



YEAR-END CLOSING POLICY

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

This town-wide policy applies to the responsibilities of all department heads in managing and reporting on their budgets and assets. It further applies to the related year-end compilation, reconciliation, and/or oversight duties of the Town Administrator, Town Accountant, and Treasurer/Collector. Additionally, it pertains to the budget transfer authority of the Board of Selectmen and Finance Committee.

POLICY

The Town Administrator will hold every department head accountable for timely and accurately completing the year-end tasks applicable to each as outlined in this policy.

Annually no later than April 30, the Town Administrator will email this policy in conjunction with year-end closing documents to all department heads as a reminder of year-end expectations. The Town Accountant will subsequently oversee the coordination of the various year-end task components under the time frames and procedures outlined below. All facets of the Town's year-end closing detailed here will be accomplished no later than October 31 each year.

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

The Town Accountant will send expenditure reports of all grant, special appropriation, and special revenue accounts to the responsible department heads to solicit status updates on them. Each department head will notify the Town Accountant in writing of any completed project or purpose with an unexpended balance so that he 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 he 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.

B. Year-end Encumbrances

By April 30, the Town Accountant will email all department heads advising them to submit all available invoices by June 30 and to provide notification of any pending obligations remaining from the fiscal year. With proper documentation, the Town Accountant will only encumber funds that have been committed to specific purchases, services (by service agreements), projects (by contracts), or to salary as of June 30.

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

As of April 30, 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/Collector 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 a debt authorization or appropriation from available funds by town meeting or for a line-item transfer by the Board of Selectmen and Finance Committee (see section D below).

By April 30, 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 resolved through line-item transfers and notify the Town Administrator. No earlier than May 15 and no later than July 15, the Town Administrator will put any necessary transfer request on the Finance Committee's meeting agenda, followed by the Board of Selectmen's meeting agenda, for their authorizations by majority votes.

E. Closing the Books

No later than September 30, 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 SoftRight.
- 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

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| ● Snow and ice data sheet | September 15 |
| ● Combined balance sheet and supporting documents | September 30 |
| ● Schedule A | October 31 |

Town Accountant and Treasurer/Collector:

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

REFERENCES M.G.L. c. 44, § 33B M.G.L. c. 64, § 64 M.G.L. c. 59, § 5

Hubbardston policies on Tax Enforcement and Reconciliations

DLS Informational Guideline Release 17-13: Appropriation Transfers

Governmental Accounting Standards Board Statement 1: Objectives of Financial Reporting

Government Finance Officers Association Guidance: Timely Financial Reporting

EFFECTIVE DATE The policy was adopted February 2019.