



MICHAEL J. MURPHY
State Treasurer

State of Washington
Office of the Treasurer

To: The Honorable Christine Gregoire, Governor
The Honorable Members of the Washington State Legislature and
The Citizens of Washington

In Fiscal Year 2005, the state of Washington continued on a path of economic growth. Your state treasury played its part, exercising sound judgment in the marketplace, demonstrating leadership in financial practices and maintaining strong working partnerships among local governments large and small.

At the Office of the State Treasurer, we continued in FY 2005 to offer progressive programs that serve Washington and its citizens. The continued growth of these programs in 2005 once again proves the health of the Washington State Treasury. Some highlights of 2005:

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 346 equipment financing transactions totaling nearly \$67.8 million and 34 real estate financing transactions for \$16.3 million on behalf of more than 220 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 \$5.4 billion have been issued by 175 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 2005, the LGIP earned \$100 million on an average portfolio of \$4.5 billion, serving 460 local entities in 585 accounts. The total portfolio at the end of the fiscal year was \$4.9 billion. Currently, 69 percent of LGIP transactions are conducted online through our Treasury Management System (TMS).

Guaranteed Education Tuition (GET) In GET's seven years of existence, Washington residents have learned the value of purchasing tomorrow's tuition today. As of the close of FY 2005, more than 55,000 future college and university students have all or part of their tuition paid for. These accounts are valued at more than \$623 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, 20 local entities take advantage of the contract with the custody bank selected by the Treasurer, with a total market value of \$1,026 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. I have the highest respect for 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 2006 as we face whatever new challenges come our way. Thank you.

Sincerely,

A handwritten signature in black ink that reads "Michael J. Murphy".

MICHAEL J. MURPHY
STATE TREASURER