



**Special End of Fiscal Year Duties**

The end of the fiscal year, June 30, brings with it special legal requirements and concerns for municipalities as they close out one fiscal year and enter another. The Constitutional Debt Limitation, which limits how and when a city or town can spend money, takes center stage.

Due to the Constitutional Debt Limitation municipal officials must ensure that a special notice is published in a newspaper of general circulation in the county as well as closely follow various statutes and Oklahoma Supreme Court opinions. Several of these legal principles are summarized in this article.

**NOTICE REQUIREMENT**

Pursuant to 62 O.S. Section 310.4 a unique 90-day period is established from June 30 to September 30. During this 90-day period all unencumbered balances at the close of business on June 30, remains as a credit to pay indebtedness incurred during the prior fiscal year. Following September 30, any unencumbered balance becomes revenue available to the budget of the new fiscal year.

The statute makes clear that no new indebtedness can be made after June 30 which is chargeable to the prior fiscal year's revenues. One way to think about it is that the 90-day window acts as a safety valve so municipalities can pay their bills incurred prior to June 30 - but only if there is an unencumbered balance available for the specific line-item needing payment. In other words, as far as new appropriations or new indebtedness goes, the door to the fiscal year slams shut on June 30.

As can be readily understood, which indebtednesses can be paid and in what manner can be a complicated legal determination. If you are unsure about a specific indebtedness, you should obtain the opinion of your legal counsel. This can help protect city and town officials from potential legal liability.

To facilitate this 90-day payment period, Section 310.4 requires that the following statutory notice be published at any time during the month of July in a newspaper of general circulation. It must be published for two consecutive times if in a daily newspaper and once if in a weekly newspaper.

Required notice:

**PUBLIC NOTICE**

All persons having an indebtedness or claim against

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County, City, or Town

are hereby notified that all invoices and documentation pertaining to said purchase order or contract must be recorded in the office of \_\_\_\_\_ Clerk on or before September 30, \_\_\_\_\_, covering all debts now unpaid and incurred during the period beginning on July 1, \_\_\_\_\_, and ending on June 30, \_\_\_\_\_, or said account shall be void and forever barred.

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Clerk or Encumbering Officer

The requirements of this statute are more fully explained below.

**June 30: A Drop Dead Date\***

1. On this date, the fiscal year ends and so does the power of the municipal governing body to appropriate funds or incur new obligations. *Zachary v. City of Wagoner*, 1930 OK 440, 292 P. 345. Even the people have no power to approve and fund a new debt for the prior fiscal year – such an election yields an unconstitutional result. *In re Town of Afton*, 1914 OK 537, 144 P. 184.
2. If there are unencumbered funds remaining at the end of the fiscal year, claimants have until September 30 to submit their claims for unpaid obligations incurred by a municipality on or before June 30. This 90-day window is for the sole purpose of actually paying an obligation that was validly appropriated during the fiscal year. It cannot constitutionally be used to make a new appropriation after June 30. See, 62 O.S. § 310.4.
3. After the end of the fiscal year, the only payments that a municipality can make from revenues of that fiscal year are those for which funds were encumbered for the purpose of the claim or those for claims validly presented for payment on or before September 30. See, 62 O.S. § 310.1 *et seq.*
4. Payment of an expense in the absence of an appropriation is subject to criminal penalties. See 62 O.S. §§ 478, 479. Additionally, any officer who causes the municipality to incur debt in excess of the appropriation available shall forfeit and be removed from office. 62 O.S. § 310.3.

*\*[Note: A few municipalities have changed their fiscal year from July 1 to either a calendar year or some other beginning date. Therefore, they will have to substitute the date ending their fiscal year for the June 30 date.]*

*Please Note: This summary is not a substitute for legal advice. You should consult your city or town attorney prior to taking any action based on this document.*