

**Santa Barbara County
Air Pollution Control District**

**Report to the
Board of Directors and Management
June 30, 2009**

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To Board of Directors of Santa Barbara County
Air Pollution Control District

Dear Board Members:

Annually, we review with the Board of Directors (the "Board") and management those matters that are required by generally accepted auditing standards to be communicated, as well as other matters we believe would be of interest to the Board and management. The attached report outlines those areas where we are required to communicate and certain other matters related to the audit of the financial statements of the Santa Barbara County Air Pollution Control District (APCD) for the year ended June 30, 2009. If you have any questions, please contact me at (805) 966-1521.

Sincerely,

Nasif, Hicks, Harris & Co., LLP

By,



Steven J. Hicks

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I. Scope

- The matters raised in this report are only those which have come to our attention arising from our audit that we believe need to be brought to the attention of management and the Board. They are not a comprehensive record of all the matters arising, and in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. This report has been prepared solely for the use of management and the Board and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.
- Because of the inherent limitations of an audit, it is possible that material misstatements of the financial statements resulting from fraud and, to a lesser extent from error, may not have been detected.
- We have considered the APCD's internal control structure in determining the nature, timing and extent of our audit procedures. We have performed our procedures using a highly substantive approach.

II. Results of the Audit

- We have completed our audit of the financial statements of the APCD for the year ended June 30, 2009 and issued an unqualified opinion on the financial statements.
- The primary purposes of this report are to present significant findings arising from our audit procedures and to communicate recommended enhancements to the internal control structure which came to our attention during our audit.
- We received full cooperation from management who provided us with complete access to the books and records of the APCD. There were no restrictions on the scope of our audit procedures.

III. Required Communications

Matter to be Communicated	Our Response
Auditor's responsibility under Generally Accepted Auditing Standards	
<ul style="list-style-type: none">• The auditor should communicate the level of responsibility assumed under Generally Accepted Auditing Standards (GAAP).	<ul style="list-style-type: none">• Our audit is designed to obtain reasonable, not absolute, assurance about the financial statements. This was also communicated in our engagement letter dated June 24, 2009.
Significant Accounting Policies and Unusual Transactions	
<ul style="list-style-type: none">• The auditor should determine that those charged with governance are informed about the initial selection of and changes in significant accounting policies, including critical accounting policies, as well as the methods used to account for significant unusual transactions and the auditor's judgment about the quality of accounting principles.	<ul style="list-style-type: none">• We have reviewed the APCD's accounting policies and believe that they are reasonable.
Other Information in Documents Containing Audited Financial Information	
<ul style="list-style-type: none">• Those charged with governance should be informed as to the auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the related results.	<ul style="list-style-type: none">• We are responsible for the review of other information in all documents containing audited financial statements to ensure their consistency with the financial statements. As noted in the Independent Auditors' Report dated December 4, 2009, we performed certain limited procedures on the management's discussion and analysis and the budgetary comparison schedule. The introductory section and the statistical tables were not subjected to auditing procedures.
Significant Audit Adjustments	
<ul style="list-style-type: none">• All significant adjustments arising from the audit should be communicated to management.	<ul style="list-style-type: none">• No significant adjustments arose during the audit process.

III. Required Communications

Matter to be Communicated	Our Response
Disagreements with Management <ul style="list-style-type: none">Disagreements with management, whether or not satisfactorily resolved, about matters that could be significant to the entity's financial statements or the auditor's report should be communicated to those charged with governance.	<ul style="list-style-type: none">No such disagreements occurred.
Consultation with Other Accountants <ul style="list-style-type: none">When the auditor is aware that management has consulted with other accountants about significant accounting or auditing matters, the auditor's views about the subject of the consultation should be communicated to those charged with governance.	<ul style="list-style-type: none">We are not aware of any consultations with other independent accountants on any significant accounting or auditing matters.
Major Issues Discussed with Management Prior to Retention <ul style="list-style-type: none">Any major issues that were discussed with management in connection with our annual retention should be communicated to those charged with governance.	<ul style="list-style-type: none">No such issues were encountered.
Difficulties Encountered in Performing the Audit <ul style="list-style-type: none">Serious difficulties encountered in dealing with management that relate to the performance of the audit are required to be brought to the attention of those charged with governance.	<ul style="list-style-type: none">No such difficulties were encountered.
Material Uncertainties Related to Events and Conditions, Specifically Going Concern Issues <ul style="list-style-type: none">The auditor should communicate any doubt regarding the entity's ability to continue as a going concern, and any other material uncertainties.	<ul style="list-style-type: none">No material uncertainties were identified.

III. Required Communications

Matter to be Communicated	Our Response
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Fraud and Illegal Acts	
<ul style="list-style-type: none">• Those charged with governance should be adequately informed of any fraud or illegal acts noted.	<ul style="list-style-type: none">• During the course of our audit of the financial statements for the year ended June 30, 2009, we did not become aware of any fraud or illegal acts.• However, an auditor cannot obtain absolute assurance that material misstatements in the financial statements will be detected. Because of the characteristic of fraud, particularly those involving concealment and falsified documentation including forgery, a properly planned audit may not detect a material misstatement. Further, the determination of whether an act is illegal is usually beyond the auditor's professional competence. The auditor's training and experience should ordinarily provide a reasonable basis for awareness that some client acts coming to their attention in the performance of the audit might be illegal. The further removed an illegal act is from events and transactions specifically reflected in the financial statements, the less likely the auditor is to become aware of the act or recognize the possible illegality.
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Independence	
<ul style="list-style-type: none">• Those charged with governance should be informed of any relationships that in our professional judgment may reasonably be thought to bear on our independence.	<ul style="list-style-type: none">• To the best of our knowledge, there are no circumstances or relationships between the APCD and Nasif, Hicks, Harris & Co., LLP that would impair our independence in reporting on the financial statements.• We are independent accountants within the meaning of Rule 101 of the Code of Professional Conduct of the American Institute of Certified Accountants.
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Other Material Written Communications	
<ul style="list-style-type: none">• Those charged with governance should be informed of other material written communications between the auditor and management.	<ul style="list-style-type: none">• In addition to this report, the following are other material written communications between Nasif, Hicks, Harris & Co., LLP and the APCD during 2009:<ul style="list-style-type: none">- Engagement letter for the audit of the APCD for the year ended June 30, 2009 dated June 24, 2009.- Management representation letter dated December 4, 2009.- Audited Financial Statements for the year ended June 30, 2009 dated December 4, 2009.

IV. Recent Reporting, Accounting and Auditing Developments

GASB 55 –The GASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

Key Development

- The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.
- The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

Why It's Important

- The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source.
- This Statement will make it easier for preparers of state and local government financial statements to identify and apply all relevant guidance.

IV. Recent Reporting, Accounting and Auditing Developments

GASB 56 –The GASB Accounting Standards Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards

Key Development

- The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the AICPA's Statements on Auditing Standards.
- This Statement addresses three issues not included in the authoritative literature. They are principles relating to related party transactions, going concern considerations, and subsequent events.
- This Statement does not establish new accounting standards but rather incorporates the existing guidance into the GASB standards.

Why It's Important

- The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.
- This effort is important from the perspective of bringing the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users.