

**YEAR-END CLOSING**

**PURPOSE**

To ensure local officials have accurate financial data in adequate time to make necessary budgetary decisions, the Town 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 Town’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**

|             |   |
|-------------|---|
| Applies to: | <ul style="list-style-type: none"><li>▪ Board of Selectmen and Financial Advisory Committee (FAC) in their budget transfer authority</li><li>▪ Town Administrator, Town Accountant, and Treasurer job duties</li><li>▪ All department heads in managing and reporting on their budgets and assets</li></ul> |
| Scope:      | <ul style="list-style-type: none"><li>▪ Tasks necessary to close the fiscal year’s books and complete required annual reports</li><li>▪ Protocol for year-end appropriation transfers</li></ul>   |

**POLICY**

The Town Administrator 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.

Annually no later than May 15, the Town 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 30: All available invoices
- July 15: Status reports on the balances of grants, other special appropriations, and special revenue accounts

A. Year-end Encumbrances

In response to notices from department heads of pending expense obligations from the fiscal year, the Town 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).

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

By May 15, the Town 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 Town Accountant in writing of any completed project with an unexpended balance so that 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 Town Accountant in writing, provide funding source(s), and state when it will be resolved so that she can plan for closing the account.

The Town 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. Capital Project Reviews, Capital Asset Updates, and Borrowings

As of March 1, the Town Accountant will review all capital project accounts to ensure that any internal borrowings done in anticipation of short- or long-term debt issuances have been covered.

For any identified deficits:

- If debt had been authorized, the Town 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 Town Accountant will refer the shortfall to the Town Administrator to either submit it for either a debt authorization, an appropriation from available funds by town meeting, or a line-item transfer by the Board of Selectmen and FAC (see section D below).

By June 15, the Town 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 Town Accountant an asset update report with notes confirming the existing data, making additions, and/or noting appropriate deletions, along with narrative explanations. The Town Accountant will update the Town's capital asset inventory based on the returned information.

#### D. Year-end Transfers

The Town Accountant will pay close attention to any appropriation deficits that may be rectified through line-item transfers and notify the Town Administrator. No earlier than May 1 and no later than July 15, the Town Administrator will put any necessary transfer request on the FAC's meeting agenda, followed by the Board of Selectmen's meeting agenda, for their authorizations.

#### E. Closing the Books

No later than August 31, the Town 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.

Town Accountant:

- Snow and ice data sheet September 15
- Community preservation surcharge report (CP-1) September 15  
(with the Principal Assessor)
- Combined balance sheet and supporting documents September 30
- Community preservation fund report (CP-2) October 31
- Schedule A October 31

Town Accountant and Treasurer:

- Statement of indebtedness September 30
- Treasurer's year-end cash report September 30
- Cash reconciliation September 30
- Schedule of outstanding receivables September 30

**REFERENCES**

[M.G.L. c. 44, § 33B](#)

[M.G.L. c. 59, § 5](#)

[M.G.L. c. 64, § 64](#)

Edgartown policies on Antifraud, Capital Planning, Financial Management Team, Grants Management, Purchasing, and Reconciliations

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

**EFFECTIVE DATE**

The policy was adopted on [July 14, 2021]