

**TRES HERMANOS CONSERVATION AUTHORITY  
BOARD OF DIRECTORS REGULAR MEETING**

**FEBRUARY 17, 2021 AGENDA  
6:00 p.m.**

**CITY OF DIAMOND BAR  
21810 COPLEY DR.  
DIAMOND BAR, CALIFORNIA**

**Chair, Ray Marquez  
Vice-Chair, Cathy Marcucci  
Director, Nancy Lyons  
Director, Cory Moss  
Director, Peter Rogers  
Director, Newell Ruggles  
Director, Steve Tye**

*Addressing the Authority:*

**NOTICE OF TELEPHONIC MEETING:**

**NOTICE OF TELEPHONIC MEETING:**

*Pursuant to Section 3. of Executive Order N-29-20, issued by Governor Newsom on March 17, 2020, the regular meeting of the Tres Hermanos Conservation Authority shall be held telephonically.*

**How to Observe the Meeting:**

*Members of the public who wish to listen ONLY may join the meeting by calling the following conference call number: +1 (415) 930-5321 and entering the Access Code: 440-359-897.*

**How to Submit Public Comment:**

*Members of the public may provide public comment by sending written comments to the Authority Clerk by email at [cityclerk@DiamondBarCA.gov](mailto:cityclerk@DiamondBarCA.gov) by 5:00 p.m. on the day of the meeting. Please indicate in the Subject Line "FOR PUBLIC COMMENT." Written comments will be distributed to the Authority Directors and read into the record at the meeting.*

*Alternatively, public comment may be submitted by logging onto the meeting through this link: <https://attendee.gotowebinar.com/register/95452315868526350>. Members of the public will be called upon one at a time during the Public Comment portion of the agenda, and will be asked to state their name and agenda item they wish to comment on.*

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Copies of staff reports or other written documentation relating to agenda items are on file in the Office of the City Clerk at Diamond Bar City Hall, and are available for public inspection. If requested, the agenda will be made available in an alternative format to a person with disability as required by Section 202 of the Americans with Disabilities Act of 1990. If you have questions regarding an agenda item, please contact the Authority Secretary at (909) 839-7010 during regular business hours.

In an effort to comply with the requirements of Title II of the Americans with Disabilities Act of 1990, the Tres Hermanos Conservation Authority requires that any person in need of any type of special equipment, assistance or accommodation(s) in order to communicate at a public meeting, must inform the Authority Secretary a minimum of 72 hours prior to the scheduled meeting.

**1. CALL TO ORDER****PLEDGE OF ALLEGIANCE****ROLL CALL**

- 2. PUBLIC COMMENTS:** At this time, members of the public may address the Authority regarding any items within the subject matter jurisdiction of the Authority provided NO action or discussion may be taken on any item not appearing on the agenda, except the Authority may BRIEFLY respond to statements made or questions posed. Comments are limited to five minutes per Speaker.

**3. CONSENT CALENDAR:**

- 3.1 Consideration of the Minutes of the January 20, 2021 regular meeting.

*Recommended Action:*

Approve the January 20, 2021 Regular Tres Hermanos Conservation Authority meeting minutes.

- 3.2 Consideration to Approve the Check Register for the Month of December 2020.

*Recommended Action:*

Approve the check register for the month of December 2020.

- 3.3 Consideration to Approve the Treasurer's Report for the Month of December 2020.

*Recommended Action:*

Receive and file the Treasurer's Report for the month of December 2020.

- 3.4 Consideration to Approve the Audited Financial Statements for Fiscal Year 2019/2020.

*Recommended Action:*

That the Authority receive and file the Audited Financial Statements for the fiscal year ended June 30, 2020.

**4. OLD BUSINESS:**

There is none.

**5. NEW BUSINESS:**

- 5.1 Consideration of Mid-Year Budget Review for Fiscal Year 2020-21.

*Recommended Action:*

Adopt Resolution No. THCA 2021-01 entitled: A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TRES HERMANOS CONSERVATION AUTHORITY ADOPTING A BUDGET AMENDMENT FOR FISCAL YEAR 2020-21 INCREASING THE BUDGET BY \$26,584 BASED ON THE MID-YEAR BUDGET REVIEW.

- 5.2 Consideration of Establishing a Fund Balance Reserve.

*Recommended Action:*

That the Authority establish a fund balance reserve policy of 10% of expenditures to be programmed into the budget annually, starting with Fiscal Year 21-22.

**6. AUTHORITY DIRECTOR COMMENTS:**

- 7. ADJOURNMENT:** The next regular Tres Hermanos Conservation Authority meeting will be held on Wednesday, March 17, 2021 at 6:00 p.m.

*TRES HERMANOS CONSERVATION AUTHORITY*

ITEM NO. 3.1

**TRES HERMANOS CONSERVATION AUTHORITY  
STAFF REPORT****AGENDA NO. 3.1**

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**Date:** February 17, 2021  
**To:** Chair and Board of Directors  
**From:** Daniel Fox, Executive Director  
**Subject:** Consideration of the Minutes of the January 20, 2021 regular meeting.

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**Recommendation:**

Approve the January 20, 2021 Regular Tres Hermanos Conservation Authority meeting minutes.

**Background/Analysis:**

Attached for Board review and approval are the minutes of the January 20, 2021 Tres Hermanos Conservation Authority meeting.

**Respectfully Submitted,****Reviewed By,**

Kristina Santana, City Clerk

2/11/2021



Daniel Fox, City Manager

2/11/2021

Attachments:

1. January 20, 2021 THCA Minutes

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TRES HERMANOS CONSERVATION AUTHORITY  
REGULAR BOARD OF DIRECTORS MEETING MINUTES  
DIAMOND BAR, CALIFORNIA  
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### **CALL TO ORDER**

The Regular Meeting of the Tres Hermanos Conservation Authority was called to order by Chair Tye at 6:02 p.m.

Chair Tye stated that that consistent with COVID-19 regulations, all Directors and staff participated via teleconference and there was no physical location for public attendance. The Public was invited to join the meeting online or by phone at the numbers printed on the agenda.

### **PLEDGE OF ALLEGIANCE**

The Pledge of Allegiance was led by Chair Tye.

### **ROLL CALL**

PRESENT:            Director Nancy Lyons  
                         Director Cathy Marcucci  
                         Director Cory Moss  
                         Director Peter Rogers  
                         Director Newell Ruggles  
                         Vice-Chair Ray Marquez  
                         Chair Steve Tye

ABSENT:            None

Staff attending telephonically:    Dan Fox, Executive Director; Ben Montgomery, Deputy Executive Director; Troy Helling, Administrative Director, Josh Nelson, City of Industry Director of Public Works/City Engineer/Assistant City Manager; Tracy Egoscue, Authority Counsel, and Kristina Santana, Authority Secretary.

### **PUBLIC COMMENTS**

Melanie Schlotterbeck with Hills for Everyone, asked that during telephonic meetings, the Board give consideration and adequate time for all public comments to be heard before discussion and voting.

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### 3. REORGANIZATION OF THE BOARD OF DIRECTORS

#### 3.1 Selection of Chair

DIRECTOR MOSS NOMINATED RAY MARQUEZ TO SERVE AS CHAIR, SECONDED BY DIRECTOR LYONS. NO OTHER NOMINATIONS WERE OFFERED. RAY MARQUEZ WAS ELECTED TO SERVE AS CHAIR BY THE FOLLOWING ROLL CALL VOTE:

D/Lyons	Yes
D/Marcucci	Yes
D/Moss	Yes
D/Rogers	Yes
D/Ruggles	Yes
D/Marquez	Abstain
D/Tye	Yes

#### 3.2 Selection of Vice-Chair

CHAIR MARQUEZ NOMINATED DIRECTOR MARCUCCI TO SERVE AS VICE-CHAIR, SECONDED BY DIRECTOR MOSS. NO OTHER NOMINATIONS WERE OFFERED. CATHY MARCUCCI WAS UNANIMOUSLY ELECTED TO SERVE AS VICE-CHAIR BY THE FOLLOWING ROLL CALL VOTE:

D/Lyons	Yes
D/Marcucci	Abstain
D/Moss	Yes
D/Rogers	Yes
D/Ruggles	Yes
D/Tye	Yes
Chair/Marquez	Yes

### 4. CONSENT CALENDAR

#### 4.1 CONSIDERATION OF THE MINUTES OF THE JULY 15, 2020 REGULAR MEETING AND THE AUGUST 19, 2020 REGULAR MEETING

*RECOMMENDED ACTION:*

*Approve as submitted.*

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 REGULAR BOARD OF DIRECTORS MEETING MINUTES  
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**4.2 CONSIDERATION TO APPROVE THE TREASURER’S REPORT FOR THE MONTHS OF JULY 2020, AUGUST 2020, SEPTEMBER 2020, AND OCTOBER 2020**

*RECOMMENDED ACTION: Receive and file Report.*

**4.3 CONSIDERATION TO APPROVE THE CHECK REGISTER FOR THE MONTHS OF JULY 2020, AUGUST 2020, SEPTEMBER 2020, AND OCTOBER 2020**

*RECOMMENDED ACTION: Receive and file Report.*

MOTION BY DIRECTOR ROGERS, AND SECOND BY DIRECTOR MOSS TO APPROVE THE CONSENT CALENDAR. MOTION CARRIED 7-0 BY THE FOLLOWING VOTE:

AYES:	DIRECTORS:	LYONS, MOSS, ROGERS, RUGGLES, TYE, VC/MARCUCCI, C/MARQUEZ
NOES:	DIRECTORS:	NONE
ABSENT	DIRECTORS:	NONE
ABSTAIN	DIRECTORS:	NONE

**5. OLD BUSINESS**

There was none.

**6. NEW BUSINESS**

There was none.

**7. AUTHORITY DIRECTOR COMMENTS:**

Director Rogers wished everyone a Happy New Year and said he looked forward to more business in the coming months.

Director Lyons congratulated Chair Marquez and Vice-Chair Marcucci on their appointments.



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TRES HERMANOS CONSERVATION AUTHORITY  
REGULAR BOARD OF DIRECTORS MEETING MINUTES  
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Director Moss congratulated the new Chair and Vice-Chair and said she was excited about the appointments and looked forward to conducting business in the coming months. She asked staff to bring back suggestions about what the board might want to do moving forward. She wished everyone a Happy New Year.

Director Tye congratulated Chair Marquez and Vice-Chair Marcucci, said he looked forward to the board accomplishing a lot this year and wished everybody a happy New Year.

Vice-Chair Marcucci thanked everyone for her appointment, wished everyone a happy New Year and said she was looking forward to getting things done this year.

Chair Marquez thanked Director Tye for a tremendous job and leadership during 2020, thanked the board for the opportunity to serve as Chair and asked Executive Director Fox to recommend staff's vision for the board moving forward and to provide a status of the cattle lease.

Executive Director Fox stated that staff is working on the Cattle Ranch leases to finalize negotiations with the cattle ranchers and environmental review and analysis which may not be ready for the next scheduled board meeting but will be presented as staff moves to prioritize tasks and visioning moving into the next year's budget.

Chair Marquez asked the status of the THCA liability insurance, and Administrative Director Helling responded that the authority is covered for liability regarding the cattle.

**7. ADJOURNMENT:**

There being no further business, Chair Ray Marquez adjourned the Tres Hermanos Conservation Authority at 6:28 p.m. to February 17, 2021 at 6:00 p.m.

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RAY MARQUEZ  
CHAIR

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KRISTINA SANTANA  
AUTHORITY SECRETARY

*TRES HERMANOS CONSERVATION AUTHORITY*

ITEM NO. 3.3

**TRES HERMANOS CONSERVATION AUTHORITY  
STAFF REPORT****AGENDA NO. 3.3**

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**Date:** February 17, 2021  
**To:** Chair and Board of Directors  
**From:** Daniel Fox, Executive Director  
**Subject:** Consideration to Approve the Check Register for the Month of December 2020.

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**Recommendation:**

Approve the check register for the month of December 2020.

**Background/Analysis:**

Pursuant to the Amended and Restated Tres Hermanos Conservation Authority Joint Powers Agreement Section 5.2 Disbursements, the check register of the Authority should be periodically reviewed by the Board. Attached for your review and approval is the check register for the month of December 2020.

**Respectfully Submitted,****Reviewed By,**

Christina Buhagiar, Treasurer

2/11/2021



Daniel Fox, City Manager

2/11/2021

Attachments:

1. Check Register for December 2020

**Tres Hermanos Conservation Authority JPA  
Transaction List by Vendor  
December 2020**

<b>Date</b>	<b>Check #</b>	<b>Vendor</b>	<b>Memo/Description</b>	<b>Amount</b>
12/4/20	1189	Ca Dept of Tax & Fee Admin	Water Rights - FY 20-21	\$ (310.35)
12/4/20	1190	Industry Security Services, Inc.	voided check - clerical error	-
12/4/20	1191	City of Industry (Home Depot)	Dishwasher	(905.68)
12/4/20	1192	City of Industry (LA County)	Weed Abatement/Pest Control	(3,682.56)
12/4/20	1193	City of Chino Hills	voided check - clerical error	-
12/7/20	1194	City of Chino Hills	Water - 10/13/20 - 11/10/20	(318.42)
12/7/20	1195	Industry Security Services, Inc.	Security - Aug 2020	(2,905.86)
Total				<u>\$ (8,122.87)</u>

*TRES HERMANOS CONSERVATION AUTHORITY*

ITEM NO. 3.4

**TRES HERMANOS CONSERVATION AUTHORITY  
STAFF REPORT**

**AGENDA NO. 3.4**

**Date:** February 17, 2021  
**To:** Chair and Board of Directors  
**From:** Daniel Fox, Executive Director  
**Subject:** Consideration to Approve the Treasurer's Report for the Month of December 2020.

**Recommendation:**

Receive and file the Treasurer's Report for the month of December 2020.

**Background/Analysis:**

Pursuant to the Amended and Restated Tres Hermanos Conservation Authority Joint Powers Agreement Section 5.3 Accounts, the Treasurer must verify and report in writing, at least quarterly, the amount of money held for the Authority, the amount of interest earnings, revenues, and expenditures since the last report.

Attached for your information is the Treasurer's Report for the month of December 2020.

**Respectfully Submitted,**

**Reviewed By,**

*Christina Buhagiar*

Christina Buhagiar, Treasurer

2/11/2021

*Daniel Fox*

Daniel Fox, City Manager

2/11/2021

Attachments:

1. Treasurers Report - December 2020

Tres Hermanos Conservation Authority  
Treasurer's Report  
For the Month Ended December 31, 2020

Description	Cost Value	Market Value	Interest/ Book Yield	Maturity Date	% of Portfolio
<b>Cash and Cash Equivalents</b>					
Citizens Business Bank - Premium Money Market LAIF Account	\$ 144,336	\$ 144,336	0.05%	n/a	59.01%
	100,053	100,280	0.54%	n/a	40.99%
<b>Total Investment Portfolio</b>	<b>\$ 244,389</b>	<b>\$ 244,616</b>			<b>100.00%</b>

**Blended Yield of Cash and Investments** 0.25%

<b>Benchmarks:</b>	
LAIF	0.54%
6mo U.S. Treasury	0.09%
2yr U.S. Treasury	0.13%
5yr U.S. Treasury	0.36%

I hereby certify that the investments are in compliance with the investment policy adopted by the the Board of Directors. The investment portfolio provides sufficient funds to meet the budgeted expenditures over the next six months. This report meets the requirements of Government Code Section 53646.



Christina Buhagiar  
Treasurer

**Tres Hermanos Conservation Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Month Ended December 31, 2020**

	<u>Budget 2020/21</u>	<u>Dec 2020</u>	<u>Fiscal Year To Date 2020/21</u>	<u>% of Budget Used</u>
<b>Revenues:</b>				
Investment interest	\$ -	\$ 6	\$ 105	-
Rental income	8,100	675	4,050	50%
Contributions from member agencies	248,488	-	248,488	100%
Reimbursements	-	32	157	-
<b>Total Revenues</b>	<u>256,588</u>	<u>713</u>	<u>252,800</u>	<u>99%</u>
<b>Expenditures:</b>				
Professional Services	35,220	-	1,575	4%
Legal services	20,004	-	1,313	7%
Legal services - Extraordinary	66,000	-	1,205	2%
Contractual Services	113,559	4,589	31,060	27%
Security services	34,800	2,906	11,878	34%
Office Supplies & Software	2,005	310	1,087	54%
Utilities	-	318	1,877	-
<b>Total Expenditures</b>	<u>271,588</u>	<u>8,123</u>	<u>49,995</u>	<u>18%</u>
<b>Excess of revenues over (under) expenditures</b>	<u>\$ (15,000)</u>	<u>\$ (7,410)</u>	<u>\$ 202,805</u>	
<b>Fund Balances:</b>				
Beginning of fiscal year, Revised*			\$ 41,584	
Excess of revenues over (under) expenditures			202,805	
As of December 31, 2020			<u>\$ 244,389</u>	
<b>Fund Balances by City:</b>				
Chino Hills			\$ 83,398	
Diamond Bar			64,643	
Industry			96,348	
<b>Total Fund Balances by City</b>			<u>\$ 244,389</u>	

\* Audit should be finalized by the end of January 2021 which will finalize the beginning fund balance for Fiscal Year 2020-21.

Note: The December 2020 report now shows the accrual basis of accounting as opposed to the cash basis as shown in previous months. The accrual basis shows a more complete picture when comparing to the budget.



*TRES HERMANOS CONSERVATION AUTHORITY*

ITEM NO. 3.5

**TRES HERMANOS CONSERVATION AUTHORITY  
STAFF REPORT****AGENDA NO. 3.5**

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**Date:** February 17, 2021  
**To:** Chair and Board of Directors  
**From:** Daniel Fox, Executive Director  
**Subject:** Consideration to Approve the Audited Financial Statements for Fiscal Year 2019/2020.

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**Recommendation:**

That the Authority receive and file the Audited Financial Statements for the fiscal year ended June 30, 2020.

**Background/Analysis:**

Pursuant to the Amended and Restated Tres Hermanos Conservation Authority Joint Powers Agreement Section 3.8, Treasurer, the Treasurer shall cause an independent audit to be made by a certified public accountant in compliance with Section 6505 of the Government Code.

**Respectfully Submitted,****Reviewed By,**

Christina Buhagiar, Treasurer

2/11/2021



Daniel Fox, City Manager

2/11/2021

**Attachments:**

1. Audit Communication Letter
2. Report on Internal Controls
3. Financial Statements June 30, 2020



January 21, 2021

To the Board of Directors  
Tres Hermanos Conservation Authority  
Diamond Bar, California

We have audited the financial statements of the governmental activities and the general fund of the Tres Hermanos Conservation Authority (the Authority) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 28, 2021. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in the notes to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2019-2020.

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 financial statement disclosures are neutral, consistent, and clear.

#### ***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 misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No misstatements were found.



To the Board of Directors  
Tres Hermanos Conservation Authority  
Diamond Bar, California

### ***Management Representations***

We have requested, certain representations from management that are included in the management representation letter dated January 21, 2021.

### ***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 Authority’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 Authority’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to budgetary comparison schedule for the General Fund which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### **New Accounting Standards**

The following new Governmental Accounting Standards Board (GASB) pronouncements were effective for fiscal year 2019-2020 audit:

*GASB Statement No. 95, Postponement of Effective Dates of Certain Authoritative Guidance*

The following pronouncements have been postponed as a temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and the new effective date is reflected in the following fiscal years and should be reviewed for proper implementation by management:

Fiscal year 2021

*GASB Statement No. 84, Fiduciary Activities.*

*GASB Statement No. 90, Majority Equity Interests - an Amendment of GASB Statement Nos. 14 and 61.*



To the Board of Directors  
Tres Hermanos Conservation Authority  
Diamond Bar, California

Fiscal year 2022

GASB Statement No. 87, *Leases*.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

Fiscal year 2023

GASB Statement No. 91, *Conduit Debt Obligations*.

**Restriction on Use**

This information is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lance, Solt &amp; Loughard, LLP". The signature is written in a cursive, flowing style.

Brea, California



INDEPENDENT AUDITORS' 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*

To the Board of Directors  
Tres Hermanos Conservation Authority  
Diamond Bar, California

We have audited, in accordance with the 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, the financial statements of the governmental activities and the general fund information of the Tres Hermanos Conservation Authority (the Authority) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 21, 2021.

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 financial statements. 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*.



To the Board of Directors  
Tres Hermanos Conservation Authority  
Diamond Bar, California

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lance, Soll &amp; Lunghard, LLP". The signature is written in a cursive, flowing style.

Brea, California  
January 21, 2021



# TRES HERMANOS CONSERVATION AUTHORITY

JUNE 30, 2020

FINANCIAL STATEMENTS

Focused  
on YOU





TRES HERMANOS  
CONSERVATION AUTHORITY  
FINANCIAL STATEMENTS  
JUNE 30, 2020

TRES HERMANOS CONSERVATION AUTHORITY

JUNE 30, 2020

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**TRES HERMANOS CONSERVATION AUTHORITY**

**JUNE 30, 2020**

**AUTHORITY OFFICIALS**

Steve Tye	Chairman
Ray Marquez	Vice Chairman
Nancy Lyons	Board Member
Catherine Marcucci	Board Member
Cory Moss	Board Member
Peter Rogers	Board Member
Newell Ruggles	Board Member



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Tres Hermanos Conservation Authority  
Diamond Bar, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund information of the Tres Hermanos Conservation Authority (the Authority) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund information of the Tres Hermanos Conservation Authority as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



To the Board of Directors  
 Tres Hermanos Conservation Authority  
 Diamond Bar, California

**Other Matters**

*Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule of the Tres Hermanos Conservation Authority be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021 on our consideration of the Authority's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Lance, Soll & Lughard, LLP*

Brea, California  
 January 21, 2021

## TRES HERMANOS CONSERVATION AUTHORITY

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET  
JUNE 30, 2020

	General Fund	Adjustments	Statement of Net Position
<b>Assets:</b>			
Cash and cash equivalents	\$ 167,386	\$ -	\$ 167,386
Accounts receivable	154,845	-	154,845
Prepaid expenses	1,575	-	1,575
Capital assets	-	41,650,000	41,650,000
<b>Total Assets</b>	<b>\$ 323,806</b>	<b>41,650,000</b>	<b>41,973,806</b>
<b>Liabilities and Fund Balance:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 33,734	-	33,734
Unearned revenue	248,488	-	248,488
<b>Total Liabilities</b>	<b>282,222</b>	<b>-</b>	<b>282,222</b>
<b>Fund Balance:</b>			
Unassigned	41,584	(41,584)	-
<b>Total Fund Balance</b>	<b>41,584</b>	<b>(41,584)</b>	<b>-</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 323,806</b>		
<b>Net Position:</b>			
Investment in capital assets		41,650,000	41,650,000
Unrestricted		41,584	41,584
<b>Total Net Position</b>		<b>\$ 41,691,584</b>	<b>\$ 41,691,584</b>

The notes to financial statements are an integral part of this statement.

## TRES HERMANOS CONSERVATION AUTHORITY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND  
 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Adjustments	Statement of Activities
<b>Revenues:</b>			
Member contributions	\$ 117,846	\$ -	\$ 117,846
Rental income	7,777	-	7,777
Investment income	54	-	54
Reimbursements	737	-	737
<b>Total Revenues</b>	<b>126,414</b>	<b>-</b>	<b>126,414</b>
<b>Expenditures/Expenses:</b>			
General government:			
Professional services	19,224	-	19,224
Legal services	17,941	-	17,941
Legal services - extraordinary	22,826	-	22,826
Contractual services	123,959	-	123,959
Security services	35,201	-	35,201
Office supplies and software	1,071	-	1,071
Utilities	8,327	-	8,327
<b>Total Expenditures/Expenses</b>	<b>228,549</b>	<b>-</b>	<b>228,549</b>
Change in Net Position	(102,135)	-	(102,135)
Fund Balance/Net Position - Beginning	143,719	41,650,000	41,793,719
<b>Fund Balance/Net Position - Ending</b>	<b>\$ 41,584</b>	<b>\$ 41,650,000</b>	<b>\$ 41,691,584</b>

The notes to financial statements are an integral part of this statement.

## TRES HERMANOS CONSERVATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

## I. SIGNIFICANT ACCOUNTING POLICIES

## Note 1: Organization and Summary of Significant Accounting Policies

## a. Description of the Reporting Entity

The Tres Hermanos Conservation Authority (Authority) is a joint powers agency created by a joint powers agreement between the cities of Chino Hills and Diamond Bar, California, dated January 19, 1999. It was created pursuant to Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, in accordance with the provisions of the Marks-Roos Local Bond Pooling Act of 1985. The purpose of the Authority is to create a public entity to coordinate the overall development and conservation of a large undeveloped area of real property known as the Tres Hermanos Ranch, by preparing studies, plans, environmental reviews and similar information and by making recommendations to its members to take such actions including, but not limited to, acquisition and eminent domain as are necessary to implement its recommendations.

On February 6, 2019, the Authority amended and restated its agreement with the City of Industry pursuant to a Settlement Agreement. The City of Industry purchased the Tres Hermanos Ranch from the Successor Agency to Industry's Urban Development Agency. The City of Chino Hills and Diamond Bar contributed 10% of the purchase of the land. With the new agreement, each City will pay an equal one-third share of the cost for reasonable annual and recurring maintenance of the Ranch to be specified in the annual budget approved by the Authority. The Board consists of seven voting Directors: three from Industry, two from Chino Hills and two from Diamond Bar. Directors must be at all times holding office on a Member's City Council. Attendance by a majority of the Directors at a meeting, which majority must include at least one Director from each Member, shall constitute a quorum for the purpose of transacting business relating to the Authority.

The Authority is a public entity separate and apart from each of the Cities. The funds of the Authority have not been included within the scope of the basic financial statements of the Cities because the Authority has its own governing board that has responsibility over the operations of the Authority. Only the funds of the Authority are included herein, therefore, these financial statements do not purport to represent the financial position or results of operation of the cities of Chino Hills, Diamond Bar, or City of Industry.

## b. Government-Wide and Fund Financial Statements

The government-wide financial statements (Statements of Net Position and Statement of Activities) report information on all activities of the Authority.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Revenues include contributions of the participating agencies.

## c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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.



## TRES HERMANOS CONSERVATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**d. Assets, Liabilities and Net Position or Equity****Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits that are maintained in a bank account to pay obligations of the Authority. Cash and cash equivalents are reported at fair value on the accompanying statement of net position and governmental fund balance sheet.

**Functional Classification**

Expenditures of the Authority are classified as general government.

**e. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position and governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has no items that qualify for reporting in this category.

**TRES HERMANOS CONSERVATION AUTHORITY****NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2020**

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**Note 2: Cash and Cash Equivalents**

## Demand Deposits

At June 30, 2020, the carrying amount of the Authority's deposits was \$167,386 and the bank balance was \$173,032. The \$5,646 difference represents the net effect of reconciling items such as outstanding checks and deposits in transit.

**Note 3: Capital Assets**

The City of Industry purchased the Ranch from the Successor Agency to Industry's Urban-Development Agency in the amount of \$41,650,000 in fiscal year 2018-2019. As part of the Settlement Agreement, Chino Hills and Diamond Bar contributed to the purchase 10% of the purchase price.

**Note 4: Maintenance Cost Member Share**

For Fiscal Year 2019-2020 per Chapter 4. Funding and Administration, 4.1 Funding:

Contributions include an equal one-third payment from each member for the reasonable annual and recurring maintenance of the Ranch, for insurance, legal costs, and administration costs of the Authority and a reasonable reserve as established by the Board. Such costs shall be specified in the annual budget approved by the Authority, which is in accordance with the Joint Powers Agreement.

In fiscal year 2019-2020, the Maintenance Cost Member Share of each Member was as follows: the City of Industry contributed \$37,869, the City of Chino Hills contributed \$20,109, and the City of Diamond Bar was not required to contribute anything at the time of the adopted budget due to having a sufficient balance for the fiscal year. Pursuant to the Amended and Restated Tres Hermanos Conservation Authority Joint Powers Agreement Section 5.4, expenditures shall be within the limitations of the approved annual budget, and as required for emergency repairs, or as such the Board amends budget. Upon review of expenditures through the second quarter of Fiscal Year 2019-2020, additional contributions were made; the City of Industry contributed \$21,354, the City of Chino Hills contributed \$21,639, and the City of Diamond Bar contributed \$16,875.

**Note 5: Related Party Transactions**

At June 30, 2020, the City of Industry was reimbursed \$7,453 for trash services, and the City of Chino Hills was reimbursed \$3,292 for water services.

## TRES HERMANOS CONSERVATION AUTHORITY

BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 119,815	\$ 143,719	\$ 143,719	\$ -
<b>Resources (Inflows):</b>				
Member contributions	57,978	117,846	117,846	-
Rental income	7,500	7,700	7,777	77
Interest income	-	-	54	54
Reimbursements	-	-	737	737
<b>Amounts Available for Appropriations</b>	<b>185,293</b>	<b>269,265</b>	<b>270,133</b>	<b>868</b>
<b>Charges to Appropriations (Outflow):</b>				
General government:				
Professional services	19,593	19,593	19,224	369
Legal services	20,001	21,340	17,941	3,399
Legal services - extraordinary	40,000	47,337	22,826	24,511
Contractual services	64,203	134,075	123,959	10,116
Security services	30,786	34,587	35,201	(614)
Office supplies and software	870	2,091	1,071	1,020
Utilities	9,840	10,242	8,327	1,915
<b>Total Charges to Appropriations</b>	<b>185,293</b>	<b>269,265</b>	<b>228,549</b>	<b>40,716</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 41,584</b>	<b>\$ 41,584</b>

**TRES HERMANOS CONSERVATION AUTHORITY****NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020**

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**Stewardship, Compliance and Accountability**

The Executive Director directs the preparation of the Authority operating budget that is approved by the Board annually.

*TRES HERMANOS CONSERVATION AUTHORITY*

ITEM NO. 5.1

**TRES HERMANOS CONSERVATION AUTHORITY  
STAFF REPORT**

**AGENDA NO. 5.1**

**Date:** February 17, 2021  
**To:** Chair and Board of Directors  
**From:** Daniel Fox, Executive Director  
**Subject:** Consideration of Mid-Year Budget Review for Fiscal Year 2020-21.

**Recommendation:**

Adopt Resolution No. THCA 2021-01 entitled: A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TRES HERMANOS CONSERVATION AUTHORITY ADOPTING A BUDGET AMENDMENT FOR FISCAL YEAR 2020-21 INCREASING THE BUDGET BY \$26,584 BASED ON THE MID-YEAR BUDGET REVIEW.

**Background/Analysis:**

Pursuant to the Amended and Restated Tres Hermanos Conservation Authority Joint Powers Agreement Section 5.4 Expenditures within Approved Annual Budget, all expenditures shall be within the limitations of the approved annual budget, and as required for emergency repairs, or as such budget is amended by the Board.

Upon review of expenditures through the second quarter of Fiscal Year (FY) 2020-21, staff is proposing to appropriate available fund balance of \$26,584 for utilities, security services, and contractual services.

**Fiscal Impact:**

The proposed budget amendment will increase the expenditure budget by \$26,584 and decrease the projected ending fund balance by \$26,584. No additional funding will be needed from the member cities. The projected ending fund balance will be zero.

**Respectfully Submitted,**

**Reviewed By,**

*Christina Buhagiar*

Christina Buhagiar, Treasurer 2/11/2021

*Daniel Fox*

Daniel Fox, City Manager 2/11/2021

Attachments:

1. Resolution No. THCA 2021-01

## RESOLUTION NO. THCA 2021-01

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TRES HERMANOS CONSERVATION AUTHORITY ADOPTING A BUDGET AMENDMENT FOR FISCAL YEAR 2020-21 INCREASING THE BUDGET BY \$26,584 BASED ON THE MID-YEAR BUDGET REVIEW

**WHEREAS**, Section 5.4 of the Tres Hermanos Conservation Authority Joint Powers Agreement (JPA) requires that expenditures shall be within the limitations of the approved annual budget, and as required for emergency repairs, or as such budget is amended by the Board; and

**WHEREAS**, at a public meeting on April 15, 2020, the Executive Director presented, and the Board of Directors adopted a budget for the Fiscal Year 2020-21 commencing July 1, 2020, and ending June 30, 2021; and

**WHEREAS**, amendments must periodically be made to the budget to conform to changed circumstances following adoption of the budget.

**NOW, THEREFORE, BE IT RESOLVED**, by the Board of Directors of the Conservation Authority as follows:

**Section 1.** Budget Amendment No. 21B003 is hereby approved as reflected on Exhibit No. 1, attached hereto.

**SECTION 2.** This resolution shall take effect immediately upon its passage and adoption.

**PASSED, APPROVED, AND ADOPTED** this 17th day of February 2021.

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Ray Marquez  
Chair  
Tres Hermanos Conservation Authority

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Kristina Santana  
Authority Secretary  
Tres Hermanos Conservation Authority

Resolution No. THCA 2021-01

ATTEST:

I, Kristina Santana, Secretary of the Tres Hermanos Conservation Authority, do hereby certify that the foregoing Resolution was duly and regularly passed, approved and adopted by the Board of Directors of the Tres Hermanos Conservation Authority, at its regular meeting held on the 17<sup>th</sup> day of February 2021, by the following Roll Call vote:

AYES: BOARD MEMBERS:

NOES: BOARD MEMBERS:

ABSENT: BOARD MEMBERS:

ABSTAIN: BOARD MEMBERS:

\_\_\_\_\_  
Kristina Santana  
Secretary  
Tres Hermanos Conservation Authority



*TRES HERMANOS CONSERVATION AUTHORITY*

ITEM NO. 5.2

**TRES HERMANOS CONSERVATION AUTHORITY  
STAFF REPORT****AGENDA NO. 5.2**

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**Date:** February 17, 2021  
**To:** Chair and Board of Directors  
**From:** Daniel Fox, Executive Director  
**Subject:** Consideration of Establishing a Fund Balance Reserve.

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**Recommendation:**

That the Authority establish a fund balance reserve policy of 10% of expenditures to be programmed into the budget annually, starting with Fiscal Year 21-22.

**Background/Analysis:**

Pursuant to the Amended and Restated Tres Hermanos Conservation Authority Joint Powers Agreement Section 5.1, Annual Budget, the Board shall establish a reasonable reserve and the policy and timing for funding such reserve. Staff is recommending a fund balance reserve policy of 10% of expenditures which will be programmed into the budget annually.

Alternatively, the Board has the following options to consider for budgeting purposes:

- Option (1) Continue to end each fiscal year with a zero-fund balance reserve.
- Option (2) Other percentage of expenditures.

The goal of this fund balance reserve would be to maintain adequate financial reserves so that in times of unplanned expenditures the Authority can continue to meet expenditure obligations without needing to request additional funds from the member agencies.

**Fiscal Impact:**

Based on the FY 20-21 budget, a 10% reserve would have required an additional \$27,158.79 in funding, or \$9,052.93 from each member agency.

Respectfully Submitted,

Reviewed By,

*Christina Buhagiar*

Christina Buhagiar, Treasurer

2/11/2021

*Daniel Fox*

Daniel Fox, City Manager

2/11/2021