State of Washington

Office of Financial Management

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2016

November 2016

State of Washington

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Comprehensive Annual Financial Report

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Office of the State Auditor
State Investment Board
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, 2016

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INTRODUCTORY SECTION

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STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 □ Olympia, Washington 98504-3113 □ (360) 902-0555

November 1, 2016

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

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, 2016. 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, 2016. 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 7.2 million. Washington is famous for its breathtakingly beautiful scenery and sharp contrasts. On the west side of the state, high mountains rise above coastal waters. The forests of the Olympic Peninsula are among the world's rainiest places. The state's coastline features hundreds of bays and inlets that make excellent harbors, while in the eastern part, flat semi-desert land stretches for long distances without a single tree.

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

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

GOVERNMENTAL STRUCTURE

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

TYPES OF SERVICES PROVIDED AND REPORTING ENTITY

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

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

THE BUDGET CYCLE

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

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

Washington State's Economy and Revenue Outlook

Washington's economy has continued to outpace the nation's during this period of expansion. Although recent economic performance has somewhat narrowed that gap, Washington should outperform that of the nation in terms of job and income growth during the next biennium.

Washington's jobless rate moved above the national rate during the past two years after having mirrored the national figures for much of the 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 the Northwest experience. More recent figures show Washington's jobless rate remaining above the national average, likely the result of an increase in workforce participation. In fundamental ways, that reflects an increase in workers' confidence in finding gainful employment. By the end of the next biennium, Washington's unemployment rate is projected to fall to 5.2 percent, down from the current 5.7 percent.

Real personal income in Washington is expected to make above-average gains over the next biennium: 3.1 percent in fiscal year 2018 and 3.3 percent in fiscal year 2019, measurably higher than projections for the nation. On a per-capita basis, Washington's real personal income should reach $49,790 at the end of the biennium, more than $3,300 above the U.S. average.

These gains in Washington's real personal income will occur notwithstanding declines in aerospace employment, which is expected to fall by 3.5 percent in fiscal year 2018 and 2 percent in fiscal year 2019. Though this places a drag on overall nonfarm employment growth, Washington will still net a 1.5 percent increase in total payroll jobs in fiscal year 2018 and a 1.4 percent increase in fiscal year 2019, again measurably better than projections for the nation.

Construction activity in Washington is expected to increase at a healthy rate during the 2017-19 biennium. While multi-family construction growth was prompted by demand for rental units in the aftermath of the recession, income gains should renew demand for single-family housing. The number of building permits should surpass 43,400 in fiscal year 2018 and 44,200 in fiscal year 2019. As a result, construction employment should jump by 3.4 percent and 3.6 percent, respectively. That should boost construction jobs to nearly 5.9 percent of total nonfarm employment, a bit above historic averages and reflective of a strong housing and commercial building market.

General Fund-State revenues are forecasted to grow at a 6.9 percent rate across the 2017-19 biennium compared to the 12.2 percent gain in the 2015-17 biennium. The expanding economy, accelerated gains in hiring, and recovering housing markets have had a positive effect on revenue growth. Additional economic growth, continued job gains and sustained expansion in the housing and commercial building markets should keep revenues growing at a sound pace.

Major Initiatives

Heading into the current two-year budget cycle (2015-17), Washington Governor Jay Inslee and the Legislature faced enormous fiscal challenges. After more than a half-decade of cutting vital services, the Governor said that it was time to start reinvesting in Washington.

During its 2015 session, the Legislature approved historic spending increases on several fronts.

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

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

During the 2016 legislative session, lawmakers approved a modest supplemental budget that makes important but largely technical adjustments to the current two-year budget.

EDUCATION

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

To continue meeting the state's obligations under the McCleary decision, the Governor and the Legislature increased funding for basic education by about $1.3 billion for the 2015-17 biennium. The state's two-year budget:

- Increased funding to school districts for materials, supplies, and operating costs by $741 million.
- Added $350 million to reduce class sizes in kindergarten through third grade, which will result in the addition of an estimated 5,000 teachers statewide.
- Included $180 million to fund full-day kindergarten for all students — offering 1,000 hours of instruction a year — one year ahead of schedule. In the 2014-15 school year, fewer than half the state's kindergartners participated in a state-funded, full-day program.

In July 2015, shortly after the legislative session concluded, the Legislature submitted a progress report to the court. But again, the court was not satisfied and on August 13, 2015, it imposed penalties totaling $100,000 per day until the Legislature adopts a complete plan for complying with the state's constitutional obligation.

During the 2016 legislative session, Governor Inslee signed Senate Bill 6195 to ensure continuing bipartisan collaboration on full funding for basic education and to commit the Legislature to adopting measures in the 2017 legislative session that finish the job of fully funding basic education. The bipartisan Education Funding Task Force is examining methods to eliminate dependence on local levies that now pay for basic education and prepare recommendations on competitive compensation that help districts recruit and retain educators. The legislation also directed the task force to recommend sources of state revenue that could support Washington's program of basic education.

After holding a hearing in September 2016, the Supreme Court issued an order on October 6, 2016, acknowledging progress made in the 2015-17 biennial budget but maintaining the $100,000 per day penalty pending legislative action in the 2017 session.

Aside from more funding for McCleary, the 2015-17 biennial budget also invested $95 million in early learning, including $24 million to add 1,600 spaces in the Early Childhood Education and Assistance Program, the state's preschool program for children from low-income families.

In addition, the two-year budget included $169 million to shrink tuition at the state's public colleges and universities. Tuition rates for these colleges and universities have steadily increased since the early 1990s, spiking sharply from 2009 to 2013, the result of the state's effort to balance the budget during the Great Recession.

Tuition for resident undergraduate students at the public baccalaureate colleges and community and technical colleges was cut by 5 percent in the first year of the biennium. In the second year, tuition was reduced by an additional 10 percent at the two research institutions, reduced 15 percent at the four regional universities, and frozen at the 34 community and technical colleges.

HEALTH CARE

Access to health care has increased dramatically in Washington since the 2010 passage of the federal Patient Protection and Affordable Care Act (ACA) which gave Washingtonians the unprecedented opportunity to choose affordable, high-quality health insurance coverage. More than 170,000 people have been enrolled for private insurance through the state's health insurance exchange, the Washington Healthplanfinder. Washington also opted to expand its Medicaid program under the ACA. These actions have provided coverage to more than 750,000 people in Washington. As a result, the percentage of Washington residents without health insurance fell from 16 percent to 6 percent.

Besides improving access to health care, the state has undertaken a number of initiatives to drive down costs and improve the health of its citizens.

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

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

- Reduce use of high-cost services such as acute care hospitals, psychiatric hospitals, and nursing home facilities.
- Improve health for Apple Health clients by focusing on prevention and proactive management of diabetes and cardiovascular disease, pediatric obesity, smoking, mental illness, and substance abuse.
- Accelerate Medicaid payment reform to pay providers for better health outcomes.
- Bend the Medicaid cost curve below the national trend.

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

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

ENVIRONMENT AND ENERGY

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

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

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

Rising safety and environmental risks associated with rapid changes in how crude oil is moving through rail corridors and over its waters is affecting the state. As petroleum shipments from Alaska decline, transport of crude oil from the Bakken region via rail is increasing. To address these risks, Governor Inslee introduced legislation (House Bill 1449), later signed into law, that expands the state oil spill tax to oil transported by rail. The law also strengthens oil spill contingency planning requirements.

Washington faced its largest wild fire season in 2015, with 1.1 million acres having burned across the state. This exceeded the previous year's burn by 751,000 acres. In response to these dramatic seasons, the Governor secured an additional $8.7 million in the 2016 supplemental budget to improve the ability of state and local fire districts to respond to and prevent wildfires and to improve forest health.

TRANSPORTATION

In 2016, the Governor and the Legislature continued implementation of the transportation revenue package passed in 2015, which will support more than 200,000 family-wage jobs across our state. An additional $116 million was added to improve fish passage around the state along with funding for traffic relief projects in the Puget Sound area. The supplemental transportation budget also takes a first step to address staff recruitment and retention issues at the Washington State Patrol.

RESULTS WASHINGTON

Washington is a recognized national leader in adapting proven private-sector principles to improve state government. Governor Inslee's innovative Results Washington initiative, launched in 2013, uses data and multi-agency teams to spur improvements in education, the economy, the environment, health, safety, and effective government. More than half of Results Washington's 192 measures are on track to meet or exceed their targets.

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

All these efforts use Lean management, a management philosophy that 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 front line staff, all with the goal of increasing quality and value to the customer.

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Washington state for its CAFR for the fiscal year ended June 30, 2015. 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 29 years. The Office of Financial Management considers this report to be in conformity with the Certificate of Achievement Program requirements, and will submit it to the GFOA.

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

Sincerely,

David Schumacher
Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Washington

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Statewide Elected Officials

As of June 30, 2016

Governor
Jay Inslee

Lieutenant Governor
Brad Owen

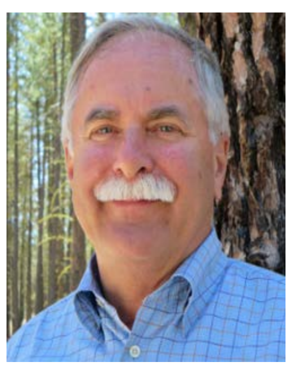
Secretary of State
Kim Wyman

Treasurer
Jim McIntire

State Auditor
Troy Kelley

Attorney General
Bob Ferguson

Superintendent of Public Instruction
Randy Dorn



Commissioner of Public Lands
Peter J. Goldmark

Insurance Commissioner
Mike Kreidler

2016 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
- District Courts
- Law Library
- Municipal Courts
- Office of Public Defense
- Superior Courts

Agencies Managed by Statewide Elected Officials

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

Insurance Commissioner

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

Lieutenant Governor

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

Attorney General
- *Executive Ethics Board*

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

Auditor

Secretary of State
- *Productivity Board*
- *State Library*

Agencies Led by Governor-Appointed Executives

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

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

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

Health and Human Services
- Dept. of Corrections
  - *Indeterminate Sentence Review Board*
- Employment Security Dept.
  - *Governor's Committee on Disability Issues and Employment*
- Dept. of Health
  - *Board of Health*
  - *(occupational regulatory boards)*
- Health Care Authority
  - *Public Employees Benefits Board*
- 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
  - *Board of Trustees*
- Dept. of Early Learning
- School for the Blind
- Workforce Training and Education Coordinating Board

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

Agencies Under Authority of a Board, Council, or Commission

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

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

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

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

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

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

Prepared by Office of Financial Management
July 2016

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FINANCIAL SECTION

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Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

November 1, 2016

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, 2016, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion Unit	Percent of Total Assets	Percent of Net Position	Percent of Total Revenues/ Additions
Governmental Activities	13.5%	25.2%	7.3%
Business-Type Activities	76.2%	100.0%	37.3%
Higher Education Special Revenue Fund	54.4%	55.7%	52.7%
Higher Education Endowment Fund	97.0%	96.9%	100.0%
Higher Education Student Services Fund	72.1%	95.8%	84.4%
Workers' Compensation Fund	94.3%	100.0%	24.9%
Guaranteed Education Tuition Program Fund	92.2%	100.0%	1.7%
Aggregate Discretely Presented Component Units and Remaining Fund Information	92.9%	93.8%	62.7%

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

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

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the State of Washington, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As explained in Note 1.D.1, the financial statements include pension trust fund investments valued at $33.22 billion, which comprise 28.6 percent of total assets and 31.0 percent of net position of the aggregate discretely presented component units and remaining fund information. The fair values of these investments have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or, in the case of investments in partnerships, the general partners. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules and information, pension plan information, other postemployment benefits information and infrastructure assets reported using the modified approach 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 accompanying information listed as combining financial statements and individual fund schedules is presented for 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 other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements 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 1, 2016, 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,

Troy X. Kelley

TROY KELLEY

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, 2016. 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 $22.27 billion (reported as net position). Of this amount, $(11.42) 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 $15.79 billion, an increase of 7.5 percent compared with the prior year.

- The state's capital assets increased by $1.17 billion, total bond debt increased by $930.8 million, and the state's net investment in capital assets is $20.69 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 a basis for comparison (year-to-year or government-to-government), and enhance the state's accountability.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the state of Washington's own programs. Washington's fiduciary funds include state administered pension plans. The accounting used for fiduciary funds is much like that used for proprietary funds. Individual fund data for the state's fiduciary funds are provided in the form of combining statements elsewhere in this report. The fiduciary fund financial statements can be found on pages 58-59 of this report.

Component Units. Component units that are legally separate from the state and primarily serve or benefit those outside the state are discretely presented. They are either financially accountable to the state, or have relationships with the state such that exclusion would cause the state's financial statements to be misleading or incomplete. The state discretely reports four major component units, the Valley Medical Center, Northwest Hospital, the Washington State Public Stadium Authority and the Health Benefit Exchange, as well as four nonmajor component units. Refer to Note 1 on pages 70-71 for more detailed information. Individual fund data for the state's nonmajor component units are provided in the form of combining statements elsewhere in this report. The component unit financial statements can be found on pages 60-65 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 67-173 of this report.

OTHER INFORMATION

In addition to this discussion and analysis, this report also presents required supplementary information on budgetary comparisons, pension plans and other postemployment benefits information, and infrastructure assets reported using the modified approach.

Required supplementary information can be found on pages 175-202 of this report.

The combining statements referred to earlier are presented immediately following the required supplementary information. Combining financial statements and individual fund schedules can be found on pages 205-269 of this report.

STATE OF WASHINGTON
Statement of Net Position
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
ASSETS						
Current and other assets	$ 25,362	$ 23,812	$ 25,335	$ 24,557	$ 50,697	$ 48,369
Capital assets	38,962	37,783	2,918	2,925	41,880	40,708
Total assets	64,324	61,595	28,253	27,482	92,577	89,077
DEFERRED OUTFLOWS OF RESOURCES	771	481	126	83	897	564
LIABILITIES						
Current and other liabilities	5,643	5,339	926	1,035	6,569	6,374
Long-term liabilities outstanding	32,797	30,459	30,888	30,104	63,685	60,563
Total liabilities	38,440	35,798	31,814	31,139	70,254	66,937
DEFERRED INFLOWS OF RESOURCES	886	1,944	59	158	945	2,102
NET POSITION						
Net investment in capital assets	19,942	19,958	745	973	20,687	20,931
Restricted	8,518	8,320	4,485	4,240	13,003	12,560
Unrestricted	(2,691)	(3,944)	(8,724)	(8,945)	(11,415)	(12,889)
Total net position	$ 25,769	$ 24,334	$ (3,494)	$ (3,732)	$ 22,275	$ 20,602

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 $22.27 billion at June 30, 2016, as compared to $20.60 billion as reported at June 30, 2015.

The largest portion of the state's net position (92.9 percent for fiscal year 2016 as compared to 101.6 percent for fiscal year 2015) 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 (58.4 percent for fiscal year 2016 as compared to 61.0 percent for fiscal year 2015) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $(11.42) 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 $24.33 billion in fiscal year 2015 to $25.77 billion in fiscal year 2016. 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	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program revenues:						
Charges for services	$ 6,039	$ 5,985	$ 6,915	$ 6,631	$ 12,954	$ 12,616
Operating grants and contributions	15,357	15,158	70	77	15,427	15,235
Capital grants and contributions	1,113	867	-	-	1,113	867
General revenues:						
Taxes	20,692	18,132	21	20	20,713	18,152
Interest and investment earnings (loss)	168	307	999	377	1,167	684
Total revenues	43,369	40,449	8,005	7,105	51,374	47,554
EXPENSES						
General government	(1,658)	(1,987)	-	-	(1,658)	(1,987)
Education - K-12	(10,153)	(9,426)	-	-	(10,153)	(9,426)
Education - Higher education	(7,532)	(7,095)	-	-	(7,532)	(7,095)
Human services	(17,209)	(16,890)	-	-	(17,209)	(16,890)
Adult corrections	(983)	(956)	-	-	(983)	(956)
Natural resources and recreation	(1,264)	(1,335)	-	-	(1,264)	(1,335)
Transportation	(2,363)	(2,309)	-	-	(2,363)	(2,309)
Interest on long-term debt	(991)	(981)	-	-	(991)	(981)
Workers' compensation	-	-	(3,238)	(3,018)	(3,238)	(3,018)
Unemployment compensation	-	-	(1,020)	(968)	(1,020)	(968)
Higher education student services	-	-	(2,494)	(2,314)	(2,494)	(2,314)
Washington's lottery	-	-	(535)	(466)	(535)	(466)
Guaranteed education tuition program	-	-	152	585	152	585
Other business-type activities	-	-	(161)	(158)	(161)	(158)
Total expenses	(42,153)	(40,979)	(7,296)	(6,339)	(49,449)	(47,318)
Excess (deficiency) of revenues over expenses before contributions to endowments and transfers	1,216	(530)	709	766	1,925	236
Contributions to endowments	67	66	-	-	67	66
Transfers	152	136	(152)	(136)	-	-
Special item			(319)	-	(319)	-
Increase (decrease) in net position	1,435	(328)	238	630	1,673	302
Net position - July 1, as restated	24,334	24,662	(3,732)	(4,362)	20,602	20,300
Net position - June 30	$ 25,769	$ 24,334	$ (3,494)	$ (3,732)	$ 22,275	$ 20,602

Governmental Activities. Governmental activities resulted in an increase in the state of Washington's net position of $1.44 billion. A number of factors were in play including increases in both spending on K-12 education and tax revenues.

- Expenses grew by $726.5 million for K-12 education in 2016 as compared to fiscal year 2015. The state is working to meet the requirements of the state Supreme Court's 2012 McCleary ruling to meet its constitutional duty to fund basic education.

- Tax revenues increased by $2.56 billion in fiscal year 2016 as compared to fiscal year 2015 reflecting positive growth in the economy. Sales and use taxes reported an increase of $739.4 million. Sales and use taxes are the main tax revenue for governmental activities. Real estate excise tax revenue increased by $320.3 million. Real estate excise taxes are levied on the sale of real estate. These tax revenue increases reflect the rebounding economy, recovering housing markets, and improving employment picture in Washington.

- Tuition and fee revenues at higher education institutions held steady in fiscal year 2016 compared with fiscal year 2015.

- Operating grants and contributions grew by $199.0 million in fiscal year 2016 compared with 2015 and were matched with an increase in human services expenses.

Business-Type Activities. Business-type activities increased the state of Washington's net position by $237.4 million. Workers' compensation, unemployment compensation, and guaranteed education tuition activities contributed to the increase. Key factors contributing to the operating results of business-type activities are:

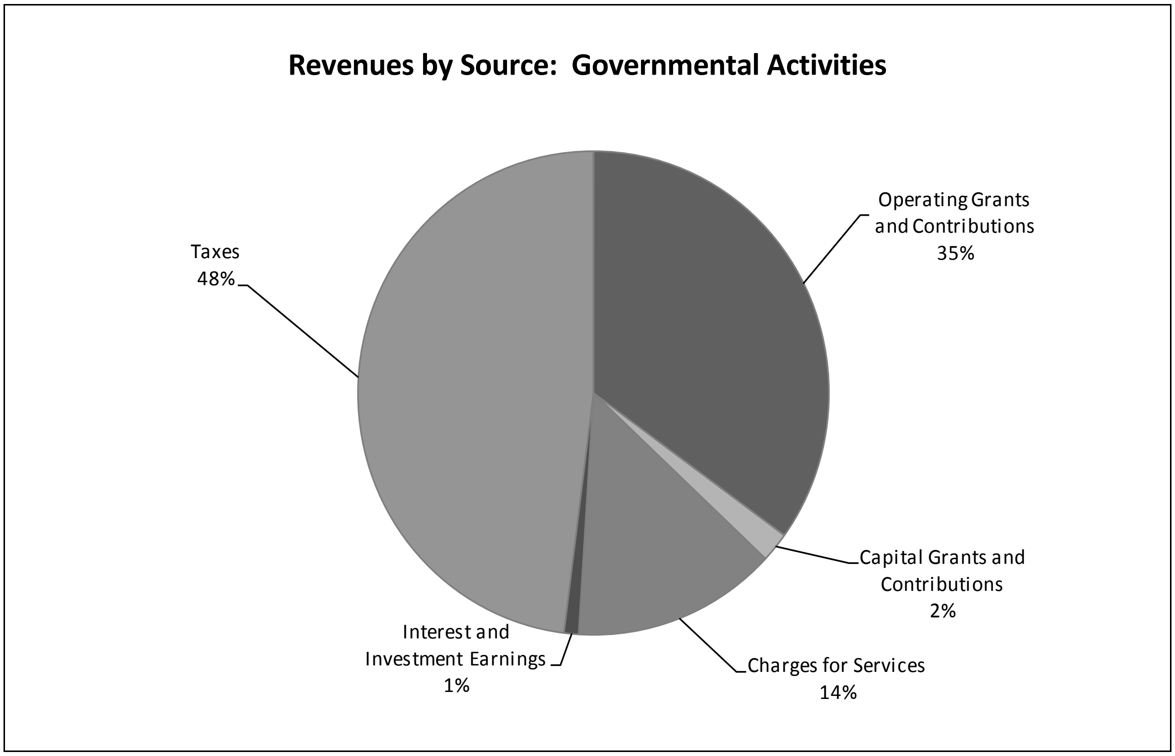
- The workers' compensation activity increase in net position in fiscal year 2016 was $202.2 million compared to a decrease of $400.9 million in fiscal year 2015. Premium revenue increased by $178.8 million as a result of an increase in the number of hours reported by employers, a mid-year premium rate increase, and an increase in the number of hours reported by businesses in higher rate classes. Claim costs increased by $207.5 million in fiscal year 2016 compared with fiscal year 2015 reflecting an increase in the number of time-loss claims and an increase in the state's average annual wage. Nonoperating investment income increased by $640.6 million due predominately to a net increase in realized and unrealized gains on debt securities. The workers' compensation portfolio is 87.4 percent debt securities.

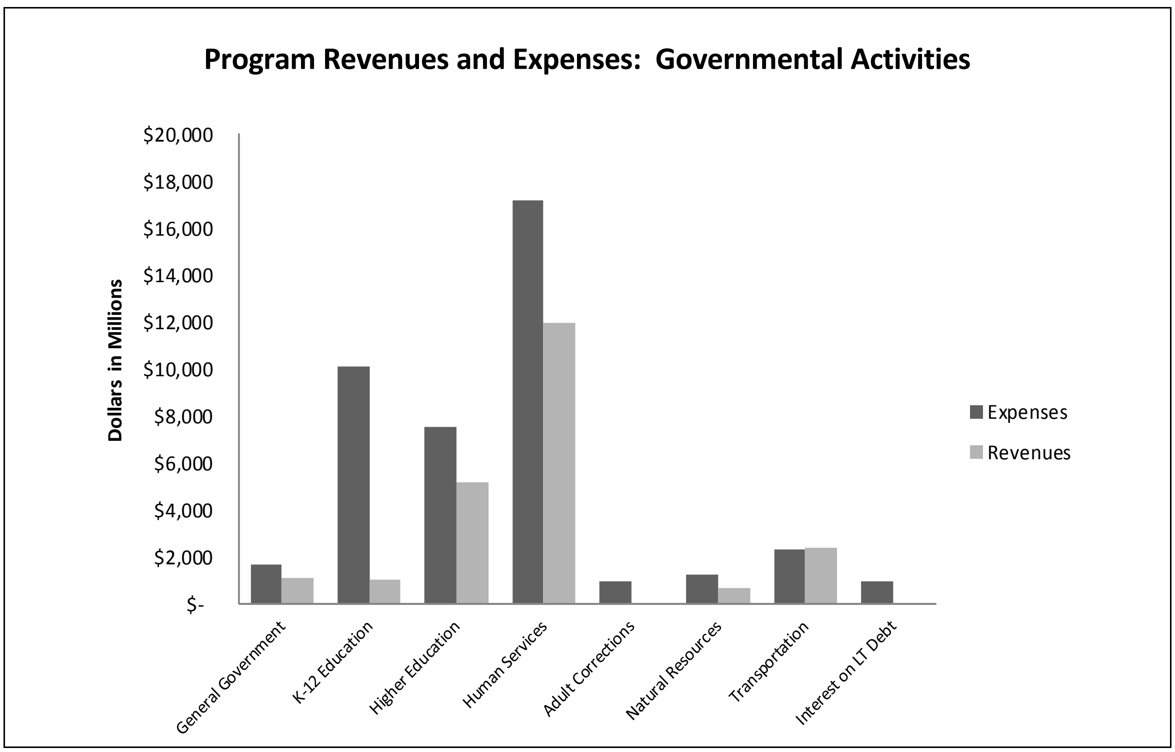
- The unemployment compensation activity reported an operating income in fiscal year 2016 of $157.6 million compared to $344.9 million in fiscal year 2015. Washington's unemployment insurance program is an experience-based system with the largest part of an individual employer's tax rate being based on the employer's layoff experience over the past four years. The economic recovery in the state has stabilized employment and resulted in a slight increase in unemployment insurance benefits of $52.0 million in fiscal year 2016 over fiscal year 2015. The unemployment rate for the state for June 2016, was 5.5 percent, up slightly from 5.3 percent in June 2015, and the insured rate declined to 1.4 percent in fiscal year 2016 from 1.5 percent in fiscal year 2015. The state's unemployment insurance premiums are experience based and the insured rate is declining, which resulted in premium revenue decreasing by 9.3 percent. The $17.8 million decline in federal aid also reflects the decrease in the unemployment rate.

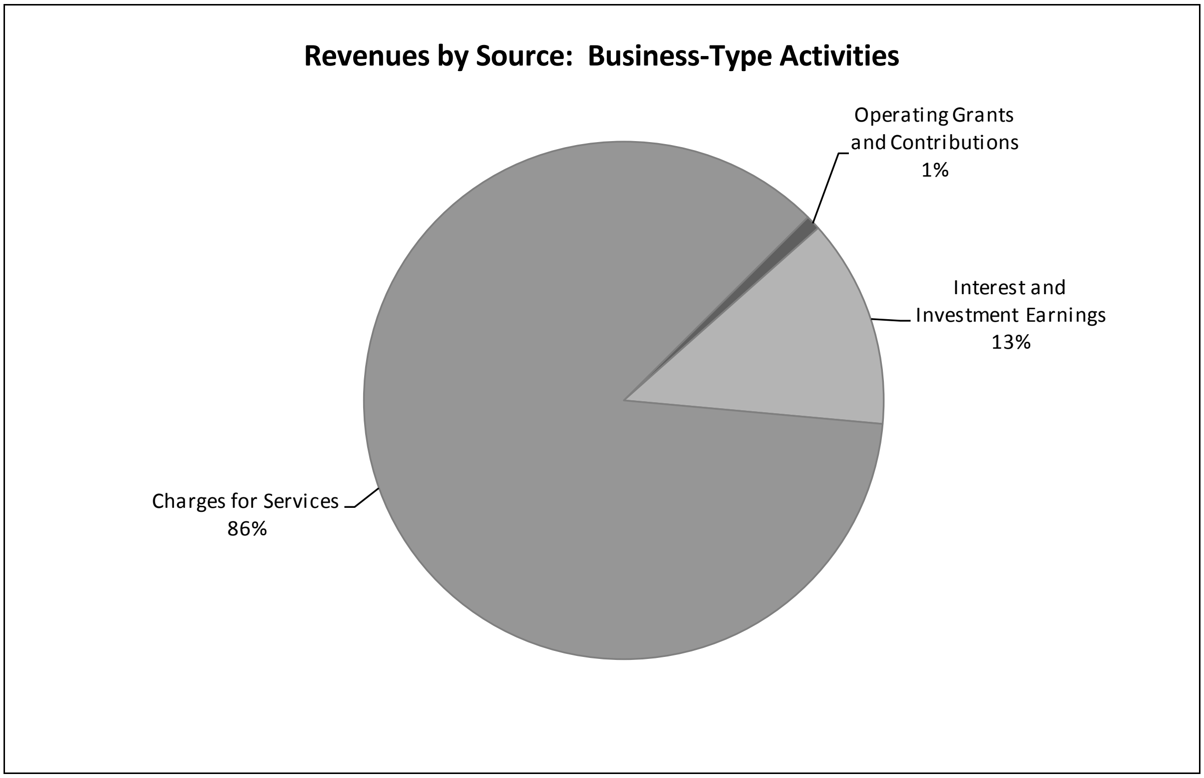
- The Guaranteed Education Tuition (GET) Program reported a decrease in net position of $201.0 million decreasing its funded status to 136 percent, down from 140.1 percent the previous year. This is due to the board authorizing account holders to request refunds of contributions with no penalties, the net effect of the refunds and associated valuation change was $318.8 million.

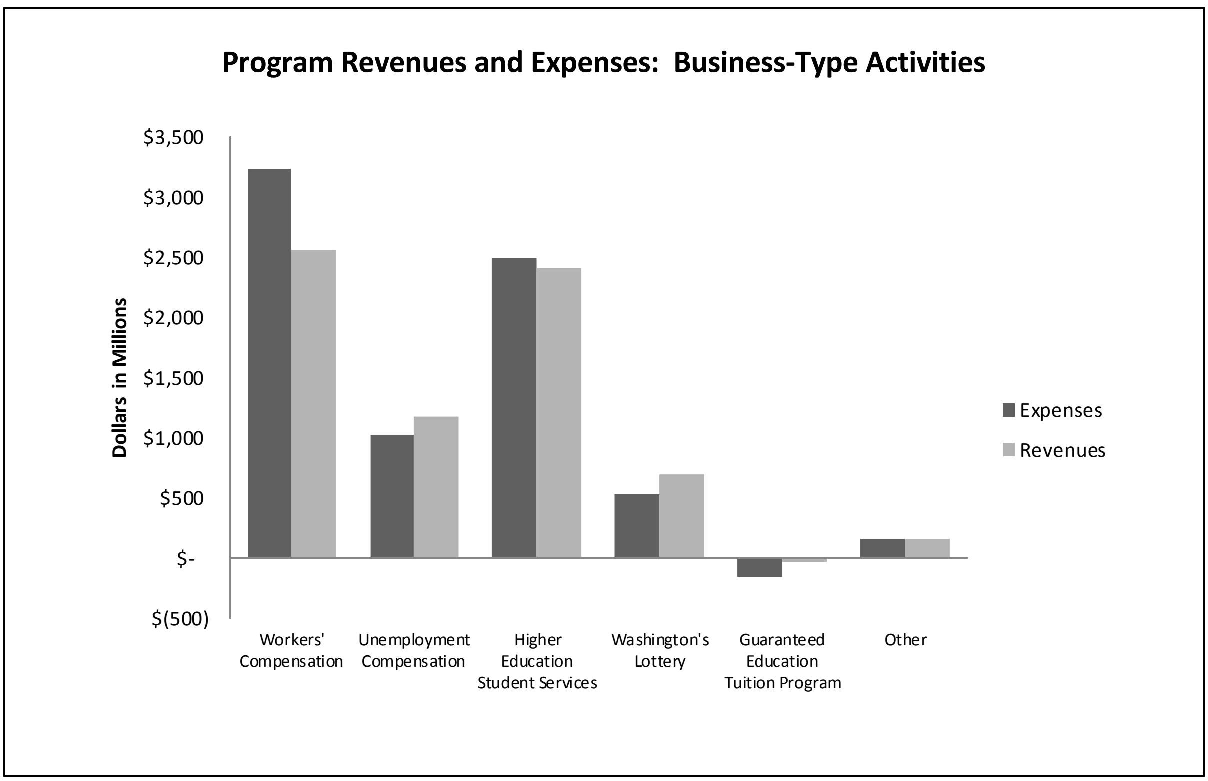
  While current year investment returns were down, the actuarial valuation of the obligation for future tuition benefits assumed a higher rate of investment return based on a recent experience study. The valuation also assumed a lower rate of tuition growth in response to recently enacted legislation. Overall the tuition benefit obligation decreased by 15.5 percent.

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


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


Program Revenues and Expenses: Governmental Activities
$20,000
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$-
Dollars in Millions
General Government
K-12 Education
Higher Education
Human Services
Adult Corrections
Natural Resources
Transportation
Interest on LT Debt
Expenses
Revenues


Revenues by Source: Business-Type Activities
Operating Grants and Contributions 1%
Interest and Investment Earnings 13%
Charges for Services 86%


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

Financial Analysis of the State's Funds

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

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

Fund Balances. At June 30, 2016, the state's governmental funds reported combined ending fund balances of $15.79 billion. Of this amount, $2.54 billion or 16.1 percent is nonspendable, either due to its form or legal constraints, and $4.61 billion or 29.2 percent is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional $6.13 billion or 38.8 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 $1.17 billion or 7.4 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. As noted in the table below, fund balance improved as a result of operations by $564.8 million in fiscal year 2016, as compared to an $854.3 million gain in fiscal year 2015. Increased revenues from taxes and targeted spending increases in K-12 education and social and health services combined with a concerted effort to hold the line on other spending were the key contributing factors. Assigned fund balance of $1.16 billion is reported for fiscal year 2016 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 2016	Fiscal Year 2015	Difference Increase (Decrease)
REVENUES			
Taxes	$ 18,188	$ 17,025	$ 1,163
Federal grants	12,196	12,053	143
Investment revenue (loss)	26	8	18
Other	728	698	30
Total	31,138	29,784	1,354
EXPENDITURES			
Human services	17,072	16,794	278
Education	11,403	10,177	1,226
Other	1,646	1,505	141
Total	30,121	28,476	1,645
Net transfers in (out)	(628)	(653)	25
Other financing sources	176	199	(23)
Net increase (decrease) in fund balance	$ 565	$ 854	$ (289)

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 net position of the Higher Education Special Revenue Fund in fiscal year 2016 was $31.6 million compared to $126.1 million in fiscal year 2015. The decline in fiscal year 2016 was largely due to a 1.4 percent decrease in charges for services. Revenues showed only a slight gain of 0.9 percent reflecting the state's decision to hold tuition steady.

- The fund balance for the Higher Education Endowment Fund decreased by $76.3 million in fiscal year 2016. Fiscal year 2016 reported a decrease of $184.3 million in investment earnings compared to last fiscal year.

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

- The Workers' Compensation Fund reported an increase in net position of $202.2 million in fiscal year 2016. Operating revenues increased by $181.3 million and operating expenses increased by $220.1 million as compared to fiscal year 2015. As previously reported, operating revenues increased due to an increase in reported hours in higher rate classes and claims expense increased due to an increase in the number of time-loss claims and an increase in the state's average annual wage. Investment income increased $640.6 million over fiscal year 2015 due to an increase in net realized and unrealized capital gains.

- Washington's Unemployment Compensation Fund reported an increase in net position of $244.5 million. As reported previously, premium revenue increased reflecting a growing workforce and higher taxable wage base. Unemployment benefit claims expense increased slightly by $52.0 million in fiscal year 2016 as compared to 2015 and federal aid decreased by $17.8 million over the same period. The slight increase in benefit claims and slight decrease in federal aid are consistent with an overall stable unemployment rate.

- The Guaranteed Education Tuition (GET) Program Fund reported a decrease in net position of $201.0 million in fiscal year 2016. As previously reported, the decrease is due primarily to account holders taking advantage this year of the opportunity to receive a refund on their contributions.

- The Higher Education Student Services Fund and the nonmajor enterprise funds reported activity fairly consistent with the prior year.

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 $848.5 million over the course of the biennium. The major increase in estimated resources is additional sales tax and excise tax collected.

- Appropriated expenditure authority increased by $1.35 billion over the biennium to address increases in mandatory and high priority programs. The major increases in appropriation authority were in education. This is the state working on meeting its obligation under the McCleary ruling.

The state did not overspend its legal spending authority for the 2015-17 biennium. Actual General Fund revenues and expenditures were 49.6 and 47.2 percent of final budgeted resources and appropriations, respectively, for the 2015-17 biennium.

Capital Assets, Infrastructure, and Bond Debt Administration

Capital Assets. The state of Washington's investment in capital assets for its governmental and business-type activities as of June 30, 2016, totaled $41.88 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 2016 investment in capital assets, net of current year depreciation, increased $1.17 billion over fiscal year 2015, including increases to the state's transportation infrastructure of $659.3 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 $2.66 billion.

Additional information on the state of Washington's capital assets can be found in Note 6 beginning on page 120 of this report.

Infrastructure. The state uses the modified approach for reporting selected infrastructure assets. The modified approach requires that the state meet certain requirements regarding the inventory and maintenance of eligible capital assets, including condition assessments. Under the modified approach, assets are not depreciated and certain maintenance and preservation costs associated with those assets are expensed. Assets accounted for under this approach include approximately 20,764 lane miles of pavement, 3,294 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 pavements and bridges than was planned, and invested more than planned for rest areas preservation and maintenance.

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STATE OF WASHINGTON

Capital Assets - Net of Depreciation

(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	$ 2,666	$ 2,625	$ 58	$ 58	$ 2,724	$ 2,683
Transportation infrastructure and other assets not depreciated	24,030	23,376	5	5	24,035	23,381
Buildings	7,951	7,826	2,521	2,312	10,472	10,138
Furnishings, equipment, and intangible assets	1,793	1,829	180	183	1,973	2,012
Other improvements and infrastructure	1,277	1,236	77	75	1,354	1,311
Construction in progress	1,245	891	77	293	1,322	1,184
Total	$ 38,962	$ 37,783	$ 2,918	$ 2,926	$ 41,880	$ 40,709

The state's goal is to maintain 85 percent of pavements and 90 percent of bridges at a condition level of fair or better. The condition of these assets, along with the rating scales, and additional detail comparing planned to actual preservation and maintenance spending are available in the required supplementary information beginning on page 199.

The most recent pavements condition assessment indicates that 93.2 percent of pavements were in fair or better condition. The condition of pavements has remained steady in the last three assessment periods, averaging 92.4 percent in fair or better condition. For fiscal year 2016, actual maintenance and preservation expenditures were 0.5 percent higher than planned, and over the past five fiscal years, the actual expenditures were 5.2 percent lower than planned.

The most recent bridge condition assessment indicates that 92.1 percent of bridges were in good or fair condition. The condition of bridges has remained steady over the last three assessment periods, averaging 93 percent in good or fair condition. For fiscal year 2016, the actual maintenance and preservation expenditures were 11.7 percent lower than planned, and over the past five fiscal years, the actual expenditures were 9.3 percent lower than planned.

Bond Debt. At the end of fiscal year 2016, the state of Washington had general obligation bond debt outstanding including accreted interest and issuance premiums of $20.52 billion, an increase of 3.3 percent from fiscal year 2015. This debt is secured by a pledge of the full faith and credit of the state. Additionally, the state had authorized $11.70 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, 2016, does not exceed that amount for which payments of principal and interest in any fiscal year would require the state to expend more than 8.5 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 2010-2015 is $15.50 billion. The debt service limitation, 8.5 percent of this mean, is $1.32 billion. The state's maximum annual debt service as of June 30, 2016, subject to the constitutional debt limitation is $1.16 billion, or $162.0 million less than the debt service limitation.

For further information on the debt limit, refer to the statistical section on page 294 of this report or the Certification of the Debt Limitation of the State of Washington, available from the Office of the State Treasurer at: http://www.tre.wa.gov/documents/debt_cd2016.pdf.

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

As of June 30, 2016, 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	
	2016	2015	2016	2015	2016	2015
General obligation (GO) bonds	$ 20,039	$ 19,396	$ -	$ 4	$ 20,039	$ 19,400
Accreted interest on zero interest rate GO bonds	479	472	-	-	479	472
Revenue bonds	2,377	2,316	2,215	1,991	4,592	4,307
Total	$ 22,895	$ 22,184	$ 2,215	$ 1,995	$ 25,110	$ 24,179

The state had revenue debt outstanding at June 30, 2016, of $4.59 billion, an increase of $285.0 million over fiscal year 2015. The increase is primarily related to grant anticipation revenue bonds issued by the Washington State Department of Transportation and 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 $1.02 billion were refunded during the year. Washington's refunding activity produced $168.5 million in gross debt service savings.

Additional information on the state's bond debt obligations is presented in Note 7 beginning on page 124 of this report.

Conditions with Expected Future Impact

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

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

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

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

- The courts have also made it clear that in addressing budget shortfalls the past years, the state sometimes went too far in cutting services, such as for at-risk children and individuals with mental illness.

- Washington continues to address the requirements of the state Supreme Court 2012 McCleary ruling that found that the state has failed to meet its constitutional requirement to amply fund basic education. Although funding progress was made during the 2015-17 biennium, the court is still waiting for a plan that fully funds basic education.

General Election. There is a measure on the state's November 8, 2016, general election ballot that proposes a carbon emission tax on certain fossil fuels and fossil-fuel-generated electricity, reduces the sales tax by one percentage point, increases a low-income exemption, and reduces certain manufacturing taxes. This measure, if passed, could impact the state fiscally.

Election results are not final or official until certified. By law December 8, 2016, is the last day for the Office of the Secretary of State to certify General Election returns.

Information is posted as available on the Secretary of State's website at: http://www.sos.wa.gov.

Rainy Day Account. In November 2007, Washington state voters ratified Engrossed Substitute Senate Joint Resolution 8206, amending the state's Constitution and establishing the Budget Stabilization Account (BSA). The Constitution details a limited number of circumstances under which funds can be appropriated from the BSA, one of which is a favorable vote of at least three-fifths of the members of each house of the Legislature. On June 30, 2016, $185.7 million was transferred to the BSA from the General Fund in accordance with the provisions of the Constitution. During fiscal year 2016, by three-fifths vote of each house, the Legislature appropriated $189.5 million from the BSA solely for emergency fire service mobilization, fire suppression, and fire damage recovery costs. The BSA had a fund balance of $549.6 million as of June 30, 2016.

The Guaranteed Education Tuition (GET) Program. The funded status of the GET Program decreased during fiscal year 2016 reflecting account holders requesting refunds as authorized by Engrossed Second Substitute Bill (E2SSB) 5954 which was signed into law by the Governor on July 6, 2015. It reduced tuition at all public institutions of higher education during the 2015-16 and 2016-17 academic years and limits tuition growth in future years. Subsequent to the passage of E2SSB 5954, the State Guaranteed Education Tuition (GET) Program Committee authorized account holders, upon request, to receive a refund of their contributions or a fixed payout value, whichever is greater. Account holders have until September 1, 2017, or until 60 days after a new 529 savings plan opens (whichever is later), to request a refund. GET is closed to new enrollments until July 1, 2017. The financial impact of this action cannot reasonably be estimated as of the date of these financial statements.

Requests for Information

This financial report is designed to provide a general overview of the state of Washington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Financial Management, Accounting Division, P.O. Box 43127, Olympia, WA 98504-3127.

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Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position

June 30, 2016

(expressed in thousands)

Continued

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and pooled investments	$ 7,172,831	$ 7,100,084	$ 14,272,915	$ 182,494
Taxes receivable (net of allowance for uncollectibles)	3,883,499	-	3,883,499	-
Other receivables (net of allowance for uncollectibles)	2,276,547	1,536,551	3,813,098	172,137
Internal balances	160,859	(160,859)	-	-
Due from other governments	4,001,651	108,254	4,109,905	-
Inventories and prepaids	116,806	62,240	179,046	29,500
Restricted cash and investments	432,954	3,613	436,567	5,030
Restricted receivables, current	120,796	4,234	125,030	-
Investments, noncurrent	5,727,579	16,303,543	22,031,122	159,187
Restricted investments, noncurrent	-	58,622	58,622	16,873
Restricted receivables, noncurrent	1,521	-	1,521	-
Restricted net pension asset	1,467,363	296	1,467,659	-
Other assets	-	318,387	318,387	192,339
Capital assets:				
Non-depreciable assets	27,940,480	139,775	28,080,255	76,428
Depreciable assets (net of accumulated depreciation)	11,021,021	2,778,297	13,799,318	674,141
Total capital assets	38,961,501	2,918,072	41,879,573	750,569
Total Assets	64,323,907	28,253,037	92,576,944	1,508,129
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on hedging derivatives	1,196	-	1,196	572
Deferred outflows on refundings	4,210	31,303	35,513	6,066
Deferred outflows on pensions	765,410	94,796	860,206	2,017
Total Deferred Outflows of Resources	770,816	126,099	896,915	8,655
Total Assets and Deferred Outflows of Resources	$ 65,094,723	$ 28,379,136	$ 93,473,859	$ 1,516,784

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

Statement of Net Position

June 30, 2016

(expressed in thousands)

Concluded

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Accounts payable	$ 1,536,982	$ 186,320	$ 1,723,302	$ 84,925
Contracts payable	105,497	17,147	122,644	-
Accrued liabilities	1,917,678	449,613	2,367,291	110,311
Obligations under security lending agreements	197,525	156,492	354,017	-
Due to other governments	1,481,497	59,569	1,541,066	-
Unearned revenues	403,991	56,849	460,840	10,239
Long-term liabilities:				
Due within one year	1,772,466	2,379,484	4,151,950	21,514
Due in more than one year	31,024,542	28,508,925	59,533,467	414,830
Total Liabilities	38,440,178	31,814,399	70,254,577	641,819
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on refundings	160	-	160	-
Deferred inflows on pensions	885,770	59,158	944,928	2,226
Deferred inflows on property taxes	-	-	-	26,744
Total Deferred Inflows of Resources	885,930	59,158	945,088	28,970
NET POSITION				
Net investment in capital assets	19,942,180	744,524	20,686,704	353,558
Restricted for:				
Unemployment compensation	-	4,484,992	4,484,992	-
Nonexpendable permanent endowments	2,440,835	-	2,440,835	-
Expendable endowment funds	1,131,720	-	1,131,720	-
Pensions	1,467,363	296	1,467,659	-
Wildlife and natural resources	1,002,335	-	1,002,335	-
Transportation	957,382	-	957,382	-
Budget stabilization	549,581	-	549,581	-
Higher education	174,351	-	174,351	-
Capital projects	17,614	-	17,614	-
Other purposes	776,022	-	776,022	15,501
Unrestricted	(2,690,768)	(8,724,233)	(11,415,001)	476,936
Total Net Position	25,768,615	(3,494,421)	22,274,194	845,995
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 65,094,723	$ 28,379,136	$ 93,473,859	$ 1,516,784

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

Statement of Activities

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
PRIMARY GOVERNMENT				
Governmental Activities:				
General government	$ 1,657,671	$ 852,839	$ 230,138	$ 15,696
Education - elementary and secondary (K-12)	10,152,823	20,811	1,052,529	-
Education - higher education	7,531,460	2,762,044	2,375,616	31,174
Human services	17,209,376	723,787	11,267,258	15,578
Adult corrections	983,373	7,321	2,294	-
Natural resources and recreation	1,263,727	467,587	189,347	68,936
Transportation	2,363,429	1,205,527	240,532	981,251
Interest on long-term debt	991,215	-	-	-
Total Governmental Activities	42,153,074	6,039,916	15,357,714	1,112,635
Business-Type Activities:				
Workers' compensation	3,238,325	2,556,687	8,819	-
Unemployment compensation	1,020,368	1,139,070	38,911	-
Higher education student services	2,494,528	2,395,313	21,533	-
Washington's lottery	534,538	697,723	-	-
Guaranteed education tuition program	(152,302)	(28,863)	-	-
Other	160,936	155,041	418	-
Total Business-Type Activities	7,296,393	6,914,971	69,681	-
Total Primary Government	$ 49,449,467	$ 12,954,887	$ 15,427,395	$ 1,112,635
COMPONENT UNITS	$ 1,165,117	$ 1,092,866	$ 68,189	$ -
Total Component Units	$ 1,165,117	$ 1,092,866	$ 68,189	$ -

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

Special item - Guaranteed education tuition program refunds and valution change resulting from SB 5954

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
$ (558,998)	$ -	$ (558,998)	
(9,079,483)	-	(9,079,483)	
(2,362,626)	-	(2,362,626)	
(5,202,753)	-	(5,202,753)	
(973,758)	-	(973,758)	
(537,857)	-	(537,857)	
63,881	-	63,881	
(991,215)	-	(991,215)	
(19,642,809)	-	(19,642,809)	
-	(672,819)	(672,819)	
-	157,613	157,613	
-	(77,682)	(77,682)	
-	163,185	163,185	
-	123,439	123,439	
-	(5,477)	(5,477)	
-	(311,741)	(311,741)	
(19,642,809)	(311,741)	(19,954,550)	
			$ (4,062)
			(4,062)
9,740,192	-	9,740,192	-
3,636,385	-	3,636,385	-
2,062,065	-	2,062,065	19,902
1,485,618	-	1,485,618	-
1,203,145	21,391	1,224,536	-
450,805	-	450,805	-
468,734	-	468,734	-
534,663	-	534,663	-
1,109,947	-	1,109,947	479
168,244	998,511	1,166,755	8,797
20,859,798	1,019,902	21,879,700	29,178
1,216,989	708,161	1,925,150	25,116
66,061	-	66,061	-
151,894	(151,894)	-	-
-	(318,837)	(318,837)	-
1,434,944	237,430	1,672,374	25,116
24,333,671	(3,731,851)	20,601,820	820,879
$ 25,768,615	$ (3,494,421)	$ 22,274,194	$ 845,995

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Basic Financial Statements

Fund Financial Statements

Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2016
(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Cash and pooled investments	$ 2,376,759	$ 164,346	$ 413,515	$ 3,407,647	$ 6,362,267
Investments	47,194	1,746,775	3,617,378	325,010	5,736,357
Taxes receivable (net of allowance)	3,676,344	8,537	-	198,618	3,883,499
Receivables (net of allowance)	198,327	1,111,947	102,444	841,060	2,253,778
Due from other funds	268,587	337,104	8	361,557	967,256
Due from other governments	1,039,195	264,023	-	2,562,093	3,865,311
Inventories and prepaids	15,104	26,362	-	48,082	89,548
Restricted cash and investments	37,815	15,448	-	184,591	237,854
Restricted receivables	56,580	5,633	-	3,570	65,783
Total Assets	7,715,905	3,680,175	4,133,345	7,932,228	23,461,653
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on hedging derivatives	-	-	-	1,196	1,196
Total Deferred Outflows of Resources	-	-	-	1,196	1,196
Total Assets and Deferred Outflows of Resources	$ 7,715,905	$ 3,680,175	$ 4,133,345	$ 7,933,424	$ 23,462,849
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 980,499	$ 72,463	$ 37,453	$ 387,245	$ 1,477,660
Contracts payable	48,183	3,089	2,603	42,008	95,883
Accrued liabilities	249,024	394,640	683,985	157,969	1,485,618
Obligations under security lending agreements	110,095	719	211	78,575	189,600
Due to other funds	278,177	87,179	3,575	466,242	835,173
Due to other governments	1,041,557	23,672	-	195,240	1,260,469
Unearned revenue	98,907	231,824	-	70,395	401,126
Claims and judgments payable	49,085	-	-	82,774	131,859
Total Liabilities	2,855,527	813,586	727,827	1,480,448	5,877,388
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	1,630,111	6,298	15,354	139,579	1,791,342
Deferred inflows on hedging derivatives	-	-	-	-	-
Total Deferred Inflows of Resources	1,630,111	6,298	15,354	139,579	1,791,342
FUND BALANCES					
Nonspendable fund balance	45,578	10,542	2,235,581	247,066	2,538,767
Restricted fund balance	558,708	50,449	1,154,583	2,845,265	4,609,005
Committed fund balance	114,958	2,781,000	-	3,232,887	6,128,845
Assigned fund balance	1,155,952	18,300	-	-	1,174,252
Unassigned fund balance	1,355,071	-	-	(11,821)	1,343,250
Total Fund Balances	3,230,267	2,860,291	3,390,164	6,313,397	15,794,119
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 7,715,905	$ 3,680,175	$ 4,133,345	$ 7,933,424	$ 23,462,849

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, 2016

(expressed in thousands)

Total Fund Balances for Governmental Funds		$ 15,794,119
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	$ 27,895,566	
Depreciable assets	19,549,575	
Less: Accumulated depreciation	(9,265,013)	
Total capital assets		38,180,128
Some of the state's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are considered deferred inflows in the funds.		1,791,342
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.		1,467,363
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the funds.		732,057
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.		(865,913)
Unmatured interest on general obligation bonds is not recognized in the funds until due.		(399,534)
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.		(334,072)
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	$ (22,508,002)	
Accreted interest on bonds	(479,226)	
Compensated absences	(542,083)	
Other postemployment benefits obligations	(2,372,657)	
Net pension liability	(3,582,081)	
Unclaimed property	(165,215)	
Pollution remediation obligations	(154,145)	
Claims and judgments	(114,253)	
Other obligations	(679,213)	
Total long-term liabilities		(30,596,875)
Net Position of Governmental Activities		$ 25,768,615

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, 2016

(expressed in thousands)

	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
REVENUES					
Retail sales and use taxes	$ 9,622,982	$ -	$ -	$ 117,210	$ 9,740,192
Business and occupation taxes	3,631,559	-	-	4,826	3,636,385
Property taxes	2,062,065	-	-	-	2,062,065
Excise taxes	933,247	39,155	-	230,743	1,203,145
Motor vehicle and fuel taxes	-	-	-	1,485,618	1,485,618
Other taxes	1,938,117	177,840	-	251,537	2,367,494
Licenses, permits, and fees	116,334	969	-	1,648,361	1,765,664
Other contracts and grants	241,734	940,751	-	254,331	1,436,816
Timber sales	3,993	-	21,107	123,567	148,667
Federal grants-in-aid	12,195,980	1,434,721	-	1,402,832	15,033,533
Charges for services	41,764	2,552,198	-	676,893	3,270,855
Investment income (loss)	25,662	52,082	11,268	79,232	168,244
Miscellaneous revenue	253,925	97,945	2,121	485,623	839,614
Contributions and donations	-	-	66,061	-	66,061
Unclaimed property	70,338	-	-	-	70,338
Total Revenues	31,137,700	5,295,661	100,557	6,760,773	43,294,691
EXPENDITURES					
Current:					
General government	802,422	1,350	149	484,956	1,288,877
Human services	17,071,814	-	-	964,774	18,036,588
Natural resources and recreation	534,497	-	1,250	678,610	1,214,357
Transportation	67,467	-	-	1,887,386	1,954,853
Education	11,403,114	5,081,840	1,681	435,070	16,921,705
Intergovernmental	119,340	-	-	372,829	492,169
Capital outlays	110,996	245,970	5,295	1,837,725	2,199,986
Debt service:					
Principal	8,339	22,489	-	1,008,841	1,039,669
Interest	3,262	18,334	-	977,154	998,750
Total Expenditures	30,121,251	5,369,983	8,375	8,647,345	44,146,954
Excess of Revenues Over (Under) Expenditures	1,016,449	(74,322)	92,182	(1,886,572)	(852,263)
OTHER FINANCING SOURCES (USES)					
Bonds issued	89,119	73,228	-	1,304,737	1,467,084
Refunding bonds issued	-	-	-	860,870	860,870
Payments to escrow agents for refunded bond debt	-	-	-	(1,040,394)	(1,040,394)
Issuance premiums	12,617	7,027	-	409,819	429,463
Other debt issued	74,636	27,223	-	67	101,926
Refunding COPs issued	-	31,095	-	1,625	32,720
Payment to escrow agents for refunded COP debt	-	(38,284)	-	(2,083)	(40,367)
Transfers in	577,490	763,475	26,873	2,949,351	4,317,189
Transfers out	(1,205,463)	(757,891)	(195,309)	(2,021,448)	(4,180,111)
Total Other Financing Sources (Uses)	(451,601)	105,873	(168,436)	2,462,544	1,948,380
Net Change in Fund Balances	564,848	31,551	(76,254)	575,972	1,096,117
Fund Balances - Beginning	2,665,419	2,828,740	3,466,418	5,737,425	14,698,002
Fund Balances - Ending	$ 3,230,267	$ 2,860,291	$ 3,390,164	$ 6,313,397	$ 15,794,119

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, 2016

(expressed in thousands)

Net Change in Fund Balances - Total Governmental Funds		$ 1,096,117
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	$ 1,802,838	
Less: Depreciation expense	(629,991)	1,172,847
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.		182,010
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.		(73,322)
Bond proceeds and other financing contracts provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net position. In the current period, these amounts consist of:		
Bonds and other financing contracts issued	$ (2,870,185)	
Principal payments on bonds and other financing contracts	2,098,621	
Accreted interest on bonds	(7,275)	(778,839)
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	$ (24,640)	
Other postemployment benefits	(370,504)	
Pensions	462,027	
Pollution remediation	15,553	
Claims and judgments	(73,231)	
Accrued interest	(8,232)	
Unclaimed property	(34,559)	
Other obligations	(130,283)	(163,869)
Change in Net Position of Governmental Activities		$ 1,434,944

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

Statement of Net Position
PROPRIETARY FUNDS
June 30, 2016
(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and pooled investments	$ 43,560	$ 4,057,707	$ 887,674	$ 6,715
Investments	1,792,743	-	23,782	157,950
Receivables (net of allowance)	821,354	453,613	216,973	19,157
Due from other funds	70	3,092	27,438	15
Due from other governments	1,376	25,998	63,021	-
Inventories	201	-	40,652	-
Prepaid expenses	1,973	-	10,873	-
Restricted cash and investments	640	-	2,973	-
Restricted receivables	-	-	4,234	-
Total Current Assets	2,661,917	4,540,410	1,277,620	183,837
Noncurrent Assets:				
Investments, noncurrent	13,909,624	-	215,910	2,042,985
Restricted investments, noncurrent	2,048	-	56,574	-
Restricted receivables, noncurrent	-	-	-	-
Restricted net pension asset	-	-	296	-
Other noncurrent assets	2,975	-	145,465	169,942
Capital assets:				
Land and other non-depreciable assets	3,240	-	57,600	-
Buildings	65,134	-	3,503,869	-
Other improvements	1,289	-	97,128	-
Furnishings, equipment, and intangibles	102,826	-	625,420	104
Infrastructure	-	-	49,335	-
Accumulated depreciation	(114,591)	-	(1,574,429)	(93)
Construction in progress	9,554	-	66,722	-
Total Noncurrent Assets	13,982,099	-	3,243,890	2,212,938
Total Assets	16,644,016	4,540,410	4,521,510	2,396,775
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on refundings	-	-	31,214	-
Deferred outflows on pensions	24,825	-	61,729	267
Total Deferred Outflows of Resources	24,825	-	92,943	267
Total Assets and Deferred Outflows of Resources	$ 16,668,841	$ 4,540,410	$ 4,614,453	$ 2,397,042

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

Continued

		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
$ 111,739	$ 5,107,395	$ 750,666
18,214	1,992,689	16,144
25,454	1,536,551	22,769
15,549	46,164	76,399
4,685	95,080	35,002
8,268	49,121	14,523
273	13,119	12,734
-	3,613	195,100
-	4,234	55,013
184,182	8,847,966	1,178,350
135,024	16,303,543	34,976
-	58,622	-
-	-	1,521
-	296	-
5	318,387	-
1,540	62,380	6,182
12,828	3,581,831	517,328
2,376	100,793	15,581
32,284	760,634	923,659
-	49,335	2,043
(25,183)	(1,714,296)	(722,152)
1,119	77,395	38,732
159,993	19,598,920	817,870
344,175	28,446,886	1,996,220
89	31,303	366
7,975	94,796	37,196
8,064	126,099	37,562
$ 352,239	$ 28,572,985	$ 2,033,782

Statement of Net Position
PROPRIETARY FUNDS
June 30, 2016
(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 3,999	$ -	$ 173,064	$ 155
Contracts payable	7,770	57	9,319	186,000
Accrued liabilities	183,091	8,300	244,656	9,551
Obligations under security lending agreements	114,917	-	-	41,575
Bonds and notes payable	-	-	107,787	-
Due to other funds	6,126	15,358	166,661	154
Due to other governments	3	31,703	5,465	-
Unearned revenue	7,458	-	48,242	-
Claims and judgments payable	2,011,766	-	2,854	42
Total Current Liabilities	2,335,130	55,418	758,048	237,477
Noncurrent Liabilities:				
Claims and judgments payable	23,840,752	-	-	-
Bonds and notes payable	-	-	2,165,362	-
Net pension liability	129,684	-	321,183	1,345
Other long-term liabilities	61,730	-	256,348	1,540,602
Total Noncurrent Liabilities	24,032,166	-	2,742,893	1,541,947
Total Liabilities	26,367,296	55,418	3,500,941	1,779,424
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on refundings	-	-	-	-
Deferred inflows on pensions	19,117	-	34,591	150
Total Deferred Inflows of Resources	19,117	-	34,591	150
NET POSITION				
Net investment in capital assets	67,452	-	657,959	11
Restricted for:				
Unemployment compensation	-	4,484,992	-	-
Pensions	-	-	296	-
Unrestricted	(9,785,024)	-	420,666	617,457
Total Net Position	(9,717,572)	4,484,992	1,078,921	617,468
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 16,668,841	$ 4,540,410	$ 4,614,453	$ 2,397,042

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

Concluded

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 9,102	$ 186,320	$ 59,322
-	203,146	1,514
68,458	514,056	75,471
-	156,492	7,925
1,190	108,977	92,023
25,287	213,586	40,984
2,661	39,832	126,781
1,149	56,849	2,865
5,403	2,020,065	175,043
113,250	3,499,323	581,928
8,085	23,848,837	560,904
4,763	2,170,125	563,754
43,275	495,487	496,896
135,796	1,994,476	144,354
191,919	28,508,925	1,765,908
305,169	32,008,248	2,347,836
-	-	160
5,300	59,158	19,858
5,300	59,158	20,018
19,102	744,524	178,903
-	4,484,992	-
-	296	-
22,668	(8,724,233)	(512,975)
41,770	(3,494,421)	(334,072)
$ 352,239	$ 28,572,985	$ 2,033,782

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

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
OPERATING REVENUES				
Sales	$ -	$ -	$ 92,045	$ -
Less: Cost of goods sold	-	-	(57,648)	-
Gross profit	-	-	34,397	-
Charges for services	16	-	2,136,605	(29,047)
Premiums and assessments	2,516,256	1,124,773	-	-
Lottery ticket proceeds	-	-	-	-
Federal aid for unemployment insurance benefits	-	38,911	-	-
Miscellaneous revenue	40,421	14,296	167,805	185
Total Operating Revenues	2,556,693	1,177,980	2,338,807	(28,862)
OPERATING EXPENSES				
Salaries and wages	159,686	-	909,664	3,066
Employee benefits	62,817	-	264,603	726
Personal services	7,457	-	46,188	119
Goods and services	82,574	-	896,447	952
Travel	4,106	-	27,840	16
Premiums and claims	2,873,993	1,020,368	27	-
Guaranteed education tuition program expense	-	-	-	(157,184)
Lottery prize payments	-	-	-	-
Depreciation and amortization	10,206	-	172,988	3
Miscellaneous expenses	37,450	-	25,356	-
Total Operating Expenses	3,238,289	1,020,368	2,343,113	(152,302)
Operating Income (Loss)	(681,596)	157,612	(4,306)	123,440
NONOPERATING REVENUES (EXPENSES)				
Earnings (loss) on investments	874,953	86,894	31,996	(5,602)
Interest expense	(37)	-	(93,768)	-
Tax and license revenue	95	-	-	-
Other revenues (expenses)	8,814	-	20,391	(1)
Total Nonoperating Revenues (Expenses)	883,825	86,894	(41,381)	(5,603)
Income (Loss) Before Contributions and Transfers	202,229	244,506	(45,687)	117,837
Capital contributions	-	-	-	-
Transfers in	-	-	445,410	-
Transfers out	-	-	(421,755)	-
Special item - refunds and valuation changes resulting from SB 5954	-	-	-	(318,837)
Net Contributions, Transfers, and Special Items	-	-	23,655	(318,837)
Change in Net Position	202,229	244,506	(22,032)	(201,000)
Net Position - Beginning, as restated	(9,919,801)	4,240,486	1,100,953	818,468
Net Position - Ending	$ (9,717,572)	$ 4,484,992	$ 1,078,921	$ 617,468

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

		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
$ 91,194	$ 183,239	$ 43,590
(61,197)	(118,845)	(36,093)
29,997	64,394	7,497
36,587	2,144,161	672,842
25,793	3,666,822	1,505,296
694,875	694,875	-
-	38,911	-
4,561	227,268	155,632
791,813	6,836,431	2,341,267
58,685	1,131,101	312,267
23,916	352,062	134,294
16,261	70,025	29,234
91,221	1,071,194	334,418
2,134	34,096	4,575
-	3,894,388	1,491,918
-	(157,184)	-
432,901	432,901	-
1,699	184,896	98,375
999	63,805	476
627,816	7,077,284	2,405,557
163,997	(240,853)	(64,290)
10,271	998,512	6,864
(6,462)	(100,267)	(25,951)
21,297	21,392	26
174	29,378	(10,559)
25,280	949,015	(29,620)
189,277	708,162	(93,910)
-	-	5,771
13,861	459,271	85,549
(189,411)	(611,166)	(70,732)
-	(318,837)	-
(175,550)	(470,732)	20,588
13,727	237,430	(73,322)
28,043	(3,731,851)	(260,750)
$ 41,770	$ (3,494,421)	$ (334,072)

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2016
(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 2,461,807	$ 1,289,326	$ 2,219,659	$ 95,016
Customer requested refunds - authorized by GET board	-	-	-	(370,913)
Payments to suppliers	(2,228,394)	(1,052,652)	(1,021,202)	(210,637)
Payments to employees	(218,103)	-	(1,130,823)	(3,678)
Other receipts	40,420	58,984	167,804	184
Net Cash Provided (Used) by Operating Activities	55,730	295,658	235,438	(490,028)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	445,410	-
Transfers out	-	-	(421,755)	-
Operating grants and donations received	8,528	-	25,396	-
Taxes and license fees collected	95	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	8,623	-	49,051	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid	(111)	-	(29,041)	-
Principal payments on long-term capital financing	(4,050)	-	(195,501)	-
Proceeds from long-term capital financing	-	-	266,545	-
Proceeds from sale of capital assets	14	-	5,634	-
Acquisitions of capital assets	(6,031)	-	(175,857)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,178)	-	(128,220)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of interest	657,532	86,894	10,698	148,776
Proceeds from sale of investment securities	7,751,271	-	35,863	1,691,868
Purchases of investment securities	(8,494,034)	-	(63,437)	(1,355,010)
Net Cash Provided (Used) by Investing Activities	(85,231)	86,894	(16,876)	485,634
Net Increase (Decrease) in Cash and Pooled Investments	(31,056)	382,552	139,393	(4,394)
Cash and Pooled Investments, July 1	75,256	3,675,155	751,254	11,109
Cash and Pooled Investments, June 30	$ 44,200	$ 4,057,707	$ 890,647	$ 6,715
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	$ (681,596)	$ 157,612	$ (4,306)	$ (195,397)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:				
Depreciation	10,206	-	172,988	3
Revenue reduced for uncollectible accounts	35,625	-	1,232	-
Change in Assets: Decrease (Increase)				
Receivables	(54,900)	170,330	(2,099)	71,987
Inventories	32	-	(1,144)	-
Prepaid expenses	97	-	(713)	-
Other assets	-	-	84	-
Change in Deferred Outflows of Resources: Increase (Decrease)	(9,957)	-	(28,432)	(116)
Change in Liabilities: Increase (Decrease)				
Payables	780,721	(32,284)	162,708	(366,231)
Change in Deferred Inflows of Resources: Decrease (Increase)	(24,498)	-	(64,880)	(274)
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 55,730	$ 295,658	$ 235,438	$ (490,028)

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

Continued

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ 842,214	$ 6,908,022	$ 2,186,430
-	(370,913)	-
(603,997)	(5,116,882)	(1,784,419)
(79,224)	(1,431,828)	(378,043)
4,180	271,572	157,044
163,173	259,971	181,012
13,861	459,271	85,549
(189,411)	(611,166)	(70,732)
416	34,340	267
21,298	21,393	26
(153,836)	(96,162)	15,110
(229)	(29,381)	(21,079)
(410)	(199,961)	(68,816)
-	266,545	116,442
44	5,692	6,384
(2,276)	(184,164)	(115,134)
(2,871)	(141,269)	(82,203)
45	903,945	5,719
16,889	9,495,891	1,982
(6,511)	(9,918,992)	(760)
10,423	480,844	6,941
16,889	503,384	120,860
94,850	4,607,624	824,906
$ 111,739	$ 5,111,008	$ 945,766
$ 163,997	$ (559,690)	$ (64,290)
1,699	184,896	98,375
23	36,880	137
(7,378)	177,940	(35,168)
233	(879)	3,123
141	(475)	(1,254)
(360)	(276)	-
(3,767)	(42,272)	(18,022)
17,145	562,059	238,471
(8,560)	(98,212)	(40,360)
$ 163,173	$ 259,971	$ 181,012

Statement of Cash Flows
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2016
(expressed in thousands)

	Business-Type Activities Enterprise Funds			
	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Contributions of capital assets	$ -	$ -	$ -	$ -
Acquisition of capital assets through capital leases	-	-	-	-
Amortization of annuity prize liability	-	-	-	-
Increase (decrease) in fair value of investments	219,640	-	1,129	153,725
Debt refunding deposited with escrow agent	-	-	63,735	-
Amortization of debt premium/discount	-	-	66,671	-
Increase in ownership of joint venture	-	-	19,978	-

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

Concluded

Nonmajor Enterprise Funds	Total	Governmental Activities Internal Service Funds
$ -	$ -	$ 5,771
-	-	111
6,284	6,284	-
10,226	384,720	1,196
4,810	68,545	8,020
-	66,671	-
-	19,978	-

Statement of Net Position
FIDUCIARY FUNDS
June 30, 2016
(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans	Agency Funds
ASSETS				
Current Assets:				
Cash and pooled investments	$ 1,141	$ 5,321,793	$ 51,981	$ 125,547
Investments	-	3,415,096	-	42,795
Receivables, pension and other employee benefit plans:				
Employers	-	-	188,904	-
Members (net of allowance)	-	-	3,554	-
Interest and dividends	-	-	303,850	-
Investment trades pending	-	-	2,832,864	-
Due from other pension and other employee benefit funds	-	-	145,717	-
Other receivables, all other funds	-	2,423	82	8,056
Due from other governments	-	-	-	19,524
Total Current Assets	1,141	8,739,312	3,526,952	195,922
Noncurrent Assets:				
Investments, noncurrent, pension and other employee benefit plans:				
Public equity	-	-	37,175,122	-
Fixed income	-	-	17,794,542	-
Private equity	-	-	17,446,347	-
Real estate	-	-	13,247,481	-
Security lending	-	-	682,235	-
Liquidity	-	-	1,962,372	-
Tangible assets	-	-	2,528,197	-
Investments, noncurrent, all other funds	896	988,429	-	305
Other noncurrent assets	-	-	-	48,384
Capital assets:				
Furnishings, equipment, and intangibles	37	-	-	-
Accumulated depreciation	(27)	-	-	-
Total Noncurrent Assets	906	988,429	90,836,296	48,689
Total Assets	2,047	9,727,741	94,363,248	$ 244,611
LIABILITIES				
Accounts payable	127	-	-	$ 8,051
Contracts payable	-	-	-	37,283
Accrued liabilities	137	178,889	2,842,665	130,315
Obligations under security lending agreements	-	-	685,035	2,927
Due to other funds	-	76	-	-
Due to other pension and other employee benefit funds	-	-	145,717	-
Due to other governments	-	5,402	-	17,651
Unearned revenue	-	-	1,337	-
Claims and judgments payable	3	-	-	-
Other long-term liabilities	-	-	-	48,384
Total Liabilities	267	184,367	3,674,754	$ 244,611
NET POSITION				
Net position restricted for:				
Pensions	-	-	87,065,458	
Deferred compensation participants	-	-	3,623,036	
Local government pool participants	-	9,543,374	-	
Individuals, organizations, and other governments	1,780	-	-	
Total Net Position	$ 1,780	$ 9,543,374	$ 90,688,494	

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, 2016

(expressed in thousands)

	Private-Purpose Trust	Local Government Investment Pool	Pension and Other Employee Benefit Plans
ADDITIONS			
Contributions:			
Employers	$ -	$ -	$ 2,026,737
Members	-	-	1,342,628
State	-	-	77,611
Participants	-	15,868,992	213,531
Total Contributions	-	15,868,992	3,660,507
Investment Income:			
Net appreciation (depreciation) in fair value	-	-	432,435
Interest and dividends	-	27,633	1,883,126
Less: Investment expenses	-	-	(344,318)
Net Investment Income (Loss)	-	27,633	1,971,243
Other Additions:			
Unclaimed property	75,221	-	-
Transfers from other plans	-	-	5,880
Miscellaneous revenue	-	-	4
Total Other Additions	75,221	-	5,884
Total Additions	75,221	15,896,625	5,637,634
DEDUCTIONS			
Pension benefits	-	-	3,867,361
Pension refunds	-	-	524,825
Transfers to other plans	-	-	5,880
Administrative expenses	5,145	1,291	3,061
Distributions to participants	-	15,008,069	215,450
Payments to or on behalf of individuals, organizations and other governments in accordance with state unclaimed property laws	71,211	-	-
Total Deductions	76,356	15,009,360	4,616,577
Net Increase (Decrease)	(1,135)	887,265	1,021,057
Net Position - Beginning	2,915	8,656,109	89,667,437
Net Position - Ending	$ 1,780	$ 9,543,374	$ 90,688,494

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

Statement of Net Position
COMPONENT UNITS
June 30, 2016
(expressed in thousands)

	Public Stadium	Health Benefit Exchange	Valley Medical Center	Northwest Hospital
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and pooled investments	$ 8,611	$ 755	$ 74,215	$ 18,726
Investments	-	-	16,374	86
Investments, restricted	3,740	-	-	1,290
Receivables (net of allowance)	916	11,760	79,026	47,515
Inventories	-	-	5,202	4,821
Prepaid expenses	24	767	13,894	4,524
Total Current Assets	13,291	13,282	188,711	76,962
Noncurrent Assets:				
Investments, noncurrent	-	-	113,628	45,559
Restricted investments, noncurrent	-	-	16,873	-
Other noncurrent assets	-	-	-	5,755
Capital assets:				
Land	34,677	-	13,414	10,817
Buildings	460,953	-	426,639	155,180
Other improvements	-	637	18,616	5,984
Furnishings, equipment and intangible assets	19,132	46,029	240,567	217,289
Accumulated depreciation	(233,084)	(42,652)	(360,011)	(281,467)
Construction in progress	-	-	13,508	4,012
Total Noncurrent Assets	281,678	4,014	483,234	163,129
Total Assets	294,969	17,296	671,945	240,091
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on hedging derivatives	-	-	-	-
Deferred outflows on refundings	-	-	-	6,066
Deferred outflows on pensions	24	1,993	-	-
Total Deferred Outflows of Resources	24	1,993	-	6,066
Total Assets and Deferred Outflows of Resources	$ 294,993	$ 19,289	$ 671,945	$ 246,157

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

Continued

Nonmajor Component Units	Total
$ 8,753	$ 111,060
54,974	71,434
-	5,030
32,920	172,137
-	10,023
268	19,477
96,915	389,161
-	159,187
-	16,873
186,584	192,339
-	58,908
-	1,042,772
-	25,237
1,999	525,016
(1,670)	(918,884)
-	17,520
186,913	1,118,968
283,828	1,508,129
572	572
-	6,066
-	2,017
572	8,655
$ 284,400	$ 1,516,784

Statement of Net Position
COMPONENT UNITS

June 30, 2016

(expressed in thousands)

	Public Stadium	Health Benefit Exchange	Valley Medical Center	Northwest Hospital
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 19	$ 11,079	$ 18,215	$ 17,200
Contracts payable	1,630	-	-	-
Accrued liabilities	4,289	695	82,263	41,703
Unearned revenue	-	-	-	-
Total Current Liabilities	5,938	11,774	100,478	58,903
Noncurrent Liabilities:				
Net pension liability	178	9,254	-	-
Other long-term liabilities	-	-	303,232	97,756
Total Noncurrent Liabilities	178	9,254	303,232	97,756
Total Liabilities	6,116	21,028	403,710	156,659
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on property taxes	-	-	26,744	-
Deferred inflows on pensions	79	1,417	-	-
Total Deferred Inflows of Resources	79	1,417	26,744	-
NET POSITION				
Net investment in capital assets	277,940	4,014	40,601	30,674
Restricted for:				
Deferred sales tax	3,703	-	-	-
Other purposes	-	-	8,034	2,681
Unrestricted	7,155	(7,170)	192,856	56,143
Total Net Position	288,798	(3,156)	241,491	89,498
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 294,993	$ 19,289	$ 671,945	$ 246,157

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

Concluded

Nonmajor Component Units	Total
$ 38,412	$ 84,925
-	1,630
1,245	130,195
10,239	10,239
49,896	226,989
4,410	13,842
-	400,988
4,410	414,830
54,306	641,819
-	26,744
730	2,226
730	28,970
329	353,558
-	3,703
1,083	11,798
227,952	476,936
229,364	845,995
$ 284,400	$ 1,516,784

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

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

	Public Stadium	Health Benefit Exchange	Valley Medical Center	Northwest Hospital
EXPENSES	$ 18,769	$ 147,281	$ 578,984	$ 395,224
PROGRAM REVENUES				
Charges for services	3,605	82,041	565,897	372,750
Operating grants and contributions	-	47,675	-	14,936
Total Program Revenues	3,605	129,716	565,897	387,686
Net Program Revenues (Expense)	(15,164)	(17,565)	(13,087)	(7,538)
GENERAL REVENUES				
Earnings (loss) on investments	110	-	4,666	2,516
Property taxes	-	-	19,902	-
Other	-	174	-	297
Total General Revenues	110	174	24,568	2,813
Change in Net Position	(15,054)	(17,391)	11,481	(4,725)
Net Position - Beginning, as restated	303,852	14,235	230,010	94,223
Net Position - Ending	$ 288,798	$ (3,156)	$ 241,491	$ 89,498

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

Nonmajor Component Units	Total
$ 24,859	$ 1,165,117
68,573	1,092,866
5,578	68,189
74,151	1,161,055
49,292	(4,062)
1,505	8,797
-	19,902
8	479
1,513	29,178
50,805	25,116
178,559	820,879
$ 229,364	$ 845,995

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Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2016

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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, 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 the Department of Retirement Systems is appointed by the Governor.

There are three additional retirement systems administered outside of the Department of Retirement Systems. The Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund is administered through the 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. The Tobacco Settlement Authority (TSA) was created by the Legislature in March 2002, as a public instrumentality separate and distinct from the state. It is governed by a five-member board appointed by the Governor. It was created solely for the purpose of issuing bonds to securitize a portion of the state's future tobacco settlement revenue. Proceeds of the debt instrument were transferred to the state to help fund health care, long-term care, and other programs of the state. Refer to Note 7.A for additional information.

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

Washington Biomedical Research Properties I and II, and Washington Biomedical Research Facilities 3 and 3.2 were formed to acquire, construct, or renovate certain real properties for the benefit of the University of Washington 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.

Discrete Component Units

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

The state's component units each have a year-end of June 30 with the exception of the Washington Economic Development Finance Authority and the Washington Health Benefit Exchange, which have a December 31 year-end.

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

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

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

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

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

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, 2016, PSA capital assets, net of accumulated depreciation, total $281.7 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 is to be 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

Northwest Hospital 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 UW School of Medicine, UW Neighborhood Clinics, UW Medical Center, Harborview Medical Center, Association of University Physicians, as well as the University's membership in the Seattle Cancer Care Alliance and the Children's University Medical Group.

Northwest Hospital is a 209-bed full service acute care hospital. The University is the sole corporate member of Northwest Hospital. Financial reports of Northwest Hospital may be obtained at the following address:

Northwest Hospital
1550 N. 115th Street
Seattle, WA 98133-9733

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

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

Joint Ventures

In 1998, the University of Washington Medical Center (Medical Center) entered into an agreement with Seattle Children's Hospital and Fred Hutchinson Cancer Research

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

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

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

The state accounts for the Medical Center's interest in the SCCA under the equity method of accounting. Income of $20 million was recorded in fiscal year 2016, bringing the total equity investment to $127.7 million which is recognized in the state's financial statements in the Higher Education Student Services Fund.

Separate financial statements for the SCCA may be obtained from:

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

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

Separate financial statements for CUMG may be obtained from:

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

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

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

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

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

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

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

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

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

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

Fund Financial Statements

The state uses 664 accounts that are combined into 51 rollup funds. The state presents separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the fund financial statements, with nonmajor funds being combined into a single column regardless of fund type. Internal service and fiduciary funds are reported by fund type. Major funds include:

Major Governmental Funds:

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

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

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

Major Enterprise Funds:

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

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

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

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

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

Nonmajor Governmental Funds:

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

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

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

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

Nonmajor Proprietary Funds:

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

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

The state reports the following fiduciary funds:

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

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

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

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

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

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

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

1. Cash and Investments

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

The method of accounting for investments varies depending upon the fund classification. Investments in the state's Local Government Investment Pool (LGIP), a qualified external investment pool, are reported at amortized cost which approximates fair value. The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at: http://www.tre.wa.gov/documents/lgipCafr/lgipCafrFY16.pdf, or phone number (360) 902-9000. TTY users dial 711 to be connected to the state TTY operator.

In the absence of readily ascertainable fair values, certain pension trust fund investments, including real estate and private equity, are reported at fair value based on the individual investment's capital account balance at the closest available reporting period, adjusted for subsequent activity. At June 30, 2016, these alternative investments are valued at $33.22 billion. Because of the inherent uncertainties in the estimation of fair value, it is possible that the estimates will change.

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

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

2. Receivables and Payables

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

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

3. Inventories and Prepaids

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

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

For governmental fund financial reporting, inventory balances are also recorded as a nonspendable fund balance indicating that they do not constitute "available spendable resources," except for $4.6 million in federally donated consumable inventories, which are offset by unearned revenue because they are not earned until they are distributed to clients.

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

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

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

4. Restricted Assets

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

5. Capital Assets

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

It is the state's policy to capitalize:

- All land, including land use rights with indefinite lives acquired with the purchase of the underlying land, and ancillary costs;
- The state highway system operated by the Department of Transportation;
- Infrastructure, other than the state highway system, with a cost of $100,000 or more;
- Buildings, building improvements, improvements other than buildings, and leasehold improvements with a cost of $100,000 or more;
- Intangible assets, either purchased or internally developed, with a cost of $1 million or more that are identifiable by meeting one of the following conditions:
    - The asset is capable of being separated or divided and sold, transferred, licensed, rented, or exchanged;
    - The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable;
- All capital assets acquired with Certificates of Participation, a debt financing program administered by the Office of the State Treasurer; and
- All other capital assets with a unit cost (including ancillary costs) of $5,000 or greater, or collections with a total cost of $5,000 or greater except for assets held by the University of Washington (UW). The capitalization threshold for all other capital assets held by the UW is $2,000.

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 indirect 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 2016,

$85.9 million in interest costs were incurred, and $13.2 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. Additionally, the highway system is managed using an asset management system that includes:

- Maintenance of an up-to-date inventory of system assets;
- Performance of condition assessments of the assets at least every three years with summarization of the results using a measurement scale; and
- Annual estimation of the amount to maintain and preserve the assets at the condition level established and disclosed.

All state highway system expenditures that preserve the useful life of the system are expensed in the period incurred. Additions and improvements that increase the capacity or efficiency of the system are capitalized. This approach of reporting condition instead of depreciating the highway system is called the modified approach.

For government-wide financial reporting purposes, capital assets of the state are reported as assets in the applicable governmental or business-type activities column on the Statement of Net Position. Depreciation/amortization expense related to capital assets is reported in the Statement of Activities.

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

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

6. Deferred Outflows/Inflows of Resources

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

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

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

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

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

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

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

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

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

7. Compensated Absences

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

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

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

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

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

8. Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term obligations of the state are reported as liabilities on the Statement of Net Position. Bonds payable are reported net of applicable original issuance premium or discount. 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. Issue costs are reported as debt service expenditures.

9. Fund Equity

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

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

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

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

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

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

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

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

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

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

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

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

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

E. OTHER INFORMATION

1. Insurance Activities

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

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

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

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

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

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

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

Risk Management. The state of Washington operates a self-insurance liability program pursuant to RCW 4.92.130. The state manages its tort claims as an insurance business activity rather than a general governmental activity. The state's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, the state's management believes it is more economical to manage its risks internally and set aside assets for claims settlement in the Risk Management Fund, an internal service fund. Commercial insurance is purchased for liabilities arising from the operations of the Washington state ferries, employee bonds, and to limit the exposure to catastrophic losses. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past 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. In addition, the state offers coverage to K-12 school districts, educational service districts, tribal governments, political subdivisions, and employee organizations representing state civil service workers. The state establishes eligibility requirements and approves plan benefits of all participating health care organizations. Because the state and its employees are the predominant participants in the employee health insurance program, it is accounted for in an internal service fund, the Employee 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, as administrator of the health care benefits program, collects this monthly "premium" from agencies for each active employee enrolled in the program. State employees self-pay for coverage beyond the state's contribution. Cost of coverage for non-state employees is paid by their respective employers. Most coverage is available on a self-paid basis to former employees and employees who are temporarily not in pay status.

Most coverage is also available on a self-paid basis to eligible retirees. In accordance with the provisions of GASB Statement No. 43, an agency fund, the Retiree 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 65 percent of the eligible subscribers in fiscal year 2016. 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 a MEP deposit the retiring employee's sick leave buyout in the MEP for reimbursement of medical expenses.

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

3. Interfund/Interagency Activities

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

4. Donor-restricted Endowments

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

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

The net appreciation available for authorization for expenditure by governing boards totaled $459.5 million. This amount is reported as restricted for expendable endowment funds on the government-wide Statement of Net Position.

Note 2

Accounting, Reporting, and Entity Changes

Reporting Changes. Effective for fiscal year 2016 reporting, the state adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 72 *Fair Value Measurement and Application*. GASB Statement No. 72 defines fair value and provides guidance for determining a fair value measurement for financial reporting purposes.

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*. GASB Statement No. 73 addresses three separate subjects, two of which are effective for fiscal year 2016 reporting. It requires assets accumulated for pension purposes to be reported as assets of the employer. It also amends Statements 67 and 68 by:

- limiting disclosure of investment related factors that significantly affect trends in the amounts reported to factors that the pension plan or government have influence over;
- defining separately financed specific liabilities and financial reporting requirements for those liabilities; and
- requiring employers to recognize revenue for the support of nonemployer contributing entities not in a special funding situation in the period in which the contribution is reported as a change in the net pension liability.

Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 76 identifies the hierarchy of generally accepted accounting principles for governmental financial reporting and establishes the framework for selecting those principles.

Statement No. 79 *Certain External Investment Pools and Pool Participants*. GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Certain provisions of Statement 79 related to portfolio quality, custodial credit risk, and shadow pricing are not effective until fiscal year 2017.

Fund Reclassification. During fiscal year 2016, an account was abolished and its assets and liabilities were transferred to another agency and account. As a result the beginning fund balance of the Data Processing Revolving Fund, a nonmajor internal service fund, was reduced by $2.0 million, and the beginning fund balance of the General Services Fund, a nonmajor internal service fund, was increased by $2.0 million.

Prior Period Adjustment. The Health Benefit Exchange, a major component unit, recorded a reduction to the beginning net position balance in the amount of $8.6 million as a result of implementing GASB Statement No. 68.

The Public Stadium Authority, a major component unit, recorded a reduction to the beginning net position balance in the amount of $132 thousand as a result of implementing GASB Statement No. 68.

The Washington Economic Development Finance Authority, a nonmajor component unit, recorded an increase to the beginning net position balance in the amount of $2 thousand as a result of a change in accounting method.

Northwest Hospital, a major component unit, recorded a decrease to the beginning net position balance in the amount of $1.3 million due to correction of an error.

Fund equity at July 1, 2015, has been restated as follows (expressed in thousands):

	Fund equity (deficit) at June 30, 2015, as previously reported	Fund Reclassification	Prior Period Adjustment	Fund equity (deficit) as restated, July 1, 2015
Governmental Funds:				
General	$ 2,665,419			$ 2,665,419
Higher Education Special Revenue	2,828,740			2,828,740
Higher Education Endowment	3,466,418			3,466,418
Nonmajor Governmental	5,737,425			5,737,425
Proprietary Funds:				
Enterprise Funds:				
Workers' Compensation	(9,919,801)			(9,919,801)
Unemployment Compensation	4,240,486			4,240,486
Higher Education Student Services	1,100,953			1,100,953
Guaranteed Education Tuition Program	818,468			818,468
Nonmajor Enterprise	28,043			28,043
Internal Service Funds	(260,750)			(260,750)
Fiduciary Funds:				
Private Purpose Trust	2,915			2,915
Local Government Investment Pool	8,656,109			8,656,109
Pension and Other Employee Benefit Plans	89,667,437			89,667,437
Component Units:				
Public Stadium	303,984		(132)	303,852
Health Benefit Exchange	22,842		(8,607)	14,235
Valley Medical Center	230,010			230,010
Northwest Hospital	95,550		(1,327)	94,223
Nonmajor Component Units	178,557		2	178,559

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, 2016, $1.30 billion of the state's deposits with financial institutions were insured or collateralized, with the remaining $5.7 million uninsured/uncollateralized.

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

1. Summary of Investment Policies

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

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

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

Eligible Investments. The WSIB is authorized by statute as having investment management responsibility for pension trust funds. The WSIB is authorized to invest as provided by statute (chapter 43.33A RCW) and WSIB policy in the following: U.S. treasury bills; discount notes; repurchase agreements; reverse repurchase agreements; banker's acceptances; commercial paper; guaranteed investment contracts; U.S. government and agency (government sponsored corporations eligible for collateral purposes at the Federal Reserve) securities; non-U.S. dollar bonds; investment grade corporate bonds; non-investment grade corporate bonds; publicly traded mortgage-backed securities; privately placed mortgages; private placements of corporate debt; U.S. and foreign common stock; U.S. preferred stock; convertible securities; private equity including but not limited to investment corporations, partnerships, and limited liability companies for venture capital, leveraged buy-outs, real estate, and other tangible assets, or other forms of private equity; asset-backed securities; and derivative securities including futures, options, options on futures, forward contracts, and swap transactions. There were no violations of these investment restrictions during fiscal year 2016.

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

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

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

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

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

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

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

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

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

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

The fixed income portfolio is constrained by policy from investing more than 1 percent of the portfolio's par value in any single issuer with a quality rating below investment grade (as defined by Barclays Capital Global Family of Fixed Income Indices). Total market value of below investment grade credit bonds (as defined by 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 Barclays Capital Universal Index.

The major sector allocations of the fixed income portfolio are limited to the following ranges: U.S. treasuries and government agencies – 10 percent to 45 percent, credit bonds – 10 percent to 80 percent, asset-backed securities – 0 percent to 10 percent, commercial mortgage-backed securities – 0 percent to 10 percent, and mortgage-backed securities – 5 percent to 45 percent.

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

The private equity investment portfolio is managed to meet or exceed the returns of the Russell 3000 by 300 basis points in the long term. To meet the return and plan objectives, the private equity portfolio has diversified investments in companies in a variety of growth stages. The portfolio also includes a broad cross-section of opportunities in different industries and geographic regions.

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

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

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

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

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

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

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

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

2. Valuation of Investments

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

The following table presents fair value measurements as of June 30, 2016:

Pension Trust Funds
Investments Measured at Fair Value
June 30, 2016
(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	$ 1,078,558		$ 1,078,558	
Corporate bonds	9,085,459		9,085,459	
U.S. and foreign government and agency securities	7,630,526		7,630,526	
Total debt securities	17,794,543		17,794,543	
Equity securities				
Common and preferred stock	17,707,523	17,674,188	33,335	
Depository receipts and other miscellaneous	808,041	805,891	2,150	
Mutual funds and exchange traded funds	1,819	1,819	-	
Real estate investment trusts	321,959	321,959	-	
Private equity and tangible asset funds	158,538	158,538	-	
Total equity securities	18,997,880	18,962,395	35,485	
Total return swap contracts (Investment derivative)	22		22	
Total investments by fair value level	36,792,445	$ 18,962,395	$ 17,830,050	
Investments measured at net asset value (NAV)				
Private equity	17,346,426			
Real estate	13,247,480			
Tangible assets	2,469,580			
Collective investment trust funds (equity securities)	10,493,392			
Total investments measured at the NAV	43,556,878			
Total investments measured at fair value	$ 80,349,323			
Other assets (liabilities) measured at fair value				
Collateral held under securities lending agreements	682,234		682,234	
Net foreign exchange contracts receivable-forward and spot	10,333		10,333	
Margin variation receivable-futures contracts	17,523		17,523	
Obligations under securities lending agreements	(682,234)		(682,234)	
Total other assets (liabilities) measured at fair value	$ 27,856		$ 27,856	

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

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

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

The limited partnerships' annual financial statements are audited by independent auditors. These investments are valued at approximately $33.22 billion as of June 30, 2016. 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, 2016, reported net asset value.

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

Pension Trust Funds
Alternative Assets Expected Liquidation Periods
June 30, 2016
(expressed in thousands)

	Investment Type				
Liquidation Periods	**Private Equity**	**Real Estate**	**Tangible Assets**	**Total**	**Percentage of Total**
Publicly traded-Level 1	$ 99,921	$ -	$ 58,617	$ 158,538	0.5%
Less than 3 years	124,550	168,555	40	293,145	0.9%
3 to 9 years	8,174,741	2,038,743	765,660	10,979,144	33.0%
10 or more years	9,047,135	11,040,182	1,703,880	21,791,197	65.6%
Total	$ 17,446,347	$ 13,247,480	$ 2,528,197	$ 33,222,024	100.0%

Private Equity. This includes 262 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 31 real estate investments. Targeted investment structures within the real estate portfolio include real estate operating companies, limited liability companies, joint ventures, commingled funds, and co-investments. Real estate partnerships provide quarterly valuations to the pension trust fund management based on the most recent capital account balance. Individual properties are valued by the investment management at least annually and are adjusted as frequently as quarterly if material market or operational changes have occurred. Properties are generally externally appraised every one to five years, depending upon the investment. Structured finance investments receive quarterly adjustments by the partners, generally applying the assumption that all such positions will be held to maturity. Annual audits of most partnerships include a review of compliance with the partnership's valuation policies.

Tangible Assets. This includes 29 limited liability structures and funds. The primary goal of the tangible asset portfolio is to generate a long-term sustainable and stable income stream, as well as generate appreciation at least commensurate with inflation. Valuation practices of general partners and asset managers are consistent with private equity limited partnerships.

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

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

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

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

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

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

3. Unfunded Commitments

The WSIB has entered into a number of agreements that commit the pension trust funds, upon request, to make additional investment purchases up to predetermined amounts. As of June 30, 2016, the pension trust funds had unfunded commitments of $12.98 billion, $7.78 billion, $3.16 billion, and $22.0 million in private equity, real estate, tangible assets, and the innovation portfolio, respectively.

4. Securities Lending

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

The fair value of the securities on loan at June 30, 2016, was approximately $1.58 billion. The pension trust funds report securities on loan in their respective categories in the Statement of Net Position. At June 30, 2016, cash collateral received totaling $682.2 million is reported as securities lending obligation, and the fair value of the reinvested cash collateral totaling $682.2 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, 2016, was $895.2 million.

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, 2016 (in millions):

Mortgage-backed securities	$463.1
Treasuries	438.5
Repurchase agreements	271.1
Yankee CD	151.7
Cash equivalents and other	137.7
Commercial paper	115.3
Total collateral held	$1,577.4

During fiscal year 2016, securities lending transactions could be terminated on demand by either the pension trust funds or the borrower. As of June 30, 2016, the cash collateral held had an average duration of 17.2 days and an average weighted final maturity of 73.4 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 2016, 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 2016 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 Barclays Capital Universal Index, with a duration target within plus or minus 20 percent of the duration of the portfolio's performance benchmark. As of June 30, 2016, the duration of the pension trust funds' fixed income investments was within the duration target of this index.

The two schedules below provide information about the interest rate risks associated with the pension trust funds' investments as of June 30, 2016. 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, 2016
(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	$ 1,078,558	$ 100,102	$ 945,106	$ 33,350	$ -	2.8
Corporate bonds	9,085,459	546,733	3,706,340	3,472,984	1,359,402	6.0
U.S. government and agency securities	6,309,623	1,012,620	2,764,388	1,735,215	797,400	6.2
Foreign government and agency securities	1,320,903	119,778	438,223	476,259	286,643	5.6
Total investments categorized	17,794,543	$ 1,779,233	$ 7,854,057	$ 5,717,808	$ 2,443,445	5.9*
Investments not required to be categorized:						
Cash and cash equivalents	2,004,960					
Equity securities	29,332,734					
Alternative investments	33,222,024					
Total return swap contracts	22					
Total investments not categorized	64,559,740					
Total Investments	$ 82,354,283					

* *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, 2016
(expressed in thousands)

Moody's Credit Rating	Investment Type: Mortgage and Other Asset-Backed Securities	Corporate Bonds	Foreign Government and Agency Securities	Total Fair Value
Aaa	$ 1,072,096	$ 456,723	$ 148,161	$ 1,676,980
Aa1	-	17,599	59,430	77,029
Aa2	391	95,738	94,978	191,107
Aa3	-	670,193	209,994	880,187
A1	-	739,516	-	739,516
A2	-	457,102	-	457,102
A3	-	1,109,453	72,625	1,182,078
Baa1	-	1,190,615	105,031	1,295,646
Baa2	-	1,053,208	154,196	1,207,404
Baa3	5,149	1,987,802	174,930	2,167,881
Ba1 or lower	922	1,307,510	301,558	1,609,990
Total	$ 1,078,558	$ 9,085,459	$ 1,320,903	$ 11,484,920

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, 2016, 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, 2016.

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

7. Foreign Currency Risk

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

The following schedule presents the exposure of the pension trust funds' investments to foreign currency risk. The schedule provides information on deposits and investments held in various foreign currencies. Private equity and real estate are presented according to the financial reporting currency of the individual funds. This is not a presentation of currency exposure relating to the underlying holdings. The schedule is stated in U.S. dollars. In addition, the CTF has foreign currency exposure at June 30, 2016, of $745.8 million invested in two emerging markets commingled equity investment funds.

Pension Trust Funds
Foreign Currency Exposure by Country
June 30, 2016
(expressed in thousands)

	Investment Type in U.S. Dollar Equivalent						
Foreign Currency Denomination	**Cash and Cash Equivalents**	**Debt Securities**	**Equity Securities**	**Derivatives**	**Alternative Assets**	**Open Foreign Exchange Contracts-Net**	**Total**
Australia-Dollar	$ 5,815	$ 283,407	$ 463,756	$ -	$ 6,684	$ 1,871	$ 761,533
Brazil-Real	242	143,327	129,892	(177)	-	3,998	277,282
Canada-Dollar	9,819	-	658,774	-	-	(301)	668,292
Chile-Peso	195	61,019	14,404	-	-	(14)	75,604
Columbia-Peso	-	77,889	-	-	-	1,131	79,020
Denmark-Krone	537	-	177,924	-	-	(2,255)	176,206
E.M.U.-Euro	20,853	-	2,538,738	-	2,339,445	3,109	4,902,145
Hong Kong-Dollar	2,982	-	585,919	530	-	14	589,445
India-Rupee	361	104,219	231,437	-	-	16	336,033
Indonesia-Rupiah	127	29,769	67,838	-	-	(50)	97,684
Japan-Yen	25,246	-	1,928,348	-	-	1,469	1,955,063
Malaysia-Ringgit	748	52,792	60,579	-	-	320	114,439
Mexico-Peso	1,062	85,232	86,769	-	-	(197)	172,866
New Taiwan-Dollar	3,143	-	208,641	(31)	-	(510)	211,243
Philippines-Peso	37	29,922	27,738	-	-	29	57,726
Singapore-Dollar	1,133	-	169,869	-	-	106	171,108
South Africa-Rand	1,557	-	128,686	-	-	1,190	131,433
South Korea-Won	4,473	-	308,175	(294)	-	(1,036)	311,318
Sweden-Krona	2,038	-	283,755	-	-	631	286,424
Switzerland-Franc	372	-	995,881	-	-	(118)	996,135
Thailand-Baht	1,113	43,425	68,324	-	-	(50)	112,812
Turkey-Lira	1,032	48,883	74,942	3	-	1,253	126,113
United Kingdom-Pound	9,986	-	2,022,921	-	-	(2,826)	2,030,081
Other	1,762	92,541	153,232	-	-	2,552	250,087
Total	$ 94,633	$ 1,052,425	$ 11,386,542	$ 31	$ 2,346,129	$ 10,332	$14,890,092

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, 2016, 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, 2016, the pension trust funds counterparty risk was approximately $39.3 million.

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

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

At June 30, 2016, the pension trust funds had outstanding forward currency contracts with a net unrealized gain of $10.4 million. The aggregate forward currency exchange contracts receivable and payable were $2.47 billion and $2.46 billion, respectively. The contracts have varying maturity dates ranging from July 1, 2016, to September 21, 2016.

Total return swap contracts are agreements where one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of the underlying or reference asset. Total return swaps allow the party receiving the total return to gain exposure and benefit from a reference asset without physically owning the security. The pension trust funds swap total bond market index returns for total equity index returns as the reference asset in emerging markets. The contracts have varying maturity dates ranging from July 20, 2016, to September 21, 2016. The values of these contracts are highly sensitive to interest rate changes.

At June 30, 2016, the pension trust funds' fixed income portfolio held derivative securities consisting of collateralized mortgage obligations with a fair value of $59.6 million. Domestic and foreign commingled investment trust fund managers may also utilize various derivative securities to manage exposure to risk and increase portfolio returns. Information on the extent of use and holdings of derivative securities by these funds is unavailable.

Derivatives which are exchange traded are not subject to credit risk. The counterparty credit ratings for forward currency and total return swap contracts that are subject to credit risk outstanding at June 30, 2016, had a credit rating of no less than A3 using Moody's rating scale.

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

Pension Trust Funds
Derivative Investments
June 30, 2016
(expressed in thousands)

	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional
Futures Contracts:			
Bond index futures	$ 10,118	$ -	$ -
Equity index futures	20,569	17,523	172,530
Total	$ 30,687	$ 17,523	$ 172,530
Forward Currency Contracts	$ (4,514)	$ 10,375	$ 2,465,895
Total Return Swap Contracts:			
Total return swaps bond	$ 325	$ (217)	$ 5,239
Total return swaps equity	(246)	239	(33,099)
Total	$ 79	$ 22	$ (27,860)

9. Reverse Repurchase Agreements – None.

C. INVESTMENTS – WORKERS' COMPENSATION FUND

1. Summary of Investment Policies

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

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

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

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

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

- U.S. equities.
- International equities.
- U.S. treasuries and government agencies.
- Credit bonds.

- Mortgage-backed securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.
- Asset-backed securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.
- Commercial mortgage-backed securities rated investment grade, as defined by Barclays Capital Global Family of Fixed Income Indices.
- Investment grade non-U.S. dollar bonds.

Investment 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 three to 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.
- Sector allocation for U.S. equities should be within a range of 55 percent to 65 percent. Allocation for international equities should be within a range of 35 percent to 45 percent.
- The benchmark and structure for U.S. equities will be the broad U.S. stock market as defined by the Morgan Stanley Capital International (MSCI) U.S. Investable Market Index. The benchmark and structure for international equities will be the MSCI All Country World Ex U.S. Investable Market Index. Both portfolios will be 100 percent passively managed in commingled index funds. The commingled funds may use futures for hedging or establishing a long position.
- Sector allocation of fixed income investments must be managed within the following prescribed ranges: U.S. treasuries and government agencies – 5 percent to 25 percent, credit bonds – 20 percent to 80 percent, asset-backed securities – 0 percent to 10 percent, commercial mortgage-backed securities – 0 percent to 10 percent, and mortgage-backed securities – 0 percent to 25 percent. These targets are long-term in nature. Deviations may occur in the short term as a result of interim market conditions. However, if a range is exceeded, the portfolios must be rebalanced to the target allocations as soon as it is practical.
- Total market value of below investment grade credit bonds (as defined by Barclays Capital Global 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.

2. Valuation of Investments

The Workers' Compensation Fund reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Unrealized gains and losses are included in the Statement of Revenues, Expenses, and Changes in Net Position. The table below presents fair value measurements as of June 30, 2016.

Workers' Compensation Fund
Investments Measured at Fair Value
June 30, 2016
(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	$ 1,450,705		$ 1,450,705	
Corporate bonds	9,331,357		9,331,357	
U.S. and foreign government and agency securities	2,845,734		2,845,734	
Total investments by fair value level	13,627,796		$ 13,627,796	
Investments measured at net asset value (NAV)				
Commingled equity investment trusts	1,766,364			
Total investments measured at the NAV	1,766,364			
Total investments measured at fair value	$ 15,394,160			
Other assets (liabilities) measured at fair value				
Collateral held under securities lending agreements	114,581		114,581	
Obligations under securities lending agreements	(114,581)		(114,581)	
Total other assets (liabilities) measured at fair value	$ -		$ -	

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

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

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

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

3. Securities Lending

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

The fair value of the securities on loan at June 30, 2016, was approximately $112.0 million. The Workers' Compensation Fund reports securities on loan in the Statement of Net Position in their respective categories. At June 30, 2016, cash collateral received totaling $114.6 million is reported as a securities lending obligation, and the fair value of the reinvested cash collateral totaling $114.6 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, 2016, was $316 thousand.

During fiscal year 2016, 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, 2016 (in millions):

Repurchase agreements	$45.5
Yankee CD	25.5
Cash equivalents and other	24.2
Commercial paper	19.4
Mortgage-backed securities	.3
Total collateral held	$114.9

During fiscal year 2016, securities lending transactions could be terminated on demand by either the Workers' Compensation Fund or the borrower. As of June 30, 2016, the cash collateral held had an average duration of 17.2 days and an average weighted final maturity of 73.4 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 2016, 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 2016 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, 2016, 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, 2016. The schedules display various asset classes held by maturity in years, effective duration, and credit ratings. All debt securities are reported using the average life within the portfolio. The average life is a calculated estimate of the average time (in years) until maturity for these securities, taking into account possible prepayments of principal.

Workers' Compensation Fund
Schedule of Maturities and Effective Duration
June 30, 2016
(expressed in thousands)

Investment Type	Total Fair Value	Maturity: Less than 1 Year	Maturity: 1-5 Years	Maturity: 6-10 Years	Maturity: More than 10 Years	Effective Duration (in years)
Mortgage and other asset-backed securities	$ 1,450,705	$ 198,660	$ 1,118,071	$ 78,753	$ 55,221	3.3
Corporate bonds	9,331,357	1,082,926	2,678,109	2,239,181	3,331,141	7.6
U.S. government and agency securities	2,132,945	80,051	732,975	718,903	601,016	9.7
Foreign government and agencies	712,789	122,946	365,236	179,748	44,859	4.8
Total investments categorized	13,627,796	$ 1,484,583	$ 4,894,391	$ 3,216,585	$ 4,032,237	7.3*
Investments not required to be categorized:						
Commingled investment trusts	1,766,364					
Cash and cash equivalents	193,242					
Total investments not categorized	1,959,606					
Total Investments	$ 15,587,402					

* *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, 2016
(expressed in thousands)

Moody's Equivalent Credit Rating	Investment Type: Mortgage and Other Asset-Backed Securities	Investment Type: Corporate Bonds	Investment Type: Foreign Government and Agencies	Total Fair Value
Aaa	$ 1,428,590	$ 338,020	$ 161,976	$ 1,928,586
Aa1	22,115	30,036	-	52,151
Aa2	-	85,756	144,979	230,735
Aa3	-	1,193,132	287,957	1,481,089
A1	-	1,275,245	35,937	1,311,182
A2	-	1,040,920	-	1,040,920
A3	-	1,595,454	-	1,595,454
Baa1	-	1,282,335	28,502	1,310,837
Baa2	-	1,053,497	-	1,053,497
Baa3	-	1,014,163	53,438	1,067,601
Ba1 or lower	-	422,799	-	422,799
Total	$ 1,450,705	$ 9,331,357	$ 712,789	$ 11,494,851

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, 2016, 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, 2016.

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, 2016, the only securities held by the Workers' Compensation Fund with foreign currency exposure were $650.0 million (excludes U.S. dollar denominated securities) invested in an international commingled equity index fund.

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

Workers' Compensation Fund
Foreign Currency Exposure by Country
June 30, 2016
(expressed in thousands)

Foreign Currency Denomination	Equity Securities
Australia-Dollar	$ 33,460
Brazil-Real	10,132
Canada-Dollar	46,214
Denmark-Krone	8,826
E.M.U.-Euro	133,050
Hong Kong-Dollar	45,085
India-Rupee	13,153
Indonesia-Rupiah	4,009
Israel-Sheqel	3,128
Japan-Yen	114,864
Malaysia-Ringgit	4,523
Mexico-Peso	6,036
New Taiwan-Dollar	19,255
Norway-Krone	3,592
Philippines-Peso	2,262
Singapore-Dollar	6,634
South Africa-Rand	10,576
South Korea-Won	22,923
Sweden-Krona	14,626
Switzerland-Franc	40,760
Thailand-Baht	3,668
United Kingdom-Pound	92,194
Miscellaneous Foreign Currencies	11,053
Total	$ 650,023

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, 2016, the only derivative securities held directly by the Workers' Compensation Fund were collateralized mortgage obligations of $922.5 million.

8. Reverse Repurchase Agreements – None.

D. INVESTMENTS – LOCAL GOVERNMENT INVESTMENT POOL

1. Summary of Investment Policies

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

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

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

The OST prepares a stand-alone LGIP financial report. A copy of the report is available from the OST, PO Box 40200, Olympia, Washington 98504-0200, online at: http://www.tre.wa.gov/documents/lgipCafr/lgipCafrFY16.pdf, or phone number (360) 902-9000. TTY users dial 711 to be connected to the state TTY operator.

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

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

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

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

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

- Obligations of the U.S. government.
- Obligations of U.S. government agencies or of corporations wholly owned by the U.S. government.
- Obligations of government-sponsored corporations that are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve.
- Banker's acceptances purchased on the secondary market rated with the highest short-term credit rating of any two designated Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. If the banker's acceptance is rated by more than two NRSROs, it must have the highest rating from all of the organizations.
- Commercial paper, provided that the OST adheres with policies and procedures of the Washington State Investment Board regarding commercial paper (RCW 43.84.080(7)).

- Certificates of deposit or demand deposits with financial institutions qualified by the Washington Public Deposit Protection Commission.

- Obligations of the state of Washington or its political subdivisions.

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 floating or variable rate notes 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. 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, other than bank deposits, are stated at amortized cost. Bank deposits are stated at their carrying amount. Both approximate fair value. Fair value is determined monthly. Security transactions are reported on a trade date basis in accordance with generally accepted accounting principles.

3. Securities Lending

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

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

During fiscal year 2016, the LGIP lent U.S. agency and treasury securities. Cash collateral was reinvested in the LGIP and interest bearing bank deposits. At fiscal year end, the fair value of securities on loan was $49.9 million, and securities were received for collateral with a fair value of $51.0 million.

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 2016, 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 borrower fails to pay the LGIP for income distribution by the securities' issuers while the securities are on loan.

The LGIP cannot pledge or sell collateral securities received unless the borrower defaults. The LGIP investment policy limits the amount of reverse repurchase agreements and securities lending to 30 percent of the total portfolio. There were 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, 2016, the LGIP had a weighted average maturity of 35 days and a weighted average life of 100 days.

The following schedule presents the LGIP investments and related maturities, and provides information about the associated interest rate risks as of June 30, 2016:

Local Government Investment Pool (LGIP)
June 30, 2016
(expressed in thousands)

		Maturity	
Investment Type	**Amortized Cost**	**Less than 1 Year**	**1-5 Years**
U.S. agency securities	$ 6,862,274	$ 5,923,736	$ 938,538
U.S. government securities	1,373,535	1,323,644	49,891
Repurchase agreements	3,584,529	3,584,529	-
Interest bearing bank accounts	1,038,622	1,038,622	-
Certificates of deposit	72,320	72,320	-
Total Investments	$ 12,931,280	$ 11,942,851	$ 988,429

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 government-sponsored corporations, banker's acceptances, commercial paper, deposits with qualified public depositaries, and obligations of the state of Washington or its political subdivisions.

Banker's acceptances and commercial paper must be rated with the highest short-term credit rating of any two NRSROs at the time of purchase. The LGIP currently does not have any banker's acceptances, commercial paper, or obligations of the state of Washington or its political subdivisions in its portfolio.

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 27.7 percent of the total portfolio as of June 30, 2016. 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, 2016, U.S. treasury securities comprised 10.6 percent of the total portfolio. U.S. agency securities comprised 53.1 percent of the total portfolio, including Federal Home Loan Bank (34.9 percent), Federal Home Loan Mortgage Corporation (1 percent), Federal Farm Credit Bank (16.4 percent), and Federal National Mortgage Association (0.8 percent).

6. Foreign Currency Risk - None.

7. Derivatives - None.

8. Repurchase and Reverse Repurchase Agreements

The fair value plus accrued income of mortgage-backed securities utilized in repurchase agreements with more than seven days remaining until maturity will be 105 percent of the value of the repurchase agreement. The fair value plus accrued income of all other securities utilized in repurchase agreements will be 102 percent of the value of the repurchase agreement.

The securities utilized in repurchase agreements are priced daily and held by the LGIP's custodian in the state's name. Collateralized mortgage obligations utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council test or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency. As of June 30, 2016, repurchase agreements totaled $3.58 billion.

State law also permits the LGIP to enter into reverse repurchase agreements which are, by contract, sales of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities pledged as collateral by the LGIP underlying the reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in the value of the securities.

If the dealers default on their obligations to resell these securities to the LGIP or to provide equal value in securities or cash, the LGIP would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. During fiscal year 2016, the LGIP did not enter into any reverse repurchase agreements.

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

1. Summary of Investment Policies

The investments of the University of Washington represent 75 percent of the total investments in Higher Education Special Revenue, Endowment, and Student Services Funds.

The Board of Regents of the University of Washington is responsible for the management of the University's investments. The Board establishes investment policy, which is carried out by the Chief Investment Officer.

In 2016 the Board of Regents approved the establishment of the University of Washington Investment Management Company (UWINCO), an internal investment management company. The former investment management advisory committee was replaced with an investment management advisory board known as the UWINCO Board.

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, 2016, the Invested Funds Pool totaled $1.49 billion. The fund also owns units in the Consolidated Endowment Fund valued at $730.5 million on June 30, 2016.

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 2 percent in fiscal year 2016. Endowment operating and gift accounts received 3 percent in fiscal year 2016 with the distributions directed to the University. 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 supporting campus-wide fundraising and stewardship activities and offsetting 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 $12.2 million at June 30, 2016.

Funds in irrevocable trusts managed by trustees other than the University are not reported in the financial statements. The fair value of these funds was $107.8 million at June 30, 2016. Income received from these trusts, which is included in investment income, was $4.5 million for the year ended June 30, 2016.

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 $41.1 million in fiscal year 2016 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 (depreciation) in the fair value of investments during the year ended June 30, 2016, was $(53.8) 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, 2016:

University of Washington
Investments Measured at Fair Value
June 30, 2016
(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	$ 640,448	$ 13,646	$ 626,802	$ -
U.S. government agency	535,750	-	535,750	-
Mortgage-backed	172,199	-	172,199	-
Asset-backed	133,567	-	133,567	-
Corporate and other	141,644	21,243	120,401	-
Total fixed income securities	1,623,608	34,889	1,588,719	-
Equity securities				
Global equity investments	626,622	573,552	52,025	1,045
Private equity and venture capital funds	11,291	6,160	-	5,131
Real estate	3,851	-	-	3,851
Other	226	-	-	226
Total equity securities	641,990	579,712	52,025	10,253
Total investments by fair value level	2,265,598	$ 614,601	$ 1,640,744	$ 10,253
Investments measured at net asset value (NAV)				
Global equity investments	1,055,272			
Absolute return strategy funds	463,366			
Private equity and venture capital funds	329,719			
Real asset funds	183,481			
Other	106,729			
Total investments measured at the NAV	2,138,567			
Total investments measured at fair value	4,404,165			
Cash equivalents at other than fair value	404,805			
Total Investments	$ 4,808,970			

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, as a practical expedient, are stated at fair value based on net asset value (NAV) estimates reported to the University by investment fund managers.

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

University of Washington
Investments Measured at the Net Asset Value
June 30, 2016
(expressed in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Global equity investments	$ 1,055,272	$ 23,846	Monthly to annually	30-60 days
Absolute return strategy funds	463,366	15,728	Quarterly to annually	30-60 days
Private equity and venture capital funds	329,719	204,399	n/a	-
Real asset funds	183,481	55,503	n/a	-
Other	106,729	850	Quarterly to annually	30-95 days
Total investments measured at the NAV	$ 2,138,567			

Global Equity. This investment category includes public equity investments in separately managed accounts, long-only comingled funds, unconstrained limited partnerships, and passive market indices. Fair values have been determined using the NAV per share of the investments except for the separately managed accounts. For 2016, approximately 62 percent of the value of the investments in this category can be redeemed within 60 days and 94 percent can be redeemed within one year. The remaining balance of these investments contain restrictions that do not allow for redemption within one year.

Absolute Return. This category includes investments in stable income and low-to-medium beta funds. Management of these funds seeks low correlation to broad equity markets by investing in assets that exhibit low volatility, deep discounts, and/or hedges against market downturns. Fair values have been determined using the NAV per share of the investments. Approximately 89 percent of the value of the investments in this category can be redeemed within one year. The remaining balance of these investments contain restrictions that do not allow for redemption within one year.

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

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

Other. This category consists of fixed income and opportunistic investments and includes various types of non-investment grade and non-rated credit plus nominal equity exposure. Fair values have been determined using the NAV per share (or its equivalent) of the ownership interest in partners' capital. Approximately 45 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 contain 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 ten years.

3. Funding Commitments

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2016, the University had outstanding commitments to fund alternative investments in the amount of $300.3 million. These commitments are expected to be called over a multi-year timeframe. The University believes it has adequate liquidity and funding sources to meet these obligations.

4. Securities Lending

The University's investment policies permit it to lend its securities to broker dealers and other entities. As of June 30, 2016, the University had no securities on loan.

5. Interest Rate Risk

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

Effective duration is a commonly used measure of interest rate risk. The longer the duration, the more sensitive the portfolio is to changes in interest rates. The weighted average effective duration of the University's fixed income portfolio was 2.77 years at June 30, 2016.

6. Credit Risk

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

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

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

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

A bond's 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 (IF), 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 at June 30, 2016, along with credit quality and effective duration measures. The schedule excludes $13.9 million of fixed income securities held outside the CEF and the IF pool, which makes up 0.85 percent of the University's investments.

University of Washington
Invested Funds Pool and Consolidated Endowment Fund
Fixed Income Credit Quality and Effective Duration
June 30, 2016
(expressed in thousands)

Investment Type	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Effective Duration (in years)
U.S. treasuries	$ 636,485	$ -	$ -	$ -	$ 636,485	3.24
U.S. government agency	531,795	-	-	-	531,795	2.54
Mortgage-backed	-	94,054	54,797	23,348	172,199	2.20
Asset-backed	-	113,715	2,627	17,225	133,567	0.96
Corporate and other	-	111,977	20,225	3,500	135,702	4.04
Total	$ 1,168,280	$ 319,746	$ 77,649	$ 44,073	$ 1,609,748	2.77

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

7. Foreign Currency Risk

Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University's investment policies permit investments in international equity and other asset classes that can include foreign currency exposure. To manage foreign currency exposure, the University also enters into foreign currency forward contracts, futures contracts, and options. The University held non-U.S. denominated securities at June 30, 2016, of $1.01 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, 2016
(expressed in thousands)

Foreign Currency	Amount
E.M.U.-Euro	$ 123,075
India-Rupee	122,738
China-Renminbi	109,170
Japan-Yen	79,512
Brazil-Real	74,582
Hong Kong-Dollar	58,655
South Korea-Won	53,278
Russia-Ruble	50,132
Britain-Pound	44,802
Canada-Dollar	30,634
Switzerland-Franc	28,931
Mexico-Peso	28,693
Taiwan-Dollar	27,573
Philippines-Peso	25,265
Remaining currencies	152,562
Total	$ 1,009,602

8. Derivatives

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

Credit exposure represents exposure to counterparties relating to financial instruments where gains exceed collateral held by the University or losses are less than the collateral posted by the University. There was no credit exposure as of June 30, 2016. 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:

University of Washington
Derivative Investments
June 30, 2016
(expressed in thousands)

Category	Changes in Fair Value - Included in Investment Income (Loss) Amount	Fair Value - Investment Derivative Amount	Notional
Futures contracts	$ 790	$ 65,218	$ 64,428

9. Reverse Repurchase Agreements – None.

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

1. Summary of Investment Policies

The Office of the State Treasurer (OST) operates the state's Cash Management Account for investing Treasury/Trust funds in excess of daily requirements. Investment income earned is allocated based on average daily cash balance. Pursuant to state law, all earnings on investments of Treasury/Trust funds are credited to the General Fund except as specifically provided in RCW 43.79A.040 and RCW 43.84.092. In fiscal year 2016, a portion of the investment income reported by the General Fund was earned by other funds.

The overall objective of the OST investment policy is to construct, from eligible investments noted below, an investment portfolio that is optimal or efficient. An optimal or efficient portfolio is one that provides the greatest expected return for a given expected level of risk, or the lowest expected risk for a given expected return.

The emphasis on "expected" is to recognize that investment decisions are made under conditions of risk and uncertainty. Neither the actual risk nor return of any investment decision is known with certainty at the time the decision is made.

Eligible Investments. Eligible investments are only those securities and deposits authorized by statute (chapters 39.58, 39.59, 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.
- 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.
- Banker's acceptances purchased on the secondary market rated with the highest short-term credit rating

of any two Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. If the banker's acceptance is rated by more than two NRSROs, it must have the highest rating from all of the organizations.

- Commercial paper, provided that the OST adheres to policies and procedures of the Washington State Investment Board regarding commercial paper (RCW 43.84.080(7)).

- Certificates of deposit with financial institutions qualified by the Washington Public Deposit Protection Commission.

- Local Government Investment Pool (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 following restrictions:

- 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, 2016:

Office of the State Treasurer (OST)
Cash Management Account
Investments Measured at Fair Value
June 30, 2016
(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 and agency securities	$ 2,938,844		$ 2,938,844	
Total investments measured at fair value	$ 2,938,844		$ 2,938,844	

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

3. Securities Lending

State statutes permit the OST to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The OST has contracted with Citibank, N.A. as a lending agent and receives a share of income earned from this activity. The lending agent lends securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the market value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent.

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 2016, cash received as collateral was invested in the LGIP money market fund and/or demand deposit accounts, which allow withdrawals each business day to cover maturing loans. At June 30, 2016, the fair value of cash collateral held totaled $204.0 million.

Contracts require the lending agent to indemnify the OST if the borrowers fail to return securities and if the collateral is inadequate to replace the securities lent, or if the borrower fails to pay the OST for income distribution by the securities' issuers while the securities are on loan. The OST cannot pledge or sell collateral securities received unless the borrower defaults. At June 30, 2016, the fair value of securities on loan totaled $199.3 million.

The OST investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the OST. During fiscal year 2016, the OST had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the OST.

There were no violations of legal or contractual provisions or any losses resulting from a default of a borrower or lending agent during the fiscal year.

4. Interest Rate Risk

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

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

The following schedule presents the OST investments and related maturities, and provides information about the associated interest rate risks as of June 30, 2016:

Office of the State Treasurer (OST)
Cash Management Account
June 30, 2016
(expressed in thousands)

Investment Type	Total Fair Value	Maturity: Less than 1 Year	Maturity: 1-5 Years
U.S. agency securities	$ 2,461,911	$ 659,584	$ 1,802,327
U.S. government securities	919,980	45,022	874,958
Certificates of deposit	151,014	151,014	-
Investments with LGIP	2,724,681	2,724,681	-
Interest bearing bank accounts	200,730	200,730	-
Total Investments	$ 6,458,316	$ 3,781,031	$ 2,677,285

5. Credit Risk

The OST limits credit risk by adhering to the OST investment policy which restricts the types of investments the OST can participate in, such as: U.S. government and agency securities, banker's acceptances, commercial paper, and deposits with qualified public depositaries.

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 limits its exposure to concentration of credit risk by restricting the amount of investments to no more than 5 percent of the portfolio to any single issuer. During fiscal year 2016, the OST did not own any non-governmental securities subject to this restriction.

6. Foreign Currency Risk - None.

7. Derivatives - None.

8. Repurchase and Reverse Repurchase Agreements

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

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

Repurchase agreements with any single primary dealer or financial institution will not exceed 20 percent of the portfolio or $600 million, whichever is greater. The maximum term of repurchase agreements will be 180 days. The share of the portfolio allocated to repurchase agreements with maturities beyond 30 days will not exceed 30 percent of the total portfolio.

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

Treasury, agency, and money market securities will be priced at 102 percent of market value plus accrued income, except where the counterparty is the Federal Reserve Bank of New York, in which case they will be priced at 100 percent of market value plus accrued income.

Mortgage-backed repurchase agreements with a maturity date longer than seven days will be priced at 105 percent of market value plus accrued income.

Collateralized mortgage obligation securities utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council test or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency. Only securities authorized in statute for the investment of public funds are utilized in repurchase agreements. There were no repurchase agreements as of June 30, 2016.

State law also permits the OST to enter into reverse repurchase agreements, which are, by contract, sales of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities pledged as collateral by the OST underlying the reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in the market value of the securities.

If the dealers default on their obligations to resell these securities to the OST or to provide equal value in securities or cash, the OST would suffer an economic loss equal to the differences between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest.

The OST investment policy limits the amount of reverse repurchase agreements to 30 percent of the total portfolio. There were no reverse repurchase agreements during fiscal year 2016.

Note 4
Receivables, Unearned and Unavailable Revenues

A. GOVERNMENTAL FUNDS

Taxes Receivable
Taxes receivable at June 30, 2016, consisted of the following (expressed in thousands):

Taxes Receivable	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property	$ 1,026,642	$ -	$ -	$ -	$ 1,026,642
Sales	1,994,696	-	-	-	1,994,696
Business and occupation	699,174	-	-	-	699,174
Estate	1,843	8,408	-	-	10,251
Fuel	-	-	-	171,670	171,670
Beer and Wine	-	-	-	6,039	6,039
Marijuana	-	-	-	21,021	21,021
Real Estate Excise	2,899	-	-	113	3,012
Other	1,010	129	-	132	1,271
Subtotals	3,726,264	8,537	-	198,975	3,933,776
Less: Allowance for uncollectible receivables	49,920	-	-	357	50,277
Total Taxes Receivable	$ 3,676,344	$ 8,537	$ -	$ 198,618	$ 3,883,499

Receivables
Receivables at June 30, 2016, consisted of the following (expressed in thousands):

Receivables	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Public assistance [1]	$ 653,998	$ -	$ -	$ -	$ 653,998
Accounts receivable	181,062	1,009,633	81,792	377,800	1,650,287
Interest	4,304	7,346	5,301	9,979	26,930
Loans [2]	6,344	132,417	-	469,849	608,610
Long-term contracts [3]	2,344	-	15,354	82,161	99,859
Miscellaneous	20	184	-	49	253
Subtotals	848,072	1,149,580	102,447	939,838	3,039,937
Less: Allowance for uncollectible receivables	649,745	37,633	3	98,778	786,159
Total Receivables	$ 198,327	$ 1,111,947	$ 102,444	$ 841,060	$ 2,253,778

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 $114.5 million in the Higher Education Special Revenue Fund for student loans and $459.8 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, 2016, consisted of the following (expressed in thousands):

Unearned Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Other taxes	$ 4,746	$ -	$ -	$ 1,645	$ 6,391
Charges for services	89,274	215,233	-	22,829	327,336
Donable goods	-	-	-	4,036	4,036
Grants and donations	3,073	1,516	-	6,313	10,902
Tolls	-	-	-	19,483	19,483
Transportation	-	-	-	8,919	8,919
Miscellaneous	1,814	15,075	-	7,170	24,059
Total Unearned Revenue	$ 98,907	$ 231,824	$ -	$ 70,395	$ 401,126

Unavailable Revenue

Unavailable revenue at June 30, 2016, consisted of the following (expressed in thousands):

Unavailable Revenue	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Property taxes	$ 1,005,181	$ -	$ -	$ -	$ 1,005,181
Other taxes	617,586	6,298	-	75	623,959
Timber sales	2,344	-	15,354	82,199	99,897
Transportation	-	-	-	27,272	27,272
Charges for services	-	-	-	3,256	3,256
Miscellaneous	5,000	-	-	26,777	31,777
Total Unavailable Revenue	$ 1,630,111	$ 6,298	$ 15,354	$ 139,579	$ 1,791,342

B. PROPRIETARY FUNDS

Receivables

Receivables at June 30, 2016, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds						Governmental Activities
Receivables	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Total	Internal Service Funds
Accounts receivable	$ 870,258	$ 537,085	$ 280,035	$ 14,058	$ 25,558	$ 1,726,994	$ 22,792
Interest	110,137	-	1,161	4,088	-	115,386	348
Investment trades pending	4	-	-	1,011	-	1,015	-
Miscellaneous	-	-	56	-	-	56	-
Subtotals	980,399	537,085	281,252	19,157	25,558	1,843,451	23,140
Less: Allowance for uncollectible receivables	159,045	83,472	64,279	-	104	306,900	371
Total Receivables	$ 821,354	$ 453,613	$ 216,973	$ 19,157	$ 25,454	$ 1,536,551	$ 22,769

Unearned Revenue

Unearned revenue at June 30, 2016, consisted of the following (expressed in thousands):

	Business-Type Activities Enterprise Funds						Governmental Activities
Unearned Revenue	Workers' Compensation	Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Total	Internal Service Funds
Charges for services	$ -	$ -	$ 47,850	$ -	$ -	$ 47,850	$ 2,775
Grants and donations	5,663	-	-	-	-	5,663	90
Other taxes	560	-	-	-	-	560	-
Miscellaneous	1,235	-	392	-	1,149	2,776	-
Total Unearned Revenue	$ 7,458	$ -	$ 48,242	$ -	$ 1,149	$ 56,849	$ 2,865

C. FIDUCIARY FUNDS

Other Receivables

Other receivables at June 30, 2016, consisted of $10.6 million for interest and other miscellaneous amounts.

Unearned Revenue

Unearned revenue at June 30, 2016, consisted of $1.3 million 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, 2016, consisted of the following (expressed in thousands):

	Due From				
Due To	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Workers' Compensation
General	$ -	$ 2,990	$ -	$ 229,319	$ 530
Higher Education Special Revenue	155,329	-	-	14,647	554
Higher Education Endowment	-	-	-	3	-
Nonmajor Governmental Funds	78,238	61,431	3,575	199,889	3,019
Workers' Compensation	13	-	-	9	-
Unemployment Compensation	1,115	1,122	-	411	393
Higher Education Student Services	5,228	13,346	-	135	125
Guaranteed Education Tuition Program	-	-	-	-	-
Nonmajor Enterprise Funds	9,447	104	-	480	5
Internal Service Funds	28,807	8,186	-	21,349	1,500
Fiduciary Funds	-	-	-	-	-
Totals	$ 278,177	$ 87,179	$ 3,575	$ 466,242	$ 6,126

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 $14.9 million loan from a nonmajor governmental fund to the General Fund which is expected to be paid over the next four years; (2) a $6.1 million loan between nonmajor governmental funds which is expected to be paid over the next six years, and (3) a $130 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 $145.7 million within the state's Pension Trust Funds.

Due From						
Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Totals
$ 2	$ 1	$ 142	$ 19,403	$ 16,200	$ -	$ 268,587
2	166,572	-	-	-	-	337,104
-	-	-	-	-	5	8
15,338	1	4	62	-	-	361,557
-	1	-	-	27	20	70
-	38	-	13	-	-	3,092
9	-	-	66	8,529	-	27,438
-	-	-	-	-	15	15
1	29	-	5,409	74	-	15,549
6	19	8	334	16,154	36	76,399
-	-	-	-	-	-	-
$ 15,358	$ 166,661	$ 154	$ 25,287	$ 40,984	$ 76	$ 1,089,819

B. INTERFUND TRANSFERS

Interfund transfers as reported in the financial statements for the year ended June 30, 2016, 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	$ -	$ 6,000	$ 300	$ 1,184,730	$ -
Higher Education Special Revenue	33,314	-	25,638	202,412	-
Higher Education Endowment	-	164,041	-	31,268	-
Nonmajor Governmental Funds	380,677	128,770	914	1,511,071	-
Workers' Compensation	-	-	-	-	-
Unemployment Compensation	-	-	-	-	-
Higher Education Student Services	-	414,441	21	7,138	-
Guaranteed Education Tuition Program	-	-	-	-	-
Nonmajor Enterprise Funds	163,499	-	-	12,051	-
Internal Service Funds	-	50,223	-	681	-
Totals	$ 577,490	$ 763,475	$ 26,873	$ 2,949,351	$ -

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, 2016, $185.7 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 $5.9 million within the state's Pension Trust Funds.

Transferred To					
Unemployment Compensation	Higher Education Student Services	Guaranteed Education Tuition Program	Nonmajor Enterprise Funds	Internal Service Funds	Totals
$ -	$ -	$ -	$ -	$ 14,433	$ 1,205,463
-	445,395	-	-	51,132	757,891
-	-	-	-	-	195,309
-	-	-	-	16	2,021,448
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	155	421,755
-	-	-	-	-	-
-	-	-	13,861	-	189,411
-	15	-	-	19,813	70,732
$ -	$ 445,410	$ -	$ 13,861	$ 85,549	$ 4,862,009

Note 6
Capital Assets

Capital assets at June 30, 2016, 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, 2016 (expressed in thousands):

Capital Assets	Balances July 1, 2015	Additions	Deletions/ Adjustments	Balances June 30, 2016
Capital assets, not being depreciated:				
Land	$ 2,625,377	$ 67,254	$ (26,923)	$ 2,665,708
Transportation infrastructure	23,235,035	659,265	-	23,894,300
Intangible assets - indefinite lives	14,938	-	-	14,938
Art collections, library reserves, and museum and historical collections	126,295	1,159	(7,166)	120,288
Construction in progress	890,982	635,127	(280,863)	1,245,246
Total capital assets, not being depreciated	26,892,627			27,940,480
Capital assets, being depreciated:				
Buildings	12,788,384	480,568	(21,453)	13,247,499
Accumulated depreciation	(4,962,231)	(339,839)	5,993	(5,296,077)
Net buildings	7,826,153			7,951,422
Other improvements	1,463,812	40,939	(2,084)	1,502,667
Accumulated depreciation	(727,475)	(47,898)	5,355	(770,018)
Net other improvements	736,337			732,649
Furnishings, equipment, and intangible assets	5,123,735	312,343	(269,776)	5,166,302
Accumulated depreciation	(3,295,154)	(304,934)	227,277	(3,372,811)
Net furnishings, equipment, and intangible assets	1,828,581			1,793,491
Infrastructure	1,010,721	81,111	(114)	1,091,718
Accumulated depreciation	(511,196)	(35,694)	(1,369)	(548,259)
Net infrastructure	499,525			543,459
Total capital assets, being depreciated, net	10,890,596			11,021,021
Governmental Activities Capital Assets, Net	$ 37,783,223			$ 38,961,501

B. BUSINESS-TYPE CAPITAL ASSETS

The following is a summary of business-type capital asset activity for the year ended June 30, 2016 (expressed in thousands):

Capital Assets	Balances July 1, 2015	Additions	Deletions/ Adjustments	Balances June 30, 2016
Capital assets, not being depreciated:				
Land	$ 57,549	$ 176	$ -	$ 57,725
Intangible assets - indefinite lives	4,580	-	-	4,580
Art collections	75	-	-	75
Construction in progress	292,750	35,834	(251,189)	77,395
Total capital assets, not being depreciated	354,954			139,775
Capital assets, being depreciated:				
Buildings	3,264,238	331,227	(13,634)	3,581,831
Accumulated depreciation	(952,118)	(113,878)	5,127	(1,060,869)
Net buildings	2,312,120			2,520,962
Other improvements	98,489	2,539	(235)	100,793
Accumulated depreciation	(45,737)	(5,349)	558	(50,528)
Net other improvements	52,752			50,265
Furnishings, equipment, and intangible assets	714,107	60,554	(14,027)	760,634
Accumulated depreciation	(530,398)	(64,221)	13,781	(580,838)
Net furnishings, equipment, and intangible assets	183,709			179,796
Infrastructure	42,646	6,730	(41)	49,335
Accumulated depreciation	(20,654)	(1,448)	41	(22,061)
Net infrastructure	21,992			27,274
Total capital assets, being depreciated, net	2,570,573			2,778,297
Business-Type Activities Capital Assets, Net	$ 2,925,527			$ 2,918,072

C. DEPRECIATION

Depreciation expense for the year ended June 30, 2016, was charged by the primary government as follows (expressed in thousands):

		Amount
Governmental Activities:		
General government	$	79,163
Education - elementary and secondary (K-12)		5,836
Education - higher education		417,663
Human services		39,782
Adult corrections		39,770
Natural resources and recreation		36,095
Transportation		110,056
Total Depreciation Expense - Governmental Activities *	$	728,365
Business-Type Activities:		
Workers' compensation	$	10,206
Unemployment compensation		-
Higher education student services		172,988
Guaranteed education tuition program		3
Other		1,699
Total Depreciation Expense - Business-Type Activities	$	184,896

* Includes $98.4 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, 2016, are as follows (expressed in thousands):

Agency / Project Commitments	Construction In Progress June 30, 2016	Remaining Project Commitments
Consolidated Technology Services:		
State Data Center buildout	$ 9,386	$ 1,034
Employment Security Department:		
Unemployment Tax & Benefit system	11,867	5,225
Department of Enterprise Services:		
1063 Building project	33,438	53,863
Various projects	16,662	29,055
Military Department:		
Pierce County readiness center and other projects	35,445	8,697
Department of Social and Health Services:		
State hospitals	13,454	50,533
Residential housing unit renovations and other projects	18,533	18,263
Department of Veterans Affairs:		
Walla Walla Veterans Home and other projects	27,370 -	19,871
Department of Corrections:		
Correctional center units security and safety improvements, and other projects	12,644	12,645
Department of Transportation:		
State ferry vessels and terminals, locomotives, and other projects	240,125	92,592
Transportation infrastructure	-	1,197,732
Department of Fish and Wildlife:		
Soos Creek renovation, Fir Island farm restoration, and other projects	17,261	73,675
University of Washington:		
UW Medical Center expansion and renovation projects	17,479	29,048
McCarty, Madrona, and Willow Hall projects	21,511	35,074
Washington biomedical research facility	13,667	131,042
NanoEngineering & Sciences building, animal research & care facility, and other projects	353,002	178,595
Burke Gilman trail, student housing, parking, and other projects	2,553	3,057
Washington State University:		
Animal health research facility, digital classroom, Everett University center, Chinook building, and other facility projects	64,428	120,158
Indoor practice facility and other athletic projects	103	10,075
Cultural house, Tri Cities student union, and other projects	5,447	16,401
Troy Hall and other housing projects	12,030	36,612
Police station, smart grid, and other projects	11,906	3,869
Eastern Washington University:		
Interdisciplinary science center renovation	2,166	101,871
Pence Union Building, science center, water system upgrade, and other projects	11,523	48,041
Central Washington University:		
Samuelson communication & tech center, Bouillon & Lind Hall, and other projects	13,217	37,575
Science hall phase two project	51,427	7,939
The Evergreen State College:		
Housing and other projects	20,691	15,647
Western Washington University:		
Carver Hall renovation, residence hall, and other projects	33,318	86,585
Community and Technical Colleges:		
ctcLink project	79,859	20,141
Centralia TransAlta student commons	15,198	17,711
Clark Science, Technology, Engineering and Math building	32,135	-
Edmonds Science, Engineering and Technology building project	2,217	47,453
Peninsula health & early childhood development center, and Fort Worden building	14,152	15,673
Seattle integrated education center and Maritime Academy	17,557	24,765
Other miscellaneous community college projects	73,593	76,934
Other Agency Projects:	17,277	28,370
Total Construction in Progress	$ 1,322,641	$ 2,655,822

Note 7

Long-Term Liabilities

A. BONDS PAYABLE

Bonds payable at June 30, 2016, are reported by the state of Washington within governmental activities and business-type activities, as applicable.

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

Legislative authorization arises:

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

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

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

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

Legal Debt Limitation

The State Constitution limits the amount of state debt that may be incurred by restricting the amount of general state revenues which may be allocated to pay principal and interest on debt subject to these limitations. In November 2012, voters passed a constitutional amendment specifying that maximum annual payments of principal and interest on all debt subject to the limit may not exceed a percentage of the average of the prior six years' general state revenues; this percentage currently stands at 8.5 percent and will decline to 8 percent by July 1, 2034. This limitation restricts the incurrence of new debt and not the amount of debt service that may be paid by the state in future years.

The State Constitution requires the State Treasurer to certify the debt service limitation for each fiscal year. In accordance with these provisions, the debt service limitation for fiscal year 2016 is $1.32 billion.

This computation excludes specific bond issues and types, which are not secured by general state revenues. Of the $19.04 billion general obligation bond debt principal outstanding at June 30, 2016, $11.35 billion is subject to the limitation.

Based on the debt limitation calculation, the debt service requirements as of June 30, 2016, did not exceed the authorized debt service limitation.

For further information on the debt limit refer to the Certification of the Debt Limitation of the State of Washington available from the Office of the State Treasurer at: http://www.tre.wa.gov/documents/debt_cd2016.pdf or to Schedule 11 in the Statistical Section of this report.

Authorized But Unissued

The state had a total of $11.70 billion in general obligation bonds authorized but unissued as of June 30, 2016, 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 0.4 to 6.4 percent. Interest rates on revenue bonds range from 0.9 to 8 percent.

Debt Service Requirements to Maturity

General Obligations Bonds

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

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

Outstanding general obligation bonds are presented in the Washington State Treasurer's Annual Report for 2016. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, phone number (360) 902-9000 or TTY (360) 902-8963, or by visiting their website at: http://www.tre.wa.gov/aboutUs/publications/annualReports.shtml.

Total debt service requirements to maturity for general obligation bonds as of June 30, 2016, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
General Obligation Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2017	$ 944,279	$ 936,214	$ -	$ -	$ 944,279	$ 936,214
2018	935,599	899,445	-	-	935,599	899,445
2019	933,739	861,151	-	-	933,739	861,151
2020	933,807	824,753	-	-	933,807	824,753
2021	916,290	768,772	-	-	916,290	768,772
2022-2026	4,680,504	4,290,276	-	-	4,680,504	4,290,276
2027-2031	4,473,668	2,022,042	-	-	4,473,668	2,022,042
2032-2036	3,297,990	857,772	-	-	3,297,990	857,772
2037-2041	1,836,850	234,482	-	-	1,836,850	234,482
2042-2046	85,365	3,925	-	-	85,365	3,925
Total Debt Service Requirements	$ 19,038,091	$ 11,698,832	$ -	$ -	$ 19,038,091	$ 11,698,832

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, 2016, include $777.2 million in governmental activities and $1.78 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, 2016, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Revenue Bonds	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
By Fiscal Year:						
2017	$ 118,889	$ 96,696	$ 97,924	$ 90,287	$ 216,813	$ 186,983
2018	116,431	101,056	83,644	88,704	200,075	189,760
2019	121,985	95,541	63,277	85,966	185,262	181,507
2020	126,041	89,760	64,772	82,945	190,813	172,705
2021	131,682	83,649	68,221	80,083	199,903	163,732
2022-2026	626,566	319,931	355,016	352,657	981,582	672,588
2027-2031	343,090	214,060	383,585	268,336	726,675	482,396
2032-2036	294,126	136,467	388,638	182,742	682,764	319,209
2037-2041	236,256	69,908	364,831	88,873	601,087	158,781
2042-2046	150,731	32,295	176,562	13,818	327,293	46,113
2047-2051	104,047	14,907	9,750	5,888	113,797	20,795
Total Debt Service Requirements	$ 2,369,844	$ 1,254,270	$ 2,056,220	$ 1,340,299	$ 4,426,064	$ 2,594,569

Governmental activities include revenue bonds outstanding at June 30, 2016, of $241.8 million issued by the Tobacco Settlement Authority (TSA), which is a blended component unit of the state. In November 2002, the TSA issued $517.9 million in bonds and transferred $450.0 million to the state to be used for increased health care, long-term care, and other programs.

These bonds do not constitute either a legal or moral obligation of the state, nor does the state pledge its full faith, credit, or taxing power for payment of these bonds. The bonds are obligations of the TSA and are secured solely by the TSA's right to receive 29.2 percent of the state's tobacco settlement revenues, restricted investments of the TSA, undistributed TSA bond proceeds, and the earnings thereon held under the indenture authorizing the bonds. Total principal and interest remaining on the bonds is $356.6 million, payable through 2033. For the current year, both pledged revenue and debt service were $45.3 million.

Governmental activities include grant anticipation revenue bonds outstanding at June 30, 2016, of $723.7 million issued for the Washington State Department of Transportation. The bonds were issued to finance a portion of the costs of constructing the State Route 520 Floating Bridge and Eastside Project.

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

Governmental activities include the Transportation Infrastructure Finance and Innovation Act Bond (TIFIA Bond) outstanding at June 30, 2016, of $300 million. The bonds were issued to finance a portion of the State Route 520 Corridor Program.

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

Governmental activities include revenue bonds outstanding at June 30, 2016, of $41.9 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 $56.2 million, payable through 2029. For the current year, both pledged revenue and debt service were $3.5 million.

Governmental activities include revenue bonds outstanding at June 30, 2016, of $280.5 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 $495.8 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, 2016, of $4.8 million issued by the City of Aberdeen. The bonds were used to extend utilities to the state Department of Corrections Stafford Creek Corrections Center (SCCC). 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 $5.4 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, 2016, 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	$ 30,556	$ 28,197	$ 169
Current year debt service	20,049	11,555	202
Total future revenues pledged *	302,316	115,286	3,640
Description of debt	Housing and dining bonds issued in 1998-2016	Student facilities bonds issued in 2006-2016	Student union and recreation center bonds issued in 2004
Purpose of debt	Construction and renovation of student housing and dining	Construction and renovation of student activity and sports facilities	Construct new bookstore as part of new student union and recreation center building
Term of commitment	2026-2042	2017-2039	2034
Percentage of debt service to pledged revenues (current year)	65.6%	41.0%	119.6%

* Total future principal and interest payments.

B. CERTIFICATES OF PARTICIPATION

Certificates of participation at June 30, 2016, 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, 2016, are as follows (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
Certificates of Participation	Principal	Interest	Principal	Interest	Principal	Interest
By Fiscal Year:						
2017	$ 122,683	$ 45,980	$ 4,779	$ 1,791	$ 127,462	$ 47,771
2018	68,329	25,385	4,897	1,819	73,226	27,204
2019	65,842	22,428	4,719	1,607	70,561	24,035
2020	61,566	19,527	4,412	1,399	65,978	20,926
2021	50,171	16,839	3,596	1,207	53,767	18,046
2022-2026	177,563	53,960	12,727	3,867	190,290	57,827
2027-2031	105,891	20,317	7,589	1,456	113,480	21,773
2032-2036	40,498	5,310	2,902	381	43,400	5,691
2037-2041	9,177	371	658	27	9,835	398
Total Debt Service Requirements	$ 701,720	$ 210,117	$ 46,279	$ 13,554	$ 747,999	$ 223,671

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 8, 2015, the state issued $188.3 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent to refund $212.9 million of various purpose general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a $33.1 million gross debt service savings over the next 9 years and a net present value savings of $31.0 million.

On February 16, 2016, the state issued $143.7 million of motor vehicle fuel tax general obligation refunding bonds with an average interest rate of 5 percent to refund $157.9 million of motor vehicle fuel tax general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a $26.1 million gross debt service savings over the next 17 years and a net present value savings of $19.7 million.

Also on February 16, 2016, the state issued $528.8 million of various purpose general obligation refunding bonds with an average interest rate of 5 percent to refund $583.2 million of various purpose general obligation bonds with an average interest rate of 5 percent. The refunding resulted in a $97.9 million gross debt service savings over the next 17 years and a net present value savings of $74.5 million.

Business-Type Activities.
On September 1, 2015, the Evergreen State College issued $4.1 million in general revenue refunding bonds with an average interest rate of 2.4 percent to refund $4.1 million in housing and dining revenue bonds with an average interest rate of 3.8 percent. The refunding resulted in $363 thousand gross debt service savings over the next 10 years and an economic gain of $322 thousand.

On May 25, 2016, Washington State University issued $58.1 million in general revenue refunding bonds with an average interest rate of 4.9 percent to refund $21.5 million in housing and dining revenue bonds with an average interest rate of 5 percent, $17.6 million in athletic revenue bonds with an average interest rate of 4.3 percent, and $26.2 million in student recreation center revenue bonds with an average interest rate of 4.8 percent. The refunding resulted in an $11.0 million gross debt service savings over the next 16 to 23 years and an economic gain of $5.4 million.

Certificates of Participation (COPs)
On October 21, 2015, the state issued $21.8 million in refunding certificates of participation with an average interest rate of 5 percent to refund $24.7 million of various purpose general obligation bonds with an average interest rate of 4.4 percent. The refunding resulted in a $3.2 million gross debt service savings over the next 10 years and a net present value savings of $2.7 million.

On March 31, 2016, the state issued $35.7 million in refunding certificates of participation with an average interest rate of 4.5 percent to refund $43.6 million of various purpose general obligation bonds with an average interest rate of 4.2 percent. The refunding resulted in a $5.5 million gross debt service savings over the next 11 years and a net present value savings of $4.2 million.

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, 2016, $3.96 billion of general obligation bond debt outstanding is considered defeased.

Revenue Bond Debt

On June 30, 2016, $145.1 million of revenue bond debt outstanding is considered defeased.

Certificates of Participation Debt

On June 30, 2016, $50.4 million of certificates of participation debt outstanding is considered defeased.

D. LEASES

Leases at June 30, 2016, 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, 2016, include the following (expressed in thousands):

	Governmental Activities	Business-Type Activities
Buildings	$ 1,705	$ 4,512
Equipment	7,937	12,150
Less: Accumulated Depreciation	(6,605)	(9,433)
Totals	$ 3,037	$ 7,229

The following schedule presents future minimum payments for capital and operating leases as of June 30, 2016 (expressed in thousands):

	Capital Leases		Operating Leases	
Capital and Operating Leases	**Governmental Activities**	**Business-Type Activities**	**Governmental Activities**	**Business-Type Activities**
By Fiscal Year:				
2017	$ 1,165	$ 2,262	$ 186,696	$ 63,898
2018	546	1,469	159,332	57,162
2019	545	1,383	134,004	54,992
2020	542	1,383	95,544	55,031
2021	508	1,383	66,141	39,952
2022-2026	1,112	2,428	107,576	76,684
2027-2031	-	-	35,109	46,887
2032-2036	-	-	19,543	52,530
2037-2041	-	-	19,380	55,868
2042-2046	-	-	9,463	31,621
Total Future Minimum Payments	4,418	10,308	832,788	534,625
Less: Executory Costs and Interest Costs	(288)	(935)	-	-
Net Present Value of Future Minimum Lease Payments	$ 4,130	$ 9,373	$ 832,788	$ 534,625

The total operating lease rental expense for fiscal year 2016 for governmental activities was $379.7 million, of which $28 thousand was for contingent rentals. The total operating lease rental expense for fiscal year 2016 for business-type activities was $38.4 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, 2016, $37.25 billion of unpaid claims and claim adjustment expenses are presented at their net present and settlement value of $25.85 billion. These claims are discounted at assumed interest rates of 1.5 percent (non-pension and cost of living adjustments), 4.5 to 6.3 percent (pensions not yet granted), and 6.3 percent (granted pensions) to arrive at a settlement value.

The claims and claim adjustment liabilities of $25.85 billion as of June 30, 2016, include $12.26 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 $13.59 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 2015 and 2016 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
2015	$ 24,437,534	2,814,134	(2,185,519)	$ 25,066,149
2016	$ 25,066,149	3,024,336	(2,238,159)	$ 25,852,326

Risk Management

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

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

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

As of June 30, 2016, 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 $568.8 million for which the state has recorded a liability. The state is restricted by law from accumulating funds in the Self Insurance Liability Program in excess of 50 percent of total outstanding and actuarially determined liabilities.

At June 30, 2016, the Risk Management Fund held $54 million in cash and pooled investments designated for payment of these claims under the state's Self Insurance Liability Program.

Changes in the balances of risk management claims liabilities during fiscal years 2015 and 2016 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
2015	$ 549,988	110,648	(59,621)	(21,087)	$ 579,928
2016	$ 579,928	50,583	(38,755)	(22,935)	$ 568,821

Health Insurance

The Health Insurance Fund establishes a liability when it becomes probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an actuarially determined amount for claims that have been incurred but not reported. Because actual claims liabilities depend on various complex factors, the process used in computing claims liabilities does not always result in an exact amount.

Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

At June 30, 2016, health insurance claims liabilities totaling $87.4 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 2015 and 2016 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
2015	$ 70,249	934,082	(930,724)	$ 73,607
2016	$ 73,607	1,023,194	(1,009,431)	$ 87,370

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 23 projects in progress for which the state has recorded a liability of $56.2 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, 2016, the state has recorded a liability of $97.9 million for remaining project commitments.

Overall, the state has recorded a pollution remediation liability of $154.1 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, 2016, 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 2016 is as follows (expressed in thousands):

Governmental Activities:	Beginning Balance July 1, 2015*	Additions	Reductions	Ending Balance June 30, 2016	Amounts Due Within One Year
Long-Term Debt:					
GO Bonds Payable:					
General obligation (GO) bonds	$ 18,243,520	$ 2,122,605	$ 1,799,690	$ 18,566,435	$ 884,870
GO - zero coupon bonds (principal)	518,658	-	47,002	471,656	59,409
Subtotal - GO bonds payable	18,762,178	2,122,605	1,846,692	19,038,091	944,279
Accreted interest - GO - zero coupon bonds	471,951	7,275	-	479,226	69,284
Revenue bonds payable	2,289,434	205,349	124,939	2,369,844	118,889
Plus: Unamortized premiums on bonds sold	660,011	405,612	57,907	1,007,716	-
Total Bonds Payable	22,183,574	2,740,841	2,029,538	22,894,877	1,132,452
Other Liabilities:					
Certificates of participation	575,623	251,836	125,739	701,720	122,683
Plus: Unamortized premiums on COPs sold	4,812	12,460	1,377	15,895	-
Claims and judgments	864,129	161,492	43,562	982,059	385,605
Installment contracts	-	1,865	137	1,728	137
Leases	5,441	19,122	20,433	4,130	1,093
Compensated absences	552,937	401,438	373,093	581,282	75,804
Net pension liability	3,297,302	1,805,478	1,023,804	4,078,976	-
Other postemployment benefits	2,104,794	387,009	230	2,491,573	-
Pollution remediation obligations	169,698	6,773	22,326	154,145	-
Unclaimed property refunds	130,656	34,559	-	165,215	-
Other	655,352	199,021	128,965	725,408	54,692
Total Other Liabilities	8,360,744	3,281,053	1,739,666	9,902,131	640,014
Total Long-Term Debt	$ 30,544,318	$ 6,021,894	$ 3,769,204	$ 32,797,008	$ 1,772,466

* The beginning balance of other liabilities has been restated by $85.7 million as a result of liability reclassification.

For governmental activities, certificates of participation are being repaid approximately 21 percent from the General Fund, 39 percent from the Higher Education Special Revenue Fund, 23 percent from the Motor Vehicle (a nonmajor special revenue fund), and the balance from various governmental funds. The compensated absences liability will be liquidated approximately 42 percent by the General Fund, 35 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The claims and judgments liability will be liquidated approximately 58 percent by the Risk Management Fund (an internal service fund), 12 percent by the Health Insurance Fund (a nonmajor internal service fund), and the balance by various other governmental funds. The other postemployment benefits liability will be liquidated approximately 46 percent by the General Fund, 30 percent by the Higher Education Special Revenue Fund, and the balance by various other governmental funds. The pollution remediation liability will be liquidated approximately 79 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 2016 is as follows (expressed in thousands):

Business-Type Activities	Beginning Balance July 1, 2015*	Additions	Reductions	Ending Balance June 30, 2016	Amounts Due Within One Year
Long-Term Debt:					
General obligation bonds payable	$ 4,050	$ -	$ 4,050	$ -	$ -
Revenue bonds payable	1,853,823	332,268	129,871	2,056,220	97,924
Plus: Unamortized premiums on bonds sold	137,482	37,660	16,583	158,559	-
Less: Unamortized discounts on bonds sold	(95)	167	72	-	-
Total Bonds Payable	1,995,260	370,095	150,576	2,214,779	97,924
Other Liabilities:					
Certificates of participation	39,850	18,511	12,082	46,279	4,779
Plus: Unamortized premiums on COPs sold	2,133	1,068	282	2,919	-
Claims and judgments	25,080,504	1,078,432	290,034	25,868,902	2,020,065
Lottery prize annuities payable	129,906	37,372	41,196	126,082	15,410
Tuition benefits payable	2,042,000	-	316,000	1,726,000	186,000
Leases	12,947	-	3,574	9,373	2,005
Compensated absences	77,502	30,634	27,396	80,740	49,032
Net pension liability	362,976	224,741	92,230	495,487	-
Other postemployment benefits	218,094	51,048	-	269,142	-
Other	149,328	15,138	115,760	48,706	4,269
Total Other Liabilities	28,115,240	1,456,944	898,554	28,673,630	2,281,560
Total Long-Term Debt	$ 30,110,500	$ 1,827,039	$ 1,049,130	$ 30,888,409	$ 2,379,484

* The beginning balance of other liabilities has been restated by $7.5 million as a result of liability reclassification.

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, 2016, balances for the "No Commitment" debt of the state's financing authorities (expressed in thousands):

Financing Authorities	**Principal Balance**
Washington State Housing Finance Commission	$ 3,727,679
Washington Higher Education Facilities Authority	742,667
Washington Health Care Facilities Authority	5,682,000
Washington Economic Development Finance Authority	678,160
Total No Commitment Debt	$ 10,830,506

Note 9
Governmental Fund Balances

A. GOVERNMENTAL FUND BALANCES

The state's governmental fund balances are reported according to the relative constraints that control how amounts can be spent. Classifications include nonspendable, restricted, committed, and assigned, which are further described in Note 1.D.9.

A summary of governmental fund balances at June 30, 2016, is as follows (expressed in thousands):

Fund Balances	General	Higher Education Special Revenue	Higher Education Endowment	Nonmajor Governmental Funds	Total
Nonspendable:					
Permanent funds	$ -	$ -	$ 2,235,581	$ 205,254	$ 2,440,835
Consumable inventories	14,578	10,542	-	41,812	66,932
Student loans receivable - long-term	-	-	-	-	-
Other receivables – long-term	31,000	-	-	-	31,000
Total Nonspendable Fund Balance	$ 45,578	$ 10,542	$ 2,235,581	$ 247,066	$ 2,538,767
Restricted for: *					
Higher education	$ -	$ 50,449	$ 1,149,559	$ 106,063	$ 1,306,071
Education	-	-	4,642	28,190	32,832
Transportation	-	-	-	941,052	941,052
Other purposes	-	-	-	7,211	7,211
Human services	-	-	382	480,339	480,721
Wildlife and natural resources	8,555	-	-	993,780	1,002,335
Local grants and loans	-	-	-	245	245
School construction	572	-	-	100,315	100,887
State facilities	-	-	-	17,614	17,614
Budget stabilization	549,581	-	-	-	549,581
Debt service	-	-	-	61,160	61,160
Pollution remediation	-	-	-	70,897	70,897
Operations and maintenance	-	-	-	9,048	9,048
Repair and replacement	-	-	-	2,925	2,925
Revenue stabilization	-	-	-	22,069	22,069
Third tier debt service	-	-	-	3,172	3,172
Fourth tier debt service	-	-	-	1,185	1,185
Total Restricted Fund Balance	$ 558,708	$ 50,449	$ 1,154,583	$ 2,845,265	$ 4,609,005
Committed for:					
Higher education	$ 80,368	$ 2,781,000	$ -	$ 59,337	$ 2,920,705
Education	57	-	-	2,230	2,287
Transportation	-	-	-	253,662	253,662
Other purposes	9,747	-	-	277,765	287,512
Human services	16,604	-	-	785,360	801,964
Wildlife and natural resources	8,182	-	-	406,058	414,240
Local grants and loans	-	-	-	1,084,597	1,084,597
State facilities	-	-	-	7,696	7,696
Debt service	-	-	-	356,182	356,182
Total Committed Fund Balance	$ 114,958	$ 2,781,000	$ -	$ 3,232,887	$ 6,128,845
Assigned for:					
Working capital	$ 1,155,952	$ 18,300	$ -	$ -	$ 1,174,252
Total Assigned Fund Balance	$ 1,155,952	$ 18,300	$ -	$ -	$ 1,174,252

*Net position restricted as a result of enabling legislation totaled $9.4 million.

B. BUDGET STABILIZATION ACCOUNT

In accordance with Article 7, Section 12 of the Washington State Constitution, the state maintains the Budget Stabilization Account ("Rainy Day Fund"). The Budget Stabilization Account is reported in the General Fund.

By June 30 of each fiscal year, an amount equal to 1 percent of the general state revenues for that fiscal year is transferred to the Budget Stabilization Account.

The Budget Stabilization Account balance can only be used as follows: (a) if the Governor declares a state of emergency resulting from a catastrophic event that necessitates government action to protect life or public safety, then for that fiscal year money may be withdrawn and appropriated from the Budget Stabilization Account, via separate legislation setting forth the nature of the emergency and containing an appropriation limited to the above-authorized purposes as contained in the declaration, by a favorable vote of a majority of the members elected to each house of the Legislature; (b) if the employment growth forecast for any fiscal year is estimated to be less than 1 percent, then for that fiscal year money may be withdrawn and appropriated from the Budget Stabilization Account by the favorable vote of a majority of the members elected to each house of the Legislature; (c) any amount may be withdrawn and appropriated from the Budget Stabilization Account at any time by the favorable vote of at least three-fifths of the members of each house of the Legislature.

When the balance in the Budget Stabilization Account, including investment earnings, equals more than 10 percent of the estimated general state revenues in that fiscal year, the Legislature by the favorable vote of a majority of the members elected to each house of the Legislature may withdraw and appropriate the balance to the extent that the balance exceeds 10 percent of the estimated general state revenues. These appropriations may be made solely for deposit to the Education Construction Fund.

At June 30, 2016, the Budget Stabilization Account had restricted fund balance of $549.6 million.

Note 10
Deficit Net Position

Data Processing Revolving Fund

The Data Processing Revolving Fund, an internal service fund, had a deficit net position of $91.8 million at June 30, 2016. 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, 2016 (expressed in thousands):

Data Processing Revolving Fund	Net Position
Balance, July 1, 2015*	$ (73,844)
Fiscal year 2016 activity	(18,003)
Balance, June 30, 2016	$ (91,847)

*Beginning balance reflects a fund reclassification of $2 million from the abolishment of an account.

Higher Education Revolving Fund

The Higher Education Revolving Fund, an internal service fund, had a deficit net position of $54.7 million at June 30, 2016. The Higher Education Revolving Fund is used to manage college and university support service activities such as stores, data processing, and motor pool. Additionally, beginning in fiscal year 2015, the University of Washington is using the Higher Education Revolving Fund to allocate costs associated with its higher education supplemental retirement plan.

The Higher Education Revolving Fund is primarily supported by user charges and interest earnings. During fiscal year 2016, the University of Washington's supplemental retirement plan obligation exceeded the associated revenue, resulting in a deficit net position.

The following schedule details the change in net position for the Higher Education Revolving Fund during the fiscal year ended June 30, 2016 (expressed in thousands):

Higher Education Revolving Fund	Net Position
Balance, July 1, 2015	$ (2,457)
Fiscal year 2016 activity	(52,249)
Balance, June 30, 2016	$ (54,706)

Risk Management Fund

The Risk Management Fund, an internal service fund, had a deficit net position of $520.1 million at June 30, 2016. 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, 2016 (expressed in thousands):

Risk Management Fund	Net Position
Balance, July 1, 2015	$ (523,211)
Fiscal year 2016 activity	3,082
Balance, June 30, 2016	$ (520,129)

Note 11
Retirement Plans

A. GENERAL

The state implemented Statement No. 68 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Pensions* for the fiscal year 2015 financial reporting. Washington's pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

In accordance with Statement No. 68, the state has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities.

The state Legislature establishes and amends laws pertaining to the creation and administration of all state public retirement systems. Additionally, the state Legislature authorizes state agency participation in plans other than those administered by the state.

Basis of Accounting. Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all plans and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for the state as an employer, for fiscal year 2016, expressed in thousands:

Aggregate Pension Amounts - All Plans		
Pension liabilities	$	4,088,214
Pension assets	$	(1,467,659)
Deferred outflows of resources related to pensions	$	860,206
Deferred inflows of resources related to pensions	$	944,928
Pension expense/expenditures	$	100,603

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.

Department of Retirement Systems. As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers eight retirement systems covering eligible employees of the state and local governments. The Governor appoints the director of the DRS.

The DRS administered systems are comprised of 12 defined benefit pension plans and three defined benefit/defined contribution plans as follows:

- Public Employees' Retirement System (PERS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
  - Plan 3 - defined benefit/defined contribution

- Teachers' Retirement System (TRS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
  - Plan 3 - defined benefit/defined contribution

- School Employees' Retirement System (SERS)
  - Plan 2 - defined benefit
  - Plan 3 - defined benefit/defined contribution
- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
- Public Safety Employees' Retirement System (PSERS)
  - Plan 2 - defined benefit
- Washington State Patrol Retirement System (WSPRS)
  - Plan 1 - defined benefit
  - Plan 2 - defined benefit
- Judicial Retirement System (JRS)
  - Defined benefit plan
- Judges' Retirement Fund (Judges)
  - Defined benefit plan

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

Administration of the PERS, TRS, SERS, LEOFF, PSERS, and WSPRS systems and plans is funded by an employer rate of 0.18 percent of employee salaries. Administration of the JRS and Judges plans is funded by means of legislative appropriations.

Pursuant to RCW 41.50.770, the state offers its employees and employees of those political subdivisions that elect to participate, a deferred compensation program in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, disability, death, or unforeseeable financial emergency. This deferred compensation plan is administered by the DRS.

The DRS prepares a stand-alone financial report that is compliant with the requirements of Statement 67 of the GASB. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at http://www.drs.wa.gov/administration/annual-report/.

State Board for Volunteer Fire Fighters and Reserve Officers. As established in chapter 41.24 RCW, the State Board for Volunteer Fire Fighters and Reserve Officers administers the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF), a defined benefit plan. Administration of VFFRPF is funded through legislative appropriation.

Administrative Office of the Courts. As established in chapter 2.14 RCW, the Administrative Office of the Courts administers the Judicial Retirement Account (JRA), a defined contribution plan. Administration of JRA is funded through member fees.

Higher Education. As established in chapter 28B.10 RCW, eligible higher education state employees may participate in higher education retirement plans. These plans include a defined contribution plan administered by a third party with a supplemental defined benefit component (on a pay-as-you-go basis) which is administered by the state.

B. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

1. DRS Plans – Employer Disclosures

The state is not an employer in SERS Plan 2/3 nor LEOFF Plan 1.

Public Employees' Retirement System

Plan Description. The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan

3 accounts for the defined contribution portion of benefits for Plan 3 members.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by either: February 28, 2002, for state and higher education employees; or August 31, 2002, for local government employees; are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

Refer to Note 11.E for a description of the defined contribution component of PERS Plan 3.

Benefits Provided. PERS plans provide retirement, disability, and death benefits to eligible members.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, capped at 60 percent. The AFC is the average of the member's 24 highest consecutive service months.

PERS Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional cost of living allowance (COLA) that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service. This is reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC. Plan 1 members may elect to receive an optional COLA amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

PERS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. There is no cap on years of service credit. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

PERS Plan 3 members have the option to retire early with reduced benefits.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

The Judicial Benefit Multiplier (JBM) Program began January 1, 2007. This program gave eligible justices and judges an option to increase the benefit multiplier used in their retirement benefit calculation for their judicial service periods of employement. Beginning January 1, 2007, any justice or judge who was in a judicial position at that time could chose to join JBM. Any justice or judge elected or appointed to office on or after January 1, 2007, who elects to join DRS membership will also be mandated into JBM. If they have already established membership in PERS or TRS Plan 1 they will rejoin that plan, but if they have never had membership they will be enrolled as a member of both PERS Plan 2 and JBM.

Contributions. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine contribution requirements are established under state statute.

Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS JBM members and employers pay increased contributions that, along with investment earnings, fund the increased retirement benefits of those justices and judges who participate in the program.

Required contribution rates for fiscal year 2016 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, 2014, with the results rolled forward to the June 30, 2015, 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, 2014, 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 2014 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

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

The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, adjusted to remove or dampen any short term changes to WSIB's CMAs that aren't expected over the entire fifty-year measurement period.

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, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3, PSERS Plan 2, and SERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2016, the state reported $2.17 billion for its proportionate share of the collective net pension liability for PERS Plan 1 and $1.75 billion for PERS Plan 2/3. The state's proportion for PERS Plan 1 was 41.57 percent, a decrease of 0.8 percent since the prior reporting period, and 49.1 percent for PERS Plan 2/3, a decrease of 0.17 percent. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.5 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands):

PERS Plan 1 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	2,647,609
Current Discount Rate	$	2,174,623
1% Increase	$	1,767,898

PERS Plan 2/3 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	5,130,009
Current Discount Rate	$	1,754,418
1% Increase	$	(830,145)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2016, the state recognized a PERS Plan 1 pension expense of $84.6 million, and recognized a PERS Plan 2/3 pension expense of $212.2 million. At June 30, 2016, 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	-	118,976
Change in proportion	-	-
State contributions subsequent to the measurement date	250,288	-
Total	$ 250,288	$ 118,976

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 186,495	$ -
Changes of assumptions	2,827	-
Net difference between projected and actual earnings on pension plan investments	-	468,346
Change in proportion	14,635	5,319
State contributions subsequent to the measurement date	280,081	-
Total	$ 484,038	$ 473,665

For PERS Plan 1, $250.3 million, and for PERS Plan 2/3, $280.1 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, 2017.

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		
2017	$	(46,111)
2018	$	(46,111)
2019	$	(46,111)
2020	$	19,357
2021	$	-
Thereafter	$	-

PERS Plan 2/3	
2017	$ (122,869)
2018	$ (122,869)
2019	$ (125,795)
2020	$ 101,825
2021	$ -
Thereafter	$ -

Teachers' Retirement System

Plan Description. The Legislature established the Teachers' Retirement System (TRS) in 1938. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature. Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative, or supervisory capacity. TRS is comprised principally of non-state agency employees.

TRS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

TRS members who joined the system by September 30, 1977, are a Plan 1 member. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS members joining the system on or after July 1, 1996, are members of TRS Plan 3.

Legislation passed in 2007 gives TRS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of TRS Plan 2 or Plan 3. At the end of 90 days, any member who has not made a choice becomes a member of Plan 3.

Refer to Note 11.E for a description of the defined contribution component of TRS Plan 3.

Benefits Provided. TRS plans provide retirement, disability, and death benefits to eligible members.

TRS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) for each year of service credit, up to a maximum of 60 percent. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

TRS Plan 1 members may elect to receive an optional cost of living allowance (COLA) amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

TRS Plan 2 retirement benefits are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

TRS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of TRS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in TRS Plan 2 by July 1, 1996. Plan 3 members are immediately vested in the defined contribution portion of their plan.

TRS Plan 3 members have the option to retire early with reduced benefits.

TRS members meeting specific eligibility requirements, have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

The Judicial Benefit Multiplier (JBM) Program began January 1, 2007. This program gave eligible justices and judges an option to increase the benefit multiplier used in their retirement benefit calculation for their judicial service periods of employement. Beginning January 1, 2007, any justice or judge who was in a judicial position at that time could chose to join JBM. Any justice or judge elected or appointed to office on or after January 1, 2007, who elects to join DRS membership will also be mandated into JBM. If they have already established memebership 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 2016 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, 2014, with the results rolled forward to the June 30, 2015, 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, 2014, 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 2014 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

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

The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, adjusted to remove or dampen any short term changes to WSIB's CMAs that aren't expected over the entire fifty-year measurement period.

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, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including TRS Plan 2/3, whose rates include a component for the TRS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2016, the state reported a liability of $27.2 million for its proportionate share of the collective net pension liability for TRS Plan 1 and $6.1 million for TRS Plan 2/3. The state's proportion for TRS Plan 1 was 0.86 percent, an increase of 0.08 percent since the prior reporting period, and 0.72 percent for TRS Plan 2/3, an increase of 0.13 percent. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.5 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands):

TRS Plan 1 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	34,175
Current Discount Rate	$	27,186
1% Increase	$	21,176

TRS Plan 2/3 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	25,841
Current Discount Rate	$	6,107
1% Increase	$	(8,563)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2016, the state recognized a TRS Plan 1 pension expense of $4.2 million, and recognized a TRS Plan 2/3 pension expense of $2.3 million. At June 30, 2016, 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	-	2,012
Change in proportion	-	-
State contributions subsequent to the measurement date	3,056	-
Total	$ 3,056	$ 2,012

TRS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 967	$ -
Changes of assumptions	5	-
Net difference between projected and actual earnings on pension plan investments	-	2,369
Change in proportion	2,247	-
State contributions subsequent to the measurement date	2,738	-
Total	$ 5,957	$ 2,369

For TRS Plan 1, $3.1 million, and for TRS Plan 2/3, $2.7 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, 2017.

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		
2017	$	(780)
2018	$	(780)
2019	$	(781)
2020	$	329
2021	$	-
Thereafter	$	-

TRS Plan 2/3		
2017	$	(151)
2018	$	(151)
2019	$	(151)
2020	$	1,067
2021	$	236
Thereafter	$	-

Law Enforcement Officers' and Fire Fighters' Retirement System

Plan Description. The Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) was established in 1970 by the Legislature. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included effective July 27, 2003, being an exception.

LEOFF is a cost-sharing, multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The board's duties include adopting contribution rates and recommending policy changes to the Legislature.

Benefits Provided. LEOFF plans provide retirement, disability, and death benefits to eligible members.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Years of Service	Percent of FAS
20+	2.0%
10-19	1.5%
5-9	1.0%

A cost of living allowance (COLA) is granted based on the Consumer Price Index.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service. FAS is based on the highest consecutive 60 months. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually.

LEOFF members have the option to retire early with reduced benefits.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

Contributions. LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations.

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees are not required to contribute as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The methods used to determine contribution requirements are established under state statute.

Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

The Legislature, by means of a special funding arrangement, appropriates money from the state

General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. For fiscal year 2015, the state contributed $58.3 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 2016 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.

The following information applies to the state as a LEOFF Plan 2 employer:

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2014, with the results rolled forward to the June 30, 2015, 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, 2014, 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 2014 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

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

The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, adjusted to remove or dampen any short term changes to WSIB's CMAs that aren't expected over the entire fifty-year measurement period.

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, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2016, the state reported an asset of $8.6 million for its proportionate share of the collective net pension asset for LEOFF Plan 2. The state's proportion for LEOFF Plan 2 was 0.83 percent, a decrease of 0.01 percent since the prior reporting period. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers and the nonemployer contributing entity.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands):

LEOFF Plan 2 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	8,592
Current Discount Rate	$	(8,580)
1% Increase	$	(21,502)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2016, the state recognized a LEOFF Plan 2 pension expense of $(310) thousand. At June 30, 2016, 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	$ 751	$ -
Changes of assumptions	23	-
Net difference between projected and actual earnings on pension plan investments	-	2,600
Change in proportion	12	30
State contributions subsequent to the measurement date	763	-
Total	$ 1,549	$ 2,630

For LEOFF Plan 2, $763 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, 2017.

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		
2017	$	(870)
2018	$	(870)
2019	$	(870)
2020	$	594
2021	$	144
Thereafter	$	28

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 credit, or at age 53 with 20 years of service. A cost of living allowance (COLA) is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

PSERS members have the option to retire early with reduced benefits.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

Contributions. PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. The methods used to determine contribution requirements are established under state statute.

Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

Required contribution rates for fiscal year 2016 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, 2014, with the results rolled forward to the June 30, 2015, 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, 2014, 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 2014 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

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

The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, adjusted to remove or dampen any short term changes to WSIB's CMAs that aren't expected over the entire fifty-year measurement period.

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, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3, PSERS Plan 2, and SERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/(Asset). At June 30, 2016, the state reported a liability of $8.8 million for its proportionate share of the collective net pension asset for PSERS Plan 2. The state's proportion for PSERS Plan 2 was 47.93 percent, a decrease of 0.33 percent since the prior reporting period. The proportions are based on the state's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands):

PSERS Plan 2 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	66,475
Current Discount Rate	$	8,748
1% Increase	$	(32,315)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2016, the state recognized a PSERS Plan 2 pension expense of $10.4 million. At June 30, 2016, 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	$ 8,196	$ -
Changes of assumptions	54	-
Net difference between projected and actual earnings on pension plan investments	-	4,339
Change in proportion	14	20
State contributions subsequent to the measurement date	9,621	-
Total	$ 17,885	$ 4,359

For PSERS Plan 2, $9.6 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, 2017.

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		
2017	$	(357)
2018	$	(357)
2019	$	(358)
2020	$	2,231
2021	$	1,374
Thereafter	$	1,372

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 2016 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, 2014, with the results rolled forward to the June 30, 2015, 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, 2014, 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 2014 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

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

The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, adjusted to remove or dampen any short term changes to WSIB's CMAs that aren't expected over the entire fifty-year measurement period.

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, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Refer to the table in Note 11.B.3 for the change in net pension liability.

Net Pension Liability/(Asset). At June 30, 2016, the state reported a net pension liability of $19.6 million.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the state as an employer, calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands):

WSPRS Plan 1/2 Net Pension Liability (Asset)		
1% Decrease	$	208,202
Current Discount Rate	$	19,551
1% Increase	$	(128,553)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2016, the state recognized a WSPRS pension expense of $(1.0) million. At June 30, 2016, 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	$ 6,345	$ -
Changes of assumptions	12	-
Net difference between projected and actual earnings on pension plan investments	-	38,282
Change in proportion	-	-
State contributions subsequent to the measurement date	7,044	-
Total	$ 13,401	$ 38,282

For WSPRS 1/2, $7.0 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, 2017.

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	
2017	$ (12,350)
2018	$ (12,350)
2019	$ (13,621)
2020	$ 6,396
2021	$ -
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 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.

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 2015, no such appropriations or contributions were made.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014, with the results rolled forward to the June 30, 2015, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	4.00%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2014, 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 2014 actuarial valuation report.

There were no material changes in assumptions, benefit terms or method changes 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 3.8 percent for the June 30, 2015, 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, 2016, the state reported a net pension liability of $2.6 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 3.8 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 (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate (expressed in thousands):

Judges' Net Pension Liability (Asset)		
1% Decrease	$	2,594
Current Discount Rate	$	2,602
1% Increase	$	2,399

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2016, the state recognized a Judges' Retirement Fund pension expense of $400 thousand. At June 30, 2016, 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	43	-
Change in proportion	-	-
State contributions subsequent to the measurement date	501	-
Total	$ 544	$ -

For the Judges's Retirement Fund, $501 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, 2017.

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

Judges'		
2017	$	13
2018	$	13
2019	$	13
2020	$	4
2021	$	-
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 2015, the state contributed $10.6 million.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014, with the results rolled forward to the June 30, 2015, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	4.00%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2014, 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 2014 actuarial valuation report.

There were no material changes in assumptions, benefit terms or method changes 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 3.8 percent for the June 30, 2014, 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, 2016, the state reported a net pension liability of $95.0 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 3.8 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 (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate (expressed in thousands):

JRS Net Pension Liability (Asset)		
1% Decrease	$	104,498
Current Discount Rate	$	94,979
1% Increase	$	86,846

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2016, the state recognized a JRS pension expense of $10.2 million. At June 30, 2016, 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	233	-
Change in proportion	-	-
State contributions subsequent to the measurement date	9,500	-
Total	$ 9,733	$ -

For JRS, $9.5 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, 2017.

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

JRS		
2017	$	66
2018	$	66
2019	$	66
2020	$	35
2021	$	-
Thereafter	$	-

2. DRS Plans – Nonemployer Contributing Entity Disclosures

For fiscal year 2016, 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, 2015, 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 2015, 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, 2015, measurement date. In this plan, the state is an employer and also 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 2015, the nonemployer contributing entity's proportionate share of the net pension asset was considered substantial at 39.80 percent based on total plan contributions received in fiscal year 2015.

Collective Net Pension Liability/(Asset). At June 30, 2016, the state as nonemployer contributing entity reported a net pension asset of $1.05 billion and $409.1 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 39.80 percent for LEOFF Plan 2, an increase of 0.28 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 2015 retirement benefit payments. The proportion of the state nonemployer contributions related to LEOFF Plan 2 was based on the state's contributions to the pension plan relative to the total state contributions and all participating employers.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the nonemployer contributing entity calculated using the discount rate of 7.5 percent, as well as what the nonemployer contributing entity's net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate (expressed in thousands):

LEOFF Plan 1 Nonemployer contributing entity proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	(671,734)
Current Discount Rate	$	(1,049,988)
1% Increase	$	(1,372,380)

LEOFF Plan 2 Nonemployer contributing entity proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	409,678
Current Discount Rate	$	(409,091)
1% Increase	$	(1,025,246)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2016, the state as nonemployer contributing entity recognized $(207.6) million pension expense for LEOFF Plan 1 and $(14.8) million pension expense for LEOFF Plan 2.

At June 30, 2016, the state as 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	-	177,259
Change in proportion	-	-
State contributions subsequent to the measurement date	(85)	-
Total	$ (85)	$ 177,259

LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 35,822	$ -
Changes of assumptions	1,079	-
Net difference between projected and actual earnings on pension plan investments	-	123,952
Change in proportion and difference between state contributions and proportionate share of contributions	565	1,424
State contributions subsequent to the measurement date	36,374	-
Total	$ 73,840	$ 125,376

For LEOFF Plan 1, $(85) thousand, and for LEOFF Plan 2, $36.4 million, reported as deferred outflows of resources related to pensions resulting from state contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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		
2017	$	(68,783)
2018	$	(68,783)
2019	$	(68,783)
2020	$	29,090
2021	$	-
Thereafter	$	-

LEOFF Plan 2		
2017	$	(41,504)
2018	$	(41,504)
2019	$	(41,505)
2020	$	28,364
2021	$	6,874
Thereafter	$	1,365

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, 2014, 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	996	124	609	1,729
WSPRS 2	-	15	435	450
JRS	108	-	-	108
Judges	12	-	-	12
Total	1,116	139	1,044	2,299

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, 2014, the date of the latest actuarial valuation for all plans (expressed in thousands):

Change in Net Pension Liability/(Asset)	**WSPRS**	**JRS**	**Judges**
TOTAL PENSION LIABILITY			
Service cost	$ 16,633	$ -	$ -
Interest	80,037	4,382	138
Changes of benefit terms	2,258	-	-
Differences between expected and actual experience	8,883	1,590	182
Changes of assumptions	17	4,335	95
Benefit payments, including refunds of member contributions	(50,075)	(9,336)	(444)
Net Change in Total Pension Liability	57,753	971	(29)
Total Pension Liability--Beginning	1,072,424	100,341	3,146
Total Pension Liability --Ending (a)	$ 1,130,177	$ 101,312	$ 3,117
PLAN FIDUCIARY NET POSITION			
Contributions--employer	$ 6,679	$ 10,600	$ -
Contributions--employee	6,323	-	-
Net investment income	49,046	38	4
Benefit payments, including refunds of member contributions	(50,075)	(9,336)	(444)
Administrative expense	(67)	-	-
Other	293	-	-
Net Change in Plan Fiduciary Net Position	12,199	1,302	(440)
Plan Fiduciary Net Position--Beginning	1,098,427	5,031	955
Plan Fiduciary Net Position--Ending (b)	$ 1,110,626	$ 6,333	$ 515
Plan's Net Pension Liability (Asset)--Beginning	$ (26,003)	$ 95,310	$ 2,191
Plan's Net Pension Liability (Asset)--Ending (a) - (b)	$ 19,551	$ 94,979	$ 2,602

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 the fiscal year 2016, 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	6.23%	6.23%	6.23%		6.00%	6.12%	**
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	4.77%	4.77%	4.77%				
Total	11.18%	11.18%	11.18%	*			
State govt elected officials	11.73%	6.23%	6.23%		7.50%	6.12%	**
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	4.77%	4.77%	4.77%				
Total	16.68%	11.18%	11.18%	*			
Employees Participating in JBM							
State agencies	8.73%	8.73%	8.73%		9.76%	12.80%	7.50%***
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	4.77%	4.77%	4.77%				
Total	13.68%	13.68%	13.68%	*			
Local governmental units	6.23%	6.23%	6.23%		12.26%	15.30%	7.50%***
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	4.77%	4.77%	4.77%				
Total	11.18%	11.18%	11.18%	*			
TRS							
Employees Not Participating in JBM							
State agencies, local governmental units	6.72%	6.72%	6.72%		6.00%	5.95%	**
Administrative fee	0.18%	0.18%	0.18%				
TRS Plan 1 UAAL	6.23%	6.23%	6.23%				
Total	13.13%	13.13%	13.13%	*			
State govt elected officials	6.72%	6.72%	6.72%		7.50%	5.95%	**
Administrative fee	0.18%	0.18%	0.18%				
TRS Plan 1 UAAL	6.23%	6.23%	6.23%				
Total	13.13%	13.13%	13.13%	*			
Employees Participating in JBM							
State agencies	6.72%	N/A	N/A		9.76%	N/A	N/A
Administrative fee	0.18%	N/A	N/A				
TRS Plan 1 UAAL	6.23%	N/A	N/A				
Total	13.13%						
LEOFF							
Ports and universities	N/A	8.41%	N/A		N/A	8.41%	N/A
Administrative fee	N/A	0.18%	N/A				
Total		8.59%					
Local governmental units	N/A	5.05%	N/A		N/A	8.41%	N/A
Administrative fee	0.18%	0.18%	N/A				
Total	0.18%	5.23%					
State of Washington	N/A	3.36%	N/A		N/A	N/A	N/A
WSPRS							
State agencies	8.16%	8.16%	N/A		6.84%	6.84%	N/A
Administrative fee	0.18%	0.18%	N/A				
Total	8.34%	8.34%					
PSERS							
State agencies, local governmental units	N/A	6.59%	N/A		N/A	6.59%	N/A
Administrative fee	N/A	0.18%	N/A				
PSERS Plan 1 UAAL	N/A	4.77%	N/A				
Total		11.54%					

* Plan 3 defined benefit portion only.
** Variable from 5% to 15% based on rate selected by the member.
*** Minimum rate.
N/A indicates data not applicable.

C. PLAN ADMINISTERED BY THE STATE BOARD FOR VOLUNTEER FIRE FIGHTERS' AND RESERVE OFFICERS

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

Plan Description. The Volunteer Fire Fighters' Relief Act was created by the Legislature in 1935 and the pension portion of the act was added in 1945. As established in chapter 41.24 RCW, the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund (VFFRPF) is a cost-sharing, multiple-employer defined benefit plan and is administered by the State Board for Volunteer Fire Fighters and Reserve Officers. The board is appointed by the Governor and is comprised of five members of fire departments covered by chapter 41.24 RCW. Administration costs of the VFFRPF are funded through legislative appropriation.

As of June 30, 2016, there were approximately 500 municipalities contributing to the plan. Additionally, the state, a nonemployer contributing entity, contributes 40 percent of the fire insurance premium tax.

Plan Members. Membership in the VFFRPF requires volunteer firefighter service with a fire department of an electing municipality of Washington state, emergency work as an emergency medical technician with an emergency medical service district, or work as a commissioned reserve law enforcement officer.

At June 30, 2016 (the date of the latest valuation), VFFRPF membership consisted of the following:

Plan Membership	
Inactive plan members or beneficiaries currently receiving benefits	4,296
Inactive plan members entitled to but not yet receiving benefits	6,197
Active plan members	9,802
Total membership	20,295

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 equal to the actuarial value of the resulting benefit increase.

There were no material changes in VFFRPF benefit provisions for the fiscal year ended June 30, 2016.

Contributions. VFFRPF retirement benefits are financed from a combination of investment earnings, member contributions, municipality contributions, and state contributions. In accordance with chapter 41.24 RCW, the state contribution is set at 40 percent of the fire insurance premium tax. The state is considered a nonemployer contributing entity; however, this is not considered a special funding situation. For fiscal year 2016, 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 2016 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, 2016, the annual money-weighted rate of return on VFFRPF investments, net of pension plan investment expense, was 2.19 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, 2016, were as follows (dollars expressed in thousands):

Pension Liability	
Total pension liability	$ 191,494
Plan fiduciary net position	(208,663)
Participating municipality net pension liability (asset)	$ (17,169)
Plan fiduciary net position as a percentage of the total pension liability	108.97%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015, and rolled forward to June 30, 2016, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3.00%
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, 2015, 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 2015 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

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

The Office of the State Actuary (OSA) selected a 7.50 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. Please see the 2015 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

In consultation with OST, OSA selected a 4 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 assumption for total inflation of 3 percent.

As the VFFRPF has assets managed by both WSIB and OST, the long-term expected rate of return of 7 percent represents an approximate weighted-average of the assets managed by WSIB (7.5 percent expected return) and the assets managed by OST (4 percent expected return).

Discount Rate. The discount rate used to measure the total pension liability was 7 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members, municipalities, and the state will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7 percent on plan investments was applied to determine the total pension liability.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate. The following presents the net pension liability/(asset) of the municipalities calculated using the discount rate of 7 percent, as well as what the municipalities' net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate (expressed in thousands):

Municipalities' Net Pension Liability (Asset)		
1% Decrease	$	8,590
Current Discount Rate	$	(17,169)
1% Increase	$	(38,004)

D. HIGHER EDUCATION RETIREMENT PLAN SUPPLEMENTAL DEFINED BENEFIT PLANS

The Higher Education Defined Contribution Retirement Plans, described in Note 11.E, have a supplemental payment component, which guarantees a minimum retirement benefit based upon a one-time calculation at each employee's retirement date. The supplemental component, which was closed to new entrants as of July 1, 2011, 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.

An actuarial valuation of the supplemental component of the Higher Education Retirement plans was done at the end of fiscal year 2015. The previous valuation was performed in 2013.

The Unfunded Actuarial Accrued Liability (UAL) calculated as of June 30, 2015, and 2013, was $596.7 million and $460.8 million, respectively, and is amortized over an 10 year period. The Annual Required Contribution (ARC) of $85.8 million includes amortization of the UAL ($60.3 million) and normal cost or current cost ($23.8 million).

The UAL and ARC were established using the entry age normal cost method. The actuarial assumptions included an investment rate of return of 4 percent and projected salary increases of 3.75 percent. Approximately $1.81 billion and $1.76 billion of payroll were covered under these plans during the valuation periods 2015 and 2013, respectively.

The following table reflects the activity in the Net Pension Obligation (NPO) for the years ended June 30 (expressed in millions):

Net Pension Obligation	2016	2015	2014
Annual required contribution	$ 85.8	$ 85.8	$ 63.8
Payments to beneficiaries	(7.4)	(6.5)	(5.6)
Increase (decrease) in NPO	78.4	79.3	58.2
NPO at beginning of year	407.9	328.6	270.3
NPO at end of year	$ 486.3	$ 407.9	$ 328.5

E. DEFINED CONTRIBUTION PLANS

Public Employees' Retirement System Plan 3

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to Note 11.B for PERS Plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in PERS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from PERS-covered employment.

Teachers' Retirement System Plan 3

The Teachers' Retirement System (TRS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer Note 11.B for TRS Plan descriptions.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of TRS Plan 3.

TRS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, TRS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in TRS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from TRS-covered employment.

Judicial Retirement Account

The Judicial Retirement Account (JRA) Plan was established by the Legislature in 1988 to provide supplemental retirement benefits. It is a defined contribution plan administered by the state Administrative Office of the Courts (AOC), under the direction of the Board for Judicial Administration. Membership includes judges elected or appointed to the Supreme Court, Court of Appeals, and Superior Courts, and who are members of PERS for their services as a judge. Vesting is full and immediate. At June 30, 2016, there were five active members and 135 inactive members 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 2016 the state recognized pension expense for contributions of $21 thousand made to employee accounts. No plan refunds were made.

The Administrator of JRA has entered an agreement with DRS for accounting and reporting services, and the Washington State Investment Board (WSIB) for investment services. Under this agreement, 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 5 percent to 10 percent of salary. The employers match the employee contributions. The employer and employee obligations to contribute are established per chapter 28B.10 RCW.

For fiscal year 2016, employer and employee contributions were $202 and $201.8 million respectively, for a total of $403.8 million.

Note 12
Other Postemployment Benefits

In addition to pension benefits as described in Note 11, the state, through the Health Care Authority (HCA), administers an agent multiple-employer defined benefit other postemployment benefit (OPEB) plan.

Plan Description and Contributions Information

Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs.

Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 66 of the state's K-12 schools and educational service districts (ESDs), and 229 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 238 K-12 schools and ESDs. As of June 2016, membership in the PEBB plan consisted of the following:

	Active Employees	Retirees [1]	Total
State	110,856	31,584	142,440
K-12 schools and ESDs [2]	2,712	34,387	37,099
Political subdivisions	13,325	1,855	15,180
Total	126,893	67,826	194,719

[1] Retirees include retired employees, surviving spouses, and terminated members entitled to a benefit.

[2] In fiscal year 2016, there were 107,858 full-time equivalent active employees in the 238 K-12 schools and ESDs that elected to limit participation in PEBB only to their retirees.

For calendar year 2016, the estimated monthly cost for PEBB benefits for active employees (average across all plans and tiers) is as follows (expressed in dollars):

Required Premium [3]		
Medical	$	956
Dental		79
Life		4
Long-term disability		2
Total	$	1,041
Employer contribution	$	899
Employee contribution		142
Total	$	1,041

[3] Per 2016 PEBB Financial Projection Model 3.0

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, PSERS, TRS, SERS, WSPRS, and Higher Education.

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 2015, the average weighted implicit subsidy was valued at $308 per member per month, and in calendar year 2016, the average weighted implicit subsidy is projected to be $304 per member 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 2015, the explicit subsidy was up to $150 per member per month, and it remained up to $150 per member per month in calendar year 2016.

Administrative costs as well as implicit and explicit subsidies are funded by required contributions from participating employers. The subsidies provide monetary assistance for medical benefits.

Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis.

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to: http://osa.leg.wa.gov/Actuarial_services/OPEB/OPEB.htm.

Summary of Significant Accounting Policies

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported by the state as an agency fund using the accrual basis. It has no assets. The PEBB OPEB plan does not issue a publically available financial report.

Annual OPEB Cost and Net OPEB Obligation

The state's (general government agencies and higher education institutions) annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the state as the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following tables show the components of the state's annual OPEB cost for fiscal year 2016 and changes in the state's Net OPEB Obligation (NOO) (expressed in thousands). All contributions required by the funding method were paid.

Annual required contribution	$	516,899
Interest on net OPEB obligation		92,916
Amortization of net OPEB obligation		(89,152)
Annual OPEB cost (expense)		520,663
Contributions made*		(82,836)
Increase in net OPEB obligation		437,827
Net OPEB obligation - beginning of year		2,322,888
Net OPEB obligation - end of year*	$	2,760,715

*estimated

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2016, 2015, and 2014 were as follows (dollars expressed in thousands):

	2016	2015	2014
Annual OPEB cost	$ 520,663	$ 502,376	$ 358,442
% of annual OPEB cost contributed	15.91%	14.70%	21.70%
Net OPEB obligation	$ 2,760,715	$ 2,322,888	$1,894,567

Funded Status and Funding Progress

The funded status of the state's portion of the plan as of January 1, 2015, the latest date for which information is available, was as follows (expressed in thousands):

Actuarial accrued liability (AAL)	$ 5,273,530
Actuarial value of plan assets	-
Unfunded actuarial accrued liabliity (UAAL)	$ 5,273,530
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	$ 6,218,744
UAAL as a percentage of covered payroll	84.80%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. However, as the state operates on a pay-as-you-go basis, the actuarial value of plan assets is zero.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions were as follows:

Actuarial valuation date	January 1, 2015
Actuarial cost method	Projected Unit Credit (PUC)
Amortization method	Closed, level percentage of projected payroll amortization method
Remaining amortization period	30 years for each new layer of NOO
Asset valuation method	N/A - no assets
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	3.75%
Health care inflation rate	8.0% initial rate, 4.9% ultimate rate in 2094
Inflation rate	3.0%

Note 13
Derivative Instruments

Hedging Derivatives

In addition to investment derivatives as described in Note 3, the state, through the Washington State Department of Transportation Ferries Division (WSF) entered into commodity swap agreements to hedge a portion of WSF diesel fuel consumption.

The following table presents the hedging derivative instruments as of June 30, 2016 (expressed in thousands):

	Changes in Fair Value		Fair Value at June 30, 2016		Notional amount
	Classification	Amount	Classification	Amount	(in gallons)
Governmental Activites					
Cash Flow Hedges:					
Commodity Swaps	Deferred Outflow	$ (3,812)	Accounts Payable	$ 1,196	24,360

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 2016 are presented in the table below:

Type	Counterparty	Contract price range per gallon	Variable rate received	Trade date	Settlement period	Monthly notional amount (in gallons)
Commodity Swap	Cargill	$2.76 - $2.82	NYMEX ULSD Heating Oil	9/9/2014	7/2015 - 6/2016	252,000
Commodity Swap	Cargill	$2.74 - $2.79	NYMEX ULSD Heating Oil	9/25/2014	7/2015 - 6/2016	252,000
Commodity Swap	Cargill	$1.94	NYMEX ULSD Heating Oil	12/30/2014	7/2015 - 6/2016	252,000
Commodity Swap	Cargill	$1.73 - $1.81	NYMEX ULSD Heating Oil	7/7/2015	8/2015 - 6/2016	252,000
Commodity Swap	Cargill	$1.83 - $1.90	NYMEX ULSD Heating Oil	7/7/2015	7/2016 - 6/2017	252,000
Commodity Swap	Cargill	$1.75 - $1.85	NYMEX ULSD Heating Oil	7/28/2015	7/2016 - 6/2017	252,000
Commodity Swap	Cargill	$1.42	NYMEX ULSD Heating Oil	5/10/2016	7/2016 - 6/2017	126,000 - 378,000
Commodity Swap	BofA - Merrill Lynch	$1.63 - $1.73	NYMEX ULSD Heating Oil	7/28/2015	8/2015 - 6/2016	126,000 - 378,000
Commodity Swap	BofA - Merrill Lynch	$1.96 - $2.03	NYMEX ULSD Heating Oil	7/2/2015	7/2016 - 6/2017	252,000
Commodity Swap	BofA - Merrill Lynch	$1.68 - $1.79	NYMEX ULSD Heating Oil	8/5/2015	7/2016 - 6/2017	252,000
Commodity Swap	BofA - Merrill Lynch	$1.31	NYMEX ULSD Heating Oil	1/15/2016	7/2017 - 6/2018	252,000
Commodity Swap	BofA - Merrill Lynch	$1.61	NYMEX ULSD Heating Oil	6/15/2016	7/2017 - 6/2018	252,000
Commodity Swap	BofA - Merrill Lynch	$1.42	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

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, 2016, 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
Commitments and Contingencies

A. CAPITAL COMMITMENTS

Outstanding commitments related to state infrastructure and facility construction, improvement, and/or renovation totaled $2.66 billion at June 30, 2016.

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. 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 2016 are (expressed in thousands):

General Fund	$ 111,830
Higher Education Special Revenue Fund	7,146
Nonmajor Governmental Funds	1,010,749

C. SUMMARY OF SIGNIFICANT LITIGATION

Pending Litigation

The state and its agencies are parties to numerous routine legal proceedings that normally occur in governmental operations. In addition, at any given point, there may be numerous lawsuits involving the implementation, reduction, or elimination of specific state programs that could significantly impact expenditures, revenues, and potentially have future budgetary impact. This summary considers significant litigation not covered by tort insurance. Tort case liabilities are disclosed in Note 7.E, Claims and Judgments, Risk Management.

The state is the defendant in a number of cases alleging inadequate funding of state programs or services. Claims include: funding inadequacies and inequities in basic education; inadequate funding for care of the disabled and elderly; and inadequate funding for the provision of daily personal care, medical and mental health services to children, the elderly, and the disabled. Collective claims in these programmatic and service cases exceed $35 million exclusive of the basic education case, which will be substantial but is difficult to quantify at this juncture. In addition, adverse rulings in some of these cases could result in significant future costs.

The state is also a defendant in a number of cases contesting the denial of health care benefits and the scope of covered care. Claims in this category total approximately $145 million.

The Department of Revenue routinely has claims for refunds or exemptions in various stages of administrative and legal review. Cases involving such claims currently total approximately $152 million, though an adverse ruling could result in additional claims being brought by similarly situated taxpayers.

The state is a defendant in a number of lawsuits related to habitat restoration and environmental remediation arising out of highway/roadway construction and maintenance. While estimates are not available for all lawsuits, claims for damages equate to approximately $155 million per annum.

The state is contesting these lawsuits and the outcomes are uncertain at this time.

Tobacco Settlement

In November 1998, Washington joined 45 other states in a Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers to provide restitution for monies spent under health care programs for the treatment of smoking-related illnesses. Washington's annual payment under the settlement was approximately $114.8 million in fiscal year 2016. Beginning in 2008, Washington received the first of ten "strategic contribution payments" under the MSA. This payment is subject to the same offsets, reductions, and adjustments as are applicable to the annual base payment. The fiscal year 2016 strategic contribution payment was approximately $38 million. The final strategic contribution payment due under MSA will be made in 2017.

In 2006, 2007, 2008, and 2009, determinations were made that disadvantages experienced by manufacturers as a result of participating in the MSA were a "significant factor" contributing to market share losses by those manufacturers. These determinations related to sales data for the years 2003, 2004, 2005, and 2006.

With respect to 2003 sales data, Washington and a number of other states participated in a single national arbitration of the nonparticipating manufacturer (NPM) adjustment dispute. In late 2013, the arbitration panel issued a decision in Washington's favor, unanimously concluding that Washington proved that it diligently enforced the qualifying statute during calendar year 2003 and, therefore, for that calendar year is not subject to an NPM adjustment under the MSA. Of the 15 states that went to an arbitration hearing, only nine were found to have diligently enforced. As a result of that decision, in fiscal year 2014, Washington received approximately $14 million more than it would have otherwise received due to the release of amounts placed in the MSA Disputed Payment Account (DPA) related to the 2003 calendar year. More importantly, if Washington had not prevailed in the arbitration, its fiscal year 2014 payment would have been reduced by approximately $100 million due to the application of the NPM adjustment.

The panel's decision addressed only the 2003 calendar year. Washington and other states currently are engaged in negotiations with participating manufacturers regarding potential arbitration proceedings involving the 2004 calendar year. Washington faces a potential "nonparticipating manufacturer (NPM) adjustment" in its share of between $0 and $137 million for the year 2004, $0 and $131 million for the year 2005, and $0 and $119 million for the year 2006.

In addition, the states and the participating manufacturers have entered into an agreement under which the states will not contest that the disadvantages experienced by manufacturers as a result of participating in the MSA were a significant factor contributing to market share losses for the years 2007 through 2013. Washington faces potential NPM adjustments that put at risk Washington's entire MSA payment. For example, the potential NPM adjustment for the year 2007 is between $0 and $123 million, and for the year 2008, it is between $0 and $173 million.

D. FEDERAL ASSISTANCE

The state has received federal financial assistance for specific purposes that are generally subject to review or audit by the grantor agencies.

Entitlement to this assistance is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of assistance for allowable purposes. Any disallowance resulting from a review or audit may become a liability of the state.

The state estimates and recognizes claims and judgments liabilities for disallowances when determined by the grantor agency or for probable disallowances based on experience pertaining to these grants; however, these recognized liabilities and any unrecognized disallowances are considered immaterial to the state's overall financial condition.

E. ARBITRAGE REBATE

Rebatable arbitrage is defined by the Internal Revenue Service Code Section 148 as earnings on investments purchased from the gross proceeds of a bond issue that are in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue.

The rebatable arbitrage must be paid to the federal government. The state estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition.

F. FINANCIAL GUARANTEES

School District Credit Enhancement Program

In accordance with Chapter 39.98 RCW (School District Credit Enhancement Program), the state has guaranteed outstanding voter-approved general obligation bonds of school districts within the state in the amount of $10.2 billion at June 30, 2016. The guarantees extend through the life of the bonds, with a final maturity date of the longest series in 2043.

In the event that a school district has insufficient funds to make a required debt service payment on a guaranteed bond, the state is required to transfer sufficient funds to make the payment. School districts for which the state has made all or part of a debt service payment shall reimburse the state treasurer for all money drawn on their behalf, as well as interest and penalties. The state has not paid debt service on any school debt since the inception of the program in 2000.

G. COLUMBIA RIVER CROSSING

The Washington State Department of Transportation (WSDOT) and the Oregon Department of Transportation (ODOT) worked together, along with federal and local agencies, on the Columbia River Crossing (CRC) project. The CRC project was a bridge, transit, highway, bicycle and pedestrian improvement project intended to replace the existing two highway spans on Interstate 5 (I-5) across the Columbia River, along with new interchanges on both the Washington and Oregon sides of the river. It also included extension of light rail public transit into Vancouver, Washington.

In 2014, the CRC project was shut down due to lack of funding by both the Washington and Oregon legislatures. During the project, WSDOT expended approximately $54 million in federal funds, of which $15 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.

H. GUARANTEED EDUCATION TUITION (GET) LOSS CONTINGENCY

Engrossed Second Substitute Senate Bill (E2SSB) 5954 was signed into law by the Governor on July 6, 2015, establishing the College Affordability Program. It reduced tuition at all public institutions of higher education during the 2015-16 and 2016-17 academic years and limits tuition growth in future years. Subsequent to the passage of E2SSB 5954, the State Guaranteed Education Tuition (GET) Program Committee authorized account holders, upon request, to receive a refund of their contributions or a fixed payout value, whichever is greater. Account holders have until September 1, 2017 or until 60 days after a new 529 savings plan opens (whichever is later), to request a refund. GET is closed to new enrollments until July 1, 2017. The financial impact of this action cannot reasonably be estimated as of the date of these financial statements.

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, 2016, outstanding certificates of participation notes totaled $77.5 million for 151 local governments participating in LOCAL. The state estimates that the LOCAL program liability, if any, will be immaterial to its overall financial condition.

Note 15
Subsequent Events

A. BOND ISSUES

In July 2016, the state issued:

- $390 million in general obligation bonds for various purposes.
- $531.3 million in general obligation refunding bonds to refund certain various purpose general obligation bonds of the state.
- $101.7 million in taxable general obligation bonds for capital projects and loan programs for low-income housing, basic infrastructure, various energy efficiency and renewable energy projects, and state programs for Columbia River Basin water supply development.
- $271.6 million in motor vehicle fuel tax general obligation refunding bonds.

In September 2016, the state issued:

- $134.2 million in motor vehicle fuel tax general obligation bonds for funding various transportation projects.
- $90.4 million in motor vehicle fuel tax general obligation bonds for the purpose of providing funding for the state route 520 corridor program.

In August 2016, Central Washington University issued $29.2 million in revenue refunding bonds to refund housing bonds.

Also in August 2016, Eastern Washington University issued $23.5 million in revenue refunding bonds to refund services and activities fee revenue bonds.

Later in the 2016 calendar year, Eastern Washington University is planning to issue approximately $38.4 million in general revenue bonds to renovate the Pence Union Building.

Later in the 2016 calendar year, the University of Washington is planning to issue approximately $328 million in general revenue bonds to fund capital projects and refund capital project bonds.

B. CERTIFICATES OF PARTICIPATION

In August 2016, the state issued $65.3 million in Certificates of Participation (COP), of which $32 million were refunding COPs, including $3.2 million of taxable COPs. The taxable portion of the COPs will be used to refund real property COPs of the state.

C. GENERAL ELECTION

There is a measure on the state's November 8, 2016, general election ballot that proposes a carbon emission tax on certain fossil fuels and fossil-fuel-generated electricity, reduces the sales tax by one percentage point, increases a low-income exemption, and reduces certain manufacturing taxes. This measure, if passed, could impact the state fiscally.

Election results are not final or official until certified. By law December 8, 2016, is the last day for the Office of the Secretary of State to certify General Election returns.

Information is posted on the Secretary of State's website at http://www.sos.wa.gov.

D. STATE SUPREME COURT ORDER

Washington continues to face the requirements of the state Supreme Court 2012 McCleary ruling that found that the state has failed to meet its constitutional requirement to amply fund basic education. Although funding progress was made through the 2013-15 biennial budget, it was insufficient to satisfy the court. In September 2014, the court found the state in contempt and threatened sanctions if an acceptable funding plan was not in place by the end of the 2015 legislative session.

On August 13, 2015, shortly after the conclusion of the 2015 legislative session, the Washington State Supreme Court issued an order imposing daily penalties of $100 thousand to be held for basic education until the legislature presents an acceptable plan to fully fund basic education as ordered in prior court rulings. On October 6, 2016, the Court acknowledged further progress made in the 2015-17 biennial budget but maintained the $100 thousand per day penalties pending legislative action in the 2017 session.

E. OSO MUDSLIDE SETTLEMENT

In March 2014 a tragic mudslide occurred near Oso, Washington. A series of lawsuits were filed against the state, Snohomish County, and a timber company seeking damages for death, bodily injury and personal property damage and destruction. On October 9, 2016, a settlement was reached between the state and the plaintiffs. The state agreed to pay the plaintiffs $50 million plus $1.2 million in costs, fees, and sanctions.

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RSI
Required Supplementary Information

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BUDGETARY COMPARISON SCHEDULE
General Fund

Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016
(expressed in thousands)

	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 1,550,847	$ 1,550,847	$ 1,550,847	$ -
Resources				
Taxes	35,743,517	36,091,647	18,068,630	(18,023,017)
Licenses, permits, and fees	229,281	228,571	116,334	(112,237)
Other contracts and grants	550,314	550,885	241,734	(309,151)
Timber sales	6,616	6,650	3,993	(2,657)
Federal grants-in-aid	22,720,205	22,830,123	10,606,061	(12,224,062)
Charges for services	76,910	80,423	41,764	(38,659)
Investment income (loss)	16,824	18,266	12,222	(6,044)
Miscellaneous revenue	284,778	366,696	218,726	(147,970)
Unclaimed property	121,876	115,522	70,655	(44,867)
Transfers from other funds	1,975,011	2,285,083	877,975	(1,407,108)
Total Resources	63,276,179	64,124,713	31,808,941	(32,315,772)
Charges To Appropriations				
General government	4,087,194	4,127,600	1,868,980	2,258,620
Human services	32,532,950	32,607,771	15,521,157	17,086,614
Natural resources and recreation	695,716	837,001	433,186	403,815
Transportation	104,731	141,834	69,243	72,591
Education	23,047,518	23,823,106	11,418,014	12,405,092
Capital outlays	759,279	736,381	187,486	548,895
Transfers to other funds	715,878	1,015,293	402,992	612,301
Total Charges To Appropriations	61,943,266	63,288,986	29,901,058	33,387,928
Excess Available For Appropriation Over (Under) Charges To Appropriations	1,332,913	835,727	1,907,883	1,072,156
Reconciling Items				
Bond sale proceeds	319,039	319,039	89,119	(229,920)
Issuance premiums	-	-	1,400	1,400
Assumed reversions	172,500	207,204	-	(207,204)
Working capital adjustment	-	-	(141,000)	(141,000)
Allocations	-	-	-	-
Noncash activity (net)	-	-	83,472	83,472
Nonappropriated fund balances	-	-	86,437	86,437
Changes in reserves (net)	-	-	1,426	1,426
Total Reconciling Items	491,539	526,243	120,854	(405,389)
Budgetary Fund Balance, June 30	$ 1,824,452	$ 1,361,970	$ 2,028,737	$ 666,767

BUDGETARY COMPARISON SCHEDULE
General Fund - Budget to GAAP Reconciliation

General Fund
For the Fiscal Year Ended June 30, 2016
(expressed in thousands)

Sources/Inflows of Resources		
Actual amounts (budgetary basis) "Total Resources"		
from the Budgetary Comparison Schedule	$	31,808,941
Differences - budget to GAAP:		
The following items are inflows of budgetary resources but are not		
revenue for financial reporting purposes:		
Transfers from other funds		(877,975)
Budgetary fund balance at the beginning of the biennium, as restated		(1,550,847)
Appropriated loan principal repayment		(246)
The following items are not inflows of budgetary resources but are		
revenue for financial reporting purposes:		
Noncash commodities and electronic food stamp benefits		1,583,336
Revenues collected for other governments		119,367
Unanticipated receipts		6,510
Noncash revenues		28,244
Other		6,283
Biennium total revenues		31,123,613
Nonappropriated activity		14,087
Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$	31,137,700
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "Total Charges to Appropriations"		
from the Budgetary Comparison Schedule	$	29,901,058
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		(1,474,831)
Other transfers to other funds		(402,992)
Appropriated loan disbursements		(29)
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		1,583,335
Distributions to other governments		119,367
Certificates of participation and capital lease acquisitions		35,473
Expenditures related to unanticipated receipts		6,510
Other		6,513
Biennium total expenditures		29,774,404
Nonappropriated activity		346,847
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$	30,121,251

BUDGETARY COMPARISON SCHEDULE
Higher Education Special Revenue Fund

Budgetary Comparison Schedule
Higher Education Special Revenue Fund
For the Fiscal Year Ended June 30, 2016
(expressed in thousands)

	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 335,583	$ 335,583	$ 335,583	$ -
Resources				
Taxes	455,330	445,936	216,994	(228,942)
Other contracts and grants	310	310	-	(310)
Charges for services	21,888	21,888	-	(21,888)
Investment income (loss)	1,741	1,741	419	(1,322)
Miscellaneous revenue	2,270	2,270	(5)	(2,275)
Transfers from other funds	54,500	54,500	30,150	(24,350)
Total Resources	871,622	862,228	583,141	(279,087)
Charges To Appropriations				
Education	456,902	434,551	161,476	273,075
Transfers to other funds	53,900	53,900	30,149	23,751
Total Charges To Appropriations	510,802	488,451	191,625	296,826
Excess Available For Appropriation Over (Under) Charges To Appropriations	360,820	373,777	391,516	17,739
Reconciling Items				
Working Capital Adjustment	-	-	(2,240)	(2,240)
Noncash activity (net)	-	-	16,777	16,777
Nonappropriated fund balances	-	-	2,429,471	2,429,471
Changes in reserves (net)	-	-	(4,075)	(4,075)
Total Reconciling Items	-	-	2,439,933	2,439,933
Budgetary Fund Balance, June 30	$ 360,820	$ 373,777	$ 2,831,449	$ 2,457,672

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

Higher Education Special Revenue Fund
For the Fiscal Year Ended June 30, 2016
(expressed in thousands)

Sources/Inflows of Resources		
Actual amounts (budgetary basis) "Total Resources"		
from the Budgetary Comparison Schedule	$	583,141
Differences - budget to GAAP:		
The following items are inflows of budgetary resources but are not		
revenue for financial reporting purposes:		
Transfers from other funds		(30,150)
Budgetary fund balance at the beginning of the biennium, as restated		(335,583)
The following items are not inflows of budgetary resources but are		
revenue for financial reporting purposes:		
Noncash revenues		85
Other		4
Biennium total revenues		217,497
Nonappropriated activity		5,078,164
Total Revenues (GAAP Basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	$	5,295,661
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "Total Charges to Appropriations"		
from the Budgetary Comparison Schedule	$	191,625
Differences - budget to GAAP:		
The following items are outflows of budgetary resources but are		
not expenditures for financial reporting purposes:		
Other transfers to other funds		(30,149)
Biennium total expenditures		161,476
Nonappropriated activity		5,208,507
Total expenditures (GAAP basis) as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	$	5,369,983

BUDGETARY INFORMATION
Notes to Required Supplementary Information

GENERAL BUDGETARY POLICIES AND PROCEDURES

The Governor is required to submit a budget to the Legislature no later than December 20 of the year preceding odd-numbered year sessions of the Legislature.

The budget is a proposal for expenditures in the ensuing biennial period based upon anticipated revenues from the sources and rates existing by law at the time of submission of the budget. The Governor may additionally submit, as an appendix to the budget, a proposal for expenditures in the ensuing biennium from revenue sources derived from proposed changes in existing statutes.

The appropriated budget and any necessary supplemental budgets are legally required to be adopted through the passage of appropriation bills by the Legislature and approved by the Governor. Operating appropriations are generally made at the fund/account and agency level; however, in a few cases, appropriations are made at the fund/account and agency/program level. Operating appropriations cover either the entire biennium or a single fiscal year in the biennium. Capital appropriations are biennial and are generally made at the fund/account, agency, and project level.

The legal level of budgetary control is at the fund/account, agency, and appropriation level, with administrative controls established at lower levels of detail in certain instances. The accompanying budgetary schedule is not presented at the legal level of budgetary control. This is due to the large number of appropriations within individual agencies that would make such a presentation in the accompanying financial schedule extremely cumbersome. Section 2400.121 of the Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards provides for the preparation of a separate report in these extreme cases.

For the state of Washington, a separate report has been prepared for the 2015-17 biennium to illustrate legal budgetary compliance. Appropriated budget versus actual expenditures, and estimated versus actual revenues and other financing sources (uses) for appropriated funds/accounts at agency and appropriation level are presented in the Budget-to-Actual Detail Report for governmental funds. The report is available on line at http://www.ofm.wa.gov/cafr/2016/default.asp.

Legislative appropriations are strict legal limits on expenditures; over-expenditures are prohibited. All appropriated and certain nonappropriated funds/accounts are further controlled by the executive branch through the allotment process. This process allocates the expenditure plan into monthly allotments by program, source of funds, and object of expenditure. State law does not preclude the over-expenditure of allotments.

Proprietary funds/accounts can earn revenues and incur expenses (i.e., depreciation or cost of goods sold) not covered by the allotment process. Budget estimates are generally made outside the allotment process according to prepared business plans. These proprietary fund/account business plan estimates are adjusted only at the beginning of each fiscal year.

Additional fiscal control is exercised through various means. OFM is authorized to estimate revenue and make expenditure allotments based on availability of unanticipated receipts, mainly federal government grant increases made during a fiscal year.

Operating encumbrances lapse at the end of the applicable appropriation. Capital outlay encumbrances lapse at the end of the biennium unless reappropriated by the Legislature in the ensuing biennium. Encumbrances outstanding against continuing appropriations at fiscal year-end are reported as restricted, committed, or assigned fund balance.

Budgetary Reporting vs. GAAP Reporting

Governmental funds are budgeted materially in conformance with generally accepted accounting principles. However, the presentation in the accompanying budgetary schedules is different in certain respects from the corresponding Statements of Revenues, Expenditures, and Changes in Fund Balance (governmental operating statement). In the accompanying budgetary schedules, budget and actual expenditures are reported only for appropriated activities. Expenditures are classified based on whether the appropriation is from the operating or capital budget. Expenditures funded by operating budget appropriations are reported as current expenditures classified by the function of the agency receiving the appropriation. Expenditures funded by capital budget appropriations are reported as capital outlays.

However, in the governmental operating statements, all governmental funds are included and expenditures are classified according to what was actually purchased. Capital outlays are capital asset acquisitions such as land, buildings, and equipment. Debt service expenditures are principal and interest payments. Current expenditures are all other governmental fund expenditures classified based on the function of the agency making the expenditures.

Certain governmental activities are excluded from the budgetary schedules because they are not appropriated. These activities include activities designated as nonappropriated by the Legislature. Nonappropriated activities can represent a portion of a fund such as the Higher Education Special Revenue Fund or all of a fund such as the Higher Education Endowment and Tobacco Settlement Securitization Bond Debt Service Funds. Additionally, certain items including federal surplus food commodities, electronic food stamp benefits, and resources collected and distributed to other governments are also excluded because they are not appropriated.

Further, certain expenditures are appropriated as operating transfers. These transfers are reported as operating transfers on the budgetary schedules and as expenditures on the governmental operating statements.

In the General Fund, Budgetary Fund Balance equals restricted fund balance reduced by a portion that is not available for budgeting, committed, and unassigned fund balances as reported on the Governmental Funds Balance Sheet. In the Higher Education Special Revenue Fund, Budgetary Fund Balance equals the sum of restricted and committed fund balance as reported on the Governmental Funds Balance Sheet. In all other funds except Wildlife and Natural Resources, Budgetary Fund Balance equals total fund balance less nonspendable fund balance as reported on the Governmental Funds Balance Sheet. The Budgetary Fund Balance in the Wildlife and Natural Resources fund is further reduced by a portion of restricted fund balance that is not available for budgeting.

PENSION PLAN INFORMATION
Single Employer Plans

Continued

Schedule of Changes in Net Pension Liability and Related Ratios
Washington State Patrol Retirement System - Plan 1/2
Last Three Measurement Years*
(expressed in thousands)

	2015	2014	2013
Total Pension Liability			
Service cost	$ 16,633	$ 18,041	N/A
Interest	80,037	75,249	N/A
Changes of benefit terms	2,258	-	N/A
Differences between expected and actual experience	8,883	-	N/A
Changes in assumptions	17	-	N/A
Benefit payments, including refunds of employee contributions	(50,075)	(47,510)	N/A
Net Change in Total Pension Liability	57,753	45,780	N/A
Total Pension Liability - Beginning	1,072,424	1,026,644	N/A
Total Pension Liability - Ending (a)	$ 1,130,177	$ 1,072,424	$ 1,026,644
Plan Fiduciary Net Position			
Contributions - employer	$ 6,679	$ 6,587	N/A
Contributions - employee	6,323	6,555	N/A
Net investment income	49,046	176,856	N/A
Benefit payments, including refunds of employee contributions	(50,075)	(47,510)	N/A
Administrative expense	(67)	(84)	N/A
Other	293	509	N/A
Net Change in Plan Fiduciary Net Position	12,199	142,913	N/A
Plan Fiduciary Net Position - Beginning	1,098,427	955,514	N/A
Plan Fiduciary Net Position - Ending (b)	$ 1,110,626	$ 1,098,427	$ 955,514
State's Net Pension Liability/(Asset) - Ending (a) - (b)	$ 19,551	$ (26,003)	$ 71,130
Plan Fiduciary Net Position as a percentage of the Total Pension Liability /(Asset)	98.27%	102.42%	93.07%
Covered-employee payroll	$ 84,388	$ 85,046	$ 81,895
State's Net Pension Liability/(Asset) as a percentage of covered-employee payroll	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

Continued

Schedule of Changes in Net Pension Liability and Related Ratios
Judicial Retirement System
Last Three Measurement Years*
(expressed in thousands)

	2015	2014	2013
Total Pension Liability			
Service cost	$ -	$ -	N/A
Interest	4,382	4,319	N/A
Changes of benefit terms	-	-	N/A
Differences between expected and actual experience	1,590	-	N/A
Changes in assumptions	4,335	-	N/A
Benefit payments, including refunds of employee contributions	(9,336)	(9,480)	N/A
Net Change in Total Pension Liability	971	(5,161)	N/A
Total Pension Liability - Beginning	100,341	105,502	N/A
Total Pension Liability - Ending (a)	$ 101,312	$ 100,341	$ 105,502
Plan Fiduciary Net Position			
Contributions - employer	$ 10,600	$ 10,600	N/A
Contributions - employee	-	-	N/A
Net investment income	38	25	N/A
Benefit payments, including refunds of employee contributions	(9,336)	(9,480)	N/A
Administrative expense	-	-	N/A
Other	-	-	N/A
Net Change in Plan Fiduciary Net Position	1,302	1,145	N/A
Plan Fiduciary Net Position - Beginning	5,031	3,886	N/A
Plan Fiduciary Net Position - Ending (b)	$ 6,333	$ 5,031	$ 3,886
State's Net Pension Liability/(Asset) - Ending (a) - (b)	$ 94,979	$ 95,310	$ 101,616
Plan Fiduciary Net Position as a percentage of the Total Pension Liability/(Asset)	6.25%	5.01%	3.68%
Covered-employee payroll [1]	N/A	N/A	$ 160
State's Net Pension Liability/(Asset) as a percentage of covered-employee payroll [1]	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

Concluded

Schedule of Changes in Net Pension Liability and Related Ratios
Judges' Retirement Fund
Last Three Measurement Years*
(expressed in thousands)

	2015	2014	2013
Total Pension Liability			
Service cost	$ -	$ -	N/A
Interest	138	137	N/A
Changes of benefit terms	-	-	N/A
Differences between expected and actual experience	182	-	N/A
Changes in assumptions	95	-	N/A
Benefit payments, including refunds of employee contributions	(444)	(444)	N/A
Net Change in Total Pension Liability	(29)	(307)	N/A
Total Pension Liability - Beginning	3,146	3,453	N/A
Total Pension Liability - Ending (a)	$ 3,117	$ 3,146	$ 3,453
Plan Fiduciary Net Position			
Contributions - employer	$ -	$ -	N/A
Contributions - employee	-	-	N/A
Net investment income	4	7	N/A
Benefit payments, including refunds of employee contributions	(444)	(444)	N/A
Administrative expense	-	-	N/A
Other	-	-	N/A
Net Change in Plan Fiduciary Net Position	(440)	(437)	N/A
Plan Fiduciary Net Position - Beginning	955	1,392	N/A
Plan Fiduciary Net Position - Ending (b)	$ 515	$ 955	$ 1,392
State's Net Pension Liability/(Asset) - Ending (a) - (b)	$ 2,602	$ 2,191	$ 2,061
Plan Fiduciary Net Position as a percentage of the Total Pension Liability/(Asset)	16.52%	30.36%	40.31%
Covered-employee payroll [1]	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 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

Continued

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
2016	$ 7,618	$ 7,044	$ 574	$ 86,660	8.13%
2015	6,810	6,679	131	84,388	7.91%
2014	6,677	6,587	90	85,046	7.75%
2013	2,500	6,478	(3,978)	81,895	7.91%
2012	2,900	6,454	(3,554)	81,578	7.91%
2011	2,300	5,251	(2,951)	81,882	6.41%
2010	6,600	5,271	1,329	82,764	6.37%
2009	5,000	6,371	(1,371)	82,719	7.70%
2008	6,800	6,064	736	78,781	7.70%
2007	5,300	3,278	2,022	72,688	4.51%

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

Continued

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
2016	$ 8,999	$ 9,500	$ (501)	$ -	N/A
2015	9,132	10,600	(1,468)	-	N/A
2014	9,205	10,600	(1,395)	-	N/A
2013	21,700	10,112	11,588	160	6320.00%
2012	22,600	8,131	14,469	407	1997.79%
2011	18,600	10,906	7,694	611	1784.94%
2010	20,400	11,649	8,751	1,053	1106.27%
2009	21,200	10,305	10,895	1,394	739.24%
2008	26,600	9,712	16,888	1,496	649.20%
2007	37,300	9,650	27,650	1,478	652.91%

Contributions in relation to the Actuarially Determined Contributions are based on state contributions.

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

Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Single Employer Plans

Concluded

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
2016	$ 444	$ 501	$ (57)	$ -	N/A
2015	539	-	539	-	N/A
2014	425	-	425	-	N/A
2013	400	-	400	-	N/A
2012	300	-	300	-	N/A
2011	100	-	100	-	N/A
2010	-	-	-	-	N/A
2009	-	-	-	-	N/A
2008	-	300	(300)	-	N/A
2007	-	300	(300)	-	N/A

Contributions in relation to the Actuarially Determined Contributions are based on state contributions.

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

Prior to 2014, the Annual Required Contribution (ARC) amounts are presented for the Actuarially Determined Contributions.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Continued

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)

	2015	2014
State PERS Plan 1 employers' proportion of the net pension liability/(asset)	41.57%	42.37%
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset)	$ 2,174,623	$ 2,134,189
State PERS Plan 1 employers' covered-employee payroll	$ 120,686	$ 143,836
State PERS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	1801.89%	1483.77%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	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)

	2015	2014
State PERS Plan 2/3 employers' proportion of the net pension liability/(asset)	49.10%	49.27%
State PERS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	$ 1,754,418	$ 995,856
State PERS Plan 2/3 employers' covered-employee payroll	$ 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	40.21%	23.62%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	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

Continued

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)

	2015	2014
State TRS Plan 1 employers' proportion of the net pension liability/(asset)	0.86%	0.78%
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset)	$ 27,186	$ 22,924
State TRS Plan 1 employers' covered-employee payroll	$ 3,913	$ 4,611
State TRS Plan 1 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	694.76%	497.15%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	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)

	2015	2014
State TRS Plan 2/3 employers' proportion of the net pension liability/(asset)	0.72%	0.59%
State TRS Plan 2/3 employers' proportionate share of the net pension liability/(asset)	$ 6,107	$ 1,913
State TRS Plan 2/3 employers' covered-employee payroll	$ 33,705	$ 25,673
State TRS Plan 2/3 employers' proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	18.12%	7.45%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	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

Continued

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)

	2015	2014
State PSERS Plan 2 employers' proportion of the net pension liability/(asset)	47.93%	48.26%
State PSERS Plan 2 employers' proportionate share of the net pension liability (asset)	$ 8,748	$ (6,988)
State PSERS Plan 2 employers' covered-employee payroll	$ 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	6.21%	-5.37%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	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)

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

Concluded

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)

	2015	2014
State LEOFF Plan 2 employers' proportion of the net pension liability/(asset)	0.83%	0.84%
State as nonemployer contributing entity proportion of the net pension liability/(asset)	39.80%	39.52%
State LEOFF Plan 2 employers' proportionate share of the net pension liability/(asset)	$ (8,580)	$ (11,164)
State as nonemployer contributing entity total proportionate share of the net pension liability/(asset)	(409,091)	(524,419)
Total	$ (417,671)	$ (535,583)
State LEOFF Plan 2 employers' covered-employee payroll	$ 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	-45.77%	-61.14%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	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

Continued

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 1
Fiscal Year Ended June 30*
(dollars in thousands)

	2016	2015	2014
Contractually Required Contribution	$ 11,058	$ 11,270	$ 13,245
Contributions in relation to the contractually required contribution	11,058	11,270	13,245
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 103,235	$ 120,686	$ 143,836
Contributions as a percentage of covered-employee payroll	10.71%	9.34%	9.21%

* 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)

	2016	2015	2014
Contractually Required Contribution	$ 478,431	$ 401,057	$ 386,812
Contributions in relation to the contractually required contribution	478,431	401,057	386,812
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 4,648,843	$ 4,363,171	$ 4,215,935
Contributions as a percentage of covered-employee payroll	10.29%	9.19%	9.17%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of Contributions
Teachers' Retirement System (TRS) Plan 1
Fiscal Year Ended June 30*
(dollars in thousands)

	2016	2015	2014
Contractually Required Contribution	$ 397	$ 392	$ 476
Contributions in relation to the contractually required contribution	397	392	476
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 5,735	$ 3,913	$ 4,611
Contributions as a percentage of covered-employee payroll	6.92%	10.02%	10.32%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION
Cost Sharing Employer Plans

Concluded

Schedule of Contributions
Teachers' Retirement System (TRS) Plan 2/3
Fiscal Year Ended June 30*
(dollars in thousands)

	2016	2015	2014
Contractually Required Contribution	$ 5,157	$ 3,534	$ 2,947
Contributions in relation to the contractually required contribution	5,157	3,534	2,947
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 41,803	$ 33,705	$ 25,673
Contributions as a percentage of covered-employee payroll	12.34%	10.49%	11.48%

* This schedule is to be built prospectively until it contains ten years of data.

Schedule of Contributions
Public Safety Employees' Retirement System (PSERS) Plan 2
Fiscal Year Ended June 30*
(dollars in thousands)

	2016	2015	2014
Contractually Required Contribution	$ 17,852	$ 14,793	$ 13,604
Contributions in relation to the contractually required contribution	17,852	14,793	13,604
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 155,768	$ 140,977	$ 130,172
Contributions as a percentage of covered-employee payroll	11.46%	10.49%	10.45%

* 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)

	2016	2015	2014
Contractually Required Contribution	$ 1,374	$ 1,261	$ 1,222
Contributions in relation to the contractually required contribution	1,374	1,261	1,222
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 19,828	$ 18,744	$ 18,259
Contributions as a percentage of covered-employee payroll	6.93%	6.73%	6.69%

* This schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION

Notes to Required Supplementary Information

Methods and assumptions used in calculations of Actuarially Determined Contributions (ADC) for PERS, TRS, LEOFF, and WSPRS. The Office of the State Actuary (OSA) calculates the ADC based on the results of an actuarial valuation consistent with the state's funding policy defined under chapter 41.45 RCW. Consistent with the state's contribution rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. For example, the actuarial valuation with a June 30, 2013, valuation date, completed in the fall of 2014, determines the ADC for the period beginning July 1, 2015, and ending June 30, 2017.

Methods and assumptions used in calculations of the ADC for JRS and Judges. The OSA calculates the ADC based on the results of an actuarial valuation, and sets the ADC equal to the expected benefit payments from the plan. Consistent with the state's funding policy defined under chapters 2.10.90 and 2.12.60 RCW, 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, SERS 2/3, PSERS 2, and WSPRS 1/2.

For cost-sharing plans, OSA calculates the Contractually Required Contributions (CRC) using the same assumptions and methods as the ADC except the CRC reflect the adopted contribution rates for the time period shown, which may differ from the contribution rates produced for the ADC.

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

Schedule of Net Pension Liability

Last Four Fiscal Years*

(expressed in thousands)

	2016	2015	2014	2013
Total Pension Liability - Ending	$ 191,494	$ 188,584	$ 186,527	$ 183,578
Plan Fiduciary Net Position - Ending	208,663	207,855	204,195	177,134
Plan's Net Pension Liability/(Asset) - Ending	$ (17,169)	$ (19,271)	$ (17,668)	$ 6,444
Plan fiduciary net position as a percentage of the total pension liability/(asset)	108.97%	110.22%	109.47%	96.49%
Covered-employee payroll	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 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 Four Fiscal Years*

(expressed in thousands)

	2016	2015	2014	2013
Total Pension Liability				
Service cost	$ 893	$ 919	$ 1,240	N/A
Interest	12,887	12,656	12,480	N/A
Changes of benefit terms	-	-	-	N/A
Differences between expected and actual experience	(176)	(2,948)	-	N/A
Changes in assumptions	101	1,931	-	N/A
Benefit payments, including refunds of member contributions	(10,795)	(10,501)	(10,771)	N/A
Net Change in Total Pension Liability	2,910	2,057	2,949	N/A
Total Pension Liability - Beginning	188,584	186,527	183,578	N/A
Total Pension Liability - Ending	$ 191,494	$ 188,584	$ 186,527	$ 183,578
Plan Fiduciary Net Position				
Contributions - Municipalities	$ 918	$ 913	$ 953	N/A
Contributions - Member	67	76	95	N/A
Contributions - State as nonemployer contributing entity	7,235	5,903	6,383	N/A
Net investment income	4,588	8,289	31,892	N/A
Benefit payments, including refunds of member contributions	(10,795)	(10,501)	(10,771)	N/A
Administrative expense	(1,205)	(1,020)	(1,469)	N/A
Other	-	-	(22)	N/A
Net Change in Plan Fiduciary Net Position	808	3,660	27,061	N/A
Plan Fiduciary Net Position - Beginning	207,855	204,195	177,134	N/A
Plan Fiduciary Net Position - Ending	$ 208,663	$ 207,855	$ 204,195	$ 177,134
Plan's Net Pension Liability/(Asset) - Ending	$ (17,169)	$ (19,271)	$ (17,668)	$ 6,444

N/A indicates data not available.

*This schedule is to be built prospectively until it contains ten years of data.

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

PENSION PLAN INFORMATION
Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund

Schedule of Contributions
Last Ten Fiscal Years
(expressed in thousands)

Year	Actuarially Determined Contribution	Contributions in relation to the Actuarial Determined Contribution	Contribution deficiency (excess)
2016	$ 6,846	$ 8,153	$ (1,307)
2015	6,653	6,816	(163)
2014	6,421	7,336	(915)
2013	4,600	6,946	(2,346)
2012	4,700	6,484	(1,784)
2011	5,300	6,778	(1,478)
2010	2,800	6,787	(3,987)
2009	2,500	6,223	(3,723)
2008	1,900	6,102	(4,202)
2007	3,000	7,063	(4,063)

Neither covered-employee payroll nor contributions as a percentage of covered-employee payroll are applicable. This is a volunteer organization.

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

Schedule of Investment Returns
Last Three Fiscal Years*

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	2.19%	4.05%	18.50%

*This schedule is to be built prospectively until it contains ten years of data.

Source: Washington State Office of the State Actuary

Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund
Notes to Required Supplementary Information

The Office of the State Actuary (OSA) calculates the Actuarially Determined Contributions (ADC) based on the results of an actuarial valuation consistent with funding policy defined under chapter 41.24 RCW and adopted policies made by the State Board for Volunteer Fire Fighters and Reserve Officers. Consistent with the Board's contribution rate adoption process, the results of an actuarial valuation determine the ADC two years after the valuation date. For example, the actuarial valuation with a June 30, 2014, valuation date, completed in the fall of 2015, determines the ADC for the period ending June 30, 2016.

OTHER POSTEMPLOYMENT BENEFITS INFORMATION

Schedule of Funding Progress
Other Postemployment Benefits
(expressed in millions)

	2015	2013	2011
Actuarial valuation date	1/1/2015	1/1/2013	1/1/2011
Actuarial value of plan assets	$ -	$ -	$ -
Actuarial accrued liability (AAL)*	5,274	3,707	3,492
Unfunded actuarial accrued liability (UAAL)	5,274	3,707	3,492
Funded ratio	0%	0%	0%
Covered payroll	6,219	5,787	5,937
UAAL as a percentage of covered payroll	85%	64%	59%

* Based on projected unit credit actuarial cost method.

Source: Washington State Office of the State Actuary

INFRASTRUCTURE ASSETS REPORTED USING THE MODIFIED APPROACH

Condition Assessment

The state of Washington reports certain networks of infrastructure assets under the modified approach of the Governmental Accounting Standards Board Statement No. 34. Expenditures to maintain and preserve these assets are budgeted, recorded, and reported in lieu of depreciation expense. The state must meet the following requirements to report networks of assets under the modified approach:

- Maintain an up-to-date inventory of eligible infrastructure assets in an asset management system.
- Disclose the condition level established by administrative or executive policy, or by legislative action at which assets are to be preserved or maintained.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Document that assets are being preserved approximately at or above the disclosed condition level.
- Annually estimate the cost to maintain and preserve the assets at the established condition level.

Assets accounted for under the modified approach include the state's network of highway pavements, bridges, and rest areas. In fiscal year 2016, the state was responsible to maintain and preserve 20,764 pavement lane miles, 3,294 bridges and tunnels, and 47 rest areas.

PAVEMENT CONDITION

The Washington State Department of Transportation (WSDOT) performs highway pavement assessments over a two year cycle utilizing three measurements to develop a scaled condition assessment: Pavement Structural Condition (PSC), International Roughness Index (IRI), and rutting.

The WSDOT uses the following rating scale for PSC:

Category	PSC Range	Description
Very Good	80 – 100	Little or no distress. Example: Flexible pavement with 5% of wheel track length having "hairline" severity alligator cracking will have a PSC of 80.
Good	60 – 79	Early stage deterioration. Example: Flexible pavement with 15% of wheel track length having "hairline" alligator cracking will have a PSC of 70.
Fair	40 – 59	This is the threshold value for rehabilitation. Example: Flexible pavement with 25% of wheel track length having "hairline" alligator cracking will have a PSC of 50.
Poor	20 – 39	Structural deterioration. Example: Flexible pavement with 25% of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 30.
Very Poor	0 – 19	Advanced structural deterioration. Example: Flexible pavement with 40% of wheel track length having "medium (spalled)" severity alligator cracking will have a PSC of 10. May require extensive repair and thicker overlays.

The IRI scale is measured in inches per mile. The WSDOT assesses pavements with a ride performance measure less than 221 inches per mile to be in fair or better condition.

Rutting is measured in inches with a measurement of 0.58 inches or less assessed at a condition of fair or better.

PSC, IRI, and rutting are combined to rate a section of pavement which is assigned the lowest condition of any of the three indices.

The following table shows the combined conditions and the ratings for each index:

Category	PSC	IRI	Rutting
Very Good	80 – 100	< 96	< 0.24
Good	60 – 79	96 – 170	0.24 – 0.41
Fair	40 – 59	171 – 220	0.42 – 0.58
Poor	20 – 39	221 – 320	0.59 – 0.74
Very Poor	0 – 19	> 320	> 0.74

The WSDOT's policy is to maintain 85 percent of pavements at a condition level of fair or better. The following table shows pavement condition ratings for state highways:

Pavements Percentage in Fair or Better Condition* Two Year Cycle Ending Calendar Year			
2015	**2013**	**2011**	**Average of Last Three Assessments**
93.2%	92.8%	91.2%	92.4%

* The percentage for 2011 is based solely on number of lane miles, whereas 2013 and 2015 are based on vehicle miles traveled. Vehicle miles traveled are key data for highway planning and management, and a common measure of roadway use.

The following table reflects the state's estimated and actual expenditures necessary to preserve state highways at the established condition level:

Pavements Preservation and Maintenance - Planned to Actual - Fiscal Year *(expressed in thousands)*					
	2016	**2015**	**2014**	**2013**	**2012**
Planned	$ 160,423	$ 173,716	$ 122,868	$ 137,779	$ 148,811
Actual	161,211	142,789	143,598	108,972	148,366
Variance	$ (788)	$ 30,927	$ (20,730)	$ 28,807	$ 445
	-0.5%	17.8%	-16.9%	20.9%	0.3%

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 pavements, refer to the WSDOT's website at: http://www.wsdot.wa.gov/Business/MaterialsLab/Pavements/default.htm.

BRIDGE CONDITION

The WSDOT performs sample condition assessments on state owned bridges in excess of 20 feet in length each year with all bridges inspected over a two year cycle. Underwater bridge components are inspected at least once every five years in accordance with Federal Highway Administration (FHWA) requirements.

The WSDOT uses a performance measure established in FHWA's "Recording and Coding Guide for the Structural Inventory and Appraisal of the Nation's Bridges," which classifies the physical condition of bridges as good, fair, or poor based on structural sufficiency standards for the following bridge components: bridge superstructure, substructure, and deck. The appraisal data is collected in the National Bridge Inventory (NBI) and assigned a code from 0 to 9, with 0 being in a failed condition and 9 being in excellent condition.

Category	National Bridge Inventory Code*	Description
Good	7 or more	A range from no problems noted to some minor problems.
Fair	5 or 6*	All primary structural elements are sound but may have deficiencies such as minor section loss, deterioration, cracking, spalling, or scour.
Poor	4 or less	Advanced deficiencies such as section loss, deterioration, cracking, spalling, scour, or seriously affected primary structural components.

*For 2015 the NBI code of 6 has changed from good condition to fair condition. This change aligns with federal reporting requirements.

The WSDOT's policy is to maintain 90 percent of bridges at a condition level of fair or better. The following table shows condition ratings for state bridges:

Bridges Percentage in Fair or Better Condition* Two Year Cycle Ending Fiscal Year			
2015	2013	2011	Average of Last Three Assessments
92.1%	91.4%	95.4%	93%

* In 2013 the methodology changed from number of bridges to square footage of the bridge deck. This change aligns with federal reporting requirements.

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)

	2016	2015	2014	2013	2012
Planned	$ 75,160	$ 71,078	$ 92,192	$ 98,519	$ 66,510
Actual	66,339	64,060	87,271	87,306	61,026
Variance	$ 8,821	$ 7,018	$ 4,921	$ 11,213	$ 5,484
	11.7%	9.9%	5.3%	11.4%	8.2%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about bridges, refer to WSDOT's website at: http://www.wsdot.wa.gov/Bridge/Structures/.

SAFETY REST AREA CONDITION

The WSDOT performs safety rest area condition assessments over a two fiscal year cycle. Sites and buildings are divided into functional components that are assessed with a numerical rating of one to five. The rating is based on guidelines and parameters established by the WSDOT Capital Facilities Program and weighted by the criticality of the functional component.

The WSDOT's policy is to maintain 95 percent of safety rest areas in a condition of fair or better. The following table shows condition ratings for safety rest areas:

Safety Rest Areas Percentage in Fair or Better Condition Two Year Cycle Ending Fiscal Year			
2015	2013	2011	Average of Last Three Assessments
100%	100%	100%	100%

The following table reflects the state's estimated and actual expenditures necessary to preserve the safety rest areas at the established condition level:

Safety Rest Areas Preservation and Maintenance - Planned to Actual - Fiscal Year *(expressed in thousands)*					
	2016	2015	2014	2013	2012
Planned	$ 7,204	$ 8,463	$ 7,488	$ 6,607	$ 6,278
Actual	7,185	8,369	7,591	6,676	6,467
Variance	$ 19	$ 94	$ (103)	$ (69)	$ (189)
	0.3%	1.1%	-1.4%	-1.0%	-3.0%

Actual expenditures may vary from planned amounts for a variety of reasons which include, but are not limited to, management's decision to accelerate, defer, or reduce preservation or maintenance activity in response to economic forecasts and other factors.

For more information about safety rest areas, refer to WSDOT's website at: http://www.wsdot.wa.gov/safety/restareas.

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, 2016

(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Cash and pooled investments	$ 2,860,038	$ 340,783	$ 206,731	$ 95	$ 3,407,647
Investments	110,701	-	-	214,309	325,010
Taxes receivable (net of allowance)	198,618	-	-	-	198,618
Receivables (net of allowance)	794,487	22,681	22,919	973	841,060
Due from other funds	296,869	2,910	61,778	-	361,557
Due from other governments	2,547,144	-	14,949	-	2,562,093
Inventories and prepaids	48,082	-	-	-	48,082
Restricted cash and investments	66,176	38,641	79,774	-	184,591
Restricted receivables	3,570	-	-	-	3,570
Total Assets	6,925,685	405,015	386,151	215,377	7,932,228
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on hedging derivatives	1,196	-	-	-	1,196
Total Deferred Outflows of Resources	1,196	-	-	-	1,196
Total Assets and Deferred Outflows of Resources	$ 6,926,881	$ 405,015	$ 386,151	$ 215,377	$ 7,933,424
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 301,945	$ -	$ 85,300	$ -	$ 387,245
Contracts payable	29,823	-	12,185	-	42,008
Accrued liabilities	135,183	8,179	14,604	3	157,969
Obligations under security lending agreements	67,043	10,404	1,128	-	78,575
Due to other funds	432,191	631	32,457	963	466,242
Due to other governments	168,877	-	26,363	-	195,240
Unearned revenue	62,586	-	7,809	-	70,395
Claims and judgments payable	82,774	-	-	-	82,774
Total Liabilities	1,280,422	19,214	179,846	966	1,480,448
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	131,402	-	8,177	-	139,579
Total Deferred Inflows of Resources	131,402	-	8,177	-	139,579
FUND BALANCES					
Nonspendable fund balance	41,812	-	-	205,254	247,066
Restricted fund balance	2,629,075	65,517	141,516	9,157	2,845,265
Committed fund balance	2,844,170	322,414	66,303	-	3,232,887
Unassigned fund balance	-	(2,130)	(9,691)	-	(11,821)
Total Fund Balances	5,515,057	385,801	198,128	214,411	6,313,397
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,926,881	$ 405,015	$ 386,151	$ 215,377	$ 7,933,424

NONMAJOR GOVERNMENTAL FUNDS

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

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Common School Permanent	Total
REVENUES					
Retail sales and use taxes	$ 117,210	$ -	$ -	$ -	$ 117,210
Business and occupation taxes	4,826	-	-	-	4,826
Excise taxes	230,743	-	-	-	230,743
Motor vehicle and fuel taxes	1,485,618	-	-	-	1,485,618
Other taxes	251,537	-	-	-	251,537
Licenses, permits, and fees	1,648,361	-	-	-	1,648,361
Other contracts and grants	250,881	-	3,450	-	254,331
Timber sales	117,268	-	6,299	-	123,567
Federal grants-in-aid	1,402,267	-	562	3	1,402,832
Charges for services	577,702	22,572	76,619	-	676,893
Investment income (loss)	65,149	2,268	1,391	10,424	79,232
Miscellaneous revenue	395,476	72,968	15,698	1,481	485,623
Total Revenues	6,547,038	97,808	104,019	11,908	6,760,773
EXPENDITURES					
Current:					
General government	365,180	195	119,541	40	484,956
Human services	958,672	-	6,102	-	964,774
Natural resources and recreation	545,534	-	133,076	-	678,610
Transportation	1,887,386	-	-	-	1,887,386
Education	137,352	-	297,718	-	435,070
Intergovernmental	372,829	-	-	-	372,829
Capital outlays	1,323,256	-	514,469	-	1,837,725
Debt service:					
Principal	9,370	994,641	4,830	-	1,008,841
Interest	4,045	965,296	7,813	-	977,154
Total Expenditures	5,603,624	1,960,132	1,083,549	40	8,647,345
Excess of Revenues Over (Under) Expenditures	943,414	(1,862,324)	(979,530)	11,868	(1,886,572)
OTHER FINANCING SOURCES (USES)					
Bonds issued	491,886	-	812,851	-	1,304,737
Refunding bonds issued	-	860,870	-	-	860,870
Payments to escrow agents for refunded bond debt	-	(1,040,394)	-	-	(1,040,394)
Issuance premiums	74,427	182,091	153,301	-	409,819
Other debt issued	67	-	-	-	67
Refunding COPs issued	1,625	-	-	-	1,625
Payment to escrow agents for refunded COP debt	(2,083)	-	-	-	(2,083)
Transfers in	723,881	1,951,822	273,648	-	2,949,351
Transfers out	(1,796,114)	(57,711)	(160,019)	(7,604)	(2,021,448)
Total Other Financing Sources (Uses)	(506,311)	1,896,678	1,079,781	(7,604)	2,462,544
Net Change in Fund Balances	437,103	34,354	100,251	4,264	575,972
Fund Balances - Beginning	5,077,954	351,447	97,877	210,147	5,737,425
Fund Balances - Ending	$ 5,515,057	$ 385,801	$ 198,128	$ 214,411	$ 6,313,397

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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, 2016

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Central Administrative and Regulatory	Human Services
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and pooled investments	$ 978,085	$ 293,173	$ 339,274	$ 445,580
Investments	-	-	1,250	39,604
Taxes receivable (net of allowance)	171,616	54	6,200	20,685
Receivables (net of allowance)	58,347	27,177	104,958	489,413
Due from other funds	153,084	15,453	25,646	29,533
Due from other governments	74,974	161,441	24,574	511,590
Inventories and prepaids	43,035	376	4,389	38
Restricted cash and investments	43,937	16,386	5,853	-
Restricted receivables	3,570	-	-	-
Total Assets	1,526,648	514,060	512,144	1,536,443
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on hedging derivatives	1,196	-	-	-
Total Deferred Outflows of Resources	1,196	-	-	-
Total Assets and Deferred Outflows of Resources	$ 1,527,844	$ 514,060	$ 512,144	$ 1,536,443
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 152,362	$ 81,827	$ 13,671	$ 42,307
Contracts payable	139	500	1,222	5,434
Accrued liabilities	80,258	19,459	5,893	13,905
Obligations under security lending agreements	30,676	9,627	1,882	6,636
Due to other funds	156,621	16,839	25,832	192,212
Due to other governments	60,133	83,474	3,009	7,088
Unearned revenue	7,033	23,267	12,956	3,981
Claims and judgments payable	-	-	82,774	-
Total Liabilities	487,222	234,993	147,239	271,563
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	38,121	15,854	3,054	-
Total Deferred Inflows of Resources	38,121	15,854	3,054	-
FUND BALANCES				
Nonspendable fund balance	41,074	376	100	18
Restricted fund balance	904,266	70,829	8,291	480,454
Committed fund balance	57,161	192,008	353,460	784,408
Total Fund Balances	1,002,501	263,213	361,851	1,264,880
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,527,844	$ 514,060	$ 512,144	$ 1,536,443

Wildlife and Natural Resources	Local Construction and Loan	Total
$ 700,578	$ 103,348	$ 2,860,038
-	69,847	110,701
-	63	198,618
73,310	41,282	794,487
71,791	1,362	296,869
783,989	990,576	2,547,144
244	-	48,082
-	-	66,176
-	-	3,570
1,629,912	1,206,478	6,925,685
-	-	1,196
-	-	1,196
$ 1,629,912	$ 1,206,478	$ 6,926,881
$ 11,350	$ 428	$ 301,945
17,438	5,090	29,823
15,551	117	135,183
12,843	5,379	67,043
37,451	3,236	432,191
11,729	3,444	168,877
15,349	-	62,586
-	-	82,774
121,711	17,694	1,280,422
45,664	28,709	131,402
45,664	28,709	131,402
244	-	41,812
1,064,677	100,558	2,629,075
397,616	1,059,517	2,844,170
1,462,537	1,160,075	5,515,057
$ 1,629,912	$ 1,206,478	$ 6,926,881

NONMAJOR SPECIAL REVENUE FUNDS

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

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

	Motor Vehicle	Multimodal Transportation	Central Administrative and Regulatory	Human Services
REVENUES				
Retail sales and use taxes	$ -	$ 77,581	$ 39,579	$ -
Business and occupation taxes	-	-	-	449
Excise taxes	-	603	32	211,012
Motor vehicle and fuel taxes	1,467,832	1,568	-	-
Other taxes	24	-	116,820	18,454
Licenses, permits, and fees	501,543	202,584	275,546	505,436
Other contracts and grants	81,004	87,873	4,762	75,477
Timber sales	-	-	1,987	-
Federal grants-in-aid	463,082	585,213	72,546	217,390
Charges for services	277,034	71,674	80,140	138,588
Investment income (loss)	9,298	2,608	17,137	8,024
Miscellaneous revenue	43,505	31,712	26,422	139,643
Total Revenues	2,843,322	1,061,416	634,971	1,314,473
EXPENDITURES				
Current:				
General government	5,315	-	286,714	64,392
Human services	-	-	6,565	949,057
Natural resources and recreation	888	-	21,095	793
Transportation	1,278,833	572,991	26,707	8,233
Education	-	-	48,051	71,174
Intergovernmental	255,331	8,043	107,782	1,612
Capital outlays	959,230	354,238	2,931	1,686
Debt service:				
Principal	7,393	355	921	99
Interest	733	61	2,971	64
Total Expenditures	2,507,723	935,688	503,737	1,097,110
Excess of Revenues Over (Under) Expenditures	335,599	125,728	131,234	217,363
OTHER FINANCING SOURCES (USES)				
Bonds issued	387,085	104,801	-	-
Issuance premiums	74,123	-	-	-
Other debt issued	-	-	-	-
Refunding COPs issued	-	-	-	-
Payment to escrow agents for refunded COP debt	-	-	-	-
Transfers in	231,520	69,223	24,281	253,141
Transfers out	(773,787)	(264,710)	(144,970)	(419,992)
Total Other Financing Sources (Uses)	(81,059)	(90,686)	(120,689)	(166,851)
Net Change in Fund Balances	254,540	35,042	10,545	50,512
Fund Balances - Beginning	747,961	228,171	351,306	1,214,368
Fund Balances - Ending	$ 1,002,501	$ 263,213	$ 361,851	$ 1,264,880

Wildlife and Natural Resources	Local Construction and Loan	Total
$ 50	$ -	$ 117,210
4,377	-	4,826
-	19,096	230,743
16,218	-	1,485,618
116,239	-	251,537
163,121	131	1,648,361
1,765	-	250,881
73,328	41,953	117,268
64,036	-	1,402,267
10,266	-	577,702
15,518	12,564	65,149
129,197	24,997	395,476
594,115	98,741	6,547,038
1,050	7,709	365,180
3,050	-	958,672
521,724	1,034	545,534
622	-	1,887,386
816	17,311	137,352
61	-	372,829
5,171	-	1,323,256
602	-	9,370
216	-	4,045
533,312	26,054	5,603,624
60,803	72,687	943,414
-	-	491,886
304	-	74,427
67	-	67
1,625	-	1,625
(2,083)	-	(2,083)
136,895	8,821	723,881
(139,695)	(52,960)	(1,796,114)
(2,887)	(44,139)	(506,311)
57,916	28,548	437,103
1,404,621	1,131,527	5,077,954
$ 1,462,537	$ 1,160,075	$ 5,515,057

NONMAJOR SPECIAL REVENUE FUNDS

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

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

	Motor Vehicle			
	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 703,148	$ 703,148	$ 703,148	$ -
Resources				
Taxes	2,509,620	3,167,377	1,212,524	(1,954,853)
Licenses, permits, and fees	1,003,451	1,027,223	500,837	(526,386)
Other contracts and grants	195,339	195,339	81,004	(114,335)
Timber sales	-	-	-	-
Federal grants-in-aid	1,005,139	1,005,139	462,607	(542,532)
Charges for services	544,669	544,669	277,034	(267,635)
Investment income (loss)	11,798	11,798	5,492	(6,306)
Miscellaneous revenue	68,596	68,098	42,513	(25,585)
Dividend income	-	-	-	-
Transfers from other funds	249,091	249,091	231,520	(17,571)
Total Resources	6,290,851	6,971,882	3,516,679	(3,455,203)
Charges To Appropriations				
General government	12,743	18,626	5,315	13,311
Human services	-	-	-	-
Natural resources and recreation	2,198	2,657	888	1,769
Transportation	1,833,107	1,882,009	904,439	977,570
Education	-	100	-	100
Capital outlays	3,199,520	3,521,818	1,339,617	2,182,201
Transfers to other funds	1,484,327	1,484,327	773,787	710,540
Total Charges To Appropriations	6,531,895	6,909,537	3,024,046	3,885,491
Excess Available For Appropriation				
Over (Under) Charges To Appropriations	(241,044)	62,345	492,633	430,288
Reconciling Items				
Debt service	-	-	-	-
Bond sale proceeds	1,113,294	1,113,294	387,085	(726,209)
Issuance premiums	-	-	74,123	74,123
Refunding COPs Issued	-	-	-	-
Payments to refunded COP escrow agents	-	-	-	-
Noncash activity (net)	-	-	2,975	2,975
Nonappropriated fund balances	-	-	2,818	2,818
Changes in reserves (net)	-	-	1,793	1,793
Total Reconciling Items	1,113,294	1,113,294	468,794	(644,500)
Budgetary Fund Balance, June 30	$ 872,250	$ 1,175,639	$ 961,427	$ (214,212)

Continued

Multimodal Transportation				Central Administrative and Regulatory			
Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
$ 202,811	$ 202,811	$ 202,811	$ -	$ 227,593	$ 227,593	$ 227,593	$ -
139,334	147,246	73,502	(73,744)	90,558	100,343	3,288	(97,055)
470,983	476,703	199,842	(276,861)	534,966	534,222	225,975	(308,247)
1,643	1,643	170	(1,473)	5,713	5,713	14	(5,699)
-	-	-	-	7,984	6,414	1,987	(4,427)
632,733	632,733	323,915	(308,818)	228,877	228,877	25,649	(203,228)
151,821	151,821	71,674	(80,147)	134,822	134,828	16,546	(118,282)
3,776	3,776	1,566	(2,210)	33,508	33,507	16,504	(17,003)
53,673	52,160	24,679	(27,481)	31,716	32,043	9,500	(22,543)
-	-	-	-	-	-	-	-
96,726	96,726	49,223	(47,503)	40,638	51,119	7,825	(43,294)
1,753,500	1,765,619	947,382	(818,237)	1,336,375	1,354,659	534,881	(819,778)
-	784	-	784	464,635	524,560	201,465	323,095
-	-	-	-	8,006	10,956	3,486	7,470
-	-	-	-	18,951	39,789	16,044	23,745
523,983	545,995	216,198	329,797	72,160	73,270	24,658	48,612
-	-	-	-	208	208	20	188
1,026,458	1,121,803	362,992	758,811	27,475	20,198	6,790	13,408
250,702	250,702	224,710	25,992	289,646	304,023	98,784	205,239
1,801,143	1,919,284	803,900	1,115,384	881,081	973,004	351,247	621,757
(47,643)	(153,665)	143,482	297,147	455,294	381,655	183,634	(198,021)
-	-	-	-	-	-	-	-
280,944	280,944	104,801	(176,143)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	3,027	3,027	-	-	3,800	3,800
-	-	8,844	8,844	-	-	172,212	172,212
-	-	2,683	2,683	-	-	2,105	2,105
280,944	280,944	119,355	(161,589)	-	-	178,117	178,117
$ 233,301	$ 127,279	$ 262,837	$ 135,558	$ 455,294	$ 381,655	$ 361,751	$ (19,904)

NONMAJOR SPECIAL REVENUE FUNDS

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

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

	Human Services			
	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 1,081,349	$ 1,081,349	$ 1,081,349	$ -
Resources				
Taxes	458,045	518,623	229,915	(288,708)
Licenses, permits, and fees	1,049,771	1,049,187	501,232	(547,955)
Other contracts and grants	160,065	160,065	670	(159,395)
Timber sales	-	-	-	-
Federal grants-in-aid	538,570	538,570	161,107	(377,463)
Charges for services	468,708	468,708	136,325	(332,383)
Investment income (loss)	14,927	14,927	5,028	(9,899)
Miscellaneous revenue	467,222	467,230	109,263	(357,967)
Dividend income	-	-	-	-
Transfers from other funds	663,664	693,790	151,882	(541,908)
Total Resources	4,902,321	4,992,449	2,376,771	(2,615,678)
Charges To Appropriations				
General government	134,992	144,848	58,703	86,145
Human services	1,587,421	1,610,068	745,506	864,562
Natural resources and recreation	1,790	1,792	794	998
Transportation	19,735	19,666	7,967	11,699
Education	31,610	31,610	12,316	19,294
Capital outlays	464,307	467,717	72,328	395,389
Transfers to other funds	955,702	1,028,902	407,492	621,410
Total Charges To Appropriations	3,195,557	3,304,603	1,305,106	1,999,497
Excess Available For Appropriation Over (Under) Charges To Appropriations	1,706,764	1,687,846	1,071,665	(616,181)
Reconciling Items				
Debt service	-	-	-	-
Bond sale proceeds	-	-	-	-
Issuance premiums	-	-	-	-
Refunding COPs Issued	-	-	-	-
Payments to refunded COP escrow agents	-	-	-	-
Noncash activity (net)	-	-	39,290	39,290
Nonappropriated fund balances	-	-	115,524	115,524
Changes in reserves (net)	-	-	38,383	38,383
Total Reconciling Items	-	-	193,197	193,197
Budgetary Fund Balance, June 30	$ 1,706,764	$ 1,687,846	$ 1,264,862	$ (422,984)

Concluded

Wildlife and Natural Resources				Local Construction and Loan			
Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
$ 1,339,748	$ 1,339,748	$ 1,339,748	$ -	$ 1,131,228	$ 1,131,228	$ 1,131,228	$ -
378,582	319,990	136,826	(183,164)	29,536	30,623	19,096	(11,527)
321,664	322,009	103,545	(218,464)	349	349	-	(349)
7,536	7,536	1,762	(5,774)	-	-	-	-
178,481	174,905	48,452	(126,453)	98,849	88,060	41,953	(46,107)
154,970	154,970	64,036	(90,934)	-	-	-	-
23,567	23,567	10,260	(13,307)	-	-	-	-
35,994	35,999	13,618	(22,381)	11,760	11,760	11,843	83
578,594	544,522	154,210	(390,312)	572,765	571,479	216,701	(354,778)
-	-	-	-	-	-	-	-
211,852	234,404	137,679	(96,725)	16,540	16,540	8,821	(7,719)
3,230,988	3,157,650	2,010,136	(1,147,514)	1,861,027	1,850,039	1,429,642	(420,397)
1,101	1,311	253	1,058	8,196	8,207	3,679	4,528
6,944	6,946	3,071	3,875	-	-	-	-
775,512	802,702	330,603	472,099	7,600	7,600	935	6,665
1,567	1,619	653	966	-	-	-	-
1,942	2,042	775	1,267	-	-	-	-
1,134,029	1,098,007	258,188	839,819	589,418	621,711	51,306	570,405
194,371	207,846	137,229	70,617	106,102	116,182	52,960	63,222
2,115,466	2,120,473	730,772	1,389,701	711,316	753,700	108,880	644,820
1,115,522	1,037,177	1,279,364	242,187	1,149,711	1,096,339	1,320,762	224,423
-	-	(10)	(10)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	296	296	-	-	-	-
-	-	1,625	1,625	-	-	-	-
-	-	(2,083)	(2,083)	-	-	-	-
-	-	(2,341)	(2,341)	-	-	(23,167)	(23,167)
-	-	75,310	75,310	-	-	302	302
-	-	110,132	110,132	-	-	(137,822)	(137,822)
-	-	182,929	182,929	-	-	(160,687)	(160,687)
$ 1,115,522	$ 1,037,177	$ 1,462,293	$ 425,116	$ 1,149,711	$ 1,096,339	$ 1,160,075	$ 63,736

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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, 2016

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Transportation Revenue Bond	Total
ASSETS					
Cash and pooled investments	$ 30,724	$ 305,270	$ 181	$ 4,608	$ 340,783
Receivables (net of allowance)	-	339	22,342	-	22,681
Due from other funds	2,372	537	-	1	2,910
Restricted cash and investments	-	-	38,641	-	38,641
Total Assets	$ 33,096	$ 306,146	$ 61,164	$ 4,609	$ 405,015
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accrued liabilities	$ 5,463	$ 2,712	$ 4	$ -	$ 8,179
Obligations under security lending agreements	783	9,478	-	143	10,404
Due to other funds	-	631	-	-	631
Total Liabilities	6,246	12,821	4	143	19,214
FUND BALANCES					
Restricted fund balance	-	-	61,160	4,357	65,517
Committed fund balance	26,850	293,325	-	2,239	322,414
Unassigned fund balance	-	-	-	(2,130)	(2,130)
Total Fund Balances	26,850	293,325	61,160	4,466	385,801
Total Liabilities and Fund Balances	$ 33,096	$ 306,146	$ 61,164	$ 4,609	$ 405,015

NONMAJOR DEBT SERVICE FUNDS

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

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

	General Obligation Bond	Transportation General Obligation Bond	Tobacco Settlement Securitization Bond	Transportation Revenue Bond	Total
REVENUES					
Charges for services	$ 22,572	$ -	$ -	$ -	$ 22,572
Investment income (loss)	239	1,957	7	65	2,268
Miscellaneous revenue	10	26,123	46,835	-	72,968
Total Revenues	22,821	28,080	46,842	65	97,808
EXPENDITURES					
Current:					
General government	-	-	195	-	195
Debt service:					
Principal	634,577	266,034	31,430	62,600	994,641
Interest	558,705	329,118	13,904	63,569	965,296
Total Expenditures	1,193,282	595,152	45,529	126,169	1,960,132
Excess of Revenues Over (Under) Expenditures	(1,170,461)	(567,072)	1,313	(126,104)	(1,862,324)
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	717,135	143,735	-	-	860,870
Payments to escrow agents for refunded bond debt	(864,777)	(175,617)	-	-	(1,040,394)
Issuance premiums	149,551	32,540	-	-	182,091
Transfers in	1,223,087	600,394	-	128,341	1,951,822
Transfers out	(57,711)	-	-	-	(57,711)
Total Other Financing Sources (Uses)	1,167,285	601,052	-	128,341	1,896,678
Net Change in Fund Balances	(3,176)	33,980	1,313	2,237	34,354
Fund Balances - Beginning	30,026	259,345	59,847	2,229	351,447
Fund Balances - Ending	$ 26,850	$ 293,325	$ 61,160	$ 4,466	$ 385,801

NONMAJOR DEBT SERVICE FUNDS

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

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

	General Obligation Bond			
	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
Budgetary Fund Balance, July 1, as restated	$ 15	$ 15	$ 15	$ -
Resources				
Charges for services	42,582	42,582	-	(42,582)
Investment income (loss)	433	433	-	(433)
Miscellaneous revenue	7	7	-	(7)
Transfers from other funds	273,024	274,069	98,399	(175,670)
Total Resources	316,061	317,106	98,414	(218,692)
Charges To Appropriations				
General government	207,952	207,952	98,399	109,553
Transfers to other funds	95,706	95,890	-	95,890
Total Charges To Appropriations	303,658	303,842	98,399	205,443
Excess Available For Appropriation Over (Under) Charges To Appropriations	12,403	13,264	15	(13,249)
Reconciling Items				
Debt service	-	-	(1,909)	(1,909)
Proceeds of refunding bonds	-	-	717,135	717,135
Payments to escrow agents for refunded bond debt	-	-	(864,777)	(864,777)
Issuance premiums	-	-	149,551	149,551
Noncash activity (net)	-	-	95	95
Nonappropriated fund balances	-	-	26,740	26,740
Total Reconciling Items	-	-	26,835	26,835
Budgetary Fund Balance, June 30	$ 12,403	$ 13,264	$ 26,850	$ 13,586

Transportation General Obligation Bond				Transportation Revenue Bond			
Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget	Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
$ 259,345	$ 259,345	$ 259,345	$ -	$ 2,229	$ 2,229	$ 2,229	$ -
-	-	-	-	-	-	-	-
1,585	1,585	813	(772)	108	108	47	(61)
-	-	26,125	26,125	-	-	-	-
1,311,142	1,311,142	600,394	(710,748)	284,996	284,996	128,340	(156,656)
1,572,072	1,572,072	886,677	(685,395)	287,333	287,333	130,616	(156,717)
1,215,286	1,222,265	594,496	627,769	275,977	285,104	126,169	158,935
-	-	-	-	-	-	-	-
1,215,286	1,222,265	594,496	627,769	275,977	285,104	126,169	158,935
356,786	349,807	292,181	(57,626)	11,356	2,229	4,447	2,218
-	-	(658)	(658)	-	-	-	-
-	-	143,735	143,735	-	-	-	-
-	-	(175,617)	(175,617)	-	-	-	-
-	-	32,540	32,540	-	-	-	-
-	-	1,144	1,144	-	-	19	19
-	-	-	-	-	-	-	-
-	-	1,144	1,144	-	-	19	19
$ 356,786	$ 349,807	$ 293,325	$ (56,482)	$ 11,356	$ 2,229	$ 4,466	$ 2,237

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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, 2016

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
ASSETS			
Cash and pooled investments	$ 64,621	$ 142,110	$ 206,731
Receivables (net of allowance)	17,604	5,315	22,919
Due from other funds	58,190	3,588	61,778
Due from other governments	2,518	12,431	14,949
Restricted cash and investments	2,560	77,214	79,774
Total Assets	$ 145,493	$ 240,658	$ 386,151
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 43,605	$ 41,695	$ 85,300
Contracts payable	12,158	27	12,185
Accrued liabilities	8,959	5,645	14,604
Obligations under security lending agreements	-	1,128	1,128
Due to other funds	27,720	4,737	32,457
Due to other governments	26,363	-	26,363
Unearned revenue	3,711	4,098	7,809
Total Liabilities	122,516	57,330	179,846
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	8,090	87	8,177
Total Deferred Inflows of Resources	8,090	87	8,177
FUND BALANCES			
Restricted fund balance	17,614	123,902	141,516
Committed fund balance	6,964	59,339	66,303
Unassigned fund balance	(9,691)	-	(9,691)
Total Fund Balances	14,887	183,241	198,128
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 145,493	$ 240,658	$ 386,151

NONMAJOR CAPITAL PROJECTS FUNDS

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

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

	State Facilities	Higher Education Facilities	Total
REVENUES			
Other contracts and grants	$ -	$ 3,450	$ 3,450
Timber sales	6,299	-	6,299
Federal grants-in-aid	-	562	562
Charges for services	-	76,619	76,619
Investment income (loss)	(37)	1,428	1,391
Miscellaneous revenue	5,246	10,452	15,698
Total Revenues	11,508	92,511	104,019
EXPENDITURES			
Current:			
General government	119,306	235	119,541
Human services	6,102	-	6,102
Natural resources and recreation	133,076	-	133,076
Education	202,283	95,435	297,718
Capital outlays	297,126	217,343	514,469
Debt service:			
Principal	-	4,830	4,830
Interest	-	7,813	7,813
Total Expenditures	757,893	325,656	1,083,549
Excess of Revenues Over (Under) Expenditures	(746,385)	(233,145)	(979,530)
OTHER FINANCING SOURCES (USES)			
Bonds issued	785,531	27,320	812,851
Issuance premiums	147,999	5,302	153,301
Transfers in	720	272,928	273,648
Transfers out	(7,505)	(152,514)	(160,019)
Total Other Financing Sources (Uses)	926,745	153,036	1,079,781
Net Change in Fund Balances	180,360	(80,109)	100,251
Fund Balances - Beginning	(165,473)	263,350	97,877
Fund Balances - Ending	$ 14,887	$ 183,241	$ 198,128

NONMAJOR CAPITAL PROJECTS FUNDS

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

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

	State Facilities			
	Original Budget 2015-17 Biennium	**Final Budget 2015-17 Biennium**	**Actual 2015-17 Biennium**	**Variance with Final Budget**
Budgetary Fund Balance, July 1, as restated	$ (165,473)	$ (165,473)	$ (165,473)	$ -
Resources				
Other contracts and grants	-	-	-	-
Timber sales	15,873	15,398	6,299	(9,099)
Charges for services	-	-	-	-
Investment income (loss)	230	230	(37)	(267)
Miscellaneous revenue	1,162,086	1,162,132	4,901	(1,157,231)
Transfers from other funds	1,628	1,628	720	(908)
Total Resources	1,014,344	1,013,915	$ (153,590)	$ (1,167,505)
Charges To Appropriations				
General government	7,763	12,351	3,361	8,990
Education	-	-	-	-
Capital outlays	2,791,288	2,894,470	754,532	2,139,938
Transfers to other funds	143,355	143,367	7,505	135,862
Total Charges To Appropriations	2,942,406	3,050,188	765,398	2,284,790
Excess Available For Appropriation Over (Under) Charges To Appropriations	(1,928,062)	(2,036,273)	(918,988)	1,117,285
Reconciling Items				
Bond sale proceeds	2,156,993	2,243,329	785,531	(1,457,798)
Issuance premiums	-	-	147,999	147,999
Noncash activity (net)	-	-	345	345
Nonappropriated fund balances	-	-	-	-
Changes in reserves (net)	-	-	-	-
Total Reconciling Items	2,156,993	2,243,329	933,875	(1,309,454)
Budgetary Fund Balance, June 30	$ 228,931	$ 207,056	$ 14,887	$ (192,169)

Higher Education Facilities			
Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
$ 37,882	$ 37,882	$ 37,882	$ -
-	-	-	-
500	500	-	(500)
182,571	182,570	76,619	(105,951)
5,280	5,280	175	(5,105)
284	300	183	(117)
79,267	79,267	53,316	(25,951)
305,784	305,799	168,175	(137,624)
-	155	-	155
17,548	17,548	8,387	9,161
255,166	255,165	85,262	169,903
5,094	5,094	15,281	(10,187)
277,808	277,962	108,930	169,032
27,976	27,837	59,245	31,408
-	-	-	-
-	-	-	-
-	-	144	144
-	-	197,195	197,195
-	-	(73,343)	(73,343)
-	-	123,996	123,996
$ 27,976	$ 27,837	$ 183,241	$ 155,404

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Nonmajor

Enterprise Funds

Enterprise Funds account for any activity for which a fee is charged to external users for goods or services. If an activity's principal revenue source meets any one of the following criteria, it is required to be reported as an enterprise fund: (1) an activity financed with debt that is secured solely by pledge of the net revenues from fees and charges for the activity; (2) laws or regulations which require that the activity's costs of providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues; or (3) pricing policies which establish fees and charges designed to recover the activity's costs, including capital costs. The Nonmajor Enterprise Funds are as follows:

Lottery Fund

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

Institutional Fund

The Institutional Fund accounts for the enterprise activities carried out through vocational/education programs at state institutions.

Other Activities

The Other Activities Fund accounts for the operation of the pollution liability insurance program, the judicial information system, the local Certificate of Participation (COP) financing program, the local government audit program, and the Secretary of State's corporate public records program.

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Net Position

June 30, 2016

(expressed in thousands)

Continued

	Lottery	Institutional	Other Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and pooled investments	$ 24,433	$ 14,074	$ 73,232	$ 111,739
Investments	18,214	-	-	18,214
Receivables (net of allowance)	22,461	948	2,045	25,454
Due from other funds	5,344	8,171	2,034	15,549
Due from other governments	-	248	4,437	4,685
Inventories	886	7,256	126	8,268
Prepaid expenses	75	174	24	273
Total Current Assets	71,413	30,871	81,898	184,182
Noncurrent Assets:				
Investments, noncurrent	135,024	-	-	135,024
Other noncurrent assets	5	-	-	5
Capital assets:				
Land and other non-depreciable assets	-	1,540	-	1,540
Buildings	-	12,828	-	12,828
Other improvements	666	1,628	82	2,376
Furnishings, equipment, and intangibles	1,140	19,695	11,449	32,284
Accumulated depreciation	(1,389)	(14,682)	(9,112)	(25,183)
Construction in progress	-	-	1,119	1,119
Total Noncurrent Assets	135,446	21,009	3,538	159,993
Total Assets	206,859	51,880	85,436	344,175
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on refundings	-	89	-	89
Deferred outflows on pensions	1,081	2,335	4,559	7,975
Total Deferred Outflows of Resources	1,081	2,424	4,559	8,064
Total Assets and Deferred Outflows of Resources	$ 207,940	$ 54,304	$ 89,995	$ 352,239

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Net Position

June 30, 2016

(expressed in thousands)

Concluded

	Lottery	Institutional	Other Activities	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts payable	$ 5,386	$ 2,210	$ 1,506	$ 9,102
Accrued liabilities	54,704	2,782	10,972	68,458
Bonds and notes payable	-	395	795	1,190
Due to other funds	23,205	1,539	543	25,287
Due to other governments	-	355	2,306	2,661
Unearned revenue	1,149	-	-	1,149
Claims and judgments payable	-	46	5,357	5,403
Total Current Liabilities	84,444	7,327	21,479	113,250
Noncurrent Liabilities:				
Claims and judgments payable	-	-	8,085	8,085
Bonds and notes payable	-	4,763	-	4,763
Net pension liability	6,136	12,258	24,881	43,275
Other long-term liabilities	114,849	8,482	12,465	135,796
Total Noncurrent Liabilities	120,985	25,503	45,431	191,919
Total Liabilities	205,429	32,830	66,910	305,169
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on pensions	1,090	925	3,285	5,300
Total Deferred Inflows of Resources	1,090	925	3,285	5,300
NET POSITION				
Net investment in capital assets	418	15,941	2,743	19,102
Unrestricted	1,003	4,608	17,057	22,668
Total Net Position	1,421	20,549	19,800	41,770
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 207,940	$ 54,304	$ 89,995	$ 352,239

NONMAJOR ENTERPRISE FUNDS

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

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

	Lottery	Institutional	Other Activities	Total
OPERATING REVENUES				
Sales	$ -	$ 91,008	$ 186	$ 91,194
Less: Cost of goods sold	-	(61,097)	(100)	(61,197)
Gross profit	-	29,911	86	29,997
Charges for services	2,788	1,751	32,048	36,587
Premiums and assessments	-	-	25,793	25,793
Lottery ticket proceeds	694,875	-	-	694,875
Miscellaneous revenue	63	31	4,467	4,561
Total Operating Revenues	697,726	31,693	62,394	791,813
OPERATING EXPENSES				
Salaries and wages	8,014	19,810	30,861	58,685
Employee benefits	2,836	9,651	11,429	23,916
Personal services	10,834	-	5,427	16,261
Goods and services	73,073	702	17,446	91,221
Travel	439	443	1,252	2,134
Lottery prize payments	432,901	-	-	432,901
Depreciation and amortization	134	787	778	1,699
Miscellaneous expenses	23	67	909	999
Total Operating Expenses	528,254	31,460	68,102	627,816
Operating Income (Loss)	169,472	233	(5,708)	163,997
NONOPERATING REVENUES (EXPENSES)				
Earnings (loss) on investments	10,249	-	22	10,271
Interest expense	(6,284)	(178)	-	(6,462)
Tax and license revenue	10	-	21,287	21,297
Other revenues (expenses)	(2)	(105)	281	174
Total Nonoperating Revenues (Expenses)	3,973	(283)	21,590	25,280
Income (Loss) Before Transfers	173,445	(50)	15,882	189,277
Transfers in	13,861	-	-	13,861
Transfers out	(189,385)	(9)	(17)	(189,411)
Net Transfers	(175,524)	(9)	(17)	(175,550)
Change in Net Position	(2,079)	(59)	15,865	13,727
Net Position - Beginning	3,500	20,608	3,935	28,043
Net Position - Ending	$ 1,421	$ 20,549	$ 19,800	$ 41,770

NONMAJOR ENTERPRISE FUNDS

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

	Lottery	Institutional	Other Activities	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 690,384	$ 95,397	$ 56,433	$ 842,214
Payments to suppliers	(509,456)	(63,840)	(30,701)	(603,997)
Payments to employees	(10,873)	(27,028)	(41,323)	(79,224)
Other receipts	62	31	4,087	4,180
Net Cash Provided (Used) by Operating Activities	170,117	4,560	(11,504)	163,173
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	13,861	-	-	13,861
Transfers out	(189,385)	(9)	(17)	(189,411)
Operating grants and donations received	-	-	416	416
Taxes and license fees collected	11	-	21,287	21,298
Net Cash Provided (Used) by Noncapital Financing Activities	(175,513)	(9)	21,686	(153,836)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest paid	-	(229)	-	(229)
Principal payments on long-term capital financing	-	(410)	-	(410)
Proceeds from sale of capital assets	-	44	-	44
Acquisitions of capital assets	(10)	(768)	(1,498)	(2,276)
Net Cash Provided (Used) by Capital and Related Financing Activities	(10)	(1,363)	(1,498)	(2,871)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of interest	23	-	22	45
Proceeds from sale of investment securities	16,889	-	-	16,889
Purchases of investment securities	(6,511)	-	-	(6,511)
Net Cash Provided (Used) by Investing Activities	10,401	-	22	10,423
Net Increase (Decrease) in Cash and Pooled Investments	4,995	3,188	8,706	16,889
Cash and Pooled Investments, July 1	19,438	10,886	64,526	94,850
Cash and Pooled Investments, June 30	$ 24,433	$ 14,074	$ 73,232	$ 111,739
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	$ 169,472	$ 233	$ (5,708)	$ 163,997
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:				
Depreciation	134	787	778	1,699
Revenue reduced for uncollectible accounts	23	-	-	23
Change in Assets: Decrease (Increase)				
Receivables	(8,424)	2,638	(1,592)	(7,378)
Inventories	(457)	687	3	233
Prepaid expenses	80	67	(6)	141
Other assets	-	-	(360)	(360)
Change in Deferred Outflows of Resources: Increase (Decrease)	(441)	(1,179)	(2,147)	(3,767)
Change in Liabilities: Increase (Decrease)				
Payables	10,783	3,931	2,431	17,145
Change in Deferred Inflows of Resources: Decrease (Increase)	(1,053)	(2,604)	(4,903)	(8,560)
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 170,117	$ 4,560	$ (11,504)	$ 163,173
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Amortization of annuity prize liability	$ 6,284	$ -	$ -	$ 6,284
Debt refunding deposited with escrow agent	-	4,810		4,810
Increase (decrease) in fair value of investments	10,226	-	-	10,226

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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, 2016

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current Assets:			
Cash and pooled investments	$ 57,368	$ -	$ 346,320
Investments	685	-	6,798
Receivables (net of allowance)	4,173	32	8,282
Due from other funds	46,073	15,237	8,306
Due from other governments	20,967	544	5,936
Inventories	5,425	-	9,098
Prepaid expenses	3,239	5,200	4,176
Restricted cash and investments	195,100	-	-
Restricted receivables	53,128	1,885	-
Total Current Assets	386,158	22,898	388,916
Noncurrent Assets:			
Investments, noncurrent	-	-	34,976
Restricted receivables, noncurrent	1,521	-	-
Capital assets:			
Land and other non-depreciable assets	3,521	-	2,661
Buildings	175,794	278,054	63,480
Other improvements	13,623	1,954	4
Furnishings, equipment, and intangibles	604,854	155,466	162,839
Infrastructure	1,908	-	135
Accumulated depreciation	(376,418)	(194,419)	(150,897)
Construction in progress	29,346	9,386	-
Total Noncurrent Assets	454,149	250,441	113,198
Total Assets	840,307	273,339	502,114
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on refundings	366	-	-
Deferred outflows on pensions	24,190	6,389	5,776
Total Deferred Outflows of Resources	24,556	6,389	5,776
Total Assets and Deferred Outflows of Resources	$ 864,863	$ 279,728	$ 507,890

Continued

Risk Management	Health Insurance	Total
$ 54,012	$ 292,966	$ 750,666
-	8,661	16,144
185	10,097	22,769
693	6,090	76,399
3	7,552	35,002
-	-	14,523
119	-	12,734
-	-	195,100
-	-	55,013
55,012	325,366	1,178,350
-	-	34,976
-	-	1,521
-	-	6,182
-	-	517,328
-	-	15,581
8	492	923,659
-	-	2,043
(6)	(412)	(722,152)
-	-	38,732
2	80	817,870
55,014	325,446	1,996,220
-	-	366
187	654	37,196
187	654	37,562
$ 55,201	$ 326,100	$ 2,033,782

INTERNAL SERVICE FUNDS

Combining Statement of Net Position

June 30, 2016

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 15,506	$ 7,819	$ 8,973
Contracts payable	1,047	-	463
Accrued liabilities	26,283	2,352	45,967
Obligations under security lending agreements	601	-	-
Bonds and notes payable	78,667	9,317	4,039
Due to other funds	4,954	9,717	14,893
Due to other governments	124,671	1	2,109
Unearned revenue	2,256	90	122
Claims and judgments payable	603	-	21,285
Total Current Liabilities	254,588	29,296	97,851
Noncurrent Liabilities:			
Claims and judgments payable	-	-	57,868
Bonds and notes payable	250,631	279,059	34,064
Net pension liability	125,680	37,163	329,385
Other long-term liabilities	79,887	20,585	39,868
Total Noncurrent Liabilities	456,198	336,807	461,185
Total Liabilities	710,786	366,103	559,036
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on refundings	160	-	-
Deferred inflows on pensions	12,185	5,472	3,560
Total Deferred Inflows of Resources	12,345	5,472	3,560
NET POSITION			
Net investment in capital assets	176,636	(37,934)	40,118
Unrestricted	(34,904)	(53,913)	(94,824)
Total Net Position	141,732	(91,847)	(54,706)
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 864,863	$ 279,728	$ 507,890

Concluded

Risk Management	Health Insurance	Total
$ 69	$ 26,955	$ 59,322
-	4	1,514
70	799	75,471
-	7,324	7,925
-	-	92,023
4,879	6,541	40,984
-	-	126,781
-	397	2,865
65,785	87,370	175,043
70,803	129,390	581,928
503,036	-	560,904
-	-	563,754
1,102	3,566	496,896
649	3,365	144,354
504,787	6,931	1,765,908
575,590	136,321	2,347,836
-	-	160
(260)	(1,099)	19,858
(260)	(1,099)	20,018
2	81	178,903
(520,131)	190,797	(512,975)
(520,129)	190,878	(334,072)
$ 55,201	$ 326,100	$ 2,033,782

INTERNAL SERVICE FUNDS

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

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
OPERATING REVENUES			
Sales	$ 28,064	$ 255	$ 15,271
Less: Cost of goods sold	(23,460)	(255)	(12,378)
Gross profit	4,604	-	2,893
Charges for services	270,234	164,322	235,463
Premiums and assessments	430	-	17,722
Miscellaneous revenue	130,749	18,756	5,641
Total Operating Revenues	406,017	183,078	261,719
OPERATING EXPENSES			
Salaries and wages	151,385	46,277	106,817
Employee benefits	66,196	13,929	48,500
Personal services	8,905	2,417	11,341
Goods and services	131,841	94,681	77,559
Travel	2,959	220	1,309
Premiums and claims	-	-	48,210
Depreciation and amortization	51,090	24,569	22,660
Miscellaneous expenses	395	7	41
Total Operating Expenses	412,771	182,100	316,437
Operating Income (Loss)	(6,754)	978	(54,718)
NONOPERATING REVENUES (EXPENSES)			
Earnings (loss) on investments	579	-	3,812
Interest expense	(6,358)	(17,922)	(1,671)
Tax and license revenue	26	-	-
Other revenues (expenses)	205	(10,514)	(250)
Total Nonoperating Revenues (Expenses)	(5,548)	(28,436)	1,891
Income (Loss) Before Contributions and Transfers	(12,302)	(27,458)	(52,827)
Capital contributions	5,755	16	-
Transfers in	8,263	20,825	56,461
Transfers out	(3,463)	(11,386)	(55,883)
Net Contributions and Transfers	10,555	9,455	578
Change in Net Position	(1,747)	(18,003)	(52,249)
Net Position - Beginning, as restated	143,479	(73,844)	(2,457)
Net Position - Ending	$ 141,732	$ (91,847)	$ (54,706)

Risk Management	Health Insurance	Total
$ -	$ -	$ 43,590
-	-	(36,093)
-	-	7,497
2,823	-	672,842
83,020	1,404,124	1,505,296
-	486	155,632
85,843	1,404,610	2,341,267
1,295	6,493	312,267
1,205	4,464	134,294
58	6,513	29,234
23,754	6,583	334,418
28	59	4,575
56,419	1,387,289	1,491,918
2	54	98,375
-	33	476
82,761	1,411,488	2,405,557
3,082	(6,878)	(64,290)
-	2,473	6,864
-	-	(25,951)
-	-	26
-	-	(10,559)
-	2,473	(29,620)
3,082	(4,405)	(93,910)
-	-	5,771
-	-	85,549
-	-	(70,732)
-	-	20,588
3,082	(4,405)	(73,322)
(523,211)	195,283	(260,750)
$ (520,129)	$ 190,878	$ (334,072)

INTERNAL SERVICE FUNDS

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

	General Services	Data Processing Revolving	Higher Education Revolving
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 259,584	$ 178,534	$ 265,162
Payments to suppliers	(50,845)	(102,272)	(159,526)
Payments to employees	(207,630)	(59,522)	(100,474)
Other receipts	132,166	18,755	5,639
Net Cash Provided (Used) by Operating Activities	133,275	35,495	10,801
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	8,263	20,825	56,461
Transfers out	(3,463)	(11,386)	(55,883)
Operating grants and donations received	248	-	19
Taxes and license fees collected	26	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	5,074	9,439	597
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid	(1,492)	(17,922)	(1,665)
Principal payments on long-term capital financing	(40,888)	(23,789)	(4,139)
Proceeds from long-term capital financing	107,568	1,546	7,328
Proceeds from sale of capital assets	4,749	107	1,528
Acquisitions of capital assets	(95,343)	(4,876)	(14,901)
Net Cash Provided (Used) by Capital and Related Financing Activities	(25,406)	(44,934)	(11,849)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of interest	508	-	3,793
Proceeds from sale of investment securities	-	-	584
Purchases of investment securities	-	-	(760)
Net Cash Provided (Used) by Investing Activities	508	-	3,617
Net Increase (Decrease) in Cash and Pooled Investments	113,451	-	3,166
Cash and Pooled Investments, July 1	139,017	-	343,154
Cash and Pooled Investments, June 30	$ 252,468	$ -	$ 346,320
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	$ (6,754)	$ 978	$ (54,718)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operations:			
Depreciation	51,090	24,569	22,660
Revenue reduced for uncollectible accounts	126	-	11
Change in Assets: Decrease (Increase)			
Receivables	(38,893)	13,868	(3,286)
Inventories	2,599	-	524
Prepaid expenses	908	(755)	(1,324)
Change in Deferred Outflows of Resources: Increase (Decrease)	(11,112)	(3,119)	(2,949)
Change in Liabilities: Increase (Decrease)			
Payables	160,902	6,980	56,267
Change in Deferred Inflows of Resources: Decrease (Increase)	(25,591)	(7,026)	(6,384)
Net Cash or Cash Equivalents Provided by (Used in) Operating Activities	$ 133,275	$ 35,495	$ 10,801
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Contributions of capital assets	$ 5,755	$ 16	$ -
Acquisition of capital assets through capital leases	-	-	111
Increase (decrease) in fair value of investments	71	-	1
Debt refunding deposited with escrow agent	8,020	-	-

Risk Management	Health Insurance	Total
$ 87,075	$ 1,396,075	$ 2,186,430
(92,107)	(1,379,669)	(1,784,419)
(1,773)	(8,644)	(378,043)
-	484	157,044
(6,805)	8,246	181,012
-	-	85,549
-	-	(70,732)
-	-	267
-	-	26
-	-	15,110
-	-	(21,079)
-	-	(68,816)
-	-	116,442
-	-	6,384
-	(14)	(115,134)
-	(14)	(82,203)
-	1,418	5,719
-	1,398	1,982
-	-	(760)
-	2,816	6,941
(6,805)	11,048	120,860
60,817	281,918	824,906
$ 54,012	$ 292,966	$ 945,766
$ 3,082	$ (6,878)	$ (64,290)
2	54	98,375
-	-	137
1,231	(8,088)	(35,168)
-	-	3,123
(83)	-	(1,254)
(187)	(655)	(18,022)
(10,590)	24,912	238,471
(260)	(1,099)	(40,360)
$ (6,805)	$ 8,246	$ 181,012
$ -	$ -	$ 5,771
-	-	111
-	1,124	1,196
-		8,020

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Fiduciary Funds

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

PENSION FUNDS

Pension Trust Funds account for transactions, assets, liabilities, and plan net assets available for plan benefits of the various state public employee retirement systems. Refer to Note 11, Retirement Plans, for a description of the individual pension plans.

Public Employees’ Retirement System Plan 1 Fund

The Public Employees’ Retirement System Plan 1 Fund provides benefits for state and local government employees who are members of this closed cost-sharing, multiple-employer defined benefit pension plan.

Public Employees’ Retirement System Plan 2/3 Fund

The Public Employees’ Retirement System Plan 2/3 Fund provides the defined benefit portion of benefits for state and local government employees who are members of Plan 2, a cost-sharing, multiple-employer defined benefit pension plan, and Plan 3, a combination defined benefit/defined contribution plan.

Public Employees’ Retirement System Plan 3 Fund

The Public Employees’ Retirement System Plan 3 fund provides the defined contribution portion of benefits for state and local government employees who are members of this combination defined benefit/defined contribution plan.

Teachers’ Retirement System Plan 1 Fund

The Teachers’ Retirement System Plan 1 Fund provides benefits for certificated public school instructors, administrators, or supervisors who are members of this closed cost-sharing, multiple-employer defined benefit pension plan.

Teachers’ Retirement System Plan 2/3 Fund

The Teachers’ Retirement System Plan 2/3 Fund provides the defined benefit portion of benefits for certificated public school instructors, administrators, or supervisors who are members of Plan 2, a cost-sharing, multiple-employer defined benefit pension plan, and Plan 3, a combination defined benefit/defined contribution plan.

Teachers’ Retirement System Plan 3 Fund

The Teachers’ Retirement System Plan 3 fund provides the defined contribution portion of benefits for certificated public school instructors, administrators, or supervisors who are members of this combination defined benefit/defined contribution plan.

School Employees' Retirement System Plan 2/3 Fund

The School Employees' Retirement System Plan 2/3 Fund provides the defined benefit portion of benefits for classified employees of public school districts and educational service districts who are members of Plan 2, a cost-sharing, multiple-employer defined benefit pension plan, or Plan 3, a combination defined benefit/defined contribution plan.

School Employees' Retirement System Plan 3 Fund

The School Employees' Retirement System Plan 3 Fund provides the defined contribution portion of benefits for classified employees of public school districts and educational service districts who are members of this combination defined benefit/defined contribution plan.

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

The Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 Fund provides benefits for full-time, fully compensated local law enforcement officers and firefighters who are members of this closed cost-sharing, defined benefit pension plan.

Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Fund

The Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 Fund provides benefits for full-time, fully compensated local law enforcement officers and firefighters who are members of this cost-sharing, defined benefit pension plan.

Washington State Patrol Retirement System Plan 1/2 Fund

The Washington State Patrol Retirement System Plan 1/2 Fund provides benefits for commissioned officers of the Washington State Patrol who are members of this single-employer, defined benefit pension plan.

Public Safety Employees' Retirement System Plan 2 Fund

The Public Safety Employees' Retirement System Plan 2 fund provides benefits for state and local government employees in criminal justice or criminal custodial positions who are members of this cost-sharing, multiple-employer defined benefit pension plan.

Judicial Retirement System Fund

The Judicial Retirement System Fund provides benefits for judges of the state Supreme Court, Court of Appeals, and Superior Courts who are members of this closed single-employer, defined-benefit pension plan.

Judicial Retirement Account Fund

The Judicial Retirement Account Fund provides benefits for judges of the state Supreme Court, Court of Appeals, and Superior Courts who are members of this defined contribution pension plan.

Judges' Retirement Fund

The Judges' Retirement Fund provides benefits for judges of the state Supreme Court, Court of Appeals, and Superior Courts who are members of this closed single-employer, defined-benefit pension plan.

Volunteer Fire Fighters' Retirement System Fund

The Volunteer Fire Fighters' Retirement System Fund provides benefits to volunteer fire fighters of electing municipalities of the state who are members of this cost-sharing, multiple-employer defined benefit pension plan.

AGENCY FUNDS

Agency Funds account for resources held by the state in a custodial capacity for other governments, private organizations, or individuals. The Agency Funds are described below:

Local Government Distributions Fund

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

Pooled Investments Fund

The Pooled Investments Fund is used to administer the pooling and investing of surplus state funds, and the accumulation and allocation of interest earned among the various accounts and funds from which such investments and investment deposits were made. These balances are distributed to the owner funds at June 30.

Retiree Health Insurance Fund

The Retiree Health Insurance Fund accounts for premiums collected and payments for retiree insurance benefits.

Other Agency Fund

The Other Agency Fund accounts for (1) assets held for employees, foster children, inmates, patients, and residents of state institutions; (2) the local government share of contracted timber sales; and (3) monies held under other custodial responsibilities of the state.

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Plan Net Position

June 30, 2016

(expressed in thousands)

Continued

	PERS Plan 1	PERS Plan 2/3 Defined Benefit	PERS Plan 3 Defined Contribution	TRS Plan 1	TRS Plan 2/3 Defined Benefit
ASSETS					
Cash and pooled investments	$ 639	$ 5,045	$ 217	$ 539	$ 2,968
Receivables:					
Employer accounts receivable	3,560	72,336	5,525	1,090	40,796
Member accounts receivable (net of allowance)	588	261	-	172	110
Due from other pension and other employee benefit funds	43,375	1,545	-	98,118	2,216
Interest and dividends	26,097	111,956	5,444	20,234	39,855
Investment trades pending	243,085	1,044,126	50,756	188,448	371,607
Other receivables, all other funds	10	12	-	5	11
Total Receivables	316,715	1,230,236	61,725	308,067	454,595
Investments, Noncurrent:					
Public equity	2,517,014	10,811,339	1,517,328	1,951,278	3,847,789
Fixed income	1,526,931	6,558,635	318,825	1,183,732	2,334,238
Private equity	1,497,053	6,430,298	312,586	1,160,569	2,288,563
Real estate	1,136,753	4,882,698	237,355	881,251	1,737,767
Security lending	58,542	251,455	12,224	45,384	89,493
Liquidity	161,463	698,732	41,269	126,673	269,678
Tangible assets	216,942	931,832	45,298	168,181	331,642
Total Investments, Noncurrent	7,114,698	30,564,989	2,484,885	5,517,068	10,899,170
Total Assets	7,432,052	31,800,270	2,546,827	5,825,674	11,356,733
LIABILITIES					
Obligations under security lending agreements	58,928	251,857	12,224	45,665	89,799
Accrued liabilities	246,666	1,039,322	52,644	192,489	369,768
Due to other pension and other employee benefit funds	-	26,128	1,545	-	98,118
Unearned revenues	56	336	-	500	123
Total Liabilities	305,650	1,317,643	66,413	238,654	557,808
NET POSITION					
Net position restricted for:					
Pensions	7,126,402	30,482,627	2,480,414	5,587,020	10,798,925
Deferred compensation participants	-	-	-	-	-
Total Net Position	$ 7,126,402	$ 30,482,627	$ 2,480,414	$ 5,587,020	$ 10,798,925

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Plan Net Position

June 30, 2016

(expressed in thousands)

Continued

	TRS Plan 3 Defined Contribution	SERS Plan 2/3 Defined Benefit	SERS Plan 3 Defined Contribution	LEOFF Plan 1	LEOFF Plan 2
ASSETS					
Cash and pooled investments	$ 4,867	$ 2,343	$ 1,107	$ 721	$ 1,412
Receivables:					
Employer accounts receivable	26,201	14,956	5,833	411	15,207
Member accounts receivable (net of allowance)	-	16	-	186	72
Due from other pension and other employee benefit funds	-	463	-	-	-
Interest and dividends	16,681	15,486	4,670	19,770	37,478
Investment trades pending	155,527	144,394	43,547	184,268	349,499
Other receivables, all other funds	-	6	-	1	3
Total Receivables	198,409	175,321	54,050	204,636	402,259
Investments, Noncurrent:					
Public equity	4,403,243	1,495,148	876,555	1,907,989	3,618,874
Fixed income	976,935	907,023	273,521	1,157,471	2,195,368
Private equity	957,819	889,274	268,169	1,134,822	2,152,411
Real estate	727,298	675,250	203,628	861,701	1,634,383
Security lending	37,455	34,775	10,487	44,377	84,169
Liquidity	124,738	101,088	33,265	121,755	240,902
Tangible assets	138,800	128,867	38,861	164,450	311,911
Total Investments, Noncurrent	7,366,288	4,231,425	1,704,486	5,392,565	10,238,018
Total Assets	7,569,564	4,409,089	1,759,643	5,597,922	10,641,689
LIABILITIES					
Obligations under security lending agreements	37,455	34,909	10,487	44,493	84,283
Accrued liabilities	162,784	143,829	47,177	182,560	346,473
Due to other pension and other employee benefit funds	2,216	16,307	463	-	-
Unearned revenues	-	1		-	313
Total Liabilities	202,455	195,046	58,127	227,053	431,069
NET POSITION					
Net position restricted for:					
Pensions	7,367,109	4,214,043	1,701,516	5,370,869	10,210,620
Deferred compensation participants	-	-	-	-	-
Total Net Position	$ 7,367,109	$ 4,214,043	$ 1,701,516	$ 5,370,869	$ 10,210,620

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Plan Net Position

June 30, 2016

(expressed in thousands)

Continued

	WSPRS Plan 1/2	PSERS Plan 2	JRS	JRA
ASSETS				
Cash and pooled investments	$ 688	$ 542	$ 6,768	$ 9
Receivables:				
Employer accounts receivable	546	2,443	-	-
Member accounts receivable (net of allowance)	1	-	2	2
Due from other pension and other employee benefit funds	-	-	-	-
Interest and dividends	4,037	1,456	-	-
Investment trades pending	37,635	13,570	-	-
Other receivables, all other funds	2	1	13	-
Total Receivables	42,221	17,470	15	2
Investments, Noncurrent:				
Public equity	389,694	140,513	-	11,039
Fixed income	236,405	85,241	-	-
Private equity	231,780	83,573	-	-
Real estate	175,997	63,460	-	-
Security lending	9,064	3,268	-	-
Liquidity	25,280	12,233	253	-
Tangible assets	33,588	12,111	-	-
Total Investments, Noncurrent	1,101,808	400,399	253	11,039
Total Assets	1,144,717	418,411	7,036	11,050
LIABILITIES				
Obligations under security lending agreements	9,106	3,288	222	-
Accrued liabilities	37,476	13,467	37	-
Due to other pension and other employee benefit funds	-	940	-	-
Unearned revenues	8	-	-	-
Total Liabilities	46,590	17,695	259	-
NET POSITION				
Net position restricted for:				
Pensions	1,098,127	400,716	6,777	11,050
Deferred compensation participants	-	-	-	-
Total Net Position	$ 1,098,127	$ 400,716	$ 6,777	$ 11,050

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Plan Net Position

June 30, 2016

(expressed in thousands)

Concluded

	Judges	VFFRPF	Deferred Compensation	Total
ASSETS				
Cash and pooled investments	$ 580	$ 22,131	$ 1,405	$ 51,981
Receivables:				
Employer accounts receivable	-	-	-	188,904
Member accounts receivable (net of allowance)	-	-	2,144	3,554
Due from other pension and other employee benefit funds	-	-	-	145,717
Interest and dividends	-	686	-	303,850
Investment trades pending	-	6,402	-	2,832,864
Other receivables, all other funds	1	15	2	82
Total Receivables	1	7,103	2,146	$ 3,474,971
Investments, Noncurrent:				
Public equity	-	66,294	3,621,025	37,175,122
Fixed income	-	40,217	-	17,794,542
Private equity	-	39,430	-	17,446,347
Real estate	-	29,940	-	13,247,481
Security lending	-	1,542	-	682,235
Liquidity	21	4,971	51	1,962,372
Tangible assets	-	5,714	-	2,528,197
Total Investments, Noncurrent	21	188,108	3,621,076	90,836,296
Total Assets	602	217,342	3,624,627	94,363,248
LIABILITIES				
Obligations under security lending agreements	18	2,256	45	685,035
Accrued liabilities	3	6,424	1,546	2,842,665
Due to other pension and other employee benefit funds	-	-	-	145,717
Unearned revenues	-	-	-	1,337
Total Liabilities	21	8,680	1,591	3,674,754
NET POSITION				
Net position restricted for:				
Pensions	581	208,662	-	87,065,458
Deferred compensation participants	-	-	3,623,036	3,623,036
Total Net Position	$ 581	$ 208,662	$ 3,623,036	$ 90,688,494

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2016

(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	$ 595,982	$ 563,328	$ -	$ 315,934	$ 316,022
Members	18,458	497,274	119,988	8,802	68,587
State	-	-	-	-	-
Participants	-	-	-	-	-
Total Contributions	614,440	1,060,602	119,988	324,736	384,609
Investment Income:					
Net appreciation (depreciation) in fair value	21,742	168,027	8,847	11,779	63,000
Interest and dividends	165,030	679,763	35,000	129,930	240,084
Less: investment expenses	(29,703)	(122,348)	(6,651)	(23,412)	(44,142)
Net investment income (loss)	157,069	725,442	37,196	118,297	258,942
Transfers from other plans	117	360	2,165	-	71
Other additions	-	-	-	-	-
Total Additions	771,626	1,786,404	159,349	443,033	643,622
DEDUCTIONS					
Pension benefits	1,198,835	780,326	-	924,378	228,045
Pension refunds	4,373	32,188	96,557	1,182	(7,063)
Transfers to other plans	27	2,463	567	-	679
Administrative expenses	301	759	-	41	67
Distributions to participants	-	-	-	-	-
Total Deductions	1,203,536	815,736	97,124	925,601	221,728
Net Increase (Decrease)	(431,910)	970,668	62,225	(482,568)	421,894
Net Position - Beginning	7,558,312	29,511,959	2,418,189	6,069,588	10,377,031
Net Position - Ending	$ 7,126,402	$ 30,482,627	$ 2,480,414	$ 5,587,020	$ 10,798,925

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2016

(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	$ -	$ 115,480	$ -	$ (98)	$ 92,049
Members	309,813	47,155	67,713	837	173,870
State	-	-	-	-	60,375
Participants	-	-	-	-	-
Total Contributions	309,813	162,635	67,713	739	326,294
Investment Income:					
Net appreciation (depreciation) in fair value	39,620	23,539	8,107	19,271	57,609
Interest and dividends	105,824	93,786	29,355	123,975	227,194
Less: investment expenses	(20,155)	(17,122)	(5,290)	(22,301)	(41,900)
Net investment income (loss)	125,289	100,203	32,172	120,945	242,903
Transfers from other plans	1,585	27	1,102	-	23
Other additions	1	-	-	-	-
Total Additions	436,688	262,865	100,987	121,684	569,220
DEDUCTIONS					
Pension benefits	-	115,363	-	360,485	184,066
Pension refunds	299,819	(117)	87,631	440	6,645
Transfers to other plans	938	833	311	-	-
Administrative expenses	-	21	-	41	557
Distributions to participants	-	-	-	-	-
Total Deductions	300,757	116,100	87,942	360,966	191,268
Net Increase (Decrease)	135,931	146,765	13,045	(239,282)	377,952
Net Position - Beginning	7,231,178	4,067,278	1,688,471	5,610,151	9,832,668
Net Position - Ending	$ 7,367,109	$ 4,214,043	$ 1,701,516	$ 5,370,869	$ 10,210,620

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

Continued

	WSPRS Plan 1/2	PSERS Plan 2	JRS	JRA
ADDITIONS				
Contributions:				
Employers	$ 7,043	$ 20,058	$ -	$ 21
Members	8,895	21,148	-	21
State	-	-	9,500	-
Participants	-	-	-	-
Total Contributions	15,938	41,206	9,500	42
Investment Income:				
Net appreciation (depreciation) in fair value	4,863	3,108	26	(45)
Interest and dividends	24,977	8,512	48	55
Less: investment expenses	(4,488)	(1,524)	-	(15)
Net investment income (loss)	25,352	10,096	74	(5)
Transfers from other plans	429	1	-	-
Other additions	-	-	-	-
Total Additions	41,719	51,303	9,574	37
DEDUCTIONS				
Pension benefits	53,650	630	9,130	1,232
Pension refunds	508	2,646	-	-
Transfers to other plans	-	62	-	-
Administrative expenses	60	9	-	-
Distributions to participants	-	-	-	-
Total Deductions	54,218	3,347	9,130	1,232
Net Increase (Decrease)	(12,499)	47,956	444	(1,195)
Net Position - Beginning	1,110,626	352,760	6,333	12,245
Net Position - Ending	$ 1,098,127	$ 400,716	$ 6,777	$ 11,050

PENSION AND OTHER EMPLOYEE BENEFIT FUNDS

Combining Statement of Changes in Plan Net Position

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

Concluded

	Judges	VFFRPF	Deferred Compensation	Total
ADDITIONS				
Contributions:				
Employers	$ -	$ 918	$ -	$ 2,026,737
Members	-	67	-	1,342,628
State	501	7,235	-	77,611
Participants	-	-	213,531	213,531
Total Contributions	501	8,220	213,531	3,660,507
Investment Income:				
Net appreciation (depreciation) in fair value	2	981	1,959	432,435
Interest and dividends	4	4,376	15,213	1,883,126
Less: investment expenses	-	(769)	(4,498)	(344,318)
Net investment income (loss)	6	4,588	12,674	1,971,243
Transfers from other plans	-	-	-	5,880
Other additions	-	-	3	4
Total Additions	507	12,808	226,208	5,637,634
DEDUCTIONS				
Pension benefits	441	10,780	-	3,867,361
Pension refunds	-	16	-	524,825
Transfers to other plans	-	-	-	5,880
Administrative expenses	-	1,205	-	3,061
Distributions to participants	-	-	215,450	215,450
Total Deductions	441	12,001	215,450	4,616,577
Net Increase (Decrease)	66	807	10,758	1,021,057
Net Position - Beginning	515	207,855	3,612,278	89,667,437
Net Position - Ending	$ 581	$ 208,662	$ 3,623,036	$ 90,688,494

AGENCY FUNDS

Combining Statement of Assets and Liabilities

June 30, 2016

(expressed in thousands)

	Local Government Distributions	Retiree Health Insurance	Other Agency	Total
ASSETS				
Cash and pooled investments	$ 10,375	$ 10,529	$ 104,643	$ 125,547
Investments	228	2,178	40,389	42,795
Other receivables	-	2,871	5,185	8,056
Due from other governments	30	18,128	1,366	19,524
Investments, noncurrent	32	-	273	305
Other noncurrent assets	-	-	48,384	48,384
Total Assets	$ 10,665	$ 33,706	$ 200,240	$ 244,611
LIABILITIES				
Accounts payable	$ -	$ 5,025	$ 3,026	$ 8,051
Contracts payable	-	25,996	11,287	37,283
Accrued liabilities	32	507	129,776	130,315
Obligations under security lending agreements	228	2,178	521	2,927
Due to other governments	10,405	-	7,246	17,651
Other long-term liabilities	-	-	48,384	48,384
Total Liabilities	$ 10,665	$ 33,706	$ 200,240	$ 244,611

AGENCY FUNDS

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

Continued

Suspense Fund	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
ASSETS				
Cash and pooled investments	$ -	$ 630,736	$ 630,736	$ -
Other receivables	-	18,676	18,676	-
Due from other governments	-	186	186	-
Total Assets	$ -	$ 649,598	$ 649,598	$ -
LIABILITIES				
Accounts payable	$ -	$ 13,999	$ 13,999	$ -
Accrued liabilities	-	388,997	388,997	-
Due to other funds	-	12,882	12,882	-
Due to other governments	-	215,097	215,097	-
Total Liabilities	$ -	$ 630,975	$ 630,975	$ -
Local Government Distributions Fund				
ASSETS				
Cash and pooled investments	$ 10,274	$ 3,929,522	$ 3,929,421	$ 10,375
Investments	202	26	-	228
Due from other funds	-	3,876,242	3,876,242	-
Due from other governments	30	-	-	30
Investments, noncurrent	5	27	-	32
Total Assets	$ 10,511	$ 7,805,817	$ 7,805,663	$ 10,665
LIABILITIES				
Accrued liabilities	$ 5	$ 29	$ 2	$ 32
Obligations under security lending agreements	202	26	-	228
Due to other governments	10,304	4,005,175	4,005,074	10,405
Total Liabilities	$ 10,511	$ 4,005,230	$ 4,005,076	$ 10,665
Pooled Investments Fund				
ASSETS				
Cash and pooled investments	$ -	$ 186,812,211	$ 186,812,211	$ -
Investments	-	3,747,770	3,747,770	-
Other receivables	-	5,881,176	5,881,176	-
Due from other funds	-	3,015	3,015	-
Investment trades pending receivable	-	60,723,518	60,723,518	-
Total Assets	$ -	$ 257,167,690	$ 257,167,690	$ -
LIABILITIES				
Accounts payable	$ -	$ 123	$ 123	$ -
Accrued liabilities	-	307,328,811	307,328,811	-
Due to other funds	-	5,805	5,805	-
Total Liabilities	$ -	$ 307,334,739	$ 307,334,739	$ -

AGENCY FUNDS

Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

Concluded

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Retiree Health Insurance Fund				
ASSETS				
Cash and pooled investments	$ 8,909	$ 596,100	$ 594,480	$ 10,529
Investments	2,052	252	126	2,178
Other receivables	2,670	199,294	199,093	2,871
Due from other governments	17,411	395,721	395,004	18,128
Total Assets	$ 31,042	$ 1,191,367	$ 1,188,703	$ 33,706
LIABILITIES				
Accounts payable	$ 3,847	$ 410,214	$ 409,036	$ 5,025
Contracts payable	24,663	186,776	185,443	25,996
Accrued liabilities	480	68	41	507
Obligations under security lending agreements	2,052	252	126	2,178
Total Liabilities	$ 31,042	$ 597,310	$ 594,646	$ 33,706
Other Agency Funds				
ASSETS				
Cash and pooled investments	$ 54,204	$ 7,083,613	$ 7,033,174	$ 104,643
Investments	267	53,696	13,574	40,389
Other receivables	6,009	367,516	368,340	5,185
Investment trades pending receivable	-	27,278	27,278	-
Due from other funds	-	30,928	30,928	-
Due from other governments	616	18,351	17,601	1,366
Investments, noncurrent	207	21,202	21,136	273
Other noncurrent assets	58,957	-	10,573	48,384
Total Assets	$ 120,260	$ 7,602,584	$ 7,522,604	$ 200,240
LIABILITIES				
Accounts payable	$ 3,671	$ 1,249,925	$ 1,250,570	$ 3,026
Contracts payable	5,230	722,608	716,551	11,287
Accrued liabilities	44,450	6,588,603	6,503,277	129,776
Obligations under security lending agreements	267	254	-	521
Due to other funds	-	40,300	40,300	-
Due to other governments	7,685	78,711	79,150	7,246
Other long-term liabilities	58,957	-	10,573	48,384
Total Liabilities	$ 120,260	$ 8,680,401	$ 8,600,421	$ 200,240
Totals - All Agency Funds				
ASSETS				
Cash and pooled investments	$ 73,387	$ 199,052,182	$ 199,000,022	$ 125,547
Investments	2,521	3,801,744	3,761,470	42,795
Other receivables	8,679	6,466,662	6,467,285	8,056
Investment trades pending receivable	-	60,750,796	60,750,796	-
Due from other funds	-	3,910,185	3,910,185	-
Due from other governments	18,057	414,258	412,791	19,524
Investments, noncurrent	212	21,229	21,136	305
Other noncurrent assets	58,957	-	10,573	48,384
Total Assets	$ 161,813	$ 274,417,056	$ 274,334,258	$ 244,611
LIABILITIES				
Accounts payable	$ 7,518	$ 1,674,261	$ 1,673,728	$ 8,051
Contracts payable	29,893	909,384	901,994	37,283
Accrued liabilities	44,935	314,306,508	314,221,128	130,315
Obligations under security lending agreements	2,521	532	126	2,927
Due to other funds	-	58,987	58,987	-
Due to other governments	17,989	4,298,983	4,299,321	17,651
Other long-term liabilities	58,957	-	10,573	48,384
Total Liabilities	$ 161,813	$ 321,248,655	$ 321,165,857	$ 244,611

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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, 2016

(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 pooled investments	$ 6,383	$ 426	$ 1,697	$ 247	$ 8,753
Investments	51,874	3,100	-	-	54,974
Receivables (net of allowance)	32,839	78	3	-	32,920
Prepaid expenses	242	12	14	-	268
Total Current Assets	91,338	3,616	1,714	247	96,915
Noncurrent Assets:					
Other noncurrent assets	186,525	59	-	-	186,584
Capital assets:					
Furnishings, equipment and intangible assets	1,999	-	-	-	1,999
Accumulated depreciation	(1,670)	-	-	-	(1,670)
Total Noncurrent Assets	186,854	59	-	-	186,913
Total Assets	278,192	3,675	1,714	247	283,828
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows on hedging derivatives	572	-	-	-	572
Total Deferred Outflows of Resources	572	-	-	-	572
Total Assets and Deferred Outflows of Resources	$ 278,764	$ 3,675	$ 1,714	$ 247	$ 284,400
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION					
LIABILITIES					
Current Liabilities:					
Accounts payable	$ 38,349	$ 24	$ 39	$ -	$ 38,412
Accrued liabilities	1,172	73	-	-	1,245
Unearned revenue	10,227	12	-	-	10,239
Total Current Liabilities	49,748	109	39	-	49,896
Noncurrent Liabilities:					
Net pension liability	4,102	308	-	-	4,410
Total Noncurrent Liabilities	4,102	308	-	-	4,410
Total Liabilities	53,850	417	39	-	54,306
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows on pensions	617	113	-	-	730
Total Deferred Inflows of Resources	617	113	-	-	730
NET POSITION					
Net investment in capital assets	329	-	-	-	329
Other purposes	1,083	-	-	-	1,083
Unrestricted	222,885	3,145	1,675	247	227,952
Total Net Position	224,297	3,145	1,675	247	229,364
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 278,764	$ 3,675	$ 1,714	$ 247	$ 284,400

NONMAJOR COMPONENT UNITS
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2016
(expressed in thousands)

	Housing Finance	Health Care Facilities	Higher Education Facilities	Economic Development Finance	Total
EXPENSES	$ 23,285	$ 1,056	$ 322	$ 196	$ 24,859
PROGRAM REVENUES					
Charges for services	67,342	1,053	76	102	68,573
Operating grants and contributions	5,578	-	-	-	5,578
Total Program Revenues	72,920	1,053	76	102	74,151
Net Program Revenues (Expense)	49,635	(3)	(246)	(94)	49,292
GENERAL REVENUES					
Earnings (loss) on investments	1,493	6	6	-	1,505
Other	-	8	-	-	8
Total General Revenues	1,493	14	6	-	1,513
Change in Net Position	51,128	11	(240)	(94)	50,805
Net Position - Beginning, as restated	173,169	3,134	1,915	341	178,559
Net Position - Ending	$ 224,297	$ 3,145	$ 1,675	$ 247	$ 229,364

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Individual Fund Schedules

COMBINING SCHEDULE FOR GENERAL FUND ACCOUNTS

Balance Sheet

June 30, 2016

(expressed in thousands)

	General Fund Basic Account	Administrative Accounts	Total
ASSETS			
Cash and pooled investments	$ 1,659,222	$ 717,537	$ 2,376,759
Investments	1,411	45,783	47,194
Taxes receivable (net of allowance)	3,676,344	-	3,676,344
Receivables (net of allowance)	184,491	13,836	198,327
Due from other funds	251,951	16,636	268,587
Due from other governments	1,035,193	4,002	1,039,195
Inventories and prepaids	15,104	-	15,104
Restricted cash and investments	2,629	35,186	37,815
Restricted receivables	56,580	-	56,580
Total Assets	$ 6,882,925	$ 832,980	$ 7,715,905
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 909,977	$ 70,522	$ 980,499
Contracts payable	46,458	1,725	48,183
Accrued liabilities	230,747	18,277	249,024
Obligations under security lending agreements	89,415	20,680	110,095
Due to other funds	222,084	56,093	278,177
Due to other governments	1,037,430	4,127	1,041,557
Unearned revenue	98,798	109	98,907
Claims and judgments payable	49,085	-	49,085
Total Liabilities	2,683,994	171,533	2,855,527
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	1,625,111	5,000	1,630,111
Total Deferred Inflows of Resources	1,625,111	5,000	1,630,111
FUND BALANCES			
Nonspendable fund balance	45,578	-	45,578
Restricted fund balance	-	558,708	558,708
Committed fund balance	-	114,958	114,958
Assigned fund balance	1,155,952	-	1,155,952
Unassigned fund balance	1,372,290	(17,219)	1,355,071
Total Fund Balances	2,573,820	656,447	3,230,267
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 6,882,925	$ 832,980	$ 7,715,905

COMBINING SCHEDULE FOR GENERAL FUND ACCOUNTS

Schedule of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

	General Fund Basic Account	Administrative Accounts	Total
REVENUES			
Retail sales and use taxes	$ 9,622,982	$ -	$ 9,622,982
Business and occupation taxes	3,631,559	-	3,631,559
Property taxes	2,062,065	-	2,062,065
Excise taxes	933,247	-	933,247
Other taxes	1,938,117	-	1,938,117
Licenses, permits, and fees	116,016	318	116,334
Other contracts and grants	241,734	-	241,734
Timber sales	3,993	-	3,993
Federal grants-in-aid	12,195,494	486	12,195,980
Charges for services	41,764	-	41,764
Investment income (loss)	19,670	5,992	25,662
Miscellaneous revenue	239,650	14,275	253,925
Unclaimed property	70,338	-	70,338
Total Revenues	31,116,629	21,071	31,137,700
EXPENDITURES			
Current:			
General government	739,595	62,827	802,422
Human services	17,060,300	11,514	17,071,814
Natural resources and recreation	335,151	199,346	534,497
Transportation	44,258	23,209	67,467
Education	11,005,919	397,195	11,403,114
Intergovernmental	37,563	81,777	119,340
Capital outlays	110,106	890	110,996
Debt service:			
Principal	8,333	6	8,339
Interest	3,260	2	3,262
Total Expenditures	29,344,485	776,766	30,121,251
Excess of Revenues Over (Under) Expenditures	1,772,144	(755,695)	1,016,449
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	89,119	89,119
Issuance premiums	11,217	1,400	12,617
Other debt issued	74,636	-	74,636
Transfers in	438,784	138,706	577,490
Transfers out	(1,776,825)	571,362	(1,205,463)
Total Other Financing Sources (Uses)	(1,252,188)	800,587	(451,601)
Net Change in Fund Balances	519,956	44,892	564,848
Fund Balances - Beginning	2,053,864	611,555	2,665,419
Fund Balances - Ending	$ 2,573,820	$ 656,447	$ 3,230,267

GENERAL FUND ACCOUNTS

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

For the Fiscal Year Ended June 30, 2016

(expressed in thousands)

	General Fund Basic Account			
	Original Budget 2015-17 Biennium	**Final Budget 2015-17 Biennium**	**Actual 2015-17 Biennium**	**Variance with Final Budget**
Budgetary Fund Balance, July 1, as restated	$ 990,881	$ 990,881	$ 990,881	$ -
Resources				
Taxes	35,910,732	36,257,960	18,150,407	(18,107,553)
Licenses, permits, and fees	228,388	227,678	116,016	(111,662)
Other contracts and grants	550,312	550,883	241,734	(309,149)
Timber sales	6,616	6,650	3,993	(2,657)
Federal grants-in-aid	22,719,155	22,829,073	10,606,061	(12,223,012)
Charges for services	76,880	80,393	41,764	(38,629)
Investment income (loss)	9,533	10,975	8,630	(2,345)
Miscellaneous revenue	273,373	355,290	224,578	(130,712)
Unclaimed property	121,876	115,522	70,655	(44,867)
Transfers from other funds	734,394	952,172	453,433	(498,739)
Total Resources	61,622,140	62,377,477	$ 30,908,152	(31,469,325)
Charges To Appropriations				
General government	4,037,978	3,996,671	1,868,204	2,128,467
Human services	32,513,791	32,581,335	15,514,944	17,066,391
Natural resources and recreation	689,680	676,125	300,592	375,533
Transportation	99,756	102,494	46,029	56,465
Education	22,962,051	23,540,235	11,277,902	12,262,333
Capital outlays	379,814	351,916	71,237	280,679
Transfers to other funds	698,689	852,488	394,143	458,345
Total Charges To Appropriations	61,381,759	62,101,264	29,473,051	32,628,213
Excess Available For Appropriation Over (Under) Charges To Appropriations	240,381	276,213	1,435,101	1,158,888
Reconciling Items				
Bond sale proceeds	-	-	-	-
Issuance premiums	-	-	-	-
Assumed reversions	172,500	207,204	-	(207,204)
Working capital adjustment	-	-	(141,000)	(141,000)
Allocations	-	-	-	-
Noncash activity (net)	-	-	76,130	76,130
Nonappropriated fund balances	-	-	-	-
Changes in reserves (net)	-	-	2,059	2,059
Total Reconciling Items	172,500	207,204	(62,811)	(270,015)
Budgetary Fund Balance, June 30	$ 412,881	$ 483,417	$ 1,372,290	$ 888,873

Administrative Accounts in the General Fund			
Original Budget 2015-17 Biennium	Final Budget 2015-17 Biennium	Actual 2015-17 Biennium	Variance with Final Budget
$ 559,966	$ 559,966	$ 559,966	$ -
(167,215)	(166,313)	(81,777)	84,536
893	893	318	(575)
2	2	-	(2)
-	-	-	-
1,050	1,050	-	(1,050)
30	30	-	(30)
7,291	7,291	3,592	(3,699)
11,405	11,406	(5,852)	(17,258)
-	-	-	-
1,240,617	1,332,911	424,542	(908,369)
1,654,039	1,747,236	900,789	(846,447)
49,216	130,929	776	130,153
19,159	26,436	6,213	20,223
6,036	160,876	132,594	28,282
4,975	39,340	23,214	16,126
85,467	282,871	140,112	142,759
379,465	384,465	116,249	268,216
17,189	162,805	8,849	153,956
561,507	1,187,722	428,007	759,715
1,092,532	559,514	472,782	(86,732)
319,039	319,039	89,119	(229,920)
-	-	1,400	1,400
-	-	-	-
-	-	-	-
-	-	-	-
-	-	7,342	7,342
-	-	86,437	86,437
-	-	(633)	(633)
319,039	319,039	183,665	(135,374)
$ 1,411,571	$ 878,553	$ 656,447	$ (222,106)

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STATISTICAL SECTION

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Statistical Section

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

FINANCIAL TRENDS

Schedule 1 – Net Position by Component

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

	2016	2015	2014	2013	2012
GOVERNMENTAL ACTIVITIES					
Net investment in capital assets	$ 19,942	$ 19,958	$ 19,816	$ 19,706	$ 19,561
Restricted	8,518	8,320	6,589	6,524	5,296
Unrestricted	(2,691)	(3,944)	399	111	233
Total governmental activities net position	$ 25,769	$ 24,334	$ 26,804	$ 26,341	$ 25,090
BUSINESS-TYPE ACTIVITIES					
Net investment in capital assets	$ 745	$ 973	$ 625	$ 740	$ 797
Restricted	4,485	4,240	3,815	3,469	3,225
Unrestricted	(8,724)	(8,945)	(8,318)	(9,067)	(8,599)
Total business-type activities net position	$ (3,494)	$ (3,732)	$ (3,878)	$ (4,858)	$ (4,577)
PRIMARY GOVERNMENT					
Net investment in capital assets	$ 20,687	$ 20,931	$ 20,441	$ 20,446	$ 20,358
Restricted	13,002	12,560	10,404	9,993	8,521
Unrestricted	(11,415)	(12,889)	(7,919)	(8,956)	(8,366)
Total primary government net position	$ 22,274	$ 20,602	$ 22,926	$ 21,483	$ 20,513
COMPONENT UNITS					
Net investment in capital assets	$ 354	$ 379	$ 420	$ 320	$ 322
Restricted	15	20	22	13	16
Unrestricted	477	432	374	131	109
Total component units net position	$ 846	$ 831	$ 816	$ 464	$ 446

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

2011	2010	2009	2008	2007
$ 18,723	$ 18,201	$ 17,551	$ 17,029	$ 16,189
4,847	5,214	4,887	5,524	5,072
1,160	(217)	1,417	3,544	4,269
$ 24,730	$ 23,198	$ 23,855	$ 26,097	$ 25,530
$ 718	$ 913	$ 721	$ 521	$ 598
3,199	2,930	3,800	4,406	3,891
(9,662)	(10,864)	(9,737)	(9,211)	(7,256)
$ (5,745)	$ (7,021)	$ (5,216)	$ (4,284)	$ (2,767)
$ 19,441	$ 19,114	$ 18,272	$ 17,550	$ 16,787
8,046	8,144	8,687	9,930	8,963
(8,502)	(11,081)	(8,320)	(5,667)	(2,986)
$ 18,985	$ 16,177	$ 18,639	$ 21,813	$ 22,764
$ 332	$ 343	$ 354	$ 365	$ 372
20	21	23	24	31
102	96	87	82	74
$ 454	$ 460	$ 464	$ 471	$ 477

FINANCIAL TRENDS

Schedule 2 – Changes in Net Position

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

	2016	2015	2014	2013	2012
EXPENSES					
Governmental activities:					
General government	$ 1,658	$ 1,987	$ 1,607	$ 1,537	$ 1,219
Education - elementary and secondary (K-12)	10,153	9,426	8,914	8,237	8,257
Education - higher education	7,531	7,095	6,910	6,992	6,526
Human services	17,209	16,890	15,052	13,182	13,168
Adult corrections	983	956	911	844	886
Natural resources and recreation	1,264	1,335	1,137	1,096	982
Transportation	2,363	2,309	2,400	2,379	2,396
Interest on long-term debt	991	981	938	955	910
Total governmental activities expenses	42,153	40,978	37,869	35,222	34,345
Business-type activities:					
Workers' compensation	3,238	3,018	3,142	3,329	1,919
Unemployment compensation	1,020	968	1,380	1,983	2,817
Higher education student services	2,495	2,314	2,080	1,927	1,834
Liquor control (1)(2)	-	-	-	-	566
Washington's lottery (1)	535	466	463	437	407
Guaranteed education tuition program (3)	(152)	(585)	185	(105)	-
Other	161	157	133	126	210
Total business-type activities expenses	7,296	6,338	7,383	7,697	7,754
Total primary government expenses	$ 49,449	$ 47,317	$ 45,252	$ 42,919	$ 42,099
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	$ 853	$ 887	$ 870	$ 977	$ 702
Education - elementary and secondary (K-12)	21	21	26	14	10
Education - higher education	2,762	2,815	2,741	2,760	2,662
Human services	724	659	612	544	531
Adult corrections	7	8	8	8	8
Natural resources and recreation	468	455	510	421	434
Transportation	1,206	1,139	1,082	1,025	878
Operating grants and contributions	15,358	15,158	13,240	12,027	11,790
Capital grants and contributions	1,113	867	1,066	997	944
Total governmental activities program revenues	22,510	22,010	20,155	18,773	17,960
Business-type activities:					
Charges for services:					
Workers' compensation	2,557	2,375	2,237	2,154	2,046
Unemployment compensation	1,139	1,257	1,349	1,308	1,346
Higher education student services	2,395	2,216	1,987	1,857	1,762
Liquor control (1)(2)	-	-	-	-	582
Washington's lottery (1)	698	603	595	570	535
Guaranteed education tuition program (3)	(348)	53	138	174	-
Other	155	126	110	103	121
Operating grants and contributions	70	77	326	870	1,443
Capital grants and contributions	-	-	-	-	1
Total business-type activities program revenues	6,666	6,707	6,742	7,036	7,836
Total primary government program revenues	$ 29,176	$ 28,717	$ 26,897	$ 25,809	$ 25,796
NET (EXPENSE)/REVENUE					
Governmental activities	$(19,643)	$(18,969)	$(17,714)	$(16,449)	$(16,385)
Business-type activities	(630)	369	(641)	(661)	83
Total primary government net expense	$(20,273)	$(18,600)	$(18,355)	$(17,110)	$(16,302)

Refer to footnotes on page 278.

Continued

2011	2010	2009	2008	2007
$ 1,674	$ 1,738	$ 1,815	$ 1,609	$ 1,525
8,055	8,468	8,549	7,476	6,871
6,257	6,051	6,044	5,710	5,244
13,363	12,946	12,436	11,260	10,473
935	938	1,044	1,020	811
996	1,084	1,062	931	983
1,981	2,073	1,883	1,894	1,588
882	810	728	643	553
34,144	34,108	33,561	30,543	28,048
1,219	4,268	2,544	4,068	3,841
3,690	4,729	2,360	791	697
1,820	1,628	1,502	1,470	1,305
556	552	540	-	-
393	389	401	-	-
-	-	-	-	-
784	345	391	1,204	1,103
8,463	11,911	7,738	7,533	6,946
$ 42,607	$ 46,019	$ 41,299	$ 38,076	$ 34,994
$ 645	$ 534	$ 600	$ 651	$ 576
16	12	19	13	14
2,379	2,210	2,170	1,718	1,545
462	345	300	251	236
7	18	9	10	10
478	564	400	376	393
914	899	900	894	844
12,609	12,193	10,565	8,725	8,286
833	939	706	746	744
18,343	17,716	15,669	13,384	12,648
2,019	1,755	1,856	1,596	1,710
1,573	1,288	1,011	1,094	1,248
1,615	1,698	1,556	1,444	1,347
596	593	574	-	-
511	491	488	-	-
-	-	-	-	-
152	162	156	1,230	1,166
2,305	2,468	572	42	46
13	-	-	-	-
8,784	8,455	6,212	5,406	5,518
$ 27,127	$ 26,171	$ 21,881	$ 18,790	$ 18,166
$(15,800)	$(16,392)	$(17,892)	$(17,159)	$(15,400)
321	(3,456)	(1,526)	(2,127)	(1,427)
$(15,479)	$(19,848)	$(19,418)	$(19,286)	$(16,827)

FINANCIAL TRENDS

Schedule 2 – Changes in Net Position

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

	2016	2015	2014	2013	2012
GENERAL REVENUES & OTHER CHANGES IN NET POSITION					
Governmental activities:					
Taxes:					
Sales and use tax	$ 9,740	$ 9,001	$ 8,365	$ 7,710	$ 7,349
Business and occupation	3,636	3,394	3,267	3,294	3,149
Property	2,062	2,018	1,974	1,940	1,897
Other	5,254	3,719	4,244	4,128	3,946
Interest and investment earnings (loss)	168	307	621	397	169
Contributions to endowments	66	65	66	63	47
Transfers	152	136	94	114	165
Total governmental activities	21,078	18,641	18,631	17,646	16,722
Business-type activities:					
Taxes - other	21	20	22	22	72
Interest and investment earnings	999	377	1,618	523	1,150
Transfers	(152)	(136)	(94)	(114)	(165)
Other general revenue [4]	-	-	-	-	30
Special item [5]	-	-	-	-	-
Total business-type activities	868	261	1,546	431	1,088
Total primary government	$ 21,946	$ 18,902	$ 20,177	$ 18,077	$ 17,810
CHANGE IN NET POSITION					
Governmental activities	$ 1,435	$ (328)	$ 917	$ 1,197	$ 337
Business-type activities	237	630	905	(230)	1,171
Total primary government	$ 1,672	$ 302	$ 1,822	$ 967	$ 1,508
COMPONENT UNITS					
Total expenses	$ 1,165	$ 1,080	$ 859	$ 46	$ 60
Program revenues:					
Charges for services	1,093	945	802	33	18
Operating grants and contributions	68	126	95	29	32
Capital grants and contributions	-	-	-	2	1
Total program revenues	1,161	1,071	897	64	51
Net (expense) / revenue	(4)	(9)	38	18	(9)
General revenues - property taxes and other	20	18	17	-	-
General revenues - interest and investment earnings (loss)	9	5	(14)	-	2
Total component units - change in net position	$ 25	$ 14	$ 41	$ 18	$ (8)

(1) Liquor control and Washington's lottery were separated from other business-type activities in 2009.

(2) The Liquor control distribution and sale of spirits ceased with the passage of Initative 1183. The remaining activities of Liquor control for enforcement and regulation of alcohol and tobacco sales were reclassified to a governmental activity.

(3) Guaranteed education tuition program was separated from other business-type activities in 2013.

(4) Liquor and Cannabis Board auctioned off "Right to Sell" at state owned liquor stores as part of the closeout process in 2012.

(5) The Convention and Trade Center was transferred to another government in 2011.

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

Concluded

2011	2010	2009	2008	2007
$ 7,349	$ 6,871	$ 7,306	$ 8,341	$ 7,952
3,077	2,597	2,614	2,851	2,756
1,858	1,822	1,785	1,742	1,688
3,881	3,692	4,296	3,959	4,308
474	449	(212)	464	818
69	52	57	95	97
231	252	(190)	272	204
16,939	15,735	15,656	17,724	17,824
174	160	113	115	108
1,611	1,742	291	767	1,316
(231)	(252)	190	(272)	(204)
-	-	-	-	-
(223)	-	-	-	-
1,331	1,650	594	610	1,220
$ 18,270	$ 17,385	$ 16,250	$ 18,334	$ 19,044
$ 1,140	$ (657)	$ (2,236)	$ 565	$ 2,424
1,653	(1,806)	(932)	(1,517)	(207)
$ 2,793	$ (2,463)	$ (3,168)	$ (952)	$ 2,216
$ 131	$ 68	$ 29	$ 30	$ 30
17	16	15	16	15
105	44	1	-	-
1	1	1	1	1
123	61	17	17	16
(8)	(7)	(12)	(13)	(14)
-	-	-	-	-
2	3	5	7	5
$ (6)	$ (4)	$ (7)	$ (6)	$ (9)

FINANCIAL TRENDS

Schedule 3 – Fund Balances, Governmental Funds (1)

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

	2016	2015	2014	2013	2012
GENERAL FUND					
Nonspendable	$ 45,578	$ 47,353	$ 50,475	$ 49,819	$ 54,726
Restricted	558,708	533,279	416,652	299,165	161,689
Committed	114,958	105,667	142,586	59,579	78,117
Assigned	1,155,952	1,014,952	879,952	835,152	710,091
Unassigned	1,355,071	964,168	336,476	138,875	-
Reserved	N/A	N/A	N/A	N/A	N/A
Unreserved, designated for:					
Working capital	N/A	N/A	N/A	N/A	N/A
Unreserved, undesignated	N/A	N/A	N/A	N/A	N/A
Total General Fund	3,230,267	2,665,419	1,826,141	1,382,590	1,004,623
ALL OTHER GOVERNMENTAL FUNDS					
Nonspendable	2,493,189	2,487,573	2,438,057	2,289,499	2,207,007
Restricted	4,050,297	3,835,980	4,008,161	3,895,017	4,919,729
Committed	6,013,887	5,860,326	5,138,780	4,937,328	3,503,646
Assigned	18,300	16,060	-	40	44
Unassigned	(11,821)	(167,356)	-	(79,327)	-
Reserved	N/A	N/A	N/A	N/A	N/A
Unreserved, designated for:					
Higher education	N/A	N/A	N/A	N/A	N/A
Special revenue funds	N/A	N/A	N/A	N/A	N/A
Debt service funds	N/A	N/A	N/A	N/A	N/A
Unreserved, undesignated	N/A	N/A	N/A	N/A	N/A
Unreserved, undesignated, reported in:					
Nonmajor special revenue funds	N/A	N/A	N/A	N/A	N/A
Nonmajor capital project funds	N/A	N/A	N/A	N/A	N/A
Total all other governmental funds	12,563,852	12,032,583	11,584,998	11,042,557	10,630,426
Total governmental fund balances	$ 15,794,119	$ 14,698,002	$ 13,411,139	$ 12,425,147	$ 11,635,049

(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

2011	2010	2009	2008	2007
$ 89,916	N/A	N/A	N/A	N/A
23,273	N/A	N/A	N/A	N/A
98,077	N/A	N/A	N/A	N/A
1,114,699	N/A	N/A	N/A	N/A
(107,764)	N/A	N/A	N/A	N/A
N/A	$ 76,164	$ 74,929	$ 200,794	$ 119,687
N/A	863,652	897,763	1,040,563	1,002,963
N/A	(561,067)	189,258	677,431	780,510
1,218,201	378,749	1,161,950	1,918,788	1,903,160
3,664,194	N/A	N/A	N/A	N/A
3,790,577	N/A	N/A	N/A	N/A
2,052,523	N/A	N/A	N/A	N/A
45	N/A	N/A	N/A	N/A
(174,472)	N/A	N/A	N/A	N/A
N/A	6,298,440	4,993,402	6,549,844	5,435,860
N/A	107,624	155,679	155,679	155,679
N/A	157	165	220	221
N/A	170,200	267,470	362,122	220,474
N/A	2,297,145	814,231	1,006,121	1,151,829
N/A	1,219,705	1,848,410	2,432,112	3,040,036
N/A	69,192	307,556	106,741	246,060
9,332,867	10,162,463	8,386,913	10,612,839	10,250,159
$ 10,551,068	$ 10,541,212	$ 9,548,863	$ 12,531,627	$ 12,153,319

FINANCIAL TRENDS

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

Last Ten Fiscal Years (expressed in millions)

	2016	2015	2014	2013	2012
REVENUES					
Taxes:					
Retail sales and use	$ 9,740	$ 9,001	$ 8,365	$ 7,710	$ 7,349
Business and occupation	3,636	3,394	3,267	3,294	3,149
Motor vehicle and fuel	1,486	1,253	1,215	1,195	1,178
Liquor, beer, and wine	348	331	321	365	323
Cigarette and tobacco	451	474	443	465	471
Insurance premiums	535	556	467	436	430
Public utilities	469	455	464	440	438
Property	2,062	2,018	1,974	1,940	1,897
Excise	1,203	927	717	651	495
Gift and inheritance	136	150	157	104	105
Other taxes	430	410	474	444	424
Total Taxes	20,496	18,969	17,864	17,044	16,260
Licenses, permits, and fees	1,766	1,660	1,627	1,599	1,244
Federal grants-in-aid	15,034	14,712	13,168	11,889	11,905
Charges and miscellaneous revenue	5,831	5,751	5,369	5,321	4,852
Investment income (loss)	168	307	621	397	169
Total Revenues	43,295	41,399	38,649	36,250	34,431
EXPENDITURES					
Current:					
General government	1,289	1,330	1,280	1,162	1,169
Human services	18,037	17,566	15,733	13,957	13,903
Natural resources and recreation	1,214	1,239	1,037	1,043	920
Transportation	1,955	1,883	1,817	1,797	1,788
Education	16,922	15,915	15,130	14,551	14,275
Intergovernmental	492	465	456	440	399
Capital outlays	2,200	2,247	2,293	2,456	2,224
Debt service:					
Principal	1,040	944	868	784	728
Interest	999	982	939	921	884
Total Expenditures	44,147	42,572	39,552	37,111	36,288
Revenues Over (Under) Expenditures	(852)	(1,174)	(903)	(861)	(1,858)
OTHER FINANCING SOURCES (USES):					
Bonds issued, net of refunding	1,709	1,368	2,038	1,344	2,759
Other debt issued, net of refunding	102	31	45	156	21
Transfers in	4,317	5,062	4,356	3,152	2,669
Transfers out	(4,180)	(4,937)	(4,274)	(3,051)	(2,517)
Net Other Financing Sources (Uses)	1,948	1,524	2,165	1,601	2,931
Net Change in Fund Balances	$ 1,096	$ 350	$ 1,262	$ 740	$ 1,074
Debt service as a percentage of noncapital expenditures [(1)]	4.8%	4.7%	4.8%	4.9%	4.7%

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

Figures may not total due to rounding.
Source: Washington State Office of Financial Management, Accounting Division

2011	2010	2009	2008	2007
$ 7,349	$ 6,871	$ 7,306	$ 8,341	$ 7,952
3,077	2,597	2,614	2,851	2,756
1,206	1,219	1,183	1,170	1,135
229	223	222	214	207
494	426	432	413	439
413	406	408	415	392
450	416	430	428	408
1,858	1,822	1,785	1,742	1,688
447	471	487	781	1,107
123	82	139	111	183
438	418	361	427	437
16,084	14,951	15,368	16,892	16,704
1,072	987	899	911	863
12,599	12,388	10,548	8,767	8,317
4,722	4,460	4,145	3,869	3,559
474	449	(212)	464	818
34,951	33,235	30,748	30,903	30,261
1,375	1,474	1,377	1,254	1,146
14,134	13,736	13,154	12,115	11,242
966	889	999	897	906
1,809	1,876	1,847	1,803	1,647
14,086	13,989	13,826	12,860	11,789
393	382	383	379	378
2,403	2,260	2,446	2,264	2,296
697	671	645	586	528
830	740	670	589	545
36,692	36,016	35,348	32,748	30,477
(1,741)	(2,782)	(4,599)	(1,845)	(216)
989	3,416	1,781	1,957	1,674
154	112	49	19	63
3,860	3,699	4,125	2,628	3,308
(3,636)	(3,452)	(4,340)	(2,382)	(3,086)
1,367	3,774	1,615	2,222	1,959
$ (374)	$ 993	$ (2,985)	$ 377	$ 1,743
4.5%	4.2%	4.0%	3.9%	3.8%

FINANCIAL TRENDS

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

Last Ten Fiscal Years (expressed in millions)

	2016	2015	2014	2013	2012
REVENUES					
Taxes:					
Retail sales and use	$ 9,623	$ 8,903	$ 8,275	$ 7,629	$ 7,274
Business and occupation	3,632	3,389	3,262	3,291	3,145
Liquor, beer, and wine	284	282	274	340	296
Cigarette and tobacco	451	474	443	465	471
Insurance premiums	510	529	457	426	421
Public utilities	449	437	447	423	427
Property	2,062	2,018	1,974	1,940	1,897
Excise	933	787	650	583	434
Gift and inheritance	-	(1)	-	3	-
Other taxes	245	207	226	194	183
Total Taxes	18,189	17,025	16,008	15,294	14,547
Licenses, permits, and fees	116	115	108	105	99
Federal grants-in-aid	12,196	12,053	10,226	8,780	8,824
Charges and miscellaneous revenue	611	583	506	540	520
Investment income (loss)	26	8	7	(17)	(6)
Total Revenues	31,138	29,784	26,855	24,702	23,983
EXPENDITURES					
Current:					
General government	802	846	833	721	745
Human services	17,072	16,794	14,920	13,236	13,209
Natural resources and recreation	534	445	409	420	373
Transportation	67	37	42	48	42
Education	11,403	10,177	9,754	9,115	9,169
Intergovernmental	119	117	114	108	105
Capital outlays	111	52	51	76	67
Debt service:					
Principal	8	8	9	18	16
Interest	3	1	3	-	1
Total Expenditures	30,121	28,477	26,134	23,742	23,728
Revenues Over (Under) Expenditures	1,016	1,308	721	960	256
OTHER FINANCING SOURCES (USES)					
Bonds issued, net of refunding	102	192	170	127	76
Other debt issued, net of refunding	75	7	-	4	15
Transfers in	577	466	518	596	496
Transfers out	(1,205)	(1,119)	(965)	(1,312)	(1,056)
Net Other Financing Sources (Uses)	(452)	(454)	(277)	(585)	(470)
Net Change in Fund Balances	$ 565	$ 854	$ 444	$ 375	$ (214)

Figures may not total due to rounding.

Source: Washington State Office of Financial Management, Accounting Division

2011	2010	2009	2008	2007
$ 7,275	$ 6,802	$ 7,234	$ 8,256	$ 7,870
3,072	2,593	2,530	2,760	2,685
202	198	163	157	154
498	349	68	47	58
404	397	253	261	249
449	400	417	415	395
1,858	1,822	1,529	1,495	1,442
414	418	433	707	1,014
1	-	-	4	4
250	192	163	205	226
14,424	13,169	12,791	14,307	14,097
88	86	95	97	92
9,597	9,648	8,311	6,557	6,204
556	481	326	364	327
(15)	(9)	64	123	106
24,650	23,375	21,587	21,449	20,826
923	822	726	663	640
13,473	13,209	11,912	10,921	10,191
388	360	340	336	361
41	44	37	42	39
9,211	9,243	9,044	8,235	7,765
102	30	32	31	30
49	54	69	57	49
16	20	18	15	15
1	1	1	-	-
24,203	23,783	22,179	20,300	19,090
447	(408)	(592)	1,149	1,736
340	-	-	-	-
14	4	27	12	5
939	1,187	952	72	128
(1,154)	(1,566)	(1,144)	(1,217)	(1,843)
139	(375)	(165)	(1,133)	(1,710)
$ 586	$ (783)	$ (757)	$ 16	$ 26

REVENUE CAPACITY

Schedule 6 – Sales Subject to Retail Sales Tax by Industry

Last Ten Calendar Years (expressed in millions)

Industry [1]	2015	2014	2013	2012	2011
Retail trade:					
Building materials, garden equipment and supplies	$ 5,909	$ 5,348	$ 4,982	$ 4,537	$ 4,280
General merchandise stores	11,086	10,711	10,511	10,311	10,063
Motor vehicles & parts	14,987	13,540	12,565	11,359	10,178
All other retail trade	27,691	26,725	25,582	24,261	23,436
Total retail sales	59,673	56,324	53,640	50,468	47,957
Construction	24,459	21,086	19,256	16,628	15,445
Accommodations & food services	15,677	14,365	13,334	12,611	11,866
Wholesale trade	9,295	9,053	8,750	8,266	8,048
Information	6,754	5,972	5,429	5,117	4,997
Manufacturing	2,589	2,478	2,286	2,114	2,207
All other industries	16,917	15,566	14,506	13,849	13,221
Total sales subject to retail sales tax	$ 135,364	$ 124,844	$ 117,201	$ 109,053	$ 103,741
Direct retail sales tax rate [2]	6.5%	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

2010	2009	2008	2007	2006
$ 4,290	$ 4,234	$ 4,894	$ 5,377	$ 5,379
10,086	9,872	9,802	9,980	9,538
9,504	9,218	10,562	12,741	12,461
22,464	21,640	23,272	23,565	22,308
46,344	44,964	48,530	51,663	49,686
15,704	17,771	23,540	24,435	21,818
11,293	10,871	11,237	11,033	10,253
7,618	7,498	8,703	9,328	8,601
4,957	4,762	4,915	4,766	4,614
2,084	2,106	2,644	3,085	2,699
12,808	12,907	14,439	14,647	13,771
$ 100,808	$ 100,879	$ 114,008	$ 118,957	$ 111,442
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

	2015			2006		
Industry [1]	**Number of Businesses**	**Rank**	**Percent of Total Businesses**	**Number of Businesses**	**Rank**	**Percent of Total Businesses**
Retail trade	50,590	1	25.0%	51,031	1	26.5%
Construction	39,482	2	19.5%	39,120	2	20.3%
Other services [2]	20,084	3	9.9%	21,254	3	11.0%
Management, education & health services	19,629	4	9.7%	17,444	4	9.0%
Accommodations & food services	18,930	5	9.3%	16,943	5	8.8%
Professional, scientific & technical services	13,446	6	6.6%	12,080	7	6.3%
All other industries [3]	12,237	7	6.0%	12,157	6	6.3%
Manufacturing	11,393	8	5.6%	8,575	9	4.4%
Wholesale trade	10,884	9	5.4%	10,142	8	5.3%
Arts, entertainment & recreation	5,875	10	3.0%	4,095	10	2.1%
Total	202,550		100%	192,841		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

	2015			2006		
Industry [1]	Number of Businesses	Rank	Percent of Total Businesses	Number of Businesses	Rank	Percent of Total Businesses
Retailing	195,093	1	40.1%	176,243	1	42.1%
Service and other activities, and gambling contests less than $50,000/year	168,652	2	34.7%	128,590	2	30.7%
Wholesaling	89,105	3	18.3%	83,879	3	20.0%
Manufacturing	10,079	4	2.1%	10,237	4	2.4%
Other B&O tax classifications	7,012	5	1.4%	6,765	5	1.6%
Insurance agents/insurance brokers commissions	5,780	6	1.2%	4,768	6	1.1%
Royalties and child care	4,139	7	0.9%	2,846	7	0.7%
Warehousing, radio and TV broadcasting, public road construction, and government contracting	2,256	8	0.5%	2,355	8	0.6%
Travel agent commissions/international charter, freight brokers, and stevedoring	1,985	9	0.4%	1,455	10	0.4%
Processing for hire, and printing and publishing	1,758	10	0.4%	1,745	9	0.4%
Total	485,859		100%	418,883		100%

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes. The state of Washington is legally prohibited from disclosing the names of individual taxpayers. The information in this table is intended to assist readers in understanding the degree to which the state's business and occupation tax revenue may be concentrated.

Source: Washington State Department of Revenue

REVENUE CAPACITY

Schedule 9 – Taxable Sales by Business and Occupation Tax Classification

Last Ten Calendar Years (expressed in millions)

Industry [1]	2015	2014	2013	2012	2011
Retailing	$ 181,856	$ 173,663	$ 163,752	$ 153,467	$ 146,698
Wholesaling	142,875	142,992	136,837	131,471	125,471
Service and other activities	101,555	93,327	88,826	83,537	78,617
Manufacturing, wholesaling, and retailing of airplanes and components	63,497	61,433	54,744	48,788	35,414
Manufacturing	25,188	28,848	28,320	26,556	26,020
Other business & occupation tax classifications	53,897	52,131	48,833	46,974	46,173
Total	$ 568,868	$ 552,394	$ 521,312	$ 490,793	$ 458,393
State B&O tax rate range	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.9%	0.1 - 1.9%

[1] Industry classifications are based on North American Industry Classification System (NAICS) codes.

Source: Washington State Department of Revenue, Quarterly Business Review

2010	2009	2008	2007	2006
$ 138,995	$ 136,738	$ 153,775	$ 155,997	$ 146,018
110,041	105,659	135,935	128,820	113,614
75,069	74,061	77,880	75,729	69,571
32,383	33,323	25,770	32,672	27,277
23,260	21,725	27,177	25,829	29,101
42,825	40,721	44,125	41,031	34,578
$ 422,573	$ 412,227	$ 464,662	$ 460,078	$ 420,159
0.1 - 1.9%	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.6%	0.1 - 1.6%

DEBT CAPACITY

Schedule 10 – Ratios of Outstanding Debt by Type (1)

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

	2016	2015	2014	2013	2012
Governmental Activities					
General obligation bonds	$ 20,518	$ 19,868	$ 19,370	$ 18,638	$ 17,838
Revenue bonds	2,377	2,316	1,894	1,706	1,657
Certificates of participation	718	580	570	588	469
Capital leases/installment contracts	6	5	11	12	7
Total Governmental Activities Debt	23,619	22,769	21,845	20,944	19,971
Business-Type Activities					
General obligation bonds	-	4	8	11	15
Revenue bonds	2,215	1,991	2,236	2,031	1,682
Certificates of participation	49	42	38	42	52
Capital leases	9	13	15	15	6
Total Business-Type Activities Debt	2,273	2,050	2,297	2,099	1,755
Total Primary Government Debt	$ 25,892	$ 24,819	$ 24,142	$ 23,043	$ 21,726
DEBT RATIOS					
Total Primary Government					
Ratio of total debt to personal income (2)	7.1%	6.8%	6.9%	7.2%	7.2%
Total debt per capita (3)	$ 3,604	$ 3,455	$ 3,419	$ 3,348	$ 3,187
General Bond Debt					
Ratio of general bonded debt to retail sales subject to tax (4)	15.2%	14.7%	15.5%	17.1%	17.2%
General bonded debt per capita (3)	$ 2,856	$ 2,766	$ 2,744	$ 2,710	$ 2,619

(1) Refer to Note 7 for long-term liability activity.

(2) Personal income data can be found in Schedule 13. Personal income data for 2016 is not available; used 2015 data to calculate 2016 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 2016 is not available; used 2015 data to calculate 2016 ratio.

Source: Washington State Office of Financial Management, Accounting Division

2011	2010	2009	2008	2007
$ 16,750	$ 16,540	$ 14,049	$ 12,927	$ 11,573
740	743	616	555	608
482	449	395	383	382
6	14	10	15	20
17,978	17,746	15,070	13,880	12,583
18	60	69	80	101
1,423	1,084	1,074	1,115	889
62	293	310	261	246
6	6	10	15	21
1,509	1,443	1,463	1,471	1,257
$ 19,487	$ 19,189	$ 16,533	$ 15,351	$ 13,840
6.5%	6.8%	6.0%	5.3%	5.1%
$ 2,879	$ 2,854	$ 2,478	$ 2,323	$ 2,121
16.2%	16.5%	14.0%	11.4%	9.8%
$ 2,478	$ 2,469	$ 2,116	$ 1,968	$ 1,789

DEBT CAPACITY

Schedule 11 – Legal Debt Margin Information [1]

Last Ten Fiscal Years (expressed in millions)

	2016	2015	2014	2013	2012
Legal Debt Limitation Calculation [2]					
Six year mean, general state revenues	$15,499	$14,794	$13,245	$12,533	$12,080
Times: Percentage of six year mean, general state revenues	8.5%	8.5%	9%	9%	9%
Equals: Debt service limitation	$ 1,317	$ 1,257	$ 1,192	$ 1,128	$ 1,087
Debt service limitation	$ 1,317	$ 1,257	$ 1,192	$ 1,128	$ 1,087
Less: Projected maximum annual debt service of outstanding bonds as of June 30	1,155	1,129	1,125	1,056	1,031
Equals: Debt service capacity	$ 162	$ 128	$ 67	$ 72	$ 56
Remaining state general obligation debt capacity [3]	$ 2,632	$ 2,031	$ 977	$ 1,142	$ 874
Plus: Debt outstanding, bonds issued & projected sales subject to debt service limitation as of June 30	11,348	11,160	11,208	10,730	10,708
Equals: Maximum debt authorization subject to limitation	$13,980	$13,191	$12,185	$11,872	$11,582
Debt service capacity as a percentage of total debt service limitation	12.3%	10.2%	5.6%	6.4%	5.2%
Remaining debt capacity as a percentage of maximum debt authorized	18.8%	15.4%	8.0%	9.6%	7.5%

(1) The legal debt limitation limits the amount of state debt that may be incurred by restricting the amount of general state revenues which may be allocated to pay principal and interest on debt subject to these limitations. Prior to 2010, the level of debt incurred by the state was constrained by two different calculations - one constitutional and one statutory. Effective for 2010, the statutory debt limit was modified to be the same as the constitutional debt limit.

(2) Prior to Fiscal Year 2015, the Constitution prohibited the issuance of new debt if, as a consequence, the maximum annual debt service on all thereafter outstanding debt were 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 2016 is 3.69 percent.

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

2011	2010	2009	2008	2007
$12,176	$12,518	$14,422	$13,545	$10,315
9%	9%	7%	7%	9%
$ 1,096	$ 1,127	$ 1,010	$ 948	$ 928
$ 1,096	$ 1,127	$ 1,010	$ 948	$ 928
995	971	797	747	772
$ 101	$ 156	$ 213	$ 201	$ 156
$ 1,425	$ 2,267	$ 2,791	$ 2,889	$ 2,390
10,470	10,163	8,032	7,244	7,439
$11,895	$12,430	$10,823	$10,133	$ 9,829
9.2%	13.8%	21.1%	21.2%	16.8%
12.0%	18.2%	25.8%	28.5%	24.3%

DEBT CAPACITY

Schedule 12 – Revenue Bond Coverage [1]

Last Ten Fiscal Years (expressed in millions)

Fiscal Year	Gross Revenues [2]	Less: Operating Expenses [3]	Net Available Revenue	Scheduled Debt Service [4] Principal	Interest	Coverage Ratio
Governmental Activities						
2016	$ 101	$ 6	$ 95	$ 54	$ 47	0.94
2015	93	13	80	50	41	0.88
2014	108	14	94	45	58	0.91
2013	83	8	75	36	55	0.82
2012	77	5	78	29	48	1.01
2011	60	3	57	21	36	1.00
2010	61	3	58	25	36	0.95
2009	73	3	70	34	38	0.97
2008	67	2	65	25	36	1.07
2007	48	2	46	7	37	1.05
Business-Type Activities						
2016	$ 2,339	$ 2,170	$ 169	$ 89	$ 88	0.95
2015	2,153	1,978	175	82	102	0.95
2014	1,928	1,767	161	81	86	0.96
2013	1,789	1,652	137	18	86	1.32
2012	1,689	1,597	92	53	63	0.79
2011	1,522	1,575	(53)	40	50	(0.59)
2010	1,604	1,376	228	38	51	2.56
2009	1,478	1,281	197	26	54	2.46
2008	1,355	1,264	91	32	44	1.20
2007	1,270	1,120	150	16	39	2.73

[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)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Washington State										
Personal income	$ 367	$ 350	$ 331	$ 326	$ 306	$ 289	$ 282	$ 292	$ 278	$ 256
Percent change	5%	6%	2%	7%	6%	3%	-3%	5%	9%	9%
Per capita	$ 51,146	$ 49,610	$ 47,468	$ 47,344	$ 44,800	$ 42,821	$ 42,248	$ 44,460	$ 42,954	$ 40,204
United States										
Personal income	$ 15,459	$ 14,810	$ 14,074	$ 13,915	$ 13,255	$ 12,477	$ 12,095	$ 12,502	$ 12,000	$ 11,394
Percent change	4%	5%	1%	5%	6%	3%	-3%	4%	5%	7%
Per capita	$ 47,669	$ 46,049	$ 44,438	$ 44,266	$ 42,453	$ 40,277	$ 39,376	$ 41,082	$ 39,821	$ 38,144
Washington Per Capita Rate as % of United States Per Capita Rate	107%	108%	107%	107%	106%	106%	107%	108%	108%	105%

Note: The Bureau of Economic Analysis periodically revises its personal income data for periods up to 10 years.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Schedule 14 – Population and Components of Change
Washington State vs. United States

Last Ten Years (expressed in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Washington State (1)										
Population	7,183.7	7,061.4	6,968.2	6,882.4	6,817.8	6,767.9	6,724.5	6,672.2	6,608.3	6,525.1
Net increase	122.3	93.2	85.8	64.6	49.9	43.4	52.4	63.9	83.2	104.8
Percent change	1.7%	1.3%	1.2%	0.9%	0.7%	0.6%	0.8%	1.0%	1.3%	1.6%
Components of change:										
Births	89.8	88.5	87.0	87.3	87.1	86.4	88.4	89.8	89.6	87.8
Deaths	54.6	52.8	50.7	51.1	49.2	48.8	47.7	48.1	47.9	46.2
Net migration	87.1	57.6	49.5	28.5	12.0	5.8	11.5	22.2	41.5	63.2
United States (2)										
Population	N/A	321,419	318,907	316,427	314,103	311,719	309,347	306,772	304,094	301,231
Percent change	N/A	0.8%	0.8%	0.7%	0.8%	0.8%	0.8%	0.9%	1.0%	1.0%

(1) Washington state population estimates are as of April 1 each year. Population estimates for 2007 through 2009 have been revised to reflect intercensal estimates. Intercensal estimates are estimates of population between official census dates. Intercensal estimates are more accurate than postcensal estimates because they are bracketed on both sides by decennial or state-certified special census counts. Estimates for 2010 have been replaced with the 2010 U.S. Census Bureau count. Estimates for 2011 through 2016 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

	2015	2014	2013	2012	2011
Washington State (in thousands)					
Civilian labor force	3,540	3,490	3,457	3,463	3,482
Employment	3,340	3,277	3,217	3,185	3,162
Total unemployment	200	213	240	278	320
Unemployment percentage rate	5.7%	6.1%	6.9%	8.0%	9.2%
United States (in millions)					
Civilian labor force	157.1	155.9	155.4	155.0	153.6
Employment	148.8	146.3	143.9	142.5	139.9
Total unemployment	8.3	9.6	11.5	12.5	13.7
Unemployment percentage rate	5.3%	6.2%	7.4%	8.1%	8.9%
Washington Unemployment Rate as % of United States Unemployment Rate	107.5%	98.4%	93.2%	98.8%	103.4%

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 2016

2010	2009	2008	2007	2006
3,515	3,535	3,479	3,393	3,319
3,167	3,206	3,286	3,237	3,155
348	329	193	156	164
9.9%	9.3%	5.5%	4.6%	5.0%
153.9	154.2	154.3	153.1	151.4
139.1	139.9	145.4	146.0	144.4
14.8	14.3	8.9	7.1	7.0
9.6%	9.3%	5.8%	4.6%	4.6%
103.1%	100.0%	94.8%	100.0%	108.7%

DEMOGRAPHIC INFORMATION

Schedule 16 – Annual Average Wage Rates by Industry

Last Ten Calendar Years

	Annual Average Wages [1]				
Industry [2]	2015[3]	2014	2013	2012	2011
Information	$ 150,562	$ 148,429	$ 135,304	$ 131,872	$ 119,968
Management of companies and enterprises	108,469	106,518	105,501	105,535	102,009
Utilities	92,790	87,212	86,373	84,024	82,058
Finance and insurance	85,977	82,102	79,587	77,455	73,154
Professional, scientific, and technical services	85,647	84,883	81,893	79,972	77,178
Manufacturing	73,870	74,303	70,798	69,306	68,065
Wholesale trade	72,554	70,169	68,230	68,481	65,831
Mining	67,466	63,404	62,444	60,231	58,871
Government	57,240	55,603	53,733	52,871	52,174
Construction	56,944	55,037	53,735	53,056	52,304
Transportation and warehousing	54,395	52,293	51,967	50,876	49,628
Health care and social assistance [5]	47,469	44,245	47,733	47,067	45,852
Real estate, rental and leasing	46,950	45,181	43,426	42,040	39,816
Administrative and support services [4]	45,922	44,382	43,261	43,381	42,942
Retail trade	38,299	36,127	34,084	32,364	30,917
Education services	37,502	36,918	36,775	36,226	35,576
Other services [5]	36,417	35,571	26,717	25,651	24,549
Arts, entertainment, and recreation	30,545	29,725	27,771	25,276	25,023
Agriculture, forestry, fishing, and hunting	28,507	27,758	26,880	26,295	25,097
Accommodation and food services	20,449	19,561	19,136	18,698	18,062

(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) 2015 data is preliminary.
(4) Wages classified under administrative and support services include waste management and remediation services.
(5) 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.

Source: Washington State Employment Security Department, Quarterly Census of Employment and Wages

2010	2009	2008	2007	2006
$ 109,777	$ 105,715	$ 104,053	$ 96,240	$ 91,081
95,731	87,642	87,431	86,867	85,031
77,591	84,410	76,945	73,736	70,404
70,137	71,304	72,653	70,044	66,684
75,376	71,837	70,120	70,104	63,687
64,925	62,931	61,260	59,568	58,196
63,348	61,569	61,041	59,345	56,572
55,654	52,981	54,718	58,056	54,924
51,394	50,420	48,705	46,914	44,745
51,127	51,043	49,443	46,783	43,746
47,743	46,522	45,433	45,320	44,078
44,673	43,561	41,424	39,474	37,654
38,359	36,777	36,669	36,334	34,948
41,466	39,571	37,536	36,463	34,533
30,021	29,356	29,268	29,082	28,174
35,158	34,505	33,550	32,076	30,901
24,227	24,881	25,637	24,385	23,009
25,121	25,527	26,949	27,643	27,139
24,034	23,675	24,491	23,413	22,239
17,632	17,063	16,430	16,019	15,469

DEMOGRAPHIC INFORMATION

Schedule 17 – Principal Employers by Industry

Current Calendar Year and Nine Years Ago

	2015 Annual Averages			2006 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	533,671	17.1%	2,126	504,618	17.7%	2,039
Health care and social assistance [3]	389,712	12.5%	54,020	288,031	10.1%	13,338
Retail trade	349,642	11.2%	14,849	315,136	11.1%	14,400
Manufacturing	287,498	9.2%	7,136	281,520	9.9%	7,193
Accommodation and food services	257,079	8.2%	13,866	222,814	7.8%	12,086
Professional, scientific, and technical services	181,926	5.8%	22,802	141,709	5.0%	16,143
Construction	162,760	5.2%	22,967	182,112	6.4%	24,090
Administrative and support services [4]	155,656	5.0%	11,384	145,201	5.1%	8,692
Wholesale trade	130,254	4.2%	13,402	123,275	4.3%	12,472
Information	113,635	3.6%	3,301	97,744	3.4%	2,443
Agriculture, forestry, fishing, and hunting	102,574	3.3%	7,378	83,978	2.9%	7,941
Other services [3]	92,095	2.9%	17,982	112,542	3.9%	49,364
Finance and insurance	91,672	2.9%	5,660	103,493	3.6%	5,866
Transportation and warehousing	90,714	2.9%	4,514	83,397	2.9%	3,957
Real estate, rental and leasing	47,657	1.5%	6,597	49,647	1.7%	6,706
Arts, entertainment, and recreation	47,512	1.5%	2,710	44,408	1.6%	2,350
Mgmt. of companies and enterprises	41,885	1.4%	639	33,577	1.2%	628
Education services	39,828	1.3%	3,088	29,833	1.1%	1,963
Utilities	4,848	0.2%	228	4,509	0.2%	228
Mining	2,339	0.1%	158	3,357	0.1%	163
Total average employment [5]	3,122,957	100.0%	214,807	2,850,901	100.0%	192,062

(1) Industry classifications are based on North American Industry Classification System (NAICS) codes. The state of Washington is legally prohibited from disclosing the names of individual employers. The information in this table is intended to assist readers in understanding the degree of concentration in the state's employment base.

(2) The number of employees is based on annual averages and represents only employees covered by unemployment insurance.

(3) A number of state-funded programs that provide nonmedical, home-based services for the elderly and persons with disabilities were incorrectly classified as other services. Effective January 2014, these were classified correctly as health care and social assistance. This reclassification caused the annual average wage for other services to increase. Wages classified as other services do not include public administration.

(4) Employment classified under administrative and support services include waste management and remediation services.

(5) Total employment is based on annual averages and may not include private firms or disclosure of individual employers.

Source: Washington State Employment Security Department, Quarterly Census of Employment and Wages

DEMOGRAPHIC INFORMATION

Schedule 18 – Fortune 500 Companies Headquartered in Washington

Last Two Calendar Years
(Ranked by Company Revenues)

Rank 2015	Rank 2014	Company	Revenues (in millions)	Profit / (Loss) (in millions)	Employees Worldwide	Headquarters
15	18	Costco Wholesale	$ 116,199	$ 2,377	161,000	Issaquah
18	29	Amazon.com	107,006	596	230,800	Seattle
25	31	Microsoft	93,580	12,193	118,000	Redmond
146	187	Starbucks	19,163	2,757	238,000	Seattle
147	158	Paccar	19,115	1,604	23,000	Bellevue
197	224	Nordstrom	14,437	600	72,500	Seattle
373	355	Weyerhaeuser	7,082	506	12,600	Federal Way
385	458	Expedia	6,672	765	18,730	Bellevue
390	413	Expeditors Intl. of Washington	6,617	457	15,397	Seattle
459	484	Alaska Air Group	5,598	848	13,858	Seattle

Source: Fortune Magazine, June 6, 2016

Schedule 19 – Principal Agricultural Commodities Value (1)

Last Ten Calendar Years (dollars in millions)

Commodities	% Change 2015 vs. 2014	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Apples	27%	$ 2,396	$ 1,893	$ 2,134	$ 2,482	$ 1,831	$ 1,541	$ 1,413	$ 1,288	$ 1,780	$ 1,403
Milk (2)	-30%	1,136	1,624	1,299	1,160	1,277	950	684	1,002	1,062	688
Cattle/calves	7%	858	806	715	659	592	568	473	496	574	584
Potatoes	0%	772	771	792	700	771	654	646	693	675	562
Wheat	-16%	600	715	1,014	1,162	1,138	925	594	745	949	618
Hay, all	-29%	499	703	675	626	716	509	452	581	498	401
Cherries, all	-12%	448	510	385	499	534	367	231	297	327	273
Eggs	87%	332	177	147	137	140	121	106	136	105	57
Grapes, all	-2%	297	302	278	249	189	214	209	199	174	147
Hops	34%	280	208	185	144	157	163	265	259	137	88

(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	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Exports [1]	$ 94,781	$ 93,908	$ 98,740	$ 84,187	$ 77,284	$ 64,723	$ 58,468	$ 77,088	$ 78,453	$ 68,202
Imports	91,496	90,639	89,559	93,614	86,997	80,020	67,896	87,511	85,469	81,953
Trade balance	$ 3,285	$ 3,269	$ 9,181	$ (9,427)	$ (9,713)	$ (15,297)	$ (9,428)	$ (10,422)	$ (7,016)	$ (13,752)
Two-way trade	$ 186,277	$ 184,547	$ 188,299	$ 177,801	$ 164,281	$ 144,743	$ 126,364	$ 164,599	$ 163,922	$ 150,155

[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]	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Canada	$ 17,052	$ 18,937	$ 27,635	$ 18,135	$ 17,353	$ 14,936	$ 13,326	$ 17,049	$ 15,267	$ 12,894
China (Mainland)	16,315	18,880	16,390	14,027	11,962	11,695	7,607	8,614	9,357	8,030
Japan	7,569	8,908	8,465	9,850	8,036	7,368	6,475	10,677	10,567	9,810
Korea, Republic of	5,071	3,644	3,371	3,903	4,096	3,378	2,584	4,003	3,683	3,161
Taiwan	3,902	2,734	2,295	1,866	2,070	2,556	1,917	3,142	3,702	3,332
Singapore	3,377	1,695	1,596	1,273	1,476	965	988	2,011	1,636	1,947
United Arab Emirates	3,174	3,212	3,969	5,017	2,715	909	2,897	2,160	2,119	2,980
Chile	2,974	520	1,349	1,165	604	335	414	271	165	409
United Kingdom	2,514	2,710	2,530	1,452	1,921	1,083	1,356	1,316	1,753	1,022
Saudi Arabia	1,907	602	1,579	1,175	285	153	91	92	76	65

[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]	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
China (Mainland)	$29,910	$28,968	$31,776	$33,820	$31,100	$32,228	$27,341	$30,632	$28,684	$24,198
Japan	17,682	16,816	17,036	19,129	16,198	13,886	11,656	17,274	15,858	15,980
Canada	16,873	18,953	17,529	16,430	16,284	13,948	10,916	15,877	16,925	18,555
Korea, Republic of	5,014	4,945	4,529	4,380	3,760	3,315	2,719	3,875	4,235	4,264
Taiwan	3,574	3,347	3,131	3,442	3,291	3,141	2,414	4,072	3,610	3,451
Vietnam	1,996	1,346	1,326	1,637	1,421	1,234	1,160	1,092	1,130	904
Thailand	1,505	1,151	1,039	1,050	959	974	804	1,154	1,221	1,389
United Kingdom	1,074	1,661	1,303	1,013	697	625	633	581	792	913
Australia	1,068	931	666	619	807	648	432	918	654	567
Singapore	1,060	638	576	275	258	515	1,631	1,289	1,413	475

[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)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Value of all taxable property:										
Assessed value	$949,759	$880,155	$808,328	$767,064	$793,703	$824,885	$862,108	$919,505	$841,309	$738,395
Property value of exemptions:										
Senior citizen	$ 3,590	$ 3,183	$ 2,491	$ 2,689	$ 4,170	$ 5,362	$ 6,491	$ 8,715	$ 8,022	$ 6,604
Head of household	58	60	56	61	65	72	77	84	105	44
Total exemptions	$ 3,648	$ 3,243	$ 2,547	$ 2,750	$ 4,236	$ 5,434	$ 6,568	$ 8,799	$ 8,127	$ 6,648
New construction and improvements:										
Assessed value	$ 13,656	$ 11,213	$ 9,198	$ 6,598	$ 7,207	$ 9,001	$ 13,443	$ 19,435	$ 20,861	$ 19,680

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

Schedule 24 – Residential Building Activity

Last Ten Calendar Years (dollars in millions)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Permits	40,374	33,898	32,962	28,118	20,864	20,691	17,011	28,919	47,397	50,033
Valuations	$ 8,519	$ 7,017	$ 6,684	$ 5,649	$ 4,036	$ 3,891	$ 3,186	$ 5,063	$ 8,130	$ 8,540

Source: U.S. Census Bureau

OPERATING INFORMATION

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

Last Ten Fiscal Years

Function	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General government	8,420	8,386	8,256	8,268	9,082	9,196	9,696	9,899	9,734	9,508
Human services	33,722	33,105	32,744	32,205	31,766	32,133	34,034	35,015	34,720	33,669
Natural resources	6,661	6,520	6,256	6,232	6,011	5,928	6,120	6,479	6,596	6,507
Transportation	10,185	10,230	10,334	10,457	10,458	10,783	11,037	11,264	11,300	11,025
Education	52,216	52,296	51,303	50,406	48,603	49,454	49,086	49,889	49,070	47,984
Total	111,204	110,537	108,893	107,568	105,920	107,494	109,973	112,546	111,420	108,693
Percentage change	0.6%	1.5%	1.2%	1.6%	-1.5%	-2.3%	-2.3%	1.0%	2.5%	1.9%

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	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General government	2,794	2,825	2,740	2,870	2,845	3,060	3,234	3,285	3,225	3,175
Human services	18,791	18,508	18,487	17,569	17,192	16,962	16,984	17,699	17,944	17,548
Natural resources	1,819	1,341	1,474	1,667	1,595	1,712	2,080	2,505	2,462	2,193
Transportation	358	306	360	354	367	371	418	373	449	343
Education	15,257	15,087	14,189	14,969	14,941	16,535	17,675	21,269	21,082	20,171
Total	39,019	38,067	37,250	37,429	36,940	38,640	40,391	45,131	45,162	43,430
Percentage change	2.5%	2.2%	-0.5%	1.3%	-4.4%	-4.3%	-10.5%	-0.1%	4.0%	2.6%

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

	2016	2015	2014	2013	2012
Department of Revenue					
Number of state excise taxpayer registered accounts	669,897	684,306	742,139	790,312	816,922
Number of taxable real estate excise tax (REET) sales	270,689	254,147	242,434	241,595	209,442
Department of Enterprise Services (1)					
Number of leases for office space (2)	552	560	546	532	521
Gross square feet of leased office space (in thousands)	7,392	7,542	7,749	7,624	7,467
Number of owned buildings (3)	29	37	37	37	38
Gross square feet of owned office space (in thousands)	2,780	2,990	2,990	2,990	3,004
Liquor and Cannabis Board					
Liquor: (4)					
Retail licensees	17,132	17,739	16,246	15,655	15,044
Non-retail licensees	6,279	5,626	5,649	5,364	4,916
Number of state owned liquor stores	N/A	N/A	N/A	N/A	N/A
Number of contracted liquor stores	N/A	N/A	N/A	N/A	N/A
Marijuana: (5)					
Producer licensees	1035	530	57	N/A	N/A
Processor licensees	992	456	47	N/A	N/A
Retail licensees	428	171	N/A	N/A	N/A

(1) As a result of the 2011 legislation to consolidate central service functions of state government, the Department of General Administration became part of the newly created 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 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 building.

(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

2011	2010	2009	2008	2007
824,588	793,056	804,145	782,010	774,295
206,805	215,233	198,515	250,971	316,432
580	619	569	626	610
9,046	8,874	7,521	7,764	8,662
38	38	46	46	44
3,004	3,004	3,102	3,102	3,101
13,628	13,450	13,040	12,925	13,006
3,244	3,051	2,798	2,519	2,471
166	164	161	161	161
162	159	155	154	154
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

OPERATING INFORMATION

Schedule 28 – Operating and Capital Asset Indicators by Function
Human Services

Last Ten Fiscal Years

	2016	2015	2014	2013	2012
Department of Social and Health Services [(1)]					
Mental health programs:					
Mental health state facilities [(2)]	3	3	3	3	3
Mental health state facilities available beds	1,192	1,161	1,161	1,161	1,161
Mental health state facilities average daily census [(3)]	1,123	1,101	1,117	1,087	1,077
Community outpatient mental health facilities [(4)]	131	131	157	161	161
Community outpatient mental health programs, clients served [(5)]	N/A	170,019	151,987	145,492	138,268
Income assistance programs:					
Temporary assistance for needy families caseload	31,285	35,159	42,571	48,675	54,433
Food assistance caseload [(6)]	561,101	582,204	595,150	597,494	581,020
Health Care Authority [(7)]					
Medical assistance programs:					
Monthly average caseload certified eligible	1,883,179	1,748,502	1,412,069	1,234,885	1,226,705
Department of Corrections					
Number of correctional institutions [(8)]	12	12	12	12	12
Offenders in confinement [(9)]	18,991	18,445	18,121	17,930	17,697
Prison and work release operating capacity	17,434	17,498	17,187	17,101	16,855
Department of Health					
Licensed health professionals [(10)]	437,775	417,504	401,828	388,856	378,041
Department of Labor and Industries					
Claims filed, injured or ill workers	110,498	109,359	106,903	103,328	101,524
Electrical inspections performed	233,148	214,439	203,975	189,027	173,358
Workplaces inspected each year by the Washington Industrial Safety and Health (WISHA) program [(11)]	4,081	4,918	5,292	4,854	5,516

(1) Due to reporting lags and corrections, the Department of Social and Health Services (DSHS) periodically revises historical data.

(2) Facitilities include: Eastern State Hospital, Western State Hospital, and Child Study and Treatment Center. Beginning January 2008, the mental health state facilities count no longer includes the Program for Assisted Living Skills (PALS) as it became funded by community dollars, and was subsequently closed in February 2011.

(3) The average daily census is based on the count of individuals in residence at midnight.

(4) The increased number of community outpatient mental health facilities in fiscal year 2010 is due to funding shifts and legislation.

(5) The community outpatient mental health program, clients served data, excludes involuntary clients, stabilization services, and mental health residential services. Reporting for excluded services varies across the state. The number of clients served in community outpatient mental health programs during previous fiscal years may change in future report iterations due to reporting lags and data corrections. In April 2013, significant improvements were made to the quality of the Mental Health data in the Communicating Outcomes Performance and Evaluation (SCOPE) System. This includes an improved process to unduplicate clients within and between data systems, and a more consistent method to identify a client's Medicaid eligibility status. These improvements resulted in many small changes in historical Community Mental Health client counts throughout SCOPE and are reflected here.

(6) Data reflects state fiscal year average, total participating households in the Basic Food Program.

(7) The medical assistance programs transferred from the Department of Social and Health Services to the Health Care Authority in July 2011. Due to reporting lags, the Health Care Authority periodically revises its data for periods up to five years.

(8) In 2011, McNeil Island Corrections Center closed. In 2010, Ahtanum View Corrections Center and Pine Lodge Corrections Center for Women closed.

(9) Offenders in confinement include offenders in prison, work release, and in-state rented beds.

(10) Includes certified, licensed, and registered health professionals. Due to reporting lags, previous data may be revised.

(11) Timing of inspections within the fiscal year can result in delays in report filings. Due to reporting lags, data may be revised.

2011	2010	2009	2008	2007
3	3	3	4	4
1,176	1,197	1,264	1,359	1,380
1,078	1,101	1,172	1,251	1,292
184	177	149	144	150
137,768	132,112	125,467	122,576	119,384
65,140	64,451	56,459	50,122	51,939
536,635	458,123	351,617	288,281	279,985
1,218,534	1,158,205	1,066,606	972,444	887,966
12	13	15	15	15
18,483	18,457	18,627	18,551	18,471
17,060	16,856	16,756	15,785	15,222
372,657	357,766	335,830	330,850	331,147
100,690	102,734	116,616	136,791	140,308
171,861	189,763	216,305	265,564	282,100
6,240	7,689	7,565	5,414	6,810

N/A indicates data not available or not applicable.

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

	2016	2015	2014	2013	2012
Department of Transportation					
Number of ferries	24	24	22	22	23
Vehicles on ferries (in thousands)	10,563	10,372	10,156	10,045	9,983
Passengers on ferries (in thousands)	13,525	13,261	12,651	12,350	12,236
State highway miles of travel (1)					
Rural (in millions)	N/A	11,098	10,641	10,371	11,252
Urban (in millions)	N/A	22,237	21,536	21,278	19,963
State highway lane miles					
Rural	13,113	13,091	13,085	13,798	13,814
Urban	7,650	7,641	7,606	6,882	6,817
Total	20,763	20,732	20,691	20,680	20,631
Pavement patching & repair (square feet) (2)	3,826,649	74,263	86,948	82,415	113,304
Pavement striping maintenance (miles)	19,600	23,156	16,835	17,203	18,763
Anti & de-icing liquid application (gallons in thousands)	1,688	1,210	2,721	2,154	2,421
Litter pickup (cubic yards)	18,169	18,876	22,586	29,428	25,537
Department of Licensing (3)					
Total vehicle registrations (in thousands)	7,214	7,039	6,866	6,755	6,683
Licensed drivers (in thousands)	5,639	5,520	5,404	5,310	5,230
Washington State Patrol (4)					
Total contacts	1,141,899	1,228,396	1,225,768	1,262,584	1,256,569
Citations issued	464,021	509,689	506,862	516,593	518,315
Motorist assists	328,199	316,659	300,806	296,170	301,511
Collisions investigated	45,300	37,996	35,479	33,989	34,995
Number of traffic officers	539	589	585	635	626

(1) N/A indicates data is not available.
(2) The Maintenance Operations Division has a new mobile application to track units, HATS (Highway Activity Tracking System), that began July 1, 2015. With this new system, the maintenance personnel are able to more accurately track the type of work they are doing as well as the amount.
(3) Vehicle count includes all registered vehicles for which registration fees were paid. Driver count includes all licensed drivers.
(4) Due to time and activity adjustments, the Washington State Patrol periodically revises its data up to three years.

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

Notes regarding WSDOT ferries:
Two new 64-car vessels were placed into service in 2012. One 64-car vessel was placed into service in 2011. The last two passenger-only vessels were sold in 2010. Four steel electric ferries went out of service in 2008.
Two new 144-car vessels were placed into service in 2015.

2011	2010	2009	2008	2007
21	22	22	24	28
9,973	10,134	9,910	10,391	10,827
12,374	12,504	12,598	12,901	13,163
11,353	11,521	11,362	10,988	11,564
20,103	20,243	20,093	19,754	20,406
13,795	13,744	13,724	13,685	13,668
6,792	6,755	6,668	6,566	6,505
20,587	20,499	20,392	20,251	20,173
135,952	179,585	128,076	100,124	92,216
26,608	16,801	18,140	20,020	20,328
1,774	2,834	4,724	3,938	4,541
27,320	26,739	12,230	18,452	17,234
6,662	6,631	6,655	6,637	6,733
5,180	5,108	5,028	4,955	4,774
1,272,526	1,258,637	1,257,774	1,237,584	1,255,500
520,447	523,786	540,181	570,691	592,122
310,013	296,887	305,421	306,650	309,864
37,106	34,182	36,922	39,289	40,666
624	636	633	616	626

OPERATING INFORMATION

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

Last Ten Fiscal Years

	2016	2015	2014	2013	2012
State Parks and Recreation Commission					
Number of official, developed state parks	124	123	123	116	116
Number of owned or managed properties (1)	91	93	93	243	243
Acreage of state parks	138,613	137,781	138,266	123,952	121,711
Attendance at state parks (in thousands)	35,055	33,045	34,000	35,625	35,338
Department of Fish and Wildlife					
Recreational licenses issued (2)					
Hunting licenses	607,849	595,169	556,745	548,873	533,420
Fishing licenses	1,525,780	1,546,250	1,503,651	1,407,714	1,456,268
Hatchery releases (pounds in thousands) (3)					
Salmon releases	3,466	3,868	3,766	4,150	4,034
Trout releases (4)	1,402	1,580	1,643	1,587	1,513
Department of Natural Resources (3)					
Common schools trust land acreage (in thousands)	1,788	1,790	1,791	1,780	1,794
Total trust land acreage (in thousands)	3,125	3,122	3,122	3,072	2,918
Timber acres harvested	24,402	23,499	21,966	20,303	22,250
Timber volume harvested (thousand board feet)	479,862	449,115	471,343	480,140	514,039
Timber volume sold (thousand board feet)	527,071	467,555	489,917	497,447	549,229
Natural area preserve sites	56	55	55	55	55
Natural area preserve acreage	37,273	36,342	36,245	36,156	38,284
Natural resources conservation area sites	36	36	36	35	35
Natural resources conservation area acreage	118,579	114,244	113,116	113,032	111,136

(1) In 2014, approximately 143 state park owned or managed properties formerly considered to be stand-alone properties were incorporated into larger, developed state parks.

(2) Recreational licenses issued include secondary license documents such as endorsements, catch cards, and duplicates.

(3) Fiscal year 2016 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

2011	2010	2009	2008	2007
116	118	120	120	120
241	183	219	231	231
121,547	121,506	121,152	121,010	120,146
38,896	44,315	41,535	41,590	39,297
594,673	626,491	539,708	543,054	525,497
1,355,967	1,383,337	1,234,575	1,158,688	1,163,672
4,206	4,395	4,332	4,435	4,788
1,396	1,384	1,411	1,410	1,523
1,803	1,810	1,813	1,799	1,757
2,929	2,944	2,947	2,923	2,877
20,609	26,841	27,168	24,625	29,687
669,442	805,946	504,939	504,796	493,341
597,083	741,666	545,634	660,247	570,531
54	54	53	52	52
36,896	35,585	35,365	31,207	29,991
31	30	30	29	31
108,100	97,293	96,989	93,534	88,862

OPERATING INFORMATION

Schedule 31 – Operating and Capital Asset Indicators by Function
Education

Last Ten Academic Years

	2015-16	2014-15	2013-14	2012-13	2011-12
K-12 Enrollment (1)					
K-8	726,144	705,175	696,390	680,696	676,539
9-12	307,622	307,417	306,030	306,819	307,949
Private and home based	3	7	5	8	12
Summer (2)	916	993	1,010	929	821
Running start	18,553	17,070	15,090	13,623	12,767
Open doors [1418] youth reengagement program (3)	3,550	2,905	2,058	747	119
UW transition	116	108	107	114	113
Total	1,056,904	1,033,675	1,020,690	1,002,937	998,320
High school graduates (4)	N/A	62,598	60,680	60,475	60,552
Higher Education					
Community and Technical Colleges:					
Number of campuses	34	34	34	34	34
Enrollment (1) (5)	135,108	138,724	143,292	147,433	153,395
Associate degrees granted	29,624	29,137	28,758	28,191	27,846
Baccalaureate degrees granted (6)	497	286	244	192	155
Student achievement points (7)	470,380	486,326	502,179	342,424	361,715
Public Universities: (8)					
Number of campuses	11	11	11	11	10
Enrollment (1)	N/A	107,935	106,038	105,112	104,702
Baccalaureate degrees granted	N/A	24,946	24,167	24,616	24,280
Masters degrees granted	N/A	5,858	5,761	5,809	5,597
Doctors degrees granted	N/A	1,131	1,022	1,032	915
Professional degrees granted	N/A	774	781	799	777

(1) K-12 enrollment figures are preliminary for academic year 2015-16. Enrollment is based on a full-time equivalent student, which is defined as:

- Kindergarten: 4 classroom hours per day for 90 days or 2 classroom hours per day for 180 days.
- Grades 1 through 3: 4 classroom hours per day for 180 days.
- Grades 4 through 12: 5 classroom hours per day for 180 days.
- Undergraduate student: 15 credit hours per term.
- Graduate student: 10 credit hours per term.

(2) The increase in skills center summer students beginning in 2009-10 is due to reporting and funding changes.

(3) The youth reengagement program, beginning in academic year 2011-12, was created to provide educational opportunities for youth ages 16-21, who have dropped out of high school or are not accumulating sufficient credits to reasonably complete a high school diploma in a public school before the age of twenty one.

(4) 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.

(5) 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.

(6) Baccalaureate degrees awarded by community and technical colleges, beginning in academic year 2008-09.

(7) Student achievement points are the number of intermediate steps achieved by students that are shown to be predictors of the degree or certificate outcome. Student achievement points are essential to the Student Achievement Initiative (SAI) within the community and technical college system. The initiative was implemented in 2007 to increase educational attainment in Washington state, therefore data is not available for prior academic years. In 2012, after reviewing the data from the first six years of implementation, the State Board approved revisions to SAI which were effective in 2013-14. The revisions included additional points awarded for student retention and critical transitions for students starting less than college-ready, and for second year achievement.

2010-11	2009-10	2008-09	2007-08	2006-07
673,558	668,055	663,124	653,862	648,975
312,691	314,318	312,954	313,598	313,370
9	14	12	19	23
1,155	1,222	642	538	333
12,824	12,487	11,824	11,176	10,811
N/A	N/A	N/A	N/A	N/A
108	104	102	103	100
1,000,345	996,200	988,658	979,296	973,612
59,732	60,835	58,687	58,005	58,875
34	34	34	34	34
162,328	160,778	148,000	136,723	132,346
26,434	22,368	21,295	20,911	20,763
138	51	35	N/A	N/A
390,300	393,135	352,419	308,800	295,259
10	10	10	10	10
103,214	101,165	98,292	94,310	92,215
23,289	22,794	22,036	21,685	21,654
5,498	5,138	4,787	4,739	4,751
1,035	1,114	1,107	1,107	838
661	523	495	504	719

(8) Public Universities include all 4-year public institutions and branch campuses. The universities periodically update the number of degrees granted to more accurately reflect the data at the institution level.

N/A indicates data not available or not applicable.

Sources:
- Washington State Office of Financial Management
- Washington State Office of Superintendent of Public Instruction
- Washington State Board for Community and Technical Colleges
- Washington Student Achievement Council

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