ENGLAND ECONOMIC AND INDUSTRIAL DEVELOPMENT DISTRICT

ALEXANDRIA, LOUISIANA

JUNE 30, 2006

England Economic and Industrial Development District

June 30, 2006

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS
Established 1945

Independent Auditor's Report

The Board of Commissioners
England Economic and Industrial Development District

We have audited the accompanying basic financial statements of the England Economic and Industrial Development District, Alexandria, Louisiana, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the England Economic and Industrial Development District's management. Our responsibility is to express an opinion on these 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. 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 financial statements referred to above present fairly, in all material respects, the financial position of the England Economic and Industrial Development District as of June 30, 2006, and the results of its operations and its 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 December 27, 2006, on our consideration of the England Economic and Industrial Development District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

Management's discussion and analysis on pages 3 through 11, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

MARVIN A. JUNEAU, C.P.A. | ROBERT L. LITTON, C.P.A. | MICHAEL A. JUNEAU, C.P.A.
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PAYNE, MOORE & HERRINGTON, LLP

The Board of Commissioners
England Economic and Industrial Development District

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the England Economic and Industrial Development District taken as a whole. The accompanying financial information listed as "Additional Information" in the table of contents, including the schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* is presented for purposes of additional analysis and is not a required part of the financial statements of the England Economic and Industrial Development District. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as whole.

Payne, Moore & Herrington, LLP

Certified Public Accountants

December 27, 2006

Required Supplemental Information
Management's Discussion and Analysis

England Economic and Industrial Development District
June 30, 2006

Management's Discussion and Analysis (MD&A)

Introduction

The Management's Discussion and Analysis (MD&A) of the England Economic & Industrial Development District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the England Economic & Industrial Development District's financial performance.

Financial and Operating Highlights

A summary of the District's financial and operating highlights for the year ended **June 30, 2006** is as follows:

- Assets exceeded liabilities by $144,345,156 at June 30, 2006, $142,632,761 of which is capital assets. $108,945 of this excess is passenger facility charge fees that have been collected and unspent as of year end and that are dedicated for the repayment of bonds issued for the construction of a new terminal building.

- Net assets increased $11,597,032. This was due in large part to federal and state grants received for various capital projects of $14,842,821 offset by depreciation expense of $3,708,695.

- In July 2005 the England Economic and Industrial Development District transferred 121 acres to the England Economic and Industrial Development District Sub-District #1 which in turn conveyed fee title interest in this land to UTLX Manufacturing, Inc. so that a railroad tank car manufacturing facility could be constructed. This is creating approximately 850 new jobs for Central Louisiana.

- During this fiscal year the District made its final payment on its Certificate of Indebtedness, Series 1995. This leaves the PFC revenue bonds in the amount of $5,315,000 as the only long-term debt that is owed by the District.

- Alexandria International Airport (AEX) had during the current fiscal year 133,655 enplanements, 129,961 deplanements, and 56,025 air operations.

- AEX handled 84,679 pounds of commercial air freight and 9,353,652 pounds of military air freight, 103,806 parked cars and sold 3,523,461 gallons of fuel this fiscal year.

- 1,038,663 square feet of commercial space were leased on the Airpark by over 50 tenants. The District also leased 156 residential units onsite.

England Economic and Industrial Development District
June 30, 2006

Management's Discussion and Analysis (MD&A)

A summary of the District's financial and operating highlights for the year ended **June 30, 2005** is as follows:

- Assets exceeded liabilities by $132,748,124 at June 30, 2005, $124,137,937 of which is capital assets. $6,163,629 of this excess is unspent bond proceeds, including accumulated interest earnings, and $1,102,963 is passenger facility charge fees that have been collected and unspent as of year end, both of which are dedicated for the ongoing construction of a new terminal building.

- Net assets increased $12,885,367. This was due in large part to federal and state grants received for various capital projects of $14,044,177. The District also received a $1,000,000 contribution from the general public (CLECO) offset by depreciation expense of $3,625,694.

- Despite airline industry upheaval, record high fuel costs and the loss of service to Dallas, Alexandria International Airport (AEX) had record years for enplanements and deplanements. During the current fiscal year AEX had 161,536 enplanements, 157,516 deplanements and 60,553 air operations.

- AEX handled 133,109 pounds of commercial air freight and 25,249,420 pounds of military air freight, 94,026 parked cars and sold 4,647,135 gallons of fuel this fiscal year.

- 1,014,094 square feet of commercial space were leased on the Airpark by over 55 tenants. The District also leased 165 residential units onsite.

Overview of the Financial Statements

The District's basic financial statements are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The District is structured as single enterprise fund using proprietary fund (enterprise fund) accounting. Under this method of accounting an economic resources measurement focus and an accrual basis of accounting is used. Revenue is recorded when earned and expenses are recorded when incurred.

The *Statement of Net Assets* presents information on all of the District's assets less liabilities which results in net assets. The statement is designed to display the financial position of the District as of the end of the fiscal year. Over time, increases and decreases in net assets help determine whether the District's financial position is improving or deteriorating.

The *Statement of Revenues, Expenses, and Changes in Net Assets* provides information which shows how the District's net assets changed as a result of the year's activities. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, certain revenues and expenses are reported in this statement for some items that will result in cash flows in future periods. Revenues are categorized as either operating or non-operating in accordance with definitions set forth in GASB 33 and GASB 34.

The *Statement of Cash Flows* reports information showing how the District's cash and cash equivalent position changed during the year. This statement classifies cash receipts and cash payments for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the statements. The notes to the financial statements follow the basic financial statements.

Financial Analysis of the District

The following schedule presents a summary of net assets as of:

	June 30, 2006	June 30, 2005
Current and other assets	$ 7,560,547	$ 18,087,024
Capital assets	147,947,761	124,137,937
Total assets	$ 155,508,308	$ 142,224,961
Current and other liabilities	$ 5,788,455	$ 3,800,302
Noncurrent liabilities	5,374,697	5,676,535
Total liabilities	$ 11,163,152	$ 9,476,837
Net assets:		
Invested in capital assets, net of related debt	$ 142,632,761	$ 123,982,937
Restricted	108,945	7,266,592
Unrestricted	1,603,450	1,498,595
Total net assets	$ 144,345,156	$ 132,748,124

The District's assets exceeded liabilities by $144,345,156 at June 30, 2006 and by $132,748,124 at June 30, 2005. The majority of the District's net assets are invested in capital assets (land, buildings, and equipment) owned by the District. These assets are not available for future expenditures since they will not be sold. Restricted assets of the District are limited as to their use. These funds are restricted by law or some other outside source as to how the can be utilized. The restricted net assets are not available for new spending because they have already been committed as follows:

	June 30, 2006	June 30, 2005
Capital expenditures	$ -	$ 6,163,629
Passenger facility charges	108,945	1,102,963
Total Restricted	$ 108,945	$ 7,266,592

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements. This amount consists of a 25% operating reserve along with funds designated by management to go towards existing capital projects.

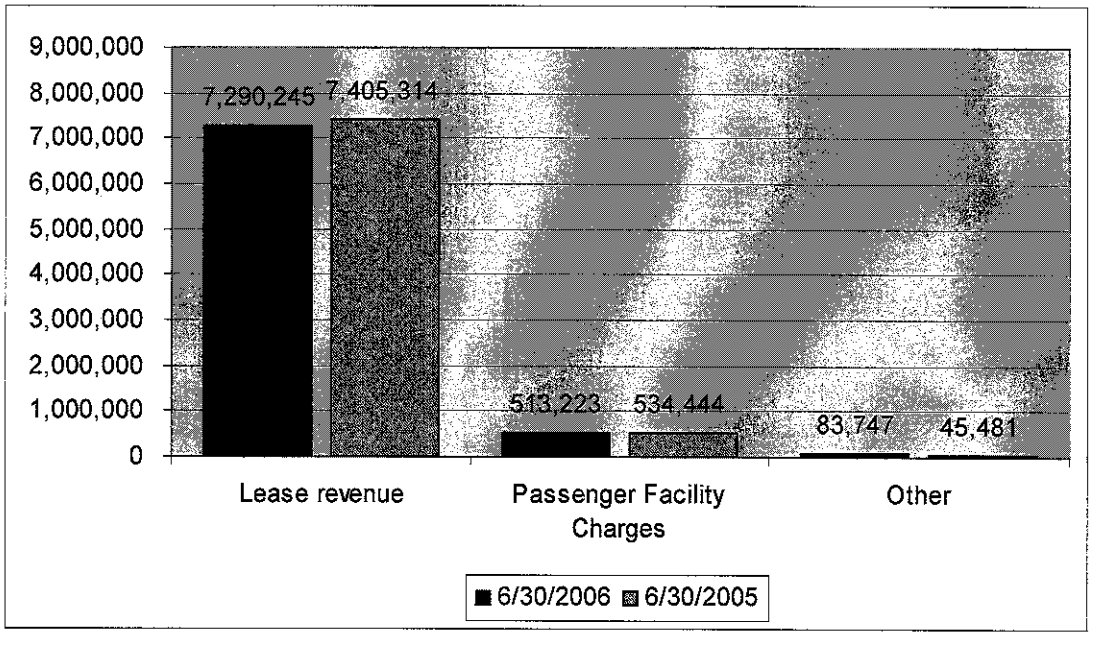
England Economic and Industrial Development District
June 30, 2006

Management's Discussion and Analysis (MD&A)

A summary of the District's changes in net assets are reflected in the following schedule:

	June 30, 2006	June 30, 2005
Operating Revenues		
(Leases revenues, passenger facility charges and other)	$ 7,887,215	$ 7,985,239
Operating Expenses	10,415,089	9,799,089
Operating Income (Loss)	$ (2,527,874)	$ (1,813,850)
Non-operating revenues (expenses)	157,787	(344,960)
Income (Loss) Before Contributions	$ (2,370,087)	$ (2,158,810)
Capital grants and contributions	14,842,821	15,044,177
Special Items - Land Transfer	(875,702)	-
Changes in net assets	$ 11,597,032	$ 12,885,367

The following is a graphic representation of the components of operating revenues:



- Lease revenue includes revenues derived from leases for commercial buildings and equipment, residential housing, and fees from other types of services at the airpark.

- Passenger facility charges (PFC's) are fees imposed when an airline ticket is purchased and can be used only for purposes outlined in the District's PFC application, which is for debt service on the outstanding bonds and the construction costs of the new terminal project.

- Other revenues include fees for advertising, billeting of military personnel, various charges for property damages and missing inventory items and assorted reimbursements. This amount increased in fiscal year ended June 30, 2006 primarily due to refunds from FEMA related to hurricane damage.

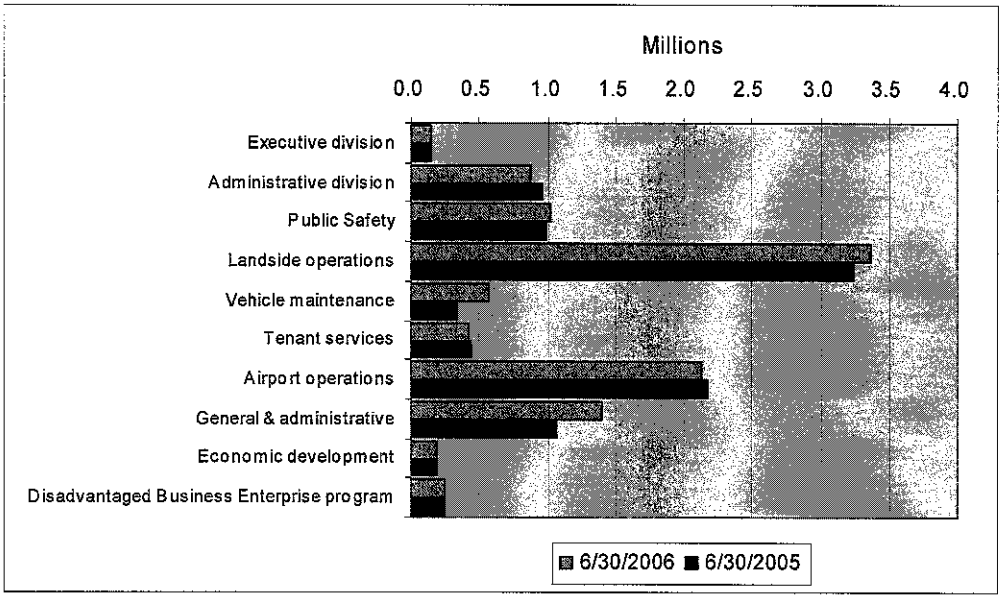
Non-operating revenues (expenses) include interest revenues, interest expense on bonds and the gain or loss recorded on the demolition of various buildings.

Capital grants and contributions include Federal airport improvement program funds, state aviation trust fund grants, and state capital outlay funds along with contributions from the general public.

A summary of the District's operating expenses, including depreciation, are reflected in the following schedule:

	June 30, 2006	June 30, 2005
Executive division	$ 149,611	$ 145,320
Administrative division	883,175	966,051
Public Safety	1,026,558	997,115
Landside operations	3,369,841	3,240,471
Vehicle maintenance	573,493	329,483
Tenant services	422,202	443,942
Airport operations	2,134,087	2,179,126
General & administrative	1,407,480	1,062,864
Economic development	196,963	187,904
Disadvantaged Business Enterprise program	251,679	246,813
Total Operating Expenses	$ 10,415,089	$ 9,799,089

The following is a graphic representation of operating expenses:



- The executive division includes the Executive Director and his staff.
- The administrative division includes the finance function and supporting activities. These costs decreased $82,876 from the prior year primarily due to lower legal costs and travel costs.
- Public safety covers the security and fire protection for the airpark.
- Landside operations include the maintenance and upkeep of buildings and grounds that are not related to the airfield. These expenses increased $129,370 from last year to this year primarily due to higher maintenance costs on existing buildings and depreciation costs as assets start to age.
- Vehicle maintenance consists of the maintenance of all vehicles that are owned and operated by the District. An increase of $244,010 in the division is due to major repairs to fire fighting vehicles.
- Tenant services covers costs that are directly associated with facilities that are occupied by current tenants.
- Airport operations encompass the activities of the airport terminal as well as buildings and equipment that are directly related to the airfield side of the airpark.
- General & administrative includes the costs associated with the general running of all the operations departments. Expenses in this department increased by $344,616 over the previous year because of higher gas and electricity costs and the addition of another grounds maintenance group.
- Economic development incorporates the marketing of the airpark and tenant relations.
- Disadvantaged Business Enterprises (DBE) program is a program designed to assist small and economically disadvantaged businesses obtain contracts for their services.

Capital Assets

The District had invested in capital assets including land; construction in progress; vehicles, machinery and equipment; buildings and improvements; and infrastructure in the following amounts. These amounts are net of accumulated depreciation to date.

	June 30, 2006	June 30, 2005
Land	$ 6,018,769	$ 6,894,471
Construction in progress	45,754,014	17,902,958
Vehicles, machinery and equipment	1,562,344	1,441,947
Buildings and improvements	72,759,074	75,550,051
Infrastructure	21,853,560	22,348,511
Net Assets	$ 147,947,761	$ 124,137,938

Major capital assets events during the current fiscal year included the following:

- Approximately 121 acres of land, costing $875,702 adjacent to the airpark, was transferred for economic development purposes.
- A new airport/runway sweeper was purchased for $135,150.
- Two new security vehicles and two new pick up trucks for operations were acquired for a total cost of $61,112.
- Roofs and major cooling systems amounting to $87,021 were replaced due to hurricane damage.
- A parking lot was installed for a major tenant costing $49,380.
- Construction in progress added during the year was $27,851,056. Total construction in progress at year-end included various projects as follows:

New Terminal Building	$ 36,377,758
Taxiway B	6,920,719
Taxiway A	1,758,816
Taxiway E	409,771
New Warehouse Building	179,699
Others	107,251
Total	$ 45,754,014

Additional information on the District's capital assets is presented in the notes to the basic financial statements.

Debt Administration

The District had the following balances in notes and compensated absences outstanding at year end. Additional information on the District's long-term debt is presented in the notes to the basic financial statements.

	June 30, 2006	June 30, 2005
Bonds payable	$ 5,315,000	$ 5,625,000
Certificates of Indebtedness	-	155,000
Compensated absences	51,331	46,208
Total long-term debt	$ 5,366,331	$ 5,826,208

The District paid off its bonded debt issued in 1995, retiring $155,000 in an outstanding certificate of deposit and reduced its bonds payable $310,000 during the fiscal year 2006. This leaves the bonds payable as the only outstanding long-term debt of the District.

State law does not provide a limitation on the amount of debt that may be issued by the District. The bonds issued by the District are not rated.

Economic Factors and Next Year's Budget

The following are currently known economic factors considered in going into the 2006-2007 fiscal year.

- In October 2006, the United States Government transferred ownership of another 340 acres of land on England Airpark to the District.
- REACT USA is negotiating with the District to develop substantial residential and commercial properties on the Airpark.
- Construction has now been completed on the new airport terminal building project and the facility opened in early December 2006.
- American Eagle Airlines will be returning service between Alexandria International Airport and Dallas/Ft. Worth beginning December 14, 2006.
- During September 2006, the District awarded a $1.463 million contract for the construction of a new 60,000 square foot warehouse building.
- The District has started the process of updating its existing Master Plan. This plan will outline the direction that the District plans to be going over the next 10-15 years.
- In 2006, the District was awarded a grant from the Federal Aviation Administration for $400,000 for the design work for rehabilitation of taxiway echo on the airfield.
- The Department of Defense is in the process of constructing approximately $50,000,000 of airfield improvements to support operations at Fort Polk and should be completing this project in early 2007.

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Kevin J. Brown, Finance Manager, 1611 Arnold Drive, Alexandria, LA 71303, or call (318) 449-3504 during regular office hours, Monday through Friday, from 8:00 a.m. to 5:00 p.m., Central Standard Time.

Basic Financial Statements

England Economic and Industrial Development District
Statement of Net Assets
June 30, 2006

Exhibit A

Assets	
Current Assets	
Cash and cash equivalents	$ 2,525,307
Receivables - net of allowance for doubtful accounts	4,055,308
Note receivable	32,166
Prepaid expenses	232,619
Total Current Assets	6,845,400
Noncurrent Assets	
Restricted cash and equivalents	108,945
Note receivable	567,834
Other noncurrent assets	38,368
Capital assets	
Land and construction in progress	51,772,783
Other capital assets, net of depreciation	96,174,978
Total Noncurrent Assets	148,662,908
Total Assets	155,508,308
Liabilities	
Current Liabilities	
Accounts and contracts payable	5,323,441
Accrued expenses and other payables	125,400
Deferred revenue	14,614
Bonds payable	325,000
Total Current Liabilities	5,788,455
Noncurrent Liabilities	
Tenant deposits	149,432
Contingent tenant rebates	183,934
Compensated absences	51,331
Bonds payable	4,990,000
Total Noncurrent Liabilities	5,374,697
Total Liabilities	11,163,152
Net Assets	
Investment in capital assets, net of related debt	142,632,761
Restricted for	
PFC projects	108,945
Unrestricted	1,603,450
Total Net Assets	$ 144,345,156

The accompanying notes are an integral part of the financial statements.

England Economic and Industrial Development District
Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2006

	Exhibit B
Operating Revenues	
Lease revenue and related fees	$ 7,290,245
Passenger facility charges	513,223
Miscellaneous	83,747
Total Operating Revenues	7,887,215
Operating Expenses	
Executive division	149,611
Administrative division	883,175
Public safety	1,026,558
Landside operations	3,369,841
Vehicle maintenance	573,493
Tenant services	422,202
Airport operations	2,134,087
General and administration	1,407,480
Economic development	196,963
Disadvantaged business enterprise program	251,679
Total Operating Expenses	10,415,089
Operating Income (Loss)	(2,527,874)
Non-Operating Revenues (Expenses)	
Investment income	399,910
Gain (Loss) on disposition of capital assets	71,457
Interest expense	(313,580)
Total Non-Operating Revenues (Expenses)	157,787
Income (Loss) Before Contributions	(2,370,087)
Capital Contributions	
Capital grants	14,842,821
Special Item	
Land transfer	(875,702)
Change in Net Assets	11,597,032
Net Assets, Beginning of Year	132,748,124
Net Assets, End of Year	$ 144,345,156

The accompanying notes are an integral part of the financial statements.

England Economic and Industrial Development District
Statement of Cash Flows
Year Ended June 30, 2006

	Exhibit C (Continued)
Cash Flows from Operating Activities	
Received from operations	$ 7,899,582
Payments to employees	(953,942)
Payments to vendors and others	(5,610,822)
Net Cash Provided (Used) by Operating Activities	1,334,818
Cash Flows from Noncapital Financing Activities	-
Cash Flows from Capital and Related Financing Activities	
Capital contributions	14,212,584
Interest received on construction funds	224,890
Proceeds from sale of capital assets	71,457
Purchase and construction of capital assets	(26,313,922)
Principal paid on capital debt	(465,000)
Interest paid on capital debt	(314,025)
Net Cash Provided (Used) by Capital and Related Financing Activities	(12,584,016)
Cash Flows from Investing Activities	
Interest received on operating funds	175,020
Net Cash Provided (Used) by Investing Activities	175,020
Change in Cash and Equivalents	(11,074,178)
Cash and Equivalents, Beginning of Year	13,708,430
Cash and Equivalents, End of Year	$ 2,634,252
Cash and Equivalents Consist of:	
Unrestricted cash and equivalents	$ 2,525,307
Restricted cash and equivalents	108,945
Cash and Equivalents, End of Year	$ 2,634,252

The accompanying notes are an integral part of the financial statements.

England Economic and Industrial Development District
Statement of Cash Flows
Year Ended June 30, 2006

Exhibit C
(Concluded)

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	$ (2,527,874)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	3,708,695
Changes in assets and liabilities	
Accounts receivable	(15,318)
Prepaid expenses	94,277
Other noncurrent assets	(1,016)
Accounts payable and contracts payable	81,042
Accrued expenses and other payables	6,383
Due to other governments	(28,861)
Deferred revenue	(5,672)
Tenant deposits	4,301
Contingent tenant rebates	13,738
Compensated absences	5,123
Net Cash Provided (Used) by Operating Activities	$ 1,334,818

Noncash Capital, Financing, and Investing Activities

During the year ended June 30, 2006, the District transferred land costing $875,702 to UTLX Manufacturing, Inc. for economic development purposes.

The accompanying notes are an integral part of the financial statements.

1. Organization and Significant Accounting Policies

Organization

England Economic and Industrial Development District (the District) was created by the State of Louisiana Legislature for the following purposes:

- Accepting title from the United States of America to property included in the England Air Force Base.
- Utilizing that and other property, and all assistance available from the United States government and all other sources, to replace and enhance the economic benefits generated by the former air base with diversified activities.

A Board of Commissioners appointed by various governmental units located within Rapides Parish governs the District. The District has the power to incur debt and issue revenue and general obligation bonds, certificates of indebtedness, anticipation notes, refunding bonds, and the power of taxation, subject to the limitations provided in the revised statutes governing the District.

The accompanying financial statements of the District are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GAAP includes all relevant GASB pronouncements. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Reporting Entity

GASB Statement No. 14, *The Reporting Entity*, as amended, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a primary government, since it is a special purpose government that has a separately appointed governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The District also has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the board members are financially accountable, except for the sub-district described below, which is treated as a blended component unit for reporting purposes. There are no other primary governments with which the District has a significant relationship.

England Sub-District No. 1

On October 28, 2004 the District created England Sub-District No. 1 (Sub-District) for the purpose of separating the land on which a rail car manufacturing facility is to be constructed and operated. The Sub-District has the power to incur debt, issue certificates, revenue and general obligation bonds, as well as refunding bonds, and levy sales taxes and use taxes, in the same manner as the District. The Sub-District is governed by a ten member Board of Commissioners, which is populated by the sitting board of the District. The staff of the District is the staff of the Sub-District. On May 26, 2005, the District conveyed fee title interest to the Sub-District of approximately 120 acres of land located adjacent to England Airpark. For reporting purposes the Sub-District is considered a blended component unit of the District.

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. These principles require a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt: This component of net assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

- Restricted net assets: This component of net assets consists of constraints imposed by creditors (such as through debt covenants), contributors, laws or regulations of other governments, or through constitutional provisions or enabling legislation.

- Unrestricted net assets: This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Accounting

The accounts of the District are organized on the basis of an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. The operating statement presents increases (revenues) and decreases (expenses) in total net assets.

The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with its principal ongoing operations. The principal operating revenues of the District are lease revenue and related fees. Operating expenses include costs of providing services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District may report deferred revenue on its combined balance sheet. Deferred revenues arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized.

Cash and Cash Equivalents

Amounts reported as cash and cash equivalents include all cash on hand, cash in bank accounts, certificates of deposit with maturity of three months or less when acquired, and highly liquid investments held in the Louisiana Asset Management Program.

Receivables

Receivables are shown net of the estimated allowance for uncollectible amounts. The uncollectible amounts are based on collection experience and review of the status of existing receivables.

Capital Assets

Capital assets are capitalized and depreciated on a straight-line basis over their estimated useful lives. Public domain (infrastructure) capital assets consisting of roads, bridges, drainage system, and similar items are capitalized. The valuation basis for capital assets is historical cost, or when historical cost is not available, estimated historical cost. Donated assets are valued at estimated fair value on date of donation. The minimum capitalization threshold is any individual item with a total cost greater than $500.

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized for the year ended June 30, 2006, in accordance with this policy.

Contingent Tenant Rebates

Tenants leasing residential homes (houses only, not apartments) are eligible to receive a rebate equal to a maximum of 10% of the first three years of rental payments if the tenant leaves in good standing and applies the rebate to the purchase of a home within Rapides Parish. If these conditions are not met, the rebate reverts to the District and is recorded as lease income.

Compensated Absences

Vested or accumulated leave is accrued in the period the liability is incurred. No liability is recorded for compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the employer and employee.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Cash and Cash Equivalents, and Investments

At year-end, cash and cash equivalents consisted of the following:

	Unrestricted	Restricted	Total
Petty cash	$ 1,100	$	$ 1,100
Cash in bank	2,323,507	108,945	2,432,452
Louisiana Asset Management Pool	200,700		200,700
	$ 2,525,307	$ 108,945	$ 2,634,252

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. At year-end, $1,268,306 of the District's cash in bank was uncollateralized and uninsured, and, therefore, subject to custodial credit risk. From April, 2006 through June 2006, the uncollateralized amount ranged from $210,793 to $1,268,306.

Management considers the highly liquid investments held in the Louisiana Asset Management Pool (LAMP), a local government investment pool, to have minimal custodial credit risk.

Credit Risk: LAMP is rated AAAm by Standard & Poor's. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with state law.

LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. LAMP, Inc. is subject to the regulatory oversight of the state treasurer and its board of directors. LAMP is not registered with the SEC as an investment company.

Investments: The District may invest in United States bonds, treasury notes, or time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment. Certificates of deposit that have a maturity date of more than 3 months are classified as investments. At year-end, the District had no investments.

3. Receivables

At year end receivables consisted of the following:

Accounts receivable	$ 151,627
Leases receivable	350,085
Intergovernmental	3,758,599
Gross receivables	4,260,311
Allowance for uncollectibles	(205,003)
Net Receivables	$ 4,055,308

4. Note Receivable

The note receivable consists of an economic development loan to finance part of the construction of a hotel on District property. The loan is subordinated to certain mortgages listed in the agreement not to exceed $3,600,000. The interest rate on this loan shall equal the New York Prime rate, adjusted at three-year intervals. The loan shall be repaid in 180 monthly payments, starting in November 2001, with the first 60 payments consisting of the then accrued interest on the outstanding principal balance.

The note is reported in the statement of net assets as follows:

Current	$ 32,166
Noncurrent	567,834
	$ 600,000

Scheduled future receivables, based on terms in effect on June 30, 2006, are as follows:

Year Ended June 30	Principal	Interest	Total
2007	$ 32,166	$ 26,605	$ 58,771
2008	50,092	24,528	74,620
2009	52,393	22,227	74,620
2010	54,800	19,820	74,620
2011	57,318	17,302	74,620
2012-2016	328,589	44,509	373,098
2017	24,642	230	24,872
	$ 600,000	$ 155,221	$ 755,221

5. Capital Assets and Depreciation

	Beginning	Additions	Deletions	Ending
Capital assets not being depreciated				
Land	$ 6,894,471	$ -	$ (875,702)	$ 6,018,769
Construction in progress	17,902,958	27,851,056	-	45,754,014
Totals	24,797,429	27,851,056	(875,702)	51,772,783
Capital assets being depreciated				
Other capital assets				
Vehicles, machinery, and equipment	3,438,040	331,473	(3,893)	3,765,620
Buildings and improvements	105,446,220	90,045	-	105,536,265
Infrastructure	26,191,389	121,646	-	26,313,035
Totals	135,075,649	543,164	(3,893)	135,614,920
Accumulated depreciation				
Vehicles, machinery, and equipment	(1,996,093)	(211,076)	3,893	(2,203,276)
Buildings and improvements	(29,896,169)	(2,881,022)	-	(32,777,191)
Infrastructure	(3,842,878)	(616,597)	-	(4,459,475)
Totals	(35,735,140)	(3,708,695)	3,893	(39,439,942)
Other Assets, Net of Depreciation	99,340,509	(3,165,531)	-	96,174,978
Net capital assets	$ 124,137,938	$ 24,685,525	$ (875,702)	$ 147,947,761

Depreciation was charged to functions as follows:

Executive division	$ 875
Administrative division	48,547
Public safety	147,999
Landside operations	2,629,526
Vehicle maintenance	49,269
Airport operations	831,795
General and administrative	451
Economic development	233
	$ 3,708,695

A summary of significant construction and renovation projects is presented below:

	Project Authorization	Expended to Date	Commitments	Required Further Financing
Landside Projects				
New warehouse	$ 2,031,586	$ 179,699	$ 117,984	(A)
Airport Projects				
Terminal	49,419,335	39,181,714	10,237,621	(A)
Maintenance hanger	5,263,157	61,342	164,440	(A)
Taxiways	12,234,825	9,089,305	2,581,927	(A)
	$68,948,903	$48,512,060	$13,101,972	

(A) The projects are funded by federal and state grants, and operating revenues.

6. Tenant Deposits, Contingent Tenant Rebates, and Compensated Absences

Net changes in tenant deposits, contingent tenant rebates, and compensated absences are summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Tenant deposits	$ 145,131	$ 4,301	$ -	$ 149,432	$ -
Contingent tenant rebates	170,196	13,738	-	183,934	-
Compensated absences	46,208	5,123	-	51,331	-

7. Bonds and Certificates Payable

At year-end, bonds payable consisted of the following:

	Maturity Date	Interest Rates	Ending Balances
Revenue bonds, Series 2003 – capital projects	2018	5.50%	5,315,000

The revenue bonds are secured by and payable from, first, revenues from passenger facility charges and, second, the excess of annual revenues above statutory, necessary and usual charges incurred by the District.

The following changes occurred in bonds and certificates payable during the year:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Certificates of indebtedness	$ 155,000	$ -	$ (155,000)	$ -	$ -
Revenue bonds	5,625,000	-	(310,000)	5,315,000	325,000
	$ 5,780,000	$ -	$ (465,000)	$ 5,315,000	$ 325,000

The annual requirements to amortize outstanding bonds are as follows:

Year Ended June 30,	Principal Payments	Interest Payments	Total
2007	$ 325,000	$ 292,325	$ 617,325
2008	340,000	274,450	614,450
2009	360,000	255,750	615,750
2010	380,000	235,950	615,950
2011	400,000	215,050	615,050
2012-2016	2,370,000	718,300	3,088,300
2017-2018	1,140,000	94,875	1,234,875
	$ 5,315,000	$ 2,086,700	$ 7,401,700

Conduit Debt Obligations

The District issued industrial revenue bonds to provide financial assistance to private sector entities for the construction of industrial facilities deemed to be in the public interest. These bonds are secured by the property financed and are payable solely from payments received from the underlying mortgage loan. Upon repayment of these bonds, ownership of the acquired facilities transfers to the private-sector entities served by the bond issuance. Neither the District, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

On June 15, 2005, the England Sub-District No. 1 (Sub-district) issued $31,595,000 in revenue bonds to pay for a portion of the costs of acquisition, construction, equipping, installation and improvements of a rail car manufacturing facility and administrative offices. These bonds are secured by a pledge of all rights and interests of the Sub-District in, to and under the Cooperative Endeavor agreement between the Sub-District and the State of Louisiana (Agreement). In accordance with the Agreement, the State of Louisiana has agreed to make all payments on this bond issue. Neither the District nor the Sub-District is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported in the accompanying financial statements. As of June 30, 2006, the aggregate principal outstanding on these bonds was $31,595,000.

As of June 30, 2006, the total aggregate principal outstanding on conduit debt obligations was $47,985,000.

8. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks of loss are covered by a comprehensive commercial insurance policy and workers compensation insurance. Claims resulting from these risks have historically not exceeded insurance coverage.

9. Contingencies

The District is party to legal proceedings involving suits filed against the District for various reasons. Some of these suits claim damages that are material in amount. The amount of losses, if any, that may arise from these suits cannot be reasonably estimated. Management does not believe that the District is exposed to any material losses not covered by insurance. No provision for losses is included in the financial statements.

The District receives grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could result in a request for reimbursement for disallowed costs under the terms of the grant agreements. In the opinion of management, such disallowance, if any, would be insignificant.

10. Leases

As mentioned previously, the District is responsible for utilizing the property formerly known as England Air Force Base. In order to fulfill this responsibility, the District has executed a lease agreement with the United States Air Force. In order to replace and enhance the economic benefits generated by the former air base, the District leases a portion of the property to tenants in a manner that is expected to have a positive effect on the local economy. Details regarding the District's leasing activities are provided as follows:

Lease Agreement with the United States Air Force

Title to approximately 50% of what was formally known as England Air Force Base has been granted to the District. The District occupies the remainder of the property under a lease agreement with the United States Air Force. As consideration for the rights received under the lease, the District is required to maintain the property, provide security, and furnish fire protection.

The lease has an initial term of 55 years; however, the District expects to receive title to the remaining leased property before the initial term expires. If necessary, the District has an option to renew the lease for an additional term upon expiration of the initial term. Furthermore, either party may cancel the lease without cause provided the party canceling the lease furnishes 30 days written notice.

Leasing Operations

One of the District's primary activities and sources of income is leasing property to various tenants. Since most of the property utilized in this activity is subject to the District's lease arrangement with the United States Air Force, its lease agreements with the tenants are structured as subleases. The subleases' terms include provisions for automatic conversion of the subleases to primary leases if the primary lease with the Air Force is terminated.

Future minimum rentals on non-cancelable subleases for the next five years and in aggregate are presented as follows:

Year Ended June 30,	Future Minimum Lease Payments
2007	$ 3,430,010
2008	2,435,548
2009	1,185,352
2010	574,036
2011	574,036
	$ 8,198,982

Contingent rental income included in the accompanying financial statements as lease revenues and related fees totaled $330,833.

11. Special Item – Land Transfer

In July 2005, the Sub-District conveyed fee title interest to UTLX Manufacturing, Inc. (UTLX) of approximately 120 acres of land adjacent to England Airpark for economic development purposes. This land is used to house a railroad tank car manufacturing facility that is built and operated by UTLX.

Additional Information

England Economic and Industrial Development District
Schedule of Expenditures of Federal Financial Assistance
Year Ended June 30, 2006

Schedule 1

Federal Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
Department of Commerce		
Direct		
Grants for Public Works and Economic Development	11.300	$ 86,519
Department of Transportation		
Direct		
Airport Improvement Program	20.106	9,851,089
Department of Homeland Security		
Direct		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	52,408
Total		$ 9,990,016

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Note 1 to the financial statements provides additional information relative to the District's accounting polices.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

No federal funds were awarded to subrecipients during the year ended June 30, 2006.

See independent auditor's report.

England Economic and Industrial Development District
Schedule of General Fund Revenues and Expenditures -
Budget (Non-GAAP) and Actual
Year Ended June 30, 2006

Schedule 2

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Lease revenue and related fees	$ 7,329,082	$ 7,344,052	$ 14,970
Investment income	167,936	175,020	7,084
Other	477,800	184,292	(293,508)
Total Operating Revenues	7,974,818	7,703,364	(271,454)
Expenditures			
Executive division	148,743	148,736	7
Administrative division	2,096,612	2,068,327	28,285
General and administration	1,373,829	1,496,881	(123,052)
Landside operations	837,459	794,304	43,155
Vehicle maintenance	487,196	524,224	(37,028)
Public safety	887,960	878,559	9,401
Tenant services	554,769	569,703	(14,934)
Airport operations	1,394,707	1,309,486	85,221
Economic development	193,543	196,730	(3,187)
Total Expenditures	7,974,818	7,986,950	(12,132)
Excess (Deficiency) of Revenues Over Expenditures	$ -	$ (283,586)	$ (283,586)

See independent auditor's report.

Other Reports and Information Required by
Government Auditing Standards and
OMB Circular A-133

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CERTIFIED PUBLIC ACCOUNTANTS
Established 1945

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

The Board of Commissioners
England Economic and Industrial Development District

We have audited the basic financial statements of the England Economic and Industrial Development District, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 27, 2006. 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 England Economic and Industrial Development District'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 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 consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the England Economic and Industrial Development District'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as Finding 2006-01.

MARVIN A. JUNEAU, C.P.A. | ROBERT L. LITTON, C.P.A. | MICHAEL A. JUNEAU, C.P.A.
H. FRED RANDOW, C.P.A. | ROBERT W. DVORAK, C.P.A. | JAMES N. BALLARD, C.P.A.
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The Board of Commissioners
England Economic and Industrial Development District

This report is intended solely for the information and use of the Board of Commissioners and management of the England Economic and Industrial Development District, federal and state awarding agencies, and the Legislative Auditor of the State of Louisiana. It is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is in fact a public document.

Payne, Moore & Herrington, LLP

Certified Public Accountants

December 27, 2006

PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS
Established 1945

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

The Board of Commissioners
England Economic and Industrial Development District

Compliance

We have audited the compliance of the England Economic and Industrial Development District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. The England Economic and Industrial Development District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the England Economic and Industrial Development District's management. Our responsibility is to express an opinion on the England Economic and Industrial Development District'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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular 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 the District'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 the England Economic and Industrial Development District's compliance with those requirements.

In our opinion the England Economic and Industrial Development District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

MARVIN A. JUNEAU, C.P.A. | ROBERT L. LITTON, C.P.A. | MICHAEL A. JUNEAU, C.P.A.
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The Board of Commissioners
England Economic and Industrial Development District

Internal Control Over Compliance

The management of the England Economic and Industrial Development District 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 the District'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 the internal control over compliance in accordance with OMB Circular 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 requirement 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.

This report is intended solely for the information and use of the Board of Commissioners and management of the England Economic and Industrial Development District, federal awarding agencies, and the Legislative Auditor of the State of Louisiana. It is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is in fact a public document.

Payne, Moore & Herrington, LLP

Certified Public Accountants

December 27, 2006

England Economic and Industrial Development District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	____ yes	__x__ no
Reportable conditions identified that are not considered to be material weaknesses?	____ yes	__x__ none reported
Possible noncompliance material to financial statements noted?	__x__ yes	_____ no
Management's Corrective Action Plan	*See Attached*	
Management's Summary Schedule of Prior Audit Findings	*Not Applicable*	
Memorandum of Recommendations and Other Comments	None	

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	____ yes	__x__ no
Reportable conditions identified that are not considered to be material weaknesses?	____ yes	__x__ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	____ yes	__x__ no

England Economic and Industrial Development District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Identification of major programs:

CFDA Number	Name of Federal Program
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? __x__ yes _____ no

Section II - Financial Statement Findings

Finding 2006-01 **Custodial Credit Risk**

Criteria: It is our understanding is that state law requires that any bank selected as a fiscal agent for the District to provide security for the safekeeping and payment of District's deposits with that bank.

Condition: At year-end, deposits with one bank were uncollateralized by $1,268,306. From April 2006 through June 2006, the uncollateralized amount ranged from $210,793 to $1,268,306. During this time period, management indicated that repeated requests were made to the bank for pledged collateral reports. However, such reports were not received and management was unaware of the uncollateralized amounts. Subsequent to year end, sufficient collateral was pledged by the bank to secure the District's deposits.

Cause: While it appears that management contacted the bank on several occasions and requested collateral pledge reports as required by the arrangement between the District and the bank and which were not received for some time afterwards, it does not appear that management followed through on the requests to determine if sufficient collateral was pledged to secure the District's deposits in the bank. The bank was obligated by law to provide adequate collateralization and was informed of the need for this collateralization prior to entering into the banking relationship.

Effect: The uncollateralized deposits were at risk from April through June 2006 and subsequent to June 2006 until the bank pledged sufficient collateral to secure the District's deposits. The bank did not collateralize the District's funds as required by law. If the bank had failed during that time, the District could have sustained a substantial loss.

Recommendation: We recommend that the collateral pledges continue to be closely monitored to ensure the security of the District's deposits. We also recommend the District should terminate its relationship with the bank if the bank is unable or unwilling to meet the required collateral pledge requirements.

Management's Response: See Management's Corrective Action Plan.

Section III – Federal Award Findings And Questioned Costs

None.

England Economic and Industrial Development District
Management's Corrective Action Plan
Year Ended June 30, 2006

Finding 2006-01 **Custodial Credit Risk**

Management's Response: During this fiscal year the District put out a request for proposal (RFP) for banking services which resulted in a new bank being selected in December 2005. During the RFP process a meeting was held with all proposing banking institutions highlighting the requirement that the District has and that state law requires regarding collateralization of funds. After the selection of Regions Banks as the new bank for the District, conversations were held with the bank officials in charge of its account, again emphasizing the need for collateralization of funds. Because of these conversations, the District believed that sufficient collateral was pledged to cover its funds. About the time the District asked for monthly collateral pledge reports, it was notified by the bank that its funds were not collateralized and that the District needed to complete and file some forms for this to occur. Although this was done, the District still did not receive the monthly collateral pledge reports that it was requesting. Upon another request to the bank to supply these forms, subsequent to year end, the District was told that another form needed to be completed. This was done and the District began to receive monthly collateral pledge reports. The District is monitoring to make sure that these monthly reports are being received and to ensure that adequate collateral is being pledged for its accounts. In the future, if the banking institutions are not adequately collateralizing its accounts, the District is going to withdraw its funds from that institution.

Report and Other Information Required by the
Passenger Facility Charge Audit Guide for Public Agencies

PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS
Established 1945

Report on Compliance Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance in Accordance with the *Passenger Facility Charge Audit Guide for Public Agencies* and on the Schedule of Passenger Facility Charges Revenue and Disbursements

The Board of Commissioners
England Economic and Industrial Development District

Compliance

We have audited the compliance of the England Economic and Industrial Development District with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies,* issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2006. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the England Economic and Industrial Development District's management. Our responsibility is to express an opinion on the England Economic and Industrial Development District's compliance based on our audit.

We conducted our audit 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; and the *Passenger Facility Charge Audit Guide for Public Agencies,* issued by the Federal Aviation Administration. Those standards and the Guide 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 the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the District'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 the England Economic and Industrial Development District's compliance with those requirements.

In our opinion the England Economic and Industrial Development District complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility program for the year ended June 30, 2006.

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The Board of Commissioners
England Economic and Industrial Development District

Internal Control Over Compliance

The management of the England Economic and Industrial Development District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations applicable to its passenger facility charge program. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on its passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with the Guide.

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 requirement of laws and regulations caused by error or fraud that would be material in relation to the passenger facility charge 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 Passenger Facility Charges

We have audited the basic financial statements of the England Economic and Industrial Development District, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 27, 2006. Our audit was made for the purpose of forming an opinion on basic financial statements taken as a whole of the England Economic and Industrial Development District. The accompanying schedule of passenger facility charges revenue and disbursements as required by the Federal Aviation Administration's *Passenger Facility Charge Audit Guide for Public Agencies*, is presented for purposes of additional analysis and is not a required part of the financial statements of the England Economic and Industrial Development District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

PAYNE, MOORE & HERRINGTON, LLP

The Board of Commissioners
England Economic and Industrial Development District

This report is intended solely for the information and use of the Board of Commissioners and management of the England Economic and Industrial Development District, the Legislative Auditor of the State of Louisiana, and the Federal Aviation Administration. It is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is in fact a public document.

Payne, Moore & Herrington, LLP
Certified Public Accountants

December 27, 2006

England Economic and Industrial Development District
Schedule of Passenger Facility Charges Revenue and Disbursements

Schedule 3

	06/30/05	Year Ended June 30, 2006					06/30/06
	Cumulative Program Totals	Quarter 1 Jul. - Sept.	Quarter 2 Oct. - Dec.	Quarter 3 Jan. - March	Quarter 4 Apr. - Jun.	FY - 06 Total	Cumulative Program Totals
Revenue							
Collections	$ 2,286,558	$ 127,436	$ 130,890	$ 122,853	$ 135,788	$ 516,967	$ 2,803,525
Interest	54,268	10,176	4,945	4,108	2,835	22,064	76,332
Total Revenue	2,340,826	137,612	135,835	126,961	138,623	539,031	2,879,857
Disbursements							
APP 99-01-C-00-AEX							
ARFF vehicle	343,967	-	-	-	-	-	343,967
New terminal building program	815,848	1,068,362	-	464,687	-	1,533,049	2,348,897
PFC application fees	78,048	-	-	-	-	-	78,048
Total APP 99-01-C-00-AEX	1,237,863	1,068,362	-	464,687	-	1,533,049	2,770,912
Net PFC Revenue	1,102,963	(930,750)	135,835	(337,726)	138,623	(994,018)	108,945
Unexpended PFC Funds, Beginning of Period	-	1,102,963	172,213	308,048	(29,678)	1,102,963	-
PFC Account Balance, End of Period	$ 1,102,963	$ 172,213	$ 308,048	$ (29,678)	$ 108,945	$ 108,945	$ 108,945

Notes:

The accompanying schedule of passenger facility charges revenue and disbursements is prepared on the cash basis of accounting in accordance with the requirements of the Federal Aviation Administration. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Note 1 to the financial statements provides additional information relative to the District's accounting policies.

See independent auditor's report.

England Economic and Industrial Development District
Passenger Facility Charge Program Audit Summary
Year Ended June 30, 2006

1.	Type of report issued on PFC financial statements.	X Unqualified	Qualified
2.	Type of report on PFC compliance.	X Unqualified	Qualified
3.	Quarterly Revenue and Disbursements reconcile with submitted quarterly reports and reported un-liquidated revenue matches actual amounts.	X Yes	No
4.	PFC Revenue and Interest is accurately reported on FAA Form 5100-127.	X Yes	No
5.	The Public Agency maintains a separate financial accounting record for each application.	X Yes N/A	No
6.	Funds disbursed were for PFC eligible items as identified in the FAA Decision to pay only for the allowable costs of the projects.	X Yes N/A	No
7.	Monthly carrier receipts were reconciled with quarterly carrier reports.	X Yes	No
8.	PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds.	X Yes	No
9.	Serving carriers were notified of PFC program actions/changes approved by the FAA.	Yes X N/A	No
10.	Quarterly Reports were transmitted (or available via website) to remitting carriers.	X Yes	No
11.	The Public Agency is in compliance with Assurances 5, 6, 7 and 8.	X Yes	No
12.	Project design and implementation is carried out in accordance with Assurance 9.	X Yes	No
13.	Program administration is carried out in accordance with Assurance 10.	X Yes	No
14.	For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence.	X Yes N/A	No