

## **BILL ANALYSIS**

Senate Research Center  
83R7636 MMC-F

S.B. 454  
By: Hegar  
Natural Resources  
3/8/2013  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Under current law, water control and improvement districts and other similar districts are required to have all fiscal accounts and records audited by a certified public accountant annually. However, smaller districts that have no outstanding bonds or other long-term liabilities, gross receipts less than \$250,000, and cash and temporary investments less than \$250,000 are exempt from the audit requirements. The amount of both gross receipts and cash on hand was increased from \$100,000 to \$250,000 by S.B. 1361, 82nd Legislature, Regular Session, 2011.

Smaller districts typically have low overhead and reserve funds in a low interest savings account for future capital repairs of water systems. Those funds gain a small amount of interest and since the district is not engaged in long-term projects, the earned interest is used to pay for the required audits. In the case of these small districts, the audits can consume up to one-half of the interest earned, which is the only new revenue coming into the district.

S.B. 454 increases the amount of cash and temporary investments allowed in order to still be exempt from the audit provision under Section 49.198(a)(3), Water Code, from \$250,000 to \$750,000. Raising the cap will allow additional districts to be able to qualify for this exemption, thereby reducing their costs associated with an annual audit. Districts will still have to meet the other qualifications and have \$250,000 or less in gross receipts from operations, loans, taxes, or contributions during the previous fiscal year, and still be required to file an annual financial report with the executive director of the Texas Commission on Environmental Equality in lieu of complying with the annual audit.

As proposed, S.B. 454 amends current law relating to the authority of certain conservation and reclamation districts to file an annual financial report with the executive director of the Texas Commission on Environmental Quality in lieu of filing an annual audit report.

[**Note:** While the statutory reference in this bill is to the Texas Natural Resource Conservation Commission (TNRCC), the following amendments affect the Texas Commission on Environmental Equality, as the successor agency to TNRCC.]

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 49.198(a), Water Code, to authorize a district to elect to file annual financial reports with the executive director of the Texas Natural Resource Conservation Commission in lieu of the district's compliance with Section 49.191 (Duty to Audit), provided:

(1)-(2) Makes no changes to these subdivisions; and

(3) the district's cash and temporary investments were not in excess of \$750,000, rather than \$250,000, during the fiscal period.

SECTION 2. Makes application of Section 49.198(a), Water Code, as amended by this Act, prospective.

SECTION 3. Effective date: upon passage or September 1, 2013.