

Town of
Farmington

Transition to a
Fiscal Year Budget





What is a Fiscal Year?

A fiscal year is any 12-month budget cycle OTHER than January through December.

Key Differences at a Glance

Feature	Calendar Year	Fiscal Year
Start Date	January 1	Any month
End Date	December 31	12 months after chosen start
Duration	12 months	12 consecutive months
Flexibility	None; fixed	High; chosen by entity
Primary Users	Individuals (taxes), small businesses	Governments, corporations, nonprofits, schools
Common Purpose	General timekeeping, personal taxes	Aligning reporting with operational cycles, budgeting

The fiscal year option highlights a fundamental trade-off in financial reporting: simplicity versus tailored accuracy. While calendar years offer straightforwardness, customized fiscal years can provide more precise and meaningful financial pictures for organizations whose activities don't align neatly with the January-December cycle.

[Decoding the Government's Clock: Fiscal Year vs. Calendar Year in Budgeting | GovFacts](#)



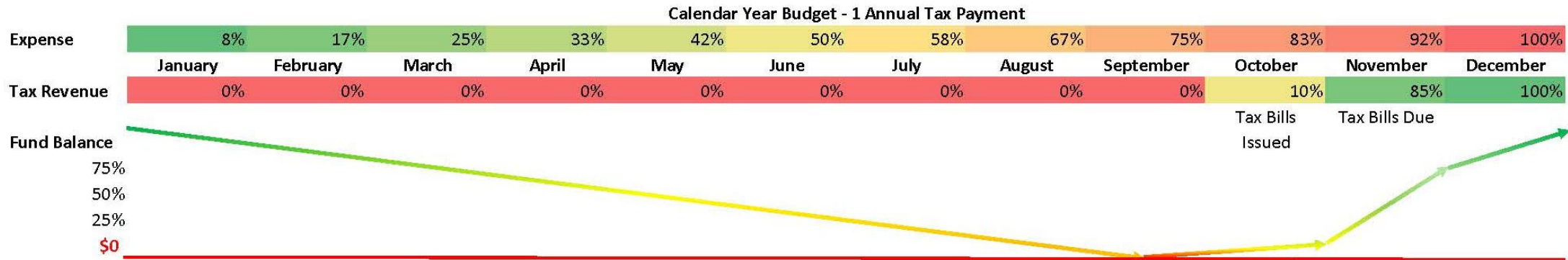
Why change to a Fiscal Year?

- Matching Operating and Revenue Cycles – State Revenues and Taxes
- Improved Financial Reporting – Financial results more likely reflect true performance trends rather than “calendar-based noise” that can arise if major initiatives, revenue streams, or expenditure cycles are artificially split by December 31 endings.
- Alignment with other organizations’ financial cycles that impact our budget
 - County
 - School
 - MaineHealth EMS
 - MainePERS Retirement
 - Fuel contracts
- Better alignment with State and Federal fiscal years for Grant Management.
- New property values are known before voting on the budget
- **Financial solvency**
 - Biggest challenge for the Town of Farmington

Transition to a Fiscal Year



Farmington's Calendar Year Budget Cycle



Budget year starts January 1

Budget is developed from January through February

Town meeting to approve budget in March – we've already been spending the money for three months!

County and School budgets are large unknowns while preparing the budget.

First tax payments don't come in until October – use fund balance for the first ten months of the budget. For the last three years the Town's checking account has been depleted by September.

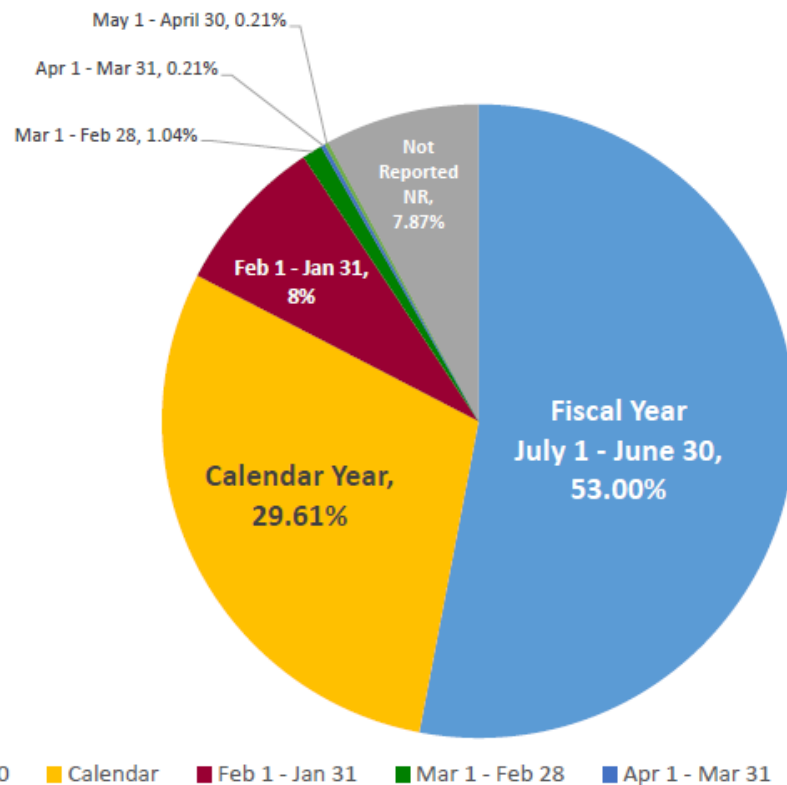
Choice is to stop paying bills or borrow money. Current short-term interest rates 5.75%. The taxpayers pay this bill.

BUDGET DEFICIT

What do other Towns do?

There are 483 municipalities in Maine. Data was obtained from all but 38 of them to produce this report.

Municipal Fiscal Years - Percentage of Total



- 53% of Maine towns operate on a July 1 through June 30 Fiscal year.
- About 30% of Maine towns operate on a calendar year.
- About 9% operate on some other fiscal year calendar.

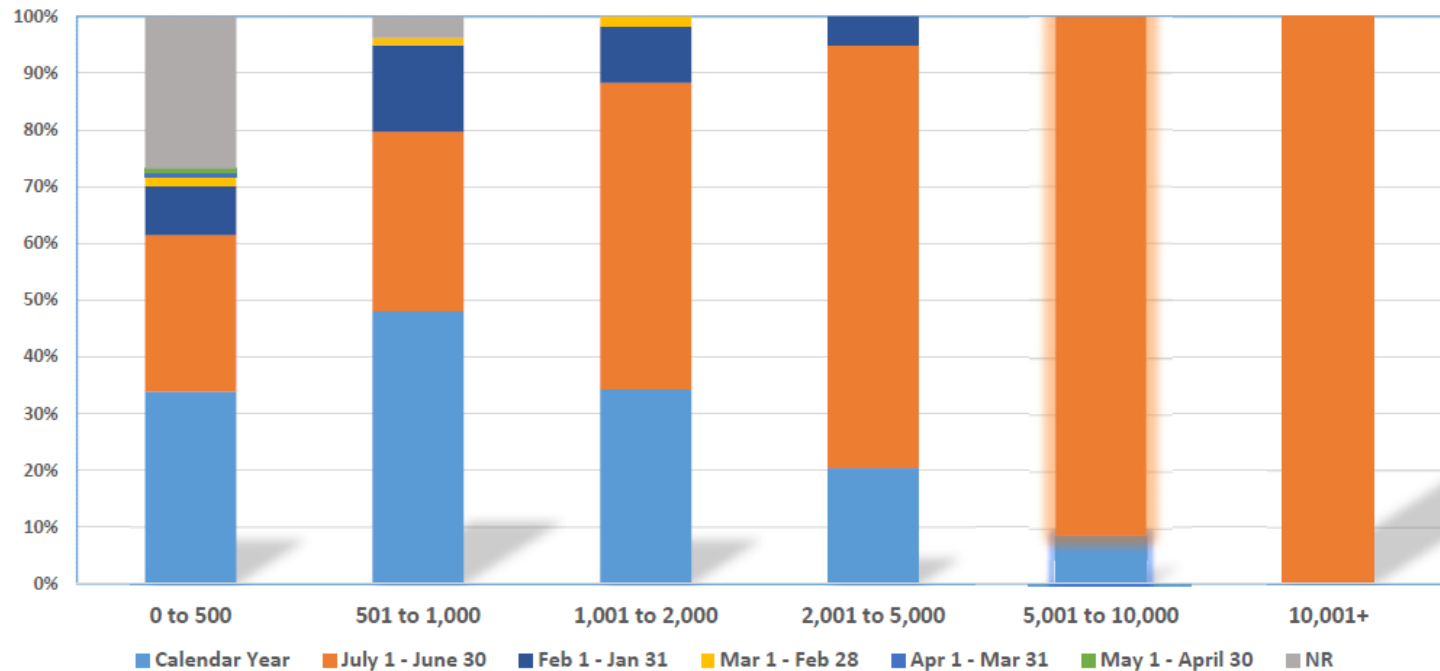
Transition to a Fiscal Year



FY by Population

Population Budget Year	0 to 500	501 to 1,000	1,001 to 2,000	2,001 to 5,000	5,001 to 10,000	10,001+
Calendar Year	43	38	38	20	4	0
July 1 - June 30	35	25	60	73	42	21
Feb 1 - Jan 31	11	12	11	5	0	0
Mar 1 - Feb 28	2	1	2	0	0	0
Apr 1 - Mar 31	1	0	0	0	0	0
May 1 - April 30	1	0	0	0	0	0
NR	34	3	0	0	0	0

Predominance of Fiscal Year by Population (Farmington pop 7,625)

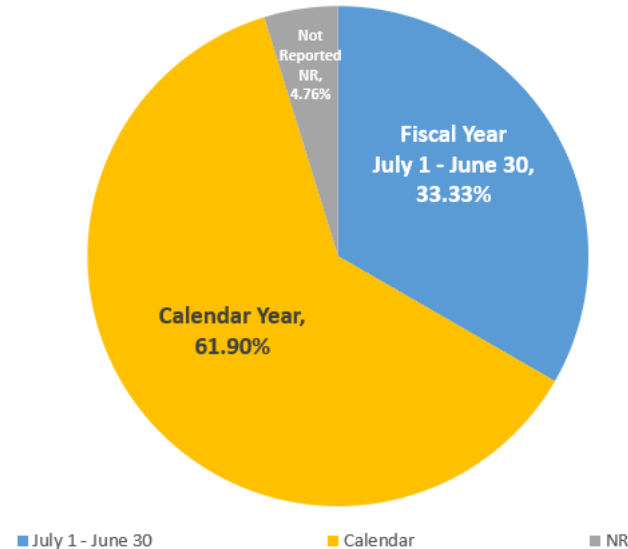


- Prevalence of fiscal year over calendar increases with the size of the community (increased operational and budgeting complexity).
- Even among the smallest towns 28% utilize a July 1 to June 30 fiscal year.
- Among towns similar in size to Farmington only 9.5% use a calendar year.
- Towns over 10,000 population exclusively use a July 1 to June 30 fiscal year.

What do other Towns in Franklin County do?

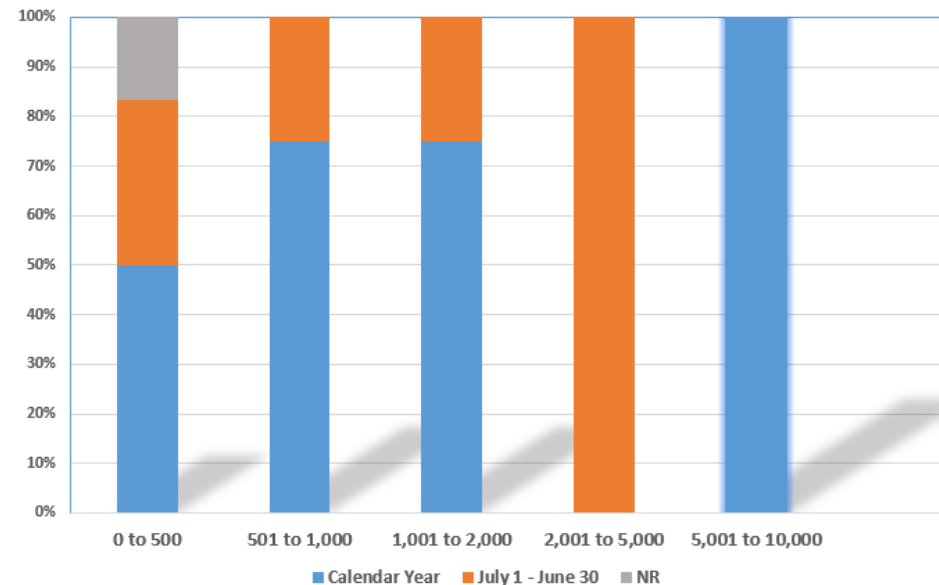
There are 21 municipalities in Franklin County. Data was obtained from all but 1 of them to produce this report.*

Municipal Fiscal Years - Franklin County - Percentage of Total



Population	0 to 500	501 to 1,000	1,001 to 2,000	2,001 to 5,000	5,001 to 10,000
Budget Year					
Calendar Year	3	6	3	0	1
July 1 - June 30	2	2	1	2	0
NR	1	0	0	0	0

Predominance of Fiscal Year by Population - Franklin County (Farmington pop 7,625)



- 33% of Franklin County towns operate on a July 1 through June 30 Fiscal year.
- Farmington is the only town over 2,000 population on a calendar year (Wilton and Jay are on a fiscal year)
- Among smaller towns 5 of 12 (42%) utilize a fiscal year.

*Does not include unorganized territories which are on Franklin County's budget.

How will transitioning to a fiscal year help Farmington?

- Budget year starts July 1
- Budget is developed from January through February (same)
- Town meeting to approve budget in April – *before* we start spending money!
- County and School budgets are closer to finished – better expense predictions.
- First tax payments still come in October – use fund balance for the first three months of the budget.
- Ability to use some fund balance to offset budget or invest in short-term interest-bearing instruments





How will transitioning to a fiscal year help Me?

- Frees up fund balance to apply to capital expenditures
 - Helps keep budget increases in check
 - Lower budget increases = lower tax bills
- Frees up some fund balance to put into short-term investments
 - Revenue can be used for capital or emergency expenditures
 - Keeps those expenditures off the tax rolls
 - In turn keeps tax bills from increasing as much
- Tax payments split into two installments, fall and spring
 - Spreads out payments for the taxpayer
 - Allows you to keep your money in the bank longer!
 - No penalty for paying the whole bill on the first installment

Fact: The Town of Farmington used to purchase fire trucks, heavy equipment and other fleet items with cash from the fund balance. Up front payments usually mean a lower quoted price and NO INTEREST. Now they are financed and the debt service is added to the budget and hits your tax bill!

How is this transition accomplished?

- The Town produces a short-term *minimal* 6-month budget for the months of January through June, 2026.
- No discretionary or capital expense is included in this budget.
- Does **not** include:
 - Non-union salary increases
 - Road work
 - Capital projects
 - Fleet and Heavy Equipment purchases
 - Non-critical new spending
- **Will** include:
 - Current salaries and benefits for the six-month period
 - Police salary increases per the union contract (due in March)
 - Utilities for the six-month period
 - Required operating expense for the six-month period
 - Any contract renewals due in the months of January through June
 - Debt service on the Police facility (due in May)
- Budget to be voted upon at a March Town Meeting.
- Single tax bill due in April or May – 0% interest = no penalty on late payment*

6- Month budget will be
less than half of a normal
12-month budget!



New Fiscal Year Budget

- The Town will be building a 12-month budget alongside the interim 6-month budget covering the new fiscal year, July 1, 2026 through June 30, 2027.
- Includes all expenses for the 12-month period. This is when the capital budget will be assessed, any COLA adjustments for non-union staff, and all other items stripped out of the interim budget.
- Budget to be voted upon at an April Town Meeting
- Spending on new budget starts July 1
- Two tax bills to be issued – Due October and April
- Late fees assessed on half of the tax bill if October portion paid late, not entire bill.
- Late fees on entire tax bill not assessed until both October and April are late.



■ "Happy Fiscal New Year!"



Myths and Facts

- MYTH – If we go to a fiscal year we have to hold our town meeting in June and no one will come.
- FACT – the Select Board can set the fiscal year to any month at their discretion. Many town meeting towns choose April or May. Most town council towns set the fiscal year budget in April.
- MYTH – I’m going to have to pay more in taxes.
- FACT – the total amount of taxes paid will not be more than it would have under a calendar year. You will have a 6-month bill due in the spring instead of the full 12-month bill due in the fall. 53% of residential taxpayers in Farmington have their taxes in a mortgage escrow and will notice no difference.

Taxes paid – January 2026 to December 2026:

Calendar year – Full annual tax bill due in October

Fiscal year – limited 6-month bill in April, ½ of FY in October
2026 payments will actually be LESS

- MYTH – The Town is just collecting more revenue quicker at the expense of the taxpayer.
- FACT – The amount the town collects is set by the budget. The fiscal year does not change the amount needed to pay the bills.



Myths and Facts

- MYTH – If the Town has to borrow money to cover expenses that's better than me having to borrow money to pay the bill.
- FACT – The Town is subject to the same interest rates on short-term lending as any other customer. The cost for the Town to borrow \$1M on a 6-month note at 5.75% is \$16,831. **This is passed on to all taxpayers in their bills.** The cost for a taxpayer to borrow \$3,000 on a 6-month note at 5.75% is \$43.29.
- MYTH – this will hurt farmers and others who depend on summer revenue to pay their taxes.
- FACT – the reason for the 0% interest in the transitional 6-month budget is to accommodate taxpayers who would be affected by this change. This also allows additional time for them to plan how they will budget future payments six months at a time.
- MYTH – this will cost taxpayers more if the school or county have large increases.
- FACT – this is partially true in that the full county and tax bills are due in the fiscal year, rather than half of the old bill and half of the new bill. BUT these increases usually do not exceed \$200,000 for the year. This equates to an extra \$106 on the average annual tax bill, half of which you are already paying under the calendar year system. So the impact on the average taxpayer of absorbing the entire increase in one fiscal year is approximately \$53.

Questions and Comments

