



IDUWBVJKMA

INVESTMENT OPTIONS

School Finance Division

Putting Montana Students First **A+**

METHODS OF INVESTING DISTRICT MONIES

Montana Code Annotated (MCA), condensed:

[20-3-332. Personal immunity of trustees.](#)

School district trustees are responsible for the proper administration and utilization of all monies of their district, and have a fiduciary responsibility to obtain an investment with terms most advantageous to the district.

METHODS OF INVESTING DISTRICT MONIES

Montana Code Annotated (MCA), condensed:

[20-9-213. Duties of trustees.](#)

The trustees of each district have the authority to transact all fiscal business and execute all contracts in the name of the district. A person other than the trustees acting as a governing board may not expend money of the district. In conducting the fiscal business of the district, the trustees shall:

(4) invest any money of the district, whenever in the judgment of the trustees the investment would be advantageous to the district, either by directing the county treasurer to invest any money of the district or by directly investing the money of the district in eligible securities, as identified in [7-6-202](#), in savings or time deposits in a state or national bank, building or loan association, savings and loan association, or credit union insured by the FDIC or NCUA located in the state, or in a repurchase agreement that meets the criteria provided for in [7-6-213](#).



METHODS OF INVESTING DISTRICT MONIES

Montana Code Annotated (MCA), condensed:

[20-9-213. Duties of trustees.](#)

The trustees of the district shall invest any money of the district, whenever in the judgment of the trustees the investment would be advantageous to the district, either by directing the county treasurer to invest any money of the district or by directly investing the money of the district in eligible securities, as authorized in [7-6-202](#), MCA and [7-6-213](#), MCA, and other investments as authorized in this section ([20-9-213](#), MCA), and as disclosed in Compliance Requirement No. 3, [20-9-235\(3\)](#), MCA.

A district may invest money under the State unified investment program established in MCA Title 17, Chapter 6 (i.e., STIP) or in a unified investment program with the county treasurer, with other school districts, or with any other political subdivision if the unified investment program is limited to investments that meet the requirements listed in Compliance Requirement No. 2, [20-9-235\(2\)](#), MCA.

(Note: For unified investment programs with another school district or political subdivision other than the State, see Compliance Requirements No. 4 & 5, [20-9-235\(4-5\)](#), MCA.)



METHODS OF INVESTING DISTRICT MONIES

Montana Code Annotated (MCA), condensed:

20-9-213: Duties of trustees.

A school district that enters into a unified investment program with another school district or political subdivision other than the State shall do so under the auspices of and by complying with the provisions governing interlocal cooperative agreements authorized under [Title 7, Chapter 11, MCA](#) and educational cooperative agreements authorized under [Title 20, Chapter 9, Part 7, MCA](#).

METHODS OF INVESTING DISTRICT MONIES

The following items should be included in a written agreement for such an investment program pursuant to ARM [10.10.625\(2\)](#):

(Note: These items are in addition to those required by [7-11-105](#), MCA- Interlocal Agreements)

- a. The manner in which participants will share gains, losses, interest distributions and fees;
- b. A statement that only the types of investments allowed by [20-9-213\(4\)](#), [7-6-202](#), and [7-6-213](#), MCA, will be purchased;
- c. The procedures for dissolving the pool and distributing the ending balance to participants;

METHODS OF INVESTING DISTRICT MONIES

The following items should be included in a written agreement for such an investment program pursuant to ARM [10.10.625\(2\)](#):

(Note: These items are in addition to those required by [7-11-105](#), MCA- Interlocal Agreements)

- d. Details specific to procedures necessary when more than one county treasurer is involved in funds combined in the investment pool;
- e. The party authorized to direct the purchase and redemption of investments (i.e., a representative of the host entity, investment pool committee or board, school district official, etc.); and
- f. A statement that all elected officials, school district employees and investment pool employees with duties related to the investment pool must be bonded. The pool participants shall determine the amount of bonding required, based on the amount of assets handled and the opportunity for defalcation. The bond may either be for an individual or may be a blanket bond.

METHODS OF INVESTING DISTRICT MONIES

Montana Code Annotated (MCA), condensed:

[20-9-213: Duties of trustees.](#)

Subsection (4)

A school district shall either contract for investment services with any company complying with the provisions of [Title 30, Chapter 10](#), MCA, or shall contract with the State Board of Investments for investment services.

METHODS OF INVESTING DISTRICT MONIES

- The OPI strongly recommends the Board of Trustees engage legal guidance.
- Requirements are outlined in ARM [10.10.610-615](#) and [20-9-235](#), MCA.

METHODS OF INVESTING DISTRICT MONIES

Montana Code Annotated (MCA), condensed:

[20-9-235](#). Authorization for school district investment account.

A school district may establish an investment account(s) as described in [20-9-235](#), MCA:

- *Note: For additional compliance requirements related to investment accounts, see Compliance Requirement No. 7, [20-9-235\(7\)](#), MCA.*
- *Note: An “investment account” does not include a countywide investment pool or an investment pool formed by a combination of schools and/or other local governments. ARM [10.10.610\(2\)](#).*

Before establishing a school district investment account, the trustees must enter into a written agreement with the county treasurer. The agreement must:

- a. establish specific procedures and reporting dates to comply with the requirements of [20-9-235\(3\)](#), MCA ;
- b. be binding upon the district and the county treasurer for a negotiated period of time;

METHODS OF INVESTING DISTRICT MONIES

Montana Code Annotated (MCA), condensed:

20-9-235. Authorization for school district investment account.

A school district may establish an investment account(s) as described in 20-9-235, MCA:

- *Note: For additional compliance requirements related to investment accounts, see Compliance Requirement No. 7, 20-9-235(7), MCA.*
- *Note: An “investment account” does not include a countywide investment pool or an investment pool formed by a combination of schools and/or other local governments. ARM 10.10.610(2).*

Before establishing a school district investment account, the trustees must enter into a written agreement with the county treasurer. The agreement must:

- c. be signed by the presiding officer of the board of trustees and the county treasurer; and
- d. coincide with fiscal years beginning on July 1 and ending on June 30. To be effective for the ensuing school year, the agreement must be entered into no later than June 30 of the year before the investment accounts are established. ARM 10.10.613(3).

MONTANA CODE ANNOTATED

Montana Code Annotated (MCA)

20-9-235. Authorization for school district investment account.

- (1) The trustees of a school district may establish investment accounts and may temporarily transfer into the accounts all or a portion of any of its budgeted or nonbudgeted funds.
- (2) Money transferred into investment accounts established under this section may be expended from a subsidiary checking account under the conditions specified in subsection (3)(b).
- (3) The district may either:
 - (a) establish and use the accounts as nonspending accounts to ensure that district funds remain in an interest-bearing status until money is reverted to the budgeted or nonbudgeted fund of original deposit as necessary for use by the county treasurer to pay claims against the district.

MONTANA CODE ANNOTATED

Montana Code Annotated (MCA)

20-9-235. Authorization for school district investment account.

The district shall ensure that sufficient money is reverted to the district's budgeted and nonbudgeted funds maintained by the county treasurer in sufficient time to pay all claims presented against the applicable funds of the district. The county treasurer shall accept all money that is reverted upon tendered transfer of the district. (b) establish a subsidiary checking account for expenditures from the investment accounts. The district may write checks on or provide electronic payments from the account if:

- (i) the payments made from the accounts representing budgeted funds are in compliance with the budget adopted by the trustees;

MONTANA CODE ANNOTATED

Montana Code Annotated (MCA)

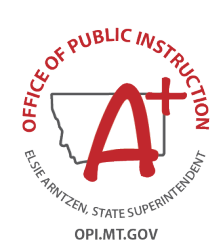
20-9-235. Authorization for school district investment account.

(ii) the accounts are subject to the audit of district finances completed for compliance with [2-7-503](#) and [20-9-503](#); and

(iii) the district complies with all accounting system requirements required by the superintendent of public instruction.

(4) (a) A district that chooses to establish a school district investment account described in this section shall enter into a written agreement with the county treasurer. The agreement must:

(i) establish specific procedures and reporting dates to comply with the requirements of subsection (3);



MONTANA CODE ANNOTATED

Montana Code Annotated (MCA)

20-9-235. Authorization for school district investment account.

- (ii) be binding upon the district and the county treasurer for a negotiated period of time;
 - (iii) be signed by the presiding officer of the board of trustees and the county treasurer; and
 - (iv) coincide with fiscal years beginning on July 1 and ending on June 30.
- (b) The district and the county treasurer may renew an agreement, including terms and conditions on which they agree, provided that the terms and conditions comply with the provisions of this section.

MONTANA CODE ANNOTATED

Montana Code Annotated (MCA)

20-9-235. Authorization for school district investment account.

(5) Unless otherwise provided by law, all other revenue may be sent directly to a participating district's investment account.

(6) The trustees shall implement an accounting system for the investment account pursuant to rules adopted by the superintendent of public instruction. The rules for the accounting system must include but are not limited to:

(a) providing for the internal control of deposits into and transfers between a district's investment accounts and budgeted and nonbudgeted funds of the district;

(b) requiring that the principal and interest earned on the principal is allocated to the budgeted or nonbudgeted fund from which the deposit was originally made; and



MONTANA CODE ANNOTATED

Montana Code Annotated (MCA)

20-9-235. Authorization for school district investment account.

- (c) ensuring that other proper accounting principles are followed.
- (7) All interest earned on the district's general fund deposits must be allocated for district property tax reduction as required by [20-9-141](#).
- (8) In making deposits to investment accounts under this section, a district shall comply with the requirements of Title 17, chapter 6, part 1, with respect to deposits in excess of the amount insured by the federal deposit insurance corporation or the national credit union administration, as applicable.
- (9) A district establishing investment accounts under the section shall pay the automated clearinghouse system charges for all automated clearinghouse transfers made by the office of public instruction to the district's accounts.

ADMINISTRATIVE RULES

- The OPI strongly recommends the Board of Trustees engage legal guidance.
- Requirements are outlined in ARM [10.10.610-615](#) and [20-9-235](#), MCA.

Montana Code Annotated (MCA), condensed:

[20-3-332. Personal immunity of trustees.](#)

School district trustees are responsible for the proper administration and utilization of all monies of their district, and have a fiduciary responsibility to obtain an investment with terms most advantageous to the district.

ADMINISTRATIVE RULES

Administrative Rules of Montana (ARM) [10.10.610-615](#), condensed:

10.10.611 ESTABLISHMENT OF INVESTMENT ACCOUNTS

All elected officials, school district employees, full service education cooperative employees, and investment firm employees with duties related to the investment **must be bonded**.

Before establishing investment accounts, a school district or full service education cooperative **must obtain written documentation that the investment firm or entity being contracted to administer the investment account(s):**

- (a) complies with [20-9-204](#), MCA, [Article VIII, Section 13](#) of the Constitution of the State of Montana, and is qualified and competent to provide investment services to school districts and full service education cooperatives;
- (b) is either registered with or has filed notice with the State Auditor under the provisions of [Title 30, Chapter 10](#), MCA;
- (c) acquires pledged securities in the same manner and amount as required in [7-6-202](#) and [7-6-213](#), MCA, for investments which are not guaranteed or uninsured investments;
- (d) agrees to purchase only the types of investments allowed for schools by law pursuant to [20-9-213\(4\)](#), MCA; and

ADMINISTRATIVE RULES

Administrative Rules of Montana (ARM) [10.10.610-615](#), condensed:

10.10.611 ESTABLISHMENT OF INVESTMENT ACCOUNTS

(e) provides the district or full service education cooperative with a monthly report detailing:

- (i) investment and redemption dates;
- (ii) investment and redemption amounts, by school district fund;
- (iii) fees charged for administering the investment accounts;
- (iv) the amount of interest accrued, reinvested and distributed by fund;
- (v) the balance of the district's investments, by fund;



ADMINISTRATIVE RULES

Administrative Rules of Montana (ARM) [10.10.610-615](#), condensed:

10.10.611 ESTABLISHMENT OF INVESTMENT ACCOUNTS

(vi) for a spending investment account, a list of checks, if applicable, and a detailed report of electronic payments made from the investment account; and

(vii) at fiscal year-end, the amount of interest accrued as of June 30 and the fair value of the district's or full service education cooperative's share of pooled investments as of June 30 as prescribed by Governmental Accounting Standards Board (GASB) No. 31.

ADMINISTRATIVE RULES

Administrative Rules of Montana (ARM) [10.10.610-615](#), condensed:

10.10.613 AGREEMENT WITH THE COUNTY TREASURER

Before establishing a school district investment account or accounts, the trustees of a school district or a full service education cooperative shall enter into a written agreement with the county treasurer.

Trustees of a joint district shall enter into an agreement with the county treasurer of the located county only.

To be effective for the ensuing school year, an agreement must be entered into no later than June 30.

The written agreement must, at a minimum, meet the statutory requirements of [20-9-235](#), MCA. The district or full service education cooperative and the county treasurer may include additional agreed-upon provisions. An agreement that contains an automatic renewal provision must be reviewed and reauthorized by the parties at least every five years.



ADMINISTRATIVE RULES

Administrative Rules of Montana (ARM) [10.10.610-615](#), condensed:

10.10.614 PAYMENTS INTO AN INVESTMENT ACCOUNT

The school district or a full service education cooperative for special education that receives payments from the Superintendent of Public Instruction under [20-7-457\(1\)](#), MCA, may apply in writing to the Superintendent of Public Instruction to distribute the district's or cooperative's payments by direct electronic transfer of funds into an investment account as provided by [20-9-235](#) and [20-9-346\(3\)](#), MCA.

To qualify for the electronic transfer, the trustees shall submit a written request to the state Superintendent, **including a copy of the trustees' written agreement under ARM [10.10.613](#)** for each affected fund and a copy of the direct deposit signup form (OMB standard form 1199A), signed by the district or cooperative and the investment firm, indicating the routing numbers for the electronic deposit into the school investment account.

OMB standard form 1199A – Electronic deposits; available through the bank and financial institutions.



ADMINISTRATIVE RULES

Administrative Rules of Montana (ARM) [10.10.610-615](#), condensed:

10.10.614 PAYMENTS INTO AN INVESTMENT ACCOUNT

The state Superintendent of Public Instruction shall approve the request if:

- (a) the district or cooperative is currently in compliance with financial accounting and reporting requirements of the state Superintendent of Public Instruction;
- (b) other funds of the district or cooperative held by the county treasurer do not have deficit cash balances; and
- (c) the district's or cooperative's most recent audit report discloses no serious financial noncompliance issues, repeated or unresolved financial problems, or significant internal control problems.

The state Superintendent of Public Instruction may rescind the approval of a district's or cooperative's request to receive electronic transfers to investment accounts if the criteria of (3) and internal control provisions of ARM [10.10.615](#) are not met. Upon receipt of written notice, the trustees may request a hearing to be held within 30 days.



ADMINISTRATIVE RULES

Administrative Rules of Montana (ARM) [10.10.610-615](#), condensed:

10.10.615 INTERNAL CONTROLS AND ACCOUNTING RECORDS

The trustees of a district or the management board of a full service education cooperative shall provide and enforce a system of internal controls to safe-guard the district's or full service education cooperative's money by providing the following procedural checks and balances:

- (a) Each month, a school district or full service education cooperative that has established an investment account(s) shall reconcile:
 - (i) the district's or cooperative's records of investment balances;
 - (ii) county treasurer's transfers from the district's or cooperative's funds to the account(s) ;
 - (iii) transfers from the account(s) to the district or cooperative fund(s) held by the county treasurer;
 - (iv) checks cleared; and
 - (v) interest income to the investment account statement.



ADMINISTRATIVE RULES

Administrative Rules of Montana (ARM) [10.10.610-615](#), condensed:

10.10.615 INTERNAL CONTROLS AND ACCOUNTING RECORDS

(b) A person other than the district or full service education cooperative employee responsible for producing payments by check or electronic transfer, including another district or cooperative employee, a county employee, a trustee, or a contracted accounting professional, shall review the monthly reconciliation to verify validity of:

- (i) changes to account routing numbers;
- (ii) appropriate payees;
- (iii) proper sequence of check numbers; and
- (iv) authorization of expenditures by the appropriate school district or full service education cooperative official.

ADMINISTRATIVE RULES

Administrative Rules of Montana (ARM) [10.10.610-615](#), condensed:

10.10.615 INTERNAL CONTROLS AND ACCOUNTING RECORDS

(c) No single person may control an accounting transaction from beginning to end, meaning the same person shall not be responsible for initiating a payment or transfer, authorizing the payment or transfer, recording of accounting transactions for payments and transfers, and reconcilements.

(2) When directed by the school district or full service education cooperative, a county treasurer shall deposit the district's or cooperative's money directly into the appropriate investment account by issuing a treasurer's check or wire transfer of funds to the investment account. A treasurer may not direct payments to a subsidiary checking account.

ADMINISTRATIVE RULES

Administrative Rules of Montana (ARM) [10.10.610-615](#), condensed:

10.10.615 INTERNAL CONTROLS AND ACCOUNTING RECORDS

(3) For a nonspending investment account, a school district or full service education cooperative shall direct the investment firm to deposit redeemed investments and interest income to the credit of the specific and appropriate school district fund held by the county treasurer.

(a) The school district or full service education cooperative shall require that the investment firm, transferring money to the district's or cooperative's fund held by the county treasurer, inform the county treasurer in writing stating the fund(s) to which the proceeds should be deposited and the amount of the interest earnings and principal contained in the proceeds. Any losses incurred must also be reported by fund.

(b) The school district or full service education cooperative shall not make payments from a nonspending investment account.

OPI ROLE

Process:

District(s) request to participate in Investment Accounts if under [20-9-235](#), MCA.

- OPI has **NO ROLE** for districts and Coops participating in Nonspending Investment Accounts under [20-9-213](#), MCA.

Compliance checks are performed as outlined in ARM [10.10.610-611](#) and [20-9-235](#), MCA.

- May include Bank verifications.

OPI issues a response to the Board of Trustees.

- May include addition questions or clarifications.
- May indicate only approval and effective date.

OPI can redirect state payments to new investment account per 1199A Form only.

QUESTIONS

Call the OPI School Finance staff for help:

- Kathleen Wanner, 444-9852, kwanner@mt.gov
- Kara Flath, 444-3249, kara.flath@mt.gov