

# THE TRUST FOR GOVERNORS ISLAND

MINUTES of the MEETING  
of the AUDIT COMMITTEE  
of the  
GOVERNORS ISLAND CORPORATION d/b/a  
THE TRUST FOR GOVERNORS ISLAND

A meeting of the Audit Committee of the Governors Island Corporation d/b/a The Trust for Governors Island (“The Trust”) was held on Wednesday, September 24, 2014, at City Hall, New York, NY.

The following members of the Audit Committee of The Trust were present:

Carl Weisbrod, Chair  
Cheryl Effron  
Alicia Glen  
Catherine Hughes  
Elizabeth Richman  
Ronay Menschel, ex-officio

The following members of The Trust and Marks Paneth LLP (“MP”) were present:

Leslie Koch, President, The Trust  
Jon Meyers, COO, The Trust  
Willa Padgett, CFO, The Trust  
Irena Sobko, Controller, The Trust

Warren Ruppel, CPA, MP  
Daniel J. McElwee, CPA, MP

## Report to the Audit Committee

Warren Ruppel presented The Trust’s Audited Financial Statements for FY2014 (“FY2014 Audit”) and stated that the audit was substantially complete. Mr. Ruppel highlighted a few items, beginning with transfer of the completed portion of a capital project to the fixed asset schedule. He explained that after a project or portion of a project is completed and put into service, its costs should be transferred from the construction in progress schedule to the fixed asset schedule in order to start depreciation. Cheryl Effron asked how completion is determined, by what standard? Mr. Ruppel responded that there are signs of completion, for example a facility that is open for public use such as the new park on Governors Island. Carl Weisbrod discussed the issue

of depreciation, as a potential “warning sign” of an asset’s remaining useful life. Ms. Effron suggested that a maintenance reserve or replacement reserve would be helpful.

Mr. Ruppel stated that there were no material weaknesses and that the FY2014 audit was a “clean audit.” He mentioned three adjusting entries recommended by The Trust and MP and one observation as a result of this year’s audit. The adjusting entries were used to record: the transfer from construction in progress to fixed asset for the part of the park put into use this public season; retainage on capital project; and the OPEB liability. There were no questions regarding these adjustments.

Mr. Ruppel then reviewed the financial statements, which, he said, are consistent with last year’s and are straight forward and self-explanatory. He mentioned future deliverables from the auditors – Marks Paneth will provide the investment report as part of the FY 2014 Audit and will complete an A-133 audit (of federal funds) as well as The Trust’s Form 990.

#### Controls over Cash Receipts for Ferry Ticket Sales

Mr. Weisbrod asked to discuss ferry fare collection observation made by the auditors.

There were two main concerns around the ferry fare collection system, fraud prevention and efficiency. Mr. Weisbrod added his concern that as ridership grows, both control and customer service will become even greater issues.

We discussed the issue of using cash versus credit and if an all-credit system would be feasible. Jon Meyers stated that it would be hard to insist on credit for such a small amount of money (\$2 per ticket) and that nearly all visitors paid in cash. (The rate is over 90%, though this figure was not available at the meeting.) Ms. Menschel recommended that we encourage the use of non-cash forms of payment.

Also discussed were operational issues around “preventing leakage,” such as staffing the ticketing process ourselves rather than contracting out, oversight by Trust Operations and security staff, and review of how NY Waterway conducts business on its own routes (e.g., no tickets at all for cash transactions). We also reviewed the possibility of tracking the number of visitors to tickets sold and revenue collected. This would be difficult, in that visitor counts include everyone who comes to the island, without a breakdown between adults, senior citizens and children (each priced differently). The Trust will however, analyze the data to determine if any patterns or ratios appear that support the number of tickets sold and revenue collected.

Catherine Hughes and Ronay Menschel had a brief conversation about whether or not Monday through Friday should be free, or if this might disadvantage people with traditional work schedules.

Use of the Metrocard for the Governors Island ferry was discussed as well. Because the MTA is not a City agency, The Trust feels it would not be amenable to such a proposal. It would also be expensive to implement, requiring the installation of new equipment, and complicated to work out revenue transfers and fees. Ms. Menschel recommended we revisit the issue.

Ms. Hughes asked about the cost per ticket sold, meaning the ratio of expense to revenue. Ms. Padgett estimated the ratio was 1:3, which was thought to be quite high.

Draft Reports as Required by *Government Accounting Standards*

Regarding the Draft Reports as Required by *Government Accounting Standards* Mr. Ruppel stated this, too, was “clean,” with no compliance matters to report.

Trust staff then left the meeting so the auditors and committee members could meet in private.

Following that, the meeting was adjourned.