

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

## HOUSE BILL

No. 1496 Session of  
2007

INTRODUCED BY PETRONE, CALTAGIRONE, FREEMAN, GEIST, GRUCELA,  
HARKINS, KORTZ, KOTIK, MOUL, MYERS, NAILOR, REICHLEY, STERN,  
THOMAS, STAIRS, SIPTROTH AND WAGNER, JUNE 7, 2007

AS REPORTED FROM COMMITTEE ON EDUCATION, HOUSE OF  
REPRESENTATIVES, AS AMENDED, JANUARY 28, 2008

## AN ACT

1 Amending the act of March 10, 1949 (P.L.30, No.14), entitled "An  
2 act relating to the public school system, including certain  
3 provisions applicable as well to private and parochial  
4 schools; amending, revising, consolidating and changing the  
5 laws relating thereto," further providing for ~~contracts with~~ <—  
6 ~~private residential rehabilitative institutions and certain~~  
7 ~~criteria in department audits.~~ REPORTS TO DEPARTMENT OF <—  
8 EDUCATION, FOR CONTRACTS WITH PRIVATE RESIDENTIAL  
9 REHABILITATIVE INSTITUTIONS AND CERTAIN CRITERIA IN  
10 DEPARTMENT AUDITS AND FOR FINANCIAL REPORTS.

11 The General Assembly of the Commonwealth of Pennsylvania  
12 hereby enacts as follows:

13 ~~Section 1. Section 914.1 A of the act of March 10, 1949~~ <—  
14 ~~(P.L.30, No.14), known as the Public School Code of 1949, is~~  
15 ~~amended by adding a subsection to read:~~

16 SECTION 1. SECTION 218 OF THE ACT OF MARCH 10, 1949 (P.L.30, <—  
17 NO.14), KNOWN AS THE PUBLIC SCHOOL CODE OF 1949, ADDED MAY 10,  
18 2000 (P.L.44, NO.16), IS AMENDED TO READ:

19 SECTION 218. REPORTS TO DEPARTMENT OF EDUCATION.--ALL  
20 FINANCIAL ACCOUNTING AND REPORTING BY SCHOOL DISTRICTS TO THE  
21 DEPARTMENT OF EDUCATION SHALL BE IN ACCORDANCE WITH GENERALLY

1 ACCEPTED ACCOUNTING AND REPORTING STANDARDS[.], EXCEPT FOR THE  
2 ANNUAL FINANCIAL REPORT. THE DEPARTMENT OF EDUCATION SHALL  
3 ESTABLISH A REPORTING STANDARD FOR THE ANNUAL FINANCIAL REPORT.  
4 THE STANDARD SHALL CONFORM TO FUND LEVEL REPORTING CRITERIA  
5 ONLY. ENTITYWIDE STATEMENTS, MANAGEMENT DISCUSSION AND ANALYSIS  
6 AND NOTES TO THE FINANCIAL STATEMENTS ARE NOT A REQUIRED  
7 COMPONENT OF THE ANNUAL FINANCIAL REPORT.

8 SECTION 2. SECTION 914.1-A OF THE ACT IS AMENDED BY ADDING A  
9 SUBSECTION TO READ:

10 Section 914.1-A. Contracts with Private Residential  
11 Rehabilitative Institutions; Certain Criteria in Department  
12 Audits.--\* \* \*

13 (g) ~~(1)~~ Beginning with the 2005-2006 2007-2008 school year <—  
14 and each school year thereafter, each private ~~rehabilitative~~ <—  
15 ~~residential institute~~ RESIDENTIAL REHABILITATIVE INSTITUTION <—  
16 shall maintain an accounting and bookkeeping system and be  
17 subject to audit as provided in 22 Pa.Code, Ch. 171, Subch. C  
18 (relating to interim audit standards), PROVIDED, HOWEVER, THAT <—  
19 WHEN STATE REIMBURSEMENT FOR ALLOWABLE COSTS INCURRED PURSUANT  
20 TO SECTION 914.1-A FOR THE EDUCATION PROGRAM OF THE INSTITUTION  
21 IS NOT RECEIVED WITHIN THREE MONTHS FOLLOWING THE INCURRENCE OF  
22 THOSE ALLOWABLE COSTS, INTEREST EXPENSES ON BORROWING INCURRED  
23 WHERE THE BORROWING IS REQUIRED TO PROVIDE FOR THE DIRECT  
24 OPERATION OF THE EDUCATION PROGRAM OF THE INSTITUTION DUE TO THE  
25 DELAY IN STATE REIMBURSEMENT SHALL BE TREATED AS OPERATIONAL  
26 EXPENSES AND NOT AS ADMINISTRATIVE EXPENSES. The audit shall be  
27 conducted in accordance with generally accepted accounting  
28 standards by an independent certified public accountant.

29 ~~(2) Notwithstanding the provisions of 22 Pa.Code §~~ <—  
30 ~~171.206(b) (relating to administrative costs), for purposes of~~

~~an audit conducted under this subsection, administrative expenses shall not include interest expenses on borrowing incurred by a private rehabilitative residential institute where the borrowing is required to provide for the direct operation of the education program due to any delay in State reimbursement.~~

SECTION 3. SECTION 921-A OF THE ACT, AMENDED JULY 11, 2006 (P.L.1092, NO.114), IS AMENDED TO READ:

SECTION 921-A. FINANCIAL REPORTS.--AN ANNUAL FINANCIAL REPORT SHALL BE SUBMITTED TO THE SECRETARY OF EDUCATION BY EACH INTERMEDIATE UNIT NOT LATER THAN THE 31ST DAY OF OCTOBER, TOGETHER WITH AN AUDITOR'S REPORT PREPARED BY AN INDEPENDENT AUDITOR WHO SHALL BE A CERTIFIED PUBLIC ACCOUNTANT OR OTHER COMPETENT PUBLIC ACCOUNTANT. ALL FINANCIAL ACCOUNTING AND REPORTING BY INTERMEDIATE UNITS TO THE DEPARTMENT OF EDUCATION SHALL BE IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING AND REPORTING STANDARDS[.], EXCEPT FOR THE ANNUAL FINANCIAL REPORT. THE DEPARTMENT OF EDUCATION SHALL ESTABLISH A REPORTING STANDARD FOR THE ANNUAL FINANCIAL REPORT. THE STANDARD SHALL CONFORM TO FUND LEVEL REPORTING CRITERIA ONLY. ENTITYWIDE STATEMENTS, MANAGEMENT DISCUSSION AND ANALYSIS AND NOTES TO THE FINANCIAL STATEMENTS ARE NOT A REQUIRED COMPONENT OF THE ANNUAL FINANCIAL REPORT.

Section ~~2~~ 4. This act shall take effect in 60 days.