

BILL ANALYSIS

C.S.S.B. 454
By: Hegar
Natural Resources
Committee Report (Substituted)

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 \$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.

C.S.S.B. 454 amends current law relating to the authority of certain conservation and reclamation districts to file a compilation report or a review report with the executive director of the Texas Commission on Environmental Quality in lieu of filing an audited financial statement.

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. Provides that, notwithstanding any provisions of Subchapter G, Chapter 49, Water Code, the Jackson County Navigation District, in a fiscal year in which district net revenues exceed expenditures by \$10,000 or less, may 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. Provides for the effective date of this Act.

EFFECTIVE DATE

This Act takes effect immediately if this Act receives a vote of two-thirds of all the members of both houses; otherwise, this Act takes effect September 1, 2013.

COMPARISON OF ORIGINAL TO SUBSTITUTE

INTRODUCED

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Subsection (a), Section 49.198, Water Code, is amended to read as follows:

No equivalent provision.

(a) A district may elect to file annual financial reports with the executive director in lieu of the district's compliance with Section 49.191 provided:

- (1) the district had no bonds or other long-term (more than one year) liabilities outstanding during the fiscal period;
- (2) the district did not have gross receipts from operations, loans, taxes, or contributions in excess of \$250,000 during the fiscal period; and
- (3) the district's cash and temporary investments were not in excess of \$750,000 [~~\$250,000~~] during the fiscal period.

SECTION 2. Subsection (a), Section 49.198, Water Code, as amended by this Act, applies only to a district that is required to file an annual audit report or annual financial report on or after the effective date of this Act. A district that is required to file an annual audit report or annual financial report before the effective date of this Act is governed by the law in effect on the date the report is required to be filed, and that law is continued in effect for that purpose.

No equivalent provision.

SECTION 3. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2013.

No equivalent provision.

SECTION 1. Notwithstanding any provisions of Subchapter G, Chapter 49, Water Code, the Jackson County Navigation District, in a fiscal year in which district net revenues exceed expenditures by \$10,000 or less, may 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. Same as introduced version.