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Policy 522**

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ISSUING REGISTERED WARRANTS

.1 PURPOSE

The purpose of this policy is to:

- Establish guidelines for the issue and processing of warrants for junior taxing districts that have negative fund balances.
- Establish criteria for the purchase of registered warrants by the Clallam County Treasurer.

.4 GENERAL PROVISIONS

4.1 Registered Warrants – When Issued

Registered warrants will be issued by the County in accordance with RCW 39.56 whenever warrants are issued on a fund managed by the County Treasurer that either has a current negative balance in excess of \$50,000, or has a second consecutive month end negative balance, whichever occurs first.

4.2 Notification

It is the responsibility of the County Treasurer to monitor County operational funds to ensure sufficient funds exist to redeem warrants issued. The County Treasurer shall notify the County Administrator and Auditor's Chief Accountant when the balance in a County operational fund becomes negative.

It is the responsibility of junior taxing districts to monitor balances in their funds and to anticipate cash flows causing their fund balances to become negative. Junior taxing districts shall notify the County Treasurer when they anticipate negative balances in funds managed by the County Treasurer.

Whenever the County Treasurer determines that the fund balance of a junior taxing district is negative and meets, or is anticipated to meet, the criteria requiring the issuance of registered warrants, the County Treasurer shall notify the district both telephonically and in writing. If, after discussion with the district, it is determined that registered warrants are required, the County Treasurer will require, at a minimum, the following information, in writing, from the district prior to the issuance of registered warrants:

- a. Completion of an Information Form provided by the Treasurer.
- a. The reason for the shortfall of funds.
- b. A detailed plan to return the fund to a positive balance and the date the district expects to return to a positive balance. The plan should include future revenues,

expenditures, and fund balances month by month until the expected date the fund will return to a positive balance.

4.3 Interest and Maturity

After analysis of the district's financial plan and determination on whether the County will purchase the registered warrants, the County Treasurer shall determine the interest rate and maturity date. The interest rate shall be established at the current state pool rate plus 1.5 percent.

4.4 Issuing Registered Warrants – Purchase by County

Registered warrants will be issued by the County Treasurer upon completion of the requirements above. Registered warrants may be purchased by the County in accordance with this policy.

(1) Purchase of Registered Warrants by the County

At the discretion of the County Treasurer, registered warrants may be purchased from the Treasurer's Cash Fund. Prior to determining whether to purchase warrants, the County Treasurer shall analyze the district's financial data including but not limited to:

- a. Tax Revenue and Liquidity Analysis – Cash flows will be analyzed to determine income streams and spending needs.
- b. The district's financial plan to return to a positive balance.
- c. Long-term Assets – Does the district have assets that can be held as collateral?

(2) Limitations on Purchase

The Treasurer may purchase up to the lesser of \$500,000 or 90 percent of the district's expected monthly revenue for the following month. Any purchase by the County Treasurer must be able to be paid by the district on or before the 1st working day of the following month. The County Treasurer may not purchase registered warrants without the approval of the County Finance Committee if the amounts exceed the above limitations and/or the district's negative fund balance is in excess of 90 percent of the revenues expected during the next calendar month.

(3) Letter of Understanding and Promissory Note to be Required

Prior to the purchase of warrants under this policy, the district shall approve and sign a Promissory Note and a Letter of Understanding, samples of which are

provided in Appendix D and E. Upon completion, the Treasurer is authorized to transfer the agreed amount of funds to the district's account.

4.5 Issuing Registered Warrants – Not Purchased by County

Prior to the issuance of registered warrants not purchased by the County the district shall be required to approve and sign a Letter of Understanding, a sample of which is provided in Appendix D or this policy. Prior to release of registered warrants, the district is required to deliver those warrants not purchased by the County to the County Treasurer. The County Treasurer shall stamp the warrants indicating that they are registered and interest bearing and return the warrants to the district for release.

The County Treasurer and district shall comply with applicable statutes, including but not limited to RCW 43.09.2853 regarding redemption of registered warrants, publication, and calls.

4.6 Expiration of Registered Warrants

The County Treasurer and district shall comply with the requirements of RCW 39.56.040 and other applicable statutes regarding the expiration of registered warrants.

APPENDIX A – SAMPLE OF REGISTERED WARRANT PROCEDURE

<u>ACTION BY:</u>	<u>ACTION</u>
District	1. Determines that cash and investment balances are not sufficient to cover warrants issued.
	2. Completes Registered Warrants Information Form and delivers to the Treasurer.
Treasurer	3. Reviews form and decides whether to purchase the warrants.
	3a. If decision is to purchase warrants, sends promissory note to District for completion and signature.
	3b. If decision is to not purchase warrants, contacts District to deliver warrants to the Treasurer to be stamped with the Interest-bearing stamp.
District	4a. If warrants are purchased, return completed Letter of Understanding or Promissory Note to Treasurer.
	4b. If warrants are not purchased, delivers warrants to Treasurer to be stamped as interest bearing.
Treasurer	5a. If warrants are purchased, Transfers cash to district's account.
	5b. If warrants are not purchased, returns stamped warrants to District for release.

APPENDIX B – SAMPLE REGISTERED WARRANTS INFORMATION FORM
Registered Warrants Information Form

1. What is the dollar amount necessary to cover your issued warrants?
2. What is the approximate repayment date? _____
3. What is your projected revenue stream, and the sources of the revenue, for the time period stated above?

Dollar Amount

Source of Revenue

4. Does your district use interfund loans, or other cash flow borrowing? Yes___ No___
If yes, please provide specific information.
5. Is your district a party to any significant litigation? Yes___ No___
6. Please provide a current balance sheet that includes assets and outstanding debt for your district.

The Clallam County Treasurer will provide you with the necessary promissory note if Clallam County decides to purchase your registered warrants.

District Name: _____

Contact: _____ Title: _____

Address: _____

Telephone _____

Signature _____ Date: _____

APPENDIX C – SAMPLE TREASURER PROCESS FOR REGISTERED WARRANTS

1. District determines the amount of cash shortage on the date of warrant issuance.

	Cash	Warrants	Net Position
Beginning balance 1/1	\$15,000		\$ 15,000
Warrants issued for accounts payable		<u>(\$ 35,000)</u>	(\$ 20,000)

2. Issue regular warrants for all bills payable as though funds were available for all outstanding obligations (i.e. \$35,000)

3. Then, the district issues the next sequentially numbered warrant as a registered warrant payable to the County Treasurer for the expenditures in excess of funds available (i.e. \$20,000). This registered warrant bears interest at the rate negotiated between the Treasurer and the district from the date of issue until the date of redemption. (We split the historic difference (3%) between the bank's registered warrant rate and the state pool rate - and charge the district the state pool rate + 1.5%). The registered warrant is purchased by the County Treasurer as an investment with monies available from residual cash - with the payment for that purchase deposited to the fund of the district:

	Cash	Warrants	Net Position
Beginning balance 1/1	\$15,000	\$ 15,000	
Warrants issued for accounts payable		<u>(\$ 35,000)</u>	(\$ 20,000)
Regist 1 Issue registered warrant		(\$ 20,000)	(\$ 40,000)
County buys warrant - deposits funds	\$20,000		(\$ 20,000)

4. For each warrant issue a letter of understanding/promissory note is signed by the District and the County Treasurer that discloses the interest rate and anticipated term of the registered warrant. In addition, it sets forth the following terms for the issuance (and purchase by the county) of district registered warrants.

- a) Funds with outstanding registered warrants cannot be invested!!!
- b) No new un-registered warrants can be issued from a fund while registered warrants for that fund are outstanding.
- c) Registered warrants must be redeemed in the numerical order in which they were issued.

5. At the next warrant issue date, the whole process starts again.

	Cash	Warrants	Net Position
Beginning balance 1/1	\$15,000	\$ 15,000	
Warrants issued for accounts payable		(\$ 35,000)	(\$ 20,000)
Regist 1 Issue registered warrant		(\$ 20,000)	(\$ 40,000)
County buys warrant - deposits funds	\$20,000		(\$ 20,000)
January receipts	\$15,000		(\$ 5,000)
Beginning balance 2/1	\$15,000		(\$ 5,000)
Warrants issued for accounts payable		(\$ 30,000)	(\$ 35,000)
Regist 2 Issue registered warrant		(\$ 35,200)	(\$ 70,200)
County buys warrant - deposits funds	\$35,200		(\$ 35,000)
Redeem original registered warrant	(\$20,000)	\$ 20,000	(\$ 35,000)
County collects interest – January warrants	(\$ 200)		(\$ 35,200)

6. The boxed entries represent the steps of accounting logic for the original registered warrant and for subsequent issues. As you can see the process amounts to a series of registered warrants - issued one at a time, each rolling over whenever a new batch of warrants are issued. Once the fund balance is positive, the need for registered warrants ends.

APPENDIX D – SAMPLE LETTER OF UNDERSTANDING FOR
THE ISSUANCE OF REGISTERED WARRANTS

The _____ School District # _____ (the district) and the Clallam County Treasurer hereby agree to the terms and conditions of the transaction as set forth in this agreement, to wit:

On _____ 20__ the District shall issue warrants drawn on the _____ Fund, in registered form, payable to the Clallam County Treasurer in an amount and in accordance with the following terms and conditions:

Registered Warrant Principal \$ _____
Interest Rate _____ percent
Issue Date _____
Redemption Date _____
Term (number of days) _____
Basis (days/year) _____ 365 days _____

The District acknowledges and agrees to conform to the requirements under Washington State law (RCW 36.29.060) that all warrants be called for payment in the order of issuance. Accordingly, no warrant issued by the district subsequent to the herein described registered warrant shall be called or presented for payment until such time as the call has been made for payment of the herein described registered warrant.

The undersigned hereby acknowledge they have read the contents of this agreement and understand the conditions therein imposed and that each will abide by the terms as set forth in this agreement.

Dated this _____ day of _____ 20 ____

Name

Title

School Dist # _____

Clallam County Treasurer

by _____
Deputy Treasurer

APPENDIX E – SAMPLE PROMISSORY NOTE FOR CLALLAM COUNTY

IN THE AMOUNT OF \$ _____

The undersigned, does hereby certify that s/he is an authorized representative of Clallam County pursuant to the terms of this Note between Clallam County Tax Refund Fund (the "Borrower") and the Clallam County Treasurer's Cash Fund (the "Lender") on behalf of the Clallam County Treasurer.

Borrower promises to pay to the Lender, at P.O. Box 2129, Port Angeles, WA 98362 or at the site address of 223 East 4th Street, Suite 3, Port Angeles, WA 98362 two installments as shown below, one-half of the principal borrowed per installment, plus simple interest at the rate of _____per annum of the unpaid balance.

First installment shall be payable on April 30, 200__ and will be equal to _____ (principal) plus _____ (interest) for a total of \$_____.

Second installment shall be payable on October 31, 200__ and will be equal to _____ (principal) plus _____ (interest) for a total of \$_____.

The Borrower reserves the right to prepay this Note, without penalty, by making payment in full of the unpaid principal and accrued interest to the date of payment.

This Note shall be construed in accordance with the laws of the State of Washington.

Signed this _____ day of _____ 20__ at Port Angeles, Washington

Borrower:
Clallam County Refund Fund
P.O. Box 2129, Port Angeles, WA 98362

By: _____
Judith A. Scott, Clallam County Treasurer