LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS PLAN 2 RETIREMENT BOARD

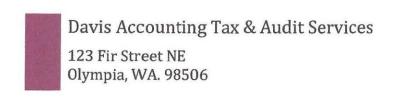
AUDITED SCHEDULE OF EXPENDITURES

For the Year Ended June 30, 2017

LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS PLAN 2 RETIREMENT BOARD For the Year Ended June 30, 2017

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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, 2017.

Management's Responsibility for the Financial Statements

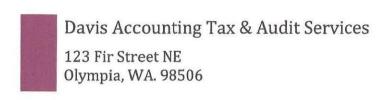
Management is responsible for the preparation and fair presentation of the schedule and notes in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair 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, 2017 in accordance with accounting principles generally accepted in the United States of America.

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 18, 2017

LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS PLAN 2 RETIREMENT BOARD SCHEDULE OF EXPENDITURES - BUDGET ALLOTMENT TO ACTUAL For the Year Ended June 30, 2017

	Ē	BUDGET		ACTUAL		VARIANCE	
Salaries & wages	\$	613,252	\$	615,306	\$	(2,054)	
Employee benefits & payroll taxes	Ψ	159,997	Ψ	192,221	Ψ	(32,224)	
Personal service contracts		64,229		55,827		8,402	
Goods & services - supplies & materials		(4,000)		(83)		(3,917)	
Goods & services - communications		19,203		20,586		(1,383)	
Goods & services - utilities		6,780		6,078		702	
Goods & services - rentals & leases		45,960		45,954		6	
Goods & services - repairs & maintenance		40,000		15		(15)	
Goods & services - printing & reproduction		17,024		8,688		8,336	
Goods & services - employee development		14,165		24,692		(10,527)	
Goods & services - furniture &equipment leases		2,371		4,138		(1,767)	
Goods & services - subscriptions		(291)		804		(1,095)	
Goods & services - facilities & related services		3,789		3,950		(161)	
Goods & services - data processing		8,939		6,142		2,797	
Goods & services - Attorney General's Office		24,054		24,769		(715)	
Goods & services - personnel services		4,698		6,051		(1,353)	
Goods & services - insurance		90		25		65	
Goods & services - other purchased services		140,152		139,668		484	
Other goods & services		11,090		7,725		3,365	
Travel, lodging & subsistence		46,245		44,696		1,549	
Capital outlays		300		4,614		(4,314)	
Grants, benefits & client		0		200		(200)	
Total Expenditures	\$	1,178,047	\$	1,212,066	\$	(34,019)	

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

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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 and 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 and 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.

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 18, 2017, the date the financial statements were available to be issued. No material subsequent events were identified by management.

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

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 prorate 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, 2016, to pay rents through December 28, 2017. The minimum lease payment through December 28, 2017 was approximately \$22,660.

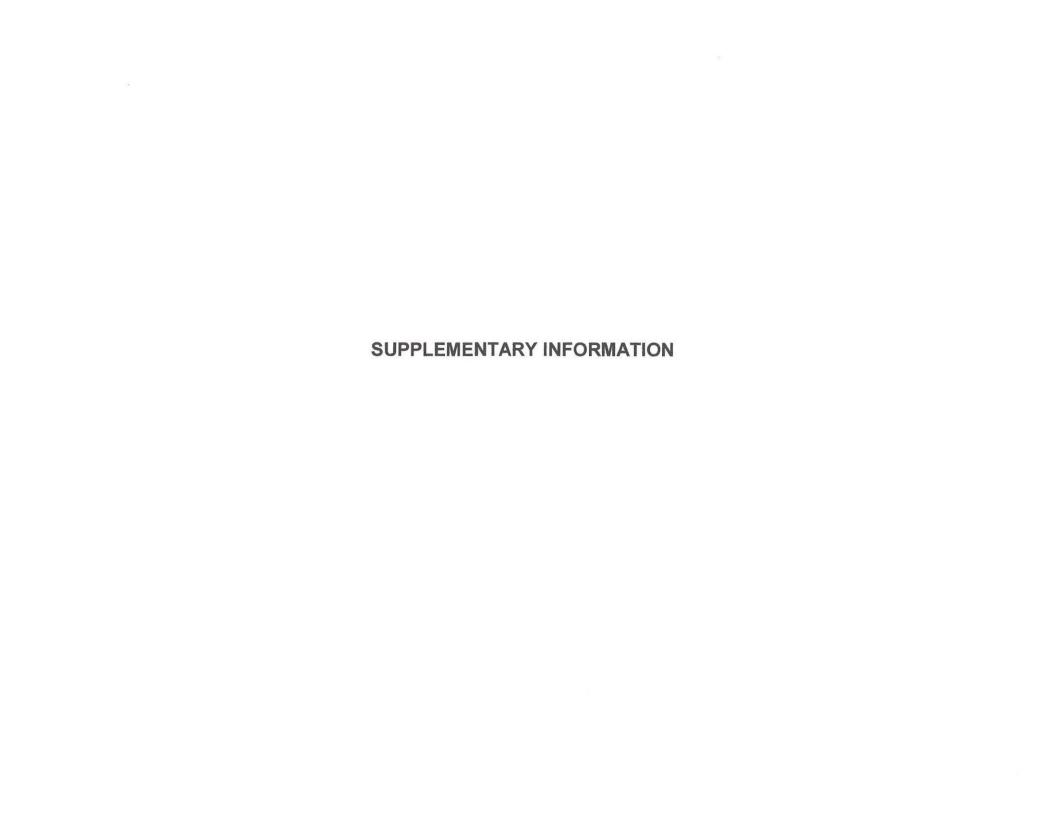
Note 3 - Related Party Transactions

The Board obtains goods and services from other departments and agencies within the State of Washington through interagency agreements. The terms of such agreements are developed through the State's budgetary process and are generally designed to recover the cost of the goods or services. The following significant services were provided by various state agencies under such arrangements during the year ended June 30, 2016.

Actuarial services related to pension plan administration, benefits and rates are provided by the State Actuary and billed to the Board in equal monthly amounts. The total cost of such services was approximately \$105,000.

Various accounting, human resources, data processing and other administrative services are provided by the Department of Enterprise Services through the small agency accounting and administrative services divisions. The total cost of such services was approximately \$51,000.

Legal support is provided by the State Attorney General's office. The total cost of such services was approximately \$46,000.



	Year Ended 06/30/2016		TOTAL PARK SAMERY US AT THE SAMERY SAMERY SAMERY		Biennium Ended 06/30/2017		
Salaries & wages Employee benefits & payroll taxes Personal service contracts Goods & services - supplies & materials Goods & services - communications Goods & services - utilities Goods & services - rentals & leases Goods & services - repairs & maintenance Goods & services - printing & reproduction Goods & services - employee development Goods & services - furniture & equipment leases Goods & services - subscriptions Goods & services - facilities & related services Goods & services - Attorney General's Office Goods & services - personnel services Goods & services - insurance Goods & services - other purchased services Other goods & services Travel, lodging & subsistence Capital outlays Grants, benefits & client	\$	597,764 155,363 12,204 (963) 10,738 6,200 45,954 780 25,707 35,550 4,498 1,637 4,040 8,757 13,890 1,319 90 139,673 6,105 56,932 0	\$	615,306 192,221 55,827 (83) 20,586 6,078 45,954 15 8,688 24,692 4,138 804 3,950 6,142 24,769 6,051 25 139,668 7,725 44,696 4,614 200	\$	1,213,070 347,584 68,031 (1,046) 31,324 12,278 91,908 795 34,395 60,242 8,636 2,441 7,990 14,899 38,659 7,370 115 279,341 13,830 101,627 4,614 200	
Total Expenditures	\$	1,126,238	\$	1,212,066	\$	2,338,303	

LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS PLAN 2 RETIREMENT BOARD SCHEDULE OF BIENNIUM EXPENDITURES - BUDGET TO ACTUAL For the Biennium Ended June 30, 2017

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	BUDGET ACTUAL		OVER (UNDER) BUDGET		
Salaries & wages	\$ 1,	213,076	\$ 1,213,070	\$ (6)	
Employee benefits & payroll taxes		348,445	347,584	(861)	
Personal service contracts		89,229	68,031	(21,198)	
Goods & services - supplies & materials		(400)	(1,046)	(646)	
Goods & services - communications		31,779	31,324	(455)	
Goods & services - utilities		12,372	12,278	(94)	
Goods & services - rentals & leases		91,920	91,908	(12)	
Goods & services - repairs & maintenance		795	795	0	
Goods & services - printing & reproduction		35,732	34,395	(1,337)	
Goods & services - employee development		52,165	60,242	8,077	
Goods & services - furniture &equipment leases		8,647	8,636	(11)	
Goods & services - subscriptions		2,817	2,441	(376)	
Goods & services - facilities & related services		8,013	7,990	(23)	
Goods & services - data processing		16,939	14,899	(2,040)	
Goods & services - Attorney General's Office		46,050	38,659	(7,391)	
Goods & services - personnel services		7,374	7,370	(4)	
Goods & services - insurance		115	115	0	
Goods & services - other purchased services		279,232	279,341	109	
Other goods & services		11,990	13,830	1,840	
Travel, lodging & subsistence		104,901	101,627	(3,274)	
Capital outlays		5,604	4,614	(990)	
Grants, benefits & client		0	200	200	
Total Expenditures	\$ 2,	366,795	\$ 2,338,303	\$ (28,492)	
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