

Education Updates-Chester PUD
Bonnie Mullaney, GM
10-28-25

- **Class with Rick Wood, CFO of CSDA at CPUD Oct 1st:** The financial class by Rick Wood at CSDA went great. I felt like there were some great topics, questions, and networking. CSDA gives trainings that are **approved by lawyers** who review financial regulations for special districts with public funds. We won't get more accurate information regarding financial regulations and interpreting them.

Important things he said and questions he answered:

1. **Budgets:** Excell is widely used in small districts to create a budget, as the software to produce budgets is so expensive. Amendments can be made to the budget, but the original, approved budget must show on monthly financial statements. We can show 2 columns. One with the original budget and one with the amended budget. He doesn't recommend doing a lot of amendments. He just explains the variance in a written component.
2. **Depreciation on the budget:** He said that it is on the audit and the financials as an expense. You want to mirror the audit, not having it included in the ending net position on the budget is not transparent, and all the districts he works with include it on the budget as part of the ending net position.
3. **Modified Accruals:** He defined a section of GASB 34 that I was struggling with and is the reason why many auditors and CPA's are misinformed, regarding modified accruals. "The modified accrual basis differs from the full accrual basis in that revenues are recognized when they become both measurable and available to finance expenditures of the current period". Meaning that, if you know approximately what the amount an expense or a revenue will be, and you are sure it will be available in that fiscal year, it needs to be recognized and accrued monthly. So, property tax revenue that we receive 3 times a year, needs to be accrued monthly because it's revenue we know we will receive, and we know about how much we will be receiving.
4. **Budgeting for property tax revenue:** Prop 13 allows a **2%** increase each year on property taxes. Property values increasing and decreasing affect property tax revenue, as well.
5. **Public money in fund accounts:** Public money in different fund accounts cannot be borrowed by other fund accounts without setting up a loan with a reasonable interest rate, that should be payable within a year. Meaning, if there is a deficit in the water fund (it borrowed money from another fund), a loan must be created with reasonable interest and paid back within a year.
6. **Investments:** If a member of the Board is appointed and acting as the treasurer, financials must be presented at least quarterly. If a staff member or the GM is acting as (or appointed) the treasurer, investment statements must be presented monthly. The policy regarding investments and the reappointment of the treasurer must be approved by the Board annually. California Class satisfies all investment regulations. California Class has activated another sector of investments. We currently use Class Prime that is a short-term investment fund (60 days or less). The Class Enhance is the new sector and is meant to be more long-term (90-200 days). Enhance takes longer for the money to mature, but it will hold at a

higher rate when rates are expected to drop (like they are now). The risk is that if rates increase above the rate you locked into, you will take a loss selling them before they mature. The way to avoid this is to only put cash into Class Enhance that you know you will not need to use for 90-200 days, depending on what option you choose. I think Enhance could be a great option if we expect rates to continue to decrease and we put CIP (capital improvement plan) reserves in it. I will be looking further into this.

7. **Bank Insurance of public funds:** Government code 53652 defines that banks have to collateralize (insure) **public** funds 110%. The FDIC requires banks to collateralize **private** funds up to \$250K. If a bank that has accounts with public funds goes bankrupt, they must pay all public funds back 110%, before they pay back any private money. So... No need to open different accounts to keep the balance under \$250K, but it is a good idea to have the bank sign the government code or our investment policy to make sure they understand this requirement.

- **Leadership Academy in Redding October 5th to 8th:** There were some great presenters and information. This class is offered virtually, and I will be encouraging all Board members who haven't taken it to do so in 2026. A lot of the financial management information from the class we had in Chester on October 1st was included.
- **Operators:** Allan renewed his backflow certification. John took the second part of his backflow certification on 10-22-25.

Coming up-

- Board Secretary Conference Santa Rosa October 27th to 29th
- GM annual review process webinar on Dec 2nd at 11:00AM