

March 9, 2021

BOROUGH OF BRADLEY BEACH

RESOLUTION 2021-98

GOVERNING BODY CERTIFICATION OF THE 2019 ANNUAL AUDIT

Mayor Fox offered the following resolution and moved its adoption:

WHEREAS, N.J.S.A. 40A:5-4 requires the governing body of every local unit to have made an annual audit of its books, accounts and financial transactions; and

WHEREAS, the Annual Report of Audit for the year 2019 has been filed by a Registered Municipal Accountant with the Municipal Clerk pursuant to N.J.S.A. 40A:5-6, and a copy has been received by each member of the governing body; and,

WHEREAS, R.S. 52:27BB-34 authorizes the Local Finance Board of the State of New Jersey to prescribe reports pertaining to the local fiscal affairs; and,

WHEREAS, the Local Finance Board has promulgated N.J.A.C. 5:30-6.5, a regulation requiring that the governing body of each municipality shall by resolution certify to the Local Finance Board of the State of New Jersey that all members of the governing body have reviewed, as a minimum, the sections of the annual audit entitled "Comments and Recommendations"; and,

WHEREAS, the members of the governing body have personally reviewed as a minimum the Annual Report of Audit, and specifically the sections of the Annual Audit entitled "Comments and Recommendations", as evidenced by the group affidavit form of the governing body attached hereto; and,

WHEREAS, such resolution of certification shall be adopted by the Governing Body no later than forty-five days after the receipt of the annual audit, pursuant to N.J.A.C. 5:30-6.5; and,

WHEREAS, all members of the governing body have received and have familiarized themselves with, at least, the minimum requirements of the Local Finance Board of the State of New Jersey, as stated aforesaid and have subscribed to the affidavit, as provided by the Local Finance Board; and

WHEREAS, failure to comply with the regulations of the Local Finance Board of the State of New Jersey may subject the members of the local governing body to the penalty provisions of R.S. 52:27BB-52, to wit:

R.S. 52:27BB-52: A local officer or member of a local governing body who, after a date fixed for compliance, fails or refuses to obey an order of the director (Director of Local Government Services), under the provisions of this Article, shall be guilty of a misdemeanor and, upon conviction, may be fined not more than one thousand dollars (\$1,000.00) or imprisoned for not more than one year, or both, in addition shall forfeit his office.

NOW, THEREFORE BE IT RESOLVED, that the Mayor and Council of the Borough of Bradley Beach, hereby states that it has complied with N.J.A.C. 5:30-6.5 and does hereby submit a certified copy of this resolution and the required affidavit to said Board to show evidence of said compliance.

Seconded by Councilman Sexsmith and adopted upon the following vote:

	AYES	NAYS	ABSTAIN	ABSENT
Mr. Bonnell		X		
Mr. Gubitosi	X			
Mr. Sexsmith	X			
Mr. Weber	X			
Mayor Fox	X			

CERTIFICATION

I, Erica Kostyz, Municipal Clerk, Borough of Bradley Beach, Monmouth County, New Jersey, do hereby certify that the foregoing resolution was duly adopted by the Governing Body at the March 9, 2021 Council Meeting..


Erica Kostyz, RMC, CMR
Municipal Clerk

**CERTIFICATION OF GOVERNING BODY OF THE ANNUAL AUDIT
GROUP AFFIDAVIT FORM
NO PHOTO COPIES OF SIGNATURES**

**STATE OF NEW JERSEY
COUNTY OF MONMOUTH**

We, members of the Governing Body of the **Borough of Bradley Beach** of, in the **County of Monmouth** being duly sworn according to law, upon our oath depose and say:

1. We are duly elected members of the Borough of Bradley Beach in the county of Monmouth
2. In the performance of our duties, and pursuant to N.J.A.C. 5:30-6.5, we have familiarized ourselves with the contents of the Annual Municipal Audit filed with the Clerk pursuant to N.J.S.A. 40A:5-6 for the year 2019;
3. We certify that we have personally reviewed and are familiar with, as a minimum, the sections of the Annual Report of Audit entitled "Comments and Recommendations."

(L.S.) Larry Fe

(L.S.) [Signature]

(L.S.) John Weber

(L.S.) Alan Subito

(L.S.) Paul [Signature]

Sworn to and subscribed before me this 9th day of March, 2021.

Michele A. Whille
Notary Public of New Jersey



Erica Kostyz, RMC, CMR
Erica Kostyz, RMC, CMR
Municipal Clerk

2019 Bradley Beach Audit Review Concerns

3/12/2021

1. "Auditor's Comments and Recommendations" – Contracts and Agreements (Pg. 194): The Auditor states that "No bids were requested by public advertising". I believe beach concession bids were requested via public advertising in 2019. Perhaps there were other bids requested? Can we confirm?
2. "Auditor's Comments and Recommendations" – Technical Directives (Pg. 198): The Auditor states that "The general ledger for 2019 was maintained in accordance with acceptable accounting control standards" – then identifies two exceptions. HOWEVER, the information that he provides throughout his comments appears inconsistent with his assurance that our controls in 2019 were "in accordance with acceptable accounting control standards":
 - a. (Technical Directives pg. 198) The Current Fund's General Ledger account was out of balance by \$15,427.25. It was "not possible to determine the origin." This was an identified "exception" but raises much greater questions regarding our controls than the Auditor suggests.
 - b. (Cash Balances pg. 196) The Auditor notes that "for the Beach and Sewer Funds there was a double entry of outstanding checks."
 - c. (Cash Balances pg. 196) The Auditor states that the Current Fund's Bank Reconciliation was \$64,758.60 higher than the General Ledger indicated. This amount was treated as a "Credit" and deemed too "difficult to ascertain the source and validity of this credit".
 - d. (Cash Balances pg. 196) The auditor cites that "The bank reconciliations for the three operating funds of the Borough, presented for audit, were not in agreement with the general ledger for those funds." He then notes that a subsequent review completed by March 31, 2020. This is disingenuous since he identified these same concerns as unresolved in his August 24, 2020 letter to you.
3. "Auditor's Comments and Recommendations" – Other Matters (Pg. 198) and Cash Balances (pg. 196): In different references, the Auditor suggests that these many irregularities noted between GL Accounts and Bank Reconciliations are likely attributed to transition of CFOs between December 30, 2019 and March 1, 2020. However, the control weaknesses that contributed to these errors were evident long before the departure of the Borough's previous CFO on December 30, 2019. The inability to identify the source of these errors is likely to be driven by the long time frame over which the errors were likely compiled – not the two months referenced by the Auditor (December 30, 2019 through March 1, 2020). How long were these control weaknesses actually in place and not detected – or

reported - by prior audits? I think it would be relatively easy for us to review these same operating fund reconciliations (GL to Bank Account) to confirm:

- a. Whether or not they were conducted for years-ending 2017 and 2018, and if so, also confirm...
 - b. Whether adjusting entries were made to correct any imbalances observed in those years. Note that "Auditor Recommendations" in 2017 or 2018 reports were listed as "None" and yet, I am suspicious that these same poor processes may have existed over a long period.
4. Note 4. Notes to Financial Statements (pg. 41): Beach Utility collections of \$1,555,917 appear to be incorrect. I believe the amount should be \$1,814,624. Beach Utility collections for 2015 through 2018 tie precisely to the Audited Financial Statement Amounts for those years by adding together four revenue components: "Beach Badges", "Concession Rentals", "Parking Meters" and "Beach Locker Fees". In 2019, the revenue related to these identical categories is \$1,814,624 (sum these four items on Audit Report pg. 4). In fact, in 2019, Beach Badge sales alone equal \$1,558,917 (Interestingly close to the \$1,555,917.00 included on page 41 - perhaps both an incorrect field and a transposition error?).
5. Although it was not noted in the 2019 Audit Report - or any audit reports in recent years - the current Council has been informed that our accounting structures during 2019 were "archaic" and extremely inefficient (e.g. 28 bank accounts, a massive "clearing account", no adequate tracking of accrued time off in the payroll system that was in place through 2020.
6. During 2020, cash controls over Beach Badge sales were identified by yourself (our new CFO) and our new BA as being ineffective. You both introduced changes to better safeguard our cash badge sales transactions. I would like to understand why our Auditor did not document these control weaknesses in our 2019 Audit Report. Note that our 2015 Audit Report recommended improvements in Beach Badges sold controls. It does not appear that the Council ever acted upon this recommendation at the time - nor that Mr. Stankiewicz ever brought this recommendation forward in future audit reports.
7. Borough of Bradley Beach - Table of Organization (pg. 10): My questions of this "Org Chart" might seem insignificant, but I believe it should be updated in numerous areas, including:
- a. This was changed by Mr. Stankiewicz in his 2018 Audit Report without any confirmation by the Council at that time. Please note that the 2017 Audit Report "org chart" was better - but still not entirely

accurate. The 2017 table suggested that all departments reported into both the Mayor and the Council. The 2015 Audit Report had a better representation of reporting structure and it is unclear why subsequent auditors deviated from this structure.

- b. The 2019 table of organization places voters in-between the Mayor and Council. Instead the chart should probably say "Residents" (not only those who vote) and "Residents" should be "at the top" of this Org Chart (Mayor and Council ultimately serve the Residents) – similar to the way it was depicted in years prior to 2019.
 - c. We should confirm that the Borough Clerk reports to the Council and not to the BA (or else, change the Table of Organization)
 - d. I believe that the table of organization should indicate that the Dept. of Public Safety and the Clerk report to the BA. The current version of the table of organization was changed by Mr. Stankiewicz in 2018, without the Mayor and Council ever making changes to our Ordinances covering subordinate administrative responsibilities.
 - e. Other reporting structures should be reviewed for accuracy.
8. "Auditor's Comments and Recommendations" – Cash Balances (pg. 196): Where is the \$64,759 "Uncollected Credit" (i.e. Bank reconciliation plug) included in the Current Fund revenue statement?
9. "Auditor's Comments and Recommendations" – Technical Directives (Pg. 198): Where is the \$15,427.25 "adjustment" included in the Current Fund's financial statements (e.g. Revenue or Expense)?
10. Note 6. Municipal Debt (pg. 47-49): How do these amounts reconcile with Debt Service costs in Financial Statements? (2020 amounts appear low relative to 2019 levels). Totals on pg. 50 in question as well? For example, the amounts in the schedules on pp. 47-49 do not appear to be close to debt service expenditures in our Financial Statements. For example, "Debt Service" for the Beach Utility in 2019 was \$255,826. The 2020 amount on pg. 48 is \$161,150. The Sewer Utility "Debt Service" in 2019 was \$227,749, but the amount in the exhibit on pg. 49 for 2020 is \$60,000. I appreciate that the years are off by one, but what am I missing?
11. Note 6. Municipal Debt (pg. 52): What is "Authorized but not issued" Sewer Utility Bonds/Notes for \$2,495,000? Perhaps others on the Council are aware of this, but I am surprised to learn that \$2.5M bonding has already been approved by Ordinance but not yet issued. I asked this question to identify this issue for the Council. When was this Authorized (i.e. before 12/31/18)

and is there a process to remove such "dated" Authorizations" from our books?

12. Note 6. Municipal Debt (pg. 53): What is the "Improvement Authorization" Bonds/Notes related to (\$1.8M funded by DOT Grant of \$285,000)?
13. Note 11. Post Employment Retirement Benefits (pg. 75): Does \$2 million reduction in OPEB Liability (from \$8.2M in 2018 to \$6.2M in 2019) make sense? Did we see a corresponding reduction in our funding? If liability reduces – it often correlates with reduced levels of funding that are required. This is a massive reduction in liability and I would like to understand what impact, if any, it will have on our costs going forward.
14. Note 17: Accrued Sick Leave (pg. 85): Liability for all employees is \$1.3M as of 12/31/19. How does this compare to S. Rice estimate of \$1.8M in 2020 AFS? Are funds of \$143,825.44 in Trust Accounts?
15. Ex B. Comparative Statements (pg. 91): Why are \$66,496 in assets in Current Fund "Due from Beach Utility"? I think that the Council needs to understand this better. Why are "beach" parking meter revenues being transferred to the Current Fund? On its face, this seems inappropriate.
16. Ex B-2. Current Fund Statement of Revenues (pg. 95) Why are revenues for - "Parking Meters" (\$82,648) and "Concession Rents" (\$66,496) included in Current Fund? (These appear to be Beach Utility related?)
17. Ex B-9. Schedule of Various Reserves (pg. 115): What are the following reserves for and should they be released: "Unallocated Credit" (\$64,758.60); "Compensated Absences" (\$73,825.44); "Special Emergency Sandy" (\$30,115.67)? How does this exhibit relate to D-10 (pg. 140) – See Q 26)? I believe that the "Unallocated credit" is the reserve that Mr. Stankiewicz established when he was unable to reconcile the GL with bank statements Why is this a "reserve"? Also, it was disappointing to see many reserve balances dating from numerous years – or perhaps decades ago. The "compensated absences" ties perfectly to Current Fund reserves on pg. 85 but many other reserves on pg. 115 – including the one just established by Mr. Stankiewicz – require review and clean-up.
18. Ex B-10. Statement of Grants Receivable (pg. 116): Grants dated back to 2017 are listed as "Receivable". Is there anything we can do to acquire any portion of the \$30,519.40 balance?

19. Ex EB-1. Beach Utility Comparative Statements of Operations (pg. 143): What is 2018 Expenditure "Refund of Prior year Revenue" (\$16,800)? Why not included in pg. 4 Exhibit?
20. Ex ES-3. Sewer Utility Statement of Expenditures (pg. 151): Why does NJEIT Debt Service of \$118,106 drop completely in "Paid or Charged" from Budgeted amount?
21. Ex FB-2. Beach Utility Analysis of Cash (pg. 158). What is "Reserve for Grant" (\$757,120 as of 12/31/19 – and disbursed \$82,000 per year)? Will we continue to disburse \$82,000 annually – and recognize as revenue for 9+ years? These appear to be FEMA reserves, established post Sandy, that were released to the Beach Utility as revenue in 2018 and 2019. Given that we might be liable to repay these amounts to FEMA in the future, and that we do not plan to continue this practice in 2020 or 2021, was this revenue recognition in 2018 and 2019 appropriate? Should we return these funds to the FEMA reserve and reduce revenue in 2020?
22. Ex FB-4. Beach Utility Statement of Fixed Capital (pg. 160): What happened in 2019?? \$2.1M of \$2.25M beginning balance "transferred" to Fixed Capital? (What Fixed Capital?). WHY DID THIS OCCUR in 2019 after 5 years of no activity? Similarly - \$363k was transferred to "Fixed Capital" from "Improvements to Beach Railing on the Boardwalk" in 2019. Why was this done? Furthermore, if the railing improvement expenditures were made in 2019, should disbursements like these be used to offset our FEMA funds (See Q30 above)?
23. Ex H-13. Calculation of Self-Liquidating Sewer Utility (pg. 190): Revenue (\$2,146,268) and Debt Service (\$253,588.75) do not appear to tie to other references? (e.g. Debt Service pg. 151: \$227,749; or pg. 49 \$60,000 in 2020 – one year later; or pg. 5: \$227,749, etc.)
24. Ex H-14. Calculation of Self-Liquidating Beach Utility (pg. 191): Numbers do not appear to tie to earlier exhibits (e.g. Revenue, Debt Service) see #32

Council Member Randy Bonnell

RB

3/12/21

Borough of Bradley Beach

PHONE: 732-776-2999
FAX: 732-775-1782
EMAIL: INFO@BRADLEYBEACHNJ.GOV

701 MAIN STREET
BRADLEY BEACH NJ
07720 -1089
WWW.BRADLEYBEACHNJ.GOV

LARRY FOX, MAYOR
DAVID G. BROWN II
BOROUGH ADMINISTRATOR

March 10, 2021

Bureau of Financial Regulations and Assistance
Division of Local Government Services
P.O. Box 803
Trenton, New Jersey 08625

RE: Bradley Beach 2019 Audit

To whom it may concern:

Enclosed please find the original Certification of Governing Body of the Annual 2019 Audit for the Borough of Bradley Beach.

If you have any questions you may reach me at 732-776-2999 Ext 1026.

Sincerely,



Erica Kostyz, RMC, CMR
Municipal Clerk

ENCLOSURE

BOROUGH OF BRADLEY BEACH

SUMMARY OF SYNOPSIS OF 2019 AUDIT REPORT
AS REQUIRED BY N.J.S. 40A:5-7

COMBINED COMPARATIVE BALANCE SHEET

	December 31 2019	December 31 2018
ASSETS		
Cash and Cash Equivalents	\$ 9,765,295.32	\$ 9,481,718.76
Investment		40,000.00
Prepaids, Utility Charges and Liens Receivable	409,669.15	300,828.39
Accounts Receivable (and Inventory)	503,663.12	443,192.78
Refunds Receivable	136,629.64	46,759.48
Grants Receivable	30,519.40	25,319.40
Accumulated Capital	14,232,916.82	14,229,617.57
Deferred Charges to Future		
Amortization, General Capital	4,264,681.00	4,768,135.04
Deferred Charges to Revenue of Succeeding Years		40,000.00
Obligations Under Capital Lease- Unfunded	380,000.00	517,000.00
General Fixed Assets	<u>19,834,297.85</u>	<u>19,774,640.38</u>
Total Assets	<u>\$ 49,657,672.30</u>	<u>\$ 49,667,011.80</u>

	2019	2018
LIABILITIES, RESERVES AND FUND BALANCE		
Bonds, Notes and Loans Payable	\$ 6,337,381.69	\$ 6,668,112.04
Capital Lease Payable - Principal	380,000.00	517,000.00
Improvement Authorizations	1,281,145.41	1,136,664.15
Other Liabilities and Special Funds	6,494,576.30	7,362,993.01
Refunds Payable	136,629.64	46,759.48
Reserve for Certain Assets Receivable	653,265.57	463,175.45
Appropriation Reserves	1,064,469.82	705,343.07
Reserve for Amortization	6,498,725.75	8,242,725.75
Reserve for Deferred Amortization	2,559,103.40	2,559,103.40
Investment in General Fixed Assets	19,834,297.85	19,774,640.38
Undue Balance	<u>4,318,076.87</u>	<u>4,190,495.07</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 49,657,672.30</u>	<u>\$ 49,667,011.80</u>

COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

	2019	2018
CURRENT FUND		
REVENUE AND OTHER INCOME REALIZED		
Undue Balance Utilized	\$ 997,000.00	\$ 997,000.00
Miscellaneous Revenue	1,330,683.02	1,303,554.03
Collection of Delinquent Taxes and Tax Title Liens	138,252.66	197,706.96
Collection of Current Tax Levy	17,219,692.80	16,858,061.71
Unbudgeted Revenue	87,374.59	84,337.33
Other Credits to Income	<u>392,261.20</u>	<u>437,431.49</u>
Total Income	<u>\$ 20,165,264.27</u>	<u>\$ 19,878,091.52</u>
EXPENDITURES		
Budget Expenditures Municipal Purpose	\$ 9,282,328.82	\$ 9,290,045.27
Local District School Tax	6,369,798.00	6,151,190.00
County Taxes	3,680,811.15	3,469,534.11
Other Expenditures	<u>66,803.39</u>	<u>16,721.99</u>
Total Expenditures	<u>\$ 19,399,741.16</u>	<u>\$ 18,927,491.37</u>
Excess in Revenue	\$ 765,523.11	\$ 950,600.15
Statutory Excess to Fund Balance	\$ 765,523.11	\$ 950,600.15
Undue Balance, January 1	<u>2,083,445.54</u>	<u>2,129,845.38</u>
Less: Utilization as Anticipated Revenue	<u>897,000.00</u>	<u>997,000.00</u>
Undue Balance, December 31	<u>\$ 1,851,968.65</u>	<u>\$ 2,083,445.54</u>

STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

	2019	2018
BEACH UTILITY FUND		
REVENUE AND OTHER INCOME REALIZED		
Operating Fund Balance Appropriated	\$ 168,164.00	\$ 163,557.00
Operating Badges	1,558,917.00	1,410,845.60
Miscellaneous Revenue	337,706.61	321,857.91
Unbudgeted Revenue	23,025.69	15,556.17
Other Credits to Income	<u>73,939.55</u>	<u>228,172.51</u>
Total Income	<u>\$ 2,161,752.85</u>	<u>\$ 2,139,989.19</u>
EXPENDITURES		
Budget Expenditures:		
Operating	\$ 1,550,213.00	\$ 1,600,365.00
Debt Service	255,826.00	247,973.00
Deferred Charges and Statutory Expenditures	81,000.00	93,000.00
Capital Improvements		25,000.00
Other		<u>16,800.04</u>
Total Expenditures	<u>\$ 1,887,039.00</u>	<u>\$ 1,983,138.04</u>
Excess in Revenue	\$ 274,713.85	\$ 156,851.15
Undue Balance, January 1	<u>182,375.30</u>	<u>189,081.14</u>
Less: Utilization as Anticipated Revenue	<u>457,089.15</u>	<u>345,932.38</u>
Undue Balance, December 31	<u>\$ 168,164.00</u>	<u>\$ 163,557.00</u>

STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

	2019	2018
SEWER UTILITY FUND		
REVENUE AND OTHER INCOME REALIZED		
Operating Fund Balance Appropriated	\$ 120,771.00	\$ 29,317.00
Grants	1,980,980.66	2,007,359.43
Unbudgeted Revenue	44,516.09	20,616.88
Other Credits to Income	<u>229,233.48</u>	<u>447,142.04</u>
Total Income	<u>\$ 2,375,501.23</u>	<u>\$ 2,504,435.35</u>
EXPENDITURES		
Budget Expenditures:		
Operating	\$ 1,592,826.00	\$ 1,545,972.00
Capital Improvements	94,000.00	28,000.00
Debt Service	227,749.00	189,991.00
Deferred Charges and Statutory Expenditures	<u>87,646.00</u>	<u>88,084.00</u>
Total Expenditures	<u>\$ 2,002,221.00</u>	<u>\$ 1,852,047.00</u>
Excess in Revenue	\$ 373,280.23	\$ 652,388.35
Undue Balance, January 1	<u>1,784,555.29</u>	<u>1,141,483.94</u>
Less: Utilization as Anticipated Revenue	<u>\$ 120,771.00</u>	<u>\$ 29,317.00</u>
Undue Balance, December 31	<u>\$ 2,017,064.52</u>	<u>\$ 1,784,555.29</u>

RECOMMENDATIONS

DECEMBER 31, 2019

None.

The preceding summary of synopsis was prepared from the report of audit of the Borough of Bradley Beach, County of Monmouth, for the calendar year 2019. The financial data included in the summary or synopsis is presented in the form prescribed by the local Finance Board, Department of Community Affairs, State of New Jersey. Readers are cautioned that the summary or synopsis was prepared solely for the purpose of compliance with the public disclosure provisions of N.J.S.A. 40A:5-7 and, accordingly, the summary or synopsis should not be relied upon for any other purpose. This report of audit submitted by Gerard Stankiewicz, Certified Public Accountant, Registered Municipal Accountant, of the firm Samuel Klein and Company, whose report dated January 20, 2021, expressed an unmodified opinion is on file at the Borough Clerk's office and will be available on or after February 23, 2021 on the Borough's website www.bradleybeachnj.gov and may be inspected by any interested person. Patricia Kostyz, Municipal Clerk

AFFIDAVIT OF PUBLICATION

Printer's fee \$

State of New Jersey
Monmouth County ss:

Karan Clawson

My Commission Expires 12-27-22
No. 2368341
New Jersey
Notary Public
Karan Clawson

Of the Legal Department of THE COASTER, a newspaper printed and published in Asbury Park in the County and State who, being duly sworn, depose and saith that the statement, of which the annexed is a true copy, has been published in the said newspaper...times successfully, once each week commencing on the 11th day of Mar, A.D. 2021 and continuing in the issue of

Sworn and subscribed before me this 11th day of Mar

A.D. 2021
Karan Clawson