



MICHAEL J. MURPHY
State Treasurer

State of Washington
Office of the Treasurer

To: The Honorable Gary Locke, Governor
The Honorable Members of the Washington State Legislature and
The Citizens of Washington

All signs in Fiscal Year 2004 pointed toward the beginnings of an economic recovery in the state of Washington. In this atmosphere of optimism, the state treasury maintained a sound reputation in the marketplace and the finance industry through solid debt and financial policies.

At the Office of the State Treasurer, we continued in FY 2004 to move ahead with programs serving the state, its local governments and its citizens. The continued growth of these programs in 2004 demonstrates the essential health of the Washington State Treasury. Some highlights of 2004:

Local Option Capital Asset Lending (LOCAL) The LOCAL program, the only one of its kind in the nation, offers attractive financing rates and convenience to local governments looking to acquire equipment, land or buildings. In five years, LOCAL has handled 298 equipment financing transactions totaling nearly \$54 million and 26 real estate financing transactions for \$8.7 million on behalf of more than 200 local governments.

School Bond Guarantee Program We are continuing to spread the word about the School Bond Guarantee Program, which has grown steadily since its launch in early 2000. Bonds totaling nearly \$3.96 billion have been issued by 157 school districts through the School Bond Guarantee Program. The program authorizes the state to guarantee payment on school district general obligation debt, backed by the full faith and credit of the state.

Local Government Investment Pool (LGIP) Our pool registered another strong year of growth as we continued to provide a solid investment vehicle for our local government customers. In FY 2004, the LGIP earned \$54 million on an average portfolio of \$4.96 billion, serving 424 local entities in 573 accounts. The total portfolio at the end of the fiscal year was \$4.9 billion. Currently, 63 percent of LGIP transactions are conducted online through our Treasury Management System (TMS).

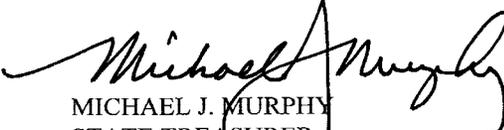
Guaranteed Education Tuition (GET) In GET's six years of existence, Washington residents have learned the value of purchasing tomorrow's tuition today. As of the close of FY 2004, more than 44,000 future college and university students have all or part of their tuition paid for. These accounts are valued at more than \$436 million.

Statewide Securities Custody Contract In nearly five years of operation, we have shown the worth of our first-of-its-kind statewide securities custody contract for local governments and colleges and universities. Today, 21 local entities take advantage of the contract with the custody bank selected by the Treasurer, with a total market value of \$730 million in custody.

Throughout the year, the Office of the State Treasurer worked closely with the Legislature, the executive branch, local government officials, industry professionals and citizens. As always, I salute the integrity and professionalism of our colleagues who share stewardship of the public treasury. I also want to recognize the staff of the Office of the State Treasurer for working hard every day to deliver services to our citizens.

I look forward to working with you in 2005 as we face whatever new challenges come our way. Thank you.

Sincerely,


MICHAEL J. MURPHY
STATE TREASURER