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**Retirement System's Building
Management Partnership
(A Louisiana Partnership)
Baton Rouge, Louisiana
June 30, 2004**

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 9/8/04

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July 29, 2004

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, 2004 and 2003, 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 Retirement System's Building Management Partnership's management. 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, 2004 and 2003, 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 a report dated July 29, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering 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 limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the 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 by \$44,114. The increase as of June 30, 2004 is directly related to Cash and Cash equivalents. The policy of the property management firm responsible for the accounting functions of the Partnership is to keep smaller reserves and distribute excess revenues to the partners monthly. Due to the conversion of the property management firm's financial statements from a cash basis of accounting to the accrual basis of accounting, the June 30, 2004 excess cash was held in reserve to offset the liabilities of the Partnership.

Revenue over expenses increased by \$225,055 or 54%. The increase in the Partnership's revenues was due to an increase in related party rental income. The partner's lease rates increased from \$16 per square foot to \$17 per square foot for fiscal year 2003-2004. The building is now fully occupied by the partners with no outside tenants.

OVERVIEW OF THE FINANCIAL STATEMENTS

An explanation of the financial statements is as follows:

Balance Sheets – This statement presents the assets, liabilities and partner's capital as of June 30, 2004 and 2003.

Statements of Revenue and Expenses – This statement presents the results of the Partnership's operations during the year. It discloses the net revenue over expenses.

Statements of Changes in Partner's Capital – This statement reports changes from the prior year.

Statements of Cash Flows – This statement reflects 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 with excess revenue distributed back to the partners. Revenue over expenses for the year ended June 30, 2004 amounted to \$644,818, which increased \$225,055 or 54% compared to \$419,763 for the year ended June 30, 2003 and \$717,783 for the year ended June 20, 2002. The partners now occupy the entire building. In 2003, parts of the building were not occupied due to construction. In 2002, the Partnership leased parts of the building to outside tenants. Expenses were fairly stable in the amount of \$775,322 for the year ended June 30, 2004, decreasing by \$16,763 or 2% as compared to \$792,085 for the year ended June 30, 2003.

**BALANCE SHEETS
JUNE 30, 2004, 2003, AND 2002**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
TOTAL ASSETS	<u>\$61,756</u>	<u>\$8,359</u>	<u>\$99,731</u>
LIABILITIES	36,776	27,493	54,957
PARTNERS' CAPITAL (DEFICIT)	<u>24,980</u>	<u>(19,134)</u>	<u>44,774</u>
TOTAL LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)	<u>\$61,756</u>	<u>\$8,359</u>	<u>\$99,731</u>

**STATEMENTS OF REVENUE AND EXPENSES
YEARS ENDED JUNE 30, 2004, 2003, AND 2002**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
REVENUE	\$1,420,140	\$1,211,848	\$1,328,348
EXPENSES	<u>775,322</u>	<u>792,085</u>	<u>610,565</u>
REVENUE OVER EXPENSES	<u>\$644,818</u>	<u>\$419,763</u>	<u>\$717,783</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 Blvd., Third Floor, Baton Rouge, Louisiana, 70809.

Retirement System's Building Management Partnership
(A Louisiana Partnership)
Balance Sheets
June 30, 2004 and 2003

A s s e t s	<u>2004</u>	<u>2003</u>
Current Assets		
Cash and cash equivalents	\$61,637	\$7,550
Accounts receivable	<u>119</u>	<u>809</u>
<u>Total assets</u>	<u>\$61,756</u>	<u>\$8,359</u>
Liabilities and Partners' Capital (Deficit)		
Current Liabilities		
Accounts payable	<u>\$36,776</u>	<u>\$27,493</u>
<u>Total liabilities</u>	<u>36,776</u>	<u>27,493</u>
Partners' Capital (Deficit)		
Teacher's Retirement System of Louisiana (50% interest)	12,626	(9,431)
Louisiana State Employees' Retirement System (50% interest)	<u>12,354</u>	<u>(9,703)</u>
<u>Total partner's capital (deficit)</u>	<u>24,980</u>	<u>(19,134)</u>
<u>Total liabilities and partners' capital (deficit)</u>	<u>\$61,756</u>	<u>\$8,359</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, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenue		
Rent - related party	\$1,418,480	\$1,171,853
Rent - other		38,143
Other income	<u>1,660</u>	<u>1,852</u>
<u>Total revenue</u>	<u>1,420,140</u>	<u>1,211,848</u>
Expenses		
Repairs and maintenance	313,099	346,526
Utilities	267,471	259,603
Payroll expense	120,811	125,478
Management fee	23,400	23,400
Other expenses	<u>50,541</u>	<u>37,078</u>
<u>Total expenses</u>	<u>775,322</u>	<u>792,085</u>
Revenue over Expenses	<u>\$644,818</u>	<u>\$419,763</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, 2004 and 2003

	Teacher's Retirement System of Louisiana	Louisiana State Employees' Retirement System	Total
Balance, June 30, 2002	\$22,387	\$22,387	\$44,774
Add:			
Revenue over expenses	209,882	209,881	419,763
Deduct:			
Distributions - cash	(164,433)	(164,704)	(329,137)
Distributions - capital assets	<u>(77,267)</u>	<u>(77,267)</u>	<u>(154,534)</u>
Balance, June 30, 2003	(\$9,431)	(\$9,703)	(\$19,134)
Add:			
Revenue over expenses	322,409	322,409	644,818
Deduct:			
Distributions - cash	(274,914)	(274,914)	(549,828)
Distributions - capital assets	<u>(25,438)</u>	<u>(25,438)</u>	<u>(50,876)</u>
Balance, June 30, 2004	<u>\$12,626</u>	<u>\$12,354</u>	<u>\$24,980</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, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Cash Flows From Operating Activities		
Rents received	\$1,418,480	\$1,209,996
Other fees and revenue	2,350	1,043
Cash paid to suppliers and employees	<u>(766,039)</u>	<u>(819,549)</u>
<u>Net Cash Provided By Operating Activities</u>	<u>654,791</u>	<u>391,490</u>
Cash Flows From Financing Activities		
Distributions to partners	<u>(600,704)</u>	<u>(483,671)</u>
<u>Net Cash Used By Financing Activities</u>	<u>(600,704)</u>	<u>(483,671)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	54,087	(92,181)
Cash and Cash Equivalents at beginning of the year	<u>7,550</u>	<u>99,731</u>
Cash and Cash Equivalents at end of the year	<u><u>\$61,637</u></u>	<u><u>\$7,550</u></u>
 Reconciliation of Revenue over Expenses to Net Cash Provided by Operating Activities		
Revenue over expenses	\$644,818	\$419,763
Adjustments to reconcile net income to net cash provided by operating activities		
Change in assets and liabilities		
(Increase) Decrease in accounts receivable	690	(809)
Increase (Decrease) in accounts payable	<u>9,283</u>	<u>(27,464)</u>
<u>Net Cash Provided By Operating Activities</u>	<u><u>\$654,791</u></u>	<u><u>\$391,490</u></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, 2004 and 2003

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 Partnership has implemented *Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement 34)*. The Partnership adopted the provisions of Statement 34, effective July 1, 2001.

Statement 34 primarily relates to presentation and disclosure requirements and had no monetary impact on the financial statements. As a result of adoption, Management's Discussion and Analysis has been included.

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.

Retirement System's Building Management Partnership
(A Louisiana Partnership)
Notes to Financial Statements
June 30, 2004 and 2003

Note 1-Significant Accounting Policies (Continued)

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.

Note 2-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, 2004 and 2003 was \$1,418,480 and \$1,171,853, respectively. Teachers' Retirement System of Louisiana paid \$769,573 and \$620,569 and Louisiana State Employees' Retirement System paid \$648,907 and \$551,284, respectively.

Note 3-Rental Revenue

As of November 1, 2002, the Partnership no longer had rental income from non-related parties.

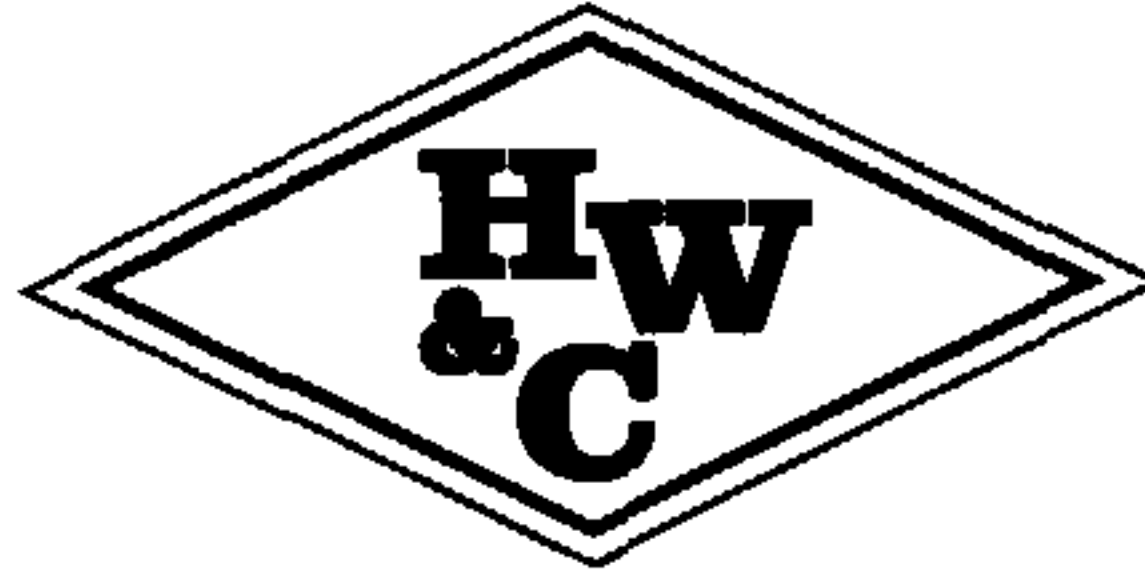
Note 4-Management Fee

The Partnership has a management agreement through June 30, 2005, at a sum of \$1,950 per month. The Partnership reimburses the manager for all payroll and security guard costs based on approvals of the partners.

Note 5-Concentrations of Credit Risk

The carrying amount of the Partnership's cash was \$61,637 and \$7,550 and the bank balance was \$107,346 and \$94,093, which was covered by Federal Deposit Insurance Corporation and/or collateral held by the agent in the name of Teachers' Retirement System of Louisiana as of June 30, 2004 and 2003, respectively.

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.



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July 29, 2004

**Report on Compliance and on Internal Control over
Financial Reporting 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, 2004, and have issued our report thereon dated July 29, 2004. 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.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance 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 that are required to be reported under *Government Auditing Standards*.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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,

Hawthorne, Weymouth & Carroll, L.L.P.

**Retirement System's Building Management Partnership
(A Louisiana Partnership)
Schedule of Prior Year Findings
Year Ended June 30, 2004**

No prior year findings were noted by the auditor in last year's audit.

**Retirement System's Building Management Partnership
(A Louisiana Partnership)
Management's Corrective Action Plan
Year Ended June 30, 2004**

No corrective action plan needed by management since no findings were reported and no management letter was issued.