ORANGE COUNTY FIRE AUTHORITY

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2006
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Orange County Fire Authority
Irvine, California

We have audited the financial statements of the Orange County Fire Authority as of and for the year ended June 30, 2006, and have issued our report thereon dated August 24, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Orange County Fire Authority’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, issued by the Comptroller General of the United States.
This report is intended solely for the information and use of the Board of Directors and management of the Orange County Fire Authority, federal awarding agencies and pass-through entities and is not intended to be and should not be, used by anyone other than these specified parties.

August 24, 2006
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Orange County Fire Authority
Irvine, CA

Compliance

We have audited the compliance of the Orange County Fire Authority (Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The Authority’s major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Orange County Fire Authority management. Our responsibility is to express an opinion on the Authority’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of State and Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above, that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority’s compliance with those requirements.

In our opinion, the Authority complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority’s internal control over compliance with requirements that could have a direct and material effect on a major federal program, in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133.
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Orange County Fire Authority as of and for the year ended June 30, 2006, and have issued our report thereon dated August 24, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors and management of the Authority, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

August 24, 2006
### Scheduled of Expenditures of Federal Awards

**Year Ended June 30, 2006**

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-through Grantor/Program Title</th>
<th>Catalog of Federal Domestic Assistance Number</th>
<th>Program Identification Number</th>
<th>Expenditures of Federal Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>United States Department of Homeland Security</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Programs:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>EMW-2004-CA-0422</td>
<td>440,425</td>
</tr>
<tr>
<td></td>
<td></td>
<td>EMW-2005-CA-0241</td>
<td>304,502</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>4,016,633</strong></td>
</tr>
<tr>
<td>Assistance to Firefighters Grant</td>
<td>97.044</td>
<td>EMW-2004-FG-08773</td>
<td>67,359</td>
</tr>
<tr>
<td>Passed through local governments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban Areas Security Initiative^</td>
<td>97.008</td>
<td>DHS-2004-GE-T4-0045</td>
<td></td>
</tr>
<tr>
<td>Passed through City of Anaheim</td>
<td></td>
<td>CAD - to - CAD</td>
<td>83,036</td>
</tr>
<tr>
<td>Passed through City of Santa Ana</td>
<td></td>
<td>800 Mhz Radios/Training</td>
<td>48,959</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>131,995</strong></td>
</tr>
<tr>
<td><strong>Total United States Department of Homeland Security</strong></td>
<td></td>
<td></td>
<td><strong>4,215,987</strong></td>
</tr>
<tr>
<td><strong>United States Department of Justice</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Program:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>United States Department of Health and Human Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Program:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Injury Prevention and Control Research and State and Community Based Programs - Public Safety and Education Center</td>
<td>93.136</td>
<td>H28/CCH924796-01</td>
<td>36,849</td>
</tr>
<tr>
<td><strong>Total Federal Expenditures</strong></td>
<td></td>
<td></td>
<td><strong>$ 4,513,144</strong></td>
</tr>
</tbody>
</table>

Note a: Refer to Note 1 in the financial statements for a description of significant accounting policies used in preparing this schedule.

Note b: There are no federal awards expended in the form of noncash assistance, insurance in effect, or loans or loan guarantees during the year.

See Accompanying Note to Schedule of Expenditures of Federal Awards
Note 1: Summary of Significant Accounting Policies

   a. Basis of Accounting

      Funds received under the various grant programs have been recorded within the General Fund and special revenue funds of the Orange County Fire Authority. The Authority utilizes the modified accrual basis of accounting for this fund type. The accompanying Schedule of Expenditures of Federal Awards has been prepared accordingly.

   b. Schedule of Expenditures of Federal Awards

      The Schedule of Expenditures of Federal Awards presented is prepared from only the accounts of the grant programs and, therefore, does not present the financial position or results of operations of the Authority.

   c. Subrecipients

      During the fiscal year ended June 30, 2006, the Orange County Fire Authority did not disburse any federal grant money to subrecipients.
SECTI ON I - SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes ___no
- Reportable condition(s) identified that are not considered to be material weakness(es)? ___yes ___none reported

Noncompliance material to financial statements noted? ___yes ___no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___yes ___no
- Reportable condition(s) identified that are not considered to be material weakness(es)? ___yes ___none reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ___yes ___no

Identification of major programs:

<table>
<thead>
<tr>
<th>CFDA Number(s)</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>97.008</td>
<td>Urban Areas Security Initiative</td>
</tr>
<tr>
<td>97.025</td>
<td>National Urban Search and Rescue (US&amp;R) Response System</td>
</tr>
</tbody>
</table>

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

Auditee qualified as low-risk auditee? ___X__yes ___no
SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.
SECTION I – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION II – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.