

YEAR-END CLOSING

PURPOSE

To ensure local officials have accurate financial data in adequate time to make necessary budgetary decisions, the municipality must properly close its books promptly after the fiscal year ends. Failure to adhere to a timely schedule delays the completion of closing entries, trial balances, reconciliations, account analyses, and financial reporting. As an important reserve, the community's annual free cash cannot be certified expeditiously and accurately unless applicable employees adhere to best practice year-end schedules and procedures. To meet these objectives, this policy specifies the tasks that must be completed, their associated deadlines, and the parties responsible.

APPLICABILITY AND SCOPE

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| Applies to: | <ul style="list-style-type: none">▪ City Council/Select Board (Executive Board) and Finance Committee in their budget transfer authority▪ Chief Administrative Officer, Finance Director, Auditor/Accountant, Treasurer, and Collector job duties▪ All department heads in managing and reporting on their budgets and assets |
| Scope: | <ul style="list-style-type: none">▪ Tasks necessary to close the fiscal year's books and complete required annual reports▪ Protocol for year-end appropriation transfers |

POLICY

The Chief Administrative Officer will hold all department heads accountable for timely and accurately completing the year-end tasks applicable to them as outlined in this policy. All facets of the year-end closing will be accomplished no later than September 30. This additionally requires the Chief Administrative Officer to ensure that the Auditor/Accountant, Treasurer, and Collector comply with the Reconciliations policy throughout the year to enable year-end cash and receivable balances to be reconciled with the general ledger no later than July 30.

Annually no later than May 15, the Finance Director (Auditor/Accountant) will transmit year-end instructions to department heads and provide them with the following submission deadlines:

- June 1: Status reports or updates on capital projects, capital assets, and borrowings
- June 15: Requests for encumbrances
- June 25: Status reports on the balances of grants, other special appropriations and special revenue accounts
- June 30: All available invoices

A. Year-end Encumbrances

In response to notices from department heads of pending expense obligations from the fiscal year, the Finance Director (Auditor/Accountant) will encumber funds for them only if proper documentation shows the funds have been committed to specific purchases (by purchase orders), services (by service agreements), or projects (by contracts) as of June 30.

B. Review of Grant Balances, Other Special Appropriations, and Special Revenue Accounts

By May 15, the Auditor/Accountant will distribute management reports of all grant, special appropriation, and special revenue accounts to the responsible department heads to solicit status updates on them. Each such department head will notify the Auditor/Accountant in writing of any completed project with an unexpended balance so that he/she may close its account to fund balance (or to a special revenue source, if appropriate). Alternatively, if any completed project's account is in deficit, the department head will notify the Auditor/Accountant in writing, provide funding source(s), and state when it will be resolved so that he/she can plan for closing the account.

The Auditor/Accountant will carefully review any special appropriation account remaining open but inactive in the general ledger for more than two fiscal years to ensure it does not serve as an unauthorized special revenue funding source.

C. Borrowings, Capital Project Reviews, and Capital Asset Updates

As of March 1, the Auditor/Accountant will review that all internal borrowings, due to either short-term revenue needs or capital projects in anticipation of short- or long-term debt issuances, have been repaid or provided for.

For any identified deficits:

- If debt had been authorized, the Finance Director (Auditor/Accountant) will notify the Treasurer to initiate a short-term borrowing in an amount sufficient to cover the deficit no later than June 30.
- If debt had not been authorized, the Finance Director (Auditor/Accountant) will refer the shortfall to the Executive Board for either a debt authorization, an appropriation from available funds by town meeting, or a line-item transfer by the Executive Board and Finance Committee (see section D below).

By July 15, the Auditor/Accountant will distribute via email a capital asset list to department heads along with next-step instructions. By no later than August 1, each department head with capital assets will respond by forwarding to the Auditor/Accountant an asset update report with notes confirming the existing data, making additions, and/or noting appropriate deletions, along with narrative explanations. The Auditor/Accountant will update the municipality's capital asset inventory based on the returned information.

D. Year-end Transfers

The Auditor/Accountant will pay close attention to any appropriation deficits that may be rectified through line-item transfers and notify the Chief Administrative Officer. No earlier than May 1st and no later than July 15th, the Chief Administrative Officer will put any necessary transfer request on the Finance Committee's meeting agenda, followed by the Executive Board's meeting agenda, for their authorizations.

E. Closing the Books

No later than August 31st, the Auditor/Accountant will do the following to close the books:

- Conduct a reconciliation of each fund type in turn (including transfers between funds) and, when completed, close each fund in the general ledger.
- Zero out all open encumbrances from the prior fiscal year.
- Verify the new opening balances of all special revenue funds.
- Calculate the general fund's unreserved fund balance.

F. Submissions to the Division of Local Services (DLS)

Submissions to DLS will comply with the time frames listed below.

Auditor/Accountant:

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| ▪ Snow and ice data sheet | September 15 |
| ▪ Community preservation surcharge report (CP-1) (with the Principal Assessor) | September 15 |
| ▪ Balance sheet checklist | September 30 |
| ▪ Combined balance sheet and supporting documents | September 30 |
| ▪ Schedule A | October 31 |

Auditor/Accountant and Treasurer:

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| ▪ Statement of indebtedness | September 1 |
| ▪ Treasurer year-end cash report | September 30 |
| ▪ Cash reconciliation | September 30 |

Auditor/Accountant and Collector:

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| ▪ Schedule of outstanding receivables | September 30 |
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G. Independent Audit Preparation

By August 31, the Finance Director (Auditor/Accountant) will communicate with the auditor to establish an audit schedule and begin gathering accounting records, written procedures, internal control criteria, and other required documents. The Finance Director (Auditor/Accountant) will then coordinate with department heads, officials, and finance team members to respond to all requests, including those for external documentation (e.g., debt amortization schedules, tax title registry information) in order to meet the schedule and not delay the audit.

REFERENCES

[M.G.L. c. 44, § 33B](#)

[M.G.L. c. 59, § 5](#)

[M.G.L. c. 64, § 64](#)

Policies on Antifraud, Capital Planning, Financial Management Team, Grants Management, and Reconciliations

DLS Informational Guideline Release 17-13: [*Appropriation Transfers*](#)

DLS Guidance [*Annual Year-End Letters and Municipal Calendar*](#)

Governmental Accounting Standards Board Statement 1: [*Objectives of Financial Reporting*](#)

Government Finance Officers Association Guidance: [*Timely Financial Reporting*](#)

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| EFFECTIVE DATE |
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The policy was adopted on [date].