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Passman Plaza II, Inc.
Monroe, Louisiana
HUD Project No. 064-EE050-WAH-NP-L8

Annual Financial Report
As of and for the Year Ended 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 2/2/05

**Passman Plaza II, Inc.
Table of Contents**

		<u>Page</u>
INDEPENDENT AUDITORS' REPORT		1
BASIC FINANCIAL STATEMENTS	<u>Statements</u>	
Statement of Financial Position	A	2-3
Statement of Activities	B	4-5
Statement of Cash Flows	C	6-7
Notes to the Basic Financial Statements		
Index		8
Notes		9-11
 SUPPLEMENTAL INFORMATION		
Supporting Data Required by HUD		12-16
Financial Data Schedule		17-30
 OTHER REPORTS REQUIRED BY <u>GOVERNMENT AUDITING STANDARDS AND BY OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR NO. A-133:</u>		
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		31
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With <u>OMB Circular No. A-133</u>		32-33
Schedule of Expenditures of Federal Awards		34
Schedule of Findings and Questioned Costs		35
 OTHER INFORMATION		
Mortgagor's Certification		36
Management Agent's Certification		37



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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Passman Plaza II, Inc.
Monroe, Louisiana

We have audited the accompanying basic financial statements of Passman Plaza II, Inc., HUD Project No. 064-EE050-WAH-NP-L8, as of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Passman Plaza II, Inc.'s management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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 of America. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Passman Plaza II, Inc., as of June 30, 2004, and the changes in its net assets and cash flows for the year 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 20, 2004, on our consideration of the Passman Plaza II, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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 audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Passman Plaza II, Inc., taken as a whole. The accompanying supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Also, the accompanying other information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Passman Plaza II, Inc. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
August 20, 2004

PASSMAN PLAZA II, INC.
Monroe, Louisiana
HUD PROJECT No. 064-EE050-WAH-NP-LB

STATEMENT OF FINANCIAL POSITION
June 30, 2004

ASSETS

Current Assets	
1120 Cash - operations	\$ 18,270
1135 Receivable - HUD, net of allowance of -0-	11,066
1145 Receivable - accrued interest	1,389
1200 Miscellaneous prepaid expenses	<u>6,519</u>
Total current assets	<u>37,244</u>
Deposits Held in Trust - Funded	
1191 Tenant deposit held in trust	7,800
Deposits for Funded Reserves	
1320 Replacement reserve	\$ 92,796
1340 Residual receipts reserve	<u>157,428</u>
Total deposits for funded reserves	250,224
Fixed Assets	
1410 Land	130,000
1420 Building	1,794,748
1450 Furniture and fixtures	53,934
1470 Maintenance equipment	21,301
1490 Computer equipment	<u>2,852</u>
Total fixed assets	2,002,835
1495 Accumulated depreciation	<u>(332,104)</u>
Net fixed assets	1,670,731
Other Assets	
1590 Escrow account	<u>11,409</u>
TOTAL ASSETS	<u>\$ 1,977,408</u>

Statement A

LIABILITIES AND NET ASSETS

Current Liabilities		
2110 Accounts payable - operations	\$	128
2113 Accounts payable - Monroe Housing Authority		10,923
2123 Accrued management fee payable		<u>1,326</u>
Total current liabilities		12,377
Deposits		
2191 Tenant deposits held in trust (Contra)		7,136
Long-Term Liabilities		
2320 Mortgage payable - First Mortgage		<u>1,997,500</u>
TOTAL LIABILITIES		2,017,013
Net Assets		
3131 Unrestricted Operations	\$	<u>(39,605)</u>
TOTAL NET ASSETS		<u>(39,605)</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>1,977,408</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

PASSMAN PLAZA II, INC.
 Monroe, Louisiana
 HUD PROJECT No. 064-EE050-WAH-NP-L8

STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2004

Statement B

	<u>UNRESTRICTED</u>
REVENUES, GAINS AND OTHER SUPPORT	
Rent Revenues	
5120 Apartments or member carrying charges	\$ 76,844
5121 Housing assistance payments	<u>58,876</u>
Total Rent Revenue Potential at 100% Occupancy	135,720
Vacancies	
5220 Vacancies	<u>(5,714)</u>
Net Rental Revenue (rent revenue less vacancies)	<u>130,006</u>
Financial Revenue	
5410 Financial revenue - project operations	5,741
5440 Revenue from investments - reserve for replacements	670
5490 Income from investments - miscellaneous	<u>148</u>
Total Financial Revenue	<u>6,559</u>
Other Revenue	
5990 Other revenues	<u>8,650</u>
Total Other Revenue	<u>8,650</u>
Total Revenue	<u>145,215</u>
 EXPENSES AND LOSSES	
Administrative Expenses	
6210 Advertising and marketing	48
6310 Office salaries	2,443
6311 Office expenses	1,193
6320 Management fee	15,912
6330 Manager or superintendent	11,188
6350 Auditing expense	7,030
6351 Bookkeeping fees/accounting services	1,840
6390 Miscellaneous administrative expenses	<u>7,978</u>
Total Administrative Expenses	<u>47,430</u>
Utilities Expenses	
6450 Electricity	3,486
6451 Water	1,731
6452 Gas	865
6453 Sewer	<u>1,505</u>
Total Utilities Expense	<u>\$ 7,587</u>

Statement B

	<u>UNRESTRICTED</u>
EXPENSES AND LOSSES	
Operating and Maintenance Expenses	
6510 Payroll	\$ 8,579
6515 Supplies	2,936
6520 Contract	8,804
6525 Garbage and trash removal	2,814
6590 Miscellaneous operating and maintenance expenses	<u>1,426</u>
Total Operating and Maintenance Expenses	<u>24,559</u>
Taxes and Insurance	
6711 Payroll taxes	1,770
6720 Property and liability insurance (hazard)	8,268
6721 Fidelity bond insurance	52
6722 Workman's compensation	745
6723 Health insurance and other employee benefits	<u>7,178</u>
Total Taxes and Insurance	<u>18,013</u>
6900 Assisted living/board and care/other elderly care expenses	<u>948</u>
Total Cost of Operations before Depreciation	<u>98,537</u>
Net Increase (Decrease) in Net Assets Before Depreciation	46,678
6600 Depreciation	<u>50,116</u>
Net Increase (Decrease) in Net Assets	(3,438)
NET ASSETS AT BEGINNING OF YEAR	<u>(36,167)</u>
NET ASSETS (Deficit) AT END OF YEAR	<u>\$ (39,605)</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

PASSMAN PLAZA II, INC.
Monroe, Louisiana
HUD PROJECT No. 064-EE050-WAH-NP-L8

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2004

Statement C

Cash Flow From Operating Activities

Cash received from:

Rent revenue	\$ 71,130
HAP	52,860
Other revenue	8,650
Interest	<u>6,559</u>

139,199

Cash paid for:

Administrative	(44,219)
Utilities	(7,587)
Operating and maintenance	(24,559)
Taxes and insurance	(17,749)
Service	<u>(948)</u>

(95,062)

Cash paid (into) out of:

Tenant security deposits	(57)
Tenant security deposits	<u>(221)</u>

(278)

Net cash provided (used) by operating activities

43,859

Cash Flow From Investing Activities

Deposits into minimum capital investment	0
Deposits into reserve for replacement	(24,670)
Net deposits into residual receipts reserve	<u>(15,319)</u>

Net cash provided (used) by investing activities

(39,989)

Net Increase in Cash and Cash Equivalents

3,870

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

14,400

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 18,270

Statement C

Increase in Net Assets	\$ (3,438)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	50,116
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	241
(Increase) decrease in accounts receivable - HUD	(6,016)
(Increase) decrease in prepaid insurance	264
(Increase) decrease in tenant security deposits (assets)	(57)
Increase (decrease) in accounts payable	73
Increase (decrease) in accounts payable Monroe Housing Authority and Passman Plaza, Inc.	2,897
Increase (decrease) in tenant security deposits (liability)	<u>(221)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 43,859</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Passman Plaza II, Inc.
Notes to the Financial Statements

INDEX

	<u>Page</u>
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	9
Corporate Purpose	9
Income Taxes	9
HUD Requirements.....	9
Cash and Cash Equivalents.....	9
Fixed Assets	9
Use of Estimates.....	9
NOTE 2 - DEPOSITS AND INVESTMENTS	9
NOTE 3 - RESTRICTED DEPOSITS AND FUNDED RESERVES.....	10
NOTE 4 - DEPOSITS HELD IN TRUST - FUNDED.....	10
NOTE 5 - FIXED ASSETS	10
NOTE 6 - ACCOUNTS PAYABLE - MONROE HOUSING AUTHORITY AND PASSMAN PLAZA, INC.....	10
NOTE 7 - MORTGAGE PAYABLE	10
NOTE 8 - RELATED PARTY TRANSACTIONS.....	11
NOTE 9 - HOUSING ASSISTANCE PAYMENTS CONTRACT (HAP).....	11
NOTE 10 - CONTINGENCIES	11

Passman Plaza II, Inc.
Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Purpose The Corporation was organized without capital stock under Louisiana law on October 18, 1994, as a non-profit corporation to provide housing for elderly and handicapped individuals pursuant to Section 202 of the National Housing Act, as amended. Membership in the Corporation is evidenced by certificates of membership and is limited to individuals who are members of the Board of Directors, or other persons who have the approval of the Board of Directors of this Corporation.

Income Taxes The Corporation is qualified as an organization exempt from federal income taxes, pursuant to Paragraph 501(c)(3) of the Internal Revenue Code, therefore, no provision for income taxes is necessary.

HUD Requirements The books of the Corporation are maintained in accordance with applicable HUD requirements. However, for this report, the financial statements are prepared on a generally accepted accounting principles basis. The assets, liabilities, and net assets reflected in these statements relate only to Passman Plaza II, Inc., and no other assets, liabilities, or capital of the owners are reported herein.

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

Fixed Assets Fixed assets are capitalized at the time they are purchased or constructed. Public domain or infrastructures are capitalized (construction period interest is capitalized). All fixed assets costing more than \$500 are capitalized. An asset may be capitalized if its cost is less than \$500 if it is considered to have a long useful life.

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

NOTE 2 - DEPOSITS AND INVESTMENTS At June 30, 2004, the Corporation has cash and cash equivalents (book balances) as follows:

Petty Cash	\$ 50
Demand Deposit	18,220
Interest-bearing demand deposits	<u>112,005</u>
Total deposits	130,275
Less: demand deposits restricted	<u>112,005</u>
Total cash and cash equivalents	<u>\$ 18,270</u>

Deposits are stated at cost, which approximates fair value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledge securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At year-end, the Corporation's carrying amount of deposits was \$130,275 and the bank balance was \$130,907. The bank balance was covered by federal depository insurance or by collateral held by the Corporation's agent in the Corporation's name (GASB Category 1).

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Corporation or its agent in the Corporation's name.
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the Corporation's name.

Passman Plaza II, Inc.
Notes to the Financial Statements

3. Uninsured and unregistered, with securities held by the counter party, or by its department or agent but not in the Corporation's name.

At year end, the Corporation investment balances included the following:

	Category			Carrying Amount		Total Carrying Amount
	1	2	3	Fair Value	Cost	
U.S. Treasury Securities	\$ 157,428	\$ 0	\$ 0	\$157,428	\$ 0	\$ 157,428

NOTE 3 - RESTRICTED DEPOSITS AND FUNDED RESERVES Under the provisions of the regulatory agreement with HUD, the Corporation is required to make monthly deposits to a reserve for replacement account. Any disbursement from this account must be approved by HUD. At June 30, 2004, the reserve for replacements account amounted to \$92,796.

The Corporation is also required, under the regulatory agreement, to compute surplus cash and deposit it into a Residual Receipts Reserve. Any disbursements from this fund require HUD approval. The balance of this fund at June 30, 2004, amounted to \$157,428.

These deposits are restricted by regulatory agreement but not restricted as defined by Financial Accounting Standards Statement No. 117. Therefore, these deposits are classified as unrestricted.

NOTE 4 - DEPOSITS HELD IN TRUST - FUNDED Tenants are required to pay a security deposit upon occupancy of an apartment. To comply with HUD guidelines, these security deposits should be maintained in a separate bank account, in the name of the Corporation, which is limited to those transactions directly concerning the security deposits. The tenant security deposit escrow account had a balance of \$7,800 at June 30, 2004, at which time the Corporation was liable to tenants for security deposits of \$7,136.

NOTE 5 - FIXED ASSETS Property and equipment are recorded at historical cost. Depreciation is calculated using the straight-line method over estimated useful lives ranging from five to 40 years. Details of the lives, cost, accumulated depreciation and net book value are as follows:

		Estimated Useful Lives	Cost	Accumulated Depreciation	Net Book Value
1410	Land (nondepreciable)	-	\$ 130,000	0	\$ 130,000
1420	Buildings	40	1,794,748	254,017	1,540,731
1450	Furniture and fixtures	5	53,934	53,934	0
1470	Maintenance equipment	5	21,301	21,301	0
1490	Computer equipment	5	2,852	2,852	0
	Total fixed Assets		\$ 2,002,835	\$ 332,104	\$ 1,670,731

NOTE 6 - ACCOUNTS PAYABLE - MONROE HOUSING AUTHORITY

The Corporation was liable to Monroe Housing Authority for \$10,923 at June 30, 2004. This is the result of expenses paid by Monroe Housing Authority for the repairs, upkeep, salaries, and administrative costs. The Corporation reimburses Monroe Housing Authority periodically.

Passman Plaza II, Inc.
Notes to the Financial Statements

NOTE 7 - MORTGAGE PAYABLE Passman Plaza II, Inc., is indebted to the U.S. Department of Housing and Urban Development for a mortgage on the building and improvements in the original amount of \$1,997,500. The mortgage note bears no interest and repayment is not required so long as housing remains available for at least forty years to very low-income elderly persons as approved by HUD. If Passman Plaza II, should default under the above terms, the entire principal sum shall at once become due and payable without notice. Interest per annum at 7% shall also become payable. Management anticipates Passman Plaza II, Inc., to remain available for low-income housing as approved by HUD for at least forty years. Therefore, a maturity schedule of principal payments has not been included.

NOTE 8 - RELATED PARTY TRANSACTIONS The Corporation is liable to Monroe Housing Authority for their leasing decisions, grounds and building upkeep, requisition of funds from HUD, landlord decisions, rental collections, and payment of bills. The Corporation is liable to the Housing Authority for \$10,923 as of June 30, 2004. During the year, the Corporation paid management fees to Monroe Housing Authority in the amount of \$15,912.

NOTE 9 - HOUSING ASSISTANCE PAYMENTS CONTRACT (HAP) The Corporation entered into a HAP contract with HUD in April 2001. Under the terms of the HAP contract HUD will pay the difference between the contract (gross potential) rent and the portion of the rent payable by the tenants. HAP payments for the current year totaled \$58,876 and comprised 45 percent of the Corporation's net rental income.

NOTE 10 - CONTINGENCIES

Grant Disallowances Passman Plaza II, Inc., participates in a Housing Authority assistance payments grant programs. The program is subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

Mortgage Note As reflected in Note 7 - Mortgage Payable above the Corporation is liable in the event of default of the agreement. Management believes the property will continue to be available for low-income elderly for the 40-year period.

Passman Plaza II, Inc.

Supporting Data Required by HUD

OTHER REVENUE: Other revenue for the year ended June 30, 2004 is as follows:

Cable TV	\$ 5,029
Maintenance and other	3,621
Total	<u>\$ 8,650</u>

RESERVE FOR REPLACEMENTS In accordance with the provisions of the regulatory agreement, the Corporation has established a restricted account to be used for replacement of property. For the year ended June 30, 2004, the account had the following activity:

Balance, beginning of year	\$ 68,126
Required deposit, 2004	24,000
Interest earned	670
Balance, end of year	<u>\$ 92,796</u>

RESIDUAL RECEIPTS The Corporation is also required, under the regulatory agreement, to compute surplus cash and deposit it into a residual receipts reserve. Any disbursements from this fund require HUD approval. For the year ended June 30, 2003, there was a surplus of \$10,429 which was transferred to the restricted account following year end.

Balance, beginning of year	\$ 142,109
Required deposit, prior year	10,429
Interest earned	4,890
Balance, end of year	<u>\$ 157,428</u>

Passman Plaza II, Inc.

**Supporting Data Required by HUD
Computation of Surplus cash, Distributions and Residual Receipts
June 30, 2004**

PART A - Compute Surplus Cash

1. Cash (accounts 1120, 1191)	<u>\$ 26,070</u>
2. Accounts receivable - HUD (1135)	<u>11,066</u>
(a) Total cash	<u>\$ 37,136</u>
4. Accrued mortgage interest payable	0
7. Accounts Payable (due within 30 days)	12,377
11. Prepaid rents	0
12. Tenant security deposits liability (accounts 2191)	<u>7,136</u>
(b) Less total current obligations	<u>19,513</u>
(c) Surplus cash (deficiency)	<u>\$ 17,623</u>

PART B - Complete Distributions to Owners and Required Deposit To Residual Receipts

1. Surplus Cash	<u>\$ 17,623</u>
4. Amount Available for distribution during next fiscal year	\$ 0
5. Deposit due residual receipts	<u>\$ 17,623</u>

Passman Plaza II, Inc.

Supporting Data Required by HUD
 Schedule of Changes In Fixed Assets
 For the Year Ended June 30, 2004

	Assets			Depreciation Reserve			Net Book Balance 6-30-04
	Balance 7-01-03	Additions	Deletions	Balance 6-30-04	Deletions	Balance 6-30-04	
Land	\$ 130,000	\$ 0	\$ 0	\$ 130,000	\$ 0	\$ 0	\$ 130,000
Buildings	1,794,748	0	0	1,794,748	44,869	254,017	1,540,731
Furniture and fixtures	53,934	0	0	53,934	3,598	53,934	0
Maintenance equipment	21,301	0	0	19,844	1,457	21,301	0
Computer equipment	2,852	0	0	2,660	192	2,852	0
Totals	\$ 2,002,835	\$ 0	\$ 0	\$ 2,002,835	\$ 50,116	\$ 332,104	\$ 1,670,731

Passman Plaza II, Inc.

**Supporting Data Required by HUD
Statement of Gross Potential Rent
For the Year Ended June 30, 2004**

<u>Description of units</u>	<u>Number of Units</u>	<u>Monthly Rate</u>	<u>Total Monthly Amount</u>
Rent income - apartments			
One-bedroom	39	290.00	11,310
			X <u> 12</u>
Total gross potential rent income			<u>\$ 135,720</u>

Passman Plaza II, Inc.

Supporting Data Required by HUD
Schedule of Funds In Financial Institutions
June 30, 2004

A. Funds held by mortgagor, regular operating account:	
1. Horizons Bank - Operating account	<u>\$ 18,270</u> ¹
Operating account, sub-total	<u>18,270</u> ¹
B. Funds held by mortgagor in trust	
1. Bank One - tenants security deposit, money market (variable)	<u>7,800</u> ¹
2. Bank One - Money market escrow (variable)	<u>11,409</u> ¹
Funds held in trust, sub-total	<u>37,479</u>
C. Restricted fund - donations	
1. None	0
D. Funds held by mortgagee (in trust)	
1. Tax and insurance escrow, none	0
2. Reserve fund for replacements Equipment reserve account - Bank One (variable)	<u>92,796</u> ¹
3. Residual receipts	
a. Bank One investment account U.S. Treasury security money market (variable)	<u>157,428</u> ¹
Funds held by mortgagee, total	<u>250,224</u> ¹
Total funds in financial institution	<u>\$ 287,703</u>

¹ Balances confirmed by bank

Owner: Passman Plaza II, Inc.
 Reporting From: 07/01/2003
 FHA/Contract Number(s): 064EE050

TIN: 721326307
 Reporting To: 06/30/2004
 Submission Type: AUD-A133

Assets		
Account	Description	Value
1120	Cash - Operations	\$ 18,270
1135	Accounts Receivable - HUD	\$ 11,066
1160	Accounts Receivable - Interest	\$ 1,389
1200	Miscellaneous Prepaid Expenses	\$ 6,519
1100T	Total Current Assets	\$ 37,244
1191	Tenant/Patient Deposits Held in Trust	\$ 7,800
1320	Replacement Reserve	\$ 92,796
1340	Residual Receipts Reserve	\$ 157,428
1300T	Total Deposits	\$ 250,224
1410	Land	\$ 130,000
1420	Buildings	\$ 1,794,748
1450	Furniture for Project/Tenant Use	\$ 53,934
1470	Maintenance Equipment	\$ 21,301
1490	Miscellaneous Fixed Assets	\$ 2,852
1400T	Total Fixed Assets	\$ 2,002,835
1495	Accumulated Depreciation	\$ 332,104
1400N	Net Fixed Assets	\$ 1,670,731
1525	Cash Restricted for Long-term Investment	\$ 11,409
1500T	Total Other Assets	\$ 11,409
1000T	Total Assets	\$ 1,977,408
Liabilities		
Account	Description	Value
2105	Bank Overdraft - Operations	\$ 0
2110	Accounts Payable - Operations	\$ 128
2113	Accounts Payable - Entity	\$ 10,923
2123	Accrued Management Fee Payable	\$ 1,326
2122T	Total Current Liabilities	\$ 12,377
2191	Tenant/Patient Deposits Held In Trust (Contra)	\$ 7,136
2320	Mortgage (or Bonds) Payable - First Mortgage (or Bonds)	\$ 1,997,500
2300T	Total Long Term Liabilities	\$ 1,997,500
2000T	Total Liabilities	\$ 2,017,013
Net Assets		
Account	Description	Value
3131	Unrestricted Net Assets	\$ -39,605
3130	Total Net Assets	\$ -39,605

2033T	Total Liabilities and Equity/Net Assets		\$ 1,977,408
Rent Revenue			
Account	Description		Value
5120	Rent Revenue - Gross Potential		\$ 76,844
5121	Tenant Assistance Payments		\$ 58,876
5100T	Total Rent Revenue		\$ 135,720
Vacancies			
Account	Description		Value
5220	Apartments		\$ 5,714
5200T	Total Vacancies		\$ 5,714
5152N	Net Rental Revenue (Rent Revenue Less Vacancies)		\$ 130,006
Financial Revenue			
Account	Description		Value
5410	Financial Revenue - Project Operations		\$ 5,741
5430	Revenue from Investments - Residual Receipts		\$ 670
5490	Revenue from Investments - Miscellaneous		\$ 148
Details - Miscellaneous Revenue from Investments			
	5490-010 - Description	Interest Income	
	5490-020 - Amount	\$ 148	
5400T	Total Financial Revenue		\$ 6,559
5990	Miscellaneous Revenue		\$ 8,650
Details - Miscellaneous Revenue			
	5990-010 - Description	Cable TV	
	5990-020 - Amount	\$ 5,029	
Details - Miscellaneous Revenue			
	5990-010 - Description	Maintenance and other	
	5990-020 - Amount	\$ 3,621	
5900T	Total Other Revenue		\$ 8,650
5000T	Total Revenue		\$ 145,218
6210	Advertising and Marketing		\$ 46
6310	Office Salaries		\$ 2,443
6311	Office Expenses		\$ 1,193
6320	Management Fee		\$ 15,912
6330	Manager or Superintendent Salaries		\$ 11,188
6350	Audit Expense		\$ 7,030
6351	Bookkeeping Fees/Accounting Services		\$ 1,640
6390	Miscellaneous Administrative Expenses		\$ 7,978
Details - Miscellaneous Administrative Expenses			
	6390-010 - Description	Cable TV	
	6390-020 - Amount	\$ 4,459	
Details - Miscellaneous Administrative Expenses			
	6390-010 - Description	Other Expenses	
	6390-020 - Amount	\$ 3,519	
6263T	Total Administrative Expenses		\$ 47,430
6450	Electricity		\$ 3,486
6451	Water		\$ 1,731
6452	Gas		\$ 865
6453	Sewer		\$ 1,505

6400T	Total Utilities Expense	\$ 7,587
Operating & Maintenance Expenses		
Account	Description	Value
6510	Payroll	\$ 8,579
6515	Supplies	\$ 2,936
6520	Contracts	\$ 8,804
6525	Garbage and Trash Removal	\$ 2,814
6590	Miscellaneous Operating and Maintenance Expenses	\$ 1,426
Details - Miscellaneous Operating and Maintenance Expenses		
6590-010	Description	Repair and Maintenance
6590-020	Amount	\$ 1,138
Details - Miscellaneous Operating and Maintenance Expenses		
6590-010	Description	Supplies
6590-020	Amount	\$ 152
Details - Miscellaneous Operating and Maintenance Expenses		
6590-010	Description	Other Expenses
6590-020	Amount	\$ 136
6500T	Total Operating and Maintenance Expenses	\$ 24,559
6711	Payroll Taxes (Project's Share)	\$ 1,770
6720	Property & Liability Insurance (Hazard)	\$ 8,268
6721	Fidelity Bond Insurance	\$ 52
6722	Workmen's Compensation	\$ 745
6723	Health Insurance and Other Employee Benefits	\$ 7,178
6700T	Total Taxes and Insurance	\$ 18,013
6900 Expenses		
Account	Description	Value
6900	Nursing Homes/Assisted Living/ Board & Care/Other Elderly Care Expenses	\$ 948
Operating Results		
Account	Description	Value
6000T	Total Cost of Operations before Depreciation	\$ 98,537
5060T	Profit (Loss) before Depreciation	\$ 46,678
6600	Depreciation Expenses	\$ 50,116
5060N	Operating Profit or (Loss)	\$ -3,438
Change in Net Assets from Operations		
Account	Description	Value
3247	Change in Unrestricted Net Assets from Operations	\$ -3,438
3250	Change in Total Net Assets from Operations	\$ -3,438
S1000-020	Total of 12 monthly deposits in the audit year into the Replacement Reserve account, as required by the Regulatory Agreement even if payments may be temporarily suspended or reduced.	\$ 24,000
S1100-060	Previous Year Unrestricted Net Assets	\$ -36,167
3247	Change in Unrestricted Net Assets from	\$ -3,438

Operations		
3131	Unrestricted Net Assets	\$ -39,605
S1100-050	Previous Year Total Net Assets	\$ -36,167
3250	Change in Total Net Assets from Operations	\$ -3,438
3130	Total Net Assets	\$ -39,605

Cash Flow from Operating Activities

Account	Description	Value
S1200-010	Rental Receipts	\$ 123,990
S1200-020	Interest Receipts	\$ 6,559
S1200-030	Other Operating Receipts	\$ 8,650
S1200-040	Total Receipts	\$ 139,199
S1200-050	Administrative	\$ -14,870
S1200-070	Management Fee	\$ -15,912
S1200-090	Utilities	\$ -7,587
S1200-100	Salaries and Wages	\$ -8,579
S1200-110	Operating and Maintenance	\$ -15,980
S1200-140	Property Insurance	\$ -8,268
S1200-150	Miscellaneous Taxes and Insurance	\$ -9,745
S1200-160	Tenant Security Deposits	\$ -278
S1200-170	Other Operating Expenses	\$ -14,121
S1200-230	Total Disbursements	\$ -95,340
S1200-240	Net Cash provided by (used in) Operating Activities	\$ 43,859
S1200-250	Net Deposits to the Reserve for Replacement account	\$ -24,670
S1200-260	Net Deposits to the Residual Receipts account	\$ -15,319
S1200-350	Net Cash used in Investing Activities	\$ -39,989
S1200-470	Net increase (decrease) in Cash and Cash Equivalents	\$ 3,870

Cash and Cash Equivalents

Account	Description	Value
S1200-480	Beginning of Period Cash	\$ 14,400
S1200T	End of Period Cash	\$ 18,270

Reconciliation of Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities

Account	Description	Value
3250	Change in Total Net Assets from Operations	\$ -3,438

Adjustments to Reconcile Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities

Account	Description	Value
6600	Depreciation Expenses	\$ 50,116
S1200-490	Decrease (increase) in Tenant/Member Accounts Receivable	\$ 241
S1200-500	Decrease (increase) in Accounts Receivable - Other	\$ -6,016
S1200-520	Decrease (increase) in Prepaid Expenses	\$ 264
S1200-530	Decrease (increase) in Cash Restricted for Tenant Security Deposits	\$ -57
S1200-540	Increase (decrease) in Accounts Payable	\$ 2,970

S1200-580 Increase (decrease) in Tenant Security Deposits held in trust

\$ -221

Net Cash provided by (used in) Operating Activities		
Account	Description	Value
S1200-610	Net Cash provided by (used in) Operating Activities	\$ 43,859

S3100-010 Organization and Presentation Note

Corporate Purpose The Corporation was organized without capital stock under Louisiana law on October 18, 1994, as a non-profit corporation to provide housing for elderly and handicapped individuals pursuant to Section 202 of the National Housing Act, as amended. Membership in the Corporation is evidenced by certificates of membership and is limited to individuals who are members of the Board of Directors, or other persons who have the approval of the Board of Directors of this Corporation.

S3100-040 Summary of Significant Accounting Policies Note

Income Taxes The Corporation is qualified as an organization exempt from federal income taxes, pursuant to Paragraph 501(c)(3) of the Internal Revenue Code, therefore, no provision for income taxes is necessary. **HUD Requirements** The books of the Corporation are maintained in accordance with applicable HUD requirements. However, for this report, the financial statements are prepared on a generally accepted accounting principles basis. The assets, liabilities, and net assets reflected in these statements relate only to Passman Plaza II, Inc., and no other assets, liabilities, or capital of the owners are reported herein. **Cash and Cash Equivalents** For purposes of the statement of cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. **Fixed Assets** Fixed assets are capitalized at the time they are purchased or constructed. Public domain or infrastructures are capitalized (construction period interest is capitalized). All fixed assets costing more than \$500 are capitalized. An asset may be capitalized if its cost is less than \$500 if it is considered to have a long useful life. **Use of Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make

estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

S3100-050 Mortgages (or Bond) Payable Note

NOTE 7 - MORTGAGE PAYABLE
 Passman Plaza II, Inc., is indebted to the U.S. Department of Housing and Urban Development for a mortgage on the building and improvements in the original amount of \$1,997,500. The mortgage note bears no interest and repayment is not required so long as housing remains available for at least forty years to very low-income elderly persons as approved by HUD. If Passman Plaza II, should default under the above terms, the entire principal sum shall at once become due and payable without notice. Interest per annum at 7% shall also become payable. Management anticipates Passman Plaza II, Inc., to remain available for low-income housing as approved by HUD for at least forty years. Therefore, a maturity schedule of principal payments has not been included.

Details - Mortgages Payable

S3100-060 - Principal Payments in the next 12 months - Year 1	\$ 0
S3100-070 - Principal Payments in the next 12 months - Year 2	\$ 0
S3100-080 - Principal Payments in the next 12 months - Year 3	\$ 0
S3100-090 - Principal Payments in the next 12 months - Year 4	\$ 0
S3100-100 - Principal Payments in the next 12 months - Year 5	\$ 0
S3100-110 - Principal Payments remaining after Year 5	\$ 1,997,500

S3100-200 Related Party Transactions Note

NOTE 8 - RELATED PARTY TRANSACTIONS The Corporation is liable to Monroe Housing Authority for their leasing decisions, grounds and building upkeep, requisition of funds from HUD, landlord decisions, rental collections, and payment of bills. The Corporation is liable to the Housing Authority for \$10,923 as of June 30, 2004. During the year, the Corporation paid management fees to

Monroe Housing Authority in the amount of \$15,912.

Details - Related Party Transactions

S3100-210 - Company Name

S3100-220 - Amount Received

S3100-230 Management Fee Note

Monroe Housing Authority

\$ 10,923

During the year, the Corporation paid management fees to Monroe Housing Authority in the amount of \$15,912.

S3100-240 Additional Note

NOTE 2 - DEPOSITS AND INVESTMENTS

At June 30, 2004, the Corporation has cash and cash equivalents (book balances) as follows: Petty Cash \$50 Demand Deposit 18,220 Interest-bearing demand deposits 112,005 Total deposits 130,275 Less: demand deposits restricted 112,005 Total cash and cash equivalents \$18,270 Deposits are stated at cost, which approximates fair value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledge securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At year-end, the Corporation's carrying amount of deposits was \$130,275 and the bank balance was \$130,907. The bank balance was covered by federal depository insurance or by collateral held by the Corporation's agent in the Corporation's name (GASB Category 1). Investments are categorized into these three categories of credit risk: 1. Insured or registered, or securities held by the Corporation or its agent in the Corporation's name. 2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the Corporation's name. 3. Uninsured and unregistered, with securities held by the counter party, or by its department or agent but not in the Corporation's name. At year end, the Corporation investment balances included the following: Category Carrying Amount Total Carrying Amount 1 2 3 Fair Value Cost U.S. Treasury Securities \$157,428 \$0 \$0 \$157,428 \$0 \$157,428

S3100-240 Additional Note

NOTE 3 - RESTRICTED DEPOSITS AND FUNDED RESERVES Under the provisions of the regulatory agreement with HUD, the Corporation is required to make monthly deposits to a reserve for replacement account. Any disbursement from this account must be approved by HUD. At June 30, 2004, the reserve for replacements account amounted to \$92,796. Reserves for replacement account amounted to: 92,796.00 The Corporation is also required, under the regulatory agreement, to compute surplus cash and deposit it into a Residual Receipts Reserve. Any disbursements from this fund require HUD approval. The balance of this fund at June 30, 2004, amounted to \$157,428. Balance of fund at 06/30/2004 amounted to be: 157,428.00 These deposits are restricted by regulatory agreement but not restricted as defined by Financial Accounting Standards Statement No. 117. Therefore, these deposits are classified as unrestricted.

S3100-240 Additional Note

NOTE 4 - DEPOSITS HELD IN TRUST - FUNDED Tenants are required to pay a security deposit upon occupancy of an apartment. To comply with HUD guidelines, these security deposits should be maintained in a separate bank account, in the name of the Corporation, which is limited to those transactions directly concerning the security deposits. The tenant security deposit escrow account had a balance of \$7,800 at June 30, 2004, at which time the Corporation was liable to tenants for security deposits of \$7,136.

S3100-240 Additional Note

NOTE 5 - FIXED ASSETS Property and equipment are recorded at historical cost. Depreciation is calculated using the straight-line method over estimated useful lives ranging from five to 40 years. Details of the lives, cost, accumulated depreciation and net book value are as follows:

Estimated Useful Lives	Cost	Accumulated Depreciation	Net Book Value
1410	Land (nondepreciable) -		
	\$130,000	0	\$130,000
1420	Buildings	40	
	1,794,748	254,017	1,540,731
1450	Furniture and fixtures	5	53,934
	53,934	53,934	0
1470	Maintenance equipment	5	21,301
	21,301	0	21,301
1490	Computer equipment	5	2,852
	2,852	0	2,852
	Total fixed Assets		\$2,002,835

\$332,104 \$1,670,731

S3100-240 Additional Note

NOTE 6 - ACCOUNTS PAYABLE - MONROE HOUSING AUTHORITY The Corporation was liable to Monroe Housing Authority for \$10,923 at June 30, 2004. This is the result of expenses paid by Monroe Housing Authority for the repairs, upkeep, salaries, and administrative costs. The Corporation reimburses Monroe Housing Authority periodically.

S3100-240 Additional Note

NOTE 9 - HOUSING ASSISTANCE PAYMENTS CONTRACT (HAP) The Corporation entered into a HAP contract with HUD in April 2001. Under the terms of the HAP contract HUD will pay the difference between the contract (gross potential) rent and the portion of the rent payable by the tenants. HAP payments for the current year totaled \$58,876 and comprised 45 percent of the Corporation's net rental income.

S3100-240 Additional Note

NOTE 10 - CONTINGENCIES Grant Disallowances Passman Plaza II, Inc., participates in a Housing Authority assistance payments grant programs. The program is subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Management believes that the amount of disallowances, if any, which may arise from future audits will not be material. Mortgage Note As reflected in Note 7 - Mortgage Payable above the Corporation is liable in the event of default of the agreement. Management believes the property will continue to be available for low-income elderly for the 40-year period.

Report on the Financial Statement and on the Supplementary Schedule of Federal Awards

Account	Description	Value
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S3400-020 Opinion

UNQUALIFIED

S3400-030 Opinion Explanation

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Passman Plaza II, Inc., as of June 30, 2004, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Schedule of Expenditures of

Federal Awards We have audited the basic financial statements of Passman Plaza II, Inc., as of and for the year ended June 30, 2004, and have issued our report thereon dated August 20, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular No. A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

S3400-050 Going Concern" Issue

N

Report on Supplemental Data

Account	Description	Value
S3400-100	Opinion	UNQUALIFIED

S3400-110 Opinion Explanation

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Passman Plaza II, Inc., taken as a whole. The accompanying supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Report on Compliance and on Internal Control over Financial Reporting

Account	Description	Value
S3500-020	Reportable Conditions Indicator	N
S3500-030	Material Weakness Indicator	N
S3500-040	Material Non-Compliance Indicator	N

Report on Compliance Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Account	Description	Value
S3600-020	Reportable Conditions Indicator	N
S3600-030	Material Weakness Indicator	N

Schedule of Findings and Questioned Costs

Account	Description	Value
S3700-010	Indicator - Any audit findings disclosed that are required to be reported in	N

accordance with section 510(a) of
Circular A-133

S3700-020 Dollar threshold used to distinguish between type A and type B programs	\$ 300,000
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S3700-030 Low-Risk Auditee Indicator	Y
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Schedule of Reserve for Replacement

Account	Description	Value
1320P	Balance at Beginning of Year	\$ 68,126
1320DT	Total Monthly Deposits	\$ 24,000
1320INT	Interest on Replacement Reserve Accounts	\$ 670
1320	Balance at End of Year, Confirmed by Mortgagee	\$ 92,796
1320R	Deposits Suspended or Waived Indicator	N

Schedule of Residual Receipts

Account	Description	Value
1340P	Balance at Beginning of Year	\$ 142,109
1340DT	Total Deposits	\$ 10,429
1340INT	Interest on Residual Receipt Accounts	\$ 4,890
1340	Balance at Current Fiscal Year End	\$ 157,428

Computation of Surplus Cash, Distributions, and Residual Receipts (Annual)

Account	Description	Value
S1300-010	Cash	\$ 26,070
1135	Accounts Receivable - HUD	\$ 11,066
S1300-040	Total Cash	\$ 37,136
S1300-075	Accounts Payable - 30 days	\$ 12,377
2191	Tenant/Patient Deposits Held In Trust (Contra)	\$ 7,136
S1300-140	Total Current Obligations	\$ 19,513
S1300-150	Surplus Cash (Deficiency)	\$ 17,623
S1300-210	Deposit Due Residual Receipts	\$ 17,623

Schedule of Changes in Fixed Asset Accounts

Account	Description	Value
1410P	Beginning Balance for 1410	\$ 130,000
1410	Land	\$ 130,000
1420P	Beginning Balance for 1420	\$ 1,794,748
1420	Buildings	\$ 1,794,748
1450P	Beginning Balance for 1450	\$ 53,934
1450	Furniture for Project/Tenant Use	\$ 53,934
1470P	Beginning Balance for 1470	\$ 21,301
1470	Maintenance Equipment	\$ 21,301
1490P	Beginning Balance for 1490	\$ 2,852
1490	Miscellaneous Fixed Assets	\$ 2,852
1400PT	Total Beginning Balance for Fixed Assets	\$ 2,002,835
1400T	Total Fixed Assets	\$ 2,002,835
1495P	Beginning Balance for 1495	\$ 281,988
6600	Total Provisions	\$ 50,116
1495	Ending Balance for Accumulated Depreciation	\$ 332,104
1400N	Total Net Book Value	\$ 1,670,731

6953 Housekeeping Purchased Services \$ 948

Details - Schedule of Expenditures of Federal Awards

S3300-020 Program Number 0

S3300-030 - Name of Federal Agency United States Department of Housing and Urban Development

S3300-040 - Name of Federal Program Section 8 Rental Certificates

S3300-050 - CFDA Number 14.857

S3300-080 - Federal Awards Expended \$ 58,876

S3300-150 - Opinion UNQUALIFIED

Details - Schedule of Expenditures of Federal Awards

S3300-020 Program Number 0

S3300-030 - Name of Federal Agency United States Department of Housing and Urban Development

S3300-040 - Name of Federal Program Section 202 Outstanding HUD Loan

S3300-050 - CFDA Number 14.157

S3300-080 - Federal Awards Expended \$ 1,997,500

S3300-150 - Opinion UNQUALIFIED

S3300-500 Total Federal Awards Expended \$ 2,056,376

S3300-510 Note to the Schedule
 NOTE 1 - GENERAL This schedule presents the activity of all federal awards programs of the Passman Plaza II, Inc. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule. NOTE 2 - BASIS OF ACCOUNTING This schedule is presented using the accrual basis of accounting. NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS Federal awards revenues are reported in the Corporation's basic financial statements. NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported above agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

Mortgagor's Certification

Account	Description	Value
S2900-010	Narrative	We hereby certify that we have examined the accompanying financial statements and supplemental information of Passman Plaza II, Inc., and to the best of our knowledge and belief, the same is complete and accurate.
S2900-020	Name of Signatory #1	Henry Bonner, Jr.
S2900-025	Title of Certifying Official	President
S2900-030	Name of Signatory #2	Vickie Krutzer
S2900-040	Auditee Telephone Number	318-329-1500

S2900-050 Date of Certification	08/20/2004
S2900-080 Auditee Name	Passman Plaza II, Inc.
S2900-090 Auditee Street Address Line 1	300 Harrison Street
S2900-110 Auditee City	Monroe
S2900-120 Auditee State	LA
S2900-130 Auditee Zip Code	71201
S2900-150 Auditee Contact Name	Frank Wilcox
S2900-160 Auditee Contact Title	Executive Director
S2900-170 Auditee Contact FAX Number	318-329-1397

Managing Agent's Certification		
Account	Description	Value
S3000-010	Narrative	We hereby certify that we have examined the accompanying financial statements and supplemental information of Passman Plaza II, Inc., and to the best of our knowledge and belief, the same is complete and accurate.
S3000-020	Name of Managing Agent	Monroe Housing Authority
S3000-030	Name of Signatory	Frank Wilcox
S3000-040	Managing Agent TIN	72-6001704
S3000-050	Name of Individual (i.e., Property Manager)	Sue Wheeler
Auditor's Transmittal Letter		
Account	Description	Value
S3200-005	Audit Firm ID (UII)	95070
S3200-010	Audit Firm	Allen, Green & Company, CPAs, LLP
S3200-020	Lead Auditor First Name	Margie
S3200-040	Lead Auditor Last Name	Williamson
S3200-045	Auditor Contact Title	Partner
S3200-050	Auditor Street Address Line 1	2414 Ferrand Street
S3200-060	Auditor Street Address Line 2	P. O. Box 6075
S3200-070	Auditor City	Monroe
S3200-080	Auditor State	LA
S3200-090	Auditor Zip Code	71211
S3200-100	Auditor Zip Code Extension	6075
S3200-110	Telephone Number	318-388-4422
S3200-120	Audit Firm TIN	721221121
S3200-130	Date of Independent Auditor's Report	08/20/2004

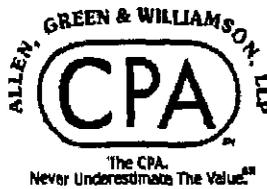
S3200-140 Auditor Contact FAX Number

318-388-4422

S3200-150 Auditor Contact E-mail

margie@allengreencpa.com

- end of statement -



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Margie Williamson, CPA

Ernest L. Allen, CPA
(Retired)
1963 - 2000

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

The Board of Directors
Passman Plaza II, Inc.
Monroe, Louisiana

We have audited the financial statements of Passman Plaza II, Inc., Monroe, Louisiana, HUD Project No. 064-EE050-WAH-NP-L8, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 20, 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 of America.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Passman Plaza II, Inc.'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 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

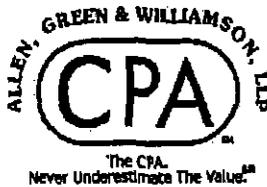
In planning and performing our audit, we considered Passman Plaza II, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial 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 reportable 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 caused by error or fraud 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 considered to be material weaknesses.

This report is intended solely for the information and use of the Board, management and HUD, and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
August 20, 2004



ALLEN, GREEN & WILLIAMSON, LLP

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular No. A-133

The Board of Directors
Passman Plaza II, Inc.
Monroe, Louisiana

Compliance

We have audited the compliance of Passman Plaza II, Inc., Monroe, Louisiana, HUD Project No. 064-EE050-WAH-NP-L8, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular No. A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Passman Plaza II, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Passman Plaza II, Inc.'s management. Our responsibility is to express an opinion on Passman Plaza II, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America; and OMB Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular No. A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Passman Plaza II, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Passman Plaza II, Inc.'s compliance with those requirements.

In our opinion, Passman Plaza II, Inc., complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Passman Plaza II, Inc., is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Passman Plaza II, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular No. A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Passman Plaza II, Inc., as of and for the year ended June 30, 2004, and have issued our report thereon dated August 20, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular No. A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board, management and HUD and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
August 20, 2004

Passman Plaza II, Inc.

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	CFDA Number	Pass-Through Grantor No.	Expenditures
United States Department of Housing and Urban Development Direct Programs			
Section 8 Rental Certificates	14.857	064-EE050-WAH-NP-L8	\$58,876
Section 202 Outstanding HUD Loan	14.157	064-EE050-WAH-NP-L8	<u>1,997,500</u>
TOTAL			<u>\$2,056,376</u>

NOTE 1 - GENERAL This schedule presents the activity of all federal awards programs of the Passman Plaza II, Inc. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

NOTE 2 - BASIS OF ACCOUNTING This schedule is presented using the accrual basis of accounting.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS Federal awards revenues are reported in the Corporation's basic financial statements.

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported above agree with the amounts reported in the related federal financial reports *except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.*

Passman Plaza II, Inc.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004**

PART I - Summary of the Auditors' Results

Financial Statement Audit

- i. The type of audit report issued was unqualified.
- ii. There were no reportable conditions required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States of America.
- iii. There were no instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statement.

Audit of Federal Awards

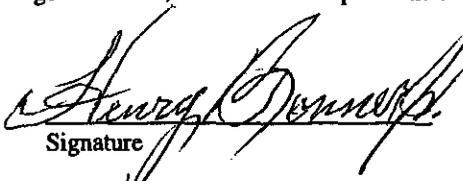
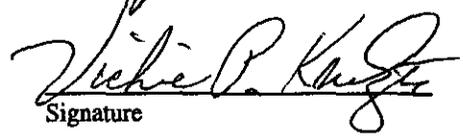
- iv. There were no reportable conditions required to be disclosed by OMB Circular No. A-133.
- v. The type of report the auditor issued on compliance for major programs was unqualified.
- vi. The audit did not disclose audit findings which the auditor is required to report under OMB Circular No. A-133, Section .510(a).
- vii. The major federal program is:

CFDA #14.157	Section 202 Outstanding HUD Loan
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- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular No. A-133, Section .520(b) was \$300,000.
- ix. The auditee does qualify as a low-risk auditee under OMB Circular No. A-133, Section .530.

Passman Plaza II, Inc.

**Mortgagor's Certification
June 30, 2004**

We hereby certify that we have examined the accompanying financial statements and supplemental information of Passman Plaza II, Inc., and to the best of our knowledge and belief, the same is complete and accurate.

<u>President</u> Title	 Signature	<u>10/21/04</u> Date
<u>Vice-President</u> Title	 Signature	<u>10/21/04</u> Date

Employer's Identification number
72-1326307

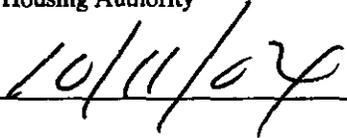
Passman Plaza II, Inc.

**Management Agent's Certification
June 30, 2004**

We hereby certify that we have examined the accompanying financial statements and supplemental information of Passman Plaza II, Inc., and to the best of our knowledge and belief, the same is complete and accurate.



Signature
Mr. Frank Wilcox, Executive Director
Monroe Housing Authority



Date