

HOUSE BILL NO. 16

INTRODUCED BY GRINDE

IN THE HOUSE

JUNE 19, 1989

INTRODUCED AND REFERRED TO COMMITTEE
ON EDUCATION & CULTURAL RESOURCES.

FIRST READING.

JUNE 21, 1989

COMMITTEE RECOMMEND BILL
DO PASS. REPORT ADOPTED.

JUNE 22, 1989

PRINTING REPORT.

ON MOTION, RULES SUSPENDED AND BILL
PLACED ON SECOND READING THIS DAY

SECOND READING, DO PASS.

JUNE 22, 1989

ENGROSSING REPORT.

ON MOTION, RULES SUSPENDED AND BILL
PLACED ON THIRD READING THIS DAY

THIRD READING, PASSED.
AYES, 92; NOES, 6.

TRANSMITTED TO SENATE.

IN THE SENATE

JUNE 23, 1989

INTRODUCED AND REFERRED TO COMMITTEE
ON EDUCATION & CULTURAL RESOURCES.

FIRST READING.

JUNE 26, 1989

COMMITTEE RECOMMEND BILL BE
CONCURRED IN. REPORT ADOPTED.

SECOND READING, CONCURRED IN.

THIRD READING, CONCURRED IN.
AYES, 49; NOES, 0.

RETURNED TO HOUSE.

IN THE HOUSE

JUNE 26, 1989

RECEIVED FROM SENATE.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 HOUSE BILL NO. 16
2 INTRODUCED BY GRINDE

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE SCHOOL
5 DISTRICTS TO USE GENERALLY ACCEPTED ACCOUNTING PRINCIPLES;
6 TO PROVIDE AN APPROPRIATION TO THE SUPERINTENDENT OF PUBLIC
7 INSTRUCTION TO ESTABLISH STANDARD ACCOUNTING AND REPORTING
8 PRACTICES; AMENDING SECTIONS 2-7-504, 20-9-201, 20-9-213,
9 AND 20-9-344, MCA; AND PROVIDING A DELAYED EFFECTIVE DATE."

10
11 STATEMENT OF INTENT

12 It is the intent of the legislature that school
13 districts be required to maintain accounting systems based
14 on generally accepted accounting principles and that the
15 superintendent of public instruction adopt rules necessary
16 to implement this requirement. Under 20-3-106, 20-9-102,
17 20-9-201, 20-9-211, and 20-9-213, the superintendent of
18 public instruction is authorized to supervise public school
19 financial administration and is required to adopt rules
20 establishing requirements for budgeting and financial
21 administration of public school districts, including
22 accounting and reporting requirements. Under 20-9-344, the
23 board of public education has authority to require any
24 reports it considers necessary.

25 It is further intended that the districts be required

1 to file accurate and timely reports with the superintendent
2 of public instruction. Districts must be required to provide
3 student and school district data as may be required by the
4 superintendent of public instruction concerning the
5 condition of education in Montana, including personnel
6 information, student and school district demographics,
7 assessment of student and school district achievements, and
8 other appropriate educational factors necessary to enable
9 the legislature to assess the equality of educational
10 opportunity provided by the public school districts and to
11 determine the amount of state aid to be distributed to
12 school districts. Districts shall also provide data to meet
13 grant requirements and other national reporting needs.

14 It is intended that the superintendent of public
15 instruction provide training, forms, and assistance to the
16 districts as necessary to enable the districts to comply
17 with [this act]. Whenever possible, the superintendent of
18 public instruction shall develop methods for collecting
19 educational data electronically, using formats consistent
20 with school district data processing capabilities. The
21 educational data must be maintained in an electronic format
22 easily accessible by other state agencies and the
23 legislature.

24 It is intended that the superintendent of public
25 instruction employ two additional full-time-equivalent

1 personnel during fiscal year 1990 and three
2 full-time-equivalent personnel during fiscal year 1991 for
3 the purpose of establishing standard accounting and
4 reporting practices in the public school districts.

5
6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

7 **Section 1.** Section 2-7-504, MCA, is amended to read:

8 "2-7-504. Accounting methods. The Unless otherwise
9 required by law, the department shall prescribe the general
10 methods and details of accounting for the receipt and
11 disbursement of all moneys money belonging to governmental
12 entities referred to in this part and shall establish in
13 those offices general methods and details of accounting.
14 All governmental entity officers shall conform with the
15 standards prescribed by the department."

16 **Section 2.** Section 20-9-201, MCA, is amended to read:

17 "20-9-201. Definitions and application. (1) As used in
18 this title, unless the context clearly indicates otherwise,
19 "fund" means a separate detailed account of receipts and
20 expenditures for a specific purpose as authorized by law.
21 Funds are classified as follows:

22 (a) A "budgeted fund" means any fund for which a
23 budget must be adopted in order to expend any money from
24 such the fund. The general fund, transportation fund, bus
25 depreciation reserve fund, elementary tuition fund,

1 retirement fund, debt service fund, leased facilities fund,
2 building reserve fund, adult education fund, nonoperating
3 fund, ~~vocational-technical-center-fund,~~ and any other funds
4 so designated by the legislature ~~shall--be~~ are budgeted
5 funds.

6 (b) A "nonbudgeted fund" means any fund for which a
7 budget is not required in order to expend any money on
8 deposit in such the fund. The school food services fund,
9 miscellaneous federal programs fund, building fund, lease or
10 rental agreement fund, traffic education fund, interlocal
11 cooperative fund, and any other funds so designated by the
12 legislature ~~shall--be~~ are nonbudgeted funds.

13 (2) The school financial administration provisions of
14 this title apply to all money of any elementary or high
15 school district except the extracurricular money realized
16 from pupil activities. Elementary and high school districts
17 shall record the receipt and disbursement of all money in
18 accordance with generally accepted accounting principles.
19 The superintendent of public instruction has general
20 supervisory authority as prescribed by law over the school
21 financial administration provisions, as they relate to
22 elementary and high school districts, ~~as prescribed by law~~
23 and, He shall establish such adopt rules ~~as are~~ necessary to
24 secure compliance with the law."

25 **Section 3.** Section 20-9-213, MCA, is amended to read:

1 "20-9-213. Duties of trustees. The trustees of each
2 district shall have the sole power and authority to transact
3 all fiscal business and execute all contracts in the name of
4 such district. No person other than the trustees acting as a
5 governing board shall have the authority to expend moneys of
6 the district. In conducting the fiscal business of the
7 district, the trustees shall:

8 (1) cause the keeping of an accurate, detailed
9 accounting of all receipts and expenditures of school moneys
10 for each fund maintained by the district in accordance with
11 generally accepted accounting principles and the rules
12 prescribed by the superintendent of public instruction. The
13 record of such accounting shall be open to public inspection
14 at any meeting of the trustees.

15 (2) authorize all expenditures of district moneys and
16 cause warrants to be issued for the payment of lawful
17 obligations;

18 (3) have the authority to issue warrants on any
19 budgeted fund in anticipation of budgeted revenues, except
20 that such expenditures shall not exceed the amount budgeted
21 for such fund;

22 (4) invest any moneys of the district, whenever in the
23 judgment of the trustees such investment would be
24 advantageous to the district, by directing the county
25 treasurer to invest any money of the district in direct

1 obligations of the United States government; in savings or
2 time deposits in a state or national bank, building or loan
3 association, savings and loan association, or credit union
4 insured by the FDIC, FSLIC, or NCUA located in the state; or
5 in a repurchase agreement as authorized in 7-6-213. All
6 interest collected on such deposits or investments shall be
7 credited to the fund from which the money was withdrawn,
8 except that interest earned on account of the investment of
9 money realized from the sale of bonds shall be credited to
10 the debt service fund or the building fund, at the
11 discretion of the board of trustees. The placement of the
12 investment by the county treasurer shall not be subject to
13 ratable distribution laws and shall be done in accordance
14 with the directive from the board of trustees. A district
15 may invest moneys under the state unified investment program
16 established in Title 17, chapter 6.

17 (5) cause the district to record every transaction in
18 the appropriate account before the accounts are closed at
19 the end of the fiscal year, in order to properly report the
20 receipt, use, and disposition of all money and property for
21 which the district is accountable;

22 (5)(6) report annually to the county superintendent,
23 not later than August 1, the financial activities of each
24 fund maintained by the district during the last completed
25 school fiscal year, on the forms prescribed and furnished by

1 the superintendent of public instruction. Annual fiscal
2 reports for joint school districts shall be submitted to the
3 county superintendent of each county in which part of the
4 joint district is situated.

5 ~~†6†~~(7) whenever requested, report any other fiscal
6 activities to the county superintendent, superintendent of
7 public instruction, or board of public education;

8 ~~†7†~~(8) cause the accounting records of the district to
9 be audited annually as required by law; and

10 ~~†8†~~(9) perform, in the manner permitted by law, such
11 other fiscal duties that are in the best interests of the
12 district."

13 **Section 4.** Section 20-9-344, MCA, is amended to read:

14 "20-9-344. Purpose of state equalization aid and
15 duties of the board of public education for distribution --
16 conditions of first payment. (1) The money available for
17 state equalization aid ~~shall~~ must be distributed and
18 apportioned to provide an annual minimum operating revenue
19 for the elementary and high schools in each county,
20 exclusive of revenues required for debt service and for the
21 payment of any ~~and--all~~ costs and expense incurred in
22 connection with any adult education program, recreation
23 program, school food services program, new buildings,~~--new~~
24 and grounds, and transportation.

25 (2) The board of public education shall administer and

1 distribute the state equalization aid in the manner and with
2 the powers and duties provided by law. To this end, the
3 board of public education shall:

4 (a) adopt policies for regulating the distribution of
5 state equalization aid in accordance with the provisions of
6 law and in a manner that would most effectively meet the
7 financial needs of districts;

8 (b) have the power to require ~~such~~ reports from the
9 county superintendents, budget boards, county treasurers,
10 and trustees as it ~~may-deem~~ considers necessary; and

11 (c) order the superintendent of public instruction to
12 distribute the state equalization aid on the basis of each
13 district's annual entitlement to ~~such~~ the aid as established
14 by the superintendent of public instruction. In ordering the
15 distribution of state equalization aid, the board of public
16 education ~~shall~~ may not increase or decrease the state
17 equalization aid distribution to any district on account of
18 any difference ~~which~~ that may occur during the school fiscal
19 year between budgeted and actual receipts from any other
20 source of school revenue.

21 (3) The board of public education may order the
22 superintendent of public instruction to withhold
23 distribution of state equalization aid from a district when
24 the district fails to:

25 (a) submit reports or budgets as required by law or

1 rules adopted by the board of public education; or

2 (b) maintain accredited status.

3 (4) Prior to any proposed order by the board of public
4 education to withhold distribution of state equalization
5 aid, the district is entitled to a contested case hearing
6 before the board of public education, as provided under the
7 Montana Administrative Procedure Act.

8 ~~(3)~~(5) Should a district receive more state
9 equalization aid than it is entitled to, the county
10 treasurer must shall return the overpayment to the state
11 upon the request of the superintendent of public instruction
12 in the manner prescribed by the department of commerce.

13 ~~(4)~~(6) The first payment of state equalization aid
14 must be:

15 (a) based on an estimate of 20% of each district's
16 entitlement; and

17 (b) distributed by July 15 of the school fiscal year."

18 NEW SECTION. Section 5. Appropriation. There is
19 appropriated from the general fund \$204,950 for the biennium
20 ending June 30, 1991, to the superintendent of public
21 instruction to establish standard accounting and reporting
22 practices in all Montana public school districts.

23 NEW SECTION. Section 6. Effective date. [This act] is
24 effective July 1, 1990.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB16, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

A bill for an act entitled: "An act to require school districts to use generally accepted accounting principles; to provide an appropriation to the Superintendent of Public Instruction to establish standard accounting and reporting practices; amending Sections 2-7-504, 20-9-201, 20-9-213, and 20-9-344, MCA; and providing a delayed effective date."

ASSUMPTIONS:

1. In FY90, a grade 16 and a grade 15 accountant would be required; in FY91, a grade 16 and two grade 15's would be required.
2. Operating expenses for rent for 3.0 FTE would be necessary, as well as printing costs, travel funds to the 56 counties, meeting room rental, and supplies and materials.
3. Basic equipment such as desk, chair, portable computer, etc. would be necessary for each FTE.

FISCAL IMPACT:Expenditures:

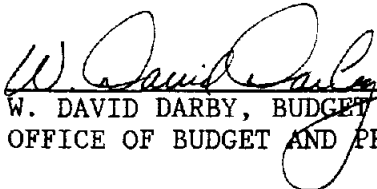
	<u>FY90</u>			<u>FY91</u>		
	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>
Personal Services	\$ -0-	\$65,224	\$65,224	\$ -0-	\$ 97,388	\$ 97,388
Operating Expenses	-0-	9,168	9,168	-0-	21,170	21,170
Equipment	-0-	8,000	8,000	-0-	4,000	4,000
Total	\$ -0-	\$82,392	\$82,392	\$ -0-	\$122,558	\$122,558
General Fund	\$ -0-	\$82,392	\$82,392	\$ -0-	\$122,558	\$122,558

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

As more and more districts follow GAAP more closely, it could result in lower audit costs for districts in their budgets.

LONG-RANGE EFFECTS:

After the second year, annual cost would be \$109,458.


 W. DAVID DARBY, BUDGET DIRECTOR
 OFFICE OF BUDGET AND PROGRAM PLANNING

DATE 6/21/89


 LARRY HAL GRINDE, PRIMARY SPONSOR

DATE 6/21/89

Fiscal Note for HB16, as introduced**HB 16**

APPROVED BY COMM. ON EDUCATION
AND CULTURAL RESOURCES

1 HOUSE BILL NO. 16
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25 It is further intended that the districts be required

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7 assessment of student and school district achievements, and
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15 instruction provide training, forms, and assistance to the
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19 educational data electronically, using formats consistent
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23 legislature.

24 It is intended that the superintendent of public
25 instruction employ two additional full-time-equivalent

1 personnel during fiscal year 1990 and three
2 full-time-equivalent personnel during fiscal year 1991 for
3 the purpose of establishing standard accounting and
4 reporting practices in the public school districts.

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8 **"2-7-504. Accounting methods.** The Unless otherwise
9 required by law, the department shall prescribe the general
10 methods and details of accounting for the receipt and
11 disbursement of all ~~moneys~~ money belonging to governmental
12 entities referred to in this part and shall establish in
13 those offices general methods and details of accounting.
14 All governmental entity officers shall conform with the
15 standards prescribed by the department."

16 **Section 2.** Section 20-9-201, MCA, is amended to read:

17 **"20-9-201. Definitions and application.** (1) As used in
18 this title, unless the context clearly indicates otherwise,
19 "fund" means a separate detailed account of receipts and
20 expenditures for a specific purpose as authorized by law.
21 Funds are classified as follows:

22 (a) A "budgeted fund" means any fund for which a
23 budget must be adopted in order to expend any money from
24 such the fund. The general fund, transportation fund, bus
25 depreciation reserve fund, elementary tuition fund,

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2 building reserve fund, adult education fund, nonoperating
3 fund, ~~vocational-technical-center-fund,~~ and any other funds
4 so designated by the legislature ~~shall--be~~ are budgeted
5 funds.

6 (b) A "nonbudgeted fund" means any fund for which a
7 budget is not required in order to expend any money on
8 deposit in ~~such the~~ the fund. The school food services fund,
9 miscellaneous federal programs fund, building fund, lease or
10 rental agreement fund, traffic education fund, interlocal
11 cooperative fund, and any other funds so designated by the
12 legislature ~~shall--be~~ are nonbudgeted funds.

13 (2) The school financial administration provisions of
14 this title apply to all money of any elementary or high
15 school district except the extracurricular money realized
16 from pupil activities. Elementary and high school districts
17 shall record the receipt and disbursement of all money in
18 accordance with generally accepted accounting principles.
19 The superintendent of public instruction has general
20 supervisory authority as prescribed by law over the school
21 financial administration provisions, as they relate to
22 elementary and high school districts, ~~as prescribed by law~~
23 and. He shall establish such adopt rules ~~as are~~ necessary to
24 secure compliance with the law."

25 **Section 3.** Section 20-9-213, MCA, is amended to read:

1 ***20-9-213. Duties of trustees.** The trustees of each
 2 district shall have the sole power and authority to transact
 3 all fiscal business and execute all contracts in the name of
 4 such district. No person other than the trustees acting as a
 5 governing board shall have the authority to expend moneys of
 6 the district. In conducting the fiscal business of the
 7 district, the trustees shall:

8 (1) cause the keeping of an accurate, detailed
 9 accounting of all receipts and expenditures of school moneys
 10 for each fund maintained by the district in accordance with
 11 generally accepted accounting principles and the rules
 12 prescribed by the superintendent of public instruction. The
 13 record of such accounting shall be open to public inspection
 14 at any meeting of the trustees.

15 (2) authorize all expenditures of district moneys and
 16 cause warrants to be issued for the payment of lawful
 17 obligations;

18 (3) have the authority to issue warrants on any
 19 budgeted fund in anticipation of budgeted revenues, except
 20 that such expenditures shall not exceed the amount budgeted
 21 for such fund;

22 (4) invest any moneys of the district, whenever in the
 23 judgment of the trustees such investment would be
 24 advantageous to the district, by directing the county
 25 treasurer to invest any money of the district in direct

1 obligations of the United States government; in savings or
 2 time deposits in a state or national bank, building or loan
 3 association, savings and loan association, or credit union
 4 insured by the FDIC, FSLIC, or NCUA located in the state; or
 5 in a repurchase agreement as authorized in 7-6-213. All
 6 interest collected on such deposits or investments shall be
 7 credited to the fund from which the money was withdrawn,
 8 except that interest earned on account of the investment of
 9 money realized from the sale of bonds shall be credited to
 10 the debt service fund or the building fund, at the
 11 discretion of the board of trustees. The placement of the
 12 investment by the county treasurer shall not be subject to
 13 ratable distribution laws and shall be done in accordance
 14 with the directive from the board of trustees. A district
 15 may invest moneys under the state unified investment program
 16 established in Title 17, chapter 6.

17 (5) cause the district to record every transaction in
 18 the appropriate account before the accounts are closed at
 19 the end of the fiscal year, in order to properly report the
 20 receipt, use, and disposition of all money and property for
 21 which the district is accountable;

22 ~~(5)~~(6) report annually to the county superintendent,
 23 not later than August 1, the financial activities of each
 24 fund maintained by the district during the last completed
 25 school fiscal year, on the forms prescribed and furnished by

1 the superintendent of public instruction. Annual fiscal
2 reports for joint school districts shall be submitted to the
3 county superintendent of each county in which part of the
4 joint district is situated.

5 {6}(7) whenever requested, report any other fiscal
6 activities to the county superintendent, superintendent of
7 public instruction, or board of public education;

8 {7}(8) cause the accounting records of the district to
9 be audited annually as required by law; and

10 {8}(9) perform, in the manner permitted by law, such
11 other fiscal duties that are in the best interests of the
12 district."

13 **Section 4.** Section 20-9-344, MCA, is amended to read:

14 "20-9-344. Purpose of state equalization aid and
15 duties of the board of public education for distribution --
16 conditions of first payment. (1) The money available for
17 state equalization aid ~~shall~~ must be distributed and
18 apportioned to provide an annual minimum operating revenue
19 for the elementary and high schools in each county,
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21 payment of any ~~and--all~~ costs and expense incurred in
22 connection with any adult education program, recreation
23 program, school food services program, new buildings, ~~--new~~
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 24 such the fund. The general fund, transportation fund, bus
 25 depreciation reserve fund, elementary tuition fund,

1 retirement fund, debt service fund, leased facilities fund,
 2 building reserve fund, adult education fund, nonoperating
 3 fund, ~~vocational-technical-center-fund,~~ and any other funds
 4 so designated by the legislature ~~shall--be~~ are budgeted
 5 funds.

6 (b) A "nonbudgeted fund" means any fund for which a
 7 budget is not required in order to expend any money on
 8 deposit in such the fund. The school food services fund,
 9 miscellaneous federal programs fund, building fund, lease or
 10 rental agreement fund, traffic education fund, interlocal
 11 cooperative fund, and any other funds so designated by the
 12 legislature ~~shall--be~~ are nonbudgeted funds.

13 (2) The school financial administration provisions of
 14 this title apply to all money of any elementary or high
 15 school district except the extracurricular money realized
 16 from pupil activities. Elementary and high school districts
 17 shall record the receipt and disbursement of all money in
 18 accordance with generally accepted accounting principles.
 19 The superintendent of public instruction has general
 20 supervisory authority as prescribed by law over the school
 21 financial administration provisions, as they relate to
 22 elementary and high school districts, ~~as prescribed--by--law~~
 23 and, He shall establish--such adopt rules ~~as--are~~ necessary to
 24 secure compliance with the law."

25 **Section 3.** Section 20-9-213, MCA, is amended to read:

1 *20-9-213. Duties of trustees. The trustees of each
2 district shall have the sole power and authority to transact
3 all fiscal business and execute all contracts in the name of
4 such district. No person other than the trustees acting as a
5 governing board shall have the authority to expend moneys of
6 the district. In conducting the fiscal business of the
7 district, the trustees shall:

8 (1) cause the keeping of an accurate, detailed
9 accounting of all receipts and expenditures of school moneys
10 for each fund maintained by the district in accordance with
11 generally accepted accounting principles and the rules
12 prescribed by the superintendent of public instruction. The
13 record of such accounting shall be open to public inspection
14 at any meeting of the trustees.

15 (2) authorize all expenditures of district moneys and
16 cause warrants to be issued for the payment of lawful
17 obligations;

18 (3) have the authority to issue warrants on any
19 budgeted fund in anticipation of budgeted revenues, except
20 that such expenditures shall not exceed the amount budgeted
21 for such fund;

22 (4) invest any moneys of the district, whenever in the
23 judgment of the trustees such investment would be
24 advantageous to the district, by directing the county
25 treasurer to invest any money of the district in direct

1 obligations of the United States government; in savings or
2 time deposits in a state or national bank, building or loan
3 association, savings and loan association, or credit union
4 insured by the FDIC, FSLIC, or NCUA located in the state; or
5 in a repurchase agreement as authorized in 7-6-213. All
6 interest collected on such deposits or investments shall be
7 credited to the fund from which the money was withdrawn,
8 except that interest earned on account of the investment of
9 money realized from the sale of bonds shall be credited to
10 the debt service fund or the building fund, at the
11 discretion of the board of trustees. The placement of the
12 investment by the county treasurer shall not be subject to
13 ratable distribution laws and shall be done in accordance
14 with the directive from the board of trustees. A district
15 may invest moneys under the state unified investment program
16 established in Title 17, chapter 6.

17 (5) cause the district to record every transaction in
18 the appropriate account before the accounts are closed at
19 the end of the fiscal year, in order to properly report the
20 receipt, use, and disposition of all money and property for
21 which the district is accountable;

22 (5)(6) report annually to the county superintendent,
23 not later than August 1, the financial activities of each
24 fund maintained by the district during the last completed
25 school fiscal year, on the forms prescribed and furnished by

1 the superintendent of public instruction. Annual fiscal
2 reports for joint school districts shall be submitted to the
3 county superintendent of each county in which part of the
4 joint district is situated.

5 ~~(6)~~(7) whenever requested, report any other fiscal
6 activities to the county superintendent, superintendent of
7 public instruction, or board of public education;

8 ~~(7)~~(8) cause the accounting records of the district to
9 be audited annually as required by law; and

10 ~~(8)~~(9) perform, in the manner permitted by law, such
11 other fiscal duties that are in the best interests of the
12 district."

13 **Section 4.** Section 20-9-344, MCA, is amended to read:

14 "20-9-344. Purpose of state equalization aid and
15 duties of the board of public education for distribution --
16 conditions of first payment. (1) The money available for
17 state equalization aid shall must be distributed and
18 apportioned to provide an annual minimum operating revenue
19 for the elementary and high schools in each county,
20 exclusive of revenues required for debt service and for the
21 payment of any ~~and--all~~ costs and expense incurred in
22 connection with any adult education program, recreation
23 program, school food services program, new buildings~~7--new~~
24 and grounds, and transportation.

25 (2) The board of public education shall administer and

1 distribute the state equalization aid in the manner and with
2 the powers and duties provided by law. To this end, the
3 board of public education shall:

4 (a) adopt policies for regulating the distribution of
5 state equalization aid in accordance with the provisions of
6 law and in a manner that would most effectively meet the
7 financial needs of districts;

8 (b) have the power to require such reports from the
9 county superintendents, budget boards, county treasurers,
10 and trustees as it ~~may-deem~~ considers necessary; and

11 (c) order the superintendent of public instruction to
12 distribute the state equalization aid on the basis of each
13 district's annual entitlement to ~~such~~ the aid as established
14 by the superintendent of public instruction. In ordering the
15 distribution of state equalization aid, the board of public
16 education shall may not increase or decrease the state
17 equalization aid distribution to any district on account of
18 any difference ~~which~~ that may occur during the school fiscal
19 year between budgeted and actual receipts from any other
20 source of school revenue.

21 (3) The board of public education may order the
22 superintendent of public instruction to withhold
23 distribution of state equalization aid from a district when
24 the district fails to:

25 (a) submit reports or budgets as required by law or

1 rules adopted by the board of public education; or

2 (b) maintain accredited status.

3 (4) Prior to any proposed order by the board of public
4 education to withhold distribution of state equalization
5 aid, the district is entitled to a contested case hearing
6 before the board of public education, as provided under the
7 Montana Administrative Procedure Act.

8 ~~†3†~~(5) Should a district receive more state
9 equalization aid than it is entitled to, the county
10 treasurer must shall return the overpayment to the state
11 upon the request of the superintendent of public instruction
12 in the manner prescribed by the department of commerce.

13 ~~†4†~~(6) The first payment of state equalization aid
14 must be:

15 (a) based on an estimate of 20% of each district's
16 entitlement; and

17 (b) distributed by July 15 of the school fiscal year."

18 NEW SECTION. Section 5. Appropriation. There is
19 appropriated from the general fund \$204,950 for the biennium
20 ending June 30, 1991, to the superintendent of public
21 instruction to establish standard accounting and reporting
22 practices in all Montana public school districts.

23 NEW SECTION. Section 6. Effective date. [This act] is
24 effective July 1, 1990.

-End-

1 HOUSE BILL NO. 16
2 INTRODUCED BY GRINDE

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE SCHOOL
5 DISTRICTS TO USE GENERALLY ACCEPTED ACCOUNTING PRINCIPLES;
6 TO PROVIDE AN APPROPRIATION TO THE SUPERINTENDENT OF PUBLIC
7 INSTRUCTION TO ESTABLISH STANDARD ACCOUNTING AND REPORTING
8 PRACTICES; AMENDING SECTIONS 2-7-504, 20-9-201, 20-9-213,
9 AND 20-9-344, MCA; AND PROVIDING A DELAYED EFFECTIVE DATE."

10
11 STATEMENT OF INTENT

12 It is the intent of the legislature that school
13 districts be required to maintain accounting systems based
14 on generally accepted accounting principles and that the
15 superintendent of public instruction adopt rules necessary
16 to implement this requirement. Under 20-3-106, 20-9-102,
17 20-9-201, 20-9-211, and 20-9-213, the superintendent of
18 public instruction is authorized to supervise public school
19 financial administration and is required to adopt rules
20 establishing requirements for budgeting and financial
21 administration of public school districts, including
22 accounting and reporting requirements. Under 20-9-344, the
23 board of public education has authority to require any
24 reports it considers necessary.

25 It is further intended that the districts be required

1 to file accurate and timely reports with the superintendent
2 of public instruction. Districts must be required to provide
3 student and school district data as may be required by the
4 superintendent of public instruction concerning the
5 condition of education in Montana, including personnel
6 information, student and school district demographics,
7 assessment of student and school district achievements, and
8 other appropriate educational factors necessary to enable
9 the legislature to assess the equality of educational
10 opportunity provided by the public school districts and to
11 determine the amount of state aid to be distributed to
12 school districts. Districts shall also provide data to meet
13 grant requirements and other national reporting needs.

14 It is intended that the superintendent of public
15 instruction provide training, forms, and assistance to the
16 districts as necessary to enable the districts to comply
17 with [this act]. Whenever possible, the superintendent of
18 public instruction shall develop methods for collecting
19 educational data electronically, using formats consistent
20 with school district data processing capabilities. The
21 educational data must be maintained in an electronic format
22 easily accessible by other state agencies and the
23 legislature.

24 It is intended that the superintendent of public
25 instruction employ two additional full-time-equivalent

1 personnel during fiscal year 1990 and three
 2 full-time-equivalent personnel during fiscal year 1991 for
 3 the purpose of establishing standard accounting and
 4 reporting practices in the public school districts.

5
 6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

7 **Section 1.** Section 2-7-504, MCA, is amended to read:

8 "2-7-504. Accounting methods. The Unless otherwise
 9 required by law, the department shall prescribe the general
 10 methods and details of accounting for the receipt and
 11 disbursement of all moneys money belonging to governmental
 12 entities referred to in this part and shall establish in
 13 those offices general methods and details of accounting.
 14 All governmental entity officers shall conform with the
 15 standards prescribed by the department."

16 **Section 2.** Section 20-9-201, MCA, is amended to read:

17 "20-9-201. Definitions and application. (1) As used in
 18 this title, unless the context clearly indicates otherwise,
 19 "fund" means a separate detailed account of receipts and
 20 expenditures for a specific purpose as authorized by law.
 21 Funds are classified as follows:

22 (a) A "budgeted fund" means any fund for which a
 23 budget must be adopted in order to expend any money from
 24 such the fund. The general fund, transportation fund, bus
 25 depreciation reserve fund, elementary tuition fund,

1 retirement fund, debt service fund, leased facilities fund,
 2 building reserve fund, adult education fund, nonoperating
 3 fund, ~~vocational-technical-center-fund~~ and any other funds
 4 so designated by the legislature ~~shall--be~~ are budgeted
 5 funds.

6 (b) A "nonbudgeted fund" means any fund for which a
 7 budget is not required in order to expend any money on
 8 deposit in ~~such the~~ fund. The school food services fund,
 9 miscellaneous federal programs fund, building fund, lease or
 10 rental agreement fund, traffic education fund, interlocal
 11 cooperative fund, and any other funds so designated by the
 12 legislature ~~shall--be~~ are nonbudgeted funds.

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 14 this title apply to all money of any elementary or high
 15 school district except the extracurricular money realized
 16 from pupil activities. Elementary and high school districts
 17 shall record the receipt and disbursement of all money in
 18 accordance with generally accepted accounting principles.
 19 The superintendent of public instruction has general
 20 supervisory authority as prescribed by law over the school
 21 financial administration provisions, as they relate to
 22 elementary and high school districts, ~~as prescribed--by--law~~
 23 and. He shall establish--such adopt rules ~~as--are~~ necessary to
 24 secure compliance with the law."
 25

Section 3. Section 20-9-213, MCA, is amended to read:

1 "20-9-213. Duties of trustees. The trustees of each
2 district shall have the sole power and authority to transact
3 all fiscal business and execute all contracts in the name of
4 such district. No person other than the trustees acting as a
5 governing board shall have the authority to expend moneys of
6 the district. In conducting the fiscal business of the
7 district, the trustees shall:

8 (1) cause the keeping of an accurate, detailed
9 accounting of all receipts and expenditures of school moneys
10 for each fund maintained by the district in accordance with
11 generally accepted accounting principles and the rules
12 prescribed by the superintendent of public instruction. The
13 record of such accounting shall be open to public inspection
14 at any meeting of the trustees.

15 (2) authorize all expenditures of district moneys and
16 cause warrants to be issued for the payment of lawful
17 obligations;

18 (3) have the authority to issue warrants on any
19 budgeted fund in anticipation of budgeted revenues, except
20 that such expenditures shall not exceed the amount budgeted
21 for such fund;

22 (4) invest any moneys of the district, whenever in the
23 judgment of the trustees such investment would be
24 advantageous to the district, by directing the county
25 treasurer to invest any money of the district in direct

1 obligations of the United States government; in savings or
2 time deposits in a state or national bank, building or loan
3 association, savings and loan association, or credit union
4 insured by the FDIC, FSLIC, or NCUA located in the state; or
5 in a repurchase agreement as authorized in 7-6-213. All
6 interest collected on such deposits or investments shall be
7 credited to the fund from which the money was withdrawn,
8 except that interest earned on account of the investment of
9 money realized from the sale of bonds shall be credited to
10 the debt service fund or the building fund, at the
11 discretion of the board of trustees. The placement of the
12 investment by the county treasurer shall not be subject to
13 ratable distribution laws and shall be done in accordance
14 with the directive from the board of trustees. A district
15 may invest moneys under the state unified investment program
16 established in Title 17, chapter 6.

17 (5) cause the district to record every transaction in
18 the appropriate account before the accounts are closed at
19 the end of the fiscal year, in order to properly report the
20 receipt, use, and disposition of all money and property for
21 which the district is accountable;

22 (5)(6) report annually to the county superintendent,
23 not later than August 1, the financial activities of each
24 fund maintained by the district during the last completed
25 school fiscal year, on the forms prescribed and furnished by

1 the superintendent of public instruction. Annual fiscal
 2 reports for joint school districts shall be submitted to the
 3 county superintendent of each county in which part of the
 4 joint district is situated.

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 6 activities to the county superintendent, superintendent of
 7 public instruction, or board of public education;

8 ~~{7}~~{8} cause the accounting records of the district to
 9 be audited annually as required by law; and

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 21 payment of any ~~and--all~~ costs and expense incurred in
 22 connection with any adult education program, recreation
 23 program, school food services program, new buildings~~--new~~
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 2 the powers and duties provided by law. To this end, the
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8 (b) have the power to require ~~such~~ reports from the
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11 (c) order the superintendent of public instruction to
 12 distribute the state equalization aid on the basis of each
 13 district's annual entitlement to such the aid as established
 14 by the superintendent of public instruction. In ordering the
 15 distribution of state equalization aid, the board of public
 16 education shall may not increase or decrease the state
 17 equalization aid distribution to any district on account of
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 19 year between budgeted and actual receipts from any other
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 22 superintendent of public instruction to withhold
 23 distribution of state equalization aid from a district when
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