

# Town of Groton

## Long-Term Planning

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DECEMBER 2022

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OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

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# Report Highlights

## Town of Groton

### Audit Objective

Determine whether the Town of Groton (Town) officials established long-term capital and financial plans to address the Town's Highway Department equipment needs.

### Key Findings

Town officials did not establish long-term capital and financial plans to address the Town's Highway Department equipment needs. As a result:

- 17 of the 24 pieces of major highway equipment (71 percent) were at or beyond their optimal usable life.
- Out of 17 pieces of major highway equipment reviewed, five trucks accounted for \$81,250 (76 percent) of total repair costs during the audit period. If equipment is in need of repair on a regular basis, services to taxpayers may not be provided timely and adequately.

### Key Recommendations

- Develop long-term capital and financial plans to replace highway capital assets in a timely manner.
- Consider funding reserves for the highway capital equipment needs.
- Provide the Board with written recommendations as to what highway machinery, tools, implements and equipment should be purchased.

Town officials agreed with our findings and indicated they plan to initiate corrective action.

### Background

The Town is located in Tompkins County and includes the Village of Groton within its borders.

An elected five-member Town Board (Board), which is composed of the Town Supervisor (Supervisor) and four Board members, is responsible for the general management of operations and finances including adopting the annual budget and managing long-term capital and financial plans.

An elected Highway Superintendent (Superintendent) is primarily responsible for the maintenance and repair of Town roads and highway equipment. The current Highway Superintendent's term began on January 1, 2022.

#### Quick Facts

Pieces of Major Highway Equipment	24
2022 Highway Town-Wide Appropriations	\$944,401
2022 Highway Town-Outside-Village Appropriations	\$709,000
Population	5,746

### Audit Period

January 1, 2021 – February 28, 2022. We extended our audit period through August 9, 2022, to review the equipment replacement plan presented to the Board.

# Long-Term Planning

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## **How Does a Board Establish Long-Term Capital and Financial Plans?**

A town board is responsible for making financial decisions that are in the best interest of the town and its taxpayers and residents. This includes planning for the future and setting long-term capital and financial priorities and goals.

Capital plans should have a clear mission to maintain and improve a town's capital assets over time. The plan must balance capital priorities with fiscal constraints. It should be as comprehensive as possible, encompassing all major public assets that have a significant usable life. It should also establish parameters for how capital assets will be financed. Finally, it should be flexible enough to respond to new needs and deal with emergencies.

Highway superintendents are required to annually provide to the town board on or before September 30th a written inventory list of all machinery, tools and equipment, indicating the value of each item and estimated cost of all necessary repairs. Highway superintendents are also required to provide to the town board written recommendations as to what machinery, tools and equipment should be purchased and the probable cost. The town board can establish reserve funds for the future acquisition and repair of capital assets. Balances of reserve funds should be monitored to ensure funds remain for planned expenditures.

The New York State Department of Transportation (NYSDOT) developed an optimal usable life document which provides an estimated optimal usable life, in years, as well as an estimated replacement value for each type and class of vehicle and equipment that are generally used by highway departments. Town boards and highway superintendents can use this document to help determine when replacement of assets could be expected.

## **The Board Did Not Establish Long-Term Capital and Financial Plans**

The Board did not develop or establish long-term capital and financial plans. The Town's Highway Department has 24 pieces of major highway equipment, with 17 at or beyond their usable life by an average of 6.3 years (Figure 1).

**Figure 1: Age of Major Highway Equipment at or Beyond Usable Life**

Type (Quantity)	Years		
	Age	NYSDOT Usable Life	Over Usable Life
Large Dump Trucks (4)	17	12	5
	17	12	5
	15	12	3
	15	12	3
Small Dump Truck (1)	11	9	2
Stake Truck (1)	15	10	5
Pickup 4x2 (1)	7	6	1
Pickup (2)	11	8	3
	8	8	0
Grader (1)	34	20	14
Roller (1)	32	15	17
Loader (2)	18	10	8
	11	10	1
Tractor (2)	33	10	23
	12	10	2
Chipper (1)	15	10	5
Mower (1)	25	15	10

Due to the aging of the major highway equipment, the cost of repairs to these assets have increased. We analyzed the repair costs for all 17 pieces of major highway equipment requiring repair<sup>1</sup> during our audit period to determine the total cost of repairing these pieces of equipment. During our audit period, the Town incurred repair costs totaled \$106,700, and five trucks accounted for 76 percent of all repair costs reviewed (Figure 2). Three of these five trucks were over their optimal usable life.

**Figure 2: Five Vehicles with the Highest Repair Costs in Audit Period**

Truck #	Production Year	Age	Total Repairs
22	2007	15	\$29,050
21	2007	15	27,600
25	2016	6	11,000
19	2005	17	7,300
24	2012	10	6,300
<b>Total Repair Costs</b>			<b>\$81,250</b>

<sup>1</sup> We deducted routine maintenance expenditures (i.e., oil changes, brake replacement and tire replacement) from the repair costs.

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Based on discussions with the Superintendent and Supervisor, the replacement costs for the assets over their usable life may total up to \$2.3 million. Although the Board has no formal long-term capital or financial plans in place, it established a highway capital reserve fund with a balance of \$194,075 as of December 31, 2021 that could be used towards replacing these assets. The Superintendent told us the entire balance of the highway capital reserve fund will be used to cover the cost of a vehicle the Town has ordered but not yet received.

The current Superintendent regularly attended Board meetings to discuss the age and condition of vehicles and equipment. Town officials also told us they are aware that the highway equipment is aging, that repair costs are increasing and the time to receive new equipment once an order is placed is increasing due to extended manufacturing times. On August 9, 2022, the Superintendent provided the Board with a formal major equipment replacement plan which recommends the Town reserve \$241,000 annually for the replacement of vehicles and large equipment. However, the replacement plan did not include all machinery, tools and equipment. In addition, at the Superintendent's reserve funding rate, it could take approximately 10 years to replace the equipment that is over its optimal usable life, as of the end of our fieldwork. Furthermore, as additional equipment exceeds its usable life in the future, the current annual recommendation may increase. As a result of a lack of planning and not establishing adequate plans and reserves, costs to taxpayers may increase and prevent the Town from providing adequate services if equipment starts to fail on a regular and consistent basis.

Without written long-term plans, it is difficult for the Board to properly manage and fund the replacement of Highway Department vehicles and equipment. A multiyear capital plan helps manage these investments by scheduling expenditures over a number of years and by creating a financing plan to meet those Town expenditures.

Town officials did not prepare cost-benefit analyses to determine whether it was more cost effective to repair or replace specific vehicles and equipment. Without newer Highway Department vehicles and equipment, Town officials may be spending more than necessary on equipment repair. Furthermore, in the event of a failure of multiple pieces of equipment, the Town may not be able to provide the necessary services to residents or may face significant unfunded future expenditures. We provided Town officials with the *Capital Assets*<sup>2</sup> and *Multiyear Capital Planning*<sup>3</sup> Local Government Management Guides.

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<sup>2</sup> <https://www.osc.state.ny.us/files/local-government/publications/pdf/capital-assets.pdf>

<sup>3</sup> [http://www.osc.state.ny.us/localgov/pubs/lgmg/capital\\_planning.pdf](http://www.osc.state.ny.us/localgov/pubs/lgmg/capital_planning.pdf)

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## What Do We Recommend?

The Board should:

1. Develop long-term capital and financial plans to help ensure financial resources are available to replace highway capital assets in a timely manner.
2. Consider funding capital reserves as part of the Town's long-term planning efforts to set aside funds formally and legally for identified future Highway Department expenditures.

The Superintendent should:

3. Annually provide the Board with a written inventory list of all machinery, tools and equipment, indicating the value of each item, estimated cost of all necessary repairs and recommendations for which items should be purchased and the probable cost.
4. Develop procedures to analyze whether it is more cost effective to repair or replace specific vehicles and equipment.

# Appendix A: Response From Town Officials

*Supervisor (607) 898-5102*  
Donald F. Scheffler

*Town Clerk (607) 898-5035*  
Robin Cargian, RMC

*Town Board Members*  
Richard Gamel  
Sheldon C. Clark  
Brian Klumpp  
Crystal Young

## Town of Groton



101 Conger Boulevard, PO Box 36, Groton, NY 13073

*Town Justices (607) 898-3711*  
Paul Lang  
Randy Jackson

*Code Official (607) 898-4428*  
W. Rick Fritz

*Supt. of Highways (607) 898-3110*  
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November 14 th, 2022

Attn: Ann Singer, Chief Examiner

In response to the recent audit at the Town of Groton, the Town Supervisor agrees for the most part with the findings of the auditors- that the Town's long term planning for highway equipment replacement is deficient and needs to be addressed. An unwritten policy of budgeting \$55,000.00 each year for a capital equipment reserve account to replace trucks and heavy equipment has been rendered inadequate by inflation, the 2% tax cap, and the lack of revenue sources available to our rural township. Also, the past plan of heavy trucks and equipment lasting 20-25 years has been reduced by 50% due mainly to the failure of mandated emissions and electronic controls and the inability to make repairs of these systems in a fiscally responsible manner, if at all. This requires more repairs on older equipment to be contracted out, increasing costs. My one concern is the suggested replacement of certain older equipment, still in good condition, and used sporadically. Replacement when beyond operational life may better be served by renting, leasing, or inter municipal trading.

After the final audit report, there will be several obstacles to overcome in this process. The Town is being inundated with "solar farm" applications, regulated and controlled by NYS, and requiring tax incentives, assessment reductions, and other unknown state mandated changes to our revenue stream. As this is revealed and sorted out in the next few months, the Town will be in a better position to make realistic plans to fund a sustainable Highway Equipment Reserve Account. I will be working on a strategy of increasing the equipment reserve account annually by a steady amount until it reaches a prescribed level, and then increase annually by the rate of equipment inflation. I will be working closely with the Highway Superintendent during this process.

Thank you for your professionalism and suggestions during this process, and your genuine interest in guiding our Town to a better future financially.

Donald Scheffler, Town Supervisor

## Appendix B: Audit Methodology and Standards

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We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials to gain an understanding of the Town's financial operations and long-term capital plans.
- We interviewed Town officials and employees to gain an understanding of the highway operations. We also reviewed Town policies and procedures, the Town's asset listing and toured the highway facility to view major highway equipment that the Town owns. We verified the age of the equipment by reviewing the Town's insurance listing, and we verified the condition of the equipment during our visual inspection and interviews with highway employees.
- We compared the production year of the major highway equipment to the NYSDOT optimal usable life guidelines to determine the remaining usable life of the equipment. We also used the replacement cost estimates to determine an estimated replacement cost of all major equipment.
- We obtained the Superintendent's proposed financial plan and reviewed the estimated replacement costs for reasonableness by comparing the estimated replacement costs from the NYSDOT optimal usable life document, adjusted for inflation, to the Superintendent's proposed financial plan.
- We reviewed the Board meeting minutes to determine whether the Board established a Highway Department capital reserve fund for vehicle and equipment replacement.
- We reviewed the Town's annual financial reports to determine capital reserve fund balances and other available fund balances that could be used to finance long-term Highway Department vehicle and equipment replacement.
- We obtained the Town mechanic's parts and labor expense reports, repair log reports and outside vendor repair invoices to calculate the Town's repair costs for all 17 pieces of major highway equipment in need of non-routine repairs during our audit period. We reviewed the five vehicles with the highest repair costs and deducted routine maintenance expenditures (i.e., oil changes, brake replacement and tire replacement) to calculate the total cost of repairing these vehicles.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Town Clerk's office.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf)

### **Cost-Saving Ideas** – Resources, advice and assistance on cost-saving ideas

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

### **Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

### **Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

### **Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans

[www.osc.state.ny.us/local-government/resources/planning-resources](http://www.osc.state.ny.us/local-government/resources/planning-resources)

### **Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

[www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf](http://www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf)

### **Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

[www.osc.state.ny.us/local-government/required-reporting](http://www.osc.state.ny.us/local-government/required-reporting)

### **Research Reports/Publications** – Reports on major policy issues facing local governments and State policy-makers

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

### **Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

## Contact

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