LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS PLAN 2 RETIREMENT BOARD

AUDITED SCHEDULE OF EXPENDITURES

For the Year Ended
June 30, 2005

LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS
PLAN 2 RETIREMENT BOARD
For the Year Ended June 30, 2005

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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, 2005. 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, 2005 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
November 18, 2005

LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS PLAN 2 RETIREMENT BOARD
SCHEDULE OF EXPENDITURES
For the Year Ended June 30, 2005

Salaries & wages	$	293,933
Employee benefits & payroll taxes		61,810
Personal Service Contracts		39,538
Goods & services - supplies & materials		2,338
Goods & services - communications		14,635
Goods & services - utilities		3,301
Goods & services - rentals & leases		43,375
Goods & services - repairs & maintenance		22,416
Goods & Services - printing & reproduction		9,361
Goods & services - employee development		10,138
Goods & services - subscriptions		744
Goods & services - facilities & related services		1,885
Goods & services - data processing		3,362
Goods & services - Attorney General's Office		14,425
Goods & services - other purchased services		104,049
Other goods & services		1,184
Travel, lodging & subsistence		20,625
Capital outlays		12,634
Grants, benefits & client		114
Total Expenditures	$	659,867

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, 2005

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 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 figher 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.

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

LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS PLAN 2 RETIREMENT BOARD
NOTES TO SCHEDULE OF EXPENDITURES
For the Year Ended June 30, 2005

Note 1 – Summary of Significant Accounting Policies, Continued

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 appropritation. 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, 2005

	2004	2005	Biennium Total
Salaries & wages	$ 107,480	$ 293,933	$ 401,413
Employee benefits & payroll taxes	19,761	61,810	81,571
Personal Service Contracts	3,000	39,538	42,538
Goods & services - supplies & materials	3,746	2,338	6,084
Goods & services - communications	6,233	14,635	20,868
Goods & services - utilities	740	3,301	4,041
Goods & services - rentals & leases	7,419	43,375	50,794
Goods & services - repairs & maintenance	0	22,416	22,416
Goods & Services - printing & reproduction	1,436	9,361	10,797
Goods & services - employee development	1,932	10,138	12,070
Goods & services - subscriptions	83	744	827
Goods & services - facilities & related services	4,158	1,885	6,043
Goods & services - data processing	2,606	3,362	5,968
Goods & services - Attorney General's Office	25,614	14,425	40,039
Goods & services - other purchased services	118,320	104,049	222,369
Other goods & services	613	1,184	1,797
Travel, lodging & subsistence	8,160	20,625	28,785
Capital outlays	58,990	12,634	71,624
Grants, benefits & client	0	114	114
Total Expenditures	$ 370,291	$ 659,867	$ 1,030,158

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

LAW ENFORCEMENT OFFICERS & FIRE FIGHTERS PLAN 2 RETIREMENT BOARD
SCHEDULE OF BIENNIUM EXPENDITURES - BUDGET TO ACTUAL
For the Year Ended June 30, 2005

	BUDGET	ACTUAL	VARIANCE	%
Salaries & wages	$ 520,684	$ 401,413	$ (119,271)	(22.91)
Employee benefits & payroll taxes	102,780	81,571	(21,209)	(20.64)
Personal Service Contracts	35,000	42,538	7,538	21.54
Goods & services - supplies & materials	7,252	6,084	(1,168)	(16.11)
Goods & services - communications	22,766	20,868	(1,898)	(8.34)
Goods & services - utilities	2,250	4,041	1,791	79.60
Goods & services - rentals & leases	93,059	50,794	(42,265)	(45.42)
Goods & services - repairs & maintenance	18,899	22,416	3,517	18.61
Goods & Services - printing & reproduction	10,300	10,797	497	4.83
Goods & services - employee development	4,600	12,070	7,470	162.39
Goods & services - subscriptions	700	827	127	18.14
Goods & services - facilities & related services	4,160	6,043	1,883	45.26
Goods & services - data processing	10,185	5,968	(4,217)	(41.40)
Goods & services - Attorney General's Office	68,936	40,039	(28,897)	(41.92)
Goods & services - personnel services	21,600	0	(21,600)	(100.00)
Goods & services - insurance	1,800	0	(1,800)	(100.00)
Goods & services - other purchased services	279,923	222,369	(57,554)	(20.56)
Other goods & services	5,250	1,797	(3,453)	(65.77)
Travel, lodging & subsistence	104,098	28,785	(75,313)	(72.35)
Capital outlays	50,805	71,624	20,819	40.98
Grants, benefits & client	0	114	114	*****
Total Expenditures	$ 1,365,047	$ 1,030,158	$ (334,889)	(24.53)

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