

STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

DATE: June 10, 1998

TO: Rural Water Associations

FROM: Phil Bryant
State Auditor

SUBJ: House Bill 1533

Effective July 1, 1998, House Bill 1533 requires each rural water association to provide to the State Auditor's Office the following information:

Within ninety days following the close of the association's fiscal year, the association shall prepare a report showing its financial condition. This report shall be certified by the president of the association's board of directors that the report has been reviewed and the information is correct.

Certification that an annual meeting was held in accordance with the association's bylaws.

A listing of the board of directors of the association.

A listing of all directors who have failed to meet the management training requirements under Section 41-26-101, Miss. Code Ann. (1972).

We have enclosed a copy of the report to be submitted to this office which includes all of the above mentioned information.

If you have any questions, please feel free to contact Norman McLeod of my staff at 601-576-2640.

MISSISSIPPI LEGISLATURE

1998 Regular Session

To: Public Utilities

By: Representative Weathersby

House Bill 1533
(As Sent to Governor)

AN ACT TO CREATE A NEW CODE SECTION TO BE CODIFIED AS SECTION 79-11-394, MISSISSIPPI CODE OF 1972, TO REQUIRE NONPROFIT, NONSHARE CORPORATIONS OWNING AND OPERATING RURAL WATERWORKS TO ANNUALLY PREPARE A FINANCIAL REPORT, TO NOTIFY SYSTEM SUBSCRIBERS OF THE AVAILABILITY OF THE REPORT AND TO SUBMIT THE REPORT TO THE STATE AUDITOR AND CERTAIN LOCAL LIBRARIES; TO SPECIFY ADDITIONAL INFORMATION THAT MUST BE INCLUDED IN THE ANNUAL FINANCIAL REPORT; TO ESTABLISH A PENALTY FOR FAILURE TO NOTIFY SUBSCRIBERS OF THE REPORT OR FAILURE TO SUBMIT THE REPORT TO THE STATE AUDITOR; TO PLACE SPECIFIC ANNUAL MEETING NOTICE REQUIREMENTS ON NONPROFIT, NONSHARE CORPORATIONS OWNING AND OPERATING RURAL WATERWORKS AND TO PROVIDE A PENALTY FOR FAILURE TO PROVIDE SUCH NOTICE; TO PROVIDE A PENALTY FOR FAILURE BY ANY NONPROFIT, NON SHARE CORPORATION OWNING AND OPERATING RURAL WATERWORKS TO HOLD AN ANNUAL MEETING; TO AMEND SECTION 41-26-101, MISSISSIPPI CODE OF 1972, TO PROVIDE FOR THE REMOVAL OF BOARD MEMBERS FAILING TO COMPLETE THE REQUIRED MANAGEMENT TRAINING FOR RURAL WATERWORKS CORPORATIONS; AND FOR RELATED PURPOSES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

SECTION 1. The following shall be codified as Section 79-11-394, Mississippi Code of 1972:

79-11-394. (1) (a) Any nonprofit, nonshare corporation chartered under the Mississippi Nonprofit Corporation Act, Section 79-1-1-101 et seq., for the purpose of owning and operating rural waterworks annually shall prepare a financial report showing the financial condition of the corporation. The financial report shall be prepared on forms provided by the State Auditor within ninety (90) days following the close of the fiscal year of that corporation. Each report shall contain a certification signed by the president of the board of directors of the corporation that the president has reviewed the information contained in the financial report and that the information is true and correct.

(b) As part of the billing statement received by the subscriber immediately before the annual meeting of the corporation, each corporation owning and operating rural waterworks shall notify each subscriber provided water service by the corporation of the availability of the most recently completed annual financial report, how that report may be obtained and where the report may be reviewed. If requested in writing, the corporation shall provide a copy of the financial report to any subscriber.

(c) Before July 1, 1999, and July 1 of each subsequent year, each corporation required to prepare a financial report under this section shall submit the most recently completed annual financial report to the State Auditor. In addition, the corporation shall provide a copy of that financial report to the

public library in the county seat of the county in which the corporation's principal office is located. If no public library is located in the county seat, the corporation shall provide that report to the public library serving the largest population in the county of the corporation's principal office. If requested in writing, the State Auditor shall provide a copy of the financial report to any subscriber of a water system owned and operated by that corporation and may recover the costs of providing that report.

(2) In addition to the information required under subsection (1) of this section, each financial report shall contain the following:

(a) A statement certifying that an annual meeting was held in accordance with the corporation's bylaws, as required under Section 79-11-197, including the date of the most recent annual meeting;

(b) A list of the directors currently serving on the board of the corporation; and

(c) A list of those directors required who have failed to meet the management training requirements under Section 41-26-101.

(3) (a) Before July 15, 1999, and July 15 of each subsequent year, the State Auditor shall provide the State Department of Health a list of all corporations failing to file a report as required under subsection (1) of this section. The State Department of Health shall notify the president of the board of directors of each listed system in writing and shall require that the financial report be submitted to the State Auditor within thirty (30) days after the date of the letter.

(b) If any corporation required to prepare a financial report under this section fails to notify subscribers of the availability of the financial report, no corporate action taken after the date of the annual meeting shall be valid. If any corporation required to prepare a financial report under this section fails to submit the most recently completed annual financial report to the State Auditor, no corporate action taken after the date for submission specified in the letter from the State Department of Health, as required under paragraph (a) of this subsection, shall be valid.

(4) (a) Each nonprofit, nonshare corporation chartered under Section 79-11-101 et seq. for the purpose of owning and operating rural waterworks shall mail to each subscriber provided water service by the corporation, as part of the billing statement received by the subscriber immediately before the annual meeting of the corporation, a notice of the annual meeting of the corporation. Each corporation also shall submit, at the time the notice is provided to the subscribers, a copy of that notice to the State Department of Health.

(b) If any corporation fails to provide notice as required under this subsection, no corporate action taken after the date stated in or fixed in accordance with the corporation's bylaws for the annual meeting shall be valid.

(5) If any nonprofit, nonshare corporation chartered under Section 79-11-101 et seq. for the purpose of owning and operating rural waterworks fails to hold an annual meeting, no corporate action taken after the date stated in or fixed in accordance with the corporation's bylaws for the annual meeting shall be valid.

SECTION 2. Section 41-26-101, Mississippi Code of 1972, is amended as follows:

41-26-101. (1) Each member elected or reelected after June 30, 1998, to serve on a governing board of any community public water system, except systems operated by municipalities with a population greater than two thousand five hundred (2,500), shall attend a minimum of eight (8) hours of management training within two (2) years following the election of that board member. Any member

failing to complete the management training within two (2) years after his election shall be subject to removal from the board by the remaining members. If a board member has undergone training and is reelected to the board, that board member shall not be required to attend training as provided by this subsection.

(2) The management training shall be organized by the State Department of Health, in cooperation with the Mississippi Rural Water Association and other organizations. The management training shall include information on water system management and financing, rate setting and structures, operations and maintenance, applicable laws and regulations, ethics, the duties and responsibilities of a board member and other information deemed necessary by the department after consultation with the association and other organizations. The department shall develop and provide all training materials. The department may charge a fee not to exceed Seventy-five Dollars (\$75.00) per member to defray the actual costs of providing the materials and training. These costs shall be reimbursed to the board member as an expense of the community public water system.

(3) To avoid board members having to interfere with their jobs or employment, management training sessions may be divided into segments and, to the greatest extent possible, shall be scheduled for evening sessions. The department shall conduct management training on a regional basis and shall use community college or other public facilities for the convenience of board members.

(4) The department may make exceptions to and grant exemptions and variances to the requirements of this section for good cause shown.

SECTION 3. This act shall take effect and be in force from and after July 1, 1998.

**Required Annual Financial Statement
From Nonprofit Water Systems**

_____ Water Association
Report of receipts and expenditures for the year ended _____

Receipts

Water bills	\$
Hookup charges	
Interest income	
Loans and grants	
Sale of investments	
Other income	
Total receipts	\$

Expenditures

Salaries	\$
Board Per Diem	
Fringe Benefits	
Office Supplies	
Utilities	
Insurance	
Repairs	
Contractual Services	
Travel	
Capital Outlay	
Equipment	
Construction	
Construction Contracts	
Debt Payments	
Principal	
Interest	
Purchase of investments	
Other expenditures	
Total Expenditures	\$
Excess Receipts Over Expenditures	\$
	Beginning Ending
Cash	\$ \$
Investments	\$ \$
Debt	\$ \$

I certify to the best of my knowledge this report to be a complete and accurate report of the receipts and expenditures of the _____ Water Association for the year ended _____ .

In accordance with Section 79-11-197, Miss. Code 1972 (Ann.) and the corporation's bylaws, the date of the annual meeting was _____

President: _____ Date: _____