

New York State Comptroller
THOMAS P. DiNAPOLI

Village of Fonda

Water Fund Financial Operations

October 2026 | 2026M-77

Prepared by the Division of Local Government and School Accountability

Table of Contents

Audit Results	1
Water Fund Financial Operations: Findings and Recommendations	3
Finding 1 – The Board did not adopt structurally balanced budgets or set water rates at sufficient amounts to support water operations.	3
Recommendations	4
Finding 2 – The Board did not provide oversight of the Clerk-Treasurer’s water duties.	4
Recommendations	5
Appendix A: Profile, Criteria and Resources	6
Profile	6
Criteria	6
Additional Resources	6
Appendix B: Response From Village Officials	8
Appendix C: Audit Methodology and Standards	10

Audit Results

Village of Fonda

Audit Objective

Did the Village of Fonda (Village) Board of Trustees (Board) effectively manage the water fund's financial operations?

Audit Period

June 1, 2024 – November 30, 2025

We extended our scope back to June 1, 2022 for review of budgetary trends, to April 2024 for review of relieved delinquent inside-Village accounts and forward to March 31, 2026 to review actual revenues.

Understanding the Audit Area

A board is responsible for effectively managing a water fund's financial operations to help ensure revenues are sufficient to finance operations, maintain infrastructure and meet service needs while maintaining a sound financial condition.

The Village's 2025-26 water fund budgeted appropriations totaled \$514,495 with metered water sales accounting for \$508,495 or 99 percent of budgeted revenues.

Audit Summary

The Board did not effectively manage the water fund's financial operations, causing the fund balance to decline and reducing the Board's ability to respond to emergencies, infrastructure and service needs or other unanticipated occurrences.

The Board did not adopt structurally balanced budgets or review water rates to ensure they were sufficient to maintain the water fund's fiscal stability. The Board annually relied on appropriating fund balance (which represents the difference between revenues and expenditures accumulated over time) to finance water fund operations rather than establishing water rates sufficient to support operations. From fiscal years 2022-23 through 2024-25, the Board adopted budgets for the water fund with planned operating deficits that totaled \$343,651. The Board's budgeting practices caused unrestricted fund balance in the water fund to decline by \$238,675 during this period. Additionally, because the Board did not adopt sufficient water rates to fully support the 2025-26 fiscal year water fund operations, we project a shortfall of \$129,088 with metered water sales for the 2025-26 fiscal year totaling \$379,406.

The Board did not provide adequate oversight of the Village Clerk-Treasurer (Clerk-Treasurer) who reviewed the water billings, and mailed, collected, recorded and deposited water bill payments, applied penalties and fees to customer accounts and prepared the list of unpaid inside-Village customers to be relieved by Montgomery County (County). As a result, errors or irregularities could occur without detection or correction. Additionally, the Board did not annually audit or cause the Clerk-Treasurer's records to be audited.

This report includes five recommendations that, if implemented, will improve the Board's management of the water fund's financial operations and strengthen its oversight of the Clerk-Treasurer's water duties to help ensure the water fund is self-sustaining. Village officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate corrective action.

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the Office of the New York State Comptroller's (OSC) authority as set forth in Article 3 of the New York State General Municipal Law (GML). Our methodology and standards are included in Appendix C.

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 GML. 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 Clerk-Treasurer's office.

Water Fund Financial Operations: Findings and Recommendations

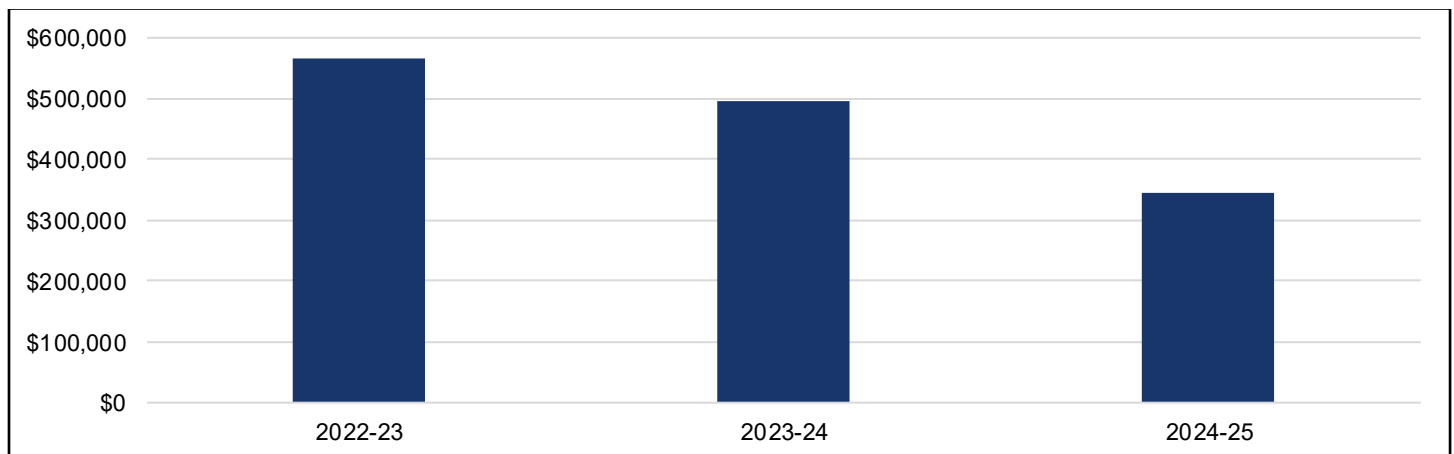
To effectively manage water fund operations, a village board is responsible for developing reasonable budgets to ensure recurring revenues finance recurring expenditures and water rates are sufficient to cover the cost of operations. Village Law Section 11 requires the board to establish water rates and the amount of penalties to be enforced for non-payment within the time prescribed by the board. A village board is also required to conduct an annual audit, or have a village officer, employee or an independent public accountant audit the village clerk-treasurer's annual statement showing, in detail, all revenues and expenditures during the previous fiscal year. Additionally, a village board is responsible for developing policies and procedures over billing, collection and adjustment functions and ensuring there is adequate oversight or compensating controls where duties cannot be segregated.

More details on the criteria used in this report, as well as resources OSC makes available to local officials that can help them improve operations, are included in Appendix A.

Finding 1 – The Board did not adopt structurally balanced budgets or set water rates at sufficient amounts to support water operations.

The Board did not adopt structurally balanced budgets during fiscal years 2022-23 through 2024-25. The Board adopted budgets with planned operating deficits in all three fiscal years totaling \$343,651 and experienced operating deficits of \$238,675. Although the operating deficits were less than planned because the Board underestimated revenues and overestimated expenditures, the water fund's fund balance has decreased by \$238,675 (41 percent) over the past three fiscal years (Figure 1).

Figure 1: Water Fund Unrestricted Fund Balance



During the three fiscal years reviewed, expenditures increased by \$76,222 (21 percent), while revenues decreased by \$60,455 (18 percent). According to the Mayor, the decline in revenues was not properly considered when he developed fiscal year 2025-26 water rates. Although metered water sales represent 99 percent of the revenues for fiscal year 2025-26, the Board did not routinely review or adopt sufficient water rates to support the water fund's operations.

For example, the Board increased the water rate 23 percent for fiscal year 2025-26 while adopting an unrealistic budget estimate of metered water sales totaling \$508,495, a 73 percent increase from fiscal year 2024-25. This revenue estimate did not align with the amount expected when using the established rate structure. Because the budgeted revenue amount increased at a substantially higher degree than the established water rate, the 2025-26 fiscal year rate will be insufficient to fully support water fund operations. As

of March 31, 2026, metered water sales totaled \$316,172; based on this amount, we project a shortfall of \$129,088 with metered water sales for fiscal year 2025-26 totaling \$379,406.

The Mayor told us he discussed increasing water rates with the Board, but it did not agree. The Mayor could not provide documentation or an explanation of how the rates were determined. Additionally, water rate discussions were not documented in the Board meeting minutes. A Trustee told us rate increases were not discussed at the Board meetings. Instead, the rates are provided by the Mayor and adopted by the Board at the special Board meeting held in April each year when the budget is adopted.

The Board's budgeting practices and inaction on adopting sufficient water rates have resulted in a decline in the Village water fund's financial stability. Continual reliance on fund balance will lead to its depletion and the Village will no longer have a financial cushion for managing emergencies or other unanticipated occurrences, balancing future budgets or funding one-time expenditures.

Recommendations

The Board should:

1. Adopt reasonable budgets that contain realistic estimates based on current data and historical trends, with sufficient revenues that finance recurring expenditures.
2. Review rates regularly and perform calculations to ensure adopted rates support water fund operations.
3. Closely monitor the water fund's finances, including available fund balance and ensure that the water fund's financial condition does not decline further.

Finding 2 – The Board did not provide oversight of the Clerk-Treasurer's water duties.

There was a lack of segregation of duties related to the key functions of billing, collecting and adjusting water charges and the Clerk-Treasurer performed these duties with little to no supervisory review.

The Clerk-Treasurer:

- Maintained customer master files, adding customers and making customers inactive.
- Reviewed the billings before the County prepared bills.
- Collected, recorded and deposited payments.
- Adjusted water bills.
- Applied penalties and fees to customer accounts.
- Prepared the list of unpaid inside-Village customer accounts to be relieved by the County onto the Village real property tax bills.

Although the Board approved the total amount of water billed for each billing period during the audit period, approvals occurred after bills were generated by the County and mailed to the customers. This timing does not allow for changes to incorrect bills before mailing and increases the risk that customer accounts may need to be adjusted upon or after collection.

In addition, the Board or someone independent of the Clerk-Treasurer does not compare the water billing to the customer accounts to ensure all customers are billed or review the accuracy of billing, and no one reviews payments recorded or payments deposited. The Clerk-Treasurer performs reconciliations of paid and unpaid accounts during the collection periods and provides monthly unpaid reports to the Board which document penalties and fees charged to customer accounts and unpaid accounts. However, the Board does not review unpaid reports to verify penalties and fees are accurately applied. Additionally, the Board does not review or approve the list of unpaid inside-Village customers submitted to the County to be relieved onto the property tax bills.

Furthermore, the Board did not comply with Village Law Section 4-408 by annually auditing or causing the Clerk-Treasurer's records to be audited. The Mayor told us there was an audit in prior years but could not provide documentation of the most recent audit that was conducted. In situations when duties are not adequately segregated, an annual audit can help ensure that significant errors are not occurring and remaining undetected.

During the audit period, the Clerk-Treasurer billed 447 user accounts for water services received. We reviewed 143 water bills (and corresponding payments) totaling \$233,251 for 34 user accounts, ¹ 48 delinquent or unpaid user accounts totaling \$12,274 and the water receivable control account maintained by the Clerk-Treasurer to determine whether users were accurately billed at Board approved rates, payments were accurately recorded and deposited intact, penalties and fees were accurately enforced, unpaid accounts were properly relieved and control accounts were accurately maintained and reconciled to unpaid amounts.

Although we did not identify significant errors, when officials do not adequately segregate duties or establish compensating controls, such as oversight and the required annual audits, there is an increased risk that errors and irregularities (payments not being accurately recorded or deposited, penalties and fees not being enforced or delinquent accounts not being relieved) could occur and remain undetected and uncorrected. Furthermore, the Board cannot be sure it has accurate financial information to make decisions and gauge the Village's financial condition.

Recommendations

The Board should:

4. Establish sufficient compensating controls, including reviewing water billings in comparison with customer listings, confirming reconciliations of paid and unpaid accounts, verifying penalties and fees are accurately applied and reviewing relieved accounts for accuracy.
5. Annually audit, or cause to be audited, the Clerk-Treasurer's records in accordance with Village Law Section 4-408.

¹ Refer to Appendix C for information on our sampling methodology.

Appendix A: Profile, Criteria and Resources

Profile

The Village is located in the Town of Mohawk in Montgomery County. The Village is governed by the elected Board, which includes the Mayor and four Trustees. The Board is responsible for the general management of the Village's water operations and controlling the Village's financial affairs, which includes adopting the annual budget, adopting water rates and establishing policies and procedures over water operations. The Village provides water services to customers located both inside and outside Village boundaries.

The Clerk-Treasurer maintains the financial records inclusive of the control account and is responsible for maintaining customer accounts, billing, adjusting, collecting, recording and depositing water payments. The Village's fiscal year runs from June 1 through May 31.

Criteria

To effectively manage water fund operations, the village board is responsible for developing reasonable and structurally balanced budgets to ensure recurring revenues finance recurring expenses and water rates are sufficient to cover the costs of operations. Village Law Section 11 requires the board to establish water rates and the amount of penalties to be enforced for non-payment within the time prescribed by the board. A village board is also required to conduct an annual audit, or have a village officer, employee or an independent public accountant audit the village clerk-treasurer's annual statement showing, in detail, all revenues and expenditures during the previous fiscal year. Additionally, the village board is responsible for developing policies and procedures over billing, collection and adjustment functions and ensuring there is adequate oversight and controls where duties cannot be segregated.

The Board adopted resolutions and local laws addressing frequency of billing for residential and commercial customer accounts, water rates for inside- and outside-Village customers, penalties for nonpayment and termination of service for violation of nonpayment. The Village bills residential customers two times per year (October and April) and bills commercial customers four times per year (July, October, January and April). Water bills are calculated based on gallons used, obtained from electronic reads performed by employees.

The Board annually adopts water rates and fees. For fiscal years 2022-23 through 2024-25, the Board adopted a minimum usage water rate of \$54.40 for usage below 20,000 gallons and a tiered rate for usage 20,000 gallons and over, per thousand gallons as follows: \$2.72 for usage of zero to 20,000 gallons, \$2.61 for usage of 20,001 to 70,000 gallons and \$2.32 for usage 70,001 gallons and higher. For fiscal year 2025-26 the Board adopted a minimum usage water rate of \$50.25 for usage below 15,000 gallons and a rate per thousand gallons of \$3.35 for usage above 15,000 gallons. Customers outside of the Village boundaries pay two times the rate of customers inside the Village. Water bills also include a repair and replacement fee of \$55 charged each semi-annual billing period used to maintain and finance capital improvements to the water infrastructure.

When segregating duties is not possible, the board should implement compensating controls, such as providing additional managerial oversight. Once established, the board should monitor compliance with its policies and procedures.

Additional Resources

OSC's *Local Government Management Guides*, and other informational resources that are available on OSC's website to help officials understand and perform their responsibilities, include:

- *Understanding the Budget Process*: www.osc.ny.gov/files/local-government/publications/pdf/understanding-the-budget-process.pdf

- *The Practice of Internal Controls*: www.osc.ny.gov/files/local-government/publications/pdf/the-practice-of-internal-controls.pdf
- *Multiyear Financial Planning*: www.osc.ny.gov/files/local-government/publications/pdf/multiyear-financial-planning.pdf

In addition, local officials can use OSC's website to search for audits, resources, publications and training for officials at: <https://www.osc.ny.gov/local-government>

Appendix B: Response From Village Officials

The content below is a reproduced copy of the original response letter issued by Village officials, is reformatted to meet the Americans with Disabilities Act *Web Content Accessibility Guidelines (WCAG)*,² and may have included changes to spelling and grammar. The substance of the content was not changed.

Village officials included their lengthy corrective action plan as part of their response. As their response included sufficient information to indicate their intentions, we did not include the corrective action plan as a part of the final report.

Village of Fonda
8 E. Main Street
P.O. Box 447
Fonda, NY 12068

September 18, 2026

Thomas P. DiNapoli, New York State Comptroller

Reference: Response of Village Officials: Water Fund Financial Operations August 2026: 2026 M-77

The Village of Fonda appreciates the professional manner in which the Office of the State Comptroller conducted its review and the opportunity to respond to the findings.

Importantly, the auditors' testing did not identify significant errors in the water bills, payments, deposits, penalties, fees, delinquent accounts, or other transactions examined. The Village nevertheless understands that the absence of significant errors does not diminish the importance of maintaining appropriate oversight, documented procedures, and internal controls. These practices are essential to protecting public funds, promoting accountability, and reducing the risk that future errors or irregularities could occur and remain undetected.

The Village acknowledges the two findings and recognizes the opportunities the Comptroller identified to improve financial management and oversight of its Water Fund. The Board of Trustees will address the report's five recommendations in more detail in the Village's separate Corrective Action Plan.

Finding 1 – Water Fund Budgets and Rates

The Village acknowledges the Comptroller's finding that Water Fund budgets were not structurally balanced and that water rates were insufficient to support the Water Fund's operations and financial obligations.

Several factors contributed to the Water Fund's deteriorating financial condition. During the period reviewed, the Village incurred substantial expenditures to improve the reliability of its water operations and provide greater operational and emergency contingency. At the same time, the Village experienced declining revenues, including the loss or reduced usage of major water customers. The Village did not adequately incorporate the combined financial impact of these circumstances into its budgeting and rate-setting process.

The Village regularly reviewed and increased revenues in other operating funds but did not make comparable, incremental adjustments to water rates over time. The Village should have reviewed water rates more consistently and adjusted them as needed to reflect changing operating expenses, declining usage, infrastructure obligations, and the Water Fund's overall financial condition. The Village acknowledges that this did not occur with sufficient regularity and accepts the Comptroller's recommendation that future Water Fund budgets and rates be supported by realistic estimates, current information, historical trends, and documented calculations.

² <https://www.ada.gov/resources/2024-03-08-web-rule/#highlights-of-the-requirements-in-the-rule>

Finding 2 – Oversight of Water Billing Duties

The Village recognizes the importance of maintaining appropriate segregation of duties and compensating controls for water billing, collections, deposits, account adjustments, penalties, and delinquent accounts.

Shortly before the audit period, the Village employed a Deputy Clerk-Treasurer to handle water billing, while the Clerk-Treasurer provided review and oversight. This arrangement provided separation between the preparation and review of water billing activities. After the former Deputy Clerk-Treasurer departed, those duties were consolidated under the Clerk-Treasurer.

As a small municipality with a limited applicant pool, the Village encountered several obstacles in filling the vacant position. These included limited availability of qualified, interested applicants within the permitted residency area and the need to adopt a local law expanding eligibility to qualified applicants residing in adjoining counties. Although these circumstances provide relevant context, the Village recognizes that it should have established additional documented oversight or compensating controls while the position remained vacant.

The report also references the Mayor's statement that the Village had undergone an audit in prior years. That statement was intended to refer to the Village's historical use of independent audits or financial reviews. It was not intended to suggest that the Village located and provided the Comptroller with documentation of the most recent annual examination required by Village Law §4-408.

To clarify for the public, Village Law §4-408 requires the Board to audit, or cause to be audited, the Clerk-Treasurer's annual report and supporting records. It does not require an outside accounting firm to perform the examination. The statute permits the Board, an authorized Village officer or employee, a certified public accountant, or a public accountant to conduct the examination. The Village nevertheless acknowledges that the required examination must be completed, appropriately independent, and properly documented.

The Village recognizes the importance of the Comptroller's recommendations and is committed to strengthening the Water Fund's financial stability and the Board's oversight of water billing activities. The Village will detail the specific actions, responsible parties, implementation procedures, and anticipated completion dates in a separate Corrective Action Plan.

Sincerely,

Bill Peeler
Mayor

Appendix C: Audit Methodology and Standards

OSC auditors obtained an understanding of internal controls that were deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of the work on internal controls, as well as the work performed in the audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Village officials and reviewed Board meeting minutes to gain an understanding of their financial management process for water operations, including budgeting, fund balance maintenance and water rate adoption.
- We reviewed the Village's adopted water fund budgets for fiscal years 2022-23 through 2024-25 and compared budget estimates to actual results to determine whether the budgets were reasonable. We also reviewed budget-to-actual amounts for the 2025-26 fiscal year as of March 31, 2026.
- We reviewed the Village's budget-to-actual reports for fiscal years 2022-23 through 2024-25 to identify revenue and appropriation accounts that represented the majority of budget variances and analyzed the variances of those line items (e.g., metered water sales) to identify trends.
- We calculated the results of operations for fiscal years 2022-23 through 2024-25 to determine whether there was an operating surplus or deficit. We compared the operating surpluses or deficits to the amount of appropriated fund balance in the adopted budgets to determine whether the Village used the appropriated fund balance.
- We analyzed fund balance changes in the Village's water fund that occurred as a result of operations during fiscal years 2022-23 through 2024-25 and assessed the impact that budgeting practices had on fund balance levels.
- We interviewed Village officials and reviewed Village policies, Board-adopted local laws, Board minutes and various water financial records and reports to gain an understanding of the Village's procedures relating to the billing, collecting, enforcing and accounting for water charges and any associated effects of deficiencies in those procedures.
- We reviewed the Village's accounting records during the audit period to determine whether the water receivable control accounts were properly maintained, and reconciliations of these accounts were prepared with the supporting detailed records.
- We compared the water meter inventory listing of active water accounts to the customer listing of active accounts to determine the population of 447 active water accounts and then compared those accounts to the billing registers for six of the nine billing periods within the audit period to determine whether all 447 active water customers were billed.
- We used our professional judgment to select a sample of 20 residential accounts for all three residential billing periods and 14 commercial accounts for all six commercial billing periods for a total of 143 bills to determine whether water bills were accurately billed at the Board approved rate, accurately recorded to customer accounts, penalties and fees were enforced, payments agreed with the amount billed (including penalties and fees, if applicable), and payments were correctly recorded in customer accounts and deposited intact. Our sample included Village officials and employees, residential and commercial customers and customers located inside and outside Village boundaries.
- We reviewed all two adjustments made to customer accounts during the audit period to determine whether they were approved by the Board, appropriate and accurate without exception.
- We used our professional judgment to select six out of the nine billing periods within the audit period for residential and commercial billings. We then reviewed all 14 unpaid accounts totaling \$9,273 from both the residential and commercial billings in April 2024, October 2024 and April 2025 to determine whether they were accurately billed as arrears in subsequent billing periods. We selected these periods to

review the unpaid amounts from the residential billing periods reviewed for accuracy and used the same periods for commercial billings.

- We used our professional judgment to select two of the three residential billings; we then reviewed all 27 unpaid outside Village accounts at the due date for the October 2024 billing and April 2025 billing to determine whether penalties and fees totaling \$1,327 were applied and notices were sent in accordance with Board-adopted local laws.
- We reviewed all three delinquent inside-Village accounts for the April 2023 and October 2023 bills totaling \$442 to determine whether the accounts were relevied onto the 2024 Village real property tax bills and whether the relevy amounts were accurate. We also reviewed all four delinquent inside-Village accounts for the April 2024 and October 2024 bills totaling \$1,232 to determine whether the accounts were relevied onto the 2025 Village real property tax bills and whether the relevy amounts were accurate.

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

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 relevant population size and the sample selected for examination.

Questions?

GLENS FALLS REGIONAL OFFICE

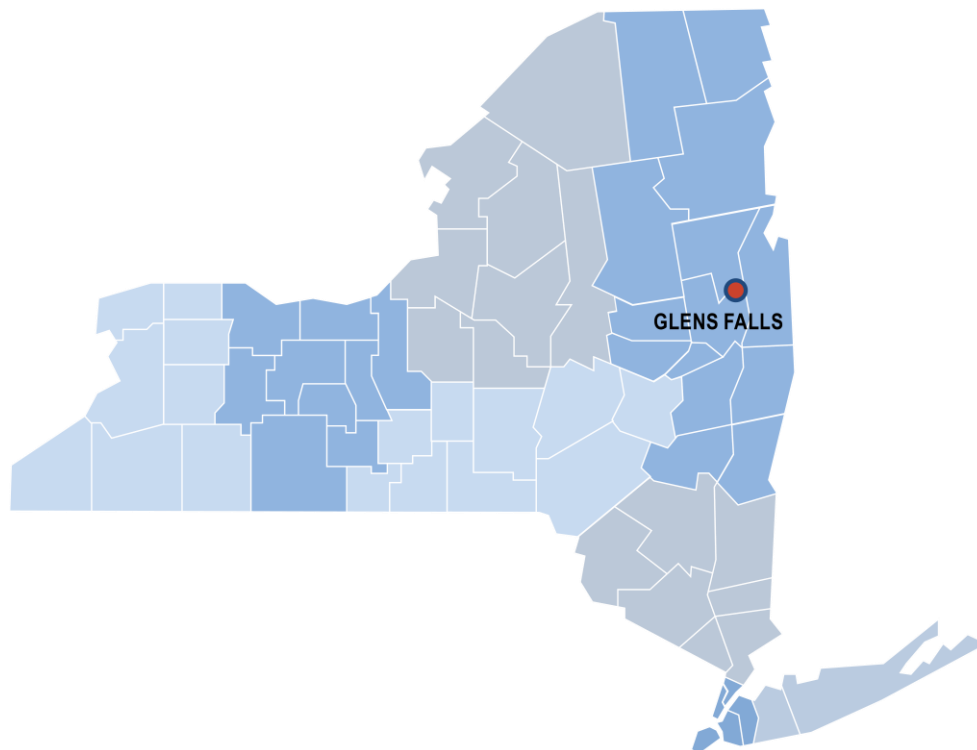
Gary G. Gifford, Chief of Municipal Audits

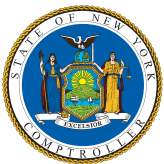
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