164)
State as nonemployer contributing entity total proportionate share of the net pension liability/(asset)	(229,538)	(409,091)	(524,419)
Total	$ (234,651)	$ (417,671)	$ (535,583)
State LEOFF Plan 2 employers' covered-employee payroll	$ 19,828	$ 18,744	$ 18,259
State LEOFF Plan 2 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	-25.79%	-45.77%	-61.14%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	106.04%	111.67%	116.75%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 1
Fiscal Year Ended June 30*
(dollars in thousands)

	2017	2016	2015	2014
Contractually Required Contributions (CRC)	$ 251,924	$ 238,158	$ 191,618	$ 188,639
Employer Contributions related to covered payroll of employees participating in PERS plan 1	9,537	11,385	11,072	12,964
Employer UAAL Contributions related to covered payroll of employees participating in PERS plan 2/3 and PSERS plan 2	242,387	226,773	180,546	175,675
Contributions in Relation to the Actuarially Determined Contributions	251,924	238,158	191,618	188,639
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll of employees participating in PERS plan 1	$ 85,341	$ 103,235	$ 120,686	$ 143,836
Covered payroll of employees participating in PERS plan 2/3	4,928,806	4,648,843	4,363,171	4,215,935
Covered payroll of employees participating in PSERS plan 2	175,395	155,768	140,977	130,172
Covered-Employee Payroll	$ 5,189,542	$ 4,907,846	$ 4,624,834	$ 4,489,943
Contributions as a percentage of covered-employee payroll	4.85%	4.85%	4.14%	4.20%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 2/3
Fiscal Year Ended June 30*
(dollars in thousands)

	2017	2016	2015	2014
Contractually Required Contribution	$ 306,591	$ 287,049	$ 219,395	$ 209,455
Contributions in relation to the contractually required contribution	306,591	287,049	219,395	209,455
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 4,928,806	$ 4,648,843	$ 4,363,171	$ 4,215,935
Contributions as a percentage of covered-employee payroll	6.22%	6.17%	5.03%	4.97%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of Contributions
Teachers' Retirement System (TRS) Plan 1
Fiscal Year Ended June 30*
(dollars in thousands)

	2017	2016	2015	2014
Contractually Required Contribution	$ 3,608	$ 2,940	$ 1,920	$ 1,537
Employer Contributions related to covered payroll of employees participating in TRS plan 1	326	369	388	451
Employer UAAL Contributions related to covered payroll of employees participating in TRS plan 2/3	3,282	2,571	1,532	1,086
Contributions in Relation to the Actuarially Determined Contributions	3,608	2,940	1,920	1,537
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll of employees participating in TRS plan 1	$ 2,475	$ 5,735	$ 3,913	$ 4,611
Covered payroll of employees participating in TRS plan 2/3	52,534	41,803	33,705	25,673
Covered-employee payroll	$ 55,009	$ 47,538	$ 37,618	$ 30,284
Contributions as a percentage of covered-employee payroll	6.56%	6.18%	5.10%	5.08%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of Contributions
Teachers' Retirement System (TRS) Plan 2/3
Fiscal Year Ended June 30*
(dollars in thousands)

	2017	2016	2015	2014
Contractually Required Contribution	$ 3,542	$ 2,827	$ 1,924	$ 1,454
Contributions in relation to the contractually required contribution	3,542	2,827	1,924	1,454
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 52,534	$ 41,803	$ 33,705	$ 25,673
Contributions as a percentage of covered-employee payroll	6.74%	6.76%	5.71%	5.66%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Schedule of Contributions
Public Safety Employees' Retirement System (PSERS) Plan 2
Fiscal Year Ended June 30*
(dollars in thousands)

	2017	2016	2015	2014
Contractually Required Contribution	$ 11,465	$ 10,233	$ 8,932	$ 8,100
Contributions in relation to the contractually required contribution	11,465	10,233	8,932	8,100
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 175,395	$ 155,768	$ 140,977	$ 130,172
Contributions as a percentage of covered-employee payroll	6.54%	6.57%	6.34%	6.22%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of Contributions
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2*
Fiscal Year Ended June 30*
(dollars in thousands)

	2017	2016	2015	2014
Contractually Required Contribution	$ 1,346	$ 1,345	$ 1,224	$ 1,184
Contributions in relation to the contractually required contribution	1,346	1,345	1,224	1,184
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 20,396	$ 19,828	$ 18,744	$ 18,259
Contributions as a percentage of covered-employee payroll	6.60%	6.78%	6.53%	6.48%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Notes to Required Supplementary Information

Methods and assumptions used in calculations of Actuarially Determined Contributions (ADC) for PERS, TRS, LEOFF, and WSPRS. The Office of the State Actuary (OSA) calculates the ADC based on the results of an actuarial valuation consistent with the state's funding policy defined under chapter 41.45 RCW. Consistent with the state's contribution rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. For example, the actuarial valuation with a June 30, 2013, valuation date, completed in the fall of 2014, determines the ADC for the period beginning July 1, 2015, and ending June 30, 2017.

Methods and assumptions used in calculations of the ADC for JRS and Judges. The OSA calculates the ADC based on the results of an actuarial valuation, and sets the ADC equal to the expected benefit payments from the plan. Consistent with the state's funding policy defined under RCWs 2.10.90 and 2.12.60, the Legislature makes biennial appropriations in order to ensure the fund is solvent to make the necessary benefit payments.

OSA calculates the ADC consistent with the methods described above. Adopted contribution rates may be different pending the actions of the governing bodies. For instance, for the period beginning July 1, 2015 and ending June 30, 2017, the contribution rates adopted by the Pension Funding Council, and unchanged by the Legislature, reflect a phase-in of the increase to contribution rates that resulted from a change to the mortality assumption. The increase is expected to be phased-in over three biennia for PERS 1/2/3, TRS 1/2/3, PSERS 2, and WSPRS 1/2.

For cost-sharing plans, OSA calculates the Contractually Required Contributions (CRC) using the same assumptions and methods as the ADC except the CRC reflect the adopted contribution rates for the time period shown, which may differ from the contribution rates produced for the ADC.

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

Schedule of Net Pension Liability
Last Five Fiscal Years*
(expressed in thousands)

	2017	2016	2015	2014	2013
Total Pension Liability - Ending	$ 192,700	$ 191,494	$ 188,584	$ 186,527	$ 183,578
Plan Fiduciary Net Position - Ending	229,800	208,663	207,855	204,195	177,134
Plan's Net Pension Liability/(Asset) - Ending	$ (37,100)	$ (17,169)	$ (19,271)	$ (17,668)	$ 6,444
Plan fiduciary net position as a percentage of the total pension liability/(asset)	119.25%	108.97%	110.22%	109.47%	96.49%
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Plan's net pension liability/(asset) as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

N/A indicates data not applicable. This is a volunteer organization.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding. Percentages are calculated using unrounded totals.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION

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

Schedule of Change in Net Pension Liability
Last Five Fiscal Years*
(expressed in thousands)

	2017	2016	2015	2014	2013
Total Pension Liability					
Service cost	$ 869	$ 893	$ 919	$ 1,240	N/A
Interest	12,946	12,887	12,656	12,480	N/A
Changes of benefit terms	-	-	-	-	N/A
Differences between expected and actual experience	(1,998)	(176)	(2,948)	-	N/A
Changes in assumptions	463	101	1,931	-	N/A
Benefit payments, including refunds of member contributions	(11,074)	(10,795)	(10,501)	(10,771)	N/A
Net Change in Total Pension Liability	1,206	2,910	2,057	2,949	N/A
Total Pension Liability - Beginning	191,494	188,584	186,527	183,578	N/A
Total Pension Liability - Ending	$ 192,700	$ 191,494	$ 188,584	$ 186,527	$ 183,578
Plan Fiduciary Net Position					
Contributions - Municipalities	$ 848	$ 918	$ 913	$ 953	N/A
Contributions - Member	69	67	76	95	N/A
Contributions - State as nonemployer contributing entity	6,646	7,235	5,903	6,383	N/A
Net investment income	26,114	4,588	8,289	31,892	N/A
Benefit payments, including refunds of member contributions	(11,074)	(10,795)	(10,501)	(10,771)	N/A
Administrative expense	(1,466)	(1,205)	(1,020)	(1,469)	N/A
Other	-	-	-	(22)	N/A
Net Change in Plan Fiduciary Net Position	21,137	808	3,660	27,061	N/A
Plan Fiduciary Net Position - Beginning	208,663	207,855	204,195	177,134	N/A
Plan Fiduciary Net Position - Ending	$ 229,800	$ 208,663	$ 207,855	$ 204,195	$ 177,134
Plan's Net Pension Liability/(Asset) - Ending	$ (37,100)	$ (17,169)	$ (19,271)	$ (17,668)	$ 6,444

N/A indicates data not available.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Contributions
Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarial Determined Contribution	Contribution Deficiency (Excess)
2017	$ 4,528	$ 7,494	$ (2,966)
2016	6,846	8,153	(1,307)
2015	6,653	6,816	(163)
2014	6,421	7,336	(915)
2013	4,600	6,946	(2,346)
2012	4,700	6,484	(1,784)
2011	5,300	6,778	(1,478)
2010	2,800	6,787	(3,987)
2009	2,500	6,223	(3,723)
2008	1,900	6,102	(4,202)

Notes: Neither covered-employee payroll nor contributions as a percentage of covered-employee payroll are applicable. This is a volunteer organization.

Beginning in 2017, the methodology for determining the Actuarially Determined Contributions was revised to reflect the timing of the contributions based upon the Board's adoption cycle and the actuarial funding methods selected.

Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.

Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Investment Returns
Last Four Fiscal Years*

	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	13.26%	2.19%	4.05%	18.50%

*This schedule is to be built prospectively until it contains ten years of data.

Source: Washington State Office of the State Actuary

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund Notes to Required Supplementary Information

The Office of the State Actuary (OSA) calculates the Actuarially Determined Contributions (ADC) based on the results of an actuarial valuation consistent with funding policy defined under chapter 41.24 RCW and adopted policies made by the State Board for Volunteer Fire Fighters and Reserve Officers. Consistent with the Board's contribution rate adoption process, the results of an actuarial valuation determine the ADC two years after the valuation date. For example, the actuarial valuation with a June 30, 2014, valuation date, completed in the fall of 2015, determines the ADC for the period ending June 30, 2017.

PENSION PLAN INFORMATION
Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Total Pension Liability and Related Ratios
University of Washington
Fiscal Year Ended and Measurement Date June 30*
(expressed in thousands)

		2017
Total Pension Liability		
Service cost	$	19,891
Interest		15,097
Changes of benefit terms		-
Differences between expected and actual experience		(74,918)
Changes in assumptions		(28,553)
Benefit payments		(5,136)
Other		-
Net Change in Total Pension Liability		(73,619)
Total Pension Liability - Beginning		512,372
Total Pension Liability - Ending	$	438,753
Covered-employee payroll	$	801,161
Total Pension Liability/(Asset) as a percentage of covered-employee payroll		54.76%

N/A indicates data not available.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Changes in Total Pension Liability and Related Ratios
Washington State University
Fiscal Year Ended and Measurement Date June 30*
(expressed in thousands)

		2017
Total Pension Liability		
Service cost	$	3,803
Interest		3,140
Changes of benefit terms		-
Differences between expected and actual experience		(16,389)
Changes in assumptions		(6,574)
Benefit payments		(1,890)
Other		-
Net Change in Total Pension Liability		(17,910)
Total Pension Liability - Beginning		107,324
Total Pension Liability - Ending	$	89,414
Covered-employee payroll	$	196,596
Total Pension Liability/(Asset) as a percentage of covered-employee payroll		45.48%

N/A indicates data not available.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Total Pension Liability and Related Ratios
Central Washington University
Fiscal Year Ended and Measurement Date June 30*
(expressed in thousands)

	2017
Total Pension Liability	
Service cost	$ 150
Interest	293
Changes of benefit terms	-
Differences between expected and actual experience	(1,270)
Changes in assumptions	(616)
Benefit payments	(411)
Other	-
Net Change in Total Pension Liability	(1,854)
Total Pension Liability - Beginning	10,331
Total Pension Liability - Ending	$ 8,477
Covered-employee payroll	$ 11,028
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	76.87%

N/A indicates data not available.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Changes in Total Pension Liability and Related Ratios
Eastern Washington University
Fiscal Year Ended and Measurement Date June 30*
(expressed in thousands)

	2017
Total Pension Liability	
Service cost	$ 658
Interest	420
Changes of benefit terms	-
Differences between expected and actual experience	(2,852)
Changes in assumptions	(647)
Benefit payments	(140)
Other	-
Net Change in Total Pension Liability	(2,561)
Total Pension Liability - Beginning	14,162
Total Pension Liability - Ending	$ 11,601
Covered-employee payroll	$ 38,505
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	30.13%

N/A indicates data not available.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION

Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Total Pension Liability and Related Ratios
The Evergreen State College
Fiscal Year Ended and Measurement Date June 30*
(expressed in thousands)

	2017
Total Pension Liability	
Service cost	$ 296
Interest	230
Changes of benefit terms	-
Differences between expected and actual experience	(1,327)
Changes in assumptions	(387)
Benefit payments	(158)
Other	-
Net Change in Total Pension Liability	(1,346)
Total Pension Liability - Beginning	7,856
Total Pension Liability - Ending	$ 6,510
Covered-employee payroll	$ 16,941
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	38.43%

N/A indicates data not available.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Changes in Total Pension Liability and Related Ratios
Western Washington University
Fiscal Year Ended and Measurement Date June 30*
(expressed in thousands)

	2017
Total Pension Liability	
Service cost	$ 1,057
Interest	842
Changes of benefit terms	-
Differences between expected and actual experience	(5,278)
Changes in assumptions	(2,126)
Benefit payments	(298)
Other	-
Net Change in Total Pension Liability	(5,803)
Total Pension Liability - Beginning	28,623
Total Pension Liability - Ending	$ 22,820
Covered-employee payroll	$ 55,840
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	40.87%

N/A indicates data not available.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Total Pension Liability and Related Ratios
State Board for Community and Technical Colleges
Fiscal Year Ended and Measurement Date June 30*
(expressed in thousands)

	2017
Total Pension Liability	
Service cost	$ 5,417
Interest	3,514
Changes of benefit terms	-
Differences between expected and actual experience	(25,336)
Changes in assumptions	(5,980)
Benefit payments	(902)
Other	-
Net Change in Total Pension Liability	(23,287)
Total Pension Liability - Beginning	118,337
Total Pension Liability - Ending	$ 95,050
Covered-employee payroll	$ 375,725
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	25.30%

N/A indicates data not available.
*This schedule is to be built prospectively until it contains ten years of data.
Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Higher Education Supplemental Defined Benefit Plans
Notes to Required Supplementary Information

The Higher Education Supplemental Retirement Plans are financed on a pay-as-you-go basis. State institutions of higher education make direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals. No assets are accumulated in trusts or equivalent arrangements.

Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, salary growth, and the variable income investment return.

OTHER POSTEMPLOYMENT BENEFITS INFORMATION

Schedule of Funding Progress
Other Postemployment Benefits
(expressed in millions)

	2017	2015	2013
Actuarial valuation date	1/1/2017	1/1/2015	1/1/2013
Actuarial value of plan assets	$ -	$ -	$ -
Actuarial accrued liability (AAL)*	5,480	5,274	3,707
Unfunded actuarial accrued liability (UAAL)	5,480	5,274	3,707
Funded ratio	0%	0%	0%
Covered payroll	6,511	6,219	5,787
UAAL as a percentage of covered payroll	84%	85%	64%

* Based on projected unit credit actuarial cost method.

Source: Washington State Office of the State Actuary

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

Condition Assessment

The state of Washington reports certain networks of infrastructure assets under the modified approach of the Governmental Accounting Standards Board Statement No. 34. Expenditures to maintain and preserve these assets are budgeted, recorded, and reported in lieu of depreciation expense. The state must meet the following requirements to report networks of assets under the modified approach:

- Maintain an up-to-date inventory of eligible infrastructure assets in an asset management system.
- Disclose the condition level established by administrative or executive policy, or by legislative action at which assets are to be preserved or maintained.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Document that assets are being preserved approximately at or above the disclosed condition level.
- Annually estimate the cost to maintain and preserve the assets at the established condition level.

Assets accounted for under the modified approach include the state's network of highway pavements, bridges, and rest areas. In fiscal year 2017, the state was responsible to maintain and preserve 20,797 pavement lane miles, 3,312 bridges and tunnels, and 47 rest areas.

PAVEMENT CONDITION

The Washington State Department of Transportation (WSDOT) performs highway pavement assessments over a two year cycle utilizing three measurements to develop a scaled condition assessment: Pavement Structural Condition (PSC), International Roughness Index (IRI), and rutting.

The WSDOT uses the following rating scale for PSC:

Category	PSC Range	Description
Very Good	80 – 100	Little or no distress. Example: Flexible pavement with 5% of wheel track length having "hairline" severity alligator cracking will have a PSC of 80.
Good	60 – 79	Early stage deterioration. Example: Flexible pavement with 15% of wheel track length having "hairline" alligator cracking will have a PSC of 70.
Fair	40 – 59	This is the threshold value for rehabilitation. Example: Flexible pavement with 25% of wheel track length having "hairline" alligator cracking will have a PSC of 50.
Poor	20 – 39	Structural deterioration. Example: Flexible pavement with 25% of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 30.
Very Poor	0 – 19	Advanced structural deterioration. Example: Flexible pavement with 40% of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 10. May require extensive repair and thicker overlays.

The IRI scale is measured in inches per mile. The WSDOT assesses pavements with a ride performance measure less than 221 inches per mile to be in fair or better condition.

Rutting is measured in inches with a measurement of 0.58 inches or less assessed at a condition of fair or better.

PSC, IRI, and rutting are combined to rate a section of pavement which is assigned the lowest condition of any of the three indices.

The following table shows the combined conditions and the ratings for each index:

Category	PSC	IRI	Rutting
Very Good	80 – 100	< 96	< 0.24
Good	60 – 79	96 – 170	0.24 – 0.41
Fair	40 – 59	171 – 220	0.42 – 0.58
Poor	20 – 39	221 – 320	0.59 – 0.74
Very Poor	0 – 19	> 320	> 0.74

The WSDOT's policy is to maintain 85 percent of pavements at a condition level of fair or better. The following table shows pavement condition ratings for state highways:

Pavements Percentage in Fair or Better Condition* Two Year Cycle Ending Calendar Year			
2015	**2013**	**2011**	**Average of Last Three Assessments**
93.2%	92.8%	91.2%	92.4%

* The percentage for 2011 is based solely on number of lane miles, whereas 2013 and 2015 are based on vehicle miles traveled. Vehicle miles traveled are key data for highway planning and management, and a common measure of roadway use.

The following table reflects the state's estimated and actual expenditures necessary to preserve state highways at the established condition level:

Pavements Preservation and Maintenance - Planned to Actual - Fiscal Year *(expressed in thousands)*					
	2017	**2016**	**2015**	**2014**	**2013**
Planned	$ 304,040	$ 160,423	$ 173,716	$ 122,868	$ 137,779
Actual	264,315	161,211	142,789	143,598	108,972
Variance	$ 39,725	$ (788)	$ 30,927	$ (20,730)	$ 28,807
	13.1%	-0.5%	17.8%	-16.9%	20.9%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about pavements, refer to the WSDOT's website at: http://www.wsdot.wa.gov/Business/MaterialsLab/Pavements/default.htm.

BRIDGE CONDITION

The WSDOT performs sample condition assessments on state owned bridges in excess of 20 feet in length each year with all bridges inspected over a two year cycle. Underwater bridge components are inspected at least once every five years in accordance with Federal Highway Administration (FHWA) requirements.

The WSDOT uses a performance measure established in FHWA's "Recording and Coding Guide for the Structural Inventory and Appraisal of the Nation's Bridges," which classifies the physical condition of bridges as good, fair, or poor based on structural sufficiency standards for the following bridge components: bridge superstructure, substructure, and deck. The appraisal data is collected in the National Bridge Inventory (NBI) and assigned a code from 0 to 9, with 0 being in a failed condition and 9 being in excellent condition.

Category	National Bridge Inventory Code	Description
Good	7 or more	A range from no problems noted to some minor problems.
Fair	5 or 6	All primary structural elements are sound but may have deficiencies such as minor section loss, deterioration, cracking, spalling, or scour.
Poor	4 or less	Advanced deficiencies such as section loss, deterioration, cracking, spalling, scour, or seriously affected primary structural components.

The WSDOT's policy is to maintain 90 percent of bridges at a condition level of fair or better. The following table shows condition ratings for state bridges:

Bridges Percentage in Fair or Better Condition Two Year Cycle Ending Fiscal Year			
2017	**2015**	**2013**	**Average of Last Three Assessments**
91.8%	92.1%	91.4%	91.8%

The following table reflects the state's estimated and actual expenditures necessary to preserve the bridges at the established condition level:

Bridges Preservation and Maintenance - Planned to Actual - Fiscal Year *(expressed in thousands)*					
	2017	**2016**	**2015**	**2014**	**2013**
Planned	$ 45,891	$ 75,160	$ 71,078	$ 92,192	$ 98,519
Actual	45,088	66,339	64,060	87,271	87,306
Variance	$ 803	$ 8,821	$ 7,018	$ 4,921	$ 11,213
	1.7%	11.7%	9.9%	5.3%	11.4%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about bridges, refer to WSDOT's website at: http://www.wsdot.wa.gov/Bridge/Structures/.

SAFETY REST AREA CONDITION

The WSDOT performs safety rest area condition assessments over a two fiscal year cycle. Sites and buildings are divided into functional components that are assessed with a numerical rating of one to five. The rating is based on guidelines and parameters established by the WSDOT Capital Facilities Program and weighted by the criticality of the functional component.

The WSDOT's policy is to maintain 95 percent of safety rest areas in a condition of fair or better. The following table shows condition ratings for safety rest areas:

Safety Rest Areas Percentage in Fair or Better Condition Two Year Cycle Ending Fiscal Year			
2017	2015	2013	Average of Last Three Assessments
100%	100%	100%	100%

The following table reflects the state's estimated and actual expenditures necessary to preserve the safety rest areas at the established condition level:

Safety Rest Areas
Preservation and Maintenance - Planned to Actual - Fiscal Year
(expressed in thousands)

	2017	2016	2015	2014	2013
Planned	$ 9,964	$ 7,204	$ 8,463	$ 7,488	$ 6,607
Actual	8,011	7,185	8,369	7,591	6,676
Variance	$ 1,953	$ 19	$ 94	$ (103)	$ (69)
	19.6%	0.3%	1.1%	-1.4%	-1.0%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about safety rest areas, refer to WSDOT's website at: http://www.wsdot.wa.gov/safety/restareas.

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OTHER SUPPLEMENTARY INFORMATION

Nonmajor Funds
Combining Financial Statements

Nonmajor
Governmental Funds

The Nonmajor Governmental Funds fall into the four categories as described below:

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

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

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

Permanent Funds
Permanent Funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the state or its citizenry. The Common School Permanent Fund, the state's only Nonmajor Permanent Fund, accounts for the principal derived from the sale of timber. Interest earned is used for the benefit of common schools.

NONMAJOR GOVERNMENTAL FUNDS

Combining Balance Sheet - by Fund Type

June 30, 2017

(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Cash and cash equivalents	$ 3,041,707	$ 311,419	$ 142,727	$ 98	$ 3,495,951
Investments	130,850	-	8,855	219,307	359,012
Taxes receivable (net of allowance)	204,705	-	-	-	204,705
Receivables (net of allowance)	799,344	18,378	27,996	766	846,484
Due from other funds	458,797	2,424	53,578	-	514,799
Due from other governments	2,607,653	-	14,012	-	2,621,665
Inventories and prepaids	47,327	-	-	-	47,327
Restricted cash and investments	34,463	37,713	27,252	-	99,428
Restricted receivables	168	-	-	-	168
Total Assets	7,325,014	369,934	274,420	220,171	8,189,539
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on hedging derivatives	373	-	-	-	373
Total Deferred Outflows of Resources	373	-	-	-	373
Total Assets and Deferred Outflows of Resources	$ 7,325,387	$ 369,934	$ 274,420	$ 220,171	$ 8,189,912
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 359,311	$ -	$ 99,081	$ -	$ 458,392
Contracts payable	31,317	-	13,980	-	45,297
Accrued liabilities	142,174	1,058	30,753	4	173,989
Obligations under security lending agreements	38,749	5,552	423	-	44,724
Due to other funds	622,924	1,132	62,889	751	687,696
Due to other governments	190,390	-	34,668	-	225,058
Unearned revenue	62,086	-	7,657	-	69,743
Claims and judgments payable	129,952	-	-	-	129,952
Total Liabilities	1,576,903	7,742	249,451	755	1,834,851
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	138,698	-	8,358	-	147,056
Total Deferred Inflows of Resources	138,698	-	8,358	-	147,056
FUND BALANCES					
Nonspendable fund balance	41,567	-	-	210,225	251,792
Restricted fund balance	2,725,315	64,295	62,915	9,191	2,861,716
Committed fund balance	2,842,904	297,912	23,701	-	3,164,517
Unassigned fund balance	-	(15)	(70,005)	-	(70,020)
Total Fund Balances	5,609,786	362,192	16,611	219,416	6,208,005
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 7,325,387	$ 369,934	$ 274,420	$ 220,171	$ 8,189,912

NONMAJOR GOVERNMENTAL FUNDS

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

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
REVENUES					
Retail sales and use taxes	$ 141,662	$ -	$ -	$ -	$ 141,662
Business and occupation taxes	4,395	-	-	-	4,395
Excise taxes	362,005	-	-	-	362,005
Motor vehicle and fuel taxes	1,679,626	-	-	-	1,679,626
Other taxes	261,842	-	-	-	261,842
Licenses, permits, and fees	1,775,941	-	-	-	1,775,941
Other contracts and grants	247,608	-	12,615	-	260,223
Timber sales	104,206	-	7,815	5	112,026
Federal grants-in-aid	1,290,066	-	567	2	1,290,635
Charges for services	601,479	23,385	83,032	-	707,896
Investment income (loss)	26,011	(765)	(140)	10,473	35,579
Miscellaneous revenue	384,234	78,586	9,911	1,160	473,891
Total Revenues	6,879,075	101,206	113,800	11,640	7,105,721
EXPENDITURES					
Current:					
General government	398,363	154	166,273	38	564,828
Human services	1,054,234	-	13,254	-	1,067,488
Natural resources and recreation	598,786	-	153,208	-	751,994
Transportation	2,005,980	-	-	-	2,005,980
Education	175,566	-	434,066	-	609,632
Intergovernmental	374,071	-	-	-	374,071
Capital outlays	1,374,272	-	690,092	-	2,064,364
Debt service:					
Principal	16,746	1,064,489	6,126	-	1,087,361
Interest	3,222	1,002,832	8,596	-	1,014,650
Total Expenditures	6,001,240	2,067,475	1,471,615	38	9,540,368
Excess of Revenues Over (Under) Expenditures	877,835	(1,966,269)	(1,357,815)	11,602	(2,434,647)
OTHER FINANCING SOURCES (USES)					
Bonds issued	249,295	-	826,223	-	1,075,518
Refunding bonds issued	-	964,470	-	-	964,470
Payments to escrow agents for refunded bond debt	-	(1,184,067)	-	-	(1,184,067)
Issuance premiums	59,555	223,152	182,976	-	465,683
Issuance discounts	-	-	(62)	-	(62)
Other debt issued	13,634	-	17,000	-	30,634
Refunding COPs issued	2,860	-	-	-	2,860
Payment to escrow agents for refunded COP debt	(1,129)	-	-	-	(1,129)
Transfers in	606,762	1,986,206	241,862	-	2,834,830
Transfers out	(1,714,083)	(47,101)	(91,701)	(6,597)	(1,859,482)
Total Other Financing Sources (Uses)	(783,106)	1,942,660	1,176,298	(6,597)	2,329,255
Net Change in Fund Balances	94,729	(23,609)	(181,517)	5,005	(105,392)
Fund Balances - Beginning	5,515,057	385,801	198,128	214,411	6,313,397
Fund Balances - Ending	$ 5,609,786	$ 362,192	$ 16,611	$ 219,416	$ 6,208,005

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Nonmajor
Special Revenue Funds

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

Motor Vehicle Fund
The Motor Vehicle Fund accounts for highway activities of the Washington State Patrol; operations of the state ferry system; completion and preservation of the interstate system; other transportation improvements; and maintenance of non-interstate highways and bridges.

Multimodal Transportation Fund
The Multimodal Transportation Fund accounts for activities relating to drivers' licensing; driver improvement and financial responsibility; maintenance of driving records; charges for transportation services; and other highway and non-highway operations and capital improvements.

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

Human Services Fund
The Human Services Fund accounts for activities related to safe and reliable drinking water; life sciences research; housing for persons and families with special housing needs; community awareness and support; and the collection of tobacco settlement monies.

Wildlife and Natural Resources Fund
The Wildlife and Natural Resources Fund accounts for the protection, management, and remediation programs of the state's wildlife, habitats, and natural resources, including forests, water, and parks.

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

NONMAJOR SPECIAL REVENUE FUNDS

Combining Balance Sheet

June 30, 2017

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Central Administrative and Regulatory	Human Services
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and cash equivalents	$ 1,051,918	$ 404,044	$ 403,560	$ 415,255
Investments	-	-	1,144	42,426
Taxes receivable (net of allowance)	167,890	35	5,768	30,938
Receivables (net of allowance)	55,264	17,756	107,532	493,724
Due from other funds	220,600	17,901	19,403	109,758
Due from other governments	81,066	150,506	24,120	571,595
Inventories and prepaids	42,452	273	4,240	15
Restricted cash and investments	15,987	13,411	5,065	-
Restricted receivables	71	-	-	-
Total Assets	1,635,248	603,926	570,832	1,663,711
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on hedging derivatives	373	-	-	-
Total Deferred Outflows of Resources	373	-	-	-
Total Assets and Deferred Outflows of Resources	$ 1,635,621	$ 603,926	$ 570,832	$ 1,663,711
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 184,801	$ 80,241	$ 15,749	$ 50,260
Contracts payable	80	501	1,978	5,032
Accrued liabilities	99,052	5,226	5,469	13,592
Obligations under security lending agreements	17,884	6,974	1,270	2,846
Due to other funds	216,492	31,566	23,092	289,976
Due to other governments	75,546	80,439	1,897	25,504
Unearned revenue	6,629	24,338	13,919	1,984
Claims and judgments payable	-	-	129,952	-
Total Liabilities	600,484	229,285	193,326	389,194
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	39,951	6,071	3,635	-
Total Deferred Inflows of Resources	39,951	6,071	3,635	-
FUND BALANCES				
Nonspendable fund balance	40,860	273	77	10
Restricted fund balance	911,047	101,189	8,025	499,534
Committed fund balance	43,279	267,108	365,769	774,973
Total Fund Balances	995,186	368,570	373,871	1,274,517
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,635,621	$ 603,926	$ 570,832	$ 1,663,711

Wildlife and Natural Resources	Local Construction and Loan	Total
$ 630,081	$ 136,849	$ 3,041,707
-	87,280	130,850
-	74	204,705
77,981	47,087	799,344
89,632	1,503	458,797
879,459	900,907	2,607,653
347	-	47,327
-	-	34,463
97	-	168
1,677,597	1,173,700	7,325,014
-	-	373
-	-	373
$ 1,677,597	$ 1,173,700	$ 7,325,387
$ 26,978	$ 1,282	$ 359,311
17,379	6,347	31,317
17,903	932	142,174
5,982	3,793	38,749
60,508	1,290	622,924
5,766	1,238	190,390
15,216	-	62,086
-	-	129,952
149,732	14,882	1,576,903
52,322	36,719	138,698
52,322	36,719	138,698
347	-	41,567
1,092,117	113,403	2,725,315
383,079	1,008,696	2,842,904
1,475,543	1,122,099	5,609,786
$ 1,677,597	$ 1,173,700	$ 7,325,387

NONMAJOR SPECIAL REVENUE FUNDS

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

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Central Administrative and Regulatory	Human Services
REVENUES				
Retail sales and use taxes	$ -	$ 81,414	$ 60,201	$ -
Business and occupation taxes	-	-	-	465
Excise taxes	-	104	288	340,381
Motor vehicle and fuel taxes	1,655,335	2,786	-	-
Other taxes	22	-	112,573	21,190
Licenses, permits, and fees	511,132	290,649	285,771	520,123
Other contracts and grants	96,350	69,750	4,061	75,500
Timber sales	13	-	2,871	-
Federal grants-in-aid	407,771	548,845	69,975	232,523
Charges for services	290,216	78,614	79,730	142,075
Investment income (loss)	943	591	19,576	4,733
Miscellaneous revenue	44,551	31,033	27,317	93,361
Total Revenues	3,006,333	1,103,786	662,363	1,430,351
EXPENDITURES				
Current:				
General government	4,850	262	305,779	77,280
Human services	-	-	10,398	1,040,459
Natural resources and recreation	1,556	-	20,106	928
Transportation	1,329,768	625,741	39,317	10,428
Education	100	-	51,111	79,931
Intergovernmental	255,885	8,031	108,636	1,461
Capital outlays	1,026,898	308,277	6,714	2,687
Debt service:				
Principal	9,702	375	4,914	122
Interest	750	47	1,709	44
Total Expenditures	2,629,509	942,733	548,684	1,213,340
Excess of Revenues Over (Under) Expenditures	376,824	161,053	113,679	217,011
OTHER FINANCING SOURCES (USES)				
Bonds issued	158,925	90,370	-	-
Issuance premiums	36,778	20,642	33	78
Issuance discounts	-	-	-	-
Other debt issued	2,874	-	231	-
Refunding COPs issued	1,795	-	-	1,065
Payment to escrow agents for refunded COP debt	-	-	-	(1,129)
Transfers in	191,456	81,896	61,996	171,624
Transfers out	(775,967)	(248,604)	(163,919)	(379,012)
Total Other Financing Sources (Uses)	(384,139)	(55,696)	(101,659)	(207,374)
Net Change in Fund Balances	(7,315)	105,357	12,020	9,637
Fund Balances - Beginning	1,002,501	263,213	361,851	1,264,880
Fund Balances - Ending	$ 995,186	$ 368,570	$ 373,871	$ 1,274,517

Wildlife and Natural Resources	Local Construction and Loan	Total
$ 47	$ -	$ 141,662
3,930	-	4,395
-	21,232	362,005
21,505	-	1,679,626
128,057	-	261,842
168,208	58	1,775,941
1,947	-	247,608
72,295	29,027	104,206
30,952	-	1,290,066
10,844	-	601,479
156	12	26,011
159,068	28,904	384,234
597,009	79,233	6,879,075
1,045	9,147	398,363
3,377	-	1,054,234
571,556	4,640	598,786
726	-	2,005,980
1,926	42,498	175,566
58	-	374,071
29,600	96	1,374,272
1,633	-	16,746
672	-	3,222
610,593	56,381	6,001,240
(13,584)	22,852	877,835
-	-	249,295
2,024	-	59,555
-	-	-
10,529	-	13,634
-	-	2,860
-	-	(1,129)
92,009	7,781	606,762
(77,972)	(68,609)	(1,714,083)
26,590	(60,828)	(783,106)
13,006	(37,976)	94,729
1,462,537	1,160,075	5,515,057
$ 1,475,543	$ 1,122,099	$ 5,609,786

NONMAJOR SPECIAL REVENUE FUNDS

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

For the Biennium Ended June 30, 2017

(expressed in thousands)

	Motor Vehicle			
	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 703,148	$ 703,148	$ 703,148	$ -
Resources				
Taxes	2,509,620	2,789,176	2,758,508	(30,668)
Licenses, permits, and fees	1,003,451	1,048,237	864,737	(183,500)
Other contracts and grants	195,339	204,358	177,354	(27,004)
Timber sales	-	-	13	13
Federal grants-in-aid	1,005,139	1,064,669	870,276	(194,393)
Charges for services	544,669	573,272	567,250	(6,022)
Investment income (loss)	11,798	11,857	13,062	1,205
Miscellaneous revenue	68,596	74,519	85,899	11,380
Transfers from other funds	249,091	563,057	407,377	(155,680)
Total Resources	6,290,851	7,032,293	6,447,624	(584,669)
Charges To Appropriations				
General government	12,743	18,676	14,503	4,173
Human services	-	-	-	-
Natural resources and recreation	2,198	2,656	2,645	11
Transportation	1,833,107	1,894,761	1,862,072	32,689
Education	-	100	100	-
Capital outlays	3,199,520	3,325,420	2,739,966	585,454
Transfers to other funds	1,484,327	1,712,189	1,529,818	182,371
Total Charges To Appropriations	6,531,895	6,953,802	6,149,104	804,698
Excess Available For Appropriation Over (Under) Charges To Appropriations	(241,044)	78,491	298,520	220,029
Reconciling Items				
Debt service	-	-	(14)	(14)
Bond sale proceeds	1,113,294	689,820	546,010	(143,810)
Issuance premiums	-	74,123	110,477	36,354
Refunding COPs Issued	-	-	1,795	1,795
Payments to refunded COP escrow agents	-	-	-	-
Noncash activity (net)	-	-	(8,072)	(8,072)
Nonappropriated fund balances	-	-	3,559	3,559
Changes in reserves (net)	-	-	2,051	2,051
Total Reconciling Items	1,113,294	763,943	655,806	(108,137)
Budgetary Fund Balance, June 30	$ 872,250	$ 842,434	$ 954,326	$ 111,892

Continued

Multimodal Transportation				Central Administrative and Regulatory			
Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
$ 202,811	$ 202,811	$ 202,811	$ -	$ 227,593	$ 227,593	$ 227,593	$ -
139,334	152,171	151,556	(615)	90,558	109,688	2,831	(106,857)
470,983	492,169	487,932	(4,237)	534,966	537,586	457,148	(80,438)
1,643	89,396	280	(89,116)	5,713	7,401	-	(7,401)
-	-	-	-	7,984	5,118	4,857	(261)
632,733	885,562	662,451	(223,111)	228,877	193,734	63,212	(130,522)
151,821	151,862	150,288	(1,574)	134,822	141,123	34,007	(107,116)
3,776	3,884	4,043	159	33,496	33,500	36,094	2,594
53,673	58,246	49,770	(8,476)	31,728	48,460	21,253	(27,207)
96,726	117,491	101,016	(16,475)	40,638	108,989	51,610	(57,379)
1,753,500	2,153,592	1,810,147	(343,445)	1,336,375	1,413,192	898,605	(514,587)
-	918	487	431	464,635	525,764	433,549	92,215
-	-	-	-	8,006	10,956	9,856	1,100
-	-	-	-	18,951	39,783	35,071	4,712
523,983	521,135	469,687	51,448	72,160	70,027	62,121	7,906
-	-	-	-	208	208	47	161
1,026,458	859,873	761,816	98,057	27,475	20,198	12,441	7,757
250,702	410,687	472,986	(62,299)	289,646	300,753	203,872	96,881
1,801,143	1,792,613	1,704,976	87,637	881,081	967,689	756,957	210,732
(47,643)	360,979	105,171	(255,808)	455,294	445,503	141,648	(303,855)
-	-	-	-	-	-	-	-
280,944	196,440	195,171	(1,269)	-	-	-	-
-	-	20,642	20,642	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	2,350	2,350	-	-	5,135	5,135
-	-	42,745	42,745	-	-	221,840	221,840
-	-	2,218	2,218	-	-	5,171	5,171
280,944	196,440	263,126	66,686	-	-	232,146	232,146
$ 233,301	$ 557,419	$ 368,297	$ (189,122)	$ 455,294	$ 445,503	$ 373,794	$ (71,709)

NONMAJOR SPECIAL REVENUE FUNDS

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

For the Biennium Ended June 30, 2017

(expressed in thousands)

	Human Services			
	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 1,081,349	$ 1,081,349	$ 1,081,349	$ -
Resources				
Taxes	458,045	563,518	591,951	28,433
Licenses, permits, and fees	1,049,771	1,046,871	1,017,383	(29,488)
Other contracts and grants	160,065	160,873	2,531	(158,342)
Timber sales	-	-	-	-
Federal grants-in-aid	538,570	504,800	329,577	(175,223)
Charges for services	468,708	511,685	276,004	(235,681)
Investment income (loss)	5,107	1,525	1,839	314
Miscellaneous revenue	477,042	233,133	200,031	(33,102)
Transfers from other funds	663,664	546,246	166,789	(379,457)
Total Resources	4,902,321	4,650,000	3,667,454	(982,546)
Charges To Appropriations				
General government	134,992	144,848	133,604	11,244
Human services	1,587,421	1,610,920	1,556,947	53,973
Natural resources and recreation	1,790	1,792	1,756	36
Transportation	19,735	19,445	18,633	812
Education	31,610	31,610	25,694	5,916
Capital outlays	464,307	467,717	155,411	312,306
Transfers to other funds	955,702	716,172	770,617	(54,445)
Total Charges To Appropriations	3,195,557	2,992,504	2,662,662	329,842
Excess Available For Appropriation Over (Under) Charges To Appropriations	1,706,764	1,657,496	1,004,792	(652,704)
Reconciling Items				
Debt service	-	-	(11)	(11)
Bond sale proceeds	-	-	-	-
Issuance premiums	-	-	78	78
Refunding COPs Issued	-	-	1,065	1,065
Payments to refunded COP escrow agents	-	-	(1,129)	(1,129)
Noncash activity (net)	-	-	57,422	57,422
Nonappropriated fund balances	-	-	106,400	106,400
Changes in reserves (net)	-	-	105,890	105,890
Total Reconciling Items	-	-	269,715	269,715
Budgetary Fund Balance, June 30	$ 1,706,764	$ 1,657,496	$ 1,274,507	$ (382,989)

Concluded

	Wildlife and Natural Resources				Local Construction and Loan			
	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
	$ 1,339,748	$ 1,339,748	$ 1,339,748	$ -	$ 1,131,228	$ 1,131,228	$ 1,131,228	$ -
	378,582	280,446	290,315	9,869	29,536	38,202	40,329	2,127
	321,664	324,249	207,454	(116,795)	349	262	-	(262)
	7,536	6,673	3,700	(2,973)	-	-	-	-
	178,481	172,340	101,442	(70,898)	98,849	76,691	70,980	(5,711)
	154,970	86,666	94,987	8,321	-	-	-	-
	23,567	21,061	21,099	38	-	-	-	-
	6,694	6,676	4,812	(1,864)	488	711	1,627	916
	607,894	343,189	347,936	4,747	584,037	279,283	366,727	87,444
	211,852	235,102	228,803	(6,299)	16,540	26,540	16,601	(9,939)
	3,230,988	2,816,150	2,640,296	(175,854)	1,861,027	1,552,917	1,627,492	74,575
	1,101	1,609	879	730	8,196	8,207	7,906	301
	6,944	6,946	6,655	291	-	-	-	-
	775,512	800,470	727,337	73,133	7,600	7,600	5,389	2,211
	1,567	1,619	1,505	114	-	-	-	-
	1,942	2,042	2,038	4	-	-	-	-
	1,134,029	1,098,007	484,285	613,722	589,418	621,711	121,477	500,234
	194,371	211,094	210,937	157	106,102	122,065	121,568	497
	2,115,466	2,121,787	1,433,636	688,151	711,316	759,583	256,340	503,243
	1,115,522	694,363	1,206,660	512,297	1,149,711	793,334	1,371,152	577,818
	-	(10)	(10)	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	296	296	-	-	-	-	-
	-	1,625	1,625	-	-	-	-	-
	-	(2,083)	(2,083)	-	-	-	-	-
	-	-	(9,394)	(9,394)	-	-	(35,932)	(35,932)
	-	-	79,157	79,157	-	-	231	231
	-	-	198,945	198,945	-	-	(213,352)	(213,352)
	-	(172)	268,536	268,708	-	-	(249,053)	(249,053)
	$ 1,115,522	$ 694,191	$ 1,475,196	$ 781,005	$ 1,149,711	$ 793,334	$ 1,122,099	$ 328,765

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Nonmajor
Debt Service Funds

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

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

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

Tobacco Settlement Securitization Bond Fund
The Tobacco Settlement Securitization Bond Fund accounts for the accumulation of resources for, and the payment of, principal and interest on revenue bonds issued by the Tobacco Settlement Authority, a blended component unit of the state.

Transportation Revenue Bond Fund
The Transportation Revenue Bond Fund accounts for the accumulation of resources for, and the payment of, transportation revenue bond principal and interest.

NONMAJOR DEBT SERVICE FUNDS

Combining Balance Sheet

June 30, 2017

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Transportation Revenue Bond	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Cash and cash equivalents	$ 8,939	$ 293,745	$ 193	$ 8,542	$ 311,419
Receivables (net of allowance)	-	395	17,983	-	18,378
Due from other funds	1,880	541	-	3	2,424
Restricted cash and investments	-	-	37,713	-	37,713
Total Assets	$ 10,819	$ 294,681	$ 55,889	$ 8,545	$ 369,934
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accrued liabilities	$ 2	$ 1,048	$ 8	$ -	$ 1,058
Obligations under security lending agreements	404	5,002	-	146	5,552
Due to other funds	489	643	-	-	1,132
Total Liabilities	895	6,693	8	146	7,742
FUND BALANCES					
Restricted fund balance	-	-	55,881	8,414	64,295
Committed fund balance	9,924	287,988	-	-	297,912
Unassigned fund balance	-	-	-	(15)	(15)
Total Fund Balances	9,924	287,988	55,881	8,399	362,192
Total Liabilities and Fund Balances	$ 10,819	$ 294,681	$ 55,889	$ 8,545	$ 369,934

NONMAJOR DEBT SERVICE FUNDS

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

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Transportation Revenue Bond	Total
REVENUES					
Charges for services	$ 23,385	$ -	$ -	$ -	$ 23,385
Investment income (loss)	(1)	(989)	146	79	(765)
Miscellaneous revenue	4	38,479	40,103	-	78,586
Total Revenues	23,388	37,490	40,249	79	101,206
EXPENDITURES					
Current:					
General government	-	-	154	-	154
Debt service:					
Principal	661,676	291,363	33,050	78,400	1,064,489
Interest	590,689	336,323	12,324	63,496	1,002,832
Total Expenditures	1,252,365	627,686	45,528	141,896	2,067,475
Excess of Revenues Over (Under) Expenditures	(1,228,977)	(590,196)	(5,279)	(141,817)	(1,966,269)
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	668,380	296,090	-	-	964,470
Payments to escrow agents for refunded bond debt	(815,495)	(368,572)	-	-	(1,184,067)
Issuance premiums	149,719	73,433	-	-	223,152
Issuance discounts	-	-	-	-	-
Transfers in	1,255,363	583,908	-	146,935	1,986,206
Transfers out	(45,916)	-	-	(1,185)	(47,101)
Total Other Financing Sources (Uses)	1,212,051	584,859	-	145,750	1,942,660
Net Change in Fund Balances	(16,926)	(5,337)	(5,279)	3,933	(23,609)
Fund Balances - Beginning	26,850	293,325	61,160	4,466	385,801
Fund Balances - Ending	$ 9,924	$ 287,988	$ 55,881	$ 8,399	$ 362,192

NONMAJOR DEBT SERVICE FUNDS

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

For the Biennium Ended June 30, 2017

(expressed in thousands)

	General Obligation Bond			
	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 15	$ 15	$ 15	$ -
Resources				
Charges for services	42,582	46,670	-	(46,670)
Investment income (loss)	433	431	-	(431)
Miscellaneous revenue	7	15	-	(15)
Transfers from other funds	273,024	281,289	206,249	(75,040)
Total Resources	316,061	328,420	206,264	(122,156)
Charges To Appropriations				
General government	207,952	206,447	206,249	198
Transfers to other funds	95,706	63,797	-	63,797
Total Charges To Appropriations	303,658	270,244	206,249	63,995
Excess Available For Appropriation Over (Under) Charges To Appropriations	12,403	58,176	15	(58,161)
Reconciling Items				
Debt service	-	(1,909)	(4,513)	(2,604)
Proceeds of refunding bonds	-	(147,642)	1,385,515	1,533,157
Payments to escrow agents for refunded bond debt	-	-	(1,680,272)	(1,680,272)
Issuance premiums	-	149,551	299,271	149,720
Noncash activity (net)	-	-	(65)	(65)
Nonappropriated fund balances	-	-	9,973	9,973
Total Reconciling Items	-	-	9,909	9,909
Budgetary Fund Balance, June 30	$ 12,403	$ 58,176	$ 9,924	$ (48,252)

Transportation General Obligation Bond				Transportation Revenue Bond			
Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
$ 259,345	$ 259,345	$ 259,345	$ -	$ 2,229	$ 2,229	$ 2,229	$ -
-	-	-	-	-	-	-	-
1,585	1,579	1,776	197	108	107	165	58
-	53,757	64,604	10,847	-	-	-	-
1,311,142	1,349,111	1,181,802	(167,309)	284,996	372,576	275,275	(97,301)
1,572,072	1,663,792	1,507,527	(156,265)	287,333	374,912	277,669	(97,243)
1,215,286	1,218,752	1,218,731	21	275,977	268,066	268,065	1
-	64,605	-	64,605	-	-	1,185	1,185
1,215,286	1,283,357	1,218,731	64,626	275,977	268,066	269,250	1,186
356,786	380,435	288,796	(91,639)	11,356	106,846	8,419	(96,057)
-	(657)	(1,608)	(951)	-	-	-	-
-	(31,882)	439,825	471,707	-	-	-	-
-	-	(544,189)	(544,189)	-	-	-	-
-	32,540	105,972	73,432	-	-	-	-
-	-	(808)	(808)	-	-	(20)	(20)
-	-	-	-	-	-	-	-
-	1	(808)	(809)	-	-	(20)	(20)
$ 356,786	$ 380,436	$ 287,988	$ (92,448)	$ 11,356	$ 106,846	$ 8,399	$ (96,077)

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Nonmajor
Capital Projects Funds

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

State Facilities Fund
The State Facilities Fund accounts for the acquisition, construction, and remodeling of state buildings.

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

NONMAJOR CAPITAL PROJECTS FUNDS

Combining Balance Sheet

June 30, 2017

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Cash and cash equivalents	$ 45,342	$ 97,385	$ 142,727
Investments	-	8,855	8,855
Receivables (net of allowance)	19,777	8,219	27,996
Due from other funds	48,401	5,177	53,578
Due from other governments	2,105	11,907	14,012
Restricted cash and investments	6,702	20,550	27,252
Total Assets	$ 122,327	$ 152,093	$ 274,420
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 64,566	$ 34,515	$ 99,081
Contracts payable	13,816	164	13,980
Accrued liabilities	22,206	8,547	30,753
Obligations under security lending agreements	81	342	423
Due to other funds	46,006	16,883	62,889
Due to other governments	34,668	-	34,668
Unearned revenue	3,969	3,688	7,657
Total Liabilities	185,312	64,139	249,451
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	7,020	1,338	8,358
Total Deferred Inflows of Resources	7,020	1,338	8,358
FUND BALANCES			
Restricted fund balance	-	62,915	62,915
Committed fund balance	-	23,701	23,701
Unassigned fund balance	(70,005)	-	(70,005)
Total Fund Balances	(70,005)	86,616	16,611
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 122,327	$ 152,093	$ 274,420

NONMAJOR CAPITAL PROJECTS FUNDS

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

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
REVENUES			
Other contracts and grants	$ 320	$ 12,295	$ 12,615
Timber sales	7,815	-	7,815
Federal grants-in-aid	-	567	567
Charges for services	-	83,032	83,032
Investment income (loss)	(3)	(137)	(140)
Miscellaneous revenue	5,338	4,573	9,911
Total Revenues	13,470	100,330	113,800
EXPENDITURES			
Current:			
General government	166,273	-	166,273
Human services	13,254	-	13,254
Natural resources and recreation	153,208	-	153,208
Education	312,186	121,880	434,066
Capital outlays	458,022	232,070	690,092
Debt service:			
Principal	-	6,126	6,126
Interest	-	8,596	8,596
Total Expenditures	1,102,943	368,672	1,471,615
Excess of Revenues Over (Under) Expenditures	(1,089,473)	(268,342)	(1,357,815)
OTHER FINANCING SOURCES (USES)			
Bonds issued	826,223	-	826,223
Other debt issued	-	17,000	17,000
Issuance premiums	182,976	-	182,976
Issuance discounts	(62)	-	(62)
Transfers in	719	241,143	241,862
Transfers out	(5,275)	(86,426)	(91,701)
Total Other Financing Sources (Uses)	1,004,581	171,717	1,176,298
Net Change in Fund Balances	(84,892)	(96,625)	(181,517)
Fund Balances - Beginning	14,887	183,241	198,128
Fund Balances - Ending	$ (70,005)	$ 86,616	$ 16,611

NONMAJOR CAPITAL PROJECTS FUNDS

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

For the Biennium Ended June 30, 2017

(expressed in thousands)

	State Facilities			
	Original Budget 2015-17 Biennium	**Final Budget 2015-17 Biennium**	**Actual 2015-17 Biennium**	**Variance with Final Budget**
Budgetary Fund Balance, July 1, as restated	$ (165,473)	$ (165,473)	$ (165,473)	$ -
Resources				
Other contracts and grants	-	-	320	320
Timber sales	15,873	14,108	14,114	6
Charges for services	-	-	-	-
Investment income (loss)	230	230	(34)	(264)
Miscellaneous revenue	1,162,086	1,163,286	10,188	(1,153,098)
Transfers from other funds	1,628	903	1,439	536
Total Resources	1,014,344	1,013,054	$ (139,446)	$ (1,152,500)
Charges To Appropriations				
General government	7,763	10,351	7,529	2,822
Education	-	-	-	-
Capital outlays	2,791,288	2,879,754	1,853,534	1,026,220
Transfers to other funds	143,355	65,717	12,553	53,164
Total Charges To Appropriations	2,942,406	2,955,822	1,873,616	1,082,206
Excess Available For Appropriation Over (Under) Charges To Appropriations	(1,928,062)	(1,942,768)	(2,013,062)	(70,294)
Reconciling Items				
Bond sale proceeds	2,156,993	1,970,405	1,611,754	(358,651)
Issuance premiums	-	147,999	330,975	182,976
Bond issuance discount	-	-	(62)	(62)
Noncash activity (net)	-	-	390	390
Nonappropriated fund balances	-	-	-	-
Changes in reserves (net)	-	-	-	-
Total Reconciling Items	2,156,993	2,118,404	1,943,057	(175,347)
Budgetary Fund Balance, June 30	$ 228,931	$ 175,636	$ (70,005)	$ (245,641)

Higher Education Facilities			
Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
$ 37,882	$ 37,882	$ 37,882	$ -
-	-	-	-
500	500	-	(500)
182,570	157,714	159,654	1,940
5,180	355	350	(5)
384	451	337	(114)
79,267	91,343	82,597	(8,746)
305,783	288,245	280,820	(7,425)
-	155	155	-
17,548	17,548	16,782	766
255,165	255,165	229,437	25,728
5,094	12,180	10,642	1,538
277,807	285,048	257,016	28,032
27,976	3,197	23,804	20,607
-	-	-	-
-	-	-	-
-	-	-	-
-	-	(57)	(57)
-	-	62,869	62,869
-	-	-	-
-	-	62,812	62,812
$ 27,976	$ 3,197	$ 86,616	$ 83,419

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Nonmajor
Enterprise Funds

Enterprise Funds account for any activity for which a fee is charged to external users for goods or services. If an activity's principal revenue source meets any one of the following criteria, it is required to be reported as an enterprise fund: (1) an activity financed with debt that is secured solely by pledge of the net revenues from fees and charges for the activity; (2) laws or regulations which require that the activity's costs of providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues; or (3) pricing policies which establish fees and charges designed to recover the activity's costs, including capital costs. The Nonmajor Enterprise Funds are as follows:

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

Institutional Fund
The Institutional Fund accounts for the enterprise activities carried out through vocational/education programs at state institutions.

Other Activities
The Other Activities Fund accounts for the operation of the pollution liability insurance program, the judicial information system, the local Certificate of Participation (COP) financing program, the local government audit program, and the Secretary of State's corporate public records program.

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Net Position

June 30, 2017

(expressed in thousands)

Continued

	Lottery	Institutional	Other Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 23,518	$ 5,754	$ 85,846	$ 115,118
Investments	14,492	-	-	14,492
Receivables (net of allowance)	24,432	1,146	538	26,116
Due from other funds	1,072	14,763	3,982	19,817
Due from other governments	3,413	185	4,399	7,997
Inventories	476	7,536	123	8,135
Prepaid expenses	54	131	23	208
Total Current Assets	67,457	29,515	94,911	191,883
Noncurrent Assets:				
Investments, noncurrent	122,831	-	-	122,831
Other noncurrent assets	5	-	-	5
Capital assets:				
Land and other non-depreciable assets	-	1,540	-	1,540
Buildings	-	12,828	-	12,828
Other improvements	889	1,628	82	2,599
Furnishings, equipment, and intangibles	1,476	26,213	12,285	39,974
Accumulated depreciation	(1,433)	(15,088)	(9,778)	(26,299)
Construction in progress	-	-	1,763	1,763
Total Noncurrent Assets	123,768	27,121	4,352	155,241
Total Assets	191,225	56,636	99,263	347,124
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on refundings	-	80	-	80
Deferred outflows on pensions	1,892	4,886	7,198	13,976
Total Deferred Outflows of Resources	1,892	4,966	7,198	14,056
Total Assets and Deferred Outflows of Resources	$ 193,117	$ 61,602	$ 106,461	$ 361,180

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Net Position

June 30, 2017

(expressed in thousands)

Concluded

	Lottery	Institutional	Other Activities	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 4,856	$ 7,932	$ 2,346	$ 15,134
Accrued liabilities	54,449	3,836	12,130	70,415
Bonds and notes payable	-	415	1,229	1,644
Due to other funds	21,410	1,802	8,027	31,239
Due to other governments	6	-	1,346	1,352
Unearned revenue	1	-	-	1
Claims and judgments payable	-	-	5,396	5,396
Total Current Liabilities	80,722	13,985	30,474	125,181
Noncurrent Liabilities:				
Claims and judgments payable	-	-	10,277	10,277
Bonds and notes payable	-	4,272	-	4,272
Net pension liability	7,769	17,448	30,505	55,722
Other long-term liabilities	112,536	9,810	14,636	136,982
Total Noncurrent Liabilities	120,305	31,530	55,418	207,253
Total Liabilities	201,027	45,515	85,892	332,434
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on pensions	242	(215)	258	285
Total Deferred Inflows of Resources	242	(215)	258	285
NET POSITION				
Net investment in capital assets	932	22,514	3,123	26,569
Unrestricted	(9,084)	(6,212)	17,188	1,892
Total Net Position	(8,152)	16,302	20,311	28,461
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 193,117	$ 61,602	$ 106,461	$ 361,180

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

	Lottery	Institutional	Other Activities	Total
OPERATING REVENUES				
Sales	$ -	$ 101,425	$ 221	$ 101,646
Less: Cost of goods sold	-	(65,720)	(126)	(65,846)
Gross profit	-	35,705	95	35,800
Charges for services	2,724	1,897	31,803	36,424
Premiums and assessments	-	-	35,730	35,730
Lottery ticket proceeds	673,293	-	-	673,293
Miscellaneous revenue	24	5	4,051	4,080
Total Operating Revenues	676,041	37,607	71,679	785,327
OPERATING EXPENSES				
Salaries and wages	7,857	20,927	34,769	63,553
Employee benefits	3,380	11,742	13,868	28,990
Personal services	10,707	-	8,046	18,753
Goods and services	69,181	1,156	22,371	92,708
Travel	411	458	1,426	2,295
Lottery prize payments	422,536	-	-	422,536
Depreciation and amortization	80	1,243	539	1,862
Miscellaneous expenses	33	6,087	1,372	7,492
Total Operating Expenses	514,185	41,613	82,391	638,189
Operating Income (Loss)	161,856	(4,006)	(10,712)	147,138
NONOPERATING REVENUES (EXPENSES)				
Earnings (loss) on investments	(3,786)	-	27	(3,759)
Interest expense	(5,758)	(153)	-	(5,911)
Tax and license revenue	10	-	20,948	20,958
Other revenues (expenses)	5	(42)	319	282
Total Nonoperating Revenues (Expenses)	(9,529)	(195)	21,294	11,570
Income (Loss) Before Transfers	152,327	(4,201)	10,582	158,708
Transfers in	14,714	-	7,631	22,345
Transfers out	(176,614)	(46)	(17,702)	(194,362)
Net Transfers	(161,900)	(46)	(10,071)	(172,017)
Change in Net Position	(9,573)	(4,247)	511	(13,309)
Net Position - Beginning	1,421	20,549	19,800	41,770
Net Position - Ending	$ (8,152)	$ 16,302	$ 20,311	$ 28,461

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

	Lottery	Institutional	Other Activities	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 673,732	$ 96,595	$ 67,359	$ 837,686
Payments to suppliers	(513,564)	(67,137)	(22,342)	(603,043)
Payments to employees	(10,757)	(29,724)	(46,302)	(86,783)
Other receipts	24	4	4,035	4,063
Net Cash Provided (Used) by Operating Activities	149,435	(262)	2,750	151,923
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	14,714	-	7,631	22,345
Transfers out	(176,614)	(46)	(17,702)	(194,362)
Operating grants and donations received	-	1	441	442
Taxes and license fees collected	10	-	20,947	20,957
Net Cash Provided (Used) by Noncapital Financing Activities	(161,890)	(45)	11,317	(150,618)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid	-	(220)	-	(220)
Principal payments on long-term capital financing	-	(395)	-	(395)
Proceeds from sale of capital assets	5	56	2	63
Acquisitions of capital assets	(594)	(7,454)	(1,482)	(9,530)
Net Cash Provided (Used) by Capital and Related Financing Activities	(589)	(8,013)	(1,480)	(10,082)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of interest	-	-	27	27
Proceeds from sale of investment securities	18,248	-	-	18,248
Purchases of investment securities	(6,119)	-	-	(6,119)
Net Cash Provided (Used) by Investing Activities	12,129	-	27	12,156
Net Increase (Decrease) in Cash and Pooled Investments	(915)	(8,320)	12,614	3,379
Cash and cash equivalents, July 1	24,433	14,074	73,232	111,739
Cash and cash equivalents, June 30	$ 23,518	$ 5,754	$ 85,846	$ 115,118
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	$ 161,856	$ (4,006)	$ (10,712)	$ 147,138
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:				
Depreciation	80	1,243	539	1,862
Revenue reduced for uncollectible accounts	23	-	-	23
Change in Assets: Decrease (Increase)				
Receivables	(1,136)	(6,727)	(397)	(8,260)
Inventories	411	(279)	2	134
Prepaid expenses	22	43	1	66
Other assets	-	-	-	-
Change in Deferred Outflows of Resources: Increase (Decrease)	(811)	(2,551)	(2,639)	(6,001)
Change in Liabilities: Increase (Decrease)				
Payables	(10,162)	13,155	18,983	21,976
Change in Deferred Inflows of Resources: Decrease (Increase)	(848)	(1,140)	(3,027)	(5,015)
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 149,435	$ (262)	$ 2,750	$ 151,923
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Amortization of annuity prize liability	$ 5,758	$ -	$ -	$ 5,758
Debt refunding deposited with escrow agent	-	-	-	-
Increase (decrease) in fair value of investments	(3,786)	-	-	(3,786)

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Internal Service Funds

Internal Service Funds account for state activities that provide goods and services to other state departments or agencies on a cost-reimbursement basis. The Internal Service Funds are described below:

General Services Fund

The General Services Fund accounts for the cost of providing the following services to state agencies: (1) legal services; (2) state Certificate of Participation (COP) financing program; (3) facilities, equipment and related services; (4) printing; (5) audits of state agencies; (6) administration of the state civil service law and labor relations; (7) administrative hearings; and (8) archives and records management.

Data Processing Revolving Fund

The Data Processing Revolving Fund accounts for the distribution of the full cost of data processing and data communication services to other state agencies, and for the payment of other costs incidental to the acquisition, operation, and administration of acquired data processing services, supplies, and equipment.

Higher Education Revolving Fund

The Higher Education Revolving Fund accounts for stores, data processing, and other support service activities at colleges and universities.

Risk Management Fund

The Risk Management Fund administers tort and sundry claims filed against Washington state agencies, except for the University of Washington and the Washington State Department of Transportation Ferries Division.

Health Insurance Fund

The Health Insurance Fund accounts for premiums collected and payments for employees' insurance benefits.

INTERNAL SERVICE FUNDS

Combining Statement of Net Position

June 30, 2017

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 49,901	$ -	$ 381,492
Investments	222	-	7,441
Receivables (net of allowance)	2,457	22	9,761
Due from other funds	42,809	15,519	8,890
Due from other governments	22,769	977	6,189
Inventories	5,880	-	9,009
Prepaid expenses	4,888	4,334	4,140
Restricted cash and investments	207,267	-	26
Restricted receivables	14,765	940	-
Total Current Assets	350,958	21,792	426,948
Noncurrent Assets:			
Investments, noncurrent	-	-	42,956
Capital assets:			
Land and other non-depreciable assets	3,521	-	2,834
Buildings	181,280	278,054	64,469
Other improvements	13,623	1,392	608
Furnishings, equipment, and intangibles	644,867	140,412	166,996
Infrastructure	2,486	-	135
Accumulated depreciation	(399,272)	(201,977)	(157,567)
Construction in progress	75,659	10,332	-
Total Noncurrent Assets	522,164	228,213	120,431
Total Assets	873,122	250,005	547,379
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on refundings	1,634	-	-
Deferred outflows on pensions	36,098	10,021	20,852
Total Deferred Outflows of Resources	37,732	10,021	20,852
Total Assets and Deferred Outflows of Resources	$ 910,854	$ 260,026	$ 568,231

Continued

Risk Management	Health Insurance	Total
$ 2,574	$ 305,895	$ 739,862
-	3,366	11,029
-	16,611	28,851
720	4,139	72,077
-	5,203	35,138
-	-	14,889
-	-	13,362
-	-	207,293
-	-	15,705
3,294	335,214	1,138,206
-	-	42,956
-	-	6,355
-	-	523,803
-	-	15,623
8	325	952,608
-	-	2,621
(8)	(280)	(759,104)
-	-	85,991
-	45	870,853
3,294	335,259	2,009,059
-	-	1,634
270	1,382	68,623
270	1,382	70,257
$ 3,564	$ 336,641	$ 2,079,316

INTERNAL SERVICE FUNDS

Combining Statement of Net Position

June 30, 2017

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 14,980	$ 5,850	$ 8,329
Contracts payable	499	-	555
Accrued liabilities	25,898	2,120	62,187
Obligations under security lending agreements	254	-	-
Bonds and notes payable	96,339	9,460	3,549
Due to other funds	6,486	5,407	13,717
Due to other governments	124,366	-	2,439
Unearned revenue	4,044	-	130
Claims and judgments payable	-	-	21,760
Total Current Liabilities	272,866	22,837	112,666
Noncurrent Liabilities:			
Claims and judgments payable	-	-	56,724
Bonds and notes payable	259,382	269,599	28,975
Net pension liability	152,208	44,330	120,327
Other long-term liabilities	89,364	23,107	47,118
Total Noncurrent Liabilities	500,954	337,036	253,144
Total Liabilities	773,820	359,873	365,810
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on refundings	147	-	-
Deferred inflows on pensions	(1,093)	726	12,423
Total Deferred Inflows of Resources	(946)	726	12,423
NET POSITION			
Net investment in capital assets	102,486	(50,846)	44,952
Unrestricted	35,494	(49,727)	145,046
Total Net Position	137,980	(100,573)	189,998
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 910,854	$ 260,026	$ 568,231

Concluded

Risk Management	Health Insurance	Total
$ 22	$ 21,748	$ 50,929
-	23	1,077
73	1,678	91,956
-	4,033	4,287
-	-	109,348
2,012	4,592	32,214
-	-	126,805
-	426	4,600
69,309	83,891	174,960
71,416	116,391	596,176
533,718	-	590,442
-	-	557,956
1,251	5,046	323,162
720	3,791	164,100
535,689	8,837	1,635,660
607,105	125,228	2,231,836
-	-	147
(206)	(821)	11,029
(206)	(821)	11,176
-	44	96,636
(603,335)	212,190	(260,332)
(603,335)	212,234	(163,696)
$ 3,564	$ 336,641	$ 2,079,316

INTERNAL SERVICE FUNDS

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
OPERATING REVENUES			
Sales	$ 27,060	$ 655	$ 14,628
Less: Cost of goods sold	(21,908)	(655)	(12,935)
Gross profit	5,152	-	1,693
Charges for services	271,281	150,103	241,987
Premiums and assessments	445	-	43,195
Miscellaneous revenue	130,982	18,934	8,307
Total Operating Revenues	407,860	169,037	295,182
OPERATING EXPENSES			
Salaries and wages	157,960	44,459	109,005
Employee benefits	69,266	15,176	61,840
Personal services	5,542	2,273	11,185
Goods and services	132,742	83,656	70,493
Travel	3,062	196	1,217
Premiums and claims	-	-	10,048
Depreciation and amortization	54,487	24,663	24,835
Miscellaneous expenses	575	5	27
Total Operating Expenses	423,634	170,428	288,650
Operating Income (Loss)	(15,774)	(1,391)	6,532
NONOPERATING REVENUES (EXPENSES)			
Earnings (loss) on investments	588	-	1,790
Interest expense	(5,499)	(15,328)	(1,012)
Tax and license revenue	25	-	-
Other revenues (expenses)	1,493	(7)	775
Total Nonoperating Revenues (Expenses)	(3,393)	(15,335)	1,553
Income (Loss) Before Contributions and Transfers	(19,167)	(16,726)	8,085
Capital contributions	10,707	-	4
Transfers in	8,860	8,000	205,194
Transfers out	(4,152)	-	(197,381)
Net Contributions, Transfers, and Special Items	15,415	8,000	7,817
Change in Net Position	(3,752)	(8,726)	15,902
Net Position - Beginning, as restated	141,732	(91,847)	174,096
Net Position - Ending	$ 137,980	$ (100,573)	$ 189,998

Risk Management	Health Insurance	Total
$ -	$ -	$ 42,343
-	-	(35,498)
-	-	6,845
2,811	-	666,182
84,915	1,525,389	1,653,944
1	7	158,231
87,727	1,525,396	2,485,202
1,399	6,841	319,664
690	3,847	150,819
8	6,711	25,719
20,897	4,069	311,857
22	74	4,571
147,900	1,481,958	1,639,906
2	51	104,038
14	27	648
170,932	1,503,578	2,557,222
(83,205)	21,818	(72,020)
-	(462)	1,916
-	-	(21,839)
-	-	25
-	-	2,261
-	(462)	(17,637)
(83,205)	21,356	(89,657)
-	-	10,711
-	-	222,054
(1)	-	(201,534)
(1)	-	31,231
(83,206)	21,356	(58,426)
(520,129)	190,878	(105,270)
$ (603,335)	$ 212,234	$ (163,696)

INTERNAL SERVICE FUNDS

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 343,397	$ 151,642	$ 297,538
Payments to suppliers	(152,871)	(92,237)	(91,674)
Payments to employees	(216,242)	(59,253)	(150,053)
Other receipts	131,427	18,934	8,306
Net Cash Provided (Used) by Operating Activities	105,711	19,086	64,117
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	8,860	8,000	205,194
Transfers out	(4,152)	-	(197,381)
Operating grants and donations received	1,902	100	165
Taxes and license fees collected	26	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	6,636	8,100	7,978
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	(3,561)	(15,328)	(1,013)
Principal payments on long-term capital financing	(27,852)	(9,317)	(5,959)
Proceeds from long-term capital financing	36,970	-	262
Proceeds from sale of capital assets	5,486	-	1,518
Acquisitions of capital assets	(119,214)	(2,541)	(24,840)
Net Cash Provided (Used) by Capital and Related Financing Activities	(108,171)	(27,186)	(30,032)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	524	-	1,738
Proceeds from sale of investment securities	-	-	1,158
Purchases of investment securities	-	-	(9,761)
Net Cash Provided (Used) by Investing Activities	524	-	(6,865)
Net Increase (Decrease) in Cash and Pooled Investments	4,700	-	35,198
Cash and cash equivalents, July 1	252,468	-	346,320
Cash and cash equivalents, June 30	$ 257,168	$ -	$ 381,518
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	$ (15,774)	$ (1,391)	$ 6,532
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:			
Depreciation	54,487	24,663	24,835
Revenue reduced for uncollectible accounts	191	-	-
Change in Assets: Decrease (Increase)			
Receivables	43,268	974	(2,279)
Inventories	(455)	-	89
Prepaid expenses	(1,649)	865	36
Change in Deferred Outflows of Resources: Increase (Decrease)	(11,908)	(3,631)	(15,076)
Change in Liabilities: Increase (Decrease)			
Payables	50,829	2,352	41,117
Change in Deferred Inflows of Resources: Decrease (Increase)	(13,278)	(4,746)	8,863
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 105,711	$ 19,086	$ 64,117
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Contributions of capital assets	$ 10,707	$ -	$ 4
Acquisition of capital assets through capital leases	-	-	145
Increase (decrease) in fair value of investments	(116)	-	20
Debt refunding deposited with escrow agent	14,600	-	-

Risk Management	Health Insurance	Total
$ 87,887	$ 1,523,273	$ 2,403,737
(137,415)	(1,502,528)	(1,976,725)
(1,910)	(9,263)	(436,721)
1	7	158,675
(51,437)	11,489	148,966
-	-	222,054
(1)	-	(201,534)
-	-	2,167
-	-	26
(1)	-	22,713
-	-	(19,902)
-	-	(43,128)
-	-	37,232
-	-	7,004
-	(15)	(146,610)
-	(15)	(165,404)
-	1,455	3,717
-	-	1,158
-	-	(9,761)
-	1,455	(4,886)
(51,438)	12,929	1,389
54,012	292,966	945,766
$ 2,574	$ 305,895	$ 947,155
$ (83,205)	$ 21,818	$ (72,020)
2	51	104,038
-	19	210
161	(2,147)	39,977
-	-	(366)
119	-	(629)
(83)	(727)	(31,425)
31,515	(7,804)	118,009
54	279	(8,828)
$ (51,437)	$ 11,489	$ 148,966
$ -	$ -	$ 10,711
-	-	145
-	(2,004)	(2,100)
-	-	14,600

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Fiduciary Funds

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

PENSION FUNDS

Pension Trust Funds account for transactions, assets, liabilities, and plan net assets available for plan benefits of the various state public employee retirement systems. Refer to Note 11, Retirement Plans, for a description of the individual pension plans.

Public Employees' Retirement System Plan 1 Fund

The Public Employees' Retirement System Plan 1 Fund provides benefits for state and local government employees who are members of this closed cost-sharing, multiple-employer defined benefit pension plan.

Public Employees' Retirement System Plan 2/3 Fund

The Public Employees' Retirement System Plan 2/3 Fund provides the defined benefit portion of benefits for state and local government employees who are members of Plan 2, a cost-sharing, multiple-employer defined benefit pension plan, and Plan 3, a combination defined benefit/defined contribution plan.

Public Employees' Retirement System Plan 3 Fund

The Public Employees' Retirement System Plan 3 fund provides the defined contribution portion of benefits for state and local government employees who are members of this combination defined benefit/defined contribution plan.

Teachers' Retirement System Plan 1 Fund

The Teachers' Retirement System Plan 1 Fund provides benefits for certificated public school instructors, administrators, or supervisors who are members of this closed cost-sharing, multiple-employer defined benefit pension plan.

Teachers' Retirement System Plan 2/3 Fund

The Teachers' Retirement System Plan 2/3 Fund provides the defined benefit portion of benefits for certificated public school instructors, administrators, or supervisors who are members of Plan 2, a cost-sharing, multiple-employer defined benefit pension plan, and Plan 3, a combination defined benefit/defined contribution plan.

Teachers' Retirement System Plan 3 Fund

The Teachers' Retirement System Plan 3 fund provides the defined contribution portion of benefits for certificated public school instructors, administrators, or supervisors who are members of this combination defined benefit/defined contribution plan.

School Employees' Retirement System Plan 2/3 Fund

The School Employees' Retirement System Plan 2/3 Fund provides the defined benefit portion of benefits for classified employees of public school districts and educational service districts who are members of Plan 2, a cost-sharing, multiple-employer defined benefit pension plan, or Plan 3, a combination defined benefit/defined contribution plan.

School Employees' Retirement System Plan 3 Fund

The School Employees' Retirement System Plan 3 Fund provides the defined contribution portion of benefits for classified employees of public school districts and educational service districts who are members of this combination defined benefit/defined contribution plan.

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

The Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 Fund provides benefits for full-time, fully compensated local law enforcement officers and firefighters who are members of this closed cost-sharing, defined benefit pension plan.

Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Fund

The Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Fund provides benefits for full-time, fully compensated local law enforcement officers and firefighters who are members of this cost-sharing, defined benefit pension plan.

Washington State Patrol Retirement System Plan 1/2 Fund
The Washington State Patrol Retirement System Plan 1/2 Fund provides benefits for commissioned officers of the Washington State Patrol who are members of this single-employer, defined benefit pension plan.

Public Safety Employees' Retirement System Plan 2 Fund
The Public Safety Employees' Retirement System Plan 2 fund provides benefits for state and local government employees in criminal justice or criminal custodial positions who are members of this cost-sharing, multiple-employer defined benefit pension plan.

Judicial Retirement System Fund
The Judicial Retirement System Fund provides benefits for judges of the state Supreme Court, Court of Appeals, and Superior Courts who are members of this closed single-employer, defined-benefit pension plan.

Judicial Retirement Account Fund
The Judicial Retirement Account Fund provides benefits for judges of the state Supreme Court, Court of Appeals, and Superior Courts who are members of this defined contribution pension plan.

Judges' Retirement Fund
The Judges' Retirement Fund provides benefits for judges of the state Supreme Court, Court of Appeals, and Superior Courts who are members of this closed single-employer, defined-benefit pension plan.

Volunteer Fire Fighters' Retirement System Fund
The Volunteer Fire Fighters' Retirement System Fund provides benefits to volunteer fire fighters of electing municipalities of the state who are members of this cost-sharing, multiple-employer defined benefit pension plan.

AGENCY FUNDS

Agency Funds account for resources held by the state in a custodial capacity for other governments, private organizations, or individuals. The Agency Funds are described below:

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

Pooled Investments Fund
The Pooled Investments Fund is used to administer the pooling and investing of surplus state funds, and the accumulation and allocation of interest earned among the various accounts and funds from which such investments and investment deposits were made. These balances are distributed to the owner funds at June 30.

Retiree Health Insurance Fund
The Retiree Health Insurance Fund accounts for premiums collected and payments for retiree insurance benefits.

Other Agency Fund
The Other Agency Fund accounts for (1) assets held for employees, foster children, inmates, patients, and residents of state institutions; (2) the local government share of contracted timber sales; and (3) monies held under other custodial responsibilities of the state.

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Plan Net Position

June 30, 2017

(expressed in thousands)

Continued

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit
ASSETS					
Cash and cash equivalents	$ 536	$ 4,253	$ 518	$ 544	$ 3,976
Receivables:					
Employer accounts receivable	3,154	77,874	5,905	851	40,416
Member accounts receivable (net of allowance)	790	380	-	153	112
Due from other funds	-	-	-	-	-
Due from other pension and other employee benefit funds	39,327	4,023	-	21,002	2,294
Interest and dividends	20,483	95,535	4,839	15,749	33,646
Investment trades pending	191,358	896,956	43,571	147,022	320,535
Other receivables, all other funds	6	14	-	4	12
Total Receivables	255,118	1,074,782	54,315	184,781	397,015
Investments, Noncurrent:					
Liquidity	170,398	791,152	47,053	142,870	290,869
Fixed income	1,350,948	6,332,316	307,600	1,037,946	2,262,905
Public equity	2,793,862	13,095,707	1,774,028	2,146,552	4,679,857
Private equity	1,558,514	7,305,243	354,861	1,197,422	2,610,588
Real estate	1,307,420	6,128,287	297,689	1,004,504	2,189,993
Tangible assets	279,102	1,308,238	63,549	214,437	467,510
Total Investments, Noncurrent	7,460,244	34,960,943	2,844,780	5,743,731	12,501,722
Security lending	57,248	267,617	12,989	43,978	95,757
Total Assets	7,773,146	36,307,595	2,912,602	5,973,034	12,998,470
LIABILITIES					
Obligations under security lending agreements	57,248	267,617	12,989	43,978	95,757
Accrued liabilities	218,989	1,006,679	50,508	169,600	358,160
Due to other funds	-	-	-	-	-
Due to other pension and other employee benefit funds	-	32,049	4,023	-	21,002
Unearned revenues	39	500	-	-	12
Total Liabilities	276,276	1,306,845	67,520	213,578	474,931
NET POSITION					
Net position restricted for:					
Pensions	7,496,870	35,000,750	2,845,082	5,759,456	12,523,539
Deferred compensation participants	-	-	-	-	-
Total Net Position	$ 7,496,870	$ 35,000,750	$ 2,845,082	$ 5,759,456	$ 12,523,539

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Plan Net Position

June 30, 2017

(expressed in thousands)

Continued

	TRS Plan 3 Defined Contribution	SERS Plan 2/3 Defined Benefit	SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2
ASSETS					
Cash and cash equivalents	$ 5,576	$ 2,606	$ 1,284	$ 719	$ 1,487
Receivables:					
Employer accounts receivable	23,811	15,539	5,387	202	15,350
Member accounts receivable (net of allowance)	-	22	-	198	58
Due from other funds	-	-	-	-	-
Due from other pension and other employee benefit funds	-	637	-	-	-
Interest and dividends	14,770	13,128	4,068	15,733	32,197
Investment trades pending	132,954	124,450	36,625	147,227	301,679
Other receivables, all other funds	-	6	-	1	4
Total Receivables	171,535	153,782	46,080	163,361	349,288
Investments, Noncurrent:					
Liquidity	141,890	111,534	37,169	127,634	269,371
Fixed income	938,627	878,588	258,567	1,039,392	2,129,789
Public equity	5,107,325	1,816,986	1,012,790	2,149,541	4,404,565
Private equity	1,082,842	1,013,578	298,294	1,199,089	2,457,021
Real estate	908,384	850,279	250,236	1,005,903	2,061,167
Tangible assets	193,918	181,514	53,419	214,735	440,008
Total Investments, Noncurrent	8,372,986	4,852,479	1,910,475	5,736,294	11,761,921
Security lending	39,635	37,182	10,918	43,953	90,000
Total Assets	8,589,732	5,046,049	1,968,757	5,944,327	12,202,696
LIABILITIES					
Obligations under security lending agreements	39,635	37,182	10,918	43,953	90,000
Accrued liabilities	156,183	139,274	45,645	163,892	336,202
Due to other funds	-	-	-	-	-
Due to other pension and other employee benefit funds	2,294	6,046	637	-	-
Unearned revenues	-	3	-	-	383
Total Liabilities	198,112	182,505	57,200	207,845	426,585
NET POSITION					
Net position restricted for:					
Pensions	8,391,620	4,863,544	1,911,557	5,736,482	11,776,111
Deferred compensation participants	-	-	-	-	-
Total Net Position	$ 8,391,620	$ 4,863,544	$ 1,911,557	$ 5,736,482	$ 11,776,111

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Plan Net Position

June 30, 2017

(expressed in thousands)

Continued

	WSPRS Plan 1/2	PSERS Plan 2	JRS	JRA
ASSETS				
Cash and cash equivalents	$ 740	$ 258	$ 7,403	$ 9
Receivables:				
Employer accounts receivable	594	2,840	-	-
Member accounts receivable (net of allowance)	-	-	-	1
Due from other funds	-	-	-	-
Due from other pension and other employee benefit funds	-	-	-	-
Interest and dividends	3,314	1,366	-	-
Investment trades pending	31,026	12,784	-	-
Other receivables, all other funds	2	1	14	-
Total Receivables	34,936	16,991	14	1
Investments, Noncurrent:				
Liquidity	27,949	14,921	(16)	-
Fixed income	219,037	90,250	-	-
Public equity	452,985	186,644	-	10,556
Private equity	252,691	104,116	-	-
Real estate	211,980	87,342	-	-
Tangible assets	45,253	18,645	-	-
Total Investments, Noncurrent	1,209,895	501,918	(16)	10,556
Security lending	9,273	3,816	130	-
Total Assets	1,254,844	522,983	7,531	10,566
LIABILITIES				
Obligations under security lending agreements	9,273	3,816	130	-
Accrued liabilities	34,737	14,261	36	-
Due to other funds	-	-	-	-
Due to other pension and other employee benefit funds	-	1,232	-	-
Unearned revenues	-	-	-	-
Total Liabilities	44,010	19,309	166	-
NET POSITION				
Net position restricted for:				
Pensions	1,210,834	503,674	7,365	10,566
Deferred compensation participants	-	-	-	-
Total Net Position	$ 1,210,834	$ 503,674	$ 7,365	$ 10,566

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Plan Net Position

June 30, 2017

(expressed in thousands)

Concluded

	Judges	VFFRPF	Deferred Compensation	Total
ASSETS				
Cash and cash equivalents	$ 682	$ 20,212	$ 1,377	$ 52,180
Receivables:				
Employer accounts receivable	-	-	266	192,189
Member accounts receivable (net of allowance)	-	-	2,319	4,033
Due from other funds	-	-	-	-
Due from other pension and other employee benefit funds	-	-	-	67,283
Interest and dividends	-	574	-	255,402
Investment trades pending	-	5,382	-	2,391,569
Other receivables, all other funds	1	12	3	80
Total Receivables	1	5,968	2,588	$ 2,910,556
Investments, Noncurrent:				
Liquidity	(1)	4,610	(3)	2,177,400
Fixed income	-	37,993	-	16,883,958
Public equity	-	78,573	4,077,857	43,787,828
Private equity	-	43,831	-	19,478,090
Real estate	-	36,769	-	16,339,953
Tangible assets	-	7,849	-	3,488,177
Total Investments, Noncurrent	(1)	209,625	4,077,854	102,155,406
Security lending	11	1,841	24	714,372
Total Assets	693	237,646	4,081,843	105,832,514
LIABILITIES				
Obligations under security lending agreements	11	1,841	24	714,372
Accrued liabilities	2	6,006	1,295	2,701,469
Due to other funds	-	-	-	-
Due to other pension and other employee benefit funds	-	-	-	67,283
Unearned revenues	-	-	-	937
Total Liabilities	13	7,847	1,319	3,484,061
NET POSITION				
Net position restricted for:				
Pensions	680	229,799	-	98,267,929
Deferred compensation participants	-	-	4,080,524	4,080,524
Total Net Position	$ 680	$ 229,799	$ 4,080,524	$ 102,348,453

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

Continued

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit
ADDITIONS					
Contributions:					
Employers	$ 609,287	$ 621,927	$ -	$ 348,968	$ 364,106
Members	15,430	518,565	129,969	6,907	81,379
State	-	-	-	-	-
Participants	-	-	-	-	-
Total Contributions	624,717	1,140,492	129,969	355,875	445,485
Investment Income:					
Net appreciation (depreciation) in fair value	802,863	3,670,663	305,851	618,912	1,310,858
Interest and dividends	174,857	788,654	39,123	135,155	281,833
Less: investment expenses	(32,470)	(146,453)	(7,908)	(25,115)	(53,280)
Net investment income (loss)	945,250	4,312,864	337,066	728,952	1,539,411
Transfers from other plans	7	385	3,244	-	118
Other additions	-	-	-	-	-
Total Additions	1,569,974	5,453,741	470,279	1,084,827	1,985,014
DEDUCTIONS					
Pension benefits	1,196,061	900,629	-	911,058	269,408
Pension refunds	3,159	30,974	104,899	1,256	(11,677)
Transfers to other plans	28	3,524	712	-	2,576
Administrative expenses	258	491	-	77	93
Distributions to participants	-	-	-	-	-
Total Deductions	1,199,506	935,618	105,611	912,391	260,400
Net Increase (Decrease)	370,468	4,518,123	364,668	172,436	1,724,614
Net Position - Beginning	7,126,402	30,482,627	2,480,414	5,587,020	10,798,925
Net Position - Ending	$ 7,496,870	$ 35,000,750	$ 2,845,082	$ 5,759,456	$ 12,523,539

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

Continued

	TRS Plan 3 Defined Contribution	SERS Plan 2/3 Defined Benefit	SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2
ADDITIONS					
Contributions:					
Employers	$ -	$ 134,727	$ -	$ -	$ 95,920
Members	322,155	52,401	71,737	1,908	187,978
State	-	-	-	-	62,155
Participants	-	-	-	-	-
Total Contributions	322,155	187,128	71,737	1,908	346,053
Investment Income:					
Net appreciation (depreciation) in fair value	906,038	509,021	199,094	615,118	1,232,694
Interest and dividends	118,117	109,444	32,786	133,476	264,685
Less: investment expenses	(23,796)	(20,571)	(6,184)	(24,789)	(50,254)
Net investment income (loss)	1,000,359	597,894	225,696	723,805	1,447,125
Transfers from other plans	3,542	29	2,498	-	5
Other additions	-	-	-	-	-
Total Additions	1,326,056	785,051	299,931	725,713	1,793,183
DEDUCTIONS					
Pension benefits	-	134,094	-	360,060	219,715
Pension refunds	300,597	(828)	89,632	8	7,292
Transfers to other plans	948	2,262	258	-	-
Administrative expenses	-	22	-	32	685
Distributions to participants	-	-	-	-	-
Total Deductions	301,545	135,550	89,890	360,100	227,692
Net Increase (Decrease)	1,024,511	649,501	210,041	365,613	1,565,491
Net Position - Beginning	7,367,109	4,214,043	1,701,516	5,370,869	10,210,620
Net Position - Ending	$ 8,391,620	$ 4,863,544	$ 1,911,557	$ 5,736,482	$ 11,776,111

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

Continued

	WSPRS Plan 1/2	PSERS Plan 2	JRS	JRA
ADDITIONS				
Contributions:				
Employers	$ 7,587	$ 23,238	$ -	$ 17
Members	10,454	23,698	-	17
State	-	-	9,300	-
Participants	-	-	-	-
Total Contributions	18,041	46,936	9,300	34
Investment Income:				
Net appreciation (depreciation) in fair value	128,413	51,001	(47)	1,101
Interest and dividends	27,749	10,850	58	8
Less: investment expenses	(5,146)	(2,001)	-	(14)
Net investment income (loss)	151,016	59,850	11	1,095
Transfers from other plans	524	5	-	-
Other additions	-	-	-	48
Total Additions	169,581	106,791	9,311	1,177
DEDUCTIONS				
Pension benefits	56,666	1,148	8,723	1,661
Pension refunds	155	2,630	-	-
Transfers to other plans	-	49	-	-
Administrative expenses	53	6	-	-
Distributions to participants	-	-	-	-
Total Deductions	56,874	3,833	8,723	1,661
Net Increase (Decrease)	112,707	102,958	588	(484)
Net Position - Beginning	1,098,127	400,716	6,777	11,050
Net Position - Ending	$ 1,210,834	$ 503,674	$ 7,365	$ 10,566

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

Concluded

	Judges	VFFRPF	Deferred Compensation	Total
ADDITIONS				
Contributions:				
Employers	$ -	$ 848	$ -	$ 2,206,625
Members	-	69	-	1,422,667
State	499	6,646	-	78,600
Participants	-	-	287,130	287,130
Total Contributions	499	7,563	287,130	3,995,022
Investment Income:				
Net appreciation (depreciation) in fair value	(3)	22,094	390,061	10,763,732
Interest and dividends	5	4,909	4,148	2,125,857
Less: investment expenses	-	(889)	(5,023)	(403,893)
Net investment income (loss)	2	26,114	389,186	12,485,696
Transfers from other plans	-	-	-	10,357
Other additions	-	-	13,401	13,449
Total Additions	501	33,677	689,717	16,504,524
DEDUCTIONS				
Pension benefits	402	11,055	-	4,070,680
Pension refunds	-	19	-	528,116
Transfers to other plans	-	-	-	10,357
Administrative expenses	-	1,466	-	3,183
Distributions to participants	-	-	232,229	232,229
Total Deductions	402	12,540	232,229	4,844,565
Net Increase (Decrease)	99	21,137	457,488	11,659,959
Net Position - Beginning	581	208,662	3,623,036	90,688,494
Net Position - Ending	$ 680	$ 229,799	$ 4,080,524	$ 102,348,453

AGENCY FUNDS

Combining Statement of Assets and Liabilities

June 30, 2017

(expressed in thousands)

	Local Government Distributions	Retiree Health Insurance	Other Agency	Total
ASSETS				
Cash and cash equivalents	$ 10,985	$ 9,310	$ 158,204	$ 178,499
Other receivables	-	4,548	4,968	9,516
Due from other governments	-	19,387	545	19,932
Security lending collateral	130	1,364	634	2,128
Other noncurrent assets	-	-	46,737	46,737
Total Assets	$ 11,115	$ 34,609	$ 211,088	$ 256,812
LIABILITIES				
Accounts payable	$ -	$ 4,355	$ 225	$ 4,580
Contracts payable	-	28,388	14,893	43,281
Accrued liabilities	-	502	126,240	126,742
Obligations under security lending agreements	130	1,364	634	2,128
Due to other governments	10,985	-	22,359	33,344
Other long-term liabilities	-	-	46,737	46,737
Total Liabilities	$ 11,115	$ 34,609	$ 211,088	$ 256,812

AGENCY FUNDS

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

Continued

Suspense Fund	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
ASSETS				
Cash and cash equivalents	$ -	$ 1,455,024	$ 1,455,024	$ -
Other receivables	-	9,533	9,533	-
Due from other funds	-	4,174	4,174	-
Due from other governments	-	927	927	-
Total Assets	$ -	$ 1,469,658	$ 1,469,658	$ -
LIABILITIES				
Accounts payable	$ -	$ 37,947	$ 37,947	$ -
Accrued liabilities	-	1,103,065	1,103,065	-
Due to other funds	-	243,978	243,978	-
Due to other governments	-	185,987	185,987	-
Total Liabilities	$ -	$ 1,570,977	$ 1,570,977	$ -
Local Government Distributions Fund				
ASSETS				
Cash and cash equivalents	$ 10,635	$ 4,227,455	$ 4,227,105	$ 10,985
Due from other funds	-	4,149,422	4,149,422	-
Due from other governments	30	-	30	-
Security lending collateral	-	130	-	130
Total Assets	$ 10,665	$ 8,376,877	$ 8,376,557	$ 11,115
LIABILITIES				
Accrued liabilities	$ 32	$ -	$ 32	$ -
Obligations under security lending agreements	228	-	98	130
Due to other governments	10,405	4,280,171	4,279,591	10,985
Total Liabilities	$ 10,665	$ 4,280,171	$ 4,279,721	$ 11,115
Pooled Investments Fund				
ASSETS				
Cash and cash equivalents	$ -	$ 195,035,727	$ 195,035,727	$ -
Other receivables	-	4,846,330	4,846,330	-
Due from other funds	-	955	955	-
Investment trades pending receivable	-	61,471,691	61,471,691	-
Total Assets	$ -	$ 261,354,703	$ 261,354,703	$ -
LIABILITIES				
Accounts payable	$ -	$ 101	$ 101	$ -
Accrued liabilities	-	322,925,012	322,925,012	-
Obligations under security lending agreements	-	26,028	26,028	-
Due to other funds	-	1,872	1,872	-
Total Liabilities	$ -	$ 322,953,013	$ 322,953,013	$ -

AGENCY FUNDS

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

Concluded

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Retiree Health Insurance Fund				
ASSETS				
Cash and cash equivalents	$ 12,707	$ 635,554	$ 638,951	$ 9,310
Other receivables	2,871	220,587	218,910	4,548
Due from other governments	18,128	415,005	413,746	19,387
Security lending collateral	-	1,364	-	1,364
Total Assets	$ 33,706	$ 1,271,146	$ 1,271,607	$ 34,609
LIABILITIES				
Accounts payable	$ 5,025	$ 413,575	$ 414,245	$ 4,355
Contracts payable	25,996	221,979	219,587	28,388
Accrued liabilities	507	3	8	502
Obligations under security lending agreements	2,178	-	814	1,364
Total Liabilities	$ 33,706	$ 635,557	$ 634,654	$ 34,609
Other Agency Funds				
ASSETS				
Cash and cash equivalents	$ 145,305	$ 7,132,381	$ 7,119,482	$ 158,204
Restricted Cash and investments	-	204	204	-
Other receivables	5,185	368,144	368,361	4,968
Investment trades pending receivable	-	14,026	14,026	-
Due from other funds	-	11,175	11,175	-
Due from other governments	1,366	14,276	15,097	545
Security lending collateral	-	634	-	634
Other noncurrent assets	48,384	-	1,647	46,737
Total Assets	$ 200,240	$ 7,540,840	$ 7,529,992	$ 211,088
LIABILITIES				
Accounts payable	$ 3,026	$ 1,285,043	$ 1,287,844	$ 225
Contracts payable	11,287	701,020	697,414	14,893
Accrued liabilities	129,776	6,615,207	6,618,743	126,240
Obligations under security lending agreements	521	113	-	634
Due to other funds	-	2,725	2,725	-
Due to other governments	7,246	67,915	52,802	22,359
Other long-term liabilities	48,384	8,621	10,268	46,737
Total Liabilities	$ 200,240	$ 8,680,644	$ 8,669,796	$ 211,088
Totals - All Agency Funds				
ASSETS				
Cash and cash equivalents	$ 168,647	$ 208,486,142	$ 208,476,290	$ 178,499
Restricted Cash and investments	-	204	204	-
Other receivables	8,056	5,444,594	5,443,134	9,516
Investment trades pending receivable	-	61,485,717	61,485,717	-
Due from other funds	-	4,165,726	4,165,726	-
Due from other governments	19,524	430,208	429,800	19,932
Security lending collateral	-	2,128	-	2,128
Other noncurrent assets	48,384	-	1,647	46,737
Total Assets	$ 244,611	$ 280,014,719	$ 280,002,518	$ 256,812
LIABILITIES				
Accounts payable	$ 8,051	$ 1,736,666	$ 1,740,137	$ 4,580
Contracts payable	37,283	922,999	917,001	43,281
Accrued liabilities	130,315	330,643,287	330,646,860	126,742
Obligations under security lending agreements	2,927	26,141	26,940	2,128
Due to other funds	-	248,575	248,575	-
Due to other governments	17,651	4,534,073	4,518,380	33,344
Other long-term liabilities	48,384	8,621	10,268	46,737
Total Liabilities	$ 244,611	$ 338,120,362	$ 338,108,161	$ 256,812

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Nonmajor
Component Units

Discrete component units are entities which are legally separate from the state but which are financially accountable to the state. The nonmajor component units are described below:

Washington State Housing Finance Commission
The Washington State Housing Finance Commission makes funds available to help provide housing throughout the state, and to finance or refinance nursing homes and capital facilities owned and operated by nonprofit corporations.

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

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

Washington Economic Development Finance Authority
The Washington Economic Development Finance Authority makes funds available to qualified, small and medium-sized businesses in the state for qualifying manufacturing and processing facilities and projects.

NONMAJOR COMPONENT UNITS

Combining Statement of Net Position

June 30, 2017

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 51,860	$ 309	$ 1,532	$ 278	$ 53,979
Investments	46,471	3,249	-	-	49,720
Receivables (net of allowance)	12,429	81	4	-	12,514
Prepaid expenses	365	13	14	-	392
Total Current Assets	111,125	3,652	1,550	278	116,605
Noncurrent Assets:					
Other noncurrent assets	231,829	-	-	-	231,829
Capital assets:					
Furnishings, equipment and intangible assets	2,062	-	-	-	2,062
Accumulated depreciation	(1,713)	-	-	-	(1,713)
Total Noncurrent Assets	232,178	-	-	-	232,178
Total Assets	343,303	3,652	1,550	278	348,783
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on pensions	1,059	100	-	-	1,159
Total Deferred Outflows of Resources	1,059	100	-	-	1,159
Total Assets and Deferred Outflows of Resource	$ 344,362	$ 3,752	$ 1,550	$ 278	$ 349,942
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 36,274	$ 75	$ 63	$ -	$ 36,412
Accrued liabilities	1,244	83	-	-	1,327
Unearned revenue	9,131	-	-	-	9,131
Total Current Liabilities	46,649	158	63	-	46,870
Noncurrent Liabilities:					
Net pension liability	5,207	394	-	-	5,601
Total Noncurrent Liabilities	5,207	394	-	-	5,601
Total Liabilities	51,856	552	63	-	52,471
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows on pensions	-	9	-	-	9
Total Deferred Inflows of Resources	-	9	-	-	9
NET POSITION					
Net investment in capital assets	350	-	-	-	350
Other purposes	1,083	-	-	-	1,083
Unrestricted	291,073	3,191	1,487	278	296,029
Total Net Position	292,506	3,191	1,487	278	297,462
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 344,362	$ 3,752	$ 1,550	$ 278	$ 349,942

NONMAJOR COMPONENT UNITS

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
EXPENSES	$ 24,819	$ 1,101	$ 350	$ 191	$ 26,461
PROGRAM REVENUES					
Charges for services	88,734	1,120	152	221	90,227
Operating grants and contributions	3,808	-	-	-	3,808
Total Program Revenues	92,542	1,120	152	221	94,035
Net Program Revenues (Expense)	67,723	19	(198)	30	67,574
GENERAL REVENUES					
Earnings (loss) on investments	486	27	10	1	524
Total General Revenues	486	27	10	1	524
Change in Net Position	68,209	46	(188)	31	68,098
Net Position - Beginning	224,297	3,145	1,675	247	229,364
Net Position - Ending	$ 292,506	$ 3,191	$ 1,487	$ 278	$ 297,462

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Individual Fund Schedules

COMBINING SCHEDULE FOR GENERAL FUND ACCOUNTS

Balance Sheet

June 30, 2017

(expressed in thousands)

	General Fund Basic Account	Administrative Accounts	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Cash and cash equivalents	$ 936,774	$ 1,877,808	$ 2,814,582
Investments	3,836	59,187	63,023
Taxes receivable (net of allowance)	3,672,482	-	3,672,482
Receivables (net of allowance)	550,259	11,493	561,752
Due from other funds	378,177	9,445	387,622
Due from other governments	1,064,674	2,979	1,067,653
Inventories and prepaids	13,412	-	13,412
Restricted cash and investments	2,727	31,542	34,269
Restricted receivables	39,499	-	39,499
Total Assets	$ 6,661,840	$ 1,992,454	$ 8,654,294
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 915,396	$ 67,362	$ 982,758
Contracts payable	31,108	412	31,520
Accrued liabilities	280,954	30,526	311,480
Obligations under security lending agreements	35,494	30,433	65,927
Due to other funds	265,880	57,111	322,991
Due to other governments	1,100,098	1,891	1,101,989
Unearned revenue	105,104	53	105,157
Claims and judgments payable	60,883	-	60,883
Total Liabilities	2,794,917	187,788	2,982,705
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	1,465,497	5,000	1,470,497
Total Deferred Inflows of Resources	1,465,497	5,000	1,470,497
FUND BALANCES			
Nonspendable fund balance	42,922	-	42,922
Restricted fund balance	-	1,658,761	1,658,761
Committed fund balance	-	140,905	140,905
Assigned fund balance	1,257,952	-	1,257,952
Unassigned fund balance	1,100,552	-	1,100,552
Total Fund Balances	2,401,426	1,799,666	4,201,092
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,661,840	$ 1,992,454	$ 8,654,294

COMBINING SCHEDULE FOR GENERAL FUND ACCOUNTS

Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2017

(expressed in thousands)

	General Fund Basic Account	Administrative Accounts	Total
REVENUES			
Retail sales and use taxes	$ 10,220,907	$ -	$ 10,220,907
Business and occupation taxes	3,857,209	-	3,857,209
Property taxes	2,097,507	-	2,097,507
Excise taxes	1,055,486	-	1,055,486
Motor vehicle and fuel taxes	2	-	2
Other taxes	2,109,725	-	2,109,725
Licenses, permits, and fees	129,482	522	130,004
Other contracts and grants	243,558	-	243,558
Timber sales	2,521	-	2,521
Federal grants-in-aid	12,679,560	517	12,680,077
Charges for services	44,749	51	44,800
Investment income (loss)	(3,324)	(1,703)	(5,027)
Miscellaneous revenue	623,984	19,593	643,577
Contributions and donations	-	-	-
Unclaimed property	65,709	-	65,709
Total Revenues	33,127,075	18,980	33,146,055
EXPENDITURES			
Current:			
General government	753,480	130,280	883,760
Human services	17,933,913	24,720	17,958,633
Natural resources and recreation	353,250	75,655	428,905
Transportation	43,875	18,044	61,919
Education	11,786,013	389,877	12,175,890
Intergovernmental	39,034	83,680	122,714
Capital outlays	68,486	1,603	70,089
Debt service:			
Principal	11,977	135	12,112
Interest	4,474	21	4,495
Total Expenditures	30,994,502	724,015	31,718,517
Excess of Revenues Over (Under) Expenditures	2,132,573	(705,035)	1,427,538
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	128,197	128,197
Issuance premiums	82	1,171	1,253
Issuance discounts	-	(396)	(396)
Other debt issued	758	460	1,218
Transfers in	509,025	203,748	712,773
Transfers out	(2,814,832)	1,515,074	(1,299,758)
Total Other Financing Sources (Uses)	(2,304,967)	1,848,254	(456,713)
Net Change in Fund Balances	(172,394)	1,143,219	970,825
Fund Balances - Beginning	2,573,820	656,447	3,230,267
Fund Balances - Ending	$ 2,401,426	$ 1,799,666	$ 4,201,092

GENERAL FUND ACCOUNTS

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

For the Biennium Ended June 30, 2017

(expressed in thousands)

	General Fund Basic Account			
	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 990,881	$ 990,881	$ 990,881	$ -
Resources				
Taxes	35,910,732	37,328,811	37,452,208	123,397
Licenses, permits, and fees	228,388	234,482	245,498	11,016
Other contracts and grants	550,312	579,568	485,285	(94,283)
Timber sales	6,616	6,501	6,514	13
Federal grants-in-aid	22,719,155	22,957,838	21,768,591	(1,189,247)
Charges for services	76,880	89,583	86,513	(3,070)
Investment income (loss)	9,166	21,404	21,847	443
Miscellaneous revenue	273,740	440,834	687,071	246,237
Unclaimed property	121,876	137,378	133,897	(3,481)
Transfers from other funds	734,394	798,483	871,630	73,147
Total Resources	61,622,140	63,585,763	62,749,935	(835,828)
Charges To Appropriations				
General government	4,037,978	3,987,170	3,772,364	214,806
Human services	32,513,791	32,541,851	32,001,862	539,989
Natural resources and recreation	689,680	683,084	611,489	71,595
Transportation	99,756	102,514	92,087	10,427
Education	22,962,051	23,610,076	23,320,233	289,843
Capital outlays	379,814	351,917	131,769	220,148
Transfers to other funds	698,689	1,737,676	1,691,238	46,438
Total Charges To Appropriations	61,381,759	63,014,288	61,621,042	1,393,246
Excess Available For Appropriation Over (Under) Charges To Appropriations	240,381	571,475	1,128,893	557,418
Reconciling Items				
Bond sale proceeds	-	-	-	-
Issuance premiums	-	-	-	-
Bond issuance discount	-	-	-	-
Assumed reversions	172,500	218,768	-	(218,768)
Working capital adjustment	-	-	(243,000)	(243,000)
Noncash activity (net)	-	-	210,264	210,264
Nonappropriated fund balances	-	-	-	-
Changes in reserves (net)	-	-	4,395	4,395
Total Reconciling Items	172,500	218,768	(28,341)	(247,109)
Budgetary Fund Balance, June 30	$ 412,881	$ 790,243	$ 1,100,552	$ 310,309

Administrative Accounts in the General Fund			
Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
$ 559,966	$ 559,966	$ 559,966	$ -
(167,215)	(166,123)	(165,457)	666
893	1,296	841	(455)
2	93	-	(93)
-	-	-	-
1,050	1,050	-	(1,050)
30	30	-	(30)
7,291	7,461	8,149	688
11,405	5,682	(8,665)	(14,347)
-	-	-	-
1,240,617	2,420,697	1,875,339	(545,358)
1,654,039	2,830,152	2,270,173	(559,979)
49,216	130,933	87,783	43,150
19,159	26,436	19,831	6,605
6,036	184,418	159,140	25,278
4,975	53,840	41,295	12,545
85,467	282,847	278,154	4,693
379,465	379,465	195,044	184,421
17,189	38,564	15,648	22,916
561,507	1,096,503	796,895	299,608
1,092,532	1,733,649	1,473,278	(260,371)
319,039	158,182	217,316	59,134
-	-	2,533	2,533
-	-	(396)	(396)
-	-	-	-
-	-	-	-
-	-	7,670	7,670
-	-	99,001	99,001
-	-	264	264
319,039	158,182	326,388	168,206
$ 1,411,571	$ 1,891,831	$ 1,799,666	$ (92,165)

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STATISTICAL SECTION

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Statistical Section

This section of the state of Washington's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health.

FINANCIAL TRENDS

Schedule 1 – Net Position by Component

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

	2017	2016	2015	2014
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	$ 21,048	$ 19,942	$ 19,958	$ 19,816
Restricted	9,718	8,518	8,320	6,589
Unrestricted	(3,377)	(2,691)	(3,944)	399
Total governmental activities net position	$ 27,389	$ 25,769	$ 24,334	$ 26,804
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	$ 751	$ 745	$ 973	$ 625
Restricted	4,581	4,485	4,240	3,815
Unrestricted	(8,734)	(8,724)	(8,945)	(8,318)
Total business-type activities net position	$ (3,402)	$ (3,494)	$ (3,732)	$ (3,878)
PRIMARY GOVERNMENT				
Net investment in capital assets	$ 21,799	$ 20,687	$ 20,931	$ 20,441
Restricted	14,300	13,002	12,560	10,404
Unrestricted	(12,111)	(11,415)	(12,889)	(7,919)
Total primary government net position	$ 23,988	$ 22,274	$ 20,602	$ 22,926
COMPONENT UNITS				
Net investment in capital assets	$ 333	$ 354	$ 379	$ 420
Restricted	9	15	20	22
Unrestricted	446	477	432	374
Total component units net position	$ 788	$ 846	$ 831	$ 816

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

2013	2012	2011	2010	2009	2008
$ 19,706	$ 19,561	$ 18,723	$ 18,201	$ 17,551	$ 17,029
6,524	5,296	4,847	5,214	4,887	5,524
111	233	1,160	(217)	1,417	3,544
$ 26,341	$ 25,090	$ 24,730	$ 23,198	$ 23,855	$ 26,097
$ 740	$ 797	$ 718	$ 913	$ 721	$ 521
3,469	3,225	3,199	2,930	3,800	4,406
(9,067)	(8,599)	(9,662)	(10,864)	(9,737)	(9,211)
$ (4,858)	$ (4,577)	$ (5,745)	$ (7,021)	$ (5,216)	$ (4,284)
$ 20,446	$ 20,358	$ 19,441	$ 19,114	$ 18,272	$ 17,550
9,993	8,521	8,046	8,144	8,687	9,930
(8,956)	(8,366)	(8,502)	(11,081)	(8,320)	(5,667)
$ 21,483	$ 20,513	$ 18,985	$ 16,177	$ 18,639	$ 21,813
$ 320	$ 322	$ 332	$ 343	$ 354	$ 365
13	16	20	21	23	24
131	109	102	96	87	82
$ 464	$ 446	$ 454	$ 460	$ 464	$ 471

FINANCIAL TRENDS

Schedule 2 – Changes in Net Position

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

	2017	2016	2015	2014
EXPENSES				
Governmental activities:				
General government	$ 1,945	$ 1,658	$ 1,987	$ 1,607
Education - elementary and secondary (K-12)	11,042	10,153	9,426	8,914
Education - higher education	7,633	7,531	7,095	6,910
Human services	18,216	17,209	16,890	15,052
Adult corrections	1,062	983	956	911
Natural resources and recreation	1,266	1,264	1,335	1,137
Transportation	2,118	2,363	2,309	2,400
Interest on long-term debt	1,027	991	981	938
Total governmental activities expenses	44,309	42,153	40,978	37,869
Business-type activities:				
Workers' compensation	3,269	3,238	3,018	3,142
Unemployment compensation	1,027	1,020	968	1,380
Higher education student services	3,022	2,495	2,314	2,080
Liquor control [(1)(2)]	-	-	-	-
Washington's lottery [(1)]	520	535	466	463
Guaranteed education tuition program [(3)]	306	(152)	(585)	185
Other	190	161	157	133
Total business-type activities expenses	8,334	7,296	6,338	7,383
Total primary government expenses	$ 52,642	$ 49,449	$ 47,317	$ 45,252
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	$ 887	$ 853	$ 887	$ 870
Education - elementary and secondary (K-12)	23	21	21	26
Education - higher education	2,807	2,762	2,815	2,741
Human services	1,080	724	659	612
Adult corrections	9	7	8	8
Natural resources and recreation	524	468	455	510
Transportation	1,313	1,206	1,139	1,082
Operating grants and contributions	15,832	15,358	15,158	13,240
Capital grants and contributions	1,012	1,113	867	1,066
Total governmental activities program revenues	23,487	22,510	22,010	20,155
Business-type activities:				
Charges for services:				
Workers' compensation	2,780	2,557	2,375	2,237
Unemployment compensation	994	1,139	1,257	1,349
Higher education student services	2,871	2,395	2,216	1,987
Liquor control [(1)(2)]	-	-	-	-
Washington's lottery [(1)]	676	698	603	595
Guaranteed education tuition program [(3)]	29	(348)	53	138
Other	175	155	126	110
Operating grants and contributions	65	70	77	326
Capital grants and contributions	5	-	-	-
Total business-type activities program revenues	7,594	6,666	6,707	6,742
Total primary government program revenues	$ 31,081	$ 29,176	$ 28,717	$ 26,897
NET (EXPENSE)/REVENUE				
Governmental activities	$ (20,822)	$ (19,643)	$ (18,969)	$ (17,714)
Business-type activities	(739)	(630)	369	(641)
Total primary government net expense	$ (21,562)	$ (20,273)	$ (18,600)	$ (18,355)

Refer to footnotes on page 286.

Continued

2013	2012	2011	2010	2009	2008
$ 1,537	$ 1,219	$ 1,674	$ 1,738	$ 1,815	$ 1,609
8,237	8,257	8,055	8,468	8,549	7,476
6,992	6,526	6,257	6,051	6,044	5,710
13,182	13,168	13,363	12,946	12,436	11,260
844	886	935	938	1,044	1,020
1,096	982	996	1,084	1,062	931
2,379	2,396	1,981	2,073	1,883	1,894
955	910	882	810	728	643
35,222	34,345	34,144	34,108	33,561	30,543
3,329	1,919	1,219	4,268	2,544	4,068
1,983	2,817	3,690	4,729	2,360	791
1,927	1,834	1,820	1,628	1,502	1,470
-	566	556	552	540	-
437	407	393	389	401	-
(105)	-	-	-	-	-
126	210	784	345	391	1,204
7,697	7,754	8,463	11,911	7,738	7,533
$ 42,919	$ 42,099	$ 42,607	$ 46,019	$ 41,299	$ 38,076
$ 977	$ 702	$ 645	$ 534	$ 600	$ 651
14	10	16	12	19	13
2,760	2,662	2,379	2,210	2,170	1,718
544	531	462	345	300	251
8	8	7	18	9	10
421	434	478	564	400	376
1,025	878	914	899	900	894
12,027	11,790	12,609	12,193	10,565	8,725
997	944	833	939	706	746
18,773	17,960	18,343	17,716	15,669	13,384
2,154	2,046	2,019	1,755	1,856	1,596
1,308	1,346	1,573	1,288	1,011	1,094
1,857	1,762	1,615	1,698	1,556	1,444
-	582	596	593	574	-
570	535	511	491	488	-
174	-	-	-	-	-
103	121	152	162	156	1,230
870	1,443	2,305	2,468	572	42
-	1	13	-	-	-
7,036	7,836	8,784	8,455	6,212	5,406
$ 25,809	$ 25,796	$ 27,127	$ 26,171	$ 21,881	$ 18,790
$ (16,449)	$ (16,385)	$ (15,800)	$ (16,392)	$ (17,892)	$ (17,159)
(661)	83	321	(3,456)	(1,526)	(2,127)
$ (17,110)	$ (16,302)	$ (15,479)	$ (19,848)	$ (19,418)	$ (19,286)

FINANCIAL TRENDS

Schedule 2 – Changes in Net Position

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

	2017	2016	2015	2014
GENERAL REVENUES & OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes:				
Sales and use tax	$ 10,363	$ 9,740	$ 9,001	$ 8,365
Business and occupation	3,862	3,636	3,394	3,267
Property	2,098	2,062	2,018	1,974
Other	5,561	5,254	3,719	4,244
Interest and investment earnings (loss)	614	168	307	621
Contributions to endowments	100	66	65	66
Transfers	119	152	136	94
Total governmental activities	22,717	21,078	18,641	18,631
Business-type activities:				
Taxes - other	21	21	20	22
Interest and investment earnings	880	999	377	1,618
Transfers	(119)	(152)	(136)	(94)
Other general revenue [4]	-	-	-	-
Special item [5]	-	-	-	-
Total business-type activities	782	868	261	1,546
Total primary government	$ 23,499	$ 21,946	$ 18,902	$ 20,177
CHANGE IN NET POSITION				
Governmental activities	$ 1,895	$ 1,435	$ (328)	$ 917
Business-type activities	43	237	630	905
Total primary government	$ 1,938	$ 1,672	$ 302	$ 1,822
COMPONENT UNITS				
Total expenses	$ 727	$ 1,165	$ 1,080	$ 859
Program revenues:				
Charges for services	722	1,093	945	802
Operating grants and contributions	13	68	126	95
Capital grants and contributions	-	-	-	-
Total program revenues	734	1,161	1,071	897
Net (expense) / revenue	7	(4)	(9)	38
General revenues - property taxes and other	21	20	18	17
General revenues - interest and investment earnings (loss)	2	9	5	(14)
Total component units - change in net position	$ 31	$ 25	$ 14	$ 41

(1) Liquor control and Washington's lottery were separated from other business-type activities in 2009.
(2) The Liquor control distribution and sale of spirits ceased with the passage of Initative 1183. The remaining activities of Liquor control for enforcement and regulation of alcohol and tobacco sales were reclassified to a governmental activity.
(3) Guaranteed education tuition program was separated from other business-type activities in 2013.
(4) Liquor and Cannabis Board auctioned off "Right to Sell" at state owned liquor stores as part of the closeout process in 2012.
(5) The Convention and Trade Center was transferred to another government in 2011.

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

Concluded

2013	2012	2011	2010	2009	2008
$ 7,710	$ 7,349	$ 7,349	$ 6,871	$ 7,306	$ 8,341
3,294	3,149	3,077	2,597	2,614	2,851
1,940	1,897	1,858	1,822	1,785	1,742
4,128	3,946	3,881	3,692	4,296	3,959
397	169	474	449	(212)	464
63	47	69	52	57	95
114	165	231	252	(190)	272
17,646	16,722	16,939	15,735	15,656	17,724
22	72	174	160	113	115
523	1,150	1,611	1,742	291	767
(114)	(165)	(231)	(252)	190	(272)
-	30	-	-	-	-
-	-	(223)	-	-	-
431	1,088	1,331	1,650	594	610
$ 18,077	$ 17,810	$ 18,270	$ 17,385	$ 16,250	$ 18,334
$ 1,197	$ 337	$ 1,140	$ (657)	$ (2,236)	$ 565
(230)	1,171	1,653	(1,806)	(932)	(1,517)
$ 967	$ 1,508	$ 2,793	$ (2,463)	$ (3,168)	$ (952)
$ 46	$ 60	$ 131	$ 68	$ 29	$ 30
33	18	17	16	15	16
29	32	105	44	1	-
2	1	1	1	1	1
64	51	123	61	17	17
18	(9)	(8)	(7)	(12)	(13)
-	-	-	-	-	-
-	2	2	3	5	7
$ 18	$ (8)	$ (6)	$ (4)	$ (7)	$ (6)

FINANCIAL TRENDS

Schedule 3 – Fund Balances, Governmental Funds [1]

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

	2017	2016	2015	2014
GENERAL FUND				
Nonspendable	$ 42,922	$ 45,578	$ 47,353	$ 50,475
Restricted	1,658,761	558,708	533,279	416,652
Committed	140,905	114,958	105,667	142,586
Assigned	1,257,952	1,155,952	1,014,952	879,952
Unassigned	1,100,552	1,355,071	964,168	336,476
Reserved	N/A	N/A	N/A	N/A
Unreserved, designated for:				
Working capital	N/A	N/A	N/A	N/A
Unreserved, undesignated	N/A	N/A	N/A	N/A
Total General Fund	4,201,092	3,230,267	2,665,419	1,826,141
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable	2,638,831	2,493,189	2,487,573	2,438,057
Restricted	4,340,500	4,050,297	3,835,980	4,008,161
Committed	5,765,961	6,013,887	5,860,326	5,138,780
Assigned	18,300	18,300	16,060	-
Unassigned	(70,020)	(11,821)	(167,356)	-
Reserved	N/A	N/A	N/A	N/A
Unreserved, designated for:				
Higher education	N/A	N/A	N/A	N/A
Special revenue funds	N/A	N/A	N/A	N/A
Debt service funds	N/A	N/A	N/A	N/A
Unreserved, undesignated	N/A	N/A	N/A	N/A
Unreserved, undesignated, reported in:				
Nonmajor special revenue funds	N/A	N/A	N/A	N/A
Nonmajor capital project funds	N/A	N/A	N/A	N/A
Total all other governmental funds	12,693,572	12,563,852	12,032,583	11,584,998
Total governmental fund balances	$ 16,894,664	$ 15,794,119	$ 14,698,002	$ 13,411,139

[1] Beginning in fiscal year 2011, fund balance categories were reclassified as a result of implementing GASB Statement No. 54. Fund balance was not restated to the new categories for prior years.

N/A indicates data not applicable.

Source: Washington State Office of Financial Management, Accounting Division

2013	2012	2011	2010	2009	2008
$ 49,819	$ 54,726	$ 89,916	N/A	N/A	N/A
299,165	161,689	23,273	N/A	N/A	N/A
59,579	78,117	98,077	N/A	N/A	N/A
835,152	710,091	1,114,699	N/A	N/A	N/A
138,875	-	(107,764)	N/A	N/A	N/A
N/A	N/A	N/A	$ 76,164	$ 74,929	$ 200,794
N/A	N/A	N/A	863,652	897,763	1,040,563
N/A	N/A	N/A	(561,067)	189,258	677,431
1,382,590	1,004,623	1,218,201	378,749	1,161,950	1,918,788
2,289,499	2,207,007	3,664,194	N/A	N/A	N/A
3,895,017	4,919,729	3,790,577	N/A	N/A	N/A
4,937,328	3,503,646	2,052,523	N/A	N/A	N/A
40	44	45	N/A	N/A	N/A
(79,327)	-	(174,472)	N/A	N/A	N/A
N/A	N/A	N/A	6,298,440	4,993,402	6,549,844
N/A	N/A	N/A	107,624	155,679	155,679
N/A	N/A	N/A	157	165	220
N/A	N/A	N/A	170,200	267,470	362,122
N/A	N/A	N/A	2,297,145	814,231	1,006,121
N/A	N/A	N/A	1,219,705	1,848,410	2,432,112
N/A	N/A	N/A	69,192	307,556	106,741
11,042,557	10,630,426	9,332,867	10,162,463	8,386,913	10,612,839
$ 12,425,147	$ 11,635,049	$ 10,551,068	$ 10,541,212	$ 9,548,863	$ 12,531,627

FINANCIAL TRENDS

Schedule 4 – Revenues, Expenditures, and Other Financing Sources (Uses)
All Governmental Fund Types

Last Ten Fiscal Years (expressed in millions)

	2017	2016	2015	2014
REVENUES				
Taxes:				
Retail sales and use	$ 10,363	$ 9,740	$ 9,001	$ 8,365
Business and occupation	3,862	3,636	3,394	3,267
Motor vehicle and fuel	1,680	1,486	1,253	1,215
Liquor, beer, and wine	355	348	331	321
Cigarette and tobacco	430	451	474	443
Insurance premiums	604	535	556	467
Public utilities	483	469	455	464
Property	2,098	2,062	2,018	1,974
Excise	1,461	1,203	927	717
Gift and inheritance	168	136	150	157
Other taxes	540	430	410	474
Total Taxes	22,044	20,496	18,969	17,864
Licenses, permits, and fees	1,907	1,766	1,660	1,627
Federal grants-in-aid	15,370	15,034	14,712	13,168
Charges and miscellaneous revenue	6,336	5,831	5,751	5,369
Investment income (loss)	614	168	307	621
Total Revenues	46,269	43,295	41,399	38,649
EXPENDITURES				
Current:				
General government	1,450	1,289	1,330	1,280
Human services	19,026	18,037	17,566	15,733
Natural resources and recreation	1,181	1,214	1,239	1,037
Transportation	2,068	1,955	1,883	1,817
Education	18,059	16,922	15,915	15,130
Intergovernmental	497	492	465	456
Capital outlays	2,428	2,200	2,247	2,293
Debt service:				
Principal	1,125	1,040	944	868
Interest	1,042	999	982	939
Total Expenditures	46,876	44,147	42,572	39,552
Revenues Over (Under) Expenditures	(607)	(852)	(1,174)	(903)
OTHER FINANCING SOURCES (USES):				
Bonds issued, net of refunding	1,539	1,709	1,368	2,038
Other debt issued, net of refunding	70	102	31	45
Transfers in	4,545	4,317	5,062	4,356
Transfers out	(4,446)	(4,180)	(4,937)	(4,274)
Net Other Financing Sources (Uses)	1,708	1,948	1,524	2,165
Net Change in Fund Balances	$ 1,101	$ 1,096	$ 350	$ 1,262
Debt service as a percentage of noncapital expenditures (1)	4.9%	4.8%	4.7%	4.8%

(1) Percentage is calculated by dividing principal and interest by total expenditures less capital outlays. The capital outlays total can be found on the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balancees to the Statement of Activities.

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

2013	2012	2011	2010	2009	2008
$ 7,710	$ 7,349	$ 7,349	$ 6,871	$ 7,306	$ 8,341
3,294	3,149	3,077	2,597	2,614	2,851
1,195	1,178	1,206	1,219	1,183	1,170
365	323	229	223	222	214
465	471	494	426	432	413
436	430	413	406	408	415
440	438	450	416	430	428
1,940	1,897	1,858	1,822	1,785	1,742
651	495	447	471	487	781
104	105	123	82	139	111
444	424	438	418	361	427
17,044	16,260	16,084	14,951	15,368	16,892
1,599	1,244	1,072	987	899	911
11,889	11,905	12,599	12,388	10,548	8,767
5,321	4,852	4,722	4,460	4,145	3,869
397	169	474	449	(212)	464
36,250	34,431	34,951	33,235	30,748	30,903
1,162	1,169	1,375	1,474	1,377	1,254
13,957	13,903	14,134	13,736	13,154	12,115
1,043	920	966	889	999	897
1,797	1,788	1,809	1,876	1,847	1,803
14,551	14,275	14,086	13,989	13,826	12,860
440	399	393	382	383	379
2,456	2,224	2,403	2,260	2,446	2,264
784	728	697	671	645	586
921	884	830	740	670	589
37,111	36,288	36,692	36,016	35,348	32,748
(861)	(1,858)	(1,741)	(2,782)	(4,599)	(1,845)
1,344	2,759	989	3,416	1,781	1,957
156	21	154	112	49	19
3,152	2,669	3,860	3,699	4,125	2,628
(3,051)	(2,517)	(3,636)	(3,452)	(4,340)	(2,382)
1,601	2,931	1,367	3,774	1,615	2,222
$ 740	$ 1,074	$ (374)	$ 993	$ (2,985)	$ 377
4.9%	4.7%	4.5%	4.2%	4.0%	3.9%

FINANCIAL TRENDS

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

Last Ten Fiscal Years (expressed in millions)

	2017	2016	2015	2014
REVENUES				
Taxes:				
Retail sales and use	$ 10,221	$ 9,623	$ 8,903	$ 8,275
Business and occupation	3,857	3,632	3,389	3,262
Liquor, beer, and wine	290	284	282	274
Cigarette and tobacco	430	451	474	443
Insurance premiums	577	510	529	457
Public utilities	463	449	437	447
Property	2,098	2,062	2,018	1,974
Excise	1,055	933	787	650
Gift and inheritance	2	-	(1)	-
Other taxes	348	245	207	226
Total Taxes	19,341	18,189	17,025	16,008
Licenses, permits, and fees	130	116	115	108
Federal grants-in-aid	12,680	12,196	12,053	10,226
Charges and miscellaneous revenue	1,000	611	583	506
Investment income (loss)	(5)	26	8	7
Total Revenues	33,146	31,138	29,784	26,855
EXPENDITURES				
Current:				
General government	884	802	846	833
Human services	17,959	17,072	16,794	14,920
Natural resources and recreation	429	534	445	409
Transportation	62	67	37	42
Education	12,176	11,403	10,177	9,754
Intergovernmental	123	119	117	114
Capital outlays	70	111	52	51
Debt service:				
Principal	12	8	8	9
Interest	4	3	1	3
Total Expenditures	31,719	30,121	28,477	26,134
Revenues Over (Under) Expenditures	1,428	1,016	1,308	721
OTHER FINANCING SOURCES (USES)				
Bonds issued, net of refunding	129	102	192	170
Other debt issued, net of refunding	1	75	7	-
Transfers in	713	577	466	518
Transfers out	(1,300)	(1,205)	(1,119)	(965)
Net Other Financing Sources (Uses)	(457)	(452)	(454)	(277)
Net Change in Fund Balances	$ 971	$ 565	$ 854	$ 444

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

2013	2012	2011	2010	2009	2008
$ 7,629	$ 7,274	$ 7,275	$ 6,802	$ 7,234	$ 8,256
3,291	3,145	3,072	2,593	2,530	2,760
340	296	202	198	163	157
465	471	498	349	68	47
426	421	404	397	253	261
423	427	449	400	417	415
1,940	1,897	1,858	1,822	1,529	1,495
583	434	414	418	433	707
3	-	1	-	-	4
194	183	250	192	163	205
15,294	14,547	14,424	13,169	12,791	14,307
105	99	88	86	95	97
8,780	8,824	9,597	9,648	8,311	6,557
540	520	556	481	326	364
(17)	(6)	(15)	(9)	64	123
24,702	23,983	24,650	23,375	21,587	21,449
721	745	923	822	726	663
13,236	13,209	13,473	13,209	11,912	10,921
420	373	388	360	340	336
48	42	41	44	37	42
9,115	9,169	9,211	9,243	9,044	8,235
108	105	102	30	32	31
76	67	49	54	69	57
18	16	16	20	18	15
-	1	1	1	1	-
23,742	23,728	24,203	23,783	22,179	20,300
960	256	447	(408)	(592)	1,149
127	76	340	-	-	-
4	15	14	4	27	12
596	496	939	1,187	952	72
(1,312)	(1,056)	(1,154)	(1,566)	(1,144)	(1,217)
(585)	(470)	139	(375)	(165)	(1,133)
$ 375	$ (214)	$ 586	$ (783)	$ (757)	$ 16

REVENUE CAPACITY

Schedule 6 – Sales Subject to Retail Sales Tax by Industry

Last Ten Calendar Years (expressed in millions)

Industry [1]	2016	2015	2014	2013
Retail trade:				
Building materials, garden equipment and supplies	$ 6,344	$ 5,909	$ 5,348	$ 4,982
General merchandise stores	11,256	11,086	10,711	10,511
Motor vehicles & parts	16,311	14,987	13,540	12,565
All other retail trade	29,334	27,691	26,725	25,582
Total retail sales	63,245	59,673	56,324	53,640
Construction	28,101	24,459	21,086	19,256
Accommodations & food services	16,738	15,677	14,365	13,334
Wholesale trade	9,882	9,295	9,053	8,750
Information	6,702	6,754	5,972	5,429
Manufacturing	2,744	2,589	2,478	2,286
All other industries	18,993	16,917	15,566	14,506
Total sales subject to retail sales tax	$ 146,405	$ 135,364	$ 124,844	$ 117,201
Direct retail sales tax rate [2]	6.5%	6.5%	6.5%	6.5%

[1] Industry classifications are based on North American Industry Classification System (NAICS) codes.
[2] State retail sales tax rate only; excludes local retail sales tax rate.

Source: Washington State Department of Revenue, Quarterly Business Review

2012	2011	2010	2009	2008	2007
$ 4,537	$ 4,280	$ 4,290	$ 4,234	$ 4,894	$ 5,377
10,311	10,063	10,086	9,872	9,802	9,980
11,359	10,178	9,504	9,218	10,562	12,741
24,261	23,436	22,464	21,640	23,272	23,565
50,468	47,957	46,344	44,964	48,530	51,663
16,628	15,445	15,704	17,771	23,540	24,435
12,611	11,866	11,293	10,871	11,237	11,033
8,266	8,048	7,618	7,498	8,703	9,328
5,117	4,997	4,957	4,762	4,915	4,766
2,114	2,207	2,084	2,106	2,644	3,085
13,849	13,221	12,808	12,907	14,439	14,647
$ 109,053	$ 103,741	$ 100,808	$ 100,879	$ 114,008	$ 118,957
6.5%	6.5%	6.5%	6.5%	6.5%	6.5%

REVENUE CAPACITY

Schedule 7 – Number of Retail Sales Taxpayers by Industry

Current Calendar Year and Nine Years Ago

	2016			2007		
Industry [1]	Number of Businesses	Rank	Percent of Total Businesses	Number of Businesses	Rank	Percent of Total Businesses
Retail trade	51,909	1	25.1%	50,432	1	25.8%
Construction	40,935	2	19.8%	40,783	2	20.8%
Other services [2]	19,956	3	9.7%	21,283	3	10.9%
Management, education & health services	19,951	4	9.6%	18,092	4	9.2%
Accommodations & food services	19,263	5	9.3%	17,278	5	8.8%
Professional, scientific & technical services	13,746	6	6.6%	12,387	6	6.3%
All other industries [3]	12,595	7	6.1%	12,410	7	6.3%
Manufacturing	11,556	8	5.6%	8,577	8	4.4%
Wholesale trade	10,876	9	5.3%	10,506	9	5.4%
Arts, entertainment & recreation	5,951	10	2.9%	4,021	10	2.1%
Total	206,738		100%	195,769		100%

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes. The state of Washington is legally prohibited from disclosing the names of individual taxpayers. The information in this table is intended to assist readers in understanding the degree to which the state's retail sales tax revenue may be concentrated.

(2) Other services consist of repair and maintenance, personal service, and religious, civic and other organizations.

(3) All other industries include real estate and rental leasing, transportation and warehousing, and information.

Source: Washington State Department of Revenue

REVENUE CAPACITY

Schedule 8 – Number of Business and Occupation (B&O) Taxpayers by Industry

Current Calendar Year and Nine Years Ago

	2016			2007		
Industry [1]	Number of Businesses	Rank	Percent of Total Businesses	Number of Businesses	Rank	Percent of Total Businesses
Retailing	199,955	1	40.5%	180,412	1	41.9%
Service and other activities, and gambling contests less than $50,000/year	171,165	2	34.6%	134,068	2	31.1%
Wholesaling	89,982	3	18.2%	86,284	3	20.1%
Manufacturing	10,164	4	2.1%	10,438	4	2.4%
Other B&O tax classifications	7,099	5	1.4%	6,086	5	1.4%
Insurance agents/insurance brokers commissions	6,265	6	1.3%	4,869	6	1.1%
Royalties and child care	3,667	7	0.7%	2,983	7	0.7%
Warehousing, radio and TV broadcasting, public road construction, and government contracting	2,230	8	0.5%	2,266	8	0.5%
Travel agent commissions/international charter, freight brokers, and stevedoring	2,093	9	0.4%	1,490	10	0.4%
Processing for hire, and printing and publishing	1,688	10	0.3%	1,736	9	0.4%
Total	494,308		100%	430,632		100%

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes. The state of Washington is legally prohibited from disclosing the names of individual taxpayers. The information in this table is intended to assist readers in understanding the degree to which the state's business and occupation tax revenue may be concentrated.

Source: Washington State Department of Revenue

REVENUE CAPACITY

Schedule 9 – Taxable Sales by Business and Occupation Tax Classification

Last Ten Calendar Years (expressed in millions)

Industry [1]	2016	2015	2014	2013
Retailing	$ 192,256	$ 181,856	$ 173,663	$ 163,752
Wholesaling	147,375	142,875	142,992	136,837
Service and other activities	108,591	101,555	93,327	88,826
Manufacturing, wholesaling, and retailing of airplanes and components	60,974	63,497	61,433	54,744
Manufacturing	24,346	25,188	28,848	28,320
Other business & occupation tax classifications	55,230	53,897	52,131	48,833
Total	$ 588,772	$ 568,868	$ 552,394	$ 521,312
State B&O tax rate range	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.6%

[1] Industry classifications are based on North American Industry Classification System (NAICS) codes.

Source: Washington State Department of Revenue, Quarterly Business Review

2012	2011	2010	2009	2008	2007
$ 153,467	$ 146,698	$ 138,995	$ 136,738	$ 153,775	$ 155,997
131,471	125,471	110,041	105,659	135,935	128,820
83,537	78,617	75,069	74,061	77,880	75,729
48,788	35,414	32,383	33,323	25,770	32,672
26,556	26,020	23,260	21,725	27,177	25,829
46,974	46,173	42,825	40,721	44,125	41,031
$ 490,793	$ 458,393	$ 422,573	$ 412,227	$ 464,662	$ 460,078
0.1 - 1.9%	0.1 - 1.9%	0.1 - 1.9%	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.6%

DEBT CAPACITY

Schedule 10 – Ratios of Outstanding Debt by Type [1]

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

	2017	2016	2015	2014
Governmental Activities				
General obligation bonds	$ 21,034	$ 20,518	$ 19,868	$ 19,370
Revenue bonds	2,326	2,377	2,316	1,894
Certificates of participation	752	718	580	570
Capital leases/installment contracts	5	6	5	11
Total Governmental Activities Debt	24,117	23,619	22,769	21,845
Business-Type Activities				
General obligation bonds	-	-	4	8
Revenue bonds	2,307	2,215	1,991	2,236
Certificates of participation	92	49	42	38
Capital leases/installment contracts	75	9	13	15
Total Business-Type Activities Debt	2,474	2,273	2,050	2,297
Total Primary Government Debt	$ 26,591	$ 25,892	$ 24,819	$ 24,142
DEBT RATIOS				
Total Primary Government				
Ratio of total debt to personal income [2]	6.8%	7.1%	6.8%	6.9%
Total debt per capita [3]	$ 3,637	$ 3,604	$ 3,455	$ 3,419
General Bond Debt				
Ratio of general bonded debt to retail sales subject to tax [4]	14.4%	15.2%	14.7%	15.5%
General bonded debt per capita [3]	$ 2,877	$ 2,856	$ 2,766	$ 2,744

(1) Refer to Note 7 for long-term liability activity.

(2) Personal income data can be found in Schedule 13. Personal income data for 2017 is not available; used 2016 data to calculate 2017 ratio. The Bureau of Economic Analysis periodically revises its personal income data for periods up to 10 years.

(3) Population data can be found in Schedule 14.

(4) Retail sales subject to tax can be found in Schedule 6. Retail sales data for 2017 is not available; used 2016 data to calculate 2017 ratio.

Source: Washington State Office of Financial Management, Accounting Division

2013	2012	2011	2010	2009	2008
$ 18,638	$ 17,838	$ 16,750	$ 16,540	$ 14,049	$ 12,927
1,706	1,657	740	743	616	555
588	469	482	449	395	383
12	7	6	14	10	15
20,944	19,971	17,978	17,746	15,070	13,880
11	15	18	60	69	80
2,031	1,682	1,423	1,084	1,074	1,115
42	52	62	293	310	261
15	6	6	6	10	15
2,099	1,755	1,509	1,443	1,463	1,471
$ 23,043	$ 21,726	$ 19,487	$ 19,189	$ 16,533	$ 15,351
7.2%	7.2%	6.5%	6.8%	6.0%	5.3%
$ 3,348	$ 3,187	$ 2,879	$ 2,854	$ 2,478	$ 2,323
17.1%	17.2%	16.2%	16.5%	14.0%	11.4%
$ 2,710	$ 2,619	$ 2,478	$ 2,469	$ 2,116	$ 1,968

DEBT CAPACITY

Schedule 11 – Legal Debt Margin Information (1)

Last Ten Fiscal Years (expressed in millions)

	2017	2016	2015	2014
Legal Debt Limitation Calculation (2)				
Six year mean, general state revenues	$16,334	$15,499	$14,794	$13,245
Times: Percentage of six year mean, general state revenues	8.3%	8.5%	8.5%	9%
Equals: Debt service limitation	$ 1,348	$ 1,317	$ 1,257	$ 1,192
Debt service limitation	$ 1,348	$ 1,317	$ 1,257	$ 1,192
Less: Projected maximum annual debt service of outstanding bonds as of June 30	1,172	1,155	1,129	1,125
Equals: Debt service capacity	$ 176	$ 162	$ 128	$ 67
Remaining state general obligation debt capacity (3)	$ 2,937	$ 2,632	$ 2,031	$ 977
Plus: Debt outstanding, bonds issued & projected sales subject to debt service limitation as of June 30	11,644	11,348	11,160	11,208
Equals: Maximum debt authorization subject to limitation	$14,581	$13,980	$13,191	$12,185
Debt service capacity as a percentage of total debt service limitation	13.0%	12.3%	10.2%	5.6%
Remaining debt capacity as a percentage of maximum debt authorized	20.1%	18.8%	15.4%	8.0%

(1) The legal debt limitation limits the amount of state debt that may be incurred by restricting the amount of general state revenues which may be allocated to pay principal and interest on debt subject to these limitations. Prior to 2010, the level of debt incurred by the state was constrained by two different calculations - one constitutional and one statutory. Effective for 2010, the statutory debt limit was modified to be the same as the constitutional debt limit.

(2) From 1972 through June 30, 2014, the Constitution prohibited the issuance of new debt if it would cause the maximum annual debt service to exceed nine percent of the arithmetic mean of general state revenues for the preceding three fiscal years. Beginning in fiscal year 2015, the debt limit was subject to an amendment of the state Constitution passed in 2012 specifying that maximum annual payments of principal and interest on all debt subject to the limit may not exceed a percentage of the average of the prior six years' general state revenues.

(3) The remaining debt capacity each year is the calculated present value of the debt service capacity utilizing a yearly interest rate assumption. Interest rate assumption for 2017 is 3.36 percent.

Source: Office of the State Treasurer, Certification of the Debt Limitation of the State of Washington

2013	2012	2011	2010	2009	2008
$12,533	$12,080	$12,176	$12,518	$14,422	$13,545
9%	9%	9%	9%	7%	7%
$ 1,128	$ 1,087	$ 1,096	$ 1,127	$ 1,010	$ 948
$ 1,128	$ 1,087	$ 1,096	$ 1,127	$ 1,010	$ 948
1,056	1,031	995	971	797	747
$ 72	$ 56	$ 101	$ 156	$ 213	$ 201
$ 1,142	$ 874	$ 1,425	$ 2,267	$ 2,791	$ 2,889
10,730	10,708	10,470	10,163	8,032	7,244
$11,872	$11,582	$11,895	$12,430	$10,823	$10,133
6.4%	5.2%	9.2%	13.8%	21.1%	21.2%
9.6%	7.5%	12.0%	18.2%	25.8%	28.5%

DEBT CAPACITY

Schedule 12 – Revenue Bond Coverage [1]

Last Ten Fiscal Years (expressed in millions)

Fiscal Year	Gross Revenues [2]	Less: Operating Expenses [3]	Net Available Revenue	Scheduled Debt Service [4] Principal	Interest	Coverage Ratio
Governmental Activities						
2017	$ 103	$ 7	$ 96	$ 57	$ 47	0.92
2016	101	6	95	54	47	0.94
2015	93	13	80	50	41	0.88
2014	108	14	94	45	58	0.91
2013	83	8	75	36	55	0.82
2012	77	5	78	29	48	1.01
2011	60	3	57	21	36	1.00
2010	61	3	58	25	36	0.95
2009	73	3	70	34	38	0.97
2008	67	2	65	25	36	1.07
Business-Type Activities						
2017	$ 2,804	$ 2,701	$ 103	$ 98	$ 90	0.55
2016	2,339	2,170	169	89	88	0.95
2015	2,153	1,978	175	82	102	0.95
2014	1,928	1,767	161	81	86	0.96
2013	1,789	1,652	137	18	86	1.32
2012	1,689	1,597	92	53	63	0.79
2011	1,522	1,575	(53)	40	50	(0.59)
2010	1,604	1,376	228	38	51	2.56
2009	1,478	1,281	197	26	54	2.46
2008	1,355	1,264	91	32	44	1.20

(1) Refer to Note 7 for information on the nature of revenue bonds issued by the state.

(2) Total operating revenues.

(3) Total operating expenses exclusive of depreciation.

(4) Scheduled debt service amounts are based on previous fiscal year disclosure information collected from individual agencies and reported in Note 7.

Source: Washington State Office of Financial Management, Accounting Division

DEMOGRAPHIC INFORMATION

Schedule 13 – Personal Income Comparison
Washington State vs. United States

Last Ten Calendar Years (expressed in billions, except per capita)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Washington State										
Personal income	$ 390	$ 372	$ 356	$ 333	$ 326	$ 302	$ 285	$ 279	$ 294	$ 279
Percent change	5%	5%	7%	2%	8%	6%	2%	-5%	5%	9%
Per capita	$ 53,493	$ 51,971	$ 50,421	$ 47,814	$ 47,338	$ 44,202	$ 42,194	$ 41,844	$ 44,794	$ 43,192
United States										
Personal income	$ 15,929	$ 15,553	$ 14,818	$ 14,074	$ 13,915	$ 13,255	$ 12,477	$ 12,095	$ 12,502	$ 12,000
Percent change	2%	5%	5%	1%	5%	6%	3%	-3%	4%	5%
Per capita	$ 49,571	$ 48,190	$ 46,464	$ 44,493	$ 44,282	$ 42,461	$ 40,277	$ 39,376	$ 41,082	$ 39,821
Washington Per Capita Rate as % of United States Per Capita Rate	108%	108%	109%	107%	107%	104%	105%	106%	109%	108%

Note: The Bureau of Economic Analysis periodically revises its personal income data for periods up to 10 years.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Schedule 14 – Population and Components of Change
Washington State vs. United States

Last Ten Years (expressed in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Washington State (1)										
Population	7,310.3	7,183.7	7,061.4	6,968.2	6,882.4	6,817.8	6,767.9	6,724.5	6,672.2	6,608.3
Net increase	126.6	122.3	93.2	85.8	64.6	49.9	43.4	52.4	63.9	83.2
Percent change	1.8%	1.7%	1.3%	1.2%	0.9%	0.7%	0.6%	0.8%	1.0%	1.3%
Components of change:										
Births	91.2	89.8	88.5	87.0	87.3	87.1	86.4	88.4	89.8	89.6
Deaths	55.4	54.6	52.8	50.7	51.1	49.2	48.8	47.7	48.1	47.9
Net migration	90.8	87.1	57.6	49.5	28.5	12.0	5.8	11.5	22.2	41.5
United States (2)										
Population	N/A	323,128	320,897	318,563	316,205	313,998	311,663	309,348	306,772	304,094
Percent change	N/A	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%	0.9%	1.0%

(1) Washington state population estimates are as of April 1 each year. Population estimates for 2008 through 2009 have been revised to reflect intercensal estimates. Intercensal estimates are estimates of population between official census dates. Intercensal estimates are more accurate than postcensal estimates because they are bracketed on both sides by decennial or state-certified special census counts. Estimates for 2010 have been replaced with the 2010 U.S. Census Bureau count. Estimates for 2011 through 2017 are postcensal estimates developed by the Washington State Office of Financial Management.

(2) United States population intercensal estimates are as of July 1 of each year.

N/A indicates data not available.

Sources:
Washington State Office of Financial Management
U.S. Census Bureau, Population Division

DEMOGRAPHIC INFORMATION

Schedule 15 – Annual Average Civilian Labor Force Unemployment Rates Washington State vs. United States

Last Ten Calendar Years

	2016	2015	2014	2013
Washington State (in thousands)				
Civilian labor force	3,642	3,545	3,488	3,457
Employment	3,443	3,346	3,275	3,217
Total unemployment	198	199	213	240
Unemployment percentage rate	5.4%	5.6%	6.1%	6.9%
United States (in millions)				
Civilian labor force	159.2	157.1	155.9	155.4
Employment	151.4	148.8	146.3	143.9
Total unemployment	7.8	8.3	9.6	11.5
Unemployment percentage rate	4.9%	5.3%	6.2%	7.4%
Washington Unemployment Rate as % of United States Unemployment Rate	110.2%	105.7%	98.4%	93.2%

Note: The Washington State Economic and Revenue Forecast Council periodically revises its civilian labor force and employment data for periods up to five years.

Source: Washington State Economic and Revenue Forecast, June 2017

2012	2011	2010	2009	2008	2007
3,463	3,482	3,515	3,535	3,479	3,393
3,185	3,162	3,167	3,206	3,286	3,237
278	320	348	329	193	156
8.0%	9.2%	9.9%	9.3%	5.5%	4.6%
155.0	153.6	153.9	154.2	154.3	153.1
142.5	139.9	139.1	139.9	145.4	146.0
12.5	13.7	14.8	14.3	8.9	7.1
8.1%	8.9%	9.6%	9.3%	5.8%	4.6%
98.8%	103.4%	103.1%	100.0%	94.8%	100.0%

DEMOGRAPHIC INFORMATION

Schedule 16 – Annual Average Wage Rates by Industry

Last Ten Calendar Years

	Annual Average Wages (1)			
Industry (2)	**2016(3)**	**2015**	**2014**	**2013**
Information	$ 159,236	$ 150,503	$ 148,429	$ 135,304
Management of companies and enterprises	109,462	108,447	106,518	105,501
Utilities	88,789	85,644	87,212	86,373
Finance and insurance	88,308	92,790	82,102	79,587
Professional, scientific, and technical services	88,223	85,968	84,883	81,893
Manufacturing	74,641	73,860	74,303	70,798
Wholesale trade	73,903	72,523	70,169	68,230
Mining	67,389	67,425	63,404	62,444
Government	58,945	57,274	55,603	53,733
Construction	58,887	56,925	55,037	53,735
Transportation and warehousing	56,173	54,344	52,293	51,967
Health care and social assistance (4)	49,337	46,986	44,245	47,733
Real estate, rental and leasing	48,965	47,459	45,181	43,426
Administrative and support services (5)	47,050	45,934	44,382	43,261
Retail trade	45,930	38,300	36,127	34,084
Education services	37,667	36,414	36,918	36,775
Other services (4)	37,557	37,437	35,571	26,717
Arts, entertainment, and recreation	30,908	30,509	29,725	27,771
Agriculture, forestry, fishing, and hunting	29,971	28,398	27,758	26,880
Accommodation and food services	21,301	20,451	19,561	19,136

(1) Wages include only employment covered by unemployment insurance. Wages may not include individual private firms or disclosure of employers.

(2) Industry classifications and wages are based on North American Industry Classification System (NAICS) codes.

(3) 2016 data is preliminary.

(4) A number of state-funded programs that provide nonmedical, home-based services for the elderly and persons with disabilities were incorrectly classified as other services. Effective January 2014, these were classified correctly as health care and social assistance. This reclassification caused the average annual wage for other services to increase. Wages classified as other services do not include public administration.

(5) Wages classified under administrative and support services include waste management and remediation services.

Source: Washington State Employment Security Department, Quarterly Census of Employment and Wages

2012	2011	2010	2009	2008	2007
$ 131,872	$ 119,968	$ 109,777	$ 105,715	$ 104,053	$ 96,240
105,535	102,009	95,731	87,642	87,431	86,867
84,024	82,058	77,591	84,410	76,945	73,736
77,455	73,154	70,137	71,304	72,653	70,044
79,972	77,178	75,376	71,837	70,120	70,104
69,306	68,065	64,925	62,931	61,260	59,568
68,481	65,831	63,348	61,569	61,041	59,345
60,231	58,871	55,654	52,981	54,718	58,056
52,871	52,174	51,394	50,420	48,705	46,914
53,056	52,304	51,127	51,043	49,443	46,783
50,876	49,628	47,743	46,522	45,433	45,320
47,067	45,852	44,673	43,561	41,424	39,474
42,040	39,816	38,359	36,777	36,669	36,334
43,381	42,942	41,466	39,571	37,536	36,463
32,364	30,917	30,021	29,356	29,268	29,082
36,226	35,576	35,158	34,505	33,550	32,076
25,651	24,549	24,227	24,881	25,637	24,385
25,276	25,023	25,121	25,527	26,949	27,643
26,295	25,097	24,034	23,675	24,491	23,413
18,698	18,062	17,632	17,063	16,430	16,019

DEMOGRAPHIC INFORMATION

Schedule 17 – Principal Employers by Industry

Current Calendar Year and Nine Years Ago

	2016 Annual Averages			2007 Annual Averages		
Industry [1]	Number of Employees [2]	Percent of Total	Number of Employers	Number of Employees [2]	Percent of Total	Number of Employers
Government	545,694	17.0%	2,120	509,022	17.4%	2,052
Health care and social assistance (3)	399,708	12.4%	52,937	296,667	10.1%	13,529
Retail trade	363,130	11.3%	14,712	321,206	11.0%	14,450
Manufacturing	286,148	8.9%	7,298	289,286	9.9%	7,193
Accommodation and food services	268,059	8.3%	14,062	230,185	7.9%	12,375
Professional, scientific, and technical services	189,703	5.9%	23,976	151,728	5.2%	16,805
Construction	174,666	5.4%	23,975	194,491	6.6%	24,904
Administrative and support services (4)	160,544	5.0%	11,685	149,995	5.1%	9,116
Wholesale trade	130,120	4.1%	13,186	125,710	4.3%	12,473
Information	120,122	3.7%	3,500	102,006	3.5%	2,466
Agriculture, forestry, fishing, and hunting	104,600	3.3%	7,342	84,699	2.9%	7,726
Other services (3)	94,888	3.0%	18,165	114,718	3.9%	49,316
Transportation and warehousing	93,826	2.9%	4,531	85,493	2.9%	4,025
Finance and insurance	92,886	2.9%	5,652	101,824	3.5%	5,982
Arts, entertainment, and recreation	49,847	1.6%	2,767	45,563	1.5%	2,382
Real estate, rental and leasing	48,844	1.5%	6,669	49,968	1.7%	6,776
Mgmt. of companies and enterprises	43,080	1.3%	632	34,648	1.2%	636
Education services	41,174	1.3%	3,165	31,524	1.1%	2,072
Utilities	4,563	0.1%	223	4,648	0.2%	225
Mining	2,375	0.1%	161	3,036	0.1%	169
Total average employment [5]	3,213,977	100.0%	216,758	2,926,417	100.0%	194,672

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes. The state of Washington is legally prohibited from disclosing the names of individual employers. The information in this table is intended to assist readers in understanding the degree of concentration in the state's employment base.

(2) The number of employees is based on annual averages and represents only employees covered by unemployment insurance.

(3) A number of state-funded programs that provide nonmedical, home-based services for the elderly and persons with disabilities were incorrectly classified as other services. Effective January 2014, these were classified correctly as health care and social assistance. This reclassification caused the annual average wage for other services to increase. Wages classified as other services do not include public administration.

(4) Employment classified under administrative and support services include waste management and remediation services.

(5) Total employment is based on annual averages and may not include private firms or disclosure of individual employers.

Source: Washington State Employment Security Department, Quarterly Census of Employment and Wages

DEMOGRAPHIC INFORMATION

Schedule 18 – Fortune 500 Companies Headquartered in Washington

Last Two Calendar Years
(Ranked by Company Revenues)

Rank 2016	Rank 2015	Company	Revenues (in millions)	Profit / (Loss) (in millions)	Employees Worldwide	Headquarters
12	18	Amazon.com	$ 135,987	$ 2,371	341,400	Seattle
16	15	Costco Wholesale	118,719	2,350	172,000	Issaquah
28	25	Microsoft	85,320	16,798	114,000	Redmond
131	146	Starbucks	21,316	2,818	254,000	Seattle
164	147	Paccar	17,033	522	23,000	Bellevue
188	197	Nordstrom	14,757	354	72,500	Seattle
317	385	Expedia	8,774	282	20,075	Bellevue
341	373	Weyerhaeuser	7,902	1,027	10,400	Seattle
429	390	Expeditors Intl. of Washington	6,098	431	16,000	Seattle
438	459	Alaska Air Group	5,931	814	19,112	Seattle

Source: Fortune Magazine, June 15, 2017

Schedule 19 – Principal Agricultural Commodities Value (1)

Last Ten Calendar Years (dollars in millions)

Commodities	% Change 2016 vs. 2015	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Apples	3%	$ 2,389	$ 2,319	$ 1,893	$ 2,134	$ 2,482	$ 1,831	$ 1,541	$ 1,413	$ 1,288	$ 1,780
Milk (2)	-3%	1,097	1,136	1,624	1,299	1,160	1,277	950	684	1,002	1,062
Potatoes	5%	813	772	771	792	700	771	654	646	693	675
Cattle/calves	-16%	704	849	806	715	659	592	568	473	496	574
Wheat	10%	657	600	715	1,014	1,162	1,138	925	594	745	949
Cherries, all	12%	503	448	510	385	499	534	367	231	297	327
Hay, all	-4%	479	499	703	675	626	716	509	452	581	498
Hops	35%	382	280	208	185	144	157	163	265	259	137
Grapes, all	25%	360	289	302	278	249	189	214	209	199	174
Pears, all	-4%	233	240	244	225	206	181	188	158	171	178

(1) Acreage and/or yield data is preliminary. The value may not be finalized until up to two years after production.
(2) Value at average returns per 100 pounds of milk in combined marketings of milk and cream plus value of milk used for home consumption and milk fed to calves.

Source: United States Department of Agriculture, National Agricultural Statistics Service

DEMOGRAPHIC INFORMATION

Schedule 20 – International Trade Facts (All Washington Ports)

Last Ten Calendar Years (expressed in millions)

International Trade	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Exports [1]	$ 90,424	$ 94,781	$ 93,908	$ 98,740	$ 84,187	$ 77,284	$ 64,723	$ 58,468	$ 77,088	$ 78,453
Imports	92,729	91,496	90,639	89,559	93,614	86,997	80,020	67,896	87,511	85,469
Trade balance	$ (2,305)	$ 3,285	$ 3,269	$ 9,181	$ (9,427)	$ (9,713)	$ (15,297)	$ (9,428)	$ (10,422)	$ (7,016)
Two-way trade	$ 183,153	$ 186,277	$ 184,547	$ 188,299	$ 177,801	$ 164,281	$ 144,743	$ 126,364	$ 164,599	$ 163,922

[1] Export figures indicate total international trade from the state of Washington, including bonded shipments to other states and Canada (includes Boeing Company figures).

Figures may not total due to rounding.

Source: Washington State Department of Commerce

Schedule 21 – Value of Trade with Major Export Trading Partners

Last Ten Calendar Years (expressed in millions)

Export Partners [1]	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Canada	$ 15,676	$ 17,052	$ 18,937	$ 27,635	$ 18,135	$ 17,353	$ 14,936	$ 13,326	$ 17,049	$ 15,267
China (Mainland)	14,753	16,315	18,880	16,390	14,027	11,962	11,695	7,607	8,614	9,357
Japan	8,091	7,569	8,908	8,465	9,850	8,036	7,368	6,475	10,677	10,567
Korea, Republic of	5,129	5,071	3,644	3,371	3,903	4,096	3,378	2,584	4,003	3,683
United Arab Emirates	4,049	3,174	3,212	3,969	5,017	2,715	909	2,897	2,160	2,119
United Kingdom	3,800	2,514	2,710	2,530	1,452	1,921	1,083	1,356	1,316	1,753
Taiwan	3,376	3,902	2,734	2,295	1,866	2,070	2,556	1,917	3,142	3,702
Saudi Arabia	2,707	1,907	602	1,579	1,175	285	153	91	92	76
Netherlands	2,214	1,783	892	844	945	1,413	888	1,189	1,454	1,274
Vietnam	2,209	1,496	759	640	649	448	396	192	247	177

[1] Export figures are based on all Washington state ports, all methods of transportation.

Source: Washington State Department of Commerce

Schedule 22 – Value of Trade with Major Import Trading Partners

Last Ten Calendar Years (expressed in millions)

Import Partners [1]	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
China (Mainland)	$28,710	$29,910	$28,968	$31,776	$33,820	$31,100	$32,228	$27,341	$30,632	$28,684
Japan	18,982	17,682	16,816	17,036	19,129	16,198	13,886	11,656	17,274	15,858
Canada	16,600	16,873	18,953	17,529	16,430	16,284	13,948	10,916	15,877	16,925
Korea, Republic of	5,000	5,014	4,945	4,529	4,380	3,760	3,315	2,719	3,875	4,235
Taiwan	3,415	3,574	3,347	3,131	3,442	3,291	3,141	2,414	4,072	3,610
Ireland	3,046	548	82	24	21	16	9	7	16	18
Vietnam	2,110	1,996	1,346	1,326	1,637	1,421	1,234	1,160	1,092	1,130
Singapore	1,439	1,060	638	576	275	258	515	1,631	1,289	1,413
Thailand	1,138	1,505	1,151	1,039	1,050	959	974	804	1,154	1,221
Germany	967	912	853	896	760	763	588	524	620	642

[1] Import figures are based on all Washington state ports, all methods of transportation.

Source: Washington State Department of Commerce

DEMOGRAPHIC INFORMATION

Schedule 23 – Property Value and Construction

Last Ten Calendar Years (expressed in millions)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Value of all taxable property:										
Assessed value	$ 1,022,092	$949,759	$880,155	$808,328	$767,064	$793,703	$824,885	$862,108	$919,505	$841,309
Property value of exemptions:										
Senior citizen	$ 3,601	$ 3,590	$ 3,183	$ 2,491	$ 2,689	$ 4,170	$ 5,362	$ 6,491	$ 8,715	$ 8,022
Head of household	51	58	60	56	61	65	72	77	84	105
Total exemptions	$ 3,652	$ 3,648	$ 3,243	$ 2,547	$ 2,750	$ 4,236	$ 5,434	$ 6,568	$ 8,799	$ 8,127
New construction and improvements:										
Assessed value	$ 16,122	$ 13,656	$ 11,213	$ 9,198	$ 6,598	$ 7,207	$ 9,001	$ 13,443	$ 19,435	$ 20,861

Source: Washington State Department of Revenue, Property Tax Statistics Report

Schedule 24 – Residential Building Activity

Last Ten Calendar Years (dollars in millions)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Permits	44,077	40,374	33,898	32,962	28,118	20,864	20,691	17,011	28,919	47,397
Valuations	$ 9,116	$ 8,519	$ 7,017	$ 6,684	$ 5,649	$ 4,036	$ 3,891	$ 3,186	$ 5,063	$ 8,130

Source: U.S. Census Bureau

OPERATING INFORMATION

Schedule 25 – Full-Time Equivalent Staff Comparison (Budgeted Funds)

Last Ten Fiscal Years

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government	8,612	8,420	8,386	8,256	8,268	9,082	9,196	9,696	9,899	9,734
Human services	35,221	33,722	33,105	32,744	32,205	31,766	32,133	34,034	35,015	34,720
Natural resources	6,741	6,661	6,520	6,256	6,232	6,011	5,928	6,120	6,479	6,596
Transportation	10,291	10,185	10,230	10,334	10,457	10,458	10,783	11,037	11,264	11,300
Education	52,866	52,216	52,296	51,303	50,406	48,603	49,454	49,086	49,889	49,070
Total	113,731	111,204	110,537	108,893	107,568	105,920	107,494	109,973	112,546	111,420
Percentage change	2.3%	0.6%	1.5%	1.2%	1.6%	-1.5%	-2.3%	-2.3%	1.0%	2.5%

Notes: A Full-Time Equivalent (FTE) is one full calendar year of paid employment, or the equivalent of 2,088 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in state government. It is a computed average number of state employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year. Figures include budgeted operating and capital FTEs and FTEs for nonbudgeted higher education funds.

Source: Washington State Office of Financial Management

OPERATING INFORMATION

Schedule 26 – Full-Time Equivalent Staff Comparison (General Fund State)

Last Ten Fiscal Years

Function	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government	2,898	2,794	2,825	2,740	2,870	2,845	3,060	3,234	3,285	3,225
Human services	19,893	18,791	18,508	18,487	17,569	17,192	16,962	16,984	17,699	17,944
Natural resources	1,700	1,819	1,341	1,474	1,667	1,595	1,712	2,080	2,505	2,462
Transportation	326	358	306	360	354	367	371	418	373	449
Education	15,054	15,257	15,087	14,189	14,969	14,941	16,535	17,675	21,269	21,082
Total	39,871	39,019	38,067	37,250	37,429	36,940	38,640	40,391	45,131	45,162
Percentage change	2.2%	2.5%	2.2%	-0.5%	1.3%	-4.4%	-4.3%	-10.5%	-0.1%	4.0%

Notes: A Full-Time Equivalent (FTE) is one full calendar year of paid employment, or the equivalent of 2,088 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in state government. It is a computed average number of state employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year. Figures include operating and capital FTEs.

Source: Washington State Office of Financial Management

OPERATING INFORMATION

Schedule 27– Operating and Capital Asset Indicators by Function
General Government

Last Ten Fiscal Years

	2017	2016	2015	2014
Department of Revenue				
Number of state excise taxpayer registered accounts	692,856	669,897	684,306	742,139
Number of taxable real estate excise tax (REET) sales	286,686	270,689	254,147	242,434
Department of Enterprise Services (1)				
Number of leases for office space (2)	483	552	560	546
Gross square feet of leased office space (in thousands)	7,236	7,392	7,542	7,749
Number of owned buildings (3)	28	29	37	37
Gross square feet of owned office space (in thousands)	2,784	2,780	2,990	2,990
Liquor and Cannabis Board				
Liquor: (4)				
Retail licensees	18,298	17,132	17,739	16,246
Non-retail licensees	6,874	6,279	5,626	5,649
Number of state owned liquor stores	N/A	N/A	N/A	N/A
Number of contracted liquor stores	N/A	N/A	N/A	N/A
Marijuana: (5)				
Producer licensees	1,167	1035	530	57
Processor licensees	1,175	992	456	47
Retail licensees	507	428	171	N/A
Transportation Licenses	9	N/A	N/A	N/A

(1) As a result of the 2011 legislation to consolidate central service functions of state government, the Department of General Administration became part of the Washington State Department of Enterprise Services on October 1, 2011.

(2) The number of leases for office space only includes leases that the Department of Enterprise Services has acquired. The number of leases does not include leases done under a delegation of authority by another state agency, and does not include space that may include multiple uses, such as warehouse and office, office and classrooms, etc.

(3) In fiscal year 2017, the change in the count and gross square feet of owned office space did not result from the acquisition or disposal of inventory. Two small facilities in Sedro-Wooley were reclassified from "Office" property class to the "Educational" property class (explaining the reduction in the number of owned office buildings), while a single, medium sized, facility was changed from an "Unclassified" space to the "Office" property class (explaining the increase in gross square feet of owned office space). In fiscal year 2016, the Department of Enterprise Services adjusted its reporting for the number, and gross square feet, of owned office buildings to agree with data in the Facilities Inventory System administered by the Office of Financial Management. In fiscal year 2010, five small buildings on the Wheeler site were demolished to make way for construction of a new office.

(4) With the passage of Initiative 1183, which privatized the distribution and retail sale of liquor, the Washington State Liquor and Cannabis Board closed its state liquor stores and ceased liquor distribution operations on June 1, 2012.

(5) The passage of Initiative 502, which legalized marijuana for recreational use, included these new license types.

N/A indicates data is not applicable.

Sources:
Washington State Department of Revenue, Tax Statistics
Washington State Department of Enterprise Services
Washington State Liquor and Cannabis Board

	2013	2012	2011	2010	2009	2008
	790,312	816,922	824,588	793,056	804,145	782,010
	241,595	209,442	206,805	215,233	198,515	250,971
	532	521	580	619	569	626
	7,624	7,467	9,046	8,874	7,521	7,764
	37	38	38	38	46	46
	2,990	3,004	3,004	3,004	3,102	3,102
	15,655	15,044	13,628	13,450	13,040	12,925
	5,364	4,916	3,244	3,051	2,798	2,519
	N/A	N/A	166	164	161	161
	N/A	N/A	162	159	155	154
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A

OPERATING INFORMATION

Schedule 28 – Operating and Capital Asset Indicators by Function
Human Services

Last Ten Fiscal Years

	2017	2016	2015	2014
Department of Social and Health Services [(1)]				
Mental health programs:				
Mental health state facilities [(2)]	3	3	3	3
Mental health state facilities available beds	1,200	1,192	1,161	1,161
Mental health state facilities average daily census [(3)]	1,143	1,123	1,101	1,117
Community outpatient mental health facilities [(4)]	179	120	131	157
Community outpatient mental health programs, clients served [(5)]	168,682	175,862	170,019	151,987
Income assistance programs:				
Temporary assistance for needy families caseload (TANF/SFA)	28,542	31,287	35,159	42,571
Food assistance caseload [(6)]	531,001	561,112	582,204	595,150
Health Care Authority [(7)]				
Medical assistance programs:				
Monthly average caseload certified eligible	1,881,119	1,838,649	1,722,935	1,412,069
Department of Corrections				
Number of correctional institutions [(8)]	12	12	12	12
Offenders in confinement [(9)]	19,413	18,991	18,445	18,121
Prison and work release operating capacity	17,434	17,434	17,498	17,187
Department of Health				
Licensed health professionals [(10)]	455,806	437,775	417,504	401,828
Department of Labor and Industries				
Claims filed, injured or ill workers	109,965	110,498	109,359	106,903
Electrical inspections performed	216,809	233,148	214,439	203,975
Workplaces inspected each year by the Washington Industrial Safety and Health (WISHA) program [(11)]	4,400	4,081	4,918	5,292

(1) Due to reporting lags and corrections, the Department of Social and Health Services (DSHS) periodically revises historical data.

(2) Facitilities include: Eastern State Hospital, Western State Hospital, and Child Study and Treatment Center. Beginning January 2008, the mental health state facilities count no longer includes the Program for Assisted Living Skills (PALS) as it became funded by community dollars, and was subsequently closed in February 2011.

(3) The average daily census is based on the count of individuals in residence at midnight.

(4) Fluctuations in the number of community outpatient health facilities are due to funding shifts and legislations. Facilities count reflects total MH Distinct Agencies enrolled in P1.

(5) The community outpatient mental health program, clients served data, excludes involuntary clients, stabilization services, and mental health residential services. Reporting for excluded services varies across the state. The number of clients served in community outpatient mental health programs during previous fiscal years may change in future report iterations due to reporting lags and data corrections. In April 2013, significant improvements were made to the quality of the Mental Health data in the Communicating Outcomes Performance and Evaluation (SCOPE) System. This includes an improved process to unduplicate clients within and between data systems, and a more consistent method to identify a client's Medicaid eligibility status. These improvements resulted in many small changes in historical Community Mental Health client counts throughout SCOPE and are reflected here.

(6) Data reflects state fiscal year average, total participating households in the Basic Food Program.

(7) The medical assistance programs transferred from the Department of Social and Health Services to the Health Care Authority in July 2011. Due to reporting lags, the Health Care Authority periodically revises its data for periods up to five years.

(8) In 2011, McNeil Island Corrections Center closed. In 2010, Ahtanum View Corrections Center and Pine Lodge Corrections Center for Women closed.

(9) Offenders in confinement include offenders in prison, work release, and in-state rented beds.

(10) Includes certified, licensed, and registered health professionals.

(11) Timing of inspections within the fiscal year can result in delays in report filings. Due to reporting lags, data may be revised.

2013	2012	2011	2010	2009	2008
3	3	3	3	3	4
1,161	1,161	1,176	1,197	1,264	1,359
1,087	1,077	1,078	1,101	1,172	1,251
161	161	184	177	149	144
145,492	138,268	137,768	132,112	125,467	122,576
48,675	54,433	65,140	64,451	56,459	50,122
597,494	581,020	536,635	458,123	351,617	288,281
1,234,885	1,226,705	1,218,534	1,158,205	1,066,606	972,444
12	12	12	13	15	15
17,930	17,697	18,483	18,457	18,627	18,551
17,101	16,855	17,060	16,856	16,756	15,785
388,856	378,041	372,657	357,766	335,830	330,850
103,328	101,524	100,690	102,734	116,616	136,791
189,027	173,358	171,861	189,763	216,305	265,564
4,854	5,516	6,240	7,689	7,565	5,414

Sources:
Washington State Department of Social and Health Services
Washington State Health Care Authority
Washington State Department of Corrections
Washington State Department of Health
Washington State Department of Labor and Industries

OPERATING INFORMATION

Schedule 29 – Operating and Capital Asset Indicators by Function
Transportation

Last Ten Fiscal Years

	2017	2016	2015	2014
Department of Transportation				
Number of ferries	23	24	24	22
Vehicles on ferries (in thousands)	10,545	10,563	10,372	10,156
Passengers on ferries (in thousands)	13,681	13,525	13,261	12,651
State highway miles of travel [1]				
Rural (in millions)	N/A	11,487	11,098	10,641
Urban (in millions)	N/A	22,741	22,237	21,536
State highway lane miles				
Rural	13,114	13,113	13,091	13,085
Urban	7,682	7,650	7,641	7,606
Total	20,796	20,763	20,732	20,691
Pavement patching & repair (square feet) [2]	2,456,825	3,826,649	74,263	86,948
Pavement striping maintenance (miles)	19,780	19,600	23,156	16,835
Anti & de-icing liquid application (gallons in thousands)	4,007	1,688	1,210	2,721
Litter pickup (cubic yards)	25,530	18,169	18,876	22,586
Department of Licensing [3]				
Total vehicle registrations (in thousands)	7,792	7,214	7,039	6,866
Licensed drivers (in thousands)	5,778	5,639	5,520	5,404
Washington State Patrol [4]				
Total contacts	1,128,170	1,141,911	1,228,396	1,225,768
Citations issued	434,429	464,024	509,689	506,862
Motorist assists	335,062	328,208	316,659	300,806
Collisions investigated	46,224	43,501	37,996	35,479
Number of traffic officers	583	539	589	585

(1) N/A indicates data is not available.

(2) The Maintenance Operations Division has a new mobile application to track units, HATS (Highway Activity Tracking System), that began July 1, 2015. With this new system, maintenance personnel are able to more accurately track the type of work they are doing as well as the amount.

(3) Vehicle count includes all registered vehicles for which registration fees were paid. Driver count includes all licensed drivers.

(4) Due to time and activity adjustments, the Washington State Patrol periodically revises its data up to three years.

Sources:

Washington State Department of Transportation
Washington State Department of Licensing
Washington State Patrol

2013	2012	2011	2010	2009	2008
22	23	21	22	22	24
10,045	9,983	9,973	10,134	9,910	10,391
12,350	12,236	12,374	12,504	12,598	12,901
10,371	11,252	11,353	11,521	11,362	10,988
21,278	19,963	20,103	20,243	20,093	19,754
13,798	13,814	13,795	13,744	13,724	13,685
6,882	6,817	6,792	6,755	6,668	6,566
20,680	20,631	20,587	20,499	20,392	20,251
82,415	113,304	135,952	179,585	128,076	100,124
17,203	18,763	26,608	16,801	18,140	20,020
2,154	2,421	1,774	2,834	4,724	3,938
29,428	25,537	27,320	26,739	12,230	18,452
6,755	6,683	6,662	6,631	6,655	6,637
5,310	5,230	5,180	5,108	5,028	4,955
1,262,584	1,256,569	1,272,526	1,258,637	1,257,774	1,237,584
516,593	518,315	520,447	523,786	540,181	570,691
296,170	301,511	310,013	296,887	305,421	306,650
33,989	34,995	37,106	34,182	36,922	39,289
635	626	624	636	633	616

OPERATING INFORMATION

Schedule 30 – Operating and Capital Asset Indicators by Function
Natural Resources and Recreation

Last Ten Fiscal Years

	2017	2016	2015	2014
State Parks and Recreation Commission				
Number of official, developed state parks	124	124	123	123
Number of owned or managed properties (1)	91	91	93	93
Acreage of state parks	122,908	138,613	137,781	138,266
Attendance at state parks (in thousands)	35,373	35,055	33,045	34,000
Department of Fish and Wildlife				
Recreational licenses issued (2)				
Hunting licenses	597,025	607,849	595,169	556,745
Fishing licenses	1,397,951	1,525,780	1,546,250	1,503,651
Hatchery releases (pounds in thousands) (3)				
Salmon releases	3,300	3,481	3,868	3,766
Trout releases (4)	1,375	1,493	1,580	1,643
Department of Natural Resources (3)				
Common schools trust land acreage (in thousands)	1,788	1,788	1,790	1,791
Total trust land acreage (in thousands)	3,133	3,125	3,122	3,122
Timber acres harvested	25,668	24,382	23,499	21,966
Timber volume harvested (thousand board feet)	482,934	480,898	449,115	471,343
Timber volume sold (thousand board feet)	520,380	526,382	467,555	489,917
Natural area preserve sites	56	56	55	55
Natural area preserve acreage	37,642	37,273	36,342	36,245
Natural resources conservation area sites	37	36	36	36
Natural resources conservation area acreage	121,857	118,579	114,244	113,116

(1) In 2014, approximately 143 state park owned or managed properties formerly considered to be stand-alone properties were incorporated into larger, developed state parks.

(2) Recreational licenses issued include secondary license documents such as endorsements, catch cards, and duplicates.

(3) Fiscal year 2017 data is preliminary.

(4) Trout releases do not include trout lodge fish purchased by DFW.

Sources:

Washington State Parks and Recreation Commission
Washington State Department of Fish and Wildlife
Washington State Department of Natural Resources

2013	2012	2011	2010	2009	2008
116	116	116	118	120	120
243	243	241	183	219	231
123,952	121,711	121,547	121,506	121,152	121,010
35,625	35,338	38,896	44,315	41,535	41,590
548,873	533,420	594,673	626,491	539,708	543,054
1,407,714	1,456,268	1,355,967	1,383,337	1,234,575	1,158,688
4,153	4,034	4,206	4,395	4,332	4,435
1,587	1,513	1,396	1,384	1,411	1,410
1,780	1,794	1,803	1,810	1,813	1,799
3,072	2,918	2,929	2,944	2,947	2,923
20,303	22,250	20,609	26,841	27,168	24,625
480,140	514,039	669,442	805,946	504,939	504,796
497,447	549,229	597,083	741,666	545,634	660,247
55	55	54	54	53	52
36,156	38,284	36,896	35,585	35,365	31,207
35	35	31	30	30	29
113,032	111,136	108,100	97,293	96,989	93,534

OPERATING INFORMATION

Schedule 31 – Operating and Capital Asset Indicators by Function Education

Last Ten Academic Years

	2016-17	2015-16	2014-15	2013-14
K-12 Enrollment (1)				
K-8	747,612	726,137	705,175	696,390
9-12	307,799	307,575	307,417	306,030
Private and home based	-	3	7	5
Summer (2)	N/A	1,031	993	1,010
Running start	20,511	18,562	17,070	15,090
Open doors [1418] youth reengagement program (3)	3,893	3,561	2,905	2,058
UW transition	112	116	108	107
Washington Youth Academy (4)	321	N/A	N/A	N/A
Total	1,080,248	1,056,985	1,033,675	1,020,690
High school graduates (5)	63,457	62,164	62,598	60,680
Higher Education				
Community and Technical Colleges:				
Number of campuses	34	34	34	34
Enrollment (1) (6)	N/A	135,108	138,724	143,292
Associate degrees granted	N/A	29,624	29,137	28,758
Baccalaureate degrees granted (7)	N/A	497	286	244
Student achievement points (8)	N/A	470,380	486,326	502,179
Public Universities: (9)				
Number of campuses	11	11	11	11
Enrollment (1)	N/A	109,834	107,935	106,038
Baccalaureate degrees granted	N/A	25,295	24,947	24,167
Masters degrees granted	N/A	6,022	5,858	5,761
Doctors degrees granted	N/A	1,125	1,131	1,022
Professional degrees granted	N/A	790	774	781

(1) K-12 enrollment figures are preliminary for academic year 2016-17. Enrollment is based on a full-time equivalent student, which is defined as:

- Kindergarten: 4 classroom hours per day for 90 days or 2 classroom hours per day for 180 days.
- Grades 1 through 3: 4 classroom hours per day for 180 days.
- Grades 4 through 12: 5 classroom hours per day for 180 days.
- Undergraduate student: 15 credit hours per term.
- Graduate student: 10 credit hours per term.

(2) The increase in skills center summer students beginning in 2009-10 is due to reporting and funding changes.

(3) The youth reengagement program, beginning in academic year 2011-12, was created to provide educational opportunities for youth ages 16-21, who have dropped out of high school or are not accumulating sufficient credits to reasonably complete a high school diploma in a public school before the age of twenty one.

(4) The Washington Youth Academy (WYA), beginning in academic year 2009, serves youth from every county in Washington. WYA is a National Guard Youth Challenge program focusing on academic intervention and credit recovery and is the only publicly-funded military-style academy in the state for 16-18 year olds who have or are at-risk of dropping out of high school.

(5) Beginning with the 2010-2011 academic year, high school graduates are calculated using an adjusted (four-year) cohort method that tracks students expected to graduate high school within a four year period of time. Total high school graduates consist of students who received high school diplomas, graduated with Associates degrees, and graduated under Individualized Education Plans (IEPs). Prior to 2010-11, high school graduates were calculated using the traditional estimated (four-year) on-time cohort method which was based on students enrolled within a single school year.

(6) Enrollment figures include all non-Running Start students, which may include students under the age of 18. Figures also include students enrolled in baccalaureate partnership programs.

(7) Baccalaureate degrees awarded by community and technical colleges, beginning in academic year 2008-09.

(8) Student achievement points are the number of intermediate steps achieved by students that are shown to be predictors of the degree or certificate outcome. Student achievement points are essential to the Student Achievement Initiative (SAI) within the community and technical college system. The initiative was implemented in 2007 to increase educational attainment in Washington state, therefore data is not available for prior academic years. In 2012, after reviewing the data from the first six years of implementation, the State Board approved revisions to SAI which were effective in 2013-14. The revisions included additional points awarded for student retention and critical transitions for students starting less than college-ready, and for second year achievement.

2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
680,696	676,539	673,558	668,055	663,124	653,862
306,819	307,949	312,691	314,318	312,954	313,598
8	12	9	14	12	19
929	821	1,155	1,222	642	538
13,623	12,767	12,824	12,487	11,824	11,176
747	119	N/A	N/A	N/A	N/A
114	113	108	104	102	103
N/A	N/A	N/A	N/A	N/A	N/A
1,002,937	998,320	1,000,345	996,200	988,658	979,296
60,475	60,552	59,732	60,835	58,687	58,005
34	34	34	34	34	34
147,433	153,395	162,328	160,778	148,000	136,723
28,191	27,846	26,434	22,368	21,295	20,911
192	155	138	51	35	N/A
342,424	361,715	390,300	393,135	352,419	308,800
11	10	10	10	10	10
105,112	104,702	103,214	101,165	98,292	94,310
24,616	24,280	23,289	22,794	22,036	21,685
5,809	5,597	5,498	5,138	4,787	4,739
1,032	915	1,035	1,114	1,107	1,107
799	777	661	523	495	504

(9) Public Universities include all 4-year public institutions and branch campuses. The universities periodically update the number of degrees granted to more accurately reflect the data at the institution level.

N/A indicates data not available or not applicable.

Sources:

Washington State Office of Financial Management
Washington State Office of Superintendent of Public Instruction
Washington State Board for Community and Technical Colleges
Washington Student Achievement Council

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