Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State of Washington
Office of Financial Management
November 2018

STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

November 2018

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Department of Retirement Systems
Department of Transportation
State Health Care Authority
University of Washington
All state fiscal personnel

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018

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

November 21, 2018

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, 2018. 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, 2018. 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 7.4 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 Economic and Revenue Outlook

Recent economic performance continues to affirm Washington state's economic advantage throughout the nation's period of expansion, and the state should outperform the nation in job and income growth over the foreseeable future.

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. Over the past three years, 72 percent of Washington's population growth has been due to migration. More recent forecasts expect Washington's jobless rate to remain above the national average, likely the result of strong population growth and the accompanying frictional lag in employment. In fundamental ways, that reflects the confidence workers have 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 4.5 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, 3.2 percent in fiscal year 2020, and 2.8 percent in fiscal year 2021, measurably higher than the respective 2.4 percent, 2.7 percent, and 2.3 percent projections for the nation. On a per-capita basis, Washington's real personal income should reach $56,946 in fiscal year 2021, more than $5,300 above the U.S. average.

These gains in Washington's personal income will occur notwithstanding the absence of growth in aerospace employment, which is expected to be a constant 83,900 jobs from fiscal year 2019 through fiscal year 2021. However, thanks to gains in software publishing, electronic shopping and mail order, and other technology sectors, Washington is projected to net a 2.7 percent increase in total payroll jobs in fiscal year 2019, 1.7 percent in fiscal year 2020, and 1.1 percent in fiscal year 2021.

Construction activity in Washington is expected to remain at a robust level in the next biennium. 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 42,500 in fiscal year 2019, 44,300 in fiscal year 2020, and then slow to 43,700 in fiscal year 2021. As a result, construction employment should jump by 3.3 percent in fiscal year 2019, 0.1 percent in fiscal year 2020, and then dip by 0.3 percent in fiscal year 2021. That should ease the share of construction jobs to just under 6 percent of total nonfarm employment, still a bit above historic averages yet reflective of a stabilizing housing and commercial building market.

General Fund-State revenues grew 6.2 percent in fiscal year 2017 and 10 percent in fiscal year 2018. General Fund-State revenues are forecasted to increase 1.8 percent in fiscal year 2019, 8.1 percent in fiscal year 2020, and 4.6 percent in fiscal year 2021. The expanding economy, strong gains in hiring and sound housing markets have had a positive effect on revenue growth and should keep revenues growing at a sound pace.

Major Initiatives

EDUCATION

During the 2018 legislative session, the state took the final step to amply fund its program of basic education. As a result, on June 7, 2018, the state Supreme Court determined that the state had met its obligation to adequately fund basic education under the 2012 McCleary v. State of Washington decision.

The state began meeting its obligation in the 2013-15 budget with investments in school transportation; materials, supplies and operating costs; class-size reductions for grades kindergarten through third in high-poverty schools; and funding for full-day kindergarten. However, these initial investments were not enough to satisfy the court, and in September 2014, it found the state in contempt for failing to produce a long-term basic education funding plan and threatened sanctions if such a plan were not in place by the end of the 2015 legislative session.

The Governor and the Legislature further increased funding for basic education 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 for all schools. In August 2015, the court determined that the state was still out of compliance with the McCleary decision and imposed penalties of $100,000 per day until the Legislature adopted a complete plan for complying with the state's constitutional obligation.

In 2017, the Governor signed a biennial budget that added $1.8 billion for basic education. That budget – along with House Bill 2242 – provided funding beginning in the 2017-19 biennium and a plan to complete these investments in the 2019-20 school year:

- A total of $1.1 billion to increase educator compensation allocations. 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.
- Other investments include basic education enhancements to boost services for students not meeting academic standards, highly capable instruction, transitional bilingual instruction, special education students, and career and technical education programs. Funding was also increased for the Local Effort Assistance program, teacher mentoring, and student support programs.

On November 15, 2017, the court determined that the state's plan would meet its obligation, but that it needed to be fully implemented by the 2018-19 school year instead of the 2019-20 school year.

With the 2018 supplemental budget, the Governor and the Legislature moved full implementation of the McCleary funding plan forward to the 2018-19 school year. This increased the salary investment for K-12 education by another $1 billion for the biennium, bringing the total new state funding for school districts to $6.6 billion over the next four years. In June 2018, the court determined that this investment was sufficient to meet the state's obligation.

Aside from more funding for McCleary, the budgets for the 2017-19 biennium included investments in early learning and special education. The state 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. Special education investments of $33 million in the 2018-19 school year increased the state's per-student allocation for the special education program.

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. During the 2018 legislative session, the Legislature committed to ending the waitlist for the State Need Grant by fiscal year 2022. This included $18 million for 3,600 students, one quarter of the 15,000 students on the waitlist for the State Need Grant.

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 percent in the second year of the biennium.

HEALTH AND HUMAN SERVICES

Covering more people, providing better care at lower costs. Governor Inslee's Healthier Washington plan aims to transform health care in Washington so people experience better health during their lives, receive better care when they need it, and get more affordable and accessible care.

Addressing the opioid crisis. In 2017, Governor Inslee signed Executive Order 16-09 directing state agencies to work with local public health organizations, tribal leaders, and other partners across the state on an opioid response plan to reduce opioid abuse, expand addiction treatment services, and make overdose antidotes more accessible.

Healthiest Next Generation initiative. The Governor's initiative continues to fight childhood obesity by supporting things like a healthy diet, regular exercise, and opportunities for school-age children to enjoy the outdoors. This initiative also supports youth substance use prevention and education efforts, such as regulating e-cigarettes and advocating to raise the minimum age for tobacco use to 21.

Improving behavioral health care. At the Governor's request, the Legislature passed House Bill 1388 to support integrating physical services and behavioral health services, such as addiction treatment and mental health care, statewide for Apple Health (Medicaid) clients. The bill better aligns the functions of three state agencies to help consumers navigate the system more effectively and to receive better coordinated, high-quality, and cost-effective care. The Governor also announced a five-year plan to transition our mental health system away from large institutions to smaller, community-based facilities to treat patients more effectively and closer to family and friends.

Reduce firearm fatalities and suicides. In January 2016, Governor Inslee announced an executive order to launch a statewide public health initiative to prevent gun-related fatalities and injuries. The order also implements the Statewide Suicide Prevention Plan. The Governor has also signed numerous pieces of public health-related legislation, including a bill to ban bump stocks and one to ensure that people who are found to be a threat to themselves or others are not allowed access to firearms.

Long-term health care services and supports. Governor Inslee convened an aging summit in 2014 to prepare for the expected population increase of older Washingtonians, and now, according to AARP, our state has the best long-term health care program in the nation.

Reduce homelessness. Numerous efforts are underway to address youth homelessness, boost treatment for opioid addiction and behavioral health issues, and partner with local governments to expand affordable housing options through more resources and updated land use policies.

Help at-risk children and families thrive from the start. In 2016, the Governor convened the Blue Ribbon Commission on Children and Families, a group of experts who recommended bringing together early learning and family support services into one agency. As a result, the Department of Children, Youth, and Families launched in July 2018 with a focus on preventive family interventions as well as equity in services for all Washington children. The agency provides all services previously housed in the Department of Early Learning and some services previously provided by the Department of Social and Health Services.

PUBLIC SAFETY

Emergency preparedness. Governor Inslee is taking steps to protect lives and help communities in the aftermath of a large-scale earthquake or tsunami. Washington's proximity to the Cascadia Subduction Zone – a major fault line off the Pacific Coast of North America – puts the region at significant risk for major earthquakes and tsunamis. The Resilient Washington Subcabinet convenes regularly to better prepare our state for earthquakes, tsunamis, wildfires, drought, storms, and flooding.

ECONOMY

Paid family and medical leave. Washington is preparing to launch its best-in-the-nation paid family and medical leave program, approved on a bipartisan basis by legislators in 2017. Employees can become eligible for up to 12 weeks of paid medical leave and up to 12 weeks of paid time off to care for a new child or an ailing family member. Depending on their earnings, employees will receive up to 90 percent of their wages or up to $1,000 per week.

Career Connect Washington. The Governor launched the Career Connect Washington initiative in May 2017 to help more students pursue good-paying jobs after high school through career-ready education such as registered apprenticeships and technical training programs. Career Connect Washington's goal is to connect 100,000 students during the next five years with career-connected learning opportunities that prepare them for high-demand, high-wage jobs.

Ensure statewide broadband access. Many rural communities don't have access to adequate broadband services which limits their ability to be part of emerging educational and economic opportunities and to access modern-day medical and emergency management services. Governor Inslee is working with legislators and local communities to expand broadband access to every corner of the state.

ENVIRONMENT AND ENERGY

Reduce carbon pollution

- **Locally.** After more than a year of stakeholder discussions, the Governor's Clean Air Rule went into effect in January 2017. It requires major sources of greenhouse gases to limit and reduce carbon pollution, and incentivizes investments that reduce fossil fuel use and accelerate the adoption of clean energy. Washington is the first state to use its Clean Air Act authority to fight climate change, and joins California and other states in New England in putting a price on carbon pollution. In March 2018, parts of the clean air rule were ruled invalid by the Thurston County Superior Court. In May 2018, the state appealed this decision to the Washington State Supreme Court. Legislation was enacted in July 2017 to continue incentive programs for new solar energy systems and in 2018 to establish a new range of incentives to support the renewable natural gas industry in Washington.

- **Transportation.** While attending the Paris Climate Conference in December 2015, the Governor announced a commitment to double the state's electric vehicle deployment in the state fleet to 20 percent. To date, the state has exceeded the goal for new vehicle acquisitions with zero emission vehicles composing almost 30 percent of new purchases since the announcement. Washington remains among the top three states for zero emission vehicle penetration through its aggressive procurement policy.

- **Globally.** The Governor is a founding chair of the U.S. Climate Alliance, a bipartisan coalition of 17 states that stepped up to ensure the United States makes progress toward the Paris Climate Agreement. Washington continues its work with its partners in the Pacific Coast Collaborative, a west coast initiative for climate action and leadership, as well as with dozens of states and regions from around the world whose leaders signed the Under 2 MOU, a global commitment to reduce greenhouse gas emissions, at the Marrakesh Conference of the Parties, the first global climate conference since the signing of the Paris Accord.

Strengthen the shellfish industry. Through state, local, tribal, federal, and nonprofit partnerships, Governor Inslee is working to reopen shellfish growing areas closed due to pollution, restore native Olympia oysters, and improve coordination and predictability for the permitting processes.

Oil transportation safety. An unprecedented volume of oil is now moving along the state's rail lines and Washington is working to keep communities safe and provide the best tools to prevent and respond to oil spills. In 2018, legislation was enacted to address the increased risk from the transport of sinking oils, provide more revenue for oil spill prevention by expanding the oil spill tax to pipelines, and develop recommendations to improve vessel safety.

Orca recovery. In March 2018, the Governor signed Executive Order 18-02 to create the Southern Resident Killer Whale Recovery Task Force to identify, prioritize, and support the implementation of a long-term action plan for the recovery of orcas. Their population has dropped to 74, the lowest number in more than 30 years. The task force is developing recommendations to address the three primary threats to these marine mammals: prey abundance, toxic contaminants, and disturbance from noise and vessel traffic.

TRANSPORTATION

Move Washington forward with a transportation investment package. Governor Inslee signed the biggest transportation investment in state history into law in July 2015. The 16-year package creates jobs, improves road safety, invests in transit, ensures project accountability, and funds a historic level of clean transportation projects.

Autonomous vehicles. Washington has been a leader in autonomous vehicle technology. These vehicles could help save countless lives, reclaim time spent in traffic, improve mobility, and be an important tool in combatting climate change. In June 2017, Governor Inslee signed an executive order to further support the safe testing and operation of autonomous vehicles.

Electrification of Washington's roadways. Governor Inslee set a goal of 50,000 electric vehicles on Washington's roads by 2020. To support the growing trend of more drivers choosing to purchase electric vehicles, the Governor is working to expand the availability of high-speed charging stations, increase incentives, and build out the electric vehicle infrastructure.

Keep roads safe. Governor Inslee and the Washington State Patrol are working to reduce highway deaths to zero by 2030 as part of the Target Zero strategic plan.

RESULTS WASHINGTON

Washington is a recognized national leader in adapting proven industry principles to continually improve state government. Governor Inslee's innovative Results Washington initiative, launched in 2013, uses data and cross-agency teams to spur improvements in education, the economy, the environment, health, safety, and government operations. In addition, state agencies have initiated thousands of improvement projects of their own. Their efforts have resulted in faster services, easier-to-use documents, fewer errors and shorter backlogs, and saved millions of dollars through 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 employees, all with the goal of increasing quality and value to the customer.

Additional key principles in this effort are mutual responsibility and transparency. To this end, the Governor meets regularly with teams of state agency directors and customers to discuss progress, data, challenges, and next steps. The meetings are open to the public and streamed live. Goals, improvement strategies, and data are posted online at www.results.wa.gov.

Awards and Acknowledgments

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 ended June 30, 2017. 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 31 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

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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, 2017

Christopher P. Morrill

Executive Director/CEO

Statewide Elected Officials

As of June 30, 2018

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

2018 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

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*
  - *Women's Commission*
  - *Office of the Education Ombuds*
  - *Office of the Family & Children's Ombuds*
  - *Office of the Corrections 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
- Department of Agriculture *(commodity commissions)*
- Department 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*
- Department of Enterprise Services
  - *- Building Code Council*
- Department of Financial Institutions
- Office of Financial Management
  - *- Personnel Resources Board*
  - *- Sentencing Guidelines Commission*
  - *- Serve Washington*
- Governor's Office of Indian Affairs
- State Lottery
- Military Department
- Department of Retirement Systems
- Department 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
- Department of Corrections
  - *- Indeterminate Sentence Review Board*
- Employment Security Dept.
  - *- Governor's Committee on Disability Issues and Employment*
- Department of Health *(occupational regulatory boards)*
  - *- Board of Health*
- 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

Education
- Center for Childhood Deafness and Hearing Loss
- 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 & 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 for Volunteer Firefighters and Reserve Officers

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

Health and Human Services
- Criminal Justice Training Commission
- 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 July 2018

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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 21, 2018

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, 2018, 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:

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Opinion Unit	Percent of Total Assets	Percent of Net Position	Percent of Total Revenues/ Additions
Governmental Activities	13.0%	26.9%	8.2%
Business-Type Activities	74.3%	100.0%	36.6%
Higher Education Special Revenue Fund	49.9%	56.5%	53.4%
Higher Education Endowment Fund	97.0%	96.9%	91.5%
Higher Education Student Services Fund	71.1%	100.0%	83.7%
Workers' Compensation Fund	93.6%	100.0%	8.2%
Aggregate Discretely Presented Component Units and Remaining Fund Information	93.5%	95.7%	72.3%

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 University of Washington 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, 2018, 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 discussed in Note 2 to the financial statements, in 2018, the State adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

As explained in Note 1.D.1, the financial statements include pension trust fund investments valued at $43.4 billion, which comprise 30.5 percent of total assets and 32.8 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 is 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 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 21, 2018, 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, 2018. 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 $24.77 billion (reported as net position). Of this amount, $(13.98) 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 $19.58 billion, an increase of 15.9 percent compared with the prior year.

- The state's capital assets increased by $758.5 million, total bond debt increased by $301.0 million, and the state's net investment in capital assets is $22.60 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, and various higher education student services such as housing and dining.

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.

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, and the Higher Education Student Services 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.

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.

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.

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.

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.

The combining statements referred to earlier are presented immediately following the required supplementary information.

STATE OF WASHINGTON

Statement of Net Position

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current and other assets	$ 30,477	$ 26,295	$ 27,237	$ 26,535	$ 57,714	$ 52,830
Capital assets	41,044	40,512	3,336	3,108	44,380	43,620
Total assets	71,521	66,807	30,573	29,643	102,094	96,450
DEFERRED OUTFLOWS OF RESOURCES	1,108	1,320	171	197	1,279	1,517
LIABILITIES						
Current and other liabilities	5,910	5,976	1,167	1,090	7,077	7,066
Long-term liabilities outstanding	35,986	34,527	33,532	32,143	69,518	66,670
Total liabilities	41,896	40,503	34,699	33,233	76,595	73,736
DEFERRED INFLOWS OF RESOURCES	1,819	235	189	9	2,008	244
NET POSITION						
Net investment in capital assets	21,749	21,048	847	751	22,596	21,799
Restricted	11,328	9,718	4,825	4,581	16,153	14,299
Unrestricted	(4,163)	(3,377)	(9,816)	(8,734)	(13,979)	(12,111)
Total net position	$ 28,914	$ 27,389	$ (4,144)	$ (3,402)	$ 24,770	$ 23,987

Note: The 2017 amounts presented here have not been restated for prior period adjustments. Complete information necessary to fully restate the 2017 amounts was not available. Refer to Note 2 Accounting, Reporting, and Entity Changes.

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 $24.77 billion at June 30, 2018, as compared to $23.99 billion as reported at June 30, 2017.

The largest portion of the state's net position (91.2 percent for fiscal year 2018 as compared to 90.9 percent for fiscal year 2017) 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 (65.2 percent for fiscal year 2018 as compared to 59.6 percent for fiscal year 2017) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $(13.98) 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 $27.39 billion in fiscal year 2017 to $28.91 billion in fiscal year 2018. 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	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program revenues:						
Charges for services	$ 7,170	$ 6,643	$ 7,920	$ 7,524	$ 15,090	$ 14,167
Operating grants and contributions	16,120	15,832	66	65	16,186	15,897
Capital grants and contributions	973	1,012	—	5	973	1,017
General revenues:						
Taxes	24,863	21,883	23	21	24,886	21,904
Interest and investment earnings (loss)	561	614	502	880	1,063	1,494
Total revenues	49,688	45,984	8,510	8,495	58,198	54,479
EXPENSES						
General government	(1,687)	(1,945)	—	—	(1,687)	(1,945)
Education - K-12	(12,012)	(11,042)	—	—	(12,012)	(11,042)
Education - Higher education	(7,662)	(7,633)	—	—	(7,662)	(7,633)
Human services	(18,863)	(18,216)	—	—	(18,863)	(18,216)
Adult corrections	(1,067)	(1,062)	—	—	(1,067)	(1,062)
Natural resources and recreation	(1,184)	(1,266)	—	—	(1,184)	(1,266)
Transportation	(2,485)	(2,118)	—	—	(2,485)	(2,118)
Interest on long-term debt	(1,002)	(1,027)	—	—	(1,002)	(1,027)
Workers' compensation	—	—	(3,690)	(3,269)	(3,690)	(3,269)
Unemployment compensation	—	—	(935)	(1,027)	(935)	(1,027)
Higher education student services	—	—	(3,119)	(3,022)	(3,119)	(3,022)
Other business-type activities	—	—	(918)	(1,016)	(918)	(1,016)
Total expenses	(45,962)	(44,309)	(8,662)	(8,334)	(54,624)	(52,643)
Excess (deficiency) of revenues over expenses before contributions to endowments and transfers	3,726	1,675	(152)	161	3,574	1,836
Contributions to endowments	109	100	—	—	109	100
Transfers	152	119	(152)	(119)	—	—
Increase (decrease) in net position	3,986	1,894	(304)	42	3,683	1,936
Net position - July 1, as restated	24,928	25,495	(3,840)	(3,444)	21,087	22,051
Net position - June 30	$ 28,914	$ 27,389	$ (4,144)	$ (3,402)	$ 24,770	$ 23,987

Governmental Activities. Governmental activities resulted in an increase in the state of Washington's net position of $3.99 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 $2.98 billion in fiscal year 2018 as compared to fiscal year 2017 reflecting positive growth in the economy. Sales and use tax, which are the main tax revenue for governmental activities, reported an increase of $791.4 million. Business and Occupation tax increased by $321.1 million. Property tax revenue increased by $1.25 billion as a result of the state Legislature increasing the state's property tax rate. Real estate excise tax revenue increased by $138.5 million. Real estate excise taxes are levied on the sale of real estate.

- Operating grants and contributions grew by $287.5 million in fiscal year 2018 compared with 2017 and were matched with an increase in human services operating grant expenses.

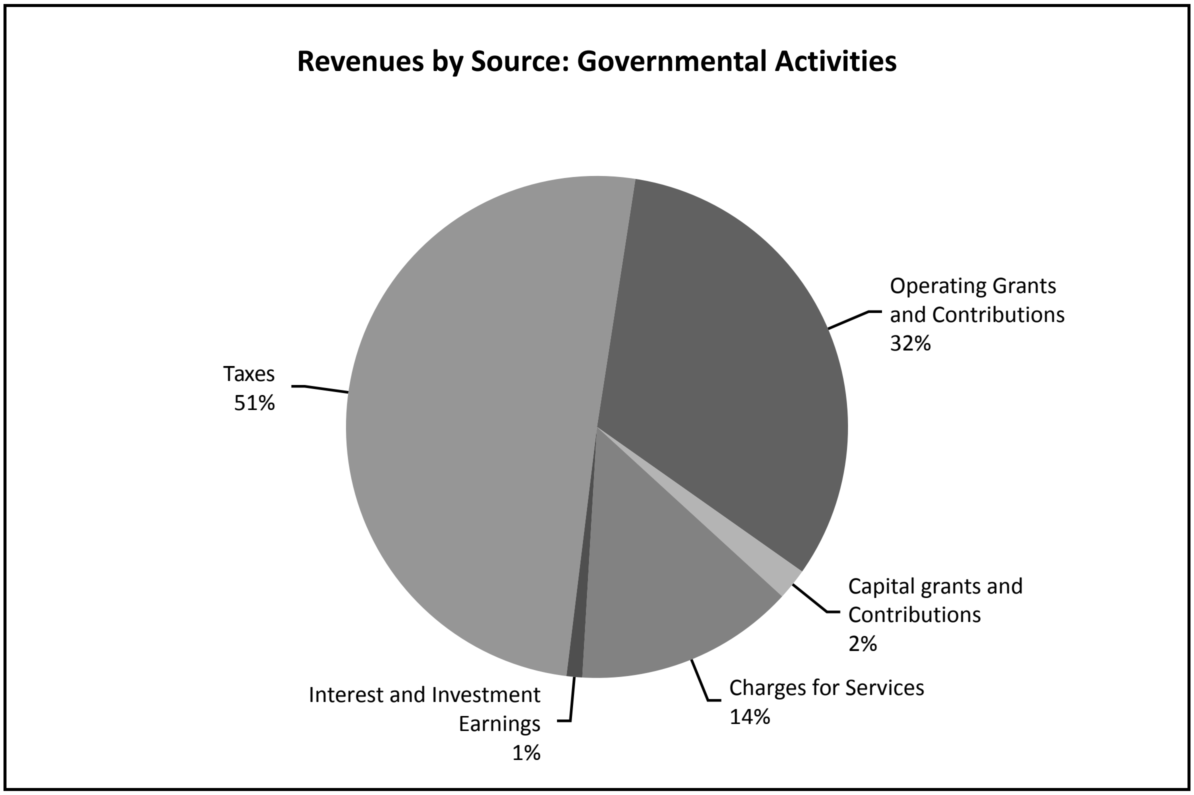
- Expenses grew by $970.7 million for K-12 education in 2018 as compared to fiscal year 2017. The state Supreme Court ruled this year, that the state met its constitutional duty to fund basic education.

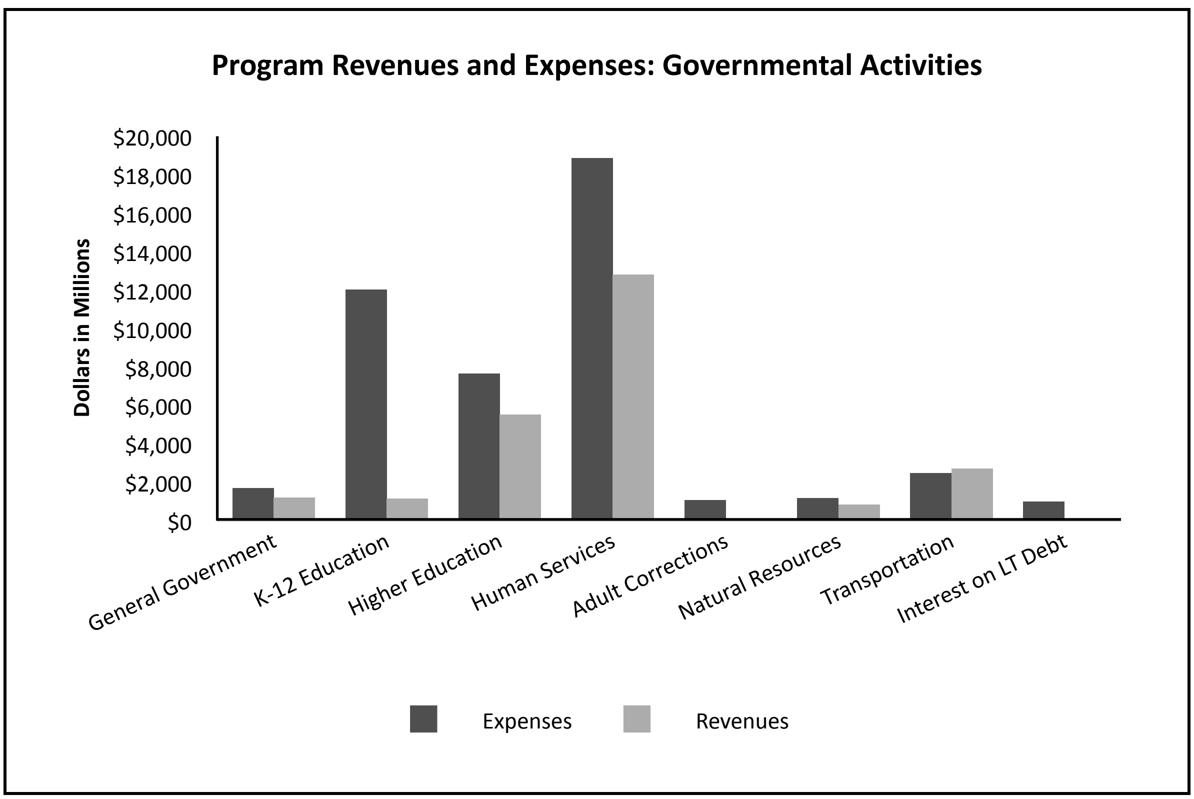
Business-Type Activities. Business-type activities decreased the state of Washington's net position by $303.6 million. Key factors contributing to the operating results of business-type activities are:

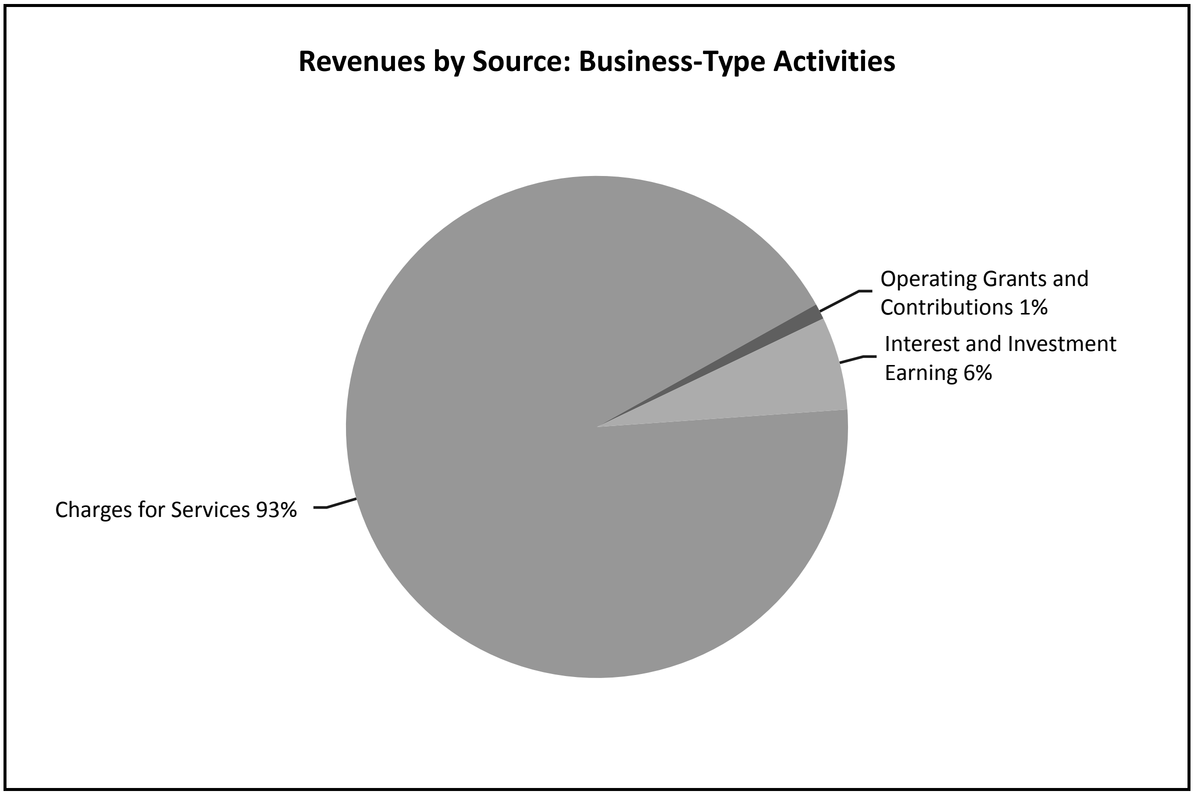
- The workers' compensation activity decrease in net position in fiscal year 2018 was $654.0 million compared to an increase of $70.5 million in fiscal year 2017. Claim costs increased by $421.7 million in fiscal year 2018 compared with fiscal year 2017, reflecting an increase in the number of time-loss claims. Investment income decreased by $302.0 million as compared to fiscal year 2017. The workers' compensation portfolio is 86.1 percent debt securities.

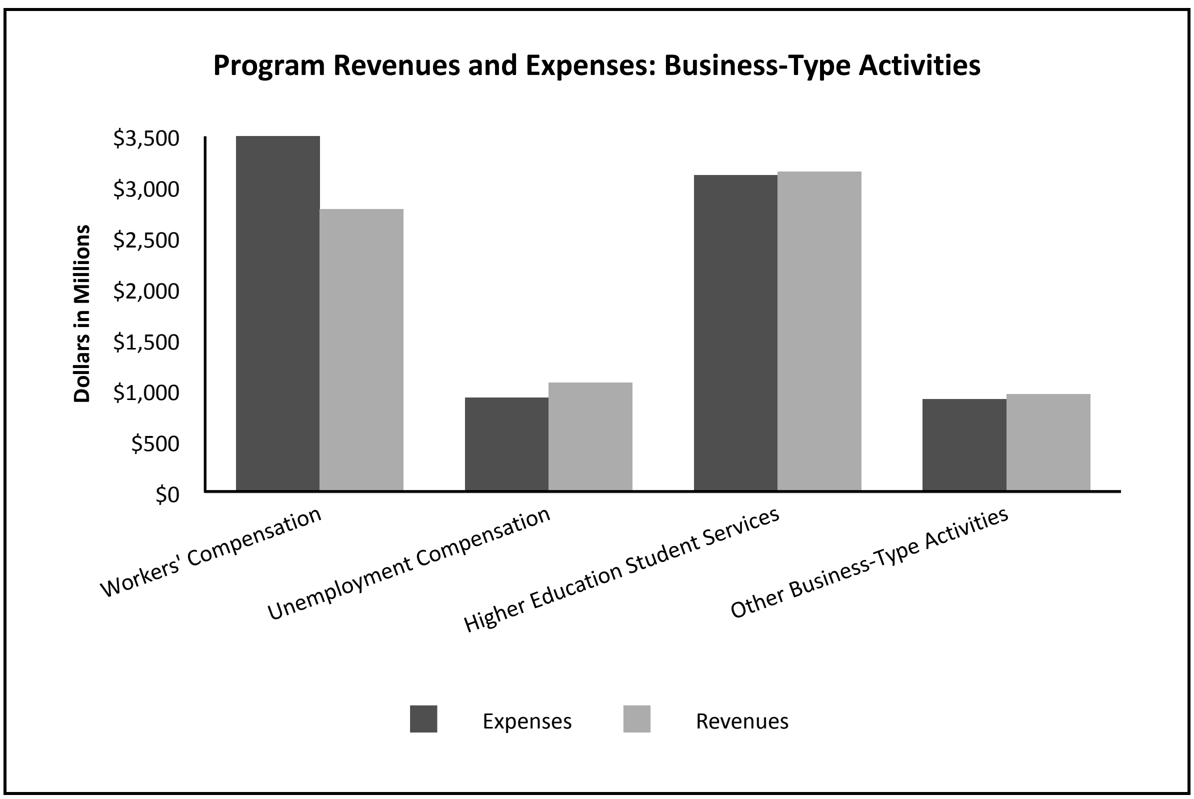
- The unemployment compensation activity reported operating income in fiscal year 2018 of $144.9 million compared to $3.8 million in fiscal year 2017. Unemployment insurance benefits decreased by $92.2 million in fiscal year 2018 over fiscal year 2017. The unemployment rate for the state for June 2018 was 4.5 percent, unchanged from June 2017.

- The Higher Education Student Services 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 32%
Taxes 51%
Capital grants and Contributions 2%
Charges for Services 14%
Interest and Investment Earnings 1%


Program Revenues and Expenses: Governmental Activities
Dollars in Millions
$20,000
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
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 Earning 6%
Charges for Services 93%


Program Revenues and Expenses: Business-Type Activities
Dollars in Millions
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
Workers' Compensation
Unemployment Compensation
Higher Education Student Services
Other Business-Type Activities
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, 2018, the state's governmental funds reported combined ending fund balances of $19.58 billion. Of this amount, $2.81 billion or 14.4 percent is nonspendable, either due to its form or legal constraints; and $6.77 billion or 34.6 percent is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional $6.45 billion or 33.0 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 $1.53 billion or 7.8 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 by $1.23 billion in fiscal year 2018, as compared to a $970.8 million gain in fiscal year 2017. Increased revenues from taxes and spending increases in K-12 education and social and health services were the key contributing factors. Assigned fund balance of $1.51 billion is reported for fiscal year 2018 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		Difference
	2018	2017	Increase (Decrease)
REVENUES			
Taxes	$ 21,244	$ 19,341	$ 1,903
Federal grants	13,013	12,680	333
Investment revenue (loss)	1	(5)	6
Other	920	1,130	(210)
Total	35,178	33,146	2,032
EXPENDITURES			
Human services	18,686	17,959	727
Education	13,067	12,176	891
Other	1,585	1,584	1
Total	33,338	31,719	1,619
Net transfers in (out)	(674)	(587)	(87)
Other financing sources	63	131	(68)
Net increase (decrease) in fund balance	$ 1,229	$ 971	$ 258

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 2018 was an increase of $162.3 million compared to a decrease of $167.7 million in fiscal year 2017.
- The fund balance for the Higher Education Endowment Fund increased by $336.5 million in fiscal year 2018. The increase is a result of positive growth in investment earnings.

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 2018 are as follows:

- The Workers' Compensation Fund reported a decrease in net position of $654.0 million in fiscal year 2018. Operating revenues decreased by $4.8 million and operating expenses increased by $420.1 million as compared to fiscal year 2017. Investment income decreased $302.0 million over fiscal year 2017.

- Washington's Unemployment Compensation Fund reported an increase in net position of $242.8 million. As reported previously, premium revenue increased reflecting a growing workforce and higher taxable wage base. Unemployment benefit claims expense decreased by $92.2 million in fiscal year 2018 as compared to 2017. The decrease in benefit claims and marginal increase in federal aid are consistent with an overall stable unemployment rate.

- 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, beginning fund net position of the Higher Education Student Services Fund and Workers' Compensation Fund were adjusted as a result of implementing GASB Statement Nos. 75 and 81.

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 $3.12 billion over the course of the first fiscal year of the biennium. The major increase in estimated resources is additional property tax, sales tax, and excise tax collected.

- Appropriated expenditure authority increased by $3.95 billion over the first fiscal year of the biennium to address increases in the state's mental health and children services programs. The largest increase in appropriation authority was in K-12 education. This is the result of the state meeting its obligation under the state 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 2017-19 biennium. Actual General Fund revenues and expenditures were 49.9 and 46.0 percent of final budgeted resources and appropriations, respectively, for the first fiscal year of the 2017-19 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, 2018, totaled $44.38 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 2018 investment in capital assets, net of current year depreciation, increased $758.5 million over fiscal year 2017, including increases to the state's transportation infrastructure of $286.1 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 $2.91 billion.

Additional information on the state of Washington's capital assets can be found in Note 6.

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 20,810 pavement lane miles, 3,322 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, bridges, and rest areas than was planned.

STATE OF WASHINGTON
Capital Assets - Net of Depreciation
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 2,767	$ 2,666	$ 71	$ 70	$ 2,838	$ 2,736
Transportation infrastructure and other assets not depreciated	25,147	24,838	5	5	25,152	24,843
Buildings	8,649	8,434	2,533	2,521	11,182	10,955
Furnishings, equipment, and intangible assets	2,088	2,009	196	220	2,284	2,229
Other improvements and infrastructure	1,361	1,390	74	77	1,435	1,467
Construction in progress	1,032	1,176	457	215	1,489	1,391
Total	$ 41,044	$ 40,513	$ 3,336	$ 3,108	$ 44,380	$ 43,621

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. In 2018, the Washington State Department of Transportation updated its Capital Assets - Infrastructure Policy to report the average of the three most recent assessment periods, as opposed to just the most recent period.

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 93.1 percent in fair or better condition. For fiscal year 2018, actual maintenance and preservation expenditures were 3.0 percent higher than planned; however, over the past five fiscal years, the actual expenditures were 4.0 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 2018, the actual maintenance and preservation expenditures were 18.3 percent lower than planned, and over the past five fiscal years, the actual expenditures were 10.5 percent lower than planned.

Bond Debt. At the end of fiscal year 2018, the state of Washington had general obligation bond debt outstanding including accreted interest and issuance premiums of $19.61 billion, a decrease of 0.2 percent from fiscal year 2017. This debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized $12.42 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, 2018, 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 2012-2017 is $17.18 billion. The debt service limitation, 8.3 percent of this mean, is $1.42 billion. The state's maximum annual debt service as of June 30, 2018, subject to the constitutional debt limitation is $1.17 billion, or $250.0 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 https://www.tre.wa.gov/wp-content/uploads/Debt-Limit-Certification-Complete.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 chairperson.

As of June 30, 2018, 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	
	2018	**2017***	**2018**	**2017***	**2018**	**2017**
General obligation (GO) bonds	$ 19,181	$ 19,192	$ —	$ —	$ 19,181	$ 19,192
Accreted interest on zero interest rate GO bonds	433	458	—	—	433	458
Revenue bonds	2,297	2,319	2,141	2,125	4,438	4,444
Unamortized premium on bonds sold	1,731	1,391	185	182	1,916	1,573
Total	$ 23,642	$ 23,360	$ 2,326	$ 2,307	$ 25,968	$ 25,667

*Prior year balances restated for comparability

The state had revenue debt outstanding at June 30, 2018, of $4.44 billion, a decrease of $5.9 million over fiscal year 2017. The decrease 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 $1.36 billion were refunded during the year. Washington's refunding activity produced $233.4 million in gross debt service savings.

Additional information on the state's bond debt obligations is presented in Note 7.

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 strong 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.

Rainy Day Account. In November 2007, Washington state voters ratified Engrossed Substitute Senate Joint Resolution 8206, amending the Washington Constitution and establishing the Budget Stabilization Account (BSA). The state's 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, 2018, $216.4 million was transferred to the BSA from the General Fund in accordance with the provisions of the Constitution. During fiscal year 2018, by three-fifths vote of each house, the Legislature appropriated $22.5 million from the BSA for additional state expenditures, emergency fire service mobilization, fire suppression, and fire damage recovery costs. In addition, the Legislature transferred $462.6 million of extraordinary revenue growth to the pension stabilization account to be used only for the cost of state employer contributions to state pension systems. The BSA had a fund balance of $1.37 billion as of June 30, 2018.

Requests for Information

This financial report is designed to provide a general overview of the state of Washington'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.

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Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position

June 30, 2018

(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	$ 9,440,400	$ 8,042,530	$ 17,482,930	$ 239,846
Taxes receivable (net of allowance for uncollectibles)	4,810,007	40	4,810,047	—
Other receivables (net of allowance for uncollectibles)	2,393,707	1,887,186	4,280,893	102,788
Internal balances	336,264	(336,264)	—	—
Due from other governments	4,444,596	150,815	4,595,411	—
Inventories and prepaids	121,173	60,988	182,161	25,306
Restricted cash and investments	287,006	77,476	364,482	—
Restricted receivables, current	69,331	36,592	105,923	—
Investments, noncurrent	6,694,898	17,021,803	23,716,701	66,663
Restricted investments, noncurrent	—	—	—	13,318
Restricted receivables, noncurrent	—	735	735	—
Restricted net pension asset	1,879,159	454	1,879,613	—
Other assets	—	295,009	295,009	288,208
Capital assets:				
Non-depreciable assets	28,946,390	532,071	29,478,461	94,433
Depreciable assets (net of accumulated depreciation)	12,097,601	2,803,438	14,901,039	552,421
Total capital assets	41,043,991	3,335,509	44,379,500	646,854
Total Assets	71,520,532	30,572,873	102,093,405	1,382,983
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on refundings	4,135	38,863	42,998	12,491
Deferred outflows on pensions	982,452	119,077	1,101,529	2,697
Deferred outflows on OPEB	121,518	12,690	134,208	57
Total Deferred Outflows of Resources	1,108,105	170,630	1,278,735	15,245
Total Assets and Deferred Outflows of Resources	$ 72,628,637	$ 30,743,503	$ 103,372,140	$ 1,398,228

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

Statement of Net Position

June 30, 2018

(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	$ 2,255,967	$ 268,417	$ 2,524,384	$ 35,053
Accrued liabilities	1,619,344	669,465	2,288,809	121,064
Obligations under security lending agreements	—	122,237	122,237	—
Due to other governments	1,568,935	43,818	1,612,753	—
Unearned revenues	466,082	62,583	528,665	8,747
Long-term liabilities:				
Due within one year	1,898,706	2,581,358	4,480,064	11,410
Due in more than one year	34,087,221	30,950,414	65,037,635	321,527
Total Liabilities	41,896,255	34,698,292	76,594,547	497,801
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on hedging derivatives	3,869	—	3,869	—
Deferred inflows on refundings	2,183	23	2,206	—
Deferred inflows on pensions	1,029,198	83,086	1,112,284	2,424
Deferred inflows on OPEB	737,501	106,161	843,662	529
Deferred inflows on irrevocable split interest agreements	45,663	—	45,663	
Deferred inflows on property taxes	—	—	—	25,031
Total Deferred Inflows of Resources	1,818,414	189,270	2,007,684	27,984
NET POSITION				
Net investment in capital assets	21,749,060	846,822	22,595,882	351,429
Restricted for:				
Unemployment compensation	—	4,824,074	4,824,074	—
Nonexpendable permanent endowments	2,674,263	—	2,674,263	—
Expendable endowment funds	1,639,382	—	1,639,382	—
Pensions	1,879,159	454	1,879,613	—
Wildlife and natural resources	1,089,027	—	1,089,027	—
Transportation	1,399,032	—	1,399,032	—
Budget stabilization	1,369,438	—	1,369,438	—
Higher education	126,261	—	126,261	—
Capital projects	274,454	—	274,454	—
Other purposes	877,098	—	877,098	9,773
Unrestricted	(4,163,206)	(9,815,409)	(13,978,615)	511,241
Total Net Position	28,913,968	(4,144,059)	24,769,909	872,443
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 72,628,637	$ 30,743,503	$ 103,372,140	$ 1,398,228

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

Statement of Activities

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capitol Grants and Contributions**
PRIMARY GOVERNMENT				
Governmental Activities:				
General government	$ 1,686,943	$ 907,821	$ 292,686	$ 796
Education - K-12 education	12,012,236	27,778	1,111,103	—
Education - higher education	7,661,620	3,058,782	2,311,847	157,878
Human services	18,862,827	736,677	12,075,552	—
Adult corrections	1,066,875	28,527	2,439	—
Natural resources and recreation	1,184,591	616,605	193,743	32,952
Transportation	2,485,116	1,794,268	132,466	781,527
Interest on long-term debt	1,002,024	—	—	—
Total Governmental Activities	45,962,232	7,170,458	16,119,836	973,153
Business-Type Activities:				
Workers' compensation	3,689,553	2,774,652	11,466	—
Unemployment compensation	935,042	1,039,340	40,569	—
Higher education student services	3,118,741	3,139,025	13,811	—
Washington's lottery	557,187	736,816	—	—
Guaranteed education tuition program	173,651	84,004	—	—
Other	188,086	145,730	457	—
Total Business-Type Activities	8,662,260	7,919,567	66,303	—
Total Primary Government	$ 54,624,492	$ 15,090,025	$ 16,186,139	$ 973,153
COMPONENT UNITS	$ 727,499	$ 742,132	$ 31,466	$ —
Total Component Units	$ 727,499	$ 742,132	$ 31,466	$ —

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
$ (485,640)	$ —	$ (485,640)	
(10,873,355)	—	(10,873,355)	
(2,133,113)	—	(2,133,113)	
(6,050,598)	—	(6,050,598)	
(1,035,909)	—	(1,035,909)	
(341,291)	—	(341,291)	
223,145	—	223,145	
(1,002,024)	—	(1,002,024)	
(21,698,785)	—	(21,698,785)	
—	(903,435)	(903,435)	
—	144,867	144,867	
—	34,095	34,095	
—	179,629	179,629	
—	(89,647)	(89,647)	
—	(41,899)	(41,899)	
—	(676,390)	(676,390)	
$ (21,698,785)	$ (676,390)	$ (22,375,175)	
			$ 46,099
			$ 46,099
11,154,008	—	11,154,008	—
4,182,744	—	4,182,744	—
3,347,110	—	3,347,110	22,722
1,731,565	—	1,731,565	—
1,599,522	22,570	1,622,092	—
422,264	—	422,264	—
481,571	—	481,571	—
630,657	—	630,657	—
1,313,813	—	1,313,813	17,414
561,344	501,765	1,063,109	3,466
25,424,598	524,335	25,948,933	43,602
3,725,813	(152,055)	3,573,758	89,701
108,860	—	108,860	—
151,536	(151,536)	—	—
3,986,209	(303,591)	3,682,618	89,701
24,927,759	(3,840,468)	21,087,291	782,742
$ 28,913,968	$ (4,144,059)	$ 24,769,909	$ 872,443

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Basic Financial Statements

Fund Financial Statements

Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2018
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	$ 3,608,088	$ 171,357	$ 623,630	$ 4,249,446	$ 8,652,521
Investments	78,673	2,005,473	4,319,999	267,491	6,671,636
Taxes receivable (net of allowance)	4,566,740	21,179	—	222,088	4,810,007
Receivables (net of allowance)	721,729	652,579	31,870	908,366	2,314,544
Due from other funds	560,699	1,036,688	1,007	348,393	1,946,787
Due from other governments	1,528,168	216,633	1,700	2,530,363	4,276,864
Inventories and prepaids	13,743	29,046	—	48,765	91,554
Restricted cash and investments	28,734	924	—	60,235	89,893
Restricted receivables	20,189	41,748	—	5,154	67,091
Total Assets	$ 11,126,763	$ 4,175,627	$ 4,978,206	$ 8,640,301	$ 28,920,897
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 1,596,400	$ 269,006	$ 39,176	$ 318,245	$ 2,222,827
Accrued liabilities	314,990	506,373	69,808	194,927	1,086,098
Due to other funds	196,863	265,585	668,295	489,188	1,619,931
Due to other governments	1,216,476	33,486	—	132,628	1,382,590
Unearned revenue	141,549	232,593	—	87,307	461,449
Claims and judgments payable	54,160	—	—	91,655	145,815
Total Liabilities	3,520,438	1,307,043	777,279	1,313,950	6,918,710
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	2,176,261	13,731	16,143	166,535	2,372,670
Deferred inflows on hedging derivatives	—	—	—	3,869	3,869
Deferred inflows on irrevocable split interest agreements	—	—	45,663	—	45,663
Total Deferred Inflows of Resources	2,176,261	13,731	61,806	170,404	2,422,202
FUND BALANCES					
Nonspendable fund balance	45,400	45,292	2,466,357	256,672	2,813,721
Restricted fund balance	1,476,149	45,529	1,672,764	3,580,250	6,774,692
Committed fund balance	387,930	2,745,732	—	3,319,281	6,452,943
Assigned fund balance	1,513,952	18,300	—	—	1,532,252
Unassigned fund balance	2,006,633	—	—	(256)	2,006,377
Total Fund Balances	5,430,064	2,854,853	4,139,121	7,155,947	19,579,985
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 11,126,763	$ 4,175,627	$ 4,978,206	$ 8,640,301	$ 28,920,897

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, 2018
(expressed in thousands)

Total Fund Balances for Governmental Funds		$ 19,579,985
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	$ 28,853,054	
Depreciable assets	21,717,621	
Less: Accumulated depreciation	(10,346,859)	
Total capital assets		40,223,816
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.		2,372,670
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.		1,879,159
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 eported in the funds.		1,054,462
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.		(1,685,600)
Unmatured interest on general obligation bonds is not recognized in the funds until due.		(400,919)
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.		(174,085)
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	$ (23,336,688)	
Accreted interest on bonds	(433,372)	
Compensated absences	(644,972)	
Other postemployment benefits obligations	(4,918,779)	
Net pension liability	(3,791,499)	
Unclaimed property	(237,774)	
Pollution remediation obligations	(151,414)	
Claims and judgments	(41,195)	
Other obligations	(379,827)	
Total long-term liabilities		(33,935,520)
Net Position of Governmental Activities		$ 28,913,968

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, 2018

(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Non-Major Governmental Funds	Total
REVENUES					
Retail sales and use taxes	$ 11,003,465	$ —	$ —	$ 150,543	$ 11,154,008
Business and occupation taxes	4,176,893	—	—	5,851	4,182,744
Property taxes	2,769,520	—	—	—	2,769,520
Excise taxes	1,139,260	48,673	—	411,589	1,599,522
Motor vehicle and fuel taxes	—	—	—	1,731,565	1,731,565
Other taxes	2,155,410	260,063	—	297,924	2,713,397
Licenses, permits, and fees	124,367	1,039	—	2,282,501	2,407,907
Other contracts and grants	330,381	983,150	—	133,147	1,446,678
Timber sales	1,924	—	23,393	121,026	146,343
Federal grants-in-aid	13,013,441	1,453,867	—	1,179,003	15,646,311
Charges for services	48,367	2,662,552	1	703,361	3,414,281
Investment income (loss)	656	140,795	372,260	47,634	561,345
Miscellaneous revenue	314,549	270,211	11,414	535,982	1,132,156
Contributions and donations	—	—	108,860	—	108,860
Unclaimed property	100,139	—	—	—	100,139
Total Revenues	35,178,372	5,820,350	515,928	7,600,126	49,114,776
EXPENDITURES					
Current:					
General government	864,370	25	156	490,506	1,355,057
Human services	18,686,072	—	—	1,130,848	19,816,920
Natural resources and recreation	464,952	—	—	663,064	1,128,016
Transportation	57,377	—	—	2,066,334	2,123,711
Education	13,066,900	5,453,803	327	581,132	19,102,162
Intergovernmental	101,822	—	—	402,297	504,119
Capital outlays	78,930	266,103	46	1,435,705	1,780,784
Debt service:					
Principal	14,407	28,383	—	1,101,427	1,144,217
Interest	3,525	27,265	—	1,004,018	1,034,808
Total Expenditures	33,338,355	5,775,579	529	8,875,331	47,989,794
Excess of Revenues Over (Under) Expenditures	1,840,017	44,771	515,399	(1,275,205)	1,124,982
OTHER FINANCING SOURCES (USES)					
Bonds issued	59,590	85,022	—	1,047,010	1,191,622
Refunding bonds issued	—	—	—	1,344,415	1,344,415
Payments to escrow agents for refunded bond debt	—	—	—	(1,604,794)	(1,604,794)
Issuance premiums	932	5,123	—	451,293	457,348
Other debt issued	1,976	34,580	—	10,423	46,979
Transfers in	686,088	768,562	37,263	3,142,348	4,634,261
Transfers out	(1,359,631)	(775,790)	(216,158)	(2,150,548)	(4,502,127)
Total Other Financing Sources (Uses)	(611,045)	117,497	(178,895)	2,240,147	1,567,704
Net Change in Fund Balances	1,228,972	162,268	336,504	964,942	2,692,686
Fund Balances - Beginning, as restated	4,201,092	2,692,585	3,802,617	6,191,005	16,887,299
Fund Balances - Ending	$ 5,430,064	$ 2,854,853	$ 4,139,121	$ 7,155,947	$ 19,579,985

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, 2018

(expressed in thousands)

Net Change in Fund Balances - Total Governmental Funds		$ 2,692,686
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlays	$ 1,236,753	
Less: Depreciation expense	(698,040)	538,713
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.		728,397
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.		74,910
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	$ (3,032,801)	
Principal payments on bonds and other financing contracts	2,711,600	
Accreted interest on bonds	24,263	(296,938)
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	$ (60,221)	
Other postemployment benefits	(329,366)	
Pensions	559,798	
Pollution remediation	(561)	
Claims and judgments	(1,638)	
Accrued interest	4,462	
Unclaimed property	(40,363)	
Other obligations	116,330	248,441
Change in Net Position of Governmental Activities		$ 3,986,209

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

Statement of Net Position
PROPRIETARY FUNDS
June 30, 2018
(expressed in thousands)

	Business-Type Activities Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 45,490	$ 4,497,091	$ 770,719
Investments	1,479,717	—	27,761
Taxes receivable (net of allowance)	—	—	—
Receivables (net of allowance)	1,044,871	391,777	391,213
Due from other funds	600	3,348	17,563
Due from other governments	2,058	25,645	107,361
Inventories	149	—	43,681
Prepaid expenses	2,585	—	4,995
Restricted cash and investments	371	—	77,105
Restricted receivables	—	—	36,592
Total Current Assets	2,575,841	4,917,861	1,476,990
Noncurrent Assets:			
Investments, noncurrent	15,389,476	—	345,307
Restricted receivables, noncurrent	—	—	735
Restricted net pension asset	—	—	454
Other noncurrent assets	4,929	—	185,554
Capital assets:			
Land and other non-depreciable assets	3,204	—	70,766
Buildings	65,134	—	3,849,793
Other improvements	1,289	—	100,460
Furnishings, equipment, and intangibles	107,539	—	865,050
Infrastructure	—	—	59,019
Accumulated depreciation	(127,213)	—	(2,144,990)
Construction in progress	8,123	—	440,272
Total Noncurrent Assets	15,452,481	—	3,772,420
Total Assets	18,028,322	4,917,861	5,249,410
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on refundings	—	—	38,792
Deferred outflows on pensions	26,527	—	79,831
Deferred outflows on OPEB	2,046	—	8,387
Total Deferred Outflows of Resources	28,573	—	127,010
Total Assets and Deferred Outflows of Resources	$ 18,056,895	$ 4,917,861	$ 5,376,420

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

Continued

		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
$ 258,790	$ 5,572,090	$ 570,714
962,962	2,470,440	4,241
40	40	—
59,325	1,887,186	79,163
12,190	33,701	93,101
5,551	140,615	79,879
9,365	53,195	15,507
213	7,793	14,113
—	77,476	197,113
—	36,592	2,240
1,308,436	10,279,128	1,056,071
1,287,020	17,021,803	236,187
—	735	—
—	454	—
104,526	295,009	—
1,540	75,510	6,155
12,828	3,927,755	524,991
5,774	107,523	14,972
33,013	1,005,602	976,212
—	59,019	2,170
(24,258)	(2,296,461)	(791,506)
8,166	456,561	87,181
1,428,609	20,653,510	1,056,362
2,737,045	30,932,638	2,112,433
71	38,863	1,476
12,719	119,077	48,482
2,257	12,690	3,683
15,047	170,630	53,641
$ 2,752,092	$ 31,103,268	$ 2,166,074

Statement of Net Position
PROPRIETARY FUNDS
June 30, 2018
(expressed in thousands)

	Business-Type Activities Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 29,182	$ —	$ 225,322
Accrued liabilities	221,403	69,686	375,773
Obligations under security lending agreements	99,810	—	—
Bonds and notes payable	—	—	96,726
Net pension liability	21	—	637
Total OPEB liability	2,046	—	8,387
Due to other funds	8,150	1,280	263,144
Due to other governments	—	22,821	30
Unearned revenue	7,647	—	54,456
Claims and judgments payable	2,226,223	—	—
Total Current Liabilities	2,594,482	93,787	1,024,475
Noncurrent Liabilities:			
Claims and judgments payable	25,548,080	—	—
Bonds and notes payable	—	—	2,424,636
Net pension liability	118,184	—	350,621
Total OPEB liability	127,225	—	521,606
Other long-term liabilities	7,765	—	89,501
Total Noncurrent Liabilities	25,801,254	—	3,386,364
Total Liabilities	28,395,736	93,787	4,410,839
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on refundings	—	—	23
Deferred inflows on pensions	19,188	—	56,728
Deferred inflows on OPEB	21,953	—	77,509
Total Deferred Inflows of Resources	41,141	—	134,260
NET POSITION			
Net investment in capital assets	58,076	—	757,775
Restricted for:			
Unemployment compensation	—	4,824,074	—
Pensions	—	—	454
Unrestricted	(10,438,058)	—	73,092
Total Net Position	(10,379,982)	4,824,074	831,321
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 18,056,895	$ 4,917,861	$ 5,376,420

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

Concluded

		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
$ 13,913	$ 268,417	$ 33,140
241,907	908,769	74,755
22,427	122,237	—
2,404	99,130	122,003
—	658	981
750	11,183	3,109
105,195	377,769	75,809
2,961	25,812	106,661
480	62,583	4,633
4,862	2,231,085	180,268
394,899	4,107,643	601,359
12,130	25,560,210	639,233
3,761	2,428,397	545,362
46,657	515,462	251,652
46,686	695,517	193,364
1,653,562	1,750,828	25,906
1,762,796	30,950,414	1,655,517
2,157,695	35,058,057	2,256,876
—	23	133
7,170	83,086	45,250
6,699	106,161	37,900
13,869	189,270	83,283
30,971	846,822	225,531
—	4,824,074	—
—	454	—
549,557	(9,815,409)	(399,616)
580,528	(4,144,059)	(174,085)
$ 2,752,092	$ 31,103,268	$ 2,166,074

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

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

	Business-Type Activities Enterprise Funds		
	Workers' Compensation	**Unemployment Compensation**	**Higher Education Student Services**
OPERATING REVENUES			
Sales	$ —	$ —	$ 81,260
Less: Cost of goods sold	—	—	(45,060)
Gross profit	—	—	36,200
Charges for services	21	—	2,864,798
Premiums and assessments	2,724,896	1,022,997	—
Lottery ticket proceeds	—	—	—
Federal aid for unemployment insurance benefits	—	40,569	—
Miscellaneous revenue	49,811	16,343	198,513
Total Operating Revenues	2,774,728	1,079,909	3,099,511
OPERATING EXPENSES			
Salaries and wages	177,028	—	1,221,652
Employee benefits	64,793	—	260,288
Personal services	14,968	—	40,994
Goods and services	86,737	—	1,219,463
Travel	4,575	—	28,031
Premiums and claims	3,309,111	935,042	195
Guaranteed education tuition program expense	—	—	—
Lottery prize payments	—	—	—
Depreciation and amortization	8,499	—	185,991
Miscellaneous expenses	23,841	—	24,396
Total Operating Expenses	3,689,552	935,042	2,981,010
Operating Income (Loss)	(914,824)	144,867	118,501
NONOPERATING REVENUES (EXPENSES)			
Earnings (loss) on investments	249,355	97,943	21,681
Interest expense	—	—	(92,876)
Tax and license revenue	115	—	—
Other revenues (expenses)	11,390	—	8,469
Total Nonoperating Revenues (Expenses)	260,860	97,943	(62,726)
Income (Loss) Before Contributions and Transfers	(653,964)	242,810	55,775
Capital contributions	—	—	—
Transfers in	—	—	400,126
Transfers out	—	—	(362,065)
Net Contributions and Transfers	—	—	38,061
Change in Net Position	(653,964)	242,810	93,836
Net Position - Beginning, as restated	(9,726,018)	4,581,264	737,485
Net Position - Ending	$ (10,379,982)	$ 4,824,074	$ 831,321

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

	Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
	$ 95,153	$ 176,413	$ 41,400
	(61,947)	(107,007)	(34,866)
	33,206	69,406	6,534
	121,932	2,986,751	722,928
	11,427	3,759,320	1,776,313
	733,938	733,938	—
	—	40,569	—
	4,268	268,935	177,764
	904,771	7,858,919	2,683,539
	73,997	1,472,677	320,953
	28,985	354,066	123,049
	18,062	74,024	37,909
	99,950	1,406,150	360,825
	2,419	35,025	5,153
	—	4,244,348	1,676,383
	167,252	167,252	—
	457,904	457,904	—
	2,828	197,318	98,254
	368	48,605	775
	851,765	8,457,369	2,623,301
	53,006	(598,450)	60,238
	132,787	501,766	5,150
	(5,216)	(98,092)	(22,524)
	22,455	22,570	15
	292	20,151	8,038
	150,318	446,395	(9,321)
	203,324	(152,055)	50,917
	—	—	4,591
	14,115	414,241	62,222
	(203,712)	(565,777)	(42,820)
	(189,597)	(151,536)	23,993
	13,727	(303,591)	74,910
	566,801	(3,840,468)	(248,995)
	$ 580,528	$ (4,144,059)	$ (174,085)

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

	Business-Type Activities		
	Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 2,694,811	$ 1,027,015	$ 2,840,143
Payments to suppliers	(2,244,492)	(937,961)	(1,258,987)
Payments to employees	(243,038)	—	(1,470,294)
Other receipts	49,812	57,023	198,514
Net Cash Provided (Used) by Operating Activities	257,093	146,077	309,376
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	—	—	400,126
Transfers out	—	—	(362,065)
Operating grants and donations received	10,760	—	13,313
Taxes and license fees collected	115	—	—
Net Cash Provided (Used) by Noncapital Financing Activities	10,875	—	51,374
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	—	—	(108,412)
Principal payments on long-term capital financing	—	—	(152,384)
Proceeds from long-term capital financing	—	—	211,620
Proceeds from sale of capital assets	2	—	1,731
Acquisitions of capital assets	(1,504)	—	(421,058)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,502)	—	(468,503)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	1,567,421	97,943	2,540
Proceeds from sale of investment securities	7,763,465	—	85,688
Purchases of investment securities	(9,587,170)	—	(88,061)
Net Cash Provided (Used) by Investing Activities	(256,284)	97,943	167
Net Increase (Decrease) in Cash and Pooled Investments	10,182	244,020	(107,586)
Cash and cash equivalents, July 1, as restated	35,679	4,253,071	955,410
Cash and cash equivalents, June 30	$ 45,861	$ 4,497,091	$ 847,824
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	$ (914,824)	$ 144,867	$ 118,501
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:			
Depreciation	8,499	—	185,991
Revenue reduced for uncollectible accounts	20,490	—	1,229
Change in Assets: Decrease (Increase)			
Receivables	(30,316)	4,129	(104,393)
Inventories	27	—	(2,793)
Prepaid expenses	(979)	—	5,673
Other assets	—	—	(220)
Change in Deferred Outflows of Resources: Increase (Decrease)	10,151	—	27,404
Change in Liabilities: Increase (Decrease)			
Payables	1,125,430	(2,919)	(49,765)
Change in Deferred Inflows of Resources: Decrease (Increase)	38,615	—	127,749
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 257,093	$ 146,077	$ 309,376

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

Continued

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 975,875	$ 7,537,844	$ 2,433,355
(856,459)	(5,297,899)	(2,070,620)
(100,447)	(1,813,779)	(451,255)
4,247	309,596	178,643
23,216	735,762	90,123
14,115	414,241	62,222
(203,712)	(565,777)	(42,820)
82,458	106,531	868
22,413	22,528	15
(84,726)	(22,477)	20,285
(200)	(108,612)	(25,944)
(415)	(152,799)	(44,168)
—	211,620	42,391
3,231	4,964	16,339
(8,278)	(430,840)	(94,815)
(5,662)	(475,667)	(106,197)
279,619	1,947,523	6,598
2,436,421	10,285,574	1,108
(2,507,350)	(12,182,581)	(191,245)
208,690	50,516	(183,539)
141,518	288,134	(179,328)
117,272	5,361,432	947,155
$ 258,790	$ 5,649,566	$ 767,827
$ 53,006	$ (598,450)	$ 60,238
2,828	197,318	98,254
39	21,758	437
12,945	(117,635)	(106,435)
(1,232)	(3,998)	(618)
(5)	4,689	(750)
—	(220)	—
157	37,712	19,813
(58,110)	1,014,636	(52,937)
13,588	179,952	72,121
$ 23,216	$ 735,762	$ 90,123

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

	Business-Type Activities		
	Enterprise Funds		
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Contributions of capital assets	$ —	$ —	$ —
Acquisition of capital assets through capital leases	—	—	1,901
Amortization of annuity prize liability	—	—	—
Increase (decrease) in fair value of investments	(1,321,453)	—	(243)
Debt refunding deposited with escrow agent	—	—	10,695
Amortization of debt premium/discount	—	—	19,240
Increase in ownership of joint venture	—	—	17,332

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

Concluded

		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
$ —	$ —	$ 4,591
—	1,901	305
5,083	5,083	—
(145,769)	(1,467,465)	(2,036)
—	10,695	—
67	19,307	3,611
—	17,332	—

Statement of Net Position
FIDUCIARY FUNDS
June 30, 2018
(expressed in thousands)

Continued

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Cash and cash equivalents	$ 6,781	$ 6,405,092	$ 45,365	$ 195,567
Receivables, pension and other employee benefit plans:				
Employers	—	—	212,554	—
Members (net of allowance)	—	—	7,528	—
Interest and dividends	—	—	303,174	—
Investment trades pending	—	—	2,307,463	—
Due from other pension and other employee benefit funds	—	—	85,793	—
Other receivables, all other funds	—	10,428	131	10,796
Due from other governments	—	—	—	23,074
Investments:				
Liquidity	—	4,853,457	3,122,079	—
Fixed income	—	1,113,805	21,568,336	—
Public equity	—	—	43,154,158	—
Private equity	—	—	21,785,134	—
Real estate	—	—	17,212,474	—
Tangible assets	—	—	4,389,299	—
Security lending collateral	—	—	662,844	—
Other noncurrent assets	—	—	—	60,087
Capital assets:				
Furnishings, equipment, and intangibles	37	—	—	—
Accumulated depreciation	(35)	—	—	—
Total Assets	6,783	12,382,782	114,856,332	289,524
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on OPEB	—	—	13	—
Total Deferred Outflows of Resources	—	—	13	—
Total Assets and Deferred Outflows of Resources	$ 6,783	$ 12,382,782	$ 114,856,345	$ 289,524

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

Statement of Net Position
FIDUCIARY FUNDS
June 30, 2018
(expressed in thousands)

Concluded

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Accounts payable	$ 99	$ —	$ —	$ 23,424
Contracts payable	—	—	—	26,923
Accrued liabilities	218	47	2,715,381	158,378
Obligations under security lending agreements	—	—	662,844	—
Due to other funds	—	80	—	—
Due to other pension and other employee benefit funds	—	—	85,793	—
Due to other governments	—	55,940	—	20,712
Unearned revenue	—	—	673	—
Other long-term liabilities	—	—	—	60,087
Total Liabilities	317	56,067	3,464,691	289,524
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on OPEB	—	—	38	—
Total Deferred Inflows of Resources	—	—	38	—
Total Liabilities and Deferred Inflows of Resources	317	56,067	3,464,729	$ 289,524
NET POSITION				
Net position restricted for:				
Pensions	—	—	106,960,739	
Deferred compensation participants	—	—	4,430,877	
Local government pool participants	—	12,326,715	—	
Individuals, organizations, and other governments	6,466	—	—	
Total Net Position	$ 6,466	$ 12,326,715	$ 111,391,616	

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, 2018
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans
ADDITIONS			
Contributions:			
Employers	$ —	$ —	$ 2,644,160
Members	—	—	1,634,050
State	—	—	84,579
Participants	—	21,095,305	275,725
Total Contributions	—	21,095,305	4,638,514
Investment Income:			
Net appreciation (depreciation) in fair value	—	—	7,760,007
Interest and dividends	—	151,955	2,338,780
Earnings on investments	—	27	—
Less: Investment expenses	—	—	(538,452)
Net Investment Income (Loss)	—	151,982	9,560,335
Other Additions:			
Unclaimed property	76,418	—	—
Transfers from other plans	—	—	11,224
Miscellaneous revenue	2	6	17,982
Total Other Additions	76,420	6	29,206
Total Additions	76,420	21,247,293	14,228,055
DEDUCTIONS			
Pension benefits	—	—	4,318,329
Pension refunds	—	—	619,678
Transfers to other plans	—	—	11,224
Administrative expenses	6,489	1,351	2,920
Distributions to participants	—	19,827,493	232,496
Payments to or on behalf of individuals, organizations, and other governments in accordance with state unclaimed property laws	68,401	—	—
Total Deductions	74,890	19,828,844	5,184,647
Net Increase (Decrease)	1,530	1,418,449	9,043,408
Net Position - Beginning, as restated	4,936	10,908,266	102,348,208
Net Position - Ending	$ 6,466	$ 12,326,715	$ 111,391,616

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

Statement of Net Position
COMPONENT UNITS
June 30, 2018
(expressed in thousands)

Continued

	Public Stadium Authority	Health Benefit Exchange	Valley Medical Center	Nonmajor Component Units	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 9,354	$ 3,535	$ 77,931	$ 58,643	$ 149,463
Investments	—	—	41,431	48,952	90,383
Receivables (net of allowance)	1,007	10,074	83,949	7,758	102,788
Inventories	—	—	6,627	—	6,627
Prepaid expenses	—	1,412	16,942	325	18,679
Total Current Assets	10,361	15,021	226,880	115,678	367,940
Noncurrent Assets:					
Investments, noncurrent	—	—	66,663	—	66,663
Restricted investments, noncurrent	—	—	13,318	—	13,318
Other noncurrent assets	—	174	—	288,034	288,208
Capital assets:					
Land	34,677	—	13,414	—	48,091
Buildings	460,953	—	457,628	—	918,581
Other improvements	—	740	18,859	176	19,775
Furnishings, equipment, and intangible assets	9,099	55,654	219,104	1,886	285,743
Accumulated depreciation	(253,318)	(46,176)	(370,356)	(1,828)	(671,678)
Construction in progress	—	1,750	44,592	—	46,342
Total Noncurrent Assets	251,411	12,142	463,222	288,268	1,015,043
Total Assets	261,772	27,163	690,102	403,946	1,382,983
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on refundings	—	—	12,491	—	12,491
Deferred outflows on pensions	13	1,843	—	841	2,697
Deferred outflows on OPEB	—	—	—	57	57
Total Deferred Outflows of Resources	13	1,843	12,491	898	15,245
Total Assets and Deferred Outflows of Resources	$ 261,785	$ 29,006	$ 702,593	$ 404,844	$ 1,398,228

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

Statement of Net Position
COMPONENT UNITS
June 30, 2018
(expressed in thousands)

Concluded

	Public Stadium Authority	Health Benefit Exchange	Valley Medical Center	Nonmajor Component Units	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 44	$ 14,158	$ 20,058	$ 793	$ 35,053
Accrued liabilities	1,752	861	92,652	37,190	132,455
Total OPEB Liability	—	—	—	19	19
Unearned revenue	100	—	—	8,647	8,747
Total Current Liabilities	1,896	15,019	112,710	46,649	176,274
Noncurrent Liabilities:					
Net pension liability	217	6,917	—	4,507	11,641
Total OPEB liability	—	1,084	—	3,570	4,654
Other long-term liabilities	—	175	305,057	—	305,232
Total Noncurrent Liabilities	217	8,176	305,057	8,077	321,527
Total Liabilities	2,113	23,195	417,767	54,726	497,801
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows on property taxes	—	—	25,031	—	25,031
Deferred inflows on pensions	36	1,707	—	681	2,424
Deferred inflows on OPEB	—	—	—	529	529
Total Deferred Inflows of Resources	36	1,707	25,031	1,210	27,984
NET POSITION					
Net investment in capital assets	251,411	11,967	87,817	234	351,429
Restricted for:					
Deferred sales tax	450	—	—	—	450
Other purposes	—	—	8,240	1,083	9,323
Unrestricted	7,775	(7,863)	163,738	347,591	511,241
Total Net Position	259,636	4,104	259,795	348,908	872,443
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 261,785	$ 29,006	$ 702,593	$ 404,844	$ 1,398,228

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

Statement of Revenues, Expenses, and Changes in Net Position
COMPONENT UNITS

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

	Public Stadium Authority	Health Benefit Exchange	Valley Medical Center	Nonmajor Component Units	Total
EXPENSES	$ 17,648	$ 47,662	$ 639,095	$ 23,094	$ 727,499
PROGRAM REVENUES					
Charges for services	3,785	26,333	636,725	75,289	742,132
Operating grants and contributions	—	29,298	—	2,168	31,466
Total Program Revenues	3,785	55,631	636,725	77,457	773,598
Net Program Revenues (Expense)	(13,863)	7,969	(2,370)	54,363	46,099
GENERAL REVENUES					
Earnings (loss) on investments	88	—	2,468	910	3,466
Property taxes	—	—	22,722	—	22,722
Other	—	—	17,414	—	17,414
Total General Revenues	88	—	42,604	910	43,602
Change in Net Position	(13,775)	7,969	40,234	55,273	89,701
Net Position - Beginning, as restated	273,411	(3,865)	219,561	293,635	782,742
Net Position - Ending	$ 259,636	$ 4,104	$ 259,795	$ 348,908	$ 872,443

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

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Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2018

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 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.

University of Washington 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 (UW 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 UW 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, 3.2, and 3.3 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 which has 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 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, 2018, PSA capital assets, net of accumulated depreciation, total $251.4 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

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

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 $17.3 million was recorded in fiscal year 2018, bringing the total equity investment to $159.1 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.

CUMG employs UWSOM faculty physicians and bills and collects for their services as an agent for UWSOM. The University records revenue from CUMG based on the income distribution plan effective December 31, 2008. The University's patient services receivable includes amounts due from CUMG of $17.5 million in 2018.

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.

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 715 accounts that are combined into 52 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.

The state includes the following 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, the Guaranteed Education Tuition program, paid family and medical leave compensation, 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.

Nonmajor 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 investments, 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, current liabilities, 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. 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, LIABILITES, 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 surplus 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, WA 98504-0200, online at: https://tre.wa.gov/partners/for-local-governments/local-government-investment-pool-lgip/lgip-comprehensive-annual-financial-report/ 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, 2018, these alternative investments are valued at $43.39 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 will be different than the June 30, 2018, 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 $6.1 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.
- 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 2018, $93.1 million in interest costs were incurred, and $16.2 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.

- 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, other postemployment benefits (OPEB), 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.

Deferred outflows on OPEB include the difference between expected and actual experience with regard to economic or demographic factors or when actual experience is greater than expected; changes of assumptions about future economic, demographic, or other input factors; and changes in the state's proportionate share of total OPEB liability between funds within the state. These are amortized over the average expected remaining service lives of all employees, active and inactive, that are provided with benefits through the OPEB plan. State contributions to the OPEB plan, made subsequent to the measurement date, are also deferred and reduce total OPEB liability in the subsequent year.

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, OPEB, 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.

Deferred inflows on OPEB include the difference between expected and actual experience with regard to economic or demographic factors or when actual experience is less than expected; changes of assumptions about future economic, demographic, or other input factors; and changes in the state's proportionate share of total OPEB liability between funds within the state. These are amortized over the average expected remaining service lives of all employees, active and inactive, that are provided with benefits through the OPEB plan.

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, death 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 position is 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, WA 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 as an internal service fund, the Health Insurance Fund.

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

The Health Care Authority (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. 74, the Health Insurance Fund is used to account for the retiree health insurance program. For additional information, refer to Note 12.

The state secures commercial insurance for certain coverage offered, but self-insures the risk of loss for the Uniform Medical Plan. The Uniform Medical Plan enrolled approximately 68 percent of the eligible subscribers in fiscal year 2018. 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 policies, distributions to programs approximate an annual percentage rate of 4 percent of a five-year rolling average of the endowments' market valuation.

The net appreciation available for authorization for expenditure by governing boards totaled $710.1 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 2018 reporting, the state adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards of accounting and financial reporting for defined benefit other postemployment benefits (OPEB) and defined contribution OPEB that are provided to the employees of state and local governmental employers.

Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement establishes standards of accounting and financial reporting for irrevocable split-interest agreements in which a government is a beneficiary. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary.

Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that were identified during implementation and application of certain other GASB Statements. It addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB).

Statement No. 86, *Certain Debt Extinguishment Issues*. This statement establishes accounting and financial reporting guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. It also provides guidance relating to prepaid insurance on debt that is extinguished.

Fund Reclassification. The Guaranteed Education Tuition Program was reclassified from a major enterprise fund to a nonmajor enterprise fund.

Prior Period Adjustments. The state recorded a reduction to the beginning net position in the following funds as a result of implementing GASB Statement No. 75:

- Major Enterprise Funds: Workers' Compensation $77.6 million and Higher Education Student Services $333.7 million.
- Nonmajor Enterprise Funds: Lottery $2.8 million, Institutional $9.4 million, Guaranteed Education Tuition Program $926 thousand, and Other Activities $11.2 million.
- Internal Service Funds: General Services $48.1 million, Data Processing Revolving $10.9 million, Higher Education Revolving $23.5 million, Risk Management $366 thousand, and Health Insurance $1.8 million.
- Fiduciary Funds: Pension and Other Employee Benefit Plans $245 thousand.
- Component Units: Health Benefit Exchange, a major component unit, $714 thousand; the Washington State Housing Finance Commission and the Washington State Health Care Facilities Authority, both nonmajor component units, $3.6 million and $204 thousand, respectively.

The state recorded an increase to the beginning fund balance of the Higher Education Endowment Fund, a major governmental fund, of $9.6 million as a result of implementing GASB Statement No. 81.

The state recorded a reduction to the beginning net position in the funds below in order to report their proportionate share of the state's net pension liability for the Higher Education Retirement Plans per GASB Statement No. 73. The state's entire liability was previously reported in long-term obligations associated with governmental funds.

- Major Enterprise Funds: Workers' Compensation $1.3 million and Higher Education Student Services $2.0 million.
- Internal Service Fund: Higher Education Revolving $601 thousand.

The Valley Medical Center, a major component unit, recorded a reduction to the beginning net position of $232 thousand to record transactions reported in the component unit's fiscal year 2017 financial statements after the state of Washington's fiscal year 2017 Comprehensive Annual Financial Report was published.

The state recorded a reduction to the beginning fund balance in the Higher Education Facilities Fund, a nonmajor governmental fund, of $17.0 million to adjust unrecorded capital expenditures.

Governmental Capital Assets and Long-term Obligations. The state recorded an increase in the beginning balance of long-term obligations associated with governmental funds of $2.43 billion as a result of implementing GASB Statement No. 75. The state recorded beginning balance reductions to long-term obligations associated with governmental funds of $55.4 million as a result of implementing GASB Statement No. 81 and $3.9 million from reclassifying the proportionate share of the state's net pension liability for the Higher Education Retirement Plans to the Workers' Compensation and Higher Education Student Services.

Fund equity at July 1, 2017, has been restated as follows (expressed in thousands):

	Fund equity (deficit) at June 30, 2017, as previously reported	Fund Reclassification	Prior Period Adjustment	Fund equity (deficit) at July 1, 2017, as restated
Governmental Funds:				
General	$ 4,201,092	$ —	$ —	$ 4,201,092
Higher Education Special Revenue	2,692,585	—	—	2,692,585
Higher Education Endowment	3,792,982	—	9,635	3,802,617
Nonmajor Governmental	6,208,005	—	(17,000)	6,191,005
Proprietary Funds:				
Enterprise Funds:				
Workers' Compensation	(9,647,105)	—	(78,913)	(9,726,018)
Unemployment Compensation	4,581,264	—	—	4,581,264
Higher Education Student Services	1,073,167	—	(335,682)	737,485
Guaranteed Education Tuition Program	562,693	(562,693)	—	—
Nonmajor Enterprise	28,461	562,693	(24,353)	566,801
Internal Service Funds	(163,696)	—	(85,299)	(248,995)
Fiduciary Funds:				
Private Purpose Trust	4,936	—	—	4,936
Local Government Investment Pool	10,908,266	—	—	10,908,266
Pension and Other Employee Benefit Plans	102,348,453	—	(245)	102,348,208
Component Units:				
Public Stadium Authority	273,411	—	—	273,411
Health Benefit Exchange	(3,151)	—	(714)	(3,865)
Valley Medical Center	219,793	—	(232)	219,561
Nonmajor Component Units	297,462	—	(3,827)	293,635

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, 2018, $1.19 billion of the state's deposits with financial institutions were insured or collateralized, with the remaining $354 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 insurance 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 2018.

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, real estate, tangible assets, 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.

Public Markets Equities. 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.

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 U.S. Universal 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 U.S. 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 exceed the returns of the MSCI All Country World Index 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.

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 funds' real estate partnerships typically invest in private real estate assets that are held for long-term income and appreciation. Many of the pension trust funds' 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 funds 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.

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.

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 four 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, 2018:

Pension Trust Funds
Investments Measured at Fair Value
June 30, 2018
(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	$ 1,688,863	$ —	$ 1,688,863	$ —
Corporate bonds	10,970,889	—	10,970,889	—
U.S. and foreign government and agency securities	8,908,586	—	8,908,586	—
Total debt securities	21,568,338	—	21,568,338	—
Equity securities				
Common and preferred stock	20,482,664	20,436,675	43,314	2,675
Depository receipts and other miscellaneous	650,415	629,423	20,992	—
Mutual funds and exchange traded funds	2,488	2,488	—	—
Real estate investment trusts	394,520	394,519	1	—
Private equity and tangible asset funds	165,764	165,764	—	—
Total equity securities	21,695,851	21,628,869	64,307	2,675
Total investments by fair value level	43,264,189	$ 21,628,869	$ 21,632,645	$ 2,675
Investments measured at net asset value (NAV)				
Private equity	21,766,983			
Real estate	17,212,473			
Tangible assets	4,241,685			
Collective investment trust funds (equity securities)	12,479,044			
Total investments measured at the NAV	55,700,185			
Total investments measured at fair value	$ 98,964,374			
Other assets (liabilities) measured at fair value				
Collateral held under securities lending agreements	$ 662,844	$ —	$ 662,844	$ —
Net foreign exchange contracts receivable-forward and spot	5,095	—	5,095	—
Net swap contracts receivable	(205)	—	(205)	—
Margin variation payable-futures contracts	3,246	3,246	—	—
Obligations under securities lending agreements	(662,844)	—	(662,844)	—
Total other assets (liabilities) measured at fair value	$ 8,136	$ 3,246	$ 4,890	$ —

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 appropriate market 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 debt 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 funds' 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 for subsequent contributions, distributions, management fees, 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 $43.39 billion as of June 30, 2018. 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, 2018, 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 sale or 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, 2018
(expressed in thousands)

	Investment Type				
Liquidation Periods	**Private Equity**	**Real Estate**	**Tangible Assets**	**Total**	**Percentage of Total**
Publicly traded-Level 1	$ 18,151	$ —	$ 147,613	$ 165,764	0.4%
Less than 3 years	175,816	43,960	—	219,776	0.5%
3 to 9 years	4,760,065	1,179,590	354,935	6,294,590	14.5%
10 or more years	16,831,102	15,988,923	3,886,750	36,706,775	84.6%
Total	$ 21,785,134	$ 17,212,473	$ 4,389,298	$ 43,386,905	100.0%

Private Equity. This includes 267 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 27 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 externally appraised generally 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 42 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 managers, at their discretion, may require withdrawal proceeds to be made partially or wholly in kind. Under certain circumstances, the fund managers 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 funds 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 funds' lending agent 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, 2018, the pension trust funds had total unfunded commitments of $27.66 billion in the following asset classes: $15.92 billion in private equity, $8.28 billion in real estate, and $3.46 billion in tangible assets.

4. Securities Lending

State law and WSIB 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, 2018, was approximately $2.36 billion. The pension trust funds report securities on loan in their respective categories in the Statement of Net Position. At June 30, 2018, cash collateral received totaling $662.8 million is reported as securities lending obligation, and the fair value of the reinvested cash collateral totaling $662.8 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, 2018, was $1.74 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, 2018 (in millions):

Mortgage-backed securities	$	1,425.6
U.S. treasuries		315.5
Yankee CD		223.3
Commercial paper		195.7
Repurchase agreements		155.6
Cash equivalents and other		88.2
Total collateral held	$	2,403.9

During fiscal year 2018, securities lending transactions could be terminated on demand by either the pension trust funds or the borrower. As of June 30, 2018, the cash collateral held had an average duration of 16.2 days and an average weighted final maturity of 79.0 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 2018, 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 2018 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 volatility similar to or less than the index. The fixed income portfolio's duration is targeted within plus or minus 20 percent of the duration of the portfolio's performance benchmark. As of June 30, 2018, the duration of the pension trust funds' fixed income investments was within the duration target of this index.

The two following schedules provide information about the interest rate risks associated with the pension trust funds' investments as of June 30, 2018. 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, 2018
(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	$ 1,243,243	$ 9,896	$ 917,741	$ 315,606	$ —	4.57
Corporate bonds	10,970,889	430,738	4,818,522	4,014,195	1,707,434	5.86
U.S. government and agency securities	7,010,090	2,018,133	2,579,815	1,541,110	871,032	4.90
Foreign government and agency securities	1,898,496	76,773	999,318	534,314	288,091	5.37
Total internally managed fixed income	21,122,718	2,535,540	9,315,396	6,405,225	2,866,557	5.42
Mortgage-backed TBA forwards	445,620	445,620	—	—	—	0.00
Total investments categorized	21,568,338	$ 2,981,160	$ 9,315,396	$ 6,405,225	$ 2,866,557	5.31
Investments not required to be categorized:						
Cash and cash equivalents	2,685,619					
Equity securities	34,009,131					
Alternative investments	43,386,905					
Total investments not categorized	80,081,655					
Total Investments	$101,649,993					

* 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, 2018
(expressed in thousands)

Moody's Equivalent Credit Rating	Investment Type: Mortgage and Other Asset-Backed Securities	Corporate Bonds	Foreign Government and Agency Securities	Total Fair Value
Aaa	$ 1,688,289	$ 519,410	$ 62,169	$ 2,269,868
Aa1	—	95,546	246,154	341,700
Aa2	—	134,457	90,166	224,623
Aa3	—	705,778	110,643	816,421
A1	—	927,510	280,502	1,208,012
A2	23	760,666	11,428	772,117
A3	—	1,482,213	17,090	1,499,303
Baa1	—	1,479,603	65,780	1,545,383
Baa2	551	1,570,295	378,222	1,949,068
Baa3	—	1,954,688	17,291	1,971,979
Ba1 or lower	—	1,340,723	619,051	1,959,774
Total	$ 1,688,863	$ 10,970,889	$ 1,898,496	$ 14,558,248

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, 2018, 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, 2018.

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, real estate, and tangible assets 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, 2018, of $1.2 billion invested in two emerging markets commingled equity investment funds.

Pension Trust Funds
Foreign Currency Exposure by Country
June 30, 2018
(expressed in thousands)

Foreign Currency Denomination	Investment Type in U.S. Dollar Equivalent: Cash and Cash Equivalents	Debt Securities	Equity Securities	Alternative Assets	Open Foreign Exchange Contracts-Net	Total
Australia-Dollar	$ 7,193	$ 138,846	$ 574,653	$ 79,024	$ 1,543	$ 801,259
Brazil-Real	301	111,279	209,855	—	901	322,336
Canada-Dollar	5,852	—	650,251	—	(297)	655,806
Chile-Peso	306	64,480	11,716	—	(16)	76,486
China-Yuan Renminbi	339	27,815	44,058	—	—	72,212
Columbia-Peso	17	79,600	5,181	—	(1)	84,797
Denmark-Krone	1,797	—	208,508	—	(910)	209,395
E.M.U.-Euro	6,687	—	3,206,483	3,238,622	(712)	6,451,080
Hong Kong-Dollar	5,163	—	794,597	—	(18)	799,742
India-Rupee	918	62,441	172,026	—	(459)	234,926
Indonesia-Rupiah	560	25,957	35,769	—	189	62,475
Japan-Yen	19,712	—	2,534,280	—	2,293	2,556,285
Mexico-Peso	185	75,913	75,227	—	666	151,991
New Taiwan-Dollar	1,637	—	215,094	—	(479)	216,252
Norway-Krone	1,133	—	81,012	—	143	82,288
Singapore-Dollar	1,200	—	173,838	—	(16)	175,022
South Korea-Won	4,709	—	377,693	—	2,617	385,019
Sweden-Krona	2,289	—	291,167	—	692	294,148
Switzerland-Franc	211	—	771,009	—	18	771,238
Thailand-Baht	2,336	—	66,760	—	12	69,108
Turkey-Lira	373	—	76,332	—	578	77,283
United Kingdom-Pound	8,713	—	2,048,422	—	(95)	2,057,040
Other	1,737	69,879	224,389	—	(1,554)	294,451
Total	$ 73,368	$ 656,210	$ 12,848,320	$ 3,317,646	$ 5,095	$ 16,900,639

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, 2018, 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, 2018, the pension trust funds counterparty risk was approximately $19.0 million. The majority of the counterparties (58 percent) held a credit rating of A1 on Moody's rating scale.

All counterparties held investment grade credit ratings of Baa2 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. Derivatives, which are exchange traded, are not subject to credit risk.

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 in the future. 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, 2018, the pension trust funds had outstanding forward currency contracts with a net unrealized gain of $5.0 million. The aggregate forward currency exchange contracts receivable and payable were $1.93 billion and $1.93 billion, respectively. The contracts have varying maturity dates ranging from July 2, 2018, to October 11, 2018.

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 open swap contracts have varying maturity dates ranging from July 2, 2018, to July 3, 2018. The values of these contracts are highly sensitive to interest rate changes.

At June 30, 2018, the pension trust funds' fixed income portfolio held derivative securities consisting of collateralized mortgage obligations with a fair value of $101.4 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.

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

Pension Trust Funds
Derivative Investments
June 30, 2018
(expressed in thousands)

	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional
Futures Contracts:			
Bond index futures	$ (27,253)	$ 5,248	$ 1,092,600
Equity index futures	78,278	(2,002)	54,950
Total	$ 51,025	$ 3,246	$ 1,147,550
Forward Currency Contracts	$ (5,207)	$ 5,033	$ 1,940,859
Total Return Swap Contracts:			
Total Return Swap Contracts:	$ (7,201)	$ (97)	$ 25,042
Total return swaps bond	8,177	(2,937)	(84,600)
Total	$ 976	$ (3,034)	$ (59,558)

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. 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. It is the goal of the fixed income portfolios to match the target durations. The fixed income portfolios' required duration targets are to be reviewed every three years or sooner if there are significant changes in the funding levels or the liability durations.

Sector allocation of fixed income investments must be managed within the 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 6 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 following table presents fair value measurements as of June 30, 2018:

Workers' Compensation Fund
Investments Measured at Fair Value
June 30, 2018
(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	$ 1,225,313	$ —	$ 1,225,313	$ —
Corporate bonds	9,813,569	—	9,813,569	—
U.S. and foreign government and agency securities	3,299,641	—	3,299,641	—
Total investments by fair value level	14,338,523	$ —	$ 14,338,523	$ —
Investments measured at net asset value (NAV)				
Commingled equity investment trusts	2,308,282			
Total investments measured at the NAV	2,308,282			
Total investments measured at fair value	$ 16,646,805			
Other assets (liabilities) measured at fair value				
Collateral held under securities lending agreements	$ 99,810	$ —	$ 99,810	$ —
Obligations under securities lending agreements	(99,810)	—	(99,810)	—
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 a single collective investment trust fund (fund). The fund is passively managed to track the investment of a broad, global equity index, the MSCI All Country World Investable Market Index. The fund determines a fair value by obtaining the values of underlying holdings using reputable pricing sources and computing an overall net asset value per share. The holdings are publicly traded equity securities.

The 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.

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, 2018, was approximately $348.0 million. The Workers' Compensation Fund reports securities on loan in the Statement of Net Position in their respective categories. At June 30, 2018, cash collateral received totaling $99.8 million is reported as a securities lending obligation, and the fair value of the reinvested cash collateral totaling $99.8 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, 2018, was $254.2 million.

During fiscal year 2018, 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, 2018 (in millions):

Mortgage-backed securities	$	254.2
Yankee CD		33.6
Commercial paper		29.5
Repurchase agreements		23.4
Cash equivalents and other		13.3
Total collateral held	$	354.0

During fiscal year 2018, securities lending transactions could be terminated on demand by either the Workers' Compensation Fund or the borrower. As of June 30, 2018, the cash collateral held had an average duration of 16.2 days and an average weighted final maturity of 79.0 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 2018, 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 2018 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, 2018, 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, 2018. 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.

Workers' Compensation Fund
Schedule of Maturities and Effective Duration
June 30, 2018
(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	$ 1,225,313	$ 5,248	$ 773,103	$ 396,307	$ 50,655	4.9
Corporate bonds	9,813,569	739,884	4,386,772	2,076,622	2,610,291	6.2
U.S. government and agency securities	2,246,134	401,879	730,579	745,501	368,175	6.3
Foreign government and agencies	1,053,507	110,243	689,952	223,676	29,636	3.7
Total investments categorized	14,338,523	$ 1,257,254	$ 6,580,406	$ 3,442,106	$ 3,058,757	5.9
Investments not required to be categorized:						
Commingled investment trusts	2,308,282					
Cash and cash equivalents	122,653					
Total investments not categorized	2,430,935					
Total Investments	$ 16,769,458					

** 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, 2018
(expressed in thousands)

	Investment Type			
Moody's Equivalent Credit Rating	**Mortgage and Other Asset-Backed Securities**	**Corporate Bonds**	**Foreign Government and Agencies**	**Total Fair Value**
Aaa	$ 1,225,313	$ 544,097	$ 325,511	$ 2,094,921
Aa1	—	160,421	84,051	244,472
Aa2	—	141,222	212,075	353,297
Aa3	—	1,052,769	244,498	1,297,267
A1	—	1,680,608	109,337	1,789,945
A2	—	1,304,262	—	1,304,262
A3	—	1,738,896	—	1,738,896
Baa1	—	1,161,472	22,906	1,184,378
Baa2	—	1,303,554	55,129	1,358,683
Baa3	—	464,451	—	464,451
Ba1 or lower	—	261,817	—	261,817
Total	$ 1,225,313	$ 9,813,569	$ 1,053,507	$ 12,092,389

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, 2018, 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, 2018.

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, 2018, the only securities held by the Workers' Compensation Fund with foreign currency exposure were $1.02 billion (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, 2018
(expressed in thousands)

Foreign Currency Denomination	Equity Securities
Australia-Dollar	$ 51,824
Brazil-Real	14,984
Canada-Dollar	71,829
Denmark-Krone	12,649
E.M.U.-Euro	230,410
Hong Kong-Dollar	81,985
Japan-Yen	185,463
Mexico-Peso	7,899
New Taiwan-Dollar	32,812
Russia-Ruble	7,102
Singapore-Dollar	9,754
South Africa-Rand	16,109
South Korea-Won	39,342
Sweden-Krona	21,781
Switzerland-Franc	53,980
United Kingdom-Pound	134,106
Miscellaneous Foreign Currencies	45,638
Total	$ 1,017,667

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, 2018, the only derivative securities held directly by the Workers' Compensation Fund were collateralized mortgage obligations of $683.3 million.

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 elect to measure, for financial reporting purposes, 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, WA 98504-0200, online at: https://tre.wa.gov/partners/for-local-governments/local-government-investment-pool-lgip/lgip-comprehensive-annual-financial-report/, or phone number (360) 902-9000. TTY users dial 711 to be connected to the state TTY operator.

Investment Objectives. In priority order, the objectives of the LGIP investment policy 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 and 39.59 RCW, and RCW 43.84.080). 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 Northern Trust 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 fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent. Cash collateral received from the lending of non-coupon-bearing securities shall not be valued at less than 102 percent of fair 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 2018, the LGIP lent U.S. agency and U.S. treasury securities while cash and other securities were received as collateral. At fiscal year end, the fair value of securities on loan was $1.42 billion and the fair value of securities received for collateral was $1.45 billion.

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 2018, 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, 2018, the LGIP had a weighted average maturity of 33 days and a weighted average life of 80 days.

The following schedule presents the LGIP investments and related maturities, and provides information about the associated interest rate risks as of June 30, 2018:

Local Government Investment Pool (LGIP)
Schedule of Maturities
June 30, 2018
(expressed in thousands)

			Maturity	
Investment Type		**Amortized Cost**	**Less than 1 Year**	**1-5 Years**
U.S. agency securities	$	5,722,558	$ 4,678,670	$ 1,043,888
U.S. treasury securities		3,833,605	3,833,605	—
Supranational securities		828,094	778,148	49,946
Repurchase agreements		5,025,000	5,025,000	—
Interest bearing bank accounts		1,579,655	1,579,655	—
Certificates of deposit		177,395	177,395	—
Total Investments	$	17,166,307	$ 16,072,473	$ 1,093,834

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 depositories.

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 29.3 percent of the total portfolio as of June 30, 2018. 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, 2018, U.S. treasury securities comprised 22.3 percent of the total portfolio. U.S. agency securities comprised 33.3 percent of the total portfolio, including Federal Home Loan Bank (21.4 percent) and Federal Farm Credit Bank (11.9 percent). Supranational securities comprised 4.8 percent of the total portfolio.

6. 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, 2018, repurchase agreements totaled $5.03 billion.

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

1. Summary of Investment Policies

The investments of the University of Washington represent 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, 2018, the Invested Funds Pool totaled $1.79 billion. The fund also owns units in the Consolidated Endowment Fund valued at $643.1 million on June 30, 2018.

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 0.75 percent in fiscal year 2018. University Advancement received 3 percent of the average balances in endowment operating and gift accounts in fiscal year 2018. 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 $398 thousand at June 30, 2018.

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 $62.3 million in fiscal year 2018 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, 2018, was $299.5 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, 2018:

University of Washington
Investments Measured at Fair Value
June 30, 2018
(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	$ 652,611	$ 3,967	$ 648,644	$ —
U.S. government agency	545,478	10,879	534,599	—
Mortgage-backed	231,974	—	231,974	—
Asset-backed	175,449	—	175,449	—
Corporate and other	495,926	72,390	423,536	—
Total fixed income securities	2,101,438	87,236	2,014,202	—
Equity securities				
Global equity investments	719,261	711,232	8,029	—
Private equity and venture capital funds	27,224	—	25,885	1,339
Real estate	10,097	5,016	—	5,081
Other	11,385	6,917	—	4,468
Total equity securities	767,967	723,165	33,914	10,888
Externally managed trusts	122,686	—	—	122,686
Total investments by fair value level	2,992,091	$ 810,401	$ 2,048,116	$ 133,574
Investments measured at net asset value (NAV)				
Global equity investments	1,311,637			
Absolute return strategy funds	622,479			
Private equity and venture capital funds	369,888			
Real asset funds	193,341			
Other	48,228			
Total investments measured at the NAV	2,545,573			
Total investments measured at fair value	5,537,664			
Cash equivalents at amortized cost	119,825			
Total Investments	$ 5,657,489			

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 information related to 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, 2018
(expressed in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Global equity investments	$ 1,311,637	$ 22,308	Monthly to annually	15-180 days
Absolute return strategy funds	622,479	—	Quarterly to annually	30-60 days
Private equity and venture capital funds	369,888	347,263	n/a	—
Real asset funds	193,341	55,105	n/a	—
Other	48,228	850	Quarterly to annually	30-95 days
Total investments measured at the NAV	$ 2,545,573			

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 2018, approximately 72 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.

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. Approximately 88 percent of the value of the investments in this category can be redeemed within one year.

Private Equity. This category includes buyout, venture, and special situations funds. 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. 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 opportunistic investments and includes various types of non-investment grade and non-rated credit plus nominal equity exposure. Approximately 15 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, 2018, the University had outstanding commitments to fund alternative investments in the amount of $425.5 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. 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 1.74 years at June 30, 2018.

5. Credit Risk

Fixed income securities are subject to credit risk, which is the risk that the issuer or other counterparty to a financial instrument will not fulfill its obligations, or 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, 2018. The schedule excludes $16.3 million of fixed income securities held by component units. Fixed income held by externally managed trusts are also excluded. These amounts make up 0.77 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, 2018
(expressed in thousands)

Investment Type	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Effective Duration (in years)
U.S. treasuries	$ 648,644	$ —	$ —	$ —	$ 648,644	1.85
U.S. government agency	540,529	—	—	—	540,529	2.85
Mortgage-backed	—	164,675	42,247	25,052	231,974	1.99
Asset-backed	—	147,713	1,134	26,602	175,449	0.71
Corporate and other	—	368,800	31,830	87,938	488,568	1.14
Total	$ 1,189,173	$ 681,188	$ 75,211	$ 139,592	$ 2,085,164	1.74

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

6. 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, 2018, of $1.46 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, 2018
(expressed in thousands)

Foreign Currency	Amount
Brazil-Real	$ 78,752
Britain-Pound	78,660
Canada-Dollar	97,112
China-Renminbi	232,898
E.M.U.-Euro	161,709
Hong Kong-Dollar	55,290
India-Rupee	154,962
Japan-Yen	141,518
Mexico-Peso	33,643
Russia-Ruble	30,289
South Korea-Won	58,605
Switzerland-Franc	41,690
Taiwan-Dollar	33,151
Remaining currencies	259,854
Total	$ 1,458,133

7. 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, 2018. 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, 2018:

University of Washington
Derivative Investments
June 30, 2018
(expressed in thousands)

Description	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional Amount
Options purchased - puts	$ (24)	$ 137	$ 161
Swaps fixed income - long	$ (797)	$ 119,010	$ 119,807
Swaps fixed income - short	$ 3,610	$ (115,391)	$ (119,001)
Futures on contracts - long	$ 52	$ 180,268	$ 180,216
Futures on contracts - short	$ (348)	$ (65,075)	$ (64,727)

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 2018, 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 (WSIB) regarding commercial paper (RCW 43.84.080(5)).
- Corporate notes, provided that the OST adheres to the investment policies and procedures adopted by the 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, 2018:

Office of the State Treasurer
Cash Management Account
Investments Measured at Fair Value
June 30, 2018
(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	$ 1,361,309	$ —	$ 1,361,309	$ —
U.S. agency securities	1,323,125	—	1,323,125	—
Supranational securities	615,312	—	615,312	—
Corporate notes	121,436	—	121,436	—
Total investments measured at fair value	$ 3,421,182	$ —	$ 3,421,182	$ —

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 Northern Trust Company 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 2018, cash received as collateral was invested in the LGIP money market fund, which allows withdrawals each business day to cover maturing loans. There was no cash collateral from securities lending as of June 30, 2018.

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, 2018, the fair value of securities on loan totaled $355.8 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 2018, 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, and there were 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. 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 provide information about the associated interest rate risks as of June 30, 2018:

Office of the State Treasurer
Cash Management Account
Schedule of Maturities and Effective Duration
June 30, 2018
(expressed in thousands)

		Maturity	
Investment Type	**Total Fair Value**	**Less than 1 Year**	**1-5 Years**
U.S. agency securities	$ 1,323,125	$ 294,770	$ 1,028,355
Supranational securities	685,073	140,193	544,880
Corporate notes	121,436	—	121,436
Investments with LGIP	4,416,333	4,416,333	—
Certificates of deposit	169,752	169,752	—
Interest bearing bank accounts	119,242	119,242	—
Total Investments	$ 6,834,961	$ 5,140,290	$ 1,694,671

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

Office of the State Treasurer
Cash Management Account
Investment Credit Ratings
June 30, 2018
(expressed in thousands)

	Investment Type		
S&P Credit Rating	**Corporate Notes**	**Supranationals**	**Total Fair Value**
AAA	$ 34,371	$ 685,073	$ 719,444
AA+	18,730	—	18,730
AA	41,159	—	41,159
A+	27,176	—	27,176
Total	$ 121,436	$ 685,073	$ 806,509

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.

Note 4
Receivables, Unearned, and Unavailable Revenues

A. GOVERNMENTAL FUNDS

Taxes Receivable
Taxes receivable at June 30, 2018, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property	$ 1,636,546	$ —	$ —	$ 98	$ 1,636,644
Sales	2,458,385	15	—	927	2,459,327
Business and occupation	972,886	—	—	39	972,925
Estate	1,566	21,066	—	—	22,632
Fuel	—	—	—	180,322	180,322
Beer and wine	—	—	—	5,322	5,322
Marijuana	—	—	—	36,304	36,304
Real estate excise	1,855	82	—	72	2,009
Public utilities	13,111	22	—	—	13,133
Hazardous substance	—	—	—	1,524	1,524
Syrup	5,836	—	—	—	5,836
Other	1,014	—	—	134	1,148
Subtotals	5,091,199	21,185	—	224,742	5,337,126
Less: Allowance for uncollectible receivables	524,459	6	—	2,654	527,119
Total Taxes Receivable	$ 4,566,740	$ 21,179	$ —	$ 222,088	$ 4,810,007

Receivables
Receivables at June 30, 2018, consisted of the following (expressed in thousands):

Receivables	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Public assistance [1]	$ 602,570	$ —	$ —	$ —	$ 602,570
Accounts receivable	696,186	554,961	1,347	342,934	1,595,428
Interest	9,418	11,210	4,520	9,453	34,601
Investment trades pending	9,908	610	9,860	4,348	24,726
Loans [2]	6,175	119,393	—	512,764	638,332
Long-term contracts [3]	4,310	—	16,143	115,705	136,158
Miscellaneous	11	228	—	28	267
Subtotals	1,328,578	686,402	31,870	985,232	3,032,082
Less: Allowance for uncollectible receivables	606,849	33,823	—	76,866	717,538
Total Receivables	$ 721,729	$ 652,579	$ 31,870	$ 908,366	$ 2,314,544

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 $99.5 million in the Higher Education Special Revenue Fund for student loans and $503.7 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, 2018, consisted of the following (expressed in thousands):

Unearned Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Other taxes	$ 5,142	$ —	$ —	$ —	$ 5,142
Charges for services	125,457	214,119	—	24,668	364,244
Donable goods	—	—	—	5,829	5,829
Grants and donations	4,660	3,429	—	12,257	20,346
Tolls	—	—	—	24,032	24,032
Transportation	—	—	—	10,659	10,659
Miscellaneous	6,290	15,045	—	9,862	31,197
Total Unearned Revenue	$ 141,549	$ 232,593	$ —	$ 87,307	$ 461,449

Unavailable Revenue

Unavailable revenue at June 30, 2018, consisted of the following (expressed in thousands):

Unavailable Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property taxes	$ 1,605,156	$ —	$ —	$ 26	$ 1,605,182
Other taxes	562,136	13,731	—	1,996	577,863
Timber sales	4,310	—	16,143	115,705	136,158
Transportation	—	—	—	15,905	15,905
Charges for services	—	—	—	6,780	6,780
Miscellaneous	4,659	—	—	26,123	30,782
Total Unavailable Revenue	$ 2,176,261	$ 13,731	$ 16,143	$ 166,535	$ 2,372,670

B. PROPRIETARY FUNDS

Receivables

Receivables at June 30, 2018, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds					Governmental Activities
Receivables	**Workers' Compensation**	**Unemployment Compensation**	**Higher Education Student Services**	**Nonmajor Enterprise Funds**	**Total**	**Internal Service Funds**
Accounts receivable	$ 952,133	$ 501,286	$ 411,246	$ 54,854	$ 1,919,519	$ 78,003
Interest	110,048	—	1,475	3,386	114,909	1,434
Investment trades pending	150,000	—	—	1,141	151,141	546
Miscellaneous	—	—	29	2	31	1
Subtotals	1,212,181	501,286	412,750	59,383	2,185,600	79,984
Less: Allowance for uncollectible receivables	167,310	109,509	21,537	58	298,414	821
Total Receivables	$ 1,044,871	$ 391,777	$ 391,213	$ 59,325	$ 1,887,186	$ 79,163

Unearned Revenue

Unearned revenue at June 30, 2018, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds					Governmental Activities
Unearned Revenue	**Workers' Compensation**	**Unemployment Compensation**	**Higher Education Student Services**	**Nonmajor Enterprise Funds**	**Total**	**Internal Service Funds**
Charges for services	$ —	$ —	$ 54,117	$ 479	$ 54,596	$ 4,608
Grants and donations	5,300	—	—	—	5,300	25
Other taxes	454	—	—	—	454	—
Miscellaneous	1,893	—	339	1	2,233	—
Total Unearned Revenue	$ 7,647	$ —	$ 54,456	$ 480	$ 62,583	$ 4,633

Taxes Receivables

Taxes receivables at June 30, 2018, consisted of $40 thousand for petroleum products.

C. FIDUCIARY FUNDS

Other Receivables

Other receivables at June 30, 2018, consisted of $21.4 million for interest and other miscellaneous amounts.

Unearned Revenue

Unearned revenue at June 30, 2018, consisted of $673 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, 2018, 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	$ —	$ 259,506	$ —	$ 181,731	$ 485
Higher Education Special Revenue	52,409	—	666,050	36,786	920
Higher Education Endowment	—	—	—	1,007	—
Nonmajor Governmental Funds	89,014	642	2,245	242,402	22
Workers' Compensation	11	573	—	16	—
Unemployment Compensation	1,167	1,179	—	906	5
Higher Education Student Services	184	2,091	—	889	84
Nonmajor Enterprise Funds	9,695	143	—	1,822	19
Internal Service Funds	44,383	1,451	—	23,629	6,615
Totals	$ 196,863	$ 265,585	$ 668,295	$ 489,188	$ 8,150

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 $5.0 million loan from a nonmajor governmental fund to the General Fund which is expected to be paid over the next two years; (2) a $3.7 million loan between nonmajor governmental funds which is expected to be paid over the next four years, and (3) a $204.9 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 $85.8 million within the state's Pension Trust Funds.

Due From					
Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Totals
$ 7	$ —	$ 103,443	$ 15,527	$ —	$ 560,699
—	263,026	4	17,493	—	1,036,688
—	—	—	—	—	1,007
1,269	5	776	12,018	—	348,393
—	—	—	—	—	600
—	—	30	61	—	3,348
—	—	49	14,266	—	17,563
4	8	369	130	—	12,190
—	105	524	16,314	80	93,101
$ 1,280	$ 263,144	$ 105,195	$ 75,809	$ 80	$ 2,073,589

B. INTERFUND TRANSFERS

Interfund transfers as reported in the financial statements for the year ended June 30, 2018, 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	$ —	$ —	$ 300	$ 1,332,142	$ —
Higher Education Special Revenue	68,359	—	36,158	245,608	—
Higher Education Endowment	—	176,372	—	39,786	—
Nonmajor Governmental Funds	446,757	196,039	796	1,501,938	—
Workers' Compensation	—	—	—	—	—
Unemployment Compensation	—	—	—	—	—
Higher Education Student Services	—	358,458	9	3,342	—
Nonmajor Enterprise Funds	170,972	—	—	19,023	—
Internal Service Funds	—	37,693	—	509	—
Totals	$ 686,088	$ 768,562	$ 37,263	$ 3,142,348	$ —

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, 2018, $216.4 million 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 $11.2 million within the state's Pension Trust Funds.

Transferred To				
Unemployment Compensation	Higher Education Student Services	Nonmajor Enterprise Funds	Internal Service Funds	Totals
$ —	$ —	$ 398	$ 26,791	$ 1,359,631
—	399,464	—	26,201	775,790
—	—	—	—	216,158
—	431	—	4,587	2,150,548
—	—	—	—	—
—	—	—	—	—
—	—	—	256	362,065
—	—	13,717	—	203,712
—	231	—	4,387	42,820
$ —	$ 400,126	$ 14,115	$ 62,222	$ 5,110,724

Note 6
Capital Assets

Capital assets at June 30, 2018, 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, 2018 (expressed in thousands):

Capital Assets	Balances July 1, 2017	Additions	Deletions/ Adjustments	Balances June 30, 2018
Capital assets, not being depreciated:				
Land	$ 2,666,048	$ 136,910	$ (35,488)	$ 2,767,470
Transportation infrastructure	24,702,820	494,892	(208,764)	24,988,948
Intangible assets - indefinite lives	14,938	19,629	—	34,567
Art collections, library reserves, and museum and historical collections	120,727	2,274	(55)	122,946
Construction in progress	1,175,803	420,859	(564,203)	1,032,459
Total capital assets, not being depreciated	28,680,336			28,946,390
Capital assets, being depreciated:				
Buildings	14,105,259	616,575	(41,036)	14,680,798
Accumulated depreciation	(5,671,670)	(384,571)	24,047	(6,032,194)
Net buildings	8,433,589			8,648,604
Other improvements	1,585,644	21,379	(3,768)	1,603,255
Accumulated depreciation	(824,039)	(40,819)	8,708	(856,150)
Net other improvements	761,605			747,105
Furnishings, equipment, and intangible assets	5,436,495	431,008	(162,201)	5,705,302
Accumulated depreciation	(3,427,722)	(323,656)	133,677	(3,617,701)
Net furnishings, equipment, and intangible assets	2,008,773			2,087,601
Infrastructure	1,215,238	36,913	(5,540)	1,246,611
Accumulated depreciation	(586,540)	(47,248)	1,468	(632,320)
Net infrastructure	628,698			614,291
Total capital assets, being depreciated, net	11,832,665			12,097,601
Governmental Activities Capital Assets, Net	$ 40,513,001			$ 41,043,991

B. BUSINESS-TYPE CAPITAL ASSETS

The following is a summary of business-type capital asset activity for the year ended June 30, 2018 (expressed in thousands):

Capital Assets	Balances July 1, 2017	Additions	Deletions/ Adjustments	Balances June 30, 2018
Capital assets, not being depreciated:				
Land	$ 69,685	$ 89,756	$ (88,551)	$ 70,890
Intangible assets - indefinite lives	4,580	—	—	4,580
Art collections	75	—	(35)	40
Construction in progress	215,459	257,142	(16,040)	456,561
Total capital assets, not being depreciated	289,799			532,071
Capital assets, being depreciated:				
Buildings	3,795,098	147,563	(14,906)	3,927,755
Accumulated depreciation	(1,273,969)	(129,640)	8,878	(1,394,731)
Net buildings	2,521,129			2,533,024
Other improvements	104,696	5,985	(3,158)	107,523
Accumulated depreciation	(55,808)	(4,985)	38	(60,755)
Net other improvements	48,888			46,768
Furnishings, equipment, and intangible assets	1,009,341	38,513	(42,252)	1,005,602
Accumulated depreciation	(789,541)	(60,642)	40,428	(809,755)
Net furnishings, equipment, and intangible assets	219,800			195,847
Infrastructure	57,646	1,429	(56)	59,019
Accumulated depreciation	(29,225)	(2,051)	56	(31,220)
Net infrastructure	28,421			27,799
Total capital assets, being depreciated, net	2,818,238			2,803,438
Business-Type Activities Capital Assets, Net	$ 3,108,037			$ 3,335,509

C. DEPRECIATION

Depreciation expense for the year ended June 30, 2018, was charged by the primary government as follows (expressed in thousands):

		Amount
Governmental Activities:		
General government	$	98,599
Education - elementary and secondary (K-12)		4,287
Education - higher education		466,385
Human services		42,515
Adult corrections		25,638
Natural resources and recreation		47,208
Transportation		111,662
Total Depreciation Expense - Governmental Activities *	$	796,294
Business-Type Activities:		
Workers' compensation	$	8,499
Unemployment compensation		—
Higher education student services		185,991
Other		2,828
Total Depreciation Expense - Business-Type Activities	$	197,318

* Includes $98.3 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, 2018, are as follows (expressed in thousands):

Agency / Project Commitments	Construction In Progress June 30, 2018	Remaining Project Commitments
Office of the Secretary of State:		
Library-Archives building and other projects	$ 3,604	$ 95,144
Department of Revenue:		
Tax and Licensing System Replacement	8,294	20,189
Department of Enterprise Services:		
1063 Building project	92,977	1,982
Natural Resource building garage fire suppression and critical repair	7,714	363
Various projects	3,983	10,508
Washington State Patrol:		
Fire Training Academy aircraft rescue repairs, burn building, and dining hall	2,130	9,812
Various projects	963	6,255
Department of Social and Health Services:		
Residential housing unit renovations and other projects	22,149	64,007
State hospitals	33,290	78,796
Department of Corrections:		
Correctional center units security and safety improvements, and other projects	10,862	29,477
Department of Transportation:		
State ferry vessels and terminals, and other projects	355,105	264,559
Transportation infrastructure	—	1,287,344
Department of Fish and Wildlife:		
Soos Creek Hatchery, Fir Island Farm, Kalama Hatchery, and other projects	50,334	145,941
Employment Security Department:		
Paid Family Medical Leave system	4,901	32,612
University of Washington:		
Bill & Melinda Gates Computer Science, Population Health, and Life Science Building	277,286	78,527
Husky Stadium improvements and other projects	4,984	399
McCarty Hall, Stevens Court, and north campus student housing	150,622	17,325
UW Medical Center expansion and renovation projects	22,436	9,499
Washington biomedical research facility	129,268	15,711
Washington State University:		
Animal Health Research, Plant Science, Airport, and other facility projects	15,566	92,402
Athletics and other projects	380	1,469
Chief Joseph Village and other housing projects	15,041	21,284
Eastern Washington University:		
Engineering building, Pence Union Building, and other projects	40,513	65,530
Interdisciplinary Science Center renovation	5,885	178,956
Central Washington University:		
Bouillon Hall, new residence hall, old heat renovation, and other projects	22,053	4,169
Samuelson Communication & Technology Center	57,078	—
The Evergreen State College:		
Housing and other projects	6,062	16,579
Western Washington University:		
Multicultural student center, residence hall, and Carver Hall renovation	14,198	27,017
Science Building renovation and addition	1,776	84,265
Community and Technical Colleges:		
Bellevue student housing and success building	54,939	4,100
Big Bend Professional Technical building	3,365	43,507
Clover Park advanced manufacturing and loading dock	8,527	32,925
Edmonds Science, Engineering, and Technology building project	4,951	40,797
Whatcom student housing and learning commons	5,952	55,359
Other miscellaneous community college projects	33,663	61,704
Other Agency Projects:	18,169	10,776
Total Construction in Progress	$ 1,489,020	$ 2,909,289

Note 7
Long-Term Liabilities

A. BONDS PAYABLE

Bonds payable at June 30, 2018, 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).

Authorization arises in the following situations:

- 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 8.25 percent and will decline to 8.00 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 2018 is $1.42 billion.

This computation excludes specific bond issues and types that are not secured by general state revenues. Of the $19.18 billion general obligation bond debt principal outstanding at June 30, 2018, $11.36 billion is subject to the limitation.

Based on the debt limitation calculation, the debt service requirements as of June 30, 2018, 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 https://www.tre.wa.gov/wp-content/uploads/Debt-Limit-Certification-Complete.pdf or to Schedule 11 in the Statistical Section of this report.

Authorized But Unissued
The state had a total of $12.42 billion in general obligation bonds authorized but unissued as of June 30, 2018, 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 0.70 to 6.03 percent. Interest rates on revenue bonds range from 1.40 to 7.40 percent.

Debt Service Requirements to Maturity

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

- Acquisition and construction of state and common school capital facilities.

- Transportation construction and improvement projects.

- Assistance to local governments for public works capital projects.

- Refunding of general obligation bonds outstanding.

Outstanding general obligation bonds are presented in the Washington State Treasurer's Annual Report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, WA 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, 2018, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
General Obligation Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2019	$ 986,729	$ 953,396	$ —	$ —	$ 986,729	$ 953,396
2020	982,907	918,871	—	—	982,907	918,871
2021	961,445	861,059	—	—	961,445	861,059
2022	968,712	797,961	—	—	968,712	797,961
2023	978,077	755,110	—	—	978,077	755,110
2024-2028	4,931,210	3,106,431	—	—	4,931,210	3,106,431
2029-2033	4,570,773	1,847,397	—	—	4,570,773	1,847,397
2034-2038	3,132,245	797,207	—	—	3,132,245	797,207
2039-2043	1,668,990	167,321	—	—	1,668,990	167,321
Total Debt Service Requirements	$ 19,181,088	$ 10,204,753	$ —	$ —	$ 19,181,088	$ 10,204,753

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, 2018, include $925.7 million in governmental activities and $1.74 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, 2018, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Revenue Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2019	$ 127,990	$ 104,417	$ 79,446	$ 100,427	$ 207,436	$ 204,844
2020	130,964	98,484	69,913	97,256	200,877	195,740
2021	136,883	92,094	73,508	94,013	210,391	186,107
2022	154,169	85,389	76,798	90,497	230,967	175,886
2023	161,019	77,767	77,290	138,236	238,309	216,003
2024-2028	474,457	294,685	398,642	361,291	873,099	655,976
2029-2033	352,744	213,453	415,209	263,544	767,953	476,997
2034-2038	313,945	133,725	410,994	168,950	724,939	302,675
2039-2043	233,854	63,217	398,060	69,888	631,914	133,105
2044-2048	146,796	27,445	138,689	10,136	285,485	37,581
2049-2053	64,274	7,099	2,425	97	66,699	7,196
Total Debt Service Requirements	$ 2,297,095	$ 1,197,775	$ 2,140,974	$ 1,394,335	$ 4,438,069	$ 2,592,110

Governmental activities include revenue bonds outstanding at June 30, 2018, of $178.5 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 $244.9 million, payable through 2033. For the current year, both pledged revenue and debt service were $37.2 million.

Governmental activities include grant anticipation revenue bonds outstanding at June 30, 2018, of $589.0 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 $697.3 million, payable through 2024. For the current year both pledged revenue and debt service were $100.0 million.

Governmental activities include the Transportation Infrastructure Finance and Innovation Act Bond (TIFIA Bond) outstanding at June 30, 2018, of $296.9 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 $529.7 million, payable through 2051. For the current year both pledged revenue and debt service were $12.7 million.

Governmental activities include revenue bonds outstanding at June 30, 2018, of $38.1 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 $48.9 million, payable through 2029. For the current year, both pledged revenue and debt service were $3.7 million.

Governmental activities include revenue bonds outstanding at June 30, 2018, of $266.8 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 $452.5 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, 2018, of $2.1 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 $2.3 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, 2018, 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	$ 46,225	$ 15,808	$ 332
Current year debt service	19,895	9,288	202
Total future revenues pledged *	420,053	102,142	3,236
Description of debt	Housing and dining bonds issued in 1998-2018	Student facilities bonds issued in 2004-2015	Student union and recreation center bonds issued in 2004
Purpose of debt	Construction and renovation of student housing and dining facilities	Construction and renovation of student activity and sports facilities	Construction of a new bookstore as part of a new student union and recreation building
Term of commitment	2026-2049	2032-2039	2034
Percentage of debt service to pledged revenues (current year)	43.04%	58.76%	61.00%

*Total future principal and interest payments.

B. CERTIFICATES OF PARTICIPATION

Certificates of participation at June 30, 2018, 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, 2018, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Certificates of Participation	Principal	Interest	Principal	Interest	Principal	Interest
By Fiscal Year:						
2019	$ 155,175	$ 50,864	$ 5,375	$ 1,762	$ 160,550	$ 52,626
2020	73,586	26,257	12,925	4,612	86,511	30,869
2021	61,505	22,945	10,804	4,030	72,309	26,975
2022	56,249	20,065	9,880	3,525	66,129	23,590
2023	48,830	17,399	8,577	3,056	57,407	20,455
2024-2028	169,793	58,512	29,825	10,278	199,618	68,790
2029-2033	99,919	26,814	17,551	4,710	117,470	31,524
2034-2038	62,969	9,704	11,061	1,705	74,030	11,409
2039-2043	7,783	1,205	1,367	212	9,150	1,417
Total Debt Service Requirements	$ 735,809	$ 233,765	$ 107,365	$ 33,890	$ 843,174	$ 267,655

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 October 11, 2017, the state issued $27.3 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent to refund $29.7 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent. The refunding resulted in a $3.1 million gross debt service savings over the next five years and an economic gain of $3.0 million.

Also on October 11, 2017, the state issued $29.3 million of motor vehicle fuel tax general obligation refunding bonds with an average interest rate of 5 percent to refund $32.1 million of motor vehicle fuel tax general obligation refunding bonds with an average interest rate of 5 percent. The refunding resulted in a $3.5 million gross debt service savings over the next six years and an economic gain of $3.5 million.

On December 7, 2017, the state issued $742.6 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent to refund $813.9 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent. The refunding resulted in a $137.8 million gross debt service savings over the next 18 years and an economic gain of $107.8 million.

On December 20, 2017, the state issued $501.5 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent to refund $536.2 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent. The refunding resulted in a $69.2 million gross debt service savings over the next 18 years and an economic gain of $52.5 million.

On June 20, 2018, the Tobacco Settlement Authority (TSA) issued $43.6 million in TSA refunding bonds with an average interest rate of 3 percent to refund $47.5 million of TSA bonds with an average interest rate of 5 percent. The refunding resulted in $17.5 million gross debt service savings over the next five years and an economic gain of $8.7 million.

Business-Type Activities
On December 21, 2017, the Western Washington University issued $10.7 million in housing and dining revenue refunding bonds with an average interest rate of 3.8 percent to refund $12.2 million of housing and dining revenue bonds with an average interest rate of 7.0 percent. The refunding resulted in $2.3 million gross debt service savings over the next 15 years and an economic gain of $306 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, 2018, $3.20 billion of general obligation bond debt outstanding is considered defeased.

Revenue Bond Debt
On June 30, 2018, $13.4 million of revenue bond debt outstanding is considered defeased.

Certificates of Participation Debt
On June 30, 2018, $60.2 million of certificates of participation debt outstanding is considered defeased.

D. LEASES

Leases at June 30, 2018, 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, 2018, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Buildings	$ 6,680	$ 4,512
Equipment	5,502	13,762
Less: Accumulated Depreciation	(2,952)	(11,681)
Totals	$ 9,230	$ 6,593

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2018, (expressed in thousands):

	Capital Leases		Operating Leases	
Capital and Operating Leases	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
By Fiscal Year:				
2019	$ 982	$ 2,680	$ 225,804	$ 49,713
2020	889	2,273	208,509	47,800
2021	722	1,943	184,817	38,399
2022	665	1,740	150,287	31,886
2023	658	1,046	138,911	27,031
2024-2028	1,046	—	412,954	58,857
2029-2033	1,153	—	40,471	49,588
2034-2038	1,433	—	24,284	56,219
2039-2043	2,334	—	14,173	63,904
2044-2048	—	—	1,687	75,102
Total Future Minimum Payments	9,882	9,682	1,401,897	498,499
Less: Executory Costs and Interest Costs	(154)	(616)	—	—
Net Present Value of Future Minimum Lease Payments	$ 9,728	$ 9,066	$ 1,401,897	$ 498,499

The total operating lease rental expense for fiscal year 2018 for governmental activities was $415.2 million, of which $145 thousand was for contingent rentals. The total operating lease rental expense for fiscal year 2018 for business-type activities was $43.5 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, 2018, $39.12 billion of unpaid claims and claim adjustment expenses are presented at their net present and settlement value of $27.77 billion. These claims are discounted at assumed interest rates of 1.5 percent (non-pension and cost of living adjustments), 6.1 percent for all self-insured pension annuities and state fund pension annuities expected to be granted between July 1, 2018, and March 31, 2019, and 4.5 percent for the remaining state fund pension annuities to arrive at a settlement value.

The claims and claim adjustment liabilities of $27.77 billion as of June 30, 2018, include $14.02 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 $13.75 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 2017 and 2018 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
2017	$ 25,852,326	3,030,714	(2,242,502)	$ 26,640,538
2018	$ 26,640,538	3,445,361	(2,311,596)	$ 27,774,303

Risk Management

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

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

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

As of June 30, 2018, 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 $614.9 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.

Changes in the balances of risk management claims liabilities during fiscal years 2017 and 2018 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
2017	$ 568,821	182,654	(128,620)	(19,828)	$ 603,027
2018	$ 603,027	119,033	(85,174)	(21,974)	$ 614,912

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 or social factors.

At June 30, 2018, health insurance claims liabilities totaling $92.4 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 2017 and 2018 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
2017	$ 87,370	1,086,732	(1,090,211)	$ 83,891
2018	$ 83,891	1,204,084	(1,195,596)	$ 92,379

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 30 projects in progress for which the state has recorded a liability of $57.1 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, 2018, the state has recorded a liability of $94.3 million for remaining project commitments.

Overall, the state has recorded a pollution remediation liability of $151.4 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, 2018, 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 2018 is as follows (expressed in thousands):

Governmental Activities:	Beginning Balance July 1, 2017*	Additions	Reductions	Ending Balance June 30, 2018	Amounts Due Within One Year
Long-Term Debt:					
GO Bonds Payable:					
General obligation (GO) bonds	$ 18,779,990	$ 2,376,160	$ 2,333,780	$ 18,822,370	$ 935,340
GO - zero coupon bonds (principal)	412,247	—	53,529	358,718	51,389
Subtotal - GO bonds payable	19,192,237	2,376,160	2,387,309	19,181,088	986,729
Accreted interest - GO - zero coupon bonds	457,635	—	24,263	433,372	71,986
Revenue bonds payable	2,318,777	159,877	181,559	2,297,095	127,990
Plus: Unamortized premiums on bonds sold	1,391,058	446,226	106,468	1,730,816	—
Total Bonds Payable	23,359,707	2,982,263	2,699,599	23,642,371	1,186,705
Other Liabilities:					
Certificates of participation	730,725	79,283	74,199	735,809	155,175
Plus: Unamortized premiums on COPs sold	20,790	3,563	4,426	19,927	—
Claims and judgments payable	995,795	108,753	98,038	1,006,510	329,188
Installment contracts	1,591	—	137	1,454	137
Leases	3,256	6,995	523	9,728	930
Compensated absences	625,798	485,795	425,895	685,698	100,317
Net pension liability	4,999,552	884,614	1,840,034	4,044,132	11,994
OPEB liability	5,472,738	465,114	822,600	5,115,252	80,952
Pollution remediation obligations	150,853	7,228	6,667	151,414	—
Unclaimed property refunds	197,411	46,593	—	244,004	6,230
Other	505,821	114,509	290,702	329,628	27,078
Total Other Liabilities	13,704,330	2,202,447	3,563,221	12,343,556	712,001
Total Long-Term Debt	$ 37,064,037	$ 5,184,710	$ 6,262,820	$ 35,985,927	$ 1,898,706

* The beginning balance of net pension liability has been restated by $3.3 million as a result of a reclassification of the net pension liability between governmental activities and business type activities. The beginning balance of the OPEB liability has been restated by $2.60 billion as a result of implementing GASB Statement No. 75. The beginning balance of other liabilities has been restated by $55.4 million as a result of implementing GASB Statement No. 81.

For governmental activities, certificates of participation are being repaid approximately 26 percent from the General Fund, 36 percent from the Higher Education Special Revenue Fund, 16 percent from the Motor Vehicle Fund (a nonmajor special revenue fund), and the balance from various governmental funds. The compensated absences liability will be liquidated approximately 45 percent by the General Fund, 34 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 61 percent by the Risk Management Fund (a nonmajor 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 post employment benefits liability will be liquidated approximately 40 percent by the General Fund, 28 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The net pension liability will be liquidated approximately 47 percent by the General Fund, 33 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The pollution remediation liability will be liquidated approximately 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 2018 is as follows (expressed in thousands):

Business-Type Activities	Beginning Balance July 1, 2017*	Additions	Reductions	Ending Balance June 30, 2018	Amounts Due Within One Year
Long-Term Debt:					
Revenue bonds payable	$ 2,125,264	$ 107,338	$ 91,628	$ 2,140,974	$ 79,446
Plus: Unamortized premiums on bonds sold	182,042	20,321	16,843	185,520	—
Total Bonds Payable	2,307,306	127,659	108,471	2,326,494	79,446
Other Liabilities:					
Certificates of participation	82,865	29,216	4,716	107,365	5,375
Plus: Unamortized premiums on COPs sold	8,984	4,301	499	12,786	—
Claims and judgments payable	26,659,065	2,327,112	1,194,882	27,791,295	2,231,085
Installment contracts	65,718	139	3,162	62,695	3,162
Lottery prize annuities payable	121,376	35,256	29,120	127,512	14,132
Tuition benefits payable	1,740,000	93,916	126,916	1,707,000	173,000
Leases	9,396	1,901	2,231	9,066	2,423
Compensated absences	83,731	34,836	33,419	85,148	52,170
Net pension liability	666,635	90,215	240,730	516,120	658
OPEB liability	765,652	59,503	118,455	706,700	11,183
Other	81,921	12,460	14,790	79,591	8,724
Total Other Liabilities	30,285,343	2,688,855	1,768,920	31,205,278	2,501,912
Total Long-Term Debt	$ 32,592,649	$ 2,816,514	$ 1,877,391	$ 33,531,772	$ 2,581,358

* The beginning balance of net pension liability has been restated by $3.3 million as a result of a reclassification of the net pension liability between governmental activities and business-type activities. The beginning balance of the OPEB liability has been restated by $447.2 million as a result of implementing GASB Statement No. 75.

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, 2018, balances for the "No Commitment" debt of the state's financing authorities (expressed in thousands):

Financing Authorities	Principal Balance
Washington State Housing Finance Commission	$ 4,800,559
Washington Health Care Facilities Authority	5,832,545
Washington Higher Education Facilities Authority	624,856
Washington Economic Development Finance Authority	841,794
Total No Commitment Debt	$ 12,099,754

Note 9
Governmental Fund Balances

A. GOVERNMENTAL FUNDS

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, 2018, is as follows (expressed in thousands):

Fund Balances	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Nonspendable:					
Permanent funds	$ —	$ —	$ 2,466,357	$ 207,906	$ 2,674,263
Consumable inventories	13,461	29,046	—	48,766	91,273
Other receivables – long-term	31,939	16,246	—	—	48,185
Total Nonspendable Fund Balance	$ 45,400	$ 45,292	$ 2,466,357	$ 256,672	$ 2,813,721
Restricted for: *					
Higher education	$ —	$ 45,529	$ 1,659,874	$ 60,069	$ 1,765,472
Education	105,200	—	11,368	36,605	153,173
Transportation	—	—	—	1,359,304	1,359,304
Other purposes	—	—	—	5,889	5,889
Human services	—	—	1,521	553,258	554,779
Wildlife and natural resources	—	—	1	1,089,026	1,089,027
Local grants and loans	—	—	—	171	171
School construction	1,511	—	—	32,583	34,094
State facilities	—	—	—	274,454	274,454
Budget stabilization	1,369,438	—	—	—	1,369,438
Debt service	—	—	—	53,201	53,201
Pollution remediation	—	—	—	47,157	47,157
Operations and maintenance	—	—	—	9,654	9,654
Repair and replacement	—	—	—	20,404	20,404
Revenue stabilization	—	—	—	28,805	28,805
Deferred Sales Tax	—	—	—	1,000	1,000
Third tier debt service	—	—	—	6,827	6,827
Fourth tier debt service	—	—	—	1,843	1,843
Total Restricted Fund Balance	$ 1,476,149	$ 45,529	$ 1,672,764	$ 3,580,250	$ 6,774,692
Committed for:					
Higher education	$ 111,692	$ 2,745,732	$ —	$ 58,802	$ 2,916,226
Education	494	—	—	3,254	3,748
Transportation	—	—	—	415,476	415,476
Other purposes	255,527	—	—	326,828	582,355
Human services	—	—	—	769,907	769,907
Wildlife and natural resources	20,217	—	—	470,306	490,523
Local grants and loans	—	—	—	918,084	918,084
State facilities	—	—	—	12,911	12,911
Debt service	—	—	—	343,713	343,713
Total Committed Fund Balance	$ 387,930	$ 2,745,732	$ —	$ 3,319,281	$ 6,452,943
Assigned for:					
Working capital	$ 1,513,952	$ 18,300	$ —	$ —	$ 1,532,252
Total Assigned Fund Balance	$ 1,513,952	$ 18,300	$ —	$ —	$ 1,532,252

*Net position restricted as a result of enabling legislation totaled $8.2 million.

B. Budgetary 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, 2018, the Budget Stabilization Account had restricted fund balance of $1.37 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 $102.3 million at June 30, 2018. 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, 2018 (expressed in thousands):

Data Processing Revolving Fund		Net Position
Balance, July 1, 2017, as restated	$	(111,515)
Fiscal year 2018 activity		9,253
Balance, June 30, 2018	$	(102,262)

Risk Management Fund

The Risk Management Fund, an internal service fund, had a deficit net position of $646.8 million at June 30, 2018. 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, 2018 (expressed in thousands):

Risk Management Fund		Net Position
Balance, July 1, 2017, as restated	$	(603,701)
Fiscal year 2018 activity		(43,125)
Balance, June 30, 2018	$	(646,826)

Note 11
Retirement Plans

A. GENERAL

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, 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 2018 (expressed in thousands):

Aggregate Pension Amounts - All Plans		
Pension liabilities	$	4,560,252
Pension assets	$	(1,879,613)
Deferred outflows of resources on pensions	$	1,101,529
Deferred inflows of resources on pensions	$	1,112,284
Pension expense/expenditures	$	190,935

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 3 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 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 GASB Statement No. 67. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, WA 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 (funded on a pay-as-you-go basis) which is administered by the state.

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 Court, Court of 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 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.

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.

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. 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 choose 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 2018 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, 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:

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 (OSA) 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 Study Report. Additional assumptions for subsequent events and law changes are current as of the 2016 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 the 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.

The 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 7.50 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 the 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, 2017, 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%	4.9%
Real Estate	15%	5.8%
Global Equity	37%	6.3%
Private Equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the 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 7.50 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 7.70 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 7.50 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 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2018, the state reported $1.99 billion for its proportionate share of the collective net pension liability for PERS Plan 1 and $1.74 billion for PERS Plan 2/3. The state's proportion for PERS Plan 1 was 41.88 percent, a decrease of 0.11 percent since the prior reporting period, and 50.20 percent for PERS Plan 2/3, an increase of 0.48 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 7.50 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 (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate (expressed in thousands):

PERS Plan 1 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	2,420,873
Current Discount Rate	$	1,987,268
1% Increase	$	1,611,674

PERS Plan 2/3 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	4,698,698
Current Discount Rate	$	1,744,067
1% Increase	$	(676,816)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018, the state recognized a PERS Plan 1 pension expense of $118.1 million, and recognized a PERS Plan 2/3 pension expense of $258.8 million. At June 30, 2018, 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	—	74,159
Change in proportion	—	—
State contributions subsequent to the measurement date	283,181	—
Total	$ 283,181	$ 74,159

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 176,715	$ 57,359
Changes of assumptions	18,525	—
Net difference between projected and actual earnings on pension plan investments	—	464,926
Change in proportion	33,878	2,190
State contributions subsequent to the measurement date	392,487	—
Total	$ 621,605	$ 524,475

For PERS Plan 1, $283.2 million, and for PERS Plan 2/3, $392.5 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, 2019.

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		
2019	$	(50,127)
2020	$	15,826
2021	$	(3,675)
2022	$	(36,183)
2023	$	—
Thereafter	$	—

PERS Plan 2/3		
2019	$	(175,010)
2020	$	57,729
2021	$	(36,415)
2022	$	(184,209)
2023	$	18,499
Thereafter	$	24,049

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 Plan 1 members. 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.

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 choose 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 2018 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, 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:

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, 2016, 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 2016 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 the 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.

The 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 7.50 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 the 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, 2017, 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%	4.9%
Real Estate	15%	5.8%
Global Equity	37%	6.3%
Private Equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the 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 7.50 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 7.70 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 7.50 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 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2018, the state reported a liability of $31.2 million for its proportionate share of the collective net pension liability for TRS Plan 1 and $8.9 million for TRS Plan 2/3. The state's proportion for TRS Plan 1 was 1.03 percent, an increase of 0.06 percent since the prior reporting period, and 0.96 percent for TRS Plan 2/3, an increase of 0.09 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 7.50 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 (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate (expressed in thousands):

TRS Plan 1 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	38,762
Current Discount Rate	$	31,172
1% Increase	$	24,603

TRS Plan 2/3 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	30,136
Current Discount Rate	$	8,873
1% Increase	$	(8,396)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018, the state recognized a TRS Plan 1 pension expense of $4.1 million, and recognized a TRS Plan 2/3 pension expense of $4.1 million. At June 30, 2018, 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		—		1,321
Change in proportion		—		—
State contributions subsequent to the measurement date		4,633		—
Total	$	4,633	$	1,321

TRS Plan 2/3		Deferred Outflows of Resources		Deferred Inflows of Resources
Difference between expected and actual experience	$	2,213	$	453
Changes of assumptions		105		—
Net difference between projected and actual earnings on pension plan investments		—		3,211
Change in proportion		2,992		—
State contributions subsequent to the measurement date		4,717		—
Total	$	10,027	$	3,664

For TRS Plan 1, $4.6 million, and for TRS Plan 2/3, $4.7 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, 2019. 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		
2019	$	(970)
2020	$	363
2021	$	(32)
2022	$	(682)
2023	$	—
Thereafter	$	—

TRS Plan 2/3		
2019	$	(317)
2020	$	1,341
2021	$	338
2022	$	(1,045)
2023	$	277
Thereafter	$	1,052

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, fire fighters, 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 2017, the state contributed $62.2 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 2018 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, 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:

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, 2016, 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 2016 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 the 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.

The 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 7.50 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, 2017, 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%	4.9%
Real Estate	15%	5.8%
Global Equity	37%	6.3%
Private Equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 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 7.50 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 7.70 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 7.50 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 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2018, the state reported an asset of $11.8 million for its proportionate share of the collective net pension asset for LEOFF Plan 2. The state's proportion for LEOFF Plan 2 was 0.85 percent, a decrease of 0.03 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 7.50 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 (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate (expressed in thousands):

LEOFF Plan 2 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	2,558
Current Discount Rate	$	(11,823)
1% Increase	$	(23,540)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018, the state recognized a LEOFF Plan 2 pension expense of $(466) thousand. At June 30, 2018, 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	$ 520	$ 448
Changes of assumptions	14	—
Net difference between projected and actual earnings on pension plan investments	—	2,655
Change in proportion	65	19
State contributions subsequent to the measurement date	1,486	—
Total	$ 2,085	$ 3,122

For LEOFF Plan 2, $1.5 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, 2019.

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		
2019	$	(1,219)
2020	$	277
2021	$	(183)
2022	$	(1,150)
2023	$	(44)
Thereafter	$	(204)

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 (OSA) 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 2018 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, 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:

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 OSA 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 Study Report. Additional assumptions for subsequent events and law changes are current as of the 2016 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 the 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.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The OSA selected a 7.50 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 the 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, 2017, 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%	4.9%
Real Estate	15%	5.8%
Global Equity	37%	6.3%
Private Equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the 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 7.50 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 7.70 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 7.50 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 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2018, the state reported a liability of $9.6 million for its proportionate share of the collective net pension asset for PSERS Plan 2. The state's proportion for PSERS Plan 2 was 49.14 percent, an increase of 1.17 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 7.50 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 (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate (expressed in thousands):

PSERS Plan 2 Employer's proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	64,646
Current Discount Rate	$	9,628
1% Increase	$	(33,510)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018, the state recognized a PSERS Plan 2 pension expense of $13.3 million. At June 30, 2018, 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	$ 5,694	$ 684
Changes of assumptions	82	—
Net difference between projected and actual earnings on pension plan investments	—	6,753
Change in proportion	216	13
State contributions subsequent to the measurement date	13,140	—
Total	$ 19,132	$ 7,450

For PSERS Plan 2, $13.1 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, 2019.

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		
2019	$	(1,408)
2020	$	1,245
2021	$	367
2022	$	(1,380)
2023	$	(19)
Thereafter	$	(263)

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 2018 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, 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:

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, 2016, 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 2016 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 the 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.

The 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 7.50 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 the 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, 2017, 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%	4.9%
Real Estate	15%	5.8%
Global Equity	37%	6.3%
Private Equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.20 percent, and represents the 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 7.50 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 7.70 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 7.50 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 7.50 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, 2018, the state reported a net pension liability of $58.3 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 7.50 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 (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate (expressed in thousands):

WSPRS Plan 1/2 Net Pension Liability/(Asset)		
1% Decrease	$	239,856
Current Discount Rate	$	58,270
1% Increase	$	(89,098)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018, the state recognized a WSPRS pension expense of $12.3 million. At June 30, 2018, 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	$ 20,499	$ 4,295
Changes of assumptions	16,977	—
Net difference between projected and actual earnings on pension plan investments	—	30,624
Change in proportion	—	—
State contributions subsequent to the measurement date	14,203	—
Total	$ 51,679	$ 34,919

For WSPRS 1/2, $14.2 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, 2019.

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		
2019	$	(10,973)
2020	$	10,884
2021	$	5,715
2022	$	(5,595)
2023	$	2,526
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 2017, no such appropriations or contributions were made.

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:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	3.58%

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 Study Report. Additional assumptions for subsequent events and law changes are current as of the 2016 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 3.58 percent for the June 30, 2017, 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, 2018, the state reported a net pension liability of $2.2 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 3.58 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 (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate (expressed in thousands):

Judges' Net Pension Liability/(Asset)		
1% Decrease	$	2,273
Current Discount Rate	$	2,165
1% Increase	$	2,063

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018, the state recognized a Judges' Retirement Fund pension expense of $149 thousand. At June 30, 2018, 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	500	—
Total	$ 538	$ —

For the Judges' Retirement Fund, $500 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, 2019.

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

Judges'		
2019	$	18
2020	$	10
2021	$	6
2022	$	4
2023	$	—
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 2017, the state contributed $9.3 million.

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:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	3.58%

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 Study Report. Additional assumptions for subsequent events and law changes are current as of the 2016 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 3.58 percent for the June 30, 2017, 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, 2018, the state reported a net pension liability of $86.1 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 3.58 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 (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate (expressed in thousands):

JRS Net Pension Liability/(Asset)		
1% Decrease	$	94,558
Current Discount Rate	$	86,114
1% Increase	$	78,840

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018, the state recognized a JRS pension expense of $(2.5) million. At June 30, 2018, 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	335	—
Change in proportion	—	—
State contributions subsequent to the measurement date	8,700	—
Total	$ 9,035	$ —

For JRS, $8.7 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, 2019.

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30 (expressed in thousands):

JRS		
2019	$	130
2020	$	99
2021	$	64
2022	$	42
2023	$	—
Thereafter	$	—

2. DRS Plans - Nonemployer Contributing Entity Disclosures

For fiscal year 2018, 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, 2017, 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 2017, 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, 2017, 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 2017, the nonemployer contributing entity's proportionate share of the net pension asset was considered substantial at 39.35 percent based on total plan contributions received in fiscal year 2017.

Collective Net Pension Liability/(Asset). At June 30, 2018, the state as a nonemployer contributing entity reported a net pension asset of $1.32 billion and $546.0 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 39.35 percent for LEOFF Plan 2, a decrease of 0.11 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 2017 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 7.50 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 (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate (expressed in thousands):

LEOFF Plan 1 Nonemployer contributing entity proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	(980,467)
Current Discount Rate	$	(1,321,802)
1% Increase	$	(1,614,931)

LEOFF Plan 2 Nonemployer contributing entity proportionate share of Net Pension Liability/(Asset)		
1% Decrease	$	118,151
Current Discount Rate	$	(545,988)
1% Increase	$	(1,087,100)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018, the state as a nonemployer contributing entity recognized $(210.2) million pension expense for LEOFF Plan 1 and $(21.5) million pension expense for LEOFF Plan 2.

At June 30, 2018, 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	—	122,826
Change in proportion	—	—
State contributions subsequent to the measurement date	1	—
Total	$ 1	$ 122,826

LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 23,997	$ 20,705
Changes of assumptions	658	—
Net difference between projected and actual earnings on pension plan investments	—	122,578
Change in proportion and difference between state contributions and proportionate share of contributions	2,989	875
State contributions subsequent to the measurement date	68,647	—
Total	$ 96,291	$ 144,158

For LEOFF Plan 1, $1 thousand, and for LEOFF Plan 2, $68.6 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, 2019.

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		
2019	$	(77,084)
2020	$	20,789
2021	$	(8,301)
2022	$	(58,230)
2023	$	—
Thereafter	$	—

LEOFF Plan 2		
2019	$	(56,286)
2020	$	12,779
2021	$	(8,464)
2022	$	(53,124)
2023	$	(2,039)
Thereafter	$	(9,380)

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, 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
WSPRS 1	1,114	73	446	1,633
WSPRS 2	—	33	546	579
JRS	99	—	—	99
Judges	11	—	—	11
Total	1,224	106	992	2,322

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, 2016, the date of the latest actuarial valuation for all plans, with the results rolled forward to the June 30, 2017, measurement date (expressed in thousands):

Change in Net Pension Liability/(Asset)	WSPRS	JRS	Judges
TOTAL PENSION LIABILITY			
Service cost	$ 18,474	$ —	$ —
Interest	90,560	2,874	88
Changes of benefit terms	4,830	—	—
Differences between expected and actual experience	23,702	1,047	194
Changes of assumptions	20,921	(6,329)	(129)
Benefit payments, including refunds of member contributions	(56,821)	(8,723)	(402)
Net Change in Total Pension Liability	101,666	(11,131)	(249)
Total Pension Liability--Beginning	1,167,443	104,642	3,097
Total Pension Liability --Ending (a)	$ 1,269,109	$ 93,511	$ 2,848
PLAN FIDUCIARY NET POSITION			
Contributions--employer	$ 7,587	$ 9,300	$ 499
Contributions--employee	10,454	—	—
Net investment income	151,021	45	4
Benefit payments, including refunds of member contributions	(56,821)	(8,723)	(402)
Administrative expense	(53)	—	—
Other	524	—	—
Net Change in Plan Fiduciary Net Position	112,712	622	101
Plan Fiduciary Net Position--Beginning	1,098,127	6,775	582
Plan Fiduciary Net Position--Ending (b)	$ 1,210,839	$ 7,397	$ 683
Plan's Net Pension Liability (Asset)--Beginning	$ 69,316	$ 97,867	$ 2,515
Plan's Net Pension Liability (Asset)--Ending (a) - (b)	$ 58,270	$ 86,114	$ 2,165

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 2018 were as follows:

Required Contribution Rates	Employer			Employee		
	Plan 1	Plan 2	Plan 3	Plan 1	Plan 2	Plan 3
PERS						
Employees Not Participating in JBM						
State agencies, local governmental units	7.49%	7.49%	7.49%	6.00%	7.38%	**
Administrative fee	0.18%	0.18%	0.18%			
PERS Plan 1 UAAL	5.03%	5.03%	5.03%			
Total	12.70%	12.70%	12.70% *			
State govt elected officials	13.75%	7.49%	7.49%	7.50%	7.38%	**
Administrative fee	0.18%	0.18%	0.18%			
PERS Plan 1 UAAL	5.03%	5.03%	5.03%			
Total	18.96%	12.70%	12.70% *			
Employees Participating in JBM						
State agencies	9.99%	9.99%	9.99%	9.76%	15.95%	7.50%***
Administrative fee	0.18%	0.18%	0.18%			
PERS Plan 1 UAAL	5.03%	5.03%	5.03%			
Total	15.20%	15.20%	15.20% *			
Local governmental units	7.49%	7.49%	7.49%	12.26%	18.45%	7.50%***
Administrative fee	0.18%	0.18%	0.18%			
PERS Plan 1 UAAL	5.03%	5.03%	5.03%			
Total	12.70%	12.70%	12.70% *			
TRS						
Employees Not Participating in JBM						
State agencies, local governmental units	7.83%	7.83%	7.83%	6.00%	7.06%	**
Administrative fee	0.18%	0.18%	0.18%			
TRS Plan 1 UAAL	7.19%	7.19%	7.19%			
Total	15.20%	15.20%	15.20% *			
State govt elected officials	7.83%	7.83%	7.83%	7.50%	7.06%	**
Administrative fee	0.18%	0.18%	0.18%			
TRS Plan 1 UAAL	7.19%	7.19%	7.19%			
Total	15.20%	15.20%	15.20% *			
Employees Participating in JBM						
State agencies	7.83%	N/A	N/A	9.76%	N/A	N/A
Administrative fee	0.18%	N/A	N/A			
TRS Plan 1 UAAL	7.19%	N/A	N/A			
Total	15.20%					
LEOFF						
Ports and universities	N/A	8.75%	N/A	N/A	8.75%	N/A
Administrative fee	N/A	0.18%	N/A			
Total		8.93%				
Local governmental units	N/A	5.25%	N/A	N/A	8.75%	N/A
Administrative fee	0.18%	0.18%	N/A			
Total	0.18%	5.43%				
State of Washington	N/A	3.50%	N/A	N/A	N/A	N/A
WSPRS						
State agencies	13.15%	13.15%	N/A	0.0768	0.0768	N/A
Administrative fee	0.18%	0.18%	N/A			
Total	13.33%	13.33%				
PSERS						
State agencies, local governmental units	N/A	6.74%	N/A	N/A	6.74%	N/A
Administrative fee	N/A	0.18%	N/A			
PSERS Plan 1 UAAL	N/A	5.03%	N/A			
Total		11.95%				

* 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, 2018, 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, 2017 (the date of the latest valuation), VFFRPF membership consisted of the following:

Plan Membership	
Inactive plan members or beneficiaries currently receiving benefits	4,446
Inactive plan members entitled to but not yet receiving benefits	6,120
Active plan members	9,223
Total membership	19,789

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, 2017.

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 2018, the fire insurance premium tax contribution was $7.2 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 2018 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, 2018, the annual money-weighted rate of return on VFFRPF investments, net of pension plan investment expense, was 8.84 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, 2018, were as follows (dollars expressed in thousands):

Pension Liability	
Total pension liability	$ 192,440
Plan fiduciary net position	245,284
Participating municipality net pension liability/(asset)	$ (52,844)
Plan fiduciary net position as a percentage of the total pension liability	127.46%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016, and rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.5%
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, 2017, 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 2017 actuarial valuation report.

The Office of the State Actuary (OSA) selected a 7.40 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 the WSIB.

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The 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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20.00%	1.70%
Tangible Assets	7.00%	4.90%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%
Total	100.00%	

The inflation component used to create the above table is 2.20 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 2017 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 3.50 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 2.50 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 7.00 percent represents an approximate weighted-average of the assets managed by WSIB (7.40 percent expected return) and the assets managed by OST (3.50 percent expected return).

Discount Rate. The discount rate used to measure the total pension liability was 7.00 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 7.00 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 7.00 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 7.00 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 7.00 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 (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate (expressed in thousands):

Municipalities' Net Pension Liability/(Asset)		
1% Decrease	$	(30,034)
Current Discount Rate	$	(52,844)
1% Increase	$	(73,191)

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, 2018, 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%

**Measurement reflects actual investment returns through June 30, 2018*

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 during the measurement period include the discount rate increase from 3.58 percent to 3.87 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 3.87 percent for the June 30, 2018, measurement date.

Pension Expense. For the year ended June 30, 2018, the Higher Education Supplemental Retirement Plans reported the following for pension expense (expressed in thousands):

Pension Expense		
Plans		
University of Washington (UW)	$	11,518
Washington State University (WSU)		1,257
Eastern Washington University (EWU)		842
Central Washington University (CWU)		(619)
The Evergreen State College (TESC)		70
Western Washington University (WWU)		67
State Board for Community and Technical Colleges (SBCTC)		1,483
Total	**$**	**14,618**

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)	34	32	450	516
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	1,309	88	16,878	18,275

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, 2018 (expressed in thousands):

Change in Total Pension Liability/(Asset)	UW	WSU	CWU	EWU	TESC	WWU	SBCTC
TOTAL PENSION LIABILITY							
Service cost	$ 14,788	$ 2,763	$ 91	$ 477	$ 210	$ 737	$ 3,827
Interest	16,128	3,261	299	429	237	837	3,517
Changes of benefit terms	—	—	—	—	—	—	—
Differences between expected and actual experience	(33,953)	(7,171)	(466)	3,867	(565)	(2,233)	(10,402)
Changes of assumptions	(17,105)	(3,255)	(272)	(621)	(229)	(819)	(3,519)
Benefit payments	(6,130)	(2,181)	(412)	(202)	(183)	(380)	(1,300)
Other	—	—	—	—	—	—	—
Net Change in Total Pension Liability	(26,272)	(6,583)	(760)	3,950	(530)	(1,858)	(7,877)
Total Pension Liability--Beginning	438,753	89,414	8,477	11,601	6,510	22,820	95,050
Total Pension Liability --Ending	$ 412,481	$ 82,831	$ 7,717	$ 15,551	$ 5,980	$ 20,962	$ 87,173

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 3.87 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 (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate (expressed in thousands):

Total Pension Liability (Asset)			
Plans	**1% Decrease**	**Current Discount Rate**	**1% Increase**
University of Washington (UW)	$ 473,624	$ 412,481	$ 361,760
Washington State University (WSU)	94,146	82,831	73,380
Eastern Washington University (EWU)	17,703	15,551	13,757
Central Washington University (CWU)	8,593	7,717	6,976
The Evergreen State College (TESC)	6,768	5,980	5,321
Western Washington University (WWU)	23,761	20,962	18,618
State Board for Community and Technical Colleges (SBCTC)	99,428	87,173	76,980
Total	**$ 724,023**	**$ 632,695**	**$ 556,792**

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, 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	$ —	$ 85,844
Changes of assumptions	—	36,354
Transactions subsequent to the measurement date	—	—
Total	$ —	$ 122,198

Central Washington University (CWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 513
Changes of assumptions	—	282
Transactions subsequent to the measurement date	—	—
Total	$ —	$ 795

Washington State University (WSU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 17,785
Changes of assumptions	—	7,461
Transactions subsequent to the measurement date	—	—
Total	$ —	$ 25,246

The Evergreen State College (TESC)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 1,398
Changes of assumptions	—	464
Transactions subsequent to the measurement date	—	—
Total	$ —	$ 1,862

Eastern Washington University (EWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 3,322	$ 2,001
Changes of assumptions	—	988
Transactions subsequent to the measurement date	—	—
Total	$ 3,322	$ 2,989

Western Washington University (WWU)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 5,641
Changes of assumptions	—	2,203
Transactions subsequent to the measurement date	—	—
Total	$ —	$ 7,844

State Board for Community and Technical Colleges (SBCTC)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ 27,771
Changes of assumptions	—	7,485
Transactions subsequent to the measurement date	—	—
Total	$ —	$ 35,256

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)			Central Washington University (CWU)			Eastern Washington University (EWU)			State Board for Community and Technical Colleges (SBCTC)		
2019	$	(19,397)	2019	$	(436)	2019	$	(65)	2019	$	(5,861)
2020	$	(19,397)	2020	$	(189)	2020	$	(65)	2020	$	(5,861)
2021	$	(19,397)	2021	$	(170)	2021	$	(65)	2021	$	(5,861)
2022	$	(19,397)	2022	$	—	2022	$	(65)	2022	$	(5,861)
2023	$	(19,397)	2023	$	—	2023	$	91	2023	$	(5,861)
Thereafter	$	(25,213)	Thereafter	$	—	Thereafter	$	502	Thereafter	$	(5,951)

Washington State University (WSU)			The Evergreen State College (TESC)			Western Washington University (WWU)		
2019	$	(4,767)	2019	$	(378)	2019	$	(1,507)
2020	$	(4,767)	2020	$	(378)	2020	$	(1,507)
2021	$	(4,767)	2021	$	(378)	2021	$	(1,507)
2022	$	(4,767)	2022	$	(378)	2022	$	(1,507)
2023	$	(4,092)	2023	$	(217)	2023	$	(1,175)
Thereafter	$	(2,086)	Thereafter	$	(133)	Thereafter	$	(641)

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 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 to 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 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, 2018, there were two active members and 119 inactive members and one member receiving monthly 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 2018, the state recognized pension expense for contributions of $13 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 7.43 percent to 8.67 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 2018, employer and employee contributions were $249.3 and $218.1 million, respectively, for a total of $467.4 million.

Note 12
Other Postemployment Benefits

General Information

The state implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for fiscal year 2018 financial reporting. In addition to pension benefits as described in Note 11, the state, through the Health Care Authority (HCA), administers af single-employer defined benefit other postemployment benefit (OPEB) plan.

Plan Description. 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. The understanding by the employer and plan members is that there is no contractual obligation to continue the substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumption used in valuations presented in this footnote assume that this substantive plan will be carried forward into the future.

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. The PEBB OPEB plan has no assets and does not issue a publicly available financial report.

Employees Covered by Benefit Terms. Employers participating in the PEBB plan for the state include general government agencies, higher education institutions, and component units. Additionally, there are 76 of the state's K-12 schools and educational service districts (ESDs), and 249 political subdivisions and tribal governments not included in the state's financial reporting that participate in the PEBB plan. The plan is also available to the retirees of the remaining 227 K-12 schools, charter schools, and ESDs.

Membership in the PEBB plan for the state consisted of the following:

Summary of Plan Participants
As of June 30, 2017

Active employees	123,379
Retirees receiving benefits*	46,180
Retirees not receiving benefits**	6,000
Total active employees and retirees	175,559

*Enrollment data for June 2017 from Report 1: PEBB Total Member Enrollment for June 2017 Coverage report. PEBB Retirees only.

**This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future.

The PEBB retiree OPEB plan is available to employees who elect at the time they retire to continue coverage and pay the administratively established premiums 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. However, not all employers who participate in these plans offer PEBB to retirees.

Benefits Provided. 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 adult unit per month, and in calendar year 2017, the average weighted implicit subsidy was valued at $327 per adult unit per month. In calendar year 2018, the average weighted implicit subsidy is projected to be $348 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 years 2017 and 2018. This will increase in calendar year 2019 up to $168 per member per month.

Contribution Information. Administrative costs as well as implicit and explicit subsidies are funded by required contributions (RCW 41.05.050) 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.

The estimated monthly cost for PEBB benefits for the reporting period for each active employee (average across all plans and tiers) is as follows (expressed in dollars):

Required Premium*		
Medical	$	1,071
Dental		80
Life		4
Long-term disability		2
Total	$	1,157
Employer contribution	$	1,001
Employee contribution		156
Total	$	1,157

*Per 2018 PEBB Financial Projection Model 4.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2018 which includes projected claims cost at the time of this reporting.

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/additional services/Pages/OPEB.aspx.

Actuarial Assumptions. The total OPEB liability was determined using the following methodologies:

Actuarial valuation date	1/1/2017
Actuarial measurement date	6/30/2017
Actuarial cost method	Entry Age
Amortization method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset valuation method	N/A - No Assets

In order to calculate the beginning total OPEB liability balance under GASB Statement No. 75, the January 1, 2017, actuarial valuation was projected backwards to the measurement date of June 30, 2016, while the ending balance was determined by projecting the January 1, 2017, valuation forward to June 30, 2017. Both the forward and backward projections reflect the plan's assumed service cost, assumed interest, and expected benefit payments.

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 (active employees and retirees) 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, consistent with the long-term perspective of the calculations.

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	3%
Projected salary changes	3.75% plus service-based salary increases
Health care trend rates	Trend rate assumptions vary slightly by medical plan. Initial rate is approximately 7%, reaching an ultimate rate of approximately 5% in 2080.
Post-retirement participation percentage	65%
Percentage with spouse coverage	45%

In projecting the growth of the explicit subsidy, the cap is assumed to remain constant until 2019, at which time the explicit subsidy cap is assumed to grow at the health care trend rates. The Legislature determines the value of the cap and no future increases are guaranteed; however, based on historical growth patterns, future increases to the cap are assumed.

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 demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based on the results of the 2007-2012 Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage, were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2015 Economic Experience Study.

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB 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 and 3.58 percent for the June 30, 2017, measurement date.

Changes in assumptions resulted from an increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index discount rate resulting in an overall decrease in total OPEB liability for the measurement date of June 30, 2017.

Additional detail on assumptions and methods can be found on the Office of State Actuary's website: http://leg.wa.gov/osa/additional services/Pages/OPEB.aspx.

Total OPEB Liability. As of June 30, 2018, the state reported a total OPEB liability of $5.83 billion.

Changes in Total OPEB Liability

The following table presents the change in the total OPEB liability as of the June 30, 2018, reporting date (expressed in thousands):

Changes in Total OPEB Liability	State	Component Units	Total
Total OPEB Liability - Beginning	$ 6,238,681	$ 3,896	$ 6,242,577
Changes for the year:			
Service cost	394,709	246	394,955
Interest	184,884	115	184,999
Difference between expected and actual experience	—	—	—
Changes in benefit terms	—	—	—
Change in assumptions*	(901,867)	(563)	(902,430)
Benefit payments	(94,220)	(59)	(94,279)
Other	—	—	—
Net Changes in Total OPEB Liability	(416,494)	(261)	(416,755)
Total OPEB liability - Ending	$ 5,822,187	$ 3,635	$ 5,825,822

*The recognition period for these changes is nine years. This is equal to the average expected remaining service lives of all active and inactive members.

Note: Figures may not total due to rounding.

Sensitivity of the Total Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the state as an employer calculated using the discount rate of 3.58 percent, as well as what the total OPEB liability 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):

	State	Component Units	Total
1% Decrease	$ 7,103,786	$ 4,437	$ 7,108,223
Current Discount Rate	$ 5,822,187	$ 3,635	$ 5,825,822
1% Increase	$ 4,830,434	$ 3,017	$ 4,833,451

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of the state as an employer, calculated using the health care trend rates of 7.00 percent decreasing to 5.00 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (6.00 percent decreasing to 4.00 percent) or 1 percentage point higher (8.00 percent decreasing to 6.00 percent) than the current rate (expressed in thousands):

	State	Component Units	Total
1% Decrease	$ 4,703,526	$ 2,937	$ 4,706,463
Current Health Care Cost Trend Rate	$ 5,822,187	$ 3,635	$ 5,825,822
1% Increase	$ 7,323,530	$ 4,573	$ 7,328,103

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB. For the year ending June 30, 2018, the state recognized OPEB expense of $479.7 million.

On June 30, 2018, the state reported deferred outflows of resources and deferred inflows of resources related to OPEB for the state, including component units, from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ —
Changes of assumptions	—	802,160
Transactions subsequent to the measurement date	92,197	—
Total	$ 92,197	$ 802,160

Deferred outflows of resources and deferred inflows of resources related to OPEB for component units as of the June 30, 2018, reporting date were as follows (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ —	$ —
Changes of assumptions	—	500
Transactions subsequent to the measurement date	58	—
Total	$ 58	$ 500

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for the state and component units will be recognized in OPEB expense in the fiscal years ended June 30 as follows (expressed in thousands):

Subsequent Years		
2019	$	(100,270)
2020	$	(100,270)
2021	$	(100,270)
2022	$	(100,270)
2023	$	(100,270)
Thereafter	$	(300,810)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for component units will be recognized in OPEB expense in the fiscal years ended June 30 as follows (expressed in thousands):

Subsequent Years		
2019	$	(63)
2020	$	(63)
2021	$	(63)
2022	$	(63)
2023	$	(63)
Thereafter	$	(185)

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, 2018 (expressed in thousands):

	Changes in Fair Value			Fair Value at June 30, 2018			Notional amount
	Classification		Amount	Classification		Amount	(in gallons)
Governmental Activities							
Cash Flow Hedges:							
Commodity Swaps	Deferred Inflow	$	(4,242)	Accounts Receivable	$	3,869	9,072

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 2018 are presented in the table below:

Type	Counterparty	Contract price per gallon	Variable rate received	Trade date	Settlement period	Monthly notional amount (in gallons)
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	1.31	NYMEX ULSD Heating Oil	1/15/2016	7/2017 - 6/2018	252,000
Commodity Swap	BofA - Merrill Lynch	1.61	NYMEX ULSD Heating Oil	1/15/2016	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, 2018, 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 11 programs, 7 of which are only available to businesses in the aerospace industry. Only tax abatement programs with greater than $5 million in taxes abated during fiscal year 2018 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 Revised Codes of Washington (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 taking 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.

Multi-Unit Urban Housing Property Tax Exemption

RCW 84.14.020 allows for a property tax exemption to improve residential opportunities, including affordable housing opportunities, in urban centers. In order to qualify for the exemption, the new or rehabilitated multiple-housing unit must be located in a targeted residential area designated by the city or county, provide for a minimum of 50 percent of the space for permanent residential occupancy, meet all construction and development regulations of the city, and be completed within three years from the date of approval of the application. To qualify as a rehabilitated unit, the property must also fail to comply with one or more standards of the applicable state or local building or housing codes on or after July 23, 1995.

The property owner must apply for the exemption certificate with the city where the property is located before beginning construction. If the city approves the application, the exemption certificate will be issued after the owner certifies all requirements have been met upon completion of the project. If the application for a tax exemption certificate was submitted before July 22, 2007, the property is exempt for ten years. If the application for a tax exemption certificate was submitted on or after July 22, 2007, the property is exempt for eight years, unless the applicant commits to renting or selling at least 20 percent of the units as affordable housing units to low and moderate-income households, making it exempt for 12 years. Each tax exemption certificate recipient must submit an annual report to the city. If the city determines that a portion of the property no longer meets the exemption requirements, the tax exemption is canceled and a lien will be placed on the land for the additional real property tax on the value of the non-qualifying improvements plus a 20 percent penalty and interest.

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. Per RCW 82.32.330(2), the amount of sales and use tax abated from this exemption cannot be disclosed because there are fewer than three taxpayers that received the exemption in fiscal year 2018.

RCW 82.04.4461 allows a B&O 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 B&O 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 as prescribed in the RCW. 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 B&O 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 tax per RCW 84.36.655. No taxpayers were eligible for either of these exemptions during fiscal year 2018.

The following table shows the amount of taxes abated by the state of Washington during fiscal year 2018 (expressed in thousands):

Tax Abatement Program		**Amount of Taxes Abated**
Data center server equipment and power infrastructure sales and use tax exemption	$	29,112
High unemployment county sales & use tax deferral for manufacturing facilities		7,249
High-technology sales and use tax deferral		60,833
Multi-unit urban housing property tax exemption		11,351
Aerospace incentives:		
Reduced B&O tax rate		107,089
Credit for preproduction development expenditures		85,446
Credit for property and leasehold taxes paid on aerospace business facilities		38,161
Computer hardware, software, and peripherals sales and use tax exemption		3,882
TOTAL	$	343,123

Note 15
Commitments and Contingencies

A. CAPITAL COMMITMENTS

Outstanding commitments related to state infrastructure and facility construction, improvement, and/or renovation totaled $2.91 billion at June 30, 2018.

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. Encumbrances outstanding against continuing appropriations at the end of fiscal year 2018 are (expressed in thousands):

General Fund	101,292
Higher Education Special Revenue Fund	5,179
Nonmajor Governmental Funds	910,532

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 and 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 inadequate funding for the provision of daily personal care and medical and mental health services to children, the elderly, and the disabled. Collective claims in these programmatic and service cases exceed $35 million. 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 total approximately $152 million, though an adverse ruling could result in additional claims being brought by similarly situated taxpayers.

The Department of Retirement Systems is a defendant in a number of lawsuits alleging denial or miscalculation of benefits. Claims in this category total approximately $55 million.

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.

The annual payments to each state under the MSA are subject to a number of adjustments, including the nonparticipating manufacturer (NPM) adjustment. The NPM adjustment is a downward adjustment that is applicable to any state found by an arbitration panel not to have diligently enforced the qualifying statute. The amount of the available adjustment is calculated every year by Price Waterhouse Coopers and is typically $1.25 billion. States found not diligent share the costs of that downward adjustment and the adjustment is applied against the next annual MSA payment. No state can lose more than its entire annual payment.

For every annual MSA payment cycle since 2006, the participating manufacturers have withheld the amount of the available NPM adjustment from their MSA payments claiming all of the states were not diligent, depositing the amount of the available adjustment into a Disputed Payments Account. For Washington, the amount withheld from each payment has been approximately $14 million. The states are required to sue the participating manufacturers to recover the withheld amounts.

The withholding in 2006 challenged the states' diligence for calendar year 2003. That challenge marked the first time the NPM adjustment procedure was involved and led to diligent enforcement arbitrations. The arbitration involves all 54 MSA jurisdictions and the participating manufacturers and occurs in two stages: a national hearing on "common issues" and then each state's specific case.

During the 2003 NPM adjustment dispute, 22 states settled their dispute. The participating manufacturers agreed to a 54 percent reduction in their annual MSA payments and to additional NPM enforcement obligations. On September 11, 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. As a result of that decision, in fiscal year 2014, Washington received approximately $14 million more than it would have otherwise received.

The 2004 NPM adjustment dispute is currently underway. The common issues trial was completed in June 2017 and Washington's state-specific hearing was completed in April 2018. The final state's hearing is set for April 2019. All diligence determinations are embargoed until decisions for all states are made and all decisions are released simultaneously. Determinations are expected in the fall of 2019 and any NPM adjustments are applied to the April 2020 MSA payment. Washington faces a potential downward NPM adjustment in its 2020 MSA payment between $0 and $137 million for the year 2004. If Washington wins the 2004 dispute, then the state will receive its full 2020 MSA payment plus the $14 million that was withheld in 2007 and the earnings on that amount from the Disputed Payments Account.

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 $12.98 billion at June 30, 2018. 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 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 (SSB) 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. SSB 6106 provided an additional $350,000 for implementation of SSB 5806. On December 1, 2017, WSDOT submitted a report to the Legislature that details the findings of the inventory of the existing planning work. In addition, SSB 5806 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 LOSS CONTINGENCY

Engrossed Second Substitute Senate Bill 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. During the 2018 legislative session, the Legislature enacted Senate Bill 6087, which provides new account options and additional benefits for Guaranteed Education Tuition (GET) customers who purchased units before July 1, 2015.

From June 15, 2018, to September 12, 2018, GET account holders have the option to roll funds over to the new DreamAhead College Investment Plan (Washington 529 plan) at a special payout value of $143 per unit, request a refund, or roll over funds to an out-of-state 529 plan. The GET Committee will make two account adjustments for customers who choose to stay in GET. The first adjustment will add units to all GET accounts with an average unit purchase price higher than $117.82. The second adjustment will depend on the GET program's funded status after the first adjustment. If the funded status is higher than 125 percent, all customers with unredeemed units purchased prior to July 1, 2015, will receive more units.

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, 2018, outstanding COP notes totaled $67.6 million for 138 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 August 2018, the state issued:

- $262.5 million in general obligation bonds to provide funds to pay and reimburse for various state capital projects.
- $93.6 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.
- $145.7 million in taxable general obligation bonds to provide funds to pay and reimburse for various non-transportation capital projects.

B. CERTIFICATES OF PARTICIPATION

In August 2018, the state issued $47.2 million in Certificates of Participation (COP) of which $1.4 million were refundings.

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Required Supplementary Information

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BUDGETARY COMPARISON SCHEDULE
General Fund

Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 2,800,959	$ 2,800,959	$ 2,800,959	$ —
Resources				
Taxes	41,877,017	42,114,494	21,142,727	(20,971,767)
Licenses, permits, and fees	223,597	229,551	124,364	(105,187)
Other contracts and grants	735,272	840,503	330,327	(510,176)
Timber sales	6,294	5,878	1,924	(3,954)
Federal grants-in-aid	23,763,712	24,467,146	11,618,774	(12,848,372)
Charges for services	96,751	96,355	48,367	(47,988)
Investment income (loss)	43,586	34,252	29,393	(4,859)
Miscellaneous revenue	445,610	560,111	284,060	(276,051)
Unclaimed property	131,846	171,914	98,822	(73,092)
Transfers from other funds	3,015,087	4,938,197	1,537,159	(3,401,038)
Total Resources	73,139,731	76,259,360	38,016,876	(38,242,484)
Charges To Appropriations				
General government	4,219,483	4,263,232	1,999,306	2,263,926
Human services	35,614,129	36,180,337	17,331,521	18,848,816
Natural resources and recreation	718,985	804,561	389,979	414,582
Transportation	118,591	124,947	57,492	67,455
Education	27,291,160	27,967,064	13,023,614	14,943,450
Capital outlays	314,778	939,940	140,904	799,036
Transfers to other funds	1,875,025	3,826,789	1,170,570	2,656,219
Total Charges To Appropriations	70,152,151	74,106,870	34,113,386	39,993,484
Excess Available For Appropriation Over (Under) Charges To Appropriations	2,987,580	2,152,490	3,903,490	1,751,000
Reconciling Items				
Bond sale proceeds	188,943	301,811	59,590	(242,221)
Assumed reversions	216,868	216,000	—	(216,000)
Working capital adjustment	—	—	(256,000)	(256,000)
Noncash activity (net)	—	—	50,165	50,165
Nonappropriated fund balances	—	—	116,024	116,024
Changes in reserves (net)	—	—	(3,274)	(3,274)
Total Reconciling Items	405,811	517,811	(32,778)	(550,589)
Budgetary Fund Balance, June 30	$ 3,393,391	$ 2,670,301	$ 3,870,712	$ 1,200,411

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 in the Individual Fund Schedules section.

BUDGETARY COMPARISON SCHEDULE
General Fund - Budget to GAAP Reconciliation

General Fund - Budget to GAAP Reconciliation General Fund For the Fiscal Year Ended June 30, 2018 *(expressed in thousands)*	
Sources/Inflows of Resources	
Actual amounts (budgetary basis) "Total Resources"	
from the Budgetary Comparison Schedule	$ 38,016,876
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not	
revenue for financial reporting purposes:	
Transfers from other funds	(1,537,159)
Budgetary fund balance at the beginning of the biennium, as restated	(2,800,959)
Appropriated loan principal repayment	(267)
The following items are not inflows of budgetary resources but are	
revenue for financial reporting purposes:	
Noncash commodities and electronic food stamp benefits	1,393,827
Revenues collected for other governments	101,886
Unanticipated receipts	940
Noncash revenues	11,829
Other	(13,979)
Biennium total revenues	35,172,994
Nonappropriated activity	5,378
Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 35,178,372
Uses/Outflows of Resources	
Actual amounts (budgetary basis) "Total Charges to Appropriations"	
from the Budgetary Comparison Schedule	$ 34,113,386
Differences - budget to GAAP:	
The following items are outflows of budgetary resources but are	
not expenditures for financial reporting purposes:	
Appropriated transfers to other funds	(1,470,174)
Other transfers to other funds	(1,170,570)
Appropriated loan disbursements	(89)
The following items are not outflows of budgetary resources but are	
recorded as current expenditures for financial reporting purposes:	
Noncash commodities and electronic food stamp benefits	1,393,827
Distributions to other governments	101,886
Certificates of participation and capital lease acquisitions	21,061
Expenditures related to unanticipated receipts	940
Other	6,664
Biennium total expenditures	32,996,931
Nonappropriated activity	341,424
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 33,338,355

BUDGETARY COMPARISON SCHEDULE
Higher Education Special Revenue Fund

Budgetary Comparison Schedule
Higher Education Special Revenue Fund
For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 393,333	$ 393,333	$ 393,333	$ —
Resources				
Taxes	520,751	517,499	308,735	(208,764)
Other contracts and grants	600	450	—	(450)
Charges for services	—	878	—	(878)
Investment income (loss)	2,808	3,503	1,384	(2,119)
Miscellaneous revenue	2,272	2,173	—	(2,173)
Transfers from other funds	315,354	292,896	160,305	(132,591)
Total Resources	1,235,118	1,210,732	863,757	(346,975)
Charges To Appropriations				
Human services	14,192	14,190	—	14,190
Education	773,403	1,026,926	399,294	627,632
Transfers to other funds	41,112	41,111	23,307	17,804
Total Charges To Appropriations	828,707	1,082,227	422,601	659,626
Excess Available For Appropriation Over (Under) Charges To Appropriations	406,411	128,505	441,156	312,651
Reconciling Items				
Noncash activity (net)	—	—	25,116	25,116
Nonappropriated fund balances	—	—	2,334,729	2,334,729
Changes in reserves (net)	—	—	(9,740)	(9,740)
Total Reconciling Items	—	—	2,350,105	2,350,105
Budgetary Fund Balance, June 30	$ 406,411	$ 128,505	$ 2,791,261	$ 2,662,756

BUDGETARY COMPARISON SCHEDULE
Higher Education Special Revenue Fund - Budget to GAAP Reconciliation

Higher Education Special Revenue Fund - Budget to GAAP Reconciliation Higher Education Special Revenue Fund For the Fiscal Year Ended June 30, 2018 *(expressed in thousands)*	
Sources/Inflows of Resources	
Actual amounts (budgetary basis) "Total Resources"	
from the Budgetary Comparison Schedule	$ 863,757
Differences - budget to GAAP:	
The following items are inflows of budgetary resources but are not	
revenue for financial reporting purposes:	
Transfers from other funds	(160,305)
Budgetary fund balance at the beginning of the biennium, as restated	(393,333)
Biennium total revenues	310,119
Nonappropriated activity	5,510,231
Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$ 5,820,350
Uses/Outflows of Resources	
Actual amounts (budgetary basis) "Total Charges to Appropriations"	
from the Budgetary Comparison Schedule	$ 422,601
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	(47,430)
Other transfers to other funds	(23,307)
Biennium total expenditures	351,864
Nonappropriated activity	5,423,715
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$ 5,775,579

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 2017-19 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 https://www.ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report/2018-comprehensive-annual-financial-report.

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 Five Measurement Years*
(expressed in thousands)

	2017	2016	2015	2014	2013
Total Pension Liability					
Service cost	$ 18,474	$ 16,534	$ 16,633	$ 18,041	N/A
Interest	90,560	83,373	80,037	75,249	N/A
Changes of benefit terms	4,830	1,947	2,258	—	N/A
Differences between expected and actual experience	23,702	(10,431)	8,883	—	N/A
Changes in assumptions	20,921	2	17	—	N/A
Benefit payments, including refunds of member contributions	(56,821)	(54,159)	(50,075)	(47,510)	N/A
Net Change in Total Pension Liability	101,666	37,266	57,753	45,780	N/A
Total Pension Liability - Beginning	1,167,443	1,130,177	1,072,424	1,026,644	N/A
Total Pension Liability - Ending (a)	$1,269,109	$1,167,443	$1,130,177	$1,072,424	$1,026,644
Plan Fiduciary Net Position					
Contributions - employer	$ 7,587	$ 7,044	$ 6,679	$ 6,587	N/A
Contributions - employee	10,454	8,895	6,323	6,555	N/A
Net investment income	151,021	25,352	49,046	176,856	N/A
Benefit payments, including refunds of employee contributions	(56,821)	(54,159)	(50,075)	(47,510)	N/A
Administrative expense	(53)	(60)	(67)	(84)	N/A
Other	524	429	293	509	N/A
Net Change in Plan Fiduciary Net Position	112,712	(12,499)	12,199	142,913	N/A
Plan Fiduciary Net Position - Beginning	1,098,127	1,110,626	1,098,427	955,514	N/A
Plan Fiduciary Net Position - Ending (b)	$1,210,839	$1,098,127	$1,110,626	$1,098,427	$ 955,514
State's Net Pension Liability/(Asset) - Ending (a) - (b)	$ 58,270	$ 69,316	$ 19,551	$ (26,003)	$ 71,130
Plan Fiduciary Net Position as a percentage of the total pension liability /(asset)	95.41%	94.06%	98.27%	102.42%	93.07%
Covered-employee payroll	$ 93,053	$ 86,660	$ 84,388	$ 85,046	$ 81,895
State's net pension liability/(asset) as a percentage of covered-employee payroll	62.62%	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 Five Measurement Years*
(expressed in thousands)

	2017	2016	2015	2014	2013
Total Pension Liability					
Service cost	$ —	$ —	$ —	$ —	N/A
Interest	2,874	3,704	4,382	4,319	N/A
Changes of benefit terms	—	—	—	—	N/A
Differences between expected and actual experience	1,047	20	1,590	—	N/A
Changes in assumptions	(6,329)	8,737	4,335	—	N/A
Benefit payments, including refunds of employee contributions	(8,723)	(9,131)	(9,336)	(9,480)	N/A
Net Change in Total Pension Liability	(11,131)	3,330	971	(5,161)	N/A
Total Pension Liability - Beginning	104,642	101,312	100,341	105,502	N/A
Total Pension Liability - Ending (a)	$ 93,511	$ 104,642	$ 101,312	$ 100,341	$ 105,502
Plan Fiduciary Net Position					
Contributions - employer	$ 9,300	$ 9,500	$ 10,600	$ 10,600	N/A
Contributions - employee	—	—	—	—	N/A
Net investment income	45	74	38	25	N/A
Benefit payments, including refunds of employee contributions	(8,723)	(9,131)	(9,336)	(9,480)	N/A
Administrative expense	—	(1)	—	—	N/A
Other	—	—	—	—	N/A
Net Change in Plan Fiduciary Net Position	622	442	1,302	1,145	N/A
Plan Fiduciary Net Position - Beginning	6,775	6,333	5,031	3,886	N/A
Plan Fiduciary Net Position - Ending (b)	$ 7,397	$ 6,775	$ 6,333	$ 5,031	$ 3,886
State's Net Pension Liability/(Asset) - Ending (a) - (b)	$ 86,114	$ 97,867	$ 94,979	$ 95,310	$ 101,616
Plan Fiduciary Net Position as a percentage of the total pension liability/(asset)	7.91%	6.47%	6.25%	5.01%	3.68%
Covered-employee payroll [1]	N/A	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	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 Five Measurement Years*
(expressed in thousands)

	2017	2016	2015	2014	2013
Total Pension Liability					
Service cost	$ —	$ —	$ —	$ —	N/A
Interest	88	116	138	137	N/A
Changes of benefit terms	—	—	—	—	N/A
Differences between expected and actual experience	194	123	182	—	N/A
Changes in assumptions	(129)	181	95	—	N/A
Benefit payments, including refunds of employee contributions	(402)	(440)	(444)	(444)	N/A
Net Change in Total Pension Liability	(249)	(20)	(29)	(307)	N/A
Total Pension Liability - Beginning	3,097	3,117	3,146	3,453	N/A
Total Pension Liability - Ending (a)	$ 2,848	$ 3,097	$ 3,117	$ 3,146	$ 3,453
Plan Fiduciary Net Position					
Contributions - employer	$ 499	$ 501	$ —	$ —	N/A
Contributions - employee	—	—	—	—	N/A
Net investment income	4	6	4	7	N/A
Benefit payments, including refunds of employee contributions	(402)	(440)	(444)	(444)	N/A
Administrative expense	—	—	—	—	N/A
Other	—	—	—	—	N/A
Net Change in Plan Fiduciary Net Position	101	67	(440)	(437)	N/A
Plan Fiduciary Net Position - Beginning	582	515	955	1,392	N/A
Plan Fiduciary Net Position - Ending (b)	$ 683	$ 582	$ 515	$ 955	$ 1,392
State's Net Pension Liability/(Asset) - Ending (a) - (b)	$ 2,165	$ 2,515	$ 2,602	$ 2,191	$ 2,061
Plan Fiduciary Net Position as a percentage of the total pension liability/(asset)	23.98%	18.79%	16.52%	30.36%	40.31%
Covered-employee payroll (1)	N/A	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

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
2018	$ 16,648	$ 14,203	$ 2,445	$ 109,243	13.00%
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%

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
2018	$ 8,317	$ 8,700	$ (383)	$ —	N/A
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%

Contributions in relation to the Actuarially Determined Contributions are based on state contributions. Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.

N/A indicates data not available. Beginning in 2014, there are no active members.

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
2018	$ 395	$ 500	$ (105)	$ —	N/A
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

Contributions in relation to the Actuarially Determined Contributions are based on state contributions. Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.

N/A indicates data not available. There are no active employees.

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)

	2017	2016	2015	2014
State PERS Plan 1 employers' proportion of the net pension liability/(asset)	41.88%	41.99%	41.57%	42.37%
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset)	$ 1,987,268	$ 2,255,244	$ 2,174,623	$ 2,134,189
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	4,215,934
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	$ 4,489,942
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	38.29%	45.95%	47.02%	47.53%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	61.24%	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)

	2017	2016	2015	2014
State PERS Plan 2/3 employers' proportion of the net pension liability/(asset)	50.20%	49.72%	49.10%	49.27%
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	$ 1,744,067	$ 2,503,313	$ 1,754,418	$ 995,856
State PERS Plan 2/3 employers' covered-employee payroll	$ 4,928,806	$ 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	35.39%	53.85%	40.21%	23.62%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	90.97%	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)

	2017	2016	2015	2014
State TRS Plan 1 employers' proportion of the net pension liability/(asset)	1.03%	0.97%	0.86%	0.78%
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset)	$ 31,172	$ 33,026	$ 27,186	$ 22,924
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
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	56.67%	69.47%	72.27%	75.70%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	65.58%	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)

	2017	2016	2015	2014
State TRS Plan 2/3 employers' proportion of the net pension liability/(asset)	0.96%	0.87%	0.72%	0.59%
State TRS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	$ 8,873	$ 11,896	$ 6,107	$ 1,913
State TRS Plan 2/3 employers' covered-employee payroll	$ 52,534	$ 41,803	$ 33,705	$ 25,673
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	16.89%	28.46%	18.12%	7.45%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	93.14%	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)

	2017	2016	2015	2014
State PSERS Plan 2 employers' proportion of the net pension liability/(asset)	49.14%	47.97%	47.93%	48.26%
State PSERS Plan 2 employers' proportionate share of the net pension liability (asset)	$ 9,628	$ 20,386	$ 8,748	$ (6,988)
State PSERS Plan 2 employers' covered-employee payroll	$ 175,395	$ 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	5.49%	13.09%	6.21%	-5.37%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	96.26%	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)

	2017	2016	2015	2014
State's nonemployer proportion of the net pension liability/(asset)	87.12%	87.12%	87.12%	87.12%
State as nonemployer contributing entity proportionate share of the net pension liability/(asset)	$ (1,321,802)	$ (897,585)	$ (1,049,988)	$ (1,056,583)
Plan fiduciary net position as a percentage of the total pension liability/(asset)	135.96%	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)

	2017	2016	2015	2014
State LEOFF Plan 2 employers' proportion of the net pension liability/(asset)	0.85%	0.88%	0.83%	0.84%
State as nonemployer contributing entity proportion of the net pension liability/(asset)	39.35%	39.46%	39.80%	39.52%
State LEOFF Plan 2 employers' proportionate share of the net pension liability/(asset)	$ (11,823)	$ (5,113)	$ (8,580)	$ (11,164)
State as nonemployer contributing entity total proportionate share of the net pension liability/(asset)	(545,988)	(229,538)	(409,091)	(524,419)
Total	$ (557,811)	$ (234,651)	$ (417,671)	$ (535,583)
State LEOFF Plan 2 employers' covered-employee payroll	$ 20,396	$ 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	-57.97%	-25.79%	-45.77%	-61.14%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	113.36%	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)

	2018	2017	2016	2015	2014
Contractually Required Contributions (CRC)	$ 280,513	$ 251,924	$ 238,158	$ 191,618	$ 188,639
Employer contributions related to covered payroll of employees participating in PERS plan 1	8,769	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	271,744	242,387	226,773	180,546	175,675
Contributions in relation to the actuarially determined contributions	280,513	251,924	238,158	191,618	188,639
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll of employees participating in PERS plan 1	$ 69,330	$ 85,341	$ 103,235	$ 120,686	$ 143,836
Covered payroll of employees participating in PERS plan 2/3	5,237,495	4,928,806	4,648,843	4,363,171	4,215,935
Covered payroll of employees participating in PSERS plan 2	198,511	175,395	155,768	140,977	130,172
Covered-employee payroll	$5,505,336	$5,189,542	$4,907,846	$4,624,834	$4,489,943
Contributions as a percentage of covered-employee payroll	5.10%	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)

	2018	2017	2016	2015	2014
Contractually Required Contributions	$ 389,001	$ 306,591	$ 287,049	$ 219,395	$ 209,455
Contributions in relation to the contractually required contributions	389,001	306,591	287,049	219,395	209,455
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered-employee payroll	$5,237,495	$4,928,806	$4,648,843	$4,363,171	$4,215,935
Contributions as a percentage of covered-employee payroll	7.43%	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)

	2018	2017	2016	2015	2014
Contractually Required Contributions	$ 4,582	$ 3,608	$ 2,940	$ 1,920	$ 1,537
Employer contributions related to covered payroll of employees participating in TRS plan 1	272	326	369	388	451
Employer UAAL contributions related to covered payroll of employees participating in TRS plan 2/3	4,310	3,282	2,571	1,532	1,086
Contributions in relation to the actuarially determined contributions	4,582	3,608	2,940	1,920	1,537
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll of employees participating in TRS plan 1	$ 1,893	$ 2,475	$ 5,735	$ 3,913	$ 4,611
Covered payroll of employees participating in TRS plan 2/3	61,292	52,534	41,803	33,705	25,673
Covered-employee payroll	$ 63,185	$ 55,009	$ 47,538	$ 37,618	$ 30,284
Contributions as a percentage of covered-employee payroll	7.25%	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)

	2018	2017	2016	2015	2014
Contractually Required Contributions	$ 4,699	$ 3,542	$ 2,827	$ 1,924	$ 1,454
Contributions in relation to the contractually required contributions	4,699	3,542	2,827	1,924	1,454
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered-employee payroll	$ 61,292	$ 52,534	$ 41,803	$ 33,705	$ 25,673
Contributions as a percentage of covered-employee payroll	7.67%	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)

	2018	2017	2016	2015	2014
Contractually Required Contributions	$ 13,330	$ 11,465	$ 10,233	$ 8,932	$ 8,100
Contributions in relation to the contractually required contributions	13,330	11,465	10,233	8,932	8,100
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered-employee payroll	$ 198,511	$ 175,395	$ 155,768	$ 140,977	$ 130,172
Contributions as a percentage of covered-employee payroll	6.72%	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)

	2018	2017	2016	2015	2014
Contractually Required Contributions	$ 1,512	$ 1,346	$ 1,345	$ 1,224	$ 1,184
Contributions in relation to the contractually required contributions	1,512	1,346	1,345	1,224	1,184
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered-employee payroll	$ 21,892	$ 20,396	$ 19,828	$ 18,744	$ 18,259
Contributions as a percentage of covered-employee payroll	6.91%	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 of the Revised Code of Washington(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, determined 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 reflects 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 Six Fiscal Years*
(expressed in thousands)

	2018	2017	2016	2015	2014	2013
Total Pension Liability - Ending	$ 192,440	$ 192,700	$ 191,494	$ 188,584	$ 186,527	$ 183,578
Plan Fiduciary Net Position - Ending	245,284	229,800	208,663	207,855	204,195	177,134
Plan's Net Pension Liability/(Asset) - Ending	$ (52,844)	$ (37,100)	$ (17,169)	$ (19,271)	$ (17,668)	$ 6,444
Plan fiduciary net position as a percentage of the total pension liability/(asset)	127.46%	119.25%	108.97%	110.22%	109.47%	96.49%
Covered-employee payroll	N/A	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

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 Six Fiscal Years*
(expressed in thousands)

	2018	2017	2016	2015	2014	2013
Total Pension Liability						
Service cost	$ 853	$ 869	$ 893	$ 919	$ 1,240	N/A
Interest	13,151	12,946	12,887	12,656	12,480	N/A
Changes of benefit terms	—	—	—	—	—	N/A
Differences between expected and actual experience	(2,707)	(1,998)	(176)	(2,948)	—	N/A
Changes in assumptions	16	463	101	1,931	—	N/A
Benefit payments, including refunds of member contributions	(11,573)	(11,074)	(10,795)	(10,501)	(10,771)	N/A
Net Change in Total Pension Liability	(260)	1,206	2,910	2,057	2,949	N/A
Total Pension Liability - Beginning	192,700	191,494	188,584	186,527	183,578	N/A
Total Pension Liability - Ending	$192,440	$192,700	$191,494	$188,584	$186,527	$183.578
Plan Fiduciary Net Position						
Contributions - Municipalities	$ 823	$ 848	$ 918	$ 913	$ 953	N/A
Contributions - Member	65	69	67	76	95	N/A
Contributions - State as nonemployer contributing entity	7,227	6,646	7,235	5,903	6,383	N/A
Net investment income	19,860	26,114	4,588	8,289	31,892	N/A
Benefit payments, including refunds of member contributions	(11,573)	(11,074)	(10,795)	(10,501)	(10,771)	N/A
Administrative expense	(918)	(1,466)	(1,205)	(1,020)	(1,469)	N/A
Other	—	—	—	—	(22)	N/A
Net Change in Plan Fiduciary Net Position	15,484	21,137	808	3,660	27,061	N/A
Plan Fiduciary Net Position - Beginning	229,800	208,663	207,855	204,195	177,134	N/A
Plan Fiduciary Net Position - Ending	$245,284	$229,800	$208,663	$207,855	$204,195	$ 177,134
Plan's Net Pension Liability/(Asset) - Ending	$ (52,844)	$ (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 Contributions	Contributions in Relation to the Actuarial Determined Contributions	Contribution Deficiency (Excess)
2018	$ 3,523	$ 8,050	$ (4,527)
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)

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 Five Fiscal Years*

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment	8.84%	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, 2016, valuation date, completed in the fall of 2017, determines the ADC for the period ending June 30, 2018.

PENSION PLAN INFORMATION
Higher Education Supplemental Defined Benefit Plans

Schedule of Changes in Total Pension Liability and Related Ratios
University of Washington
Fiscal Years Ended and Measurement Date June 30*
(expressed in thousands)

	2018	2017
Total Pension Liability		
Service cost	$ 14,788	$ 19,891
Interest	16,128	15,097
Changes of benefit terms	—	—
Differences between expected and actual experience	(33,953)	(74,918)
Changes in assumptions	(17,105)	(28,553)
Benefit payments	(6,130)	(5,136)
Other	—	—
Net Change in Total Pension Liability	(26,272)	(73,619)
Total Pension Liability - Beginning	438,753	512,372
Total Pension Liability - Ending	$ 412,481	$ 438,753
Covered-employee payroll	$ 759,688	$ 801,161
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	54.30 %	54.76 %

*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 Years Ended and Measurement Date June 30*
(expressed in thousands)

	2018	2017
Total Pension Liability		
Service cost	$ 2,763	$ 3,803
Interest	3,261	3,140
Changes of benefit terms	—	—
Differences between expected and actual experience	(7,171)	(16,389)
Changes in assumptions	(3,255)	(6,574)
Benefit payments	(2,181)	(1,890)
Other	—	—
Net Change in Total Pension Liability	(6,583)	(17,910)
Total Pension Liability - Beginning	89,414	107,324
Total Pension Liability - Ending	$ 82,831	$ 89,414
Covered-employee payroll	$ 186,365	$ 196,596
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	44.45 %	45.48 %

*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 Years Ended and Measurement Date June 30*
(expressed in thousands)

	2018	2017
Total Pension Liability		
Service cost	$ 91	$ 150
Interest	299	293
Changes of benefit terms	—	—
Differences between expected and actual experience	(466)	(1,270)
Changes in assumptions	(272)	(616)
Benefit payments	(412)	(411)
Other	—	—
Net Change in Total Pension Liability	(760)	(1,854)
Total Pension Liability - Beginning	8,477	10,331
Total Pension Liability - Ending	$ 7,717	$ 8,477
Covered-employee payroll	$ 10,368	$ 11,028
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	74.43 %	76.87 %

*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 Years Ended and Measurement Date June 30*
(expressed in thousands)

	2018	2017
Total Pension Liability		
Service cost	$ 477	$ 658
Interest	429	420
Changes of benefit terms	—	—
Differences between expected and actual experience	3,867	(2,852)
Changes in assumptions	(621)	(647)
Benefit payments	(202)	(140)
Other	—	—
Net Change in Total Pension Liability	3,950	(2,561)
Total Pension Liability - Beginning	11,601	14,162
Total Pension Liability - Ending	$ 15,551	$ 11,601
Covered-employee payroll	$ 34,114	$ 38,505
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	45.59 %	30.13 %

*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 Years Ended and Measurement Date June 30*
(expressed in thousands)

	2018	2017
Total Pension Liability		
Service cost	$ 210	$ 296
Interest	237	230
Changes of benefit terms	—	—
Differences between expected and actual experience	(565)	(1,327)
Changes in assumptions	(229)	(387)
Benefit payments	(183)	(158)
Other	—	—
Net Change in Total Pension Liability	(530)	(1,346)
Total Pension Liability - Beginning	6,510	7,856
Total Pension Liability - Ending	$ 5,980	$ 6,510
Covered-employee payroll	$ 15,978	$ 16,941
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	37.43 %	38.43 %

*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 Years Ended and Measurement Date June 30*
(expressed in thousands)

	2018	2017
Total Pension Liability		
Service cost	$ 737	$ 1,057
Interest	837	842
Changes of benefit terms	—	—
Differences between expected and actual experience	(2,233)	(5,278)
Changes in assumptions	(819)	(2,126)
Benefit payments	(380)	(298)
Other	—	—
Net Change in Total Pension Liability	(1,858)	(5,803)
Total Pension Liability - Beginning	22,820	28,623
Total Pension Liability - Ending	$ 20,962	$ 22,820
Covered-employee payroll	$ 52,750	$ 55,840
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	39.74 %	40.87 %

*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 Years Ended and Measurement Date June 30*
(expressed in thousands)

	2018	2017
Total Pension Liability		
Service cost	$ 3,827	$ 5,417
Interest	3,517	3,514
Changes of benefit terms	—	—
Differences between expected and actual experience	(10,402)	(25,336)
Changes in assumptions	(3,519)	(5,980)
Benefit payments	(1,300)	(902)
Other	—	—
Net Change in Total Pension Liability	(7,877)	(23,287)
Total Pension Liability - Beginning	95,050	118,337
Total Pension Liability - Ending	$ 87,173	$ 95,050
Covered-employee payroll	$ 353,910	$ 375,725
Total Pension Liability/(Asset) as a percentage of covered-employee payroll	24.63 %	25.30 %

*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 Changes in Total OPEB Liability and Related Ratios
As of the Measurement Date June 30*
(expressed in thousands)

		2017
Total OPEB Liability		
Service cost	$	394,955
Interest		184,999
Changes in benefit terms		—
Difference between expected and actual experience		—
Changes in assumptions		(902,431)
Benefit payments		(94,279)
Other		—
Net Changes in Total OPEB Liability		(416,755)
Total OPEB Liability - Beginning		6,242,577
Total OPEB Liability - Ending	$	5,825,822
Covered-employee payroll	$	7,878,188
Total OPEB liability as a percentage of covered-employee payroll		73.95 %

*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

Notes to Required Supplementary Information

The Public Employee's Benefits Board OPEB plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis.

Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, salary projections, and participation percentages.

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 at which assets are to be preserved or maintained, as established by administrative or executive policy, or by legislative action.
- 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 2018, the state was responsible to maintain and preserve 20,810 pavement lane miles, 3,322 bridges, and 47 highway safety 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. WSDOT assesses pavement 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

WSDOT's policy is to maintain 85 percent of pavements at a condition level of fair or better, based on an average condition level of the last three assessments. The following table shows pavement condition ratings for state highways:

Pavements Percentage in Fair or Better Condition Two Year Cycle Ending Calendar Year			
2017	2015	2013	Average of Last Three Assessments
93.2%	93.2%	92.8%	93.1%

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)*					
	2018	2017	2016	2015	2014
Planned	$ 263,555	$ 304,040	$ 160,423	$ 173,716	$ 122,868
Actual	271,474	264,315	161,211	142,789	143,598
Variance	$ (7,919)	$ 39,725	$ (788)	$ 30,927	$ (20,730)
	-3.0%	13.1%	-0.5%	17.8%	-16.9%

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 WSDOT's website at: http://www.wsdot.wa.gov/Business/MaterialsLab/Pavements/default.htm.

BRIDGE CONDITION

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.

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 8	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.

WSDOT's policy is to maintain 90 percent of bridges at a condition level of fair or better, based on an average condition level of the last three assessments. 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)*					
	2018	2017	2016	2015	2014
Planned	$ 106,595	$ 45,891	$ 75,160	$ 71,078	$ 92,192
Actual	87,068	45,088	66,339	64,060	87,271
Variance	$ 19,527	$ 803	$ 8,821	$ 7,018	$ 4,921
	18.3%	1.7%	11.7%	9.9%	5.3%

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

WSDOT performs safety rest area condition assessments over a two calendar 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.

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 Calendar Year			
2017 *	2015	2013	Average of Last Three Assessments
87.0%	100.0%	100.0%	95.7%

* Reporting methodology changed from fiscal year basis to calendar year basis to align with WSDOT accounting policy.

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)*					
	2018	2017	2016	2015	2014
Planned	$ 9,609	$ 9,964	$ 7,204	$ 8,463	$ 7,488
Actual	7,986	8,011	7,185	8,369	7,591
Variance	$ 1,622	$ 1,953	$ 19	$ 94	$ (103)
	16.9%	19.6%	0.3%	1.1%	-1.4%

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 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, 2018

(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
ASSETS					
Cash and cash equivalents	$ 3,474,624	$ 303,580	$ 470,655	$ 587	$ 4,249,446
Investments	45,259	—	—	222,232	267,491
Taxes receivable (net of allowance)	222,088	—	—	—	222,088
Receivables (net of allowance)	868,559	17,519	21,667	621	908,366
Due from other funds	315,193	2,220	30,980	—	348,393
Due from other governments	2,516,681	—	13,681	1	2,530,363
Inventories and prepaids	48,765	—	—	—	48,765
Restricted cash and investments	13,677	36,581	9,977	—	60,235
Restricted receivables	5,154	—	—	—	5,154
Total Assets	$ 7,510,000	$ 359,900	$ 546,960	$ 223,441	$ 8,640,301
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 266,654	$ —	$ 51,591	$ —	$ 318,245
Accrued liabilities	174,675	16	20,233	3	194,927
Due to other funds	462,220	1,344	25,029	595	489,188
Due to other governments	124,905	—	7,723	—	132,628
Unearned revenue	79,042	—	8,265	—	87,307
Claims and judgments payable	91,655	—	—	—	91,655
Total Liabilities	1,199,151	1,360	112,841	598	1,313,950
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	156,445	—	10,090	—	166,535
Deferred inflows on hedging derivatives	3,869	—	—	—	3,869
Total Deferred Inflows of Resources	160,314	—	10,090	—	170,404
FUND BALANCES					
Nonspendable fund balance	48,765	—	—	207,907	256,672
Restricted fund balance	3,148,429	61,871	355,014	14,936	3,580,250
Committed fund balance	2,953,341	296,925	69,015	—	3,319,281
Unassigned fund balance	—	(256)	—	—	(256)
Total Fund Balances	6,150,535	358,540	424,029	222,843	7,155,947
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 7,510,000	$ 359,900	$ 546,960	$ 223,441	$ 8,640,301

NONMAJOR GOVERNMENTAL FUNDS

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

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
REVENUES					
Retail sales and use taxes	$ 150,543	$ —	$ —	$ —	$ 150,543
Business and occupation taxes	5,851	—	—	—	5,851
Excise taxes	411,589	—	—	—	411,589
Motor vehicle and fuel taxes	1,731,565	—	—	—	1,731,565
Other taxes	297,924	—	—	—	297,924
Licenses, permits, and fees	2,282,501	—	—	—	2,282,501
Other contracts and grants	126,421	—	6,726	—	133,147
Timber sales	114,104	—	6,922	—	121,026
Federal grants-in-aid	1,178,980	—	23	—	1,179,003
Charges for services	605,325	24,347	73,689	—	703,361
Investment income (loss)	37,939	2	49	9,644	47,634
Miscellaneous revenue	464,106	47,136	23,466	1,274	535,982
Total Revenues	7,406,848	71,485	110,875	10,918	7,600,126
EXPENDITURES					
Current:					
General government	364,260	102	126,103	41	490,506
Human services	1,128,583	—	2,265	—	1,130,848
Natural resources and recreation	555,098	—	107,966	—	663,064
Transportation	2,066,334	—	—	—	2,066,334
Education	280,185	—	300,947	—	581,132
Intergovernmental	402,297	—	—	—	402,297
Capital outlays	1,094,141	—	341,564	—	1,435,705
Debt service:					
Principal	14,063	1,080,301	7,063	—	1,101,427
Interest	1,334	991,253	11,431	—	1,004,018
Total Expenditures	5,906,295	2,071,656	897,339	41	8,875,331
Excess of Revenues Over (Under) Expenditures	1,500,553	(2,000,171)	(786,464)	10,877	(1,275,205)
OTHER FINANCING SOURCES (USES)					
Bonds issued	212,845	—	834,165	—	1,047,010
Refunding bonds issued	—	1,344,415	—	—	1,344,415
Payments to escrow agents for refunded bond debt	—	(1,604,794)	—	—	(1,604,794)
Issuance premiums	38,452	268,083	144,758	—	451,293
Other debt issued	9,923	—	500	—	10,423
Transfers in	819,928	2,043,420	279,000	—	3,142,348
Transfers out	(2,040,952)	(54,605)	(47,541)	(7,450)	(2,150,548)
Total Other Financing Sources (Uses)	(959,804)	1,996,519	1,210,882	(7,450)	2,240,147
Net Change in Fund Balances	540,749	(3,652)	424,418	3,427	964,942
Fund Balances - Beginning, as restated	5,609,786	362,192	(389)	219,416	6,191,005
Fund Balances - Ending	$ 6,150,535	$ 358,540	$ 424,029	$ 222,843	$ 7,155,947

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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, 2018

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Central Administrative and Regulatory	Human Services
ASSETS				
Cash and cash equivalents	$ 1,471,801	$ 447,877	$ 415,926	$ 346,871
Investments	—	—	1,178	44,081
Taxes receivable (net of allowance)	180,322	302	5,629	34,255
Receivables (net of allowance)	64,381	19,582	115,883	519,029
Due from other funds	192,070	16,239	21,668	21,852
Due from other governments	80,057	58,405	28,797	599,151
Inventories and prepaids	41,108	307	5,904	5
Restricted cash and investments	9,821	—	3,855	—
Restricted receivables	5,154	—	—	—
Total Assets	$ 2,044,714	$ 542,712	$ 598,840	$ 1,565,244
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 174,620	$ 22,869	$ 11,248	$ 44,090
Accrued liabilities	97,854	5,796	10,082	16,035
Due to other funds	200,883	16,509	22,723	185,276
Due to other governments	69,094	45,566	3,235	3,022
Unearned revenue	7,828	28,816	23,877	1,914
Claims and judgments payable	—	—	91,655	—
Total Liabilities	550,279	119,556	162,820	250,337
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	36,088	6,645	1,560	6
Deferred inflows on hedging derivatives	3,869	—	—	—
Total Deferred Inflows of Resources	39,957	6,645	1,560	6
FUND BALANCES				
Nonspendable fund balance	41,108	307	5,904	5
Restricted fund balance	1,336,741	82,425	7,044	553,274
Committed fund balance	76,629	333,779	421,512	761,622
Total Fund Balances	1,454,478	416,511	434,460	1,314,901
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 2,044,714	$ 542,712	$ 598,840	$ 1,565,244

Wildlife and Natural Resources	Local Construction and Loan	Total
$ 665,124	$ 127,025	$ 3,474,624
—	—	45,259
1,540	40	222,088
91,091	58,593	868,559
62,274	1,090	315,193
945,724	804,547	2,516,681
1,441	—	48,765
1	—	13,677
—	—	5,154
$ 1,767,195	$ 991,295	$ 7,510,000
$ 13,470	$ 357	$ 266,654
37,026	7,882	174,675
34,254	2,575	462,220
1,703	2,285	124,905
16,607	—	79,042
—	—	91,655
103,060	13,099	1,199,151
65,370	46,776	156,445
—	—	3,869
65,370	46,776	160,314
1,441	—	48,765
1,136,190	32,755	3,148,429
461,134	898,665	2,953,341
1,598,765	931,420	6,150,535
$ 1,767,195	$ 991,295	$ 7,510,000

NONMAJOR SPECIAL REVENUE FUNDS

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

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Central Administrative and Regulatory	Human Services
REVENUES				
Retail sales and use taxes	$ —	$ 85,251	$ 65,250	$ —
Business and occupation taxes	—	—	—	419
Excise taxes	—	366	56	387,431
Motor vehicle and fuel taxes	1,706,294	4,824	—	—
Other taxes	18	—	122,841	26,101
Licenses, permits, and fees	932,932	313,824	296,613	569,175
Other contracts and grants	26,995	20,027	3,922	73,920
Timber sales	31	—	3,916	—
Federal grants-in-aid	491,976	369,898	96,046	197,034
Charges for services	301,538	87,457	87,994	116,820
Investment income (loss)	5,805	1,977	21,961	4,640
Miscellaneous revenue	49,416	31,138	35,540	110,537
Total Revenues	3,515,005	914,762	734,139	1,486,077
EXPENDITURES				
Current:				
General government	5,273	560	313,380	38,404
Human services	—	—	5,436	1,120,499
Natural resources and recreation	942	—	21,540	739
Transportation	1,468,648	545,336	42,423	9,501
Education	—	—	53,597	78,364
Intergovernmental	269,083	15,152	116,425	1,570
Capital outlays	1,042,494	40,192	4,585	2,749
Debt service:				
Principal	7,803	390	3,939	119
Interest	664	32	199	34
Total Expenditures	2,794,907	601,662	561,524	1,251,979
Excess of Revenues Over (Under) Expenditures	720,098	313,100	172,615	234,098
OTHER FINANCING SOURCES (USES)				
Bonds issued	212,845	—	—	—
Issuance premiums	38,431	—	—	—
Other debt issued	9,730	—	—	—
Transfers in	280,143	72,659	96,126	230,048
Transfers out	(801,955)	(337,818)	(208,153)	(423,761)
Total Other Financing Sources (Uses)	(260,806)	(265,159)	(112,027)	(193,713)
Net Change in Fund Balances	459,292	47,941	60,588	40,385
Fund Balances - Beginning	995,186	368,570	373,872	1,274,516
Fund Balances - Ending	$ 1,454,478	$ 416,511	$ 434,460	$ 1,314,901

Wildlife and Natural Resources	Local Construction and Loan	Total
$ 42	$ —	$ 150,543
5,432	—	5,851
—	23,736	411,589
20,447	—	1,731,565
148,964	—	297,924
169,873	84	2,282,501
1,557	—	126,421
74,640	35,517	114,104
24,026	—	1,178,980
11,516	—	605,325
1,840	1,716	37,939
202,827	34,648	464,106
661,164	95,701	7,406,848
494	6,149	364,260
2,648	—	1,128,583
529,161	2,716	555,098
426	—	2,066,334
621	147,603	280,185
67	—	402,297
4,119	2	1,094,141
1,812	—	14,063
405	—	1,334
539,753	156,470	5,906,295
121,411	(60,769)	1,500,553
—	—	212,845
21	—	38,452
193	—	9,923
127,580	13,372	819,928
(125,983)	(143,282)	(2,040,952)
1,811	(129,910)	(959,804)
123,222	(190,679)	540,749
1,475,543	1,122,099	5,609,786
$ 1,598,765	$ 931,420	$ 6,150,535

NONMAJOR SPECIAL REVENUE FUNDS

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

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

	Motor Vehicle			
	Original Budget 2017-19 Biennium	**Final Budget 2017-19 Biennium**	**Actual 2017-19 Biennium**	**Variance with Final Budget**
Budgetary Fund Balance, July 1, as restated	$ 951,851	$ 951,851	$ 951,851	$ —
Resources				
Taxes	3,690,058	3,063,214	1,437,228	(1,625,986)
Licenses, permits, and fees	1,101,168	1,200,824	932,181	(268,643)
Other contracts and grants	74,531	115,203	26,995	(88,208)
Timber sales	—	—	31	31
Federal grants-in-aid	1,000,910	1,196,177	491,976	(704,201)
Charges for services	603,207	611,042	301,539	(309,503)
Investment income (loss)	25,314	24,308	11,830	(12,478)
Miscellaneous revenue	63,605	260,904	48,468	(212,436)
Transfers from other funds	417,869	364,763	280,144	(84,619)
Total Resources	7,928,513	7,788,286	4,482,243	(3,306,043)
Charges To Appropriations				
General government	13,529	22,649	5,273	17,376
Human services	—	—	—	—
Natural resources and recreation	2,490	2,569	942	1,627
Transportation	2,025,037	2,091,130	1,000,258	1,090,872
Education	—	—	—	—
Capital outlays	3,913,113	4,459,410	1,513,447	2,945,963
Transfers to other funds	1,072,479	1,716,114	801,955	914,159
Total Charges To Appropriations	7,026,648	8,291,872	3,321,875	4,969,997
Excess Available For Appropriation Over (Under) Charges To Appropriations	901,865	(503,586)	1,160,368	1,663,954
Reconciling Items				
Bond sale proceeds	981,040	886,598	212,845	(673,753)
Issuance premiums	—	—	37,099	37,099
Noncash activity (net)	—	—	(59)	(59)
Nonappropriated fund balances	—	—	3,255	3,255
Changes in reserves (net)	—	—	(138)	(138)
Total Reconciling Items	981,040	886,598	253,002	(633,596)
Budgetary Fund Balance, June 30	$ 1,882,905	$ 383,012	$ 1,413,370	$ 1,030,358

Continued

Multimodal Transportation				Central Administrative and Regulatory			
Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
$ 325,552	$ 325,552	$ 325,552	$ —	$ 254,578	$ 254,578	$ 254,578	$ —
177,432	156,344	77,048	(79,296)	127,079	144,999	221	(144,778)
577,457	626,066	310,849	(315,217)	563,287	585,161	240,177	(344,984)
1,435	1,755	144	(1,611)	2,682	5,124	—	(5,124)
—	—	—	—	6,889	6,998	3,916	(3,082)
38,613	98,472	117,905	19,433	84,214	138,803	49,116	(89,687)
169,262	183,562	87,457	(96,105)	119,505	141,233	18,264	(122,969)
7,450	8,169	4,275	(3,894)	43,809	34,666	21,535	(13,131)
53,280	77,036	26,352	(50,684)	37,052	52,070	12,157	(39,913)
360,504	322,458	72,660	(249,798)	44,320	174,105	79,211	(94,894)
1,710,985	1,799,414	1,022,242	(777,172)	1,283,415	1,537,737	679,175	(858,562)
700	1,770	560	1,210	490,764	532,508	218,625	313,883
—	—	—	—	11,654	13,599	4,121	9,478
—	—	—	—	37,938	38,989	20,519	18,470
637,608	723,043	248,020	475,023	75,107	82,947	39,113	43,834
—	—	—	—	211	211	43	168
294,849	417,521	62,382	355,139	7,692	16,675	1,235	15,440
457,402	408,348	307,818	100,530	362,150	361,264	149,945	211,319
1,390,559	1,550,682	618,780	931,902	985,516	1,046,193	433,601	612,592
320,426	248,732	403,462	154,730	297,899	491,544	245,574	(245,970)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	(2,222)	(2,222)	—	—	9,673	9,673
—	—	16,478	16,478	—	—	163,931	163,931
—	—	(1,514)	(1,514)	—	—	9,378	9,378
—	—	12,742	12,742	—	—	182,982	182,982
$ 320,426	$ 248,732	$ 416,204	$ 167,472	$ 297,899	$ 491,544	$ 428,556	$ (62,988)

NONMAJOR SPECIAL REVENUE FUNDS

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

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

	Human Services			
	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 1,162,379	$ 1,162,379	$ 1,162,379	$ —
Resources				
Taxes	821,860	833,605	413,951	(419,654)
Licenses, permits, and fees	1,056,319	1,099,064	564,685	(534,379)
Other contracts and grants	156,633	140,851	1,073	(139,778)
Timber sales	—	—	—	—
Federal grants-in-aid	523,337	515,415	136,786	(378,629)
Charges for services	238,416	291,210	114,312	(176,898)
Investment income (loss)	4,056	5,803	991	(4,812)
Miscellaneous revenue	218,229	410,281	108,084	(302,197)
Transfers from other funds	496,116	463,326	16,136	(447,190)
Total Resources	4,677,345	4,921,934	2,518,397	(2,403,537)
Charges To Appropriations				
General government	157,226	168,441	72,542	95,899
Human services	1,785,376	1,767,705	786,903	980,802
Natural resources and recreation	1,872	1,967	744	1,223
Transportation	18,213	22,131	9,427	12,704
Education	17,085	17,084	14,765	2,319
Capital outlays	39,699	201,489	41,233	160,256
Transfers to other funds	900,030	909,470	416,771	492,699
Total Charges To Appropriations	2,919,501	3,088,287	1,342,385	1,745,902
Excess Available For Appropriation Over (Under) Charges To Appropriations	1,757,844	1,833,647	1,176,012	(657,635)
Reconciling Items				
Bond sale proceeds	—	—	—	—
Issuance premiums	—	—	—	—
Noncash activity (net)	—	—	20,240	20,240
Nonappropriated fund balances	—	—	107,860	107,860
Changes in reserves (net)	—	—	10,784	10,784
Total Reconciling Items	—	—	138,884	138,884
Budgetary Fund Balance, June 30	$ 1,757,844	$ 1,833,647	$ 1,314,896	$ (518,751)

Concluded

Wildlife and Natural Resources				Local Construction and Loan			
Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
$ 1,396,032	$ 1,396,032	$ 1,396,032	$ —	$ 1,121,867	$ 1,121,867	$ 1,121,867	$ —
310,279	353,579	174,840	(178,739)	38,398	42,380	23,736	(18,644)
342,477	345,031	106,675	(238,356)	358	212	—	(212)
9,506	9,192	1,556	(7,636)	—	—	—	—
179,029	181,075	52,133	(128,942)	155,680	94,613	35,517	(59,096)
123,157	110,637	23,888	(86,749)	—	—	—	—
20,615	19,385	11,511	(7,874)	—	—	—	—
13,492	8,908	3,129	(5,779)	4,950	3,971	2,170	(1,801)
457,698	547,735	228,456	(319,279)	524,029	389,765	149,855	(239,910)
245,378	233,307	136,327	(96,980)	15,492	15,466	8,372	(7,094)
3,097,663	3,204,881	2,134,547	(1,070,334)	1,860,774	1,668,274	1,341,517	(326,757)
1,140	1,213	478	735	8,934	8,927	3,586	5,341
6,854	6,840	2,657	4,183	—	—	—	—
841,594	844,468	361,573	482,895	7,620	7,619	2,657	4,962
1,666	1,523	432	1,091	—	35	—	35
1,947	1,946	567	1,379	—	—	—	—
558,459	888,828	172,479	716,349	262,596	547,010	157,748	389,262
104,336	218,458	131,878	86,580	267,578	267,659	143,282	124,377
1,515,996	1,963,276	670,064	1,293,212	546,728	831,250	307,273	523,977
1,581,667	1,241,605	1,464,483	222,878	1,314,046	837,024	1,034,244	197,220
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	(3,927)	(3,927)	—	—	(13,366)	(13,366)
—	—	84,569	84,569	—	—	5,217	5,217
—	—	52,199	52,199	—	—	(94,675)	(94,675)
—	—	132,841	132,841	—	—	(102,824)	(102,824)
$ 1,581,667	$ 1,241,605	$ 1,597,324	$ 355,719	$ 1,314,046	$ 837,024	$ 931,420	$ 94,396

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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, 2018

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Transportation Revenue Bond	Total
ASSETS					
Cash and cash equivalents	$ 12,866	$ 281,944	$ 165	$ 8,605	$ 303,580
Receivables (net of allowance)	67	984	16,468	—	17,519
Due from other funds	1,514	701	—	5	2,220
Restricted cash and investments	—	—	36,581	—	36,581
Total Assets	$ 14,447	$ 283,629	$ 53,214	$ 8,610	$ 359,900
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accrued liabilities	$ 1	$ 2	$ 13	$ —	$ 16
Due to other funds	549	795	—	—	1,344
Total Liabilities	550	797	13	—	1,360
FUND BALANCES					
Restricted fund balance	—	—	53,201	8,670	61,871
Committed fund balance	13,897	282,832	—	196	296,925
Unassigned fund balance	—	—	—	(256)	(256)
Total Fund Balances	13,897	282,832	53,201	8,610	358,540
Total Liabilities and Fund Balances	$ 14,447	$ 283,629	$ 53,214	$ 8,610	$ 359,900

NONMAJOR DEBT SERVICE FUNDS

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

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Transportation Revenue Bond	Total
REVENUES					
Charges for services	$ 24,347	$ —	$ —	$ —	$ 24,347
Investment income (loss)	109	(295)	—	188	2
Miscellaneous revenue	12	12,514	34,610	—	47,136
Total Revenues	24,468	12,219	34,610	188	71,485
EXPENDITURES					
Current:					
General government	—	—	102	—	102
Debt service:					
Principal	674,420	294,164	26,265	85,452	1,080,301
Interest	570,020	338,994	11,758	70,481	991,253
Total Expenditures	1,244,440	633,158	38,125	155,933	2,071,656
Excess of Revenues Over (Under) Expenditures	(1,219,972)	(620,939)	(3,515)	(155,745)	(2,000,171)
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	1,271,480	29,305	43,630	—	1,344,415
Payments to escrow agents for refunded bond debt	(1,524,297)	(32,639)	(47,858)	—	(1,604,794)
Issuance premiums	259,642	3,378	5,063	—	268,083
Transfers in	1,271,725	615,739	—	155,956	2,043,420
Transfers out	(54,605)	—	—	—	(54,605)
Total Other Financing Sources (Uses)	1,223,945	615,783	835	155,956	1,996,519
Net Change in Fund Balances	3,973	(5,156)	(2,680)	211	(3,652)
Fund Balances - Beginning	9,924	287,988	55,881	8,399	362,192
Fund Balances - Ending	$ 13,897	$ 282,832	$ 53,201	$ 8,610	$ 358,540

NONMAJOR DEBT SERVICE FUNDS

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

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

	General Obligation Bond			
	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ (50)	$ (50)	$ (50)	$ —
Resources				
Investment income (loss)	697	503	—	(503)
Miscellaneous revenue	20	12	—	(12)
Transfers from other funds	220,886	252,833	105,578	(147,255)
Total Resources	221,553	253,298	105,528	(147,770)
Charges To Appropriations				
General government	211,728	211,510	105,578	105,932
Transfers to other funds	—	443	—	443
Total Charges To Appropriations	211,728	211,953	105,578	106,375
Excess Available For Appropriation Over (Under) Charges To Appropriations	9,825	41,345	(50)	(41,395)
Reconciling Items				
Debt service	—	—	(2,001)	(2,001)
Proceeds of refunding bonds	—	—	1,271,480	1,271,480
Payments to escrow agents for refunded bond debt	—	—	(1,524,297)	(1,524,297)
Issuance premiums	—	—	254,818	254,818
Noncash activity (net)	—	—	(138)	(138)
Nonappropriated fund balances	—	—	14,085	14,085
Total Reconciling Items	—	—	13,947	13,947
Budgetary Fund Balance, June 30	$ 9,825	$ 41,345	$ 13,897	$ (27,448)

Transportation General Obligation Bond				Transportation Revenue Bond			
Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
$ 287,988	$ 287,988	$ 287,988	$ —	$ 8,400	$ 8,400	$ 8,400	$ —
3,538	2,975	1,219	(1,756)	233	373	234	(139)
53,561	53,561	12,515	(41,046)	—	—	—	—
1,376,408	1,323,303	615,739	(707,564)	311,811	311,811	155,956	(155,855)
1,721,495	1,667,827	917,461	(750,366)	320,444	320,584	164,590	(155,994)
1,280,199	1,272,001	633,114	638,887	311,766	311,766	155,933	155,833
—	—	—	—	—	—	—	—
1,280,199	1,272,001	633,114	638,887	311,766	311,766	155,933	155,833
441,296	395,826	284,347	(111,479)	8,678	8,818	8,657	(161)
—	—	(44)	(44)	—	—	—	—
—	—	29,305	29,305	—	—	—	—
—	—	(32,639)	(32,639)	—	—	—	—
—	—	3,378	3,378	—	—	—	—
—	—	(1,515)	(1,515)	—	—	(47)	(47)
—	—	—	—	—	—	—	—
—	—	(1,515)	(1,515)	—	—	(47)	(47)
$ 441,296	$ 395,826	$ 282,832	$ (112,994)	$ 8,678	$ 8,818	$ 8,610	$ (208)

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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, 2018
(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
ASSETS			
Cash and cash equivalents	$ 318,248	$ 152,407	$ 470,655
Receivables (net of allowance)	14,415	7,252	21,667
Due from other funds	29,023	1,957	30,980
Due from other governments	1,904	11,777	13,681
Restricted cash and investments	1,980	7,997	9,977
Total Assets	$ 365,570	$ 181,390	$ 546,960
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 29,778	$ 21,813	$ 51,591
Accrued liabilities	12,896	7,337	20,233
Due to other funds	19,191	5,838	25,029
Due to other governments	7,723	—	7,723
Unearned revenue	3,385	4,880	8,265
Total Liabilities	72,973	39,868	112,841
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	7,931	2,159	10,090
Total Deferred Inflows of Resources	7,931	2,159	10,090
FUND BALANCES			
Restricted fund balance	274,454	80,560	355,014
Committed fund balance	10,212	58,803	69,015
Total Fund Balances	284,666	139,363	424,029
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 365,570	$ 181,390	$ 546,960

NONMAJOR CAPITAL PROJECTS FUNDS

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

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
REVENUES			
Other contracts and grants	$ —	$ 6,726	$ 6,726
Timber sales	5,914	1,008	6,922
Federal grants-in-aid	—	23	23
Charges for services	—	73,689	73,689
Investment income (loss)	6	43	49
Miscellaneous revenue	5,966	17,500	23,466
Total Revenues	11,886	98,989	110,875
EXPENDITURES			
Current:			
General government	126,103	—	126,103
Human services	2,265	—	2,265
Natural resources and recreation	107,966	—	107,966
Education	231,351	69,596	300,947
Capital outlays	128,262	213,302	341,564
Debt service:			
Principal	—	7,063	7,063
Interest	—	11,431	11,431
Total Expenditures	595,947	301,392	897,339
Excess of Revenues Over (Under) Expenditures	(584,061)	(202,403)	(786,464)
OTHER FINANCING SOURCES (USES)			
Bonds issued	802,940	31,225	834,165
Issuance premiums	144,758	—	144,758
Other debt issued	—	500	500
Transfers in	679	278,321	279,000
Transfers out	(9,645)	(37,896)	(47,541)
Total Other Financing Sources (Uses)	938,732	272,150	1,210,882
Net Change in Fund Balances	354,671	69,747	424,418
Fund Balances - Beginning, as restated	(70,005)	69,616	(389)
Fund Balances - Ending	$ 284,666	$ 139,363	$ 424,029

NONMAJOR CAPITAL PROJECTS FUNDS

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

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

	State Facilities			
	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ (70,005)	$ (70,005)	$ (70,005)	$ —
Resources				
Timber sales	17,953	14,943	5,914	(9,029)
Charges for services	—	—	—	—
Investment income (loss)	—	76	35	(41)
Miscellaneous revenue	2,038,831	2,693,800	5,615	(2,688,185)
Transfers from other funds	492	482	679	197
Total Resources	1,987,271	2,639,296	(57,762)	(2,697,058)
Charges To Appropriations				
General government	8,661	8,668	2,297	6,371
Education	—	—	—	—
Capital outlays	973,850	3,628,764	597,650	3,031,114
Transfers to other funds	27,765	66,760	5,645	61,115
Total Charges To Appropriations	1,010,276	3,704,192	605,592	3,098,600
Excess Available For Appropriation Over (Under) Charges To Appropriations	976,995	(1,064,896)	(663,354)	401,542
Reconciling Items				
Bond sale proceeds	1,289,492	1,115,540	802,940	(312,600)
Issuance premiums	—	—	144,758	144,758
Noncash activity (net)	—	—	322	322
Nonappropriated fund balances	—	—	5	5
Changes in reserves (net)	—	—	(5)	(5)
Total Reconciling Items	1,289,492	1,115,540	948,020	(167,520)
Budgetary Fund Balance, June 30	$ 2,266,487	$ 50,644	$ 284,666	$ 234,022

Higher Education Facilities			
Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
$ 23,747	$ 23,747	$ 23,747	$ —
1,000	972	1,008	36
168,908	192,300	73,686	(118,614)
836	358	309	(49)
525	546	120	(426)
83,013	69,632	55,281	(14,351)
278,029	287,555	154,151	(133,404)
—	—	—	—
27,324	25,101	10,786	14,315
22,783	245,570	79,685	165,885
5,173	5,015	4,584	431
55,280	275,686	95,055	180,631
222,749	11,869	59,096	47,227
—	—	—	—
—	—	—	—
—	—	(246)	(246)
—	—	93,061	93,061
—	—	(12,548)	(12,548)
—	—	80,267	80,267
$ 222,749	$ 11,869	$ 139,363	$ 127,494

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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.

Guaranteed Education Tuition Program Fund
The Guaranteed Education Tuition Program Fund accounts for the guaranteed college tuition program.

Paid Family and Medical Leave Compensation Fund
The Paid Family and Medical Leave Compensation Fund accounts for the family and medical leave insurance program.

Other Activities Fund
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, 2018

(expressed in thousands)

	Lottery	Institutional	Guaranteed Education Tuition Program
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 21,449	$ 5,177	$ 91,915
Investments	15,033	—	947,929
Taxes receivable (net of allowance)	—	—	—
Receivables (net of allowance)	26,625	1,207	31,009
Due from other funds	333	7,731	58
Due from other governments	35	444	—
Inventories	450	8,796	—
Prepaid expenses	33	153	—
Total Current Assets	63,958	23,508	1,070,911
Noncurrent Assets:			
Investments, noncurrent	120,548	—	1,166,472
Other noncurrent assets	5	—	104,521
Capital assets:			
Land and other non-depreciable assets	—	1,540	—
Buildings	—	12,828	—
Other improvements	889	4,803	—
Furnishings, equipment, and intangibles	1,484	21,817	17
Accumulated depreciation	(1,597)	(15,743)	(12)
Construction in progress	—	—	—
Total Noncurrent Assets	121,329	25,245	1,270,998
Total Assets	185,287	48,753	2,341,909
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on refundings	—	71	—
Deferred outflows on pensions	1,321	4,335	366
Deferred outflows on OPEB	96	725	109
Total Deferred Outflows of Resources	1,417	5,131	475
Total Assets and Deferred Outflows of Resources	$ 186,704	$ 53,884	$ 2,342,384

Continued

Paid Family Medical Leave Compensation	Other Activities	Total
$ 75,830	$ 64,419	$ 258,790
—	—	962,962
	40	40
2	482	59,325
93	3,975	12,190
—	5,072	5,551
—	119	9,365
—	27	213
75,925	74,134	1,308,436
—	—	1,287,020
—	—	104,526
—	—	1,540
—	—	12,828
—	82	5,774
1,028	8,667	33,013
(87)	(6,819)	(24,258)
4,901	3,265	8,166
5,842	5,195	1,428,609
81,767	79,329	2,737,045
—	—	71
—	6,697	12,719
—	1,327	2,257
—	8,024	15,047
$ 81,767	$ 87,353	$ 2,752,092

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Net Position

June 30, 2018

(expressed in thousands)

	Lottery	Institutional	Guaranteed Education Tuition Program
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 4,265	$ 3,141	$ 334
Accrued liabilities	49,569	3,057	176,053
Obligations under security lending agreements	—	—	22,427
Bonds and notes payable	—	435	—
Total OPEB liability	96	262	23
Due to other funds	19,804	1,204	198
Due to other governments	—	421	—
Unearned revenue	479	1	—
Claims and judgments payable	—	—	—
Total Current Liabilities	74,213	8,521	199,035
Noncurrent Liabilities:			
Claims and judgments payable	—	—	—
Bonds and notes payable	—	3,761	—
Net pension liability	5,744	14,349	1,364
Total OPEB Liability	5,965	16,285	1,460
Other long-term liabilities	114,263	2,507	1,534,231
Total Noncurrent Liabilities	125,972	36,902	1,537,055
Total Liabilities	200,185	45,423	1,736,090
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on pensions	965	2,050	206
Deferred inflows on OPEB	971	2,278	204
Total Deferred Inflows of Resources	1,936	4,328	410
NET POSITION			
Net investment in capital assets	777	21,121	4
Unrestricted	(16,194)	(16,988)	605,880
Total Net Position	(15,417)	4,133	605,884
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 186,704	$ 53,884	$ 2,342,384

Concluded

Paid Family Medical Leave Compensation	Other Activities	Total
$ 3,905	$ 2,268	$ 13,913
779	12,449	241,907
—	—	22,427
184	1,785	2,404
—	369	750
83,367	622	105,195
—	2,540	2,961
—	—	480
—	4,862	4,862
88,235	24,895	394,899
—	12,130	12,130
—	—	3,761
—	25,200	46,657
—	22,976	46,686
—	2,561	1,653,562
—	62,867	1,762,796
88,235	87,762	2,157,695
—	3,949	7,170
—	3,246	6,699
—	7,195	13,869
5,659	3,410	30,971
(12,127)	(11,014)	549,557
(6,468)	(7,604)	580,528
$ 81,767	$ 87,353	$ 2,752,092

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

	Lottery	Institutional	Guaranteed Education Tuition Program
OPERATING REVENUES			
Sales	$ —	$ 94,940	$ —
Less: Cost of goods sold	—	(61,841)	—
Gross profit	—	33,099	—
Charges for services	2,770	2,098	83,948
Premiums and assessments	—	—	—
Lottery ticket proceeds	733,938	—	—
Miscellaneous revenue	109	2	57
Total Operating Revenues	736,817	35,199	84,005
OPERATING EXPENSES			
Salaries and wages	8,145	22,868	3,508
Employee benefits	2,822	10,774	779
Personal services	9,780	—	1,260
Goods and services	72,825	718	802
Travel	421	490	48
Guaranteed education tuition program expense	—	—	167,252
Lottery prize payments	457,904	—	—
Depreciation and amortization	163	1,783	3
Miscellaneous expenses	45	35	—
Total Operating Expenses	552,105	36,668	173,652
Operating Income (Loss)	184,712	(1,469)	(89,647)
NONOPERATING REVENUES (EXPENSES)			
Earnings (loss) on investments	(1,156)	—	133,764
Interest expense	(5,083)	(133)	—
Tax and license revenue	11	—	—
Other revenues (expenses)	—	(147)	—
Total Nonoperating Revenues (Expenses)	(6,228)	(280)	133,764
Income (Loss) Before Transfers	178,484	(1,749)	44,117
Transfers in	13,717	—	—
Transfers out	(196,688)	(1,000)	—
Net Transfers	(182,971)	(1,000)	—
Change in Net Position	(4,487)	(2,749)	44,117
Net Position - Beginning, as restated	(10,930)	6,882	561,767
Net Position - Ending	$ (15,417)	$ 4,133	$ 605,884

Paid Family Medical Leave Compensation	Other Activities	Total
$ —	$ 213	$ 95,153
—	(106)	(61,947)
—	107	33,206
—	33,116	121,932
—	11,427	11,427
—	—	733,938
—	4,100	4,268
—	48,750	904,771
1,791	37,685	73,997
630	13,980	28,985
96	6,926	18,062
4,343	21,262	99,950
20	1,440	2,419
—	—	167,252
—	—	457,904
87	792	2,828
—	288	368
6,967	82,373	851,765
(6,967)	(33,623)	53,006
101	78	132,787
—	—	(5,216)
—	22,444	22,455
—	439	292
101	22,961	150,318
(6,866)	(10,662)	203,324
398	—	14,115
—	(6,024)	(203,712)
398	(6,024)	(189,597)
(6,468)	(16,686)	13,727
—	9,082	566,801
$ (6,468)	$ (7,604)	$ 580,528

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

	Lottery	Institutional	Guaranteed Education Tuition Program
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 739,074	$ 103,752	$ 88,906
Payments to suppliers	(547,504)	(70,341)	(202,457)
Payments to employees	(11,364)	(32,320)	(4,190)
Other receipts	107	2	56
Net Cash Provided (Used) by Operating Activities	180,313	1,093	(117,685)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	13,717	—	—
Transfers out	(196,688)	(1,000)	—
Operating grants and donations received	—	—	—
Taxes and license fees collected	10	—	—
Net Cash Provided (Used) by Noncapital Financing Activities	(182,961)	(1,000)	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	—	(200)	—
Principal payments on long-term capital financing	—	(415)	—
Proceeds from sale of capital assets	—	3,181	—
Acquisitions of capital assets	(8)	(3,236)	—
Net Cash Provided (Used) by Capital and Related Financing Activities	(8)	(670)	—
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	—	—	278,962
Proceeds from sale of investment securities	14,948	—	2,421,473
Purchases of investment securities	(14,361)	—	(2,492,989)
Net Cash Provided (Used) by Investing Activities	587	—	207,446
Net Increase (Decrease) in Cash and Pooled Investments	(2,069)	(577)	89,761
Cash and cash equivalents, July 1	23,518	5,754	2,154
Cash and cash equivalents, June 30	$ 21,449	$ 5,177	$ 91,915
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	$ 184,712	$ (1,469)	$ (89,647)
Adjustments to Reconcile Operating Income (Loss)			
to Net Cash Provided by Operations:			
Depreciation	163	1,783	3
Revenue reduced for uncollectible accounts	39	—	—
Change in Assets: Decrease (Increase)			
Receivables	1,887	6,713	4,958
Inventories	25	(1,261)	—
Prepaid expenses	21	(22)	—
Change in Deferred Outflows of Resources: Increase (Decrease)	576	87	(42)
Change in Liabilities: Increase (Decrease)			
Payables	(8,805)	(9,282)	(33,369)
Change in Deferred Inflows of Resources: Decrease (Increase)	1,695	4,544	412
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 180,313	$ 1,093	$ (117,685)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Amortization of annuity prize liability	$ 5,083	$ —	$ —
Increase (decrease) in fair value of investments	(1,156)	—	(144,613)
Amortization of debt premium/discount	—	67	—

Paid Family and Medical Leave Compensation	Other Activities	Total
$ —	$ 44,143	$ 975,875
(1,949)	(34,208)	(856,459)
(1,867)	(50,706)	(100,447)
—	4,082	4,247
(3,816)	(36,689)	23,216
398	—	14,115
—	(6,024)	(203,712)
82,000	458	82,458
—	22,403	22,413
82,398	16,837	(84,726)
—	—	(200)
—	—	(415)
—	50	3,231
(3,331)	(1,703)	(8,278)
(3,331)	(1,653)	(5,662)
579	78	279,619
—	—	2,436,421
—	—	(2,507,350)
579	78	208,690
75,830	(21,427)	141,518
—	85,846	117,272
$ 75,830	$ 64,419	$ 258,790
$ (6,967)	$ (33,623)	$ 53,006
87	792	2,828
—	—	39
(2)	(611)	12,945
—	4	(1,232)
—	(4)	(5)
—	(464)	157
3,066	(9,720)	(58,110)
—	6,937	13,588
$ (3,816)	$ (36,689)	$ 23,216
$ —	$ —	$ 5,083
—	—	(145,769)
—	—	67

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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, 2018

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 53,936	$ 10,166	$ 184,308
Investments	—	—	4,241
Receivables (net of allowance)	3,596	682	54,189
Due from other funds	52,721	15,501	6,114
Due from other governments	21,656	259	3,972
Inventories	7,125	—	8,382
Prepaid expenses	3,357	5,789	4,967
Restricted cash and investments	197,083	—	30
Restricted receivables	2,240	—	—
Total Current Assets	341,714	32,397	266,203
Noncurrent Assets:			
Investments, noncurrent	—	—	236,187
Capital assets:			
Land and other non-depreciable assets	3,321	—	2,834
Buildings	176,655	288,289	60,047
Other improvements	12,783	1,581	608
Furnishings, equipment, and intangibles	679,347	127,224	169,151
Infrastructure	2,035	—	135
Accumulated depreciation	(423,795)	(204,207)	(163,200)
Construction in progress	86,718	—	463
Total Noncurrent Assets	537,064	212,887	306,225
Total Assets	878,778	245,284	572,428
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on refundings	1,476	—	—
Deferred outflows on pensions	27,746	7,106	12,307
Deferred outflows on OPEB	2,176	380	821
Total Deferred Outflows of Resources	31,398	7,486	13,128
Total Assets and Deferred Outflows of Resources	$ 910,176	$ 252,770	$ 585,556

Continued

Risk Management	Health Insurance	Total
$ —	$ 322,304	$ 570,714
—	—	4,241
2	20,694	79,163
786	17,979	93,101
—	53,992	79,879
—	—	15,507
—	—	14,113
—	—	197,113
—	—	2,240
788	414,969	1,056,071
—	—	236,187
—	—	6,155
—	—	524,991
—	—	14,972
8	482	976,212
—	—	2,170
(8)	(296)	(791,506)
—	—	87,181
—	186	1,056,362
788	415,155	2,112,433
—	—	1,476
264	1,059	48,482
14	292	3,683
278	1,351	53,641
$ 1,066	$ 416,506	$ 2,166,074

INTERNAL SERVICE FUNDS

Combining Statement of Net Position

June 30, 2018

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 9,227	$ 7,738	$ 8,984
Accrued liabilities	28,669	2,762	40,071
Bonds and notes payable	109,667	9,779	2,557
Net pension liability	—	—	981
Total OPEB liability	1,815	380	821
Due to other funds	6,438	1,215	19,303
Due to other governments	106,660	—	1
Unearned revenue	3,898	25	76
Claims and judgments payable	—	—	15,695
Total Current Liabilities	266,374	21,899	88,489
Noncurrent Liabilities:			
Claims and judgments payable	—	—	96,515
Bonds and notes payable	253,809	260,664	30,889
Net pension liability	117,018	32,969	96,748
Total OPEB Liability	112,893	23,615	51,044
Other long-term liabilities	15,494	4,332	5,518
Total Noncurrent Liabilities	499,214	321,580	280,714
Total Liabilities	765,588	343,479	369,203
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on refundings	133	—	—
Deferred inflows on pensions	16,763	5,301	23,073
Deferred inflows on OPEB	18,235	6,252	12,557
Total Deferred Inflows of Resources	35,131	11,553	35,630
NET POSITION			
Net investment in capital assets	246,310	(57,558)	36,593
Unrestricted	(136,853)	(44,704)	144,130
Total Net Position	109,457	(102,262)	180,723
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 910,176	$ 252,770	$ 585,556

Concluded

Risk Management		Health Insurance		Total	
$	166	$	7,025	$	33,140
	70		3,183		74,755
	—		—		122,003
	—		—		981
	14		79		3,109
	30,417		18,436		75,809
	—		—		106,661
	142		492		4,633
	72,194		92,379		180,268
	103,003		121,594		601,359
	542,718		—		639,233
	—		—		545,362
	1,003		3,914		251,652
	884		4,928		193,364
	103		459		25,906
	544,708		9,301		1,655,517
	647,711		130,895		2,256,876
	—		—		133
	18		95		45,250
	163		693		37,900
	181		788		83,283
	—		186		225,531
	(646,826)		284,637		(399,616)
	(646,826)		284,823		(174,085)
$	1,066	$	416,506	$	2,166,074

INTERNAL SERVICE FUNDS

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
OPERATING REVENUES			
Sales	$ 27,993	$ —	$ 13,407
Less: Cost of goods sold	(22,765)	—	(12,101)
Gross profit	5,228	—	1,306
Charges for services	313,796	155,921	249,490
Premiums and assessments	878	—	41,573
Miscellaneous revenue	147,233	18,846	10,779
Total Operating Revenues	467,135	174,767	303,148
OPERATING EXPENSES			
Salaries and wages	174,437	40,081	97,483
Employee benefits	65,860	10,864	42,531
Personal services	6,103	4,762	18,494
Goods and services	147,444	81,334	104,203
Travel	3,417	112	1,530
Premiums and claims	—	—	6,130
Depreciation and amortization	60,055	21,742	16,438
Miscellaneous expenses	742	—	27
Total Operating Expenses	458,058	158,895	286,836
Operating Income (Loss)	9,077	15,872	16,312
NONOPERATING REVENUES (EXPENSES)			
Earnings (loss) on investments	849	—	3,330
Interest expense	(6,746)	(14,830)	(948)
Tax and license revenue	15	—	—
Other revenues (expenses)	5	211	7,822
Total Nonoperating Revenues (Expenses)	(5,877)	(14,619)	10,204
Income (Loss) Before Contributions and Transfers	3,200	1,253	26,516
Capital contributions	4,572	—	19
Transfers in	14,071	8,000	28,844
Transfers out	(2,232)	—	(40,588)
Net Contributions and Transfers	16,411	8,000	(11,725)
Change in Net Position	19,611	9,253	14,791
Net Position - Beginning, as restated	89,846	(111,515)	165,932
Net Position - Ending	$ 109,457	$ (102,262)	$ 180,723

Risk Management	Health Insurance	Total
$ —	$ —	$ 41,400
—	—	(34,866)
—	—	6,534
3,721	—	722,928
89,010	1,644,852	1,776,313
50	856	177,764
92,781	1,645,708	2,683,539
1,420	7,532	320,953
546	3,248	123,049
192	8,358	37,909
23,713	4,131	360,825
18	76	5,153
110,017	1,560,236	1,676,383
—	19	98,254
—	6	775
135,906	1,583,606	2,623,301
(43,125)	62,102	60,238
—	971	5,150
—	—	(22,524)
—	—	15
—	—	8,038
—	971	(9,321)
(43,125)	63,073	50,917
—	—	4,591
—	11,307	62,222
—	—	(42,820)
—	11,307	23,993
(43,125)	74,380	74,910
(603,701)	210,443	(248,995)
$ (646,826)	$ 284,823	$ (174,085)

INTERNAL SERVICE FUNDS

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 342,784	$ 156,226	$ 263,767
Payments to suppliers	(195,894)	(89,319)	(125,765)
Payments to employees	(239,495)	(53,938)	(145,645)
Other receipts	148,112	18,845	10,779
Net Cash Provided (Used) by Operating Activities	55,507	31,814	3,136
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	14,071	8,000	28,844
Transfers out	(2,232)	—	(40,588)
Operating grants and donations received	470	329	69
Taxes and license fees collected	15	—	—
Net Cash Provided (Used) by Noncapital Financing Activities	12,324	8,329	(11,675)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	(10,174)	(14,830)	(940)
Principal payments on long-term capital financing	(31,039)	(9,594)	(3,535)
Proceeds from long-term capital financing	37,230	674	4,487
Proceeds from sale of capital assets	4,922	8	11,409
Acquisitions of capital assets	(75,770)	(6,235)	(12,649)
Net Cash Provided (Used) by Capital and Related Financing Activities	(74,831)	(29,977)	(1,228)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	852	—	2,723
Proceeds from sale of investment securities	—	—	1,108
Purchases of investment securities	—	—	(191,245)
Net Cash Provided (Used) by Investing Activities	852	—	(187,414)
Net Increase (Decrease) in Cash and Pooled Investments	(6,148)	10,166	(197,181)
Cash and cash equivalents, July 1	257,167	—	381,519
Cash and cash equivalents, June 30	$ 251,019	$ 10,166	$ 184,338
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	$ 9,077	$ 15,872	$ 16,312
Adjustments to Reconcile Operating Income (Loss)			
to Net Cash Provided by Operations:			
Depreciation	60,055	21,742	16,438
Revenue reduced for uncollectible accounts	436	—	1
Change in Assets: Decrease (Increase)			
Receivables	1,139	280	(40,649)
Inventories	(1,245)	—	627
Prepaid expenses	1,532	(1,454)	(828)
Change in Deferred Outflows of Resources: Increase (Decrease)	8,068	2,974	8,656
Change in Liabilities: Increase (Decrease)			
Payables	(59,646)	(18,427)	(20,628)
Change in Deferred Inflows of Resources: Decrease (Increase)	36,091	10,827	23,207
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 55,507	$ 31,814	$ 3,136
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Contributions of capital assets	$ 4,572	$ —	$ 19
Acquisition of capital assets through capital leases	—	305	—
Increase (decrease) in fair value of investments	(81)	—	(329)
Amortization of debt premium/discount	3,611	—	—

Risk Management	Health Insurance	Total
$ 92,805	$ 1,577,773	$ 2,433,355
(93,505)	(1,566,137)	(2,070,620)
(1,925)	(10,252)	(451,255)
51	856	178,643
(2,574)	2,240	90,123
—	11,307	62,222
—	—	(42,820)
—	—	868
—	—	15
—	11,307	20,285
—	—	(25,944)
—	—	(44,168)
—	—	42,391
—	—	16,339
—	(161)	(94,815)
—	(161)	(106,197)
—	3,023	6,598
—	—	1,108
—	—	(191,245)
—	3,023	(183,539)
(2,574)	16,409	(179,328)
2,574	305,895	947,155
$ —	$ 322,304	$ 767,827
$ (43,125)	$ 62,102	$ 60,238
—	19	98,254
—	—	437
(67)	(67,138)	(106,435)
—	—	(618)
—	—	(750)
7	108	19,813
40,224	5,540	(52,937)
387	1,609	72,121
$ (2,574)	$ 2,240	$ 90,123
$ —	$ —	$ 4,591
—	—	305
—	(1,626)	(2,036)
—	—	3,611

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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 position 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, 2018

(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 AND DEFERRED OUTFLOWS OF RESOURCES					
Cash and cash equivalents	$ —	$ —	$ 113	$ —	$ 900
Receivables:					
Employer accounts receivable	1,955	83,270	7,100	642	44,527
Member accounts receivable (net of allowance)	879	3,902	—	175	127
Due from other pension and other employee benefit funds	47,917	—	1,352	32,392	3,180
Interest and dividends	22,899	115,356	5,582	17,319	41,643
Investment trades pending	173,637	878,879	42,502	131,248	317,129
Other receivables, all other funds	10	21	—	7	23
Total Receivables	247,297	1,081,428	56,536	181,783	406,629
Investments, Noncurrent:					
Liquidity	190,415	970,483	52,655	149,214	364,727
Fixed income	1,623,022	8,215,053	397,284	1,226,804	2,964,267
Public equity	2,559,194	12,953,561	1,878,768	1,934,435	4,674,081
Private equity	1,639,336	8,297,627	401,277	1,239,136	2,994,063
Real estate	1,295,243	6,555,970	317,050	979,043	2,365,615
Tangible assets	330,296	1,671,817	80,850	249,663	603,248
Total Investments, Noncurrent	7,637,506	38,664,511	3,127,884	5,778,295	13,966,001
Security lending collateral	49,879	252,468	12,209	37,703	91,099
Total Assets	7,934,682	39,998,407	3,196,742	5,997,781	14,464,629
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on OPEB	2	1	—	3	—
Total Deferred Outflows of Resources	2	1	—	3	—
Total Assets and Deferred Outflows of Resources	$ 7,934,684	$ 39,998,408	$ 3,196,742	$ 5,997,784	$ 14,464,629
LIABILITIES					
Accrued liabilities	$ 207,536	$ 1,020,891	$ 56,594	$ 158,306	$ 368,650
Obligations under security lending agreements	49,879	252,468	12,209	37,703	91,099
Due to other pension and other employee benefit funds	—	39,744	—	—	32,392
Unearned revenues	27	155	—	—	14
Total Liabilities	257,442	1,313,258	68,803	196,009	492,155
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows on OPEB	8	16	—	2	1
Total Deferred Inflows of Resources	8	16	—	2	1
NET POSITION					
Net position restricted for:					
Pensions	7,677,234	38,685,134	3,127,939	5,801,773	13,972,473
Deferred compensation participants	—	—	—	—	—
Total Net Position	7,677,234	38,685,134	3,127,939	5,801,773	13,972,473
Total Liabilities Deferred Inflows of Resources, and Net Position	$ 7,934,684	$ 39,998,408	$ 3,196,742	$ 5,997,784	$ 14,464,629

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Plan Net Position

June 30, 2018

(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 AND DEFERRED OUTFLOWS OF RESOURCES					
Cash and cash equivalents	$ 7,152	$ 1,110	$ 1,692	$ 394	$ 476
Receivables:					
Employer accounts receivable	29,065	18,463	6,807	71	16,556
Member accounts receivable (net of allowance)	—	51	—	192	143
Due from other pension and other employee benefit funds	—	952	—	—	—
Interest and dividends	16,885	16,138	4,604	17,671	38,778
Investment trades pending	128,475	122,883	35,048	134,311	295,419
Other receivables, all other funds	—	10	—	1	7
Total Receivables	174,425	158,497	46,459	152,246	350,903
Investments, Noncurrent:					
Liquidity	168,941	141,395	554,163	145,387	327,376
Fixed income	1,200,880	1,148,618	327,599	1,255,430	2,761,343
Public equity	5,348,451	1,811,150	516,561	1,979,572	4,354,110
Private equity	1,212,951	1,160,163	330,892	1,268,049	2,789,100
Real estate	958,355	916,647	261,439	1,001,888	2,203,672
Tangible assets	244,387	233,751	66,669	255,488	561,951
Total Investments, Noncurrent	9,133,965	5,411,724	2,057,323	5,905,814	12,997,552
Security lending collateral	36,906	35,300	10,068	38,582	84,862
Total Assets	9,352,448	5,606,631	2,115,542	6,097,036	13,433,793
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on OPEB	—	—	—	—	6
Total Deferred Outflows of Resources	—	—	—	—	6
Total Assets and Deferred Outflows of Resources	$ 9,352,448	$ 5,606,631	$ 2,115,542	$ 6,097,036	$ 13,433,799
LIABILITIES					
Accrued liabilities	$ 158,389	$ 142,826	$ 45,497	$ 155,753	$ 343,026
Obligations under security lending agreements	36,906	35,300	10,068	38,582	84,862
Due to other pension and other employee benefit funds	3,180	8,012	952	—	—
Unearned revenues	—	—	—	—	443
Total Liabilities	198,475	186,138	56,517	194,335	428,331
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows on OPEB	—	1	—	1	8
Total Deferred Inflows of Resources	—	1	—	1	8
NET POSITION					
Net position restricted for:					
Pensions	9,153,973	5,420,492	2,059,025	5,902,700	13,005,460
Deferred compensation participants	—	—	—	—	—
Total Net Position	9,153,973	5,420,492	2,059,025	5,902,700	13,005,460
Total Liabilities Deferred Inflows of Resources, and Net Position	$ 9,352,448	$ 5,606,631	$ 2,115,542	$ 6,097,036	$ 13,433,799

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Plan Net Position

June 30, 2018

(expressed in thousands)

Continued

	WSPRS Plan 1/2	PSERS Plan 2	JRS	JRA
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Cash and cash equivalents	$ 512	$ 279	$ 7,837	$ 9
Receivables:				
Employer accounts receivable	969	2,959	—	—
Member accounts receivable (net of allowance)	1	—	4	1
Due from other pension and other employee benefit funds	—	—	—	—
Interest and dividends	3,849	1,780	—	—
Investment trades pending	29,279	13,545	—	—
Other receivables, all other funds	2	1	20	—
Total Receivables	34,100	18,285	24	1
Investments, Noncurrent:				
Liquidity	33,124	18,939	(60)	—
Fixed income	273,677	126,610	—	—
Public equity	431,538	199,640	—	10,057
Private equity	276,428	127,883	—	—
Real estate	218,406	101,040	—	—
Tangible assets	55,696	25,766	—	—
Total Investments, Noncurrent	1,288,869	599,878	(60)	10,057
Security lending collateral	8,410	3,891	—	—
Total Assets	1,331,891	622,333	7,801	10,067
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on OPEB	—	1	—	—
Total Deferred Outflows of Resources	—	1	—	—
Total Assets and Deferred Outflows of Resources	$ 1,331,891	$ 622,334	$ 7,801	$ 10,067
LIABILITIES				
Accrued liabilities	$ 34,012	$ 15,758	$ 9	$ —
Obligations under security lending agreements	8,410	3,891	—	—
Due to other pension and other employee benefit funds	—	1,513	—	—
Unearned revenues	34	—	—	—
Total Liabilities	42,456	21,162	9	—
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows on OPEB	1	—	—	—
Total Deferred Inflows of Resources	1	—	—	—
NET POSITION				
Net position restricted for:				
Pensions	1,289,434	601,172	7,792	10,067
Deferred compensation participants	—	—	—	—
Total Net Position	1,289,434	601,172	7,792	10,067
Total Liabilities Deferred Inflows of Resources, and Net Position	$ 1,331,891	$ 622,334	$ 7,801	$ 10,067

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Plan Net Position

June 30, 2018

(expressed in thousands)

Concluded

	Judges	VFFRPF	Deferred Compensation	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Cash and cash equivalents	$ 794	$ 20,985	$ 3,112	$ 45,365
Receivables:				
Employer accounts receivable	—	—	170	212,554
Member accounts receivable (net of allowance)	—	—	2,053	7,528
Due from other pension and other employee benefit funds	—	—	—	85,793
Interest and dividends	—	670	—	303,174
Investment trades pending	—	5,108	—	2,307,463
Other receivables, all other funds	2	23	4	131
Total Receivables	2	5,801	2,227	2,916,643
Investments, Noncurrent:				
Liquidity	(6)	5,326	—	3,122,079
Fixed income	—	47,749	—	21,568,336
Public equity	—	75,291	4,427,749	43,154,158
Private equity	—	48,229	—	21,785,134
Real estate	—	38,106	—	17,212,474
Tangible assets	—	9,717	—	4,389,299
Total Investments, Noncurrent	(6)	224,418	4,427,749	111,231,480
Security lending collateral	—	1,467	—	662,844
Total Assets	790	252,671	4,433,088	114,856,332
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on OPEB	—	—	—	13
Total Deferred Outflows of Resources	—	—	—	13
Total Assets and Deferred Outflows of Resources	$ 790	$ 252,671	$ 4,433,088	$ 114,856,345
LIABILITIES				
Accrued liabilities	$ 1	$ 5,922	$ 2,211	$ 2,715,381
Obligations under security lending agreements	—	1,467	—	662,844
Due to other pension and other employee benefit funds	—	—	—	85,793
Unearned revenues	—	—	—	673
Total Liabilities	1	7,389	2,211	3,464,691
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows on OPEB	—	—	—	38
Total Deferred Inflows of Resources	—	—	—	38
NET POSITION				
Net position restricted for:				
Pensions	789	245,282	—	106,960,739
Deferred compensation participants	—	—	4,430,877	4,430,877
Total Net Position	789	245,282	4,430,877	111,391,616
Total Liabilities Deferred Inflows of Resources, and Net Position	$ 790	$ 252,671	$ 4,433,088	$ 114,856,345

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2018

(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	$ 674,784	$ 778,525	$ —	$ 420,540	$ 446,275
Members	12,789	636,407	142,804	4,287	103,172
State	—	—	—	—	—
Participants	—	—	—	—	—
Total Contributions	687,573	1,414,932	142,804	424,827	549,447
Investment Income:					
Net appreciation (depreciation) in fair value	547,418	2,672,222	226,602	416,523	960,321
Interest and dividends	179,877	877,266	44,449	136,924	316,360
Less: investment expenses	(40,821)	(199,407)	(10,406)	(31,090)	(73,172)
Net investment income (loss)	686,474	3,350,081	260,645	522,357	1,203,509
Transfers from other plans	—	834	3,570	—	1,040
Other additions	—	—	—	—	—
Total Additions	1,374,047	4,765,847	407,019	947,184	1,753,996
DEDUCTIONS					
Pension benefits	1,189,506	1,041,583	—	903,078	299,433
Pension refunds	3,705	34,423	123,307	1,664	3,575
Transfers to other plans	149	4,695	855	—	1,958
Administrative expenses	261	683	—	109	88
Distributions to participants	—	—	—	—	—
Total Deductions	1,193,621	1,081,384	124,162	904,851	305,054
Net Increase (Decrease)	180,426	3,684,463	282,857	42,333	1,448,942
Net Position - Beginning, as restated	7,496,808	35,000,671	2,845,082	5,759,440	12,523,531
Net Position - Ending	$ 7,677,234	$ 38,685,134	$ 3,127,939	$ 5,801,773	$ 13,972,473

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2018

(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	$ —	$ 176,539	$ —	$ 1	$ 106,424
Members	349,801	70,761	79,858	426	197,230
State	—	—	—	—	68,152
Participants	—	—	—	—	—
Total Contributions	349,801	247,300	79,858	427	371,806
Investment Income:					
Net appreciation (depreciation) in fair value	668,464	371,991	144,437	422,874	898,968
Interest and dividends	132,234	122,517	36,248	138,511	294,911
Less: investment expenses	(31,256)	(28,167)	(8,084)	(31,497)	(68,100)
Net investment income (loss)	769,442	466,341	172,601	529,888	1,125,779
Transfers from other plans	1,991	317	1,782	—	617
Other additions	—	—	—	—	—
Total Additions	1,121,234	713,958	254,241	530,315	1,498,202
DEDUCTIONS					
Pension benefits	20,864	151,456	5,768	364,041	259,609
Pension refunds	336,930	3,741	100,672	—	8,550
Transfers to other plans	1,087	1,773	333	—	—
Administrative expenses	—	31	—	46	635
Distributions to participants	—	—	—	—	—
Total Deductions	358,881	157,001	106,773	364,087	268,794
Net Increase (Decrease)	762,353	556,957	147,468	166,228	1,229,408
Net Position - Beginning, as restated	8,391,620	4,863,535	1,911,557	5,736,472	11,776,052
Net Position - Ending	$ 9,153,973	$ 5,420,492	$ 2,059,025	$ 5,902,700	$ 13,005,460

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

Continued

	WSPRS Plan 1/2	PSERS Plan 2	JRS	JRA
ADDITIONS				
Contributions:				
Employers	$ 14,203	$ 26,033	$ —	$ 13
Members	9,922	26,515	—	13
State	—	—	8,700	—
Participants	—	—	—	—
Total Contributions	24,125	52,548	8,700	26
Investment Income:				
Net appreciation (depreciation) in fair value	90,607	39,683	(44)	673
Interest and dividends	29,733	13,107	96	20
Less: investment expenses	(6,748)	(2,951)	—	(14)
Net investment income (loss)	113,592	49,839	52	679
Transfers from other plans	911	162	—	—
Other additions	—	—	—	51
Total Additions	138,628	102,549	8,752	756
DEDUCTIONS				
Pension benefits	59,509	1,966	8,325	1,255
Pension refunds	125	2,954	—	—
Transfers to other plans	261	113	—	—
Administrative expenses	131	18	—	—
Distributions to participants	—	—	—	—
Total Deductions	60,026	5,051	8,325	1,255
Net Increase (Decrease)	78,602	97,498	427	(499)
Net Position - Beginning, as restated	1,210,832	503,674	7,365	10,566
Net Position - Ending	$ 1,289,434	$ 601,172	$ 7,792	$ 10,067

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

Concluded

	Judges	VFFRPF	Deferred Compensation	Total
ADDITIONS				
Contributions:				
Employers	$ —	$ 823	$ —	$ 2,644,160
Members	—	65	—	1,634,050
State	500	7,227	—	84,579
Participants	—	—	275,725	275,725
Total Contributions	500	8,115	275,725	4,638,514
Investment Income:				
Net appreciation (depreciation) in fair value	(5)	15,678	283,595	7,760,007
Interest and dividends	9	5,358	11,160	2,338,780
Less: investment expenses	—	(1,177)	(5,562)	(538,452)
Net investment income (loss)	4	19,859	289,193	9,560,335
Transfers from other plans	—	—	—	11,224
Other additions	—	—	17,931	17,982
Total Additions	504	27,974	582,849	14,228,055
DEDUCTIONS				
Pension benefits	395	11,541	—	4,318,329
Pension refunds	—	32	—	619,678
Transfers to other plans	—	—	—	11,224
Administrative expenses	—	918	—	2,920
Distributions to participants	—	—	232,496	232,496
Total Deductions	395	12,491	232,496	5,184,647
Net Increase (Decrease)	109	15,483	350,353	9,043,408
Net Position - Beginning, as restated	680	229,799	4,080,524	102,348,208
Net Position - Ending	$ 789	$ 245,282	$ 4,430,877	$ 111,391,616

AGENCY FUNDS
Combining Statement of Assets and Liabilities
June 30, 2018
(expressed in thousands)

	Local Government Distributions	Retiree Health Insurance	Other Agency	Total
ASSETS				
Cash and cash equivalents	$ 10,909	$ 23,117	$ 161,541	$ 195,567
Other receivables	—	5,479	5,317	10,796
Due from other governments	43	21,434	1,597	23,074
Other noncurrent assets	—	—	60,087	60,087
Total Assets	$ 10,952	$ 50,030	$ 228,542	$ 289,524
LIABILITIES				
Accounts payable	$ —	$ 22,990	$ 434	$ 23,424
Contracts payable	—	26,513	410	26,923
Accrued liabilities	—	527	157,851	158,378
Due to other governments	10,952	—	9,760	20,712
Other long-term liabilities	—	—	60,087	60,087
Total Liabilities	$ 10,952	$ 50,030	$ 228,542	$ 289,524

AGENCY FUNDS
Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2018
(expressed in thousands)

Continued

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Suspense Fund				
ASSETS				
Cash and cash equivalents	$ —	$ 12,128,904	$ 12,128,904	$ —
Other receivables	—	3,633	3,633	—
Due from other funds	—	11,343	11,343	—
Due from other governments	—	302	302	—
Total Assets	$ —	$ 12,144,182	$ 12,144,182	$ —
LIABILITIES				
Accounts payable	$ —	$ 4,385	$ 4,385	$ —
Accrued liabilities	—	1,819,280	1,819,280	—
Due to other funds	—	17,349,415	17,349,415	—
Due to other governments	—	214,920	214,920	—
Total Liabilities	$ —	$ 19,388,000	$ 19,388,000	$ —
Local Government Distributions Fund				
ASSETS				
Cash and cash equivalents	$ 10,985	$ 4,985,055	$ 4,985,131	$ 10,909
Due from other funds	—	3,803,352	3,803,352	—
Due from other governments	—	78	35	43
Security lending collateral	130	—	130	—
Total Assets	$ 11,115	$ 8,788,485	$ 8,788,648	$ 10,952
LIABILITIES				
Accrued liabilities	$ —	$ 41	$ 41	$ —
Obligations under security lending agreements	130	—	130	—
Due to other funds	—	65	65	—
Due to other governments	10,985	5,111,647	5,111,680	10,952
Other long-term liabilities	—	696	696	—
Total Liabilities	$ 11,115	$ 5,112,449	$ 5,112,612	$ 10,952
Pooled Investments Fund				
ASSETS				
Cash and cash equivalents	$ —	$ 248,888,108	$ 248,888,108	$ —
Other receivables	—	3,809,306	3,809,306	—
Investment trades pending receivable	—	89,645,331	89,645,331	—
Due from other funds	—	4,536	4,536	—
Total Assets	$ —	$ 342,347,281	$ 342,347,281	$ —
LIABILITIES				
Accounts payable	$ —	$ 121	$ 121	$ —
Accrued liabilities	—	463,701,927	463,701,927	—
Obligations under security lending agreements	—	8,722	8,722	—
Due to other funds	—	8,667	8,667	—
Total Liabilities	$ —	$ 463,719,437	$ 463,719,437	$ —

AGENCY FUNDS

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

Concluded

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Retiree Health Insurance Fund				
ASSETS				
Cash and cash equivalents	$ 9,310	$ 694,573	$ 680,766	$ 23,117
Other receivables	4,548	242,677	241,746	5,479
Due from other governments	19,387	437,222	435,175	21,434
Security lending collateral	1,364	—	1,364	—
Total Assets	$ 34,609	$ 1,374,472	$ 1,359,051	$ 50,030
LIABILITIES				
Accounts payable	$ 4,355	$ 462,581	$ 443,946	$ 22,990
Contracts payable	28,388	1,869	3,744	26,513
Accrued liabilities	502	233,633	233,608	527
Obligations under security lending agreements	1,364	1,365	2,729	—
Total Liabilities	$ 34,609	$ 699,448	$ 684,027	$ 50,030
Other Agency Funds				
ASSETS				
Cash and cash equivalents	$ 158,204	$ 8,920,569	$ 8,917,232	$ 161,541
Restricted Cash and investments	—	206	206	—
Other receivables	4,968	826,684	826,335	5,317
Investment trades pending receivable	—	40,874	40,874	—
Due from other funds	—	13,123	13,123	—
Due from other governments	545	15,056	14,004	1,597
Security lending collateral	634	—	634	—
Other noncurrent assets	46,737	13,350	—	60,087
Total Assets	$ 211,088	$ 9,829,862	$ 9,812,408	$ 228,542
LIABILITIES				
Accounts payable	$ 225	$ 1,385,257	$ 1,385,048	$ 434
Contracts payable	14,893	206	14,689	410
Accrued liabilities	126,240	8,838,172	8,806,561	157,851
Obligations under security lending agreements	634	—	634	—
Due to other funds	—	453	453	—
Due to other governments	22,359	68,291	80,890	9,760
Other long-term liabilities	46,737	44,506	31,156	60,087
Total Liabilities	$ 211,088	$ 10,336,885	$ 10,319,431	$ 228,542
Totals - All Agency Funds				
ASSETS				
Cash and cash equivalents	$ 178,499	$ 275,617,209	$ 275,600,141	$ 195,567
Restricted cash and investments	—	206	206	—
Other receivables	9,516	4,882,300	4,881,020	10,796
Investment trades pending receivable	—	89,686,205	89,686,205	—
Due from other funds	—	3,832,354	3,832,354	—
Due from other governments	19,932	452,658	449,516	23,074
Security lending collateral	2,128	—	2,128	—
Other noncurrent assets	46,737	13,350	—	60,087
Total Assets	$ 256,812	$ 374,484,282	$ 374,451,570	$ 289,524
LIABILITIES				
Accounts payable	$ 4,580	$ 1,852,344	$ 1,833,500	$ 23,424
Contracts payable	43,281	2,075	18,433	26,923
Accrued liabilities	126,742	474,593,053	474,561,417	158,378
Obligations under security lending agreements	2,128	10,087	12,215	—
Due to other funds	—	17,358,600	17,358,600	—
Due to other governments	33,344	5,394,858	5,407,490	20,712
Other long-term liabilities	46,737	45,202	31,852	60,087
Total Liabilities	$ 256,812	$ 499,256,219	$ 499,223,507	$ 289,524

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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, 2018

(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	$ 56,637	$ 133	$ 1,360	$ 513	$ 58,643
Investments	45,552	3,400	—	—	48,952
Receivables (net of allowance)	7,586	168	4	—	7,758
Prepaid expenses	299	12	14	—	325
Total Current Assets	110,074	3,713	1,378	513	115,678
Noncurrent Assets:					
Other noncurrent assets	288,034	—	—	—	288,034
Capital assets:					
Other improvements	176	—	—	—	176
Furnishings, equipment and intangible assets	1,886	—	—	—	1,886
Accumulated depreciation	(1,828)	—	—	—	(1,828)
Total Noncurrent Assets	288,268	—	—	—	288,268
Total Assets	398,342	3,713	1,378	513	403,946
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on pensions	763	78	—	—	841
Deferred outflows on OPEB	54	3	—	—	57
Total Deferred Outflows of Resources	817	81	—	—	898
Total Assets and Deferred Outflows of Resources	$ 399,159	$ 3,794	$ 1,378	$ 513	$ 404,844
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 684	$ 44	$ 65	$ —	$ 793
Accrued liabilities	37,094	96	—	—	37,190
Total OPEB liability	—	19	—	—	19
Unearned revenue	8,647	—	—	—	8,647
Total Current Liabilities	46,425	159	65	—	46,649
Noncurrent Liabilities:					
Net pension liability	4,199	308	—	—	4,507
Total OPEB liability	3,400	170	—	—	3,570
Total Noncurrent Liabilities	7,599	478	—	—	8,077
Total Liabilities	54,024	637	65	—	54,726
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows on pensions	630	51	—	—	681
Deferred inflows on OPEB	499	30	—	—	529
Total Deferred Inflows of Resources	1,129	81	—	—	1,210
NET POSITION					
Net investment in capital assets	234	—	—	—	234
Restricted for other purposes	1,083	—	—	—	1,083
Unrestricted	342,689	3,076	1,313	513	347,591
Total Net Position	344,006	3,076	1,313	513	348,908
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 399,159	$ 3,794	$ 1,378	$ 513	$ 404,844

NONMAJOR COMPONENT UNITS

Combining Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
EXPENSES	$ 21,297	$ 1,283	$ 299	$ 215	$ 23,094
PROGRAM REVENUES					
Charges for services	73,413	1,323	106	447	75,289
Operating grants and contributions	2,168	—	—	—	2,168
Total Program Revenues	75,581	1,323	106	447	77,457
Net Program Revenues (Expense)	54,284	40	(193)	232	54,363
GENERAL REVENUES					
Earnings (loss) on investments	839	49	19	3	910
Total General Revenues	839	49	19	3	910
Change in Net Position	55,123	89	(174)	235	55,273
Net Position - Beginning, as restated	288,883	2,987	1,487	278	293,635
Net Position - Ending	$ 344,006	$ 3,076	$ 1,313	$ 513	$ 348,908

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Individual Fund Schedules

COMBINING SCHEDULE FOR GENERAL FUND ACCOUNTS

Balance Sheet

June 30, 2018

(expressed in thousands)

	General Fund Basic Account	Administrative Accounts	Total
ASSETS			
Cash and cash equivalents	$ 1,732,755	$ 1,875,333	$ 3,608,088
Investments	5,163	73,510	78,673
Taxes receivable (net of allowance)	4,566,740	—	4,566,740
Receivables (net of allowance)	707,059	14,670	721,729
Due from other funds	543,174	17,525	560,699
Due from other governments	1,526,426	1,742	1,528,168
Inventories and prepaids	13,743	—	13,743
Restricted cash and investments	2,687	26,047	28,734
Restricted receivables	20,189	—	20,189
Total Assets	$ 9,117,936	$ 2,008,827	$ 11,126,763
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 1,531,726	$ 64,674	$ 1,596,400
Accrued liabilities	291,561	23,429	314,990
Due to other funds	136,723	60,140	196,863
Due to other governments	1,215,643	833	1,216,476
Unearned revenue	141,493	56	141,549
Claims and judgments payable	54,160	—	54,160
Total Liabilities	3,371,306	149,132	3,520,438
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	2,171,602	4,659	2,176,261
Total Deferred Inflows of Resources	2,171,602	4,659	2,176,261
FUND BALANCES			
Nonspendable fund balance	45,400	—	45,400
Restricted fund balance	—	1,476,149	1,476,149
Committed fund balance	—	387,930	387,930
Assigned fund balance	1,513,952	—	1,513,952
Unassigned fund balance	2,015,676	(9,043)	2,006,633
Total Fund Balances	3,575,028	1,855,036	5,430,064
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 9,117,936	$ 2,008,827	$ 11,126,763

COMBINING SCHEDULE FOR GENERAL FUND ACCOUNTS

Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

	General Fund Basic Account	Administrative Accounts	Total
REVENUES			
Retail sales and use taxes	$ 11,003,465	$ —	$ 11,003,465
Business and occupation taxes	4,176,893	—	4,176,893
Property taxes	2,769,520	—	2,769,520
Excise taxes	1,139,260	—	1,139,260
Other taxes	2,155,410	—	2,155,410
Licenses, permits, and fees	123,550	817	124,367
Other contracts and grants	330,330	51	330,381
Timber sales	1,924	—	1,924
Federal grants-in-aid	13,012,925	516	13,013,441
Charges for services	48,367	—	48,367
Investment income (loss)	(9,823)	10,479	656
Miscellaneous revenue	297,967	16,582	314,549
Unclaimed property	100,139	—	100,139
Total Revenues	35,149,927	28,445	35,178,372
EXPENDITURES			
Current:			
General government	785,408	78,962	864,370
Human services	18,555,068	131,004	18,686,072
Natural resources and recreation	394,897	70,055	464,952
Transportation	48,452	8,925	57,377
Education	12,581,797	485,103	13,066,900
Intergovernmental	24,743	77,079	101,822
Capital outlays	78,391	539	78,930
Debt service:			
Principal	14,240	167	14,407
Interest	3,509	16	3,525
Total Expenditures	32,486,505	851,850	33,338,355
Excess of Revenues Over (Under) Expenditures	2,663,422	(823,405)	1,840,017
OTHER FINANCING SOURCES (USES)			
Bonds issued	—	59,590	59,590
Issuance premiums	215	717	932
Other debt issued	1,976	—	1,976
Transfers in	499,842	186,246	686,088
Transfers out	(1,991,853)	632,222	(1,359,631)
Total Other Financing Sources (Uses)	(1,489,820)	878,775	(611,045)
Net Change in Fund Balances	1,173,602	55,370	1,228,972
Fund Balances - Beginning	2,401,426	1,799,666	4,201,092
Fund Balances - Ending	$ 3,575,028	$ 1,855,036	$ 5,430,064

GENERAL FUND ACCOUNTS

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

For the Fiscal Year Ended June 30, 2018

(expressed in thousands)

	General Fund Basic Account			
	Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 1,100,552	$ 1,100,552	$ 1,100,552	$ —
Resources				
Taxes	42,053,351	42,265,579	21,219,806	(21,045,773)
Licenses, permits, and fees	221,908	226,880	123,550	(103,330)
Other contracts and grants	735,270	840,501	330,327	(510,174)
Timber sales	6,294	5,878	1,924	(3,954)
Federal grants-in-aid	23,762,662	24,466,096	11,618,774	(12,847,322)
Charges for services	96,731	96,335	48,367	(47,968)
Investment income (loss)	25,413	19,257	10,731	(8,526)
Miscellaneous revenue	410,560	435,606	289,339	(146,267)
Unclaimed property	131,846	171,914	98,822	(73,092)
Transfers from other funds	855,941	877,445	513,297	(364,148)
Total Resources	69,400,528	70,506,043	35,355,489	(35,150,554)
Charges To Appropriations				
General government	3,701,116	4,165,167	1,976,561	2,188,606
Human services	35,560,442	35,880,065	17,202,827	18,677,238
Natural resources and recreation	711,429	761,908	360,555	401,353
Transportation	113,315	113,635	50,163	63,472
Education	27,060,076	27,472,899	12,818,209	14,654,690
Capital outlays	154,106	439,758	52,229	387,529
Transfers to other funds	712,225	881,567	672,634	208,933
Total Charges To Appropriations	68,012,709	69,714,999	33,133,178	36,581,821
Excess Available For Appropriation Over (Under) Charges To Appropriations	1,387,819	791,044	2,222,311	1,431,267
Reconciling Items				
Bond sale proceeds	—	—	—	—
Issuance premiums	—	—	—	—
Assumed reversions	216,868	216,000	—	(216,000)
Working capital adjustment	—	—	(256,000)	(256,000)
Noncash activity (net)	—	—	51,995	51,995
Nonappropriated fund balances	—	—	—	—
Changes in reserves (net)	—	—	(2,630)	(2,630)
Total Reconciling Items	216,868	216,000	(206,635)	(422,635)
Budgetary Fund Balance, June 30	$ 1,604,687	$ 1,007,044	$ 2,015,676	$ 1,008,632

Administrative Accounts in the General Fund			
Original Budget 2017-19 Biennium	Final Budget 2017-19 Biennium	Actual 2017-19 Biennium	Variance with Final Budget
$ 1,700,407	$ 1,700,407	$ 1,700,407	$ —
(176,334)	(151,085)	(77,079)	74,006
1,689	2,671	814	(1,857)
2	2	—	(2)
—	—	—	—
1,050	1,050	—	(1,050)
20	20	—	(20)
18,173	14,995	18,662	3,667
35,050	124,505	(5,279)	(129,784)
—	—	—	—
2,159,146	4,060,752	1,023,862	(3,036,890)
3,739,203	5,753,317	2,661,387	(3,091,930)
518,367	98,065	22,745	75,320
53,687	300,272	128,694	171,578
7,556	42,653	29,424	13,229
5,276	11,312	7,329	3,983
231,084	494,165	205,405	288,760
160,672	500,182	88,675	411,507
1,162,800	2,945,222	497,936	2,447,286
2,139,442	4,391,871	980,208	3,411,663
1,599,761	1,361,446	1,681,179	319,733
188,943	301,811	59,590	(242,221)
—	—	717	717
—	—	—	—
—	—	—	—
—	—	(1,830)	(1,830)
—	—	116,024	116,024
—	—	(644)	(644)
188,943	301,811	173,857	(127,954)
$ 1,788,704	$ 1,663,257	$ 1,855,036	$ 191,779

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STATISTICAL SECTION

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Statistical Section

This section of the state of Washington's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health.

These schedules contain trend information to help the reader understand how the state's financial performance and fiscal health has changed over time.

These schedules contain information to help the reader assess the state's most significant revenue sources: Retail sales tax and business and occupation tax.

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

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

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

FINANCIAL TRENDS

Schedule 1 - Net Position by Component

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

	2018	2017	2016	2015
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	$ 21,749	$ 21,048	$ 19,942	$ 19,958
Restricted	11,328	9,718	8,518	8,320
Unrestricted	(4,163)	(3,377)	(2,691)	(3,944)
Total governmental activities net position	$ 28,914	$ 27,389	$ 25,769	$ 24,334
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	$ 847	$ 751	$ 745	$ 973
Restricted	4,825	4,581	4,485	4,240
Unrestricted	(9,816)	(8,734)	(8,724)	(8,945)
Total business-type activities net position	$ (4,144)	$ (3,402)	$ (3,494)	$ (3,732)
PRIMARY GOVERNMENT				
Net investment in capital assets	$ 22,596	$ 21,799	$ 20,687	$ 20,931
Restricted	16,153	14,300	13,002	12,560
Unrestricted	(13,979)	(12,111)	(11,415)	(12,889)
Total primary government net position	$ 24,770	$ 23,988	$ 22,274	$ 20,602
COMPONENT UNITS				
Net investment in capital assets	$ 351	$ 333	$ 354	$ 379
Restricted	10	9	15	20
Unrestricted	511	446	477	432
Total component units net position	$ 872	$ 788	$ 846	$ 831

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

	2014	2013	2012	2011	2010	2009
	$ 19,816	$ 19,706	$ 19,561	$ 18,723	$ 18,201	$ 17,551
	6,589	6,524	5,296	4,847	5,214	4,887
	399	111	233	1,160	(217)	1,417
	$ 26,804	$ 26,341	$ 25,090	$ 24,730	$ 23,198	$ 23,855
	$ 625	$ 740	$ 797	$ 718	$ 913	$ 721
	3,815	3,469	3,225	3,199	2,930	3,800
	(8,318)	(9,067)	(8,599)	(9,662)	(10,864)	(9,737)
	$ (3,878)	$ (4,858)	$ (4,577)	$ (5,745)	$ (7,021)	$ (5,216)
	$ 20,441	$ 20,446	$ 20,358	$ 19,441	$ 19,114	$ 18,272
	10,404	9,993	8,521	8,046	8,144	8,687
	(7,919)	(8,956)	(8,366)	(8,502)	(11,081)	(8,320)
	$ 22,926	$ 21,483	$ 20,513	$ 18,985	$ 16,177	$ 18,639
	$ 420	$ 320	$ 322	$ 332	$ 343	$ 354
	22	13	16	20	21	23
	374	131	109	102	96	87
	$ 816	$ 464	$ 446	$ 454	$ 460	$ 464

FINANCIAL TRENDS

Schedule 2 - Changes in Net Position

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

	2018	2017	2016	2015
EXPENSES				
Governmental activities:				
General government	$ 1,687	$ 1,945	$ 1,658	$ 1,987
Education - elementary and secondary (K-12)	12,012	11,042	10,153	9,426
Education - higher education	7,662	7,633	7,531	7,095
Human services	18,863	18,216	17,209	16,890
Adult corrections	1,067	1,062	983	956
Natural resources and recreation	1,185	1,266	1,264	1,335
Transportation	2,485	2,118	2,363	2,309
Interest on long-term debt	1,002	1,027	991	981
Total governmental activities expenses	45,962	44,309	42,153	40,978
Business-type activities:				
Workers' compensation	3,690	3,269	3,238	3,018
Unemployment compensation	935	1,027	1,020	968
Higher education student services	3,119	3,022	2,495	2,314
Liquor control [(1)]	—	—	—	—
Washington's lottery	557	520	535	466
Guaranteed education tuition program [(2)]	174	306	(152)	(585)
Other	188	190	161	157
Total business-type activities expenses	8,662	8,334	7,296	6,338
Total primary government expenses	$ 54,624	$ 52,642	$ 49,449	$ 47,317
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	$ 908	$ 887	$ 853	$ 887
Education - elementary and secondary (K-12)	28	23	21	21
Education - higher education	3,059	2,807	2,762	2,815
Human services	737	1,080	724	659
Adult corrections	29	9	7	8
Natural resources and recreation	617	524	468	455
Transportation	1,794	1,313	1,206	1,139
Operating grants and contributions	16,120	15,832	15,358	15,158
Capital grants and contributions	973	1,012	1,113	867
Total governmental activities program revenues	24,263	23,487	22,510	22,010
Business-type activities:				
Charges for services:				
Workers' compensation	2,775	2,780	2,557	2,375
Unemployment compensation	1,039	994	1,139	1,257
Higher education student services	3,139	2,871	2,395	2,216
Liquor control [(1)]	—	—	—	—
Washington's lottery	737	676	698	603
Guaranteed education tuition program [(2)]	84	29	(348)	53
Other	146	175	155	126
Operating grants and contributions	66	65	70	77
Capital grants and contributions	—	5	—	—
Total business-type activities program revenues	7,986	7,594	6,666	6,707
Total primary government program revenues	$ 32,249	$ 31,081	$ 29,176	$ 28,717
NET (EXPENSE)/REVENUE				
Governmental activities	$ (21,699)	$ (20,822)	$ (19,643)	$ (18,969)
Business-type activities	(676)	(739)	(630)	369
Total primary government net expense	$ (22,375)	$ (21,562)	$ (20,273)	$ (18,600)

Refer to footnotes at the end of Schedule 2.

Continued

2014	2013	2012	2011	2010	2009
$ 1,607	$ 1,537	$ 1,219	$ 1,674	$ 1,738	$ 1,815
8,914	8,237	8,257	8,055	8,468	8,549
6,910	6,992	6,526	6,257	6,051	6,044
15,052	13,182	13,168	13,363	12,946	12,436
911	844	886	935	938	1,044
1,137	1,096	982	996	1,084	1,062
2,400	2,379	2,396	1,981	2,073	1,883
938	955	910	882	810	728
37,869	35,222	34,345	34,144	34,108	33,561
3,142	3,329	1,919	1,219	4,268	2,544
1,380	1,983	2,817	3,690	4,729	2,360
2,080	1,927	1,834	1,820	1,628	1,502
—	—	566	556	552	540
463	437	407	393	389	401
185	(105)	—	—	—	—
133	126	210	784	345	391
7,383	7,697	7,754	8,463	11,911	7,738
$ 45,252	$ 42,919	$ 42,099	$ 42,607	$ 46,019	$ 41,299
$ 870	$ 977	$ 702	$ 645	$ 534	$ 600
26	14	10	16	12	19
2,741	2,760	2,662	2,379	2,210	2,170
612	544	531	462	345	300
8	8	8	7	18	9
510	421	434	478	564	400
1,082	1,025	878	914	899	900
13,240	12,027	11,790	12,609	12,193	10,565
1,066	997	944	833	939	706
20,155	18,773	17,960	18,343	17,716	15,669
2,237	2,154	2,046	2,019	1,755	1,856
1,349	1,308	1,346	1,573	1,288	1,011
1,987	1,857	1,762	1,615	1,698	1,556
—	—	582	596	593	574
595	570	535	511	491	488
138	174	—	—	—	—
110	103	121	152	162	156
326	870	1,443	2,305	2,468	572
—	—	1	13	—	—
6,742	7,036	7,836	8,784	8,455	6,212
$ 26,897	$ 25,809	$ 25,796	$ 27,127	$ 26,171	$ 21,881
$ (17,714)	$ (16,449)	$ (16,385)	$ (15,800)	$ (16,392)	$ (17,892)
(641)	(661)	83	321	(3,456)	(1,526)
$ (18,355)	$ (17,110)	$ (16,302)	$ (15,479)	$ (19,848)	$ (19,418)

FINANCIAL TRENDS

Schedule 2 - Changes in Net Position

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

	2018	2017	2016	2015
GENERAL REVENUES & OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes:				
Sales and use tax	$ 11,154	$ 10,363	$ 9,740	$ 9,001
Business and occupation	4,183	3,862	3,636	3,394
Property	3,347	2,098	2,062	2,018
Other	6,179	5,561	5,254	3,719
Interest and investment earnings (loss)	561	614	168	307
Contributions to endowments	109	100	66	65
Transfers	152	119	152	136
Total governmental activities	25,686	22,717	21,078	18,641
Business-type activities:				
Taxes - other	23	21	21	20
Interest and investment earnings	502	880	999	377
Transfers	(152)	(119)	(152)	(136)
Other general revenue (3)	—	—	—	—
Special item (4)	—	—	—	—
Total business-type activities	373	782	868	261
Total primary government	$ 26,058	$ 23,499	$ 21,946	$ 18,902
CHANGE IN NET POSITION				
Governmental activities	$ 3,986	$ 1,895	$ 1,435	$ (328)
Business-type activities	(304)	43	237	630
Total primary government	$ 3,683	$ 1,938	$ 1,672	$ 302
COMPONENT UNITS				
Total expenses	$ 727	$ 727	$ 1,165	$ 1,080
Program revenues:				
Charges for services	742	722	1,093	945
Operating grants and contributions	31	13	68	126
Capital grants and contributions	—	—	—	—
Total program revenues	774	734	1,161	1,071
Net (expense) / revenue	46	7	(4)	(9)
General revenues - property taxes and other	40	21	20	18
General revenues - interest and investment earnings (loss)	3	2	9	5
Total component units - change in net position	$ 90	$ 31	$ 25	$ 14

1. The Liquor control distribution and sale of spirits ceased with the passage of initiative 1183. The remaining activities of Liquor control for enforcement and regulation of alcohol and tobacco sales were reclassified to a governmental activity.
2. Guaranteed education tuition program was separated from other business-type activities in 2013.
3. Liquor and Cannabis Board auctioned off "Right to Sell" at state owned liquor stores as part of the closeout process in 2012.
4. 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

2014	2013	2012	2011	2010	2009
$ 8,365	$ 7,710	$ 7,349	$ 7,349	$ 6,871	$ 7,306
3,267	3,294	3,149	3,077	2,597	2,614
1,974	1,940	1,897	1,858	1,822	1,785
4,244	4,128	3,946	3,881	3,692	4,296
621	397	169	474	449	(212)
66	63	47	69	52	57
94	114	165	231	252	(190)
18,631	17,646	16,722	16,939	15,735	15,656
22	22	72	174	160	113
1,618	523	1,150	1,611	1,742	291
(94)	(114)	(165)	(231)	(252)	190
—	—	30	—	—	—
—	—	—	(223)	—	—
1,546	431	1,088	1,331	1,650	594
$ 20,177	$ 18,077	$ 17,810	$ 18,270	$ 17,385	$ 16,250
$ 917	$ 1,197	$ 337	$ 1,140	$ (657)	$ (2,236)
905	(230)	1,171	1,653	(1,806)	(932)
$ 1,822	$ 967	$ 1,508	$ 2,793	$ (2,463)	$ (3,168)
$ 859	$ 46	$ 60	$ 131	$ 68	$ 29
802	33	18	17	16	15
95	29	32	105	44	1
—	2	1	1	1	1
897	64	51	123	61	17
38	18	(9)	(8)	(7)	(12)
17	—	—	—	—	—
(14)	—	2	2	3	5
$ 41	$ 18	$ (8)	$ (6)	$ (4)	$ (7)

FINANCIAL TRENDS

Schedule 3 - Fund Balances, Governmental Funds (1)

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

	2018	2017	2016	2015
GENERAL FUND				
Nonspendable	$ 45,400	$ 42,922	$ 45,578	$ 47,353
Restricted	1,476,149	1,658,761	558,708	533,279
Committed	387,930	140,905	114,958	105,667
Assigned	1,513,952	1,257,952	1,155,952	1,014,952
Unassigned	2,006,633	1,100,552	1,355,071	964,168
Reserved	N/A	N/A	N/A	N/A
Unreserved, designated for:				
Working capital	N/A	N/A	N/A	N/A
Unrealized gains	N/A	N/A	N/A	N/A
Unreserved, undesignated	N/A	N/A	N/A	N/A
Total General Fund	5,430,064	4,201,092	3,230,267	2,665,419
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable	2,768,321	2,638,831	2,493,189	2,487,573
Restricted	5,298,543	4,340,500	4,050,297	3,835,980
Committed	6,065,013	5,765,961	6,013,887	5,860,326
Assigned	18,300	18,300	18,300	16,060
Unassigned	(256)	(70,020)	(11,821)	(167,356)
Reserved	N/A	N/A	N/A	N/A
Unreserved, designated for:				
Unrealized gains	N/A	N/A	N/A	N/A
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
Other specific purpose	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	14,149,921	12,693,572	12,563,852	12,032,583
Total governmental fund balances	$ 19,579,985	$ 16,894,664	$ 15,794,119	$ 14,698,002

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

	2014	2013	2012	2011	2010	2009
	$ 50,475	$ 49,819	$ 54,726	$ 89,916	N/A	N/A
	416,652	299,165	161,689	23,273	N/A	N/A
	142,586	59,579	78,117	98,077	N/A	N/A
	879,952	835,152	710,091	1,114,699	N/A	N/A
	336,476	138,875	—	(107,764)	N/A	N/A
	N/A	N/A	N/A	N/A	76,164	74,929
	N/A	N/A	N/A	N/A	863,652	897,763
	N/A	N/A	N/A	N/A	—	—
	N/A	N/A	N/A	N/A	(561,067)	189,258
	1,826,141	1,382,590	1,004,623	1,218,201	378,749	1,161,950
	2,438,057	2,289,499	2,207,007	3,664,194	N/A	N/A
	4,008,161	3,895,017	4,919,729	3,790,577	N/A	N/A
	5,138,780	4,937,328	3,503,646	2,052,523	N/A	N/A
	—	40	44	45	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
	N/A	N/A	N/A	N/A	—	—
	N/A	N/A	N/A	N/A	107,624	155,679
	N/A	N/A	N/A	N/A	157	165
	N/A	N/A	N/A	N/A	170,200	267,470
	N/A	N/A	N/A	N/A	—	—
	N/A	N/A	N/A	N/A	2,297,145	814,231
	N/A	N/A	N/A	N/A	1,219,705	1,848,410
	N/A	N/A	N/A	N/A	69,192	307,556
	11,584,998	11,042,557	10,630,426	9,332,867	10,162,463	8,386,913
	$ 13,411,139	$ 12,425,147	$ 11,635,049	$ 10,551,068	$ 10,541,212	$ 9,548,863

FINANCIAL TRENDS

Schedule 4 - Revenues, Expenditures, and Other Financing Sources (Uses)
All Governmental Fund Types

Last Ten Fiscal Years (expressed in millions)

	2018	2017	2016	2015
REVENUES				
Taxes:				
Retail sales and use	$ 11,154	$ 10,363	$ 9,740	$ 9,001
Business and occupation	4,183	3,862	3,636	3,394
Motor vehicle and fuel	1,732	1,680	1,486	1,253
Liquor, beer, and wine	371	355	348	331
Cigarette and tobacco	422	430	451	474
Insurance premiums	631	604	535	556
Public utilities	482	483	469	455
Property	3,347	2,098	2,062	2,018
Excise	1,600	1,461	1,203	927
Gift and inheritance	209	168	136	150
Other taxes	600	540	430	410
Total Taxes	24,729	22,044	20,496	18,969
Licenses, permits, and fees	2,408	1,907	1,766	1,660
Federal grants-in-aid	15,646	15,370	15,034	14,712
Charges and miscellaneous revenue	6,348	6,336	5,831	5,751
Investment income (loss)	561	614	168	307
Total Revenues	49,692	46,269	43,295	41,399
EXPENDITURES				
Current:				
General government	1,355	1,450	1,289	1,330
Human services	19,817	19,026	18,037	17,566
Natural resources and recreation	1,128	1,181	1,214	1,239
Transportation	2,124	2,068	1,955	1,883
Education	19,102	18,059	16,922	15,915
Intergovernmental	504	497	492	465
Capital outlays	1,781	2,428	2,200	2,247
Debt service:				
Principal	1,144	1,125	1,040	944
Interest	1,035	1,042	999	982
Total Expenditures	47,990	46,876	44,147	42,572
Revenues Over (Under) Expenditures	1,703	(607)	(852)	(1,174)
OTHER FINANCING SOURCES (USES):				
Bonds issued, net of refunding	1,389	1,539	1,709	1,368
Other debt issued, net of refunding	47	70	102	31
Transfers in	4,634	4,545	4,317	5,062
Transfers out	(4,502)	(4,446)	(4,180)	(4,937)
Net Other Financing Sources (Uses)	1,568	1,708	1,948	1,524
Net Change in Fund Balances	$ 3,270	$ 1,101	$ 1,096	$ 350
Debt service as a percentage of noncapital expenditures (1)	4.7%	4.9%	4.8%	4.7%

1. Percentage is calculated by dividing principal and interest by total expenditures less capital outlays. The capital outlays can be found on the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

	2014	2013	2012	2011	2010	2009
	$ 8,365	$ 7,710	$ 7,349	$ 7,349	$ 6,871	$ 7,306
	3,267	3,294	3,149	3,077	2,597	2,614
	1,215	1,195	1,178	1,206	1,219	1,183
	321	365	323	229	223	222
	443	465	471	494	426	432
	467	436	430	413	406	408
	464	440	438	450	416	430
	1,974	1,940	1,897	1,858	1,822	1,785
	717	651	495	447	471	487
	157	104	105	123	82	139
	474	444	424	438	418	361
	17,864	17,044	16,260	16,084	14,951	15,368
	1,627	1,599	1,244	1,072	987	899
	13,168	11,889	11,905	12,599	12,388	10,548
	5,369	5,321	4,852	4,722	4,460	4,145
	621	397	169	474	449	(212)
	38,649	36,250	34,431	34,951	33,235	30,748
	1,280	1,162	1,169	1,375	1,474	1,377
	15,733	13,957	13,903	14,134	13,736	13,154
	1,037	1,043	920	966	889	999
	1,817	1,797	1,788	1,809	1,876	1,847
	15,130	14,551	14,275	14,086	13,989	13,826
	456	440	399	393	382	383
	2,293	2,456	2,224	2,403	2,260	2,446
	868	784	728	697	671	645
	939	921	884	830	740	670
	39,552	37,111	36,288	36,692	36,016	35,348
	(903)	(861)	(1,858)	(1,741)	(2,782)	(4,599)
	2,038	1,344	2,759	989	3,416	1,781
	45	156	21	154	112	49
	4,356	3,152	2,669	3,860	3,699	4,125
	(4,274)	(3,051)	(2,517)	(3,636)	(3,452)	(4,340)
	2,165	1,601	2,931	1,367	3,774	1,615
	$ 1,262	$ 740	$ 1,074	$ (374)	$ 993	$ (2,985)
	4.8%	4.9%	4.7%	4.5%	4.2%	4.0%

FINANCIAL TRENDS

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

General Fund

Last Ten Fiscal Years (expressed in millions)

	2018	2017	2016	2015
REVENUES				
Taxes:				
Retail sales and use	$ 11,003	$ 10,221	$ 9,623	$ 8,903
Business and occupation	4,177	3,857	3,632	3,389
Liquor, beer, and wine	303	290	284	282
Cigarette and tobacco	422	430	451	474
Insurance premiums	601	577	510	529
Public utilities	462	463	449	437
Property	2,770	2,098	2,062	2,018
Excise	1,139	1,055	933	787
Gift and inheritance	(6)	2	—	(1)
Other taxes	373	348	245	207
Total Taxes	21,244	19,341	18,189	17,025
Licenses, permits, and fees	124	130	116	115
Federal grants-in-aid	13,013	12,680	12,196	12,053
Charges and miscellaneous revenue	795	1,000	611	583
Investment income (loss)	1	(5)	26	8
Total Revenues	35,178	33,146	31,138	29,784
EXPENDITURES				
Current:				
General government	864	884	802	846
Human services	18,686	17,959	17,072	16,794
Natural resources and recreation	465	429	534	445
Transportation	57	62	67	37
Education	13,067	12,176	11,403	10,177
Intergovernmental	102	123	119	117
Capital outlays	79	70	111	52
Debt service:				
Principal	14	12	8	8
Interest	4	4	3	1
Total Expenditures	33,338	31,719	30,121	28,477
Revenues Over (Under) Expenditures	1,840	1,428	1,016	1,308
OTHER FINANCING SOURCES (USES)				
Bonds issued, net of refunding	61	129	102	192
Other debt issued, net of refunding	2	1	75	7
Transfers in	686	713	577	466
Transfers out	(1,360)	(1,300)	(1,205)	(1,119)
Net Other Financing Sources (Uses)	(611)	(457)	(452)	(454)
Net Change in Fund Balances	$ 1,229	$ 971	$ 565	$ 854

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

2014	2013	2012	2011	2010	2009
$ 8,275	$ 7,629	$ 7,274	$ 7,275	$ 6,802	$ 7,234
3,262	3,291	3,145	3,072	2,593	2,530
274	340	296	202	198	163
443	465	471	498	349	68
457	426	421	404	397	253
447	423	427	449	400	417
1,974	1,940	1,897	1,858	1,822	1,529
650	583	434	414	418	433
—	3	—	1	—	—
226	194	183	250	192	163
16,008	15,294	14,547	14,424	13,169	12,791
108	105	99	88	86	95
10,226	8,780	8,824	9,597	9,648	8,311
506	540	520	556	481	326
7	(17)	(6)	(15)	(9)	64
26,855	24,702	23,983	24,650	23,375	21,587
833	721	745	923	822	726
14,920	13,236	13,209	13,473	13,209	11,912
409	420	373	388	360	340
42	48	42	41	44	37
9,754	9,115	9,169	9,211	9,243	9,044
114	108	105	102	30	32
51	76	67	49	54	69
9	18	16	16	20	18
3	—	1	1	1	1
26,134	23,742	23,728	24,203	23,783	22,179
721	960	256	447	(408)	(592)
170	127	76	340	—	—
—	4	15	14	4	27
518	596	496	939	1,187	952
(965)	(1,312)	(1,056)	(1,154)	(1,566)	(1,144)
(277)	(585)	(470)	139	(375)	(165)
$ 444	$ 375	$ (214)	$ 586	$ (783)	$ (757)

REVENUE CAPACITY

Schedule 6 - Sales Subject to Retail Sales Tax by Industry

Last Ten Calendar Years (expressed in millions)

Industry [1]	2017	2016	2015	2014
Retail trade:				
Building materials, garden equipment and supplies	$ 6,909	$ 6,344	$ 5,909	$ 5,348
General merchandise stores	11,486	11,256	11,086	10,711
Motor vehicles & parts	17,188	16,311	14,987	13,540
All other retail trade	31,156	29,334	27,691	26,725
Total retail sales	66,739	63,245	59,673	56,324
Construction	30,979	28,101	24,459	21,086
Accommodations & food services	17,799	16,738	15,677	14,365
Wholesale trade	10,111	9,882	9,295	9,053
Information	6,866	6,702	6,754	5,972
Manufacturing	2,964	2,744	2,589	2,478
All other industries	20,143	18,993	16,917	15,566
Total sales subject to retail sales tax	$ 155,601	$ 146,405	$ 135,364	$ 124,844
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

	2013	2012	2011	2010	2009	2008
	$ 4,982	$ 4,537	$ 4,280	$ 4,290	$ 4,234	$ 4,894
	10,511	10,311	10,063	10,086	9,872	9,802
	12,565	11,359	10,178	9,504	9,218	10,562
	25,582	24,261	23,436	22,464	21,640	23,272
	53,640	50,468	47,957	46,344	44,964	48,530
	19,256	16,628	15,445	15,704	17,771	23,540
	13,334	12,611	11,866	11,293	10,871	11,237
	8,750	8,266	8,048	7,618	7,498	8,703
	5,429	5,117	4,997	4,957	4,762	4,915
	2,286	2,114	2,207	2,084	2,106	2,644
	14,506	13,849	13,221	12,808	12,907	14,439
	$ 117,201	$ 109,053	$ 103,741	$ 100,808	$ 100,879	$ 114,008
	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

	2017			2008		
Industry [1]	**Number of Businesses**	**Rank**	**Percent of Total Businesses**	**Number of Businesses**	**Rank**	**Percent of Total Businesses**
Retail trade	53,929	1	25.6%	49,909	1	25.7%
Construction	42,400	2	20.2%	40,547	2	20.9%
Management, education & health services	20,108	3	9.6%	18,075	4	9.3%
Other services [2]	19,777	4	9.4%	21,277	3	10.9%
Accommodations & food services	19,581	5	9.3%	17,319	5	8.9%
Professional, scientific & technical services	13,762	6	6.5%	12,433	6	6.4%
All other industries [3]	12,587	7	6.0%	12,239	7	6.3%
Manufacturing	11,551	8	5.5%	8,515	9	4.4%
Wholesale trade	10,699	9	5.1%	9,658	8	5.0%
Arts, entertainment & recreation	5,950	10	2.8%	4,179	10	2.2%
Total	210,344		100.0%	194,151		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

	2017			2008		
Industry [1]	**Number of Businesses**	**Rank**	**Percent of Total Businesses**	**Number of Businesses**	**Rank**	**Percent of Total Businesses**
Retailing	204,920	1	41.2%	193,579	1	43.1%
Service and other activities, and gambling contests less than $50,000/year	169,875	2	34.1%	138,489	2	30.8%
Wholesaling	90,624	3	18.2%	87,918	3	19.5%
Manufacturing	10,060	4	2.0%	10,202	4	2.3%
Other B&O tax classifications	6,626	5	1.3%	5,664	5	1.3%
Insurance agents/insurance brokers commissions	6,200	6	1.3%	4,991	6	1.1%
Royalties and child care	3,586	7	0.7%	3,067	7	0.7%
Warehousing, radio and TV broadcasting, public road construction, and government contracting	2,215	8	0.5%	2,313	8	0.5%
Travel agent commissions/international charter, freight brokers, and stevedoring	2,141	9	0.4%	1,515	10	0.3%
Processing for hire, and printing and publishing	1,605	10	0.3%	1,738	9	0.4%
Total	497,852		100%	449,476		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 (B&O) Tax Classification

Last Ten Calendar Years (expressed in millions)

Industry [1]	2017	2016	2015	2014
Retailing	$ 204,797	$ 192,256	$ 181,856	$ 173,663
Wholesaling	159,429	147,375	142,875	142,992
Service and other activities	117,639	108,591	101,555	93,327
Manufacturing, wholesaling, and retailing of airplanes and components	57,510	60,974	63,497	61,433
Manufacturing	25,030	24,346	25,188	28,848
Other business & occupation tax classifications	58,122	55,230	53,897	52,131
Total	$ 622,527	$ 588,772	$ 568,868	$ 552,394
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

	2013	2012	2011	2010	2009	2008
	$ 163,752	$ 153,467	$ 146,698	$ 138,995	$ 136,738	$ 153,775
	136,837	131,471	125,471	110,041	105,659	135,935
	88,826	83,537	78,617	75,069	74,061	77,880
	54,744	48,788	35,414	32,383	33,323	25,770
	28,320	26,556	26,020	23,260	21,725	27,177
	48,833	46,974	46,173	42,825	40,721	44,125
	$ 521,312	$ 490,793	$ 458,393	$ 422,573	$ 412,227	$ 464,662
	0.1 - 1.6%	0.1 - 1.9%	0.1 - 1.9%	0.1 - 1.9%	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)

	2018	2017	2016	2015
Governmental Activities				
General obligation bonds	$ 21,334	$ 21,034	$ 20,518	$ 19,868
Revenue bonds	2,308	2,326	2,377	2,316
Certificates of participation	756	752	718	580
Capital leases/installment contracts	11	5	6	5
Total Governmental Activities Debt	24,409	24,117	23,619	22,769
Business-Type Activities				
General obligation bonds	—	—	—	4
Revenue bonds	2,326	2,307	2,215	1,991
Certificates of participation	120	92	49	42
Capital leases/installment contracts	72	75	9	13
Total Business-Type Activities Debt	2,518	2,474	2,273	2,050
Total Primary Government Debt	$ 26,928	$ 26,591	$ 25,892	$ 24,819
DEBT RATIOS				
Total Primary Government				
Ratio of total debt to personal income [2]	6.5%	6.7%	7.1%	6.8%
Total debt per capita [3]	$ 3,625	$ 3,637	$ 3,604	$ 3,515
General Bond Debt				
Ratio of general bonded debt to retail sales subject to tax [4]	13.7%	14.4%	15.2%	14.7%
General bonded debt per capita [3]	$ 2,872	$ 2,877	$ 2,856	$ 2,814

1. Refer to Note 7 for long-term liability activity.
2. Personal income data can be found in Schedule 13. Personal income data for 2018 is not available; used 2017 data to calculate 2018 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 2018 is not available; used 2017 data to calculate 2018 ratio.

Source: Washington State Office of Financial Management, Accounting Division

	2014	2013	2012	2011	2010	2009
	$ 19,370	$ 18,638	$ 17,838	$ 16,750	$ 16,540	$ 14,049
	1,894	1,706	1,657	740	743	616
	570	588	469	482	449	395
	11	12	7	6	14	10
	21,845	20,944	19,971	17,978	17,746	15,070
	8	11	15	18	60	69
	2,236	2,031	1,682	1,423	1,084	1,074
	38	42	52	62	293	310
	15	15	6	6	6	10
	2,297	2,099	1,755	1,509	1,443	1,463
	$ 24,142	$ 23,043	$ 21,726	$ 19,487	$ 19,189	$ 16,533
	6.9%	7.2%	7.2%	6.5%	6.8%	6.0%
	$ 3,465	$ 3,348	$ 3,187	$ 2,879	$ 2,854	$ 2,478
	15.5%	17.1%	17.2%	16.2%	16.5%	14.0%
	$ 2,781	$ 2,710	$ 2,619	$ 2,478	$ 2,469	$ 2,116

DEBT CAPACITY

Schedule 11 - Legal Debt Margin Information [(1)]

Last Ten Fiscal Years (expressed in millions)

	2018	2017	2016	2015
Legal Debt Limitation Calculation [(2)]				
Six year mean, general state revenues	$ 17,178	$ 16,334	$ 15,499	$ 14,794
Times: Percentage of six year mean, general state revenues	8.3%	8.3%	8.5%	8.5%
Equals: Debt service limitation	$ 1,417	$ 1,348	$ 1,317	$ 1,257
Debt service limitation	$ 1,417	$ 1,348	$ 1,317	$ 1,257
Less: Projected maximum annual debt service of outstanding bonds as of June 30	1,167	1,172	1,155	1,129
Equals: Debt service capacity	$ 250	$ 176	$ 162	$ 128
Remaining state general obligation debt capacity [(3)]	$ 3,862	$ 2,937	$ 2,632	$ 2,031
Plus: Debt outstanding, bonds issued & projected sales subject to debt service limitation as of January 2018	11,364	11,644	11,348	11,160
Equals: Maximum debt authorization subject to limitation	$ 15,226	$ 14,581	$ 13,980	$ 13,191
Debt service capacity as a percentage of total debt service limitation	17.6%	13.0%	12.3%	10.2%
Remaining debt capacity as a percentage of maximum debt authorized	25.4%	20.1%	18.8%	15.4%

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 starting in 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 2018 is 4.11 percent.

Source: Office of the State Treasurer, Certification of the Debt Limitation of the State of Washington

2014	2013	2012	2011	2010	2009
$ 13,245	$ 12,533	$ 12,080	$ 12,176	$ 12,518	$ 14,422
9%	9%	9%	9%	9%	7%
$ 1,192	$ 1,128	$ 1,087	$ 1,096	$ 1,127	$ 1,010
$ 1,192	$ 1,128	$ 1,087	$ 1,096	$ 1,127	$ 1,010
1,125	1,056	1,031	995	971	797
$ 67	$ 72	$ 56	$ 101	$ 156	$ 213
$ 977	$ 1,142	$ 874	$ 1,425	$ 2,267	$ 2,791
11,208	10,730	10,708	10,470	10,163	8,032
$ 12,185	$ 11,872	$ 11,582	$ 11,895	$ 12,430	$ 10,823
5.6%	6.4%	5.2%	9.2%	13.8%	21.1%
8.0%	9.6%	7.5%	12.0%	18.2%	25.8%

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	Scheduled Debt Service [4] Interest	Coverage Ratio
Governmental Activities						
2018	$ 97	$ 8	$ 89	$ 51	$ 51	0.88
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
Business-Type Activities						
2018	$ 3,100	$ 2,795	$ 304	$ 131	$ 99	1.32
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

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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Washington State										
Personal income	$ 417	$ 398	$ 380	$ 359	$ 333	$ 326	$ 302	$ 285	$ 279	$ 294
Percent change	5 %	5 %	6 %	8 %	2 %	8 %	6 %	2 %	-5 %	5 %
Per capita	$56,283	$54,632	$53,119	$50,942	$47,846	$47,368	$44,224	$42,206	$41,844	$44,794
United States										
Personal income	$16,427	$15,929	$15,553	$14,818	$14,074	$13,915	$13,255	$12,477	$12,095	$12,502
Percent change	3 %	2 %	5 %	5 %	1 %	5 %	6 %	3 %	-3 %	4 %
Per capita	$50,392	$49,204	$48,429	$46,486	$44,489	$44,283	$42,463	$40,278	$39,376	$41,082
Washington Per Capita Rate as % of United States Per Capita Rate	112 %	111 %	110 %	110 %	108 %	107 %	104 %	105 %	106 %	109 %

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 Fiscal Years (expressed in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Washington State (1)										
Population	7,427.6	7,310.3	7,183.7	7,061.4	6,968.2	6,882.4	6,817.8	6,767.9	6,724.5	6,672.3
Net increase	117.3	126.6	122.3	93.2	85.8	64.6	49.9	43.4	52.3	64.0
Percent change	1.6%	1.8%	1.7%	1.3%	1.3%	1.0%	0.7%	0.6%	0.8%	1.0%
Components of change:										
Births	92.0	90.8	89.8	88.5	87.0	87.3	87.1	86.4	88.4	89.8
Deaths	58.4	56.5	54.7	52.8	50.7	51.1	49.2	48.8	47.7	48.1
Net migration	83.7	92.4	87.1	57.6	49.5	28.5	12.0	5.8	11.5	22.3
United States (2)										
Population	N/A	325,719	323,406	321,040	318,623	316,235	313,993	311,644	309,338	306,772
Percent change	N/A	0.7%	0.7%	0.8%	0.8%	0.7%	0.8%	0.7%	0.8%	0.9%

1. Washington state population estimates are as of April 1 each year. Population estimates for 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 2018 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

	2017	2016	2015	2014
Washington State (in thousands)				
Civilian labor force	3,723	3,636	3,545	3,488
Employment	3,546	3,444	3,346	3,275
Total unemployment	177	192	199	213
Unemployment percentage rate	4.8%	5.3%	5.6%	6.1%
United States (in millions)				
Civilian labor force	160.3	159.2	157.1	155.9
Employment	153.3	151.4	148.8	146.3
Total unemployment	7.0	7.8	8.3	9.6
Unemployment percentage rate	4.4%	4.9%	5.3%	6.2%
Washington Unemployment Rate as % of United States Unemployment Rate	109.1%	108.2%	105.7%	98.4%

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 2018

2013	2012	2011	2010	2009	2008
3,457	3,463	3,482	3,515	3,535	3,479
3,217	3,185	3,162	3,167	3,206	3,286
240	278	320	348	329	193
6.9%	8.0%	9.2%	9.9%	9.3%	5.5%
155.4	155.0	153.6	153.9	154.2	154.3
143.9	142.5	139.9	139.1	139.9	145.4
11.5	12.5	13.7	14.8	14.3	8.9
7.4%	8.1%	8.9%	9.6%	9.3%	5.8%
93.2%	98.8%	103.4%	103.1%	100.0%	94.8%

DEMOGRAPHIC INFORMATION

Schedule 16 - Annual Average Wage Rates by Industry

Last Ten Calendar Years

	Annual Average Wages [1]			
Industry [2]	**2017 [3]**	**2016**	**2015**	**2014**
Information	$ 172,592	$ 159,236	$ 150,503	$ 148,429
Management of companies and enterprises	111,942	109,462	108,447	106,518
Utilities	93,057	88,789	85,644	87,212
Professional, scientific, and technical services	92,323	88,223	85,968	84,883
Finance and insurance	90,869	88,308	92,790	82,102
Wholesale trade	76,856	73,903	72,523	70,169
Manufacturing	76,301	74,641	73,860	74,303
Mining	71,120	67,389	67,425	63,404
Construction	61,227	58,887	56,925	55,037
Government	61,187	58,945	57,274	55,603
Transportation and warehousing	58,058	56,173	54,344	52,293
Retail trade	52,542	45,930	38,300	36,127
Real estate, rental and leasing	51,553	48,965	47,459	45,181
Health care and social assistance [4]	50,971	49,337	46,986	44,245
Administrative and support services [5]	48,484	47,050	45,934	44,382
Other services [4]	38,832	37,557	37,437	35,571
Education services	38,455	37,667	36,414	36,918
Arts, entertainment, and recreation	32,074	30,908	30,509	29,725
Agriculture, forestry, fishing, and hunting	31,154	29,971	28,398	27,758
Accommodation and food services	22,766	21,301	20,451	19,561

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. 2017 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

	2013	2012	2011	2010	2009	2008
	$ 135,304	$ 131,872	$ 119,968	$ 109,777	$ 105,715	$ 104,053
	105,501	105,535	102,009	95,731	87,642	87,431
	86,373	84,024	82,058	77,591	84,410	76,945
	81,893	79,972	77,178	75,376	71,837	70,120
	79,587	77,455	73,154	70,137	71,304	72,653
	68,230	68,481	65,831	63,348	61,569	61,041
	70,798	69,306	68,065	64,925	62,931	61,260
	62,444	60,231	58,871	55,654	52,981	54,718
	53,735	53,056	52,304	51,127	51,043	49,443
	53,733	52,871	52,174	51,394	50,420	48,705
	51,967	50,876	49,628	47,743	46,522	45,433
	34,084	32,364	30,917	30,021	29,356	29,268
	43,426	42,040	39,816	38,359	36,777	36,669
	47,733	47,067	45,852	44,673	43,561	41,424
	43,261	43,381	42,942	41,466	39,571	37,536
	26,717	25,651	24,549	24,227	24,881	25,637
	36,775	36,226	35,576	35,158	34,505	33,550
	27,771	25,276	25,023	25,121	25,527	26,949
	26,880	26,295	25,097	24,034	23,675	24,491
	19,136	18,698	18,062	17,632	17,063	16,430

DEMOGRAPHIC INFORMATION

Schedule 17 - Principal Employers by Industry

Current Calendar Year and Nine Years Ago

	2017 Annual Averages			2008 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	555,076	16.9%	2,118	521,183	17.6%	2,049
Health care and social assistance (3)	409,190	12.4%	50,312	308,960	10.5%	13,722
Retail trade	378,150	11.5%	14,561	320,713	10.9%	14,369
Manufacturing	280,287	8.5%	7,373	287,229	9.7%	7,145
Accommodation and food services	274,121	8.3%	14,309	231,652	7.8%	12,498
Professional, scientific, and technical services	194,611	5.9%	25,057	160,323	5.4%	17,627
Construction	187,140	5.7%	25,043	185,773	6.3%	24,491
Administrative and support services (4)	165,746	5.0%	12,010	143,900	4.9%	9,360
Wholesale trade	131,591	4.0%	13,007	126,740	4.3%	12,838
Information	125,735	3.8%	3,701	104,941	3.5%	2,473
Agriculture, forestry, fishing, and hunting	105,158	3.2%	7,208	86,152	2.9%	7,470
Other services (3)	97,390	3.0%	18,611	116,979	4.0%	50,539
Transportation and warehousing	96,194	2.9%	4,575	85,209	2.9%	4,050
Finance and insurance	93,674	2.9%	5,733	99,201	3.4%	5,984
Arts, entertainment, and recreation	51,005	1.7%	2,791	47,117	1.6%	2,419
Real estate, rental and leasing	50,745	1.5%	6,773	49,517	1.7%	6,653
Mgmt. of companies and enterprises	44,223	1.3%	632	34,695	1.2%	641
Education services	42,313	1.3%	3,230	32,717	1.1%	2,176
Utilities	4,738	0.1%	223	4,913	0.2%	227
Mining	2,494	0.1%	152	2,828	0.1%	170
Total average employment (5)	3,289,581	100.0%	217,419	2,950,742	100%	196,901

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 number of employees to increase. Employees classified as other services do not include public administration.
4. Employment classified under administrative and support services includes 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 2017	Rank 2016	Company	Revenues (in millions)	Profit / (Loss) (in millions)	Employees Worldwide	Headquarters
8	12	Amazon.com	$ 177,866	$ 3,033	566,000	Seattle
15	16	Costco Wholesale	129,025	2,679	182,000	Issaquah
30	28	Microsoft	89,950	21,204	124,000	Redmond
132	131	Starbucks	22,387	2,885	277,000	Seattle
155	164	Paccar	19,456	1,675	25,000	Bellevue
183	188	Nordstrom	15,478	437	76,000	Seattle
295	317	Expedia Group	10,060	378	22,615	Bellevue
355	438	Alaska Air Group	7,933	1,034	23,156	Seattle
394	341	Weyerhaeuser	7,196	582	9,300	Seattle
408	429	Expeditors Intl of Washington	6,921	489	16,500	Seattle

Source: fortune.com/fortune500 (June 2018)

Schedule 19 - Principal Agricultural Commodities Value (1)

Last Ten Calendar Years (dollars in millions)

Commodities	% Change 2017 vs. 2016	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Apples	3%	$ 2,430	$ 2,351	$ 2,319	$ 1,893	$ 2,134	$ 2,482	$ 1,831	$ 1,541	$ 1,413	$ 1,288
Milk (2)	8%	1,188	1,097	1,136	1,624	1,299	1,160	1,277	950	684	1,002
Wheat	5%	691	657	600	715	1,014	1,162	1,138	925	594	745
Potatoes	-15%	687	813	772	771	792	700	771	654	646	693
Cattle/calves	-6%	664	704	849	806	715	659	592	568	473	496
Hay, all	8%	516	479	499	703	675	626	716	509	452	581
Hops	28%	489	382	280	208	185	144	157	163	265	259
Cherries, all	-4%	480	501	448	510	385	499	534	367	231	297
Grapes, all	-11%	319	360	289	302	278	249	189	214	209	199
Pears, all	4%	246	236	240	244	225	206	181	188	158	171

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	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Exports [1]	$ 88,218	$ 90,424	$ 94,781	$ 93,908	$ 98,740	$ 84,187	$ 77,284	$ 64,723	$ 58,468	$ 77,088
Imports	94,493	92,729	91,496	90,639	89,559	93,614	86,997	80,020	67,896	87,511
Trade balance	$ (6,275)	$ (2,305)	$ 3,285	$ 3,269	$ 9,181	$ (9,427)	$ (9,713)	$ (15,297)	$ (9,428)	$ (10,422)
Two-way trade	$ 182,711	$ 183,153	$ 186,277	$ 184,547	$ 188,299	$ 177,801	$ 164,281	$ 144,743	$ 126,364	$ 164,599

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]	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Canada	$ 16,672	$ 15,676	$ 17,052	$ 18,937	$ 27,635	$ 18,135	$ 17,353	$ 14,936	$ 13,326	$ 17,049
China (Mainland)	14,919	14,753	16,315	18,880	16,390	14,027	11,962	11,695	7,607	8,614
Japan	6,683	8,091	7,569	8,908	8,465	9,850	8,036	7,368	6,475	10,677
Korea, Republic of	4,615	5,129	5,071	3,644	3,371	3,903	4,096	3,378	2,584	4,003
United Arab Emirates	3,961	4,049	3,174	3,212	3,969	5,017	2,715	909	2,897	2,160
Taiwan	3,022	3,376	3,902	2,734	2,295	1,866	2,070	2,556	1,917	3,142
United Kingdom	2,247	3,800	2,514	2,710	2,530	1,452	1,921	1,083	1,356	1,316
Malaysia	2,225	786	1,363	1,241	1,270	1,221	2,352	2,776	2,085	2,126
Norway	2,156	1,062	651	822	1,241	563	907	816	532	509
Saudi Arabia	1,958	2,707	1,907	602	1,579	1,175	285	153	91	92

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]	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
China (Mainland)	$ 29,002	$ 28,710	$ 29,910	$ 28,968	$ 31,776	$ 33,820	$ 31,100	$ 32,228	$ 27,341	$ 30,632
Japan	18,631	18,982	17,682	16,816	17,036	19,129	16,198	13,886	11,656	17,274
Canada	17,834	16,600	16,873	18,953	17,529	16,430	16,284	13,948	10,916	15,877
Korea, Republic of	4,812	5,000	5,014	4,945	4,529	4,380	3,760	3,315	2,719	3,875
Taiwan	3,396	3,415	3,574	3,347	3,131	3,442	3,291	3,141	2,414	4,072
Ireland	2,509	3,046	548	82	24	21	16	9	7	16
Vietnam	2,502	2,110	1,996	1,346	1,326	1,637	1,421	1,234	1,160	1,092
Singapore	1,413	1,439	1,060	638	576	275	258	515	1,631	1,289
Thailand	1,066	1,138	1,505	1,151	1,039	1,050	959	974	804	1,154
Netherlands	1,009	604	755	1,084	425	657	585	481	261	410

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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Value of all taxable property:										
Assessed value	$ 1,134,145	$ 1,022,092	$ 949,759	$ 880,155	$ 808,328	$ 767,064	$ 793,703	$ 824,885	$ 862,108	$ 919,505
Property value of exemptions:										
Senior citizen	$ 4,871	$ 3,601	$ 3,590	$ 3,183	$ 2,491	$ 2,689	$ 4,170	$ 5,362	$ 6,491	$ 8,715
Head of household	132	51	58	60	56	61	65	72	77	84
Total exemptions	$ 5,003	$ 3,652	$ 3,648	$ 3,243	$ 2,547	$ 2,750	$ 4,236	$ 5,434	$ 6,568	$ 8,799
New construction and improvements:										
Assessed value	$ 19,286	$ 16,122	$ 13,656	$ 11,213	$ 9,198	$ 6,598	$ 7,207	$ 9,001	$ 13,443	$ 19,435

Source: Washington State Department of Revenue, Property Tax Statistics Report

Schedule 24 - Residential Building Activity

Last Ten Calendar Years (dollars in millions)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Permits	45,794	44,077	40,374	33,898	32,962	28,118	20,864	20,691	17,011	28,919
Valuations	$ 9,913	$ 9,116	$ 8,519	$ 7,017	$ 6,684	$ 5,649	$ 4,036	$ 3,891	$ 3,186	$ 5,063

Source: U.S. Census Bureau

OPERATING INFORMATION

Schedule 25 - Full-Time Equivalent Staff Comparison (Budgeted Funds)

Last Ten Fiscal Years

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General government	8,633	8,612	8,420	8,386	8,256	8,268	9,082	9,196	9,696	9,899
Human services	36,095	35,221	33,722	33,105	32,744	32,205	31,766	32,133	34,034	35,015
Natural resources	6,828	6,741	6,661	6,520	6,256	6,232	6,011	5,928	6,120	6,479
Transportation	10,543	10,291	10,185	10,230	10,334	10,457	10,458	10,783	11,037	11,264
Education	52,889	52,866	52,216	52,296	51,303	50,406	48,603	49,454	49,086	49,889
Total	114,988	113,731	111,204	110,537	108,893	107,568	105,920	107,494	109,973	112,546
Percentage change	1.1%	2.3%	0.6%	1.5%	1.2%	1.6%	-1.5%	-2.3%	-2.3%	1.0%

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 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	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General government	2,911	2,898	2,794	2,825	2,740	2,870	2,845	3,060	3,234	3,285
Human services	20,441	19,893	18,791	18,508	18,487	17,569	17,192	16,962	16,984	17,699
Natural resources	1,785	1,700	1,819	1,341	1,474	1,667	1,595	1,712	2,080	2,505
Transportation	357	326	358	306	360	354	367	371	418	373
Education	14,653	15,054	15,257	15,087	14,189	14,969	14,941	16,535	17,675	21,269
Total	40,147	39,871	39,019	38,067	37,250	37,429	36,940	38,640	40,391	45,131
Percentage change	0.7%	2.2%	2.5%	2.2%	-0.5%	1.3%	-4.4%	-4.3%	-10.5%	-0.1%

Notes: A Full-Time Equivalent (FTE) is one full calendar year of paid employment, or the equivalent of 2,088 hours (the number of available work hours in a year). It is not the number of employees on the payroll, nor is it the number of positions in state government. It is a computed average number of state employees based upon cumulative FTE staff months during one fiscal year or cumulative hours paid during one fiscal year. Figures include operating and capital FTEs.

Source: Washington State Office of Financial Management

OPERATING INFORMATION

Schedule 27 - Operating and Capital Asset Indicators by Function
General Government

Last Ten Fiscal Years

	2018	2017	2016	2015
Department of Revenue				
Number of state excise taxpayer registered accounts	712,884	692,856	669,897	684,306
Number of taxable real estate excise tax (REET) sales	300,136	286,686	270,689	254,147
Department of Enterprise Services [(1)]				
Number of leases for office space [(2)]	492	483	552	560
Gross square feet of leased office space (in thousands)	7,037	7,236	7,392	7,542
Number of owned buildings [(3)]	22	28	29	37
Gross square feet of owned office space (in thousands)	2,533	2,784	2,780	2,990
Liquor and Cannabis Board				
Liquor: [(4)]				
Retail licensees	18,528	18,298	17,132	17,739
Non-retail licensees	7,337	6,874	6,279	5,626
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	1,208	1,167	1,035	530
Processor licensees	1,280	1,175	992	456
Retail licensees	505	507	428	171
Transportation Licenses	16	9	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 2018, most of the net changes in the number of owned office buildings resulted from changes in their property classification. Three buildings, previously recorded as "Unclassified" or "Support" in 2017, were changed to "Office" while six buildings, previously reported as "Office" in 2017, were changed to "Unclassified" or "Special Use" for 2018. Also, during 2018, a new office building was constructed and four office buildings were transferred from DES to Port of Skagit. In 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

2014	2013	2012	2011	2010	2009
742,139	790,312	816,922	824,588	793,056	804,145
242,434	241,595	209,442	206,805	215,233	198,515
546	532	521	580	619	569
7,749	7,624	7,467	9,046	8,874	7,521
37	37	38	38	38	46
2,990	2,990	3,004	3,004	3,004	3,102
16,246	15,655	15,044	13,628	13,450	13,040
5,649	5,364	4,916	3,244	3,051	2,798
N/A	N/A	N/A	166	164	161
N/A	N/A	N/A	162	159	155
57	N/A	N/A	N/A	N/A	N/A
47	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

	2018	2017	2016	2015
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	1,221	1,205	1,192	1,161
Mental health state facilities average daily census [3]	1,111	1,143	1,123	1,101
Community outpatient mental health facilities [4]	210	179	120	131
Community outpatient mental health programs, clients served [5]	170,287	168,682	175,862	170,019
Income assistance programs:				
Temporary assistance for needy families caseload (TANF/SFA)	26,030	28,556	31,287	35,159
Food assistance caseload [6]	511,760	531,149	561,112	582,204
Health Care Authority [7]				
Medical assistance programs:				
Monthly average caseload certified eligible	1,853,207	1,880,287	1,838,532	1,722,935
Department of Corrections				
Number of correctional institutions [8]	12	12	12	12
Offenders in confinement [9]	19,802	19,413	18,991	18,445
Prison and work release operating capacity	17,454	17,434	17,434	17,498
Department of Health				
Licensed health professionals [10]	468,421	455,806	437,775	417,504
Department of Labor and Industries				
Claims filed, injured or ill workers	111,604	109,965	110,498	109,359
Electrical inspections performed	251,114	216,809	233,148	214,439
Workplaces inspected each year by the Washington Industrial Safety and Health (WISHA) program [11]	4,253	4,403	4,081	4,918

1. Due to reporting lags and corrections, the Department of Social and Health Services (DSHS) periodically revises historical data.
2. Facilities include: Eastern State Hospital, Western State Hospital, and Child Study and Treatment Center.
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 Mental Health Distinct Agencies enrolled in Provider One.
5. The community outpatient mental health programs' 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 status. These improvements resulted in many small changes in historical community mental health client counts throughout SCOPE and are reflected here.
6. Data reflects the state fiscal year average of 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. Licensed health professionals include 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.

2014	2013	2012	2011	2010	2009
3	3	3	3	3	3
1,161	1,161	1,161	1,176	1,197	1,264
1,117	1,087	1,077	1,078	1,101	1,172
157	161	161	184	177	149
151,987	145,492	138,268	137,768	132,112	125,467
42,571	48,675	54,433	65,140	64,452	56,459
595,150	597,494	581,020	536,635	458,123	351,617
1,412,069	1,234,885	1,226,705	1,218,534	1,158,205	1,066,606
12	12	12	12	13	15
18,121	17,930	17,697	18,483	18,457	18,627
17,187	17,101	16,855	17,060	16,856	16,756
401,828	388,856	378,041	372,657	357,766	335,830
106,903	103,328	101,524	100,690	102,734	116,616
203,975	189,027	173,358	171,861	189,763	216,305
5,292	4,854	5,516	6,240	7,689	7,565

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

	2018	2017	2016	2015
Department of Transportation				
Number of ferries	23	23	24	24
Vehicles on ferries (in thousands)	10,709	10,545	10,563	10,372
Passengers on ferries (in thousands)	13,858	13,681	13,525	13,261
State highway miles of travel				
Rural (in millions)	N/A	11,611	11,487	11,098
Urban (in millions)	N/A	23,015	22,741	22,237
State highway lane miles				
Rural	13,113	13,114	13,113	13,091
Urban	7,697	7,682	7,650	7,641
Total	20,810	20,796	20,763	20,732
Pavement patching & repair (square feet) [1]	2,097,641	2,456,825	3,826,649	74,263
Pavement striping maintenance (miles)	19,064	19,780	19,600	23,156
Anti & de-icing liquid application (gallons in thousands)	1,747	4,007	1,688	1,210
Litter pickup (cubic yards)	19,641	25,530	18,169	18,876
Department of Licensing [2]				
Total vehicle registrations (in thousands)	8,063	7,792	7,214	7,039
Licensed drivers (in thousands)	5,916	5,778	5,639	5,520
Washington State Patrol [3]				
Total contacts	1,222,738	1,128,175	1,141,911	1,228,396
Citations issued	470,870	434,452	464,024	509,689
Motorist assists	331,282	335,063	328,208	316,659
Collisions investigated	44,181	46,223	43,501	37,996
Number of traffic officers	608	583	539	589

1. The Maintenance Operations Division has a mobile application to track units, HATS (Highway Activity Tracking System), that began July 1, 2015. With this system, maintenance personnel are able to more accurately track the type of work they are doing as well as the amount.
2. Vehicle count includes all registered vehicles. Driver count includes all licensed drivers.
3. Due to time and activity adjustments, the Washington State Patrol periodically revises its data up to three years.

N/A indicates data is not available.

Sources:
Washington State Department of Transportation
Washington State Department of Licensing
Washington State Patrol

2014	2013	2012	2011	2010	2009
22	22	23	21	22	22
10,156	10,045	9,983	9,973	10,134	9,910
12,651	12,350	12,236	12,374	12,504	12,598
10,641	10,371	11,252	11,353	11,521	11,362
21,536	21,278	19,963	20,103	20,243	20,093
13,085	13,798	13,814	13,795	13,744	13,724
7,606	6,882	6,817	6,792	6,755	6,668
20,691	20,680	20,631	20,587	20,499	20,392
86,948	82,415	113,304	135,952	179,585	128,076
16,835	17,203	18,763	26,608	16,801	18,140
2,721	2,154	2,421	1,774	2,834	4,724
22,586	29,428	25,537	27,320	26,739	12,230
6,866	6,755	6,683	6,662	6,631	6,655
5,404	5,310	5,230	5,180	5,108	5,028
1,225,768	1,262,584	1,256,569	1,272,526	1,258,637	1,257,774
506,862	516,593	518,315	520,447	523,786	540,181
300,806	296,170	301,511	310,013	296,887	305,421
35,479	33,989	34,995	37,106	34,182	36,922
585	635	626	624	636	633

OPERATING INFORMATION

Schedule 30 - Operating and Capital Asset Indicators by Function
Natural Resources and Recreation

Last Ten Fiscal Years

	2018	2017	2016	2015
State Parks and Recreation Commission				
Number of official, developed state parks	125	124	124	123
Number of owned or managed properties (1)	94	91	91	93
Acreage of state parks	123,007	122,908	138,613	137,781
Attendance at state parks (in thousands)	36,745	35,373	35,055	33,045
Department of Fish and Wildlife				
Recreational licenses issued (2)				
Hunting licenses	615,528	597,025	607,849	595,169
Fishing licenses	1,333,380	1,397,951	1,525,780	1,546,250
Hatchery releases (pounds in thousands) (3)				
Salmon releases	3,299	3,589	3,503	3,874
Trout releases (4)	1,519	1,489	1,575	1,588
Department of Natural Resources (3)				
Common schools trust land acreage (in thousands)	1,786	1,788	1,788	1,790
Total trust land acreage (in thousands)	3,132	3,133	3,125	3,122
Timber acres sold	17,608	20,392	24,382	23,499
Timber volume harvested (thousand board feet)	512,143	483,357	480,898	449,115
Timber volume sold (thousand board feet)	500,675	520,498	526,382	467,555
Natural area preserve sites	56	56	56	55
Natural area preserve acreage	40,347	37,642	37,273	36,342
Natural resources conservation area sites	38	37	36	36
Natural resources conservation area acreage	122,742	121,857	118,579	114,244

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 from Monthly Sales Statistics report.
3. Fiscal year 2018 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

2014	2013	2012	2011	2010	2009
123	116	116	116	118	120
93	243	243	241	183	219
138,266	123,952	121,711	121,547	121,506	121,152
34,000	35,625	35,338	38,896	44,315	41,535
556,745	548,873	533,420	594,673	626,491	539,708
1,503,651	1,407,714	1,456,268	1,355,967	1,383,337	1,234,575
3,780	4,167	4,035	4,211	4,395	4,389
1,643	1,587	1,513	1,396	1,384	1,411
1,791	1,780	1,794	1,803	1,810	1,813
3,122	3,072	2,918	2,929	2,944	2,947
21,966	20,303	22,250	20,609	26,841	27,168
471,343	480,140	514,039	669,442	805,946	504,939
489,917	497,447	549,229	597,083	741,666	545,634
55	55	55	54	54	53
36,245	36,156	38,284	36,896	35,585	35,365
36	35	35	31	30	30
113,116	113,032	111,136	108,100	97,293	96,989

OPERATING INFORMATION

Schedule 31 - Operating and Capital Asset Indicators by Function

Education

Last Ten Academic Years

	2017-18	2016-17	2015-16	2014-15
K-12 Enrollment (1)				
K-8	756,436	747,548	726,137	705,175
9-12	307,458	307,714	307,575	307,417
Private and home based	—	1	3	7
Summer (2)	N/A	972	1,031	993
Running start	22,498	20,560	18,562	17,070
Open doors [1418] youth reengagement program (3)	4,481	4,117	3,561	2,905
UW transition	114	112	116	108
Washington Youth Academy (4)	317	342	N/A	N/A
Total	1,091,304	1,081,366	1,056,985	1,033,675
High school graduates (5)	64,776	63,457	62,164	62,598
Higher Education				
Community and Technical Colleges:				
Number of campuses	34	34	34	34
Enrollment (1) (6)	N/A	130,577	135,108	138,724
Associate degrees granted	N/A	29,534	29,624	29,137
Baccalaureate degrees granted (7)	N/A	785	497	286
Student achievement points (8)	N/A	481,409	470,380	486,326
Public Universities: (9)				
Number of campuses	11	11	11	11
Enrollment (1)	N/A	111,485	109,834	107,935
Baccalaureate degrees granted	N/A	25,515	25,295	24,947
Masters degrees granted	N/A	6,489	6,028	5,858
Doctors degrees granted	N/A	1,081	1,125	1,131
Professional degrees granted	N/A	832	790	774

1. K-12 enrollment figures are preliminary for academic year 2017-18. 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 summer enrollment beginning in 2009-10 is due to reporting and funding changes.
3. The youth re-engagement 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 2009-10, 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. 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.

2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
696,390	680,696	676,539	673,558	668,055	663,124
306,030	306,819	307,949	312,691	314,318	312,954
5	8	12	9	14	12
1,010	929	821	1,155	1,222	642
15,090	13,623	12,767	12,824	12,487	11,824
2,058	747	119	N/A	N/A	N/A
107	114	113	108	104	102
N/A	N/A	N/A	N/A	N/A	N/A
1,020,690	1,002,937	998,320	1,000,345	996,200	988,658
60,680	60,475	60,552	59,732	60,835	58,687
34	34	34	34	34	34
143,292	147,433	153,395	162,328	160,778	148,000
28,758	28,191	27,846	26,434	22,368	21,295
244	192	155	138	51	35
502,179	342,424	361,715	390,300	393,135	352,419
11	11	10	10	10	10
106,038	105,112	104,702	103,214	101,165	98,292
24,167	24,616	24,280	23,289	22,794	22,036
5,761	5,809	5,597	5,498	5,138	4,787
1,022	1,032	915	1,035	1,114	1,107
781	799	777	661	523	495

9. Public Universities include all four-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. Enrollment is the annual average total four-year FTE enrollment from the State-Funded Public Higher Education Enrollment Report.

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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