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School District Vs. Stone

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Court : US Supreme Court

Decided On : Nov-06-1882

Appeal No. : 106 U.S. 183

Appellant : School District

Respondent : Stone

Judgement :

School District v. Stone - 106 U.S. 183 (1882)
U.S. Supreme Court School District v. Stone, 106 U.S. 183 (1882)

School District v. Stone

Decided November 6, 1882

106 U.S. 183

ERROR TO THE CIRCUIT COURT OF THE UNITED

STATES FOR THE DISTRICT OF IOWA

SYLLABUS

Bonds issued in the name of an independent school district in the State of Iowa contain these recitals:

"This bond is issued by the board of school directors by authority of an election of the voters of said school district held on the thirty-first day of July, 1869, in conformity with the provisions of chapter 98 of acts 12th General Assembly of the State of Iowa."

HELD

l. That the recitals imply as well that the bonds were issued by authority of the election, as that the election was lawfully held, but do not necessarily or clearly import a compliance with those provisions which, following substantially the words of the state constitution, prohibit such a district from incurring indebtedness

"to an amount in the aggregate exceeding five percent on the value of its taxable property, to be ascertained by the last state and county tax lists previous to the incurring of such indebtedness."

2. That in a suit on the bonds, the district is not estopped by the recitals from showing that the indebtedness of which the bonds are evidence exceeds the amount limited by the constitution and laws of the state.

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MR. JUSTICE HARLAN delivered the opinion of the Court.

On the first day of July, 1880, the board of school directors of Independent School District of Steamboat Rock, Hardin County, Iowa, issued in its name thirty bonds, each for $500, and bearing interest at the rate of ten percent per annum. Each bond recited that it

"is issued by the board of school directors by authority of an election of the voters of said school district held on the thirty-first day of July, 1869, in conformity with the provisions of chapter 98 of Acts Twelfth General Assembly of the State of

Iowa."

The statute referred to in the bonds authorized independent school districts to borrow money, within a prescribed limited as to amount, for the purpose of erecting and completing school houses, by issuing negotiable bonds, provided the loan was previously sanctioned by a majority of all the votes cast at an annual or special meeting of the electors, of which meeting the same notice should be given as required by law in case of the election of officers of such districts, and which notice should state the amount proposed to be raised by a sale of bonds.

When the bonds were issued, the assessed value of the property of the district, as shown by the last assessment immediately preceding the issue of the bonds, was $47,986, and the indebtedness of the district was $425, with no money in its treasury.

The Constitution of Iowa declares that

"No county or other political or municipal corporation shall be allowed to become indebted in any manner, or for any purpose, to an amount in the aggregate exceeding five per centum on the value of the taxable property within such county or corporation, to be ascertained

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by the last state and county tax lists previous to the incurring of such indebtedness."

The largest indebtedness, therefore, which the plaintiff in error, consistently with the fundamental law of the state, could have had when these bonds were issued was five percent on $47,986. Consequently the bonds now in suit, constituting one issue and aggregating $15,000, must be held to have been made without authority of law, and, upon well established principles, are not enforceable obligations against the district unless it is estopped by recitals in the bonds from showing, as against a *bona fide* purchaser, the value of its taxable property as disclosed by the last state and county tax lists previous to the creation of the debt.

The argument on behalf of defendants in error, briefly stated, is this: that the law invested the school board with authority to execute bonds for the purposes for which those in suit were issued, within the limit as to amount prescribed by the constitution and the statute passed in conformity therewith; that that board, when issuing the bonds, were under a duty to determine, and necessarily did determine, whether the aggregate indebtedness of the district, thus increased, was in excess of five per centum upon the value of the taxable property of the district as shown by the last state and county tax lists; consequently, it is contended, the recitals in the bonds should be regarded as a declaration by the board, upon which *bona fide* purchasers could rely, of its determination that the taxable property of the district, as thus ascertained, was of value sufficient to justify the proposed indebtedness of $15,000.

Waiving any discussion of the question whether the constitutional provision that the amount of the taxable property should be "ascertained by the last state and county tax lists" did not compel every purchaser, at his peril, to obtain from that source the necessary information, and did not preclude him from relying upon the representations of district officers as to what those lists disclosed, we are of opinion that the recitals in the bond do not necessarily nor distinctly import any determination of that question by the district officers invested with authority, under certain circumstances, to issue the bonds. Had the bonds recited that they were issued by authority of the election of July 31, 1869, and in conformity with the provisions of the

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statute referred to, there would, in view of some of the decisions of this court, be more force in the argument in behalf of the defendant in error. *Town of Coloma v. Eaves,* 92 U. S. 484 ; *Town of Venice v. Murdock,* 92 U. S. 494 ; *Converse v. City of Fort Scott,* 92 U. S. 503 ; *Marcy v. Township of Oswego,* 92 U. S. 638 ; *Commissioners of Douglass County v. Bolles,* 94 U. S. 104 ; *Commissioners of Johnson County v. January,* 94 U. S. 202 ; *Buchanan v. Litchfield,* 102 U. S. 278 . And we should then be obliged to decide whether, in view of the constitutional provision, a false recital by the school board as to the value of the

taxable property would conclude the district as between it and a *bona fide* purchaser for value, for in such case, since the statute itself contains substantially the same limitation upon indebtedness by independent school districts as is prescribed by the state constitution for county or other political or municipal corporations, a distinct recital that the bonds were issued in conformity with the statute would fairly import a compliance with the constitution. But the recitals do not, as we have said, necessarily import a compliance with the statute or the fundamental law of the state upon that subject. They necessarily imply nothing more than that the bonds were issued by authority of the electors and that the election was held in conformity with the statute. The statute may have been pursued as to the notice required to be given of the time and place of the election and as to the manner in which the will of the voters was to be ascertained, and yet it may have been disregarded in respect of the limit it imposed upon district indebtedness. The declaration, therefore, that the election was held in conformity with the statute does not with sufficient distinctness imply that the indebtedness voted was less than five percent on the value of the taxable property of the district, as shown by the state and county tax lists.

This construction of the words employed in the bonds is pronounced by counsel for the defendant in error to be too narrow and technical. It may be a strict construction, and such, it seems to the Court, ought to be the rule when it is proposed, by mere recitals upon the part of the officers of a municipal corporation, to exclude inquiry as to whether bonds issued in its name were made in violation of the constitution and of the

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statute, of the provisions of which all must take notice. Numerous cases have been determined in this Court in which we have said that where a statute confers power upon a municipal corporation upon the performance of certain precedent conditions to execute bonds in aid of the construction of a railroad or for other like purposes, and imposes upon certain officers -- invested with authority to determine whether such conditions have been performed -- the responsibility of issuing them when such conditions have been complied with, recitals, by such officers, that the

bonds have been issued "in pursuance of," or "in conformity with," or "by virtue of," or "by authority of" the statute, have been held, in favor of *bona fide* purchasers of value, to import full compliance with the statute, and to preclude inquiry as to whether the precedent conditions were performed before the bonds were issued. But in all such cases, as a careful examination will show, the recitals fairly imported a compliance in all substantial respects with the statute giving authority to issue the bonds. We are unwilling to enlarge or extend the rule, now established by a long line of decisions. Sound public policy forbids that we should do so. Where the holder relies for protection upon mere recitals, they should at least be clear and unambiguous, in order to estop a municipal corporation in whose name such bonds have been made from showing that they were issued in violation or without authority of law.

For the reasons given, we are of opinion that in the present action on the bonds, judgment should have been entered upon the special verdict for the district. To what extent, if any, the district may be held responsible in some other form of proceeding is a question not now before us and as to which we express no opinion.

Judgment reversed with directions to render judgment upon the special verdict for the defendant below.

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