

**LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS
PLAN 2 RETIREMENT BOARD**

AUDITED SCHEDULE OF EXPENDITURES

**For the Year Ended
June 30, 2015**

**LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS
PLAN 2 RETIREMENT BOARD
For the Year Ended June 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Board
Law Enforcement Officers & Firefighters Plan 2 Retirement Board
PO Box 40918
Olympia, WA 98504-0918

I have audited the accompanying schedule of expenditures and related notes to the schedule of expenditures (schedule and notes) of the Law Enforcement Officers & Firefighters Plan 2 Retirement Board for the year ended June 30, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the schedule and notes 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 the schedule and notes that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on schedule and notes based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the schedule and notes are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule and notes. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule and notes, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule and notes 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 entity's internal control. Accordingly, I 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 schedule and notes.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the schedule and notes referred to above present fairly, in all material respects, the expenditures of the Law Enforcement Officers and Firefighters Plan 2 Retirement Board for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Davis Accounting Tax & Audit Services

123 Fir Street NE
Olympia, WA. 98506

Other-Matter

My audit was conducted for the purpose of forming an opinion on the schedule of expenditures and related notes as a whole. The supplementary information presented on pages 8 and 9 is presented for purposes of additional analysis and is not a required part of the schedule of expenditures. 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 schedule of expenditures. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the schedule of expenditures or to the schedule of expenditures itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the schedule of expenditures as a whole.



DAVIS ACCOUNTING TAX & AUDIT SERVICES

Olympia, WA
September 14, 2015

LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS PLAN 2 RETIREMENT BOARD
SCHEDULE OF EXPENDITURES - BUDGET ALLOTMENT TO ACTUAL
For the Year Ended June 30, 2015

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Salaries & wages	\$ 514,728	\$ 569,538	\$ (54,810)
Employee benefits & payroll taxes	157,542	154,058	3,484
Personal service contracts	32,285	29,220	3,065
Goods & services - supplies & materials	4,204	4,479	(275)
Goods & services - communications	13,500	11,156	2,344
Goods & services - utilities	6,000	5,411	589
Goods & services - rentals & leases	46,920	45,954	966
Goods & services - repairs & maintenance	996	16	980
Goods & services - printing & reproduction	25,080	10,204	14,876
Goods & services - employee development	41,700	35,040	6,660
Goods & services - furniture & equipment leases	4,980	5,434	(454)
Goods & services - subscriptions	798	5,096	(4,298)
Goods & services - facilities & related services	17,900	5,970	11,930
Goods & services - data processing	9,000	4,222	4,778
Goods & services - Attorney General's Office	22,500	12,010	10,490
Goods & services - personnel services	504	1,112	(608)
Goods & services - insurance	1,000	50	950
Goods & services - other purchased services	133,708	152,298	(18,590)
Other goods & services	3,660	9,004	(5,344)
Travel, lodging & subsistence	82,995	71,323	11,672
Capital outlays	2,000	17,824	(15,824)
Grants, benefits & client	0	207	(207)
Total Expenditures	<u>\$ 1,122,000</u>	<u>\$ 1,149,626</u>	<u>\$ (27,626)</u>

The accompanying notes are an integral part of this schedule of expenditures.

LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS PLAN 2 RETIREMENT BOARD
NOTES TO SCHEDULE OF EXPENDITURES
For the Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies

The Law Enforcement Officers & Fire Fighters Plan 2 Retirement Board (the Board) was created through a taxpayer initiative approved by voters in November 2002. The schedule of expenditures – budget allotment to actual of the Board has been prepared in conformity with generally accepted accounting principles as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity, Background & Activities:

An eleven-member board, appointed by the Governor of the State of Washington, governs the Board. Board members are appointed from the following groups of individuals:

- Three must be active law enforcement officers who participate in the plan (Beginning with the first vacancy before or after January 1, 2007, one of the members must be a retired law enforcement officer who is a member of the plan).
- Three must be active fire fighters who participate in the plan (Beginning with the first vacancy before or after January 1, 2007, one of the members must be a retired fire fighter who is a member of the plan).
- Three must be representatives of employers
- One must be a member of the State House of Representatives
- One must be a member of the State Senate

The Board is empowered to oversee the Law Enforcement Officers & Fire Fighters Plan 2 Retirement system (LEOFF 2). They do not maintain custody or manage the investments of the plan. The custody and investment management function is the responsibility of the Washington State Investment Board (SIB). The Board is required to 1) adopt actuarial tables, assumptions and cost methodologies; 2) adopt contribution rates for LEOFF Plan 2; as well as other related duties. Some specific duties relating to the expenditures of the Board are;

Professionals & technical advisors:

- Retain Professionals & technical advisors necessary to accomplish the board's duties.

LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS PLAN 2 RETIREMENT BOARD
NOTES TO SCHEDULE OF EXPENDITURES
For the Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies, Continued

Actuary:

- Consult with an enrolled actuary retained by the board (The state actuary shall provide assistance when the board requests.)
- The actuary used must provide the State Actuary with copies of its valuations, assumptions and cost methodology for a reasonableness review.
- If the two actuaries do not agree, a third actuary must be appointed by the board and state actuary.

Other Costs:

- Engage administrative staff and acquire office space
- Board members shall be reimbursed for travel and education expenses as provided in RCW 43.03.050 and 43.03.060

B. Basis Of Accounting And Reporting:

All payroll, reporting and accounting functions are handled by the Washington State Department of Enterprise Service's Small Agency Financial and HR Services and recorded in the State of Washington's Accounting & Financial Reporting System under Agency #341.

The Board uses the modified-accrual basis of accounting with a measurement focus on current financial resources. Therefore, the purchase of non-current assets such as property, plant and equipment is not deemed to be an asset for financial reporting purposes. Instead, these costs are reflected as expenditures in the year they are incurred.

C. Subsequent Events Evaluation:

Management has evaluated for subsequent events through September 22, 2014, the date the financial statements were available to be issued. No material subsequent events were identified by management.

LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS PLAN 2 RETIREMENT BOARD
NOTES TO SCHEDULE OF EXPENDITURES
For the Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies, Continued

D. Budgetary Process:

The Board must develop an annual budget consistent with the requirements of chapter 43.88 RCW. This budget draws funding from the investment income of the LEOFF Trust fund held by the State Investment Board.

The Board's budget is subject to the OFM allotment process but is not subject to legislative appropriation. Allotments may be adjusted on a quarterly basis. Monthly allotments are not binding but are used as a tool to ensure the total biennium budget is not exceeded.

The Board's operating expenses are paid from a sub-account of the LEOFF Plan 2 Retirement Fund (the expense fund).

E. Expenditure Authority (RCW 41.26.732):

The authority to establish all policies relating to the expense fund, other than the investment policies of the SIB, resides with the Board. With the exception of investments by, and expenses of, the SIB, disbursements from the expense fund may be made only on the authorization of the board.

The expense fund may be spent only for the purposes of defraying the expenses of the Board. Expenses include, but are not limited to:

- Salaries and expenses of personnel
- Lease payments
- Travel
- Goods & services
- Audits
- Other general costs of conducting board business

LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS PLAN 2 RETIREMENT BOARD
NOTES TO SCHEDULE OF EXPENDITURES
For the Year Ended June 30, 2015

Note 2 – Commitments

The Board, Acting through the Washington State Department of Enterprise Services, entered into an operating lease for office space through April 30, 2019. The agreement calls for monthly lease payments of \$3,829.50. In addition to monthly lease payments the Board is also required to pay the landlord for its prorated share (5.36%) of water, sewer, garbage and restroom supplies as well as the cost of electricity and natural gas directly attributable to the office space occupied.

Upon expiration of the lease term on April 30, 2019, The Board may renegotiate the lease for another five (5) year term, allow the lease to become a month to month lease, or vacate the premise.

The lease may be cancelled and terminated by either party any time provided written notice of such cancellation and termination shall have been given at least one-hundred eighty (180) days prior to the effective date thereof. The Board has not provided such written notice and was therefore obligated, at June 30, 2015, to pay rents through December 28, 2015. The minimum lease payment through December 28, 2015 was approximately \$22,660.

SUPPLEMENTARY INFORMATION

**LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS PLAN 2 RETIREMENT BOARD
COMPARATIVE SCHEDULE OF EXPENDITURES
For the Biennium Ended June 30, 2015**

	Year Ended <u>06/30/2014</u>	Year Ended <u>06/30/2015</u>	Biennium Ended <u>06/30/2015</u>
Salaries & wages	\$ 487,776	\$ 569,538	\$ 1,057,314
Employee benefits & payroll taxes	149,002	154,058	303,059
Personal service contracts	0	29,220	29,220
Goods & services - supplies & materials	2,386	4,479	6,865
Goods & services - communications	12,092	11,156	23,248
Goods & services - utilities	5,111	5,411	10,522
Goods & services - rentals & leases	45,954	45,954	91,908
Goods & services - repairs & maintenance	276	16	292
Goods & services - printing & reproduction	17,510	10,204	27,714
Goods & services - employee development	34,615	35,040	69,655
Goods & services - furniture & equipment leases	4,673	5,434	10,107
Goods & services - subscriptions	2,260	5,096	7,356
Goods & services - facilities & related services	5,964	5,970	11,934
Goods & services - data processing	4,286	4,222	8,508
Goods & services - Attorney General's Office	28,011	12,010	40,021
Goods & services - personnel services	7,970	1,112	9,082
Goods & services - insurance	25	50	75
Goods & services - other purchased services	132,438	158,306	290,745
Other goods & services	4	2,996	3,000
Travel, lodging & subsistence	62,486	71,323	133,809
Capital outlays	11,215	17,824	29,039
Grants, benefits & client	400	207	607
Total Expenditures	<u>\$ 1,014,454</u>	<u>\$ 1,149,626</u>	<u>\$ 2,164,080</u>

LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS PLAN 2 RETIREMENT BOARD
SCHEDULE OF BIENNIUM EXPENDITURES - BUDGET TO ACTUAL
For the Biennium Ended June 30, 2015

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
Salaries & wages	\$ 1,110,787	\$ 1,057,314	\$ (53,473)
Employee benefits & payroll taxes	320,584	303,059	(17,525)
Personal service contracts	80,205	29,220	(50,985)
Goods & services - supplies & materials	8,400	6,865	(1,535)
Goods & services - communications	27,000	23,248	(3,752)
Goods & services - utilities	12,000	10,522	(1,478)
Goods & services - rentals & leases	93,840	91,908	(1,932)
Goods & services - repairs & maintenance	1,992	292	(1,700)
Goods & services - printing & reproduction	50,160	27,714	(22,446)
Goods & services - employee development	59,700	69,655	9,955
Goods & services - furniture & equipment leases	9,960	10,107	147
Goods & services - subscriptions	2,236	7,356	5,120
Goods & services - facilities & related services	25,400	11,934	(13,466)
Goods & services - data processing	12,900	8,508	(4,392)
Goods & services - Attorney General's Office	45,000	40,021	(4,979)
Goods & services - personnel services	3,008	9,082	6,074
Goods & services - insurance	2,100	75	(2,025)
Goods & services - other purchased services	316,621	290,745	(25,876)
Other goods & services	14,389	3,000	(11,389)
Travel, lodging & subsistence	125,934	133,809	7,875
Capital outlays	29,000	29,039	39
Grants, benefits & client	0	607	607
Total Expenditures	<u>\$ 2,351,216</u>	<u>\$ 2,164,080</u>	<u>\$ (187,136)</u>