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To the Honorable Board of Supervisors
County of Santa Barbara, California

We have audited the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregated remaining fund information of the County of Santa Barbara for the year ended June 30, 2008, and have issued our report thereon dated September 16, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 21, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to the County's management in our meeting about planning matters on May 19, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. The County of Santa Barbara adopted Statement of Governmental Accounting Standards (GASB Statement) No. 45 and 50, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension" and "Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27", during the fiscal year 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the year end estimate of accruals, estimate for self insurance liability, and estimate of contingent settlement liability with the State of California and contract service providers relating to the Santa Barbara County Alcohol Drug and Mental Health Services (ADMHS) fund:

Management's estimate of the year-end payables is based on information received from the individual departments. We evaluated the key factors and assumptions used to develop the estimate of payables in determining that it is reasonable in relation to the financial statements taken as a whole. We also evaluated the self-insurance liability as determined by the County of Santa Barbara using actuarial reports prepared and provided by an independent third party. Furthermore, we reviewed management's analysis and supporting documents relating to contingent settlement liability with the State of California and contract service providers for the ADMHS fund and determined that it is reasonable and conservative.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 19 Other Post Employment Benefits (OPEB)
- Note 12 Commitments and Contingencies
- Note 22 Prior Period Adjustment

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. These misstatements were listed in the attached schedule of passed adjusting journal entries.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 16, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Supervisors and management of the County of Santa Barbara and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "Eric H. Xin". The signature is fluid and cursive, with the first name "Eric" and last name "Xin" clearly distinguishable.

By: Eric H. Xin

Bakersfield, California
September 16, 2008

County of Santa Barbara
PAJEs
6/30/2008

REF

ISF- CC ISF - Risk Management and Insurance

General Liability	10,838	
Claims Incurred		10,838

During our testing of self insurance liability, we determined that the County had recorded approximately \$10,838 more than was reported by the actuary as expected liability. The amount is immaterial and we will pass further analysis.

LC-2 Landfill cost

Accrued Landfill Closure Cost	159,725	
Closure Cost Expense		159,725

During our test of Landfill Cost, we determined that the County had recorded approximately \$159,725 more than was reported by the Public Works reports. The amount is immaterial and we will pass further analysis.