

Chapter 2. Finance

61110. (a) On or before July 1 of each year or, for districts using two one-year budgets or a biennial budget, every other year, the board of directors may adopt a preliminary budget that conforms to generally accepted accounting and budgeting procedures for special districts.

- (b) The board of directors may divide the preliminary budget into categories, including, but not limited to, the following:
- (1) Maintenance and operation.
 - (2) Services and supplies.
 - (3) Employee compensation.
 - (4) Capital outlay.
 - (5) Interest and redemption for indebtedness.
 - (6) Designated reserve for capital outlay.
 - (7) Designated reserve for contingencies.
- (c) On or before July 1 of each year or, for districts using two one-year budgets or a biennial budget, every other year, the board of directors shall publish a notice stating all of the following:
- (1) Either that it has adopted a preliminary budget or that the general manager has prepared a proposed final budget which is available for inspection at a time and place within the district specified in the notice.
 - (2) The date, time, and place when the board of directors will meet to adopt the final budget and that any person may appear and be heard regarding any item in the budget or regarding the addition of other items.
- (d) The board of directors shall publish the notice at least two weeks before the hearing in at least one newspaper of general circulation in the district pursuant to Section 6061.
- (e) At the time and place specified for the hearing, any person may appear and be heard regarding any item in the budget or regarding the addition of other items. The hearing on the budget may be continued from time to time.
- (f) On or before September 1 of each year or, for districts using two one-year budgets or a biennial budget, every other year, the board of

directors shall adopt a final budget that conforms to generally accepted accounting and budgeting procedures for special districts. The general manager shall forward a copy of the final budget to the auditor of each county in which the district is located.

61111. (a) At any regular meeting or properly noticed special meeting after the adoption of its final budget, the board of directors may adopt a resolution amending the budget and ordering the transfer of funds between categories, other than transfers from the designated reserve for capital outlay and the designated reserve for contingencies.

(b) The board of directors may authorize the general manager to transfer funds between budget categories, other than transfers from the designated reserve for capital outlay and the designated reserve for contingencies.

61112. (a) In its budget, the board of directors may establish a designated reserve for capital outlay and a designated reserve for contingencies. When the board of directors establishes a designated reserve, it shall declare the exclusive purposes for which the funds in the reserve may be spent. The funds in the designated reserve shall be spent only for the exclusive purposes for which the board of directors established the designated reserve. The reserves shall be maintained according to generally accepted accounting principles.

- (b) Any time after the establishment of a designated reserve, the board of directors may transfer any funds to that designated reserve.
- (c) If the board of directors finds that the funds in a designated reserve are no longer required for the purpose for which it established the designated reserve, the board of directors may, by a four-fifths vote of the total membership of the board of directors, discontinue the designated reserve or transfer any funds that are no longer required from the designated reserve to the district's general fund.
- (d) Notwithstanding any other provision of this section, in a state of emergency or in a local emergency, as defined in Section 8558, a board of directors may temporarily transfer funds from the designated reserve for capital outlay or the designated reserve for contingencies to the district's general fund. The board of directors shall restore these funds to the designated reserves when feasible.
- (e) The board of directors of each district that has designated an alternative depository pursuant to Section 61053 and appointed a district treasurer shall adopt and annually review a policy for the management of reserves.