

**Retirement System's Building  
Management Partnership  
(A Louisiana Partnership)  
Baton Rouge, Louisiana  
June 30, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/10/07

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August 23, 2007

**Independent Auditor's Report**

Retirement System's Building Management Partnership  
Post Office Box 44213  
Baton Rouge, Louisiana 70804

Managing Partners:

We have audited the accompanying balance sheets of the

**Retirement System's Building Management Partnership  
(A Louisiana Partnership)  
Baton Rouge, Louisiana**

as of June 30, 2007 and 2006, and the related statements of revenue and expenses, changes in partner's capital and cash flows for the years then ended. These financial statements are the responsibility of the management of the Retirement System's Building Management Partnership. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Retirement System's Building Management Partnership as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2007, on our consideration of the Retirement System's Building Management Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's Discussion and Analysis, as listed in the Table of Contents, is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Yours truly,

*Hawthorn, Weymouth & Carroll, L.L.P.*

**RETIREMENT SYSTEM'S BUILDING MANAGEMENT PARTNERSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is management's discussion and analysis of the financial performance of the Retirement System's Building Management Partnership. It is presented as a narrative overview and analysis for the purpose of assisting the reader with interpreting key elements of the financial statements, including notes to the financial statements for the current year.

***FINANCIAL HIGHLIGHTS***

Partner's capital increased \$292,836. The increase for the year ended June 30, 2007, is directly related to the increase in rental income, primarily from the partners. Rental income from the partners increased \$271,181 because the partners anticipated increased operating costs and began to build on the equity of the fund for future activity. As a result, a formal investment strategy for the excess funds was developed resulting in an increase in interest income of \$15,609. Other building income also increased \$4,637. Other income consists primarily of renting the board room to other agencies.

Revenue over expenses in the 2007 fiscal year increased by \$220,745 over the 2006 fiscal year to \$439,332. The increase was directly related to the increase in the partner's increased rental payments.

Operating expenses of \$941,446 in the 2007 fiscal year is an increase of \$70,682 over the 2006 fiscal year. The increase was due primarily to non-recurring maintenance expenses and an increase in insurance costs as a result of Hurricanes Katrina and Rita.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

An explanation of the financial statements is as follows:

*Balance Sheets* – These statements present the assets, liabilities and partner's capital as of June 30, 2007 and 2006.

*Statements of Revenue and Expenses* – These statements present the results of the Partnership's operations during the years. They disclose the net revenue over expenses.

*Statements of Changes in Partner's Capital* – These statements report changes from the prior years.

*Statements of Cash Flows* – These statements reflect the cash inflows and outflows for each year that have a direct impact on the cash account.

*Notes to the Financial Statements* – The notes provide additional information that is essential to complete the understanding of the data presented in the financial statements.

***RETIREMENT SYSTEM'S BUILDING MANAGEMENT PARTNERSHIP FINANCIAL ANALYSIS***

The Partnership was created for the purpose of managing and maintaining the immovable property, owned by the partners and located at 8401 United Plaza Boulevard, Baton Rouge, Louisiana. Rental revenue is used to pay the Partnership expenses and build up equity to meet unforeseen needs and planned upgrades to the building and grounds. Revenue over expenses for the year ended June 30, 2007 amounted to \$439,332, an increase of \$220,745 or 100.9% compared to \$218,587 for the year ended June 30, 2006. Expenses were \$941,446 for the year ended June 30, 2007 as compared to \$870,764 for the year ended June 30, 2006, an increase of 8.1%. The largest area of increase in operating expenses was due to non-recurring expenses such as painting of the buildings exterior and

**RETIREMENT SYSTEM'S BUILDING MANAGEMENT PARTNERSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

*RETIREMENT SYSTEM'S BUILDING MANAGEMENT PARTNERSHIP FINANCIAL ANALYSIS (Continued)*

the replacement of the halon in the fire suppression system in the computer room. These costs totaled over \$58,500. Security expense also increased due to the increase in security services provided and insurance costs increased by approximately \$48,400 due to increased commercial insurance premiums as a result of Hurricanes Katrina and Rita. The increases were partially offset by a \$67,300 reduction in utility costs. The decrease was due to a return to normal electrical costs following a year in which increased utility rates were incurred following Hurricanes Katrina and Rita.

**BALANCE SHEETS  
JUNE 30, 2007, 2006, AND 2005**

	<u>2007</u>	<u>2006</u>	<u>2005</u>
TOTAL ASSETS	\$551,943	\$124,030	\$19,938
LIABILITIES	197,195	62,118	31,544
PARTNERS' CAPITAL (DEFICIT)	<u>354,748</u>	<u>61,912</u>	<u>(11,606)</u>
TOTAL LIABILITIES AND PARTNERS' CAPITAL	<u>551,943</u>	<u>124,030</u>	<u>19,938</u>

**STATEMENTS OF REVENUE AND EXPENSES  
YEARS ENDED JUNE 30, 2007, 2006, AND 2005**

	<u>2007</u>	<u>2006</u>	<u>2005</u>
REVENUE	\$1,380,778	\$1,089,351	\$1,086,640
EXPENSES	<u>(941,446)</u>	<u>(870,764)</u>	<u>(776,702)</u>
REVENUE OVER EXPENSES	<u>439,332</u>	<u>218,587</u>	<u>309,938</u>

***CAPITAL IMPROVEMENTS***

The Partnership does not own any property. The partners own all the immovable and movable property. Improvements or additions to the property are financed through the Partnership and are treated as distributions to the partners.

***REQUESTS FOR INFORMATION***

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Retirement System's Building Management Partnership, 8401 United Plaza Boulevard, First Floor, Baton Rouge, Louisiana, 70809.

**Retirement System's Building Management Partnership**  
**(A Louisiana Partnership)**  
**Balance Sheets**  
**June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>A s s e t s</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$545,610	\$116,955
Accounts receivable	1,520	2,975
Prepaid expenses	<u>4,813</u>	<u>4,100</u>
<u>Total assets</u>	<u>551,943</u>	<u>124,030</u>
<b>Liabilities and Partners' Capital</b>		
<b>Current Liabilities</b>		
Accounts payable	<u>197,195</u>	<u>62,118</u>
<u>Total liabilities</u>	<u>197,195</u>	<u>62,118</u>
<b>Partners' Capital</b>		
Teacher's Retirement System of Louisiana (50% interest)	177,376	30,958
Louisiana State Employees' Retirement System (50% interest)	<u>177,372</u>	<u>30,954</u>
<u>Total partner's capital</u>	<u>354,748</u>	<u>61,912</u>
<u>Total liabilities and partners' capital</u>	<u>551,943</u>	<u>124,030</u>

The accompanying notes are an integral part of these statements.

**Retirement System's Building Management Partnership**  
**(A Louisiana Partnership)**  
**Statements of Revenue and Expenses**  
**Years Ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>Revenue</b>		
Rent - related party	\$1,355,901	\$1,084,720
Interest income	15,609	
Other income	<u>9,268</u>	<u>4,631</u>
<u>Total revenue</u>	<u>1,380,778</u>	<u>1,089,351</u>
<b>Expenses</b>		
Repairs and maintenance	388,473	310,759
Utilities	320,207	387,537
Payroll expense	119,146	113,183
Management fee	30,000	25,950
Other expenses	<u>83,620</u>	<u>33,335</u>
<u>Total expenses</u>	<u>941,446</u>	<u>870,764</u>
<b>Revenue over Expenses</b>	<u>439,332</u>	<u>218,587</u>

The accompanying notes are an integral part of these statements.



**Retirement System's Building Management Partnership**  
**(A Louisiana Partnership)**  
**Statements of Changes in Partners' Capital**  
**Years Ended June 30, 2007 and 2006**

	<u>Teacher's Retirement System of Louisiana</u>	<u>Louisiana State Employees' Retirement System</u>	<u>Total</u>
Balance, June 30, 2005	(\$5,802)	(\$5,804)	(\$11,606)
Add:			
Revenue over expenses	109,294	109,293	218,587
Deduct:			
Distributions - cash	(2,716)	(2,717)	(5,433)
Distributions - capital assets	<u>(69,818)</u>	<u>(69,818)</u>	<u>(139,636)</u>
Balance, June 30, 2006	30,958	30,954	61,912
Add:			
Revenue over expenses	219,666	219,666	439,332
Deduct:			
Distributions - capital assets	<u>(73,248)</u>	<u>(73,248)</u>	<u>(146,496)</u>
Balance, June 30, 2007	<u>177,376</u>	<u>177,372</u>	<u>354,748</u>

The accompanying notes are an integral part of these statements.

**Retirement System's Building Management Partnership**  
**(A Louisiana Partnership)**  
**Statements of Cash Flows**  
**Years Ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>Cash Flows From Operating Activities</b>		
Rents received	\$1,355,901	\$1,084,720
Interest received	15,609	
Other fees and revenue	9,268	7,236
Cash paid to suppliers and employees	<u>(805,627)</u>	<u>(844,290)</u>
<u>Net Cash Provided By Operating Activities</u>	<u>575,151</u>	<u>247,666</u>
<b>Cash Flows From Financing Activities</b>		
Distributions to partners	<u>(146,496)</u>	<u>(145,069)</u>
<u>Net Cash Used By Financing Activities</u>	<u>(146,496)</u>	<u>(145,069)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	428,655	102,597
<b>Cash and Cash Equivalents at beginning of the year</b>	<u>116,955</u>	<u>14,358</u>
<b>Cash and Cash Equivalents at end of the year</b>	<u>545,610</u>	<u>116,955</u>
<b>Reconciliation of Revenue over Expenses to Net Cash Provided by Operating Activities</b>		
Revenue over expenses	439,332	218,587
Adjustments to reconcile revenue over expenses to net cash provided by operating activities		
Change in assets and liabilities		
(Increase) Decrease in accounts receivable	1,455	2,605
(Increase) Decrease in prepaid expenses	(713)	(4,100)
Increase (Decrease) in accounts payable	<u>135,077</u>	<u>30,574</u>
<u>Net Cash Provided By Operating Activities</u>	<u>575,151</u>	<u>247,666</u>

The accompanying notes are an integral part of these statements.

**Retirement System's Building Management Partnership**  
**(A Louisiana Partnership)**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 1-Significant Accounting Policies**

The summary of major accounting policies is presented to assist the reader in understanding and evaluating the financial statements.

**A. Business Operation of Partnership**

The partnership between the Teachers' Retirement System of Louisiana and the Louisiana State Employees' Retirement System was formed on July 1, 1992.

The Partnership was created for the purpose of managing and maintaining the office building owned by the partners located at 8401 United Plaza Boulevard, Baton Rouge, Louisiana. Rental income is used to pay the expenses of the Partnership with any excess revenue distributed to the partners.

Under *Governmental Accounting Standards* Board Statement No. 14, "The Financial Reporting Entity", the definition of the reporting entity is based primarily on the notion of financial accountability. In determining financial accountability for legally separate organizations, the Partnership considered whether its officials appoint a voting majority of an organizations' governing body and whether either they are able to impose their will on that organization or if there is a potential for the organization to provide specific financial burdens to, or to impose specific financial burdens on the System. The Partnership determined there are no organizations that are fiscally dependent on it and there are no component units of the Partnership.

**B. Basis of Accounting**

The Partnership has prepared its financial statements in accordance with accounting principles generally accepted in the United States of America. The financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period they are earned and become measurable.

**C. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**D. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Partnership considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Retirement System's Building Management Partnership**  
**(A Louisiana Partnership)**  
**Notes to Financial Statements**  
**June 30, 2007**

**Note 2-Cash and Cash Equivalents**

Under state law, the Partnership may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. The Partnership had cash and cash equivalents (book balances) totaling \$545,610 and \$116,955 at June 30, 2007 and 2006, respectively.

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance and/or the pledge of securities owned by the fiscal agent bank. The pledged securities are held in the name of the pledging fiscal agent bank or in a holding or custodial bank that is mutually agreeable to both parties.

At June 30, 2007, the Partnership had \$500,326 in deposits (collected bank balances) of which \$100,000 was covered by Federal Deposit Insurance Corporation. The remainder was collateralized by securities held by the Partnership agent, JPMorgan Chase Bank, Baton Rouge, Louisiana, in the amount of \$420,881.

At June 30, 2006, the Partnership had \$135,079 in deposits (collected bank balances). These deposits exceeded the Federal Deposit Insurance Corporation (FDIC) by \$35,079.

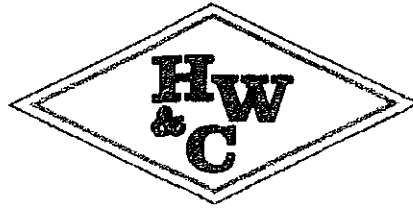
**Note 3-Related Party Transactions**

The Partners agree on the amount of rent to be paid annually. The total amount of rent paid for the years ended June 30, 2007 and 2006 was \$1,355,901 and \$1,084,720, respectively. Teachers' Retirement System of Louisiana paid \$735,621 and Louisiana State Employees' Retirement System paid \$620,280, respectively.

**Note 4-Management Fee**

The Partnership entered into a three year management agreement effective July 1, 2005, for \$2,000 per month for the first year and \$2,500 per month for the second and third years. The Partnership reimburses the manager for all payroll and security guard costs based on approvals of the partners.

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August 23, 2007

**Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Retirement System's Building Management Partnership  
Post Office Box 44213  
Baton Rouge, Louisiana 70804

Managing Partners:

We have audited the financial statements of the

**Retirement System's Building Management Partnership  
(A Louisiana Partnership)  
Baton Rouge, Louisiana**

as of and for the year ended June 30, 2007, and have issued our report thereon dated August 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Retirement System's Building Management Partnership's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Retirement System's Building Management Partnership's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Retirement System's Building Management Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance and other matters with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Partners, the State of Louisiana Division of Administration, the Office of the Legislative Auditor of the State of Louisiana, and management and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Yours truly,

*Hawthorn, Waymouth & Carroll, L.L.P.*

**Retirement System's Building Management Partnership  
(A Louisiana Partnership)  
Schedule of Current Year Findings  
Year Ended June 30, 2007**

**None.**

**Retirement System's Building Management Partnership  
(A Louisiana Partnership)  
Schedule of Prior Year Findings  
Year Ended June 30, 2007**

*2006-1 Cash in Excess of FDIC Insurance*

*Finding* - The Partnership's deposits with one financial institution exceeded the Federal Deposit Insurance Corporation (FDIC) and pledged securities by \$35,079 on June 30, 2007. L.R.S. 49:321 requires that funds shall not exceed at any time the amount insured by the FDIC in any one banking institution, unless the uninsured portion is collateralized by the pledge of securities.

*Status* - This finding has been cleared.