

**MINUTES OF THE REGULAR MEETING
Of the
BOARD OF DIRECTORS
For the
MONTECITO SANITARY DISTRICT**

November 25, 2013

A. CALL TO ORDER

The Governing Board of the MONTECITO SANITARY DISTRICT met in regular session on the 25th day of November 2013 at 1042 Monte Cristo Lane, Montecito, California, at 1:15 p.m.

ATTENDANCE

Present: Directors Judith M. Ishkanian, Deirdre M. Cannata, Thomas Kern, Jeff Kerns, and Warner B. Owens

Absent:

Also Present: Diane M. Gabriel, General Manager;
Toni M. McDonald, District Administrator;
Danna McGrew, CPA, Bartlett Pringle & Wolf;
Tracey Solomon, CPA, Bartlett Pringle & Wolf

B. APPROVAL OF MINUTES OF THE LAST MEETING

The minutes of the prior Board meeting were included in the agenda packets. On MOTION by Director Cannata and second by Director Kern, the minutes of October 14, 2013 were approved.

C. APPROVAL OF PAYROLL AND PAYABLES

On MOTION by Director Kern and second by Director Kerns, the Board approved the following PAYROLL AND ACCOUNTS PAYABLE EXPENSES from October 15, 2013 through November 25, 2013:

Accounts Payable Expenses	\$ 128,720.63
Payroll and Related Expenses	293,089.90
Total Expenses	<u>\$ 421,810.53</u>

4. PUBLIC COMMENT

No member of the public was present to address the Board on non-agenda items.

5. OLD BUSINESS

No old business.

6. NEW BUSINESS (A – D)
A. FINANCIAL AUDIT REPORT – FISCAL YEAR 2012 - 2013

Manager Gabriel introduced Ms. Danna McGrew and Ms. Tracey Solomon, CPAs with Bartlett, Pringle and Wolf, LLP Certified Public Accounts and Consultants (BPW). Ms. McGrew and Ms. Solomon attended the meeting to present and review the June 30, 2013 and 2012 Draft Financial Statements with the Board. Draft copies were included in the agenda packet.

Ms. McGrew began by explaining that GASB regulations affect the presentation of financial statements. GASB 63 changes “Statement of Net Assets” to “Statement of Net Position.” GASB 65, the restatement of bond issuance costs, will need to be reflected in next year’s financial statements and cause a significant increase in expense. GASB 68, the defined benefit plan disclosure, is likely to be implemented in the next few years.

Ms. McGrew summarized the Independent Auditors’ Report, which states that the financial statements were free of material misstatement and that the statements presented fairly the financial position of the Montecito Sanitary District as of June 30, 2013 and 2012. Ms. McGrew also noted that the changes in the District’s financial position and its cash flows conform to accounting principles generally accepted in the United States of America and the State Controller’s Minimum Audit Requirements for California Special Districts.

A draft of the Management Letter was reviewed by Ms. McGrew. The Management Letter suggests improvements but does not affect the “unqualified opinion” of the audit. It identified some credit card payments, which were processed without proper backup or approval, the lack of controls in Fiscal Year 2012-2013 to ensure the audited financial statements were prepared in accordance with GAAP, and that there is continued reliance on Bartlett, Pringle & Wolf to provide these services. Ms. McGrew and Ms. Solomon commented that the addition of the new District Administrator with extensive accounting knowledge will result in this material weakness being removed from the report next year.

Ms. McGrew discussed Management's Discussion and Analysis portion of the report (pages 3 through 12), an overview of District transactions (net assets, revenues, operating expenses, and COPs.) Ms. Solomon discussed page thirteen, explaining specific details about assets, liabilities, revenues, and expenses and variances in the prior year. Board questions were answered in detail. Ms. McGrew concluded by discussing the notes and supplementary information portions of the financial statements. Ms. McGrew and Ms. Solomon thanked District staff for their full cooperation and availability during the audit.

Director Kern reported that the Finance Committee had reviewed the first draft of the audit report and met with the General Manager and District Administrator to review their comments. Some amendments to the Management’s Discussion and Analysis were recommended to Bartlett, Pringle and Wolf and those were reflected in the presented draft audit.

After discussion, on MOTION by Director Kern and second by Director Owens, the June 30, 2013 and 2012 Draft Financial Statements were accepted; the MOTION passed unanimously.

ACTION: Bartlett Pringle & Wolf / Staff

B. SPECIAL DISTRICT APPOINTMENTS TO SANTA BARBARA COUNTY LAFCO

On November 18th the District received a letter from the Santa Barbara County Local Agency Formation Commission regarding nominations for Regular Special District member on the LAFCO Board. The Board unanimously agreed to nominate Jeff Moorhouse and staff will prepare the nomination letter.

After discussion, on MOTION by Director Kern and second by Director Cannata to authorize Director Ishkanian to be the Board member, with Director Owens as alternate, to vote in the election on January 27, 2014 at 5:00 p.m. in Buellton. The MOTION passed unanimously.

ACTION: Staff

C. EXTERIOR COVERED WALKWAY – AWARD OF CONTRACT – EJS CONSTRUCTION INC.

At its June 24th meeting the Board authorized staff to complete construction bid documents and to advertise the exterior covered walkway project for bids. The project is part of the COP funded remodeling of the old laboratory / electrical control room into an Operations Center. The construction of the interior remodel has been completed. The exterior improvements to connect the Board room / front office area with the Operations Center and the restroom need completion.

On November 19, 2013 four bids were received for this project:

Cushman Contracting	\$198,024
Kinyon Construction	\$155,555
Below Magid Construction	\$148,660
EJS Construction Inc.	\$117,500

EJS Construction's low bid is a responsive and responsible bid and comes within the remaining available COP budget of \$181,000 for this project.

After discussion, on MOTION by Director Owens and second by Director Kern for the Board to award EJS Construction Inc. the contract in the amount of \$117,500 for the Exterior Covered Walkway project, the MOTION passed unanimously.

ACTION: Staff

D. INFORMATIONAL ITEMS

- District Administrator reported on new payment verification procedures from BNY
- District Administrator reported on Standard and Poor's rating increase from AA- to AA
- Directors Owens and Cannata reported on attending the Goleta Sanitary District Open House on October 19th
- Directors Owens and Kerns reported on attending Beautification Day on November 2nd

- President Ishkanian reported on her attendance at CSDA Holiday Party and Awards Presentation on November 22nd and SBCSDA Chapter Meeting on October 28th
- Director Owens reported his attendance at CSDA Leadership Academy Conference on November 17th - 20th. He will give Directors his bullet points from conference materials.

E. AGREEMENTS SIGNED

341 Hot Springs Road, New Guesthouse
1555 San Leandro Lane, Existing Guesthouse

7. OPERATIONS AND MAINTENANCE

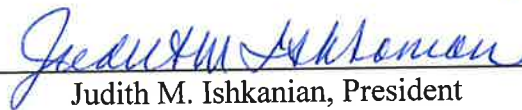
The Board reviewed the information provided in the agenda packets.

8. ITEMS FOR THE NEXT AGENDA


Review nominations submitted for Regular Special District member of LAFCO.

9. ADJOURNMENT


There being no other business, on MOTION to adjourn by Director Cannata and second by Director Kerns, the MOTION carried and the meeting adjourned at 2:55 p.m.




Judith M. Ishkanian, President

~~Absent~~


Jeff Kerns, Vice President



Deirdre M. Cannata, Secretary



Thomas Kern, Treasurer



Warner B. Owens, Director