

BILL ANALYSIS

Senate Research Center

S.B. 454
By: Hegar
Natural Resources
7/8/2013
Enrolled

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 Quality in lieu of complying with the annual audit.

S.B. 454 amends current law relating to the authority of the Jackson County Navigation District to file an annual compilation or review report with the executive director of the Texas Commission on Environmental Quality in lieu of filing an annual audit report.

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. Authorizes the Jackson County Navigation District (district), in a fiscal year in which district net revenues exceed expenditures by \$10,000 or less, notwithstanding any provisions of Subchapter G (Audit of Districts), Chapter 49 (Provisions Applicable to All Districts), Water Code, to submit to the executive director of the Texas Commission on Environmental Quality a compilation report or a review report instead of an audited financial statement.

SECTION 2. Effective date: upon passage or September 1, 2013.