

## **BILL ANALYSIS**

S.B. 1361  
By: Estes  
Natural Resources  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

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 \$100,000, and cash and temporary investments less than \$100,000 are exempt from the audit requirements.

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. 1361 increases the exemption cap in Section 49.198 (Audit Report Exemption), Water Code, from \$100,000 to \$250,000. Raising the cap would allow additional districts to be able to qualify for this exemption, thereby reducing their costs associated with an annual audit. Districts would still be required to file an annual financial report with the executive director in lieu of complying with the annual audit.

As proposed, S.B. 1361 amends current law relating to the audit report exemption for districts created pursuant to the Water Code.

[**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 Quality as a successor to TNRCC.]

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

SECTION 1. Amends Section 49.198, Water Code, as follows:

Sec. 49.198. AUDIT REPORT EXEMPTION. (a) Authorizes a district to elect to file annual financial reports with the executive director of the Texas Natural Resource Conservation Commission (executive director) in lieu of the district's compliance with Section 49.191 (Duty to Audit) provided certain conditions are met, including the district did not have gross receipts from operations, loans, taxes, or contributions in excess of \$250,000, rather than \$100,000, during the fiscal year period; and the district's cash and temporary investments were not in excess of \$250,000, rather than \$100,000, at any time during the fiscal period.

(b)-(d) Makes no changes to these subsections.

**EFFECTIVE DATE**

No effective date is provided for in this Act.