

5-0800.00 VOIDED, CANCELED, AND REPLACEMENT WARRANTS

5-0810.00 DEFINITIONS

A “**voided warrant**” occurs when a district determines a warrant which has not been released to a payee is not valid. The warrant must be in the possession of the district to be voided. A warrant may be voided without board authorization. Generally, a warrant is voided if an error was made in writing it.

A “**canceled warrant**” occurs when a district determines a warrant which was previously issued is not valid. The board must authorize cancellation of a warrant. A warrant may be canceled even if the warrant is not in possession of the district. Generally, a warrant is canceled if it was lost, is stale dated, or was issued in payment for goods which were returned to the vendor. A canceled warrant is often followed by a replacement warrant.

A board of trustees may cancel a warrant which has been issued for at least one year, however the district's liability for payment of a contractual obligation does not terminate until the time specified in law (20-9-223, MCA). The contractual obligation generally continues for 8 years if based on an instrument in writing. See 27-2-201, MCA.

A “**replacement warrant**” is usually issued to replace an original warrant lost by the payee. The first warrant is usually canceled by the board and a replacement warrant issued.

5-0820.00 HOW TO VOID A WARRANT

To void a warrant:

1. Mark the warrant “Void;”
2. If it was already recorded in the payroll or claims fund, adjust the clearing fund as necessary to reduce the cash and warrant payable accounts;
3. Increase the cash in the fund which recorded the payment originally. Reduce the expenditure account originally charged;
4. If the warrant has been included in a prior month's transfer to the payroll or claim fund, notify the county treasurer to make a journal voucher entry to adjust the county records and return the funds to the original fund.
5. If your county requires voided warrants to be submitted to the county treasurer's office to be filed with the paid warrants, send the warrant to that office. Voided warrants must be retained for audit.
6. Be sure to show the warrant as “Void” in the List of Warrants included in the Minutes. A voided warrant should not appear on the list of unpaid outstanding warrants.

5-0830.00 HOW TO CANCEL A WARRANT

To cancel a warrant:

1. IF A PAYROLL OR CLAIMS FUND WAS USED: Adjust the clearing fund to reduce the cash and warrant payable account. If the warrant will not be replaced, return the cash to the fund which recorded the payment originally. Notify the treasurer to transfer the cash back to the paying fund. See #3 below.
2. If the warrant was issued in the current year, reduce the expenditure account originally charged. If written in a previous fiscal year, record as revenue 1900 Miscellaneous Revenue if immaterial, or 6100 Prior Period Revenue Adjustment, if material.
3. Notify the county treasurer in writing that the warrant was canceled. Include the warrant number, amount, fund, date of warrant, and reason for cancellation.
4. Be sure to delete the canceled warrant from the list of unpaid outstanding warrants.
5. If a replacement warrant is needed, see 5-0830.20.

5-0830.10 RECORDING A CANCELED WARRANT (WITHOUT A REPLACEMENT WARRANT)

To record the cancellation of a warrant issued in the CURRENT year without issuing a replacement warrant:

A. IF A PAYROLL OR CLAIMS FUND WAS USED:

Payroll Clearing Fund (86) or Claims Clearing Fund (87)

Debit: 620 Warrants Payable

Credit: 101 Cash

(To remove the amount of the canceled warrant from the total of warrants payable and remove the corresponding cash from the clearing fund. Cash is reduced, because it is moved back to the fund which recorded the expenditure.)

Fund which recorded the expenditure

Debit: 101 Cash

Credit: 802 Expenditures

Expenditures Subsidiary Ledger

XXX-XXX-XXXX-XXX Expenditure line item originally charged

(To increase cash and reduce current year expenditures in the fund originally charged for the canceled warrant.)

5-0830.10 RECORDING A CANCELED WARRANT (W/O REPLACEMENT WARRANT) (Cont'd)

B. IF A PAYROLL OR CLAIMS FUND WAS NOT USED:

Fund which recorded the expenditure

Debit: 620 Warrants Payable

Credit: 802 Expenditures

Expenditures Subsidiary Ledger

XXX-XXX-XXXX-XXX Expenditure line item originally charged

(To increase cash and reduce current year expenditures in the fund originally charged for the canceled warrant.)

To record the cancellation of a warrant issued in a PRIOR FISCAL YEAR without issuing a replacement warrant:

A. IF A PAYROLL OR CLAIMS FUND WAS USED:

Payroll Clearing Fund (86) or Claims Clearing Fund (87)

Debit: 620 Warrants Payable

Credit: 101 Cash

(To remove the amount of the canceled warrant from the total of warrants payable and remove the corresponding cash from the clearing fund. Cash is reduced, because it is moved back to the fund which recorded the expenditure.)

Fund which recorded the expenditure

Debit: 101 Cash

Credit: 402 Revenues

Revenue Subsidiary Ledger

1900 Miscellaneous Revenue

(To increase cash and record miscellaneous revenue for the canceled warrant. IF THE AMOUNT OF THE CANCELED WARRANT IS MATERIAL, record the revenue using 6100 Prior Period Revenue Adjustments.)

B. IF A PAYROLL OR CLAIMS FUND WAS NOT USED:

Fund which recorded the expenditure

Debit: 620 Warrants Payable

Credit: 402 Revenues

Revenue Subsidiary Ledger

1900 Miscellaneous Revenue

(To increase cash and record miscellaneous revenue for the canceled warrant. IF THE AMOUNT OF THE CANCELED WARRANT IS MATERIAL, record the revenue using 6100 Prior Period Revenue Adjustments.)

5-0830.20 RECORDING A CANCELED WARRANT (WITH A REPLACEMENT WARRANT)

Administrative Rule 10.10.307 provides the following:

- (1) When a replacement warrant is issued to replace a lost warrant as provided in section 7-7-2104, MCA, or a canceled warrant as provided in section 20-9-223, MCA, the following rules shall apply:
 - (a) The original warrant shall be removed from the unpaid outstanding warrant list.
 - (b) The word “duplicate” and phrase “replacement warrant for warrant no. _____” shall be plainly printed across the face of the warrant.
 - (c) The school district shall send the county treasurer a letter, including the original indemnity bond (see 5-0830.30) if required, stating which warrant number has been lost or canceled and which warrant number has been issued to replace the lost or canceled warrant.
 - (d) The amount of the replacement warrant shall be shown on the list of warrants issued for the month but shall not be included in the total of the warrants issued or in the amounts transferred to the clearing accounts.

Most schools need only to reissue a replacement warrant with a typewriter and send a letter to the county treasurer identifying the replacement warrant and the previously issued warrant being replaced. It is very important to remove the original warrant from the list of unpaid outstanding warrants. **However, depending on the school’s computer software program the following entries may have to be made:**

To record the cancellation of a warrant issued in the CURRENT year and issue replacement warrant:

A. IF A PAYROLL OR CLAIMS FUND WAS USED:

The process explained here reverses the original entries and allows a replacement warrant to be issued through the normal warrant process.

Payroll Clearing Fund (86) or Claims Clearing Fund (87)

Debit: 620 Warrants Payable
Credit: 101 Cash

(To remove the amount of the canceled warrant from the total of warrants payable and remove the corresponding cash from the clearing fund. Cash is reduced, because it is moved back to the fund which recorded the expenditure.)

Fund which recorded the expenditure

Debit: 101 Cash
Credit: 802 Expenditures
Expenditures Subsidiary Ledger

XXX-XXX-XXXX-XXX Expenditure line item originally charged

(To move cash back to this fund from the clearing fund and reduce current year expenditures for the canceled warrant.)

5-0830.20 RECORDING A CANCELED WARRANT (WITH REPLACEMENT WARRANT) (Cont'd)

Fund which recorded the expenditure

Debit: 802 Expenditures

Credit: 101 Cash

Expenditures Subsidiary Ledger

XXX-XXX-XXXX-XXX Expenditure line item originally charged

(To record the warrant written to replace the canceled warrant.)

Payroll Clearing Fund (86) or Claims Clearing Fund (87)

Debit: 101 Cash

Credit: 620 Warrants Payable

(To transfer cash to the clearing fund and record the warrant payable. If the replacement warrant was issued in the same month the original warrant was canceled for the same amount, there is no need to notify the county treasurer of the transactions in the clearing fund.)

B. IF A PAYROLL OR CLAIMS FUND WAS NOT USED:

Fund which recorded the expenditure

Debit: 620 Warrants Payable

Credit: 802 Expenditures

Expenditures Subsidiary Ledger

XXX-XXX-XXXX-XXX Expenditure line item originally charged

(To increase cash and reduce current year expenditures for the canceled warrant.)

Fund which recorded the expenditure

Debit: 802 Expenditures

Credit: 620 Warrants Payable

Expenditures Subsidiary Ledger

XXX-XXX-XXXX-XXX Expenditure line item originally charged

(To record the warrant written to replace the canceled warrant.)

To record the cancellation of a warrant issued in a PRIOR FISCAL YEAR and issue a replacement warrant:

This process assumes the clerk can write a warrant against 402 Revenue (1900 Miscellaneous Revenue or 6100 Prior Period Revenue Adjustments). If unsure, contact your computer vendor to determine how to write warrant to replace a canceled warrant issued in a prior period.

A. IF A PAYROLL OR CLAIMS FUND WAS USED:

Payroll Clearing Fund (86) or Claims Clearing Fund (87)

Debit: 620 Warrants Payable

Credit: 101 Cash

(To remove the amount of the canceled warrant from the total of warrants payable and remove the corresponding cash from the clearing fund. Cash is reduced, because it is moved back to the fund which recorded the expenditure.)

5-0830.20 RECORDING A CANCELED WARRANT (WITH REPLACEMENT WARRANT) (Cont'd)

Fund which recorded the expenditure

Debit: 101 Cash
Credit: 402 Revenues

Revenue Subsidiary Ledger

1900 Miscellaneous Revenue

(To increase cash and record miscellaneous revenue for the canceled warrant. IF THE AMOUNT OF THE CANCELED WARRANT IS MATERIAL, record the revenue using 6100 Prior Period Revenue Adjustments.)

Fund which recorded the expenditure

Debit: 402 Revenues
Credit: 101 Cash

Revenue Subsidiary Ledger

1900 Miscellaneous Revenue

(To record the warrant written to replace the canceled warrant. This entry assumes a warrant can be written against a revenue account. IF THE AMOUNT OF THE CANCELED WARRANT IS MATERIAL and the previous entry used 6100 revenue, write the replacement warrant against 6100 Prior Period Revenue Adjustments.)

B. IF A PAYROLL OR CLAIMS FUND WAS NOT USED:

Fund which recorded the expenditure

Debit: 620 Warrants Payable
Credit: 402 Revenues

Revenue Subsidiary Ledger

1900 Miscellaneous Revenue

(To increase cash and record miscellaneous revenue for the canceled warrant. IF THE AMOUNT OF THE CANCELED WARRANT IS MATERIAL, record the revenue using 6100 Prior Period Revenue Adjustments.)

Fund which recorded the expenditure

Debit: 402 Revenues
Credit: 101 Cash

Revenue Subsidiary Ledger

1900 Miscellaneous Revenue

(To record the warrant written to replace the canceled warrant. This entry assumes a warrant can be written against a revenue account. IF THE AMOUNT OF THE CANCELED WARRANT IS MATERIAL and the previous entry used 6100 revenue, write the replacement warrant against 6100 Prior Period Revenue Adjustments.)

5-0830.30 INDEMNITY BOND FOR LOST OR DESTROYED WARRANT

KNOW ALL MEN BY THESE PRESENT, that we, _____
of _____, as Principal, and _____
and _____ of _____, as
Sureties, are held and firmly bound unto _____ County, Montana, in a sum of
_____ Dollars (\$ _____) to be paid to the Treasurer
of _____ County, Montana, for which payment, well and truly to be made, we bind ourselves
and our heirs, executors and administrators, jointly and severally, firmly by these presents.

The condition of this obligation is such that whereas a certain Warrant No. _____ of _____ County,
Montana, Dated _____, 20____, in the sum of _____ (\$ _____) payable to
is alleged to have been lost or destroyed.

That sufficient proof having been made that the said Warrant has been lost or destroyed, a duplicate of such warrant
has been issued to the owner or holder thereof, which said duplicate is to take the place, in order of registration and
payment, of such original warrant.

NOW, if the said obligors shall well and truly save harmless and indemnify the County from all loss, costs, or damages,
by reason of the issuing of the duplicate, and if the said obligors will pay to any person entitled to receive the same, as
the lawful holder of the original warrant, all moneys received upon such duplicate, then this obligation to be void, -
otherwise to remain in full force and effect.

Dated this _____ day of _____, 20____. _____
Principal

*Note: Signature of each Surety _____
required in two places Surety

Surety

STATE OF MONTANA)
) ss,
COUNTY OF)

_____ and _____ the sureties name
in the foregoing Indemnity Bond, being first duly sworn, each for himself and not for the other, deposes and says that
he is responsible and a householder or freeholder, within the State of Montana, and is worth the amount fixed as the
penalty of the said bond, over and above all his just debts and liabilities, exclusive of property exempt from execution.

Surety

Surety

SUBSCRIBED AND SWORN TO before me this _____ day of _____, 20____.

Signature of person authorized to take oaths

Typed, stamped, or printed name of person authorized to take oaths

Official Title (e.g., Notary Public for the State of Montana, Clerk of District Court, etc.)

Residing at _____
(city or town of residence)

SEAL

My Commission Expires _____, 20____

(Note: This bond should be double the amount of the warrant alleged to have been lost or destroyed.)