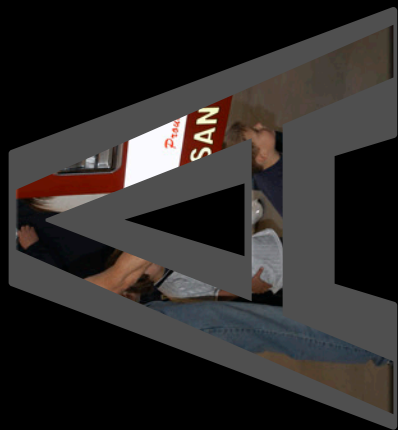


Comprehensive Annual Financial Report

Year Ended June 30, 2006



Orange County Fire Authority
Orange County, California



Business Services Department
Finance Division

ORANGE COUNTY FIRE AUTHORITY
Comprehensive Annual Financial Report
Year ended June 30, 2006

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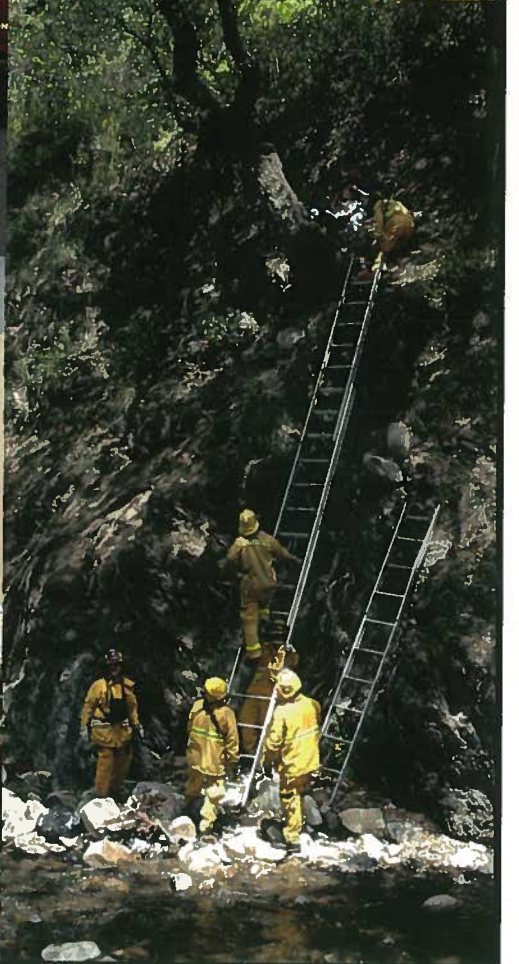
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Introductory Section





ORANGE COUNTY FIRE AUTHORITY
P. O. Box 57115, Irvine, CA 92619-7115 • 1 Fire Authority Rd., Irvine, CA 92602
Chip Prather, Fire Chief (714) 573-6000 www.ocfa.org

August 24, 2006

The Board of Directors
Orange County Fire Authority
1 Fire Authority Road
Irvine, California 92602

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Orange County Fire Authority (OCFA) for the fiscal year ended June 30, 2006.

This report consists of management's representations concerning the finances of the OCFA and is presented using the financial reporting model outlined in the Governmental Accounting Standards Board (GASB) Statement 34. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

To provide a reasonable basis for making its representations, OCFA management has established a comprehensive internal control framework. This framework is designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that accounting transactions are executed in accordance with management's authorization and properly recorded so that the financial statements can be prepared in conformity with generally accepted accounting principles (GAAP). The design and operation of internal controls also ensures that federal and state financial assistance funds are expended in compliance with applicable laws and regulations related to those programs.

The OCFA's financial statements have been audited by Lance, Soll & Lunghard, LLP, a firm of certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion ("clean") that the OCFA's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The Management's Discussion and Analysis (MD&A) narrative provides "financial highlights" and interprets the financial reports by analyzing trends and by explaining changes, fluctuations and variances in the financial data. The MD&A is also intended to disclose any known significant events or decisions that affect the financial condition of the OCFA. The MD&A complements, and should be read in conjunction with, this letter of transmittal.

Serving the Cities of: Aliso Viejo • Buena Park • Cypress • Dana Point • Irvine • Laguna Hills • Laguna Niguel • Laguna Woods • Lake Forest • La Palma • Los Alamitos • Mission Viejo • Placentia • Rancho Santa Margarita • San Clemente • San Juan Capistrano • Seal Beach • Stanton • Tustin • Villa Park • Westminster • Yorba Linda • and Unincorporated Areas of Orange County

RESIDENTIAL SPRINKLERS AND SMOKE DETECTORS SAVE LIVES

The independent audit of the financial statements of the OCFA was part of a broader, federally-mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the OCFA's separately issued Single Audit Report.

Profile of the OCFA

The OCFA was formed on March 1, 1995, transitioning from the Orange County Fire Department to a joint powers authority (JPA) as allowed by California State Government Code 6500 et seq. The OCFA is an independent organizational entity similar to a special district. The service area includes twenty-two member cities and the unincorporated areas of Orange County, California. A twenty-four member Board of Directors governs the OCFA. This Board includes an elected official appointed to represent each of the twenty-two member cities and two representatives from the County Board of Supervisors. The OCFA is managed by an appointed Fire Chief who reports to the Board of Directors.

The OCFA is the largest regional fire service organization in Orange County and one of the largest in California. Emergency response services are provided to a community of over 1.3 million residents in a 551 square mile area of Orange County. The OCFA's authorized staffing level was 1,091 full-time positions for Fiscal Year 2005-06. A total of 905 positions (83.0%) of personnel provide front-line services, including emergency response, dispatch and fire prevention. The remaining 186 positions (17.0%) are authorized for technical and administrative support. The OCFA's staffing levels also include 390 reserve firefighter positions.

Since 1998, the OCFA has used a customer satisfaction survey program to monitor the level of customer service satisfaction. During the fiscal year ended June 30, 2006, 32,472 questionnaires were distributed and 9,238 (28.4%) were returned. The overall satisfaction rating of 97.11%, in conjunction with the high return rate, demonstrates that our communities continue to place high value on the OCFA's services and excellent service delivery.

The annual budget serves as the foundation for the OCFA's financial planning and control. The budget development process begins in November. The budget team compiles the input received from the section/division managers who follow the policies and guidelines established by Executive Management. The results are presented to Executive Management for review and prioritization. The draft budget is further refined through various Committee reviews, including a City Managers' Budget and Finance Committee, a Capital Improvement Program Ad-Hoc Committee and the OCFA Budget and Finance Committee. The OCFA Budget and Finance Committee recommends the budget for approval by the Board of Directors in May or June. The Board is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the OCFA's fiscal year.

The appropriated budget is allocated by fund and department. Department Chiefs may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of Executive Management, and transfers between funds require the approval of the Board. Budget-to-actual comparisons are provided in this report for each individual governmental fund for

which an appropriated annual budget has been adopted. Budgetary Comparison Statements for the General Fund and all major special revenue funds are presented in the governmental funds section of the accompanying financial statements. Budgetary Comparison Schedules for all remaining governmental funds with appropriated annual budgets are presented in the supplementary schedules section of the accompanying financial statements.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the OCFA operates.

National Economy: The national economy has shown resiliency over the last several years, despite a steady stream of devastating events, such as Hurricanes Katrina and Rita. Home sales and commercial activity have experienced record activity,¹ although forecasts indicate that an overall slowing in economic activity is likely. The effects of rising interest rates, which are expected to stabilize at 5.25% for the remainder of 2006, include a slowing of the national housing boom and slower overall economic activity. Annual real gross domestic product (GDP) growth is forecasted at 3.6% for 2006 and 2.8% for 2007.² The GDP appears to be moving from a pace that was above its long-run capacity to a more moderate, sustainable rate. Expansion of the global economy and earlier declines in the value of the U.S. dollar continue to support demand for U.S. exports.³

The labor market continued to improve during 2006 as the civilian unemployment rate declined to 4.7% at the close of the second quarter, the lowest quarterly level of joblessness in the past five years. Job losses in the Gulf States resulting from Hurricanes Katrina and Rita had reached 478,000 by the second week of October 2005,⁴ but were offset by job gains experienced by the rest of the country.⁵ The unemployment rate is expected to remain in the range of 4.75% to 5.0% through 2007.⁶

Consumers are beginning to show signs of spending fatigue. The Conference Board Index, a measure of consumer confidence, dropped to 85 just before Hurricane Katrina in September 2005. Household debt levels remain high and many consumers have already tapped out on the equity in their homes.⁷ Soaring gasoline prices have caused consumers to reduce spending by the largest amount since the September 2001 terrorist attacks and have had a significant impact on consumers' budgets.⁸ Oil markets continue to be sensitive to news about the balance of supply and demand and to worldwide political events. Any future, unfavorable developments could result in additional increases in energy costs.⁹

Factors such as recent upswings in the producer price index, global market forces and resale housing appreciation are all likely to result in higher levels of inflation.¹⁰ Although the rate of housing

¹ *2006 Economic Outlook – A Stellar Market by Any Measure*, Realtor Magazine Online – January 1, 2006

² *Economic Forecast Update*, Chapman University, A. Gary Anderson Center for Economic Research – June 21, 2006

³ *Monetary Policy Report*, The Federal Reserve Board – submitted to Congress on July 19, 2006

⁴ *Hurricane Job Losses Increase to 478,000*, Fox News – October 20, 2005

⁵ *Katrina Dims Economic Outlook*, The Orange County Register – October 1, 2005

⁶ *Monetary Policy Report*, The Federal Reserve Board – submitted to Congress on July 19, 2006

⁷ *2006 Economic Outlook – A Stellar Market by Any Measure*, Realtor Magazine Online – January 1, 2006

⁸ *Katrina Dims Economic Outlook*, The Orange County Register – October 1, 2005

⁹ *Monetary Policy Report*, The Federal Reserve Board – submitted to Congress on July 19, 2006

¹⁰ *Economic Forecast Update*, Chapman University, A. Gary Anderson Center for Economic Research – June 21, 2006

appreciation is projected to decline to 5.3% in 2006 (down from 12.4% in 2005),¹¹ actual sales results from the first quarter of 2006 indicate that the national median sales price remains at \$218,000.¹² This median price is equal to the all-time high report for the summer of 2005¹³ and represents a 10.3% increase over the median sales price for the first quarter of 2005.

Over the past fiscal year, the Federal Reserve Board's goal has been twofold – to sustain economic growth and to keep inflation under control. It has been able to achieve this goal by carrying out a series of “measured” interest rate increases. The Federal Reserve Board started the fiscal year with a federal funds rate, the overnight bank lending rate, of 3.25% on July 1, 2005. It raised interest rates in eight straight quarter-point increments taking the target federal funds rate to 5.25% as of June 30, 2006.¹⁴

Approximately \$4.5 million in federal funding accounted for slightly over 2.0% of the OCFA's General Fund revenues for Fiscal Year 2005-06. This revenue was primarily in the form of Urban Search and Rescue reimbursements, grant awards and assistance by hire.

State Economy: Although California's economy appears healthy on the surface, many economists see underlying problems and project only mediocre growth for the future.¹⁵ Current growth is being upheld by robust consumer spending, driven by a sense of homeowner wealth. However, other economic sectors, including information, manufacturing and professional services, continue to weaken.¹⁶

The state's unemployment rate, which climbed to a peak of 6.9% in 2003, has steadily declined over the past four years to 5.0% in 2006.¹⁷ Overall, California experienced an annual employment growth rate of 2.0% and generated 297,000 new jobs for the period 2000 through 2005. However, California's overall job growth has varied across its geographic regions and industries. Employment in the construction industry grew by 22.0%, while the number of jobs in the manufacturing and information sectors has steadily declined.¹⁸

A long-anticipated slowdown in California's housing activity is beginning to take place.¹⁹ The number of permits for new residential dwelling units is projected to decline from 208,000 units in 2005 to 191,000 in 2006 and 178,000 units in 2007.²⁰ Home sales reported in May 2006 were 25.0% lower than the peak reported in September 2005. Despite an overall weakening in the number of sales, median home prices rose by approximately 2.9% during the same period.²¹ The median home price for the state was approximately \$567,000 in July 2006²² and prices are expected to marginally decline through

¹¹ *2006 Economic Outlook – A Stellar Market by Any Measure*, Realtor Magazine Online – January 1, 2006

¹² *Metro Home Prices Begin to Cool but Appreciation Remains Strong*, National Association of Realtors – May 15, 2006

¹³ *Home Sales Slip, But Still Strong*, Orange County Register – August 24, 2005

¹⁴ *Historical Changes of the Target Federal Funds and Discount Rates*, Federal Reserve Bank of New York

¹⁵ *Economic Problems Below the Surface*, The Orange County Register – November 2, 2005

¹⁶ *Clouds on the Economic Horizon*, The Orange County Register – October 3, 2005

¹⁷ *California Economic Indicators*, California Department of Finance – May/June 2006

¹⁸ *Economic Forecast Update*, Chapman University, A. Gary Anderson Center for Economic Research – June 21, 2006

¹⁹ *California Economic Indicators*, California Department of Finance – May/June 2006

²⁰ *Economic Forecast Update*, Chapman University, A. Gary Anderson Center for Economic Research – June 21, 2006

²¹ *California Economic Indicators*, California Department of Finance – May/June 2006

²² *California Housing Market at a Glance*, California Association of Realtors – September 11, 2006

2007.²³ Non-residential construction continues to rise, especially in Orange County, where office construction more than doubled the overall pace of commercial construction throughout the state.²⁴

The direct influence of the state economy on the OCFA's financial condition is in the form of reimbursements (including reimbursements for state mandates) and our contract with the California Department of Forestry (CDF). California contracts with the OCFA to provide fire suppression services to the State Responsibility Areas (SRA) that are within the OCFA's jurisdiction. Indirect influences include changes to workers' compensation law that have resulted in some cost savings and other statutory changes that provide for cost recovery.

County Economy: Orange County enjoys a diverse economy, with economic output and employment well distributed among sectors. The construction sector experienced 11.4% employment growth during 2005,²⁵ while construction-related jobs in the county have grown nearly twice as fast as those throughout the nation.²⁶ Industry projections through 2012 indicate that construction will continue to be the county's fastest-growing sector.²⁷

Unemployment in the county peaked in 2002 at 5.0% and then declined steadily over the next four years to 3.2% in 2006. Orange County currently employs a labor force of approximately 1.5 million,²⁸ which is ranked as the 6th largest labor force in the nation.²⁹ Annual job growth is forecasted to decline by 1.7% in 2006 and by 1.4% in 2007.

The most significant county economic factor impacting the OCFA is the housing market. Property taxes comprised 68.2% of the OCFA's total revenues received in Fiscal Year 2005-06. Orange County has experienced ten consecutive years of rising housing prices, with seven of those years reporting double-digit rates of appreciation. A recent decline in appreciation, brought on by low housing affordability, declining home sales and an increasing inventory of unsold units, is expected to continue with the decline reaching 5.9% by 2007. Building permit valuations are projected to decline by 8.5% over the next year, from an estimated \$3.5 billion in 2006 to \$3.2 billion in 2007.³⁰ During 2006, the average prices for existing and new homes were approximately \$615,000 and \$772,000, respectively, and the median price of existing resale homes was approximately \$725,000.³¹ A projected 35,000 housing units are expected to be added through 2010.³²

The projected 2006 median family income for Orange County is approximately \$84,000.³³ The county's per capita income of approximately \$40,000 is higher than that of the state and the nation; however, its cost of living index is also among the highest nationwide. The most significant factor affecting the

²³ *Economic Forecast Update*, Chapman University, A. Gary Anderson Center for Economic Research – June 21, 2006

²⁴ *California Economic Indicators*, California Department of Finance – May/June 2006

²⁵ *County Employment and Wages: Fourth Quarter 2005*, United States Department of Labor – July 26, 2006

²⁶ *Economic Forecast Update*, Chapman University, A. Gary Anderson Center for Economic Research – June 21, 2006

²⁷ *2006 Community Indicators Report*, Orange County Community Indicators Project – March 2006

²⁸ *Orange County Facts & Figures*, Center for Demographic Research – June 2006

²⁹ *County Employment and Wages: Fourth Quarter 2005*, United States Department of Labor – July 26, 2006

³⁰ *Economic Forecast Update*, Chapman University, A. Gary Anderson Center for Economic Research – June 21, 2006

³¹ *Orange County Facts & Figures*, Center for Demographic Research – June 2006

³² *2006 Community Indicators Report*, Orange County Community Indicators Project – March 2006

³³ *Orange County Facts & Figures*, Center for Demographic Research – June 2006

county's cost of living is housing. Orange County is the fourth least affordable area in the country, based on home affordability for families earning the county's median income.³⁴

Long-term Financial Planning

Since its formation in 1995, the OCFA has been preparing multi-year projections of its revenues and expenditures. For the past seven years, a firm of property tax consultants has been retained to assist in the projection of the OCFA's single largest revenue source – property taxes. With these projections and a collection of conservative assumptions, the OCFA forecasts its financial condition five years into the future. Various scenarios can be developed from the forecast to assess the impact of proposed or impending changes to the budget, the economy or the underlying assumptions. As a result, this tool provides early warning of potential financial difficulties.

Relevant Financial Policies

The OCFA Board of Directors adopted the following formal budgetary and fiscal policies:

Financial Stability Budget Policy: This policy is intended to guide the OCFA budget actions toward maintaining long-term financial stability and to establish designated reserve fund levels and annual funding targets for the General Fund and Capital Improvement Program (CIP) funds.

Fiscal Health Contingency Plan: The purpose of this plan is to establish a framework and general process to assure timely and appropriate response to adverse fiscal circumstances. It also includes historical trend analysis of twelve fiscal factors.

Investment Policy: This policy is updated annually to reflect changes in legislation and the changing needs of the OCFA. It specifies the types of investments allowed in the OCFA portfolio, as well as the diversification and maturity requirements for investments.

Roles/Responsibilities/Authorities for the OCFA: This document identifies those roles and responsibilities that have been retained by the Board, as well as responsibilities that have been delegated. All authority rests with the Board unless it is delegated by statute or Board action. When delegated, these authorities are further defined by contracts, resolutions, polices and/or other Board actions.

Accounts Receivable Write-off Policy for Uncollectible Accounts: This policy establishes the criteria and procedures for requesting uncollectible amounts to be written off.

Major Initiatives for Fiscal Year 2005-06

Strategic Studies:

- **Information Technology Master Plan** – This study established strategic goals and priorities to guide IT decision-making for the next five years, including a reorganization of IT positions and the addition of capital projects that had previously been deferred. The Master Plan was

³⁴ 2006 Community Indicators Report, Orange County Community Indicators Project – March 2006

completed and the staffing reorganization was approved by the Executive Committee in March 2006. Staff will begin implementation of the Master Plan during Fiscal Year 2006-07.

- **Tiered Medical Dispatch Program** – Following completion of a thorough analysis by staff, the Board authorized a new tiered medical dispatch program in January 2006. Implementation began in Fiscal Year 2005-06 and will be completed during Fiscal Year 2006-07.

Disaster Preparedness:

- **New Grant and Cost Reimbursement Revenue Sources** – The OCFA was awarded \$1.4 million in new grant funding during Fiscal Year 2005-06 for programs such as the Urban Search and Rescue (USAR) and Urban Area Security Initiative (UASI) grants and a community outreach program funded by the department of Health and Human Services. These new revenue sources enabled the OCFA to fund equipment and training for terrorism preparedness and provide customer service and education.

Staffing and Personnel:

- The Wellness and Fitness (WEFIT) pilot program was successfully completed in October 2004. Due to its success, the WEFIT program has been included as an on-going activity. Voluntary employee participation in the WEFIT program was 90% for Fiscal Year 2005-06.
- In addition to the completion of one Battalion Chief promotional test, the following academies graduated during the fiscal year:
 - Two Firefighter academies
 - One Firefighter Reserve academy
 - One Fire Apparatus Engineer academy
 - One Fire Captain academy

Fire Station Construction:

- New Fire Station No. 47 (Irvine) and replacements for Fire Station No. 15 (Silverado Canyon) and Fire Station No. 59 (San Clemente) were completed and placed into operation during Fiscal Year 2005-06.
- Construction of replacements for Fire Station No. 19 (Lake Forest) and Fire Station No. 29 (Dana Point) approached completion during the year.
- Land was purchased in April 2006 for construction of replacement Fire Station No. 38 (Irvine).

Equipment and Vehicles:

- Several vehicles were placed into service during the first quarter of Fiscal Year 2005-06, including five fire engines and one 100' tractor-drawn aerial (TDA).

- In order to standardize and manage geographic data that is supportive of the OCFA's core functions, the OCFA plans to implement an enterprise-wide Geographic Information System (GIS). During FY 2006-07, anticipated costs for hardware, software, consulting and temporary staffing will be incurred in order to implement the GIS; create and document data standards, policies and procedures; and create and manage data to be interfaced with other applications such as CAD and IFP.
- Planned vehicle purchases for Fiscal Year 2006-07 include the replacement of seven Type 1 engines and two 90' Quints and the purchase of two new Type 1 engines for Fire Stations No. 20 and No. 27 (Irvine).

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the OCFA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. This was the eighth consecutive year that the OCFA has received this prestigious award. In addition, the California Society of Municipal Finance Officers (CSMFO) awarded a Certificate of Award for Outstanding Financial Reporting to the OCFA for its CAFR for the fiscal year ended June 30, 2005. This was the sixth consecutive year that the OCFA has achieved this award. In order to be awarded these certificates, a government must publish an easily readable and efficiently organized CAFR. This report satisfied both GAAP and the applicable legal requirements. These certificates are valid for a period of one year only. We believe that our current CAFR continues to meet the programs' requirements and we are submitting it to the GFOA to determine its eligibility for this year's award. Beginning in Fiscal Year 2005-06, the CSMFO revised the eligibility requirements for its CAFR award program. Under the new requirements, the OCFA is no longer eligible to participate in the CSMFO award program since its CAFR is being submitted for the GFOA's award.

The timely preparation of the Comprehensive Annual Financial Report was made possible by the dedicated efforts of all departments of the OCFA, especially the staff of the Finance Division. We sincerely appreciate and acknowledge the support and direction provided by the accounting firm of Lance, Soll & Lunghard, LLP, in preparing the OCFA CAFR. We would also like to express our appreciation to the Board of Directors and the OCFA Budget and Finance Committee for their leadership and support in planning and conducting the financial operations of the OCFA in a responsible and progressive manner.

Respectfully submitted,



Chip Prather, Fire Chief



Lori Zeller, Assistant Chief
Business Services Department

Disaster Preparedness:

- **Field Division Addition** – Effective July 2006, the Board has authorized the creation of a fifth field division to better serve the needs of Irvine, John Wayne Airport and Emerald Bay.
- **Countywide Interoperability Projects** – Over the past several years, the Orange County Fire Chiefs Association (OCFCA) has been working together on initiatives and projects that mutually benefit the group, including projects that improve interoperability among fire departments through the use of enhanced technology. The OCFA has been designated as the lead agency for two grant-funded projects – a Countywide Geographic Information System (GIS) Interoperability project and a Wireless Interoperability project. The GIS project will provide infrastructure for the linking and sharing of land base data with other fire departments and agencies in Orange County. The wireless project will provide infrastructure for county-wide mobile data communications and will enable the future implementation of AVL technology, allowing the dispatch of the closest available resources.

Staffing and Personnel:

- Staffing of new Irvine Fire Stations No. 20 and No. 27 is anticipated for Fiscal Year 2007-08.
- As part of our succession planning strategic initiative, the following fiscal year will include:
 - Two Firefighter academies
 - Fire Apparatus Engineer, Fire Captain and Battalion Chief promotional academies as needed

Fire Station Construction:

- Construction of replacements for Fire Station No. 19 (Lake Forest) and Fire Station No. 29 (Dana Point) is scheduled for completion by October 2006. Construction of replacement Fire Station No. 39 (Laguna Niguel) is scheduled for completion by January 2007.
- The Irvine Company is expected to begin construction of replacement Fire Station No. 38 (Irvine), new Fire Station No. 55 (Irvine) and new Fire Station No. 27 (Irvine) during Fiscal Year 2006-07. Existing Fire Station No. 38 will be demolished after construction of its replacement station is completed on the adjacent parcel.
- During the next five years, construction is planned to commence on replacements for Fire Stations No. 10 (Yorba Linda), No. 60 (San Clemente) and No. 37 (Tustin), along with new Fire Stations No. 20 (Irvine), No. 56 (Ortega Valley) and Rancho Mission Viejo.

Equipment and Vehicles:

- During Fiscal Year 2006-07, the OCFA plans to begin working towards purchasing a replacement application for the existing 911 Computer Aided Dispatch (CAD) System, which has been in place since 1987. The system will be replaced in conjunction with the Orange County Fire Incident Reporting System (OCFIRS) and Integrated Fire Prevention (IFP) applications.

Major Initiatives for the Future

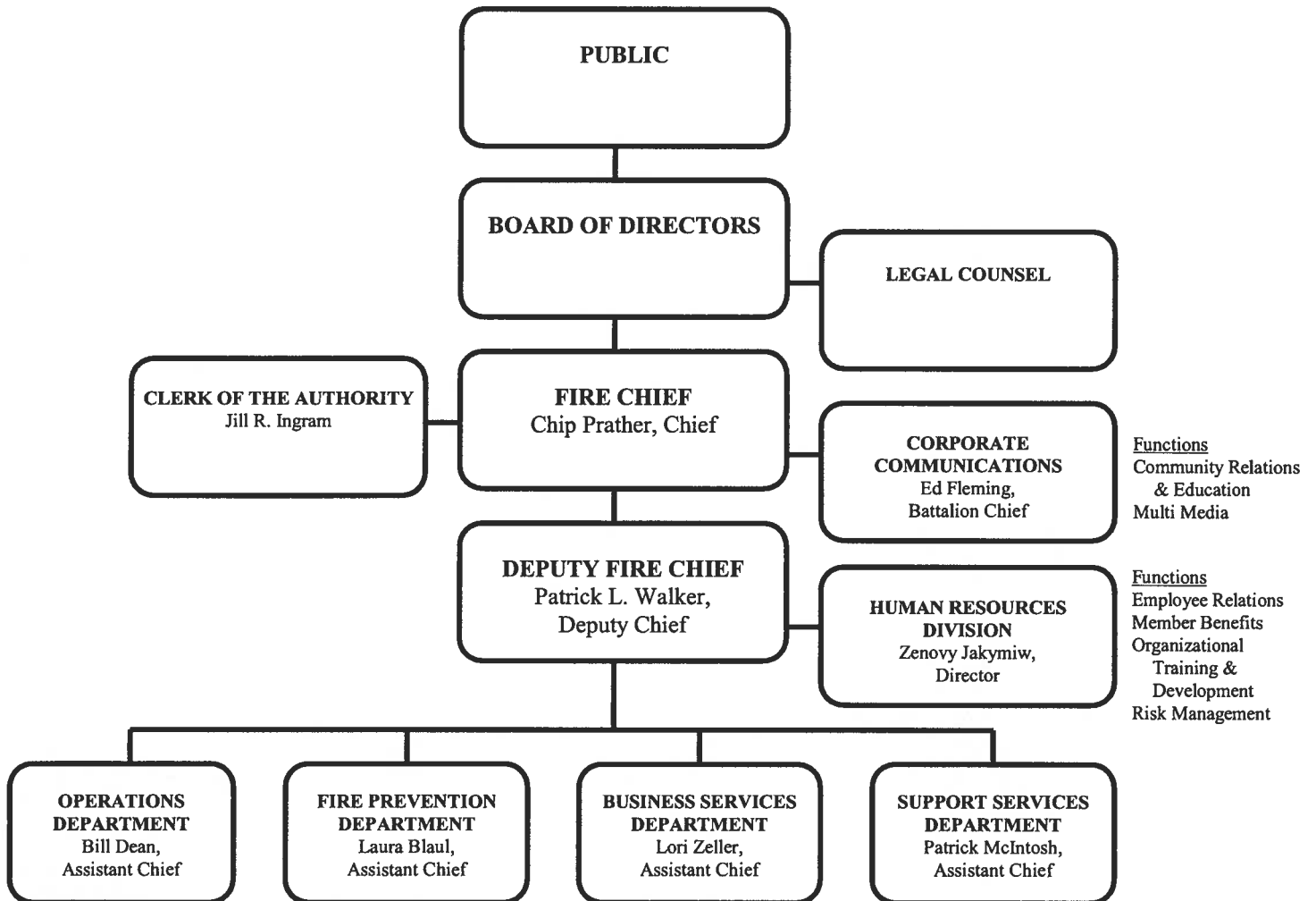
Strategic Studies: When completed, these studies could potentially impact the financial condition of the OCFA. As recommendations are implemented from each study, revenues and cost recovery areas may be enhanced and additional expenditure needs may be identified.

- **Deployment Study** – The Strategic Plan calls for a study to review, validate and/or modify the deployment of emergency resources to member cities and the county. The Board adopted a draft Standards of Cover in March 2006. A final report with recommendations will be provided to the Board for consideration at the beginning of Fiscal Year 2006-07.
- **Developer Fee Study** – The Board directed staff to begin reviewing the OCFA's practice of charging an impact fee on new development. The purpose of the impact fees is to help cover the cost of capital projects necessitated by the development. Currently, large developments are charged \$600 per dwelling unit. Phase I of the study will be completed in the second quarter of Fiscal Year 2006-07 and will address the feasibility of updating the fee and expanding the program to include smaller developments and in-fill projects. Phase II, which will include recommended fees and program changes, will be completed by the end of Fiscal Year 2006-07.
- **Fire Prevention Fee Study** – When the fee structure was adopted in 2002, consultants recommended that it be reviewed and updated as needed on a biennial basis to ensure that the fee structure and fees are appropriate. In April 2006, the Executive Committee approved the hiring of a consulting service to update the 2002 fees. Changes to the fee structure will be submitted to the Board for approval during Fiscal Year 2006-07.
- **Tiered Medical Dispatch Program** – The OCFA will complete implementation of the new tiered medical dispatch program during Fiscal Year 2006-07.

New and Expiring Agreements: The OCFA is in the process of negotiating new plans or renegotiating certain agreements that are set to expire during Fiscal Year 2006-07.

- **Retiree Medical Funding** – Negotiations are pending to develop an affordable solution to the retiree medical funding deficiency in order to achieve long-term plan solvency.
- **Employee Agreements** – The Memorandums of Understanding (MOU's) between the OCFA and the Orange County Employees Association (OCEA), which represents non-management employees, and the Firefighter Unit expire in December 2006 and June 2007, respectively. The Firefighter Health Plan Agreement also expires in December 2006. The OCFA is working collaboratively with its labor groups to renew contracts that are affordable and sustain the market position of its members with regard to pay and benefits.
- **John Wayne Airport Agreement** – The agreement between the OCFA and John Wayne Airport to provide on-site aircraft, rescue and firefighting services has been extended to August 31, 2006, while the terms of a proposed long-term agreement are developed.

**ORANGE COUNTY FIRE AUTHORITY
 Organization Chart**



Functions
 Community Relations
 & Education
 Multi Media

Functions
 Employee Relations
 Member Benefits
 Organizational
 Training &
 Development
 Risk Management

Functions
 Division I
 Battalions 1 & 8
 Division II
 Battalion 5 & JWA
 Division III
 Battalions 6 & 7
 Division IV
 Battalions 2 & 3
 Division V
 Battalion 4 & USAR
 Operations Support Division
 Community Volunteer
 Services
 Emergency Communications
 Center
 Emergency Medical Services
 Emergency Planning &
 Coordination
 Special Operations
 Training & Safety

Functions
 Investigation Services
 Planning and Development
 Services
 Risk Analysis & Mitigation
 Evaluation
 Safety & Environmental Services

Functions
 Finance Division
 Information Technology Division
 Purchasing & Materiel
 Management
 Treasury & Financial Planning

Functions
 Fleet Services
 Legislative Services
 Property Management
 Strategic Services

**ORANGE COUNTY FIRE AUTHORITY
Management Staff and Appointed Officials
June 30, 2006**

Charles "Chip" Prather Fire Chief

Patrick L. Walker Deputy Fire Chief

Bill Dean Assistant Chief
Operations Department

Patrick McIntosh Assistant Chief
Support Services Department

Lori Zeller Assistant Chief
Business Services Department

Laura Blaul Assistant Chief
Fire Prevention Department

Jill R. Ingram Appointed – Clerk of the Authority

Jim Ruane Appointed – Auditor

Patricia Jakubiak Appointed – Treasurer

Woodruff, Spradlin, & Smart General Counsel

ORANGE COUNTY FIRE AUTHORITY
Organization of Board of Directors

The Orange County Fire Authority Board of Directors has twenty-four members. Twenty-two of the members represent our partner cities and two members represent the county unincorporated area. The Board of Directors meets bimonthly. The Board established an Executive Committee, which meets monthly. The Board also established a standing Budget and Finance Committee to address finance and budget policy issues. The Chair of the Board makes appointments to the Committee on an annual or as needed basis. The following is a description of each committee.

The **Executive Committee** conducts all business of the OCFA, with the exception of policy issues, including labor relations, budget issues and other matters specifically retained by the Board of Directors.

The Executive Committee consists of no more than nine members of the Board of Directors. The committee membership is comprised of the following designated positions: the Chair and Vice Chair of the Board of Directors, the immediate past Chair of the Board and the Chair of the Budget and Finance Committee. In addition, the Chair appoints five at-large members. At least one member of the Board of Supervisors will serve on this committee. In addition, the ratio of committee members representing cash contract cities to the total committee membership will be as close as reasonably possible to the ratio of the number of cash contract cities to total member agencies. The Chair of the City Managers Technical Advisory Committee serves as an ex officio non-voting member of the Executive Committee.

The **Budget and Finance Committee** advises staff and makes recommendations to the Board of Directors on matters related to financial and budget policies, development of budgets for the General Fund and capital expenditures, designations of reserves, budget balancing measures, evaluation and development of plans to meet long-term financing needs, investment oversight and purchasing policies. The Chair of the City Manager Budget and Finance Committee serves as an ex officio non-voting member of this committee. Effective during Fiscal Year 2005-06, the Budget and Finance Committee was also designated to serve as the OCFA's internal audit oversight committee.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Orange County Fire
Authority, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry

President

Jeffrey R. Emmer

Executive Director



Orange County Fire Authority Safety Message

Fire Extinguishers.....Your Small Fire Defense

Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Directors
Orange County Fire Authority
Irvine, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orange County Fire Authority, California (Authority) as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Orange County Fire Authority, California as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Communications & Information Systems Fund and Vehicle Replacement Fund thereof, 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 24, 2006, on our consideration of the Orange County Fire Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Board of Directors
Orange County Fire Authority
Irvine, California

The accompanying management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Orange County Fire Authority. 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. The scope of our audit did not include the supplementary statistical schedules listed in the table of contents, and we do not express an opinion on them.

Lance, Soll & Lunghard, LLP

August 24, 2006

Management's Discussion and Analysis



Fire Station 59 San Clemente

ORANGE COUNTY FIRE AUTHORITY

Management's Discussion and Analysis

Year ended June 30, 2006

As management of the Orange County Fire Authority (OCFA), we offer readers of the OCFA's financial statements this narrative overview and analysis of the financial activities of the OCFA for the fiscal year ended June 30, 2006.

Financial Highlights

- The assets of the OCFA exceeded its liabilities by \$216,061,240 at the end of the current fiscal year. Net assets consisted of investments in capital assets, net of related debt, in the amount of \$122,819,640 (56.8%); amounts restricted for debt service totaling \$18,673,581 (8.6%); and unrestricted net assets in the amount of \$74,568,019 (34.6%).
- The OCFA's total net assets increased by \$22,450,821 over the prior fiscal year. This increase was primarily attributable to increased property tax revenues.
- As of the close of the current fiscal year, the OCFA's governmental funds showed combined ending fund balances totaling \$120,287,404, an increase of \$22,730,117 over the prior fiscal year. Of the total ending fund balance, approximately \$105,732,488 (87.9%) was available for funding future operational needs (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$48,163,349, or 25.5% of total General Fund expenditures. A total of \$20,186,646 was designated for the Board-directed 10% operating contingency and \$24,298,920 was designated for workers' compensation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the OCFA's basic financial statements. The basic financial statements are comprised of the following three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This financial report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the OCFA's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the OCFA's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the OCFA is improving or deteriorating.

The *Statement of Activities* presents information showing how the OCFA's net assets changed during the most recent fiscal year. 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*. Thus, revenues and expenses are

reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

The government-wide financial statements present activities of the OCFA that are principally supported by taxes and charges for services. The OCFA provides services for fire protection, emergency medical, fire prevention, safety, rescue and hazardous materials response services.

The government-wide financial statements can be found on pages 13-14 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The OCFA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the OCFA are divided into two broad categories – governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the OCFA's near-term financial decisions. Both the *Balance Sheet* of governmental funds and the *Statement of Revenues, Expenditures and Changes in Fund Balances* of governmental funds provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The OCFA maintains eight individual governmental funds. Information is presented separately for each major fund on the *Balance Sheet* of governmental funds and on the *Statement of Revenues, Expenditures and Changes in Fund Balances* of governmental funds. The OCFA's five major funds for the current fiscal year included the General Fund, Communications & Information Systems Fund, Vehicle Replacement Fund, Capital Projects Fund and Debt Service Fund. Data from the other three governmental funds are combined into a single, aggregated presentation located on the governmental fund financial statements. The OCFA's three nonmajor funds for the current fiscal year included the Facilities Maintenance & Improvements Fund, Structural Fire Entitlement Fund and Regional Fire Operations & Training Center Fund. Individual fund data for each of these nonmajor governmental funds is provided in the combining statements located in the accompanying Supplementary Schedules section.

The OCFA adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements have been provided for the governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-26 of this report.

Fiduciary Funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the OCFA's own programs. Combined basic fiduciary fund financial statements can be found on pages 27-28 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-50 of this report.

Supplementary Schedules. The combining statements referred to earlier in connection with nonmajor governmental funds are presented in the Supplementary Schedules section. Combining and individual fund statements and schedules can be found on pages 52-65 of this report.

Government-wide Financial Analysis

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The OCFA's net assets totaled \$216,061,240 at the end of the current fiscal year, which was an 11.6% increase over the prior fiscal year. Following is a summary of the government-wide Statement of Net Assets:

ORANGE COUNTY FIRE AUTHORITY Net Assets of Governmental Activities

| | FY 2005-06 | FY 2004-05 | Increase (Decrease) | |
|--|-----------------------|-----------------------|----------------------|--------|
| | | | Amount | % |
| Assets: | | | | |
| Current and other assets | \$ 134,122,334 | \$ 114,444,359 | \$ 19,677,975 | 17.2% |
| Capital assets | 141,363,403 | 138,050,740 | 3,312,663 | 2.4% |
| Total assets | <u>275,485,737</u> | <u>252,495,099</u> | <u>22,990,638</u> | 9.1% |
| Liabilities: | | | | |
| Long-term liabilities | 48,563,695 | 47,411,889 | 1,151,806 | 2.4% |
| Other liabilities | 10,860,802 | 11,472,791 | (611,989) | -5.3% |
| Total liabilities | <u>59,424,497</u> | <u>58,884,680</u> | <u>539,817</u> | 0.9% |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 122,819,640 | 115,204,289 | 7,615,351 | 6.6% |
| Restricted | 18,673,581 | 21,697,161 | (3,023,580) | -13.9% |
| Unrestricted | 74,568,019 | 56,708,969 | 17,859,050 | 31.5% |
| Total net assets | <u>\$ 216,061,240</u> | <u>\$ 193,610,419</u> | <u>\$ 22,450,821</u> | 11.6% |

- The largest portion of the OCFA's net assets (56.8%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related outstanding debt used to acquire those assets. The OCFA uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the OCFA's investment in its capital assets is reported net of related debt, it should be noted that the

repayment of any debt issued to acquire capital assets must be from other sources. The OCFA cannot sell the assets to obtain funding.

- An additional portion of the OCFA's net assets (8.6%) represents resources that are subject to external restrictions on how they may be used. Restricted net assets are reported in connection with the OCFA's governmental activities. The restricted net assets were established due to requirements of the revenue bonds issued for the construction of the Regional Fire Operations and Training Center. During Fiscal Year 2004-05, a significant portion of reserves were reallocated to the Debt Service Fund in order to fully pre-fund the future debt payments on the 2001 revenue bonds, which resulted in a significant increase in restricted net assets. The \$3,023,580 decrease in restricted net assets from Fiscal Year 2004-05 is caused primarily by debt payments made during the current fiscal year.
- The remaining balance of net assets is considered unrestricted (34.6%) and may be used to meet the OCFA's ongoing obligations to citizens and creditors. At the end of the current and prior fiscal years, the OCFA reported positive balances in all three categories of net assets.

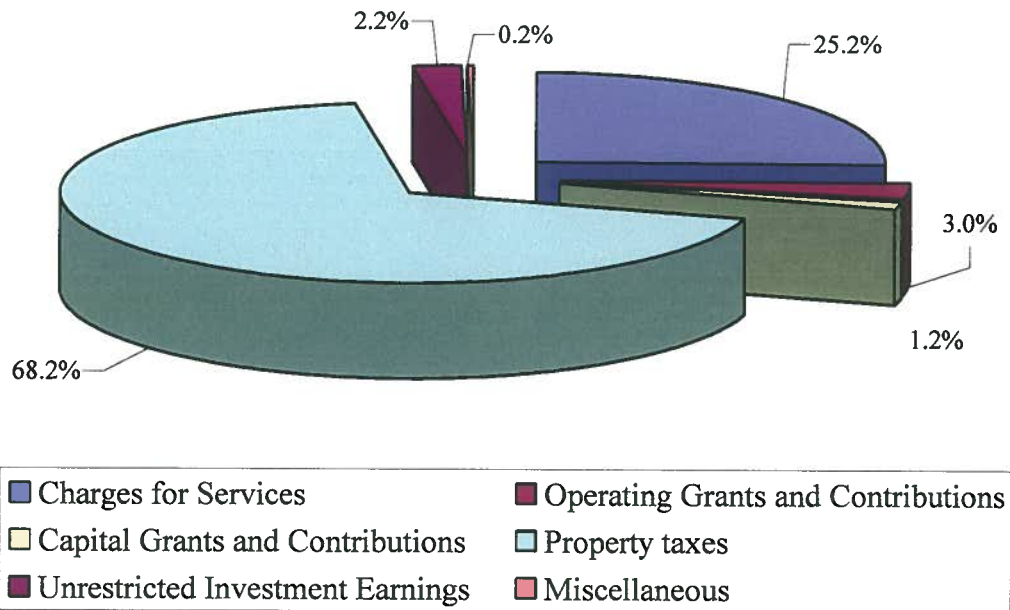
Changes in Net Assets. For the year ended June 30, 2006, the net assets of the OCFA increased by \$22,450,821, an indication that its financial position improved during the year. Following is a summary of the government-wide Statement of Activities:

ORANGE COUNTY FIRE AUTHORITY
Changes in Net Assets of Governmental Activities

| | FY 2005-06 | FY 2004-05 | Increase (Decrease) | |
|------------------------------------|-----------------------|-----------------------|----------------------|--------|
| | | | Amount | % |
| Revenues: | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 56,509,909 | \$ 52,968,895 | \$ 3,541,014 | 6.7% |
| Operating grants and contributions | 6,650,839 | 4,208,541 | 2,442,298 | 58.0% |
| Capital grants and contributions | 2,730,652 | 1,445,246 | 1,285,406 | 88.9% |
| General revenues: | | | | |
| Property taxes | 152,747,044 | 138,076,307 | 14,670,737 | 10.6% |
| Unrestricted investment earnings | 4,875,101 | 2,891,248 | 1,983,853 | 68.6% |
| Miscellaneous | 573,389 | 608,684 | (35,295) | -5.8% |
| Total revenues | <u>224,086,934</u> | <u>200,198,921</u> | <u>23,888,013</u> | 11.9% |
| Expenses: | | | | |
| Salaries and benefits | 166,930,470 | 154,532,819 | 12,397,651 | 8.0% |
| Services and supplies | 33,182,938 | 34,191,796 | (1,008,858) | -3.0% |
| Interest on long-term debt | <u>1,522,705</u> | <u>1,539,394</u> | <u>(16,689)</u> | -1.1% |
| Total expenses | <u>201,636,113</u> | <u>190,264,009</u> | <u>11,372,104</u> | 6.0% |
| Change in net assets | 22,450,821 | 9,934,912 | 12,515,909 | 126.0% |
| Net assets, beginning of year | <u>193,610,419</u> | <u>183,675,507</u> | <u>9,934,912</u> | 5.4% |
| Net assets, end of year | <u>\$ 216,061,240</u> | <u>\$ 193,610,419</u> | <u>\$ 22,450,821</u> | 11.6% |

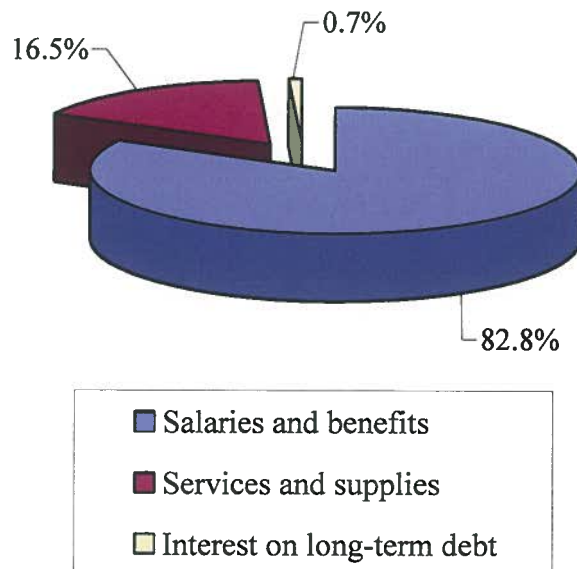
- General revenues in the amount of \$158,195,534 accounted for 70.6% of total revenues. The largest general revenue, property taxes, increased by \$14,670,737 (10.6%) over the prior fiscal year due to increased property values. Property taxes accounted for 68.2% of total revenues. Other general revenues, which included unrestricted investment earnings and miscellaneous revenues, accounted for 2.4% of total revenues.
- Program revenues in the amount of \$65,891,400 accounted for 29.4% of total revenues.
 - Charges for services increased by \$3,541,014 (6.7%) over the prior fiscal year. This reflects increases in cash contract city charges and ambulance fees, as well as increased disclosure and plan check fees. In addition, the OCFA recognized increased assistance by hire revenues relating to services performed for the California Department of Forestry (CDF). Charges for services accounted for 25.2% of total revenues.
 - Operating grants and contributions increased by \$2,442,298 (58.0%) over the prior fiscal year. This increase was due primarily to additional USAR reimbursement revenues pertaining to Hurricane Katrina. Operating grants and contributions accounted for 3.0% of total revenues.
 - Capital grants and contributions increased by \$1,285,406 (88.9%) over the prior fiscal year. This increase was due to developer contributions pertaining to fire station construction. Capital grants and contributions accounted for 1.2% of total revenues.

Revenues by Source - Governmental Activities



- Total expenses increased by \$11,372,104 (6.0%) over the prior fiscal year.
 - Salaries and benefits, which accounted for 82.8% of total expenses, increased by 8.0% over the prior fiscal year. This increase was due to negotiated salary and benefit increases, as well as funding for employee positions that were previously frozen.
 - Services and supplies, which accounted for 16.5% of total expenses, decreased by 3.0% from the prior year. Interest on long-term debt, which accounted for 0.7% of total expenses, decreased by 1.1% from the prior year.

Expenses by Function/Program - Governmental Activities



Financial Analysis of the OCFA's Funds

As noted earlier, the OCFA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the OCFA's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the OCFA's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for funding future operational needs.

As of the end of the current fiscal year, the OCFA's governmental funds reported combined ending fund balances of \$120,287,404, an increase of \$22,730,117 in comparison with the prior fiscal year.

- **Unreserved fund balance**, which is the portion of fund balance available for funding future operational needs, totaled \$105,732,488 (87.9%). Unreserved fund balance includes \$98,254,727 that is designated for specific purposes such as developer contributions, capital improvement program, workers' compensation, debt service and the 10% operating contingency for emergencies and economic uncertainties. Unreserved fund balance that was undesignated totaled \$7,477,761.
- **Reserved fund balance**, which is the portion of fund balance that is not available for new spending, totaled \$14,554,916 (12.1%). Reserved fund balance has already been committed as follows: (1) \$9,925,565 to liquidate contracts and purchase orders of the prior period, (2) \$2,806,000 to pay debt service and (3) \$1,823,351 to fund costs that were prepaid during the current fiscal year.

Major Governmental Funds. If the assets, liabilities, revenues or expenditures of a governmental fund exceed 10% of the total of all governmental funds, that fund is reported as a major governmental fund in the accompanying fund financial statements. The OCFA reported five major funds during the current fiscal year.

- The **General Fund** is the chief operating fund of the OCFA. At the end of the current fiscal year, fund balance totaled \$50,555,676, of which \$48,163,349 (95.3%) was unreserved and \$2,392,327 (4.7%) was reserved.
 - As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. General Fund expenditures totaled \$188,600,676 in the current fiscal year. Unreserved fund balance equaled 25.5% of total General Fund expenditures, while total fund balance equaled 26.8% of that same amount.
 - A portion of the General Fund's unreserved fund balance totaling \$44,485,566 was considered designated. OCFA policy modified by the Board on November 18, 2004, requires the establishment of an operating contingency designation set at 10% of the total operating expenditures, excluding grant-funded expenditures. The purpose of the operating contingency designation is to provide for emergencies and economic uncertainties. The total amount of General Fund's fund balance designated for the operating contingency at the end of the current fiscal year was \$20,186,646. Additionally, \$24,298,920 was designated for workers' compensation claims.
 - The fund balance of the OCFA's General Fund *increased* by \$12,374,569 during the current fiscal year, as compared to the \$3,259,313 *decrease* during the prior fiscal year. This increase as compared to the prior fiscal year is due to (1) an approximate \$14.6 million increase in property tax revenue, (2) an approximate \$4.1 million increase in intergovernmental revenues caused primarily by Hurricane Katrina USAR reimbursements, (3) an approximate \$2.6 million increase in various charges for services (e.g. cash contract city charges, ambulance fees, disclosure and plan check fees, etc.), (4) an approximate \$14.8 million increase in salaries and benefits expenditures, (5) an approximate \$4.0 million decrease in services and supplies expenditures, (6) an approximate \$12.2 million increase in transfers out to other funds for current and future capital improvement projects and (7) an approximate \$16.8 decrease in one-time transfers out to the Debt Service Fund to pre-fund debt service on the 2001 Revenue Bonds.
- The **Communications & Information Systems Fund** had a total fund balance of \$14,295,939 at the end of the current fiscal year, of which \$14,026,530 (98.1%) was unreserved and \$269,409 (1.9%) was reserved for encumbrances and prepaid costs. Total fund balance *increased* by \$10,224,034 during the current fiscal year, as compared to the \$2,192,753 *increase* during the prior fiscal year. This increase as compared to the prior fiscal year was primarily due to (1) an approximate \$7.6 million increase in transfers from the General Fund for current and future capital improvement projects and (2) an approximate \$1 million increase in proceeds from the issuance of a capital lease.
- The **Vehicle Replacement Fund** had a total fund balance of \$18,913,694 at the end of the current fiscal year, of which \$13,559,099 (71.7%) was unreserved and \$5,354,595 (28.3%) was reserved for encumbrances and prepaid costs. Total fund balance *increased* by \$10,058,213 during the current fiscal year, as compared to the \$3,879,104 *decrease* during the prior fiscal year. This

increase as compared to the prior fiscal year was primarily due to (1) an approximate \$3.9 million decrease in capital outlay expenditures, (2) an approximate \$5.1 increase in transfers from the General Fund for current and future capital improvement projects and (3) an approximate \$4.8 million increase in proceeds from the issuance of a capital lease.

- The **Capital Projects Fund** had a total fund balance of \$12,387,398 at the end of the current fiscal year, of which \$8,875,958 (71.7%) was unreserved and \$3,511,440 (28.3%) was reserved for encumbrances. Total fund balance *decreased* by \$5,677,285 during the current fiscal year, as compared to the \$2,679,778 *decrease* during the prior fiscal year. This decrease as compared to the prior fiscal year was primarily due to (1) an approximate \$1.3 million increase in developer contributions, (2) an approximate \$6.8 million increase in capital outlay expenditures and (3) an approximate \$2.1 million decrease in one-time transfers out to the Debt Service Fund to pre-fund debt service on the 2001 Revenue Bonds.
- The **Debt Service Fund** had a total fund balance of \$19,010,380 at the end of the current fiscal year, of which \$16,204,380 (85.2%) was unreserved and \$2,806,000 (14.8%) was reserved for debt service. Total fund balance *decreased* by \$3,063,360 during the current fiscal year, as compared to the \$15,589,176 *increase* during the prior fiscal year. This decrease as compared to the prior fiscal year was primarily due to an approximate \$18.9 million decrease in one-time transfers from other OCFA funds to pre-fund debt service on the 2001 Revenue Bonds.

General Fund Budgetary Highlights

Total appropriations in the General Fund increased during this fiscal year by \$16,403,677 and can be briefly summarized as follows:

| | |
|---|---------------------|
| Salaries and benefits | \$ 3,760,854 |
| Services and supplies | 1,356,945 |
| Capital outlay | 625,712 |
| Interest and fiscal charges | 338,251 |
| Transfers out | <u>10,321,915</u> |
| Total increase to General Fund appropriations | <u>\$16,403,677</u> |

Portions of this increase in General Fund appropriations were funded by net increases to budgeted revenues that totaled \$13,440,607. The net change in budgeted revenues included an increase to budgeted property tax revenue of \$8,356,032 and an increase to budgeted intergovernmental revenues of \$5,158,512.

Capital Asset and Debt Administration

Capital Assets. The OCFA's investment in capital assets for its government activities at the end of the current fiscal year totaled \$141,363,403 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, vehicles, work in progress (equipment) and construction in progress. Net capital assets increased over the prior fiscal year by \$3,312,663 (2.4%). Following is a summary of net capital assets:

ORANGE COUNTY FIRE AUTHORITY
Capital Assets Net of Accumulated Depreciation

| | Governmental Activities | | | |
|--------------------------|-------------------------|-----------------------|---------------------|--------|
| | FY 2005-06 | FY 2004-05 | Increase (Decrease) | |
| | | | Amount | % |
| Land | \$ 31,749,355 | \$ 30,387,115 | \$ 1,362,240 | 4.5% |
| Construction in progress | 9,715,199 | 2,479,534 | 7,235,665 | 291.8% |
| Work in progress | 1,045,851 | 2,226,597 | (1,180,746) | -53.0% |
| Buildings | 73,900,464 | 75,807,410 | (1,906,946) | -2.5% |
| Equipment | 8,720,450 | 10,988,289 | (2,267,839) | -20.6% |
| Vehicles | 16,232,084 | 16,161,795 | 70,289 | 0.4% |
| Total, net | <u>\$ 141,363,403</u> | <u>\$ 138,050,740</u> | <u>\$ 3,312,663</u> | 2.4% |

Major capital asset additions during the current fiscal year included the following:

- A parcel of land totaling \$1,362,240 was acquired for the construction of a replacement for Fire Station No. 38 (Irvine).
- Construction in progress consisted of eight on-going construction projects at stations. Approximately \$7.2 million of projects costs were incurred during the current fiscal year. The most significant additions included \$1,495,566 for the replacement of Fire Station No. 39 (Laguna Niguel), \$2,448,064 for the replacement of Fire Station No. 19 (Lake Forest) and \$2,609,012 for the replacement of Fire Station No. 29 (Dana Point).
- Work in progress consisted of seventeen projects, four of which were completed during the current fiscal year.
 - Fire engines and trucks are classified as work in progress while they are being outfitted for operation. The most significant addition during the current fiscal year was \$600,448 for a 75' ladder truck.
 - Computer system replacement and enhancement projects are classified as work in progress until they are placed into service. The most significant addition during the current fiscal year was \$83,036 for the CAD to CAD System Enhancement project.
 - The total cost of projects that were completed and transferred to equipment and vehicles during the current fiscal year was approximately \$2.2 million, which included \$1,301,519 for the completion of four Type 1 engines.

Additional information pertaining to the OCFA's capital assets can be found in Note 3c of the accompanying Notes to the Financial Statements.

Long-term Debt. At the end of the current fiscal year, the OCFA had total bonded debt outstanding (including premium) of \$16,724,439. This amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds). Following is a summary of revenue bonds outstanding:

**ORANGE COUNTY FIRE AUTHORITY
 Outstanding Debt - Revenue Bonds**

| | Governmental Activities | | | |
|---|-------------------------|---------------|---------------------|--------|
| | FY 2005-06 | FY 2004-05 | Increase (Decrease) | |
| | | | Amount | % |
| 2001 Regional Fire Operations Operations & Training Center Revenue Bonds (includes premium) | \$ 16,724,439 | \$ 19,733,049 | \$ (3,008,610) | -15.2% |

Long-term liabilities increased by \$1,151,806 (2.4%) during the current fiscal year. Additions to long-term liabilities included the issuance of a new \$5,841,858 capital lease obligation and additions to the estimated liabilities for compensated absences and accrued claims and judgments in the amounts of \$10,328,202 and \$3,223,741, respectively. Decreases to long-term liabilities included debt service payments on revenue bonds and capital lease obligations totaling \$5,046,729, vacation/sick leave payouts and usage totaling \$10,068,465 and payments on accrued claims and judgments totaling \$3,126,801.

Additional information on the OCFA's long-term liabilities can be found in Notes 3e – 3g of the accompanying Notes to the Financial Statements.

Next Year's Budget

The Fiscal Year 2006-07 General Fund adopted expenditure budget is approximately \$206.3 million, which is a 3.5% increase over the Fiscal Year 2005-06 General Fund budget. The increase includes the impact of salary increases authorized by existing Memorandums of Understanding (MOU's) with all bargaining units and updated employee benefit rates. The General Fund budget is balanced and also provides transfers of approximately \$14.0 million to other funds for current and future capital projects.

Staffing changes authorized in the Fiscal Year 2006-07 budget included a net increase of eight positions. Three positions were eliminated due to the Fire Prevention department reorganization and the completion of the RFOTC project. In addition, one part-time fire pilot position was converted to a full-time position. Staffing additions included the following:

- One firefighter position was added to Engine 60 per the service agreement with the City of San Clemente.
- Four positions were created due to the addition of a new field division.
- Five new nurse educator positions were added in order to replace contracted labor positions in the EMS department.
- One administrative position was added to the Property Management department.

Requests for Information

This financial report is designed to provide a general overview of the OCFA's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Manager, Orange County Fire Authority, 1 Fire Authority Road, Irvine, California 92602.

Government-Wide Financial Statements



Academy 29 Graduation at RFOTC Training Grounds - December 21, 2005

ORANGE COUNTY FIRE AUTHORITY

**Statement of Net Assets
June 30, 2006**

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Cash and investments (note 3a) | \$ 113,819,387 |
| Receivables: | |
| Accounts, net (note 3b) | 2,086,686 |
| Accrued interest | 366,255 |
| Prepaid costs | 1,823,351 |
| Deferred bond issuance costs | 158,237 |
| Due from other governments (note 3b) | 10,547,127 |
| Restricted assets: | |
| Cash and investments (note 3a) | 5,321,291 |
| Capital assets (note 3c): | |
| Land | 31,749,355 |
| Construction in progress | 9,715,199 |
| Work in progress | 1,045,851 |
| Capital assets, net of accumulated depreciation | 98,852,998 |
| Total assets | 275,485,737 |
| Liabilities: | |
| Accounts payable | 5,082,005 |
| Accrued liabilities | 4,753,998 |
| Accrued interest | 336,799 |
| Deposits payable | 688,000 |
| Long-term liabilities (note 3e, 3f and 3g): | |
| Due within one year | 10,146,572 |
| Due beyond one year | 38,417,123 |
| Total liabilities | 59,424,497 |
| Net assets: | |
| Invested in capital assets, net of related debt | 122,819,640 |
| Restricted for: | |
| Debt service | 18,673,581 |
| Unrestricted | 74,568,019 |
| Total net assets | \$ 216,061,240 |

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY

Statement of Activities
 Year ended June 30, 2006

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Assets |
|--------------------------------------|-----------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental activities: | | | | | |
| Salaries and benefits | \$ 166,930,470 | \$ 49,691,085 | \$ 3,674,465 | \$ - | \$ (113,564,920) |
| Services and supplies | 33,182,938 | 6,818,824 | 2,976,374 | 2,730,652 | (20,657,088) |
| Interest on long-term debt | 1,522,705 | - | - | - | (1,522,705) |
| Total governmental activities | \$ 201,636,113 | \$ 56,509,909 | \$ 6,650,839 | \$ 2,730,652 | (135,744,713) |
| General revenues: | | | | | |
| Taxes: | | | | | |
| | | | | | 152,747,044 |
| | | | | | 4,875,101 |
| | | | | | 573,389 |
| | | | | | <u>158,195,534</u> |
| | | | | | 22,450,821 |
| | | | | | <u>193,610,419</u> |
| | | | | | <u>\$ 216,061,240</u> |

See Notes to the Financial Statements



Orange County Fire Authority Safety Message

Call 911 in an Emergency

Fund Financial Statements



California Task Force 5 Deployment

ORANGE COUNTY FIRE AUTHORITY

Governmental Funds
 Balance Sheet
 June 30, 2006

| | General Fund | Special Revenue Funds | |
|---|----------------------|--------------------------------------|----------------------|
| | | Communications & Information Systems | Vehicle Replacement |
| <u>Assets</u> | | | |
| Cash and investments | \$ 46,479,503 | \$ 13,168,691 | \$ 15,016,740 |
| Receivables: | | | |
| Accounts | 1,735,295 | 4,188 | - |
| Accrued interest | 186,960 | 21,106 | 28,619 |
| Prepaid costs | 1,107,967 | 101,632 | 527,196 |
| Due from other governments | 10,498,282 | 48,845 | - |
| Restricted assets: | | | |
| Cash and investments | - | 1,019,691 | 4,104,417 |
| Total assets | \$ 60,008,007 | \$ 14,364,153 | \$ 19,676,972 |
| <u>Liabilities and Fund Balances</u> | | | |
| Liabilities: | | | |
| Accounts payable | \$ 1,553,654 | \$ 68,214 | \$ 763,278 |
| Accrued liabilities | 4,745,987 | - | - |
| Accrued claims and judgments | 3,152,690 | - | - |
| Deposits payable | - | - | - |
| Total liabilities | 9,452,331 | 68,214 | 763,278 |
| Fund balances: | | | |
| Reserved: | | | |
| Reserved for encumbrances | 1,284,360 | 167,777 | 4,827,399 |
| Reserved for debt sevice | - | - | - |
| Reserved for prepaid costs | 1,107,967 | 101,632 | 527,196 |
| Unreserved: | | | |
| Unreserved, reported in nonmajor: | | | |
| Special revenue funds | - | - | - |
| Designated for capital improvement program | - | 12,820,404 | 13,312,129 |
| Designated for workers compensation | 24,298,920 | - | - |
| Designated for operating contingency | 20,186,646 | - | - |
| Designated for debt service | - | - | - |
| Undesignated | 3,677,783 | 1,206,126 | 246,970 |
| Total fund balances | 50,555,676 | 14,295,939 | 18,913,694 |
| Total liabilities and fund balances | \$ 60,008,007 | \$ 14,364,153 | \$ 19,676,972 |

See Notes to the Financial Statements

| Capital Projects Fund | Debt Service Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------|------------------------------|--|---|
| Capital Projects | Debt Service | Governmental Funds | Governmental Funds |
| \$ 14,991,847 | \$ 18,968,111 | \$ 5,194,495 | \$ 113,819,387 |
| 347,203 | - | - | 2,086,686 |
| 87,301 | 42,269 | - | 366,255 |
| - | - | 86,556 | 1,823,351 |
| - | - | - | 10,547,127 |
| 197,183 | - | - | 5,321,291 |
| \$ 15,623,534 | \$ 19,010,380 | \$ 5,281,051 | \$ 133,964,097 |
| \$ 2,545,037 | \$ - | \$ 151,822 | \$ 5,082,005 |
| 3,099 | - | 4,912 | 4,753,998 |
| - | - | - | 3,152,690 |
| 688,000 | - | - | 688,000 |
| 3,236,136 | - | 156,734 | 13,676,693 |
| 3,511,440 | - | 134,589 | 9,925,565 |
| - | 2,806,000 | - | 2,806,000 |
| - | - | 86,556 | 1,823,351 |
| - | - | 4,903,172 | 4,903,172 |
| 7,078,389 | - | - | 33,210,922 |
| - | - | - | 24,298,920 |
| - | - | - | 20,186,646 |
| - | 16,107,813 | - | 16,107,813 |
| 1,797,569 | 96,567 | - | 7,025,015 |
| 12,387,398 | 19,010,380 | 5,124,317 | 120,287,404 |
| \$ 15,623,534 | \$ 19,010,380 | \$ 5,281,051 | \$ 133,964,097 |

ORANGE COUNTY FIRE AUTHORITY

**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2006**

Fund balances of governmental funds \$ 120,287,404

Amounts reported for governmental activities in the Statement of Net Assets are different because:

When capital assets (land, buildings, equipment and vehicles) that are to be used in governmental activities are purchased or constructed, the costs of those assets are recorded as expenditures in governmental funds. However, the Statement of Net Assets includes those capital assets among the assets of the Authority as a whole, net of accumulated depreciation.

| | |
|--------------------------|--------------|
| Capital assets | 197,709,471 |
| Accumulated depreciation | (56,346,068) |

Long-term liabilities applicable to the Authority's governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets.

| | |
|---------------------------|--------------|
| Bonds payable | (16,670,000) |
| Bond premium | (54,439) |
| Lease purchase agreements | (9,951,749) |
| Compensated absences | (10,082,435) |

The long-term portion of accrued claims and judgments is not due and payable in the current period; thus, only the current portion is reported as a governmental fund liability. All liabilities, both current and long-term portions, are reported in the Statement of Net Assets. (8,652,382)

Bond issuance costs are recognized as debt service expenditures when paid in the year of issue in governmental funds. Deferred bond issuance costs are capitalized in the Statement of Net Assets and amortized over the life of the bonds. 158,237

Accrued interest payable for the current portion of interest due on long-term liabilities has not been reported in the governmental funds. Accrued interest was calculated and reported in the Statement of Net Assets. (336,799)

Net assets of governmental activities \$ 216,061,240

See Notes to the Financial Statements



Orange County Fire Authority Ten Tips for Fire Safety

1. Install smoke detectors
2. Keep an eye on smokers
3. Cook carefully
4. Plan your escape from fire
5. Give space heaters space
6. Remember: matches and lighters are tools, not toys
7. Cool a burn
8. Use electricity safely
9. Crawl low under smoke
10. Stop, drop, and roll

ORANGE COUNTY FIRE AUTHORITY
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2006

| | General Fund | Special Revenue Funds | |
|--|----------------------|--|------------------------|
| | | Communications & Information Systems | Vehicle Replacement |
| Revenues: | | | |
| Taxes | \$ 152,747,044 | \$ - | \$ - |
| Intergovernmental | 12,569,441 | 96,814 | - |
| Charges for services | 50,286,110 | - | - |
| Use of money and property | 2,814,585 | 344,261 | 579,236 |
| Miscellaneous | 264,147 | 132,644 | 81,305 |
| Developer contributions | - | 4,188 | 784,110 |
| Total revenues | 218,681,327 | 577,907 | 1,444,651 |
| Expenditures: | | | |
| Current: | | | |
| Salaries and wages | 166,377,783 | - | - |
| Services and supplies | 20,681,690 | 1,265,317 | 58,627 |
| Capital outlay | 467,144 | 341,964 | 1,420,989 |
| Debt service: | | | |
| Principal retirement | - | 288,247 | 1,583,202 |
| Interest and fiscal charges | 1,074,059 | 25,489 | 211,642 |
| Total expenditures | 188,600,676 | 1,921,017 | 3,274,460 |
| Excess (deficiency) of revenues over (under) expenditures | 30,080,651 | (1,343,110) | (1,829,809) |
| Other financing sources (uses): | | | |
| Transfers in (note 3d) | - | 10,557,144 | 7,056,164 |
| Transfers out (note 3d) | (17,798,906) | - | - |
| Issuance of capital lease (note 3g) | - | 1,010,000 | 4,831,858 |
| Sale of capital and other assets | 92,824 | - | - |
| Total other financing sources (uses) | (17,706,082) | 11,567,144 | 11,888,022 |
| Net change in fund balances | 12,374,569 | 10,224,034 | 10,058,213 |
| Fund balances, beginning of year | 38,181,107 | 4,071,905 | 8,855,481 |
| Fund balances, end of year | \$ 50,555,676 | \$ 14,295,939 | \$ 18,913,694 |

See Notes to the Financial Statements

| Capital Projects Fund | Debt Service Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------|----------------------|-----------------------------------|--------------------------------|
| Capital Projects | Debt Service | Governmental Funds | Governmental Funds |
| \$ - | \$ - | \$ - | \$ 152,747,044 |
| 22,816 | - | 47,951 | 12,737,022 |
| - | - | 145,183 | 50,431,293 |
| 634,756 | 696,280 | 215,421 | 5,284,539 |
| 84,434 | - | 19,178 | 581,708 |
| 1,942,354 | - | - | 2,730,652 |
| 2,684,360 | 696,280 | 427,733 | 224,512,258 |
| 106,142 | - | 186,808 | 166,670,733 |
| 821 | - | 1,182,329 | 23,188,784 |
| 8,534,499 | - | 74,058 | 10,838,654 |
| - | 2,995,000 | 166,670 | 5,033,119 |
| - | 667,900 | 6,443 | 1,985,533 |
| 8,641,462 | 3,662,900 | 1,616,308 | 207,716,823 |
| (5,957,102) | (2,966,620) | (1,188,575) | 16,795,435 |
| 279,817 | - | 542,510 | 18,435,635 |
| - | (96,740) | (539,989) | (18,435,635) |
| - | - | - | 5,841,858 |
| - | - | - | 92,824 |
| 279,817 | (96,740) | 2,521 | 5,934,682 |
| (5,677,285) | (3,063,360) | (1,186,054) | 22,730,117 |
| 18,064,683 | 22,073,740 | 6,310,371 | 97,557,287 |
| \$ 12,387,398 | \$ 19,010,380 | \$ 5,124,317 | \$ 120,287,404 |

ORANGE COUNTY FIRE AUTHORITY

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year ended June 30, 2006**

Net change in fund balances - total governmental funds \$ 22,730,117

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

| | |
|----------------------|-------------|
| Capital outlay | 10,838,654 |
| Depreciation expense | (7,277,623) |

Governmental funds report the proceeds from sale of capital and other assets as other financing sources. However, in the Statement of Activities, those proceeds are offset by the net book value of the asset, resulting in a gain or loss on the sale. As a result, fund balances decrease by the amount of the net book value of capital and other assets sold during the year.

| | |
|--|-------------|
| Capital assets deleted | (2,154,627) |
| Accumulated depreciation on deleted capital assets | 1,906,259 |

Proceeds of long-term debt are recorded as other financing sources in the governmental funds; however, amounts are capitalized as long-term liabilities in the Statement of Activities.

| | |
|---------------------------|-------------|
| Issuance of capital lease | (5,841,858) |
|---------------------------|-------------|

Repayment of long-term debt principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the OCFA as a whole, however, the principal payments reduce the liabilities in the Statement of Net Assets and do not result in an expense in the Statement of Activities.

| | |
|--|-----------|
| Debt service principal - bonds payable | 2,995,000 |
| Debt service principal - lease purchase agreements | 2,038,119 |

ORANGE COUNTY FIRE AUTHORITY

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 (Continued)**

Bond premiums/discounts and issuance costs associated with long-term bonds are recognized as expenditures and other financing sources/uses in the governmental funds at the time the debt is issued. However, those items are capitalized on the Statement of Net Assets and amortized over the life of the bonds on the Statement of Activities since they do not require the use of current financial resources.

| | |
|-------------------------------------|----------|
| Amortization of bond premium | 13,610 |
| Amortization of bond issuance costs | (39,560) |

The current portion of accrued claims and judgments is reported as a governmental funds liability, but the long-term portion is expensed as incurred. Both current and long-term portions are included in the outstanding liability in the Statement of Net Assets. Accordingly, the net change in the long-term portion of accrued claims and judgments is reported as a reduction to that liability rather than an expense in the Statement of Activities.

| | |
|---|-------------|
| Net change in long-term portion of accrued claims and judgments | (2,521,427) |
|---|-------------|

Interest expenditures are reported when paid in the governmental funds; however, the total amount of interest incurred for the period is accrued and recognized in the government-wide financial statements. The net change in accrued interest is recognized as interest expense in the Statement of Activities.

39,780

Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

(259,737)

Certain grants receivable that have been accrued but not collected are reflected as deferred revenue in the governmental funds. However, all earned revenue is recognized in the Statement of Activities regardless of when the receivables were collected.

| | |
|--|----------|
| Prior year deferred revenues recognized as revenue in the governmental funds | (15,886) |
|--|----------|

Change in net assets of governmental activities

\$ 22,450,821

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY

General Fund
 Budgetary Comparison Statement
 Year ended June 30, 2006

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| Budgetary fund balance, July 1 | \$ 38,181,107 | \$ 38,181,107 | \$ 38,181,107 | \$ - |
| Resources (inflows): | | | | |
| Taxes | 143,551,377 | 151,907,409 | 152,747,044 | 839,635 |
| Intergovernmental | 7,032,767 | 12,191,279 | 12,569,441 | 378,162 |
| Charges for services | 50,063,000 | 49,759,723 | 50,286,110 | 526,387 |
| Use of money and property | 1,743,561 | 1,882,385 | 2,814,585 | 932,200 |
| Miscellaneous | 33,000 | 123,516 | 264,147 | 140,631 |
| Sale of capital and other assets | 30,000 | 30,000 | 92,824 | 62,824 |
| Amounts available for appropriations | 240,634,812 | 254,075,419 | 256,955,258 | 2,879,839 |
| Charges to appropriation (outflows): | | | | |
| Salaries and wages | 163,610,233 | 167,371,087 | 166,377,783 | 993,304 |
| Services and supplies | 30,276,823 | 31,633,768 | 20,681,690 | 10,952,078 |
| Capital outlay | 195,215 | 820,927 | 467,144 | 353,783 |
| Interest and fiscal charges | 326,370 | 664,621 | 1,074,059 | (409,438) |
| Transfers out | 7,476,991 | 17,798,906 | 17,798,906 | - |
| Total charges to appropriations | 201,885,632 | 218,289,309 | 206,399,582 | 11,889,727 |
| Budgetary fund balance, June 30 | \$ 38,749,180 | \$ 35,786,110 | \$ 50,555,676 | \$ 14,769,566 |

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY

**Communications & Information Systems
Budgetary Comparison Statement
Year ended June 30, 2006**

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget Positive (Negative) |
|--|----------------------------|-----------------------------|-----------------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u></u> |
| Budgetary fund balance, July 1 | \$ 4,071,905 | \$ 4,071,905 | \$ 4,071,905 | \$ - |
| Resources (inflows): | | | | |
| Intergovernmental | - | 111,468 | 96,814 | (14,654) |
| Use of money and property | 195,439 | 211,270 | 344,261 | 132,991 |
| Miscellaneous | - | 132,644 | 132,644 | - |
| Developer contributions | - | - | 4,188 | 4,188 |
| Transfers in | 3,387,253 | 10,557,144 | 10,557,144 | - |
| Issuance of capital lease | - | 1,010,000 | 1,010,000 | - |
| Amounts available for appropriations | <u>7,654,597</u> | <u>16,094,431</u> | <u>16,216,956</u> | <u>122,525</u> |
| Charges to appropriations (outflows): | | | | |
| Services and supplies | 1,489,221 | 1,691,236 | 1,265,317 | 425,919 |
| Capital outlay | 1,355,055 | 1,269,055 | 341,964 | 927,091 |
| Principal retirement | 224,098 | 288,247 | 288,247 | - |
| Interest and fiscal charges | 7,843 | 25,489 | 25,489 | - |
| Total charges to appropriations | <u>3,076,217</u> | <u>3,274,027</u> | <u>1,921,017</u> | <u>1,353,010</u> |
| Budgetary fund balance, June 30 | <u>\$ 4,578,380</u> | <u>\$ 12,820,404</u> | <u>\$ 14,295,939</u> | <u>\$ 1,475,535</u> |

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY

Vehicle Replacement
 Budgetary Comparison Statement
 Year ended June 30, 2006

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|----------------------|----------------------|---|
| | Original | Final | | |
| Budgetary fund balance, July 1 | \$ 8,855,481 | \$ 8,855,481 | \$ 8,855,481 | \$ - |
| Resources (inflows): | | | | |
| Use of money and property | 333,787 | 466,815 | 579,236 | 112,421 |
| Miscellaneous | - | 81,305 | 81,305 | - |
| Developer contributions | 1,931,108 | 784,110 | 784,110 | - |
| Transfers in | 4,041,909 | 7,056,164 | 7,056,164 | - |
| Issuance of capital lease | - | 4,831,858 | 4,831,858 | - |
| Amounts available for appropriations | 15,162,285 | 22,075,733 | 22,188,154 | 112,421 |
| Charges to appropriations (outflows): | | | | |
| Services and supplies | 33,142 | 58,673 | 58,627 | 46 |
| Capital outlay | 8,873,640 | 6,910,087 | 1,420,989 | 5,489,098 |
| Principal retirement | 1,276,302 | 1,583,202 | 1,583,202 | - |
| Interest and fiscal charges | 127,231 | 211,642 | 211,642 | - |
| Total charges to appropriations | 10,310,315 | 8,763,604 | 3,274,460 | 5,489,144 |
| Budgetary fund balance, June 30 | \$ 4,851,970 | \$ 13,312,129 | \$ 18,913,694 | \$ 5,601,565 |

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY

**Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2006**

| | Private Purpose Trust Fund Miscellaneous Trust | Pension Trust Funds |
|---|---|------------------------------------|
| Assets: | | |
| Cash and investments (note 3a) | \$ 244,079 | \$ 6,794,753 |
| Receivables, net of allowance for uncollectibles: | | |
| Accounts | 80,884 | 1,053,592 |
| Due from other governments | - | 2,479 |
| Total assets | 324,963 | 7,850,824 |
| Liabilities: | | |
| Accounts payable | 1,736 | 370,932 |
| Total liabilities | 1,736 | 370,932 |
| Net assets: | | |
| Held in trust for retirement and other purposes | \$ 323,227 | \$ 7,479,892 |

See Notes to the Financial Statements

ORANGE COUNTY FIRE AUTHORITY
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
Year ended June 30, 2006

| | Private Purpose Trust Fund Miscellaneous Trust | Pension Trust Funds |
|----------------------------------|---|------------------------------------|
| | <u> </u> | <u> </u> |
| Additions: | | |
| Contributions: | | |
| Plan members | \$ - | \$ 1,002,327 |
| Other | 348,510 | - |
| | <u> </u> | <u> </u> |
| Total contributions | 348,510 | 1,002,327 |
| | <u> </u> | <u> </u> |
| Investment earnings: | | |
| Interest | 38 | 268,059 |
| | <u> </u> | <u> </u> |
| Total investment earnings | 38 | 268,059 |
| | <u> </u> | <u> </u> |
| Total additions | 348,548 | 1,270,386 |
| | <u> </u> | <u> </u> |
| Deductions: | | |
| Benefits | - | 915,627 |
| Other | 117,725 | - |
| | <u> </u> | <u> </u> |
| Total deductions | 117,725 | 915,627 |
| | <u> </u> | <u> </u> |
| Change in net assets | 230,823 | 354,759 |
| | <u> </u> | <u> </u> |
| Net assets, beginning of year | 92,404 | 7,125,133 |
| | <u> </u> | <u> </u> |
| Net assets, end of year | \$ 323,227 | \$ 7,479,892 |
| | <u> </u> | <u> </u> |

See Notes to the Financial Statements

Notes to Financial Statements



Tour of New Fire Station 59 San Clemente - March 18, 2006

ORANGE COUNTY FIRE AUTHORITY

Notes to the Financial Statements

Year ended June 30, 2006

Note 1: Summary of Significant Accounting Policies

a. Description of the Reporting Entity

Effective March 1, 1995, the County of Orange (County) and the cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Hills, Laguna Niguel, Lake Forest, La Palma, Los Alamitos, Mission Viejo, Placentia, San Clemente, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park and Yorba Linda entered into a joint powers agreement to create the Orange County Fire Authority (OCFA). Since the creation of the OCFA, the cities of Aliso Viejo, Laguna Woods, Rancho Santa Margarita and Westminster joined the OCFA as members eligible for fire protection services.

The purpose of the OCFA is to provide for fire suppression, protection, prevention and related and incidental services including, but not limited to, emergency medical and transport services and hazardous materials regulation, as well as providing facilities and personnel for such services. The OCFA's governing board consists of one representative from each city and two from the County of Orange.

The operations of the OCFA are funded with a portion of property taxes collected by the County (Structural Fire Fund) for the unincorporated area and on behalf of all member cities except for the cities of Buena Park, Placentia, San Clemente, Seal Beach, Stanton, Tustin and Westminster, which are considered to be cash contract cities. The County pays all Structural Fire Fund taxes it collects to the OCFA. The cash contract cities make cash contributions based on the OCFA's annual budget. Upon dissolution, all surplus money and property of the OCFA will be conveyed or distributed to each member in proportion to all funds provided to the OCFA by that member or by the County on behalf of that member during its membership. Each member must execute any instruments of conveyance necessary to effectuate such distribution or transfer.

b. Financial Statement Presentation, Measurement Focus and Basis of Accounting

1. Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities), report information about the OCFA as a whole, excluding its fiduciary activities. For the most part, the effect of the interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of the given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues

include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment (allocated to function based on actual revenues and expenditures) and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

2. Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The OCFA considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period. For certain grants and fire incident reimbursements for which collectibility is assured, the OCFA uses a period greater than 60 days. Expenditures generally are recorded when a liability is incurred under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the OCFA.

When both restricted and unrestricted resources are available for use, it is the OCFA's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary fund financial statements are reported using the same *economic resources measurement focus* and the *accrual basis of accounting* described for the government-wide financial statements.

c. Major Funds

The OCFA reports the following major governmental funds:

The **General Fund** is used to account for all financial activity associated with the provision of services to its member cities and unincorporated areas. Primary sources of revenue are property taxes designated for fire protection (Structural Fire Fund), cash contracts and intergovernmental reimbursements, as well as various user fees. Activities include structural, watershed and wildland fire protection, paramedic, rescue, planning and development services, hazardous materials disclosure and hazardous materials response services.

The **Communications & Information Systems Fund** is a special revenue fund used to account for the replacement of specialized fire communications equipment and information systems equipment.

The **Vehicle Replacement Fund** is a special revenue fund used to account for the planned replacement of fire apparatus and vehicles.

The **Capital Projects Fund** is used to account for capital expenditures requirements, such as the replacement of sub-standard fire stations, construction of new fire stations and seismic upgrade projects. Significant funding sources include interest earnings, sales of assets and contributions or reimbursements from developers responsible for a share of new fire stations development costs.

The **Debt Service Fund** is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. This fund was established in January 2002 after the issuance of the 2001 Revenue Bonds for the Regional Fire Operations and Training Center. It is used to track and fund semi-annual debt service payments and to maintain the required 10% debt service reserve.

Additionally, the OCFA reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Capital Projects Funds are used to account for the construction or acquisition of significant capital projects, such the replacement of sub-standard fire stations, construction of new fire stations and seismic upgrade projects.

Fiduciary Funds:

Private Purpose Trust Funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations or other governments. The OCFA's private purpose trust fund accounts for all miscellaneous trust activity.

Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans or other employee benefit plans. The OCFA's pension trust funds account for the cost of retired employees' medical insurance, the extra help post-employment defined benefit retirement plan and enhanced retirement benefits.

d. Other Significant Accounting Policies

1. Deposits and Investments

The OCFA's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For financial statement presentation purposes, cash and cash equivalents are shown as both restricted and unrestricted cash and investments.

Investments for the OCFA are reported at fair value. The OCFA's policy is generally to hold investments until maturity. The State Treasurer's Investment Pool operates in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Investments are stated at fair value (the value at which a financial instrument could be exchanged, other than in a forced or liquidation sale), in accordance with GASB Statement No. 31.

2. Receivables

All accounts receivable are shown net of an allowance for uncollectible amounts.

Under California law, counties assess and collect property taxes up to 1% of assessed value and can increase the property tax rate no more than 2% per year. The property taxes go into a pool and are then allocated to the cities and local government entities based on complex formulas. The County of Orange bills and collects the property taxes and distributes them to the OCFA in installments during the year. Accordingly, the OCFA accrues only those taxes which are received from the county within 60 days after year-end. A summary of the property tax calendar is as follows:

| | |
|------------------|----------------------------|
| Lien date | January 1 |
| Levy date | Fourth Monday of September |
| Due dates | November 1 and February 1 |
| Delinquent dates | December 10 and April 10 |

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The fund balances in the governmental fund types have been reserved for

amounts equal to the prepaid items in the fund-level statements, since these amounts are not available for appropriation.

4. Capital Assets

Capital assets, which include property, plant and equipment assets, are reported in the government-wide financial statements. Capital assets are defined by the OCFA as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment of the OCFA are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---------------|--------------|
| Buildings | 10 - 45 |
| Equipment | 1 - 40 |
| Vehicles | 5 - 20 |

5. Compensated Absences

It is the OCFA's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and unpaid sick leave to which employees are entitled have been accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if it has matured (for example, as a result of employee resignations and retirements).

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities of governmental activities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as unamortized debt issuance costs and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Comparative Data/Reclassifications

Comparative total data for the prior year have not been presented since their inclusion would make the statements unduly complex and difficult to read.

Note 2: Compliance and Accountability

The OCFA establishes accounting control through formal adoption of an annual operating budget for the governmental funds. The operating budgets are prepared on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all of the governmental funds. The adopted budget can be amended by the Board to change both appropriations and estimated revenues as unforeseen circumstances come to management's attention. Increases and decreases in revenue and appropriations and transfers between funds require the Board of Directors' approval. However, the Fire Chief may authorize changes within funds. Expenditures may not exceed total appropriations at the individual fund level. It is the practice of the OCFA to review the budgets mid-year and, if necessary, recommend changes to the Board.

The following is a summary of the originally adopted expenditure budget (including carryovers of unexpended prior year encumbrances and transfers out) compared to the final budget by fund type:

| <u>Fund Type</u> | <u>Original Budget</u> | <u>Increase/ (Decrease)</u> | <u>Final Budget</u> |
|--------------------------|----------------------------|---------------------------------|-------------------------|
| General Fund | \$ 201,885,632 | \$ 16,403,677 | \$ 218,289,309 |
| Special Revenue Funds | 15,451,561 | (1,163,947) | 14,287,614 |
| Capital Projects Funds | 14,738,927 | (307,261) | 14,431,666 |
| Debt Service Funds | <u>3,662,900</u> | <u>96,740</u> | <u>3,759,640</u> |
| Total governmental funds | <u>\$ 235,739,020</u> | <u>\$ 15,029,209</u> | <u>\$ 250,768,229</u> |

Encumbrance accounting is employed in governmental funds. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the OCFA's funds. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. All appropriations lapse at year-end with the exception of encumbered appropriations, which are effectually re-appropriated in the ensuing year's budget.

Note 3: Detailed Notes

a. Deposits and Investments

1. Financial Statement Presentation

Cash and investments consist of the following as of June 30, 2006:

| | | |
|-----------------------------------|-----------|---------------------------|
| Petty cash/cash on hand | \$ | 13,048 |
| Demand deposits | | 6,727,088 |
| Investments | | <u>119,439,374</u> |
| Total cash and investments | \$ | <u>126,179,510</u> |

Cash and investments as of June 30, 2006, are reported in the accompanying financial statements as follows:

| | | |
|---|-----------|---------------------------|
| Cash and investments: | | |
| Governmental activities | \$ | 113,819,387 |
| Fiduciary Funds: | | |
| Private Purpose Trust Fund | | 244,079 |
| Pension Trust Funds | | 6,794,753 |
| Cash and investments restricted for capital projects: | | |
| Governmental activities | | <u>5,321,291</u> |
| Total cash and investments | \$ | <u>126,179,510</u> |

Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets because they are maintained in separate trustee bank accounts and their use is limited to applicable bond covenants.

The OCFA maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The OCFA has adopted an investment policy which authorizes it to invest in various investments.

2. Deposits

At June 30, 2006, the carrying amount of the OCFA's deposits was \$6,727,088 and the bank balance was \$10,001,594. The \$3,274,506 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$100,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "agent of depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

3. Investments Authorized by Government Code and OCFA Investment Policy

The table below identifies the investment types that are authorized by the OCFA's investment policy and by the California Government Code Section 53600 et seq. and Section 5922(d). The table also identifies certain provisions of the California Government Code (or the OCFA's investment policy, if more restrictive) that address interest rate risk, credit risk and concentration of credit risk. The table, however, does not cover investments of debt proceeds held by fiscal agent, which are governed by the provisions of debt agreements of the OCFA rather than the general provisions of the OCFA's investment policy. In addition, this table does not include other investment types that are allowable under the California Government Code but are not specifically authorized by the OCFA's investment policy.

| <u>Investment Types</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|------------------------------------|-------------------------|--|---|
| U.S. Treasury obligations | 5 years | 100% | 100% |
| Federal agency securities | 5 years | 75%* | 75%* |
| Bankers acceptances | 180 days | 25%* | 25%* |
| Commercial paper | 270 days | 15%* | 10% ¹ |
| Negotiable certificates of deposit | 5 years | 25%* | 25%* |
| Repurchase agreements | 14 days* | 15%* | 15%* |
| Money market mutual funds | N/A | 15%* | 10% |
| Local Agency Investment Fund | N/A | 75%* | 75%* |

* Based on OCFA investment policy requirement which is more restrictive than state law.

¹ 10% of outstanding paper of the issuing corporation

4. Investments Authorized by Debt Agreements

Proceeds of bonds or other indebtedness and any moneys set aside and pledged to secure payment of bonds may be invested in accordance with the resolution, indenture or statutory provisions governing the issuance of the indebtedness. The following investments types are authorized for investments held by fiscal agent:

- U.S. Treasury obligations
- Federal agency securities
- Money market mutual funds
- Certificates of deposit
- Investment agreements
- Commercial paper
- Local agency bonds
- Bankers acceptances, 1 year maximum maturity
- Repurchase agreements, 30 days maximum maturity (2001 Revenue Bonds only)
- Local Agency Investment Fund

5. Investments in State Investment Pool

The OCFA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

6. GASB Statement No. 31

The OCFA adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the OCFA reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

7. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required (where applicable) by the California Government Code, the OCFA's investment policy or debt agreements and the actual rating as of year-end for each investment type.

| Investment Type | Minimum Rating Required | Exempt from Disclosure | Rating at Year-End | | | Fair Value |
|------------------------------|-------------------------|------------------------|---------------------|---------------------|------------------|----------------------|
| | | | Aaa / AAA | P-1 / A+ | Unrated | |
| Commercial paper | P1/A1/F1 | \$ - | \$ - | \$10,889,890 | \$ - | \$ 10,889,890 |
| Federal agency securities | N/A | - | 63,789,010 | - | - | 63,789,010 |
| U.S. Treasury obligations | N/A | - | 19,808,225 | - | - | 19,808,225 |
| Local Agency Investment Fund | None | 16,780,878 | - | - | - | 16,780,878 |
| Held by fiscal agent: | | | | | | |
| Money market mutual funds | Aaa/AAA | - | 1,212,953 | - | 197,183 | 1,410,136 |
| Federal agency securities | N/A | - | 6,761,235 | - | - | 6,761,235 |
| Total | | \$16,780,878 | \$91,571,423 | \$10,889,890 | \$197,183 | \$119,439,374 |

8. Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of June 30, 2006, none of the OCFA's deposits or investments was exposed to custodial credit risk.

9. Concentration of Credit Risk

The OCFA's investment policy imposes restrictions for certain types of investments with any one issuer to 15% of the total investment pool with the following exceptions: U.S. Treasury obligations (100%), LAIF (75%), federal agency securities (75%), bankers acceptances (25%), commercial paper (15%) and negotiable certificates of deposit (25%). With respect to concentration risk as of June 30, 2006, the OCFA is in compliance with the investment policy's restrictions.

In addition, GASB 40 requires a separate disclosure if any single issuer comprises more than 5% of the total investment value (exclusive of amounts held by fiscal agent). Investments guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this requirement. Investments with issuers exceeding 5% of the total investment portfolio at June 30, 2006, are summarized below.

| Issuer | Fair Value | Percentage of Portfolio |
|--|--------------|-------------------------|
| Federal National Mortgage Association (FNMA) | \$22,040,150 | 19.8% |
| Federal Home Loan Mortgage Corporation (FHLMC) | 37,830,100 | 34.0% |

10. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The OCFA's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The OCFA's investment policy states that at least 50% of the portfolio must mature in one year or less, an additional 25% may mature up to 3 years and the remaining 25% may mature up to 5 years. The OCFA has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2006, the OCFA had the following investments and maturities:

| | Investment Maturities (in Months) | | | Fair Value |
|------------------------------|-----------------------------------|-----------------------------|----------------------------|------------------------------|
| | 6 Months or Less | 7 to 12 Months | 37 to 60 Months | |
| Commercial paper | \$ 10,889,890 | \$ - | \$ - | \$ 10,889,890 |
| Federal agency securities: | | | | |
| FNMA ¹ | 16,728,250 | 5,311,900 | - | 22,040,150 |
| FHLB ² | - | 3,918,760 | - | 3,918,760 |
| FHLMC ³ | 21,617,200 | 16,212,900 | - | 37,830,100 |
| U.S. Treasury obligations | 19,808,225 | - | - | 19,808,225 |
| Local Agency Investment Fund | 16,780,878 | - | - | 16,780,878 |
| Held by fiscal agent: | | | | |
| Money market mutual funds | 1,410,136 | - | - | 1,410,136 |
| Federal agency securities: | | | | |
| FHLB ² | - | - | 2,764,692 | 2,764,692 |
| FHLMC ³ | 3,276,926 | 719,617 | - | 3,996,543 |
| Total | <u>\$ 90,511,505</u> | <u>\$ 26,163,177</u> | <u>\$ 2,764,692</u> | <u>\$ 119,439,374</u> |

¹ Federal National Mortgage Association

² Federal Home Loan Bank

³ Federal Home Loan Mortgage Corporation

b. Receivables

The amounts reported as "accounts receivable, net" and "due from other governments" on the Statement of Net Assets and the Governmental Funds Balance Sheet consist of the following: (1) amounts due from cash contract cities for fire services, (2) amounts due from the state for fire protection and other services, (3) amounts due from the federal government for the assistance by hire, (4) amounts due from the Federal Emergency Management Agency (FEMA) and (5) amounts due from other governmental entities. These amounts for the governmental funds are summarized as follows (net of applicable allowance for uncollectible amounts):

| | General Fund | Communications & Information Systems | Capital Projects | Total Governmental Funds |
|---------------------------------------|----------------------|--|---------------------|--------------------------------|
| Receivables: | | | | |
| Accounts | \$ 1,827,710 | \$ 4,188 | \$ 347,203 | \$ 2,179,101 |
| Less: allowance for uncollectibles | <u>(92,415)</u> | <u>-</u> | <u>-</u> | <u>(92,415)</u> |
| Net receivables - accounts | <u>\$ 1,735,295</u> | <u>\$ 4,188</u> | <u>\$ 347,203</u> | <u>\$ 2,086,686</u> |
| Due from other governments: | | | | |
| Fire services | \$ 8,038,396 | \$ - | \$ - | \$ 8,038,396 |
| State | 193,766 | - | - | 193,766 |
| Assistance for hire | <u>2,266,120</u> | <u>48,845</u> | <u>-</u> | <u>2,314,965</u> |
| Total due from other governments | <u>\$ 10,498,282</u> | <u>\$ 48,845</u> | <u>\$ -</u> | <u>\$ 10,547,127</u> |

c. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

| | Beginning Balances | Increases | Decreases | Transfers | Ending Balances |
|--|-----------------------|---------------------|---------------------|--------------------|-----------------------|
| Governmental activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 30,387,115 | \$ 1,362,240 | \$ - | \$ - | \$ 31,749,355 |
| Construction in progress | 2,479,534 | 7,240,665 | (5,000) | - | 9,715,199 |
| Work in progress | <u>2,226,597</u> | <u>1,035,975</u> | <u>-</u> | <u>(2,216,721)</u> | <u>1,045,851</u> |
| Total capital assets not being depreciated | <u>35,093,246</u> | <u>9,638,880</u> | <u>(5,000)</u> | <u>(2,216,721)</u> | <u>42,510,405</u> |
| Capital assets being depreciated: | | | | | |
| Buildings | 85,758,796 | - | - | - | 85,758,796 |
| Equipment | 24,603,119 | 552,531 | (491,587) | 43,558 | 24,707,621 |
| Vehicles | <u>43,570,283</u> | <u>647,243</u> | <u>(1,658,040)</u> | <u>2,173,163</u> | <u>44,732,649</u> |
| Total capital assets being depreciated | <u>153,932,198</u> | <u>1,199,774</u> | <u>(2,149,627)</u> | <u>2,216,721</u> | <u>155,199,066</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (9,951,386) | (1,906,946) | - | - | (11,858,332) |
| Equipment | (13,614,830) | (2,790,864) | 418,523 | - | (15,987,171) |
| Vehicles | <u>(27,408,488)</u> | <u>(2,579,813)</u> | <u>1,487,736</u> | <u>-</u> | <u>(28,500,565)</u> |
| Total accumulated depreciation | <u>(50,974,704)</u> | <u>(7,277,623)</u> | <u>1,906,259</u> | <u>-</u> | <u>(56,346,068)</u> |
| Capital assets being depreciated, net | <u>102,957,494</u> | <u>(6,077,849)</u> | <u>(243,368)</u> | <u>2,216,721</u> | <u>98,852,998</u> |
| Governmental activities capital assets, net | <u>\$ 138,050,740</u> | <u>\$ 3,561,031</u> | <u>\$ (248,368)</u> | <u>\$ -</u> | <u>\$ 141,363,403</u> |

Total depreciation expense of \$7,277,623 was charged to services and supplies.

d. Transfers

The composition of interfund transfers for the year ended June 30, 2006, was as follows:

| | Transfers In | | | | Totals | |
|--------------------------|--|------------------------|---------------------|--------------------------|---------------|-----|
| | Communications & Information Systems | Vehicle Replacement | Capital Projects | Nonmajor Governmental | | |
| Transfers out: | | | | | | |
| General Fund | \$ 10,283,627 | \$ 7,018,765 | \$ - | \$ 496,514 | \$ 17,798,906 | (1) |
| Debt Service | 50,133 | 37,399 | - | 9,208 | 96,740 | (2) |
| Nonmajor governmental | 223,384 | - | 279,817 | 36,788 | 539,989 | (3) |
| | \$ 10,557,144 | \$ 7,056,164 | \$ 279,817 | \$ 542,510 | \$ 18,435,635 | |

Transfers are used to move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them. The following transfers were made for the year ended June 30, 2006:

- (1) Transfers totaling \$17,798,906 were made from the General Fund for current and future capital improvement projects.
- (2) The 2001 Revenue Bonds were pre-funded during the year ended June 30, 2005, by transfers from other funds. Transfers representing interest earned in the amount of \$96,740 were made from the Debt Service Fund. These transfers were not required for repayment of the bonds.
- (3) Transfers in the amount of \$539,989 were made from the Regional Fire Operations & Training Center (RFOTC) Fund (nonmajor governmental) following completion of the RFOTC and closing of the fund.

e. Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

| Governmental Activities | Beginning Balances | Additions | Payments | Ending Balances | Due Within One Year |
|---|-----------------------|----------------------|------------------------|----------------------|------------------------|
| Revenue bonds: | | | | | |
| 2001 revenue bonds | \$ 19,665,000 | \$ - | \$ (2,995,000) | \$ 16,670,000 | \$ 3,100,000 |
| Bond premium | 68,049 | - | (13,610) | 54,439 | 13,610 |
| Subtotal - 2001 revenue bonds | <u>19,733,049</u> | <u>-</u> | <u>(3,008,610)</u> | <u>16,724,439</u> | <u>3,113,610</u> |
| Lease purchase agreements: | | | | | |
| Lease purchase agreement - 2003 | 6,148,010 | - | (1,667,070) | 4,480,940 | 1,324,696 |
| Lease purchase agreement - 2005 | - | 5,841,858 | (371,049) | 5,470,809 | 762,071 |
| Subtotal - lease purchase agreements | <u>6,148,010</u> | <u>5,841,858</u> | <u>(2,038,119)</u> | <u>9,951,749</u> | <u>2,086,767</u> |
| Compensated absences | 9,822,698 | 10,328,202 | (10,068,465) | 10,082,435 | 1,793,505 |
| Accrued claims and judgments | <u>11,708,132</u> | <u>3,223,741</u> | <u>(3,126,801)</u> | <u>11,805,072</u> | <u>3,152,690</u> |
| Total governmental activities | <u>\$ 47,411,889</u> | <u>\$ 19,393,801</u> | <u>\$ (18,241,995)</u> | <u>\$ 48,563,695</u> | <u>\$ 10,146,572</u> |

The accrued compensated absences are normally liquidated by the General Fund.

f. Revenue Bonds

On August 16, 2001, the OCFA issued 2001 Revenue Bonds in the amount of \$28,060,000. The net proceeds were \$27,800,000 (after payment of \$300,000 in underwriting fees, insurance and other issuance costs plus a premium of \$100,000). The bonds were issued to finance a portion of the cost of construction of the OCFA's Regional Fire Operations and Training Center and are to be repaid with general revenues of the OCFA. The bonds were issued in denominations of \$5,000 each and bear interest at rates ranging from 3.0% to 4.0%. The bonds mature in annual installments ranging from \$2,710,000 to \$3,590,000 from 2002 through 2010.

Bonds maturing on or after September 1, 2007, are subject to redemption at the election of the OCFA, in the order of maturity directed by the OCFA and by lot within a maturity as a whole or in part, on any date on or after August 1, 2006. Redemption prices are expressed as a percentage of the principal amount of the bonds called for redemption. Bonds maturing August 1, 2006, through July 31, 2007, may be redeemed at a redemption price of 101%, plus accrued interest to the date fixed for redemption. Bonds maturing August 1, 2007, and thereafter may be redeemed at a redemption price of 100%, plus accrued interest to the date fixed for redemption.

Principal is payable annually on August 1. Interest is payable semiannually on February 1 and August 1. The 10% required reserve for the bonds was fully funded as of June 30, 2006. The amount of bonds outstanding as of June 30, 2006 was \$16,670,000.

The annual debt service payment requirements with respect to the 2001 Revenue Bonds as of June 30, 2006, are as follows:

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|-------------------------------|----------------------|---------------------|----------------------|
| 2007 | \$ 3,100,000 | \$ 564,500 | \$ 3,664,500 |
| 2008 | 3,205,000 | 457,263 | 3,662,263 |
| 2009 | 3,325,000 | 339,663 | 3,664,663 |
| 2010 | 3,450,000 | 210,875 | 3,660,875 |
| 2011 | 3,590,000 | 71,800 | 3,661,800 |
| Subtotal | 16,670,000 | 1,644,101 | 18,314,101 |
| Plus: Bond premium | 54,439 | - | 54,439 |
| Total | <u>\$ 16,724,439</u> | <u>\$ 1,644,101</u> | <u>\$ 18,368,540</u> |

Arbitrage is the difference between the yield on an issuer's tax-exempt bonds and the investment income earned on the proceeds. Arbitrage restrictions imposed by the federal government prohibit an issuer from retaining arbitrage profits when investing bond proceeds at a yield that exceeds the yield on the bonds. Any excess arbitrage must be rebated to the U.S. Treasury.

The OCFA is required to have an arbitrage rebate calculation performed for its 2001 Revenue Bonds every five years after the bonds are issued and to rebate any arbitrage earnings in excess of the bond yield (3.57308600%) to the federal government. The OCFA has elected to have this calculation performed each year. As of June 30, 2006, there was no rebate liability.

g. Capital Lease Purchase Agreements

1. Lease Purchase Agreement – 2003

On July 29, 2003, the OCFA entered into a seven-year financing agreement for \$9,147,260 Equipment Lease-Purchase Agreement with Bank of America Leasing & Capital, LLC, which bears interest rates ranging from 1.96% to 2.59%. Principal payments totaling \$1,667,070 were made during the fiscal year ended June 30, 2006. All lease proceeds and interest earnings were expended in the final disbursement request dated June 1, 2005, and the related assets have been capitalized as equipment in the government-wide financial statements. Amortization of the leased assets is included with depreciation expense.

The total lease payment requirements with respect to the above lease agreement are as follows:

| Fiscal Year Ending | | | | |
|--------------------|---------------------|-------------------|---------------------|--|
| June 30 | Principal | Interest | Total | |
| 2007 | \$ 1,324,696 | \$ 106,072 | \$ 1,430,768 | |
| 2008 | 872,967 | 76,131 | 949,098 | |
| 2009 | 895,722 | 53,375 | 949,097 | |
| 2010 | 919,073 | 30,025 | 949,098 | |
| 2011 | 468,482 | 6,067 | 474,549 | |
| Total | <u>\$ 4,480,940</u> | <u>\$ 271,670</u> | <u>\$ 4,752,610</u> | |

2. Lease Purchase Agreement – 2005

On November 17, 2005, the OCFA entered into an Equipment Lease-Purchase Agreement and Escrow Trust Agreement (Agreement) with Citimortgage, Inc. (Citimortgage). Under the terms of the Agreement, \$5,841,858 was deposited into an escrow account with UMB Bank, N.A. (UMB) to be used by the OCFA for the acquisition of certain equipment. As of June 30, 2006, the OCFA had purchased \$772,739 of equipment and the escrow account had a remaining balance of \$5,124,108, which included \$54,989 of accrued interest income earned. The balance in the escrow account was invested in money market funds and federal agency securities.

Under the terms of the Agreement, Citimortgage leased the equipment to the OCFA at an annual interest rate of 3.55%. Rental payments are payable quarterly commencing February 17, 2006, and terminating on November 17, 2012. Title to the equipment vests with the OCFA during the term of the Agreement; accordingly, the lease has been recorded as a capital lease liability of the OCFA. During the year ended June 30, 2006, the OCFA made principal payments totaling \$371,049. The outstanding balance of the capital lease liability was \$5,470,809 as of June 30, 2006.

The total lease payment requirements with respect to the above lease agreement are as follows:

| Fiscal Year Ending | | | | |
|--------------------|---------------------|-------------------|---------------------|--|
| June 30 | Principal | Interest | Total | |
| 2007 | \$ 762,071 | \$ 184,141 | \$ 946,212 | |
| 2008 | 789,486 | 156,729 | 946,215 | |
| 2009 | 817,889 | 128,327 | 946,216 | |
| 2010 | 847,312 | 98,902 | 946,214 | |
| 2011 | 877,796 | 68,416 | 946,212 | |
| 2012 | 909,374 | 36,838 | 946,212 | |
| 2013 | 466,881 | 6,225 | 473,106 | |
| Total | <u>\$ 5,470,809</u> | <u>\$ 679,578</u> | <u>\$ 6,150,387</u> | |

h. Operating Leases

The OCFA is obligated under operating lease agreements for the rental of various fire stations, including office space and a space at the Fullerton Airport. The OCFA is also obligated under operating lease agreements for four vehicles. Future minimum lease payments under these operating leases are as follows:

| Fiscal Year Ending June 30 | Fire Stations | Vehicles | Total |
|-------------------------------|-------------------|------------------|-------------------|
| 2007 | \$ 43,120 | \$ 12,716 | \$ 55,836 |
| 2008 | 42,272 | 1,112 | 43,384 |
| 2009 | 43,465 | - | 43,465 |
| 2010 | 21,741 | - | 21,741 |
| Total | <u>\$ 150,598</u> | <u>\$ 13,828</u> | <u>\$ 164,426</u> |

Additionally, the OCFA has an operating lease for a fire station for which there currently is no expiration date. The current monthly payment on this lease is \$2,500.

Note 4: Other Information

a. Insurance

1. Coverage Limits

The OCFA has purchased commercial insurance coverage for general liability, property and auto, pollution liability, aviation, public official bonds and excess coverage for the self-insured workers compensation. Coverage limits include general liability, property and auto at \$6,000,000 combined primary and excess; pollution liability at \$2,000,000; aviation at \$20,000,000; public official bonds at \$1,000,000 each; and workers compensation excess coverage of \$100,000,000. At June 30, 2006, the OCFA had no outstanding claims which exceed insurance coverage; therefore, no claims liability has been accrued. There have been no significant changes in insurance coverage as compared to last year, and settlements have not exceeded coverage in each of the past three fiscal years.

2. Self-Insurance

The OCFA transitioned its program for workers' compensation insurance from Guaranteed Cost to Self-Insurance effective March 1, 2002. The OCFA's self-insurance program covers workers' compensation claims up to \$2,000,000. Workers' compensation claims in excess of the self-insured level are insured by a commercial carrier up to \$100,000,000. The OCFA utilizes the services of a third-party claims administrator for administration of workers' compensation claims.

The claims liability reported in the General Fund for workers' compensation is based on the requirements of Governmental Accounting Standards Board Statement No. 10. GASB Statement No. 10 requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. This estimated liability includes claims that have been incurred but not yet reported (IBNR's). As of June 30, 2006, claims payable amounted to \$11,805,072. The OCFA has established a designation for workers' compensation in the General Fund for \$24,298,920. A summary of changes in claims payable for the years ended June 30, 2006 and 2005, including the current and long term portions at year-end, is as follows:

| | Fiscal Year Ending June 30 | |
|---|----------------------------|---------------------|
| | 2006 | 2005 |
| Unpaid claims, beginning of fiscal year | \$ 11,708,132 | \$ 8,449,922 |
| Incurred claims (including IBNR's) | 3,223,741 | 7,283,336 |
| Claim payments | <u>(3,126,801)</u> | <u>(4,025,126)</u> |
| Unpaid claims, end of fiscal year | \$ 11,805,072 | \$ 11,708,132 |
| Less: current portion | <u>(3,152,690)</u> | <u>(5,577,177)</u> |
| Long-term portion | <u>\$ 8,652,382</u> | <u>\$ 6,130,955</u> |

b. Short-Term Debt

On July 7, 2005, the OCFA issued \$16,945,000 of Tax and Revenue Anticipation Notes (TRAN) at an interest rate of 4.0% for the purpose of funding interim cash flow requirements in the General Fund. The TRAN was repaid on June 30, 2006. The interest expense relating to the TRAN for the year ended June 30, 2006, was \$664,621.

| Governmental Activities | Beginning Balance | Additions | Payments | Ending Balance |
|-------------------------|----------------------|---------------|-----------------|-------------------|
| 2005-2006 TRAN | \$ - | \$ 16,945,000 | \$ (16,945,000) | \$ - |

c. Jointly Governed Organization

In 1990, the OCFA entered into a joint powers agreement with the cities of Anaheim, Santa Ana, Huntington Beach and Newport Beach to form the City Hazardous Materials Emergency Response Authority (OCCHMERA). The agreement was amended in November 2000 and the City of Newport Beach is no longer a participant. The purpose of OCCHMERA is to enable public entities to receive hazardous materials emergency responses and related services without incurring the direct costs required to establish and maintain response teams. OCCHMERA's governing board consists of one representative from each participating member (Orange County Fire Authority, City of Anaheim, City of Santa Ana and City of Huntington Beach) and three representatives from among any other

public entities that have signed a subscription agreement to receive hazardous materials emergency response services.

Each of the provider agencies is responsible for its percentage interest contribution of OCCHMERA's annual budget by making in-kind contributions to the OCFA in the form of a response team. The percentage interest contribution is calculated based on the estimated number of subscribing agencies. On a quarterly basis and upon dissolution, all surplus money is and will be distributed to each of the provider members in accordance with the percentages stated in the agreement.

Separate financial statements can be obtained from the City of Anaheim, 201 South Anaheim Boulevard, Suite 1003, Anaheim, California 92805. The following is summarized, unaudited financial information of OCCHMERA for the year ended June 30, 2006:

| | |
|----------------------|-------------------|
| Total assets | <u>\$ 70,254</u> |
| Total liabilities | <u>\$ 47,860</u> |
| Total members equity | <u>\$ 22,394</u> |
| Total revenues | <u>\$ 215,434</u> |
| Total expenditures | <u>\$ 215,211</u> |

d. Retirement Plan

1. Plan Description

The OCFA participates in the Orange County Employees' Retirement System (OCERS), a cost-sharing multiple-employer, defined-benefit pension plan. OCERS was established in 1945 under the provisions of the County Employees Retirement Law of 1937, and provides members with retirement, death, disability and cost-of-living benefits. The OCFA's total payroll for the year ended June 30, 2006, was \$107,121,318, of which \$91,208,308 was covered by OCERS. OCERS issues a publicly available financial report that includes financial statements and required supplementary information. The report can be obtained from OCERS at 2223 Wellington Avenue, Santa Ana, California 92701.

2. Funding Policy

The OCERS pension plan covers substantially all full-time and part-time employees (over 20 hours per pay period) of the OCFA, the County of Orange and several other special districts within the County. Each of the participating entities shares proportionally in all risks and costs. One actuarial valuation is performed for OCERS as a whole and the contribution rates vary by each participating entity. The funding policy for participating agencies is to make periodic contributions to OCERS in

amounts such that, when combined with employees' contributions and with investment income, will fully provide for all employees' benefits by the time they retire.

The OCFA's policy is to pay both the employer's and the employees' contributions to the plan pursuant to Government Code Sections 31581.1 and 31581.2, respectively. In addition, the OCEA members, Administrative Management members and non-suppression Executive Management members contribute towards the enhanced retirement benefit of 2.7% at age 55.

3. Benefits

All of the OCFA's permanent, full-time employees participate in OCERS. Employees who retire at or after age 50 with 10 or more years of service are entitled to an annual retirement allowance. The amount of the retirement allowance is based upon the member's age at retirement, the member's "final compensation" as defined in Section 31462 of the Retirement Law of 1937, the total years of service under OCERS and the employee's classification as a Tier I or Tier II member. Benefits fully vest on reaching five years of service. OCERS also provides death and disability benefits.

4. Contributions

Tier I and Tier II covered employees are required to contribute 3.63% to 14.10% and 4.50% to 13.50%, respectively, of their annual compensation to OCERS. The contribution requirement for the year ended June 30, 2006, was \$30,545,323, which consisted of \$30,418,467 for the OCFA portion and \$126,856 for the employees' portion paid by the OCFA. The OCFA's contribution represented 33.35% of covered payroll and the employees' contributions represented 0.14%.

The table below summarizes contribution information for the year ended June 30, 2006, and the prior two fiscal years. The OCFA's actual contributions were equal to 100% of the required contributions.

| Fiscal Year Ended June 30 | <u>Required and Actual Contributions</u> | | | <u>Net Pension Obligation</u> | | |
|------------------------------------|--|--------------|--------------|-------------------------------|--------------|--------------|
| | <u>Safety</u> | <u>Misc.</u> | <u>Total</u> | <u>Safety</u> | <u>Misc.</u> | <u>Total</u> |
| | 2004 | \$21,897,889 | \$1,431,040 | \$23,328,929 | \$ - | \$ - |
| 2005 | 23,501,749 | 1,990,163 | 25,491,912 | - | - | - |
| 2006 | 28,553,825 | 1,864,642 | 30,418,467 | - | - | - |

e. Other Post-Employment Benefits

In addition to the retirement plan described in Note 4d, the OCFA provides a post-employment medical retirement plan for full-time employees. All full-time employees contribute 1% of their gross pay to the OCFA as an employer-savings designed to free up the funds necessary for the OCFA to fund a 1% contribution to the Retiree Medical Plan. During the fiscal year 2000-01, the OCFA entered into an agreement with the Orange County Employees Retirement System (OCERS), which resulted in additional funding for

this program via OCERS' Additional Retiree Benefit Account (ARBA). The retiree medical plan is currently funded by a 1% payroll contribution and contributions from the OCERS ARBA, when funds are available. Upon retirement, the retired employees are eligible to receive their benefit as a monthly credit towards the cost of the retired employees' medical insurance. The amount of the monthly benefit is based on the retiree's years of credited service. As of June 30, 2006, there were 236 retirees eligible to receive monthly retiree medical benefits. All 236 eligible retirees received monthly benefits totaling \$727,290 during the year ended June 30, 2006. Employees who separate from the OCFA prior to retirement age are eligible to receive their benefit as a lump sum payment. There were 16 lump sum payments totaling \$13,313 made during the year ended June 30, 2006.

Additionally, the OCFA provides a post-employment retirement defined benefit plan for less than half-time and extra help employees. Contributions to the plan are from the part-time employees' earnings. The amount of the contribution is determined from a formula based on the age of the employee. The retirement benefit under the plan is a lifetime annuity.

Annual retirement benefits are calculated at the rate of 2% of career earnings. Upon retirement, retired employees are eligible to receive their benefit either as a lump sum payment or as a monthly payment. As of June 30, 2006, there were no employees who were eligible for these benefits. During the year ended June 30, 2006, 7 employees received lump sum payments totaling \$2,002. No employees received monthly distributions during the year ended June 30, 2006.

f. Subsequent Events

1. Short-term Debt

On July 3, 2006, the OCFA issued \$24,560,000 of Tax and Revenue Anticipation Notes (TRAN) at an interest rate of 4.5%. The TRAN matures on June 29, 2007, and was issued for the purpose of funding interim cash flow requirements in the General Fund. The OCFA has issued this short-term borrowing instrument annually for each of the last nine fiscal years.

2. Retiree Medical Funding

On September 28, 2006, the OCFA's Board of Directors adopted the Amended OCFA Retiree Medical Plan with an effective date of September 28, 2006. Certain terms of the existing plan were revised, including an increase in the required level of employee contributions from 1% to 4% of salary. In addition, the Board approved a \$7 million cash contribution to the Retiree Medical Fund in order to fully fund the liability pertaining to the OCFA's retirees. The contribution will be funded by the General Fund/Self Insurance Fund (\$5.25 million) and the Capital Projects Fund (\$1.75 million).

3. Labor Contracts

On September 28, 2006, the OCFA's Board of Directors approved various negotiated agreements relating to labor contracts in order to provide financial stability over labor costs in future years. In addition to the adoption of the Amended Personnel and Salary Resolution for non-represented management employees, the Board approved amended Memorandums of Understanding (MOU's) and other agreements with its various labor groups which are summarized below.

| <u>Labor Group/Type of Agreement</u> | <u>Effective Period</u> | <u>Representation Unit</u> |
|--|-------------------------|------------------------------------|
| Orange County Professional Firefighters Association: | | |
| MOU | 2000 – 2012 | Firefighter |
| Health Plan Agreement | 2007 – 2011 | Firefighter |
| Orange County Fire Authority Chief Officers Association: | | |
| MOU | 2001 – 2013 | Fire Management |
| Orange County Employees Association: | | |
| MOU | 2006 – 2011 | General and Supervisory Management |

4. John Wayne Airport Agreement

On September 28, 2006, the OCFA's Board of Directors approved Amendment No. 3 to the Agreement for Aircraft Rescue Fire Fighting (ARFF) Services with John Wayne Airport, which extended the existing term for five years through August 31, 2011. The amendment also established the Fiscal Year 2006-07 contract amount of \$4,006,891, established a 4% cap and recapture provision for annual cost increases and adjusted the overhead rate to 6.97%.

Major Governmental Funds

Special Revenue Funds

Communications & Information Systems

This fund is used to account for the replacement of specialized fire communications equipment and information systems equipment.

Vehicle Replacement

This fund is used to account for the planned replacement of fire apparatus and vehicles.

Capital Projects Fund

Capital Projects

This fund is used to account for capital expenditures requirements, such as the replacement of sub-standard fire stations, construction of new fire stations and seismic upgrade projects.

Debt Service Fund

Debt Service

This fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. This fund was established in January 2002 after the issuance of the 2001 Revenue Bonds for the Regional Fire Operations and Training Center. It is used to track and fund semi-annual debt service payments and to maintain the required 10% debt service reserve.

Supplementary Schedules



Sierra Fire - February 6 2006

ORANGE COUNTY FIRE AUTHORITY

Capital Projects
 Budgetary Comparison Schedule
 Year ended June 30, 2006

| | Budget Amounts | | Actual Amounts | Variance with Final Budget |
|--|---------------------|---------------------|----------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| Budgetary fund balance, July 1 | \$ 18,064,683 | \$ 18,064,683 | \$ 18,064,683 | \$ - |
| Resources (inflows): | | | | |
| Intergovernmental | 112,578 | 22,816 | 22,816 | - |
| Use of money and property | 231,658 | 509,876 | 634,756 | 124,880 |
| Miscellaneous | - | 83,492 | 84,434 | 942 |
| Developer contributions | 877,800 | 1,997,118 | 1,942,354 | (54,764) |
| Transfers in | - | 279,817 | 279,817 | - |
| Amounts available for appropriations | 19,286,719 | 20,957,802 | 21,028,860 | 71,058 |
| Charges to appropriations (outflows): | | | | |
| Salaries and wages | 103,000 | 106,950 | 106,142 | 808 |
| Services and supplies | - | 821 | 821 | - |
| Capital outlay | 14,623,663 | 13,771,642 | 8,534,499 | 5,237,143 |
| Total charges to appropriations | 14,726,663 | 13,879,413 | 8,641,462 | 5,237,951 |
| Budgetary fund balance, June 30 | \$ 4,560,056 | \$ 7,078,389 | \$ 12,387,398 | \$ 5,309,009 |

ORANGE COUNTY FIRE AUTHORITY

**Debt Service
Budgetary Comparison Schedule
Year ended June 30, 2006**

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget Positive (Negative) |
|--|-----------------------------|-----------------------------|-----------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Budgetary fund balance, July 1 | \$ 22,073,740 | \$ 22,073,740 | \$ 22,073,740 | \$ - |
| Resources (inflows): | | | | |
| Use of money and property | 578,767 | 599,713 | 696,280 | 96,567 |
| Amounts available for appropriations | <u>22,652,507</u> | <u>22,673,453</u> | <u>22,770,020</u> | <u>96,567</u> |
| Charges to appropriations (outflows): | | | | |
| Principal retirement | 2,995,000 | 2,995,000 | 2,995,000 | - |
| Interest and fiscal charges | 667,900 | 667,900 | 667,900 | - |
| Transfers out | - | 96,740 | 96,740 | - |
| Total charges to appropriations | <u>3,662,900</u> | <u>3,759,640</u> | <u>3,759,640</u> | <u>-</u> |
| Budgetary fund balance, June 30 | <u><u>\$ 18,989,607</u></u> | <u><u>\$ 18,913,813</u></u> | <u><u>\$ 19,010,380</u></u> | <u><u>\$ 96,567</u></u> |



Orange County Fire Authority Safety Message

CPR & Automatic External Defibrillators.....Every Second Counts

Nonmajor Governmental Funds

Special Revenue Funds

Facilities Maintenance & Improvements

This fund is used to account for financial activities associated with significant maintenance and improvement of facilities.

Structural Fire Entitlement

This fund was established in July 1999 and is used to identify, monitor and track funds allocated for service enhancements within over-funded Structural Fire Fund communities in accordance with the Amended Joint Powers Agreement. Allocations from the fund may be used only for Board-approved and OCFA-related service or resource enhancements to such over-funded members and must be approved annually by the Board of Directors.

Capital Projects Fund

Regional Fire Operations & Training Center

This fund is used to account for planning, tracking, monitoring and financing the costs of the new Regional Fire Operations and Training Center.

ORANGE COUNTY FIRE AUTHORITY

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2006

| | <u>Special Revenue Funds</u> | |
|--|--|--|
| | <u>Facilities Maintenance & Improvements</u> | <u>Structural Fire Entitlement</u> |
| <u>Assets</u> | | |
| Cash and investments | \$ 2,644,896 | \$ 2,549,599 |
| Prepaid costs | 86,556 | - |
| Total assets | \$ 2,731,452 | \$ 2,549,599 |
| <u>Liabilities and Fund Balances</u> | | |
| Liabilities: | | |
| Accounts payable | \$ 151,664 | \$ 158 |
| Accrued liabilities | - | 4,912 |
| Total liabilities | 151,664 | 5,070 |
| Fund balances: | | |
| Reserved: | | |
| Reserved for encumbrances | 134,589 | - |
| Reserved for prepaid costs | 86,556 | - |
| Unreserved: | | |
| Designated for capital improvement program | 2,038,830 | - |
| Designated for future service enhancements | - | 2,409,617 |
| Designated for operating contingency | - | 1,979 |
| Undesignated | 319,813 | 132,933 |
| Total fund balances | 2,579,788 | 2,544,529 |
| Total liabilities and fund balances | \$ 2,731,452 | \$ 2,549,599 |

| Capital Projects Fund | Total Nonmajor Governmental Funds |
|--|--|
| Regional Fire Operations & Training Center | |
| \$ - | \$ 5,194,495 |
| - | 86,556 |
| \$ - | \$ 5,281,051 |
| - | - |
| - | 151,822 |
| - | 4,912 |
| - | 156,734 |
| - | 134,589 |
| - | 86,556 |
| - | 2,038,830 |
| - | 2,409,617 |
| - | 1,979 |
| - | 452,746 |
| - | 5,124,317 |
| \$ - | \$ 5,281,051 |

ORANGE COUNTY FIRE AUTHORITY

**Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year ended June 30, 2006**

| | Special Revenue Funds | |
|--|--|--|
| | Facilities Maintenance & Improvements | Structural Fire Entitlement |
| Revenues: | | |
| Intergovernmental | \$ 47,951 | \$ - |
| Charges for services | 145,183 | - |
| Use of money and property | 104,662 | 98,161 |
| Miscellaneous | 19,178 | - |
| Total revenues | 316,974 | 98,161 |
| Expenditures: | | |
| Current: | | |
| Salaries and benefits | - | 186,808 |
| Services and supplies | 1,093,859 | 77,839 |
| Capital outlay | 74,058 | - |
| Debt service: | | |
| Principal retirement | 166,670 | - |
| Interest and fiscal charges | 6,443 | - |
| Total expenditures | 1,341,030 | 264,647 |
| Excess (deficiency) of revenues over (under) expenditures | (1,024,056) | (166,486) |
| Other financing sources (uses): | | |
| Transfers in | 542,510 | - |
| Transfers out | - | - |
| Total other financing sources (uses) | 542,510 | - |
| Net change in fund balances | (481,546) | (166,486) |
| Fund balances, beginning of year | 3,061,334 | 2,711,015 |
| Fund balances, end of year | \$ 2,579,788 | \$ 2,544,529 |

| Capital Projects Fund | Total Nonmajor Governmental Funds |
|--|--|
| Regional Fire Operations & Training Center | |
| \$ - | \$ 47,951 |
| - | 145,183 |
| 12,598 | 215,421 |
| - | 19,178 |
| 12,598 | 427,733 |
| - | 186,808 |
| 10,631 | 1,182,329 |
| - | 74,058 |
| - | 166,670 |
| - | 6,443 |
| 10,631 | 1,616,308 |
| 1,967 | (1,188,575) |
| - | 542,510 |
| (539,989) | (539,989) |
| (539,989) | 2,521 |
| (538,022) | (1,186,054) |
| 538,022 | 6,310,371 |
| \$ - | \$ 5,124,317 |

ORANGE COUNTY FIRE AUTHORITY

**Facilities Maintenance & Improvements
 Budgetary Comparison Schedule
 Year ended June 30, 2006**

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-----------------------|---------------------|---------------------------|---|
| | Original | Final | | |
| Budgetary fund balance, July 1 | \$ 3,061,334 | \$ 3,061,334 | \$ 3,061,334 | \$ - |
| Resources (inflows): | | | | |
| Intergovernmental | - | 47,951 | 47,951 | - |
| Charges for services | 240,000 | 151,138 | 145,183 | (5,955) |
| Use of money and property | 65,046 | 82,960 | 104,662 | 21,702 |
| Miscellaneous | - | 19,178 | 19,178 | - |
| Transfers in | 47,829 | 542,510 | 542,510 | - |
| Amounts available for appropriations | 3,414,209 | 3,905,071 | 3,920,818 | 15,747 |
| Charges to appropriations (outflows): | | | | |
| Services and supplies | 1,240,546 | 1,347,746 | 1,093,859 | 253,887 |
| Capital outlay | 304,082 | 345,382 | 74,058 | 271,324 |
| Principal retirement | 166,670 | 166,670 | 166,670 | - |
| Interest and fiscal charges | 6,443 | 6,443 | 6,443 | - |
| Total charges to appropriations | 1,717,741 | 1,866,241 | 1,341,030 | 525,211 |
| Budgetary fund balance, June 30 | \$ 1,696,468 | \$ 2,038,830 | \$ 2,579,788 | \$ 540,958 |

ORANGE COUNTY FIRE AUTHORITY

**Structural Fire Entitlement
Budgetary Comparison Schedule
Year ended June 30, 2006**

| | <u>Budget Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget Positive (Negative) |
|--|----------------------------|----------------------------|----------------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>Amounts</u> |
| Budgetary fund balance, July 1 | \$ 2,711,015 | \$ 2,711,015 | 2,711,015 | \$ - |
| Resources (inflows): | | | | |
| Use of money and property | 79,970 | 84,323 | 98,161 | 13,838 |
| Amounts available for appropriations | <u>2,790,985</u> | <u>2,795,338</u> | <u>2,809,176</u> | <u>13,838</u> |
| Charges to appropriations (outflows): | | | | |
| Salaries and wages | 181,500 | 187,360 | 186,808 | 552 |
| Services and supplies | 165,788 | 196,382 | 77,839 | 118,543 |
| Total charges to appropriations | <u>347,288</u> | <u>383,742</u> | <u>264,647</u> | <u>119,095</u> |
| Budgetary fund balance, June 30 | <u><u>\$ 2,443,697</u></u> | <u><u>\$ 2,411,596</u></u> | <u><u>\$ 2,544,529</u></u> | <u><u>\$ 132,933</u></u> |

ORANGE COUNTY FIRE AUTHORITY
Regional Fire Operations & Training Center
Budgetary Comparison Schedule
Year ended June 30, 2006

| | <u>Budget Amounts</u> | | <u>Actual</u> | Variance with |
|--|-----------------------|-------------------|----------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| Budgetary fund balance, July 1 | \$ 538,022 | \$ 538,022 | \$ 538,022 | \$ - |
| Resources (inflows): | | | | |
| Use of money and property | - | 12,598 | 12,598 | - |
| Amounts available for appropriations | <u>538,022</u> | <u>550,620</u> | <u>550,620</u> | <u>-</u> |
| Charges to appropriations (outflows): | | | | |
| Services and supplies | 12,264 | 12,264 | 10,631 | 1,633 |
| Transfers out | - | 539,989 | 539,989 | - |
| Total charges to appropriations | <u>12,264</u> | <u>552,253</u> | <u>550,620</u> | <u>1,633</u> |
| Budgetary fund balance, June 30 | <u>\$ 525,758</u> | <u>\$ (1,633)</u> | <u>\$ -</u> | <u>\$ 1,633</u> |

Fiduciary Funds

Pension Trust Funds

Retiree Medical

This fund is used to account for assets held by the OCFA to defer, in part, the cost of the retired employees' medical insurance.

Extra Help Retirement

This fund is used to account for assets held by the OCFA to provide a post-employment defined benefit retirement plan for less than half-time and extra-help employees.

Retirement 2.7% @ 55

This fund is used to account for assets held by the OCFA for the enhanced retirement benefit for Orange County Employee Association (OCEA) members, Administrative Management members and non-suppression Executive Management members who contributed towards the benefit.

ORANGE COUNTY FIRE AUTHORITY
Pension Trust Funds
Combining Statement of Fiduciary Net Assets
June 30, 2006

| | <u>Retiree Medical</u> | <u>Extra Help Retirement</u> | <u>Retirement 2.7 @ 55</u> | <u>Totals</u> |
|--|----------------------------|----------------------------------|--------------------------------|---------------------|
| Assets: | | | | |
| Cash and investments | \$ 6,379,561 | \$ 26,149 | \$ 389,043 | \$ 6,794,753 |
| Receivables, net of allowance for uncollectibles: | | | | |
| Accounts | 1,053,592 | - | - | 1,053,592 |
| Due from other governments | 2,479 | - | - | 2,479 |
| Total assets | <u>7,435,632</u> | <u>26,149</u> | <u>389,043</u> | <u>7,850,824</u> |
| Liabilities: | | | | |
| Accounts payable | - | - | 370,932 | 370,932 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>370,932</u> | <u>370,932</u> |
| Net assets: | | | | |
| Held in trust for retirement and other purposes | <u>\$ 7,435,632</u> | <u>\$ 26,149</u> | <u>\$ 18,111</u> | <u>\$ 7,479,892</u> |

ORANGE COUNTY FIRE AUTHORITY

Pension Trust Funds

**Combining Statement of Changes in Fiduciary Net Assets
Year ended June 30, 2006**

| | Retiree Medical | Extra Help Retirement | Retirement 2.7% @ 55 | Totals |
|----------------------------------|----------------------------|----------------------------------|---------------------------------|---------------------|
| Additions: | | | | |
| Contributions: | | | | |
| Plan members | \$ 990,727 | \$ 11,600 | \$ - | \$ 1,002,327 |
| Total contributions | 990,727 | 11,600 | - | 1,002,327 |
| Investment earnings: | | | | |
| Interest | 249,069 | 879 | 18,111 | 268,059 |
| Total investment earnings | 249,069 | 879 | 18,111 | 268,059 |
| Total additions | 1,239,796 | 12,479 | 18,111 | 1,270,386 |
| Deductions: | | | | |
| Benefits | 913,625 | 2,002 | - | 915,627 |
| Total deductions | 913,625 | 2,002 | - | 915,627 |
| Change in net assets | 326,171 | 10,477 | 18,111 | 354,759 |
| Net assets, beginning of year | 7,109,461 | 15,672 | - | 7,125,133 |
| Net assets, end of year | \$ 7,435,632 | \$ 26,149 | \$ 18,111 | \$ 7,479,892 |



Orange County Fire Authority Safety Message

Children Drown Without a Sound.....Watch the Water



Orange County Fire Authority Safety Message

Wildland Fires: Got Clearance?

1. Clear dead leaves and needles from roof and rain gutters.
2. Clear all dead or flammable vegetation at least 30 feet from structures.
3. Thin vegetation within the next 70 feet and replace with fire resistant plants.
4. Stack woodpiles or other combustible materials at least 30 feet from any structures.
5. Maintain a clear space of 10 feet around liquid propane gas tanks. Install protection posts around the tanks.
6. Space trees and shrubs at least 10 feet apart. For trees taller than 18 feet, remove branches within 6 feet of ground.
7. On slopes or near thick, tall vegetation, clear a space at least 100 feet from all structures.
8. If applicable, follow an approved Fuel Modification Plan.

Statistical Section



ORANGE COUNTY FIRE AUTHORITY
Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

| | Fiscal Year ended June 30 | | | | |
|--|---------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| Governmental activities: | | | | | |
| Invested in capital assets, net of related debt | \$ 74,965 | \$ 84,577 | \$ 106,274 | \$ 112,367 | \$ 122,820 |
| Restricted | 21,985 | 2,806 | 6,041 | 21,697 | 18,674 |
| Unrestricted | <u>68,108</u> | <u>91,238</u> | <u>71,361</u> | <u>59,547</u> | <u>74,568</u> |
| Total governmental activities net assets | <u>\$ 165,058</u> | <u>\$ 178,621</u> | <u>\$ 183,676</u> | <u>\$ 193,611</u> | <u>\$ 216,062</u> |

SOURCE: OCFA CAFR's

NOTE:

The OCFA implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.

ORANGE COUNTY FIRE AUTHORITY

**Changes in Net Assets
Last Five Fiscal Years**
(accrual basis of accounting)
(dollars in thousands)

| | Fiscal Year ended June 30 | | | | |
|-------------------------------------|---------------------------|------------------|------------------|------------------|------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| Governmental activities: | | | | | |
| Expenses: | | | | | |
| Salaries and benefits | \$ 116,490 | \$ 130,212 | \$ 143,978 | \$ 154,533 | \$ 166,930 |
| Services and supplies | 28,183 | 23,446 | 32,268 | 34,192 | 33,592 |
| Interest on long-term debt | 2,294 | 1,829 | 1,612 | 1,539 | 1,113 |
| Total expenses | <u>146,967</u> | <u>155,487</u> | <u>177,858</u> | <u>190,264</u> | <u>201,635</u> |
| Program revenues: | | | | | |
| Charges for services: | | | | | |
| Salaries and benefits | 30,938 | 40,372 | 44,158 | 46,948 | 49,691 |
| Services and supplies | 7,734 | 5,171 | 5,843 | 6,021 | 6,819 |
| Operating grants and contributions: | | | | | |
| Salaries and benefits | 6,641 | 2,490 | 3,260 | 3,392 | 3,674 |
| Services and supplies | 1,660 | 624 | 561 | 817 | 2,976 |
| Capital grants and contributions: | | | | | |
| Services and supplies | 516 | 2,911 | 643 | 1,445 | 2,731 |
| Total program revenues | <u>47,489</u> | <u>51,568</u> | <u>54,465</u> | <u>58,623</u> | <u>65,891</u> |
| Net revenues (expenses) | <u>(99,478)</u> | <u>(103,919)</u> | <u>(123,393)</u> | <u>(131,641)</u> | <u>(135,744)</u> |
| General revenues: | | | | | |
| Property taxes | 105,393 | 113,594 | 122,931 | 138,076 | 152,747 |
| Use of money and property | 5,413 | 3,255 | 1,716 | 2,891 | 4,875 |
| Gain on disposal of capital assets | - | - | 1,904 | - | - |
| Capital contributions | 3,861 | - | 1,360 | - | - |
| Miscellaneous | 2,910 | 639 | 537 | 609 | 573 |
| Total general revenues | <u>117,577</u> | <u>117,488</u> | <u>128,448</u> | <u>141,576</u> | <u>158,195</u> |
| Changes in net assets | <u>\$ 18,099</u> | <u>\$ 13,569</u> | <u>\$ 5,055</u> | <u>\$ 9,935</u> | <u>\$ 22,451</u> |

SOURCE: OCFA CAFR's

NOTE:

The OCFA implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.

ORANGE COUNTY FIRE AUTHORITY
Fund Balances of Governmental Funds
Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (dollars in thousands)

| | 1997 | 1998 | 1999 | 2000 |
|------------------------------------|------------------|------------------|------------------|------------------|
| General Fund: | | | | |
| Reserved | \$ 1,417 | \$ 2,016 | \$ 1,360 | \$ 3,125 |
| Unreserved | <u>13,254</u> | <u>18,084</u> | <u>21,872</u> | <u>20,685</u> |
| Total General Fund | <u>\$ 14,671</u> | <u>\$ 20,100</u> | <u>\$ 23,232</u> | <u>\$ 23,810</u> |
| | | | | |
| All other governmental funds: | | | | |
| Reserved | \$ 694 | \$ 5,768 | \$ 9,462 | \$ 6,277 |
| Unreserved, reported in: | | | | |
| Special revenue funds | 18,028 | 11,617 | 7,931 | 17,967 |
| Capital projects funds | 9,380 | 6,449 | 14,226 | 22,075 |
| Debt service funds | - | - | - | - |
| Total all other governmental funds | <u>\$ 28,102</u> | <u>\$ 23,834</u> | <u>\$ 31,619</u> | <u>\$ 46,319</u> |

Source: OCFA CAFR's

Fiscal Year ended June 30

| 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 5,872 | \$ 1,051 | \$ 1,334 | \$ 1,909 | \$ 1,610 | \$ 2,392 |
| <u>20,386</u> | <u>28,120</u> | <u>30,059</u> | <u>39,532</u> | <u>36,571</u> | <u>48,164</u> |
| <u>\$ 26,258</u> | <u>\$ 29,171</u> | <u>\$ 31,393</u> | <u>\$ 41,441</u> | <u>\$ 38,181</u> | <u>\$ 50,556</u> |
| | | | | | |
| \$ 3,663 | \$ 43,937 | \$ 19,866 | \$ 7,716 | \$ 13,822 | \$ 12,163 |
| 24,998 | 22,514 | 15,765 | 16,849 | 17,029 | 32,489 |
| 24,601 | 16,784 | 23,851 | 21,153 | 9,257 | 8,876 |
| - | 3,402 | 3,593 | 3,679 | 19,268 | 16,204 |
| <u>\$ 53,262</u> | <u>\$ 86,637</u> | <u>\$ 63,075</u> | <u>\$ 49,397</u> | <u>\$ 59,376</u> | <u>\$ 69,732</u> |

ORANGE COUNTY FIRE AUTHORITY
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (dollars in thousands)

| | 1997 | 1998 | 1999 | 2000 |
|--|-------------------|-----------------|------------------|------------------|
| Revenues: | | | | |
| Taxes | \$ 65,493 | \$ 70,497 | \$ 79,171 | \$ 87,815 |
| Intergovernmental | 6,693 | 6,026 | 6,241 | 12,400 |
| Charges for services | 28,631 | 30,825 | 31,978 | 35,023 |
| Use of money and property | 2,255 | 3,092 | 3,263 | 4,172 |
| Fines and forfeitures | 32 | 14 | 11 | - |
| Miscellaneous | 1,137 | 2,148 | 5,021 | 2,258 |
| Developer contributions | - | - | - | - |
| Total revenues | <u>104,241</u> | <u>112,602</u> | <u>125,685</u> | <u>141,668</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Salaries and benefits | 89,966 | 93,805 | 97,862 | 106,133 |
| Services and supplies | 12,925 | 13,635 | 14,688 | 15,680 |
| Capital outlay | 2,641 | 3,269 | 6,302 | 6,174 |
| Debt service: | | | | |
| Bond issuance costs | - | - | - | - |
| Principal retirement | - | - | - | 583 |
| Interest and fiscal charges | - | 463 | 479 | 781 |
| Total expenditures | <u>105,532</u> | <u>111,172</u> | <u>119,331</u> | <u>129,351</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,291)</u> | <u>1,430</u> | <u>6,354</u> | <u>12,317</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 3,971 | - | 4,652 | 20,340 |
| Transfers out | (3,971) | - | (4,652) | (20,340) |
| Issuance of long-term debt | - | - | 4,563 | 2,959 |
| Sale of capital assets | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>4,563</u> | <u>2,959</u> |
| Net change in fund balances | <u>\$ (1,291)</u> | <u>\$ 1,430</u> | <u>\$ 10,917</u> | <u>\$ 15,276</u> |
| Debt service as a percentage of noncapital expenditures | 0.0% | 0.4% | 0.4% | 1.1% |

SOURCE: OCFA CAFR's

Fiscal Year ended June 30

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|----|----------------|------------------|--------------------|-------------------|-----------------|------------------|
| \$ | 96,884 | \$ 105,393 | \$ 113,593 | \$ 122,931 | \$ 138,076 | \$ 152,747 |
| | 7,861 | 8,817 | 7,723 | 10,223 | 9,280 | 12,737 |
| | 37,226 | 38,672 | 40,934 | 43,569 | 47,913 | 50,431 |
| | 5,973 | 5,413 | 3,255 | 1,716 | 2,891 | 5,285 |
| | - | - | - | - | - | - |
| | 1,553 | 3,308 | 650 | 537 | 609 | 582 |
| | - | - | 2,911 | 642 | 1,445 | 2,731 |
| | <u>149,497</u> | <u>161,603</u> | <u>169,066</u> | <u>179,618</u> | <u>200,214</u> | <u>224,513</u> |
| | 112,679 | 115,718 | 129,815 | 143,515 | 151,938 | 166,671 |
| | 17,435 | 27,860 | 46,232 | 33,541 | 27,100 | 23,598 |
| | 7,771 | 5,540 | 8,697 | 11,425 | 8,014 | 10,839 |
| | - | 356 | - | - | - | - |
| | 967 | 1,013 | 3,772 | 7,411 | 4,889 | 5,033 |
| | <u>1,253</u> | <u>1,906</u> | <u>1,890</u> | <u>1,606</u> | <u>1,620</u> | <u>1,576</u> |
| | <u>140,105</u> | <u>152,393</u> | <u>190,406</u> | <u>197,498</u> | <u>193,561</u> | <u>207,717</u> |
| | <u>9,392</u> | <u>9,210</u> | <u>(21,340)</u> | <u>(17,880)</u> | <u>6,653</u> | <u>16,796</u> |
| | 19,401 | 32,721 | 16,104 | 6,361 | 24,457 | 18,436 |
| | (19,401) | (32,831) | (16,104) | (6,361) | (24,457) | (18,436) |
| | - | 28,182 | - | 9,147 | - | 5,842 |
| | - | - | - | 3,843 | 66 | 93 |
| | - | <u>28,072</u> | - | <u>12,990</u> | <u>66</u> | <u>5,935</u> |
| \$ | <u>9,392</u> | <u>\$ 37,282</u> | <u>\$ (21,340)</u> | <u>\$ (4,890)</u> | <u>\$ 6,719</u> | <u>\$ 22,731</u> |
| | 1.7% | 2.2% | 3.1% | 4.8% | 3.5% | 3.4% |

ORANGE COUNTY FIRE AUTHORITY
Assessed Value (1) and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(dollars in thousands)

| Jurisdiction | (2) SFF | (3) Cash | Fiscal Year 1996/97 | Fiscal Year 1997/98 | Fiscal Year 1998/99 | Fiscal Year 1999/00 | Fiscal Year 2000/01 |
|-----------------------------------|------------|-------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Aliso Viejo (7) | x | | \$ - | \$ - | \$ - | \$ - | \$ - |
| Buena Park | | x | 3,664,723 | 3,686,239 | 3,794,461 | 4,066,288 | 4,415,981 |
| Cypress | x | | 2,734,431 | 2,784,791 | 2,942,699 | 3,054,383 | 3,316,050 |
| Dana Point | x | | 3,547,844 | 3,574,532 | 3,863,177 | 4,331,542 | 4,594,761 |
| Irvine | x | | 15,117,239 | 15,632,446 | 16,764,523 | 18,296,436 | 20,405,359 |
| Laguna Hills | x | | 2,763,443 | 2,832,227 | 3,000,149 | 3,239,893 | 3,457,927 |
| Laguna Niguel | x | | 5,411,440 | 5,541,149 | 5,882,648 | 6,575,554 | 7,059,913 |
| Laguna Woods (5) | x | | | | | | 1,394,456 |
| Lake Forest | x | | 3,359,235 | 3,415,428 | 3,669,255 | 4,381,043 | 4,924,024 |
| La Palma | x | | 867,094 | 889,647 | 937,079 | 992,816 | 1,073,145 |
| Los Alamitos | x | | 806,962 | 819,819 | 847,209 | 885,552 | 957,159 |
| Mission Viejo | x | | 6,293,123 | 6,478,001 | 6,915,714 | 7,575,168 | 8,274,317 |
| Placentia | | x | 2,146,714 | 2,209,510 | 2,380,457 | 2,583,982 | 2,803,120 |
| Rancho Santa Margarita (6) | x | | | | | | 3,878,531 |
| San Clemente | | x | 3,880,267 | 3,969,004 | 4,180,181 | 4,615,202 | 5,139,411 |
| San Juan Capistrano | x | | 2,379,442 | 2,483,338 | 2,713,850 | 3,036,299 | 3,304,879 |
| Seal Beach | | x | 1,783,467 | 1,804,395 | 1,868,245 | 1,974,069 | 2,104,257 |
| Stanton | | x | 1,028,254 | 993,156 | 1,036,760 | 1,080,258 | 1,191,968 |
| Tustin | | x | 3,717,992 | 3,759,068 | 4,117,253 | 4,518,236 | 5,015,121 |
| Villa Park | x | | 645,520 | 663,228 | 696,035 | 741,961 | 810,194 |
| Westminster (4) | | x | 3,281,564 | 3,304,810 | 3,444,091 | 3,685,811 | 3,947,269 |
| Yorba Linda | x | | 4,465,806 | 4,590,060 | 4,849,326 | 5,257,654 | 5,635,541 |
| Unincorporated | x | | 15,485,081 | 16,305,329 | 18,033,081 | 20,530,995 | 18,303,375 |
| Total SFF jurisdictions | | | \$ 63,876,658 | \$ 66,009,993 | \$ 71,114,744 | \$ 78,899,297 | \$ 87,389,631 |
| Percentage change from prior year | | | 1.79% | 3.34% | 7.73% | 10.95% | 10.76% |
| Total cash cities | | | <u>19,502,980</u> | <u>19,726,183</u> | <u>20,821,447</u> | <u>22,523,846</u> | <u>24,617,125</u> |
| Total assessed valuation | | | <u>\$ 83,379,638</u> | <u>\$ 85,736,176</u> | <u>\$ 91,936,192</u> | <u>\$ 101,423,143</u> | <u>\$ 112,006,756</u> |
| Total direct tax rate | | | 0.10% | 0.11% | 0.11% | 0.11% | 0.11% |

SOURCE: County of Orange, Auditor-Controller, Assessed Valuations Booklet by fiscal year

(1) Assessed value is stated at taxable full cash value. These values may include an increased value over the base year for that portion of the city or district which lies within a redevelopment agency.

(2) Assessed Value for these cities is part of the Structural Fire Fund (SFF).

(3) These cities pay for services on a cash contract basis. Assessed Value is shown for comparison only.

(4) Westminster joined the OCFA on July 18, 1995.

(5) Laguna Woods joined the OCFA on January 27, 2000 (previous part of County unincorporated).

(6) Rancho Santa Margarita joined the OCFA March 23, 2000 (previous part of County unincorporated).

(7) Aliso Viejo joined the OCFA upon incorporation on July 1, 2001 (previous part of County unincorporated).

| Jurisdiction | (2) SFF | (3) Cash | Fiscal Year 2001/02 | Fiscal Year 2002/03 | Fiscal Year 2003/04 | Fiscal Year 2004/05 | Fiscal Year 2005/06 |
|-----------------------------------|------------|-------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Aliso Viejo (7) | x | | \$ - | \$ 4,645,701 | \$ 5,223,553 | \$ 5,673,714 | \$ 6,176,940 |
| Buena Park | | x | 4,708,003 | 4,992,390 | 5,241,607 | 5,651,721 | 6,112,028 |
| Cypress | x | | 3,495,315 | 3,736,602 | 4,038,709 | 4,380,633 | 4,704,566 |
| Dana Point | x | | 5,110,623 | 5,516,436 | 5,941,465 | 6,250,662 | 6,998,388 |
| Irvine | x | | 22,710,140 | 24,858,632 | 26,799,741 | 29,634,708 | 33,764,042 |
| Laguna Hills | x | | 3,782,350 | 3,967,515 | 4,197,860 | 4,508,804 | 4,909,424 |
| Laguna Niguel | x | | 7,655,629 | 8,142,068 | 8,774,412 | 9,496,924 | 10,355,469 |
| Laguna Woods (5) | x | | 1,523,257 | 1,608,653 | 1,714,358 | 1,793,619 | 1,963,825 |
| Lake Forest | x | | 6,924,510 | 7,429,330 | 8,035,481 | 8,567,664 | 9,258,757 |
| La Palma | x | | 1,126,504 | 1,155,782 | 1,222,653 | 1,304,664 | 1,397,213 |
| Los Alamitos | x | | 1,008,946 | 1,055,691 | 1,126,237 | 1,221,543 | 1,333,656 |
| Mission Viejo | x | | 8,836,993 | 9,330,631 | 9,882,639 | 10,514,195 | 11,473,222 |
| Placentia | | x | 3,017,366 | 3,261,068 | 3,499,257 | 3,792,066 | 4,189,586 |
| Rancho Santa Margarita (6) | x | | 4,378,109 | 4,718,088 | 5,051,504 | 5,502,550 | 5,989,888 |
| San Clemente | | x | 5,886,511 | 6,831,696 | 7,738,680 | 8,748,299 | 9,999,404 |
| San Juan Capistrano | x | | 3,600,312 | 3,824,457 | 4,060,793 | 4,424,780 | 4,780,297 |
| Seal Beach | | x | 2,301,742 | 2,561,374 | 2,761,755 | 2,968,854 | 3,189,870 |
| Stanton | | x | 1,253,119 | 1,332,874 | 1,456,875 | 1,590,290 | 1,774,670 |
| Tustin | | x | 5,337,612 | 5,521,942 | 5,901,337 | 6,507,163 | 7,046,325 |
| Villa Park | x | | 875,017 | 933,233 | 990,409 | 1,069,950 | 1,148,109 |
| Westminster (4) | | x | 4,178,647 | 4,439,818 | 4,802,251 | 5,188,197 | 5,589,577 |
| Yorba Linda | x | | 6,159,074 | 6,587,989 | 7,252,943 | 7,938,555 | 8,865,186 |
| Unincorporated | x | | 18,931,941 | 13,236,995 | 14,178,447 | 15,890,882 | 17,991,705 |
| Total SFF jurisdictions | | | \$ 96,118,720 | \$ 100,747,802 | \$ 108,491,203 | \$ 118,173,848 | \$ 131,110,688 |
| Percentage change from prior year | | | 9.99% | 4.82% | 7.69% | 8.92% | 10.95% |
| Total cash cities | | | <u>26,683,000</u> | <u>28,941,163</u> | <u>31,401,762</u> | <u>34,446,590</u> | <u>37,901,459</u> |
| Total assessed valuation | | | <u>\$ 122,801,720</u> | <u>\$ 129,688,965</u> | <u>\$ 139,892,965</u> | <u>\$ 152,620,438</u> | <u>\$ 169,012,146</u> |
| Total direct tax rate | | | 0.11% | 0.11% | 0.11% | 0.12% | 0.12% |

NOTE:

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1 % based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

COUNTY OF ORANGE
Property Tax Rates of Direct and Overlapping Governments
Last Ten Fiscal Years

Tax Rates Per \$100 of Assessed/Full Cash Value

| <u>For the Year Ended June 30</u> | <u>Overlapping County-wide Basic Levy - Operating</u> | <u>Direct Orange County - Debt Service</u> | <u>Total</u> |
|---------------------------------------|---|--|--------------|
| 1997 | 1.00000 | 0.00012 | 1.00012 |
| 1998 | 1.00000 | 0.00000 | 1.00000 |
| 1999 | 1.00000 | 0.00000 | 1.00000 |
| 2000 | 1.00000 | 0.00000 | 1.00000 |
| 2001 | 1.00000 | 0.00000 | 1.00000 |
| 2002 | 1.00000 | 0.00000 | 1.00000 |
| 2003 | 1.00000 | 0.00000 | 1.00000 |
| 2004 | 1.00000 | 0.00000 | 1.00000 |
| 2005 | 1.00000 | 0.00000 | 1.00000 |
| 2006 | 1.00000 | 0.00000 | 1.00000 |

SOURCE: County of Orange, Auditor-Controller

ORANGE COUNTY FIRE AUTHORITY
Principal Property Tax Payers
Current and Nine Years Ago

| Property Tax Payer | Fiscal Year 1996/1997 | | | Fiscal Year 2005/2006 | | |
|---------------------------------|-----------------------|------|-------------------------------|-----------------------|------|-------------------------------|
| | Actual Taxes Levied | Rank | Percent of Total Taxes Levied | Actual Taxes Levied | Rank | Percent of Total Taxes Levied |
| The Irvine Company | 31,359 | 1 | 1.67% | 48,788 | 1 | 1.28% |
| Walt Disney World Co. | 10,081 | 5 | 0.54% | 28,169 | 2 | 0.74% |
| Irvine Apartment Communities | 13,005 | 4 | 0.69% | 18,995 | 3 | 0.50% |
| Southern California Edison Co. | 16,520 | 2 | 0.88% | 17,776 | 4 | 0.50% |
| SBC Communications, California | 15,611 | 3 | 0.83% | 7,727 | 5 | 0.20% |
| Walt Disney World | | | | 7,644 | 6 | 0.20% |
| United Laguna Hills | | | | 6,792 | 7 | 0.18% |
| Irvine Co. of W VA | | | | 5,309 | 8 | 0.14% |
| Maguire Properties - Park Place | | | | 4,318 | 9 | 0.11% |
| Irvine Community Development | | | | 4,127 | 10 | 0.11% |
| Rockwell Semiconductor Systems | 8,168 | 6 | 4.30% | | | |
| Arvida/JMB Partners LP II | 5,749 | 7 | 0.31% | | | |
| Aliso Viejo Company | 5,378 | 8 | 0.29% | | | |
| Rancho Santa Margarita | 4,376 | 9 | 0.23% | | | |
| Mission Viejo Company | 3,946 | 10 | 0.21% | | | |

SOURCE: Orange County Auditor/Controller

ORANGE COUNTY FIRE AUTHORITY
Property Tax Levies and Collections
Last Ten Fiscal Years
 (dollars in thousands)

| For the Year Ended June 30, | Taxes Levied for the Fiscal Year | Collected Within the Fiscal Year of Levy | | Collections in Subsequent Years | Total Collection to Date | |
|--------------------------------------|--|---|--------------------|---------------------------------------|--------------------------|--------------------|
| | | Amount (1) | Percent Of Levy | | Amount | Percent Of Levy |
| 1997 | 68,099 | 66,313 | 97.4% | 513 | 66,826 | 98.1% |
| 1998 | 72,796 | 71,627 | 98.4% | 542 | 72,169 | 99.1% |
| 1999 | 79,520 | 78,694 | 99.0% | 817 | 79,511 | 100.0% |
| 2000 | 89,194 | 89,107 | 99.9% | 87 | 89,194 | 100.0% |
| 2001 | 98,486 | 97,989 | 99.5% | 205 | 98,194 | 99.7% |
| 2002 | 108,852 | 106,242 | 97.6% | 222 | 106,464 | 97.8% |
| 2003 | 113,649 | 112,684 | 99.2% | 256 | 112,940 | 99.4% |
| 2004 | 123,841 | 121,829 | 98.4% | 251 | 122,080 | 98.6% |
| 2005 | 138,864 | 137,037 | 98.7% | 250 | 137,287 | 98.9% |
| 2006 | 154,289 | 151,789 | 98.4% | 242 | 152,031 | 98.5% |

SOURCE: County of Orange, Auditor-Controller - Tax Ledger

(1) Includes apportionment based on the Teeter Plan which apportions delinquencies on a current year basis for Secured Property Taxes. Does not include interest earned.

ORANGE COUNTY FIRE AUTHORITY
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands)

| Fiscal Year Ended June 30 | Governmental Activities | | | Median Family Income (County of Orange) | Percentage of Personal Income (1) | Population | Debt Per Capita (2) |
|------------------------------------|-------------------------|----------------------------------|------------------------------|---|---|------------|---------------------------|
| | Revenue Bonds | Leases Purchase Agreements | Total Outstanding Debt | | | | |
| 1997 | \$ - | \$ - | \$ - | \$ 59 | N/A | 1,130 | N/A |
| 1998 | - | - | - | 62 | N/A | 1,165 | N/A |
| 1999 | - | 4,281 | 4,281 | 65 | 6586.2% | 1,194 | \$ 4 |
| 2000 | - | 6,658 | 6,658 | 70 | 9511.4% | 1,226 | 5 |
| 2001 | - | 5,691 | 5,691 | 71 | 8015.5% | 1,256 | 5 |
| 2002 | 28,060 | 4,678 | 32,738 | 72 | 45469.4% | 1,275 | 26 |
| 2003 | 25,350 | 3,616 | 28,966 | 73 | 39679.5% | 1,290 | 22 |
| 2004 | 22,555 | 8,147 | 30,702 | 76 | 40397.4% | 1,309 | 23 |
| 2005 | 19,665 | 6,148 | 25,813 | 80 | 32266.3% | 1,333 | 19 |
| 2006 | 16,670 | 9,952 | 26,622 | 84 | 31692.9% | 1,351 | 20 |

NOTE: Details regarding the Authority's outstanding debt can be found in the notes to the financial statements.

(1) Ratio calculated using median family income for County of Orange, as estimated for most recent year

(2) Ratio calculated using population from January 1

ORANGE COUNTY FIRE AUTHORITY
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts in thousands)

| For the Year Ended June 30 | Population | Assessed Value | Gross Bonded Debt | Less Amounts Available in Debt Service Fund | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
|-------------------------------------|------------|-------------------|-------------------------|--|-----------------------|--|----------------------------------|
| 1997 - 2001 (1) | | | | | | | |
| 2002 | 1,275 | \$122,801,720 | \$28,060 | \$2,806 | \$25,254 | 0.02% | \$20 |
| 2003 | 1,290 | 129,688,965 | 25,350 | 2,806 | 22,544 | 0.02% | 17 |
| 2004 | 1,309 | 139,892,965 | 22,555 | 2,806 | 19,749 | 0.01% | 15 |
| 2005 | 1,333 | 152,620,438 | 19,665 | 2,806 | 16,859 | 0.01% | 13 |
| 2006 | 1,351 | 169,012,146 | 16,670 | 2,806 | 13,864 | 0.01% | 10 |

SOURCE: Finance Division, Accounting Unit, Orange County Fire Authority

(1) FY 2001/02 is the first year the OCFA had revenue bond debt service obligations

ORANGE COUNTY FIRE AUTHORITY
Computation of Direct and Overlapping Bonded Debt
June 30, 2006

| | |
|---|--------------------------|
| 2005-06 Assessed Valuation | \$169,012,146,390 |
| Less: Redevelopment Incremental Valuation | (11,922,059,114) |
| Adjusted Assessed Valuation | <u>\$157,090,087,276</u> |

| <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | Total Debt 6/30/06 | % Applicable (1) | Authority's Share of Debt 6/30/06 |
|---|-----------------------|------------------|--------------------------------------|
| Orange County Teeter Plan Obligations | \$123,725,000 | 50.998% | \$ 63,097,276 |
| Metropolitan Water District | 389,565,000 | 10.742 | 41,847,072 |
| North Orange County Joint Community College District | 242,244,001 | 39.375 | 95,383,575 |
| Rancho Santiago Community College District | 210,699,166 | 16.740 | 35,271,040 |
| Capistrano Unified School District School Facilities Improvement District No. 1 | 60,094,930 | 99.999 | 60,094,329 |
| Placentia-Yorba Linda Unified School District | 97,065,563 | 82.446 | 80,026,674 |
| Saddleback Valley Unified School District | 94,120,000 | 100. | 94,120,000 |
| Santa Ana Unified School District | 135,923,187 | 27.662 | 37,599,072 |
| Other School Districts | 894,717,187 | Various | 135,415,326 |
| City of San Juan Capistrano | 10,610,000 | 100. | 10,610,000 |
| Irvine Ranch Water District Improvement Districts | 115,952,660 | Various | 110,085,211 |
| Moulton-Niguel Water District Improvement Districts | 56,140,000 | 100. | 56,410,000 |
| Santa Margarita Water District Improvement Districts | 198,944,999 | 100. | 198,944,999 |
| South Coast Water District | 5,755,000 | 64.896 | 3,734,765 |
| County Community Facilities Districts | 674,425,374 | 100. | 674,425,374 |
| School Community Facilities Districts | 834,637,995 | Various | 834,488,086 |
| City and Special District Community Facilities Districts | 204,760,000 | 100. | 204,760,000 |
| 1915 Act Bonds | 824,293,169 | 100. | 824,293,169 |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | | <u>\$3,560,605,968</u> |

| <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u> | | | |
|--|-------------------|-------------|-------------------------------|
| Orange County General Fund Obligations | \$825,642,000 | 50.998% | \$ 421,060,907 |
| Orange County Pension Obligations | 99,716,298 | 50.998 | 50,853,318 |
| Orange County Board of Education Certificates of Participation | 19,820,000 | 50.998 | 10,107,804 |
| Orange County Transit District Authority | 2,470,000 | 50.998 | 1,259,651 |
| Orange County Fire Authority | 16,670,000 | 100. | 16,670,000 |
| Municipal Water District of Orange County Water Facilities Corporation | 17,115,922 | 60.684 | 17,115,922 |
| Community College District General Fund Obligations | 45,485,000 | Various | 35,734,371 |
| Unified School District Certificates of Participation | 278,828,963 | Various | 152,106,567 |
| Union High School Districts Certificates of Participation | 59,935,000 | Various | 13,690,304 |
| School District Certificates of Participation | 48,525,000 | Various | 12,886,653 |
| City General Fund Obligations | 181,940,665 | 100. | 181,940,665 |
| Orange County Sanitation District Certificates of Participation | 130,370,000 | 35.137 | 45,808,107 |
| Irvine Ranch Water District Certificates of Participation | 44,200,000 | 84.799 | 37,481,158 |
| Moulton-Niguel Water District Certificates of Participation | 32,135,234 | 100. | 32,135,234 |
| Other Special District General Fund Obligations | 18,785,000 | Various | 17,889,058 |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | <u>\$1,046,739,719</u> |
| Less: Orange County Transit Authority (80% self-supporting) | | | 1,007,720 |
| MWDOC Water Facilities Corporation Certificates of Participation | | | 17,115,922 |
| City Obligations (self-supporting from incremental tax and sales tax revenues) | | | 30,751,000 |
| South Coast Water District (100% self-supporting) | | | 2,704,345 |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | | <u>\$ 995,160,732</u> |

| | | |
|---------------------------|-----------------|-----|
| GROSS COMBINED TOTAL DEBT | \$4,607,345,687 | (2) |
| NET COMBINED TOTAL DEBT | \$4,555,766,700 | |

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the district.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2005-06 Assessed Valuation:
Total Overlapping Tax and Assessment Debt 2.11%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt (\$16,670,000) **0.01%**
Gross Combined Total Debt 2.93%
Net Combined Total Debt 2.90%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: \$0

Source: California Municipal Statistics, Inc.

ORANGE COUNTY FIRE AUTHORITY
Summary of Debt Capacity Schedules Not Included in the CAFR

- 1. Computation of Legal Debt Margin**
The Orange County Fire Authority is not subject to a legal debt margin.

- 2. Pledged Revenue Coverage**
Debt of the Orange County Fire Authority is not secured by a pledged revenue stream.

COUNTY OF ORANGE
Demographic and Economic Indicators
Last Ten Fiscal Years

| Year | (A) Population Estimates (In Thousands) | (B) Total Personal Income (In Thousands) | Per Capita Income | (C) Unemployment Rate |
|------|--|--|----------------------|-----------------------------|
| 1997 | 2,659 | 81,395,448 | 30,611 | 3.3 |
| 1998 | 2,722 | 87,686,403 | 32,214 | 2.9 |
| 1999 | 2,776 | 93,186,500 | 33,569 | 2.7 |
| 2000 | 2,828 | 106,003,900 | 37,484 | 3.5 |
| 2001 | 2,926 | 109,010,300 | 37,256 | 4.0 |
| 2002 | 2,940 | 111,750,300 | 38,010 | 5.0 |
| 2003 | 2,979 | 116,977,800 | 39,267 | 4.8 |
| 2004 | 3,017 | 124,853,700 | 41,379 | 4.3 |
| 2005 | 3,057 | 133,332,800 | 43,617 | 3.8 |
| 2006 | 3,072 | 142,010,700 | 46,222 | 3.6 |

SOURCES:

- (A) County of Orange Population and Housing Estimates, California Department of Finance at January 1 of each year.
- (B) Center for Economic Research, Chapman University (estimate for most recent year).
- (C) Institute for Economic and Environmental Studies, California State University, Fullerton
The 2006 figure is a forecast.

ORANGE COUNTY FIRE AUTHORITY
Population and Housing Statistics
Current Year and Nine Years Ago

| | Population by City, 1997 and 2006 | | | Housing Units by City, 1997 and 2006 | | |
|------------------------------|-----------------------------------|------------------|-------------------|--------------------------------------|----------------|-------------------|
| | (A) 1997 | (B) 2006 | Percent Change | (A) 1997 | (B) 2006 | Percent Change |
| Aliso Viejo (1) | | 44,924 | N/A | | 17,968 | N/A |
| Buena Park | 73,072 | 81,349 | 11.3% | 23,630 | 24,001 | 1.6% |
| Cypress | 47,028 | 48,854 | 3.9% | 15,714 | 16,477 | 4.9% |
| Dana Point | 36,211 | 36,669 | 1.3% | 15,616 | 15,900 | 1.8% |
| Irvine | 129,294 | 193,785 | 49.9% | 47,044 | 71,652 | 52.3% |
| Laguna Hills | 29,954 | 33,225 | 10.9% | 10,568 | 11,152 | 5.5% |
| Laguna Niguel | 56,353 | 66,178 | 17.4% | 22,853 | 24,793 | 8.5% |
| Laguna Woods (2) | | 18,334 | N/A | | 13,629 | N/A |
| Lake Forest | 57,828 | 77,859 | 34.6% | 20,719 | 26,384 | 27.3% |
| La Palma | 15,761 | 16,081 | 2.0% | 5,005 | 5,131 | 2.5% |
| Los Alamitos | 11,661 | 12,004 | 2.9% | 4,515 | 4,378 | -3.0% |
| Mission Viejo | 91,922 | 97,997 | 6.6% | 31,901 | 33,713 | 5.7% |
| Placentia | 45,550 | 51,236 | 12.5% | 14,610 | 16,402 | 12.3% |
| Rancho Santa Margarita (3) | | 49,130 | N/A | | 16,678 | N/A |
| San Clemente | 47,305 | 66,280 | 40.1% | 20,319 | 26,641 | 31.1% |
| San Juan Capistrano | 29,635 | 36,073 | 21.7% | 10,430 | 11,714 | 12.3% |
| Seal Beach | 26,360 | 25,298 | -4.0% | 14,417 | 14,490 | 0.5% |
| Stanton | 32,984 | 38,761 | 17.5% | 11,169 | 11,079 | -0.8% |
| Tustin | 65,287 | 71,767 | 9.9% | 23,381 | 25,281 | 8.1% |
| Villa Park | 6,439 | 6,218 | -3.4% | 2,027 | 2,020 | -0.3% |
| Westminster | 83,141 | 92,408 | 11.1% | 26,362 | 27,397 | 3.9% |
| Yorba Linda | 58,533 | 66,794 | 14.1% | 18,938 | 21,534 | 13.7% |
| Unincorporated | 185,851 | 120,174 | -35.3% | 77,011 | 38,619 | -49.9% |
| Total: | | | | | | |
| Orange County Fire Authority | <u>1,130,169</u> | <u>1,351,398</u> | 19.6% | <u>416,229</u> | <u>477,033</u> | 14.6% |

- (1) Aliso Viejo joined the OCFA upon incorporation on July 1, 2001.
 (2) Laguna Woods joined the OCFA after incorporation on March 24, 1999.
 (3) Rancho Santa Margarita joined the OCFA after incorporation on July 1, 2000.

DATA SOURCES:

- (A) County of Orange Population and Housing Estimates, California Department of Finance at January 1, 1997
 (B) County of Orange Population and Housing Estimates, California Department of Finance at January 1, 2006

ORANGE COUNTY FIRE AUTHORITY
Principal Employers
Current and Nine Years Ago

| Employer | Fiscal Year 1996/1997 | | | Fiscal Year 2005/2006 | | |
|--|-----------------------|------|-----------------------------|-----------------------|------|-----------------------------|
| | Number of Employees | Rank | Percent of Total Employment | Number of Employees | Rank | Percent of Total Employment |
| Walt Disney Co. | 12,110 | 2 | 0.46% | 21,000 | 1 | 1.40% |
| County of Orange | 14,313 | 1 | 0.54% | 17,785 | 2 | 1.19% |
| University of California, Irvine | - | | 0.00% | 16,229 | 3 | 1.08% |
| Boeing Co. | 5,350 | 5 | 0.20% | 12,042 | 4 | 0.80% |
| St. Joseph Health System | 5,101 | 7 | 0.19% | 9,385 | 5 | 0.63% |
| Yum! Brands Inc. | - | | 0.00% | 6,600 | 6 | 0.44% |
| Ameriquest Capital Corp. | - | | 0.00% | 6,300 | 7 | 0.42% |
| California State University, Fullerton | - | | 0.00% | 5,256 | 8 | 0.35% |
| Pacificare Health System | - | | 0.00% | 5,074 | 9 | 0.34% |
| Home Depot, Inc. | - | | 0.00% | 5,000 | 10 | 0.33% |
| American Stores Co. | 7,709 | 3 | 0.29% | | | |
| McDonnell Douglas Corp. | 5,451 | 4 | 0.20% | | | |
| Boeing Co. | 5,350 | 5 | 0.20% | | | |
| BankAmerica Corp. | 5,200 | 6 | 0.20% | | | |
| PepsiCo. Inc. | 4,820 | 8 | 0.18% | | | |
| Ralphs Grocery Co. | 4,674 | 9 | 0.18% | | | |
| Flagstar Cos. Inc. | 4,313 | 10 | 0.16% | | | |

SOURCE: Orange County Auditor/Controller

ORANGE COUNTY FIRE AUTHORITY
Full-time and Part-time Employees by Function/Department
Last Ten Fiscal Years

| Function | Full-time and Part-time Employees as of June 30 | | | | | | | | | |
|----------------------------|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Public safety: | | | | | | | | | | |
| Executive management | * | | 10 | 40 | 41 | 44 | 44 | 44 | 43 | 44 |
| Operations | * | | 809 | 818 | 841 | 834 | 834 | 840 | 852 | 857 |
| Fire prevention | * | | 91 | 70 | 67 | 76 | 76 | 75 | 76 | 76 |
| Support services | * | | 56 | 29 | 31 | 32 | 32 | 33 | 33 | 33 |
| Business services | * | | 53 | 66 | 66 | 76 | 76 | 68 | 67 | 74 |
| Total public safety | <u>1,022</u> | <u>1,022</u> | <u>1,019</u> | <u>1,023</u> | <u>1,046</u> | <u>1,062</u> | <u>1,062</u> | <u>1,060</u> | <u>1,071</u> | <u>1,084</u> |

Source:
 OCFA Budget Books

Notes:
 Numbers reflect the funded positions.
 * Data was not maintained at the Department level prior to FY 1998-99.

COUNTY OF ORANGE
Property Value, Construction and Bank Deposits
Last Ten Fiscal Years
(dollars in thousands)

| Fiscal Year | (A) | (B) | Calendar Year | (C) | Number of Units | (C) | (C) |
|-------------|-------------------------|---------------|---------------|------------------------------|-----------------|--------------------------|--------------------|
| | Assessed Property Value | Total | | Non-Residential Construction | | Residential Construction | Total |
| | Value | Bank Deposits | | Value | | Value | Construction Value |
| 1996-97 | 177,300,663 | 33,081,000 | 1997 | 942,155 | 11,426 | 1,852,739 | 2,794,894 |
| 1997-98 | 182,284,317 | 35,319,000 | 1998 | 1,182,095 | 14,345 | 2,333,177 | 3,515,272 |
| 1998-99 | 192,625,739 | 36,458,000 | 1999 | 1,796,025 | 12,990 | 2,313,190 | 4,109,215 |
| 1999-00 | 209,136,472 | 37,639,000 | 2000 | 1,818,791 | 11,905 | 2,152,073 | 3,970,864 |
| 2000-01 | 228,548,301 | 40,643,225 | 2001 | 1,748,172 | 11,953 | 2,214,626 | 3,962,798 |
| 2001-02 | 248,966,581 | 44,329,000 | 2002 | 1,208,626 | 12,020 | 2,328,123 | 3,536,749 |
| 2002-03 | 269,684,864 | 50,226,425 | 2003 | 1,005,547 | 9,311 | 2,076,976 | 3,082,523 |
| 2003-04 | 287,923,828 | 57,732,000 | 2004 | 1,132,848 | 9,322 | 2,243,642 | 3,376,490 |
| 2004-05 | 311,802,395 | 63,665,000 | 2005 | 1,494,759 | 7,206 | 2,100,436 | 3,595,195 |
| 2005-06 | 342,576,859 | (1) | 2006 | 1,571,184 | 6,773 | 1,956,586 | 3,527,769 |

(1) Data not available at time of publication.

SOURCES:

- (A) Auditor-Controller, County of Orange.
- (B) Federal Deposit Insurance Corporation (<http://www.fdic.gov>)
- (C) The Chapman University " Economic & Business Review " (Forecasts) dated June 2006.

ORANGE COUNTY FIRE AUTHORITY
Miscellaneous Statistical Information
June 30, 2006

| | | | |
|-----------------------------------|--|------------------------|------------------------|
| Date of Formation: | March 1, 1995 | | |
| Form of Government: | Joint Powers Authority, State of California | | |
| Number of Member Agencies: | 23 | | |
| Members: | Aliso Viejo | Laguna Woods | San Juan Capistrano |
| | Buena Park | Lake Forest | Seal Beach |
| | Cypress | La Palma | Stanton |
| | County of Orange | Los Alamitos | Tustin |
| | Dana Point | Mission Viejo | Villa Park |
| | Irvine | Placentia | Westminster |
| | Laguna Hills | Rancho Santa Margarita | Yorba Linda |
| | Laguna Niguel | San Clemente | |
| Area Served: | 551 square miles | | |
| Population: | 1,351,398 people | | |
| Number of Stations: | 61 (including 2 specialty stations) | | |
| Equipment: | Engines | 99 | |
| | Type 1 – 78 engines | | Air Support Vehicles 4 |
| | Paramedic Engine Units – 20 | | Airport Crash Units 4 |
| | Paramedic Assessment Units – 25 | | Bull Dozers 3 |
| | Basic Life Support Units – 33 | | Command Vehicles 2 |
| | Type 2 – 13 engines | | Haz Mat Response 2 |
| | Paramedic Assessment Units – 2 | | Helicopters 2 |
| | Basic Life Support Units – 11 | | Paramedic Vans 10 |
| | Type 3 – 8 engines | | Squad Vehicles 7 |
| | Basic Life Support Units – 8 | | Water Tenders 5 |
| | Trucks | 13 | Patrols 12 |
| | Paramedic Assessment Units – 4 | | Swift Water Rescue |
| | Basic Life Support Units – 9 | | Boats 4 |

ORANGE COUNTY FIRE AUTHORITY
Miscellaneous Statistical Information
(Continued)

Authorized Positions (by unit):

| | |
|-------------------------------|-----------|
| Firefighter Unit | 778 |
| Fire Management Unit | 40 |
| General Unit | 193 |
| Supervisory Management Unit | 28 |
| Supported Employment Unit | 4 |
| Personnel & Salary Resolution | <u>48</u> |
| Total Authorized Positions | 1,091 |

Emergency Response: See pages 94 – 95

Investigations Activity:

| Cause of Fire | Origin & Cause | Follow-up | Post Incident Inspection | Total |
|-------------------------|-------------------|------------|-----------------------------|------------|
| Arson | 85 | 102 | 1 | 188 |
| Reckless Burning | 11 | 10 | 0 | 21 |
| Careless/Negligent | 22 | 35 | 27 | 59 |
| Accident | 70 | 46 | 64 | 180 |
| Mischievous False Alarm | 0 | 2 | 0 | 2 |
| Undetermined | 2 | 3 | 0 | 5 |
| Not Applicable | 7 | 7 | 3 | 17 |
| Total | 197 | 205 | 95 | 472 |

Origin & Cause – Investigation by Fire Prevention staff to determine where and why the fire started.

Follow-up – Investigation to determine who started a fire after the Origin & Cause.

Post Incident Inspection – Inspection to determine the effectiveness of safety systems and identify other community safety issues.

Planning and Development Activities:

| | |
|---|--------|
| Total Plans Received | 12,205 |
| Total Plans Reviewed | 12,181 |
| Percentage Reviewed within Processing Goals | 99.3% |

SOURCES: Clerk of the Authority, Orange County Fire Authority
Community Relations and Education, Orange County Fire Authority
Planning and Development, Orange County Fire Authority
Inspection and Investigation Services, Orange County Fire Authority

ORANGE COUNTY FIRE AUTHORITY – RISK MANAGEMENT
Insurance in Force
June 30, 2006

| Services | Effective Date Term | Annual Premium | Coverage Summary |
|--|--|--|---|
| FAIRA Carrier: American Alternative TPA: Glatfelter Claims Mgmt. General Liability/Property/Crime/ Portable Equipment/Management Liability/Excess Liability Automobile Executive Auto Policy Rider | 7/1/05 - 7/1/06 | \$692,413 | LIMITS: General Liability \$1M ea occ./\$2M aggreg. Property Agreed value Crime Various Portable Equipment Replacement Management Liability \$1M/\$2M Excess Liability \$5M/\$10M Coverage for real and personal property, employment-related practices, administration of employee benefit plans, advertising, professional liability, wrongful termination, failure to promote, sexual harassment, errors and omissions and other wrongful acts not excluded. LIMITS: Liability (each accident) \$1M Med. Pmts. (each person) \$10,000 Uninsured Motorists \$1M Physical Damage Various |
| Aviation Carrier: ACE USA | 6/28/06- 6/28/07 | \$93,786 | LIMITS: Single Limit \$20M Coverage for bodily injury, property damage, medical payments. |
| Pollution Carrier: Zurich | 7/1/05– 7/1/06 | \$3,853 | LIMITS: \$1M/\$2M Coverage for bodily injury or property damage due to release from storage tank and for costs of corrective action. |
| Public Officials Carrier: Hartford Fire Insurance Treasurer Finance Division Manager Chief of Business Services Clerk of the Authority | 2/28/06-2/28/07 1/25/06-1/25/07 1/3/06-1/3/07 7/1/05 – 7/1/06 | \$3,025 \$2,750 \$3,025 \$2,887 | LIMITS: \$1M Coverage protects OCFA in the event faithful performance of duties by public officials is not carried out. |
| Vehicle Verifier Bond Carrier: Hartford Fire Insurance Fleet Services Manager Fleet Services Coordinator | 5/19/06 – 5/19/07 8/28/05 – 8/28/06 | \$100 \$100 | Surety bond for employees responsible for verifying vehicle documentation. |
| Excess Workers' Compensation SCRMA Excess: ACE American Insurance Company | 3/1/06– 3/1/07 3/1/06 – 3/1/07 | \$502,100 \$632,444 | Statutory Employer Liability: \$1,000,000 each accident \$1,000,000 each employee for disease OCFA Retention: \$2,000,000 each accident \$1M/\$2M excess of self-insured retention |
| Occupational Medicine UCI | 3/1/06 – 3/31/07 | \$80,355 | Provides employee occupational health services. |
| | TOTAL | \$2,016,838 | |

SOURCE: Human Resources / Risk management, Orange County Fire Authority

ORANGE COUNTY FIRE AUTHORITY
Incidents by Major Category Definitions

Fire, Explosion: These are fire responses, even if the fire has been extinguished upon arrival. This category also includes combustion explosions with no resulting fire. Examples of this category include structure fires, rubbish fires, dumpster fires and vehicle fires.

Over-Pressure Rupture: This category includes vessels or containers that suffer failure or near failure due to extreme pressure from either an outside source, such as direct heating, or internally due to a cooling system failure or over-filling, such as a propane tank. Examples of this category also include explosions from bombs, dynamite or similar explosives.

Rescue/EMS Call: This category includes all medical aids, illness and heart attacks, as well as traffic accidents and missing persons.

Hazardous Condition Standby: This category includes Hazardous Materials incidents; electrical wire arcing; suspected drug labs; or situations where there is a perceived problem that may prove to be a potential emergency.

Service Call: This category includes incidents for persons in distress, such as a lock-in or lock-out of a vehicle or dwelling creating an emergency situation or critical need, and smoke or odor problems. This category would also include moving units from one station to another to provide area coverage.

Good Intent Call: This category includes incidents that are cleared prior to arrival, such as a medical aid where the injured party has left the scene, or the initial information indicated that there were injuries and upon arrival no persons were injured. This category may also include calls where the informant has mistaken steam for smoke.

False Alarm: Some examples of the incidents in this category are malicious mischief calls, system malfunctions and the accidental tripping of an interior alarm sensor or device.

Natural Disaster: This category includes incidents that are not normal occurrences, such as earthquakes, lightening strikes, hurricanes and other weather or natural events.

Other: This includes citizen complaints and reports of fire code or ordinance violations.

SOURCE: Operations Department, Orange County Fire Authority

ORANGE COUNTY FIRE AUTHORITY
Incidents by Type and Total
Last Ten Fiscal Years

| For the Year Ended June 30 (1) | Fire/ Explosion | Ruptures | Rescue/ EMS | Hazmat | Service Call | Good Intent | False Alarm | Natural Disaster | Other | Total |
|--------------------------------------|--------------------|----------|----------------|--------|-----------------|----------------|----------------|---------------------|-------|--------|
| 1997 | 2,724 | 230 | 35,956 | 1,525 | 4,052 | 13,504 | 4,308 | 13 | 577 | 62,889 |
| 1998 | 2,319 | 260 | 37,681 | 1,606 | 4,607 | 13,628 | 4,352 | 73 | 493 | 65,019 |
| 1999 | 2,326 | 223 | 39,226 | 1,710 | 4,308 | 12,865 | 4,392 | 1 | 486 | 65,537 |
| 2000 | 2,352 | 252 | 43,715 | 1,603 | 4,353 | 10,430 | 4,974 | 2 | 274 | 67,955 |
| 2001 | 2,254 | 224 | 45,525 | 1,754 | 4,803 | 10,082 | 5,472 | 3 | 103 | 70,220 |
| 2002 | 2,212 | 162 | 48,011 | 1,747 | 4,902 | 11,122 | 5,505 | 7 | 106 | 73,774 |
| 2003 | 2,158 | 160 | 48,604 | 1,805 | 4,891 | 10,919 | 4,831 | 5 | 118 | 73,491 |
| 2004 | 2,136 | 177 | 52,000 | 1,665 | 4,918 | 10,938 | 4,455 | 2 | 105 | 76,396 |
| 2005 | 1,923 | 169 | 52,348 | 1,559 | 5,246 | 10,990 | 4,434 | 47 | 552 | 77,268 |
| 2006 | 1,972 | 179 | 54,461 | 1,402 | 5,271 | 11,413 | 4,543 | 4 | 417 | 79,662 |

SOURCE: Clerk of the Authority, Orange County Fire Authority

Note: (1) Response statistics are normally reported on a calendar year basis in other reports. These statistics have been reported on the fiscal year basis, July through June.

ORANGE COUNTY FIRE AUTHORITY
Total Incidents by Member Agency
Last Ten Fiscal Years

| For the Year Ended June 30 (1) | 1997 Total | 1998 Total | 1999 Total | 2000 Total | 2001 Total | 2002 Total | 2003 Total | 2004 Total | 2005 Total | 2006 Total |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Aliso Viejo (4) | | | | | | 1,705 | 1,813 | 1,924 | 1,802 | 1,993 |
| Buena Park | 4,845 | 4,948 | 5,070 | 5,041 | 5,063 | 5,350 | 5,439 | 5,346 | 5,530 | 5,368 |
| Cypress | 2,031 | 2,057 | 2,142 | 2,229 | 2,349 | 2,313 | 2,322 | 2,240 | 2,359 | 2,489 |
| Dana Point | 2,132 | 2,158 | 1,987 | 2,041 | 2,093 | 2,303 | 2,398 | 2,529 | 2,441 | 2,490 |
| Irvine | 7,592 | 7,614 | 7,738 | 8,119 | 8,755 | 9,190 | 8,833 | 9,293 | 10,341 | 10,797 |
| Laguna Hills | 2,011 | 2,069 | 2,022 | 2,067 | 2,197 | 2,242 | 2,238 | 2,512 | 2,211 | 2,373 |
| Laguna Niguel | 2,336 | 2,481 | 2,401 | 2,597 | 2,557 | 2,799 | 2,818 | 2,871 | 2,866 | 2,944 |
| Laguna Woods (2) | | | | 3,481 | 3,700 | 3,772 | 3,670 | 3,949 | 3,955 | 4,300 |
| Lake Forest | 2,650 | 2,894 | 2,914 | 3,411 | 3,805 | 4,079 | 3,922 | 4,092 | 4,171 | 4,103 |
| La Palma | 529 | 525 | 540 | 621 | 563 | 619 | 648 | 736 | 761 | 772 |
| Los Alamitos | 804 | 830 | 872 | 939 | 917 | 963 | 984 | 930 | 971 | 1,012 |
| Mission Viejo | 4,278 | 4,510 | 4,489 | 5,010 | 5,351 | 5,630 | 5,573 | 5,845 | 5,577 | 5,809 |
| Placentia | 1,993 | 2,129 | 2,257 | 2,125 | 2,258 | 2,269 | 2,375 | 2,557 | 2,577 | 2,797 |
| Rancho Santa Margarita (3) | | | | 1,275 | 1,593 | 1,790 | 1,786 | 1,773 | 1,914 | 1,946 |
| San Clemente | 2,869 | 2,972 | 2,805 | 2,721 | 3,004 | 3,057 | 3,219 | 3,508 | 3,594 | 3,619 |
| San Juan Capistrano | 1,980 | 1,909 | 1,896 | 2,219 | 2,196 | 2,253 | 2,116 | 2,340 | 2,418 | 2,452 |
| Seal Beach | 2,580 | 2,845 | 2,796 | 2,708 | 2,802 | 2,967 | 2,720 | 2,967 | 3,049 | 3,257 |
| Stanton | 2,217 | 2,296 | 2,244 | 2,252 | 2,503 | 2,483 | 2,495 | 2,419 | 2,307 | 2,368 |
| Tustin | 3,359 | 3,580 | 3,392 | 3,536 | 3,542 | 3,524 | 3,644 | 3,668 | 3,645 | 3,608 |
| Villa Park | 251 | 294 | 294 | 265 | 263 | 273 | 274 | 271 | 292 | 309 |
| Westminster (2) | 5,191 | 5,116 | 5,094 | 5,333 | 5,377 | 5,460 | 5,525 | 5,618 | 5,798 | 5,950 |
| Yorba Linda | 1,990 | 2,065 | 2,182 | 2,300 | 2,371 | 2,510 | 2,563 | 2,653 | 2,676 | 2,814 |
| Unincorporated | <u>11,251</u> | <u>11,727</u> | <u>12,402</u> | <u>7,665</u> | <u>6,961</u> | <u>6,223</u> | <u>6,116</u> | <u>6,355</u> | <u>6,013</u> | <u>6,092</u> |
| Total | <u>62,889</u> | <u>65,019</u> | <u>65,537</u> | <u>67,955</u> | <u>70,220</u> | <u>73,774</u> | <u>73,491</u> | <u>76,396</u> | <u>77,268</u> | <u>79,662</u> |

SOURCE: Clerk of the Authority, Orange County Fire Authority

Note: (1) Response statistics are normally reported on a calendar year basis in other reports.

These statistics have been reported on the fiscal year basis, July through June.

(2) Laguna Woods joined the OCFA 1/27/00 (previously reported in County unincorporated).

(3) Rancho Santa Margarita joined the OCFA upon incorporation on 3/23/00 (previously reported in County unincorporated).

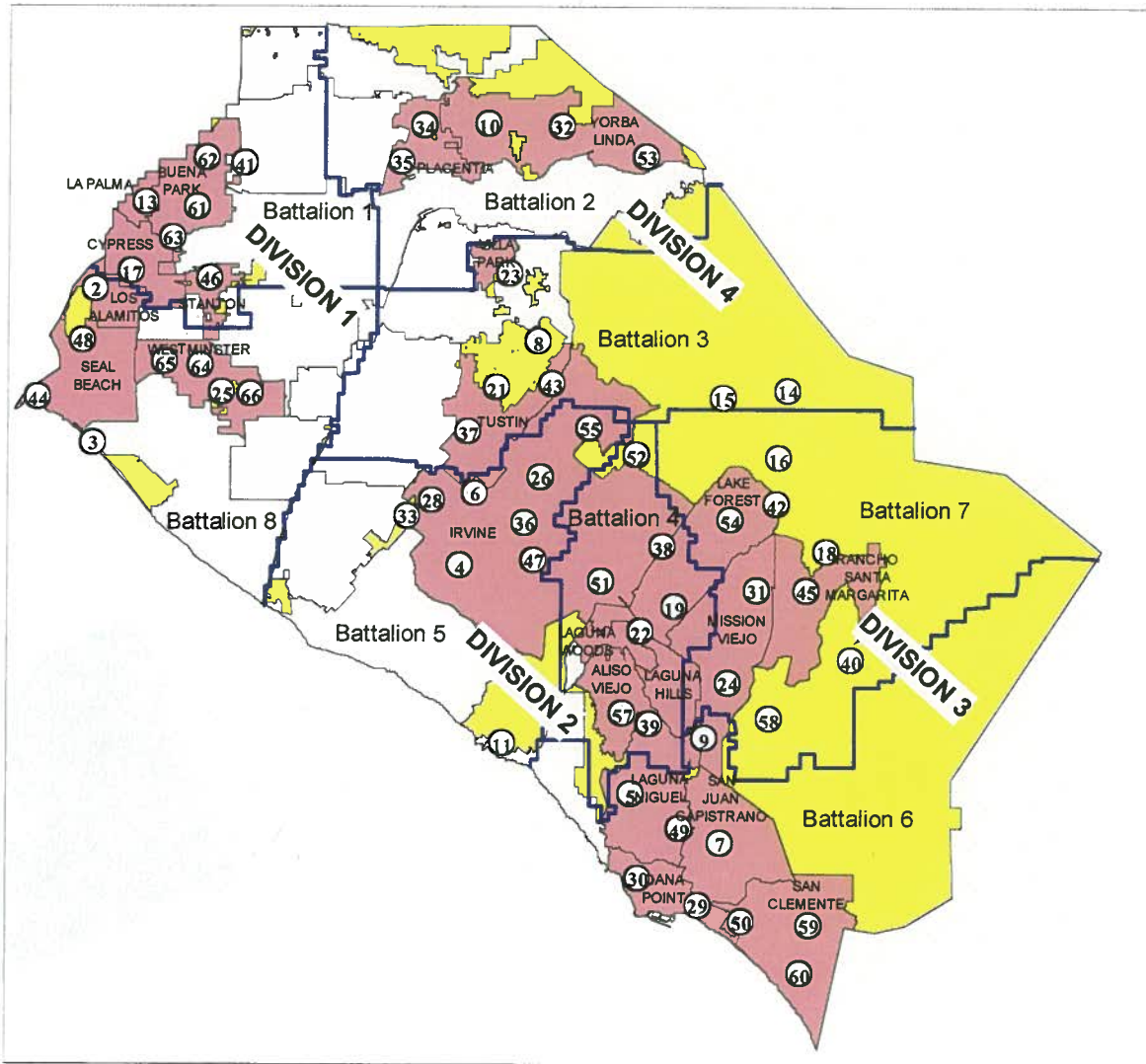
(4) Aliso Viejo joined the OCFA upon incorporation on 7/1/01 (previously reported in County unincorporated).

**ORANGE COUNTY FIRE AUTHORITY
Capital Asset Statistics
Last Ten Fiscal Years**

| | Fiscal Year ended June 30 | | | | | | | | | |
|--------------------------|---------------------------|------|------|------|------|------|------|------|------|------|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Number of stations | 60 | 60 | 61 | 61 | 63 | 59 | 60 | 60 | 60 | 61 |
| Equipment: | | | | | | | | | | |
| Engines | 82 | 82 | 82 | 82 | 84 | 76 | 73 | 73 | 99 | 99 |
| Trucks | 14 | 14 | 14 | 14 | 14 | 13 | 13 | 13 | 13 | 13 |
| Air support vehicles | 2 | 2 | 2 | 2 | 4 | 4 | 3 | 4 | 4 | 2 |
| Airport crash units | 4 | 4 | 4 | 4 | 3 | 3 | 4 | 3 | 4 | 4 |
| Bull dozers | 3 | 3 | 3 | 3 | 2 | 2 | 3 | 2 | 2 | 3 |
| Command vehicles | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| HazMat response | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 |
| Helicopters | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Paramedic vans | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Squad vehicles | 0 | 0 | 0 | 0 | 0 | 10 | 7 | 7 | 7 | 7 |
| Water tenders | 6 | 6 | 6 | 6 | 4 | 4 | 5 | 5 | 5 | 5 |
| Patrols | 9 | 9 | 9 | 9 | 9 | 9 | 12 | 12 | 12 | 12 |
| Swift water rescue boats | 0 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |

ORANGE COUNTY FIRE AUTHORITY

Battalion Boundaries and Station Locations



SOURCE: GIS Mapping, Orange County Fire Authority

ORANGE COUNTY FIRE AUTHORITY
List of Stations by Member Agency
June 30, 2006

City of Aliso Viejo

Station 57, 57 Journey, 92656

City of Buena Park

Station 61, 8081 Western Ave. 90620

Station 62, 7780 Artesia Blvd. 90620

Station 63, 9120 Holder St. 90620

City of Cypress

Station 17, 4991 Cerritos Ave. 90630

City of Dana Point

Station 29, 26111 Victoria Blvd. 92624

Station 30, 23831 Stonehill Dr. 92629

City of Irvine

Station 4, 2 California Ave. 92612

Station 6, 3180 Barranca Pkwy. 92606

Station 26, 4691 Walnut Ave. 92604

Station 28, 17862 Gillette Ave. 92614

Station 36, 301 E. Yale Loop 92604

Station 38, 26 Parker 92618

Station 47, 47 Fossil 92603

Station 51, 18 Cushing 92618

Station 55, 4955 Portola Pkwy. 92614

Cities of Laguna Hills and Laguna Woods

Station 22, 24001 Paseo de Valencia 92653

City of Laguna Niguel

Station 5, 23600 Pacific Island Dr. 92677

Station 39, 24241 Avila Rd. 92656

Station 49, 31461 St. of the Golden Lantern 92677

City of Lake Forest

Station 19, 23022 El Toro Rd. 92630

Station 42, 19150 Ridgeline Rd., 92679

Station 54, 19811 Pauling Ave., 92610

City of La Palma

Station 13, 7822 Walker St. 90623

City of Los Alamitos

Station 2, 3642 Green Ave. 90720

City of Mission Viejo

Station 9, #9 Shops Blvd. 92691

Station 24, 25862 Marguerite Pkwy. 92692

Station 31, 22426 Olympiad Rd. 92692

City of Placentia

Station 34, 1530 N. Valencia 92870

Station 35, 110 S. Bradford 92870

City of Rancho Santa Margarita

Station 45, 30131 Aventura 92688

City of San Clemente

Station 50, 670 Camino de los Mares 92673

Station 59, 1030 Calle Negocio 92673

Station 60, 100 Avenida Presidio 92672

City of San Juan Capistrano

Station 7, 31865 Del Obispo 92675

ORANGE COUNTY FIRE AUTHORITY
List of Stations by Member Agency
(Continued)

City of Seal Beach

Station 44, 718 Central Ave. 90740
Station 48, 3131 Beverly Manor Rd. 90740

City of Stanton

Station 46, 7871 Pacific St. 90680

City of Tustin

Station 37, 14901 Red Hill Ave. 92780
Station 43, 11490 Pioneer Way 92782

City of Villa Park

Station 23, 5020 Santiago Canyon Rd. 92869

City of Westminster

Station 64, 7351 Westminster Blvd. 92683
Station 65, 6061 Hefley St. 92683
Station 66, 15061 Moran St. 92683

City of Yorba Linda

Station 10, 18422 E. Lemon Dr. 92886
Station 32, 20990 Yorba Linda Blvd. 92886
Station 53, 25415 La Palma Ave. 92886

County of Orange, Unincorporated

Station 3, 16861 12th St., Sunset Beach 90742
Station 8, 10631 Skyline Dr., Santa Ana 92705
Station 11, 259 Emerald Bay, Laguna Beach 92651
Station 14, P.O. Box 12, Silverado 92676
Station 15, 27172 Silverado Canyon Rd., Silverado 92676
Station 16, 28891 Modjeska Canyon Rd., Silverado 92676

Station 18, P.O. Box 618, Trabuco Canyon 92678
Station 21, 1241 Irvine Blvd., Tustin 92780
Station 25, 8171 Bolsa Ave., Midway City 92655
Station 33, 366 Paularino, Costa Mesa 92626
Station 40, 25082 Vista del Verde, Coto de Caza 92679
Station 58, 58 Station Way, Ladera Ranch 92694

Specialty Stations

Station 41, 3815 Commonwealth Ave, Fullerton 92633
Helicopter Operations

Station 52, 7490 Trabuco Rd., Irvine 92619
Crews & Equipment

ORANGE COUNTY FIRE AUTHORITY
Description of the Organization, Programs and Service Delivery

EXECUTIVE MANAGEMENT

Executive Management is responsible for planning, organizing, evaluating fire and emergency services and providing direction to all departments within the organization. Executive Management also ensures that the types and levels of services provided are consistent with Board of Directors policy and the adopted budget.

The Orange County Fire Authority (OCFA) is managed by an appointed Fire Chief, a Deputy Fire Chief and four Assistant Chiefs. Service activities are organized into four departments – Operations, Fire Prevention, Business Services, and Support Services. The following divisions/sections report directly to the Fire Chief or Deputy Fire Chief and are not included in the one of the four departments:

Clerk of the Authority – The Clerk of the Authority is responsible for attending and taking minutes of all public meetings of the Board of Directors and committees, executing orders as directed, preparing legal notices for publication, distributing copies of orders and performing records management functions for the OCFA.

Corporate Communications – Corporate Communications is responsible for a wide variety of programs including Audio-Visual design and production, media relations, community relations and public education. Other responsibilities in support of the Fire Chief and Executive Management team include customer service follow-up, other special studies as required by the Fire Chief and liaison to various constituencies including OCFA member cities.

- As part of Corporate Communications, the Community Relations and Education Services Section provides an array of programs designed to educate the public in the areas of fire and injury prevention and public safety issues. These programs are designed to meet the needs of the community, including school requests, community events, business needs and service organization functions. The focus of these efforts is to deliver high quality fire safety education programs along with the delivery of all risk preparedness programs when needed. These programs include Business Safety, Fire Extinguisher Use, Older Adult Safety, Earthquake Preparedness, Junior Firefighter, Learn Not to Burn, Drowning Prevention, Fire F.R.I.E.N.D.S., Cardiopulmonary Resuscitation (CPR) and general fire safety programs. Along with educational programs, the coordination and active participation in community events which can include parades, health and safety fairs, school carnivals and other city functions are also an integral part of the services offered through this section.
- The Multi-Media Services Section is also a part of the Corporate Communications Section. Multi-Media Services produces award-winning media to support programs in all areas of the OCFA. Production capabilities include video format, computer presentations, and still photography. Other services include graphic design and meeting support. A video newsletter is produced quarterly and includes a safety topic, automotive maintenance tips, a Chief's message and highlights of significant emergency incidents during the previous quarter. In addition, all audio/visual needs and services are conducted and administered through this section.

Human Resources Division – The Human Resources Division includes the following sections: Employee Relations, Organizational Training and Development, Risk Management, and Employee Benefits and Services. These sections provide programs and services designed to support the OCFA and its employees in the achievement of its mission and objectives. The employee relations program includes classification and compensation, recruitment and selection, labor negotiations and Memorandum of Understanding (MOU) administration, risk management, performance management, salary administration, health and wellness, organizational development/training, employee benefits and other areas essential to the management of the OCFA's human resources.

- The Employee Benefits and Services Section (Benefits) consists of the Employee Benefits and Human Resources Support personnel. Benefits is responsible for the administration of employee benefit programs including health, accidental death and dismemberment, dental, vision, life, disability and optional benefit plans. In support of all OCFA employees, Benefits is responsible for the administration of the Retiree Medical Program, the Employee Assistance Program (EAP), the Dependent Care Assistance Program (DCAP), the Premium Only Plan (POP) and the New Employee Orientation Program; coordinating and assisting employees with the retirement process; and is completing administrative duties related to all types of leaves.

Also under this section, the Human Resources Support Staff is charged with a number of major administrative duties and services to employees covering most areas of the Human Resources Division. Duties include new employee sign-ups, distribution of applications and recruitment flyers, tracking performance evaluation notifications, assisting personnel with walk-in and phone questions, payroll processing of new hires, probation approvals, merit increases, promotions, reductions, separations, entries for all HR-related automated information systems and master position control.

- The Employee Relations Section conducts compensation and classification studies, conducts recruitments and examinations, reviews and/or consults on disciplinary matters, maintains all personnel records, handles labor negotiations, and administers the various memoranda of understanding for represented employees and advises managers/supervisors on employee relations issues.
- The Organizational Training & Development Section has the responsibility for organizing training and development programs/activities for supervisors, managers and staff.
- The Risk Management Section administers the workers' compensation, general liability, and occupational safety and health programs. This section also assists OCFA employees through the workers' compensation process and manages general liability for both auto and property losses and claims. Risk Management also secures insurance coverage for all of OCFA's insurance needs, responds to and reviews occupational risks and exposures by loss control and safety measures and co-chairs OCFA's Safety and Occupational Health Committee.

General Counsel – The OCFA contracts with the firm of Woodruff, Spradlin, & Smart located in Orange, California for its legal services. General Counsel reports directly to the Board of Directors.

The following pages contain descriptions of each department/division along with the programs and services delivered to the OCFA's customers.

OPERATIONS DEPARTMENT

The Operations Department is responsible for providing command and control direction regarding daily operations and all fire suppression activities including resource utilization, deployment and staffing during major emergencies and disaster or extreme weather staffing conditions. Also included are other fire services such as community volunteer services, emergency communications, emergency medical, special operations (helicopter and hand crew/heavy equipment programs), training and safety and emergency planning and coordination.

Divisions I, II, III, IV, and V – There are five operational divisions, each under the command of a Division Chief, encompassing geographical areas throughout the OCFA's jurisdiction. Divisions I, III, and IV are divided into two battalions while Divisions II and V consist of one battalion and specialized emergency response capabilities and equipment (Airport Rescue Firefighting in Division II and Urban Search and Rescue in Division V). The battalions are under the command of Battalion Chiefs. Within these battalions are 61 fire stations that provide for regional emergency response to all structure fires, medical aids, rescues, hazardous materials incidents and wildland fires.

Operations Support Division – This Division provides other fire services as described below:

Community Volunteer Services – The Community Volunteer Services Section is responsible for the coordination of 357 Reserve Firefighters (RFF) that provide emergency medical aid, fire suppression and support services responding out of five stand-alone fire stations, fourteen combination fire stations (both RFF and Career personnel assigned) and three RFF Crew locations.

Emergency Communications – The Emergency Communications Section has two primary functions. The Dispatch Center receives and dispatches emergency calls using Computer Aided Dispatching system (CAD). The mapping and geo-file group maintains the Fire Station Order File (a key component of CAD to ensure the closest emergency apparatus is sent to the emergency) and creates and distributes District Maps for use by emergency apparatus to respond to the emergency scene.

Emergency Medical Services (EMS) – The Emergency Medical Services (EMS) Section provides management, oversight and direction for the delivery of emergency medical services by first responders and paramedics. This includes the implementation of the continuing quality improvement program; ongoing continuing education for all personnel and EMT-I basic training for the reserve personnel; EMS supply and equipment evaluation and purchasing; monitoring and tracking of paramedic licensure and EMT-I certifications; oversight of compliance to ALS and medical supply fee agreements by the ambulance providers; issuance and evaluation of the ambulance RFP; monitoring of ambulance response time compliance; liaison to applicable regulatory agencies, hospitals, ambulance providers and other EMS groups; and identifying paramedic staffing needs and performing recruitment functions.

Emergency Planning and Coordination (EPAC) – The Emergency Planning and Coordination (EPAC) Section coordinates the OCFA's emergency planning with federal, state and local jurisdictions and agencies, manages the Department's Operations Center (DOC) during major emergencies and serves as the OCFA liaison to any agency requiring information on emergency response or planning. The EPAC Battalion Chief represents the OCFA on working task forces such as the state and federal Terrorism Task Force, Nuclear Power Authority and Marine Disaster. This section coordinates all

California Department of Forestry (CDF) Gray Book issues, contract counties review and automatic aid issues. This section also maintains and updates all City and County Emergency Plans, the multi-agency Mutual Aid Plan, Office of Emergency Services (OES) Mutual Aid Plan, Supplement Response Guidebook and OCFA Mutual Aid Operational Area Plan. The Chief also has responsibility for the administration and coordination of the OCFA Vegetation Management Program (VMP/Wildland Defense Program). The goal of this program is to mitigate the negative effects of wildland fires by developing tactical pre-fire plans, using controlled burns to lessen the effects of wildland fires and providing community awareness of efforts the community can take to prevent property and life loss in the wildland/urban interface.

Operations Training and Safety – The Operations Training and Safety Section delivers and facilitates all operations personnel training activities. This includes research, development and implementation of a variety of training courses, including basic and advanced firefighter techniques and administrative and supervisory training. The Training Section coordinates and administers recruit and promotional training academies including reserve firefighters, firefighters, lateral paramedics, engineers and officer academies. This section also maintains a strong working relationship with Santa Ana College and the California Joint Apprentice Commission (JAC). The OCFA Training Section is a leader in training research and development of the Orange County Training Officers Board locally, and the Training Resources and Data Exchange (TRADE) nationally. This section also serves in a lead capacity on issues of employee and incident safety, with training officers doubling as incident safety officers.

Special Operations – The Special Operations Section is responsible for coordination of the OCFA's Helicopter Program, fire crews and heavy fire equipment. The OCFA currently maintains firefighting helicopters used for emergency responses throughout the year for wildland and wildland-urban interface fires, swift water and still water rescues, medical rescue support and disaster mitigation. The Crews and Equipment Unit is responsible for coordinating firefighting handcrews, heavy fire equipment emergency responses, fire road maintenance and various construction and maintenance projects.

FIRE PREVENTION DEPARTMENT

The Fire Prevention Department adopts and enforces codes and ordinances relative to fire and life safety issues, reviews plans and conducts inspections of construction projects, coordinates annual life safety inspections of all existing commercial buildings, provides long-range analysis of impacts on resources associated with future land use and development, investigates all fires and manages OCFA's hazardous materials programs in accordance with local, state and federal regulations.

Investigation Services – The Investigation Services Section's peace officers are responsible for investigating or reviewing all fires to determine the cause and the appropriate intervention strategies. A thorough and accurate investigation provides the foundation for current and future fire prevention efforts. Criminal cases are followed up by filing with the District Attorney's Office, while juvenile-related fires are handled through a juvenile diversion program. Cost recovery is pursued on all applicable incidents. Non-criminal fires are reviewed for the purpose of identifying potential fire prevention efforts.

Planning and Development – The Planning and Development Section works with the construction community, as well as city and County planning and building staff, to ensure new developments and projects meet state and local fire and life safety requirements. Staff review conceptual and community designs, including special provisions for development in wildland interface areas, and review and inspect construction and new systems, working closely with architects, engineers, contractors and consultants to ensure that the California and Uniform Fire Code requirements are met prior to occupancy. The section is also responsible for development and implementation of local fire code amendments adopted by each city and the County during the triennial code adoption process.

Risk Analysis and Mitigation Evaluation - The Risk Analysis and Mitigation Evaluation Section provides a comprehensive analysis of community risks along with an evaluation of ongoing mitigation efforts. This is done by obtaining data from a variety of sources to conduct statistical and spatial analysis of current and historical risks as well as trend analysis. In conjunction with the risk analysis, there will be an inventory and analysis of all current mitigation strategies within OCFA. Each will be categorized by responsible Section, targeted risk, targeted audience, resources needed and perceived effectiveness. Specific performance indicators for each program are being developed. Mitigation strategies research will be ongoing and will extend beyond public safety agencies to any group or activity experiencing success in reducing the current or projected risks within OCFA's jurisdiction.

Safety and Environmental Services (S&ES) - This section assists stakeholders in maintaining and enhancing safe communities. Working with stakeholders such as businesses, city and county staff, first responders, environmental regulatory agencies and the general public, S&ES staff conducts fire safety inspections, issues permits for hazardous processes, responds to public complaints of hazards and provides emergency response information about hazardous materials for both response and planning purposes.

BUSINESS SERVICES DEPARTMENT

The Business Services Department monitors cash balances, makes investments and coordinates the annual Tax and Revenue Anticipation Note (TRAN) and long and short-term debt; provides financial functions such as accounts payable, accounts receivable, administrative support, budget, financial systems support, general ledger, payroll and timekeeping to OCFA; provides information systems development, repairs and installations; and provides purchasing, receiving, shipping, warehousing and mail operations.

Finance Division – The Finance Division is responsible for providing financial accounting, reporting, planning and budgeting services and developing procedures and policies to protect and safeguard the financial and material assets of the OCFA. Responsibilities include accounts receivable, accounts payable, payroll, general accounting of fixed assets and general ledger.

Information Technology Division – The Information Technology Division is responsible for the development and support of information systems applications and databases and also for operations, maintenance and security of the Authority's computers, network, radio systems and overall technical infrastructure. Responsibilities include analysis, design, programming, implementation, maintenance and security for existing and future computer systems; development and monitoring of information technology standards and guidelines; internal and external network development; and coordination, evaluation, selection and deployment for all computers, printers and automation software and hardware purchases, upgrades and replacements. The Communication Services function transitioned from the Operations Department during Fiscal Year 2005-06 following completion of the IT Master Plan. Responsibilities include the purchase and maintenance of all emergency communication radios; oversight for the installation of radios and MDCs in emergency apparatus; oversight for fire station alarm systems; and purchase and maintenance of pagers.

Purchasing & Materiel Management – The Purchasing & Materiel Management Section processes all purchasing requisitions, develops requests for proposals (RFPs), manages formal bid processes and manages surplus property for the OCFA. This section also provides shipping, receiving and warehousing services; performs mail processing and delivery services; certifies and maintains breathing apparatus; provides repair and fabrication services on equipment, woodworking, safety garments, and tools; manages the acquisition and distribution of bulk supplies and equipment; and provides logistical support for major emergencies.

Treasury and Financial Planning – The Treasury and Financial Planning Section, managed by the Treasurer, monitors the OCFA's cash balances, makes investments in accordance with the OCFA's Investment Policy, coordinates the issuance of the annual Tax and Revenue Anticipation Note (TRAN), prepares monthly investment reports and provides accounting support to the Employee Benefits Section. In addition, this section is responsible for budget preparation and monitoring, financial forecasting, grant research and application and special financial studies.

SUPPORT SERVICES DEPARTMENT

The Support Services Department coordinates all facilities maintenance, repairs, design and construction; automotive and fleet maintenance, repairs and acquisition; and government liaison and legislative advocacy.

Fleet Services – The Fleet Services Section is responsible for managing a fleet of over 400 vehicles and fire apparatus; performing preventive maintenance (PM), major repairs and renovations on the OCFA's apparatus and vehicles; testing and certifying specialty equipment; designing and developing specifications; and overseeing acquisition and manufacturing quality assurance of all vehicles and apparatus.

Legislative Services – The Legislative Services Section monitors legislation and regulations and advocates the OCFA's position before federal, state and local governing and regulating agencies.

Property Management – The Property Management Section constructs, manages and maintains the real property and durable infrastructure of the OCFA. Responsibilities include acquisition of real property; planning, design and construction of new fire stations; space management; and renovation, maintenance and repair of existing facilities.

Strategic Services – The Strategic Services Section is responsible for the coordination and management of advance and strategic planning efforts within the OCFA. Areas of responsibility include the following: analyze and monitor impacts of development, annexations and incorporations; initiate and complete agreements with developers for acquisition, design, construction and dedication of fire facilities, equipment, costs and services; research issues impacting OCFA services to the community including population shifts, density, infrastructure changes, social-economic influences, call load, response modeling and project-specific impact in order to determine appropriate service levels, benchmarks and actual performance; and ongoing coordination of the OCFA strategic plan. Support efforts to meet areas of responsibilities include developing and implementing performance indicators to measure organizational efficiency; monitoring Local Agency Formation Commission (LAFCO) and California Environmental Quality Act (CEQA) by reviewing submittals from governmental agencies and by responding to development issues that impact public safety and fire protection within our service delivery area; coordinating and monitoring fees and agreements, related to development, for fiscal issues and compliance; and coordinating and responding to requests for parcel, station locations, ISO ratings and demographic information.