

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

**AUDITED SCHEDULE OF EXPENDITURES**

**For the Year Ended  
June 30, 2011**

**LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS  
PLAN 2 RETIREMENT BOARD  
For the Year Ended June 30, 2011**

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**DAVIS ACCOUNTING TAX & AUDITING SERVICES**  
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**INDEPENDENT AUDITOR'S REPORT**

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

I have audited the accompanying schedule of expenditures of Law Enforcement Officers & Fire Fighters Plan 2 Retirement Board for the year ended June 30, 2011. This schedule is the responsibility of the organization's management. My responsibility is to express an opinion on this schedule 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 of expenditures is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of expenditures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule of expenditures presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the schedule of expenditures referred to above, present fairly, in all material respects, the expenditures of Law Enforcement Officers & Fire Fighters Plan 2 Retirement Board for the year ended June 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the schedule of expenditures. The supplementary information presented on pages 5 and 6 is presented for purposes of additional analysis and is not a required part of the schedule of expenditures. Such information has been subjected to the auditing procedures applied in the schedule of expenditures and, in my opinion, is fairly stated in all material respects in relation to the schedule of expenditures taken as a whole.

DAVIS ACCOUNTING TAX & AUDITING SERVICES  
August 12, 2011

**LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS PLAN 2 RETIREMENT BOARD**  
**SCHEDULE OF EXPENDITURES**  
**For the Year Ended June 30, 2011**

Salaries & wages	\$ 453,958
Employee benefits & payroll taxes	117,902
Personal service contracts	22,818
Goods & services - supplies & materials	3,724
Goods & services - communications	11,492
Goods & services - utilities	5,166
Goods & services - rentals & leases	45,954
Goods & services - repairs & maintenance	448
Goods & services - printing & reproduction	1,123
Goods & services - employee development	15,792
Goods & services - furniture & equipment leases	6,107
Goods & services - subscriptions	735
Goods & services - facilities & related services	4,334
Goods & services - data processing	2,015
Goods & services - Attorney General's Office	15,892
Goods & services - personnel services	406
Goods & services - other purchased services	122,601
Other goods & services	3,759
Travel, lodging & subsistence	22,814
Capital outlays	5,892
Grants, benefits & client	119
<b>Total Expenditures</b>	<b>\$ 863,051</b>

The accompanying notes are an integral part of this schedule of expenditures.  
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**LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS PLAN 2 RETIREMENT BOARD**  
**NOTES TO SCHEDULE OF EXPENDITURES**  
**For the Year Ended June 30, 2011**

**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;

**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.

**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, 2011**

**Note 1 – Summary of Significant Accounting Policies, Continued**

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 Office of Financial Management's Small Agency Client Services (SACS) 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 an expenditure in the year they are incurred.

**C. 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).

**D. 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

**SUPPLEMENTARY INFORMATION**

**LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS PLAN 2 RETIREMENT BOARD**  
**COMPARATIVE SCHEDULE OF EXPENDITURES**  
For the Biennium Ended June 30, 2011

	<u>2010</u>	<u>2011</u>	<u>Biennium Total</u>
Salaries & wages	\$ 507,461	\$ 453,958	\$ 961,419
Employee benefits & payroll taxes	117,174	117,902	235,076
Personal service contracts	15,504	22,818	38,322
Goods & services - supplies & materials	3,112	3,724	6,836
Goods & services - communications	15,104	11,492	26,596
Goods & services - utilities	4,703	5,166	9,869
Goods & services - rentals & leases	45,954	45,954	91,908
Goods & services - repairs & maintenance	153	448	601
Goods & services - printing & reproduction	5,996	1,123	7,119
Goods & services - employee development	21,818	15,792	37,610
Goods & services - furniture & equipment leases	5,690	6,107	11,797
Goods & services - subscriptions	435	735	1,170
Goods & services - facilities & related services	4,291	4,334	8,625
Goods & services - data processing	4,847	2,015	6,862
Goods & services - Attorney General's Office	6,693	15,892	22,585
Goods & services - personnel services	381	381	762
Goods & services - insurance	25	25	50
Goods & services - other purchased services	135,617	122,601	258,218
Other goods & services	329	3,759	4,088
Travel, lodging & subsistence	26,227	22,814	49,041
Capital outlays	691	5,892	6,583
Grants, benefits & client	0	119	119
<b>Total Expenditures</b>	<u>\$ 922,205</u>	<u>\$ 863,051</u>	<u>\$ 1,785,256</u>

The accompanying notes are an integral part of this schedule of expenditures.  
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**LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS PLAN 2 RETIREMENT BOARD**  
**SCHEDULE OF BIENNIUM EXPENDITURES - BUDGET TO ACTUAL**  
For the Year Ended June 30, 2011

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) BUDGET</u>
Salaries & wages	\$ 1,028,135	\$ 961,419	\$ (66,716)
Employee benefits & payroll taxes	255,638	235,076	(20,562)
Personal service contracts	121,737	38,322	(83,415)
Goods & services - supplies & materials	6,460	6,836	376
Goods & services - communications	38,923	26,596	(12,327)
Goods & services - utilities	9,611	9,869	258
Goods & services - rentals & leases	91,920	91,908	(12)
Goods & services - repairs & maintenance	601	601	0
Goods & services - printing & reproduction	25,571	7,119	(18,452)
Goods & services - employee development	36,850	37,610	760
Goods & services - furniture & equipment leases	13,272	11,797	(1,475)
Goods & services - subscriptions	981	1,170	189
Goods & services - facilities & related services	9,751	8,625	(1,126)
Goods & services - data processing	8,790	6,862	(1,928)
Goods & services - Attorney General's Office	15,550	22,585	7,035
Goods & services - personnel services	762	762	0
Goods & services - insurance	2,060	50	(2,010)
Goods & services - other purchased services	265,880	258,218	(7,662)
Other goods & services	11,858	4,088	(7,770)
Travel, lodging & subsistence	58,080	49,041	(9,039)
Capital outlays	25,000	6,583	(18,417)
Grants, benefits & client	0	119	119
<b>Total Expenditures</b>	<u>\$ 2,027,430</u>	<u>\$ 1,785,256</u>	<u>\$ (242,174)</u>

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