

MARCUM

ADVISORY GROUP



Independent Review of:

THE TOWN OF NANTUCKET MEMORIAL AIRPORT

Prepared for:

The Town of Nantucket

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INTRODUCTION AND SCOPE OF WORK

A subcommittee of the Nantucket Finance Committee was appointed in August 2010, to look into questions raised regarding certain town paving contracts involving the Nantucket Memorial Airport. In June 2011, a report of the subcommittee was presented and raised additional questions. A unanimous vote of the Finance Committee requested “The Board of Selectmen to engage an outside auditor to conduct an independent departmental review of the Airport and its operations.....” Simultaneous to this, significant media and Massachusetts Office of Attorney General inquiries culminated in the issuance of a Request for Proposal (“RFP”), to which Marcum LLP submitted and was awarded a contract in November 2011.

Specifically, the contract required Marcum to conduct a forensic audit/operational management review of the Nantucket Memorial Airport to include the following components:

- Audit FY2010 12/30 Runway Paving Project.
- Audit the Restaurant renovation project and subsequent lease.
- Audit 3-5 other specific Nantucket Airport projects from FY2010 and FY2011 to examine compliance with procurement and other applicable Mass General Law(s).
- Review and evaluate Airport administrative processes and practices, both of the administration and the commission, and recommend improvements in same.
- Review and evaluate departmental reporting, contract scope and negotiation as related to Airport procurements.

METHODOLOGY

The process of this forensic audit comprised of interviewing individuals/employees, both internal and external to the Town of Nantucket, and reviewing a multitude of records, documents and reports. During the course of the audit, where possible, the investigators have attempted to obtain corroboration of certain facts from multiple sources.

During the course of our review, over 45 individuals were interviewed, most of whom were interviewed on multiple occasions. In an effort to maintain confidentiality, we have chosen not to identify specific individuals or attribute information received to specific individuals. However, the individuals interviewed were from the following groups:

- Past and Present members of the Airport Commission
- Past and Present Airport Managers
- Past and Present employees of the Airport
- Past and Present members of the various Town Departments
- Office of the Attorney General
- Department of Revenue
- MassDOT
- Past and Present Town Counsel
- Contractors and Subcontractors that performed work at the airport
- Town Manager
- Members of the Boards of Selectmen, Finance and Audit Committees

In an effort to ensure that all relevant information was received, we attempted to interview members of the media that had previously reported on the issues. Our requests for interview were refused.

Additionally, we obtained and reviewed a substantial number of documents, emails, financial records and reports. Attached as **Exhibit 1** is a listing of files containing documents reviewed.

Lastly, a confidential email address was obtained and communicated to the General Public. This email, NantucketAirportInquiry@gmail.com was monitored solely by Marcum and information received came directly to the Marcum team.

EXECUTIVE SUMMARY OF FINDINGS:

As part of the catalyst for this review, the Massachusetts Office of the Attorney General had previously conducted a preliminary investigation into the Airport procurement practices. The general findings included:

- Failure to require proper prevailing wage documentation on certain Airport construction projects;
- A closed system of bidding;
- Repeated instances of possible bid splitting;
- Lack of written contracts or specifications for work;
- The possibility of inappropriate bartering exchanges with vendors;
- Renovations to restaurant space in the Airport terminal without compliance with designer selection law and public bidding construction laws; and
- Misapplication of the exemption from bidding for aviation uses.

The results of our review, which will be discussed in more detail through this report, confirm the Attorney General's findings. We did not however, find evidence of fraud nor intention to split certain bids. Instead the violations appear to be a result of inappropriate and poor decisions by Airport Management and ultimately, the Airport Commission.

The circumstances surrounding the Airport that gave rise to this review were aggravated by a combination of several interrelated factors to wit:

- The Airport operated as an Enterprise Fund;
- Massachusetts General Laws require appointment of an Airport Commission to manage a municipal airport;
- The Nantucket Home Rule Charter specifically excludes the Airport from Town Administration; and
- There were no definitive rules, regulations or defined procedures promulgated by management specific to the operations of the Airport

Standing alone, none of these factors should have contributed to the current circumstances. However, the apparent result of the totality of these contributing factors is that the Airport has been viewed and allowed to operate as a completely independent entity. Oversight of the Airport Commission was often times non-existent on many projects. Whether appropriate or not, at least since 2004, complete deference was apparently given to two individuals for interpretation of operating rules and implementation of processes. Those individuals were the former Airport Manager Mr. Alfred Peterson, and the long serving Airport Commission Chairman, Foley Vaughan.

To be perfectly clear, this deference had a number of positive results. The Airport Manager, as the aviation professional, was oftentimes in the best position to make daily management decisions. In most instances, having the experience of a Chairman with over 20 years experience on the Commission and former Town Counsel for Nantucket was a desired attribute and benefit. In fact, from 2005-2011 over 53 capital projects were begun and/or completed.

These projects that were completed were professionally sound and have resulted in the apparent betterment of the Nantucket Memorial Airport. During our interviews, we were told that Mr. Peterson was a stickler for holding contractors accountable.

Over the past several years, there were many positive and also “not so positive” achievements concerning the Airport. Throughout our review, we found that the results of the operations at the airport were primarily the responsibility of the actions of the Airport Manager and ultimately, the Chair of the Airport Commission for the oversight or in certain circumstances, lack thereof.

A review of projects and processes shows that there was a focus on getting jobs completed, often without regard to procurement processes. A very liberal definition of aviation use and emergency purchase provided the rationale for completing jobs without regard to procurement rules, particularly when unplanned issues arose. We found that many items that were deemed to be time sensitive were the apparent result of management inadequacies and/or poor planning. Beginning in 2010, when questions were raised regarding spending on airport projects, incomplete and conflicting responses were often provided by Mr. Peterson, creating more suspicion and further aggravating the situation.

However, at least in several circumstances other members of Town Departments cannot escape scrutiny for their lack of involvement. While not directly responsible for oversight of these projects, members of the Town Finance and the Boards of Selectmen had opportunities to raise questions regarding some activities and failed to do so in a timely manner.

AUDIT FY2010 12/30 RUNWAY PAVING PROJECT

The first project we were asked to review was the repaving of Runway 12-30 in 2010. There has been concern over this project due to the use of Victor Brandon Corporation to perform the work, because the project was not included in the 2010 project plan and because the final fees grossly exceeded the initial estimate. A review of this project reveals that the maximum dollar amount written into the Town's contract with Victor Brandon was exceeded without proper notice and approval. This project stands as an example of the lack of coordination between airport management and town departments. All parties involved, including the Airport, the contractor and the Town Departments should have known that any additional work would have and/or did exceed the maximum annual amount of the annual contract.

Before discussing our findings, it will be helpful to provide a brief summary of events to help understand the circumstances surrounding the paving project. To gain an understanding of the totality and timing of circumstances, we have prepared a detailed timeline of events. This timeline is our compilation based upon information gleaned from interviews, documents, emails and official meeting minutes.

Time Line

DATE	DESCRIPTION
July 8, 2009	Annual Town Contract for Surfacing, Resurfacing, Patching and Furnishing of Asphalt Roadway Paving Products Town Contract with Victor-Brandon Corporation; Maximum project amount was \$488,732 (contract historically used for DP roadwork)
Fall, 2009	MassDOT announces extra funds available to the Airport due to delayed Pittsfield Airport project
December, 2009	Al contacts Victor Petkauskos for estimate to pave runway 12-30
December 23, 2009	Memo from Mr. Peterson to Airport Commission proposing runway 12-30 resurfacing, estimate is \$400,000
January 6, 2010	Pre-Application submitted to MassDOT for 12-30 project, total cost estimate of \$400,000
January 12, 2010	Airport Commission Meeting: 12-30 paving estimate discussed
February 12, 2010	Victor Brandon submits written estimate of \$395,978 at Town contracted rate of \$179 per ton
March 12, 2010	MassDOT letter approving funding for 12-30 project at \$400,000, of which \$80,000 is Airport responsibility.
April 12, 2010 – April 21, 2010	Jacobs daily inspection reports show dates work is performed; project total is 3,405.5 tons = \$609,584.50.
April 14, 2010	Application to MassDOT for 12-30 project; project estimate is \$585,000, 80% state share of which is \$468,000 and local share is \$117,000; Grant for \$468,000 subsequently approved
April 22, 2010	Airport Commission votes to accept grant offer of \$320,000, with Airport funding

DATE	DESCRIPTION
	responsibility of \$80,000.
April 22, 2010	Invoice from Victor Brandon for \$609,586.29 for 3,405.5 tons at \$179 per ton
April 23, 2010	Invoice from Victor Brandon for \$11,433.00 for installation of runway and taxiway pavement markings.
April 29, 2010	Invoice from Victor Brandon for \$15,000.00 for installation of loam and rake shoulders on Runway 12-30
May 6, 2010	Request for Payment submitted to MassDOT for \$673,083.29; request to MassDOT for additional funding is denied, overrun is to be covered by airport
May 11, 2010	Al Peterson tells Commission over budget
August 13, 2010 - June 23, 2011	Town Finance Subcommittee review of 12-30 paving project
November 21, 2011	Airport Capital improvement plan has 2013 scheduled for remainder of 12-30 work, estimate still includes paving

Finding: It was allowable, and in fact preferable, to use Victor Brandon to perform paving at the airport; however, exceeding the contract amount without an amendment was an oversight by all involved.

Victor Brandon Corporation had a contract with the Town to do paving for the fiscal year 2009-2010; the company had won the contract as the low cost bidder. The contract was based on the Town DPW's estimate of paving needs for the year and included a maximum project amount of \$488,732. **See Exhibit 2 (Victor Brandon Contract)** Before moving forward with using this contract, Mr. Peterson contacted the Town's Chief Procurement Officer to ensure he was able to do so. He also discussed the use of the Town's contract with the Town's attorney, the Attorney General's office and MassDOT. It was confirmed by all that using the Town contract was acceptable. He was provided with a copy of the contract.

We believe the use of town resources is usually a preferable way to conduct business at the airport. The Town has already vetted the vendor, has established that this is a low cost provider, and has entered into a contract with the vendor.

However, in this case the issue of the contract maximum was clearly ignored by all those involved in the process. It was clear from the original estimate by Victor-Brandon that doing this project would result in going over the maximum contract amount. The original portion of Victor Brandon's estimate was \$350,000, while the contract was for a maximum of \$488,732. That is 71% of the contract amount. In setting the annual maximum amount, a list of scheduled Town projects for the year are budgeted and compiled to set the contract price. For 2009-2010, the scheduled projects only included paving of the following roads: Surfside Road; Orange Street from Plum Lane to Union Street; and Meader Street. Unless the Town did not plan to do some of the projects, the maximum would easily be exceeded.

The primary responsibility to check that the maximum contract amount was not exceeded fell first on Victor Petkauskos, President of Victor Brandon. The contract states:

4.4 This project may be subject to budgetary restrictions which may limit the total amount of funds available for the work. Accordingly, unless otherwise stated in Exhibit B, the TOWN will not be obligated to pay any amount in excess of the maximum project amount without the express written approval of the TOWN.

By doing work in excess of the town contract, Victor Brandon ran the risk of not getting paid. Victor Petkauskos certainly knew that this project would exceed what was already planned. The company should have asked for an amendment to the contract immediately. However, Mr. Peterson also had a copy of the contract and should have raised the issue as well. He had a responsibility to monitor the work he requested. In concept, any additional paving that was not on the Master Contract would have exceeded the maximum amount.

Other Town employees had opportunities to at least communicate a potential problem of the contract being overrun. That multiple parties did not raise this potential problem points to a lack of coordination between the town and airport. In his responses, Mr. Peterson claimed that the contract overrun is a Town, not an Airport issue. This is one of the examples of the Airport attempting to have the best of both worlds, where they can take advantage of Town resources yet deny responsibility for their decisions.

Finding: The decision to go forward with the project was reasonable given excess funding at the state level, despite not being planned for in 2010.

One rumor we have heard repeatedly is that Mr. Peterson had an inside track to state funding and was able to get projects done that others would not have. Mr. Peterson was able to take advantage of the airport's favorable financial situation compared to other airports in the State, its backlog of shovel ready projects and his tendency of pushing projects along quickly.

The airport's capital improvement plan in 2009 had work on runway 12-30 scheduled for 2015. The FAA works with the airport to prioritize items on the capital improvement plan, lining up projects in order of priority as funding from the FAA becomes available. The 12-30 project had been pushed back repeatedly in prior years, as the FAA juggled the order of projects it would fund.

In the fall of 2009, MassDOT announced extra funding would be available for state airport projects due to the delay of a large project in Pittsfield. The money was already available and needed to be used by June of 2010 or it would be lost to Massachusetts. All Massachusetts airports were notified of these funds at a meeting. Few airports in Massachusetts have cash available to fund a large project, even with the state funding 80%. Nantucket has historically been in the favorable position of being financially successful, particularly in comparison to other small airports in Massachusetts.

The 12-30 project was particularly appealing to begin in 2010 due to upcoming renovations on runway 33, which would necessitate the use of 12-30 for overflow. As 12-30 had not been repaved in well over 32 years, the timing was right to move forward. MassDOT therefore considered this project worthy of expediting and the airport was able to take advantage of money that had not previously been available to them.

Finding: The project was pushed through quickly and as a result exceeded the initial estimate.

An original estimate of \$400,000 was provided to the Airport Commission in January of 2010 to complete the project. The estimate was established by a quick calculation of runway length times width, at a thickness of 2 inches. **See Exhibit 3 – (Memo Regarding Runway 12-30 Resurfacing)**

By the end of the project, the cost totaled \$681,668, of which \$468,000 was reimbursed by the state. The difference of \$213,668 was therefore the responsibility of the airport. The airport did attempt to get additional reimbursement from the state but was denied.

The excess project cost was due to multiple factors. The estimated area to be paved was increased with the addition of the taxiway areas, in addition, extra sealing and leveling was included. Jacobs Engineering was consulted on the project to help ensure it was done correctly, and once started, Jacobs provided daily monitoring of the project as it was performed. However, it appears likely that had Jacobs been involved from the outset, as is typical in FAA projects, the original estimate would have been more in line with the final cost.

Mr. Peterson was well known for pushing projects through quickly in an attempt to save money, and this appears to be an example of good intentions without adequate planning. FAA reimbursed projects must follow very strict guidelines and are done with the involvement of Jacobs Engineering to monitor that all aspects of the project are performed correctly.

The 12-30 project, which included replacing the safety area alongside the runway as well as the repaving work, has been on the airport's capital improvement plan as far back as 2001. In 2009 the capital improvement plan indicated the 12-30 project was planned for 2015, at a total cost of \$1.5 million at 90% FAA reimbursement. As of the 2011 plan, the 12-30 project was planned for 2013, at an estimated cost of \$1.54 million. The estimate of \$1.54 million appears to still include the paving work that was done in 2010, with the remainder of the project estimated at \$500,000 to \$800,000. In a memo, he wrote in defense of the 12-30 project, Mr. Peterson claimed he had saved the airport over \$1 million by pushing through the project in 2010. This claim appears to ring false, as there is still work to be done and it appears the total cost will still be in the \$1.5 million range. However, the estimated FAA reimbursement for the project is 90%, the state reimbursement estimate is 50% of the remainder, making the airport's estimated cost 5% of the total project. The implication is that had the airport waited to do this project with FAA funding, the amount paid by the airport could have been much less than it was in 2010.

Finding: Even though information was well known by Airport officials, it was not publicly disclosed that the project would be over budget until well after completion.

In August of 2010, the Town's Finance Committee performed a review of the 12-30 project because the total cost grossly exceeded the initial estimate. This appears to be one of the first attempts by the Town to investigate airport proceedings.

The ensuing interaction between the Town and Airport during the investigation reveals many of the behaviors that resulted in the present state of the Airport situation. The Subcommittee tasked to investigate the 12-30 project invited Mr. Peterson to a meeting in September of 2010 to review the project requesting that he bring relevant files to the meeting. It has been reported that Mr. Peterson arrived at the meeting with no paperwork and acted in a defiant manner to questioning. While it is understandable that he may have been uncomfortable at the questioning, Mr. Peterson was already known for believing the airport was under no authority from the Town. Cooperation between the Town and the Airport is vital to

the success of both, and as mentioned previously, the acrimonious relationship between the Town and the Airport is at the root of many of the problems, coming to a head today.

The Airport Commission met on April 22, 2010, and again on May 11, 2010. At the April 22 meeting, the initial grant approval for 80% of \$400,000 was accepted. However, as of April 22, work had already been completed on the project, meaning the additional aspects of the project such as length and grading would have been known. **See Exhibits 4 and 5 (Daily inspections from Jacobs Exhibit 4 and invoices from Victor – Exhibit 5).** In addition, an application for \$585,000, signed by Al Peterson and Foley Vaughan, had been submitted to MassDOT as of April 14. **See Exhibit 6 (Application to MassDOT)** Why a vote was taken to accept the initial grant amount without discussion of the additional monies is suspicious. According to meeting minutes, it was not until the May 11 meeting that the full Commission, and therefore the public, was informed the project was above the initial \$400,000 estimate. **See Exhibit 7 (Airport Commission Minutes)**

The omission of an overrun of nearly \$300,000, the result of which \$213,668 was the responsibility of the Airport, is an example of keeping outsiders, including Town officials and taxpayers, uninformed.

Finding: The Airport had a barter deal with Victor Brandon

One item that came to light during the proposal and investigation of the 12-30 runway paving project was a barter deal that the airport had with Victor Brandon Corporation. The airport had worked out a deal to allow Victor Brandon to store materials for road paving on some Bunker property in return for them giving material ground off the road to the Airport. The material was later used for the airport's perimeter road, reportedly saving a very large amount of money. This barter arrangement, however, had nothing to do with the 12-30 Runway project. **(See Exhibit 3 – (Memo Regarding Runway 12-30 Resurfacing))** Barter deals are expressly prohibited by Massachusetts Procurement rules as they are unfair to other potential bidders. That the Airport would highlight this deal is another example of either lack of understanding or a blatant disregard for rules.

AUDIT OF THE RESTAURANT RENOVATION PROJECT AND SUBSEQUENT LEASE

The second project that we were asked to look into was the complete renovation of the airport restaurant which took place in the first half of 2007. Total fees paid to renovate the facility were approximately \$1.29 million, of which the airport paid nearly \$1.05 million. We have found no evidence of fraud despite the high cost of the project, but the project does highlight multiple problems that should never have occurred.

Procurement laws were clearly violated during this project as the renovations were never put out to bid, nor were they properly budgeted. However, the Airport Commission allowed the situation to proceed. The restaurant renovation and later adjustment to rental rates for the space provide examples of the independent attitude by airport management, a general disregard at the airport for rules and regulations, and a lack of oversight by officials. This was a large, highly visible project that was never budgeted, not planned for, but openly discussed at various times.

It is noted that during the six months of construction, no Town or Airport official questioned the work or, more importantly, how it was being paid for during the six months of construction.

Time Line

Before discussing our findings, it will be helpful to provide a brief summary of events to help understand the circumstances surrounding the restaurant. To gain an understanding of the totality and timing of circumstances, we have prepared a detailed timeline of events. This timeline is our compilation based upon information gleaned from interviews, documents, emails and official meeting minutes. In some instances, findings were determined by the most probable, as determined by the information.

DATE	DESCRIPTION
April 11, 2006	Hutchinson announces he will leave at end of year, rent at the time was \$7,589 per month, \$91,073 per year
August 17, 2006	Request for Proposal for restaurant lease posted in newspaper
September 15, 2006	Proposal submitted by NRG, \$114,382.50 per year rent offered
October 17, 2006	Airport Commission meeting: discussion of restaurant RFP and awards to Nantucket Restaurant Group
October 18, 2006	Nantucket Restaurant Group, LLC informed they are awarded lease, letter sent by Mr. Peterson
December 18, 2006	Walk through by Health Inspector with Mr. Peterson
December 18, 2006	Airport Commission meeting: discussion of restaurant and visit by health inspector; Mr. Peterson states it is the airport's responsibility to deliver a restaurant that is up to code and there may be downtime to bring the restaurant to code for which rent may be reduced
January 1, 2007	Lease executed with NRG for \$114,382.50 per year, for ten year term

DATE	DESCRIPTION
January 2, 2007	Letter from (Nantucket Architecture Group – Castle Group) to Mr. Peterson stating agreement to do the renovation and addition to the restaurant wing of the airport; work charged to airport will be that needed to bring restaurant to code according to the general building code as well as provision of construction labor and materials for the addition
January 7, 2007	Letter and contract from Nantucket Architecture Group to Mr. Peterson for architectural services for the renovations and additions to the Restaurant, contract signed by Mr. Peterson
January 17, 2007	Airport Commission meeting: discussion that Nantucket Restaurant Group has hired Castle Group as their contractor and Nantucket Architecture Group as their architect; changes have been approved by HDC, airport should be responsible for framing and code work
February 6, 2007	Food Establishment Permit Application by Nantucket Restaurant Group to Nantucket Health Department
February 13, 2007	Airport Commission meeting: Mr. Peterson reports adding a basement will cost \$4,000 and would be beneficial; renovations should be completed in March
June 6, 2007	MAC Reimbursement Request Form including \$127,548 invoice from The Castle Group for renovations to the restaurant, subsequently approved
July 11, 2007	Restaurant opens
September 14, 2007	Email from Nantucket Health Department stating renovations to restaurant were NOT due to changes required by health department
January 18, 2008	Receipt of estimate from Skanska of \$1.9 million cost to do renovations to restaurant
November 20, 2008	Airport Commission meeting: Restaurant requests rent abatement, nothing voted on
January 1, 2009	Effective date of transfer of lease to Nantucket Regal Group, LLC
February 3, 2009	Airport Commission meeting: restaurant legal issues mentioned
February 21, 2009	Agreement between Nantucket Restaurant Group (Seller) and Nantucket Regal Group, LLC (Purchaser, owned by Chris Skehel) to sell business of Alice's Restaurant including all furniture fixtures and equipment for release of debt by NRG of \$160,000 to Nantucket Restaurant Group to Nantucket Regal Group
March 10, 2009	Airport Commission Executive Session – Chris Skehel will take over restaurant, rent is \$120,000 per year. Mr. Skehel would like to pay \$6,000 a month for 12 months (\$72,000) which would be retroactive from the first of the year. The Commission agreed and will revisit again in December of 2009.
May 12, 2009	Airport Commission is said to have voted on assignment of lease to Nantucket Regal Group, however the topic of the restaurant and the vote is not mentioned in

DATE	DESCRIPTION
	the meeting minutes
July 14, 2009	Assignment and Assumption of Lease and Notice of Assignment of Lease to Nantucket Regal Group: Gary Simanson signed and notarized; lease is stated to be assumed as of January 1, 2009; a vote on May 12, 2009 by the Airport Commission is referenced
January 12, 2010	Airport Executive Session: Commission agrees to Chris Skehel's request with a decrease in rent to \$7,000 from the lease rate of \$12,000, no end date is determined but Chairman Vaughan requests accountant to look at Crosswinds books after March 31.
February 2, 2010	Memo to Tina Smith from Janine Torres to adjust Nantucket Regal Group monthly lease to \$7,000 per month until further notice and Commission has requested audit to be performed by the airport's accountant after March 31, 2010
March 23, 2010	Assignment and Assumption of Lease and Notice of Assignment of Lease Agreement to Nantucket Regal Group signed by Foley Vaughan and signature notarized, referencing a May 12 th vote.

Finding: The restaurant construction project violated Massachusetts Procurement laws, was not authorized through the proper Town channels, was not budgeted and was not appropriately monitored.

The catalyst for the restaurant project was longtime Hutch's restaurant lessee William Hutchinson's announcement in 2006 that he would be leaving at the end of the year, before construction on the terminal renovation started. In July, based upon existing Procurement regulations, it was properly determined an RFP would be needed to find a new tenant, and after receiving four of proposals, the RFP was awarded to Nantucket Restaurant Group, LLC ("NRG") in October of 2006.

The RFP specifications offered a ten year lease for the restaurant space, which at the time was 2,109 square feet on the first floor and 156 square feet of basement storage space. The lessee would be required to pay as additional rent 3% of gross in excess of annual rent and rent would be adjusted annually based on the CPI-W. Improvements proposed to the lease space were listed as 20% of the evaluation criteria; however, nowhere in the RFP did it describe whose responsibility it was to pay for renovations. The RFP did state that terminal renovation would take place during the time of the lease and disruption of service as well as relocation may occur. **See Exhibit 8 (RFP)**

The airport received four proposals and these proposals were reviewed and rated by the Airport Commission. Nantucket Restaurant Group was given the highest scores in the evaluation process, particularly in the categories of improvements proposed for lease space and price per square foot. In his application, Gary Simanson of NRG proposed a rental rate of \$50.50 per square foot, which at the time would have been \$114,383 per year. The proposed executive chef, Simanson's brother in law, had extensive experience as executive chef at a number of high end establishments and was the driving factor seeking to make the airport restaurant a quality destination restaurant with local produce and seafood. **See Exhibit 9 (Simanson proposal)**

We have been told that the renovations to the restaurant have been attributed to requirements by the Nantucket Health Department. We have not been presented with any information that corroborates this account. In fact, officials at the Health Department claim that upon its original inspection, performed upon change of ownership, it found only three minimal violations:

“The restaurant was code compliant with exception of a 20x10 back store room. The floor had chipped paint and worn areas and needed to be repainted. The walls and ceilings were CDX plywood with holes, knots and gaps that needed to be made smooth and easily cleanable. There were 5-6 pieces of residential refrigeration in this back store room that needed to be removed, and if replaced, replaced with NSF approved equipment. This is all that needed to be done for the 2007 license to be issued.” **See Exhibit 10 (Ray Email)**

Had these problems been addressed, at an estimated time to fix of three days, the restaurant could have opened immediately. Nantucket building inspectors performed annual reviews of the restaurant, reviews which included inspections of the ceilings, and would have noticed large problems such as structural deficiencies.

This is supported by an email exchange between Mr. Peterson and Gary Simanson on December 18, 2006, in which Al states the restaurant can open in about a week due to minimal changes required by the Health Department.

Gary,

We met with Art Crowley from the Health Dept. and addressed the back room. He indicated that the reason for the floor drain was Richard’s thought of moving the dish washing into that room. If it is used for storage and non water related activities there is no drain required. We can redo the walls and floor.

Would you please send us a sketch of what you have planned so that we can show them and pin down the moving targets? They seem to be understanding but he was concerned about what actually will take place vs. what is there now. If it stays pretty much as is-we can fix the back room and get you going in about a week.

Thanks.

Al

In their earlier proposal, NRG proposed a two part plan for renovations to the restaurant in conjunction with terminal renovations as follows:

Pre-Airport Renovation Period:

Initially, NRG will seek to operate the Restaurant with few, but significant, changes. The initial and immediate changes would be with respect to the Restaurant's general appearance (provide new paint, ceiling tiles, art work, window treatments, carpeting and either a deep clean of the existing FF&E or replacement thereof. Plus, the addition of a full-bar area.

The goal would be to utilize the existing operation as much as possible in order to limit the disruption to the customer and the Airport and concentrate on designing, in close

consultation with the Airport Commission, the new Restaurant facility, theme and menu as part of the overall Airport Renovations.

Despite the limited changes initially proposed by NRG, there are multiple indications as early as December of 2006 and January of 2007 that this project would be a large scale renovation. In fact, the email exchanges between Mr. Peterson and Gary Simanson are evidence that the Restaurant was intended to be renovated, not just a new operating lease arrangement. **See Exhibit 11 (Peterson Emails)**

The email exchange between Mr. Peterson and Mr. Simanson lists changes desired by Nantucket Restaurant Group, including moving a dishwasher to a back room, putting a bar in the area of the Hutch's office and extending the lunch counter. The dishwasher being moved would require an additional drain by the Health Inspector. The replacement of refrigerators was a problem for Nantucket Restaurant Group's immediate opening because they would have to wait for a walk in to be installed. However, the lease clearly states that all equipment is the responsibility of the tenant. A delay caused by refrigeration units or by the tenant's desire to reorganize the space, should not have required a lease abatement or the extensive work that later occurred.

It is clear that the Airport Commission knew that the work would be a major construction project. Airport Commission minutes in December of 2006 mention that the restaurant may be closed during renovations and rent reduction may be needed during this time. **See Exhibit 12 (Meeting Minutes)**. Given the Health Inspector estimate of 3 days of work to complete the required changes, it is surprising that this was considered necessary. In January, due to the proposed renovations, letters from Castle Group and Nantucket Architecture Group to Mr. Peterson also mention work to include an addition. **See Exhibit 13 (Castle Group Agreement)**. These letters also make it clear that the Airport is the contracting authority, not Gary Simanson as had been reported. However, minutes from the Airport Commission meetings do not indicate the scope of the renovations, nor any votes on whether to proceed with such work. In January, it is stated in a Commission meeting that the airport should be responsible for framing and code work; in February it is mentioned that adding a basement would be beneficial. Despite plans drawn up by Nantucket Architecture Group, no budget was created for this project and no evidence of votes or discussions as to whether to proceed with such major renovations has been provided.

The renovation to the entire restaurant that subsequently took place required many additional remediations to comply with health, building and plumbing code specifications due to the additional scope of work. The renovations included the addition of 443 square feet of space in the back of the restaurant, movement of office space, as well as the addition of the bar. The total cost came to \$1,292,820, of which \$1,048,464 was paid by airport. The difference of \$244,355 was the responsibility of Nantucket Restaurant Group and was for cosmetic improvements. Al Peterson was responsible for performing a review of all invoices to ensure the airport did not pay for cosmetic improvements. **See Exhibit 14 (Restaurant Expenses Spreadsheet)**.

The first invoice from Castle Group to the airport, dated February 23, 2007, was for \$188,192. At this point, early in the project, the scope of the project was clearly large; however, the project is not discussed again in the Commission minutes until an update in April, with no mention as to cost, and finally an update as to near completion in June, again with no mention of cost.

An email from Mr. Peterson after the project was completed regarding the reasons behind the escalation of the project contradicts reports from the health inspector regarding the severity of the initial problems and attempts to justify the escalation in costs.

“Due to the change of ownership it was discovered that the restaurant was woefully lacking in code issues based on inspections by the health department, who closed it down. Simonson (sic) hired Castle Group who was also working on his house. He also got involved with NAG. As the project evolved it was discovered that there were no drains in the slab behind the counter and in the kitchen. There is also a NTM article prohibiting the expansion of the restaurant. To accommodate a better layout required moving what Hutch had for an office and storage area. The uncovering of the walls revealed rot, a tangle of electrical wires from the days when it was a CAB weather station and engineers found the roof structure to not meet code. The architects NAG recommended reinforcing the roof and in order to meet structural code and to install drains we excavated to be able to achieve needed slope, this evolved into a full basement. Our agreement with Simonson (sic) was to handle the structural components but no interior aesthetics, to provide him with the necessary code compliant structure.”

Despite this explanation, it appears that lack of planning and lack of oversight were the primary causes of a project spun out of control.

Finding: Procurement procedures were violated during the restaurant project.

Gary Simanson had recently used the Castle Group to perform renovations on his personal residence and wanted Castle Group to handle the minimal renovations described in the RFP proposal. However, a letter dated January 2, 2007, from Castle Group to Mr. Peterson clearly states that work would be charged to the airport, to include work to bring the restaurant to code as well as construction labor and materials for the addition. **See Exhibit 13 (Castle Group Agreement)**

Massachusetts procurement procedures require that for building construction work over \$100,000, sealed bids be received, advertising must be posted in a newspaper, a bid deposit of 5% of the value of the total bid must be issued, a payment bond and a performance bond of 100% of the project must be issued, a contractor evaluation must occur and prevailing wages must be paid. None of these requirements were adhered to.

We have requested, on numerous occasions, information about the invoices submitted from Chris Skehel, President of the Castle Group and current operator of the Restaurant regarding subcontractors in an attempt to verify prevailing wage rates and names. While these files should be readily available, they have not been provided, raising questions that indicate potential issues. No time sheets or prevailing wage documentation were submitted to the airport by Castle Group.

Nantucket Architecture Group was brought into the project as of January 7, 2007. According to their letter to Mr. Peterson, they would act as part of an on-going sub-consultant of Earth Tech working on the renovation and addition to the airport. Their scope would be to design the new kitchen addition and renovation to the interior space to meet current building codes. The contract also states Nantucket Architecture Group will assist the airport in determining a contractor-bidding list. We note that this project is falsely considered here to be part of the airport renovations, and Nantucket Architecture Group, by stating it was acting as a consultant to Earth Tech, appears to be positioning its involvement to not require a separate RFP for this project. **See Exhibit 15 (Proposal from Nantucket Architecture Group)**

Finding: The restaurant construction project was not budgeted and was paid for out of apparent unrelated funds.

As we reviewed circumstances surrounding the restaurant renovations, it became apparent that the project was not budgeted or planned for. A review of airport Commission minutes does not show any votes or approvals on the restaurant.

A review of the payment vouchers show that the restaurant project was charged to the Airport's Capital account 55482 96075 A14/2006 Airport Terminal. **See Exhibit 16 (Stamped Invoices for Castle Group)**

A review of the aforementioned warrant article does not identify any discussion of business or restaurant improvements. In fact, the warrant specifically mandates that "no further expansions of business concessions or any other non security related areas are included." **See Exhibit 17 (Warrant A14)** In June of 2007, a reimbursement request form for the terminal project was submitted to MassDOT. This form included \$127,548 for an invoice paid to Castle Group for the restaurant renovations. This reimbursement was at 100% and was subsequently approved for structural/code compliance reasons. This was the sole reimbursement for the restaurant renovations sought by the airport. The restaurant work was not reimbursable under FAA guidelines as it is not part of aviation use. That no subsequent invoices were submitted to MassDOT is telling.

In late 2007, questions were raised regarding the scope of the project. Mr. Peterson attempted to justify the work as necessary due to the Health Department; however, the Health Department strongly disagreed with this in an email to the Town Manager. Al Peterson then requested that Skanska, the general contractor performing the terminal renovations, perform an analysis on what it would have cost had Skanska done the renovation work performed by Castle Group.

Skanska provided a 25 page detailed proposal in which they estimated the fee would have been approximately \$1.9 million combined for both tenant and landlord costs, based upon drawings, photos and discussions. It appears that Skanska's estimate included many items that were not included in the fees paid to Castle Group, including landscaping and fence costs of \$19,539 (island factor of 30% markup included), none of which were included in the work Castle Group performed. Skanska's estimate also included \$236,126 (30% markup included) of food service equipment, none of which was supplied by Castle Group or paid for by the airport. Construction management fees for Skanska totaled \$232,159. Castle Group billed \$175,396 for general contractor's fees.

While this estimate appears high, it further proves that this was a large scale renovation project that should have been budgeted, with an RFP process and submitted for public vote as a capital project. Skanska provided an estimate based upon drawings by Nantucket Architecture Group. These drawings were completed in January 2007, before renovations were started.

Finding: The assignment of the restaurant lease in 2009 was valid; however, subsequent rent reductions may have violated Procurement laws.

In late 2008, Gary Simanson and Nantucket Restaurant Group were looking to exit the restaurant lease due to poor financial performance and due to internal personnel issues. According to our interviews, former Town Counsel was consulted on the situation and provided the airport with multiple options on how to handle the lease termination. One alternative was to assign the lease to Chris Skehel's company,

the newly formed Nantucket Regal Group¹. No subleases were allowed in the original lease. The original lease had gone out to bid with the RFP and was a ten year term, making an assignment without an additional RFP a viable option, as long as the assignment held to the terms of the original lease agreement. **See Exhibit 18 (Notice of Lease Assignment)**

Nantucket Restaurant Group owed Castle Group \$160,000 for work reportedly done to the restaurant and/or other sites. Gary Simanson of Nantucket Restaurant Group came to an agreement with Chris Skehel of Nantucket Regal Group to sell the restaurant's operations and the restaurant's equipment to Nantucket Regal Group in return for a release of the \$160,000 debt outstanding. **See Exhibit 19 (Purchase and Sale of Restaurant Equipment).**

The original lease signed by Nantucket Restaurant Group in 2007 contained the following provisions:

7. Rent. Lessee shall pay to the Lessor, during the term hereof, the sum of fifty (50) dollars and fifty (50) cents per square foot or \$114,382.50 as base rent, in addition to the annual business fee. The Lessor and Lessee do hereby mutually agree that the rent shall be subject to annual review and adjusted by the CPI-W rate on the anniversary date. The base rent will be paid in twelve (12) equal installments, due on the first day of the month, commencing on January 1, 2007. Any monthly installment of rent which is not paid within ten (10) days after receipt of notice, shall be subject to interest charges at twelve percent (12%) per annum or part thereof.

In 2009 base rent had increased to \$122,050.69.

However, at an executive session in March 2009, the Airport Commission agreed to reduce the rent for 2009, retroactive from the first of the year, to \$6,000 per month, per a request from Chris Skehel. The effect was a reduction in rent to \$72,000 annually. The Commission decided to revisit this again in December of 2009. **See Exhibit 20 (Meeting Minutes – March 10, 2009)**

The topic arises again at an executive session in January of 2010. The Commission then agreed to Chris Skehel's request to raise the rent to \$7,000 monthly rather than \$12,000 per month, though Foley Vaughan stated he would like the airport's accountant to review the restaurant's financial statements after March 31 and to revisit the situation. **See Exhibit 21 (Meeting Minutes – January 12, 2010)** The accountant review did not occur. There are no discussions of amending the terms on the written lease contract.

It should be noted that no votes were taken on these items during open meetings and that there is no mention of as to the legality of lowering the rent without issuing another RFP. By cutting a deal in private, the airport denied other businesses the ability to propose on the restaurant at the newly reduced rental rates and stopped potentially higher bids. At the time of the lease reassignment, we were informed that at least four other parties had expressed interest in the restaurant.

Finding: Rental income from the restaurant has been significantly lower than what is required in the signed lease.

We have performed an analysis of rental payments received by the airport from the three tenants in occupancy from 2005 through 2011. Nantucket Restaurant Group ceased paying regular rent in August

¹ We note the name similarity of Nantucket Restaurant Group and Nantucket Regal Group. NRG is referenced in various documents as the operator of the Restaurant.

2008 but made up for the remaining 2008 payments in June of 2009. Both Nantucket Restaurant Group and Bill Hutchinson paid their required payments of rent.

Monthly rental payments by Chris Skehel and Nantucket Regal Group began in June of 2009. Rent payments have been inconsistent, with months missed and paid late. Despite the late payments, no interest charges have been requested or paid. As of yearend 2011, Nantucket Regal Group was still paying \$7,000 per month. It should be noted that at the time of his leaving in 2006, William Hutchinson was paying monthly rent of \$7,589.46 – a significantly higher rate for a smaller and lower quality space than is presently available. The total difference between what Nantucket Regal Group had paid in rent at the end of 2011 and what should have been paid per the original rental agreement is over \$140,000. See below table for actual rent due at the actual rates versus paid through December 2011.

<u>Payment Due Dates</u>	<u>Payments Due At CPI-W Adjusted Rate</u>	<u>Pay Dates</u>	<u>Amount Paid by Nantucket Regal Group</u>	<u>Difference</u>
Security deposit	\$12,000.00	4/30/2009	\$12,000.00	\$0.00
Apr-09	10,170.89			10,170.89
May-09	10,170.89			10,170.89
Jun-09	10,170.89	6/18/2009	6,000.00	4,170.89
		6/18/2009	1,525.00	(1,525.00)
Jul-09	10,170.89	7/9/2009	6,000.00	4,170.89
Annual Fee	1,500.00			1,500.00
		7/30/2009	6,000.00	(6,000.00)
Aug-09	10,170.89	8/13/2009	6,000.00	4,170.89
Sep-09	10,170.89	9/4/2009	5,550.00	4,620.89
		9/30/2009	1,395.00	(1,395.00)
Oct-09	10,170.89	10/8/2009	6,000.00	4,170.89
Nov-09	10,170.89	11/12/2009	6,000.00	4,170.89
Dec-09	10,170.89	12/10/2009	6,000.00	4,170.89
Jan-10	10,364.14			10,364.14
Feb-10	10,364.14	2/25/2010	6,000.00	4,364.14
Mar-10	10,364.14	3/31/2010	7,000.00	3,364.14
Apr-10	10,364.14			10,364.14
May-10	10,364.14			10,364.14
Jun-10	10,364.14	6/10/2010	10,000.00	364.14
Jul-10	10,364.14	7/22/2010	10,098.85	265.29
Annual Fee	1,500.00			1,500.00
		8/2/2010	7,000.00	(7,000.00)
Aug-10	10,364.14	8/13/2010	14,000.00	(3,635.86)
Sep-10	10,364.14	9/23/2010	4,000.00	6,364.14
Oct-10	10,364.14	10/28/2010	8,500.00	1,864.14
Nov-10	10,364.14			10,364.14
Dec-10	10,364.14			10,364.14
Jan-11	10,695.79	1/20/2011	7,000.00	3,695.79
Feb-11	10,695.79			10,695.79
Mar-11	10,695.79	3/3/2011	6,415.00	4,280.79

Apr-11	10,695.79	4/7/2011	4,675.13	6,020.66
		4/7/2011	7,000.00	(7,000.00)
		4/28/2011	7,000.00	(7,000.00)
May-11	10,695.79			10,695.79
Jun-11	10,695.79	6/9/2011	6,673.65	4,022.14
		6/23/2011	6,354.00	(6,354.00)
		6/30/2011	7,000.00	(7,000.00)
Jul-11	10,695.79	7/21/2011	8,500.00	2,195.79
Annual Fee	1,500.00			1,500.00
Aug-11	10,695.79	8/4/2011	7,000.00	3,695.79
		8/25/2011	7,000.00	(7,000.00)
Sep-11	10,695.79			10,695.79
Oct-11	10,695.79	10/6/2011	7,000.00	3,695.79
		10/20/2011	7,000.00	(7,000.00)
Nov-11	10,695.79			10,695.79
Dec-11	10,695.79			10,695.79
Total	\$360,757.15		\$217,686.63	\$143,070.52

As part of our inquiry, we reviewed submitted financial statements for the restaurant. Based upon the information submitted, the restaurant's net profits have been increasing each year since 2009. **See Exhibit 22 (Financial Statements of Crosswinds)**

REVIEW OF VARIOUS OTHER NANTUCKET AIRPORT PROJECTS OR ISSUES

As noted earlier, we have reviewed numerous projects and issues at the Airport. Several are discussed below:

Tenant Rates

The Airport leases space inside the terminal to airlines and vendors, including the restaurant, gift shop, auto rental agencies and for ATMs. Hangars are rented for private airplane storage as well as for a number of businesses; tenants include a flight school, lumber company, UPS, and others. In addition, outlying space on airport property is leased to various companies for storage of materials such as asphalt, equipment and propane.

All airlines pay the same rate per square foot of space inside the terminal. However, many specialized deals with tenants, including abatement of the annual fee or CPI-W increase, are still in evidence in the leases for outlying space, the gift shop and the restaurant. Both the restaurant and the gift shop were leased through an RFP process. Therefore, rent abatements which have occurred for both tenants, appear to be a violation of procurement rules. An abatement given to a current tenant that won the lease through a process designed to award to the highest bidder clearly places applicants that bid lower and did not have a chance to ask for an abatement at a disadvantage. Differing deals for outlying tenants also place tenants that don't ask for special treatment at a disadvantage.

Mr. Peterson has made an attempt in recent years to standardize leases and rental rates. As leases for outlying space expire they are replaced with a standard lease that includes extra fees based on profitability. Unfortunately, many of the leases are long term, for 20 to 30 years, and they will continue to expire into years 2020-2030. The interim current Airport Manager was made aware of some of these problems, including rumors that some tenants were subleasing when the leases prevented this, and has been attempting to remedy the situation. **See Exhibit 23 (Tenant Rate Schedule)**

Purchase of Televisions by Employees

During the terminal renovation work and as part of their contract, Skanska purchased two 32 inch televisions for \$1,000 each which were reimbursed by the Airport. These were used by Skanska employees while on the Island; once the work was completed Skanska turned the televisions over to the Airport after nearly two years of use. These were sold to two employees, Tina Smith and Janine Torres, at a price of \$200 each. We have been provided with copies of the cancelled checks as proof of reimbursement. The cash went to the Airport's miscellaneous fund. **See Exhibit 24 (Invoices for Purchase of Television and Check Reimbursements).**

The purchase of the televisions by two employees in the inner circle at the airport is another lapse regarding fair treatment of employees, a theme we heard consistently in our interviews. According to Massachusetts Procurement Act, Chapter 30B, Section 15 Tangible Supply disposition "For a supply with an estimated net value of less than \$5,000, the procurement officer shall dispose of such supply using written procedures approved by the governmental body."

According to the Code of the Town of Nantucket, under Part I, Administrative Legislation, the proper procedure is to put surplus equipment out to bid. Chapter 38, Article II states that

The Selectmen are authorized to dispose of obsolete or surplus Town equipment worth more than \$500 by putting it up for bid without the necessity of a Town Meeting vote. Obsolete or surplus equipment with a value of less than \$500 shall be disposed of by advertisement and sale on a "first come" basis, yard sale or delivery to the Town sanitary solid waste facility, as the Town Administrator deems appropriate. Surplus equipment worth more than \$25,000 shall require a Town Meeting vote for disposal.

Clearly Town rules were violated selling the televisions to employees in-the-know rather than offering others the ability to purchase them.

Mr. Peterson Housing Stipend and Benefits

While serving as Airport Manager, Mr. Peterson received a number of perks by the Airport Commission. This was clearly within their purview. The Commission has statutory authority to compensate the Manager through Massachusetts General Laws, Chapter 90, Section 51E, which reads, in pertinent part:

Subject to appropriation, said commission shall appoint such other officers and employees as its work may require and shall fix the salaries of all officers and employees appointed or employed by it.

However, records of the votes are sparse and many of his perks appear to have been approved outside of public session.

In February of 2005, Mr. Peterson was awarded a bonus of \$15,000, referenced in a letter from Foley Vaughan. The letter states that the bonus was decided on at the Airport Commission meeting on February 8. However, neither the Commission minutes nor the Executive Session minutes mention a vote on this item. **See Exhibit 25 (Meeting Minutes – February 2005)**

In February of 2006, Mr. Peterson was awarded a bonus of \$20,000 and it was also decided that the Airport would also pay for his aircraft insurance, a cost of \$4,500 per year. This was apparently decided at an Executive Session of the Airport Commission on February 21, 2006, however, these minutes have not been found. The insurance payment was not included in Mr. Peterson's 2010 employment contract. **See Exhibit 26 (Letter from Foley Dated February 22, 2006)**

Mr. Peterson began receiving a housing allowance of \$3,000 per month in 2006, voted on and approved by the Commission, with one vote of Nay, on November 28, 2006, in Executive Session. **See Exhibit 27 (Meeting Minutes – November 28, 2006 and Letter from Foley Vaughan).**

That the approval came during executive session meant that it was not publicly reported. The first two payments of this allowance were included in Mr. Peterson's paycheck and reported on his W-2. However, subsequent payments were paid monthly and reported for tax purposes via a 1099, the form for reporting income to independent contractors. The format for reporting taxes does not affect his responsibility to pay taxes and it has been reported that the reason for the change in reporting of income may have been due to ease of administering a monthly payment.

However, we note that by not including the stipend in his base earnings, the stipend was not included in the Town's report of salaries for Town officials. The result is that Mr. Peterson's actual pay and his status as highest paid Town employee was not publicly reported. The housing stipend was included in Mr. Peterson's 2010 employment contract.

Mr. Peterson also received free hangar space to store his plane while he was the Airport Manager. Other lease agreements show that this may be a benefit of up to \$600 per month; however, we can find no evidence that this income was reported as compensation. We also have not seen this topic raised or approved in any Commission minutes.

Jeff Marks, another Airport employee also received the benefit of hangar space at no charge. We note that prior to Mr. Peterson's tenure, Jeff Marks was paying for his hangar space. It was reported to us that Mr. Peterson told him to stop making payments.

It was also discovered that all hangar tenants at the Airport received a discount on the purchase of fuel. This discount was equally applied to all tenants of hangars. However, the practice did not distinguish between paying and non paying tenants. As a result, both Mr. Peterson and Mr. Marks received fuel purchase discounts for their aircraft.

REVIEW OF AIRPORT ADMINISTRATIVE PROCESSES AND PRACTICES, BOTH OF THE ADMINISTRATION AND THE COMMISSION

Finding: The procedures surrounding the hiring of the Airport Manager in 2003-2004 appeared to favor Mr. Peterson.

The Airport Commission had an opening for the position of Airport Manager in December 2003, as the current manager had accepted early retirement. The Airport began soliciting applications for the position. During this time period, Jeff Marks was appointed acting manager. Applications were submitted during November and December 2003. The initial review of the applications was performed by the retiring Airport Manager Fred Jaeger, who ranked each of the applicants based on the qualifications noted on the resume. The results were reported to the Commission with each applicant graded A-F.

Mr. Peterson was a member of the Airport Commission at this time and initially did not submit an application. However, after he reviewed the analysis by former manager Jaeger, Mr. Peterson submitted his interest for the position. **See Exhibit 28 (Peterson Letter)**

We could not find an official deadline for submittal of application but note that Peterson's application was the last in, after review of applications began.

In January 2004, Mr. Peterson resigned from the Airport Commission and shortly thereafter was named Acting Airport Manager, replacing Jeff Marks, who had also applied for the permanent position. We were not presented with the job responsibilities for Airport Manager from the 2003 posting; however, the most recent search qualifications included, but were not limited to, the following:

- Managing all aspects of staffing, facilities, budgets, security, safety and tenant, user and community relations;
- Overseeing and implementing programs to ensure effective operation and safety of the airfield;
- Directing all maintenance and construction;
- Responsibility for preparation of operating and capital budgets and for performance against budget;
- Managing the collection and audit of all revenues;
- Assisting the Commission in planning and formulating overall airfield policy;
- Overseeing compliance with applicable rules and regulations, Commission policies and priorities, and airport procedures;
- Responsibility for day-to-day working relationships with the FAA, MassDOT Aeronautical Division, airline and general aviation customers, tenants, users, service contractors, etc.;

Minimum qualifications included, but were not limited to, the following:

- Degree in aviation management or a related field.
- 5-7 years airport management-related experience.
- Extensive knowledge of aircraft and airport operations, airport certification requirements, as well as procurement law and grant assurance procedures.

We note as significant the deviation in the search process, at least in allowing a Commission member to apply, after all other applications were in and after a preliminary review had occurred. During the search process, Al Peterson was named Acting Manager, replacing Jeff Marks.

It was reported that the work group consisting of Chairman Foley Vaughan and Commissioner Finn Murphy, recommended the Acting Airport Manager Peterson for the position, stating that having someone local would be “the way to go”. The applications were narrowed down to three finalists. In May 2004, Mr. Peterson was named permanent Airport Manager. **See Exhibit 29 (Meeting Minutes – May 21, 2004)**

Finding: The Nantucket Airport Commission has been allowed to operate independently with little to no oversight throughout the years. There has been an apparent reluctance to intrude or question the airport’s operations.

Throughout the years, the Airport has operated almost entirely independent from the Town of Nantucket. One of the main catalysts for this is the Nantucket Home Rule Charter which reads, in part:

Section 4.4 – Town Administration Departments [**Amended 4-10-2002 ATM by Art. 46, Approved 4-1-2003 ATE**]

(a) The Town Administration shall include the Building, Finance, Fire, Health, Island Home, Marine and Coastal Resources, Police, Public Works, and Visitors Services departments; provided, however, that nothing in this Charter mandates the continued existence of any such Town Administration department or continuance of a department name or function.

(b) The Town Administration shall not include the Airport, the Park and Recreation, the School and the Water departments.

Coupled with several other contributing factors, there was an opinion, mainly put forward from the Airport Manager and Commission Members, that complete autonomy was required and/or existed. Other factors that contributed were the Enterprise Fund and Massachusetts General Laws Chapters 90 and 30.

Enterprise Funds

The Airport has been an enterprise fund for many years. An enterprise fund is defined under Massachusetts Law Chapter 44 and is used to establish a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. Under enterprise accounting, the revenues and expenditures of the service are segregated into a separate fund with its own financial statements, rather than commingled with the revenues and expenses of other governmental activities. Once certified, retained earnings may be appropriated only for expenditures relating to the enterprise fund. Conversely, if during the year, the enterprise fund incurs an operating loss, the loss must be raised in the subsequent year’s budget.

The benefits of an enterprise fund include the segregation of total cost for providing a service separate from other services, in this case allowing the public the ability to see the total cost of operating the Airport. In addition, an enterprise fund makes sense for an Airport due to the reliance on revenues from the FAA which has strict rules regarding usage of funds for aviation purposes only. Many airports in Massachusetts are accounted for as enterprise funds.

However, it is important to note that an enterprise fund is not a separate or autonomous entity from the municipal government operation. Like every other department, a budget is prepared that is reviewed and analyzed by the Finance Committee. The budget, as well as any transfers among the enterprise fund's line item appropriations, requires action by the council or town meeting. The municipal department operating the enterprise service continues to fulfill financial and managerial reporting requirements.

Airport Commission

Massachusetts Law Chapter 90 Motor Vehicles and Aircraft provides the regulations that establish the Airport Commission and its appointment by the Board of Selectmen.

Chapter 90 Section 51E. In any city or town in which an airport is established under section fifty-one D, or under any other provision of law, there shall be established a board consisting of an odd number of members not less than three nor more than eleven in number, to be called the airport commission, which shall have the custody, care and management of the municipal airport of said city or town. Of the members appointed at least one shall be a person having experience in aeronautics. An airport commission may be established as herein provided in any city or town for the purpose of establishing an airport therein. Except as provided otherwise in any special law, enacted prior to January first, nineteen hundred and forty-seven, relating to an airport commission in any city or town, the members of the airport commission shall be appointed, in cities, by the mayor with the approval of the city council, and in towns by the selectmen. In the initial appointment of the members of such an airport commission, their terms shall be so arranged that one third of the members, as nearly as possible, will expire each year; and thereafter when the term of any member expires his successor shall be appointed to serve for the term of three years and, in each instance, until the qualification of his successor. Vacancies in the commission shall be filled for the unexpired term by the appointing authority. The members of said airport commission shall annually choose one of their members as chairman. The airport commission may appoint an airport manager who shall be qualified by general management experience and aeronautical knowledge and shall be the executive officer of said commission, and may also appoint an assistant airport manager who shall be qualified as aforesaid. Neither the airport manager nor the assistant airport manager shall be subject to chapter thirty-one. The assistant airport manager shall act in place of the airport manager at such times and under such conditions as the airport commission may direct. The airport manager, and the assistant airport manager when acting in place of the airport manager under the direction of the airport commission, shall be responsible to said commission for the proper maintenance and operation of such airport and of all facilities under his supervision. Subject to appropriation, said commission shall appoint such other officers and employees as its work may require and shall fix the salaries of all officers and employees appointed or employed by it.

Further confusing the independence issue are requirements of Grant Assurances by the Massachusetts Aeronautics Commission, which reads, in pertinent part:

Certification of the Selectmen of the Town of Nantucket.

Notwithstanding any powers that may be granted to the Selectmen of Nantucket, the Town agrees not to attempt to reorganize the Airport Commission, or in any way to interfere with the autonomy and authority of the Airport Commission as created un Chapter 90, Section 51E of the General Laws, without the express approval of the Aeronautics Commission. **See Exhibit 30 (Grant Assurances)**

These factors all had a role in the perception that the Airport is required to have complete autonomy. Our review found a number of instances where Town finance personnel either questioned a process or requested additional information. However, it was often responded to with aggressive pushback by Mr. Peterson, further discussed later in this report.

In the current structure, the Board of Selectmen is the controlling authority over the Airport Commission. During our interviews, we were told of reluctance on the part of the Selectmen to question the Airport's operations. Due to the long serving Chairman Foley Vaughan's stature and experience, we were informed that deference was often given to his decisions.

An email exchange from July 2010 is particularly revealing about the Airport and identifies, at least the perception that the Airport is independent of the Town and should be left alone: Former Finance Director Connie Voges, discussion in an email on recommendations from Financial Consultant Mark Abrahams:

“The BOS level issue is: whether the Airport is part of the TON, and whether the policies and procedures that apply to the TON also apply to the Airport. There are other operations which are reviewed by other agencies: e.g., the schools, Our Island Home, etc.

The underlying procedure question is whether Mark's report is going to be followed, as written, or whether allowances can /should/will be made for different controls that are in place at other town locations. As written, there was no room in the Abrahams' report for 'other controls in place' – at the airport or elsewhere. Rick Atherton weighed in on this at Audit Committee meeting, with respect to the Airport receivables: his sentiment was basically, IF the Airport has controls in place that work, why do we need to repeat what they do – if we've reviewed the controls and found them to be sufficient.”

But – that's a different approach from the Abrahams' report. It's not an entirely unreasonable approach, but it's not the one that has been on the front burner for the last 2 years.” **See Exhibit 31 (Email Exchange)**

No changes were made at the time.

Finding: Often times, the business of the airport was conducted, discussed and apparent decisions made in violation of open meeting requirements.

A review of email communications, before and after July 2010 reveals information that indicates potential violations of open meeting law requirements. We were told that members often stopped by Mr. Peterson's office, both unannounced and by request to discuss issues and/or get updates. We suspect that in those instances where no formal vote is found in minutes of official Commission meetings, decisions were made to proceed via alternate communications. Some areas where violations appear to have occurred:

- Emails are expressly included in definition of “deliberation,” which is prohibited outside of open session; but distribution of agendas, scheduling information or reports to be discussed at next meeting is permitted.
- Minutes must contain more detailed information; in addition to “date, place, time and matters discussed,” shall include summaries of matters discussed, list of documents used, all decisions made/votes taken.

- Documents and other exhibits, such as photographs, recordings or maps, used by the body at an open or executive session shall, along with the minutes, be part of the official record of the session.
- Chairs required periodically reviewing executive session minutes and determining if they should be released, or if purpose for executive session is still ongoing to keep minutes confidential.

Our review of Airport Commission minutes revealed a number of missing dates, incomplete information, and more importantly, no discussion of public votes taken on expenditures that were eventually approved. The awarding of Al Peterson's final contract in June 2011 is a recent example. On June 21, 2011, on the eve of appointment of new commission members, the existing Airport Commission voted unanimously in Executive Session to award a contract to Al Peterson. Surprisingly, the existence of a written contract was denied two days after the vote. No public acknowledgement or vote was conducted. **See Exhibit 32 (June 21, 2011 – Executive Session Minutes and Emails)**

The circumstances surrounding the restaurant renovations and subsequent lease are another example of potential open meeting law violations. We have discussed many of the issues in the previous sections. A further review shows that the signed documents assigning the lease from Gary Simanson to Chris Skehel in 2009. The effective date of the assignment is January 1, 2009. However, Gary Simanson does not sign the document until July 2009. Chris Skehel's signature is undated. Then surprisingly, Foley Vaughan does not sign the document until March 2010. His signature references a May 12, 2009, vote at the Airport Commission meetings. There is no record of this vote. **See Exhibit 18 (Notice of Lease Assignment)**

Finding: When not mandated by FAA requirements, Massachusetts' Procurement Laws were avoided. There was an apparent liberal definition of aviation use and/or emergency process by the Airport Manager that was not questioned. Many items that were deemed to be time sensitive were the apparent cause of management inadequacies.

The Uniform Procurement Act, which is based on Chapter 30B of the Massachusetts General Laws, illustrates bidding requirements and other regulations that are intended to promote transparency, open competition, gain public confidence and avoid favoritism in awarding public money. This applies to every contract for the procurement of supplies, services or real property and for disposing of supplies or real property by a governmental body.

Procurement of a supply or service in the amount of \$5,000 or greater, but less than \$25,000, is to require written or oral quotations from no fewer than three suppliers or vendors. The responsible official that is requesting quotations (the Procurement Officer) shall record the names and addresses of all persons from whom quotations were sought, the names of the persons submitting quotations and the date and amount of each quotation. The contract is awarded to the vendor offering the supply or service at the lowest quote. There is no such requirement for procurements less than \$5,000 (See Section 4 of Chapter 30B).

Procurements in excess of \$25,000 require sealed bidding procedures, which the Procurement Officer shall issue an invitation to bid. The invitation will be of public notice, with a reasonable time prior to the date for opening of bids, and include all items discussed in Exhibit 25 under Section 5(c). The Procurement Officer shall evaluate a bid based solely on the requirements and criteria set forth in the invitation for bids. Such standards include the quality, workmanship, results of inspections and tests, and suitability for a particular purpose. The Procurement Officer shall unconditionally accept

a bid without alteration or correction, and shall award the contract to the lowest responsible and responsive bidder (See Section 5 of Chapter 30B).

Our review found that all projects that were reimbursed by the FAA were managed and overseen through Jacobs Engineering. As such, the process and record keeping appear to be pristine. Attached as an exhibit is one such project. (See Exhibit 33 Sample Project From Jacobs)

However, there were other non FAA projects where corners appear to have been cut. Several of those projects have been discussed in this report. We were told that Mr. Peterson was known for wanting projects to be started and completed as quickly as possible. This is evident from the projects we have reviewed. We were told that he often considered a delay to be an emergency project. Unfortunately, in the public sector, very few projects are considered to be a true emergency. A true emergency in terms of procurement law is defined in Chapter 30B, Section 8 as:

Whenever the time required complying with a requirement of this chapter would endanger the health or safety of the people or their property a procurement officer may make an emergency procurement without following that requirement. An emergency procurement shall be limited to only supplies or services necessary to meet the emergency and shall conform to the requirements of this chapter to the extent practicable under the circumstances.

A delay in opening a restaurant cannot be considered an emergency, nor can a delay in construction due to electrical problems. However, Mr. Peterson believed these situations allowed him the discretion to hire contractors outside of procurement regulations.

Mr. Peterson has responded publicly to many of these issues and has provided his justifications for some issues.

Mr. Peterson's Responses

1. Champoux Landscape – no contract for work in excess of \$370,000. This was put out as a Request for Proposals. It consisted of a design concept and a separate sealed price component. We awarded it to Champoux conceptually but also as the low bidder. We did not have an actual contract with him. At the time, 2008-09 we did not believe OSAH applied since it was landscaping and not vertical construction and since it was a separate contract from the terminal I do not believe that Jacobs's who was our Project manger confirmed prevailing wage. Under our current system we would have a contract following the award.
2. Bernard Walsh – no contract for work on phone system “and other work” at airport since August 2008 for over \$250,000. 25 separate payments to Walsh with “no competitive bidding or written contract. 15 invoices exceeded \$5,000. Bernie Walsh was the phone support guy here when I took over and had always done the day to day maintenance. The system had been a conglomeration of changes that were a complete mystery due to years of patches. He became involved with the terminal project without bidding when we found that the architects assumed that this was covered by the security contract. It was not and the electrical contractor brought it to our attention and we asked Walsh to install the wiring and the electrical contractor to do all the conduit work. This occurred as the wall boarding was getting ready to go up. We had the option of including it in Skanska's or the electrical contractor paying him directly. We opted to do the latter to avoid additional overhead and profit. This was not covered by a contract and under normal circumstances

would have been either added to the contracts of Annese or Skansk as an add or put out to bid if time allowed.

3. Robert W. King – no bidding and no contract for electrical contracting work on two projects for over \$47,000 past three years. Once contract was signed more than a month after the work was completed. This was for work that was performed for several unrelated projects. The first was the wiring for the trailers that made up the temporary terminal for the terminal project. He also worked on disconnecting at the annex building and last assisted with the moving of the fuel farm controls from the old ARFF/Administration building to the temporary shed that is next to the fuel farm. The 2011 projects were at the rate of the Town’s electrical contract of \$75.00/hour. I do not believe the Town had an electric contract under which we qualified in 2008. In any event I believe that this falls under the aviation exclusion of chapter 30B.
4. Per Diane O’Neil – regarding the Champoux work, “...no prevailing wages were paid, no proof of a bond, no proof of insurance and no OSHA cards were available upon request.” I cannot say if this is true or not and I am not sure whether she can make that statement. This was landscaping not construction; for sure OSHA does not apply.
5. Bid splitting – no detail. This was never conceived nor intended. We started these projects with goals of completing the work as soon as possible. They were task specific i.e. disconnect the electrical components from the annex and ARFF building or wire this trailer for use once it was in place. When we started the projects most were considered to be less than \$5000.00. The relocation of the controls for the fuel farm turned into a much bigger project due to not having any as built drawings and problems with the conduits through which the wires were run. The relocation was challenging since much of the wiring was very unorganized. Again, this preceded the town having an electrical contract, but all work following the establishment of the contract was required to be done at the same rate \$75.00/hour.
6. March 2009 – RFP – no mention of a gazebo in the RFP. Five responses and Champoux chosen for \$256,070. Story asserts that an invitation to bid rather than an RFP was the correct way to go. Also asserts that a public works construction project involving any horizontal building requires an IFB. We thought we had done this properly. The original landscaping package was in the AECOM presentation. They had a Boston Landscape firm on their team. After one meeting with them it was decided to remove the landscaping from the overall contract and to keep it as a separate local project. The bidding was advertised and we requested conceptual presentations from all submissions with prices being submitted separately. Champoux was chosen for this concept but was also the low bidder. The Commission subcommittee and airport management reviewed these presentations.
7. No formal vote by the commissions to add a gazebo to the March 2009 RFP. The plans were reviewed at a commission meeting and I believed we had a consensus of the commission before we proceeded with it. It further went through about six HDC meetings for revisions and compliance issues about handicap accessibility that required us to lower the building and modify the landscaping to conform to the lower height.
8. \$2,000 rental of Walsh house for one week. Last year we were expecting to get housing for the ACE Camp from either the High School or the Hospital. Jack Wheeler found the neither place had availability at the last minute for all personnel. We had one dwelling but needed additional bedrooms. In his discussions with Bernie Walsh on phone issues he found that Bernie had a rental house available. He quoted \$2,000 and I ok’d it since it was relatively cheap and we were without time to shop.

9. Three “phone bids” for electrical work with the work going to Robert King, 19 invoices for over \$22,000.00. The contract signed with King a month after the fact showed that he did not have a required errors and omissions policy. This was a discussion between Janine and Diane O’Neil that went on for a couple of weeks deciding whether or not one was needed. By the time it was decided to write one work was well underway. We noted that fact on the contract and had King sign it. This was not major contract work nor did it exceed the \$25,000.00 level.
10. Paul Torres paid \$16,692 since October 2008. Paul is one of two electricians who are badged for access to the secure ramp. He wired the three double wide trailers during the terminal project. This saved us from having to tie up one of our people to escort him on the secure ramp. He further assisted in the breaking down of the trailers during the decommissioning phase. We also used him to wire the new pilot flight planning trailer and he assisted King on the fuel farm, providing escort and electrical help. All work in 2011 was at the Town contract rate of \$75.00/hr.
11. \$20,000 bonuses over the last 3 years to non-union employees as well as contractor who worked on recent projects. We have had plenty of discussions for these. Two went to Paul Letendre as part of his contract. The others were administrative personnel who carried the bulk of the added work on the terminal and ADFP building projects, as well as Leisa who handled the art program for the terminal.

As Airport Manager, Mr. Peterson had discretion to reasonably apply the “airport use” exemption based upon his airport expertise. Generally, no building construction services or land disturbance activities will qualify as an “aviation use.” Based upon a review of certain projects and Mr. Peterson’s explanations, there appears to be violations of procurement laws.

We found that the explanations are further proof of Mr. Peterson’s liberal use of the exceptions to Procurement regulations and/or deviations to open meeting law requirements. A review of these projects suggest inadequate planning was responsible as opposed to viable exceptions. We were informed by various commission members that decisions of this type were left solely to Mr. Peterson. At a minimum, some oversight or discussion by the Airport Commission regarding these issues would have provided a better analysis or the required checks and balances for decisions of this type. We did not find any relevant meeting minutes on many of these topics.

Finding: Significant reconciliation differences between the Nantucket Airport and the Town of Nantucket resulted in long-running accounting problems and a recent deficit in retained earnings of approximately \$3.3 million

Accounting problems between the Town and the Airport have been ongoing for years. This stems from differences in accounting systems, the Town operating on the Municipal Uniform Information System (MUNIS) and the Airport operating on Microsoft Dynamics (formerly Great Plains). Airport capital projects were being completed without the proper borrowing, or use of authorized but unused borrowing from previous capital projects to complete other projects that were not approved by the capital committee.

The Town’s annual financial audit by Powers & Sullivan, LLC during the years of 2008 through 2012 indicated multiple management letter comments and material weaknesses, including failure to comply with procurement laws and regulations as summarized above. **See Exhibits 34 (Management letters).**

The Town operates the Airport as an enterprise fund, meaning its revenue and expenses are separated from the general fund and other municipal departments. The Airport, unlike many other enterprise funds, has historically been able to operate without subsidy from the General Fund. Enterprise funds that do not

generate enough revenue to cover expenses, such as the Solid Waste and Sewer Enterprise funds, by law require annual cash infusions from the Town's general fund to fund operations.

In the early 2000's, the Airport hired former acting Town Finance Director and former member of a prior Town independent auditor Peter Lamb to aid in the monthly close process. Peter was not involved in monitoring or reviewing budgets, rather he was more of a reviewer to make sure that accounts within the Airport are reconciled. Cash accounts carried on the Airport and Town financial systems were reconciled with the "Due to/From" accounts, which were used to monitor inter-fund receivables and payables. The balances of these accounts are intended to represent cash that has not been transferred between funds.

Prior to 2011, the Town's record-keeping over the Airport was not strong. Much reliance was placed on the records prepared and provided by Airport Finance Director Tina Smith, with the review of Peter Lamb. Tina Smith prepared schedules summarizing what expenses were paid, reimbursements that were made from the Town from grant receipts and other borrowing funds that were received from the Town and used to pay Airport expenses. At the end of each year, the Town would make an adjusting journal entry forcing an adjustment to tie to the Airport's schedules.

During 2011, the issuance of a report prepared by the Abrahams Group, and the continued management letter comments and qualified audit opinion on the 2007 year-end audit issued by Town auditors Powers & Sullivan, LLC, forced Town officials to begin to address these reconciliation differences. The Abrahams Report, first issued in September 2008, provided an organizational review of the Town Finance Department. The review was in response to management letter comments for the years 2005 through 2007 by Powers & Sullivan, LLC, which included, among other things:

- warrants were issued but not transferred into enterprise cash accounts upon time of issuance;
- the Town's inability to reconcile cash and due to/from accounts;
- the Town's inability to provide support for general ledger balances;
- the Town does not have internal procedure manuals clearly defining the responsibilities of each position with the finance department; and
- segregation of duties issues throughout multiple areas.

2009 management letter comments from Powers & Sullivan, LLC also revealed that there were payments made at the request of Mr. Peterson, without supporting documentation, but just a signed remittance form, with which the Town payables clerk processed the payment. The 2009 audit revealed that there was no supporting documentation for several Airport transactions, which is a direct breakdown of the Town's system of internal controls. At that time, the policies and procedures for payment at the Town level did not provide for much discretion for review, after the Department Head approved:

1. The department head signed the invoice stamp and indicates the account number to charge the expense.
2. The department head or the designated staff in the department enters the invoice into the town accounting system for payment.
3. The Airport Commissioners then sign to approve the accounts payable warrant and forward to the town finance department for payment.
4. After all the accounts payable requests are turned in by all town, school, and enterprise departments, the final accounts payable warrant is signed by the town accountant or assistant town accountant and a majority of the board of selectmen.
5. Once all the approvals have been obtained, the checks are released by the town finance department.

The Town began performing detail reconciliations of all fund balances, including the enterprise funds. At the end of fiscal year ended June 30, 2011, reconciliation was performed between Town and Airport schedules, and concluded that the Airport schedules contained inaccuracies. This posed the question of how far back were the Airport reconciliations inaccurate.

Miscellaneous income accounts were used to track reimbursements and other deposits that were outside of the normal course of business. The Airport has a general ledger account setup for miscellaneous receipts, account number 65482-48405, "MISC INC.", which is utilized to record deposits received outside of the normal course of business or one-time events. The following is a summary of miscellaneous income activity during the years ended June 30, 2005 through 2011:

YEAR	ACTIVITY
2005	\$7,295
2006	\$15,305
2007	\$4,091
2008	\$123,683
2009	\$27,410
2010	\$28,217
2011	\$32,116

The nature of the miscellaneous deposits include, but are not limited to the following:

- Rental income received by the Town of Nantucket related to the cottage, and reimbursed to the Airport.
- Miscellaneous utility and vender credits, including "Going Green" refunds in 2010.
- Employee reimbursements, including the receipt for the sale of televisions (See Exhibit 25) in the amount of \$766.12 during 2010.
- Registration fees paid for the ACE Camp.
- Miscellaneous parking and shuttle income.
- Terminal plan fees made by contractors purchasing plan and specification documents related to the Terminal Project.
- Fixed Base Operation revenues (2011).

Finding: American express cards were given out to four Airport employees, and were used primarily for business purposes. Expenses were not signed off, indicating that a review was not performed.

Four American Express corporate credit card numbers were assigned to the Airport Manager, Administrative Assistant, and Finance Director (who had two of the account numbers). The Finance Director had an administrator account number, which is the administrative account number used to manage the account. The remaining account numbers represent cards issued for the aforementioned three employees. The use of the cards was for business travel for conferences, paying for airline tickets, meals

and travel. Any purchases made that related to personal expense were either paid directly to American Express or reimbursed directly to the Airport. There were a few instances that Mr. Peterson traveled with his wife and purchased airline tickets for both of them using the American Express card². Subsequently, Mr. Peterson cut a check to American Express for the portion of the expense related to his wife. Other employees that utilized the American Express cards and had personal expenses reimbursed the Airport directly, which was recorded as miscellaneous income on the Airport's general ledger system. Based on our review of the American Express statements, it appears that the cards were used primarily for business use, and any personal expenses were reimbursed.

Finding: Bonuses, evaluations, and salary increases do not appear to be uniformly measured for every Airport employee.

Massachusetts Law Chapter 90 Section 51E provides that "Subject to appropriation, said ("Airport") commission shall appoint such other officers and employees as its work may require and shall fix the salaries of all officers and employees appointed or employed by it."

The Airport paid a total of \$20,500 in bonus payments since November 2009 to five non-union employees. It was discussed in an interview with Mr. Peterson that these bonuses were for "exceptional performance" as a result of the "extra workload" from capital expenditures related to the Terminal Renovation Project. The bonuses were paid out of the fund's personnel operating budget, which was derived by airport revenues. This created a future problem as at the time these bonuses were given, the Airport was running on an apparently unknown deficit, which resulted from paying for capital expenditures with operating or unborrowed money.

No other town departments received cash bonuses. However, we were told that the Finance Department reviewed the payment of the bonuses and determined that, due to the existing organizational structure, the Town could not prevent the Airport from giving the bonuses. **See Exhibit 35 (Personnel Spreadsheets)**

Evaluations were provided to Airport employees by Mr. Peterson. When an evaluation was performed with a minimum grade of "Satisfactory", a minimum raise of 5 percent was given to the employee. However, an evaluation had to be completed for a raise to be given. Certain employees have complained that the evaluation process was not consistent, as Mr. Peterson avoided giving evaluations to certain employees to avoid giving raises to them. Additionally, during this time period, the Mr. Peterson had given substantial raises to certain employees, including the Airport Finance Director and Administrative Assistant that some considered excessive.

POTENTIAL ETHICS ISSUES

Use of Red Sox Tickets

It was reported that in 2009, Mr. Peterson received the use of a Boston Red Sox luxury suite. This suite was given to him by an Airport contractor. We were informed that Peterson used this for employees as a team building activity. After the use was made public and questioned, Mr. Peterson was requested to reimburse the contractor.

² We were told that Mr. Peterson did not have to get pre-approval for any business travel. He was given discretion to travel to business conferences and meetings as he deemed appropriate.

We spoke with the president of the contracting firm who provided the suite. We were told that he provided the suite as a courtesy, as his firm was not able to use it on that date and the suite would have gone unattended. He further stated that his work was completed at the airport and he was not bidding on any new work. He stated that the gesture was not intended as anything other than a courtesy.

The contractor stated that he did not ask for reimbursement but received two personal checks from Mr. Peterson for the full value of the suite. **See Exhibit 36 (Peterson Reimbursement Letters for Tickets).**

Travel

We were informed of business being conducted by the Airport with an Airport Commission member, Sheila Eagan O'Brien. Ms. O'Brien's company, Swain's Travel reportedly acted as the travel agent for airport employees and received commission fees. It was also reported that airplane ticket commuter books were sold by Swain's Travel to the Airport.

We have confirmed that Swain's Travel did receive commission fees per booked travel. It was reported to be a thirty dollar fee per transaction. We were informed that this process has been discontinued.

Use of Relatives as Subcontractors

There were at least two instances of the husbands of airport employees, Janine Torres and Tina Smith that were hired to do work at the airport.

As previously reported, procurement violations may have occurred. In both instances, an existing Town contract was in place regarding the applicable services. As with the paving contract, the Airport could have engaged the services under the existing Town contract. The relatives of the employees would not have been hired.

Finding: Mr. Peterson's managerial style contributed to a breakdown in communications and review between the Town and the airport.

One theme consistently heard throughout our interviews, reports and the documents we reviewed was that Mr. Peterson's management style and personality played a large role in the stressed relationship between the Town and the Airport as well as the Airport's lack of abidance of rules. Some of the conflict appears to be a natural occurrence arising from cultural conflicts between a person from the private sector interacting with public sector politics and rules. Mr. Peterson's experience in private industry did not necessarily prepare him for the rules and regulations rampant in public service. While these rules and regulations are there to serve a purpose, they can often seem unnecessarily binding to a person with the best of intentions desirous to get projects completed quickly.

As we have noted, we have not found evidence of fraud or personal gain by Mr. Peterson or others at the Airport. Rather, we believe, as do many others we have spoken with, that Mr. Peterson desired to act in the best intentions of the Airport by pushing for and completing numerous projects. In fact, Airport Commission members that we spoke to held Mr. Peterson in very high regard. Officials at MassDOT also had great praise for Mr. Peterson and thought of him as an effective Airport Manager. We were told in several interviews that Mr. Peterson stated that he wanted the improvements he was able to complete during his time in service, such as completion of a beautiful new terminal, to be his legacy. Unfortunately, the public sector does not look kindly on deviations from rules, even if for the good of the public. Rules and regulations such as procurement laws are in place to prevent mismanagement of funds and to ensure that projects are properly monitored. That these rules were so easily circumvented points to a greater problem of lack of oversight.

On the one hand, Mr. Peterson did get many new projects done at the Airport and some claim that he pushed more through than prior Managers. He was also very involved in local and national airport organizations and used these resources to educate himself on how to effectively work with the FAA and act as an active Manager. Involvement and the related expense of membership and travel to conferences with these organizations is on the whole beneficial to the Airport and point to Mr. Peterson's proactive approach.

However, there are a number of examples of behavior throughout his tenure that are not consistent with cooperation. An excerpt from an email that Mr. Peterson sent in response to a member of the Town's finance department attempt to question an expense is as follows:

"I hope you review this objectively and observe the ridiculousness on your comments. If you do not recognize them I would be surprised. These are paid from the Airport enterprise account and have been reviewed and authorized. I do not expect you are an expert on flag pole height so why waste everyone's time. Are clothes pins and pepper shakers an area of your expertise?" **See Exhibit 37 (Email to Finance)**

In addition, after being instructed on various procurement issues by the newly appointed Town's Attorney, Mr. Peterson responded to an email with:

"Thank you for the dissertation on Purchasing. I hope this is on the Town's nickel." **See Exhibit 38 (Email)**

As we noted previously, Mr. Peterson's attitude toward the Finance Subcommittee during questions about the 12-30 paving project was also inappropriate and a catalyst for this review.

These examples of not only uncooperative but arrogant behavior show how little Mr. Peterson did to help the crumbling situation. We were told on numerous occasions that had the Airport Commission imposed restrictions on his behavior, or had Mr. Peterson been more inclined to cooperate, the relationships between the Town and the Airport may have been better and a forensic audit may not have been deemed necessary.

CONCLUSION

During the course of our review, we were provided access to a multitude of records concerning the Airport. As noted, we have not found any indication of fraudulent activity or malicious intent, other than a desire, both by Mr. Peterson and the Airport Commission, to get things done quickly and remain independent from the Town. The aforementioned procurement and open meeting law deviations are serious offenses. Poor planning, lack of coordination and significant reconciliation differences between the Nantucket Airport and the Town of Nantucket resulted in long-running accounting problems and a recent deficit in retained earnings of approximately \$3.3 million. Mr. Peterson, as Airport Manager, was primarily responsible for the how the Airport was managed and was the face of the Airport to the Town. The Airport Commission, either by vote or by acquiescence, placed him in this position, approved his actions and made decisions as to what should be publicly recognized. While the majority of blame for the Airport's actions should be placed on the shoulders of the Airport Commission and Mr. Peterson, we also acknowledge the Town's responsibility for managing the overall finances of Nantucket and for implementing proper checks and balances. All parties, including the Board of Selectmen, Board of Finance, and Town Administration could have done more to avoid the present situation.

We have referenced the Town Charter, Enterprise Funds and statutory requirements of the Airport Commission as contributing factors in the circumstances under review. The result of the totality of these contributing factors is that the Airport has been viewed and allowed to operate as a completely independent entity, thus creating the proverbial "Silo Effect". By design, particularly from Airport Management, the core of the Airport's business was understood by too few people and there was a disconnect, at least in non FAA reimbursed projects, between the project management and the finance and administration groups of the Town. At times, the Airport had the benefit of utilizing Town resources without having to take responsibility for monitoring compliance. Town Administration felt powerless to oversee the financial condition of the Airport or, in certain circumstances, relied on the Charter to "look the other way."

However, we also note that these factors have been in place under previous administrations and for numerous years. The current financial and procedural issues were not at issue during that time.

The current Nantucket Charter specifically excludes the Airport from the Town Administration. This provision has been in place for many years. However, solutions to the aforementioned issues do not necessarily mandate a change in the Charter. The problems at the Airport were not caused by not knowing what to do or with organizational structure but in enforcement of the proper actions on how to conduct business. As evidenced by FAA funded projects and prior Airport administration, the current operating environment in place works, if processes are adhered to.

Removing political infighting, enforcing financial controls from the Town to the Airport, and improving interdepartmental communication will correct previous deficiencies and have no impact on any regulatory autonomy that the Airport is required to have. The recently signed Memorandum of Understanding on Procurement is an example of a workable and viable initiative.

During the past few years, there have been several financial consultant reports and Audit management letters identifying issues and suggesting recommendations for correction, albeit focused primarily at the Town level and not the Airport. We have reviewed those recommendations and believe many of them to be sound. In addition, a detailed set of operational policies, procedures and rules must be developed and implemented for the Airport. These should be consistent with and not in conflict with existing Town policies and procedures.

Progress has been made in the implementation of recommendations. Some of the corrective initiatives that have been already put in place will go a long way towards preventing future problems and forging coordination. Centralized procurement and transition to the MUNIS financial system will help Airport management ensure reconciliation of accounts and compliance with regulations.

We recommend an audit of the new processes in a few months to gauge their effectiveness and the Town and Airport's compliance with the new procedures.

EXHIBITS

1. Exhibit 1 – Document Inventory List
2. Exhibit 2 – Victor Brandon Contract
3. Exhibit 3 – Memo Regarding Runway 12-30 Resurfacing
4. Exhibit 4 – Daily Inspections form Jacobs Engineering
5. Exhibit 5 – Invoices From Victor Brandon
6. Exhibit 6 – Application to MassDOT
7. Exhibit 7 – Airport Commission Minutes
8. Exhibit 8 – RFP
9. Exhibit 9 – Simanson Proposal
10. Exhibit 10 – Ray Email
11. Exhibit 11 – Peterson Emails
12. Exhibit 12 – Meeting Minutes – December 2006
13. Exhibit 13 – Castle Group Agreement
14. Exhibit 14 – Restaurant Expenses Spreadsheet
15. Exhibit 15 – Proposal from Nantucket Architecture Group
16. Exhibit 16 – Stamped Invoices for Castle Group
17. Exhibit 17 – Warrant A14
18. Exhibit 18 – Notice of Lease Assignment
19. Exhibit 19 – Purchase and Sale of Restaurant Equipment
20. Exhibit 20 – Meeting Minutes – March 2009
21. Exhibit 21 – Meeting Minutes – January 2010
22. Exhibit 22 – Financial Statements of Crosswinds
23. Exhibit 23 – Tenant Rate Schedule
24. Exhibit 24 – Invoices for Purchase of TV and Check Reimbursements
25. Exhibit 25 – Meeting Minutes – February 2005
26. Exhibit 26 – Letter from Foley dated February 22, 2006
27. Exhibit 27 – Meeting Minutes – November 28, 2006 and Letter from Foley Vaughan
28. Exhibit 28 – Peterson Letter
29. Exhibit 29 – Meeting Minutes – May 2004
30. Exhibit 30 – Grant Assurances
31. Exhibit 31 – Email Exchange
32. Exhibit 32 – Executive Session Minutes and Emails
33. Exhibit 33 – Sample Project from Jacobs
34. Exhibit 34 – Management Letters
35. Exhibit 35 – Personnel Spreadsheets
36. Exhibit 36 – Peterson Reimbursement Letters for Tickets
37. Exhibit 37 – Email to Finance
38. Exhibit 38 – Email Exchange

DOCUMENT INVENTORY LIST

Name of Document
1230 Runway Resurfacing Memo from Al Peterson
Contract Amendment Victor Brandon Corporation
Contract Annual Paving 2011-2012 Victor Brandon Corporation
Earle & Sullivan Invoices #460 & #484
MassDot Application for Assistance - Project Title Mill and Inlay for Runway 1230
Jacobs Daily Inspection Reports dates April 12, 13, 14, 15, 16, 19, 20 & 21, 2010
Memo from Al Peterson to Jim Kelly regarding Subcommittee Paving Contracts
Aeronautics Commission Application for Assistance - Project Title Rehab Runway 6 Design Only
Al Peterson's response to issues raised by I&M Article July 21, 2011
Runway 1230 P1
Victor Brandon Corporation Agreement Letter dated February 12, 2010
Victor Brandon and Town of Nantucket Agreement dated July 8, 2008
Victor Brandon Invoice Number 10-9 - Project 2010 Airport Runway
Victor Brandon Invoices Number 10-9; 10-10; and 10-11 - 2010 Airport Runway Project
Waterworks Invoice Number 36289 - hydro seed new runway
Paving Project Payments
Runway Extension
Memo from Al Peterson regarding Subcommittee of Paving Contracts - Dated March 6, 2012
Commission Meeting Minutes - September 4, 1997
Commission Meeting Minutes - September 8, 1998
Commission Meeting Minutes - November 17, 1998
Commission Meeting Minutes - December 15, 1998
Commission Meeting Minutes - December 8, 1998
Commission Meeting Minutes - May 19, 1998
Commission Meeting Executive Session Minutes - December 8, 1998
Commission Meeting Executive Session Minutes - August 13, 1998
Commission Meeting Executive Session Minutes - June 11, 1998
Commission Meeting Minutes - August 13, 1998
Commission Minutes Fuel Farm - May 19, 1998; July 16, 1998; August 13, 1998; and November 17, 1998
Commission Meeting Minutes - February 10, 1999
Commission Meeting Minutes - September 16, 1999
Commission Meeting Minutes - October 12, 1999
Commission Meeting Minutes - November 9, 1999
Commission Meeting Minutes - January 13, 1999

Name of Document
Commission Meeting Minutes - March 3, 1999
Commission Meeting Minutes - August 10, 1999
Commission Meeting Executive Session - July 13, 1999
Commission Special Meeting Minutes August 2, 1999
Commission Workshop - October 28, 1999
Committee Attendance Records
Commission Meeting Minutes - December 21, 1999
Commission Meeting Minutes - June 6, 1999
Commission Meeting Minutes - July 13, 1999
Commission Meeting Minutes Executive Session - December 21, 1999
Commission Meeting Minutes Executive Session - May 6, 1999
Commission Meeting Minutes Executive Session - June 8, 1999
Commission Meeting Minutes Executive Session - January 13, 1999
Follow-Up Notes From Committee Meetings - 1999
Commission Meeting Minutes - February 16, 2000
Commission Meeting Minutes - January 11, 2000
Airport Subcommittee Appointment List
Commission Meeting Minutes - April 24, 2001
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Commission Meeting Minutes - May 15, 2001
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Peterson Aircraft charges March 1, 2009 - October 31, 2011
Al Peterson's Hertz Rental Car Receipt Milwaukee Airport
Peterson American Express July 2011
Al Peterson Expense Report September 28, 2009
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Al Peterson Travel expense vouchers
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Castle Group Agreement
Castle Group Letter Accepting Agreement
Contract between Nantucket Airport & Architectural Design
Executed Lease Nantucket Restaurant Group
Executive Session - January 12, 2010
Expiring 2009 Rent Amount
Health Department email dated September 14, 2007
Mass Dot Payment Voucher Form & Receipts
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Nantucket Architecture Group
Nantucket Airport Contract with Nantucket Architectures
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RFP Restaurant Specifications
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RFQ Ad For Architectural Serv 04
Health Department Food Application
Layout of Restaurant & Equipment
Details & Specs of Restaurant Layout
RFQ Architectural Services Specs 04
Mandatory Restaurant Renovations
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Structures Unlimited Bid
Structures Unlimited Invoice
Barrett Industries Estimate
Toscana Corporation Proposal
Atlantic Aeolus Proposal
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Email from John to Libby & Gregg regarding AG
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Numerous emails
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FY09 Airport Draft Budget
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Bid Response Form Baybutt Construction Corporation
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Sconset Gardner
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Letter from Valley Crest Development re: Price Proposal
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Valley Crest Addendum 1
Valley Crest Design
Valley Crest Design Doc 2
Valley Crest Design Doc 3
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Email from J. Torres regarding airport terminal landscaping addendum
email from Nadja DeAldedia to J. Torres re: Rap Walkways
Email regarding RFP Terminal Landscaping Addendum 2
Email to J. Torres regarding Airport Landscaping

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Landscape Designs RFP
Landscaping RFP Specifications
Nantucket Airport Phase 2 Alternative Plan
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Non Price Proposal Landscape Designs
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David Champoux Phase 1 - Estimate and Phase 1 revisions
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Exhibit C Walkway
Exhibit D building exterior
Exhibit F Landscaping Phase II
Exhibit G Parking Lot Water Lines
Exhibit H Irrigation Layout
Exhibit 1 Phase I Irrigation Source
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2004 Fuel Farm Engineering Phase 2
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Invoices Shop Order Summary 1-11-09 through 12-31-09 Part 1
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ACKMAC Preapplication 09-08-07
ACK MA Grant App
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Apron Lighting
FAA Grant APP
FAA Grant APP
FAA Grant App ARFF
Fed Grant App
Fed Grant App 01-14-11
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MAC Reimbursement Request Number 1 June 2007
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Pam Job Description
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Bond for Cape Building Systems
Agreement between Nantucket Airport & Cape Building Systems
Application for Wood & Sidewalk Shingling
Cape Building Systems Inc Certification of Insurance
Cape Building Systems Invoice & Misc documents
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Operational & Management Review Items
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Records reveal questionable bidding practices at airport
Attorney General to Probe Nantucket Airport Deal 9-6-11
Attorney General Investigation of Airport Reveals Serious Violations
Financial Committee Calls for full audit of airport
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Peterson's Contract Give Him Highest Compensation Package
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Champoux Landscape PO for Clean UP
Mark Norris Nantucket Lawn & Garden Proposal
Request for clean up bids
7-26-06 Signed Manual
2010-2013 Union Contract
Draft Admin Personnel Manual
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2009 ATM AS Voted Article 13
2011 ATM As Voted Article 12

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Article 13 Appropriation Enterprise Funds
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ATM 10 Art 13 Enter Capital
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Mass Dot Fall 2011 Presentation to Nantucket
ACK Runway 33 Scope of Work 05-24-10
Borrowing by Project
June 30, 2011 Capital Project Fund Balance Sheets
June 30, 2012 Capital Project Funds Balance Sheets
Canopy Bid Response
Abrahams Fin Dept Interim 2012
Abrahams Fin Dept interim July 2009
Abrahams Final Report Sept 5th
FAA Draft Report Outline re: Airport 2012
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Castle Group 2-23-07
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Castle Group 5-18-07
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Castle Group Invoices
LTR RE Castle Group & Gary Simonson 1-31-12
FAQ 20 Airport Final
FY 2011 Airport BFS
FY 2011 Nantucket Management Letter
FY 2011 Nantucket SEFA
Nantucket FY2010 MG LTR
Nantucket FY09 Management Letter
2011 Indirect Costs
ACK Section 4 Estimate Detail 3-31-06
ACK Section 4 Estimate Summary 3-31-06
ACK Section 5 Estimate Detail 3-31-06
ACK Section 5 Estimate Summary 3-31-06
Al's Notebook Re: restaurant

Name of Document
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DBE Form
Nantucket Airport \$4.4 million article
Restaurant Rent Schedule
Torres cancelled Check
ACK Section 7 Alt Detail 3-31-06
ACK Section 6 Allowances 3-31-06
ACK Section 7 Alt 1 Detail 3-31-06
ACK Section 7 Alt 1 Summary 3-31-06
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ACK Section 7 ALT 2 summary 3-31-06
ACK Section 7 Alternates Summary 3-31-06
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ACK Airport Invoice Shop Order Summary - 3-1-08 - 10-31-11
Grants Awarded to Nantucket FY 2005 to present
Audit Look at Lists from Desk of Diane O'Neil
Important emails printed by Diana O'Neil
Mass Procurement Procedures
Airport Procurement 10-24-11
SKANSKA & ACK Standard for Agreement
FY 2010 & 2009 Single Audit Airport
2009-2010 Income Statements from Crosswinds
Simanson Financials
Nantucket COI
780 CMR 116 Nantucket Airport
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Crosswind Financials 2011
Torres Electric 2011 Fuel Farm
Torres Electric 2007 Trailers
Torres Electric 2009 Trailers
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Emails ACK - 2
Emails ACK - 3
Emails ACK - 4
Emails ACK - 5
Emails ACK - 5
Hangar Lease
List of Voucher Book Numbers with who used airline tickets
Summary of Law of Conflict of Interest for State Employees
Memorandum of Understanding Airport Procurement 10-24-11
Memorandum of Understanding between ACK Board Selectmen & Town Manager & ACK Airport Commission 9-21-11
Permit Listing Report by Contractors
Aviation Business Journal



Town of Nantucket

EXHIBIT A

CONTRACTOR, SCOPE OF WORK, TERM

1. **Name of Contractor:** Victor-Brandon Corporation
2. **State of Incorporation:** MA
3. **Principal Office Address:** 106 Co-op Wharf, New Bedford, MA 02740
4. **Description of Services (§2.1):**

**ANNUAL CONTRACT FOR
SURFACING, RESURFACING, PATCHING AND FURNISHING
OF ASPHALT ROADWAY PAVING PRODUCTS**

FURNISHING OF ASPHALT ROADWAY PAVING PRODUCTS

The Work under this contract consists of furnishing Class I bituminous concrete paving course Type I-1, per ton in place which may or may not include milling as set forth in the following specifications and per ton picked up at the asphalt plant. The work under this contract also includes patching of potholes furnishing Class I bituminous concrete paving course Type I-1 in place, per square yard. This is the annual paving contract for the Town of Nantucket. The exact number of miles to be paved has not yet been set.

The approximate value of this contract is **\$488,732**

The bid items are as follow:

Class I Bituminous Concrete, Pavement Type I-1 TON IN PLACE Class I Bituminous Concrete, Pavement Type I-1 TON IN PLACE with Milling included

Class I Bituminous Concrete, Pavement Type I-1 PICKED UP AT PLANT

Class I Bituminous Concrete, Pavement Type I-1 PATCH WORK

One contract for each item will be awarded to the most responsive and responsible pre-qualified bidder offering the lowest price for labor and materials combined on a per yard basis for patching work or per ton or basis for all other items listed in the bid price form. The Town may award a contract to up to three responsive and responsible bidders.

The list of streets to be possibly paved within the scope of this contract are:

Surfside Road, to be submitted to Mass Highway and BOS for approval..

Orange Street from Plum lane to Union Street

Meader Street.



ACK Memorandum

To: Nantucket Memorial Airport Commission
CC: J. Torres, J. Marks, T. Smith, Steve Flechia Jacobs
From: Al Peterson
Date: December 23, 2009
Re: Runway 12/30 Resurfacing

I recently had a discussion with Victor P. of Victor Brandon Asphalt about his project to resurface the Milestone Road as a part of the American Recovery Act i.e. stimulus plan. We had earlier worked on a barter deal wherein we allowed them to store the ingredients for the road on some Bunker property in return for them giving us the material they will grind off the road. This material will be used for our perimeter road saving us a very large amount of money.

Vic has partnered with Continental Paving, the company that did the Runway 6/24 overlay, to grind the surface prior to paving. I asked him to give an estimate to do the same with our runway 12/30 that was last paved in 1977. We had earlier discussed this with Jacobs for an estimate when we were working on our CIP plan for the next five years and they gave us a ball park figure to meet FAA requirements that include re-grading the safety areas of 12/30 to meet FAA standards. That will trigger an environmental assessment and most likely some type of mitigation. Their estimate was in the \$2,000,000.00 range.

Vic's estimate for grinding 2" off the runway and repaving using the Town's asphalt contract was \$350,000.00. The runway is 2696' x 50'. There would be some additional cost to survey, test and supervise that would be about \$50,000. Continental will be mobilized on Island saving considerable cost.

If we simply do a cut and pave overlay without the safety area upgrade, it would not be eligible under FAA for 95% funding. However, I spoke with DOT Aeronautics and they are considering it under ASMP which would be an 80/20 split.

I would like to pursue this project since this runway will receive much high use when 15/33 is under construction for the parallel taxiway.



DAILY INSPECTION REPORT

PROJECT TITLE Nantucket Memorial Airport Rehabilitate Runway 12-30	
CONTRACTOR Victor Paving	
DATE 4/12/10	WORK HOURS 7:00AM to 7:00PM
RESIDENT ENGINEER Sean Tiney	

DAY	Su	M	Tu	W	Th	F	Sa
		X					
WEATHER	A.M.			Clear		P.M. Clear	
TEMPERATURE	A.M.			45°		P.M. 45°	
WIND	A.M.			NW 8		P.M. ENE 6	
HUMIDITY	A.M.			86%		P.M. 56%	
REPORT NO.						1	
NUMBER OF CONTRACT DAYS						NA	
NUMBER OF DAYS USED						1	
NUMBER OF DAYS REMAINING						NA	

Contractor & Subcontractors	Supts.	Foreman	Operators	Laborers	Flaggers	Gate Guards	Truck Drivers	Surveyors	TOTAL
Victor Paving	1	1	1	3					6
Keating		1							1
Sealcoat Inc.	1	1		4					6

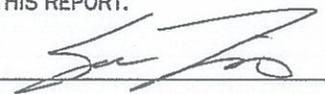
Pavers	Rollers	Trucks	Loaders							TOTAL
		2								2

Item	Description
Crack Repair	Sealcoat Inc. began crack repair on milled surface. Cracks that were wider than 1" or appeared to be full depth received a 12" wide reflective crack prevention fabric. The locations for fabric were marked out by me and the Sealcoat Inc. Supervisor. All other cracks were sealed using a fiber reinforced asphalt crack sealant. 4,576 LF of reflective crack prevention fabric was installed today.

Notes:

1. Kurt from ATC was on site today to check the QC Lab at Victor's plant. He informed me that all of the necessary equipment was in place.
2. I spoke to Victor regarding the required cross slope for the runway. I stated that the finished cross slope needed to be between 1.0% and 1.5%. He said the would adjust the existing cross slope on the first lift to obtain the required slope.
3. Paving Operations are to begin tomorrow at approximately 8:30 AM

TO THE BEST OF MY KNOWLEDGE, THE WORK IS IN CONFORMANCE WITH THE CONTRACT PLANS AND SPECIFICATIONS, UNLESS OTHERWISE SPECIFIED ON THIS REPORT.

SIGNATURE: 

DATE: 5/6/10

DAILY INSPECTION REPORT

PROJECT TITLE Nantucket Memorial Airport Rehabilitate Runway 12-30	
CONTRACTOR Victor Paving	
DATE 4/13/10	WORK HOURS 7:00AM to 6:00PM
RESIDENT ENGINEER Sean Tiney	

DAY	Su	M	Tu	W	Th	F	Sa
			X				
WEATHER				A.M. Clear		P.M. Clear	
TEMPERATURE				A.M. 42°		P.M. 47°	
WIND				A.M. WNW 5		P.M. ENE 9	
HUMIDITY				A.M. 93%		P.M. 56%	
REPORT NO.						2	
NUMBER OF CONTRACT DAYS						NA	
NUMBER OF DAYS USED						2	
NUMBER OF DAYS REMAINING						NA	

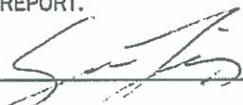
Contractor & Subcontractors	Supts.	Foreman	Operators	Laborers	Flaggers	Gate Guards	Truck Drivers	QC	TOTAL
Victor Paving	1		2	3			4		10
Keating		1	2					2	5
Sealcoat Inc.	1	1		4					6

Pavers	Rollers	Trucks	Loaders							TOTAL
1	3	4								8
										2
		2								2

Item	Description
Crack Repair	Sealcoat Inc. completed crack sealing of milled surface including reflective crack prevention fabric. 850 LF of reflective crack prevention fabric installed today. (Project total 5,426 LF)
Tack Coat	Hudson Liquid Asphalts applied tack coat at a rate of 0.050 Gallons per SY.
Bituminous Concrete Paving	Victor placed 599 tons of bituminous concrete pavement. Completed 1 full 12.5' lane and approx. 1700 LF of the second lane.

Notes:

1. ATC was on site testing compaction using a PQI gage. For detailed compaction information refer to ATC test report.
2. ATC was at plant for QA testing. I was informed that the last 2 samples were out of spec for asphalt content. (High) This will need to be corrected before full production resumes.

TO THE BEST OF MY KNOWLEDGE, THE WORK IS IN CONFORMANCE WITH THE CONTRACT PLANS AND SPECIFICATIONS, UNLESS OTHERWISE SPECIFIED ON THIS REPORT.	
SIGNATURE: 	DATE: 5/6/10



DAILY INSPECTION REPORT

PROJECT TITLE Nantucket Memorial Airport Rehabilitate Runway 12-30	
CONTRACTOR Victor Paving	
DATE 4/14/10	WORK HOURS 7:00AM to 6:00PM
RESIDENT ENGINEER Sean Tiney	

DAY	Su	M	Tu	W	Th	F	Sa
				X			
WEATHER	A.M. Clear		P.M. Clear				
TEMPERATURE	A.M. 39°		P.M. 49°				
WIND	A.M. WSW 6		P.M. WSW 13				
HUMIDITY	A.M. 89%		P.M. 77%				
REPORT NO.						3	
NUMBER OF CONTRACT DAYS						NA	
NUMBER OF DAYS USED						3	
NUMBER OF DAYS REMAINING						NA	

Contractor & Subcontractors	Supts.	Foreman	Operators	Laborers	Flaggers	Gate Guards	Truck Drivers	QC	TOTAL
Victor Paving	1		2	3			4		10
Keating		1	2					1	4

Pavers	Rollers	Trucks	Loaders								TOTAL
1	3	4									8
											2

Item	Description
Bituminous Concrete Paving	Victor placed 253' tons of bituminous concrete pavement. Completed 2 nd lane from which was started on 4/13 and approximately 550' of 3 rd lane. (1 st lift)

- Notes:
- Pavement placement began around 1:00 PM. Victor was troubleshooting at the plant in the morning to correct asphalt content.
 - ATC was at plant for QA testing and on site for compaction testing.
 - The asphalt content was corrected however the gradation was out of spec. Victor will adjust the gradation and ATC test it before resuming production.

TO THE BEST OF MY KNOWLEDGE, THE WORK IS IN CONFORMANCE WITH THE CONTRACT PLANS AND SPECIFICATIONS, UNLESS OTHERWISE SPECIFIED ON THIS REPORT.

SIGNATURE:  DATE: 5/6/10

DAILY INSPECTION REPORT

PROJECT TITLE Nantucket Memorial Airport Rehabilitate Runway 12-30	
CONTRACTOR Victor Paving	
DATE 4/15/10	WORK HOURS 7:00AM to 8:00PM
RESIDENT ENGINEER Sean Tiney	

DAY	Su	M	Tu	W	Th	F	Sa
					X		
WEATHER				A.M. Clear		P.M. Clear	
TEMPERATURE				A.M. 50°		P.M. 42°	
WIND				A.M. WNW 12		P.M. ENE 6	
HUMIDITY				A.M. 54%		P.M. 77%	
REPORT NO.						4	
NUMBER OF CONTRACT DAYS						NA	
NUMBER OF DAYS USED						4	
NUMBER OF DAYS REMAINING						NA	

Contractor & Subcontractors	Supts.	Foreman	Operators	Laborers	Flaggers	Gate Guards	Truck Drivers	QC	TOTAL
Victor Paving	1		2	3			4		10
Keating		1	2					1	4

Pavers	Rollers	Trucks	Loaders								TOTAL
1	3	4									8
											2

Item	Description
Bituminous Concrete Paving	Victor placed 657 tons of bituminous concrete pavement. Completed 3rd lane from which was started on 4/14 and approximately 2500' of 4th lane. (1st lift)

Notes:

1. Pavement placement began around 8:30 AM. Prior to full production the gradation was checked and approved.
2. ATC was at plant for QA testing and on site for compaction testing.

TO THE BEST OF MY KNOWLEDGE, THE WORK IS IN CONFORMANCE WITH THE CONTRACT PLANS AND SPECIFICATIONS, UNLESS OTHERWISE SPECIFIED ON THIS REPORT.	
SIGNATURE: 	DATE: <u>5/6/10</u>



DAILY INSPECTION REPORT

PROJECT TITLE Nantucket Memorial Airport Rehabilitate Runway 12-30	
CONTRACTOR Victor Paving	
DATE 4/16/10	WORK HOURS 7:00AM to 10:00AM
RESIDENT ENGINEER Sean Tiney	

DAY	Su	M	Tu	W	Th	F	Sa
						X	
WEATHER				A.M. Overcast		P.M. Light Rain	
TEMPERATURE				A.M. 41°		P.M. 42°	
WIND				A.M. Calm		P.M. ESE 8	
HUMIDITY				A.M. 82%		P.M. 80%	
REPORT NO.						5	
NUMBER OF CONTRACT DAYS						NA	
NUMBER OF DAYS USED						5	
NUMBER OF DAYS REMAINING						NA	

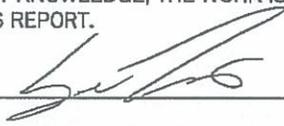
Contractor & Subcontractors	Supts.	Foreman	Operators	Laborers	Flaggers	Gate Guards	Truck Drivers	QC	TOTAL
Victor Paving	1		2	3			4		10
Keating		1	2					1	4

Pavers	Rollers	Trucks	Loaders									TOTAL
1	3	4										8
												2

Item	Description
Bituminous Concrete Paving	Victor placed 140 tons of bituminous concrete pavement. Completed 4 th (final) lane. (1 st lift)

- Notes:
1. ATC was at plant for QA testing and on site for compaction testing.

TO THE BEST OF MY KNOWLEDGE, THE WORK IS IN CONFORMANCE WITH THE CONTRACT PLANS AND SPECIFICATIONS, UNLESS OTHERWISE SPECIFIED ON THIS REPORT.

SIGNATURE:  DATE: 5/6/10



DAILY INSPECTION REPORT

PROJECT TITLE Nantucket Memorial Airport Rehabilitate Runway 12-30	
CONTRACTOR Victor Paving	
DATE 4/19/10	WORK HOURS 7:00AM to 7:00PM
RESIDENT ENGINEER Sean Tiney	

DAY	Su	M X	Tu	W	Th	F	Sa
WEATHER				A.M. Clear	P.M. Clear		
TEMPERATURE				A.M. 43°	P.M. 52°		
WIND				A.M. NNW 12	P.M. W 6		
HUMIDITY				A.M. 82%	P.M. 57%		
REPORT NO.						6	
NUMBER OF CONTRACT DAYS						NA	
NUMBER OF DAYS USED						8	
NUMBER OF DAYS REMAINING						NA	

Contractor & Subcontractors	Supts.	Foreman	Operators	Laborers	Flaggers	Gate Guards	Truck Drivers	QC	TOTAL
Victor Paving	1		2	3			4		10
Keating		1	2					1	4

Pavers	Rollers	Trucks	Loaders									TOTAL
1	3	4										8
												2

Item	Description
Bituminous Concrete Paving	Victor placed 712 tons of bituminous concrete pavement. Completed 1 ½ lanes of 2 nd lift.

- Notes:
1. ATC was at plant for QA testing and on site for compaction testing.

TO THE BEST OF MY KNOWLEDGE, THE WORK IS IN CONFORMANCE WITH THE CONTRACT PLANS AND SPECIFICATIONS, UNLESS OTHERWISE SPECIFIED ON THIS REPORT.	
SIGNATURE:	DATE: 5/6/10

DAILY INSPECTION REPORT

PROJECT TITLE Nantucket Memorial Airport Rehabilitate Runway 12-30	
CONTRACTOR Victor Paving	
DATE 4/20/10	WORK HOURS 7:00AM to 7:00PM
RESIDENT ENGINEER Sean Tiney	

DAY	Su	M	Tu X	W	Th	F	Sa
WEATHER				A.M. Clear	P.M. Clear		
TEMPERATURE				A.M. 49°	P.M. 51°		
WIND				A.M. NW 9	P.M. WSW 13		
HUMIDITY				A.M. 77%	P.M. 74%		
REPORT NO.							7
NUMBER OF CONTRACT DAYS							NA
NUMBER OF DAYS USED							9
NUMBER OF DAYS REMAINING							NA

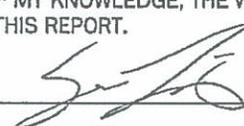
Contractor & Subcontractors	Supts.	Foreman	Operators	Laborers	Flaggers	Gate Guards	Truck Drivers	QC	TOTAL
Victor Paving	1		2	3			4		10
Keating		1	2					1	4

Pavers	Rollers	Trucks	Loaders								TOTAL
1	3	4									8
											2

Item	Description
Bituminous Concrete Paving	Victor placed 590 tons of bituminous concrete pavement. Completed 2 nd lane which was started on 4/19 and all of 3 rd lane. (2 nd lift)

Notes:

1. ATC was at plant for QA testing and on site for compaction testing.

TO THE BEST OF MY KNOWLEDGE, THE WORK IS IN CONFORMANCE WITH THE CONTRACT PLANS AND SPECIFICATIONS, UNLESS OTHERWISE SPECIFIED ON THIS REPORT.	
SIGNATURE: 	DATE: <u>5/6/10</u>

DAILY INSPECTION REPORT

PROJECT TITLE Nantucket Memorial Airport Rehabilitate Runway 12-30	
CONTRACTOR Victor Paving	
DATE 4/21/10	WORK HOURS 7:00AM to 7:00PM
RESIDENT ENGINEER Sean Tiney	

DAY	Su	M	Tu X	W	Th	F	Sa
WEATHER				A.M. Clear	P.M. Clear		
TEMPERATURE				A.M. 51°	P.M. 49°		
WIND				A.M. NW 6	P.M. SSW 6		
HUMIDITY				A.M. 68%	P.M. 90%		
REPORT NO.							8
NUMBER OF CONTRACT DAYS							NA
NUMBER OF DAYS USED							10
NUMBER OF DAYS REMAINING							NA

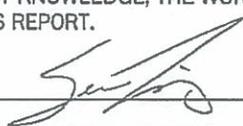
Contractor & Subcontractors	Supts.	Foreman	Operators	Laborers	Flaggers	Gate Guards	Truck Drivers	QC	TOTAL
Victor Paving	1		2	3			4		10
Keating		1	2					1	4
Markings Inc.		1		3					4

Pavers	Rollers	Trucks	Loaders								TOTAL
1	3	4									8
											2
		2									2

Item	Description
Bituminous Concrete Paving	Victor completed bituminous concrete pavement. 454 tons placed today. Project total 3405.5 Tons.
Paint Markings	Markings Inc. laid out new runway markings and began painting.

Notes:

1. Location of threshold bars and centerline were established by airport's survey company.

TO THE BEST OF MY KNOWLEDGE, THE WORK IS IN CONFORMANCE WITH THE CONTRACT PLANS AND SPECIFICATIONS, UNLESS OTHERWISE SPECIFIED ON THIS REPORT.	
SIGNATURE: 	DATE: <u>5/6/10</u>

Invoice

VICTOR - BRANDON CORP.

30 New South Road, Nantucket, MA
 Please Remit to: PO Box 717
 Hudson, MA 01749

Date	Invoice #
4/22/2010	10-9

Bill To
Nantucket Memorial Airport 14 Airport Road Nantucket MA 02554 attn: Tina Smith fax: 508-325-5306

P.O. No.	Terms	Project
	Due on receipt	2010 Airport Runway ...

Quantity	Description	Rate	Amount
3,405.51	tons; milling & leveling course & overlay on Runway 12-30; pavement installed as per Jacob Engineering direction 1.3% slope.	179.00	609,586.29
Thank you for your business.			Total \$609,586.29

4-28-10
ABP

VICTOR - BRANDON CORP.

30 New South Road, Nantucket, MA
 Please Remit to: PO Box 717
 Hudson, MA 01749

Invoice

Date	Invoice #
4/23/2010	10-10

Bill To
Nantucket Memorial Airport 14 Airport Road Nantucket MA 02554 attn: Tina Smith fax: 508-325-5306

P.O. No.	Terms	Project
	Due on receipt	2010 Airport Runway ...

Quantity	Description	Rate	Amount
	Runway 12/30 Nantucket Memorial Airport: Install Runway and taxiway pavement markings as per quotation	0.00	0.00
5,640	square feet white paint	1.00	5,640.00
2,068	square feet yellow paint	1.00	2,068.00
725	square feet black paint	1.00	725.00
	transportation for seal coating operation and pavement markings operation	3,000.00	3,000.00

MAY 05 2010

Thank you for your business.	Total	\$11,433.00
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VICTOR - BRANDON CORP.

30 New South Road, Nantucket, MA
Please Remit to: PO Box 717
Hudson, MA 01749

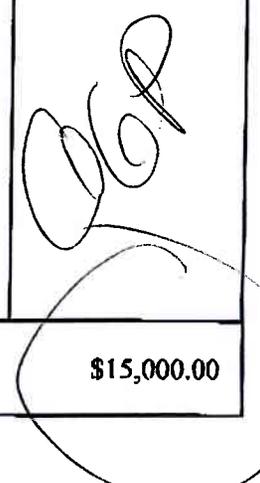
Invoice

Date	Invoice #
4/29/2010	10-11

Bill To
Nantucket Memorial Airport 14 Airport Road Nantucket MA 02554 attn: Tina Smith fax: 508-325-5306

P.O. No.	Terms	Project
	Due on receipt	2010 Airport Runway ...

Quantity	Description	Rate	Amount
	Install Loam & rake shoulders on Runway 12/30: 7 laborers, 1 gradall, 1 triaxle; on 4/26, 4/27 as per agreement	15,000.00	15,000.00
Thank you for your business.		Total	\$15,000.00





DEVAL L. PATRICK, GOVERNOR
 TIMOTHY P. MURRAY, LT. GOVERNOR
 JEFFREY B. MULLAN, SECRETARY & CEO
 CHRISTOPHER WILLENBORG, ADMINISTRATOR

Moving Massachusetts Forward.
massDOT
 Aeronautics

APPLICATION FOR ASSISTANCE

1. DATE SUBMITTED: AIRPORT: Nantucket Memorial
 APPLICATION CONSTRUCTION CITY: Nantucket
 PRE APPLICATION PLANNING PUBLIC PRIVATE
 MASSACHUSETTS AIRPORT SYSTEM PLAN (MASP) AIRPORT RANKING: 2
 AIRPORT CONSULTANT: Jacobs Engineering Group
 CONGRESSIONAL DISTRICT: 10th

2. PROJECT TITLE

Mill and Inlay of Runway 12-30

PROJECT DESCRIPTION

This project would include the rehabilitation of runway pavement for Runway 12-30. Runway 12-30 also serves as Taxiway Charlie between Runway 6-24 and Runway 15-33. The rehabilitation would involve milling out approximately two inches of existing pavement and re-paving approximately two inches of pavement to restore the surface. This runway pavement is over 32 years of age and is in need of rehabilitation. The project would also include restoring the pavement markings and some saw and seal along the limits of work.

3. PROJECT COST BREAKDOWN

	AIP ELIGIBLE	ASMP ELIGIBLE	INELIGIBLE	TOTAL
ENGINEERING		\$35,000.00		\$35,000.00
CONSTRUCTION		\$544,000.00		\$544,000.00
EQUIPMENT				
OTHER				
ADMINISTRATION		\$6,000.00		\$6,000.00
TOTAL PROJECT COST		\$585,000.00		\$585,000.00

4. PROJECT FUNDING BREAKDOWN

	AIP ELIGIBLE	ASMP ELIGIBLE	INELIGIBLE	TOTAL
FAA SHARE				
STATE SHARE (80%)		\$468,000.00		\$468,000.00
LOCAL SHARE (20%)		\$117,000.00		\$117,000.00
TOTAL PROJECT COST		\$585,000.00		\$585,000.00

5. PROJECT SCHEDULE:

START DATE March 2010

COMPLETION DATE June 2010

6. PROJECT COST EXPENDITURE SCHEDULE

YEAR	Fiscal Year	FAA	STATE	LOCAL	TOTAL
2010	2010	\$0.00	\$468,000.00	\$117,000.00	\$585,000.00
TOTALS:		\$0.00	\$468,000.00	\$117,000.00	\$585,000.00



DEVAL L. PATRICK, GOVERNOR
 TIMOTHY P. MURRAY, LT. GOVERNOR
 JEFFREY B. MULLAN, SECRETARY & CEO
 CHRISTOPHER WILLENBORG, ADMINISTRATOR



7. OTHER INFORMATION

- | | | | |
|--|---|-----------------------------|------------------------------|
| IS PROJECT REFLECTED IN STATE CAPITAL IMPROVEMENT PROGRAM (CIP)? | YES <input checked="" type="checkbox"/> | NO <input type="checkbox"/> | N/A <input type="checkbox"/> |
| IS PROJECT REFLECTED IN FEDERAL CAPITAL IMPROVEMENT PROGRAM (CIP)? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| IS PROJECT REFLECTED IN AIRPORT MASTER PLAN (AMP)? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| IS PROJECT REFLECTED IN AIRPORT LAYOUT PLAN (ALP)? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| DOES PROJECT CORRECT INSPECTION DEFICIENCY? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

8. SPONSOR CERTIFICATIONS

- | | | | |
|---|---|-----------------------------|------------------------------|
| 1. SPONSOR WILL COMPLY/HAS COMPLIED WITH THE MASSACHUSETTS GENERAL LAWS FOR THE PROCUREMENT OF GOODS AND SERVICES. | YES <input checked="" type="checkbox"/> | NO <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 2. SPONSOR WILL OBTAIN/HAS OBTAINED ALL ENVIRONMENTAL PERMITS FOR THE PROJECT. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. SPONSOR WILL MEET/HAS MET M/W/DBE REQUIREMENTS FOR THE PROJECT.
ENTER ANTICIPATED % M/W/DBE PARTICIPATION: 7.15% | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. SPONSOR WILL ASSURE/HAS ASSURED THAT ALL NECESSARY SAFETY PRECAUTIONS HAVE BEEN TAKEN FOR CONSTRUCTION ON THE AIRPORT. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. SPONSOR WILL NOTIFY/HAS NOTIFIED ALL AIRPORT USERS OF PROPOSED PROJECT. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. SPONSOR WILL HAVE/DOES HAVE AVAILABLE FUNDS FOR LOCAL SHARE OF PROJECT. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

9. TITLE

SIGNATURE

DATE

AIRPORT CONSULTANT Jacobs

Stephan J. Steubli

4-9-10

AIRPORT MANAGER Al Peterson

Al Peterson

4-13-10

AIRPORT COMMISSION CHAIRMAN E. Foley Vaughan

E. Vaughan

4-14-10

MASSDOT - AERONAUTICS DIVISION MANAGER
OF AVIATION PLANNING Denise Garcia

MASSDOT - AERONAUTICS DIVISION MANAGER
OF AIRPORT ENGINEERING

MASSDOT - AERONAUTICS DIVISION
ADMINISTRATOR Christopher J. Willenborg

10. MASSDOT - AERONAUTICS DIVISION COMMENTS

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+ Aeronautics
mass

Moving Massachusetts PotvtrZ 0

DEVAL L. PATRICK, GOVERNOR

TOVIOTHY P. MURRAY, LT. GOVERNOR JEFFREY B. MULLAN, SECRETARY & CEO CHRISTOPHER WILLENBORG, ADMINISTRATOR

APPLICATION FOR ASSISTANCE

1. DATE SUBMITTED: AIRPORT: Nantucket Memorial

Eg APPLICATION EI CONSTRUCTION CITY: Nantucket

PRE APPLICATION ID PLANNING EI PUBLIC MASSACHUSETTS AIRPORT SYSTEM PLAN (MASP) AIRPORT RANKING: 2

AIRPORT CONSULTANT: Jacobs Engineering Group

CONGRESSIONAL DISTRICT: 10th

2. PROJECT TITLE

Mill and Inlay of Runway 12-30 PROJECT DESCRIPTION

PRIVATE

This project would include the rehabilitation of runway pavement for Runway 12-30. Runway 12-30 also serves as Taxiway Charlie between Runway 6-24 and Runway 15-33. The rehabilitation would involve milling out approximately two inches of existing pavement and re-paving approximately (MI) inches of pavement to restore the surface. This runway pavement is over 32 years of age and is in need of rehabilitation. The project would also include restoring the pavement markings and some saw and seal along the limits of work.

3. PROJECT COST BREAKDOWN AIP ELIGIBLE ASMP ELIGIBLE INELIGIBLE TOTAL

ENGINEERING \$35,000.00 \$35,000.00

CONSTRUCTION \$544,000.00 \$544,000.00 EQUIPMENT

OTHER

ADMINISTRATION \$6,000.00 \$6,000.00

TOTAL PROJECT COST \$585,000.00 \$585,000.00

4. PROJECT FUNDING BREAKDOWN

AIP ELIGIBLE ASMP ELIGIBLE INELIGIBLE TOTAL FAA SHARE

STATE SHARE (80%) \$468,000.00 \$468,000.00

LOCAL SHARE (20%) \$117,000.00 \$117,000.00

TOTAL PROJECT COST

5. PROJECT SCHEDULE: START DATE March 2010

6. PROJECT COST EXPENDITURE SCHEDULE YEAR Fiscal Year FAA

2010 2010 \$585,000.00 \$585,000.00

COMPLETION DATE June 2010

STATE LOCAL TOTAL

\$0.00 \$468,000.00 \$117,000.00 \$585,000.00

TOTALS: \$0.00 \$468,000.00 \$117,000.00 \$585,000.00

1-4PRIMCW? Aeronautics

Moving Massachusetts Forward.

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MaSS

DEVAL L. PATRICK, GOVERNOR

TOVIOTHY P. MURRAY, LT. GOVERNOR JEFFREY B. MULLAN, SECRETARY & CEO CHRISTOPHER WILLENBORG, ADMINISTRATOR

7. OTHER INFORMATION YES NO N/A

IS PROJECT REFLECTED IN STATE CAPITAL IMPROVEMENT PROGRAM (CIP)? EI 0

IS PROJECT REFLECTED IN FEDERAL CAPITAL IMPROVEMENT PROGRAM (CIP)? EI 0 0

IS PROJECT REFLECTED IN AIRPORT MASTER PLAN (AMP)? EI 0 0

IS PROJECT REFLECTED IN AIRPORT LAYOUT PLAN (ALP)? 0 0 0

DOES PROJECT CORRECT INSPECTION DEFICIENCY? EI 0 0

8. SPONSOR CERTIFICATIONS YES NO N/A

1. SPONSOR WILL COMPLY/I-MS-. COMPLIED WITH THE MASSACHUSETTS GENERAL LAWS FOR EI

0

THE PROCUREMENT OF GOODS AND SERVICES.

2. SPONSOR WILL OBTAIN/HAS OBTAINED ALL ENVIRONMENTAL PERMITS FOR THE PROJECT.

0

3. SPONSOR WILL MEET/HAS MET M/W/DBE REQUIREMENTS FOR THE PROJECT. EI

ENTER ANTICIPATED % M/W/DBE PARTICIPATION: 7.15%

4. SPONSOR WILL ASSURE/HAS ASSURED THAT ALL NECESSARY SAFETY PRECAUTIONS HAVE

0

BEEN TAKEN FOR CONSTRUCTION ON THE AIRPORT.

5. SPONSOR WILL NOTIFY/HAS NOTIFIED ALL AIRPORT USERS OF PROPOSED PROJECT. EI 0

EI

6. SPONSOR WILL HAVE/DOES HAVE AVAILABLE FUNDS FOR LOCAL SHARE OF PROJECT. EI DJ

0

9. TITLE SIGNATURE DATE

AIRPORT CONSULTANT Jacobs ,e412124.—*ste.../4, y_9 - t o

AIRPORT MANAGER Al Peterson

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AIRPORT COMMISSION CHAIRMAN E. Foley Vaugba i41. 10

MASSDOT - AERONAUTICS DIVISION MANAGER OF AVIATION PLANNING Denise Garcia

MASSDOT - AERONAUTICS DIVISION MANAGER OF AIRPORT ENGINEERING

MASSDOT - AERONAUTICS DIVISION ADMINISTRATOR Christopher J. Willenborg

10. MASSDOT - AERONAUTICS DIVISION COMMENTS

PANANTUCKET AIRPORTVO09E2X43300 \ 100 Pre-Contract PhasePre-Applications\State_prcapp_ACKrunway 12_30_0326104oc

Town of Nantucket
NANTUCKET MEMORIAL AIRPORT
14 Airport Road
Nantucket Island, Massachusetts 02554

Alfred G. Peterson, Airport Manager
Phone: (508) 325-5300
Fax: (508) 325-5306



Commissioners
E. Foley Vaughan, Chairman
Sheila O'Brien Egan, Vice Chair
Robert Atlee
David C. Gray, Sr.
Dual A. Macintyre, Jr.

NANTUCKET AIRPORT COMMISSION MEETING

April 22, 2010

The meeting was called to order at 5:00 PM by Chairman E. Foley Vaughan with the following Commissioners present: Vice Chair Sheila O'Brien Egan, Dual A. Macintyre, Jr., David C. Gray, Sr., and Robert Atlee.

Also present were Airport Manager Al Peterson, Airfield Supervisor Jeff Marks, Administrative Assistant to the Airport Manager Janine Torres, Finance Director Tina Smith, Environmental Coordinator Jack Wheeler, and Administrative Coordinator Yolanda Taylor.

The Commission Unanimously *M/S/P* approval of the March 23, 2010 minutes.

The Commission Unanimously *M/S/P* approval of the March 23, 2010 Executive minutes.

The Commission Unanimously *M/S/P* approval of the May 5, 2010 Warrant.

Noise Abatement

The Early Morning Noise Compliance award for March was awarded to Nantucket Shuttle.

Theresa Molinski accepted the award on behalf of Nantucket Shuttle.

Mr. Wheeler stated Nantucket Shuttle had 100% compliance and has won the Early Morning Compliance award 7 months in a row. All the other Airlines also achieved higher than the 85% and will receive a 15% reduction in their landing fees.

VOTE to accept three Mass-Dot Grant Offers

The Commission Unanimously *M/S/P* to accept the Grant Offer for \$320,000 for RW 12/30 Mill and Inlay.

The Commission Unanimously *M/S/P* to accept the Grant Offer for \$280,000 for Fuel Farm Fire Suppression Rehab.

The Commission Unanimously *M/S/P* to accept the Grant Offer for \$200,000 for a Motor Grader.

Administration Offices/FBO Project Update

Mr. Peterson reported when the new ARFF building is complete the current ARFF building will be turned into a new FBO and Administration Offices and the flat roof double wide trailer will be removed.

Bill McGuire and Steve Theroux of Nantucket Architecture Group showed the Commission sketches of the new Administration Offices and FBO. The drawings that were shown were HDC drawings and will be brought to the HDC tomorrow to be filed with the approval of the Commission. The drawings have elements of the main terminal building incorporated in them to give the to buildings continuity.

Chairman Vaughan asked what the HDC's main reaction might be. Mr. McGuire responded he doesn't think there will be an issue.

Commissioner Atlee stated he has seen a lot of problems with the folding doors especially with the wind and suggested looking into alternative doors. Mr. Peterson responded the alternative is a sliding door and the Airport will look into it.

The Commission **M/S/P** approval for Nantucket Architecture Group to submit the drawings to the HDC tomorrow.

Terminal Update

Mr. Peterson reported:

- All the leaks have been fixed hopefully for the final time
- The rubber sensors for the garage doors are here and ready to be installed
- Skanska has received an award for the terminal from the Construction Managers Association

ARFF Update

Mr. Peterson reported:

- The panel system is going well, the roof is going on, the walls are almost done, the frame for the overhead doors have been welded in
- The masons have finished the block walls
- The conduit is finished
- The paving is being replaced
- Al is going to the HDC tomorrow about the additional window

Automated Parking Update

Mr. Peterson reported the automated parking system site work was awarded to Kobo as the low bidder. They will start the construction work for the parking system on April 20, 2010. The Automated Parking system will be operational in June. Mr. Peterson stated everything will remain the same, the overnight parking fee will still be \$20 per night, the seasonal, annuals, and monthly's will also remain the same. The system can also be programmed for any specials such as 3 day parking passes. There will be two indoor pay stations. One in the air taxi's arrivals vestibule and one in the summer arrivals vending area.

Tina Smith stated the new automated parking is a great system, the only problem she can see is public awareness and education. Mr. Peterson responded there will be an educational video shown on Plum TV and there will also be a pamphlet.

Advertising Proposal

Mr. Peterson reported he spoke to Luxury Media Partners who have an account with Ferrari/Maserati. The proposal is to put up 4 posters in the areas the Commission had designated acceptable. They would like to put a banner; however, Mr. Peterson has not agreed to a banner. Mr. Peterson stated there are 2 spots in the summer arrivals and 2 spots in the GA area.

Commissioner Macintyre stated he thought the Commission agreed the fence banner would go outside the FBO. Commissioner Macintyre would like to see what the Commission had agreed upon last year.

Vice Chair Egan would like to see the exact location and size in the terminal before a final decision is made. The Commission all agreed. Mr. Peterson will get back in touch with Luxury Media Partners.

Environmental

Mr. Wheeler reported operations through March were down 7.33%. There were 20,757 total operations through the month of March. Enplanements for the month are down 13.51% with 26,423 total enplanements through the end of March. GA Enplanements were 230 for the month of March. Freight through the end of March was 333,376 which is down 2.20% from last year. Noise complaints are down 42.11% from the prior year. There has only been 1 complaint for the month of March.

Operations

Mr. Peterson reported:

- Runway 12/30 has been repaved, the primary painting is done and the Airport is going to do the hold short lines and runway indicators
- The first 2 fuel tanks have been completed. The epoxy on the inside and first coat on the outside. They take 9 days to cure then they will switch tanks and do the remaining 2. The steel order has been placed to replace the steel framework above the tanks with galvanized steel. The fire suppression inspection which was done in 1999 specified black iron pipe and now it is rusting on the inside. There is a proposal with Carlyle Industries to replace the steel.
- Jeff's crew has begun the summer mowing and getting ready for Daffodil weekend

Commissioner Atlee stated the TV in the hold room has not worked for about a month and wanted to know if it could be fixed. Mr. Wheeler responded a Comcast box had to be installed with a remote and he believes someone is trying to change the channel at the TV itself which will then cause it to turn off. Mr. Wheeler will look into the situation.

Public Comment

Fred Holdgate from the FAA Control Tower asked the Commission to reconsider Site 8 as the new location for the Tower. The controllers feel Site 2 will increase their work load. Mr. Holdgate stated when he went to AFTILL the first time, the first outcome was Site 8 as the chosen site and then the Commission had removed Site 8 from the equation. Mr. Holdgate stated he would rather remain in the Tower they are in now rather than build a new tower on Site 2. Chairman Vaughan stated the Commission will reconsider Site 8 and he believes the Commission is waiting for something in writing from FAA headquarters and would like to invite the Tower personnel to attend the next Commission meeting.

Commissioner Macintyre will send the memo that he received from Clifford Williams from the FAA Tower to all the Commissioners.

Vice Chair Egan stated she encourages the FAA personnel to attend the Commission Meetings and give their input.

It was **M/S/P** by the following vote to adjourn into Executive Session to discuss Lease issues, not to reconvene into Regular Session.

Chairman E. Foley Vaughan – Aye
Vice Chair Sheila O'Brien Egan – Aye
Commissioner Dual A. Macintyre, Jr. – Aye
Commissioner David C. Gray, Sr. – Aye
Commissioner Robert Atlee – Aye

Meeting Adjourned at 5:50 PM

Respectfully Submitted,

Yolanda J. Taylor, Recorder

Town of Nantucket
NANTUCKET MEMORIAL AIRPORT
14 Airport Road
Nantucket Island, Massachusetts 02554

Alfred G. Peterson, Airport Manager
Phone: (508) 325-5300
Fax: (508) 325-5306



Commissioners
E. Foley Vaughan, Chairman
Sheila O'Brien Egan, Vice Chair
Robert Atlee
David C. Gray, Sr.
Dual A. Macintyre, Jr.

NANTUCKET AIRPORT COMMISSION MEETING

May 11, 2010

The meeting was called to order at 5:00 PM by Chairman E. Foley Vaughan with the following Commissioners present: Robert J. Atlee, Dual A. Macintyre, Jr., and David C. Gray, Sr. Vice Chair Sheila O'Brien Egan was present via teleconference.

Also present were Airport Manager Al Peterson, Airfield Supervisor Jeff Marks, Finance Director Tina Smith and Administrative Assistant to the Airport Manager Janine Torres.

The Commission Unanimously *M/S/P* approval of the April 22, 2010 open session minutes.

The Commission Unanimously *M/S/P* approval of the May 19, 2010 Warrant.

Noise Abatement

Nantucket Shuttle was announced as the Noise Incentive Award winner for April.

Mr. Peterson reported it was the 7th consecutive win for the Shuttle. Mr. Peterson added all the airlines met the 85% compliance mark and will receive a 15% rebate of their April landing fees. As the winner, Nantucket Shuttle will also receive \$500 in coupons to be used at either Crosswinds Restaurant or Nantucket Airport Gifts.

Revised Mass DOT – Aeronautics Grant

Mr. Peterson explained the cost of resurfacing Runway 12/30 was more than expected therefore we had successfully applied for additional State funding of \$148,000. The Commission *M/S/P* to accept the revised State Grant in the amount of \$468,000 for the Mill and Inlay of Runway 12/30.

ATCT Update

Mr. Peterson reported the Sub-Committee met with the some of the Tower personnel to discuss their opposition to Site 2 in the Bunker area. Mr. Peterson reminded the Commission they voted at their January meeting to withdraw Site 8 (South of the restaurant), from consideration as well as approve Site 2 as the preferred site.

Chairman Vaughan began canvassing the Commissioners. Commissioner Atlee announced he favors Site 2 noting the FAA has provided substantial analysis and building on Site 8 reduces the area to grow into if needed in the future, as well as contain a high hazard during construction.

Commission Macintyre explained he also favors Site 2 agreeing on the potential for expansion. He added the tower personnel's concerns over Site 2 are valid but not insurmountable.

Mr. Peterson reported \$3 million in funding has been lost due to a passed deadline; however, \$5.8 million of Congressional money has no deadline, but will not be enough for the project.

Chairman Vaughan said he was disturbed by concerns by the tower personnel and would like to revisit the subject once he has time to review all the data received to date.

Mr. Peterson interjected the FAA has done a very thorough three-year study and they do not share the concerns of the tower personnel.

Vice Chair Egan requests Mr. Peterson find out if the \$5.8 million can be used to renovate the existing tower. Mr. Peterson reported he has begun checking into this and although the wording of the late Senator Kennedy's legislation quotes "new" tower, the legislators are willing to work with us.

The Commission tabled the subject until their next meeting.

Administrative Offices/FBO Project Update

Mr. Peterson reported the preliminary design Nantucket Architecture Group presented at the last meeting has been altered somewhat after the estimated cost of construction figures came in. The revised plans were being presented to the HDC tonight.

Mr. Peterson explained he is exploring managing the construction portion of the project ourselves and trying to procure local participation. This might be difficult because the cost of the project will require sub-bidders to be DCAM qualified and not many local contractors are. One option being looked into is using current ARFF Clerk of the Works Paul Letendre as the general contractor (GC). He holds a GC license. Hiring Paul could eliminate the 15% markup normally imposed by a GC on the trade contracts.

Commissioner Gray asked whether the GC would also have to be DCAM certified. Mr. Peterson didn't think so because he was not a trade, but would find out. He has checked with legal who confirmed we could work the project this way. Commissioner Gray pointed out several island contractors have a GC license. Chairman Vaughan agreed the more work we can keep on the island, the better.

Commissioner Macintyre asked what the target price is. Mr. Peterson reported \$2 Million and further explained the original Capital item listing was \$1.5 million so this would have to be adjusted.

ARFF Update

Mr. Peterson gave a brief report on the progress on construction which is on schedule. Commissioner Gray asked if the same fire proofing material used in the terminal project was being used in this project. Mr. Peterson responded very little, if any, because this building is mostly concrete block and metal panels.

Automated Parking Update

Mr. Peterson reported the site work is completed and the equipment is being delivered this Thursday. Tina Smith has been installing data onto the server. June 21st has been chosen as a start date. An educational flyer has been produced and will appear as an insert in this week's Inquirer & Mirror. Once the gates and the pay stations are installed, Plum TV will produce a video demonstrating the system. The video will run three times a day on Plum. Chairman Vaughan suggests also adding the video to the media screen in the air taxi arrivals area.

Advertising Proposal Update

Luxury Media Partners confirmed Maserati agreed to the sub committee's recommendations of a shorter banner and no higher than the split rail fence. A contract is being forwarded.

Save our Sound Discussion

Mr. Peterson explained the Commission had agreed some years back to oppose the location of the Cape Wind proposal for a wind farm in Nantucket Sound; and, recent correspondence had raised some concern with Commissioner Gray who wasn't on the Commission when the subject first appeared.

Chairman Vaughan asked if we had the minutes from original vote available tonight, but they were not brought to the meeting. Mr. Peterson recollected the airport opposed the location due to safety, aviation obstruction, search and rescue efforts and possible radar interference. Mr. Peterson added the FAA has yet to make a final determination on the radar issue.

Commissioner Gray explained his concern was correspondence from Save our Sound asking us to be listed threatening litigation. Although the correspondence noted there would be no cost to the airport, he was concerned there may be some financial responsibility down the road.

Chairman Vaughan reassured Commissioner Gray the airport would not willingly participate in any litigation as a plaintiff or a defendant without a vote of the Commission.

Commissioner Gray wanted to go on record that he does not oppose the project but understands the concern over the location.

Chairman Vaughan would like to discuss this at the next meeting with the text of the last vote in front of them to re-vote if necessary.

Sun Island Road Maintenance

Sun Island Delivery has sent a letter to the residents/users of Sun Island Road to participate in the cost of repaving the private road.

Vice Chair Egan excused herself from the discussion.

After brief discussion the Commission agreed to Mr. Peterson's recommendation of a \$5,000 contribution to the cost incurred by Sun Island Delivery.

Environmental Report

Mr. Peterson reported operations for the year are down 7.39%; but reports our fuel gallons sold are up 7.5% over last year.

Discussion moved to indications that general aviation activity seems to be increasing nationwide but more so in aviation tax free states like Massachusetts.

Commissioner Macintyre asked if there was information regarding the implementation of Passenger Facility Charges (Passenger Facility Charge). Mr. Peterson responded he believed the PFC were not being implemented until July 1st and surprisingly hasn't caused much upset amongst the airlines.

Commissioner Macintyre asked if the enplanement numbers were in for Daffodil Weekend. Mr. Peterson responded he believed they were better than last year but did not have them with him.

Mr. Peterson reported noise complaints were down 57% versus the base year and down 36% versus last year.

Operations

Mr. Peterson reported:

- RW 12/30 paving project came out very well. Commissioner Gray pointed out the painting is nice and bright
- Landscaping plan for the Annex site was brought to HDC. They are opposing any build-up of the lot, the Gazebo was too big and too close to the fence. A revised plan was being presented to the HDC tonight.

- The FAA Runway Safety team will be coming to the island June 8th and 9th. A pilots meeting will be held the night of June 8th in the SRE.
- A tentative design proposal has been received for RW 15/33 project and is being compared to the Independent Cost Analysis. Also received a draft of the Memorandum of Understanding from the FAA for moving some of the runway lights for the project.
- Fuel tanks 2 and 3 are now being sandblasted and painted. Tanks 1 and 4 are already completed. The galvanized steel for the fuel farm structure and fire suppression system has been ordered and the work will be done by the end of June.
- Summer staff is arriving and work is nearing completion on the Thompson House.

Public Comment

Fred Holdgate from the control tower expressed his desire for the Commission to reconsider Site 8. Mr. Holdgate said having the tower on Site 2 would increase their workload on an already stress filled job. When asked by Commissioner Gray, Mr. Holdgate explained it would increase their work load by having to turn more than 100 degrees to see traffic approaching RW 30 while still observing traffic from RW 24 direction.

Having no other public comments Chairman Vaughan announced the Commission would go into executive session to discuss Real Estate, not to come back into regular session. Chairman Vaughan asked for a written exposition going forward for all executive sessions to comply with the revised Open Meeting Law going into effect July 1st.

At 5:40 PM, the following roll call vote was made to adjourn into executive session:

Chairman E. Foley Vaughan – Aye
Vice Chair Sheila O'Brien Egan – Aye
Commissioner Robert J. Atlee – Aye
Commissioner David C. Gray, Sr – Aye
Commissioner Dual A. Macintyre, Jr – Aye

Respectfully Submitted,

Janine M. Torres, Recorder

SPECIFICATIONS

For
Requests for Proposals (RFP) – Airport Restaurant

A. BACKGROUND INFORMATION

The Nantucket Memorial Airport (“Airport”) is owned by the Town of Nantucket and operated by the Nantucket Airport Commission (“Commission”). The Airport is the second busiest Primary, Commercial Airport in the Commonwealth. Nantucket Memorial Airport is located on an island, 30 miles out to sea.

The Restaurant enjoys a good reputation and is a favorite spot for pilots to gather as well as the traveling public. Because of convenient parking and popular pricing, the general community also favors the Restaurant. The Commission is offering a ten-year lease for a quality restaurant operation. The Commission, in its sole discretion, reserves the right to negotiate an extension of the contract beyond the original ten years.

Bidder should also be aware that there may be a terminal renovation project taking place during the next decade. During that time, there will be disruption of service and eventual relocation. The successful Proposer should be prepared to provide a temporary food and beverage service during this period. The Commission reserves the right to terminate the lease, with notice, at the time of the renovation.

B. DESCRIPTION OF PREMISES

The Airport Restaurant is located at the south end of the main terminal. The space consists of approximately 2,109 square feet on the first floor and approximately 156 square feet of basement storage space. If needed, additional off-Airport storage is to be secured by successful Proposer.

C. GENERAL INFORMATION/REQUIREMENTS

- The successful Lessee must be involved in the day-to-day management and operation of the restaurant.
- Lessee must have prior experience in the management of a restaurant, similar to that required to run an airport restaurant. Please include any degrees or certifications obtained.
- It is essential that the Lessee recognize the importance of cooperation between the operation of the restaurant and services required for the traveling public, i.e. airline announcements and baggage space within the premises. Also, required will be the cooperation in the smooth operation of the Airport and delivery of supplies to the restaurant.
- Lessor will supply heat and water. Electric service will be in the name of the Lessee.
- A security deposit of 10% of the annual rent will be required at award of lease.
- The successful Lessee will be required to pay as additional rent that sum by which 3% of gross exceeds the annual rent, payable by 3/1 of the following year.
- The rent will be adjusted annually, based upon the Consumer Price Index, Washington (CPI-W), or successor agency, for the preceding year.

D. MINIMUM REQUIREMENTS

- Hours of Operation: The restaurant shall be open 365 days per year, unless otherwise negotiated or terminated due to terminal renovation.
 - Summer - May through October: 6 a.m. to 9 p.m.
 - Winter - November through April: 6 a.m. to 7 p.m.

- Upon approval of the Airport Commission, hours should be posted in a conspicuous place and maintained.
- An easily accessible take-out area is to be provided at all times.
- The premises must be kept in a sanitary condition, including storerooms.
- Lessee must provide an effective pest-control service on a regular basis, or at least once a month.
- Lessee must adhere and meet all local and state sanitary regulations.
- Lessee will supply all equipment and furnishings.
- Coffee shall be made available at all times.
- All employees shall be in clean uniforms.
- The successful Lessee must apply and obtain a full liquor license and liquor liability insurance must be maintained.
- Lessee shall maintain \$1,000,000 general liability insurance and \$1,000,000 liquor liability insurance. These policies must name Nantucket Airport, additional insured.
- All local licenses and permits are the responsibility of the Lessee. A current copy of each is to be provided to the Airport Manager's office.
- Lessee will not be permitted to offer live or canned entertainment without prior written approval by the Airport Commission, which entertainment must not interfere with airline announcements.
- All refuse from the operation of the restaurant must be removed from the Airport daily, at the Lessee's expense.

E. EVALUATION CRITERIA

Each Response shall include a cover letter, which, at a minimum, identifies the official name of the firm, organization or individual under which the eventual lease will be made and is signed by the person duly authorized to legally bind the entity submitting the Response. Each Response shall include three references, including name, address and telephone number.

Each response should include and will be evaluated on all the elements listed below.

- | | |
|---|-----|
| ➤ Prior restaurant management experience/references | 40% |
| ➤ Improvements proposed for the lease space. | 20% |
| ➤ Additional services offered to the customers | 15% |
| ➤ Best price for lease area, no less than \$45.00 psf | 10% |
| ➤ Sample menu, including prices | 10% |
| ➤ Certified Disadvantaged Business Enterprise | 5% |

Evaluation Criteria Formula

Each ranking factor will be rated 1 – 10, 10 being the highest value and scored as shown below:

$$\frac{\text{Rating for this item}}{\text{Highest rating for this item}} \times \text{percentage factor shown for the item listed}$$

For instance, based on the information provided, a Proposal was rated 8 for Prior restaurant management experience/references . . . another Proposal received the highest rating for this item, a 9. The item would be scored:

$$\frac{8}{9} \quad X \quad 15\% \quad = \quad 13.333$$

Scores will be added to a maximum score of 100.

F. RFP INFORMATION

Request for Proposals are due in the Airport Manager's office by 2:00 p.m., September 15, 2006. If submitting RFP by mail, envelope must be plainly marked **RFP for Restaurant Lease** and mailed to:

Al Peterson
Nantucket Memorial Airport
14 Airport Road
Nantucket, MA 02554

Please be aware that overnight mail delivery of bids cannot be guaranteed by carriers because of weather factors associated with offshore location.

The Airport will not consider any Proposals received after the deadline date and time noted above.

The Airport reserves the right, consistent with Massachusetts law, to accept any Proposal, to reject any or all Proposals, to modify or amend with the consent of the Proposer any Proposal prior to acceptance, to waive any informality, or to effect any agreement otherwise, all as the Airport, in its judgment, may deem to be in the best interest of the Airport.

The contents of the proposals will be kept confidential until the evaluation process is completed.

Town of Nantucket
NANTUCKET MEMORIAL AIRPORT
14 Airport Road
Nantucket Island, Massachusetts 02554

Alfred G. Peterson, Airport Manager
Phone: (508) 325-5300
Fax: (508) 325-5306



Commissioners
E. Foley Vaughan, Chairman
Sheila O'Brien Egan, Vice Chair
Carl D. England, Jr.
Peter Hull
Dual A. Macintyre, Jr.

October 18, 2006

Mr. Gary A. Simanson, Managing Director
First Capital Group, LLC
75 Union Street
Nantucket, MA 02554

Dear Gary,

Thank you for submitting the proposal for the Restaurant at the Nantucket Memorial Airport Terminal.

It is with pleasure that I advise you that the Airport Commission voted on October 17, 2006 to award your group the future lease to run the restaurant. Congratulations!

I think we should have a preliminary meeting prior to the lease being drawn up so that we can compare notes and arrive at a transition plan. As you know Bill Hutchinson has requested that he end his efforts with the restaurant around the end of this year. Depending on your plans we will coordinate around that goal with the objective of making the change-over as smooth as possible.

Please call me when you can meet. I will be out Monday through Wednesday and back on Thursday and Friday next week.

Very truly yours,

A. G. Peterson

Proposal for the Leasing and Operation of the Nantucket Airport Restaurant
September 15, 2006

– A Strategy to Keep Things Simple in Uncertain Times–

Applicant Background Information:

Nantucket Restaurant Group, L.L.C.
57 Union Street
Nantucket, Massachusetts 02554
508.325.0696

Our Team:

Linda Peterson, Food Service and Dining Room Manager	508.423.5984
Richard A. Bailey, Executive Chef	508.325.0696
Gary A. Simanson, Managing Director	508.325.0696

See Accompanying Resumes

Please address all Inquiries to:

Gary A. Simanson, Managing Director
First Capital Group, L.L.C.
75 Union Street
Nantucket, Massachusetts 02554
508.325.0696
202.431.0507 cellular

Proposal:

Nantucket Restaurant Group, L.L.C. (“NRG”), hereby proposes to lease from the Airport Commission (the “Airport Commission”) the Nantucket Airport Restaurant space (the “Premises”) currently operating under the “Hutches” name (the “Restaurant”), for a term of ten years, at a rental rate of \$50.50 per square foot, subject to CPI-W adjustment plus 3% of gross proceeds if in excess of that amount. Further, NRG proposes to pay to the Airport Commission \$100,000 at time of lease execution toward the rental of the premises (\$10,000 of which shall be held as security deposit by the Airport Commission towards the performance of NRG in meeting its leasing obligations, and \$90,000 of which shall be maintained by the Airport Commission in an offsetting account and applied on a monthly basis towards the first year’s rental payments until such funds are fully depleted).

Given that the Airport will be undergoing a major renovation in the near future, NRG proposes to operate the restaurant under a bifurcated strategy. This strategy addresses the pre-Airport Renovation period, during the Airport Renovation Period, and the post-Airport Renovation period.

Pre-Airport Renovation Period:

Initially, NRG will seek to operate the Restaurant with few, but significant, changes. The initial and immediate changes would be with respect to the Restaurant's general appearance (provide new paint, ceiling tiles, art work, window treatments, carpeting and either a deep clean of the existing FF&E or replacement thereof. Plus, the addition of a full-bar area, with an expanded wine list, an enhanced takeout/to go area offering fresh locally and onsite prepared items, and a 24-hour a day free coffee and free computer and internet site; and the enhancement of the quality of the food ingredients making up the menu items—converting it from its current pre-processed cooking format to fresher ingredients and more on-site from scratch cooking and baking, while maintaining the general list of items currently available (the initial changes would be in the preparation of and quality of the ingredients in the items and not necessarily in the named item itself, such as fresh homemade soups, baked goods, ice cream, fresh and local vegetables and fruits, etc., and enhanced meat grade, as opposed to the current utilization of Cisco supplied pre-cooked, processed or baked items. See attached sample menu with comments.

The goal would be to utilize the existing operation as much as possible in order to limit the disruption to the customer and the Airport and concentrate on designing, in close consultation with the Airport Commission, the new Restaurant facility, theme and menu as part of the over all Airport Renovations..

The hours of operation for the Restaurant would be expanded to the Kitchen being open to 10 pm and free coffee with freshly made to-go items available 24 hours a day.

New Services/Special Offering to be Offered Immediately:

1. Daily pre-fixed, set priced Commuter Meal Packs in both a snack size and meal size, ready to go for in-flight eating.
2. A Worker "Lunch Pail" Coupon Program, offering daily, fresh, pre-made to go lunches for the on-island and commuter work force at a reduced price.
3. Expanded wine menu to enhance evening dining experience.
4. Broad variety of daily specials catering to not only the commuter, tourist and local tastes, but also to the tastes of the seasonal help.
5. Free coffee, computer and printer use and internet access 24-hours a day-365 days a year.
6. Enhanced quality and meal catering to Private Flights serviced by the Airport.
7. Addition of small adjacent Nantucket Picket Short-Fenced outside sitting, eating and table area.

Mandatory Operating Procedures:

1. All employees will be subject to mandatory drug testing and criminal background checks.
2. Fully implemented "food safe" program.
3. Fully implemented "TIPS" program.
4. All employees will be uniformed.
5. NRG is fully prepared to satisfy all other conditions as set-forth in the Request-for Proposal.

During-Airport Renovation:

If necessary, NRG is prepared to supply an on-site mobile food service platform for use at the Airport during the renovation period. The specifics of such service would be predetermined in close consultation with the Airport Commission depending on the scope and length of time of the renovation.

Post-Airport Renovation:

NRG has employed the services of David Wiley, Island Architecture for design work, and proposes to work closely with the Airport Commission on an appropriate architectural and interior design to be incorporated into the Airport Renovation. NRG will work closely with the Airport Commission on establishing a theme for the new Restaurant compatible with serving the needs of the commuter, local worker and tourist population, while stressing food quality, freshness and value. The overall goal would be to not only highlight the uniqueness of Nantucket by offering local produce, seafood and baked goods with a complimentary eating environment, but also making the Airport Restaurant a destination restaurant location offering approachable food at a reasonable price.

See accompanying resumes with respect to food service and references

Respectfully Submitted

Nantucket Restaurant Group, L.L.C.



Gary A. Simanson, Managing Director

Linda Ann Peterson-Muise

**6B Cow Pond Lane,
P.O. Box 61,
Nantucket, MA,
02554
(508) 423-5984
lindaack61@comcast.net**

Objective: To advance restaurant quality and comfort for the clientele of Nantucket residents, commuter workers, and its traveled visitors

Purpose: To manage and uphold a successful restaurant by providing excellent guest service to customers, meeting and greeting customers, maintaining a neat appearance with myself, employees, as well as the restaurant, and working in a fast paced environment where safety standards are met

Experience:

Nantucket Public Schools, Nantucket, Massachusetts

April 2005 to present

Food Service Director

Key Accomplishments

- Department Head of the Wellness Policy Committee that requires students to maintain proper nutritional goals and values which was mandated by President George W. Bush on June 30, 2004
- Maintain a safe environment for employees of the kitchen, students, faculty, and other customers
- Praised highly with reference to food menu and quality
- Received a Certificate of Merit for valuable contribution to Nantucket Public Schools

Management/Administration

- Accountable for budgeting, cost control, payroll, profit and loss, and general accounting at a local, district, and state level
- Accounts receivable and payable on a daily basis
- Customer billing and accounts by maintaining and updating a P.O.S. system
- Orchestrates recipe/menu development based on the well being of guests
- Estimate food and beverage costs to purchase inventory
- Investigated and resolved food/beverage quality and service complaints, ensuring customer satisfaction for repeated business
- Created new business through community involvement and active public relations programs
- Answer phone calls and/or emails on a regular basis to continue outstanding service for Nantucket Public Schools

Supervision/Training

- Recruited, hired, supervised, scheduled, and motivated a staff of 12 employees in two separate kitchens
- Trained service staff to enhance proper nutrition through suggestive selling
- ServSafe Certification

Community Leadership

- Nantucket Advocate for Children Award 2005
- Nantucket High School newspaper, Veritas, "Staff Member of the Month" Nov. 2005
- Provide nutrition for Nantucket residents in State Emergencies
- Continually written in local newspapers, "Inquirer & Mirror" and "Nantucket Independent"

Nantucket Public Schools, Nantucket, Massachusetts
September 1996 to April 2005
Supervisor of the Nantucket High School Cafeteria

Responsibilities included but not limited to: managed a staff of eight full time employees, accounted for all monies received through the P.O.S. system, time management and appropriate portions for nutritional values of students and faculty, precise inventory content and ordering, proper rotation of food and beverages, problem solver, maintaining a neat appearance with myself, and work in a fast paced environment where safety standards are met and supported

Nantucket Public Schools, Nantucket, Massachusetts
October 1991 to September 1996
Kitchen Employee of Nantucket High School Cafeteria

Responsibilities included but not limited to: time management and appropriate portions for nutritional values of students and faculty, maintaining a neat appearance with myself, and work in a fast paced environment where safety standards are met and supported

Hutch's, Nantucket, Massachusetts
2004 to present
Assistant Manager / Server
1995 to 2004
Server

Responsibilities include but not limited to: supervise a working crew of at least nine, setting up starting banks for register, checking stock levels, minor ordering, providing guest service to customers, meeting and greeting customers, maintaining a neat appearance with myself as well as the restaurant, and working in a fast paced environment where safety standards are met

Capt' Tobey's, Nantucket, Massachusetts
1976 to 1989 Summer Seasons
Server

Responsibilities include but not limited to: providing guest service to customers, meeting and greeting customers, maintaining a neat appearance with myself as well as the restaurant, and working in a fast paced environment where safety standards are met

Colony Hotel, Palm Beach, Florida
1977 to 1981 Winter Season
Captain of the Dining Main Room
1976 to 1977 Winter Season
Server

Responsibilities include but not limited to: providing guest service to customers, meeting and greeting customers, maintaining a neat appearance with myself as well as the restaurant, and working in a fast paced environment where safety standards are met

Education: Nantucket High School, Nantucket, Massachusetts

Personal References:

William Hutchinson, owner of Hutch's Restaurant, 508-228-5550
Alan Myers, Superintendent of Nantucket Public Schools, 508-846-3691
Richard Valero, owner of Valero & Sons Nursery, 508-228-2397
E.J. Harvey, owner of The Seagrille and co-owner of The Brotherhood of Thieves, 508-325-2649

RICHARD A. BAILEY, CEC
57 Union Street
Nantucket, Massachusetts 02554

RESTAURANT OBJECTIVE

To operate a high profile restaurant that stresses food quality, freshness, and value, while highlighting not only the uniqueness of Nantucket by offering local produce, seafood and baked goods, but also the Nantucket Airport as a destination restaurant location offering approachable food at a reasonable price to both the airport commuter and the local working and tourist population; and where my experience and culinary talents can be utilized for both community and personal growth. All food preparation would be from "scratch cooking" relying on fresh ingredients when available. All deserts, including ice cream, and baked goods items would be homemade or of local bakery origin.

Special offerings:

1. Daily Pre-fixed, set priced Commuter meal packs in both a snack size and meal size, ready to go for in flight eating.
2. A Worker "Lunch Pail" Coupon Program, offering daily pre-made lunches for the on-island and commuter work force at a reduced price.
3. Free Coffee with any restaurant purchase and fresh coffee available 24 hours a day.
4. Expanded Wine menu.
5. Broad Variety of Specials catering to not only the commuter, tourist and local tastes, but also to the tastes of the seasonal help.

EMPLOYMENT

EXECUTIVE CHEF
The Club at Cordillera

November 2000-2006
Edwards, Colorado

Controlled and ran four kitchens on property while leading a crew of 4 Sous chefs and 25 cooks. Produced, cost-out and executed menus for all venues. Led the staff on numerous member events throughout the year including golf tournament dinners, holiday party banquets and private meals at members' homes. Introduced Guest-Member-Chef and Cooking classes to the membership. Launched a program for the Club's General Store for purchase of assorted fresh meats and seafood.

EXECUTIVE CHEF
Lakewood Country Club

November 1996-October 2000
Dallas, Texas

Responsible for the planning and production of all daily food service and special functions, purchasing and rotation of all products, supervision of all kitchen staff, labor and food cost. Was in charge of 26 full time employees and a seasonal staff of 40. Orchestrated breakfast, lunch, and dinner service six days a week with a Sunday Champagne Brunch, food service for five banquet rooms, one formal dining room, a

Mixed Grill, full-service swimming pool, Men's locker room and Ladies' locker room.

EXECUTIVE CHEF
Sushi Ran

May 1995 – November 1996
Sausalito, California

Opened a Pacific Rim cuisine kitchen. Hired, trained and scheduled a staff of 12. Built relationships with vendors through ordering and inventory control. This four-star restaurant was voted "Best Top 10 in the Bay Area" in 1996.

EXECUTIVE CHEF
Marin Country Club

April 1993-May 1995
Novato, California

Was held accountable for training and scheduling 16 employees, ran à la carte and banquet menu composition, and planned weddings and parties for as many as 300 guests.

CALIFORNIA SPECIALIST
Stiengenburger, Maximillian

April 1992-April 1993
Bad Griesbach, Germany

Traveled to Germany with Executive Chef, Charles Saunders to open and train staff at this Californian Cuisine Restaurant. Was in charge of existing staff to keep quality and consistency above standards.

SOUS CHEF
Fountain Grove Country Club

March 1991-April 1992
Santa Rosa, California

Worked daily at the sauté station and was responsible for generating evening specials and directing an evening crew of 6 employees. Assisted the Executive Chef with food cost and menu development.

LEAD LINE COOK
1990
Sonoma Mission Inn and Spa

October 1983-August
Sonoma, California

At this four-star wine country resort held the position of lead line cook. Assisted Executive and Sous chefs. Worked in various kitchens in the resort including The Grille, the Café and the banquet facilities. Responsible for preparation of soup, sauces, stocks and butchering of meats and seafood. Helped prepare special functions such as the Sonoma County Wine Auction and the Harvest Festival.

EDUCATION

Sonoma Valley High School, Graduated 1985
Certified Executive Chef: Sanitation, Nutrition, Management Certification 1999

AWARDS AND HONORS

- 2000 Certification for Executive Chef
- 1999 Share Our Strength, Guest Chef Cooking Class
- 1999 American Chef Federation, Gold Medal One Pot Cookery
- 1998 Peoples Choice, Taste of Elegance Pork Competition
- 1998 American Chef Federation, Gold Medal, Seafood Extravaganza
- 1997 American Chef Federation, Gold Medal, Sysco Food Show
- 1995 '96 Masters of California Cuisine Team, Mark Hopkins Hotel
- 1992 Santa Rosa Junior College Seafood Cuisine Instructor
- 1990 '91 Helping Hand Volunteer
- 1998 Earthquake Relief Team
- 1986-90 Sonoma Valley Wine Auction

Member of the Texas Chef Association, 1997-2000

Member of the American C

GARY A. SIMANSON has served as our President, Chief Executive and Financial Officer and Director since our inception in April 2005. Mr. Simanson has been Managing Director of First Capital Group, L.L.C., an investment banking advisory firm specializing in bank mergers and acquisitions from March 1997 to the present. In such capacity, Mr. Simanson has both initiated and advised on bank merger and acquisition transactions around the country and has spoken nationally on bank mergers and acquisitions. In addition to serving as managing director of First Capital Group, Mr. Simanson also served as Senior Vice President concentrating in bank mergers and acquisitions and capital markets with FTN Financial Capital Markets, a wholly owned investment banking and financial services subsidiary of First Horizon National Corporation (NYSE: FHS) from 1998 to 1999. From 1992 to 1995, Mr. Simanson was an Associate General Counsel at Union Planters Corporation, then a NYSE-traded bank holding company (presently part of Regions Financial Corporation (NYSE: RF)), where his duties included the negotiation and preparation of all bank merger and acquisition transaction documents, due diligence, regulatory filings, registration statements and other securities filings and other bank regulatory matters. From 1989 to 1992 he was a practicing attorney, specializing in the securities, bank regulatory and bank merger and acquisition areas. Mr. Simanson received a Bachelor of Arts degree majoring in economics from George Washington University in 1981, writing his thesis on the Monetary Control Act of 1980; Masters of Business Administration majoring in finance from George Washington University in 1984; and a Juris Doctor from Vanderbilt University in 1989, writing his thesis on money laundering and the Bank Secrecy Act. Mr. Simanson is licensed to practice law in the states of New York, Tennessee and Colorado.

SAMPLE INITIAL MENU ITEMS

* 10% price increase to cover cost of Fresh, local and organic ingredients

Breakfast

SERVED ALL DAY!

Eye Openers

Organic Columbo Yogurt	.....	\$1.95
Fresh Fruit Cup	.....	\$2.50
Fresh Grapefruit Sections	.....	\$2.50
Hot Quaker Oatmeal - with brown sugar and raisins, if desired	.....	\$2.95
Kellogg's Cold Cereals	.....	\$2.50
Fresh Juice - Orange, Grapefruit, Cranberry, Pineapple, Tomato, Apple	.....	\$1.25 / \$1.75

Breakfast Specialties

All American* - 2 eggs, any style, with ham, bacon, or sausage, toast & jelly, and hot coffee or tea	.....	\$5.50
Corned Beef Hash & Eggs* - Our hearty hash with 2 eggs, any style, toast & jelly, and hot coffee or tea	.....	\$6.25
One Hander* - A toasted english muffin, one fried egg, cheese, and your choice of ham, bacon, or sausage on a bagel	.....	\$5.00
<i>Also Available Over pick up to Go</i>		
The Topper* - One egg, any style, atop 2 Buttermilk Pancakes	.....	\$4.50
Steak & Eggs* - A char broiled 5oz. ^{Filet} steak, with 2 eggs, any style, toast & jelly, and hot coffee or tea	.....	\$8.95
Eggs Benedict		
Eggs Florentine		

From the Grill

Wild Blueberry Pancakes	.....	\$5.50 (3) \$4.50 (2)
Milk Chocolate Chip Pancakes	.....	\$4.95 (3) \$3.95 (2)
Buttermilk Pancakes	.....	\$4.50 (3) \$3.50 (2)
Our Special French Toast	.....	\$6.50 (3) \$4.50 (2)
Omelets* - Make Your Own!	.....	\$4.00 + price of fillings
cheese (american, cheddar, swiss) \$1.50	linguica	\$1.50
meats (bacon, sausage, ham) \$1.25	corned beef hash	\$2.00
vegetables (onions, peppers, tomatoes, mushrooms, spinach) \$.50		
Veggie Omelet* - onions, peppers, mushrooms, tomatoes, & cheese	.....	\$6.25
Western Omelet* - ham, onions, & peppers	.....	\$6.00
One Egg* - any style, with toast and jelly	.....	\$2.95
Two Eggs* - any style, with toast and jelly	.....	\$3.50
Egg Beaters - scrambled, with toast and jelly	.....	\$4.50

Side Orders

Bacon, Ham, or Sausage	.....	\$2.25	Corned Beef Hash ^{Homemade} or Turkey Hash	.....	\$2.95
Linguica	.....	\$2.50	Breakfast Potatoes	.....	\$1.95

Toast and Pastries

Bagel - toasted, with butter and jelly (for cream cheese add \$.75)	.....	\$1.75	Danish Pastry ^{Fresh Baked}	.....	\$1.25
English Muffin	.....	\$1.25	Donuts - plain, powdered, or butter crunch	.....	\$1.75
Portugese Muffin	.....	\$1.95	Muffins - blueberry, corn, banana nut, or lemon poppy seed	.....	\$1.25
Raisin Toast	.....	\$1.25	Toast & Jelly - white, wheat, rye, pumpkinseed, or portugese	.....	\$ .95

FREE

HIGH SPEED INTERNET ACCESS AVAILABLE! Ask a server for assistance.

* Price Increase 10%

For Smaller

Appetites:

Fried Mozzarella

Sticks \$5.95

with marinara sauce

Chicken Tenders

\$6.95

with sweet and sour, BBQ, or honey mustard sauce

Popcorn Chicken

~~\$6.95~~

Debits

with sweet & sour sauce

Grilled Cheese

\$3.50

with potato chips

All Beef Hot Dog

\$3.50

char-broiled and served with chips

Hamburger* \$4.50

with potato chips. Add cheese for another \$.50.

Turkey Burger*

\$4.95

lean and delicious, served with chips

One Slice French

Toast \$3.50

One Pancake \$2.50

One Scrambled Egg*

\$2.95

with choice of toppings

Bagel \$1.75

toasted, with butter and jelly, or cream cheese spread

P.B.&J. \$2.95

with potato chips

Fried Fish Sandwich

\$4.95

Small French Fries

\$1.95

Small Onion Rings

\$2.50

HOMEMADE Vanilla Ice Cream

(one scoop) \$1.50 ^{1.75}

Pudding of the Day

\$2.50 ^{Homemade}

with whipped cream

Add: Spaghetti w/ Fresh Tomatoes
w/ meat Balls
w/ Alfredo

Add: Lobster Roll
Fish Tacos

* Cold Seafood Plate to Go. - Seasonal Pricing

Homemade Lobster Bisque - Seasonal pricing

10% Increase

Homemade

Starters and Light Bites

Nantucket Clam Chowder - thick and creamy, made right here	\$3.95/4.95
Homemade Soup of the Day - see our specials board	\$2.95/3.95
Spicy Chili	\$4.50/5.50
Jalapeno Bites - with cooling sour cream	\$5.95
Fried Mozzarella Sticks - with marinara sauce	\$5.95
Chicken Tenders - with bbq, honey dijon, or sweet & sour sauce	\$6.95
Thriller Chicken Wings - with creamy blue cheese dressing and crunchy celery and carrot sticks	\$5.95
Garden Salad - with choice of dressing	\$3.95
Popcorn Chicken - with sweet & sour sauce	\$6.95
Deep Fried Calamari - tender baby squid, tentacles and all, with marinara dipping sauce	\$7.95

Our Famous Burgers, and more!

Mega Burger* - a massive 8oz. burger, served with fries. With cheese: add \$.50	\$6.50
Jumbo Burger* - a hearty 6oz. burger, served with fries. With cheese add \$.50	\$5.50
World Famous Hutch Burger* - Don't Ask! Comes with potato chips	\$6.95
Turkey Burger* - lean and delicious, served with chips	\$4.95
Veggie Burger - the original Garden Burger! Comes with chips	\$4.95
Franks and Beans - with homemade corn bread	\$6.95
Steak Sandwich* - char-broiled 5oz. ^{5oz} steak with fries	\$8.95
Shaved Steak Sandwich - with sauteed onions, cheese, and potato chips	\$6.95
Broiled Chicken Breast Sandwich - with lettuce, tomato, and fries	\$6.95
B.C.B. Chicken Sandwich - broiled chicken breast with bacon, cheddar cheese, and barbecue sauce, served with fries	\$10.95

Philly Cheese

Lobster Roll

Fish Taco

Toppings FREE Except for cheese and Bacon

Cheese \$.50 Bacon \$1.50, Lettuce \$.30, Tomatoes \$.50, Onions \$.30, Pickles \$.30, Sauerkraut \$.30, Cranberry Sauce \$.75, Russian dressing \$.75, Chili \$2.00, Gravy \$1.00, Dipping Sauces \$1.00

Sandwiches

Fried Fish Deluxe - with lettuce, cheese, ... and tartar sauce	\$5.95	Hot Turkey - with mashed potatoes and gravy	\$6.95
Reuben - your choice of corned beef or turkey, with sauerkraut, swiss, and russian dressing on rye	\$6.95	Hot Pastrami	\$5.95
Grilled Ham & Cheese	\$4.75	Ham & Cheese - with mayo	\$4.50
Turkey - with mayo	\$4.95	Grilled Cheese	\$3.50
Tuna Salad - with lettuce and mayo	\$4.50	B.L.T. - with mayo	\$3.95
Tuna Melt - open faced and yummy!	\$5.50	Chicken Salad - with lettuce and mayo	\$5.95
		Egg Salad - with lettuce and mayo	\$3.95
		Fried Chicken Patty	\$4.50

Side Orders

Beer Battered Onion Rings	\$3.95
Spicy Curly Fries	\$3.95
French Fries - (with cheese: add \$1.00, with gravy: add \$1.00, with chili: add \$2.00)	\$2.95
Creamy Cole Slaw	\$2.50

* CONSUMER ADVISORY: Consuming certain raw or partially cooked foods increases your risk of foodborne illness

10% Price Increase

Club Sandwiches

Turkey Club	\$6.95
Cheesburger Club*	\$6.95
Hatch's Favorite Club - turkey, ham, bacon, lettuce, tomato, & russian dressing	\$7.95

Fresh Fish of Day

Entrees

Shrimp Scampi - rich, delicate shrimp, sauteed in garlic butter	\$12.95
Broiled North Atlantic Scrod - flaky scrod cod, lemon butter & bread crumbs - simply delicious	\$12.95
Fried Chicken - Tender chicken, touched with honey, deep fried	\$10.95
Turkey Tips* - Pan-seared, in a mustard-white wine cream sauce	\$12.95
Broiled Chicken Breast* - marinated, char-broiled, then topped with pesto, b.b.q. or teriyaki sauce	\$12.95
Sirloin Tips* - Succulent sauteed marinated sirloin, in a port cream sauce	\$7.95
Broiled T-Bone Steak* - a full 12oz. of world famous t-bone, char-broiled to your liking	\$14.95
Broiled New York Strip Steak* - a hearty 12oz. steak, char-broiled to perfection	\$14.95
meat loaf Ground Steak Dinner* - 8oz. of chopped steak, smothered in our special gravy	\$9.95
Country Fried Steak - tender breaded beef, lightly fried -- a country classic	\$9.95
Liver & Onion* - grilled beef liver, piled high with sweet sauteed onions	\$14.95
Broiled Pork Chops* - two juicy center cut chops, served with apple sauce	\$12.95
Broiled Lamb Chop - on the bone	\$14.95
Seafood Pasta - a medley of tender seafoods, blended with a rich alfredo sauce, served over linguine	\$13.95

Fresh Pasta of Day Entrees come with your choice of potato, rice, or pasta and the chef's choice of vegetable

Baby Greens

Salads - local produce

Crisp Garden Salad - fresh veggies and your choice of dressing	\$3.95
Chef Salad - piled high with sliced ham, turkey, and swiss cheese	\$10.95
Chicken Caesar Salad - broiled chicken breast, leaf lettuce, croutons, and a zesty caesar dressing	\$8.95
Cold Salad Plates - top your garden salad with egg, tuna, or chicken salad	\$6.50, \$7.00 and \$8.50
Combo Salad Platter - egg, tuna, and chicken salads, plus cole slaw	\$10.95

Homemade

Desserts - All Homemade

Freshly Baked Pies - ask your server for today's selection	\$2.95
Double Chocolate Cake - rich chocolate cake with deep, dark chocolate icing	\$3.95
New York Style Cheesecake - smooth, rich, and packed with calories	\$3.95
Double Layer Carrot Cake - with cream cheese frosting - none finer	\$3.95
Vanilla Ice Cream - simple and delicious	\$3.00
Padding of the Day - with whipped cream	\$2.50

Beverages

Capacino and Espresso \$2.50

Hot Coffee, Tea, or Chocolate	\$0.95	Iced Tea or Iced Coffee	\$1.25
Soda - Pepsi, Diet Pepsi, Sierra Mist, Mug Root	\$1.25	Milk - one pint	\$1.75
Beer, Schweppes, Ginger Ale	\$1.25	Chocolate Milk - one pint	\$1.95
Juice - Orange, grapefruit, cranberry, pineapple, to nate	\$1.25	Odwalla Juices	\$3.60

Any Item Available To Go! Call Ahead For Speedy Service: 508-228-5550

All sales subject to Massachusetts 5% Meals Tax

FREE COFFEE

Fresh Squeezed

Fountain

COCKTAILS

We have a full bar! Relax with your favorite cocktail before, during, or after your meal!

BEERS

Budweiser	\$3.50
Bud Light	\$3.50
Amstel Light	\$3.95
Sam Adams Lager	\$3.95
Best Ale	\$3.95
Burgund's Day Pale Ale	\$3.95
Odon's (N.A.)	\$3.50

..... <i>Cornona</i> .....	.....
Coors Light	\$3.50
Sam Adams Light	\$3.95
Heineken	\$3.95
Otter Creek Copper Ale	\$3.95
Otter Creek Stovepipe Porter	\$3.95
Sam Adams Triple Bock	\$3.95
<i>Seasonal Beer</i>	

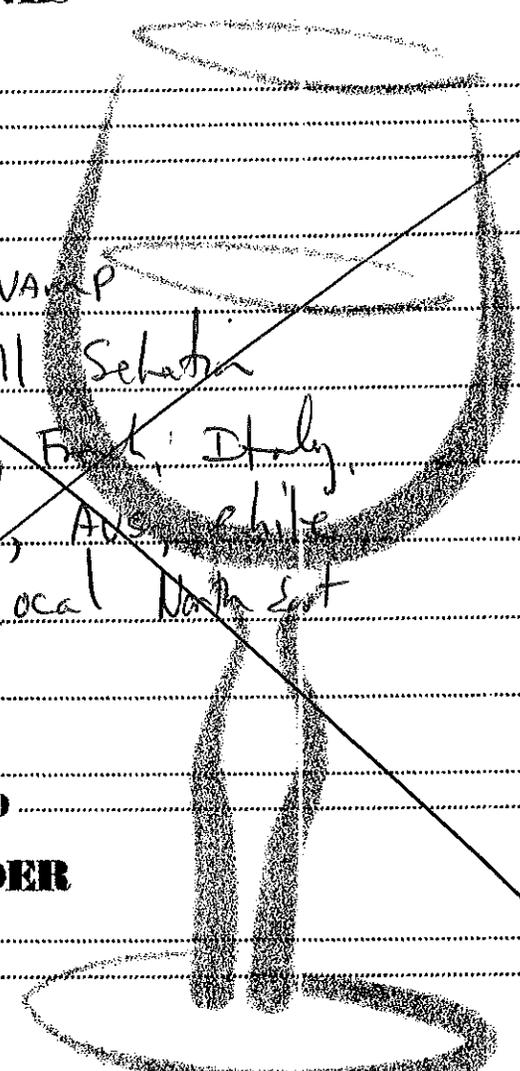
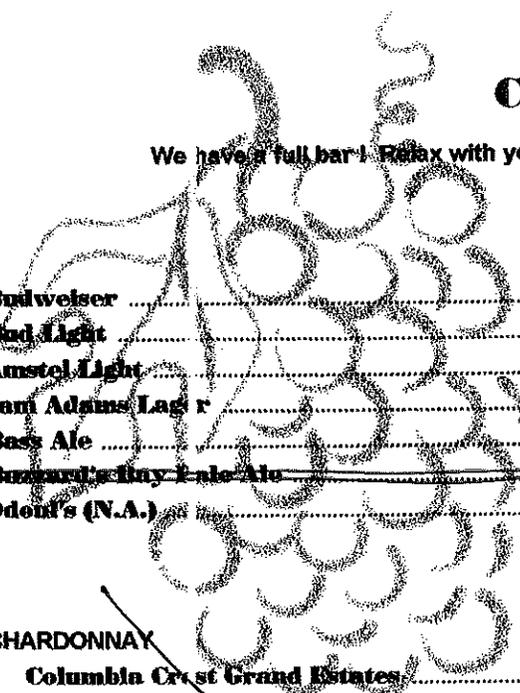
WINES

CHARDONNAY	
Columbia Crest Grand Estates	\$9.00
Gallo of Sonoma	\$7.00
Burlwood Cellars	\$5.00
SAUVIGNON BLAIC	
Arbor Crest	\$3.50
PINOT GRIGIO	
Ecco Domani Delle Venezie	\$6.50
CABERNET SAUVIGNON	
Gallo of Sonoma	\$6.50
PINOT NOIR	
Fred Brother's Reserve (Russian River)	\$7.50
MERLOT	
Canyon Road	\$5.50
ZINFANDEL	
Rancho Zafra	\$6.50
WHITE ZINFANDEL	
C. K. Mondavi	\$3.00
SPARKLING	
Freixenet Cordon Negro	\$5.00
Domaine Chandon Blanc de Noirs (750 ml bottle)	\$25.00

CIDER

Cider Jack Hard Cider	\$3.95
Cider Jack Raspberry Hard Cider	\$3.95

CHUCK OUR CHALKBOARD FOR WEEKLY MICRO-BREW SELECTIONS!



REVAAP
Full Sebastian
US, France, Italy
NZ, AUS, Chile
local North East

F

Al Peterson

From: Richard Ray [rray@nantucket-MA.gov]
Sent: Friday, September 14, 2007 8:33 AM
To: apeterson@nantucketairport.com
Cc: Libby Gibson
Subject: mandated renovations at food service establishment

The Nantucket Health Department has been requested to provide the basis for the code compliancy work performed at the food service establishment at the airport.

Prior to any renovations taking place at the food service establishment located at Nantucket Memorial Airport, the Nantucket Health Department was asked to do a walk thru of the existing food service with the potential owners. At that time, the individuals were notified that the only changes that would be required by the Health Dept. for reopening and re-licensure were repair/replacement of the floor, walls, and ceiling in the back storage room and the replacement of the conventional home refrigeration/freezer units with units that were NSF (National Sanitation Foundation) approved. Subsequent to this directive, the potential owners decided to completely renovate the food service establishment which had to be re-constructed to meet current health, building, electrical, and plumbing codes (Federal Food Code as adopted by Massachusetts Department of Food and Drugs – 1999; section 8-1 CODE APPLICABILITY) . As such, this decision was the catalyst for code compliant remediation.

Richard Ray
Director
Nantucket Health Department

From: Gary A. Simanson [mailto:gsimanson@1stcapitalgroup.com]
Sent: Monday, December 18, 2006 11:28 AM
To: 'Al Peterson'
Subject: Lease Addendum
Importance: High

Addendum to Lease Agreement Dated January 1, 2007
Lessee: Nantucket Restaurant Group, L.L.C.
Lessor: Nantucket Memorial Airport Commission

In consideration of the Mutual covenants and agreements as set forth in the Lease Agreement, Lessor and Lessee further agree as follows:

Lessor agrees to provide Lessee with restaurant ready (excepting all restaurant equipment, furniture and fixtures to be supplied by Lessee) space which meets all health, fire and public safety codes necessary to operate such space under its intended use as a restaurant and any expenditures or improvements made by Lessee, with the prior approval or consent of Lessor, to satisfy such codes, shall be credited against all rents due under the lease. Such improvements may include, plumbing, ventilation, electrical, floor drains, and such other items as directed by the Lessor or any governmental authority having jurisdiction over such items.

No rent shall be due by Lessee under the terms of the lease until such time as the space has been certified by the proper government authorities to meet all code requirements as set forth above, excepting the final installation of all equipment, furniture and fixtures to be supplied by Lessee.

Lessee and Lessor shall each use their respective best efforts to seek the completion of all items set forth above in a timely manner.

Dated as of January 1, 2007

By: _____

Gary A. Simanson, Managing Director
Chairman

By:

E. Foley Vaughn,

-----Original Message-----

From: Al Peterson [mailto:apeterson@nantucketairport.com]

Sent: Monday, December 18, 2006 3:57 PM

To: 'Gary A. Simanson'

Cc: jtorres@nantucketairport.com; acklaw.foley@verizon.net

Subject: RE: Lease Addendum

Gary,

We met with Art Crowley from the Health Dept. and addressed the back room. He indicated that the reason for the floor drain was Richard's thought of moving the dish washing into that room. If it is used for storage and non water related activities there is no drain required. We can redo the walls and floor.

Would you please send us a sketch of what you have planned so that we can show them and pin down the moving targets. They seem to be understanding but he was concerned about what actually will take place vs. what is there now. If it stays pretty much as is-we can fix the back room and get you going in about a week.

Thanks.

Al

From: Gary A. Simanson [mailto:gsimanson@1stcapitalgroup.com]

Sent: Tuesday, December 19, 2006 8:02 PM

To: 'Al Peterson'

Subject: RE: Lease Addendum

Al, please call me to discuss. It is my understanding that floor drains need to be put in both the kitchen area and the back room by code. We have to move the dishwasher to the back in order to have a proper sanitary prep area in the front where the dishwasher is currently located and also so the customers don't sit and watch the dishes being washed when we extend the counter across. I believe by code Art also said that a drain has to be put in the immediate cooking area so that there is proper drainage for spills and washing the floors. If he is willing to waive this and also the use of Hutch's refrigerators for three months then it sounds like we could open within a week or so. If we can not use Hutch's refrigerators because they violate code then we could not open because we have to wait until the walk-in is installed. The walk in was required because currently there are not proper refrigeration units or really the room for proper refrigeration in the current configuration. I will try and fax you a rough diagram of how we intend use the space. It is basically keeping the kitchen arrangement the same except for moving the dishwasher, putting a bar in the area currently occupied by Hutch's office and extending the lunch counter all the way across the kitchen area and installing the walk in where I showed you. You can reach me the next two weeks at 202.431.0507. Thanks, Gary

From: Al Peterson [mailto:apeterson@nantucketairport.com]
Sent: Wednesday, December 20, 2006 3:46 PM
To: 'Gary A. Simanson'
Cc: jtorres@nantucketairport.com; acklaw.foley@verizon.net
Subject: RE: Lease Addendum

Gary,

As I understand it. The only issue is if you want to move the dish washing into the back room. That will require a drain that we can address. Art indicated he would not require a drain in the cooking area. We recognize the need to handle the back room once the residential refrigeration is out. Therefore, we would assume the close to be minimal and you should be operational fairly quickly.

However, our frustration is who is making the calls and who is the contact person. A drawing is essential, word of mouth on concepts is not a satisfactory way to interpret what is going on.

I need a firm commitment on your part of what is transpiring or else I think it best if we begin the process anew. Would you give me a point of contact and someone who we can coordinate on the project and an anticipated start date assuming we can handle the back room finish and drain.

Thanks.

Al Peterson

Town of Nantucket
NANTUCKET MEMORIAL AIRPORT
 14 Airport Road
 Nantucket Island, Massachusetts 02554

Alfred G. Peterson, Airport Manager
 Phone: (508) 325-5300
 Fax: (508) 325-5306



Commissioners
 E. Foley Vaughan, Chairman
 Sheila O'Brien Egan, Vice Chair
 Carl D. England, Jr.
 Peter Hull
 Dual A. Macintyre, Jr.

AIRPORT COMMISSION MEETING
 Monday, December 18, 2006

The meeting was called to order at 5:00 PM by Chairman E. Foley Vaughan with the following commissioners present: Vice Chair Sheila O'Brien Egan, Dual A. Macintyre Jr., Carl D. England, and Peter Hull.

Also present were Airport Manager Al Peterson, Airfield Supervisor Jeff Marks, Administrative Assistant to the Airport Manager Janine Torres, Finance Director Tina Smith, Environmental Coordinator Jack Wheeler, and Administrative Coordinator Yolanda Maxwell.

The Commission unanimously *M/S/P* approval of the minutes from November 14, 2006 Commission Meeting with a few typographical errors to be fixed as stated by Commissioner Macintyre.

Terminal

Mr. Peterson gave a brief recap of the special Commission meeting held on December 15 in which it was announced the \$12 million in State funding was in jeopardy. Massachusetts Aeronautics Commission (MAC) recommended pursuing the funding again with the new administration beginning in January. Mr. Peterson continued by saying that Governor Elect Patrick has not yet appointed a Transportation Secretary but has appointed the new Secretary of Administration and Finance, Leslie Kirwan, the ex-CFO for Massport, who is reputed to be a very effective administrator. Jane Garvey served on the governor's transition team as the head of the Transportation Department. Dan Wolf also served on the transition team and from that experience, does not think the funding is dead.

Vice Chair Egan suggested the press release associated with December 15th meeting be sent to the Cape Cod Times, Boston Globe and Boston Herald.

Chairman Vaughan explained the Commission's commitment over the next three months to work with the new administration including the possibility of hiring a lobbyist, possibly Jane Garvey, to assist.

Mr. Peterson stressed how not spending our FAA capital funds can hurt receiving any future discretionary funds. Chairman Vaughan, along with Mr. Peterson, hopes to be able to explain the three month situation to the FAA so that funding will not be in jeopardy. A meeting will hopefully take place in January.

Vice Chair Egan asked if Commissioner Macintyre was moving forward with the priority list discussed in the previous meeting. Commissioner Macintyre will be working with Commissioner Hull to hopefully have a rough draft for the January meeting.

Finance

Capitol items:

\$4 million spending authority for engineering and permitting for the fuel pipeline. We have already gone to the Capitol Committee with this and they have no problem but it still has to go before the Fin-Com. Capitol Committee works with Fin-Com and they might have some more questions. We have met with VHB and the Selectmen and discussed meeting with Irving Oil in Nova Scotia to see how the facility works and to also meet with their financial people to see if what VHB is telling us is accurate and feasible for us and to see if they want to be one of our suppliers.

Parking lot: we put in \$500,000 to redo the parking lot to an automatic system. It would be a gate operation with a two hour limit for people going to the restaurant. There would be pay stations one inside and one outside you would get a token and when you put it in the machine it would tell you how much money you owe. You would have fifteen to twenty minutes to pay for your parking. Mr. Peterson will look into how well the system works with companies that have them in place.

Airfreight building rehab: we are waiting for Frank Balaster to get back to us with a price. We can buy a steel building to replace the one that is there and that will cost about \$18.00 a foot.

The rest of the budget is for airfield equipment. The big item there is 900 megahertz radios. We need around 30. The Town is going to 900 megahertz radios so therefore we need to update our radios. It is up for discussion whether the Sheriff will help us with any of the money. The ops truck is just a replacement of an aged truck we also have a gas tug that needs to be replaced.

Total budget is going to be a little more than it was last year. It was around 13 million last year. We are also dropping our estimated fuel from last year. Last year it was estimated at 1 million 8 gallons this year we are dropping it down to 1million 5 gallons.

We have projected our rental on land to include 8 additional acres 4 of which are the old asphalt plant lot and 4 in the Delta property.

Union negotiations are coming up in January. The contract they have know runs out in June of 2007.

Our Law Enforcement Officer costs us over \$300,000.00 to keep the police at the airport. We get back about \$79,000.00. This agreement goes back post 911 with TSA. Since we are know at a level orange TSA requires an armed officer at any secured flight departure. Mr. Peterson is writing George Nacarra to request a bigger reimbursement.

The Commission unanimously **M/S/P** approval of the 2007 budget pending any suggestions or changes Peter Hull might have.

The Commission unanimously **M/S/P** approval of the 2007 Rates and Fees with the addition of "minimum \$500" added to Social Functions.

Bunker RFP

Due to an error in the RFP advertisement, the deadline for proposals is being extended to January 19th.

Bulk Fuel Project

We put in our capitol budget \$4 million for this project and we will see how the visit goes to Irving with the sub-committee in January.

Environmental Report

Operations through November are up 9.4% above last year. Enplanements through November are up 8%. Noise complaints are up 3 % above last year. We have had 10 noise complaints in November.

Commission Macintyre asked about early morning compliance expressing concerns over the airlines that are not complying and perhaps offer financial incentives to those that do. Commissioner Macintyre will present some ideas at the next meeting. Mr. Wheeler to have report up to date for next meeting.

Operations

Mr. Peterson reported as he understands it there will be no 2007 federal budget. He was told they will probably work on a continuing resolution which basically means appropriations from month to month. Unfortunately, our tower was to be included in the 07 budget. The good news is the 2008 budget will be a democratic budget which means Senator Kennedy can assist with tower funding.

Jeff's guys are getting ready for winter. They are also working on installing a drain on Bunker Rd across from Electric Company. The ARFF building is going to be worked on. It needs a standby generator in case of an emergency.

Mr. Peterson and Jeff Marks met with the health inspector Art Crowley to address issues with the current restaurant space. They also met with Gary Simanson the new restaurant tenant to discuss the new codes and talk about whose responsibility it is to bring the restaurant up to code. Mr. Peterson feels it is our responsibility to give them a space that is ready to go. Hutch will close on December 24, 2006 and Mr. Simanson will take over the 1st of the year. There may be some time in which Mr. Simanson will want some rent reduced due to the fact that the restaurant will be none operational due to the work that needs to be done. Mr. Peterson said we will work on that with him.

It was **M/S/P** to adjourn to executive session and not to reconvene in regular session by the following vote.

Chairman, E. Foley Vaughan – Aye
Vice Chairman, Sheila O'Brien Egan – Aye
Commissioner, Dual A. Macintyre Jr. – Aye
Commissioner, Carl D. England, Jr. – Aye
Commissioner, Peter Hull – Aye

Meeting Adjourned at 5:45 PM.

Respectfully Submitted,

Yolanda J. Maxwell, Recorder

THE CASTLE GROUP

77 B Bartlett Road
Nantucket, MA 02554
Tel. No. 508 685 2682
Fax. No. 508 325 8861

AGREEMENT

To:
Al Peterson – Airport Manager
Nantucket Restaurant Group
Nantucket Airport
Nantucket, MA 02554

January 2, 2007

Attention Al (Nantucket Airport) and Gary (Nantucket Restaurant Group):

This letter is to state that the Castle Group agrees to do the renovation and addition of the Hutch's Restaurant wing of the airport building for the airport terminal project.

The work charged to the airport will be all work needed to bring the restaurant up to code according the general building code. Also included will be the provision of construction labor and materials for the addition. Any exterior renovation needed will be determined during the course of construction.

Nantucket Restaurant Group (Gary) will be responsible for payment on upgrades of the interior of the restaurant as per his desires.

All carpentry work will be charged at \$50/\$55/\$60 per man hour.

A general contractors fee of 15% will be charged on all subcontractors and materials, as is normal.

Thank you,

Christopher Skehel

	Reis Tkg	Fire Alarm	Fire Suppression	Sprinkler Sys	Excavation Ground work	Masonry	Exterior Framing	Roofing & sidewalls	Falmouth SheetMetal	Materials	Plumbing/gas
deposit											
Falmouth Sheet Metal									8,748.00		
Falmouth Sheet Metal									5,604.00		
Town of Nantucket											
Nantucket Architecture Group											
The Castle Group	3,446.68	12,466.59	3,547.46	11,110.00	5,000.00	4,500.00				9,362.31	13,432.00
The Castle Group	4,810.54				4,000.00	5,840.00	32,490.00			4,431.18	
The Castle Group (to G. Simanson)											
The Castle Group				5,750.00	2,405.00		54,985.00	19,262.50		23,064.78	
The Castle Group	2,537.68	13,199.49				45,555.26	20,600.00	13,050.00		15,816.79	
The Castle Group (to G. Simanson)											
The Castle Group	5,139.92				2,322.50	50,863.05		6,000.00	3,060.00		
The Castle Group (to G. Simanson)						36,500.00			11,835.00	773.01	
The Castle Group	4,352.25	5,073.00	1,139.84	10,986.07		21,494.60		2,000.00	5,781.00	37,902.65	37,091.46
The Castle Group (to G. Simanson)						17,618.50			5,936.00	12,899.32	16,740.00
The Castle Group	3,248.34	858.22							208.00	6,271.77	4,788.15
The Castle Group (to G. Simanson)											
The Castle Group (to G. Simanson)						(18,881.15)					
Do not have copies of bills	23,535.41	31,597.30	4,687.30	27,846.07	13,727.50	163,490.26	108,075.00	40,312.50	41,172.00	110,521.81	72,051.61

	HVAC	Electrical	Floors - Line X	Overhead Doors	Painting	exterior patio/deck	Lndspg	General Contractor	Total
deposit									
Falmouth Sheet Metal									8,748.00
Falmouth Sheet Metal									5,604.00
Town of Nantucket									250.00
Nantucket Architecture Group									7,775.00
The Castle Group	17,500.00	29,750.00						24,546.74	188,191.68
The Castle Group									67,002.11
The Castle Group (to G. Simanson)								3,673.65	28,164.65
The Castle Group				2,340.00				16,636.74	127,548.34
The Castle Group			15,379.11					29,946.07	162,584.40
The Castle Group (to G. Simanson)								297.00	2,277.00
The Castle Group	16,000.00	30,000.00			22,590.00			20,396.32	156,371.79
The Castle Group (to G. Simanson)								8,295.45	63,598.46
The Castle Group	6,500.00	13,981.80		338.00	17,430.00			36,240.06	277,840.44
The Castle Group (to G. Simanson)		17,226.13						21,640.31	165,909.05
The Castle Group						5,970.00	12,402.94	6,071.61	46,549.03
The Castle Group (to G. Simanson)									3,287.41
The Castle Group (to G. Simanson)									(18,881.15)
Do not have copies of bills	40,000.00	90,957.93	15,379.11	2,678.00	40,020.00	5,970.00	12,402.94	167,743.95	1,292,820.21

244,355.42 G. Simanson

1,048,464.79 NMA



nantucket

architecture group ltd.

william martin mcguire - a.i.a.
stephen c. theroux

508-228-5631
508-325-4284 (Fax)

7, January, 2007

Mr. Al Peterson
Nantucket Memorial Airport
14 Airport Road
Nantucket, MA 02554

Dear Al,

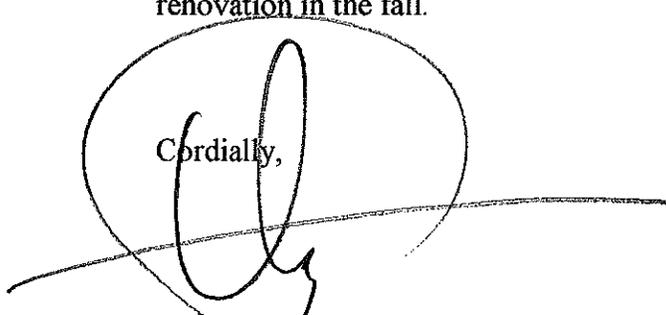
Attached is our contract for Architectural Services for the renovations and additions to Alice's Restaurant as part of an on going sub-consultant of Earth Tech working on the renovation and additions to the Nantucket Memorial Airport.

Our fee includes the design of the new kitchen addition and renovation of the interior space to meet current building codes, Historic District Commission submission(s), plans, elevations, building section(s), electrical plans, structural plans, and other drawings as will be required to obtain a building permit, and contract administration between the airport and the contractor used to perform the work.

Our fee will be based on \$150.00 per hour with a not to exceed price of \$25,000.00 which will include all reimbursable expenses.

I am looking forward to working with you on this project as well as the main terminal renovation in the fall.

Cordially,



William McGuire
President, Nantucket Architecture Group Ltd.

nantucket



architecture group ltd.

william martin mcguire - a.i.a.
stephen c. theroux

508-228-5631
508-325-4284 (Fax)

DESIGN/SERVICE CONTRACT

7 January, 2007

OWNER: Nantucket Memorial Airport

PROJECT: Renovation of Airport Restaurant

Nantucket Architecture Group LTD (NAG), agrees to provide the services listed below:

1. Design residential project in accordance with state and local codes.
2. Historic District Commission (HDC) drawings and application filing.
3. Historic District Commission meeting representation.
4. Construction Documents (drawings include)
 - A. Site Plan
 - B. Foundation plan
 - C. Detailed floor plans
 - D. Detailed sections
 - E. Structural framing plans
 - F. Electrical plans
 - G. Misc. details as required
 - H. Exterior and Interior Elevations as required
5. Massachusetts's energy conformance calculations.
6. Nantucket Building Department application and filing.
7. Contractor bidding, if required by owner
8. Contract Administration

SCOPE OF NANTUCKET ARCHITECTURE GROUP LTD. (NAG) BASIC SERVICES:

A: SCHEMATIC DESIGN PHASE (20%)

NAG shall review the program furnished by the Owner to ascertain the requirements of the Project and shall arrive at a mutual understanding of such requirements with the Owner. NAG shall provide a preliminary evaluation of the Owner's program, schedule and construction budget requirements. NAG shall review with the Owner alternative approaches to design and construction of the Project. Based on the mutually agreed-upon program, schedule and construction budget requirements,

NAG will provide the Owner with free-hand preliminary sketches and design options for their project at 1/8" = 1'-0". This Preliminary Design Phase will last until both the client and NAG agree upon a workable solution in writing. NAG shall submit to the Owner a preliminary estimate of Construction Cost based on current area, volume or similar conceptual estimating techniques.

B: DESIGN DEVELOPMENT PHASE: (20%)

Based on the approved Schematic Design Documents and any adjustments authorized by the Owner in the program, schedule or construction budget, NAG shall prepare, for approval by the Owner, Design Development Documents consisting of drawings at 1/4"=1'-0" in preparation for filing with the following agencies for approvals. Those agencies being but not limited to the Historic District Commission, Conservation Commission, Zoning Board of Appeals, and any local subdivision review committee. NAG shall advise the Owner of any adjustments to the preliminary estimate of Construction Cost.

C: CONSTRUCTION DOCUMENTS PHASE: (45%)

Based on the approved Design Development Documents and any further adjustments in the scope of quality of the Project on the construction budget authorized by the Owner, NAG shall prepare, for approval by the Owner, Construction Documents consisting of Drawings and Specifications setting forth in detail the requirements for the construction of the Project.

NAG shall assist the Owner in the preparation of the necessary bidding information, bidding forms, the Conditions of the Contract, and the form of Agreement between the Owner and Contractor.

NAG shall advise the Owner of any adjustments to previous preliminary estimates of Construction Cost indicated by changes in requirements or general market conditions.

NAG shall assist the Owner in connection with the Owner's responsibility for filing documents required for the approval of governmental authorities having jurisdiction over the Project.

D: BIDDING:

NAG, following the Owner's approval of the Construction Documents and of the latest preliminary estimate of Construction Cost, NAG will assist the Owner in determining a contractor-bidding list. Upon review, selection and Owner approval of a final bidders list, NAG will provide each contractor on the approved final bidding list with four sets of construction documents, assist the contractors with any questions regarding the bid package and assist the Owner in obtaining bids or negotiated proposals from the approved contractors. NAG shall assist the Owner in awarding and preparing contracts for construction

E: CONTRACT ADMINISTRATION PHASE (15%)

NAG's responsibility to provide Basic Services for the Contract Administration Phase under this Agreement commences with the award of the initial Contract for Construction and terminates at the earlier of the issuance to the Owner of the final Certificate for Payment or sixty (60) days after the date of Substantial Completion of the work.

Duties, responsibilities and limitations of authority of the Architect under this Paragraph shall not be restricted, modified or extended without written agreement of the Owner and NAG with consent of the Contractor, which consent will not be unreasonably withheld.

NAG shall be a representative of and shall advise and consult with the Owner during the administration of the Contract for Construction. NAG shall have authority to act on behalf of the Owner only to the extent provided in this Agreement unless otherwise modified by written amendment.

NAG, as a representative of the Owner, shall visit the site at intervals appropriate to the stage of the Contractor's operations, or as otherwise agreed by the Owner and NAG to (1) become generally familiar with and to keep the Owner informed about the progress and quality of the portion of the Work completed, (2) to endeavor to guard owner against defects and deficiencies in the Work, and (3) to determine in general if the Work is being performed in a manner indication that the Work, when fully completed, will be in accordance with the Contract Documents. However, NAG shall not be required to make exhaustive or continuous on-site inspections to check the quality or quantity of the Work. NAG shall neither have control over or charge of, nor be responsible for, the construction means, methods, techniques, sequences or procedures, or for safety precautions and programs in connection with the Work, since these are solely the Contractor's rights and responsibilities under the Contract Documents.

NAG shall report to the Owner known deviations from the Contract Documents and from the most recent construction schedule submitted by the Contractor. However, NAG shall not be responsible for the Contractor's failure to perform the Work in accordance with the requirements of the Contract Documents. NAG shall not have control over or charge of and shall not be responsible for acts or omissions of the Contractor, Subcontractors, or their agents or employees, or of any other persons or entities performing portions of the Work.

NAG shall at all times have access to the Work wherever it is in preparation or progress.

Except as otherwise provided in this Agreement or when direct communications have been specially authorized, the Owner shall endeavor to communicate with the Contractor through NAG about matters arising out of or relating to the Contract Documents. Communications by and with NAG's consultants shall be through NAG.

F. REIMBURSABLE EXPENSES

All reimbursable expenses will be relayed to owner when they occur, examples are, but are not limited to:

1. Subcontractors (engineers, etc.).....Direct plus 10%
2. Telephone calls relating to the project.....Direct
3. Postage,Direct
4. Travel and all costs associated with travel,Direct
5. Reproduction costs,.....Direct
6. Model building, computer generated perspectives and renderings.....Hourly
7. Mileage (off island projects)\$.30 per mile
8. As Built Plans.....\$2,000.00
9. NAG will assist the Owner in hiring a surveyor to provide the Owner and NAG with survey information. Surveyors shall be a direct subcontractor of the Owner.

NANTUCKET ARCHITECTURE GROUP LTD. (NAG)
STANDARD CONDITIONS FOR ENGAGEMENT

The OWNER and Nantucket Architecture Group Ltd (NAG). Hereby agree as follows:

1. **COMPENSATION FOR SERVICE**- The OWNER agrees to pay NAG in accordance with the rates and charges set forth in the Contract to which these standard Conditions are appended.
Invoices will be submitted monthly or upon completion of a specified scope of services as described in the Contract. Payment will be due within thirty (30) days from the date of invoice Interest will be charged at the rate of 1-1/2% per month on any balance that remains unpaid thirty (30) days after the date of the invoice.
2. **RIGHT OF ENTRY**-The OWNER agrees to furnish NAG with the right-of-entry on the land or represents and warrants, if the OWNER does not own the site that permission has been granted to make site reconnaissance, surveys, site inspections, and other exploration pursuant to the scope of services in the Contract.
3. **UNDERGROUND STRUCTURES**- Unless otherwise agreed, the OWNER shall provide NAG with locations of buried utilities and other underground structures in areas of subsurface exploration. NAG will take reasonable precautions to avoid damage to the buried utilities and other underground structures noted. If locations are not known or cannot be confirmed by the OWNER, then there will be a degree of risk to the OWNER associated with conducting the exploration. In the absence of confirmed underground structure locations, the OWNER agrees to accept the risk of any damages and losses resulting from the exploration work.
4. **DOCUMENTS**- All reports, design drawings, field data and notes, laboratory test data, calculations, estimates, and other documents that NAG prepares as instruments of service shall remain NAG's property.

5. RENEGOTIATION OF CONTRACT FOR PRESENCE OF HAZARDOUS MATERIALS- If the scope of services for this Contract does not include services relating to hazardous waste, oil, asbestos or other hazardous materials and if such materials are discovered during NAG's work, the OWNER agrees to negotiate appropriate revisions to the scope of services, the budget estimate, and the terms and conditions of the Contract. If a mutually satisfactory agreement cannot be reached between both parties, the Contract shall be terminated. The OWNER agrees to pay NAG for all services rendered, including any costs associated with termination.
6. CONTRACT ADMINISTRATION SERVICE- If NAG's Contract Administration services are included as part of the scope of services in the Contract, NAG will provide personnel to observe construction to ascertain that it is being performed in general accordance with the plans and specifications. NAG cannot provide its opinion on the suitability of any part of the work performed unless NAG personnel make measurements, readings and observations of that part of the construction. NAG's services do not make NAG a guarantor of the contractor's work, and the contractor will continue to be responsible for the accuracy and adequacy of all construction or other activities performed by the contractor. The contractor will be solely responsible for the methods of construction; direction of personnel; control of machinery; scaffolding, or other temporary construction aids; safety in, on or about the job site; and compliance with OSHA regulation as well as all state and local codes
7. STANDARD OF CARE-NAG's services will be performed in accordance with generally accepted practices of the architects providing similar services at the same time, in the same locale, and under like circumstances. The OWNER agrees that services provided will be rendered without any other warranty, expressed or implied.
8. SUSPENSION OF WORK- The OWNER may, at any time, by ten (10) days notice, suspend further work by NAG. The OWNER shall remain fully liable for and shall promptly pay NAG the full amount for all services rendered by NAG to the date of suspension of services plus suspension charges. Suspension charges shall include, without limitation, the cost of putting documents and analyses in order, personnel rescheduling or reassignment adjustments, and all other related costs and charges directly attributable to suspension. If payment of invoices by the OWNER is not maintained on a thirty (30) day current basis, NAG may, by providing a ten (10) day written notice to the OWNER, suspend further work, until payments are restored to a current basis. In the event NAG engages counsel to enforce overdue payments, the OWNER will reimburse NAG for all reasonable attorney's fees and court costs related to enforcement of overdue payments. The OWNER shall indemnify and save harmless NAG for any claim or liability resulting from suspension of the work due to non-current payments. NAG reserves the right to suspend any and all work on said project for non-payment over 90 days.
9. DISPUTE RESOLUTION- All claims, disputes or controversies arising out of or in relation to the interpretation, application or enforcement of this Contract shall first be submitted to non-binding mediation pursuant to the Rules for Commercial Mediation of the American Arbitration Association. All claims, either mediation or other shall be made in the County of Nantucket, Massachusetts.

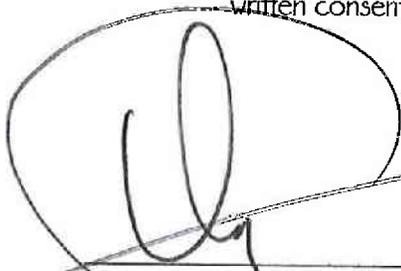
10. INDEMNIFICATION FOR HAZARDOUS MATERIALS- The OWNER agrees that NAG has not contributed to the presence of hazardous wastes, oils, asbestos, or other hazardous materials that may exist or be discovered in the future at the site and that NAG does not assume any liability for the known or unknown presence of such materials. Therefore, the OWNER shall defend, indemnify, and hold harmless NAG, its consultants, agents, and employees from and against all claims, damages, losses, and expenses including defense costs and lawyer's fees that result from the actual, alleged, or threatened discharge, dispersal, release, or escape of any solid, liquid, gaseous or thermal irritant, asbestos in any form, asbestos, or contaminants including smoke, vapor, soot, fumes, acids, alkalis, chemicals, waste oils or other hazardous material. The OWNER shall be liable under this paragraph for claims, damages, losses, and expenses including defense costs and attorney's fees.
11. PUBLIC RESPONSIBILITY-The OWNER acknowledges that the OWNER or the Site Owner, as the case may be, is now and shall remain in control of the Site for all purposes at all times. Except as required by law NAG does not undertake to report to any federal, state, county or local public agencies having jurisdiction over the subject matter any conditions existing at the Site from time to time that may present a potential danger to public health, safety or the environment. The OWNER agrees to timely notify each appropriate federal, state, county, and local public agency, as required, of the existence of any condition at the Site that may present a potential danger to public health, safety, or the environment. Notwithstanding the provisions of the foregoing NAG will comply with subpoena, judicial orders or government directives, and federal, state, county and local laws, regulations and ordinances, and applicable codes regarding the reporting to the appropriate public agencies of findings with respect to potential dangers to public health, safety, or the environment. NAG shall have no liability or responsibility to the OWNER or to any other person or entity for reports or disclosures made in accordance with such statutory or other lawful requirement. The OWNER shall defend, indemnify, and hold NAG harmless from and against any and all claims, demands, liabilities and expense, including reasonable attorney's fees, incurred by NAG and arising directly or indirectly in connection with NAG's reporting such information under a bona fide belief or upon advice of counsel that such reporting or disclosure is required by law.
12. This proposal and stated services shall become null and void when not signed and returned within ninety (90) days of initial issuance.
13. This agreement shall be subject to the applicable laws of the State of Massachusetts.

NANTUCKET ARCHITECTURE GROUP LTD.

Nantucket Architecture Group LTD fee will be based on a fixed hourly rate of \$150.00 per hour, with a not to exceed price of \$25,000.00 including subcontractors and reimbursable expenses. The client will also be billed for reimbursable expenses such as, but not limited to; blueprints, filing fees if required, engineering fees, and postal expenses. The Client will also allow the Nantucket Architecture Group LTD to photograph the completed residence up to one full year after completion of the project.

GENERAL NOTE/:

- Any changes requested by the client after completion of the design development phase will result in an increase in the contract price.
- Nantucket Architecture Group LTD. will not be responsible for any changes made in the field by the owner or contractor without Nantucket Architecture Group Ltd's written consent.



William Martin McGuire, Architect
For Nantucket Architecture Group Ltd.



Al Peterson for Town of Nantucket

Stephen C. Theroux
For Nantucket Architecture Group Ltd.

THE CASTLE GROUP

77 B Bartlett Road
 Nantucket, MA 02554
 Tel. No. 508 685 2682
 Fax. No. 508 325 8861

To:
 Al Peterson – Airport Manager

ACCOUNTS PAYABLE

Vendor# 8259
 Due Date 3.21.07
 Approved [Signature]
 Department # 55482
 Account # 96075
188,191.68
02/23/2007

INVOICE

For: Nantucket Airport Restaurant

Date	Description	Hours	Rate	SumTotal
01/02/07	Castle Group Carpentry & Construction (See Page 2)			62,892.21
thru				
02/23/07	Reese Trucking (Invoice 2/17/07)			3,446.68
	Fire Alarm System (Deposit) (Invoice 3/1/07) (Ref. #L22551000053)			12,466.59
	Ansul R102-Fire Suppression System (50% Deposit)			3,547.46
	Plumbing (40% Deposit) (To commence work on Estimate #28)			13,432.00
	Sprinkler System Update (Ref. # L16514000435)			11,110.00
	Balanced HVAC (Deposit)			17,500.00
	Electrical Work (Down payment on electrical estimate)			29,750.00
	Excavation – Ground Work (Initial payment)			5,000.00
	Footings & Exterior Foundation Walls (Deposit)			4,500.00
	General Contractor's Fee (up to date)			24,546.74
	TOTAL DUE:			\$188,191.68

RECEIVED
 MAR 02 2007
 By _____

55482-96075



Town of Nantucket

OFFICE OF THE
TOWN CLERK

16 Broad Street
NANTUCKET, MASSACHUSETTS 02554-3590

Catherine Flanagan Stover, CMMC
Town Clerk

(508) 228-7217
FAX (508) 325-5313

email: twnclerk@nantucket.net

April 30, 2002

TO WHOM IT MAY CONCERN:

I, Catherine Flanagan Stover, duly elected Clerk of the Town of Nantucket, hereby certify that the April 8, 2002 ANNUAL TOWN MEETING adopted **Article 13: "Appropriation: Enterprise Fund Capital Expenditures"** at the April 10, 2002 adjourned session when "...the adoption of all articles not heretofore acted upon as recommended by the Finance Committee, or as recommended by the Planning Board" was duly motioned and seconded.

VOTE: The vote on the motion pursuant to Article 13 as recommended as amended by the Finance Committee was by unanimous voice vote. The motion was adopted.

Catherine Flanagan Stover, CMC, CMMC
Town Clerk

ARTICLE 13

(Appropriation: Enterprise Funds Capital Expenditures)

To see what sums the Town will vote to appropriate from the sources indicated below, for the purposes of capital expenditures in FY 2003 for the following Enterprise Funds established under the jurisdiction of the Town of Nantucket: Nantucket Memorial Airport, Wannacommet Water Company, Siasconset Water Company, Sewer Enterprise, and Solid Waste Enterprise.

(Board of Selectmen for the Various Departments Indicated)

FINANCE COMMITTEE MOTION: Moved that the following capital expenditures be approved for the Enterprise Fund departments for FY 2003 with the Airport appropriations to be expended through the Airport Commission, the Wannacommet Water appropriations to be expended through the Nantucket Water Commission, the Siasconset Water appropriation to be expended through the Siasconset Water Commission and the Solid Waste appropriations to be expended through the Board of Selectmen:

DEPARTMENT	ITEM(S)	AMOUNT	
Airport	Structural Fire Truck Purchase	\$230,000	
	Terminal Security Options Layout	\$80,000	
	EA/EIR Additional Studies	\$150,000	
	South Apron Pavement, Fencing & Taxiway F Reconstruction	\$1,400,000	
	Runway 6 ILS Installation	\$1,000,000	
	Refurbish ARFF Vehicle	\$175,000	
	Electric Security Gates	\$150,000	
	Operations Building	\$100,000	
	Employee Housing Design	\$100,000	
	Emergency Security Plan, Fencing & Equipment	\$270,000	
	<i>Subtotal</i>		\$3,655,000
	Solid Waste	Hazardous Waste Materials Building	\$100,000
<i>Subtotal</i>		\$100,000	
Siasconset Water	Replacement of control systems and distribution system improvements	\$100,000	
<i>Subtotal</i>		\$100,000	
Wannacommet Water	Distribution System Improvements	\$500,000	
<i>Subtotal</i>		\$500,000	
TOTAL		\$4,355,000	

And, to meet these appropriations, that the following funding sources be used:

FUNDING SOURCE	AMOUNT
Airport Borrowing	\$3,655,000
Siasconset Water Retained Earnings	\$100,000
Solid Waste Borrowing	\$100,000
Wannacomet Retained Earnings	\$500,000
TOTAL	\$4,355,000.00

Further, that the Treasurer of the Town of Nantucket, with the approval of the Board of Selectmen, borrow the sum of Three Million Six Hundred Fifty-five Thousand Dollars (\$3,655,000) in anticipation of federal and/or state grants, with the intent that any and all repayments and debt service (if applicable) are to come from Airport revenues; and, that the Treasurer of the Town with the approval of the Board of Selectmen borrow the sum of One Hundred Thousand Dollars (\$100,000) as a general obligation of the Town, with the intent that all repayments and debt service are to come from Solid Waste Enterprise Fund revenues.



Town of Nantucket

OFFICE OF THE
TOWN CLERK

16 Broad Street
NANTUCKET, MASSACHUSETTS 02554-3590

Catherine Flanagan Stover, CMMC
Town Clerk
(508) 228-7217
FAX (508) 325-5313
email: twnclerk@nantucket.net

April 29, 2002

TO WHOM IT MAY CONCERN:

I, Catherine Flanagan Stover, duly elected Clerk of the Town of Nantucket, hereby certify that the April 8, 2002 ANNUAL TOWN MEETING adopted Article 14: "Appropriation: Airport: Terminal Design" at the April 8, 2002 adjourned session was duly motioned and seconded.

AMENDMENT FROM THE MEETING FLOOR: Strike out:

~~provided however that these funds may be used only for design,~~

and insert:

provided however that these funds are to be used only for the design of the minimum amount of space required by the FAA or TSA to comply with new security regulations, and for the improvement of office and baggage areas for the current operators at the Airport, and that no further expansions of business concessions, linear feet of ticketing area or any other non-security related areas are included in this design,

VOTE: The vote on the motion to amend Article 14 as moved from the Meeting Floor was by Majority Voice Vote. The motion was adopted.

AMENDMENT FROM THE MEETING FLOOR: Strike out, and insert wording as indicated:

~~and further provided however that there be a public hearing for the schematic drawings, a second public hearing for the working design/development documents, and a third public hearing for the construction drawings as prepared by the engineers, such hearings to be held by the Airport Commission, these funds, which are only to be used for design, are disbursed in phases that coordinate with a public process as follows: 1.) Not more than 40% to be used for schematic drawings and design development which will be presented to the public for comment, modification and approval during the summer of 2002, 2.) Not more than 35% for working drawings, which will be presented to the public for comment, modification and approval by December 31, 2002, 3.) The remaining 25% to be reserved for construction negotiation and supervision, and that the final design will be brought to a subsequent Special Town Meeting or to the 2003 Annual Town Meeting for final~~

~~approval and appropriations for construction; further that any assurances that are proposed to be made to the FAA, TSA and/or other Federal agencies in exchange for funding for such construction, are reviewed by and approved in advance by the Board of Selectmen; it being the intent that the design will be submitted to a subsequent Town Meeting for appropriation of funding for construction; further that design services are procured under the provisions of applicable Massachusetts General Law; further, to authorize the Airport Commission to take other action necessary to assist the design process, including applying for and expending federal and/or state grants; and further to meet this appropriation, the treasurer of the Town, with the approval of the Board of Selectmen, borrow the sum of one million dollars (\$1,000,000) as general obligations of the Town with the intent that all repayments and debt service are to come from Airport revenues.~~

VOTE: The vote on the motion to amend Article 14 as moved on the Meeting Floor, was by Majority Voice Vote. The motion to amend was adopted.

VOTE: The vote on the motion pursuant to Article 14 as moved and amended twice on the Meeting Floor was by Declared 2/3 Majority Voice Vote. The Motion was adopted.

Catherine Flanagan Stover, CMC, CMMC
Town Clerk

ARTICLE 14

(Appropriation: Airport Terminal Design)

To see if the Town will vote to appropriate, and also to raise, borrow, pursuant to any applicable statute or transfer from available funds, including anticipated Airport revenues, a sum not to exceed One Million Dollars (\$1,000,000) to engage professional services to design a reconstruction and/or expansion of the Airport Terminal Building, including a design for temporary relocation space for the existing businesses at the Airport during construction, aircraft ramp usage and redesign, and the parking lot and terminal accessways, including taxi usage, NRTA space and rent-a-car ready areas, provided however that these funds may be used only for design, it being the intent that the design will be submitted to a subsequent Town Meeting for appropriation of funding for construction; further that design services are procured under the provisions of applicable Massachusetts General Law; further, to authorize the Airport Commission to take other action necessary to assist the design process, including applying for and expending federal and/or state grants, or to take any other action relative thereto.

(Board of Selectmen for Airport Commission)

FINANCE COMMITTEE MOTION: Moved that the sum of One Million Dollars (\$1,000,000) be appropriated for the Airport Commission to engage professional services to design a reconstruction and/or expansion of the Airport Terminal Building, including a design for temporary relocation space for the existing businesses at the Airport during construction, aircraft ramp usage and redesign, and the parking lot and terminal access ways, including taxi usage, NRTA space and rent-a-car ready areas, provided however that these funds may be used only for design, it being the intent that the design will be submitted to a subsequent Town Meeting for appropriation of funding for construction; further that design services are procured under the provisions of applicable Massachusetts General Law; further, to authorize the Airport Commission to take other action necessary to assist the design process, including applying for and expending federal and/or state grants; and further to meet this appropriation, the treasurer of the Town, with the approval of the Board of Selectmen, borrow the sum of one million dollars (\$1,000,000) as general obligations of the Town with the intent that all repayments and debt service are to come from Airport revenues.

April 28, 2003

TO WHOM IT MAY CONCERN:

I, Catherine Flanagan Stover, duly elected Clerk of the Town of Nantucket, hereby certify that the April 14, 2003 ANNUAL TOWN MEETING adopted **Article 14: @Appropriation: Enterprise Funds Capital Expenditures**" at the April 15, 2003 adjourned session when A...the adoption of all articles not heretofore acted upon as recommended by the Finance Committee, or as recommended by the Planning Board@ was duly motioned and seconded.

TECHNICAL CORRECTION VIA THE MODERATOR:

Article 14 FC Motion	Add the following language to the last paragraph of the Finance Committee Motion so that the Motion reads "Further, that the Treasurer, with the approval of the Board of Selectmen and the Airport Commission, borrow the sum of Seven Million One Hundred Fifty-five Thousand Dollars (\$7,155,000) in anticipation of federal and/or state grants as a general obligation of the town, with the intent that any and all repayments and debt service (if applicable) are to come from Airport revenues, the amount of said borrowings are to be reduced to the extent of receipt of federal and/or state grants, and furthermore to authorize the Treasurer of the Town, with the approval of the Board of Selectmen and the Airport Commission, to borrow in anticipation of receipt of said grants; and, that the Treasurer of the Town with the approval of the Board of Selectmen borrow the sum of Five Hundred Thousand Dollars (\$500,000) as a general obligation of the Town, with the intent that all repayments and debt service are to come from Wannacomet Water Enterprise Fund revenues.
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VOTE: The vote on the motion pursuant to Article 14 as recommended by the Finance Committee, was by Unanimous Voice Vote. The motion was adopted.

Catherine Flanagan Stover, CMC, CMMC
Town Clerk

ARTICLE 14

(Appropriation: Enterprise Funds Capital Expenditures)

To see what sums the Town will vote to appropriate from the sources indicated below, for the purposes of capital expenditures in FY 2004 for the following Enterprise Funds established under the jurisdiction of the Town of Nantucket: Nantucket Memorial Airport, Wannacommet Water Company, Siasconset Water Company, Sewer Enterprise, and Solid Waste Enterprise.

(Board of Selectmen for the Various Departments Indicated)

FINANCE COMMITTEE MOTION: Moved that the following capital expenditures be approved for the Enterprise Fund departments for Fiscal Year 2004 with the Airport appropriations to be expended through the Airport Commission; and, the Wannacommet Water appropriations to be expended through the Nantucket Water Commission:

<i>DEPARTMENT</i>	<i>ITEMS</i>	<i>AMOUNT</i>
Wannacommet Water	Distribution System Improvements	\$500,000
Wannacommet Water	Construct Employee Housing	\$300,000
Subtotal		\$800,000
Airport	Design & Install Runway 6 Landing System	\$300,000
Airport	Design & Rehabilitate Runway 6	\$5,050,000
Airport	Employee Housing Construction	\$300,000
Airport	Pavement Maintenance	\$200,000
Airport	Implement Security Items: Construct TSA Building and Stabilize Security Roadway	\$800,000
Airport	Implement Security Measures	\$150,000
Airport	Design & Construct Macy Lane Bike Path	\$120,000
Airport	Purchase Vehicles & Equipment	\$150,000
Airport	Implement Environmental Recommendations	\$85,000
Subtotal		7,155,000
TOTAL		7,955,000

And, to meet these appropriations, that the following funding sources be used:

<i>FUNDING SOURCES</i>	<i>AMOUNT</i>
Airport Borrowing	\$7,155,000
Wannacommet Retained Earning	\$300,000
Wannacommet Borrowing	\$500,000

Further, that the Treasurer of the Town of Nantucket, with the approval of the Board of Selectmen, borrow the sum of Seven Million One Hundred Fifty-five Thousand Dollars (\$7,155,000) in anticipation of federal and/or state grants, with the intent that any and all repayments and debt service (if applicable) are to come from Airport revenues; and, that the Treasurer of the Town with the approval of the Board of Selectmen borrow the sum of Five Hundred Thousand Dollars (\$500,000) as a general obligation of the Town, with the intent that all repayments and debt service are to come from Wannacommet Water Enterprise Fund revenues.

April 13, 2004

TO WHOM IT MAY CONCERN:

I, Catherine Flanagan Stover, duly elected Clerk of the Town of Nantucket, hereby certify that the April 12, 2004 ANNUAL TOWN MEETING adopted **Article 13: "Appropriation: Enterprise Funds Capital Expenditures"** at the April 13, 2004 adjourned session.

TECHNICAL CORRECTION VIA THE MODERATOR:

Add a subsection "k" to each reference (there are two references) to G.L. c. 59, s. 21C, so that it reads G.L. c. 59, s. 21C(k).

VOTE: The vote on the motion pursuant to Article 13 as recommended by the Finance Committee, was by Unanimous Voice Vote. The motion was adopted.

Catherine Flanagan Stover, CMC, CMMC
Town Clerk

ARTICLE 13

(Appropriation: Enterprise Funds Capital Expenditures)

To see what sums the Town will vote to appropriate from the sources indicated below, for the purposes of capital expenditures in FY 2005 for the following Enterprise Funds established under the jurisdiction of the Town of Nantucket: Nantucket Memorial Airport, Wannacommet Water Company, Siasconset Water Company, Sewer Enterprise, and Solid Waste Enterprise.

(Board of Selectmen for the Various Departments Indicated)

FINANCE COMMITTEE MOTION: Moved that the following capital expenditures be approved for the Enterprise Fund departments for Fiscal Year 2005 with the Airport appropriations to be expended through the Airport Commission, and that the Sewer Enterprise appropriations to be expended through the Board of Public Works:

<i>DEPARTMENT</i>	<i>ITEMS</i>	<i>AMOUNT</i>
Airport	Runway 6 Rehabilitation – Supplemental Funding	\$2,557,400
Airport	Housing Improvements	\$100,000
Airport	Replace Airfield Vehicles, including the authority to sell, convey or otherwise dispose of replaced vehicles	\$100,000
Airport	Rehabilitate Fuel Farm	\$70,000
Airport	Macy Lane Bike Path & Airport Entryway –Supplemental Funding	\$250,000
	<i>Subtotal</i>	\$3,077,400
Sewer	Design, Engineering & Related Costs for Infiltration/Inflow Improvements	\$1,100,000
Sewer	Design, Engineering & Related Costs for Upgrade to Surfside Wastewater Treatment Facility	\$2,250,000
Sewer	Construction and Related Costs for Infiltration/Inflow Improvements	\$2,330,000
	<i>Subtotal</i>	\$5,680,000
TOTAL		\$8,757,400

And, to meet these appropriations, that the following funding sources be used:

<i>FUNDING SOURCE</i>	<i>AMOUNT</i>
Airport Borrowing	\$3,077,400
Sewer Borrowing	\$2,480,000
Sewer Prior Year Articles*	\$3,200,000

**Article 1 of February 5, 1987 Special Town Meeting as amended by Article 103 of 1987 Annual Town Meeting and Article 18 of 1988 Annual Town Meeting*

Further, that the Treasurer of the Town of Nantucket, with the approval of the Board of Selectmen, borrow the sum of Three Million Seventy-seven Thousand Four Hundred Dollars (\$3,077,400) in anticipation of federal and/or state grants, with the intent that any and all repayments and debt service (if applicable) are to come from Airport revenues; and, that the Treasurer of the Town with the approval of the Board of Selectmen borrow the sum of One Hundred Fifty Thousand Dollars (\$150,000) as a general obligation of the Town, with the intent that all repayments and debt service are to come from General Fund revenues, contingent upon the passage by ballot of a referendum question exempting the principal so borrowed and interest from the limitations of Proposition 2½ so-called (G.L. Ch. 59, s. 21C); and, that the Treasurer of the Town with the approval of the Board of Selectmen be authorized to borrow Two Million Three Hundred Thirty Thousand Dollars (\$2,330,000) from the Massachusetts Water Pollution Abatement Trust and/or the State Revolving Loan Fund pursuant to chapter 29C of the general laws or any other source, or pursuant to any other applicable statute, it being the intent that such additional borrowing be general obligation bonds of the town with repayment costs to be paid for from the General Fund, contingent upon the passage by ballot of a referendum question exempting the principal so borrowed and interest from the limitations of Proposition 2 ½ so-called (G.L. c. 59, s. 21C).

April 21, 2005

TO WHOM IT MAY CONCERN:

I, Catherine Flanagan Stover, duly elected Clerk of the Town and County of Nantucket, hereby certify that the April 11, 2005 ANNUAL TOWN MEETING adopted Article 13: "Enterprise Funds – Capital Expenditures" at the April 11, 2005 adjourned session.

TECHNICAL CORRECTION VIA THE MODERATOR:

Amend the second Wannacommet Water item of the motion as follows:

<i>DEPARTMENT</i>	<i>ITEM</i>	<i>AMOUNT</i>
Wannacommet Water	Rehabilitation/improvement of administrative offices Wyer's Valley Pump Station	\$750,000

AMENDMENT FROM THE MEETING FLOOR: DELETE FROM THE FINANCE COMMITTEE MOTION:

Sewer	Construction and related costs for infiltration/inflow improvements	\$3,135,000
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And:

~~"that the Treasurer of the Town with the approval of the Board of Selectmen be authorized to borrow Three Million One Hundred Thirty-five Thousand Dollars (\$3,135,000) from the Massachusetts Water Pollution Abatement Trust and/or the State Revolving Loan Fund pursuant to chapter 29C of the general laws or any other source, or pursuant to any other applicable statute, it being the intent that such additional borrowing be general obligation bonds of the Town with repayment costs to be paid for from the Sewer Enterprise Fund;"~~

Along with corresponding adjustments to column totals.

VOTE: The vote on Mr. Murphy's motion to amend Article 13 was by Declared 2/3 Majority Voice Vote. The motion was adopted.

VOTE: The vote on the motion pursuant to Article 13 as amended by Mr. Murphy, was by Declared 2/3 Majority Voice Vote. The motion was adopted.

Catherine Flanagan Stover, CMC, CMMC
Town and County Clerk

ARTICLE 13

(Appropriation: Enterprise Funds Capital Expenditures)

To see what sums the Town will vote to appropriate from the sources indicated below, for the purposes of capital expenditures in Fiscal Year 2006 for the following Enterprise Funds established under the jurisdiction of the Town of Nantucket: Nantucket Memorial Airport, Wannacommet Water Company, Siasconset Water Company, Sewer Enterprise, and Solid Waste Enterprise.

(Board of Selectmen for the Various Departments Indicated)

FINANCE COMMITTEE MOTION: Moved that the following capital expenditures be appropriated for the Enterprise Fund departments for Fiscal Year 2006 with the Airport appropriations to be expended through the Airport Commission, the Sewer Enterprise and Solid Waste Enterprise appropriations to be expended by the Town Administrator with the approval of the Board of Public Works, the Wannacommet Water Enterprise appropriations to be expended through the Nantucket Water Commission and the Siasconset Water Enterprise appropriations to be expended through the Siasconset Water Commission:

<i>DEPARTMENT</i>	<i>ITEM</i>	<i>AMOUNT</i>
Airport	Implementation of security measures	\$400,000
Airport	Purchase of airfield vehicles and equipment	\$250,000
Airport	Landscaping at Airport entrance	\$50,000
Airport	Installation of vehicle fuel system	\$100,000
	<i>Subtotal</i>	<i>\$800,000</i>
Sewer	Stormwater and drainage mapping -- phase II	\$50,000
Sewer	Replacement of backhoe at Surfside WWTF	\$62,000
Sewer	Construction and related costs for infiltration/inflow improvements	\$3,135,000
	<i>Subtotal</i>	<i>\$3,247,000</i>

<i>DEPARTMENT</i>	<i>ITEM</i>	<i>AMOUNT</i>
Siasconset Water	Installation of water meters	\$1,900,000
Siasconset Water	Costs associated with construction of new storage tank and system improvements	\$3,900,000
	<i>Subtotal</i>	<i>\$5,800,000</i>
Solid Waste	Costs associated with expansion of Materials Recovery Facility	\$500,000
	<i>Subtotal</i>	<i>\$500,000</i>
Wannacomet Water	Distribution system improvements	\$500,000
Wannacomet Water	Rehabilitation/improvement of administrative offices	\$750,000
Wannacomet Water	Costs associated with construction of garage and maintenance facility	\$900,000
Wannacomet Water	Costs associated with construction of new source well and pumping station	\$1,300,000
Wannacomet Water	Costs associated with construction of new 2.0 million gallon water storage tank	\$5,000,000
Wannacomet Water	Costs associated with replacement of Cliff Road water main	\$3,000,000
	<i>Subtotal</i>	<i>\$11,450,000</i>
	TOTAL	\$21,797,000

And, to meet these appropriations, that the following funding sources be used:

<i>FUNDING SOURCE</i>	<i>AMOUNT</i>
Airport Borrowing	\$800,000
Sewer Borrowing	\$3,247,000
Siasconset Water Borrowing	\$5,800,000
Solid Waste Borrowing	\$500,000
Wannacomet Borrowing	\$11,450,000

Further, that the Treasurer of the Town, with the approval of the Board of Selectmen, borrow the sum of Eight Hundred Thousand Dollars (\$800,000) with the intent that any and all repayments and debt service (if applicable) are to come from Airport revenues; that the Treasurer of the Town with the approval of the Board of Selectmen borrow the sum of One Hundred Twelve Thousand Dollars (\$112,000), as a general obligation of the Town, with the intent that all repayments and debt service are to come from Sewer Enterprise revenues; that the Treasurer of the Town with the approval of the Board of Selectmen be authorized to borrow Three Million One Hundred Thirty-five Thousand Dollars (\$3,135,000) from the Massachusetts Water Pollution Abatement Trust and/or the State Revolving Loan Fund pursuant to chapter 29C of the general laws or any other source, or pursuant to any other applicable statute, it being the intent that such additional borrowing be general obligation bonds of the Town with repayment costs to be paid for from the Sewer Enterprise Fund; that the Treasurer of the Town with the approval of the Board of Selectmen borrow the sum of Five Million Eight Hundred Thousand Dollars (\$5,800,000), as a general obligation

of the Town, with the intent that all repayments and debt service are to come from Siasconset Water revenues; that the Treasurer of the Town with the approval of the Board of Selectmen borrow the sum of Five Hundred Thousand Dollars (\$500,000), as a general obligation of the Town, with the intent that all repayments and debt service are to come from Solid Waste Enterprise revenues; that the Treasurer of the Town with the approval of the Board of Selectmen borrow the sum of Eleven Million Four Hundred Fifty Thousand Dollars (\$11,450,000), as a general obligation of the Town, with the intent that all repayments and debt service are to come from Wannacommet Water revenues.

April 6, 2006

TO WHOM IT MAY CONCERN:

I, Catherine Flanagan Stover, duly elected Clerk of the Town and County of Nantucket, hereby certify that the April 3, 2006 ANNUAL TOWN MEETING adopted **Article 13: "Appropriation: Enterprise Funds Capital Expenditures"** at the April 4, 2006 adjourned session when A...the adoption of all articles not heretofore acted upon as recommended by the Finance Committee, or as recommended by the Planning Board@ was duly motioned and seconded.

TECHNICAL CORRECTION VIA THE MODERATOR:

FINANCE COMMITTEE MOTION: Moved that the following capital expenditures be appropriated for the Enterprise Fund departments for Fiscal Year 2007 with the Airport appropriations to be expended through the Airport Commission, the Sewer Enterprise appropriations to be expended by the Town Administrator with the approval of the Board of Public Works, and the Wannacomet Water Enterprise appropriations to be expended through the Nantucket Water Commission:

Airport	Phase I of fuel pipeline installation (engineering, permitting and associated costs, provided, however, that (a) any such fuel pipeline shall be engineered, designed and sized to accommodate both the aviation needs of the Airport and all other present or foreseeable Island needs, public and private, (b) that any fuel pipeline capacity not used for aviation purposes be made available, under the jurisdiction and supervision of the Board of Selectmen, for other Island needs on such terms and conditions as the Board of Selectman shall determine, including the imposition of reasonable fees for the use thereof; and (c) any revenue generated by the fees imposed by the Board of Selectmen with respect to capacity not used for aviation purposes go to the general fund of the Town)
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And, to meet these appropriations, that the following funding sources be used:

FUNDING SOURCE	AMOUNT
	\$5,350,000
Airport Borrowing	\$1,350,000
Sewer Borrowing	\$3,515,000
Wannacomet Borrowing	\$750,000
	\$9,615,000
TOTAL	\$5,615,000

Further, that the Treasurer of the Town, with the approval of the Board of Selectmen, is authorized to borrow the sum of ~~Five Million Three Hundred Fifty Thousand Dollars (\$5,350,000)~~ One Million Three Hundred Fifty Thousand Dollars (\$1,350,000) as a general obligation of the Town with the intent that any and all repayments and debt service (if applicable) are to come from Airport revenues; that the Treasurer of the Town with the approval of the Board of Selectmen is authorized to borrow the sum of Three Million Two Hundred Sixty-five Thousand Dollars (\$3,265,000), as a general obligation of the Town, with the intent that all repayments are to come from Sewer Enterprise revenues and that all or any portion of such amount may be borrowed from the Massachusetts Water Pollution Abatement Trust and/or the State Revolving Loan Fund pursuant to chapter 29C of the general laws or any other source, or pursuant to any other applicable statute; and that the Treasurer of the Town with the approval of the Board of Selectmen is authorized to borrow Two Hundred Fifty Thousand Dollars (\$250,000) for the construction of sewer on the north side of Old South Road as a general obligation of the Town with the intent that the interest and principal due is to be repaid to the Town through betterment assessments; that the Treasurer of the Town with the approval of the Board of Selectmen is authorized to borrow the sum of Seven Hundred Fifty Thousand Dollars (\$750,000), as a general obligation of the Town, with the intent that all repayments and debt service are to come from Wannacomet Water revenues.

VOTE: The vote on the motion pursuant to Article 13 as recommended by the Finance Committee, with Technical Amendment brought forward at the Town Meeting, was by Unanimous Voice Vote. The motion was adopted.

Catherine Flanagan Stover, CMC, CMMC
Town and County Clerk

ARTICLE 13

(Appropriation: Enterprise Funds Capital Expenditures)

To see what sums the Town will vote to appropriate from the sources indicated below, for the purposes of capital expenditures in Fiscal Year 2007 for the following Enterprise Funds established under the jurisdiction of the Town of Nantucket: Nantucket Memorial Airport, Wannacomet Water Company, Siasconset Water Company, Sewer Enterprise, and Solid Waste Enterprise.

(Board of Selectmen for the Various Departments Indicated)

FINANCE COMMITTEE MOTION: Moved that the following capital expenditures be appropriated for the Enterprise Fund departments for Fiscal Year 2007 with the Airport appropriations to be expended through the Airport Commission, the Sewer Enterprise appropriations to be expended by the Town Administrator with the approval of the Board of Public Works, and the Wannacomet Water Enterprise appropriations to be expended through the Nantucket Water Commission:

<i>DEPARTMENT</i>	<i>ITEM</i>	<i>AMOUNT</i>
Airport	Purchase and installation of fencing	\$400,000
Airport	Purchase of emergency generator	\$150,000
Airport	Fuel truck containment	\$150,000
Airport	Purchase of new airfield equipment	\$250,000
Airport	Supplemental funding for property acquisition approved by Article 72 of 2005 Annual Town Meeting	\$400,000
Airport	Phase I of fuel pipeline installation (engineering, permitting and associated costs, provided, however, that (a) any such fuel pipeline shall be engineered, designed and sized to accommodate both the aviation needs of the Airport and all other present or foreseeable Island needs, public and private, (b) that any fuel pipeline capacity not used for aviation purposes be made available, under the jurisdiction and supervision of the Board of Selectmen, for other Island needs on such terms and conditions as the Board of Selectman shall determine, including the imposition of reasonable fees for the use thereof; and (c) any revenue generated by the fees imposed by the Board of Selectmen with respect to capacity not used for aviation purposes go to the general fund of the Town)	\$4,000,000
<i>Subtotal</i>		<i>\$5,350,000</i>
Sewer	Phase I and II infiltration/inflow improvements in downtown Core District	\$3,000,000
Sewer	Purchase of replacement sewer cleaning equipment	\$165,000
Sewer	Construction of sewer on north side of Old South Road	\$250,000
	Reconstruction of various areas of sewer collection system	\$100,000
<i>Subtotal</i>		<i>\$3,515,000</i>
Wannacomet Water	Rehabilitation of administrative office building	\$750,000
<i>Subtotal</i>		<i>\$750,000</i>
TOTAL		\$9,615,000

And, to meet these appropriations, that the following funding sources be used:

<i>FUNDING SOURCE</i>	<i>AMOUNT</i>
Airport Borrowing	\$5,350,000
Sewer Borrowing	\$3,515,000
Wannacomet Borrowing	\$750,000
TOTAL	\$9,615,000

Further, that the Treasurer of the Town, with the approval of the Board of Selectmen, is authorized to borrow the sum of Five Million Three Hundred Fifty Thousand Dollars (\$5,350,000) as a general obligation of the Town with the intent that any and all repayments and debt service (if applicable) are to come from Airport revenues; that the Treasurer of the Town with the approval of the Board of Selectmen is authorized to borrow the sum of Three Million Two Hundred Sixty-five Thousand Dollars (\$3,265,000), as a general obligation of the Town, with the intent that all repayments are to come from Sewer Enterprise revenues and that all or any portion of such amount may be borrowed from the Massachusetts Water Pollution Abatement Trust and/or the State Revolving Loan Fund pursuant to chapter 29C of the general laws or any other source, or pursuant to any other applicable statute; and that the Treasurer of the Town with the approval of the Board of Selectmen is authorized to borrow Two Hundred Fifty Thousand Dollars (\$250,000) for the construction of sewer on the north side of Old South Road as a general obligation of the Town with the intent that the interest and principal due is to be repaid to the Town through betterment assessments; that the Treasurer of the Town with the approval of the Board of Selectmen is authorized to borrow the sum of Seven Hundred Fifty Thousand Dollars (\$750,000), as a general obligation of the Town, with the intent that all repayments and debt service are to come from Wannacomet Water revenues.

April 6, 2006

TO WHOM IT MAY CONCERN:

I, Catherine Flanagan Stover, duly elected Clerk of the Town and County of Nantucket, hereby certify that the April 3, 2006 ANNUAL TOWN MEETING adopted **Article 14: "Airport Enterprise Fund Capital Expenditure Modification"** at the April 4, 2006 adjourned session when A...the adoption of all articles not heretofore acted upon as recommended by the Finance Committee, or as recommended by the Planning Board@ was duly motioned and seconded.

VOTE: The vote on the motion pursuant to Article 14, as recommended by the Finance Committee, was by Unanimous Voice Vote. The motion was adopted.

Catherine Flanagan Stover, CMC, CMMC
Town and County Clerk

ARTICLE 14

(Airport Enterprise Fund Capital Expenditure Modification)

To see if the Town will vote to amend the vote of the Town passed under Article 13 of the 2002 Annual Town Meeting to authorize the Treasurer, with the approval of the Board of Selectmen and the Airport Commission, to meet ~~\$605,000~~ \$1,181,500 of airport appropriations thereunder for the Structural Fire Truck Purchase (\$230,000), Refurbish ARFF Vehicle (\$175,000), the Operations Building (\$100,000) and the Employee Housing Design (\$100,000), Terminal Security Options Layout (\$80,000), Electric Security Gates (\$150,000), Emergency Security Plan (\$270,000), EA/EIR Additional Studies (\$4,500), South Apron Pavement (\$42,000) and Runway 6 ILS Installation (\$30,000) by issuing bonds or notes therefore pursuant to G.L. c.44 as general obligations of the Town, it being the intent of the Town, however, that the debt service on such bonds and notes will be paid with airport revenues; or to take any other action relative thereto.

(Board of Selectmen for Nantucket Airport Commission)

FINANCE COMMITTEE MOTION: That the vote of the Town passed under Article 13 of the 2002 Annual Town Meeting to authorize the Treasurer, with the approval of the Board of Selectmen and the Airport Commission, to meet ~~\$605,000~~ \$1,181,500 of airport appropriations thereunder for the Structural Fire Truck Purchase (\$230,000), Refurbish ARFF Vehicle (\$175,000), the Operations Building (\$100,000) and the Employee Housing Design (\$100,000), Terminal Security Options Layout (\$80,000), Electric Security Gates (\$150,000), Emergency Security Plan (\$270,000), EA/EIR Additional Studies (\$4,500), South Apron Pavement (\$42,000) and Runway 6 ILS Installation (\$30,000) by issuing bonds or notes therefore pursuant to G.L. c.44 as general obligations of the Town, it being the intent of the Town, however, that the debt service on such bonds and notes will be paid with airport revenues.

NOTICE OF ASSIGNMENT OF LEASE

In accordance with the provisions of Mass. Gen .Laws, c.183, §4, as amended, notice is hereby given that all of the rights, obligations and duties as of January 1, 2009 of Lessee under that certain Lease Agreement by and between the Nantucket Memorial Airport Commission ("Lessor") and Nantucket Restaurant Group, LLC, dba as Alice's Restaurant ("Lessee"), have been assigned to Nantucket Regal Group, LLC, dba Crosswinds Restaurant and Bar, a Massachusetts LLC, having it's principal place of business at 14 Airport Road, Unit 4, Nantucket, MA 02554.

Executed and sealed as of July 14, 2009

NANTUCKET MEMORIAL AIRPORT COMMISSION, Lessor

By: E. Foley Vaughan, Chairman

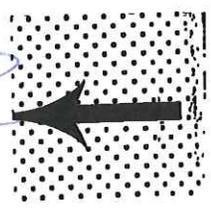
NANTUCKET RESTAURANT GROUP, LLC, Lessee

By: Gary A. Simanson, Managing Member

MASOUD TAHERZADEH NOTARY PUBLIC COMMONWEALTH OF VIRGINIA MY COMMISSION EXPIRES MAR. 31, 2012 COMMISSION # 7183823

NANTUCKET REGAL GROUP, LLC, Assignee

By: Christopher J. Skehel, President

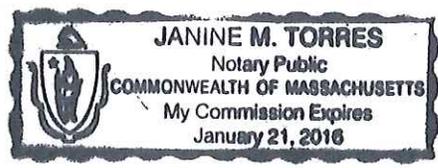


COMMONWEALTH OF MASSACHUETTS, Nantucket, ss.

On this 23 day of March, 2010, before me, the undersigned notary public, personally appeared E. Foley VAUGHAN, and , being a majority of the Commissioners of the Nantucket Memorial Airport Commission, all personally known to me, acknowledge to me that he/she signed it voluntarily for its stated purpose.

Signature of Janine M. Torres

Janine M. Torres, Notary Public My Commission Expires, January 21, 2016



State of VA, County of FAIRFAX, ss.

On this 14th day of July, 2009, before me, the undersigned notary public, personally appeared Gary A. Simanson, proved to me through satisfactory evidence of identification, which was VA DL # TG5-98-1897, to be the person whose name is signed on the preceding document and acknowledged to me that he signed it voluntarily for its stated purpose.

Masoud Taherzadeh
, Notary Public

MASOUD TAHERZADEH
NOTARY PUBLIC
COMMONWEALTH OF VIRGINIA
MY COMMISSION EXPIRES MAR. 31, 2012
COMMISSION # 7183823

My Commission Expires: 3-31-12

State of MASS, County of NANTUCKET, ss.

On this _____ day of _____, 2009, before me, the undersigned notary public, personally appeared Christopher J. Skehel, proved to me through satisfactory evidence of identification, which was DRIVERS LICENSE, to be the person whose name is signed on the preceding document and acknowledged to me that he signed it voluntarily for its stated purpose.

Richard J. Glidden

, Notary Public

My Commission Expires:

RICHARD J. GLIDDEN
Notary Public
Commonwealth of Massachusetts
My Commission Expires
May 18, 2012

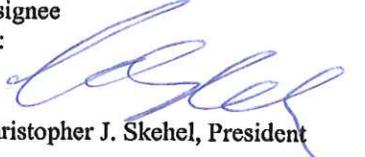
ASSIGNMENT and ASSUMPTION OF LEASE

Nantucket Restaurant Group, LLC, a Massachusetts LLC ("Assignor), dba Alice's Restaurant being the Lessee under certain Lease Agreement with the Nantucket Memorial Airport Commission, dated January 1, 2007, hereby assigns all of its rights, obligations and duties as of January 1, 2009 as Lessee under said Lease Agreement to Nantucket Regal Group, LLC, a Massachusetts LLC, dba Crosswinds Restaurant and Bar, having their principal place of business at 14 Airport Road, Unit 4, Nantucket, Massachusetts 05554 (hereinafter referred to as "Assignee").

By virtue of its execution hereof the Assignee hereby accepts said assignment and assumes the rights and obligations as of January 1, 2009, of the Lessee under said Lease Agreement and the Assignee hereby indemnify the Assignor from any and all loss, claims, costs, or damage after in connection with said Lease Agreement and any breach of the conditions thereof, after January 1, 2009 or in the future.

Executed and sealed as of *July 14th*, 2009

Nantucket Restaurant Group, LLC
Assignor
By: 
Gary A. Simanson, Managing Member

Nantucket Regal Group, LLC
Assignee
By: 
Christopher J. Skehel, President

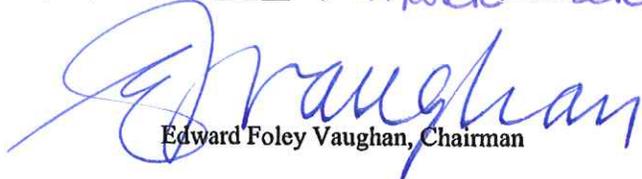


MASOUD TAMERZADEH
NOTARY PUBLIC
COMMONWEALTH OF VIRGINIA
MY COMMISSION EXPIRES MAR 31 2012
COMMISSION # 7163823

CONSENT TO ASSIGNMENT AND ASSUMPTION OF LEASE

The Commissioners of the Nantucket Memorial Airport Commission, acting pursuant to a vote of said Commission at it's May 12, 2009 meeting, hereby consent to the forgoing assignment and assumption of rights, obligations, and duties as of January 1, 2009, under that certain Lease Agreement dated January 1, 2007 by Nantucket Memorial Airport Commission as Lessor and Nantucket Restaurant Group, LLC as Lessee, to Nantucket Regal Group, LLC.

Executed by Edward Foley Vaughan, Chairman of the Nantucket Memorial Airport Commission, duly authorized by vote of said Commission dated May 12, 2009, this 23 day of March, 2009. ~~2010~~


Edward Foley Vaughan, Chairman

AGREEMENT FOR SALE OF BUSINESS

Agreement made this 21st day of February, 2009 by and between Nantucket Restaurant Group, LLC (hereinafter referred to as "Seller"), a Massachusetts limited liability company, with a business address of 14 Airport Road, Unit 4, Nantucket, Massachusetts 02554, and Nantucket Regal Group, LLC, hereinafter referred to as "Purchaser"), with a business address of 77B Bartlett Road, Nantucket, Massachusetts 02554.

WHEREAS, Seller owns and operates a business known as Nantucket Restaurant Group, LLC, d/b/a Alice's Restaurant, at 14 Airport Road, Unit 4, Nantucket, Massachusetts 02554, and has developed a substantial following of customers and considerable goodwill.

WHEREAS, Purchaser is experienced in the restaurant business and wishes to purchase the business known as Alice's Restaurant.

NOW THEREFORE, in consideration of the mutual covenants herein contained, it is agreed as follows:

FIRST: Sale of Business – Seller agrees to sell and Purchaser agrees to purchase the business known as Alice's Restaurant.

SECOND: Assets to be Transferred – Seller shall sell to Purchaser the assets set forth in EXHIBIT A, and the goodwill of Alice's Restaurant. No Liabilities of the business incurred prior to January 1, 2009 are to be assumed by Purchaser.

THIRD: Bill of Sale – Seller shall deliver to Purchaser physical possession and a good and sufficient bill of sale, in the form of EXHIBIT B, attached hereto, covering the following:

- (1) All equipment, furniture and fixtures as set forth in Exhibit "A" attached hereto;
- (2) Goodwill of the business known as Alice's Restaurant.;
- (3) Name "Alice's Restaurant" or derivatives thereof and the discontinuance of the use of said name(s) by Seller;
- (4) Telephone numbers, listings and advertisements relative to said business.

FOURTH: Representation with Respect to Condition of Equipment; Right to Inspect – Seller represents that the equipment, on the closing date, will be in good working order, and will be usable for the purpose intended. Purchaser shall have the opportunity to examine the equipment prior to closing, and to have it inspected by anyone of its choice; in the event that Purchaser is not reasonably satisfied with the condition of the equipment, Purchaser shall have the right to rescind this agreement, provided, however, that notice of such rescission must

be delivered in the manner provided herein no later than 5:00pm on February 28, 2009, or such other date as is mutually acceptable to Seller and Purchaser.

Seller warrants that it owns the equipment free from any encumbrance or security interest. No warranty, other than the warranty of title, shall be applicable for any period beyond the closing date.

FIFTH: Documents to be Delivered at the Closing - At the closing, the following documents shall be delivered:

- (a) Seller shall deliver to Purchaser:
- A good and sufficient warranty bill of sale, executed by Seller covering the goodwill of the business.
 - A warranty bill of sale executed by Seller covering the equipment, inventory, furniture and fixtures;
 - Sales tax certificate from the Department of Revenue;
 - Assignment of vendor lists, client lists, name "Alice's Restaurant", telephone numbers, listing and advertisements;
 - Indemnification relative to liabilities of the business incurred prior to January 1, 2009.
- (b) Purchaser shall deliver to Seller \$160,000.00; said payment to be in the form of a release of a debt owed from Seller to Castle Group, LLC, in the form attached hereto.

SIXTH: Representations of Seller – Seller warrants and represents the following:

- (a) Seller, to the best of its knowledge, has complied with all laws, rules, regulations of the city, state and federal governments respecting the restaurant business and related activities, and has received no notice of failure to comply therewith.

SEVENTH: Covenants of Seller– Seller covenants with Purchaser as follows:

- (a) The Bills of Sale and Assignments delivered at the closing will transfer all of the assets referred to therein free and clear of all liens, encumbrances, liabilities, obligations and security interests in form as set forth in EXHIBITs A and B.
- (b) To the best of Seller's knowledge, the business has been conducted up to and including December 31, 2008, in accordance with all laws, rules and regulations of the Town of Nantucket, the State of Massachusetts, and the United States Government, respecting restaurant business and related activities carried on by the business.

- (c) To the best of Seller's knowledge, no judgments or liens will be outstanding at the time of the closing against those assets being transferred pursuant to this agreement;

EIGHTH: Payment of Business Liabilities – Seller agrees that it is responsible for liabilities of the business accrued before January 1, 2009. Any invoices, which subsequently arrive with respect to amounts due prior to January 1, 2009, shall be the responsibility of Seller. As of January 1, 2009, no further goods or services shall be acquired for the business under any accounts held by Seller; such accounts shall be terminated as of the closing date and Purchaser shall open such new accounts as it shall elect.

NINTH: Parties Bound by Contract - This contract shall be binding upon Seller and Purchaser and their successors and/or assigns.

TENTH: Survivability of Covenants - Such representations, warranties, and covenants of all of the parties contained in this agreement as, by their terms, are to be performed after the closing shall survive the closing.

ELEVENTH: Severability - If any provision of this agreement shall be determined to be unenforceable, it shall be treated as being severed, and the balance of the agreement shall stand.

TWELFTH: Risk of Loss – At the time of closing, all property agreed to be sold hereunder shall be delivered to Purchaser in the same condition as at the close of business on the date of execution hereof, except for ordinary use and wear thereof, changes occurring in the ordinary course of business between the date of execution hereof, and the date of closing, and damage or loss from causes beyond the reasonable power and control of Seller; provided, however, that if at the time of closing the value of the machinery, equipment, and other tangible property to be sold hereunder shall have diminished in the reasonable opinion of Purchaser, then the Seller shall have the option to use reasonable efforts to correct such damage, in which event Seller shall give written notice thereof to Purchaser at or before the time for performance hereunder and thereupon the time for performance hereof shall be extended for a period of thirty (30) days.

In the event Seller elects not to take efforts to correct said damage, Purchaser shall have the right at its election to complete the purchase in which event it shall be entitled to all insurance proceeds (excluding use and occupancy insurance proceeds) collectable by reason of such loss or damage or, if it does not so elect, it shall have the right, which shall be in lieu of any other right or remedy whatsoever, to terminate this contract. In the latter event all parties shall be released from liability hereunder.

In any case where Purchaser shall become entitled to insurance proceeds by reason of loss or damage to assets agreed to be sold hereunder as above

provided, the purchase price of the assets so lost or damaged shall not be reduced because of such loss or damage.

Except as provided above, if for any cause beyond the reasonable power and control of Seller it shall be unable to complete the sale hereunder in accordance with its terms, Purchaser may elect, in its sole discretion, to accept as full performance such partial performance by Seller as shall not be so prevented or if it does not so elect its sole and exclusive remedy shall be to terminate this contract. In the latter event, all parties shall be released from all liability hereunder.

THIRTEENTH: Lease. The parties acknowledge and agree that their obligations hereunder are contingent upon Purchaser executing a Lease Agreement for 14 Airport Road, Unit 4, in a form acceptable to Purchaser in Purchaser's reasonable discretion, contemporaneously with the sale of the business as set forth herein.

FOURTEENTH: Notice. Any notices required to be sent pursuant to this Agreement shall be sent to the parties at the following addresses:

Seller: Nantucket Restaurant Group, LLC
c/o Gary Simanson
840 Leigh Mill Road
Great Falls, VA 22066

Purchaser: Nantucket Regal Group, LLC
77B Bartlett Road
Nantucket, MA 02554

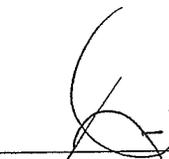
SIGNATURE PAGE TO FOLLOW

In witness whereof, the parties have set their hands and seals the day and year first above stated.



Nantucket Restaurant Group, LLC
By Gary A. Simanson, its Manager

Witness



Nantucket Regal Group, LLC
By Christopher Skehel, its Manager

Witness

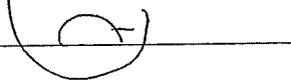


EXHIBIT A

Assets to be Transferred
(list of equipment)

all tables, chairs, liners, silverware,
dishware, glassware, food inventory,
cash registers, kitchen equipment and tools;
including but not limited to the items
set forth in the equipment list attached
hereto and incorporated herein

Assets do not include any dishware not
owned by Nantucket Restaurant Corp. or any
items not located at the business premises
as of January 1, 2009. JH

Seller retains ownership of existing signage
but hereby agrees to its use by Purchaser. JH

NANTUCKET RESTAURANT GROUP, LLC
 dba ALICE'S RESTAURANT
 SCHEDULE 'A'

ITEM NO.	MANUFACTURER	ITEM DESCRIPTION	MODEL NO.	QTY.	UNIT
1	MILLROCK-MODULAR BRAND	MODULAR CABINET BASE	MSM18	1	EA
2	MILLROCK-MODULAR BRAND	BEVERAGE DISPENSER STAND	MBM24	1	EA
3	MILLROCK-MODULAR BRAND	UTILITY STATION	M3C30	1	EA
4	MILLROCK-MODULAR BRAND	BEVERAGE DISPENSER STAND	MBM24	1	EA
5	MILLROCK-MODULAR BRAND	TRASH CONTAINER	MTM18	1	EA
6	MILLROCK-MODULAR BRAND	UTILITY STATION	MHS18	1	EA
7	MILLROCK-MODULAR BRAND	MODULAR CABINET BASE	MSM24	1	EA
8	MILLROCK-MODULAR BRAND	SERVING COUNTER, SKELETON UNIT	ME\$52	1	EA
9	MILLROCK-MODULAR BRAND	UTILITY STATION	M3C30	1	EA
10	MILLROCK-MODULAR BRAND	CASH REGISTER STAND	MCM24	1	EA
11	MILLROCK-MODULAR BRAND	DISPLAY CASE, REFRIG/NON-REFRIG	C74	1	EA
12	MILLROCK-MODULAR BRAND	DISPLAY CASE	GF62	2	EA
13	MILLROCK-MODULAR BRAND	DISPLAY CASE REFRIGERATED	CUSTOM	1	EA
14	MILLROCK-MODULAR BRAND	CONDIMENT CART	MCC4B	1	EA
15	MILLROCK-MODULAR BRAND	AIRPOT SERVING RACK	MAD24	1	EA
16	TRUE	FREEZER, UNDERCOUNTER	TUC-48F	1	EA
17	TRUE	TWT-48F TRUE WORKTOP FREEZER	TWT-48F	1	EA
1	APOLLO CONVECTION OVEN, GAS,	MONTAGUE CO.	R2-85A	1	EA
001A	1675KITCF-36 QUICK DISCONNECT	DORMONT MANUFACTURING CO	1675KITCF-36	1	EA
2	GRIZZLY RANGE, 68" RESTAURANT,	MONTAGUE CO.	G260-12	1	EA
002A	1675KITCF-36 QUICK DISCONNECT	DORMONT MANUFACTURING CO	1675KITCF-36	1	EA
7	CHARBROILER, GAS, 36-1/8"W,	VULCAN	VACB36	1	EA
007A	1675KITCF-36 QUICK DISCONNECT	DORMONT MANUFACTURING CO	1675KITCF-36	1	EA
007B	HEAVY DUTY GRIDDLE, COUNTERTOP	VULCAN	948RE	1	EA
007C	1675KITCF-36 QUICK DISCONNECT	DORMONT MANUFACTURING CO	1675KITCF-36	1	EA
8	2 FRYERS/KLEENSCREEN PLUS	VULCAN	ZGR45MF	1	EA
008A	16125KIT-36 QUICK DISCONNECT	DORMONT MANUFACTURING CO	16125KIT-36	1	EA
9	HOT FOOD TABLE, 120V ELECTRIC,	RANDELL MFG.	3613-120	1	EA
10	VACUUM PACKAGING MACHINE,	BERKEL	350D	1	EA
11	WORK TOP REFRIGERATOR,	TRUE	TWT-93	1	EA
12	REFRIGERATED CHEF BASE,	TRUE	TRCB-82-84	1	EA
13	WORK TOP FREEZER, TWO SECTION,	TRUE	TWT-48F	1	EA
14	WORK TOP REFRIGERATOR,	TRUE	TWT-48	1	EA
15	REFRIGERATED COUNTER, SANDWICH	TRUE	TSSU-60-16	2	EA
16	REFRIGERATOR, ROLL-IN,	TRUE	TR2RRI-2S	1	EA
17	BACK BAR COOLER, THREE-SECTION	TRUE	TBB-4G-S	1	EA
18	BOTTLE COOLER, FLAT TOP,	TRUE	TS-36-12	1	EA
19	GLASS/PALTE CHILLER, 0 DEG.F.,	TRUE	T-24-GC	1	EA
20	WORK TOP REFRIGERATOR,	TRUE	TWT-36	1	EA
025A	PRE-RINSE UNIT, WALL MOUNT	T & S BRASS WORKS	B-0133-B	1	EA
026A	B231CC FAUCET 8"O.C.-12"NOZZLE	T & S BRASS WORKS	B-0231CC	1	EA
026B	3 1/2" DIA LEVER WASTE	FRANKLIN MACHINE PRODUCT	100-1035	3	EA
27	TABLE MOUNTED DOUBLE OVERSHELF	ALL STATE FAB. CORP.	CUSTOM	1	EA
29	POT RACK, WALL-MOUNTED,	EAGLE METAL	WM60PR	2	EA
30	CLOSED GLASS RACK CABINET,	SUPREME METAL	CRCR-24-GT	1	EA
31	WORK BOARD ICE BIN COCKTAIL,	SUPREME METAL	CRI-12-36-7	1	EA
32	UNDERBAR ADD-ON UNIT, 15",	SUPREME METAL	CR-HS-15	1	EA
33	BOTTLE COOLER, FLAT TOP,	TRUE	TD-36-12	1	EA
34	UNDERBAR WORK BOARD SINK UNIT,	SUPREME METAL	CRB-43L	1	EA
35	HAND SINK UNIT, FREE STANDING	SUPREME METAL	SC-15-TS-L	1	EA
36	REFRIGERATOR, GLASS AND PLATE	TRUE	T-24-GC	1	EA
38	BACK BAR COOLER, THREE-SECTION	TRUE	TBB-24-72	1	EA
39	REFRIGERATED COUNTER, SANDWICH	TRUE	TSSU-27-12M-B	1	EA

EXHIBIT B

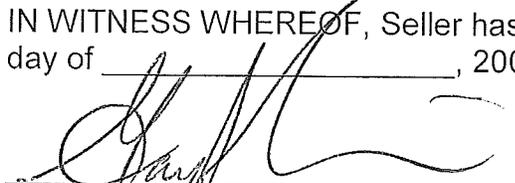
Bill of Sale (to be attached)

BILL OF SALE

For consideration of One Hundred Sixty Thousand Dollars (\$160,000.00) paid, the receipt and sufficiency of which is hereby acknowledged, NANTUCKET RESTAURANT GROUP, LLC, having an address of 14 Airport Road, Unit 4, Nantucket, Massachusetts 02554, (the "Seller"), hereby sells, assigns, transfers and conveys to NANTUCKET REGAL GROUP, LLC, having an address at 77B Bartlett Road, Nantucket, Massachusetts 02554 (the "Buyer"), (i) all of the Seller's interest in the inventory for the restaurant business known as "Alice's Restaurant" as set forth on the inventory list attached hereto as Exhibit "A", and (ii) the fixed assets, including but not limited to equipment, furniture, and fixtures as set forth in Exhibit B attached hereto, and the goodwill of the business known as Alice's Restaurant and situated at 14 Airport Road, Unit 4, Nantucket, Nantucket County, Massachusetts.

The Seller hereby represents and warrants that Seller owns the inventory free and clear of, and not subject to any mechanics, materialmen's or similar liens, pledges, mortgages, deeds of trust, security deeds, security agreements, liens, judgments, conditional sales contracts, UCC's, encumbrances, past due taxes or assessments, fines, levies or other encumbrances of a monetary nature or capable of being released upon payment of a specified amount, leases, covenants, conditions, restrictions, or any other agreements, contracts, rights, acts or other matters of any nature affecting the title thereto, arising by, through or under Seller.

IN WITNESS WHEREOF, Seller has executed this Bill of Sale under seal as of this ____ day of _____, 2009.



Nantucket Restaurant Group, LLC
By Gary A. Simanson, its Manager

Witness

Town of Nantucket
NANTUCKET MEMORIAL AIRPORT
14 Airport Road
Nantucket Island, Massachusetts 02554

Alfred G. Peterson, Airport Manager
Phone: (508) 325-5300
Fax: (508) 325-5306



Commissioners
E. Foley Vaughan, Chairman
Sheila O'Brien Egan, Vice Chair
Robert Atlee
David C. Gray, Sr.
Dual A. Macintyre, Jr.

NANTUCKET AIRPORT COMMISSION MEETING
Executive Session
Tuesday March 10, 2009

Lease – Alice's Restaurant

Mr. Peterson reported he and Chairman Vaughan met with Chris Skehel who will be taking over the restaurant if the Commission agrees. The restaurant made \$1.2 million dollars last year; rent was \$120,000 of which \$50,000 is still owed from Gary Simonson. Mr. Skehel needs some help to go forward and has asked for a break for the first 12 months to establish the restaurant. The restaurant will now be called The Nantucket Restaurant Group (NRG) with the Ack bar and grill. Mr. Skehel would like to pay \$6,000 a month for 12 months which would be retroactive from the first of the year. The participation fee is 3% which gross exceeds the rent. The Commission agreed to go ahead with this agreement this year and to revisit again in December of 2009.

Airport Gift Shop – Marsha Kotalac

The sub-committee proposed \$30,000.00 for rent and 5% for gross sales over \$250,000.00 participation and 10% for gross sales over \$300,000.00.

Ms. Kotalac would like a 3 year lease in order to make some of the money she has put into the shop.

The gift shop does not currently have a lease.

The Commission agreed to a 3 year lease beginning June 1, 2009.

It was **M/S/P** to adjourn at 5:45 Pm

Respectfully Submitted,

Yolanda J. Maxwell, Recorder

Town of Nantucket
NANTUCKET MEMORIAL AIRPORT
 14 Airport Road
 Nantucket Island, Massachusetts 02554

Alfred G. Peterson, Airport Manager
 Phone: (508) 325-5300
 Fax: (508) 325-5306



Commissioners
 E. Foley Vaughan, Chairman
 Sheila O'Brien Egan, Vice Chair
 Robert Atlee
 David C. Gray, Sr.
 Dual A. Macintyre, Jr.

NANTUCKET AIRPORT COMMISSION MEETING
Executive Session
Tuesday January 12, 2010

Lease

Crosswinds

Mr. Peterson reported he met with Chris Skehel of Crosswinds and reminded him he had an abatement on the rent until the end of December 2009. Mr. Peterson stated the Airport would like to go back to the lease and receive \$12,000 a month. Mr. Skehel stated he is barely making it and could he pay \$7,000 during the winter and re-evaluate during the summer.

Chairman Vaughan would like to have the Airport's accountant look at Crosswinds books after March 31, 2010 and then re-evaluate the situation.

The Commission agreed to \$7,000 per month for now.

Myles Reis

Mr. Peterson reported he talked with Mr. Reis and reminded him he had an abatement on the rent until the end of December 2009. Mr. Reis stated if the Commission wants 50 cents on the dollar he will remain on the lot. If the Commission wants more he will vacate.

Mr. Peterson reported Roger Stolte of Glyn's Marine is interested in the lot currently occupied by Mr. Reis. Mr. Stolte would like to take over the lot in March of 2010 which is when Mr. Reis should have his issue with the Town regarding the property swap resolved.

Commissioner Macintyre asked if Mr. Stolte wanted to put up boat racks, Mr. Peterson responded no they want to have a drive through for the boats.

Vice Chair Egan asked if Mr. Peterson talk to Mr. Stolte about the price, Mr. Peterson responded yes Mr. Stolte was told it is 88 cents. Mrs. Torres stated the lot would have to go out to bid.

Chairman Vaughan recommends going ahead with the RFP and have a draft contract ready.

Harbor Fuel/Yates Gas

Mr. Peterson reported both Harbor Fuel and Yates Gas would like to expand their space further back. Mr. Peterson will meet with Harbor Fuel and Yates Gas to discuss this matter.

LaFluer

Mr. Peterson reported a letter has been sent to Mr. Lafluer stating intent to evict and has not heard from him. Mr. Peterson will have the Airport's lawyer send another letter to file suit to evict.

Personnel

Commissioner Gray felt he didn't need to excuse himself because the subject matter was Administrative, not union business.

Mr. Peterson reported the Airport was providing the Administrative personnel with Disability, Life, and Dental plans. The Town's attorney stated according to Mass Law 32B, employees may not discriminate against groups of people and therefore, those policies were cancelled. However, the teachers union has a clause called "wellness" in their contract which gives them \$1,000 a year in the form of a voucher which will cover the health club, weight management, fitness classes, childcare, personal coaching, dental costs, eyeglasses, \$250,000 toward education, \$85.00 for NHA membership, \$85.00 for Maria Mitchell membership. They can use the \$1,000 voucher towards any one of these items. Mr. Peterson brought this to Peter Barry and he stated he has an issue with the dental and eyeglasses. Mr. Peterson stated as long as these things don't have to do with healthcare it is legal. Mr. Peterson stated the insurances was something taken from the Administrative personnel and would like the Commission to consider a variation of this program.

Chairman Vaughan would like a recommendation from Mr. Peterson at a future date of what can be done and the proper way to go about it.

Vice Chair Egan asked for clarification on the executive sessions. All executive sessions are confidential until the minutes are approved and posted. Chairman Vaughan responded yes all executive sessions are confidential until they are posted.

It was **M/S/P** to adjourn at 5:53 PM

Respectfully Submitted,

Yolanda J. Taylor, Recorder

Nantucket Regal Group, LLC
Income Statement
 For the Years Ended December 31, 2009

Crosswinds

	One Month Ended December 31, 2009	% of Sales	Twelve Months Ended December 31, 2009	% of Sales
Sales				
Sales - Food	51,691.35	88.00	893,384.88	87.94
Sales - Liquor	7,048.43	12.00	117,012.02	11.52
Sales - Retail	.00	.00	5.00	.00
Miscellaneous Income	.00	.00	5,467.00	.54
Interest Income	.71	.00	60.56	.01
Total Sales	\$ 58,740.49	100.00	\$ 1,015,929.46	100.00
Cost of Goods Sold				
Cost of Sales - Food	21,856.80	42.26	310,272.90	34.73
Cost of Sales - Liquor	2,863.31	40.62	36,953.98	31.58
Total Cost of Goods Sold	24,720.11	42.08	347,226.88	34.18
Gross Profit Margin	\$ 34,020.38	57.92	\$ 668,702.58	65.82
Operating Expenses				
Staff Costs	20,812.95	35.43	379,824.75	37.39
Restaurant Supplies	2,409.25	4.10	33,335.76	3.28
Equipment Expenses	.00	.00	9,671.60	.95
Real Estate Taxes	.00	.00	1,395.00	.14
Repairs & Maint. Facilities	509.50	.87	18,342.99	1.81
Utilities Expense	4,179.11	7.11	56,401.88	5.55
Refuse Disposal	372.74	.63	7,805.81	.77
Cleaning & Janitorial	256.50	.44	5,147.89	.51
Facilities - Other	.00	.00	1,815.96	.18
Advertising & Marketing	1,368.02	2.33	14,731.72	1.45
Entertainment - Bands/D.J.'s	.00	.00	.00	.00
Food Comps	1,674.27	2.85	20,783.77	2.05
Liquor Comps	76.35	.13	883.76	.09
Insurance - General	617.45	1.05	6,559.48	.65
Credit Card Merchant Fees	920.81	1.57	14,587.34	1.44
Interest Expense	87.50	.15	134.16	.01
General & Adm. Expenses	12,160.16	20.70	77,321.62	7.61
Total Operating Expenses	\$ 45,444.61	77.37	\$ 648,743.49	63.86
Net Operating Profit/(Loss)	\$ (11,424.23)	(19.45)	\$ 19,969.09	1.96
Other Items				
Depreciation Expense	97,613.00	166.18	97,613.00	9.61
Rent Expense	6,000.00	10.21	72,000.00	7.09
Total Other Items	103,613.00	176.39	\$ 169,613.00	16.70
Net Income from Operations	\$ (115,037.23)	(195.84)	\$ (149,653.91)	(14.73)
*****Key Financial Statistics*****				
Food Cost	21,856.80	42.28	310,272.90	34.73
Liquor Cost	2,863.31	40.62	36,953.98	31.58
Labor Cost	20,812.95	35.43	379,824.75	37.39
Kitchen Labor / Food Sales	13,343.77	25.81	158,077.67	17.69
PRIME COST	\$ 45,533.06	77.52	\$ 727,051.63	71.57

Nantucket Regal Group, LLC
Income Statement
For the Years Ended December 31, 2010

Crosswinds

	One Month Ended December 31, 2010	% of Sales	Twelve Months Ended December 31, 2010	% of Sales
Sales				
ales - Food	57,286.74	88.50	995,896.04	88.39
ales - Liquor	7,446.62	11.50	130,733.04	11.60
erest Income	.33	.00	30.64	.00
Total Sales	\$ 64,733.69	100.00	\$ 1,126,659.72	100.00
Cost of Goods Sold				
ost of Sales - Food	18,768.93	32.76	304,681.56	30.59
ost of Sales - Liquor	1,857.60	24.95	31,137.62	23.82
Total Cost of Goods Sold	20,626.53	31.86	335,819.18	29.81
Gross Profit Margin	\$ 44,107.16	68.14	\$ 790,840.54	70.19
Operating Expenses				
aff Costs	76,966.75	118.90	383,206.63	34.01
astaurant Supplies	741.40	1.15	16,230.74	1.44
quipment Expenses	710.74	1.10	7,708.07	.68
ent Expense	738.48	1.14	5,723.22	.51
real Estate Taxes	.00	.00	82.39	.01
epairs & Maint. Facilities	270.27	.42	15,470.18	1.37
ilities Expense	5,072.71	7.84	68,547.56	6.08
efuse Disposal	353.00	.55	5,465.95	.49
leaning & Janitorial	695.73	1.07	7,933.68	.70
ilities - Other	100.00	.15	700.00	.06
vertising & Marketing	261.94	.40	12,282.16	1.09
ntertainment - Bands/D.J.'s	.00	.00	\$.00	.00
ood Comps	1,612.76	2.49	28,187.60	2.50
quor Comps	12.75	.02	1,903.28	.17
urance - General	594.33	.92	5,465.16	.49
redit Card Merchant Fees	1,118.99	1.73	17,465.25	1.55
erest Expense	(46.66)	(0.07)	1,157.87	.10
eneral & Adm. Expenses	6,299.31	9.73	89,660.44	7.96
Total Operating Expenses	\$ 95,502.50	147.53	\$ 667,190.18	59.22
Net Operating Profit/(Loss)	\$ (51,395.34)	(79.40)	\$ 123,650.36	10.98
Other Items				
epreciation Expense	20,677.00	31.94	20,677.00	1.84
mortization Expense	1,214.00	1.88	1,214.00	.11
ent Expense	7,000.00	10.81	83,000.00	7.37
Total Other Items	28,891.00	44.63	\$ 104,891.00	9.31
Net Income from Operations	\$ (80,285.34)	(124.03)	\$ 18,759.36	1.67
Key Financial Statistics*				
ood Cost	18,768.93	32.76	304,681.56	30.59
iquor Cost	1,857.60	24.95	31,137.62	23.82
abor Cost	76,966.75	118.90	383,206.63	34.01
itchen Labor / Food Sales	13,915.69	24.29	175,267.31	17.60
RIME COST	\$ 97,593.28	150.76	\$ 719,025.81	63.82

Nantucket Regal Group, LLC
Income Statement

	One Month Ended December 31, 2011	% of sales	Twelve Months Ended December 31, 2011	% of Sales	One Month Ended December 31, 2010	Twelve months Ended December 31, 2010	% of Sales	
SALES								
Sales - Food	75,058.56	88.78	1,148,757.50	88.65	57,286.74	88.50	995,896.04	88.39
Sales - Liquor	8,816.20	10.43	145,281.17	11.21	7,446.62	11.50	130,733.04	11.60
Interest Income	28.51	.03	199.71	.02	.33	.00	30.64	.00
Miscellaneous Income	642.81	.76	1,606.70	.12	.00	.00	.00	.00
TOTAL SALES	\$ 84,546.08	100.00	\$ 1,295,845.08	100.00	64,733.69	100.00	1,126,659.72	100.00
COST OF GOODS SOLD								
Cost of Sales - Food	24,283.94	32.35	365,460.97	31.81	18,768.93	32.76	304,681.56	30.59
Cost of Sales - Liquor	1,411.54	16.01	33,263.35	22.90	1,857.60	24.95	31,137.62	23.82
TOTAL CGS	\$ 25,695.48	30.39	\$ 398,724.32	30.77	20,626.53	31.86	335,819.18	29.81
GROSS PROFIT	\$ 58,850.60	69.61	\$ 897,120.76	69.23	44,107.16	68.14	790,840.54	70.19
PAYROLL								
Salaries and Wages	76,889.11	90.94	492,952.31	38.04	81,405.23	125.75	454,544.85	40.34
TOTAL PAYROLL	\$ 76,889.11	90.94	\$ 492,952.31	38.04	81,405.23	125.75	454,544.85	40.34
PRIME COST	\$ 102,584.59	121.34	891,676.63	68.81	102,031.76	157.62	790,364.03	70.15
OTHER CONTROLLABLE EXPENSES								
Restaurant Supplies	1,049.54	1.24	17,771.25	1.37	741.40	1.15	16,230.74	1.44
Equipment Expenses	1,075.97	1.27	10,502.35	.81	710.74	1.10	7,708.07	.68
Repairs & Maint. Facilities	515.83	.61	14,542.05	1.12	270.27	.42	15,470.18	1.37
Utilities Expense	5,290.47	6.26	67,689.72	5.22	5,072.71	7.84	68,547.56	6.08
Refuse Disposal	449.00	.53	5,995.38	.46	353.00	.55	5,465.95	.49
Cleaning & Janitorial	148.41	.18	11,205.85	.86	695.73	1.07	7,933.68	.70
Facilities - Other	121.25	.14	1,517.92	.12	100.00	.15	700.00	.06
Advertising & Marketing	96.00	.11	10,091.67	.78	261.94	.40	12,282.16	1.09
Food Comps	2,956.25	3.50	36,877.28	2.85	1,612.76	2.49	28,187.60	2.50
Liquor Comps	143.70	.17	3,039.98	.23	12.75	.02	1,903.28	.17
Credit Card Merchant Fees	1,391.34	1.65	23,891.32	1.84	1,118.99	1.73	17,465.25	1.55
General & Adm. Expenses	4,402.73	5.21	34,084.79	2.63	2,599.31	4.02	24,045.44	2.13
TOTAL OCE	\$ 17,640.49	20.86	\$ 237,209.56	18.31	13,549.60	20.93	205,939.91	18.28
CONTROLLABLE PROFIT	\$ (35,679.00)	(42.20)	166,958.89	12.88	(50,847.67)	(78.55)	130,355.78	11.57

Nantucket Regal Group, LLC
Income Statement

	One Month Ended December 31, 2011	% of sales	Twelve Months Ended December 31, 2011	% of Sales	One Month Ended December 31, 2010	Twelve months Ended December 31, 2010	% of Sales
OCCUPANCY COSTS							
Rent Expense	7,000.00	.00	82,000.00	.00	7,000.00	.00	83,000.00
Personal Property Taxes	.00	.00	101.30	.01	.00	.00	82.39
Insurance - General	823.30	.97	9,192.69	.71	594.33	.92	5,465.16
TOTAL OCCUPANCY COSTS	\$ 7,823.30	9.25	\$ 91,293.99	7.05	7,594.33	11.73	88,547.55
OPERATING INCOME	\$ (43,502.30)	(51.45)	\$ 75,664.90	5.84	(58,442.00)	(90.28)	41,808.23
Interest Expense	.00	.00	.00	.00	(46.66)	(.07)	1,157.87
Depreciation Expense	.00	.00	.00	.00	21,891.00	33.82	21,891.00
INCOME BEFORE TAXES	\$ (43,502.30)	(51.45)	\$ 75,664.90	5.84	(80,286.34)	(124.03)	18,759.36

Airline Tenants

Name	Type of business	Size	Annual Rent	Remarks	Lease Term	Lease Expires	Contact	Notes	Ins Cert Exp	Past Due / Remarks
Air Wisconsin (US Airways Express)	Seasonal	1100 Common	\$11,000 \$1,500	\$2,750 p/m - 4 Month Minimum Ann Business Fee	4 mo.	October	Tim Thatcher cell 303-748-9725	Colgan Ground Crew	Airline Liab 12/15/11	
Colgan Air (US Airways)	Seasonal	1274	\$17,960 \$1,500	174 Office Space Common Space Business Fee (\$4,355.32 security deposit)	4 mo.	October	Brett Mannion	Landing Fees Ground handling for US, Continental, Air Wisconsin	Auto Liab, WC 11/112 (Rec'd separate WC Cert for Colgan exp. 12/31/11) Colgan Aviation Hull 7/1/10	
Continental	Seasonal	1270 N/A	\$14,920 \$1,500	\$2,750 p/m - 4 Month Minimum 98 SF @ \$40 = \$3,920 Annual Business Fee	4 mo.	October	Neil A. Maxfield Sr. Mgr Global R.E. Continental Airlines Inc Smith, Dept HQSFP Houston, TX 77002 713-324-6957 Office 832-332-6957 Cell	Landing Fees Ground Handling by Colgan	Liab 12/15/09 Prop 05/15/11 WC 12/5/09 Auto 12/5/09 Hull 6/25/10	
Delta (Comair)	Seasonal	N/A	\$17,960 1,500	\$2,750 p/m - 4 Month Minimum 174 SF @ \$40 = \$6,960 Annual Business Fee	4 mo	October	Austin Brown, Corp R.E 551-5967		Auto 2/11/12 Aircraft Liab 12/21/11 Avia Liab 12/15/08 WC 12/31/08	
Hyannis Air Service (Cape Air / ACK Airlines)	Year Round	6312	\$96,480 \$1,500	Cape Air 4293 (Office 293, Comm 4000), ACK Air (Office 819, Comm 1200) Offices @ \$40, Comm @ \$10 Ann Business Fee	1 mo.	July	Chuck Ferrara 508-790-3122 ext 501		WC 12/13/10 GL 9/13/08 Aircraft 9/13/09	
Jet Blue	Seasonal	N/A	\$11,000 1,500	\$2,750 p/m - 4 Month Minimum Annual Business Fee	4 mo.	October	Kevin Costello, Mgr Properties Marcella Munera aip 716-3518	Landing Fees	WC 4/1/10 Liab 12/01/09	
Island Airlines Rent #101 Fuel #2101	Year Round	2009 sf N/A	\$44,360 \$1,500	Office 809 sf @ \$40 Common 1200 sf @ \$10 Annual Business Fee	1 mo.	July	Herb Cabral 508-771-7774 Cell FAX 508-775-6645		Airline Liab 5/11/11 Airport Liab 11/5/10 Aircraft 5/11/11	
Island Airlines LLC dba Nantucket Shuttle	Year Round	1997 sf	\$43,880 \$1,500	Office 797 sf @ \$40 Common 1200 sf @ \$10 Annual Business Fee	1 mo.	July	Herb Cabral 508-771-7774 Cell FAX 508-775-6645	Airline closed. Gave up space 10/7/11		
Operating Agmnts										
Nant. Express	Air Charter	N/A	\$1,500	Ann Bus & Land Fees	1 Yr	3/31/2011	Robert Walsh 508-364-4277	Barter ABF& 1 Tie Down for flights to ARFF Training (\$3,000)		
Tradewind Aviation	Air Comm	N/A	\$1,500	Ann Bus & Land Fees	1 Yr	5/31/2010	Eric Zipkin 203-267-3305 Christine Hoffman 603-629-9191 x236	Working off So Ramp	12/29/2006	See Fotis includes Wiggins, FedEx/UPS
Wiggins Airways	Frt UPS/FedEx	N/A	\$1,500	Ann Bus & Land Fees	1 Yr	3/31/2010	A/P Rochelle Richard x264	Effect 4/1/06 Freight Charges		

Non-Airline Terminal Tennant

Name	Type of business	Annual Rent	Remarks	Lease Term	Renewal Options	Contact	Notes	Insurance Certificate	Past Due / Remarks
Bank of America	16 sf	\$10,820	*Term extended indefinitely on a mo-to-mo basis CPI-W annually (Jan)	4/99-3/04*	None	See File	CPI-W 30 Days written notice prior to renewal Letter sent 3/13/09		
	N/A	\$1,500	Annual Business Fee						
FAA	3764 sf	\$125,590	Stabilized - flat rate rent	10/05 - 09/10	None	Richard Gamache 781-238-7668	Oct/Nov pymnts may be delayed due to gov't budget process	Self Insured	
Hertz	145 sf	\$8,725	\$45 psf (145), \$10 (220)	5 Year	None	Dave Murphy 228-9421 or 228-0146	10% Mo Gross	GL 12/31/10	
		\$1,500	Annual Business Fee	2/1/10 - 1/31/15			\$2.00 per day CFC	Auto 12/31/10	
		\$7,200	Remote: \$1000 Assigned: \$6200				31 assigned spots	WC 1/1/11	
Nant. Island Rent-a-Car	135 sf	\$8,275	\$45 psf (135) \$10 (220)	5 Year	None	John O'Hara 508-457-9300	10% Mo Gross		
		\$1,500	Annual Business Fee	2/1/10 - 1/31/15			\$2.00 per day CFC		
		\$6,000	Remote: \$1000 Assigned: \$5000				25 assigned spots		
Nant. Regal Group d/b/a/ Crosswinds	2265 sf	\$122,051 (\$54 psf)	3% Gross exceeds of ann rent (March) CPI-W annually (Jan)	1/07 - 12/17	None	Chris Skehel 508-685-2682 or 685-4612; Sandra 508-332-9103 Rest. 228-6005 Mgr Larry Pollack 708-774-8583	Lease Assumed by Crosswinds '09 year rent \$72K '10 Rent \$7K p/m look at financials after march		1/10 Commission Mig \$7K per mo, look at financials after Spring
		\$1,500	Annual Business Fee						
Nant. Windmill Auto	146 sf	\$8,770	\$45 psf (146), \$10 (220)	5 Year	None	Ray Conlon 508-228-1227	10% Mo Gross		
		\$1,500	Annual Business Fee	2/1/10 - 1/31/15			\$2.00 per day CFC		
		\$6,200	Remote: \$1000 Assigned: \$5200				26 assigned spots		
Nant. Airport Gifts	798	\$32,000-\$24,000	Additional Rent > \$250k ; 10% > \$300k 5%	6/09 - 5/12	None	Marsha Kotalac 508-825-8886 kotalac@comcast.net (home 8-9023)	Annual CPI-W 4/2010 Comm agreed to annual rent of \$24K retro to lease start date, keep sec dep at original amt (2,600)	GL 4/12/07 WC 4/12/07	Add'l rent abated every year
		\$1,500	Annual Business Fee						
Sovereign Bank	16 sf	\$9,043	*Term extended indefinitely on a mo-to-mo basis CPI-W annually (Jan)	4/99 - 3/04*	None	See File	CPI-W 30 Days written notice prior to renewal Letter sent 3/13/09		
	N/A	\$ 1,500	Annual Business Fee						
TSA	731 rsf	\$47,325* \$65/SF*	"All inclusive" Lease	6/1/2009-5/31/14 See Note	None	Glen Layton 617-565-5065	6/1/09 - 10/31/09 \$32 USF		
Easy Riders Bicycle	250 sf	\$4,687	10% Mo gross, ann bus fee	5/15/08-10/15/08	None	Hans call 221-0153 Tyra Cell 364-9085 hans1@mantucket.net	5 Month "Seasonal" Operating Agreement 2009 No on-site service		

Outlying

Name	Size	Type of business	Size	Annual Rent	Lease Term	Renewal Options	Remarks	Contact	Notes	Int Cert Expires
Aerodrome Nantucket	39,918 sf	T-Hangars	39,918	\$9,400 (.24 psf)	30 Year 11/30/2018	None	5-Year Reviews CPI-W compounded, not to exceed 6.5% in any one year (13) Small area within office in Hangar #3	Janet Boyle 508-748-3666	Next Review 2013	Lab 7/16/08
ARINC Incorporated	n/a	VHF Data Radio	N/A	\$3,000	Mo-to-Mo		Annual CPI-W Amt in lieu of taxes Flowage Fee "delivered": .03 per gallon; 1st 500K .05 per gallon; > 500K	Bob Manigold	24/7 access w/ prior notice JNR has key to equipment box	
Airport Gas Station	55,786 sf	Gas Station	55,786	\$28,654 (.53 psf)	20 Year 9/30/2018	None	Hangar: Annual CPI-W reviews "in lieu of taxes" fee. Charter: Annual Business Fee, Landings	John Stackpole 228-2411	2011 CPI Done (24%)	GL Auto 8/31/03 WC-1/1/10
Coastal Wings Inc	8,611 sf	Air Charter, Flight School, Plane Storage	8,611	\$3,283 (.37 psf)	20 Year 4/30/15	1, 10Yr	20% Airport Cleaning Fee	Herb Cabral 325-5548 wings@ramsckt.net	3/10 CPI (0%) letter Done	
Fresh Air Services	N/A	Plane Detailing	N/A	N/A	5/10 - 9/10		Annual Business Fee	Steve Dup 690-0256	Annual Business Fee Waived 2008 & 2009	GL 6/27/10 Auto 5/21/10 WC 6/17/10
Marine Lumber Co	15,000 sf	Aircraft/Auto Parking	15,000	\$7,029 (.47 psf)	10/1/08 - 09/30/13	None	Annual Review the greater of appraisal or CPI but never < 3% Freight Charges .03 pp 2009 CPI 4% done	Peter Paladjan, President Pilot Ed Usowicz ama@mainehomeshelter.com	Freight Charges Effective 10/1/08 CPI 2011 done	GL 8/12 WC 12/11 AUTO 8/12 plane 5/1/009
McGrath Family Trust Hangar 2 (Next to ACK hangar)	10,536 sf	Aircraft Storage	10,536	\$3771 (.36 psf)	20 Year 12/1/15	1, 10 Yr	Amt in lieu of Taxes, Ann CPI-W reviews	Bill McGrath See below	Lease Terminated 6/7/11 Bldg bought by Airport	Aircraft 6/09
McGrath Family Trust Freight Hangar also 3/1/10 Sub Lease with Cape & Island Air Freight	22,000 sf	Airfreight Del & Distrib.	22,000	\$19,800 (.90 psf)	20 Year 3/31/20	None	Landing Fees, Amt in lieu of Taxes, 3-Yr Fair Mkt Value Inc. 03, 06, 09, 12, 15, 18.	228-6577	2009 Appraisal at .80 psf No downward adjustment per AGP	2/15/2006
M&R Aerodrome McGrath/Rock Hangar	3,000 sf	Private Hangar	3,000	\$1,426 (.475)	10 Year 1/13/07/15	None	Annual CPI-W Amt in lieu of taxes	Bill McGrath Cell 493-1774 blmcgrath@comcast.net	10 Year Option began 12/1/05	5/14/2005
Nantucket Park & Rec	8+ Acres	Recreation		\$ 10,000	20 Year 5/23/14	None	"Payment in kind" due 5/24; Jan/Apr/Jul/Oct Rpt on 10% gross recpts	Jim Manchester		7/1/2005
Santos/Gilow Hangar	3,000 sf	Private Hangar	3,000	\$1,318 (.44)	10 Year 2/28/15	None	Annual CPI-W Amt in lieu of taxes	Ron Santos 228-2727	3/22/05 Letter sent, not to renew due to RPZ	1/1/2010
Sayle Seafood	n/a	Food Caterer	N/A	\$1,500	1/1/10 - 12/10	None	License to cater beach parties	Charles Sayle 325-280-4160 (C)	PD \$1500 Fee	5/1/2009
SITA (Society Int'l Telecommunications Aeronautics)	n/a	VHF Data Radio	N/A	\$3,000	4/1/2008	Mo-to-Mo	Small area within office in Hangar #3	Frank Waite (770-672-4654)	24/7 access w/ prior notice	7/1/2008
Thomas M Taylor	46,840 sf	General Hangar	46,840	\$12,235** (.26 psf)	20 Yr 9/30/18	1, 10 Yr	5 Yr review Compounded CPI-W, amt in lieu of taxes, Rent credit for improvements	Jason Taylor	Next Review '13	Prop 7/15/12
UPS	36,616 sf	Courier	36,616	\$32,222 (.88 psf)	1 Yr 11/14/12		Written notice on option by 7/15/10; Ann Bus Fee, Amt in lieu of taxes	Trey Hettinger (502) 329-3992 tjhettinger@ups.com	Annual CPI Review 3/2010 Comm Abated 4% 2009 CPI	WC Lib. Auto 1/1/12 And Lib 1/1/6/11
US Postal Service	36,307 sf	Mail Sorting Ctr	36,307	\$31,210 (.8566 psf)	30 Yr 3/31/2027	2, 5 Yr	15% increase 07, 12, 17, 22 Option years to be negotiated at FNV but not less than prior term			Self Insured

Bunker Tennants

Name	Size	Type of business	Annual Rent	Lease Term	Renewal Options	Remarks	Contact	Notes	Ins Cert Exp	Past Due balance owed
Atlantic Aeolus #25	78,000 sf	Storage/processing Excavation Material & House Moving Equip// Energy Jobber & Dist	72,443 (.93) \$1,500 ABF	20 Years Exp 5/01/27	1, 5 Year	Annual CPI-W Materials = 5% Gross Sales > \$300K Gas = 2% Gross Sales 1st \$350K, 1% over \$350K 6 Month abatement eff 9/08	Phi Marks III 508 228-2252 Cell 508 221-1010	2008 - lease amended from 5 years to 20 and allowed to sell propane/Amendment not signed. Claiming unfair- Yates not charged %	AA GL 03/30/10 WC 3/4/10 NE GL 8/22/09	Special Deal expired 3/09
Habitat for Humanity	192 sf	Trailer Storage	154 (.80)	Mo-to-Mo Oct	None	Agreement Only	Christopher Lohmann or Phil Read	Inside old "Strojny" Lot Requires access by airport personnel	GL 04/01/06 (Inc Non-owned/f-tred)	
Island Barge	83,560 sf	Storage, processing asphalt/concrete	73,533 (.88)	20 Years 6/30/19	1, 10 Year	Fair Mkt Rental increases '00, '05, '10, '15	Victor Petkauskos 508-992-9400 (Debbie); Fax 978-862-9688 228-9229, cell 508-367-7499	Written notice on extension due by 2/15/19	GL 11/2000 Hull P&I 2/16/05 Auto 4/3/05 WC 2/1/05	
LaFleur Crane-Service #14	43,560 sf	Crane Storage	38,333 (.88)	10 Years	1, 10 Year	5% Gross > \$600K	Dave LaFleur 228-8888 Cell 508-776-2005	Notice of Default 12/15/09 Notice to Quit 1/29/10	GL 6/21/08 Auto 6/15/08 WC 12/21/07 Equip 6/14/08	\$19,234.50 Last Pmt 4/09 *only charged for .5 acre - Never signed new lease
Nantucket Propane, Inc.	50,000 sf	Energy Jobber & Dis	46,558 (.93)	20 Years 10/31/19	1, 10 Year	Annual increase based on >% of CPI or FMV retro January. (Not to exceed 8%)	John J Stackpole 228-2411	Effective 1/1/08 gave up 24,000 sf to Yates	GL, Auto, Umb 7/8/07 WC 1/1/09	
NRTA	32,990 sf	Transit Auth Gara	19,034 (.58)*	30 Years 9/30/28	None	CPI-W Rent Reviews '03, '08, '13, '23 7/10 No CPI adj due to swap	Paula Leary 325-9571	*Eff 10/1/08		
Reis-Trucking-LLC	127,000 sf	Material Storage	\$112,268 (.88) \$1,500 ABF	30 Years 6/30/37	None	Annual CPI-W	Myles Reis or Charlie O'Neil	Plans on Vacating when Town land swap is complete		9,2009 Commission voted to abate 50% rent from Sep - Dec. Bartered balance with removal of RW 33 brush.
Toscana	81,408 sf	Veh/Mat Storage	69,197 (.85)	5 Years Exp 8/1/10	None	Last 5 Year Option 7/31/05	Carl Jelleme 228-1418 Cell 508-284-8704 carl@toscana.com	11/14/06 Comm Agreed to allow combining both lots into one lease	WC 2/1/10 GL 2/1/10 Auto 2/1/10	
Tony Yates Welding & Gas (Liberty Propane)	97,351 sf	LP Storage	91,234 (.93)	20 Years Exp 10/4/22	2 5Yr Opt	Annual increase based on >% of CPI or FMV retro January. (Not to exceed 8%)	Larry Weinstein 913-648-1588 Fax 913-648-5108 Rick Gillman Off Mgr	Effective 1/1/08 gained 24,000 sf from Nant. Propane lot		

08/14/2008 THU 8:35 FAX 508 228 0191 MARINE HOME CENTER

002/013



POWER RACKS & EQUIPMENT
MARINE HOME CENTER

SKANSKA USA BUILDING CO
253 SUMMER STREET
BOSTON, MA 02210

MIKE GEAR
20 KENDRICK



QUANTITY	UNIT	DESCRIPTION	UNIT PRICE	TOTAL AMOUNT
2	EA	TOSHIBA 32" FLAT LCD TV 32HL67 Serial#: AM390032341, AM390032337	999.000	1998.00*

*To be turned over
to ~~the~~ Nantucket Airport
at completion of project*

CC: Housing Cost

March 6, 2008 15:41:29 DT:65 0 / 1

* INVOICE *

MIKE GEAR
BY *Michael Gear*
ORIGINAL INVOICE

PAGE 1 OF 1

1998.00
0.00
5.000% TAX
99.90
MA Sales Tax
0.00
TOTAL
2097.90

OK P. Gear

*136007-000.5031.0119/500 \$2097.98
E.G. 08/12/08*

Check Image

JANINE M TORRES
PAUL R TORRES
23 BURTUCK RD (PM) 02844
NANTUCKET, MA 02554

2238

12/11/09

Pay to the Order of Paul R Torres \$ 200.00

Two hundred dollars 00/100

Bank of America
Bank of America Advantage

1.82 TV used

Town of Nantucket
NANTUCKET MEMORIAL AIRPORT
30 Macy Lane
Nantucket Island, Massachusetts 02554

Alfred G. Peterson, Airport Manager
Phone: (508) 325-5300
Fax: (508) 325-5306

Commissioners
E. Foley Vaughan, Chairman
Charles B. Gibson, Vice Chairman
Sheila O'Brien Egan
Peter Hull
Dual A. Macintyre, Jr.

February 9, 2005

Ms. Tina Smith
Finance Director
Nantucket Memorial Airport

Tina:

The Airport Commission at their February 8, 2005 meeting, has voted to extend a bonus to Mr. Alfred G. Peterson for the work performed during his first year of service.

Would you please issue him a bonus of \$15,000.00 on the next payroll to reflect this vote.

Thank you.

E. Foley Vaughan, Chairman
Nantucket Airport Commission

RECEIVED
FEB 14 2005

Town of Nantucket
NANTUCKET MEMORIAL AIRPORT
30 Macy Lane
Nantucket Island, Massachusetts 02554

Alfred G. Peterson, Airport Manager
Phone: (508) 325-5300
Fax: (508) 325-5306

Commissioners
E. Foley Vaughan, Chairman
Charles B. Gibson, Vice Chairman
Sheila O'Brien Egan
Peter Hull
Dual A. Macintyre, Jr.

NANTUCKET AIRPORT COMMISSION EXECUTIVE SESSION

February 8, 2005

The Mayhews met with Chairman Vaughan, Commissioner Gibson and Manager Peterson regarding the purchase of their property which abuts Airport property. The Mayhews want to sell the property as one lot and are asking approximately \$900,000 for lot. This price depends on the FAA appraisal. The Mayhews are also willing to give the Commission the right of first refusal on the smaller lot. Chairman Vaughan stated the Mayhews' attorney will draft an agreement for the Commission to review. There will be no dollar amount in this agreement. Manager Peterson stated the FAA has indicated it will commit to 97 percent funding for this property.

Respectfully submitted,

Ellen J. Wadlington, Recorder

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NANTUCKET AIRPORT COMMISSION MEETING

February 8, 2005

The meeting was called to order at 5:00 PM by Chairman E. Foley Vaughan with the following Commissioners present: Charles B. Gibson, Peter Hull, Sheila O'Brien Egan and Dual A. Macintyre, Jr.

Also present were Airport Manager Al Peterson, Jeff Marks, Airfield Supervisor, Jack Wheeler, Environmental Coordinator and Tina Smith, Accountant.

The Commission **M/S/P** approval of the January 10, 2005, Commission Minutes with the following change: Paragraph five, line seven change "Chairman Vaughan" to "Commissioner Gibson".

Lease issues - Victor Petkauskos - Island Barge convert month to month lease to 20-year lease: After discussion, the Commission agreed to combine both leases, with ending date for both in 2019 with clause to move to another area with six-month notice, both should be at the current fair market value, no deposit on the second lease, Island Barge will work off in-kind services. Manager Peterson is to send draft lease to Commissioner Gibson for review.

Toscana - 3rd five-year renewal option. Consensus of Commission to pursue renewal with current market rate.

Santos/Gitlow - 10 year hangar renewal rate - They exercised right and the rate goes back to 37-1/2 cents for aeronautical market. Commissioner Gibson asked what was the FAA's position on the safety zone? Jeff Marks reminded the Commission that it is the McGrath hangar in the safety area and the gas station. Commissioner Hull asked if the Commission could not keep the aeronautical rate the same? After discussion, the Commission asked Manager Peterson to draft language replacing the current rate language and to give a report on the last ten years on this lease. Also ask that proper and more aesthetic repairs be made to this hangar.

Bulk Fuel Storage Facility Study - Chairman Vaughan reported Phase II is complete. Consultants have determined that off loading of fuel can be done off south shore and have identified two points one mile and three and one-half miles off coast. Consultants now moving into Phase III, deals with whether there are oil companies that would be willing to send freighters to Island for off loading. Phase IV will determine if it is economically feasible for this project.

Terminal Design - Chairman Vaughan reported the Commission received architect's cost concept for the terminal which was \$31 million. The Commission has decided not to build at this cost. The Commission asked the architects to come back with three proposals: one for \$20 million, \$25 million and a free standing terminal at \$15 million. The Commission has a grant from MAC for \$12 million for this project. Commissioner Gibson reminded the Commission that the terminal will be smaller than first proposed. Manager Peterson stated he had a conference call with MAC, E&K and EarthTech. Department of Finance is reviewing all grant projects. Commissioner Macintyre asked the Commission to summarize the funding for this project with MAC grant and other funding. After discussion, the Architects will present the revised proposals within the next week for review. The Commissioners will make a decision and prepare an ATM warrant for this project.

Customer Facility Charge - Manager Peterson reported on a new charge for rental car agencies which was presented at the AAAE Airport Finance conference. This is a new charge that can be placed on each rental car and can range from \$1 to \$10 per day. It is designated as a customer facility charge or C.F.C. After discussion the Commission asked Manager Peterson to check with other airports to see what they charge and the send a letter to all car rental agencies on the Island and ask them to attend a meeting for a discussion on this topic.

Environmental Report - Jack Wheeler reported the Noise Advisory Committee presented the Commission with group of recommendations and suggested goals, the Commission approved these goals and is to report on an annual basis on meeting goals. The 2004 annual noise report is there was a year of continued progress, there was significant changes (see Airport's web site).

Jack Wheeler reported total operations for January were down 25 percent; total enplanements for 2004 were 242,975; the rolling 12 month count is on an up swing. Awaiting figures from some of the airlines for January enplanements. Manager Peterson reported there were about 30,000 GA enplanements.

Jack Wheeler stated the airport crew deserves credit for the tremendous job they performed in snow removal from the blizzard. The Commission and management concurred with the exceptional effort made by the Airport personnel under severe conditions.

Reminder on February 9, 2005, come meet Aviation Pioneer and Adventurer Gustavus McLeod at the JC House from 5-7 PM and also at the Airport Terminal on February 10, 2005 in honor of Black History Month.

Operations

- Thanks again to the Airport crew for plowing around the clock and having the Airport opened in a very timely manner.
- Architects will have a concept model of proposed terminal for display at Winterfest February 15, 2005.
- Airport Town Meeting Articles (a) warrant article for purchase of Mayhew property that is within the RPZ, Airport is eligible for FAA funding, the Airport would have to provide two and one-half percent of purchase price; (b) warrant article on terminal construction for \$25,000,000; (c) warrant to clear out old articles which will cancel and eliminate debt; and (d) warrant article to acquire small strip of land along Monohansett Road which would allow easier access to the south ramp.
- Commission is sponsoring the TV coverage for Commission meetings. The meetings will be shown on Channel 18. Channel 22 will air an edited version.
- Fee of \$10 for single engine aircraft has been temporarily suspended pending further study of this issue.

Christine Silverstein complimented the Commission on the annual report and asked if the Commission would follow up with FAA in the areas presented to the Commission.

It was **M/S/P** to adjourn at 6:05 PM and to enter into executive session to discuss property acquisition and contract negotiations, not to return to regular session, by the following **VOTE**:

Chairman E. Foley Vaughan - **Aye**
Commissioner Charles Gibson - **Aye**
Commissioner Sheila O'Brien Egan - **Aye**
Commissioner Dual A. Macintyre, Jr. - **Aye**
Commissioner Peter Hull - **Aye.**

Respectfully submitted,

Ellen J. Wadlington, Recorder

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Commissioners
E. Foley Vaughan, Chairman
Sheila O'Brien Egau, Vice Chairman
Peter Hull
Dual A. Macintyre, Jr.
Carl England

MEMORANDUM

TO: Tina Smith
Director of Finance

FROM: E. Foley Vaughan, Chairman
Airport Commission

DATE: February 22, 2006

RE: BONUS

At the February 21, 2006 Airport Commission Meeting, there was unanimous agreement to extend a bonus to the Airport Manager, Alfred G. Peterson for \$20,000. In addition, it was agreed that the Airport pay for Al's aircraft insurance of approximately \$4,500.00.

Please make sure that these tasks are accomplished in a timely fashion.

E. Vaughan

RECEIVED
JUN - 2 2006

Town of Nantucket
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EXHIBIT 27

Alfred G. Peterson, Airport Manager
Phone: (508) 325-5300
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Commissioners
E. Foley Vaughan, Chairman
Sheila O'Brien Egan, Vice Chair
Carl D. England, Jr.
Peter Hull
Dual A. Macintyre, Jr.

December 1, 2006

Theresa M. Smith
Director of Finance
Nantucket Memorial Airport
14 Airport Road
Nantucket, MA 02554

ACCOUNTS PAYABLE
Vendor #: 64257
Due Date: 072011
App: 000
Department #: 65482
Account #: 57600 \$3000.00

Dear Tina:

This is to advise you that the Airport Commission voted to grant manager Al Peterson a housing allowance in the amount of \$3,000 a month effective January 1, 2007.

Sincerely,

Edward Foley Vaughan
Chairman, Nantucket Airport Commission

Sheila O'Brien Egan
Commissioner and Vice Chair

Dual A. Macintyre
Commissioner

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Carl D. England, Jr.
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NANTUCKET AIRPORT COMMISSIONERS MEETING
Executive Session
November 28, 2006

Present: Chairman Vaughan; Vice-Chairman Egan, Commissioner
England; Commissioner Hull; Commissioner
Macintyre

Personnel Matters

Chairman Vaughan raised the issue of compensation for the Airport Manager, specifically a housing allowance that had been discussed at the Executive Session on November 14, 2006. A general discussion took place regarding the merits of a housing allowance compared with other forms of compensation. A motion was made and seconded to pay a housing allowance to the Airport Manager, Alfred Peterson of \$3,000 per month effective January 1, 2007. The following is a roll call vote on that motion:

Vice Chair Egan - Aye
Commissioner England - Aye
Commissioner Hull - Nay
Commissioner Macintyre - Aye
Chairman Vaughan - Aye

The motion was adopted.

The meeting was adjourned at 2:36 PM.

Respectfully submitted,

Dual Macintyre, Commissioner

ALFRED G. PETERSON

22 FAIR STREET, NANTUCKET, MA 02554

December 31, 2003

Dear Foley and Fellow Commissioners,

After reflecting and analyzing some of the issues in the sudden need to replace Fred and Joanne, I would like to offer my name for consideration for the Airport Manager position.

In reviewing the summary of applicants that Fred has supplied I found his analysis very perceptive. The applicants that he has rated "A" are, without a doubt, qualified. However, I think that the unique qualities of Island living and the community's expectations add another dimension. I am obviously committed to Nantucket and this eliminates a major uncertainty of any potential applicant. I am also available immediately for a smooth transition.

Nantucket Airport is a well-run and smooth operating facility, thanks to the efforts and policies of the current management team. The year 2004 is a key year for the airport due to the facts of the management change, an impending union negotiation and major construction projects. This added to the fact that we have evolving TSA responsibilities and a busy year with the Blue Angel Event coming in September makes the demands for some continuity of management essential.

My experience with management of a business and the policies of our Airport and Community would provide continuity and a business approach to the airport and it's fiscal and personnel policies. My aviation experience as a pilot and long time involvement with aviation and the affiliated functions related to it in terms of regulation and Federal compliance add to that background. Having observed many airports over the course of over 25 years of flying I am familiar with many of the pitfalls of airport management. Contract administration and liaison with MAC and other controlling authorities would be within my scope of comfort and experience.

I enclose a copy of my resume for your review. I would be happy to meet with the other commissioners and you to discuss any issues that may relate to this decision. Due to my position as Airport Commissioner I have been hesitant to submit my name to avoid what would appear as a conflict. After consideration of all aspects I feel that it would be less contributory if I did not, since I believe I would be well qualified for this position.

Thank you for your consideration.

Sincerely,



A. G. Peterson

**ALFRED G. PETERSON
22 FAIR STREET
NANTUCKET, MA 02554**

TELEPHONE: 508 228-6362
FAX: 508 228-7672
EMAIL: algpete@msn.com
CELL PHONE: 802 236-3995

Objective: To seek the Airport Manager Position at Nantucket Airport

Profile: Experienced business professional with extensive aviation knowledge. A motivated and focused executive with a proven track record for efficient and conservative management of operations and personnel. My experience as a business owner and proprietor for the last twenty-four years has made me aware of the challenges of managing, with defined goals and objectives, while maintaining good personnel relations. Experience with property management and coordination of resources for team success.

Education: BS in Commerce and Economics, University of Vermont
MBA Pepperdine University

Associations & Additional Qualifications:

Commercial Pilot with Single, Multi Engine and Instrument Ratings
Airport Commissioner, Nantucket Memorial Airport
Member: Coast Guard Auxiliary: Aircraft Commander
AOPA Member, Since 1978
Former Vice Chairman Carpet Manufacturers Association of the West
Board Member, Centurion Corporation, Insurance Brokers
Knowledgeable in computer operations and Microsoft Office Programs

Professional Experience:

1994-2003 - President, Parks & Woolson Machine Co., Springfield, VT. Manufacturer of textile machinery. Experience in mechanical design and engineering of textile processing machinery and controls. Responsible for all aspects of the financial and operations of the company, as well as OSHA and Union issues.

1979-1994 – President, Pharr Yarns West, Newport Beach, CA. Sales Agency for synthetic yarns to the West Coast manufacturers of carpeting and apparel. Sales during this period grew from \$15,000,000 to over \$80,000,000. Introduced and supervised a sales force and had responsibility of coordinating production of an acquired manufacturing facility for the production of carpet yarn.

1972-1979 – Vice President, Pharr Yarn Sales, New York, NY. Sales Agency for synthetic yarns to the apparel trade in New York and the Northeastern U.S. Responsible for the implementation and systems for the operation of a \$10,000,000 investment in a

polyester dye house and processing plant. Sales grew during that time by over 80% from base period.

1970-1972 – Sales Manager, Hoechst Fibers, New York, NY. Synthetic Fiber Producer with capacity to produce large amounts of polyester fiber for the textile industry. Experience in budget and production planning and marketing of polyester during the double knit fabric boom period.

1968- 1970 – Stock Broker, Dean Witter & Company, New York, NY. Register representative for NYSE, NASD and Chicago Board of Trade.

1963-1970 – Marketing Representative, E. I DuPont & Company, New York, NY. Responsible for sales and marketing support of synthetic fiber in a series of positions culminating in the handling of 10 of the largest customers in the New York Office. Traveled extensively throughout the country.

1961-1963 – 1st Lieutenant, U.S. Army Field Artillery, Fort Sill, OK. Served as Fire Direction Officer then Battery Executive Officer in 3rd Battalion 6th Artillery, 105 mm Self Propelled, STRAC Combat Unit.

1960-1961 – Corporate Training Program Western Union Company, New York, NY and Seattle, Washington.

References available on request.

**ALFRED G. PETERSON
22 FAIR STREET
NANTUCKET, MA 02554**

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FAX: 508 228-7672
EMAIL: algpete@msn.com
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Dual A. Macintyre, Jr.
R. Finn Murphy

NANTUCKET AIRPORT COMMISSION MEETING

May 21, 2004

The meeting was called to order at 5:00 PM by Chairman E. Foley Vaughan with the following Commissioners present: Charles H. Gibson, Sheila O'Brien Egan, R. Finn Murphy, and Dual A. Macintyre, Jr.

Chairman Vaughan opened the meeting. The reason for the meeting is to present to the Commissioners the search results of the working group, Commissioner Murphy and myself, made regarding a new Airport Manager. The job was advertised in December, there were 35 applications, and today the search committee will present to the entire Commission the person the committee would like to see get the job. The person selected is Al Peterson. The Commission has to vote to hire Mr. Peterson. The meeting is now open for questioning of Mr. Peterson by the Board and the general public.

Commissioner Murphy stated one personal observation is that Mr. Peterson has the home town advantage. He is here, he knows the people and has great managerial capabilities, and if we can get the job done with someone locally, we need to do it.

Commissioner Gibson asked Mr. Peterson to give his vision for the Airport for the next coming years.

Mr. Peterson stated the Airport is in good shape. As you know, I took over the position with well established good, dedicated people. The challenges are to go forward with the projects in capital program. The Airport is thought of as being stand offish. One of my goals will be to get the community and Airport to come closer together. The big thing is the terminal project which is going to be very demanding over the next few years.

Commissioner Macintyre asked what are the major problems facing the Airport at this point. Mr. Peterson stated the problems would be (1) financing of the airport projects and keeping the Airport on sound fiscal basis and (2) keeping employee programs and relationships on a healthy basis and still maintain a cost structure and not bankrupt the Airport; (3) challenges between needs of air transportation, cost and finding a more economical way of getting residents and visitors off and on the Island. The airport has an obligation to do what it can to keep and help make airlines servicing Nantucket lives easier, I think we should be involved in that.

Chairman Vaughan asked Mr. Peterson to sketch his background in a broad way. We know you do not have intense airport background as our previous manager. What was attractive to us and we hope to the Commissioners is that you have broad managerial experience and you have significant degrees. Mr. Peterson stated he graduated from the University of Vermont and has a MBA from Pepperdine. He has worked in textile industry and DuPont with two years on Wall Street and has 30 years in the textile industry in marketing. I was vice president of a company in New York and president of a company in carpet yarns in California. I owned my own manufacturing company in Vermont that had union jobs with similar issues to the ones here.

Chairman Vaughan asked what would be Mr. Peterson's managerial style? Mr. Peterson stated he liked the consensus approach, obtain as many ideas as you can, check on them get opinions from people

involved and try to get participation in the process. I believe in going around observing and seeing what is going on and why. This can't be done behind a desk.

Christine Silverstein asked what is your aviation experience? Mr. Peterson stated he is a pilot and started flying in college. I have a Bonanza single engine rating with 3,500 hours. I have been involved with different organizations and flown with California aviation groups of pilot, hangar associations, and been involved in couple of other aviation programs privately owned. I am a member of AOPA; advisory group of small airports in Vermont and Commissioner here for two years. Chairman Vaughan stated Mr. Peterson also flies with the Coast Guard Auxiliary as a volunteer pilot.

Christine Silverstein wanted to know what has been your relationship with FAA, if any. Mr. Peterson stated his relationship since he has been on the Commission and as acting manager is to participate with ex-Airport Manager Jaeger in various meetings with FAA and MAC. I have attended meetings during environmental impact report and just recently attended a two-day seminar conducted by the FAA Airports Division. One of my goals is I would like to develop a relationship where Commissioners get to know TRACON.

Christine Silverstein asked what has been your experience in community relations since graduating from college? Mr. Peterson stated he has been on the board of directors of community associations having to deal with various zoning issues, in one instance a law suit was filed when another developer wanted access to pave, this had to be resolved with state, county and local officials. I have never had a state or local job.

Christine Silverstein stated she has been working with the Airport since 1993 and is aware of community relationships, wanting to strike a balance and have a broad prospective on the airport. I think the airport needs someone with more experience with airports, etc. and tremendous amount of background to work with community. Is this going to be to your advantage or disadvantage? Mr. Peterson stated because I am committed to the people of Nantucket, the Airport is owned by Nantucket, and controlled by citizens of Nantucket, I know and appreciate that. I think I can do a good job with community relations and with FAA and MAC. Half of the battle is communicating, I think I can be a good representative for the Airport and Nantucket.

Chairman Vaughan stated we are head and shoulders above the usual situation where we bring an outsider in by having someone here that knows and loves the community. This became clear to him in a lot of the interviews.

Gary Glowacki stated GA really sees problems all over the country, there are no FBO;s, no hangars, what might you be able to do to give that a shot in the arm and get enthusiasm there? Mr. Peterson stated he is a GA'er, there is a broad step from a G5 to a Piper Cub. I think the airport has an obligation to GA residents that do have airplanes to be able to provide facilities for them. I think these community members should be provided more than a tie down. Also, keep in prospective, the manager is going to do what the Commission wants him to do.

Commissioner Murphy stated on Christine's question, one of the things through the search process that Commissioner Vaughan and I had up most in our minds was community relations. He was surprised there was a weakness on the part of the other candidates regarding this issue. With respect to that aspect, Mr. Peterson came out far above the other applicants.

Commissioner Gibson made a motion for the Commission to appoint Mr. Peterson as Manager. It was unanimously **M/S/P** to appoint Alfred G. Peterson as the Airport Manager.

Chairman Vaughan stated he thought the Nantucket community will be very well pleased.

Chairman Vaughan stated the Commission and Board of Selectmen have been asked by Nantucket Bank to execute a resolution for line of credit for Airport short-term borrowing. Commissioner Gibson stated this is on the recommendation of the Airport's auditors, Burke and Lamb. Commissioner Macintyre asked if there is a limit on the line of credit. Chairman Vaughan stated it for up to \$2,000,000. Commissioner Gibson stated this is more for accounting purposes. It was unanimously **M/S/P** to execute the subordination agreement.

Manager Peterson reported RW 6/24 would be open this weekend and closed on Monday and Tuesday of next week. Airfield Supervisor Jeff Marks reported this was one of the best projects ever done at the Airport.

Manager Peterson announced Airport Day is June 12, 2004, from 10 AM to 2 PM.. The Airport would like to encourage people, especially families to come out to see display of equipment and meet and talk with people that work hard here. There will also be a couple of aircraft on display.

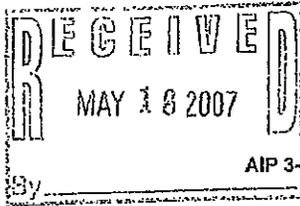
Chairman Vaughan gave a report on the Blue Angels event the weekend of September 18-19, 2004. Plans are moving along, the Committee is doing a great job on the event. Manager Peterson reported Robert Winn has volunteered to be in charge of coordinating the volunteers. Commissioner Murphy wanted to know if this would be suitable to view from the south shore in a boat. Manager Peterson stated there has to be a sterile area and the Coast Guard will be patrolling this area to keep the aerobatic box clear. The event is free, there will be a \$5.00 charge to park.

Manager Peterson stated the FEIR has been received, hearing on June 3, 2004 at the High School in the LGI at 3:00 P.M.

It was M/S/P to adjourn at 5:30 PM.

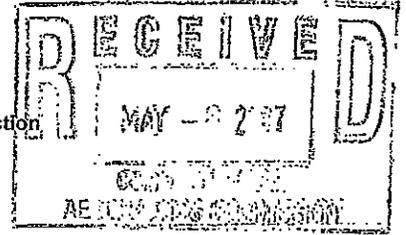
Respectfully submitted,

Ellen J. Wadlington, Recorder



GRANT ASSURANCES
Nantucket Memorial Airport

AIP 3-25-0033-42 Terminal Improvements -- Final Design and Construction



A. Definitions.

1. "Aeronautics Commission" shall mean the Massachusetts Aeronautics Commission.
2. "Airport" shall mean the Nantucket Memorial Airport and all appurtenant areas and facilities which are used, or intended for use, for airport buildings, airport facilities, or rights-of-way, together with all buildings and facilities located thereon
3. "Airport Commission" shall mean the Nantucket Airport Commission with members appointed by the Selectmen, as appropriate pursuant to Section 51 E of Chapter 90 of the General Laws.
4. "Town" shall mean the Town of Nantucket.
5. "FAA" shall mean the Federal Aviation Administration.
6. "Grant" shall mean the Grant Agreements numbered ACKTER dated April 18, 2007, as amended by these Grant Assurances by and between the Aeronautics Commission, the Airport Commission and the Town of Nantucket.
7. "Grant Assurances" shall mean the assurances and certifications contained herein and made by the Airport Commission, for the purpose of securing the Aeronautics Commission's approval and award of the Grant.
8. "Program" shall mean the investigation and analysis, engineering, consulting, planning, design and construction of the subject project.
9. "Project" shall mean the final design and construction of terminal improvements, and related work included as additional efforts in the Program at the sole discretion of the Aeronautics Commission.
10. The project will be designed and constructed upon Airport property with funding from the Airport Commission and the Aeronautics Commission.

B. General.

1. These Grant Assurances shall be complied with in the performance of the obligations imposed upon the Airport Commission, the Town and its respective successors pursuant to the Grant.

2. Upon acceptance of the Grant by the Airport Commission and the execution of the Grant by the Airport Commission, the Town and the Aeronautics Commission, these Grant Assurances shall be incorporated in and become a part of the Grant without further reference.

C. Duration.

1. The terms and conditions of these Grant Assurances shall take full force and effect on the date the Grant is executed by the Aeronautics Commission and shall remain in full force and effect for twenty (20) years from the date of the receipt of funds for this Project by the Airport Commission or from the Aeronautics Commission, whichever occurs later.

D. Certifications by the Airport Commission.

1. The Airport Commission hereby assures and certifies that it will comply with:
 - a. all applicable federal, state and local laws, regulations, executive orders, policies, guidelines, and requirements as they relate to the acceptance, application, and use of federal and state funds for this Project; and,
 - b. all applicable federal, state and local laws, regulations, executive orders, policies, guidelines, and requirements as they relate to the custody, care, management and operation of the Airport.
2. The Airport Commission hereby assures and certifies that:
 - a. oversight of the Airport is exclusively held by the Airport Commission and that the Airport Commission has sole custody and control of the Airport pursuant to Chapter 90, Section 51 E of the General Laws;
 - b. the state funds from previous grants from the Aeronautics Commission, and the physical assets they produced, were sought by the Airport Commission on the basis that they would ensure the continued fiscal and operational stability of the Airport;
 - c. the state funds from this Grant, and the physical assets they will produce, are sought by the Airport Commission on the basis that they will ensure the continued fiscal and operational stability of the Airport;
 - d. the Airport Commission has the legal authority to apply for, accept, and be bound by this Grant and the understandings and assurances contained therein;
 - e. the Airport Commission has the legal authority to oversee the performance of all of the obligations imposed upon the Airport Commission and the Town of Nantucket by this Grant;

- f. the Airport Commission, with the acceptance of this Grant, has sufficient state and local funds to finance and carry out this Project;
- g. the Airport Commission shall submit within thirty (30) days of the date the Aeronautics Commission executes this Grant a finance plan with details as to the total cost to design and construct the subject project and the sources and amounts of funds the Airport Commission has available to it to pay those costs;
- h. the Airport Commission shall not take any action which would deprive the Airport Commission of, or otherwise diminish, any of the rights, privileges, responsibilities or powers of the Airport Commission as are necessary to exercise the custody, care and management of the Airport or to perform the terms, conditions, and assurances in this Grant, previous grants and future grants from the Aeronautics Commission without the prior written approval of the Aeronautics Commission. The Airport Commission will act promptly to acquire, extinguish or modify any outstanding rights or claims of rights of others which would interfere with such performance by the Airport Commission;
- i. the Airport Commission shall not sell, encumber or otherwise transfer or dispose of the title to or interests in the physical assets and real property located at the Airport without prior notice to the Aeronautics Commission;
- j. the Airport Commission shall not eliminate all or any portion of the physical assets and real property located at the Airport without prior notice to the Aeronautics Commission;
- k. the Airport Commission has authorized the Chairman of the Airport Commission to execute the Grants and the Grant Assurances on behalf of the Airport Commission and has attached hereto a copy of the Airport Commission meeting minutes, certified by the Secretary of the Airport Commission to be a true copy of said minutes, documenting such authorization.

E. Certification of the Selectmen of the Town of Nantucket.

1. Notwithstanding any powers that may be granted to the Selectmen of Nantucket, the Town agrees not to attempt to reorganize the Airport Commission, or in any way to interfere with the autonomy and authority of the Airport Commission as created under Chapter 90, Section 51E of the General Laws, without the express approval of the Aeronautics Commission.
2. The Town of Nantucket assures and certifies that it will take no actions that would interfere with the Airport Commission's ability to comply with:

- a. all applicable federal, state and local laws, regulations, executive orders, policies, guidelines, and requirements as they relate to the acceptance, application, and use of federal and state funds for this Project; and,
 - b. all applicable federal, state and local laws, regulations, executive orders, policies, guidelines, and requirements as they relate to the custody, care, management and operation of the Airport.
3. The Town of Nantucket hereby assures, certifies and acknowledge that:
- a. notwithstanding any powers, authority or responsibility that may be granted to the Town, it agrees not to interfere with the powers, authority and responsibilities granted to the Airport Commission by Chapter 90, Section 51 E of the General Laws; provided, however, that this provision shall not preclude the establishment of a management agreement or agreements between the Airport Commission and the Town to contract for services, resources and skills of the Town offices or any department of the Town; provided further that each such agreement shall not take effect until approved by the Aeronautics Commission in writing;
 - b. the state funds from this Grant, and the physical assets they will produce, are sought by the Airport Commission on the basis that they will ensure the continued fiscal and operational stability of the Airport;
 - c. the Airport Commission has the legal authority to apply for and accept this Grant and the understandings and assurances contained therein;
 - d. the Airport Commission has the legal authority to oversee the performance of all of the obligations imposed upon the Airport Commission and the Town of Nantucket by this Grant; and,
 - e. the Airport Commission, with the acceptance of this Grant, has sufficient state and local funds to finance and carry out this Project.
4. The Town hereby assures and certifies that:
- a. the Town shall not take or permit any action which would dissolve the Airport Commission or deprive the Airport Commission of any of the rights, privileges, responsibilities or powers of the Airport Commission as are necessary for it to exercise the custody, care and management of the Airport or to perform any or all of the terms, conditions, and assurances in the Grant, previous grants and future grants from the Aeronautics Commission without the prior written approval of the Aeronautics Commission, and the Town will act promptly to acquire, extinguish or modify any outstanding rights or claims of rights of others which would interfere with such performance by the Airport Commission;

- b. the Town shall not take any actions which would have the effect of modifying or terminating any of the obligations and responsibilities imposed upon and accepted by the Airport Commission pursuant to this Grant without the prior written approval of the Aeronautics Commission;
 - c. the Town shall not take any action which would have the effect of altering, modifying, expanding, or eliminating all or any portion of the physical assets and real property located at the Airport without the prior written approval of the Aeronautics Commission; and,
 5. The Board of Selectmen hereby assures and certifies that it has authorized the Chairman of the Board to execute these Grant Assurances on behalf of the Town and has attached hereto a copy of the meeting minutes, certified by the Secretary to be a true copy of said minutes, documenting such authorization.

F. Accounting System, Audit and Record Keeping Requirements.

1. The Airport Commission hereby covenants and agrees to:
 - a. deposit all funds received for this Project into an Airport Commission bank account and to disburse said funds solely for the purposes for which they were paid;
 - b. keep all Project accounts and records which fully disclose: i) the total cost of the Project; ii) the amount and disposition by the Airport Commission of the proceeds of all grants and other funds received by the Airport Commission for this Project; iii) the amount and nature of the funds supplied by each source for this Project; and, iv) such other financial records as are pertinent to the Project;
 - c. keep all Project accounts and records in accordance with an accounting system that will facilitate an effective financial audit of the Project; and,
 - d. upon request, make available to the Aeronautics Commission or its designated representative for the purpose of audit and examination, any books, documents, papers, and records of the Airport Commission, the City or Town that is pertinent to the Project.

H. Conformity to Plans, Specifications and Aeronautics Commission Approvals.

1. The Airport Commission shall execute the Project subject to the plans, specifications, budgets and schedules reviewed and approved by the Aeronautics Commission and such other guidance as the Aeronautics Commission deems appropriate. All modifications to the approved plans, specifications, budgets and schedules shall also be subject to the review and approval of the Aeronautics Commission.

2. The Airport Commission shall provide and maintain competent technical and administrative supervision throughout the duration of the Project to ensure the Project is completed in accordance with the terms of the Grant, these Assurances, the approved plans, specifications, budgets and schedules.

I. Airport Operation and Maintenance.

1. The Airport Commission shall operate the Airport for:
 - a. the aeronautical benefit of the public using the Airport;
 - b. the uses intended by the Aeronautics Commission in the approval of the Airport Certificate; and,
 - c. the uses intended by the Aeronautics Commission and Federal Aviation Administration in the award of their respective funding grants; and,
 - d. such non-aeronautical uses as are explicitly approved in writing by the FAA and the Aeronautics Commission.
2. The Airport Commission shall suitably operate and maintain the Airport and all facilities located thereon or connected therewith with due regard to climatic and flood conditions. The Airport and all facilities which are necessary to serve the aeronautical users of the Airport, other than facilities owned and controlled by the United States, shall be operated at all times in a safe and serviceable condition and in accordance with the minimum standards as may be required or prescribed by federal or state agencies for airport maintenance and operation.
3. Except as provided for in Section I. 5. below, the Airport Commission shall not cease to operate, abandon, or dispose of the Airport, or any part thereof, without the prior written consent of the Aeronautics Commission.
4. The Airport Commission or the Selectmen of the Town of Nantucket shall not close the Airport or restrict the use of the Airport or any of the facilities located thereon or connected therewith without the prior written permission of the Aeronautics Commission.
5. The Airport Commission, the Airport Manager or, in the absence of the Airport Manager, the Assistant Airport Manager, may suspend the operation of the Airport for aeronautical use only during temporary periods when a climatic condition or other condition identified as a reason for suspension of airport operations in applicable federal or state aeronautical laws, rules, regulations, advisories, or orders, interferes with the safe operation and maintenance of the Airport. The Airport Commission, the Airport Manager or, in the absence of the Airport Manager, the Assistant Airport Manager, shall comply with all applicable federal or state aeronautical laws, rules, regulations, advisories, or orders governing said suspension of operations.

6. The obligation to operate the Airport as prescribed above shall run for twenty (20) years from the date of the receipt of funds for this Project by the Airport Commission from the Aeronautics Commission or the Federal Aviation Administration, whichever occurs later.

J. Compatible Land Use.

1. The Airport Commission and Selectmen of the Town of Nantucket shall take appropriate action to the extent reasonable, to restrict the use of land adjacent to or in the immediate vicinity of the Airport to activities and purposes compatible with normal airport operations, including landing and takeoff of aircraft.

K. Economic Nondiscrimination.

1. The Airport Commission and Selectmen of the Town of Nantucket shall make the Airport available as an airport for public use on fair and reasonable terms and without unjust discrimination, to all types, kinds and classes of aeronautical use.
2. Every agreement, contract, lease or other arrangement under which a right or a privilege is granted to any person, firm, or corporation to conduct or engage in any activity at the Airport, shall require such person, firm, or corporation to conduct or engage in their respective activity(ies) in a fair, reasonable and not unjustly discriminatory manner.
3. Each person, firm, or corporation operating at the Airport shall be subject to the same rates, fees, rentals and other charges as are uniformly applicable to all other persons, firms, or corporations making the same or similar uses of the Airport and utilizing the same or similar facilities.
4. The Airport Commission and Selectmen of the Town shall not exercise or grant any exclusive right or privilege which operates to prevent any person, firm or corporation from providing the same or similar service at the Airport.
5. Subject to the prior written approval of the Aeronautics Commission, the Airport Commission may prohibit or limit any given type, kind or class of aeronautical use of the Airport if such action is necessary for the safe operation of the Airport or necessary to serve the civil aviation needs of the public.
6. The Airport Commission shall establish such fair, equal and not unjustly discriminatory conditions to be met by all users of the Airport as may be necessary for the safe and efficient operation of the Airport.

L. Airport Revenues.

1. The Airport Commission shall maintain a fee and rental structure for all Airport property, facilities and services. Said fee and rental structure shall be constructed so as to make the Airport as self-sustaining as possible under the circumstances existing at the Airport. A copy of said fee and rental structure and any future amendments thereto shall be provided to the Aeronautics Commission, upon request.
2. All revenues generated at the Airport and payable to the Airport Commission plus any local taxes on aircraft fuel established after December 30, 1987, shall be deposited in an Airport Commission bank account and expended by the Airport Commission for the capital or operating costs of the Airport.

M. Reports and Inspections.

1. The Airport Commission shall, upon reasonable request:
 - a. submit to the Aeronautics Commission such annual or special financial and operations reports to the Aeronautics Commission;
 - b. make available to the public at reasonable times and places a report of the Airport Budget in a format satisfactory to the Aeronautics Commission;
 - c. make all Airport and Airport Commission records and documents affecting the Airport, including deeds, leases, operation and use agreements, regulations and other instruments, available for inspection by any duly authorized agent of the Aeronautics Commission; and,
 - d. in a format prescribed by the Aeronautics Commission, provide to the Aeronautics Commission and make available to the public, not later than one hundred and twenty (120) days following each of its fiscal years, an annual report listing in detail:
 - i. all amounts paid by the Airport to any other unit of government and the purposes for which each such payment was made; and,
 - ii. all service and property provided by the Airport to other units of government and the amount of compensation received for providing each such service and property.

N. Airport Layout Plan.

1. The Airport Commission shall maintain an up to date Airport Layout Plan ("ALP") of the Airport which shall show:
 - a. the boundaries of the Airport and all proposed additions thereto or deletions therefrom, together with the boundaries of all offsite areas owned or controlled by the Airport Commission for Airport purposes and any proposed additions thereto or deletions therefrom;

Town of Nantucket
NANTUCKET MEMORIAL AIRPORT
14 Airport Road
Nantucket Island, Massachusetts 02554

Alfred G. Peterson, Airport Manager
Phone: (508) 325-5300
Fax: (508) 325-5306



Commissioners
E. Foley Vaughan, Chairman
Sheila O'Brien Egan, Vice Chair
Carl D. England, Jr.
Peter Hull
Dual A. Macintyre, Jr.

Nantucket Memorial Airport Commission
Letter of Authorization

April 18, 2007

The undersigned Nantucket Memorial Airport Commissioners authorize E. Foley Vaughan, Chairman, to sign on behalf of the entire Commission on contracts totaling \$50,000 or more.

Handwritten signature of Sheila O'Brien Egan in cursive script.

Sheila O'Brien Egan, Vice Chair

Handwritten signature of Carl D. England in cursive script.

Carl D. England

Handwritten signature of Dual A. Macintyre in cursive script.

Dual A. Macintyre

IN WITNESS WHEREOF, the Airport Commission and the Selectmen of the Town of Nantucket certify that the information contained herein and attached hereto is accurate and complete and that we agree with the assurances herein, as represented by the signatures of the persons below:

<p>Nantucket Memorial Airport Commission</p> <p>By: <u><i>E. Foley Vaughan</i></u> E. Foley Vaughan Title: Chairman</p> <p>Date: <u>April 19, 2007</u></p>	<p>I hereby certify that E. Foley Vaughan is the Chairman of the Nantucket Memorial Airport Commission and was authorized to execute these Grant Assurances on behalf of the Nantucket Memorial Airport Commission by a vote taken on <u>4-19-07</u>, a copy of which is attached and made a part hereof.</p> <p><u><i>[Signature]</i></u> Reporting Secretary</p>
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<p>Nantucket Board of Selectmen</p> <p>By: <u><i>Rob R. Willa</i></u> Whitey Willauer Title: Chairman</p> <p>Date: <u>MAY 04 2007</u></p>	<p>I hereby certify that Whitey Willauer is the Chairman of the Board of Selectmen for the Town of Nantucket and has been authorized to execute these Grant Assurances on behalf of the Town of Nantucket on this day <u>MAY 04 2007</u>, 2007</p> <p><u><i>[Signature]</i></u> Town Clerk, Town of Nantucket</p>
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1. The Airport Commission and Selectmen shall not allow funds provided under this Grant to be used to fund any project which uses any product or service of a foreign country during the period in which such foreign country is listed by the United States Trade as a representative denying fair and equitable market opportunities for products and suppliers of the United States in procurement and construction.

R. Contamination Issues.

1. The Airport Commission and Selectmen jointly and individually certify that the Airport Commission and Selectmen shall take the appropriate actions to resolve any contamination issue(s) existing in the area of the planned construction of the Project, consistent with applicable laws and regulations.
2. In accepting this Grant, the Airport Commission and Selectmen assume the obligation to complete the scope of work associated with this project.
3. The acceptance or use of any funds from the Aeronautics Commission for the purposes of investigating or remediating contamination imposes an obligation upon the Airport Commission and Selectmen to secure additional funds from other sources to the extent such additional funds are needed to complete the scope of work associated with this Project.

S. Future Grants.

1. This Grant is being awarded in the expectation that the Airport Commission will complete the scope of work associated with this Project.
2. The Airport Commission and Selectmen (collectively referred to here as "the local entities") and the Aeronautics Commission jointly and severally acknowledge and agree that this Grant is awarded and accepted on the explicit understanding that this Grant and any future grant or grants, anticipated to fund further development of the Airport will have included in its (their) terms a guarantee by the local entities that no part of the assets or income of the Airport, whether presently existing or to be created pursuant to these grants, will be diverted to non-airport uses without the express prior written approval of the Aeronautics Commission, the granting of such approval being universally recognized to be considered as highly unlikely.

T. Successors.

1. This Grant, as amended by these Assurances, shall be binding upon and shall inure to the benefit of the successors of the parties hereto.

- b. the location and nature of all existing and proposed Airport facilities and structures (such as runways, taxiways, aprons, terminal buildings, hangars, other buildings and structures, and roads) including all proposed extensions and reductions of existing airport facilities; and,
 - c. the location and nature of all existing and proposed non-aviation areas at the Airport and of all existing or proposed improvements located thereon.
 2. The ALP, and each amendment, revision or modification thereof, shall be subject to the approval of the Aeronautics Commission, which approval shall be evidenced by the signature of a duly authorized representative of the Aeronautics Commission on the face of the ALP.
 3. The Airport Commission and/or Selectmen shall not make or permit any changes or alterations in the Airport or any of the facilities at the Airport thereby causing non-conformity with the ALP as approved by the Aeronautics Commission and which might, in the opinion of the Aeronautics Commission, adversely affect the safety, utility or efficiency of the Airport. If a change or alteration of the Airport or the facilities is made which the Aeronautics Commission subsequently determines adversely affects the safety, utility or efficiency of the Airport, the Airport Commission and Selectmen shall, if requested by the Aeronautics Commission:
 - a. eliminate such adverse effect in a manner approved by the Aeronautics Commission; or,
 - b. bear all costs of relocating such property (or replacement thereof) to the level of safety, utility, efficiency and cost of operation existing prior to the unapproved change in the Airport or its facilities.

O. Civil Rights.

1. The Airport Commission, Selectmen and their respective agents, employees and representatives, shall comply with applicable federal, state, and local laws, regulations, rules and orders to assure that no person shall, on the grounds of race, creed, color, national origin, sex, age, or handicap, be excluded from participating in any activity conducted with or benefiting from funds received from this Grant.

P. Disposal of Land and Airport Facilities.

1. The Airport Commission and Selectmen shall not sell or otherwise transfer or dispose of the title to or interests in the Airport, its facilities, real property or personal property without the prior approval of the Aeronautics Commission, which will not be unduly withheld.

Q. Foreign Market Restrictions.

Diane ONeil

From: Connie Voges
Sent: Friday, July 16, 2010 4:11 PM
To: Libby Gibson
Cc: Irene Lynch-Larivee; Gregg Tivnan; Diane ONeil
Subject: re Airport and Abrahams report.

Attachments: receivables etc.

The BOS level issue is: whether the Airport is part of the TON, and whether the policies and procedures that apply to the TON also apply to the Airport. There are other operations which are reviewed by other agencies: e.g., the schools, Our Island Home, etc.

The underlying procedure question is whether Mark's report is going to be followed, as written, or whether allowances can / should / will be made for different controls that are in place at other town locations. As written, there was no room in the Abrahams' report for "other controls in place" – at the airport or elsewhere. Rick Atherton weighed in on this at Audit Committee meeting, with respect to the Airport receivables: his sentiment was basically, IF the Airport has controls in place that work, why do we need to repeat what they do – if we've reviewed the controls and found them to be sufficient.

But – that's a different approach from the Abrahams report. It's not an entirely unreasonable approach, but it's not the one that has been on the front burner for the last 2 years.

Specifics related to Al's e-mail:

- 1) how long does training take? My guess is no more than an hour or 90 minutes.
- 2) Using the Munis PO system will actually make many of their Munis bill paying activities much more efficient. A blanket PO for airport fuel and a blanket PO for Taste of Nantucket will reduce transactions.
- 3) There were 4,215 API entries in expense accounts in 2010. I'm not sure where Al got the 8,000 entries figure, unless he's including salary accounts, or the opposite side of the expense accounts (debit expense, credit accts payable, basically).
- 4) They can still use the system they've got set up for their control purposes; this is the system that is set up to get their bills paid by the TON.

From: Irene Lynch-Larivee
Sent: Friday, July 16, 2010 3:37 PM
To: Libby Gibson; Connie Voges; Gregg Tivnan; Diane ONeil
Subject: RE: town issued purchase orders

More info.....I spoke with Linda Rhodes this morning about the Airport. She was concerned that they couldn't enter their invoices so she wanted to know if she could turn them back on. I said "no". Linda informed me of a conversation she had with Tina yesterday. Linda reached out to Tina to ask if they could help set up testing / training / etc. Tina replied, no, Al is working on this issue with Libby.

So....we are NOT holding them up from processing invoices...they just need to use the proper system....everything is set up and we've made several attempts to set up dates & times to train their staff.

Best Regards,
Irene

8/22/2011

From: Irene Lynch-Larivee
Sent: Friday, July 16, 2010 3:16 PM
To: Libby Gibson; Connie Voges; Gregg Tivnan; Diane ONeil
Subject: FW: town issued purchase orders

Sorry to be so blunt....but it just irks me that AI keeps turning to our vendors instead of complying with the procedures.

From: Irene Lynch-Larivee
Sent: Friday, July 16, 2010 3:15 PM
To: Libby Gibson; 'bettergov@aol.com'; Connie Voges
Cc: Gregg Tivnan; Diane ONeil
Subject: RE: town issued purchase orders

Good Afternoon Libby,

The Airport is the ONLY Town, School, and Enterprise department not participating in centralized procurement. They were informed in May that they could transition at any time; however if not in compliance by July 12, 2010, then we would "turn off" invoice processing capabilities. They have chosen to not comply with town issued internal controls. The purpose of centralized procurement is to provide checks and balances. After reviewing the Airport invoices for the past month, there are some concerns.

This is one of many new internal control initiatives that are being implemented. The Airport as well as all the other Town & School departments have been informed that it will be a difficult transition period.

Other facts.....The Airport is still not in compliance with turnovers to the treasurer nor the accounts receivable reports on a monthly basis.

The Airport is part of the Town and needs to comply with Town policies & procedures.

Best Regards,
Irene

From: Libby Gibson
Sent: Friday, July 16, 2010 3:09 PM
To: 'bettergov@aol.com'; Connie Voges; Irene Lynch-Larivee
Cc: Gregg Tivnan; Diane ONeil
Subject: FW: town issued purchase orders

What do we think of this? I just spoke with AI. He requested a call back next week so if we need to meet or whatever, let me know.

An aside, he also commented that they still don't have the FY 09 audit yet and "they have never waited this long for it". What's he talking about?

C. Elizabeth Gibson
Town Manager
Town of Nantucket
(508) 228-7255

From: Al Peterson [mailto:apeterson@nantucketairport.com]
Sent: Wednesday, July 14, 2010 2:23 PM
To: bettergov@aol.com
Cc: Tina Smith; 'Janine Torres'; Libby Gibson

8/22/2011

Subject: Re: town issued purchase orders

Mark,

The following are issues in our reluctance to move over to a central purchasing order process:

1. We have a functional system in place at this time.
 - a. All purchase orders are controlled by Yolanda Taylor who is our office coordinator, backed up by Tina and Janine. All purchases over \$50.00 must be with a PO. Yolanda receives all shipments and must complete all open purchase orders with shipping and receiving reports.
 - b. I personally approve all purchase orders over \$500.00.
 - c. All payments are reviewed by Tina Smith and organized for payment. I review and sign all payments, and we prepare a warrant for the Airport Commission to review and sign, prior to them being submitted to Town Finance for payment.
 - d. The Airport Commission is responsible for the financial activity and contractual obligations of the enterprise fund not the Selectmen. Our books are not only audited by the Town's accounting firm but further reviewed by the FAA and Massachusetts DOT-Aeronautics. Many of our purchases are exempt from 30B due to the aeronautical exception.

2. Why it is not a good idea to use central purchasing
 - a. We have about 7,000 to 8,000 transaction a year through finance. About 50% are over \$1,000.00.
 - b. By relying on only Diane we are creating a single point of failure and a cumbersome remote communication process vs. an in house location.
 - c. What does Diane know about our priorities vs. me reviewing the request with the understanding of the purpose? I personally respect and enjoy Diane but she also has a full time commitment (As a matter of fact I hired her before Libby pirated her away.)
 - d. We operate 24 hours a day 7 days a week. We need items over weekends and holidays and have a system organized to support that.
 - e. Town Finance still has oversight of our activity since they ultimately issue the checks.

I am at a loss as to what problem we are correcting. As of today, July 14th we are out of business on purchasing at the height of the season and we are not trained nor do we have the time to take people from year end closing and peak business.

I simply do not see this as a betterment to what currently exists and only a more cumbersome and inefficient process that takes control away from the operational level to a department that is not known for quick responses.

Thanks.

Al

Town of Nantucket
NANTUCKET MEMORIAL AIRPORT
14 Airport Road
Nantucket Island, Massachusetts 02554

Alfred G. Peterson, Airport Manager
Phone: (508) 325-5300
Fax: (508) 325-5306



Commissioners
E. Foley Vaughan, Chairman
Sheila O'Brien Egan, Vice Chair
Robert J. Atlee
Dual A. Macintyre, Jr.
Carl D. England, Jr.

11 AUG 15 11:19

Nantucket Memorial Airport Commission
Executive Session Minutes
June 21, 2011

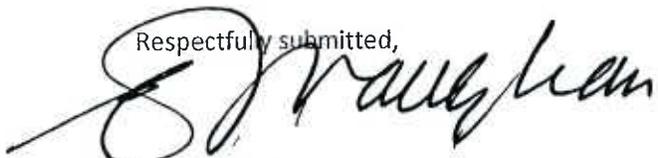
DRAFT

Executive Session took place at Nantucket Memorial Airport's SRE Building, 13 New South Road, Nantucket, at 2:05 p.m.

All commissioners were present and entered executive session after a roll call vote to further discuss the Peterson contract.

After discussion it was agreed that the contract presented at the meeting was suitable for signing and the commissioners voted unanimously to execute the agreement and present it to Mr. Peterson for his approval and signature.

Meeting adjourned 2:45 p.m.

Respectfully submitted,

E.F. Vaughan

Rudewicz, Frank

From: Al Peterson [apeterson@nantucketairport.com]
Sent: Thursday, June 23, 2011 10:19 AM
To: 'Arthur Gasbarro'
Cc: 'Janine Torres'
Subject: RE: FOIA Request

Arthur,

There is no written agreement. I think you have asked before. I have a base salary that has remained constant since I took the position 7 years ago except for CPI. I have received bonuses on two occasions voted by the Commission. I also receive a housing allowance, as you are aware.

Al

From: Arthur Gasbarro [mailto:arthurg3@comcast.net]
Sent: Thursday, June 23, 2011 7:35 AM
To: 'Al Peterson'
Cc: 'Janine Torres'
Subject: RE: FOIA Request

Is there any document or written agreement that you can provide that includes the terms of your total annual compensation including all bonuses and accessory payments/agreements? If not could you please provide those terms?

Also, could you provide the minutes of the meeting at which salary increases and bonuses were approved by the Commission? I have found no such reference in the 2009 and 2010 minutes available on-line. If you would post the previous years (2004-2008) on the website, I will do the research myself.

Thank you

From: Al Peterson [mailto:apeterson@nantucketairport.com]
Sent: Wednesday, May 18, 2011 1:56 PM
To: 'Arthur Gasbarro'
Cc: 'Janine Torres'
Subject: RE: FOIA Request

Arthur,

I do not have a contract currently nor have I had one. I have been discussing one with the Commission for over a year but there is nothing resolved. I cannot predict when one will be finalized since it is out of my hands.

Al

From: Arthur Gasbarro [mailto:arthurg3@comcast.net]
Sent: Friday, May 13, 2011 6:55 PM
To: Al Peterson
Cc: Janine Torres
Subject: FOIA Request

Al,

I am writing to request a complete copy of your current employment contract. I understand that it expired some time ago and that the Commission has been conducting Executive Session meetings concerning the matter since last September. When do you anticipate that a new contract may be issued?

An electronic copy would be preferable, otherwise I can pick up a hard copy. Please let me know when it will be available, and if you have any concerns with this request.

Thank you,

Arthur Gasbarro

Exhibit A – Scope of Work (5/24/10)**Nantucket Memorial Airport
Nantucket, Massachusetts**

**Construct Runway 33 Extension (Approx. 500' x 100');
Construct Parallel Taxiway to Runway 33 (Approx. 5,600' x 50');
Overlay a Portion of Runway 24 (Approx. 1,500' x 150')**

History

This project is made up of (3) three elements. The first element is to construct a 500 foot extension to Runway 33. The second element is to construct a full parallel taxiway to Runway 15-33 all the way out to the proposed 500 foot extension. The third element is to overlay a portion of Runway 6-24 from the approach end of 24 to approximately Taxiway Alpha. (Please see the attached sketch that identifies the areas of work.)

- 1) Construct Runway 33 Extension (Approx. 500' x 100'): Runway 15-33 is currently 4,000 feet in length. The last time an improvement was completed on Runway 33 was in 1995 when roughly 3,200 feet of runway was rehabilitated and narrowed from 150 feet to 100 feet in width. The proposed 500 foot runway extension for Runway 33 has been identified on the airport layout plan since 2001. The proposed 500 foot extension will increase the existing runway length from approximately 4,000 feet to 4,500 feet allowing "land and hold short" operations for air taxi service type aircraft.
- 2) Construct Parallel Taxiway to Runway 33 (Approx. 5,600' x 50'): Currently there is no existing full parallel taxiway to Runway 15-33. Aircraft that need to taxi to and from Runway 33 utilize Taxiway Charlie (a.k.a. Runway 12-30) that results in a "mid-field" crossing of Runway 6-24. This proposed full parallel taxiway will eliminate the "mid-field" crossing condition as well as allow for an LPV approach. Also listed on the airport layout plan for many years is this proposed full parallel taxiway from the end of the proposed 500 foot Runway 33 extension to Taxiway Echo. The new LPV approach to Runway 33 will be completed under a separate project. The proposed parallel taxiway will require the installation of a blast wall type structure where it runs closest to the existing SRE Garage.
- 3) Overlay a Portion of Runway 24 (Approx. 1,500' x 150'): The last time this section of Runway 24 was improved was 1991 under AIP-11. Since then the pavement has held up well but has shown sign of deterioration as its been 19 years since the last overlay. It was agreed by all parties at the scoping meeting that it would be best to include this overlay as part of this project to correct the deficiencies and to take advantage of costs while a contractor is on-site to build the 500 foot runway extension to 33. This same area of runway will require light adjustments for existing centerline and touchdown zone in-pavement fixtures.

Please note that due to funding constraints the second element of this project "Construct Parallel Taxiway to Runway 33 (Approx. 5,600' x 50')" will be designed under these services but constructed under a separate year. There will be two separate sets of plans, specifications, and estimates prepared under this contract.

The first set will prepare “bid documents” to construct the first and third elements while a second set will be prepared for the second element (plans, specifications, and estimate) as a design-only effort to wait for available funds to allow construction to occur.

This contract will cover data collection, design, advertisement, general administration, and construction phase services, such as construction administration and resident engineering for Construct Runway 33 Extension (Approx. 500' x 100') and Overlay a Portion of Runway 24 (Approx. 1,500' x 150').

This contract will also cover data collection and design for Construct Parallel Taxiway to Runway 33 (Approx. 5,600' x 50'). Advertisement, general administration, and construction phase services, such as construction administration and resident engineering for Construct Parallel Taxiway to Runway 33 (Approx. 5,600' x 50') will not be included in this contract but will be included under a separate agreement at the appropriate time.

Assumptions/Design Parameters

1. This project is eligible for AIP funding
2. Jacobs Engineering will develop full set of plans, specifications, and construction cost estimates at 90% and 100% design levels
3. **No** environmental permitting is required; the project has been previously permitted for the Runway 33 and parallel taxiway portion whereas the overlay of Runway 24 will require a “categorically excluded” check-list process
4. FAA Form 7460 forms will be filed
5. MASS DOT Aeronautics airspace forms will be filed
6. A pavement design report is required
7. The Exhibit “A” will not be updated under this project
8. The design aircraft for this project will be as listed on the ALP: C-III
9. The ALP will be updated under this project
10. The design will be in accordance with the most current FAA-AIP Advisory Circular listing dated March 21, 2007.
11. The Master Sign Plan will be updated under this project.

ARTICLE A – DATA COLLECTION

1. Perform a detailed topographic survey of the runways and taxiways (approximately 94 acres of survey). The survey will consist of the following:
 - a) A 25-foot grid for the taxiways and aprons. The attached drawing shows the approximate limits of survey.
 - b) Survey shots taken on pavement will have an accuracy of 0.01' and those on turf shall be 0.1'.
 - c) Grade breaks within the grid will be surveyed.

- d) All major site features (i.e. structures, manholes, drainage structures, swales/ditches, concrete duct markers, lights, foundations, etc.) will be located. Ground elevation and top of feature elevation will be shot.
 - e) The size, location, slope and invert elevation of drop inlets and manholes will be determined.
 - f) One baseline will be established for use during construction.
 - g) Survey information will be provided in Autodesk Land Desktop 2004 format. Survey information will be separated onto multiple layers (i.e. drainage, marking, building, major site features, contour, elevation, point, description, etc.). Benchmarks will be located within the survey grid. All pertinent surface files and a drawing file (fully contoured) containing all of the survey data, including the point files shall be provided. An ASCII Comma Delineated Point File will be provided (number, northing, easting, elevation, and description).
2. Research record drawings for underground utilities. (i.e. sewer, water, electric). It is assumed record drawing information will be collected from a combination of airports files as well as electronic and/or hard copies located in Jacobs' office.
 3. Perform two (2) site walk through surveys to locate and note any special site conditions that would affect construction techniques or materials. Also, to field verify that all existing features in the field were picked up during the actual survey.
 4. Cut fifteen (15) pavement cores and thirty (30) test holes (pits) (from existing grade to 48" below grade) for the runways and taxiways and obtain samples of the underlying soil. The purpose of the pavement cores is to determine the depth of proposed overlay required for Runway 24. In addition, CBR values will be obtained for the underlying soils.
 5. In order to make sure that existing NHESP Conservation and Management Permit conditions are maintained Baystate Environmental Consultants will perform services for four tasks that include grassland bird construction measures, rare plant transplant and construction requirements, review of rare plant species tasks in the bid documents, and attending pre-bid meeting.
 6. Provide full time inspection during subsurface investigations. (Assume five (5) days).
 7. Provide full time inspection during survey. (Assume ten (10) days).
 8. Two (2) site visits for the electrical engineer to collect data and field information for the electrical source that would supply power to runway and taxiway edge lights.
 9. Coordinate with FAA offices on the development of FAA re-imbusement agreements.
 10. Complete efforts required for the FAA approach analysis including aerial and ground survey. Advisory Circular 150/5300-16A "General Guidance and Specifications for Aeronautical Surveys: Establishment of Geodetic Control and Submission to the National Geodetic Survey; 150/5300-17B "General Guidance and Specifications for Aeronautical Survey Airport Imaginary Acquisition and Submission to the National Geodetic Survey; and 150/5300-18B "General Guidance and Specifications for Submission of Aeronautical

Surveys to NGS: Field Data Collection and Geographic Information System (GIS) Standards will be followed.

Services for Article A will be provided under a lump sum basis.

**ARTICLE B1 – DESIGN (DRAWINGS AND SPECIFICATIONS)
for Construct Runway 33 Extension (Approx. 500' x 100') and Overlay a Portion of
Runway 24 (Approx. 1,500' x 150')**

Based on the information collected under Article A, the 90% and 100% design documents will be developed for all elements identified in this scope of work.

1. Develop technical specifications. (i.e. *FAA specifications: P-152, P-154, P-209, P-401, P-602, P-603, P-610, P-620, P-626, D-751, D-701, L-108, L-110, L-125, T-901*)
2. Develop contract document/front-end specifications. (i.e. *Notice to Bidders, Invitation to Bidders, Instruction to Bidders, Bid Proposal, Contract, Contract Articles, General Specifications*)
3. Develop a detailed construction schedule for use in determining construction phasing and duration.
4. Prepare for and attend two (2) meetings at the Airport to discuss proposed closures of Runways 24 and 33.
5. Prepare for and attend four (4) meetings at the Airport to discuss construction phasing with Airport Staff, Airlines, Tower Staff, and Tenants.
6. Facilitate and attend two (2) user's coordination meetings.
7. Prepare and submit the pavement design in accordance with FAA Advisory Circular AC 150/5320-6E. The pavement design will include the completed FAA Form 5100-1. A full report will be completed and submitted to FAA, the State, and ACK.
8. Develop detailed construction quantities and cost estimate at the 90%, 100%, and As-Advertised design levels.
9. Attend two (2) design review meetings with Airport Staff (Commissioner's; Airport Manager). The first meeting to review conceptual design efforts and the second meeting to review final design elements.
10. Review, and ultimately "stamp" (Registered Engineer's stamp), the FAA design drawings and specifications on the Runway 33 PAPI's and REIL's and incorporate into overall preliminary and final submissions (infra-structure only).
11. Complete drainage design per Advisory Circular standards including hydrology analysis and modeling. Prepare drainage report which includes all drainage calculations, drainage structure sizing, and drain pipe sizing. The most stringent (FAA, State, or Local) drainage standards will be followed.

12. Complete electrical design and analysis. Includes runway edge light layout, circuit layout and cable sizing, regulator design and sizing, lighting vault work.

13. Develop the following anticipated plans:

- Cover/Index (1)
- Location and Vicinity Plan (1)
- General Plan (1)
- General Phasing and Safety/Operations Plan (1)
- Detailed Phasing and Safety/Operations Plan (4)
- Test Core and Pit Plans (2)
- Geometry/Alignment Plans (2)
- Erosion Control Plan and Details (2)
- Survey Record Plan and Existing Utilities (1)
- Rare Species Site Plan (1)
- Rare Species Mitigation Site Plan (1)
- Rare Species Mitigation Details and Notes (1)
- Typical Sections (1)
- Profiles (4)
- Runway 33 Grading Plans (1)
- Runway 24 Grading Plans (3)
- Runway Drainage Plans (4)
- Runway Cross Sections (8)
- Pavement Details (1)
- Pavement Marking Plan (2)
- Drainage Details (2)
- Runway Lighting Plans (4)
- Runway Centerline and Touchdown Zone Light Adjustment Plan (1)
- Electrical Details (4)
- FAA PAPI and REIL Drawings for Runway 33 (Assume 14 for infrastructure only)
- Misc. Details (4)
- Total: 71 Sheets

14. Coordinate, distribute and print the following copies of the preliminary construction documents (plans, specifications, and construction cost estimate) for review by the FAA, State DOT, and the Owner:

Preliminary Submission (90%)

FAA-Burlington: 1 copy of plans (1 full size); 1 copy of specifications;
1 copy of estimate

FAA-Georgia: Electronic Submission (Phasing/Safety Operations Plans)

State DOT: 1 copy of plans (1 half size); 1 copy of specifications; 1 copy of estimate; 1 CD of AutoCAD files

Owner: 4 copies of plans (1 full size; 3 half size); 1 copy of specifications; 1 copy of estimate

Final Submission (100%)

FAA-Burlington: 1 copy of plans (1 full size); 1 copy of specifications; 1 copy of estimate

FAA-Georgia: 1 copy of the plans (1 half size)

State DOT: 1 copy of plans (1 full size); 1 copy of specifications; 1 copy of estimate

Owner: 1 copy of plans (1 full size); 1 copy of specifications; 1 copy of estimate

As-Advertised Submission

FAA-Burlington: 1 copy of plans (1 full size); 1 copy of specifications; 1 copy of estimate

FAA-Georgia: 1 copy of the plans (1 half size)

State DOT: 1 copy of plans (1 full size); 1 copy of specifications; 1 copy of estimate

Owner: 1 copy of plans (1 full size); 1 copy of specifications; 1 copy of estimate

15. Conduct an in-house QA/QC prior to each submission. The in-house QA/QC check will involve an experienced independent individual, depending on each discipline, to conduct a comprehensive check on all documents to be submitted (e.g. plans, specifications, estimates, reports). Time will be required for engineers and Cadd technicians/designers to correct items listed under the in-house QA/QC checks.
16. Address final comments from 100% design for as-advertised design plans.
17. Complete a comprehensive design report (Engineer's Report) that will include a Project Summary, Project Schedule, Description of Improvements, Alternative Design Considerations, Pavement Design, Drainage Design, and Electrical Design, and Summary of Estimated Project Costs and Engineer's Cost Estimate.

Services for Article B1 will be provided under a lump sum basis.

**ARTICLE B2 – DESIGN (DRAWINGS AND SPECIFICATIONS)
for Construct Parallel Taxiway to Runway 33 (Approx. 5,600' x 50')**

Based on the information collected under Article A, the 90% and 100% design documents will be developed for all elements identified in this scope of work.

1. Develop technical specifications. (i.e. *FAA specifications: P-152, P-154, P-209, P-401, P-602, P-603, P-610, P-620, P-626, D-751, D-701, L-108, L-110, L-125, T-901*)
2. Develop contract document/front-end specifications. (i.e. *Notice to Bidders, Invitation to Bidders, Instruction to Bidders, Bid Proposal, Contract, Contract Articles, General Specifications*)
3. Develop a detailed construction schedule for use in determining construction phasing and duration.
4. Prepare for and attend two (2) meetings at the Airport to discuss proposed aircraft taxiway stub layouts and locations of run-up pads.
5. Prepare for and attend four (4) meetings at the Airport to discuss construction phasing with Airport Staff, Airlines, Tower Staff, and Tenants.
6. Facilitate and attend two (2) user's coordination meetings.
7. Prepare and submit the pavement design in accordance with FAA Advisory Circular AC 150/5320-6E. The pavement design will include the completed FAA Form 5100-1. A full report will be completed and submitted to FAA, the State, and ACK.

8. Develop detailed construction quantities and cost estimate at the 90%, 100%, and As-Advertised design levels.
9. Attend two (2) design review meetings with Airport Staff (Commissioner's; Airport Manager). The first meeting to review conceptual design efforts and the second meeting to review final design elements.
10. Review, and ultimately "stamp" (Registered Engineer's stamp), FAA design drawings and specifications on the Runway 33 PAPI's and REIL's and incorporate into overall preliminary and final submissions.
11. Structural Engineer to design proposed blast wall required at run-up pad adjacent to SRE garage.
12. Complete drainage design per Advisory Circular standards including hydrology analysis and modeling. Prepare drainage report which includes all drainage calculations, drainage structure sizing, and drain pipe sizing. The most stringent (FAA, State, or Local) drainage standards will be followed.
13. Complete electrical design and analysis. Includes taxiway edge light layout, circuit layout and cable sizing, regulator design and sizing, lighting vault work.
14. Develop the following anticipated plans:
 - Cover/Index (1)
 - Location and Vicinity Plan (1)
 - General Plan (1)
 - General Phasing and Safety/Operations Plan (1)
 - Detailed Phasing and Safety/Operations Plan (4)
 - Test Core and Pit Plans (2)
 - Geometry/Alignment Plans (2)
 - Erosion Control Plan and Details (2)
 - Survey Record Plan and Existing Utilities (1)
 - Rare Species Site Plan (1)
 - Rare Species Mitigation Site Plan (1)
 - Rare Species Mitigation Details and Notes (1)
 - Typical Sections (1)
 - Profiles (6)
 - Taxiway Grading Plans (8)
 - Taxiway Drainage Plans (8)
 - Taxiway Cross Sections (8)
 - Pavement Details (1)
 - Pavement Marking Plan (2)
 - Drainage Details (2)
 - Taxiway Lighting Plans (6)
 - Electrical Details (4)
 - FAA PAPI and REIL Drawings for Runway 33 (Assume 14 for full build)
 - Misc. Details (4)
 - Total: 82 Sheets

15. Coordinate, distribute and print the following copies of the preliminary construction documents (plans, specifications, and construction cost estimate) for review by the FAA, State DOT, and the Owner:

Preliminary Submission (90%)

FAA-Burlington: 1 copy of plans (1 full size); 1 copy of specifications;
1 copy of estimate

FAA-Georgia: Electronic Submission (Phasing/Safety Operations Plans)

State DOT: 1 copy of plans (1 half size); 1 copy of specifications; 1 copy of estimate; 1
CD of AutoCAD files

Owner: 4 copies of plans (1 full size; 3 half size); 1 copy of specifications; 1 copy
of estimate

Final Submission (100%)

FAA-Burlington: 1 copy of plans (1 full size); 1 copy of specifications; 1 copy of estimate

FAA-Georgia: 1 copy of the plans (1 half size)

State DOT: 1 copy of plans (1 full size); 1 copy of specifications; 1 copy of estimate

Owner: 1 copy of plans (1 full size); 1 copy of specifications; 1 copy of estimate

As-Advertised Submission

FAA-Burlington: 1 copy of plans (1 full size); 1 copy of specifications; 1 copy of estimate

FAA-Georgia: 1 copy of the plans (1 half size)

State DOT: 1 copy of plans (1 full size); 1 copy of specifications; 1 copy of estimate

Owner: 1 copy of plans (1 full size); 1 copy of specifications; 1 copy of estimate

16. Conduct an in-house QA/QC prior to each submission. The in-house QA/QC check will involve an experienced independent individual, depending on each discipline, to conduct a comprehensive check on all documents to be submitted (e.g. plans, specifications, estimates, reports). Time will be required for engineers and Cadd technicians/designers to correct items listed under the in-house QA/QC checks.

17. Address final comments from 100% design for as-advertised design plans.

18. Complete a comprehensive design report (Engineer's Report) that will include a Project Summary, Project Schedule, Description of Improvements, Alternative Design Considerations, Pavement Design, Drainage Design, and Electrical Design, and Summary of Estimated Project Costs and Engineer's Cost Estimate.

Services for Article B2 will be provided under a lump sum basis.

ARTICLE B3 – FAA SAFETY MANAGEMENT SYSTEM (SMS)

1. Attend meeting with FAA and ACK at FAA in Burlington to discuss SMS process and requirements for project. (Assume one (1) meeting with 2 attendees)

Services for Article B3 will be provided under a cost plus basis.

ARTICLE C – ADVERTISING AND BIDDING
for Construct Runway 33 Extension (Approx. 500' x 100') and Overlay a Portion of Runway 24 (Approx. 1,500' x 150')

1. Prepare twenty-five (25) sets of plans and specifications for bidding. Extra sets shall be produced at additional costs.
2. Prepare an “Invitation to Bid”, all forms for advertisement, bid proposals, contract bonds, labor and DBE requirements and other contract documents needed to solicit public bids for the construction of the project. The Owner shall be responsible for the cost of all public advertisements required including all newspapers in which the advertisement is placed. The Invitation to Bidders will be advertised in the Central Register, and the local newspaper of record. Advertising will be coordinated with the Airport Administration, as applicable.
3. Prepare for and attend the Pre-Bid Conference (one (1) day) and Bid Opening (one (1) day).
4. Issue necessary Addenda and Directives to Bidders. One (1) addendum is assumed.
5. Review the bids received, prepare the final bid tabulation, and make recommendations/rejections of award of the Contract to the Owner.
6. Issue “Notice to Award” on behalf of the Airport to the appropriate contractor.
7. Maintain a plan holder’s list during the bidding phase which will be updated accordingly.
8. Coordinate and administer bid deposits and return of deposits.

Services for Article C will be provided under a lump sum basis.

ARTICLE D - GENERAL ADMINISTRATION

1. Attend one (1) Pre-Design meeting to discuss the scope of the project. Prepare minutes of this meeting and distribute them to all parties.
2. Develop Engineering Scope of Work and Contract
3. Attend one (1) meeting to negotiate fee (assume meeting is at ACK)
4. Prepare and submit State Clearinghouse Letters. (includes addressing any and all required requested documentation to Coastal Zone Management; Massachusetts Historic Commission; U. S. Fish & Wildlife; and Native American Tribes (via FAA)
5. Prepare and distribute engineering contracts
6. Prepare and coordinate subconsultant contracts and pay invoices.
7. Prepare and submit FAA 7460 form for proposed blast pad. Assume six (6) 7460 Forms

8. Prepare and submit MASS DOT Aeronautics air space form for proposed blast. Assume six (6) forms
9. Prepare and submit one (1) State Grant Application. Prepare and submit one (1) FAA Grant Application.
10. Prepare FAA and State Payment Requests. Twelve (12) are assumed for this project.
11. Prepare and submit two (2) copies of the FAA Safety Plan checklist.
12. Retain project-related records
13. Attend two (2) Airport Commission meetings to update the progress of work and answer any questions associated with the project.
14. Prepare record drawings (assume for 71 sheet drawing set) and FAA close out report and submit to all parties.

Services for Article D will be provided under a lump sum basis.

ARTICLE E – CONSTRUCTION SERVICES
for Construct Runway 33 Extension (Approx. 500' x 100') and Overlay a Portion of Runway 24 (Approx. 1,500' x 150')

1. Issue a "Notice to Proceed," on behalf of the Airport, to the Contractor. Review the Contractor's construction schedule.
2. Prepare for and attend Pre-Construction conference.
3. Review all shop drawings submitted by the contractors and all materials used in the construction of the project.
4. Attend site visits and project related meetings at the Mass State DOT, FAA, or ACK as necessary. Assume (50) site visits out of a 365-calendar day construction project.
5. Prepare written or verbal directives to the Contractor.
6. Prepare Field Sketches, as necessary.
7. Provide general supervision and administrative support for resident engineer.
8. Review and approve estimates submitted by the Contractor for progress/final payments.
9. Prepare and negotiate change orders, as necessary.
10. Observe work in progress and provide reports to Owner.
11. Attend final inspection meeting.

Services for Article E will be provided under a cost plus basis.

ARTICLE F - RESIDENT ENGINEERING
for Construct Runway 33 Extension (Approx. 500' x 100') and Overlay a Portion of Runway 24 (Approx. 1,500' x 150')

1. Coordinate and attend progress meetings with the contractor, Airport, and any other interested parties, as required prior to construction (e.g. Staging area coordination, setting up Contractor's trailer.).
2. Attend pre-construction conference.
3. Provide full-time resident engineering services for the work associated with the project. The resident engineer for the project shall have field experience in the type of work to be performed, be fully qualified to make interpretations, decisions, field computations, and have knowledge of testing requirements and procedures. The resident engineer shall be approved by the Owner, FAA and the State.
4. Checking of construction activities to ensure compliance with the plans and specifications. Inform the contractor of any work, which is in non-compliance.
5. Ensure that tests are performed at the frequency stated in the specifications.
6. Review certifications for conformance with the specifications.
7. Document quantities of materials used on the project by actual measurements and computations in a field notebook or computer printout retained in a folder.
8. Maintain a set of working drawings on the job site, which can be used to prepare "As-Built" drawings.
9. Review payment requests and certified payrolls from the contractor.
10. Maintain a diary, which will contain entries made and signed by the resident engineer. Each entry should include the following, plus any additional pertinent data:
 - a. Date and weather conditions.
 - b. Names of important visitors.
 - c. Construction work in progress and location.
 - d. Size of contractor's work force and equipment in use.
 - e. Number of hours worked per day for contractor and subcontractors.
11. Attend final inspection and create punch list.
12. Attend follow up site visit to confirm completion of punch list items.

Services for Article F will be provided under a cost plus basis.

PROJECT SCHEDULE

The tentative complete project schedule (design and construction) is as follows:

<u>Item</u>	<u>Date</u>
Engineering Contract	6/30/10
Topographic Survey and Soils	7/30/10
Preliminary Design (90%)	10/1/10
Final Design (100%)	11/1/10
Advertisement	12/1/10
Bid Opening	1/10/11
State Grant Application	2/10/11
Start Construction	4/1/11
Finish Construction	12/11/11

TOWN OF NANTUCKET, MASSACHUSETTS

MANAGEMENT LETTER

YEAR ENDED JUNE 30, 2008



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The Honorable Board of Selectmen
Town of Nantucket, Massachusetts:

In planning and performing our audit of the basic financial statements of the Town of Nantucket, Massachusetts (Town), as of and for the fiscal year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the Town's basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the following deficiencies to constitute material weaknesses.

- Failure to act on previously communicated weaknesses.
- Inadequate design of internal control over significant accounts.
- A failure to perform reconciliations of significant accounts.
- Inadequate documentation of the components of internal control.

During our audit we became aware of several additional matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters.

The Town of Nantucket's written responses to the comments identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management of Town of Nantucket, Massachusetts, and is not intended to be and should not be used by anyone other than these specified parties.

We have already discussed these comments and suggestions with various Town personnel, and we will be pleased to discuss them in further detail at your convenience.

Powers & Sullivan

March 20, 2009

TOWN OF NANTUCKET, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2008

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Material Weaknesses

MATERIAL WEAKNESSES

Failure to Act on Previously Communicated Weaknesses

The material weaknesses communicated herein represent control deficiencies that have been identified and reported to management for several years and have not been adequately resolved. The existence of significant deficiencies may be known and may represent a conscious decision to accept that degree of risk because of cost or other considerations. Management or those charged with governance are responsible for making decisions concerning costs to be incurred and related benefits. Failure by management to assess the effect of significant deficiencies previously communicated and to either correct them or conclude that they will not be corrected represent a material weakness in the Town's system of internal controls.

Inadequate Design of Internal Control Over Significant Accounts.

Management must rely on the financial information generated by the Treasurer's Office, the Collector's Office and the Accounting Office to make decisions that affect Town strategy in developing and meeting short-term and long-term financial goals. Consequently, management must be confident that the information they base their decisions on is complete and accurate. This confidence is gained when there is reasonable assurance that the internal control structure over cash, receivables, revenues and expenditures is of sound design and is functioning as intended.

Each of the Offices noted above play a key role in developing and monitoring of a sound internal control structure. These roles are summarized as follows:

- The Accountant is responsible for establishing and maintaining procedures to assure that 1) all Town receipts and disbursements are properly authorized and recorded in the general ledger accurately and timely and 2) all journal entries are properly recorded and documented.
- The Treasurer's Office is responsible for establishing and maintaining procedures to 1) properly safeguard the Town's cash and investments and 2) assure that all receipts and disbursements are reported accurately and timely.
- The Collector's Office is responsible for establishing and maintaining procedures to 1) assure all bills submitted to the Office are collected as quickly as possible 2) secure the Town's interest in property for delinquent taxes and 3) process receipts promptly in order to maximize cashflow.

Considering these general roles, our review of the internal control structure of these Offices revealed the following deficiencies:

- The Treasurer's cash book was not accurately reconciled to the bank balances or to the general ledger throughout the year.
 - More than eight months after fiscal year end, the Town reconciled the general ledger to the Treasurer's cashbook, and recorded over \$700,000 in adjustments as part of this process. After this original reconciliation process, an addition \$660,000 in corrections were recorded, which left approximately \$60,000 in unidentified variances. Additionally, the Treasurer's cashbook has unidentified variances to the bank balances of cash which exceed \$300,000. Cumulatively, this leaves approximately \$360,000 in cash on the Town's books that is not supported by cash in the bank.

- The reconciliations from the cashbook to the bank balance were not adequately supported. The Town Treasurer does not maintain an outstanding check listing to support the bank reconciliations to the cashbook. Outstanding check lists are prepared once a year, several months after year end, and were found to be inaccurate. The payroll account outstanding list contained several duplicate amounts, contained several checks dating back as far as 1996, and contained several checks made out to the Town of Nantucket. Additionally, the outstanding list did not tie to the Treasurer's reconciliation by over \$300,000. The outstanding check amount on the Treasurer's cash reconciliation was a negative amount. The vendor account outstanding list also contained items that were several years old, and did not agree with the Treasurer's reconciliation by approximately \$33,000.
 - The Treasurer's cashbook contained unidentified variances that have been carried forward for several years.
 - The process for reconciling the Treasurer's cashbook to the bank and to the general ledger is not adequately documented.
 - The Town has not performed reconciliations between the balances of individual trust fund accounts on the general ledger and the supporting bank balances.
- The Town utilizes due to/due from accounts to monitor inter-fund receivables and payables. The balances of these accounts are intended to represent cash that has not been transferred between funds. The Town does not have a system to reconcile the balances in these accounts with the balances maintained by the individual departments that they impact. The variances between the cash and due to/due from accounts reported on the Town's general ledger and the balances maintained by the Water Department and the Airport were out of balance by approximately \$400,000 in fiscal year 2006, by approximately \$157,000 in fiscal year 2007, and by a net variance of approximately \$372,000 in fiscal year 2008. Significant unidentified balances in the due to/due from accounts, even if they are reconciled, indicate that cash transfers are not being made timely. In several instances, untimely transfers and inaccurate transfers of cash between accounts have complicated the ability to reconcile and have decreased the likelihood that errors or inconsistencies would be detected.
 - The Town was unable to provide support for several balances maintained on the general ledger. Some balances were caused by errors that have been carried for several years, and some unsupported balances are in a deficit position. Erroneous account balances impact the usefulness and reliability of data obtained from the Town's accounting system, which is the basis for Management's decision making process.
 - The Town does not have internal procedure manuals clearly defining the responsibilities of each position within the financial departments. As a result, procedures, such as reconciliations, may not be completed, even though everyone feels that they have completed their individual tasks, therefore, the activities are not accomplishing the desired end result of identifying and correcting errors in a timely manner. Formally documented procedures and responsibilities of each position would clarify the process and ensure that the intended controls over the Town's assets are being achieved.

Summary

In summary, the objectives of an internal control structure are to safeguard the assets of the Town and provide reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly in the Town's ledgers. The omission of one or more elements of internal control can compromise the Town's ability to obtain these objectives. We have concluded that the deficiencies noted above, individually and collectively, represent material weaknesses in the Town's system of internal control under standards established by the American Institute of Certified Public Accountants.

These deficiencies constitute being classified as material weaknesses because they represent significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Furthermore, we believe that the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

For several years, we have recommended that the Town implement procedures to monitor all general ledger balances throughout the year and to reconcile those balances with the supporting Treasurer's cash book and other supporting documentation on a regular basis to identify and correct errors during the normal course of operations.

The procedures should include a process for insuring that all transactions are processed timely and correctly. We have also recommended that the Treasurer post all cash activity in a timely manner to the Treasurer's cash book and that the Treasurer's balances be reconciled to both the bank balances and the general ledger monthly and that record of the reconciliation process be maintained by both the Treasurer and the Town Accountant.

As indicated by Statement on Auditing Standards #112, *Communicating Internal Control Related Matters Identified in an Audit*, employees or management who lack the qualifications and training to fulfill their assigned functions represent a strong indication of a material weakness in internal controls. The lack of ability to properly reconcile the Treasurer's cashbook to the bank balances and to the general ledger is an indication that staff does not possess the necessary competency to implement internal controls that would reduce to a relatively low level the chance that errors or irregularities could occur in the normal course of business and not be prevented or detected by the Town's internal control structure.

Subsequent to fiscal year end, the Town has implemented new cash reconciliation policies and procedures, which, if performed properly, should increase internal controls, and improve financial reporting on a prospective basis. We recommend that as the new policies and procedures are implemented, management evaluate the competency of the staff as part of the Town's overall internal control structure.

Town of Nantucket Response

We concur with the auditor's recommendation and activities are in place to address the issues in the management letter.

Town Administration contracted with a third party consultant to provide assistance to the Finance Department in development and implementation of internal controls. The implementation of the consultant's recommendations is partially complete, with additional procedures to be implemented in the remainder of fiscal 2009 and in fiscal 2010. As part of the scope of work with the consultant, all workflows and controls will be documented in a comprehensive finance department manual.

Since July 2009, cash accounts have been reconciled on a monthly basis. The cash reconciliation includes a tri-reconciliation of the Treasurer's Cashbook to the Bank and General Ledger.

Other Matters

PRIOR YEAR COMMENTS

MASSACHUSETTS HIGHWAY GRANTS

Comment

Each year, the Commonwealth of Massachusetts allocates Chapter 90 highway project funds to the Town. These projects require the Town to incur the expenditure first and then submit a request for reimbursement to the Commonwealth. The Chapter 90 revenues and expenditures are accounted for in the Special Revenue fund to enable the financial position of the projects to be monitored and to provide a check and balance over the records of the Public Works Department.

Because it is a reimbursement program, the cash deficit in the Chapter 90 fund, at any given time, should equal the invoices that have not yet been submitted for reimbursement, or that have been submitted and are awaiting reimbursement from the Commonwealth. For several years, the Town's cash deficit has exceeded the known invoices that are awaiting reimbursement. This was most likely caused by a lack of procedures to reconcile invoices to reimbursements and to verify that all reimbursement requests are submitted timely.

To strengthen controls over this program going forward, and to minimize unnecessary deficits, we have recommended the Town reconcile the receivable balance due from the Commonwealth to the cash deficit in the fund and identify any permanent deficit that has been caused by a lack of reconciliation procedures in the past. Once the permanent deficit has been identified, we have recommended that the Town decide how the permanent deficit will be funded and implement reconciliation procedures going forward to ensure that similar permanent deficits do not occur in the future.

Status – Unresolved

As of June 30, 2008, the receivable balance has not been reconciled to the cash deficit.

Town of Nantucket Response

We concur with the auditor's recommendation. As part of the Fiscal Year 2007 pre-audit procedure, the Finance Director worked diligently with the Department of Public Works management team to ensure the accuracy of the balance reflected in the Fiscal 2007 Financial Statements that were finalized on August 14, 2008.

In June 2007, the Finance Department implemented an Accounts Receivable Reconciliation procedure with all Town departments including the Department of Public Works and Enterprise Funds. The accounts receivable that are showing balances in the general ledger are reconciled to departmental records on a monthly basis.

We recognize the Chapter 90 account is also a receivable due to the Town of Nantucket. In August 2008, we began the practice of including this account as part of the monthly accounts receivable reconciliation. The monthly reporting requirement has been communicated to both the Department of Public Works Manager and Assistant Manager. The Assistant Finance Director and Controller will follow up on a monthly basis to ensure Department of Public Works compliance.

ACCOUNTING FOR TRUST FUND BALANCES

Comment

Several of the Town's trust fund balances recorded on the general ledger do not agree with the balance of the funds on deposit in the bank. Such variances can be misleading and leave the Town at risk of overspending available balances and of inaccurate financial reporting.

For several years, we have recommended that the Town implement procedures to reconcile the Trust fund balances reported on the general ledger to the bank balances on a monthly basis. Lack of such a reconciliation puts the Town at risk of inaccurately reporting trust fund balances, overspending trust fund balances, and improperly allocating interest income to the individual trust fund accounts.

Status - Unresolved

There has been no significant change in this area.

Town of Nantucket Response

We concur with the auditor's recommendation. The Treasurer and Controller are performing monthly cash reconciliations on all Town accounts. Trust Funds are in the custody of a major bank's Trust Department and the Town is now receiving monthly (instead of quarterly) Trust Fund statements. Procedures are being developed with the bank's Trust Department to facilitate the timely transfer of trust funds to the Town for the reimbursement of expenses paid on behalf of the trust fund accounts through the Town of Nantucket's accounts payable process.

COMMINGLING CASH ACCOUNTS OF ENTERPRISE FUNDS

Comment

The Town maintains separate bank accounts to account for the cash balances and investment earnings of the Enterprise Funds. All Town bills, including those of the Enterprise Funds, are initially paid from the Town's vendor checking account. The Town does not have a process for transferring the cash from the Enterprise Fund Accounts to reimburse the vendor account timely or accurately. When the transfers are made, they often do not agree to the amounts on the warrants. As a result, the interest accruing in the Enterprise Fund accounts is overstated, the interest accruing to the General Fund is understated, and the recordkeeping required to monitor the variance between the actual transfers made and the bills paid contributes to the Town's inability to reconcile cash and due to/due from accounts between the Town's general ledger and the internal records of the Enterprise Funds.

Additionally, interest earned on the accounts is not recorded timely in the Town's general ledger. However it is often recorded more timely in the internal records of the Enterprise Funds. This creates further reconciling variances to be carried throughout the year.

For several years, we have recommended that the exact warrant amounts be transferred from the enterprise funds at the time the warrants are issued. This should result in a bank balance equal to the ledger balance for the enterprise fund cash and would reduce the balance in the due to/from accounts.

We have also recommended that interest be recorded more timely in the Town's general ledger and that procedures be implemented to reconcile the cash and due to/due from balances between the general ledger and

the internal records of the Enterprise Funds and that variances be and corrected in a timely manner.

Status – Partially resolved

During fiscal year 2008, the Town made a cash transfer to reconcile the due to/from accounts with one of the enterprise funds, and has improved the process for transferring the total warrant amounts from the enterprise fund bank accounts as the warrant is processed.

Nevertheless, significant un-reconciled variances remained between the cash and due to/from accounts reported by the Town and the supporting bank balances.

Town of Nantucket Response

We concur with the auditor's findings and recommendation. The Treasurer transfers exact amounts from the Enterprise Fund accounts to support payroll and accounts payable warrants to the General Fund on a timely basis. This activity reduces the need for the use of the "due to / due from" accounts except on a year end basis when timing differences typically exist. We expect to resolve any remaining differences between the internal records of the enterprise funds and the Town's general ledger before closing the 2009 fiscal year's accounts.

FRAUD RISK ASSESSMENT

Comment

The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. To address this risk, we recommend that the Town perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the Town's internal control should include performance of this assessment, even though our annual financial statement audits include consideration of fraud.

The fraud risk assessment can be informal and performed by a management-level individual who has extensive knowledge of the Town that might be used in the assessment. Ordinarily, the management-level individual would conduct interviews or lead group discussions with personnel who have extensive knowledge of the Town, its environment, and its processes. The fraud risk assessment process should consider the Town's vulnerability to misappropriation of assets. When conducting the self-assessment, questions such as the following can be considered:

What individuals have the opportunity to misappropriate assets? These are individuals who have access to assets susceptible to theft and to records that can be falsified or manipulated to conceal the theft.

Are there any known pressures that would motivate employees with the opportunity to misappropriate assets? Pressures may relate to financial stress or dissatisfaction. In assessing whether these pressures may exist, the assessor should consider whether there is any information that indicates potential financial stress or dissatisfaction of employees with access to assets susceptible to misappropriation.

What assets of the Town are susceptible to misappropriation?

Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?

How could assets be stolen? Assets can be stolen in many ways besides merely removing them from the premises. For example, cash can be stolen by writing checks to fictitious employees or vendors and cashing them for personal use.

How could potential misappropriation of assets be concealed? Because many frauds create accounting anomalies, the perpetrator must hide the fraud by running through an adjustment to another account. Generally, fraud perpetrators may use accounts that are not closely monitored.

We have recommended that management develop and implement a fraud risk assessment program to identify, analyze, and manage the risk of asset misappropriation.

Status - Unresolved

The Town has not developed or implemented a fraud risk assessment program.

Town of Nantucket Response

During 2009, Town Administration has contracted with a third party consultant to assist the Finance Department in the development and implementation of internal controls. During fiscal 2010, the Town will conduct a fraud risk assessment.

ACCOUNTING FOR OFF-DUTY POLICE AND FIRE DETAILS

Comment

The Town records payments to police and fire personnel for details in an agency account on the General Ledger. Since it is the Town's practice to pay for details prior to receiving payments from the vendors, the agency fund typically has a negative cash and negative liability balance.

The Town also records a receivable and deferred revenue when the police detail bills are sent out to vendors. The Town does not have procedures to reconcile the negative cash and the receivable balances. Although the variances could represent details paid to officers and not yet billed, this has not been determined due to a lack of procedures to reconcile the variances.

We have recommended that the Town implement procedures to reconcile the deficit cash balances to the receivable balances to identify and address any permanent deficit and to ensure that all police details paid to officers are ultimately billed to vendors and collected.

Additionally, if it is the Town's policy to pay officers in advance, we recommend that the town follow the guidance from MGL to provide "seed" money to fund the advance payment and the activity should be recorded in a special revenue fund, as it not agency activity if the officers are paid in advance of the reimbursement from the vendors.

Status – Unresolved

The Town has not implemented procedures to reconcile off-duty police and fire detail accounts.

Town of Nantucket Response

We concur with the auditor's recommendation. Officers are paid by the Town of Nantucket in advance of any reimbursement from those individuals or companies who hire the officers. The Town of Nantucket is at risk for non-payment of accounts. As the pay rates and number of off duty detail assignments have increased, the amount of initial funding that needs to be provided has increased. Efforts will be made to provide such seed funding during 2010.

DENTAL INSURANCE WITHHOLDING DEFICIT

Comment

The Town had a deficit balance of approximately \$125,000 in the dental insurance withholding account at year-end. The deficit is partially the result of employee withholdings not being matched to premiums paid, and to the Town not adequately increasing employee withholdings when insurance rates were increased.

The balance in this account should represent amounts withheld from employees that have not yet been paid to fund the employee's share of dental insurance as of the end of the fiscal year. The amounts should be paid out, for their original purpose, shortly after the end of the fiscal year.

We have recommended that the Town implement procedures to verify that employee withholdings are commensurate with premiums paid, and that the balance in the withholding accounts reflect only amounts withheld from employees that have not yet been paid.

Status – Unresolved

The Town has not yet reconciled the full reason for the deficit balance in this account, or determined what the correct balance should be.

Town of Nantucket Response

We concur with the auditor's recommendation. In Fiscal Year 2009, the process has been partially implemented, with full implementation and reconciliation expected by the close of the Fiscal 2009 general ledger.

MONITORING GRANT PROCEEDS AND RECEIVABLE BALANCES

Comment

The Town has financed several capital projects through the loan program offered through the Massachusetts Water Abatement Trust (MWPAT). This program allows communities to borrow funds at reasonable interest rates to finance qualifying water and wastewater projects. Funds borrowed are reported as a liability once the loan has been approved. However, funds are not received until the qualifying expenditures have been made and the invoices have been submitted by the Town and approved by MWPAT.

The Town does not currently have a system of internal controls in place to properly monitor this process. This has resulted in a negative impact on the Town's cash flow, since capital expenditures were not submitted for reimbursement timely. Additionally, the Town has been unable to reconcile the amount of funds not yet drawn down through the MWPAT, putting the Town at risk of not drawing down all funds owed.

Until the funds are drawn down, the Town should record a receivable on the general ledger to monitor the amount of money that has been borrowed and recorded as a liability, but has not yet been received. Additionally, the Town should have a system in place to submit the necessary paperwork to draw down funds from MWPAT as quickly as possible once the expenditure has been made. This would provide a positive impact on the Town's cash position and a more accurate picture of the amount that can still be spent on the project that will be eligible for reimbursement.

We have recommended that the Town implement a system to monitor the receivable from MWPAT as well as to request reimbursements from MWPAT as timely as possible once the expenditures have been made.

Status – Unresolved

There has been no significant change in the Town's process for monitoring or drawing down funds from MWPAT loans during fiscal year 2008.

Town of Nantucket response

We concur with the auditor's recommendation. The Controller has implemented procedures to coordinate activities and signatures of the outside vendor, the Department of Public Works and the Board of Selectmen chair to obtain timely reimbursements for expenditures on major contracts for which borrowing is in place from MWPAT in Boston, but are received by the Town of Nantucket on an expenditure reimbursement basis. The Controller is also reconciling prior MWPAT reimbursements which were performed without finance department involvement, to determine that all eligible expenditures were reimbursed.

CURRENT YEAR COMMENTS

JOURNAL ENTRY CONTROL

Comment

Our review of the Town's journal entries revealed entries that lacked adequate support to document the reason for the adjustments to the Town's general ledger, or for which the support and approval could not be provided.

Recommendation

We recommend that the Town take steps to insure that all journal entry adjustments made to the general ledger be properly authorized, and supported with full explanations and reference to adequate supporting data.

Town of Nantucket response

We concur with the recommendation. Procedures put in place in 2009 include initials and dates indicating journal entry initiation, review, and approval steps. Further procedures will be implemented to ensure that full supporting data is included in the journal entry package for every entry.

WARRANTS PAYABLE BALANCES

Comment

The balance recorded on the general ledger for warrants payable at year end did not match the support provided by the Town by approximately \$31,000. We were advised that ledger balance was incorrect, and that the corrections would likely be identified through the cash reconciliation process. Since the Town's cash reconciliation process has not occurred on a timely basis throughout the year, relying on this process to identify and correct other ledger balances is not a dependable system and represents a weakness in the Town's system of internal controls over financial reporting.

Recommendation

We recommend the Town implement procedures to identify and correct inaccurate account balances on the general ledger.

Town of Nantucket response

We concur with the recommendation. Data entry errors at the departmental level result in incorrect year entries, especially in the early months of the new fiscal year.

USE OF FISCAL YEAR 2009 APPROPRIATIONS TO PAY FISCAL YEAR 2008 EXPENSES

Comment

Our review of payments made subsequent to year end identified approximately \$11,000 in payments for goods received and/or services provided during fiscal year 2008, which were paid for with fiscal year 2009 funds.

The Town's finance department is responsible for establishing a system of controls to review expenditures to ensure they are reported in the proper budgetary period. Lack of such controls puts the Town at greater risk of noncompliance with budgetary laws and regulations, misstatements in financial reporting, or the inability to prevent and detect fraud in the Town's financial statements.

Recommendation

We recommend the Town review and strengthen its procedures for reviewing and approving expenditures.

Town of Nantucket response

We concur with the recommendation. The occurrence noted by the auditors is for a beach cleaning contract. The contracted services overlapped fiscal years, with 90% of the services delivered in the 2009 fiscal year, and 100% of the contractual payments paid in the 2009 fiscal year.

The department will be required to pay for 10% of the summer 2009 contract from 2009 fiscal year funds to match services delivered with payments made.

FIXED ASSET DELETIONS, DISPOSALS AND TRANSFERS

Comment

Since the implementation of GASB Statement #34, the Town has compiled a detailed listing of all assets owned by the various departments of the Town. Maintaining this list requires the Town to account for additions, deletions, disposals, and transfers of fixed assets. At this time, the Town is maintaining the fixed assets listing, which is updated annually for financial reporting purposes, by recording depreciation and by adding fixed assets purchased during the year. The Town has not implemented procedures to account for fixed asset deletions, disposals or transfers. In order to maintain a complete and accurate fixed asset listing, and to facilitate accurate financial reporting, the Town should work to develop procedures to identify and record fixed asset deletions, disposals and transfers.

Recommendation

We recommend that management develop and implement procedures to identify and record fixed asset deletions, disposals and transfers.

Town of Nantucket response

We concur with the recommendation. Procedures which are in place include annual insurance renewal inventories, and review of construction in progress to determine when CIP assets are moved into permanent categories. Procedures will be expanded and documented.

BORROWING FOR DEFICITS AT YEAR END

Comment

The Town had several capital projects which have deficit cash and fund balances at year end. Several of these projects are still in progress and have not been completely financed. Under-financed projects drain on the Town's cash flows and can have a negative impact on the amount of funds certified by the Department of Revenue as available for appropriation in the subsequent year.

Recommendation

We recommend that management investigate all capital projects that have deficit cash balances and determine if funding is necessary to better manage cash flows and available funds.

Town of Nantucket response

We concur with the recommendation, and will formalize and document procedures regarding capital project cash flow planning, spending, and borrowing.

TOWN OF NANTUCKET, MASSACHUSETTS

MANAGEMENT LETTER

YEAR ENDED JUNE 30, 2009



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The Honorable Board of Selectmen
Town of Nantucket, Massachusetts:

In planning and performing our audit of the basic financial statements of the Town of Nantucket, Massachusetts (Town), as of and for the fiscal year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the Town's basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the following deficiencies to constitute material weaknesses.

- Failure to act on previously communicated weaknesses.
- Inadequate design of internal control over significant accounts.
- A failure to perform reconciliations of significant accounts.
- Inadequate documentation of the components of internal control.

During our audit we became aware of several additional matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters.

The Town of Nantucket's written responses to the comments identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management of Town of Nantucket, Massachusetts, and is not intended to be and should not be used by anyone other than these specified parties.

We have already discussed these comments and suggestions with various Town personnel, and we will be pleased to discuss them in further detail at your convenience.

Powers & Sullivan

December 29, 2009

TOWN OF NANTUCKET, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2009

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Material Weaknesses

MATERIAL WEAKNESSES

Failure to Act on Previously Communicated Weaknesses

The material weaknesses communicated herein represent control deficiencies that have been identified and reported to management for several years and have not been adequately resolved. The existence of significant deficiencies may be known and may represent a conscious decision to accept that degree of risk because of cost or other considerations. Management or those charged with governance are responsible for making decisions concerning costs to be incurred and related benefits. Failure by management to assess the effect of significant deficiencies previously communicated and to either correct them or conclude that they will not be corrected represent a material weakness in the Town's system of internal controls.

Inadequate Design of Internal Control Over Significant Accounts

Management must rely on the financial information generated by the Treasurer's Office, the Collector's Office and the Accounting Office to make decisions that affect Town strategy in developing and meeting short-term and long-term financial goals. Consequently, management must be confident that the information they base their decisions on is complete and accurate. This confidence is gained when there is reasonable assurance that the internal control structure over cash, receivables, revenues and expenditures is of sound design and is functioning as intended.

Each of the Offices noted above play a key role in developing and monitoring of a sound internal control structure. These roles are summarized as follows:

- The Accountant is responsible for establishing and maintaining procedures to assure that 1) all Town receipts and disbursements are properly authorized and recorded in the general ledger accurately and timely and 2) all journal entries are properly recorded and documented.
- The Treasurer's Office is responsible for establishing and maintaining procedures to 1) properly safeguard the Town's cash and investments and 2) assure that all receipts and disbursements are reported accurately and timely.
- The Collector's Office is responsible for establishing and maintaining procedures to 1) assure all bills submitted to the Office are collected as quickly as possible 2) secure the Town's interest in property for delinquent taxes and 3) process receipts promptly in order to maximize cashflow.

Considering these general roles, our review of the internal control structure of these Offices revealed the following deficiencies:

- The Treasurer's cash book was not accurately reconciled to the bank balances throughout the year.
 - The Treasurer's cashbook reconciliations to the bank statements continue to contain variances that have been carried for several years.
 - The Town discontinued use of the old vendor and payroll accounts and opened new accounts as of July 1, 2008 for the new fiscal year to begin a new reconciliation process. The old accounts were not reconciled throughout the fiscal year and continue to remain open with both bank and book carrying balances. The remaining bank balances in the accounts are not supported by outstanding checks that have not cleared.
 - The Treasurer was unable to reconcile the new payroll bank account, and turned the reconciliation process over to the Finance Director, who also has access to the Town's general ledger.

- The intent of opening new vendor and payroll bank accounts was to maintain what is referred to as zero balance accounts. This system requires the value of each warrant to be transferred into the vendor or payroll account exactly to cover the checks issued, and the book balance remains at zero. The intent is to simplify the reconciliation process since the outstanding checklist would equal the bank balance, and would be the only reconciling item. The new payroll and vendor accounts have not been maintained at a zero balance since July of 2008.
 - Although the activity in the general ledger was reconciled to the Treasurer's cashbook throughout the fiscal year, a consistent variance of approximately \$36,000 was not identified until several months after year end.
 - The Town has not performed reconciliations between the balances of individual enterprise funds accounts on the general ledger and the supporting bank balances. Variances identified six months after the end of the fiscal year required material adjustments.
 - The County's cash balances were not reconciled from the ledger to the Treasurer's cashbook and to the banks throughout the fiscal year. Reconciliations were performed subsequent to year end.
 - The Treasurer found a County bank account, several months after year end, totaling \$42,300 that has not been recorded on the Treasurer's cashbook.
- Activity for Nantucket County was not properly recorded on the general ledger throughout the year, which resulted in several adjustments to the ledger balances six months after the end of the fiscal year. Additionally, adjustments identified by the Town during the fiscal year 2008 audit process were not recorded in the County's ledger during fiscal year 2008 or 2009.
 - The Town does not have internal procedure manuals clearly defining the responsibilities of each position within the financial departments. Formally documented procedures and responsibilities of each position would clarify the process and ensure that the intended controls over the Town's assets are being achieved.

Summary

In summary, the objectives of an internal control structure are to safeguard the assets of the Town and provide reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly in the Town's ledgers. The omission of one or more elements of internal control can compromise the Town's ability to obtain these objectives. We have concluded that the deficiencies noted above, individually and collectively, represent material weaknesses in the Town's system of internal control under standards established by the American Institute of Certified Public Accountants.

These deficiencies constitute being classified as material weaknesses because they represent significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Furthermore, we believe that the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

For several years, we have recommended that the Town implement procedures to monitor all general ledger balances throughout the year and to reconcile those balances with the supporting Treasurer's cash book and other supporting documentation on a regular basis to identify and correct errors during the normal course of operations.

The procedures should include a process for insuring that all transactions are processed timely and correctly. We have also recommended that the Treasurer's balances be reconciled to both the bank balances and the general ledger monthly and that record of the reconciliation process be maintained by both the Treasurer and the Town Accountant.

As indicated by Statement on Auditing Standards #112, *Communicating Internal Control Related Matters Identified in an Audit*, employees or management who lack the qualifications and training to fulfill their assigned functions represent a strong indication of a material weakness in internal controls. The lack of ability to properly reconcile the Treasurer's cashbook to the bank balances is an indication that staff does not possess the necessary competency to implement internal controls that would reduce to a relatively low level the chance that errors or irregularities could occur in the normal course of business and not be prevented or detected by the Town's internal control structure.

Town of Nantucket Response

Management has assessed the effect of previously communicated weaknesses, and a program of correction and improvement was initiated in 2008 and continues. Much progress has been made on previously communicated weaknesses. The Town of Nantucket contracted with a third party consultant in 2008 to provide assistance to the Finance Department in development and implementation of internal controls. The implementation of the consultant's recommendations is partially complete, with additional procedures to be implemented in the remainder of fiscal 2010 and in fiscal 2011. Management has identified this program of improvement as a high priority. Individual recommendations in this letter will be assigned a priority level, along with those recommended by the third party consultant, for an implementation plan.

Over the past decade, the Town of Nantucket has moved from a small town operation towards more professional financial operations. The Town has overcome significant challenges during that time, and still has challenges to meet. Nevertheless, in terms of financial operations, the Town is in a better position now than it has been in at least fifteen years.

The operating challenges of 2009 included, but were not limited to: budgetary pressures, prior years' work to be completed, staff absences, an independent review of procedures and processes, and implementation of recommended changes. Despite the challenges, the Finance Department provides accurate information for multiple purposes, reports and constituencies. Like most municipalities, strict control over line item budgets provides a level of control over expenditures.

Staff members are competent and have the skill, knowledge and ability to perform their duties. The Treasurer has completed the education, experience and examination requirements to become a Certified Massachusetts Municipal Treasurer, and has maintained certification by completing continuing education requirements. The Treasurer safeguards the cash and investments through constant monitoring of the bank accounts on line and in the cash book. During fiscal 2009, the Treasurer and other staff were working not just on 2009 accounts but on 2008 and 2007 as well. All of the staff have performed at a high level in 2009; the volume of work exceeded the time available in which to do it.

The Town, like most municipalities, does not issue interim financial statements, and does not have a "financial reporting" department. Thus, the annual audit is the one complete review of all accounts, and a significant stopping point in the year for review and adjustment of the financial records. During Fiscal 2009, audits were completed for Fiscal 2007 and 2008.

Management's response with respect to the specific deficiencies listed above follows.

Cash reconciliations:

The cash reconciliation process improved during Fiscal 2009 and further improvements will be evident in Fiscal 2010. The old vendor and payroll accounts have been closed, and old variances will be reviewed, investigated and / or cleared. The Town concurs that the reconciliation process is simplified with zero balance accounts. Accurate and timely transfers, including transfers to or from the accounts at month end for interest earned, checks voided, or checks voided and re-issued for corrections facilitate the reconciliation process, and such transfers are occurring on a timely basis. The Treasurer asked for assistance in resolving difficult issues with the new payroll account. Likewise, resolving old reconciling items, variances, and balances will require assistance.

As part of the plan of improvement during Fiscal 2009, reconciliations of activity were completed each month, and the year end variance at June 30, 2008 did not change. Further work was subsequently performed on the 2008 variance, and the amount was reduced to the \$36,000 referred to in the comment. The procedure followed was identified at the beginning of the fiscal year, and was recommended in prior years by the audit firm.

Interfund reconciliations, Enterprise funds:

Adjustments, particularly between two enterprise funds, were made several months after year end. Reconciliations of interfund balances will be simplified with timely and accurate transfers, which are currently being made. Improved reporting of cash receipts by one enterprise fund, in accordance with town procedures, will simplify the cash and interfund reconciliation processes. Cash management and reconciliations will be simplified by eliminating some separate bank accounts for some Enterprise funds, under the authority granted to the Treasurer by MGL.

Nantucket County:

The Town concurs that County accounts received little formal attention during Fiscal 2009. Account information is reviewed on line, statements are reviewed regularly, and the activity in the accounts is consistent, predictable, and in accordance with the revenue and expenditures recorded in the General Ledger. The Town concurs that County accounts should be reconciled on a timely basis.

The Treasurer brought forward a County bank account which has apparently not been recorded in year end reconciliations or included in audit documentation since prior to 2000. The last activity in the related general ledger account and in the bank account was in 1999 (prior to the employment of current officials). More history will be reviewed to determine whether the account should have been closed in 1999.

Nantucket County revenue, expenses, and transfers to and from the Town were recorded on the general ledger throughout the fiscal year. Year end entries were made to adjust individual funds for their portion of the activity, to record interest on accounts, and to move entries related to the Land Bank from an interfund account to an intergovernmental account. The Town concurs that audit entries for Fiscal 2008 were not entered into the ledger.

Procedures manual:

The Town is in the process of documenting internal procedures; that task must be prioritized along with other recommendations in this letter and in an independent report. Employees know their responsibility and the tasks are being performed in a timely manner. Reconciliation procedures were provided to two independent outside parties for review.

Other Matters

Prior Year Comments

Massachusetts Highway Grants

Comment

Each year, the Commonwealth of Massachusetts allocates Chapter 90 highway project funds to the Town. These projects require the Town to incur the expenditure first and then submit a request for reimbursement to the Commonwealth. The Chapter 90 revenues and expenditures are accounted for in the Special Revenue fund to enable the financial position of the projects to be monitored and to provide a check and balance over the records of the Public Works Department.

Because it is a reimbursement program, the cash deficit in the Chapter 90 fund, at any given time, should equal the invoices that have not yet been submitted for reimbursement, or that have been submitted and are awaiting reimbursement from the Commonwealth. For several years, the Town's cash deficit has exceeded the known invoices that are awaiting reimbursement. This was most likely caused by a lack of procedures to reconcile invoices to reimbursements and to verify that all reimbursement requests are submitted timely.

To strengthen controls over this program going forward, and to minimize unnecessary deficits, we have recommended the Town reconcile the receivable balance due from the Commonwealth to the cash deficit in the fund and identify any permanent deficit that has been caused by a lack of reconciliation procedures in the past. Once the permanent deficit has been identified, we have recommended that the Town decide how the permanent deficit will be funded and implement reconciliation procedures going forward to ensure that similar permanent deficits do not occur in the future.

Status – Unresolved

As of June 30, 2009, the Town's cash deficit continues to exceed the receivable balance.

Town of Nantucket Response

Management agrees that there are differences that need to be resolved by corrective action. For the periods prior to July 1, 2001, there is approximately \$166,445 to be resolved. For the period 2002 – 2006, there is approximately \$32,236 to be resolved. For the period 2007 – 2009, no resolution is necessary. All expenditures for these periods have been submitted for payment, and payment has been received.

Depending on the cause for the differences, corrective actions would consist of either submission of invoices for payments, funding for amounts that were incorrectly charged to the Chapter 90 grant, or correction of accounting errors.

This recommendation will be assigned a priority level in relation to all recommendations for an implementation plan.

Accounting For Trust Fund Balances

Comment

Several of the Town's trust fund balances recorded on the general ledger do not agree with the balance of the funds on deposit in the bank. Such variances can be misleading and leave the Town at risk of overspending available balances and of inaccurate financial reporting.

For several years, we have recommended that the Town implement procedures to reconcile the Trust fund balances reported on the general ledger to the bank balances on a monthly basis. As of June 30, 2009, the bank and ledger balances for trust funds tie in total, however, several variances exist between individual funds. Lack of such a reconciliation puts the Town at risk of inaccurately reporting trust fund balances, overspending trust fund balances, and improperly allocating interest income to the individual trust fund accounts.

Status - Unresolved

There has been no significant change in this area.

Town of Nantucket Response

We concur with the recommendation. Trust Funds are in the custody of a major bank's Trust Department, and the Town now receives monthly statements. Procedures for the timely transfer of funds for the reimbursement to the Town for payments made through the Town's vendor payment process will be implemented. This recommendation will be assigned a priority level in relation to all recommendations for an implementation plan.

Commingling Cash Accounts of Enterprise Funds

Comment

The Town maintains separate bank accounts to account for the cash balances and investment earnings of the Enterprise Funds. All Town bills, including those of the Enterprise Funds, are initially paid from the Town's vendor checking account. The Town does not have a process for transferring the cash from the Enterprise Fund Accounts to reimburse the vendor account timely or accurately. When the transfers are made, they often do not agree to the amounts on the warrants. As a result, the interest accruing in the Enterprise Fund accounts is overstated, the interest accruing to the General Fund is understated, and the recordkeeping required to monitor the variance between the actual transfers made and the bills paid contributes to the Town's inability to reconcile cash and due to/due from accounts between the Town's general ledger and the internal records of the Enterprise Funds on a regular basis.

For several years, we have recommended that the exact warrant amounts be transferred from the enterprise funds at the time the warrants are issued. This should result in a bank balance equal to the ledger balance for the enterprise fund cash and would reduce the balance in the due to/from accounts.

We have also recommended that procedures be implemented to reconcile the cash and due to/due from balances between the general ledger and the internal records of the Enterprise Funds and that variances be and corrected in a timely manner.

Status – Partially resolved

During fiscal year 2009, the Town made a cash transfers to reconcile the due to/from accounts with some of the enterprise funds, and has improved the process for transferring the total warrant amounts from the enterprise funds bank accounts as the warrant is processed.

Nevertheless, significant un-reconciled variances remained between the cash and due to/from accounts reported by the Town and the supporting bank balances, and there were a significant number of variances between the warrant totals and the amounts transferred from the bank accounts. The majority of the differences that continue to exist are in the Airport Enterprise Fund accounts.

Town of Nantucket Response

The cash transfer process improved during Fiscal 2009 and further improvements will be evident in Fiscal 2010, including accurate and timely transfers. Payroll and vendor payments are paid from one disbursement account each, for the entire town, followed by transfers into those accounts from several other Town (including Enterprise fund) bank accounts. Some commingling of cash accounts occurs in the normal course of events. State and many federal payments are made directly to a pooled account. One Enterprise fund bills and collects payments for two other enterprise funds. Receipts at one Enterprise fund are not reported on a timely basis for timely entry into the General Ledger.

Cash management and reconciliations will be simplified by eliminating some separate bank accounts for some Enterprise funds, under the authority granted to the Treasurer by MGL. A review of accounts will be undertaken to determine which accounts may reasonably be closed.

This recommendation will be assigned a priority level in relation to all recommendations for an implementation plan.

Fraud Risk Assessment

Comment

The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. To address this risk, we recommend that the Town perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the Town's internal control should include performance of this assessment, even though our annual financial statement audits include consideration of fraud.

The fraud risk assessment can be informal and performed by a management-level individual who has extensive knowledge of the Town that might be used in the assessment. Ordinarily, the management-level individual would conduct interviews or lead group discussions with personnel who have extensive knowledge of the Town, its environment, and its processes. The fraud risk assessment process should consider the Town's vulnerability to misappropriation of assets. When conducting the self-assessment, questions such as the following can be considered:

What individuals have the opportunity to misappropriate assets? These are individuals who have access to assets susceptible to theft and to records that can be falsified or manipulated to conceal the theft.

Are there any known pressures that would motivate employees with the opportunity to misappropriate assets? Pressures may relate to financial stress or dissatisfaction. In assessing whether these pressures may exist, the assessor should consider whether there is any information that indicates potential financial stress or dissatisfaction of employees with access to assets susceptible to misappropriation.

What assets of the Town are susceptible to misappropriation?

Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?

How could assets be stolen? Assets can be stolen in many ways besides merely removing them from the premises. For example, cash can be stolen by writing checks to fictitious employees or vendors and cashing them for personal use.

How could potential misappropriation of assets be concealed? Because many frauds create accounting anomalies, the perpetrator must hide the fraud by running through an adjustment to another account. Generally, fraud perpetrators may use accounts that are not closely monitored.

We have recommended that management develop and implement a fraud risk assessment program to identify, analyze, and manage the risk of asset misappropriation.

Status - Unresolved

The Town has not developed or implemented a fraud risk assessment program.

Town of Nantucket Response

The AICPA Auditing Standards Board issued eight Statements on Auditing Standards (SAS Nos. 104-111), collectively referred to as the Risk Assessment Standards. These Standards became effective for audits of financial statements for periods beginning on or after December 15, 2006. The Town agrees that an internal assessment of fraud risk is an important part of internal controls. Part of the ongoing plan for improvement includes the development of a fraud risk assessment program. This recommendation will be assigned a priority level in relation to all recommendations for an implementation plan.

Accounting for Off-Duty Police and Fire Details

Comment

The Town records payments to police and fire personnel for details in an agency account on the General Ledger. Since it is the Town's practice to pay for details prior to receiving payments from the vendors, the agency fund typically has a negative cash and negative liability balance.

The Town also records a receivable and deferred revenue when the police detail bills are sent out to vendors. The Town does not have procedures to reconcile the negative cash and the receivable balances. Although the variances could represent details paid to officers and not yet billed, this has not been determined due to a lack of procedures to reconcile the variances.

We have recommended that the Town implement procedures to reconcile the deficit cash balances to the receivable balances to identify and address any permanent deficit and to ensure that all police details paid to officers are ultimately billed to vendors and collected.

We also recommend that the Town document and implement procedures to address uncollectible detail receivables. The documentation should address procedures for collection and for abatement and funding for receivables that have been determined to be uncollectible.

Additionally, if it is the Town's policy to pay officers in advance, we recommend that the Town follow the guidance from MGL to provide "seed" money to fund the advance payment and the activity should be recorded in a special revenue fund, as it not agency activity if the officers are paid in advance of the reimbursement from the vendors.

Status – Unresolved

The Town has not implemented procedures to reconcile off-duty police and fire detail accounts.

Town of Nantucket Response

The recommendation has three parts:

- a) reconcile the deficit balance to the receivable balance
- b) establish procedures for the write-off (and consequent internal funding to the off-duty account) for uncollectible accounts
- c) provide seed money to eliminate the deficit which results from payment to officers in advance of receiving payments from the private party contractors.

In Fiscal 2009, total paid out to officers for off duty detail pay was \$489,848. Total billed to 3rd parties was \$559,028 (additional charges are for administrative costs and for the employer's share of Medicare payroll tax). Total collections were \$557,329, and total adjustments to accounts receivable were \$15,331.

Systems are in place to ensure that all police details that are paid out in payroll are billed to the third parties who hire the off duty officers – the payroll entries and billing to 3rd parties are almost simultaneous, and work from the same system. Thus, all the entries take place in one fund, and that fund is limited to entries related to off-duty detail, and the fund is self-reconciling.

The cash deficit in excess of the receivable at year end was \$67,207. This amount represents adjustments made to billings, over a period of several years, which have not been funded. The receivable at year end was \$65,261. This amount represents billings outstanding: for payments to officers and Medicare tax already paid out by TON,

plus a small administrative fee. The total cash deficit at year end was \$132,468. This amount approximates what would be required in seed money and funding for non collectible amounts.

Warrant articles have been proposed for two fiscal 2010 Town Meetings to provide funding for the deficit: for seed money and for past write-offs.

This recommendation to establish procedures for write-offs and for funding future write-offs will be assigned a priority level in relation to all recommendations for an implementation plan.

Dental Insurance Withholding Deficit

Comment

The Town had a deficit balance of approximately \$278,000 in the dental insurance withholding account at year-end. The deficit is partially the result of employee withholdings not being matched to premiums paid, and to the Town not adequately increasing employee withholdings when insurance rates were increased.

The balance in this account should represent amounts withheld from employees that have not yet been paid to fund the employee's share of dental insurance as of the end of the fiscal year. The amounts should be paid out, for their original purpose, shortly after the end of the fiscal year.

We have recommended that the Town implement procedures to verify that employee withholdings are commensurate with premiums paid, and that the balance in the withholding accounts reflect only amounts withheld from employees that have not yet been paid.

Status – Unresolved

The Town has not yet reconciled the full reason for the deficit balance in this account, or determined what the correct balance should be. The deficit balance has increased during fiscal year 2009 by over \$23,000.

Town of Nantucket Response

The Town concurs. This recommendation will be assigned a priority level in relation to all recommendations for an implementation plan.

Monitoring Grant Proceeds and Receivable Balances

Comment

The Town has financed several capital projects through the loan program offered through the Massachusetts Water Abatement Trust (MWPAT). This program allows communities to borrow funds at reasonable interest rates to finance qualifying water and wastewater projects. Funds borrowed are reported as a liability once the loan has been approved. However, funds are not received until the qualifying expenditures have been made and the invoices have been submitted by the Town and approved by MWPAT.

In prior years, the Town did not have a system of internal controls in place to properly monitor this process. This resulted in a negative impact on the Town's cash flow, since capital expenditures were not submitted for reimbursement timely. Additionally, the Town was unable to reconcile the amount of funds not drawn down

through the MWPAT, putting the Town at risk of not drawing down all funds owed.

Until the funds are drawn down, the Town should record a receivable on the general ledger to monitor the amount of money that has been borrowed and recorded as a liability, but has not yet been received. Additionally, the Town should have a system to submit the necessary paperwork to draw down funds from MWPAT as quickly as possible once the expenditure has been made. This would provide a positive impact on the Town's cash position and a more accurate picture of the amount that can still be spent on the project that will be eligible for reimbursement.

We have recommended that the Town implement a system to monitor the receivable from MWPAT as well as to request reimbursements from MWPAT as timely as possible once the expenditures have been made.

Status –Resolved

The Town has improved systems for monitoring the MWPAT receivable balances and for requesting reimbursements on a timely basis.

Journal Entry Control

Comment

During prior years, our review of the Town's journal entries revealed entries that lacked adequate support to document the reason for the adjustments to the Town's general ledger, or for which the support and approval could not be provided.

We have recommended that the Town take steps to insure that all journal entry adjustments made to the general ledger be properly authorized, and supported with full explanations and reference to adequate supporting data.

Status –Resolved

The Town was able to provide supporting documentation for all journal entries selected for testing during the fiscal 2009 audit.

Warrants Payable Balances

Comment

The Town's general ledger contained unsupported balances for warrants payable at year end. The unsupported balances in the general fund totaled approximately \$32,000, and there were also small unsupported balances in several other funds. We were advised by the Town that ledger balance was incorrect, and that they were caused from computer glitches that occurred during the year.

We continue to recommend the Town implement procedures to identify and correct inaccurate account balances on the general ledger.

Status –Unresolved

There has been no significant change in the Town's process for monitoring and properly recording warrants payable amounts on the general ledger.

Town of Nantucket response

Unusual balances in A/P (those which do not clear in the normal course of events) arise from voided checks, voided payments, or actual payment amounts which differ from the anticipated payment amounts. Periodic review of the A/P balances is performed, and large amounts are further investigated immediately. The entire balance across all funds as of June 30, addressed by this comment is \$36,903. The majority of the June 30 balance cleared in July 2009. The current balance across all funds as of December 31, addressed by this comment is \$8,960.

This recommendation will be assigned a priority level in relation to all recommendations for an implementation plan.

Use of Fiscal Year 2009 Appropriations to Pay Fiscal Year 2008 Expenses

Comment

During the fiscal year 2008 audit, our review of payments made subsequent to year end identified approximately \$11,000 in payments for goods received and/or services provided during fiscal year 2008, which were paid for with fiscal year 2009 funds.

The Town's finance department is responsible for establishing a system of controls to review expenditures to ensure they are reported in the proper budgetary period. Lack of such controls puts the Town at greater risk of noncompliance with budgetary laws and regulations, misstatements in financial reporting, or the inability to prevent and detect fraud in the Town's financial statements.

We recommended the Town review and strengthen its procedures for reviewing and approving expenditures.

Status –Resolved

Our fiscal year 2009 testing did not identify similar expenditures.

Fixed Asset Deletions, Disposals and Transfers

Comment

Since the implementation of GASB Statement #34, the Town has compiled a detailed listing of all assets owned by the various departments of the Town. Maintaining this list requires the Town to account for additions, deletions, disposals, and transfers of fixed assets. At this time, the Town is maintaining the fixed assets listing, which is updated annually for financial reporting purposes, by recording depreciation and by adding fixed assets purchased during the year. In prior years, the Town had not implemented procedures to account for fixed asset deletions, disposals or transfers. In order to maintain a complete and accurate fixed asset listing, and to facilitate accurate financial reporting, the Town needed to work to develop procedures to identify and record fixed asset deletions, disposals and transfers.

We recommended that management develop and implement procedures to identify and record fixed asset deletions, disposals and transfers.

Status – Resolved

The Town has implemented a process of verifying, through insurance records, major capital asset deletions and disposals during the year. Although there is not a procedure in place to identify deletions of smaller assets not appearing on the insurance records, the majority of these assets are fully depreciated, and residual values are not material to the Town's financial statements. The Town has indicated that they plan to verify the disposals and deletions of smaller capital assets through a verification process directly with the departments.

Borrowing for Deficits at Year End

Comment

At the end of fiscal year 2008, the Town had several capital projects which had deficit cash and fund balances at year end. Several of these projects are still in progress and have not been completely financed. Under-financed projects drain on the Town's cash flows and can have a negative impact on the amount of funds certified by the Department of Revenue as available for appropriation in the subsequent year.

Recommendation

We recommended that management investigate all capital projects that have deficit cash balances and determine if funding is necessary to better manage cash flows and available funds.

Status – Resolved

The Town has implemented procedures regarding cash flow planning, spending, and borrowing.

Current Year Comments

Payroll Timesheets

Comment

During our review of the Town's payroll process, we noted instances where departmental transmittals did not contain the approving signature of the department head. The transmittals are compilations of employee timesheets for each department. The lack of an approving signature on some transmittals is an indication that the employees' time was not reviewed or approved, which increases the risk that employees could be overpaid or underpaid.

Recommendation

We recommend that the Town require the proper department head approvals on all payroll transmittals.

Town of Nantucket response

A standardized process was implemented for payroll reporting at the beginning of Fiscal 2010 (the payroll period beginning July 6, 2009).

Other Post-Employment Benefits Actuarial Valuation

Comment

Now that the Town has met the requirements for implementation of GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, it is time to acknowledge the requirements necessary to stay in compliance with the GASB and obtain the information necessary to complete the Town's annual audit.

For financial reporting purposes, and actuarial valuation is required at least biennially for OPEB plans with a total membership (including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits) if 200 or more, or at least triennially for plans with total membership of fewer than 200.

This means that an updated actuarial valuation dated July 1, 2009 will have to be obtained in order for the Town to remain compliant with GASB Statement #45, for fiscal years of 2010 and 2011. This is two years after the original July 1, 2007 valuation which was used for the fiscal year 2009 audit.

On a go forward basis, the actuarial valuation should be calculated based upon the 4% discount rate, this percentages falls in-line with the Town's current funding policy. For financial reporting purposes, it is also necessary for the actuarial valuation to segregate Nantucket County, Nantucket Regional Transit Authority (NTRA), Nantucket Islands Land Bank, and the various Enterprise funds separately from the Town of Nantucket's liability.

Recommendation

We recommend that the Town work with their actuarial firm to assure that information needed for the next valuation report is provided in ample time for the fiscal year 2010 audit.

Town of Nantucket response

Town Management is aware of and has communicated to elected and appointed officials the requirements of GASB Statement No. 45. In July, 2009, a contract was signed for the revaluation of the OPEB liability, in accordance with those requirements. The valuation will exclude the NRTA and Land Bank portion, as they are contracting for a separate report and will make independent funding decisions regarding their OPEB liability. The contract does not specify that the County or Enterprise funds should be split out. Until the TON decides to actually fund the liability, or until the next contract, for fiscal 2012, management believes that a reasonable allocation at year end is sufficient for splitting out the liability for the County and for each Enterprise fund for audit reporting purposes.

The previous valuation included two estimates, based on two assumptions: 1) funding the ARC, or 2) not funding the ARC. Budgetary constraints have resulted in the decision to not fund the ARC, and consequently, future valuations will be based on that decision, and the liability will be larger as a result.

Invoice Approval

Comment

During our review of the Town's support for expenditures, it came to our attention that the Town processed a payment totaling over \$14,000 at the request of the Airport without a supporting invoice. The only supporting documentation provided was a remittance form which did not include adequate documentation of the vendor, date of purchase, and what the expenses pertained to. The accounts payable clerk processed the payment solely because the remittance form was signed by the Airport Manager. Processing any payments without proper supporting documentation is a breakdown in the Town's system of internal controls.

Recommendation

We recommend that the Town enforce its policy for not processing payments without proper supporting documentation.

Town of Nantucket response

The Town concurs with the recommendation, recognizes the responsibility for controls over disbursements, and will reinforce its policy and procedures throughout the Town.

Accounting Separately for Bond Proceeds

Comment

The Town accounts for bond proceeds received for major capital projects in separate funds on the general ledger. This is the recommended practice, as it allows for a clear record of what bond proceeds have been spent, and what they have been spent on. However, when the Town receives bond proceeds relating to small enterprise fund related projects, they are often accounted for within the enterprise operating funds. This requires the bonded balances to be accounted for outside of the accounting system on spreadsheets, and increases the risk that bond proceeds could be spent for ineligible purposes.

Recommendation

We recommend that the Town account for all bond proceeds in capital project funds on the general ledger, and that the Town continue to account for bond proceeds related to enterprise funds separate from those that will be repaid by the general government.

Town of Nantucket response

The Town's accounting for small enterprise fund related projects funded from bond proceeds provides a clear record of the amount of proceeds remaining unspent. Each project has its own budget; as the bond proceeds are spent, the budget is automatically reduced. Small projects typically are spent within a relatively short time, and the projects are closed out.

Large enterprise fund projects, such as the airport terminal and the Surfside Wastewater Treatment Facility, are accounted for in capital project funds. Projects which have complex funding sources (paid by two funds, or paid by two different bonding sources, MWPAT and general obligation) are accounted for in capital project funds.

Management believes that small capital projects of limited duration are adequately accounted for in the Enterprise funds, that the remaining proceeds of borrowed funds for these projects is easily determined, and that the benefits of having the information in one fund outweigh the drawbacks of adding complexity to the process of transferring enterprise fund dollars from one bank to another to settle vendor payments.

General Ledger Maintenance and Reconciliations for Nantucket County

Comment

The Town did not reconcile the due to/due from balances of the County since prior to fiscal year 2003, and the variance has changed each year. Additionally, many of the other County accounts, including cash, were not monitored on a regular basis throughout the year, and fourteen late Town adjustments were required in an attempt to correct the balances several months after year end.

The lack of timely account reconciliations and a system to monitor the balances throughout the year increases the risk that errors will occur and not be detected and corrected on a timely basis and increases the risk of inaccurate financial reporting.

Recommendation

We recommend the Town improve the reconciliation and general ledger account monitoring process related to the County's general ledger.

Town of Nantucket response

The Town completed a historical review of the County General Fund and the Deeds Excise Fund where the majority of the financial activity for the County is recorded. That review included the periods from 1998 through 2006. Balances between those two funds (including three distinct departments) were reconciled as a result of the review, and have been reconciled annually since that date.

The Town provides payroll services for Nantucket Land Bank, through the County general ledger. Those payroll transactions are recorded as a "due from" for accounting purposes only. The Land Bank settles its payroll transactions promptly, and the related "due from" accounts should zero out regularly. Computer coding for payroll

and for the subsequent payment by the Land Bank will be changed and tested, to separate this "due from" account from true County interfund accounts, which will facilitate the reconciliation process.

This recommendation will be assigned a priority level in relation to all recommendations for an implementation plan.

Informational Comment

Government Accounting Standards Board (GASB) Statement #54

Comment

In February 2009, the GASB issued Statement #54, *Fund Balance Reporting and Government Fund Type Definitions*, which is required to be implemented in fiscal year 2011. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The definitions of the general fund, special revenue fund types, capital projects fund types, and permanent fund types are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

Recommendation

As it appears that this GASB Statement will significantly impact the fund balance classifications presently reported, we recommend that management begin to study and evaluate these changes for financial statement reporting and disclosure purposes, and to formulate plans to be used in explaining these changes to interested parties within the Town and to the external users of the Town's financial statements.

TOWN OF NANTUCKET, MASSACHUSETTS

MANAGEMENT LETTER

YEAR ENDED JUNE 30, 2010



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The Honorable Board of Selectmen
Town of Nantucket, Massachusetts:

In planning and performing our audit of the basic financial statements of the Town of Nantucket, Massachusetts (Town), as of and for the fiscal year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the Town's basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the following deficiencies to constitute material weaknesses:

- Failure to act on previously communicated weaknesses.
- Inadequate design and operation of internal control over significant accounts.

During our audit we became aware of several additional matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarized our comments and suggestions concerning those matters.

The Town of Nantucket's written responses to the comments identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management of the Town of Nantucket, Massachusetts, and is not intended to be and should not be used by anyone other than these specified parties.

We have already discussed these comments and suggestions with various Town personnel, and we will be pleased to discuss them in further detail at your convenience.

February 28, 2011

TOWN OF NANTUCKET, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2010

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Material Weaknesses

MATERIAL WEAKNESSES

Failure to Act on Previously Communicated Weaknesses

The material weaknesses communicated herein represent control deficiencies that have been identified and reported to management for several years and have not been adequately resolved. The existence of significant deficiencies may be known and may represent a conscious decision to accept that degree of risk because of cost or other considerations. Management or those charged with governance are responsible for making decisions concerning costs to be incurred and related benefits. In 2008 the Town contracted with a third party consultant to provide assistance to the Finance Department in the development and implementation of internal controls. We have been advised that management has assessed the effect of previously communicated weaknesses and the results of the report of the third party consultant and has identified a program of improvement as a high priority. The Town initially took several steps toward the implementation of the recommendations made by the third party consultant. However the recommendations have not been fully implemented and we have not noted significant improvement in fiscal year 2010. We consider the amount of time that has passed and management's failure to adequately act on these weaknesses to represent a material weakness in the Town's system of internal controls.

Inadequate Design and Operation of Internal Control Over Significant Accounts

Management must rely on the financial information generated by the Treasurer's Office, the Collector's Office and the Accounting Office to make decisions that affect Town strategy in developing and meeting short-term and long-term financial goals. Consequently, management must be confident that the information they base their decisions on is complete and accurate. This confidence is gained when there is reasonable assurance that the internal control structure over cash, receivables, revenues and expenditures is of sound design and is functioning as intended.

Each of the Offices noted above play a key role in developing and monitoring of a sound internal control structure. These roles are summarized as follows:

- The Accountant is responsible for establishing and maintaining procedures to assure that 1) all Town receipts and disbursements are properly authorized and recorded in the general ledger accurately and timely and 2) all journal entries are properly recorded and documented.
- The Treasurer's Office is responsible for establishing and maintaining procedures to 1) properly safeguard the Town's cash and investments and 2) assure that all receipts and disbursements are reported accurately and timely.
- The Collector's Office is responsible for establishing and maintaining procedures to 1) assure all bills submitted to the Office are collected as quickly as possible 2) secure the Town's interest in property for delinquent taxes and 3) process receipts promptly in order to maximize cashflow.

Considering these general roles, our review of the internal control structure of these Offices revealed the following deficiencies:

- The Treasurer's cash book was not accurately reconciled to the bank balances throughout the year.
 - The Treasurer's cashbook reconciliations to the bank statements continue to contain variances that have been carried for several years.
 - The Town discontinued use of the old vendor and payroll accounts and opened new accounts as of July 1, 2008 for the new fiscal year to begin a new reconciliation process. The old accounts

have not been reconciled since that time. The bank accounts have subsequently been closed, however the Treasurer continues to carry a net balance of over \$219,000 which is not supported by a listing of outstanding checks that have not cleared.

- The Treasurer was unable to reconcile the new payroll bank account. The unreconciled variance at the beginning of audit fieldwork in October was approximately \$64,000. By the end of fieldwork the variance was reduced to approximately \$16,000 which has remained unreconciled.
 - The intent of opening new vendor and payroll bank accounts was to maintain what is referred to as zero balance accounts. This system requires the value of each warrant to be transferred into the vendor or payroll account exactly to cover the checks issued, and the book balance remains at zero. The intent is to simplify the reconciliation process since the outstanding checklist would equal the bank balance, and would be the only reconciling item. The new payroll and vendor accounts have not been maintained at a zero balance.
 - The Town receives outstanding check lists from the bank for the new vendor and payroll bank accounts. The lists include all checks issued as they have been transmitted from the Town to the bank, all checks cleared at the bank, and a summary of which checks remain outstanding. The outstanding lists from the bank are not accurate because voided checks and issued checks have not been accurately transmitted to the bank. As a result, the Town continues to rely on the outstanding check lists from the MUNIS system, and additional time is spent reconciling the MUNIS outstanding check list to the bank list. This procedure is inefficient and may have contributed to the problems with reconciling the payroll account.
 - The Town issued approximately \$70,500 in checks from the payroll account made payable to the Town of Nantucket which were not deposited into another Town bank account until subsequent to year end. As a result, only half of the transaction (the disbursement) was recorded on the Town's records in fiscal year 2010 and the cash was not recorded in the Town's books as of June 30. This practice caused inaccurate financial reporting and increased the Town's risk of errors or abuse.
 - The Town has not performed reconciliations between the balances of individual enterprise fund's accounts on the general ledger and the supporting bank balances. Variances identified after the end of the fiscal year required material adjustments.
 - Although the County bank account reconciliations were completed during the fiscal year, several journal entries after year-end continued to change the ledger balance and as a result the County's final cash reconciliations were provided to us to audit on the last day of audit fieldwork and contained approximately \$175,000 in unsupported reconciling items.
- Activity for the Town of Nantucket was not properly recorded on the general ledger throughout the year resulting in 37 late Town adjusting journal entries recorded between October 5, 2010 and February 7, 2011. The entries included over \$638,000 in transfers that should have been recorded in prior fiscal years which were previously unidentified due to a lack of adequate reconciliation between the information recorded in the Town's general ledger and departmental records. The number of late adjustments is a strong indication that the Town is not performing routine account reconciliations and making corrections to accounts during the fiscal year and puts the Town at risk of inaccurate financial reporting and of inaccurate reporting and testing of federal expenditures.

- The Treasurer has not transferred the exact amount of the warrants from the airport bank accounts to reimburse the Town accounts on a timely basis throughout the year. This resulted in several adjustments at year end, and required an analysis by both the Town and Airport Finance Directors to reconcile the transfers made. The net result was that funds were over-transferred from the airport accounts by approximately \$830,000 at year end. This system is inefficient as it required unnecessary time to identify the variances between the transfers and the warrants and to correct the transfers after year end. This also caused cash to be misstated between the Town and Airport bank statements throughout the year which impacts investment earnings.
- Several of the supporting schedules provided to us during audit fieldwork in October were inaccurate and changed during the audit. For example, the list of unspent appropriations that were to be carried forward to fiscal year 2011 changed several times. The initial listing would have resulted in a small deficit in the Town's education line. Once this was identified, the amounts were adjusted, and the education line was no longer overspent. Also, the schedule of authorized and unissued debt and the schedule of unspent bond proceeds both changed by several million dollars during this time.
- The Town does not have a reliable system for monitoring capital borrowing and the associated capital expenditures. The Town's schedule of unspent bond proceeds indicates that bond proceeds dating back to fiscal year 2003 have not all been expended. We were advised that expenditures may not have all been properly charged against the bond proceeds in prior years. In one case a project was completed and funds were expended that were not funded with borrowed funds as authorized. Several adjustments were made to the schedule of unspent bond proceeds subsequent to year end when the unspent balances were reconciled to the related cash.

Summary

In summary, the objectives of an internal control structure are to safeguard the assets of the Town and provide reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly in the Town's ledgers. The omission of one or more elements of internal control can compromise the Town's ability to obtain these objectives. We have concluded that the deficiencies noted above, individually and collectively, represent material weaknesses in the Town's system of internal control under standards established by the American Institute of Certified Public Accountants.

These deficiencies constitute being classified as material weaknesses because they represent significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Furthermore, we believe that the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

For several years, we have recommended that the Town implement procedures to monitor all general ledger balances throughout the year and to reconcile those balances with the supporting Treasurer's cash book and other supporting documentation on a regular basis to identify and correct errors during the normal course of operations.

The procedures should include a process for insuring that all transactions are processed timely and correctly. We have also recommended that the Treasurer's balances be reconciled to both the bank balances and the general ledger monthly and that record of the reconciliation process be maintained by both the Treasurer and the Town Accountant.

As indicated by Statement on Auditing Standards #112, *Communicating Internal Control Related Matters Identified in an Audit*, employees or management who lack the qualifications and training to fulfill their assigned functions represent a strong indication of a material weakness in internal controls. The lack of ability to properly reconcile the Treasurer's cashbook to the bank balances is an indication that staff does not possess the necessary competency to implement internal controls that would reduce to a relatively low level the chance that errors or irregularities could occur in the normal course of business and not be prevented or detected by the Town's internal control structure.

Town of Nantucket Response

We concur with the auditor's recommendation and actions are in place to address the issues in the management letter.

In Fiscal Year (FY) 2008, Town Administration contracted with a third party consultant to provide assistance to the Finance Department in development and implementation of internal controls. The implementation of the consultant's recommendations is partially complete, with the additional procedures to be implemented in the remainder of FY2011 through FY2012. Processes and procedures that are currently implemented include Accounts Receivable Reconciliations, Cash Reconciliation Process for Controller and Treasurer, Centralized Procurement, Receipt of Reports, Vendor Maintenance, and Year End Invoice Processing.

Cash Reconciliations: Since July 2009, cash activity has been reconciled on a monthly basis with the exception of four key accounts: County Bank of America Accounts Payable Outstanding Checks; Town Citizens Bank Payroll Outstanding Checks; Town Bank of America Accounts Payable Outstanding Checks; and Town Bank of America Payroll Outstanding Checks. The cash activity reconciliation includes a tri-reconciliation of the Treasurer's Cashbook to the Bank and General Ledger. Beginning in March of 2011, the Acting Finance Director(s) will be conducting monthly reviews with the Town Accountant and Treasurer to ensure cash reconciliations are being completed in a timely manner and to assist in resolving open reconciliation items.

Legacy issues pertaining to the old vendor and payroll accounts will be investigated and resolved by the Town Accountant and Treasurer; however this task will take additional time.

Payroll Account: In April of 2010, the Town upgraded its accounting software system, Munis. During this time, the retirement checks that are typically issued in the April time period were not posted. The Treasurer discovered the error in June and worked with Munis support to correct the issue. The outstanding checks crossed fiscal years; therefore the \$70,500 variance was due to a timing difference.

Enterprise Funds: The Town accountant will develop and implement processes to ensure the inter-fund transfer accounts are reconciled on a monthly basis.

County Reconciliations: The County Cash activity was reconciled between the general ledger and the cashbook and provided to the audit firm in a timely manner. The former Finance Director made adjustments during audit work that resulted in a variance. The Assistant Finance Director will work with the audit team to determine the best course of action to resolve the remaining issues.

Late Journal Entries: The Town recognizes the inherent risk associated with late journal entries and plans to develop and implement a process to reduce journal entries made after the fiscal year end.

Enterprise Fund Inter-fund Transfers: Specific to the Airport Enterprise Fund transfer, in this particular instance it was human error. The transfer to cover the warrants was performed twice and discovered by the Treasurer and

Airport staff at a later date during the reconciliation process. In the third quarter of Fiscal Year 2011, the Enterprise Fund balances will be reconciled to the departmental records pertaining to actual transfers made. This process will in turn identify any year end timing issues which will be recorded as a receivable in the format of a due to / due from.

Capital Borrowing and Associated Expenditures: In FY2010, the Town instituted a process where the capital appropriations accounts that were subject to borrowing were inactivating until such time borrowing occurred. In conjunction with the Centralized Procurement process, departments are unable to charge accounts for capital expenditures until borrowing has been approved. The next step of the process will be to review legacy accounts and perform the same action by the end of FY 2012.

Supporting Schedules: A preliminary Statement of Indebtedness was provided to the auditing team during August fieldwork for testing purposes. The final version was provided to the Department of Revenue in November of 2010. Beginning FY2011 and going forward, once the final version is submitted to the Department of Revenue; the audit firm will receive a copy in 48 business hours.

The Town recognizes the importance of resolving the aforementioned issues in a timely basis. As per prior year recommendation, the Town has been focused on ensuring current activities are properly reconciled. The process of addressing legacy issues will require additional time and will be properly investigated as time allows.

The recommendations will be assigned a priority level in relation to all recommendations for an implementation plan by the third quarter of FY2011.

Other Matters

Prior Year Comments

Massachusetts Highway Grants

Comment

Each year, the Commonwealth of Massachusetts allocates Chapter 90 highway project funds to the Town. These projects require the Town to incur the expenditure first and then submit a request for reimbursement to the Commonwealth. The Chapter 90 revenues and expenditures are accounted for in the Special Revenue fund to enable the financial position of the projects to be monitored and to provide a check and balance over the records of the Public Works Department.

Because it is a reimbursement program, the cash deficit in the Chapter 90 fund, at any given time, should equal the invoices that have not yet been submitted for reimbursement, or that have been submitted and are awaiting reimbursement from the Commonwealth. For several years, the Town's cash deficit has exceeded the known invoices that are awaiting reimbursement. This was most likely caused by a lack of procedures to reconcile invoices to reimbursements and to verify that all reimbursement requests are submitted timely.

To strengthen controls over this program going forward, and to minimize unnecessary deficits, we have recommended the Town reconcile the receivable balance due from the Commonwealth to the cash deficit in the fund and identify any permanent deficit that has been caused by a lack of reconciliation procedures in the past. Once the permanent deficit has been identified, we have recommended that the Town decide how the permanent deficit will be funded and implement reconciliation procedures going forward to ensure that similar permanent deficits do not occur in the future.

Status – Unresolved

As of June 30, 2010, the Town's cash deficit continues to exceed the receivable balance.

Town of Nantucket Response

Management agrees that there are differences that need to be resolved by corrective action and process improvement measures. Depending on the cause for differences, corrective actions would consist of either submission of invoices for payments, funding for amounts that were incorrectly charged to the Chapter 90 grant, or correction of accounting errors.

This recommendation will be assigned a priority level in relation to all recommendations for an implementation plan by the fourth quarter of FY2011.

Accounting For Trust Fund Balances

Comment

Several of the Town's trust fund balances recorded on the general ledger do not agree with the balance of the funds on deposit in the bank. Such variances can be misleading and leave the Town at risk of overspending available balances and of inaccurate financial reporting.

For several years, we have recommended that the Town implement procedures to reconcile the Trust fund balances reported on the general ledger to the bank balances on a monthly basis. As of June 30, 2010, several variances exist between individual fund balances carried on the ledger and the corresponding bank balances.

Lack of such a reconciliation puts the Town at risk of inaccurately reporting trust fund balances, overspending trust fund balances, and improperly allocating interest income to the individual trust fund accounts.

Status - Unresolved

There has been no significant change in this area.

Town of Nantucket Response

We concur with the recommendation. Trust funds are in the custody of a major bank's Trust Department, and the Town now receives monthly statements. Procedures for the timely transfer of funds for reimbursement to the Town for payments made through the Town's vendor payment process were implemented in Fiscal Year 2011.

The Town Accountant and Treasurer will work collaboratively to address the legacy issues within the trust fund balances that date back to the late 1990's.

This recommendation will be assigned a priority level in relation to all recommendations for an implementation plan during FY2012.

Commingling Cash Accounts of Enterprise Funds

Comment

The Town maintains separate bank accounts to account for the cash balances and investment earnings of the Enterprise Funds. All Town bills, including those of the Enterprise Funds, are initially paid from the Town's vendor checking account. The Town does not have a process for transferring the cash from the Enterprise Fund Accounts to reimburse the vendor account timely or accurately. When the transfers are made, they often do not agree to the amounts on the warrants. As a result, the interest accruing in the Enterprise Fund accounts is overstated, the interest accruing to the General Fund is understated, and the recordkeeping required to monitor the variance between the actual transfers made and the bills paid contributes to the Town's inability to reconcile cash and due to/due from accounts between the Town's general ledger and the internal records of the Enterprise Funds on a regular basis.

For several years, we have recommended that the exact warrant amounts be transferred from the enterprise funds at the time the warrants are issued. This should result in a bank balance equal to the ledger balance for the enterprise fund cash and would reduce the balance in the due to/from accounts.

We have also recommended that procedures be implemented to reconcile the cash and due to/due from balances between the general ledger and the internal records of the Enterprise Funds and that variances be and corrected in a timely manner.

Status - Unresolved

During fiscal year 2009, the Town made a cash transfers to reconcile the due to/from accounts with some of the enterprise funds, and had improved the process for transferring the total warrant amounts from the enterprise funds bank accounts as the warrant is processed.

During fiscal year 2010, the Treasurer has not transferred the exact amount of the warrants from the airport bank accounts to reimburse the Town accounts on a timely basis throughout the year. This resulted in several adjustments at year end, and required an analysis by both the Town and Airport Finance Directors to reconcile

the transfers made. The net result was that funds were over transferred from the airport accounts by approximately \$830,000 as of June 30, 2010.

Town of Nantucket Response

The cash transfer process has improved in Fiscal Year 2009 and 2010; however transfers need to be conducted in a timelier manner. Cash management and reconciliations will be simplified by eliminating some separate bank accounts for some Enterprise funds, under the authority granted to the Treasurer by MGL. A review of accounts will be undertaken to determine which accounts may reasonably be closed.

The Town Accountant will ensure a process of monthly reconciliation of inter-fund transfers is developed and implemented in the 4th quarter of FY2011. In addition, the Town Accountant in coordination with the Treasurer will review and address "legacy" issues that pertain to the "due to" and "due from" accounts over the course of FY2011 and FY2012.

Fraud Risk Assessment

Comment

The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. To address this risk, we recommend that the Town perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the Town's internal control should include performance of this assessment, even though our annual financial statement audits include consideration of fraud.

The fraud risk assessment can be informal and performed by a management-level individual who has extensive knowledge of the Town that might be used in the assessment. Ordinarily, the management-level individual would conduct interviews or lead group discussions with personnel who have extensive knowledge of the Town, its environment, and its processes. The fraud risk assessment process should consider the Town's vulnerability to misappropriation of assets. When conducting the self-assessment, questions such as the following can be considered:

What individuals have the opportunity to misappropriate assets? These are individuals who have access to assets susceptible to theft and to records that can be falsified or manipulated to conceal the theft.

Are there any known pressures that would motivate employees with the opportunity to misappropriate assets? Pressures may relate to financial stress or dissatisfaction. In assessing whether these pressures may exist, the assessor should consider whether there is any information that indicates potential financial stress or dissatisfaction of employees with access to assets susceptible to misappropriation.

What assets of the Town are susceptible to misappropriation?

Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?

How could assets be stolen? Assets can be stolen in many ways besides merely removing them from the premises. For example, cash can be stolen by writing checks to fictitious employees or vendors and cashing them for personal use.

How could potential misappropriation of assets be concealed? Because many frauds create accounting anomalies, the perpetrator must hide the fraud by running through an adjustment to another account. Generally, fraud perpetrators may use accounts that are not closely monitored.

We have recommended that management develop and implement a fraud risk assessment program to identify, analyze, and manage the risk of asset misappropriation.

Status - Unresolved

The Town has not developed or implemented a fraud risk assessment program.

Town of Nantucket Response

The AICPA Auditing Standards Board has eight Statements on Auditing Standards (SAS Nos. 104-111), collectively referred to as the Risk Assessment Standards. These Standards became effective for audits of financial statements for periods beginning on or after December 15, 2006. The Town agrees that an internal assessment of fraud risk is an important part of internal controls. Part of the ongoing plan for improvement includes the development of a fraud risk assessment plan. The Town will review the opportunity to have a third party develop a plan in Fiscal Year 2011 and 2012.

Accounting for Off-Duty Police and Fire Details

Comment

The Town records payments to police and fire personnel for details in an agency account on the General Ledger. Since it is the Town's practice to pay for details prior to receiving payments from the vendors, the agency fund typically has a negative cash and negative liability balance.

The Town also records a receivable and deferred revenue when the police detail bills are sent out to vendors. The Town does not have procedures to reconcile the negative cash and the receivable balances. Although the variances could represent details paid to officers and not yet billed, this has not been determined due to a lack of procedures to reconcile the variances.

We have recommended that the Town implement procedures to reconcile the deficit cash balances to the receivable balances to identify and address any permanent deficit and to ensure that all police details paid to officers are ultimately billed to vendors and collected.

We also recommend that the Town document and implement procedures to address uncollectible detail receivables. The documentation should address procedures for collection and for abatement and funding for receivables that have been determined to be uncollectible.

Additionally, if it is the Town's policy to pay officers in advance, we recommend that the Town follow the guidance from MGL to provide "seed" money to fund the advance payment and the activity should be recorded in a special revenue fund, as it is not agency activity if the officers are paid in advance of the reimbursement from the vendors.

Status – Partially Resolved

During fiscal year 2010, the Town appropriated funds to fund the permanent deficit in the detail accounts. However the Town has not yet implemented procedures to reconcile off-duty police and fire detail account

receivable accounts receivable to the cash balance in the account on a regular basis and to implement formal procedures for writing-off uncollectible receivables and funding them on a timely basis.

Town of Nantucket Response

The Town concurs with the recommendation.

On a monthly basis, the Staff Accountant reconciles the off duty police and fire details; however needs to take the process one step further with the reconciliation of cash. Beginning in March of FY2011, the Staff Accountant will meet regularly with the Police Support Staff to ensure the entire process is reviewed on a monthly basis.

This recommendation will be assigned a priority level in relation to all recommendations for an implementation plan by the fourth quarter of FY2011.

Dental Insurance Withholding Deficit

Comment

The Town had a deficit balance of approximately \$283,000 in the dental insurance withholding account at year-end. The deficit is partially the result of employee withholdings not being matched to premiums paid, and to the Town not adequately increasing employee withholdings when insurance rates were increased.

The balance in this account should represent amounts withheld from employees that have not yet been paid to fund the employee's share of dental insurance as of the end of the fiscal year. The amounts should be paid out, for their original purpose, shortly after the end of the fiscal year.

We have recommended that the Town implement procedures to verify that employee withholdings are commensurate with premiums paid, and that the balance in the withholding accounts reflect only amounts withheld from employees that have not yet been paid.

Status – Unresolved

The Town has not yet reconciled the full reason for the deficit balance in this account, or determined what the correct balance should be. The deficit balance has increased during fiscal year 2010 by approximately \$5,000.

Town of Nantucket Response

The Town concurs with the recommendation and is actively reconciling the Dental Withholding accounts on a monthly basis. At the present time, the Town receives rate increases in the month of June. The School Department prepays its dental insurance expenses from June to August of each year. Therefore, the Town has a practice of increasing the premiums in September when the School employees return.

The Town Accountant and Treasurer will determine the need to adjust employee withholdings to ensure increases in the insurance rates properly match the premiums paid by the fourth quarter of FY2011.

Warrants Payable Balances

Comment

The Town's general ledger contained unsupported balances for warrants payable at year end. The unsupported

balances in the general fund totaled approximately \$32,000, and there were also small unsupported balances in several other funds. We were advised by the Town that ledger balance was incorrect, and that they were caused from computer glitches that occurred during the year.

We continue to recommend the Town implement procedures to identify and correct inaccurate account balances on the general ledger.

Status – Resolved

The Town provided support for the balances recorded as warrants payable as of June 30, 2010.

Payroll Timesheets

Comment

During our review of the Town's payroll process in prior years, we noted instances where departmental transmittals did not contain the approving signature of the department head. The transmittals are compilations of employee timesheets for each department. The lack of an approving signature on some transmittals is an indication that the employees' time was not reviewed or approved, which increases the risk that employees could be overpaid or underpaid.

We recommend that the Town require the proper department head approvals on all payroll transmittals.

Status – Resolved

Payroll timesheets selected for testing during the fiscal year 2010 audit all contained the appropriate authorizations.

Other Postemployment Benefits Actuarial Valuation

Comment

Now that the Town has met the requirements for implementation of GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, it is time to acknowledge the requirements necessary to stay in compliance with the GASB and obtain the information necessary to complete the Town's annual audit.

For financial reporting purposes, and actuarial valuation is required at least biennially for OPEB plans with a total membership (including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits) if 200 or more, or at least triennially for plans with total membership of fewer than 200.

This means that an updated actuarial valuation dated July 1, 2009 will have to be obtained in order for the Town to remain compliant with GASB Statement #45, for fiscal years of 2010 and 2011. This is two years after the original July 1, 2007 valuation which was used for the fiscal year 2009 audit.

On a go forward basis, the actuarial valuation should be calculated based upon the 4% discount rate, this percentages falls in-line with the Town's current funding policy. For financial reporting purposes, it is also

necessary for the actuarial valuation to segregate Nantucket County, Nantucket Regional Transit Authority (NTRA), Nantucket Islands Land Bank, and the various Enterprise funds separately from the Town of Nantucket's liability.

We recommend that the Town work with their actuarial firm to assure that information needed for the next valuation report is provided in ample time for the fiscal year 2010 audit.

Status - Resolved

The Town obtained an updated OPEB actuarial valuation report for the fiscal year 2010 audit.

Invoice Approval

Comment

During our review of the Town's support for expenditures during fiscal year 2009, it came to our attention that the Town processed a payment totaling over \$14,000 at the request of the Airport without a supporting invoice. The only supporting documentation provided was a remittance form which did not include adequate documentation of the vendor, date of purchase, and what the expenses pertained to. The accounts payable clerk processed the payment solely because the remittance form was signed by the Airport Manager. Processing any payments without proper supporting documentation is a breakdown in the Town's system of internal controls.

We recommended that the Town enforce its policy for not processing payments without proper supporting documentation.

Status - Resolved

The fiscal year 2010 audit testing did not identify any invoices processed without proper supporting documentation.

Accounting Separately for Bond Proceeds

Comment

The Town accounts for bond proceeds received for major capital projects in separate funds on the general ledger. This is the recommended practice, as it allows for a clear record of what bond proceeds have been spent, and what they have been spent on. However, when the Town receives bond proceeds relating to small enterprise fund related projects, they are often accounted for within the enterprise operating funds. This requires the bonded balances to be accounted for outside of the accounting system on spreadsheets, and increases the risk that bond proceeds could be spent for ineligible purposes.

We recommend that the Town account for all bond proceeds in capital project funds on the general ledger, and that the Town continue to account for bond proceeds related to enterprise funds separate from those that will be repaid by the general government.

Status – Unresolved

There has been no significant change in this comment during fiscal year 2010.

Town of Nantucket Response

The Town's accounting for small enterprise fund related projects funded from bond proceeds provides a clear record of the amount of proceeds remaining unspent. Each project has its own budget; as the bond proceeds are spent, the budget is automatically reduced. Small projects typically are spent within a relatively short time, and the projects are closed out.

Large enterprise fund projects, such as the airport terminal and the Surfside Wastewater Treatment Facility, are accounted for in capital project funds. Projects which have complex funding sources (paid by two funds, or paid by two different bonding sources, MWPAT and general obligation) are accounted for in capital project funds.

Management will take the necessary course of action to ensure bond proceeds are accounted for in the capital projects funds by the fourth quarter of FY2011.

General Ledger Maintenance and Reconciliations for Nantucket County

Comment

The Town did not reconcile the due to/due from balances of the County since prior to fiscal year 2003, and the variance has changed each year. Additionally, many of the other County accounts, including cash, were not monitored on a regular basis throughout the year, and fourteen late Town adjustments were required in an attempt to correct the balances several months after year end.

The lack of timely account reconciliations and a system to monitor the balances throughout the year increases the risk that errors will occur and not be detected and corrected on a timely basis and increases the risk of inaccurate financial reporting.

We recommend the Town improve the reconciliation and general ledger account monitoring process related to the County's general ledger.

Status - Unresolved

There has been no significant change in this comment during fiscal year 2010.

Town of Nantucket Response

The Town provides payroll services for Nantucket Land Bank, through the County General ledger. Those payroll transactions are recorded as a "due from" for accounting purposes only. The Land Bank settles its payroll transactions promptly, and the related "due from" accounts should zero out regularly. Computer coding for payment and for payroll and for the subsequent payment by the Land Bank will be updated and tested to separate this "due from" account from true County inter-fund accounts, which will facilitate the reconciliation process.

The Assistant Finance Director and Town Accountant will reconcile the County and Town "due to" and "due from" accounts on a quarterly basis beginning the third quarter of FY2011.

Current Year Comments

Receivable Reconciliations

Comment

During our review of the Town's receivables it was noted that the general ledger balances of a number of items related to Our Island Home and the Landfill did not tie to collectors support. The variances related to Our Island Home occurred when the department converted software from QuickBooks to American Health Net in May of 2010. The American Health Net software does provide a detailed accounts receivable aging report; however the total balance of the detail was \$28,000 greater than the balance on the Town's general ledger.

In relation to the Landfill, the tipping fee receivable general ledger balance was over \$200,000 greater than the support maintained by the Town Collector for the Landfill.

Recommendation

We recommend that the Town implement procedures to reconcile the accounts noted above as the general ledger should mirror supporting documentation.

Town of Nantucket Response

The Town currently has Accounts Receivable Reconciliation procedures in place. The Town Accountant is in the process of obtaining access to the two billing systems (Wasteworks and American Health Net) which will allow the ability to track changes and limit the ability for changes to previously reconciled balances.

The Landfill Tipping Fees are collected by Public Works not the Tax Collector. The Town Accountant and Staff Accountant are working directly with the public works support staff and software support to address outstanding issues.

This recommendation will be assigned a priority level in relation to all recommendations for an implementation plan by the fourth quarter of FY2011.

Prepaid Expense Balance

Comment

Per review of the general ledger there is an account for prepaid expenses that has a balance of \$10,900 that has not had activity in several years. We were advised that the balance relates to prepaid tuition for an education program which occurred in July, 2007 (fiscal 2008). During fiscal 2008, the prepaid expense should have been charged to a current year expense by journal entry.

Recommendation

We recommend that the Town correct this error in order to accurately report prepaid expenses and implement procedures to correct errors more timely in the future to produce more accurate financial information.

Town of Nantucket Response

The prepaid expense will be charged to a current year expense by journal entry in Fiscal 2011.

Journal Entry Control

Comment

Our review of the Town's journal entries revealed entries that lacked adequate authorizations. Journal entry authorizations provide a record that the support for the entry has been reviewed and approved.

Recommendation

We recommend that the Town take steps to insure that all journal entry adjustments made to the general ledger be properly authorized.

Town of Nantucket Response

The Town concurs with the recommendation. Beginning in April of 2011, the Operations Coordinator will ensure all necessary authorization is provided to perform journal entries. If an authorization is lacking, the Operations Coordinator will return the journal entry request to the requisitioner.

Commingling of Federal and State Grants

Comment

The Town accounts for federal grants and state grants within the same funds in the general ledger without designation as to which grants are federal and which are state. Since the Town is required to report federal expenditures separately, combining federal and state grants on the general ledger increases the risk that federal expenditures will not be identified. Additionally, the amount of audit testing done on federal expenditures is determined based on federal expenditures. The commingling of these funds makes the process of identifying and reporting federal grants cumbersome, makes the planning process for identifying major federal programs cumbersome, and puts the Town at risk of inaccurate financial reporting.

Recommendation

We have recommended that the Town implement a system to segregate federal and state grants in the general ledger.

Town of Nantucket Response

The Town concurs with the recommendation. In FY2011, the Town Accountant with the assistance of the Operations Coordinator will establish and test new funds for Federal-Education Grants and Federal - Non-educational grants with the intent the new funds would be operational no later than the 1st quarter of FY2012.

Current Year County Comments

Escrow Accounts

Comment

During the audit of the County's cash balances it was noted that the County's general ledger included three escrow accounts that are not supported in the cash book or in bank accounts. We were advised by management that there is no known support for the creation of these escrow accounts and their purpose is unknown.

Recommendation

We recommend the County research the source for the creation of the escrow accounts and take action to remove them from the general ledger if their existence cannot be adequately supported.

Town of Nantucket Response

Management concurs with the recommendation and has performed due diligence to resolve the legacy escrow account issues. The Treasurer and Assistant Finance Director have researched archived information from the late 1990's to determine the establishment of the escrow accounts. At this time, supporting source documents are not available to support the recorded balances.

The Assistant Finance Director will follow up with the auditing team to determine the best course of action by fourth quarter of FY2011.

Informational Comment

Government Accounting Standards Board (GASB) Statement #54

Comment

In February 2009, the GASB issued Statement #54, *Fund Balance Reporting and Government Fund Type Definitions*, which is required to be implemented in fiscal year 2011. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

This Statement also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The definitions of the general fund, special revenue fund types, capital projects fund types, and permanent fund types are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

Recommendation

As it appears that this GASB Statement will significantly impact the fund balance classifications presently reported, we recommend that management begin to study and evaluate these changes for financial statement reporting and disclosure purposes, and to formulate plans to be used in explaining these changes to interested parties within the Town and to the external users of the Town's financial statements.

TOWN OF NANTUCKET, MASSACHUSETTS

MANAGEMENT LETTER

YEAR ENDED JUNE 30, 2011



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The Honorable Board of Selectmen
Town of Nantucket, Massachusetts

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Nantucket, Massachusetts (Town), as of and for the fiscal year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the Town's basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the following deficiencies to constitute material weaknesses:

- Inadequate design and operation of internal control over significant accounts.
- Failure to comply with procurement laws and regulations.

During our audit we became aware of several additional matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarized our comments and suggestions concerning those matters.

The Town of Nantucket's written responses to the comments identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management of the Town of Nantucket, Massachusetts, and is not intended to be and should not be used by anyone other than these specified parties.

We have already discussed these comments and suggestions with various Town personnel, and we will be pleased to discuss them in further detail at your convenience.

Powers & Sullivan LLC

February 21, 2012

TOWN OF NANTUCKET, MASSACHUSETTS

MANAGEMENT LETTER

JUNE 30, 2011

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Material Weaknesses

MATERIAL WEAKNESSES

Inadequate Design and Operation of Internal Control Over Significant Accounts

For several years control deficiencies have been identified and reported to management related to the timely reconciliation of significant accounts such as cash, interfund receivables and payables and accounts receivable. During the last few months of fiscal year 2011, the Town has taken a systematic approach to addressing each of the previously identified weaknesses, and has made significant progress. The process of reconciling accounts such as cash and interfund receivables and payable (due to/from accounts) and accounts receivable on a monthly basis has provided the Town with greater assurance that all financial activity has been reported in the Town's general ledger. An additional and equally important step in the process of verifying that all activity is recorded accurately is to reconcile the balances and activity in the general ledger to the supporting documentation. This process would identify activity that may have been recorded in the wrong account or fund, which could have a significant impact on management decisions and the Town's financial position. This step is typically accomplished through monthly reconciliations of account balances with the individual departments responsible for the activity and through reconciling appropriation balances with departments. The Town has deferred the implementation of this process to fiscal year 2012.

Management must rely on the financial information generated through the Town's ledgers to make decisions that affect Town strategy in developing and meeting short-term and long-term financial goals. Consequently, management must be confident that the information they base their decisions on is complete and accurate. We recognize that the Town has taken significant steps in improving controls by reconciling cash, interfund receivables and payables and accounts receivable and through addressing many of the legacy account variances that have been carried for several years. However, the Town's internal control system must include a process for verifying that activity has been accurately recorded within the Town's records for the system to function as intended.

The status of previously reported internal control deficiencies are as follows:

- Several years ago, the Town discontinued the use of the main vendor and payroll accounts and opened new accounts with the intent that this would help the cash reconciliation process. The intent of opening new vendor and payroll bank accounts was to maintain what is referred to as zero balance accounts. This system requires the value of each warrant to be transferred into the vendor or payroll account exactly to cover the checks issued, and the book balance remains at zero. The intent is to simplify the reconciliation process since the outstanding checklist would equal the bank balance, and would be the only reconciling item. With the assistance of outside consultants, the Town has reconciled the activity in the new vendor and payroll accounts as of June 30, 2011. However, new payroll and vendor accounts have not been consistently maintained at a zero balance. We continue to recommend maintaining both the vendor and payroll accounts at a zero balance as this will simplify the reconciliation process on a go forward basis.
- The Town maintains separate bank accounts to account for the cash balances and investment earnings of the Enterprise Funds. All Town bills, including those of the Enterprise Funds, are initially paid from the Town's vendor checking account. In prior years, we noted that the Town did not have a process for transferring the cash from the Enterprise Fund Accounts to reimburse the vendor account timely or accurately. In fiscal year 2011, the Town has improved on performing reconciliations between the balances of individual enterprise fund's accounts on the general ledger and the supporting bank balances by making more timely cash transfers and by requiring the Airport and the Wannacomet Water Company to sign off on the activity, but not the balances of the bank accounts. Since this process did not take place for the entire year, and the actual balances were never reconciled, variances were identified

subsequent to year end between the Treasurer's cashbook and the General Ledger related to the cash accounts held for the Nantucket Memorial Airport. The variance totaled approximately \$500,000 and required material adjustments that were not identified through the reconciliation process. Additionally, the lack of a system to reconcile the balances throughout the year required an analysis by both the Town and Airport Finance Directors to reconcile the actual transfers made. This system is inefficient as it required unnecessary time to identify the variances between the transfers and the warrants and to correct the transfers after year end. This also caused cash to be misstated between the Town and Airport bank statements throughout the year which impacts investment earnings.

- Significant adjustments were made to the fiscal year 2010 general ledger subsequent to the prior audit. Over \$730,000 in expenditures were recorded in the general fund for fiscal year 2010 on March 31, 2011. These expenditures, along with adjustments required to close out old unreconciled vendor and payroll accounts resulted in a restatement of the Town's general fund beginning balance totaling \$993,000.
- The Town does not have a reliable system for monitoring capital borrowing and the associated capital expenditures. The Town's schedule of unspent bond proceeds indicates that bond proceeds dating back to fiscal year 2003 have not all been expended. We were advised that expenditures may not have all been properly charged against the bond proceeds in prior years. During fiscal year 2011, adjustments have been made to the beginning balances of the schedule of unspent bond proceeds when the unspent balances were reconciled to the related cash. We recommend that the Town implement a system to monitor capital projects and the associated authorized funding mechanisms to both ensure the timely borrowing for authorized projects and to allow for the reallocation of unspent bond proceeds once projects have been completed.

Additional internal control deficiencies:

- The Town recorded payables from the Wannacomet Water Company to the Sewer and Siasconset Water enterprise funds without recording a corresponding receivable. This has the effect of understating revenue received during fiscal year 2011. As part of the monthly reconciliation of the "due to/due from" accounts, we recommend that other interfund receivables and payables also be reconciled.
- As noted above, the Town does not have a reliable system both for reconciling individual fund balances with departments and for monitoring the activity of capital projects and the associated borrowing or other funding. Both of these weaknesses have contributed to variances between the Town's operating and capital accounts of the Nantucket Memorial Airport. The Town is currently in the process of identifying the activity that should have been recorded between these two funds, recording correcting entries, and determining the overall impact that it this will have on the Town's finances.
- The Nantucket Memorial Airport has constructed a number of capital projects which were authorized to be funded partially through state and federal grants and partially through long-term borrowing. Since grant revenue was not monitored on a project by project basis, the final Airport portion of each project was not calculated and was not borrowed. In these cases the Airport's share of projects was paid with cash from the operating fund as the project invoices were paid. The Town is in the process of reconciling the activity of each of the Airport projects and determining the amount that should have been borrowed and the options currently available. In some cases, the Town may have lost the ability to borrow the Airport's share of these projects.

Failure to Comply With Procurement Laws and Regulations

During the current fiscal year the Town discovered several Town departments, including the Nantucket Memorial Airport, Wannacomet Water Department, and the School Department were not following procurement laws as specified in Massachusetts General Law. Several departments lacked proper documentation of obtaining three oral or written quotes as well as not entering into signed contracts for various capital improvement projects and other services such as maintenance.

Chapter 30B of the Massachusetts General Laws, the Uniform Procurement Act, establishes uniform procedures for local governments to use when contracting for supplies, services, and real property. All Chapter 30B contracts in the amount of \$5,000 or more must be in writing. There are also several other key sections of the law that pertain to municipal procurement. The major laws addressing municipal procurement include:

- *M.G.L. c.7 § 38A-1/2 (Design services)*
- *M.G.L. c. 149 (Building Construction)*
- *M.G.L. c. 30, §39M (Mass Highway)*
- *M.G.L. c. 90B, §34 (Mass Highway)*
- *M.G.L. c. 30B, Non Building (Local Level)*
- *M.G.L. c. 30B, Supplies and Services (Local Level)*

We recommend that the Town strengthen controls over procurement to ensure compliance with the proper procurement laws. As part of this system, all purchases should be evaluated to determine whether, over the course of the fiscal year, the Town will spend in excess of the competitive bidding thresholds for the same or similar items or services and all departments should be required to maintain support to document procurement decisions made. If a written contract is required, a copy of the executed contract should be provided to the Town's Finance Department.

To address this issue, subsequent to year end, the Town has implemented a system to require departments to provide proof of contracts, as required by MGL, and has requested that all contracts be provided to the finance department where they are scanned and filed. This process allows the Town to verify a contract's existence when purchase orders are submitted by Town departments.

Summary

In summary, the objectives of an internal control structure are to safeguard the assets of the Town and provide reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly in the Town's ledgers. The omission of one or more elements of internal control can compromise the Town's ability to obtain these objectives. We have concluded that the deficiencies noted above, individually and collectively, represent material weaknesses in the Town's system of internal control under standards established by the American Institute of Certified Public Accountants.

These deficiencies constitute being classified as material weaknesses because they represent significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Town's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Furthermore, we believe that the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

For several years, we have recommended that the Town implement procedures to monitor all general ledger balances throughout the year and to reconcile those balances with the supporting Treasurer's cash book and other supporting documentation on a regular basis to identify and correct errors during the normal course of operations. The procedures should include a process for insuring that all transactions are processed timely and correctly.

Management's Response

Previously reported comments:

Zero Balance Vendor and Payroll Accounts: The Treasurer has transferred exact amounts for payroll and accounts payable/vendor accounts in Fiscal Year 2012 to maintain zero balance accounts; however the accounts will continue to have minimal variances month to month due to interest being earned on the last day of each month.

Enterprise Fund Cash Reconciliations: The Town believes that separate bank accounts are no longer necessary and will work with the respective Enterprise Funds to close the applicable accounts by the end of Fiscal Year 2012. The Town implemented an internal process in May of 2011 that required both the Enterprise Fund Business Office Managers to sign in agreement with the "Transaction Detail Report", which includes the balances of the bank accounts, within the Treasurer's Cashbook at the end of each month. If there was a question or concern, the Enterprise Fund Business Officer Managers had the opportunity to resolve the issue with the Treasurer within 30 days. Although the signature process didn't occur each month in Fiscal Year 2011, both the Wannacomet Water and Airport Business Office Managers signed the designated form that they were in agreement with the Treasurer's Cashbook transaction history from July to June, 2011.

Significant Adjustments: This action was a result of addressing legacy cash issues for both the Town and County that date back to the early 2000's that were corrected in Fiscal Year 2011.

Monitoring of Capital Borrowing: In Fiscal Year 2011, the Town of Nantucket instituted internal controls for capital projects. All general fund, sewer, and solid waste enterprise departments' capital projects were reconciled.

Current year comments:

Wannacomet Water Company Payables: On a monthly basis, the Town of Nantucket is recording the receivables in the respective Enterprise departments (Sewer, Siasconset Water, and Wannacomet Water). In Fiscal Year 2012, the Town plans to close the single bank account that necessitates the account payable entry. In addition, the Town will reaffirm the importance of providing commitments for the respective Enterprise departments to the Finance Department on a monthly basis.

Nantucket Memorial Airport Capital Borrowing: In Fiscal Year 2012, the Town's Finance Department with assistance from an independent financial consultant re-created all Nantucket Airport capital project activity dating back to 2005. The task identified several Airport Capital projects that were subject to borrowing and/or grant receipts where borrowing wasn't in place, or grant reimbursements weren't submitted in a timely manner to offset expenditures. In order to address the issues of the past years, several steps will be taken at the 2012 Annual Town Meeting including but not limited to transfers from Airport projects with excess bond proceeds; borrowing; and a combination of general fund subsidies and chargebacks to the Airport Enterprise Fund operating budget to address deficits in capital projects that are no longer eligible for long-term borrowing opportunities. Prior to implementing adequate internal controls, there were gaps in accounting for Airport capital borrowing and grant receipts. Controls are now in place to prevent this. Cooperation is required from departments not under the direct jurisdiction of Town Administration.

In accordance with SEC regulations, the Town will adopt and distribute to all Town, School, and Enterprise Departments a "Post Issuance Tax Compliance Procedure for Tax Exempt Obligations and Other Tax Benefited Obligations" in the 3rd Quarter of Fiscal Year 2012.

Procurement Law and Regulations: The Town of Nantucket agrees with the auditor's recommendation. The Chief Procurement Officer and Finance Department are working collectively to mitigate, to the extent possible, disbursements to vendors without the proper procurement process taking place. Additional controls have been put into place. These controls include a centralized procurement process. Departments no longer have the ability to enter invoices into the Town's invoice processing system without a Town issued purchase order number. The next step of internal controls is to ensure all Town, School, and Enterprise departments have a purchase order in place prior to communicating orders to vendors for goods or services. In addition, in January of 2012, the Chief Procurement Officer provided a mandatory training for all Town, School, and Enterprise Fund departmental staff that was conducted by the Inspector General and Attorney General's office of the State of Massachusetts.

Other Matters

Prior Year Comments

Account Activity Reconciliation

Prior Year Comment

Activity for the Town of Nantucket was not properly recorded on the general ledger throughout the year resulting in 7 adjustments which were identified several months after year end during the audit process for fiscal year 2011. In the prior year, 37 late Town adjusting journal entries were recorded. These late adjustments were mainly to record transfers and to correct balances at year end. Some of the permanent entries should have been recorded in prior fiscal years however they were not previously identified due to the lack of adequate account reconciliation between the information recorded in the Town's general ledger and departmental records. The need for these adjustments is an indication that the Town is not performing routine account reconciliations and making corrections to accounts during the fiscal year. This puts the Town at risk of inaccurate financial reporting. As previously indicated, we recommend a system to verify that balances are accurate throughout the year. It should be noted, that the number of late adjustments has been significantly reduced from prior years through the reconciliation processes over cash, interfund balances, and accounts receivable that were implemented in the last few months of the fiscal year.

Current Status – Unresolved

We continue to recommend that the Town implement procedures to reconcile account balances and activity during the fiscal year to reduce the number of late adjustments recorded subsequent to year end.

Management's Response

The Town prepared internal procedures in October of 2011 to have the Town, School, and Enterprise Fund departments sign under penalty of perjury all account activity respective to their departments on a quarterly basis. The intent is to start this process in the 4th quarter of Fiscal Year 2012. This is a significant change to current town business practices and will take time for full implementation across all Town, School, and Enterprise Fund departments.

Massachusetts Highway Grants

Prior Year Comment

Each year, the Commonwealth of Massachusetts allocates Chapter 90 highway project funds to the Town. These projects require the Town to incur the expenditure first and then submit a request for reimbursement to the Commonwealth. The Chapter 90 revenues and expenditures are accounted for in the Special Revenue fund to enable the financial position of the projects to be monitored and to provide a check and balance over the records of the Public Works Department.

Because it is a reimbursement program, the cash deficit in the Chapter 90 fund, at any given time, should equal the invoices that have not yet been submitted for reimbursement, or that have been submitted and are awaiting reimbursement from the Commonwealth. For several years, the Town's cash deficit has exceeded the known invoices that are awaiting reimbursement. This was most likely caused by a lack of procedures to reconcile invoices to reimbursements and to verify that all reimbursement requests are submitted timely.

To strengthen controls over this program going forward, and to minimize unnecessary deficits, we have recommended the Town reconcile the receivable balance due from the Commonwealth to the cash deficit in the

fund and identify any permanent deficit that has been caused by a lack of reconciliation procedures in the past. Once the permanent deficit has been identified, we have recommended that the Town decide how the permanent deficit will be funded and implement reconciliation procedures going forward to ensure that similar permanent deficits do not occur in the future.

Current Status - Resolved

As of June 30, 2011, the Town has reconciled the Chapter 90 revenues and expenditures for the fiscal year and has adjusted for any previously unidentified variances. In addition, the state reimbursement requests for fiscal 2011 were submitted timely and the June 30, 2011 deficit now agrees to the receivable.

Accounting For Trust Fund Balances

Prior Year Comment

For several years, we have reported that several of the Town's trust fund balances recorded on the general ledger do not agree with the balance of the funds on deposit in the bank. Such variances can be misleading and leave the Town at risk of overspending available balances and of inaccurate financial reporting.

We have recommended that the Town implement procedures to reconcile the Trust fund balances reported on the general ledger to the bank balances on a monthly basis. As of June 30, 2011, several variances exist between individual fund balances carried on the ledger and the corresponding bank balances. Lack of such a reconciliation puts the Town at risk of inaccurately reporting trust fund balances, overspending trust fund balances, and improperly allocating interest income to the individual trust fund accounts.

Current Status - Unresolved

There has been no significant change in this area during the current year; however the Town is planning on implementing procedures to reconcile the Trust funds in fiscal 2012.

Continuing Recommendation

We continue to recommend that the Town implement procedures to reconcile the Trust fund balance reported on the general ledger to the bank balances on a monthly basis.

Management's Response

The Town of Nantucket agrees with the recommendation. On June 30, 2011 variances in the trust fund accounts did exist; however all activity was reconciled for Fiscal Year 2011 and included in the final trial balances provided to the auditors on September 30, 2011. The Town made great strides in this area at the close of Fiscal Year 2011 by reconciling trust fund balances and instituting the new Uniform Massachusetts Accounting Standards (UMAS) accounting codes for all trust and agency funds. In Fiscal Year 2012, the Town reconciles the General Ledger accounts with the Treasurers Cashbook and Bank Balance in Trust and Agency funds on a monthly basis.

Fraud Risk Assessment

Prior Year Comment

The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. To address this risk, we recommend that the Town perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the Town's internal control should include performance of this assessment, even though our annual financial statement audits include consideration of fraud.

The fraud risk assessment can be informal and performed by a management-level individual who has extensive knowledge of the Town that might be used in the assessment. Ordinarily, the management-level individual would conduct interviews or lead group discussions with personnel who have extensive knowledge of the Town, its environment, and its processes. The fraud risk assessment process should consider the Town's vulnerability to misappropriation of assets. When conducting the self-assessment, questions such as the following can be considered:

What individuals have the opportunity to misappropriate assets? These are individuals who have access to assets susceptible to theft and to records that can be falsified or manipulated to conceal the theft.

Are there any known pressures that would motivate employees with the opportunity to misappropriate assets? Pressures may relate to financial stress or dissatisfaction. In assessing whether these pressures may exist, the assessor should consider whether there is any information that indicates potential financial stress or dissatisfaction of employees with access to assets susceptible to misappropriation.

What assets of the Town are susceptible to misappropriation?

Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?

How could assets be stolen? Assets can be stolen in many ways besides merely removing them from the premises. For example, cash can be stolen by writing checks to fictitious employees or vendors and cashing them for personal use.

How could potential misappropriation of assets be concealed? Because many frauds create accounting anomalies, the perpetrator must hide the fraud by running through an adjustment to another account. Generally, fraud perpetrators may use accounts that are not closely monitored.

We have recommended that management develop and implement a fraud risk assessment program to identify, analyze, and manage the risk of asset misappropriation.

Current Status - Unresolved

The Town has not developed or implemented a fraud risk assessment program.

Continuing Recommendation

We continue to recommend that management develop and implement a fraud risk assessment program to identify, analyze, and manage the risk of asset misappropriation.

Management's Response

The Town of Nantucket concurs with the recommendation. In Fiscal Year 2012, the Town plans to issue a request for proposal (RFP) for a third party to conduct such an assessment of at least 3 departments each year for the next three years. Upon the completion of the proposed contract services, the Town will re-evaluate the internal workload to determine if this process has the ability to be performed internally as opposed to outsourced.

Accounting for Off-Duty Police and Fire Details

Prior Year Comment

During the prior year we noted that the Town records payments to police and fire personnel for details in an agency account on the General Ledger. Since it is the Town's practice to pay for details prior to receiving payments from the vendors, the agency fund typically has a negative cash and negative liability balance.

The Town also records a receivable and deferred revenue when the police detail bills are sent out to vendors. The Town did not have procedures to reconcile the negative cash and the receivable balances. Although the variances could represent details paid to officers and not yet billed, this had not been determined due to a lack of procedures to reconcile the variances.

We have recommended that the Town document and implement procedures to address uncollectible detail receivables. The documentation should address procedures for collection and for abatement and funding for receivables that have been determined to be uncollectible.

Additionally, if it is the Town's policy to pay officers in advance, we recommend that the Town follow the guidance from MGL to provide "seed" money to fund the advance payment and the activity should be recorded in a special revenue fund, as it is not agency activity if the officers are paid in advance of the reimbursement from the vendors.

Current Status – Partially Resolved

As of June 30, 2011, the negative cash balance and the detailed receivable reports provided from the Town's system were unreconciled by less than \$5,000. The Police Department did not generate and save the June 30th detailed aging reports from their system and were unable to regenerate the year end reports. Therefore, the Town was able to substantiate the negative cash balance within \$5,000, however, the balance was not reconciled with the Police Department which is the department primarily responsible for collecting the funds.

Continuing Recommendation

We continue to recommend the Town implement procedures to reconcile cash to the accounts receivable balances and to reconcile the ledger balances to the records maintained by the Police Department. Additionally, once the balances have been successfully reconciled, the Town should determine the cash flow needs to continue to pay officers in advance of collecting funds and consider appropriating funds for this purpose to maintain a positive cash balance as allowed by M.G.L. Chapter 44, Section 53C.

Management's Response

The Town concurs with the recommendation. In Fiscal Year 2012, a new Accounting Clerk was hired within the Finance Department. This position's primary focus is to ensure all accounts receivable for the Town and Enterprise departments are reconciled on a monthly basis. The monthly reconciliation includes the Off Duty Police and Fire Details. We intend to resolve this finding within Fiscal Year 2012 and future years by performing budget transfers from the Town's Police and Fire Department budgets to the Off-duty detail fund; or by including an annual warrant article for seed-money for the off duty detail fund; or a combination thereof.

Insurance Withholding Deficits

Prior Year Comment

During the prior year we noted that the Town had a deficit balance of approximately \$213,000 in the dental insurance and life insurance withholding accounts. As of June 30, 2011 the deficit balance was reduced to approximately \$55,000. This deficits in this account have been partially the result of employee withholdings not being matched to premiums paid, and the Town not adequately increasing employee withholdings when insurance rates were increased.

The balance in this account should represent amounts withheld from employees that have not yet been paid to fund the employee's share of dental insurance as of the end of the fiscal year. The amounts should be paid out, for their original purpose, shortly after the end of the fiscal year.

Current Status - Unresolved

The deficit balance in total has decreased during fiscal year 2011; however the Town has not yet reconciled the full reason for the deficit balances in these accounts, or determined what the correct balances should be.

Continuing Recommendation

We continue to recommend that the Town implement procedures to verify that employee withholdings are commensurate with premiums paid, and that the balance in the withholding accounts reflect only amounts withheld from employees that have not yet been paid.

Management's Response

Town of Nantucket Response: The Town of Nantucket concurs with the recommendation. The Treasury division of the Finance Department continues to reconcile current insurance withholdings on a weekly basis. The remaining variance of \$55,000 in insurance withholdings is a legacy issue which dates back to Fiscal Year 2000. The intent of the Town cover the remaining \$55,000 variance at the 2012 Annual Town Meeting and to continue to research payroll withholdings and payments back to 2000 to complete the reconciliation of the insurance withholding accounts.

Accounting Separately for Bond Proceeds

Prior Year Comment

The Town accounts for bond proceeds received for major capital projects in separate funds on the general ledger. This is the recommended practice, as it allows for a clear record of what bond proceeds have been spent, and what they have been spent on. However, when the Town receives bond proceeds relating to small enterprise fund related projects, they are often accounted for within the enterprise operating funds. This requires the bonded balances to be accounted for outside of the accounting system on spreadsheets, and increases the risk that bond proceeds could be spent for ineligible purposes.

We had recommended that the Town account for all bond proceeds in capital project funds on the general ledger, and that the Town account for all bond proceeds related to enterprise funds separate from those that will be repaid by the general government.

Current Status – Partially Resolved

During fiscal 2011, the Town accounted for all bond proceeds that are to be repaid by the general government in the capital projects fund. The Town is in the process of reconciling the operating and capital balances of the enterprise funds.

Management's Response

The Town of Nantucket agrees with the recommendation. In Fiscal Year 2012, the Town of Nantucket Finance Department in coordination with an independent financial consultant has reconciled the Airport Enterprise Fund department unspent bond proceeds. The identified Airport Enterprise Fund unspent bond proceeds are scheduled for transfers between Airport capital projects in the 2012 Annual Town Meeting Warrant Article 3.

In accordance with SEC regulations, the Town will adopt and distribute to all Town, School, and Enterprise Departments a "Post Issuance Tax Compliance Procedure for Tax Exempt Obligations and Other Tax Benefited Obligations" in the 3rd Quarter of Fiscal Year 2012.

General Ledger Maintenance and Reconciliations for Nantucket County

Prior Year Comment

In the past, we have noted that the Town did not reconcile the due to/due from balances of the County since prior to fiscal year 2003, and the variance has changed each year. Additionally, many of the other County accounts, including cash, were not monitored on a regular basis throughout the year.

The lack of timely account reconciliations and a system to monitor the balances throughout the year increases the risk that errors will occur and not be detected and corrected on a timely basis and increases the risk of inaccurate financial reporting.

We recommended the Town improve the reconciliation and general ledger account monitoring process related to the County's general ledger.

Current Status - Resolved

In fiscal year 2011 the Town reconciled the due to/due from balances of the county.

Receivable Reconciliations

Prior Year Comment

During our prior year review of the Town's receivables it was noted that the general ledger balances of a number of items related to Our Island Home and the Landfill did not tie to the supporting detail. The variances related to Our Island Home occurred when the department converted software from QuickBooks to American Health Net in May of 2010. The American Health Net software does provide a detailed accounts receivable aging report.

Also in the prior year, we noted that Landfill tipping fee receivable reported on the general ledger balance was over \$200,000 greater than the supporting detail for the Landfill.

We recommended that the Town implement procedures to reconcile the accounts noted above as the general ledger should mirror supporting documentation.

Current Status – Resolved

The Town has accounts receivable reconciliations in place as of June 30, 2011.

Prepaid Expense Balance

Prior Year Comment

In the prior year, we noted there was an account for prepaid expenses that had a balance of \$10,900 that has not had activity in several years. We were advised that the balance relates to prepaid tuition for an education program which occurred in July, 2007 (fiscal 2008). During fiscal 2008, the prepaid expense should have been charged to a current year expense by journal entry.

We recommended that the Town correct this error in order to accurately report prepaid expenses and implement procedures to correct errors more timely in the future to produce more accurate financial information.

Current Status - Resolved

The Town corrected this error in fiscal year 2011.

Journal Entry Control

Prior Year Comment

During our prior year review of the Town's journal entries, we noted entries that lacked adequate authorizations. Journal entry authorizations provide a record that the support for the entry has been reviewed and approved.

We recommended that the Town take steps to insure that all journal entry adjustments made to the general ledger be properly authorized.

Current Status - Resolved

During journal entry transaction testing for fiscal year 2011 there were no journal entries observed that lacked adequate authorizations.

Commingling of Federal and State Grants

Prior Year Comment

During the prior year, we noted the Town accounted for federal grants and state grants within the same funds in the general ledger without designation as to which grants are federal and which are state. Since the Town is required to report federal expenditures separately, combining federal and state grants on the general ledger increases the risk that federal expenditures will not be identified. Additionally, the amount of audit testing done on federal expenditures is determined based on federal expenditures. The commingling of these funds makes the process of identifying and reporting federal grants cumbersome, makes the planning process for identifying major federal programs cumbersome, and puts the Town at risk of inaccurate financial reporting.

We have recommended that the Town implement a system to segregate federal and state grants in the general ledger.

Current Status - Resolved

The Town has implemented new funds that will allow for the separation of Federal and State funding for fiscal year 2012.

Current Year Comments

Invoice Receipt Procedures

Comment

During expenditure testing we noted a number of invoices lacked the required date and time stamp documenting the receipt of the invoice. The Town's policy to date and time stamp each invoice as it is received increases control over the processing of the invoices and the timely payment of bills.

Recommendation

We recommend the Town date and time stamp each invoice as it is received to record the receipt of the invoice as it begins the accounts payable process.

Management's Response

The Town of Nantucket agrees partially with the auditor's recommendation. The Town will implement an internal process to date stamp all invoices received at the department level; however, the Town doesn't see the value of a time stamp at this time.

Purchase Order Dates

Comment

During expenditure testing we noted that a number of purchase orders were dated past their corresponding invoice dates. Creating purchase orders after the invoice is received bypasses the Town's purchasing policies and defeats the control that a purchase order system is intended to provide.. Purchase orders play a primary role as they allow the Town to ensure that budgetary funds are available and that the purchase has been properly approved before funds are expended.

Recommendation

We recommend the Town implement a process to ensure that purchase orders are initiated prior to the procurement of goods and services.

Management's Response

The Town of Nantucket concurs with the finding. During testing, a Public Works and a School invoice were identified where the purchase order was created after the date of the invoice. Town, School, and Enterprise departments have received training regarding purchase orders since 2009. In Fiscal Year 2012, we will re-emphasize to all Town, School, and Enterprise Fund departments the importance of the compliance with the requisition and purchase order process.

Capital Assets Land Monitoring

Comment

During the current year audit the Town identified approximately \$1,200,000 of land that was sold in fiscal 2010 and never removed from the Town's capital assets records. This caused the land capital asset balance to be overstated in fiscal 2010, which required a restatement of the beginning land capital asset balance in fiscal 2011. We also noted that land was again sold in fiscal 2011 and the parcels were never reported on the Town's capital asset schedule.

Recommendation

We recommend that the Town implement policies and procedures for to provide better assurance that the Town owned land recorded in the Town's capital asset records is accurate and that land additions and deletions are properly recorded in the proper fiscal year.

Management's Response

The Town of Nantucket concurs with the recommendation. The increase in the activity of the Town's Yard Sale Program has resulted in having to develop a process to ensure that the unusual parcels and various land dispositions (such as "swaps") are correctly and accurately recorded in the Town's Fixed Asset Inventory in a timely manner. In Fiscal Year 2012, the Assistant Town Accountant, Chief Procurement Officer, and Planning Director have identified an internal process to mitigate, to the extent possible, the re-occurrence of this lapse in communication. The next step in Fiscal Year 2012 is to include quarterly reconciliations with the Assessor's records of Town owned land and document the process of reporting changes in Town land sales and acquisitions.

Prior Year County Comments

Escrow Accounts

Prior Year Comment

During the prior year audit of the County's cash balances it was noted that the County's general ledger included three escrow accounts that are not supported in the cash book or in bank accounts. We were advised by management that there is no known support for the creation of these escrow accounts and their purpose is unknown.

We recommended the County research the source for the creation of the escrow accounts and take action to remove them from the general ledger if their existence cannot be adequately supported.

Current Status - Resolved

During the fiscal year the County researched archived information relating to the creation of the escrow accounts and for those balances where existence could not be supported, the balances were removed from the general ledger. However, the reconciliation process revealed that an adjustment of \$171,000 was required to increase County cash in the escrow gift account on the general ledger due to a 2008 reclassification that was never recorded in the County's ledgers.

Current Year County Comments

Vendor and Payroll Accounts

Comment

During the audit of the County's cash it was noted that both payroll and vendor accounts were not maintained at a zero balance. Both accounts were reconciled at year end, however lump sum transfers were made at year end, rather than funding the exact amount of the warrants during the year. Maintaining zero balance accounts would help identify errors in the cashbook and or bank statements more timely. It would also reduce the amount of unnecessary transfers in and out of the accounts.

Recommendation

We recommend that the County maintain both payroll and vendor accounts at a zero balance and that the exact amount of the warrant be transferred rather than year end lump sum transfers.

Management's Response

The Town and County of Nantucket concur with the recommendation. The Treasurer of the Town and County of Nantucket has transferred exact amounts for the payroll and vendor accounts within the 1st and 2nd quarter of Fiscal Year 2012. The intent is to continue this practice going forward.

Unnecessary Bank Fees

Comment

The Town Treasurer maintains two County bank accounts that each receive bank charges of \$20 per month which has substantially reduced the balances in the accounts. During the fiscal year these accounts have been reduced from \$243 to \$23 and \$442 to \$222 due to bank charges when the only activity in these accounts is bank interest. Had the funds been transferred to a bank that does not charge fees for low balance accounts, the Town would have saved \$440 in bank fees over the current fiscal year.

Recommendation

We recommend the Town monitor the bank fees assessed and work to reduce the unnecessary fees paid on low balance accounts.

Management's Response

The Town and County of Nantucket concur with the recommendation. The Treasurer closed all of the accounts that were previously assessed the bank fees in October of 2011.

Prior Year Informational Comment

Government Accounting Standards Board (GASB) Statement #54

In February 2008, the GASB issued Statement #54, *Fund Balance Reporting and Government Fund Type Definitions*, which is required to be implemented in fiscal 2011. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classification that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classification that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds.

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered *nonspendable*, such a fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classification. In other fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

This Statement also provides guidance for classifying stabilization amount on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements.

The definitions of the general fund, special revenue fund types, capital projects fund types, and permanent fund types are clarified by the provision in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

We recommended that management begin to study and evaluate the impact of this GASB for financial statement reporting and disclosure purposes, and to formulate plans to be used in explaining these changes to interested parties within the Town and to the external users of the Town's financial statements.

Current Status - Resolved

The Town successfully implemented GASB Statement #54 in fiscal year 2011.

Personnel Spreadsheet

Nantucket Memorial Airport Enterprise Fund											
Full-time	Number of Positions in Department		0901-05485								
Part-time	0	34									
Seasonal	15										
Law Enforcement Officers, L.E.O.	2										
Temporary	0										
Vacancies	0										
New Positions Requested	0										
TOTAL OF ALL POSITIONS	57										
Name, Position	Job Code	Avg Hours Per Week	YE 2008	D.O.B.	Depends	Merit Awards	Sick Time Buyout	Comp Time Buyout	Longevity Pay	Other	Total by Employee
KUJAR, K. - MAINTENANCE	A40	40.00	M-3	10/06/08						\$ 1,887.60	\$ 1,887.60
KUJAR, G. - MAINTENANCE	A40	40.00	M-2	04/18/07						\$ 3,765.00	\$ 3,765.00
BELL, P. - ASST. TO FINANCE DIRECTOR	A07	35.00	NON-UNION	04/23/90						\$ 1,429.78	\$ 1,429.78
BLACKLEY, B. - OPERATIONS SUPV	A32	40.00	SUPR-1	03/22/00			\$ 1,386.00			\$ 4,946.78	\$ 4,946.78
CRONIN, D. - OPERATIONS OFFICE CLERK	A22	40.00	NON-UNION	11/15/99						\$ 1,521.00	\$ 1,521.00
DAVIS, J. - MAINTENANCE	A40	40.00	M-4	05/25/92				\$ 277.97		\$ 2,802.87	\$ 2,802.87
QUINN, M. - MAINTENANCE	A40	40.00	M-4	06/01/08							
FALCONE, A. - OPERATIONS	A40	40.00	OP-2	01/14/08							
EWYER, P. - MAINTENANCE	A40	40.00	M-4	04/10/00						\$ 1,265.00	\$ 1,265.00
GRANROSE, J. - MAINTENANCE	A40	40.00	M-1	08/02/86						\$ 3,574.00	\$ 3,574.00
HEWSON, P. - OPERATIONS SUPV	A32	40.00	SUPR-1	09/21/04						\$ 3,096.98	\$ 3,096.98
HEWITZ, L. - OPERATIONS OFFICE CLERK	A40	40.00	NON-UNION	05/03/01						\$ 2,028.00	\$ 2,028.00
HOLDGATE, R. - MAINTENANCE	A40	40.00	M-2	08/01/02						\$ 1,297.00	\$ 1,297.00
HUTTEN, K. - MAINTENANCE	A40	40.00	M-2	08/21/05						\$ 1,267.00	\$ 1,267.00
WONG, B. - OPERATIONS	A50	40.00	OP-2	07/10/99						\$ 1,897.00	\$ 1,897.00
LIBRO, L. - MAINTENANCE	A40	40.00	M-4	04/06/99						\$ 1,897.00	\$ 1,897.00
HARRIS, J. - AIRFIELD SUPERVISOR	A22	35.00	NON-UNION	11/11/06						\$ 4,206.60	\$ 4,206.60
MOONEY, T. - OPERATIONS	A30	40.00	OP-2	05/29/03			\$ 1,142.00			\$ 3,893.50	\$ 3,893.50
MUEHLER, T. - MAINTENANCE	A45	40.00	M-4	01/06/97						\$ 1,897.00	\$ 1,897.00
RELSON, S. - OPERATIONS	A30	40.00	OP-2	06/09/08							
OWEN, M. - MAINTENANCE	A40	40.00	M-2	09/08/96						\$ 1,048.00	\$ 1,048.00
PERDUE, J. - OFFICE ASST. TO DIR	A07	35.00	NON-UNION	10/22/04						\$ 1,288.48	\$ 1,288.48
PETERSON, A. - AIRPORT MANAGER	A01	35.00	CONTRACT	02/23/04	\$ 36,000.00					\$ 384.91	\$ 384.91
PINEDA, R. - MAINTENANCE	A40	40.00	M-4	10/02/02						\$ 396,000.00	\$ 396,000.00
SMITH, T. - DIRECTOR OF FINANCE	A05	35.00	NON-UNION	09/08/97						\$ 1,265.00	\$ 1,265.00
SMYLA, D. - ASST. AIRFIELD SUPERVISOR	A24	35.00	NON-UNION	01/03/99			\$ 1,340.72			\$ 5,778.00	\$ 5,778.00
TALWAN, R. - TERMINAL COORDINATOR	A35	35.00	NON-UNION	06/06/02						\$ 4,071.00	\$ 4,071.00
FAYORE, Y. - OFFICE MANAGER	A20	35.00	NON-UNION	04/20/09						\$ 1,801.00	\$ 1,801.00
TORRAY, J. - OPERATIONS	A30	40.00	OP-2	09/28/08							
TORRES, J. - ADMINISTRATIVE ASST.	A28	35.00	NON-UNION	08/03/04						\$ 161.00	\$ 161.00
TYLER, P. - OPERATIONS OFFICE CLERK	A32	40.00	NON-UNION	04/20/09							
WELLMAN, F. - OPERATIONS	A30	40.00	OP-2	07/22/04						\$ 6.57	\$ 6.57
WHEELER, J. - ENVIRONMENTAL COORDINATOR	A28	35.00	NON-UNION	05/06/02						\$ 1,778.00	\$ 1,778.00
					\$ 36,000.00		\$ 3,741.00	\$ 5,440.00	\$ 45,111.00	\$ 11,293.99	\$ 111,655.99
TOTAL STIPENDS										\$ 28,000.00	\$ 28,000.00
TOTAL BONUS										\$ -	\$ -
TOTAL SICK TIME BUYOUT										\$ 3,741	\$ 3,741
TOTAL COMP TIME BUYOUT										\$ 5,449	\$ 5,449
TOTAL LONGEVITY										\$ 45,111	\$ 45,111
TOTAL OTHER (LICENSE COMPENSATION)										\$ 11,294	\$ 11,294
TOTAL										\$ 107,859.98	\$ 107,859.98

Personnel Spreadsheet

Nantucket Memorial Airport Enterprise Fund																								
Number of Positions in Department																								
Full-time	Part-time	Seasonal	Temporary	Law Enforcement Officers L.E.O.	Variances	New Positions Requested	TOTAL OF ALL POSITIONS																	
34	0	15	3	0	0	0	52																	
ORD: 65442																								
Name, Position	Job Code	Avg Hours Per Week	YE 2009	D.O.E	Stipends	Merit Awards	Sick Time Buyout	Comp Time Buyout	Longevity Pay	Other	Total by Employee													
ADRIAN H. MAINTENANCE	M10	40.00	M-3	10/01/08																				
ALLEN G. MAINTENANCE	M10	40.00	M-2	04/18/00			\$ 1,336.53																	
BELL P. ASST. TO FINANCE DIRECTOR	M10	35.00	NON-UNION	04/23/90				\$ 3,078.72																
BROOKLYN B. OPERATIONS SUPV	M10	40.00	SUPR-1	03/22/00																				
BROOKS D. OPERATIONS OFFICE CLERK	M10	40.00	NON-UNION	11/15/99																				
DAVIS J. MAINTENANCE	M10	40.00	M-4	05/25/92																				
DUNHAM M. MAINTENANCE	M10	40.00	M-4	06/01/98																				
FALCONER A. OPERATIONS	M10	40.00	OP-2	07/14/08																				
FOWLER P. MAINTENANCE	M10	40.00	M-4	04/10/00																				
GRANDRODE J. MAINTENANCE	M10	40.00	M-1	08/02/88			\$ 1,444.00																	
HARRISON P. OPERATIONS SUPV	M10	40.00	SUPR-1	08/21/04																				
HEWITT L. OPERATIONS OFFICE CLERK	M10	40.00	NON-UNION	05/03/01																				
HODGATE R. MAINTENANCE	M10	40.00	M-2	06/01/02																				
KIEFFER K. MAINTENANCE	M10	40.00	M-2	08/21/06																				
KING B. OPERATIONS	M10	40.00	OP-2	07/10/99																				
LEBURD L. MAINTENANCE	M10	40.00	M-4	04/06/98																				
MARCK C. OPERATIONS OFFICE CLERK	M10	40.00	NON-UNION	11/11/06																				
MARSH J. AIRFIELD SUPERVISOR	M10	35.00	NON-UNION	02/28/94																				
MOONEY T. OPERATIONS	M10	40.00	OP-2	05/09/03																				
MUNIER T. MAINTENANCE	M10	40.00	M-4	01/06/97																				
NELSON S. OPERATIONS	M10	40.00	OP-2	06/09/08																				
ONEL M. MAINTENANCE	M10	40.00	M-2	09/03/98			\$ 1,272.00																	
PARTIDA J. OFFICE ASST. TO TERM	M10	35.00	NON-UNION	10/22/94																				
PETERSON A. AIRPORT MANAGER	M10	35.00	CONTRACT	02/23/04	\$ 38,000.00																			
PIRELLA N. MAINTENANCE	M10	40.00	M-4	10/02/02																				
SMITH T. DIRECTOR OF FINANCE	M10	35.00	NON-UNION	09/03/97																				
STANW D. ASST. AIRFIELD SUPERVISOR	M10	35.00	NON-UNION	01/03/89																				
TALLMAN R. TERMINAL COORDINATOR	M10	35.00	NON-UNION	05/06/02																				
TAYLOR Y. OFFICE MANAGER	M10	35.00	NON-UNION	04/20/99																				
TORRAY J. OPERATIONS	M10	40.00	OP-2	09/28/08																				
TOPPEL J. ADMINISTRATIVE ASST	M10	35.00	NON-UNION	08/03/04																				
TYLER P. OPERATIONS OFFICE CLERK	M10	40.00	NON-UNION	04/20/99																				
WELLINGTON F. OPERATIONS	M10	40.00	OP-2	07/22/04			\$ 1,098.00																	
WHEBER J. ENVIRONMENTAL COORDINATOR	M10	35.00	NON-UNION	05/06/02																				
					\$ 38,000.00		\$ 5,183.53	\$ 15,504.18	\$ 59,187.00	\$ 15,234.75	\$ 131,074.46													
<table border="0"> <tr> <td>TOTAL STIPENDS</td> <td>\$ 38,000</td> </tr> <tr> <td>TOTAL BONUS</td> <td>\$ -</td> </tr> <tr> <td>TOTAL SICK TIME BUYOUT</td> <td>\$ 5,119</td> </tr> <tr> <td>TOTAL COMP TIME BUYOUT</td> <td>\$ 15,534</td> </tr> <tr> <td>TOTAL LONGEVITY</td> <td>\$ 59,187</td> </tr> <tr> <td>TOTAL OTHER (LICENSE COMPENSATION)</td> <td>\$ 15,235</td> </tr> <tr> <td>TOTAL</td> <td>\$ 131,074.46</td> </tr> </table>											TOTAL STIPENDS	\$ 38,000	TOTAL BONUS	\$ -	TOTAL SICK TIME BUYOUT	\$ 5,119	TOTAL COMP TIME BUYOUT	\$ 15,534	TOTAL LONGEVITY	\$ 59,187	TOTAL OTHER (LICENSE COMPENSATION)	\$ 15,235	TOTAL	\$ 131,074.46
TOTAL STIPENDS	\$ 38,000																							
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Personnel Spreadsheet

Nantucket Memorial Airport Enterprise Fund																															
Number of Positions in Department																															
Full-time	Part-time	Seasonal	Law Enforcement Officers L.E.O.	Temporary	Vacancies	New Positions Requested	TOTAL OF ALL POSITIONS																								
34	0	16	3	0	0	0	52																								
Name, Position	Job Code	Avg Hours Per Week	YE 2011	D.O.E.	Stipends	Ment Awards	Sick Time Buyout	Comp Time Buyout	Longevity Pay	Other	Total by Employee																				
AGUIAR M. - MAINTENANCE	A40	40.00	M-1	10/06/08																											
ALLEN G. - MAINTENANCE	A40	40.00	M-2	04/18/00			\$ 1,319.84		\$ 2,044.00	\$ 3,407.04	\$ 8,226.00																				
BELL P. - ASST TO FINANCE DIRECTOR	A40	34.00	NON-UNION	04/23/99		\$ 2,500.00			\$ 4,075.00	\$ 4,894.00	\$ 12,209.00																				
BUCKLEY B. - OPERATIONS SUPV	A42	40.00	SUPR-1	03/22/00			\$ 1,488.00		\$ 2,221.00	\$ 1,547.52	\$ 5,356.52																				
CRONIN D. - OPERATIONS OFFICE CLERK	A40	40.00	NON-UNION	11/15/98		\$ 2,500.00			\$ 1,576.00	\$ 2,459.00	\$ 6,534.00																				
DAVIS J. - MAINTENANCE	A40	40.00	M-4	05/25/92					\$ 2,689.00		\$ 2,689.00																				
DUNHAM K. - MAINTENANCE	A40	40.00	M-4	05/01/99																											
FALCONER A. - OPERATIONS	A40	40.00	OPS-2	07/14/99																											
FOYER P. - MAINTENANCE	A40	40.00	M-4	04/10/00					\$ 1,940.00	\$ 1,329.12	\$ 3,269.12																				
GRAYSON J. - MAINTENANCE	A40	40.00	M-1	08/02/88			\$ 1,449.00		\$ 3,869.00	\$ 1,547.52	\$ 6,904.52																				
HARRISON P. - OPERATIONS SUPV	A42	40.00	SUPR-1	09/21/04			\$ 1,473.00		\$ 1,469.00	\$ 3,791.84	\$ 6,734.84																				
HENTZ L. - OPERATIONS OFFICE CLERK	A40	40.00	NON-UNION	05/03/07					\$ 2,110.00		\$ 2,110.00																				
HODGKIE R. - MAINTENANCE	A40	40.00	M-2	06/01/02					\$ 1,362.00		\$ 1,362.00																				
HOPPER K. - MAINTENANCE	A40	40.00	M-2	08/21/06																											
KING B. - OPERATIONS	A40	40.00	OPS-2	07/10/99					\$ 2,044.00		\$ 2,044.00																				
L. GARD L. - MAINTENANCE	A40	40.00	M-4	04/06/98					\$ 1,994.00		\$ 1,994.00																				
MARCK C. - OPERATIONS OFFICE CLERK	A42	36.00	NON-UNION	02/18/94																											
MCCREY J. - AIRFIELD SUPERVISOR	A40	40.00	OPS-2	05/09/03				\$ 7,099.00	\$ 4,602.00	\$ 1,301.57	\$ 11,997.00																				
MCCOY T. - OPERATIONS	A40	40.00	M-4	01/05/97					\$ 1,994.00		\$ 1,994.00																				
MILLER T. - MAINTENANCE	A40	40.00	OPS-2	06/09/06																											
NELSON S. - OPERATIONS	A40	40.00	M-2	09/08/98			\$ 1,307.00		\$ 2,044.00	\$ 1,302.89	\$ 4,713.89																				
ORTEL W. - MAINTENANCE	A40	40.00	NON-UNION	10/22/04					\$ 1,994.00		\$ 1,994.00																				
PARTIDA J. - OFFICE ASST. TO TERM	A41	35.00	CONTRACT	02/23/04	\$ 24,000.00				\$ 2,821.00		\$ 26,821.00																				
PETERSON A. - AIRPORT MANAGER	A40	40.00	M-1	10/02/02					\$ 1,291.00		\$ 1,291.00																				
PRINCE N. - MAINTENANCE	A40	36.00	NON-UNION	09/08/87					\$ 2,832.00	\$ 6,293.00	\$ 9,125.00																				
SMITH T. - DIRECTOR OF FINANCE	A40	35.00	NON-UNION	01/03/89					\$ 7,380.00	\$ 5,218.00	\$ 12,598.00																				
STIVA D. - ASST AIRFIELD SUPERVISOR	A40	35.00	NON-UNION	05/06/02					\$ 2,882.00	\$ 1,873.00	\$ 4,755.00																				
TALLMAN R. - TERMINAL COORDINATOR	A40	34.00	NON-UNION	04/20/09					\$ 1,065.00	\$ 1,157.00	\$ 2,222.00																				
TAYLOR V. - OFFICE MANAGER	A40	40.00	OPS-2	08/28/08																											
TORRAN J. - OPERATIONS	A40	36.00	NON-UNION	08/03/04		\$ 3,000.00			\$ 3,194.00	\$ 1,980.00	\$ 8,036.00																				
TORRES J. - ADMINISTRATIVE ASST.	A40	40.00	NON-UNION	04/20/05					\$ 930.00		\$ 930.00																				
TYLER P. - OPERATIONS OFFICE CLERK	A40	40.00	OPS-2	07/22/04					\$ 1,284.00	\$ 1,335.35	\$ 2,619.35																				
WELINGTON F. - OPERATIONS	A40	35.00	NON-UNION	05/06/02					\$ 2,773.00		\$ 2,773.00																				
WHEELER J. - ENVIRONMENTAL COORDINATOR	A40	35.00	NON-UNION	05/06/02		\$ 2,500.00					\$ 2,500.00																				
WINDLER P. - TEMPORARY					\$ 24,000.00	\$ 10,500.00	\$ 7,481.68	\$ 34,930.00	\$ 64,495.00	\$ 15,952.78	\$ 156,029.64																				
<table border="0"> <tr> <td>TOTAL STIPENDS</td> <td>\$</td> <td>24,000.00</td> </tr> <tr> <td>TOTAL BONUS</td> <td>\$</td> <td>10,500.00</td> </tr> <tr> <td>TOTAL SICK TIME BUYOUT</td> <td>\$</td> <td>7,481.68</td> </tr> <tr> <td>TOTAL COMP TIME BUYOUT</td> <td>\$</td> <td>34,930.00</td> </tr> <tr> <td>TOTAL LONGEVITY</td> <td>\$</td> <td>64,495.00</td> </tr> <tr> <td>TOTAL OTHER (LICENSE COMPENSATION)</td> <td>\$</td> <td>15,952.78</td> </tr> <tr> <td>TOTAL</td> <td>\$</td> <td>156,029.64</td> </tr> </table>											TOTAL STIPENDS	\$	24,000.00	TOTAL BONUS	\$	10,500.00	TOTAL SICK TIME BUYOUT	\$	7,481.68	TOTAL COMP TIME BUYOUT	\$	34,930.00	TOTAL LONGEVITY	\$	64,495.00	TOTAL OTHER (LICENSE COMPENSATION)	\$	15,952.78	TOTAL	\$	156,029.64
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ALFRED G. PETERSON

22 FAIR STREET, NANTUCKET, MA 02554

September 27, 2009

Mr. Jeffrey Lynch, President
Enterprise Equipment Company, Inc.
276 Libby Industrial Parkway
East Weymouth, MA 02189

Dear Jeff,

First I want to thank you for the offer of the box tickets for the Red Sox game on September 12th. The airport employees who attended were treated to a great experience.

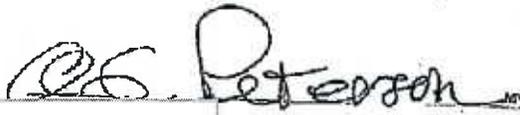
I am sending you my personal check for \$2,400.00 that represents fifty percent of the value and will forward the balance over the next few months so that the full amount of \$4,800.00 is reimbursed for the tickets, based on the amounts you had given me of their value. This I am advised will keep this from being interpreted as a gift under the state's ethics rules.

I should have been more aware of the potential of this being an issue even though the offer and the receipt were in good faith as simply tickets that were going unused and the hope that our employees would enjoy the opportunity. Nevertheless, this is the appropriate way to handle the situation.

Thanks again.

Sincerely,



ALFRED G. PETERSON JACQUELINE F. PETERSON 22 FAIR STREET PH. 508-228-6362 NANTUCKET, MA 02554		SS-7013/2113 880205627	2845
DATE <u>9-27-09</u>			
PAY TO THE ORDER OF <u>ENTERPRISE EQUIPMENT CO.</u>		\$ <u>2400.00</u>	
<u>TWO THOUSAND FOUR HUNDRED</u>		DOLLARS	
MEMO			

ALFRED G. PETERSON

22 FAIR STRI

December 30, 2009

Mr. Jeffrey Lynch, President
Enterprise Equipment Company, Inc.
276 Libby Industrial Parkway
East Weymouth, MA 02189

Dear Jeff,

Happy New Year!

Please find enclosed the second check of \$2,400.00 to complete my agreed upon payment for the baseball tickets that created such a huge issue. I thank you for the offer and I can assure you that the airport personnel who participated had a unique and very memorable time.

I wish you and your family the best for 2010 and I hope your company continues on the successful road that it is on. Thank you again!

Best regards.

Sincerely,



ALFRED G. PETERSON
JACQUELINE F. PETERSON
22 FAIR STREET PH: 508-228-6362
NANTUCKET, MA: 02554

63-7013/2113
080205827

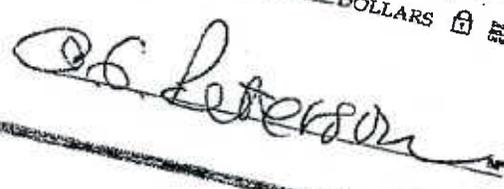
DATE 12-30-09 3151

PAY TO THE ORDER OF ENTERPRISE EQUIPMENT CO. \$2,400.00

Two Thousand Four Hundred DOLLARS

 Nantucket Bank
a division of Sovereign Bank

MEMO _____



Thank you for your comments.

AI

-----Original Message-----

From: Libby Gibson [mailto:LGibson@nantucket-ma.gov]
Sent: Tuesday, August 16, 2011 8:40 AM
To: 'Al Peterson'
Cc: Irene Lynch-Larivee
Subject: RE: warrant
Importance: High

Al, I have to tell you this is an amazingly inappropriate email. If you have a problem with something a member of the Finance Dept has done, you talk to Irene or me, please. Peggy is doing her JOB and we very much appreciate her attention to detail. Frankly, I would think that with everything that is going on with the Airport you would be striving to be as cooperative as possible rather than the opposite. Certain bills that have previously been "reviewed and authorized" by you have been deemed to be illegal. You might want to think about why there is extra scrutiny over airport expenditures.

C. Elizabeth Gibson
Town Manager
Town of Nantucket
(508) 228-7255

-----Original Message-----

From: Al Peterson [mailto:apeterson@nantucketairport.com]
Sent: Tuesday, August 16, 2011 8:28 AM
To: 'Peggy Altreuter'
Cc: Libby Gibson; Irene Lynch-Larivee; Tina Smith; 'janine torres'
Subject: FW: warrant

Peggy,

I do not know you but I understand that you have recently joined the finance department.

I hope you review this objectively and observe the ridiculousness on your comments. If you do not recognize them I would be surprised. These are paid from the Airport enterprise account and have been reviewed and authorized.

I do not expect that your are an expert on flag pole height so why waste everyone's time.

Are clothes pins and salt and pepper shakers an area of your expertise?

I agree on the sales tax/.

The \$33 dollar charge is for a change of tickets required for me to return on Sunday instead of Monday for business reasons.

The bag charge was business related travel and I ok'd it.

The Astronaut Charlie Duke posters were for a speaking event at the airport held on July 6th. It was in the papers!

We forward the ads as we receive them and I understand the paper is returning the whole page.

The Wall Street Journal does not send receipts and it takes weeks to get one.

Our American Express Card needs to be paid promptly and we try to give you complete information. I hope that this is addressed in that manner.

I understand the finance department cannot access munis for a week....

Al Peterson
Airport Manager

-----Original Message-----

From: Tina Smith [mailto:tsmith@nantucketairport.com]

Sent: Monday, August 15, 2011 8:48 AM

To: 'Al Peterson'

Subject: FW: warrant

Diane O'Neil

From: Diane O'Neil
Sent: Wednesday, June 15, 2011 11:52 AM
To: 'O'Donnell, Brian (AGO)'
Subject: FW: memo

*Diane A. O'Neil
Project Manager/CPO
Town of Nantucket
16 Broad Street
Nantucket, MA 02554
508-228-7256 phone
508-228-7272 fax*

From: Al Peterson [mailto:apeterson@nantucketairport.com]
Sent: Tuesday, May 03, 2011 12:11 PM
To: 'John Giorgio'
Cc: Tina Smith; jtorres@nantucketairport.com; Libby Gibson; Diane O'Neil; rdickenson@nantucket-ma.gov; Irene Lynch-Larivee; 'Leonard Kopelman'
Subject: RE: memo

John,

Thank you for the dissertation on Purchasing. I hope this is on the Town's nickel.

I respect the rules of Mass. Law and the purchasing requirements for bidding under 30B and we are careful in conforming. However, there are some jobs that are simply done on a time and materials basis, these require supervision and accountability. These three invoices fall into that category. We had a service agreement with Signet the pre-existed their DCAM situation and the Attorney General had advised that as long as no new projects were started with them it could continue.

Bernie Walsh was the local electrical contractor that the Town uses and has done all the work at the airport for many years, long before I got here. I know the police department uses him also. The work covered by this invoice was for over three months of effort and well above our anticipated cost due to the complications of old wires failing and a whole new circuit needed to be installed due to the building move.

The Fuel farm project was again a timing issue where it needed specific explosive proof conduits to be rerouted and extended to a temporary location for the building move. This was difficult to bid and was aviation fuel related.

We will institute the procurement contractual process as you recommend. Most of our services through the airport engineering and fuel are covered by contracts. As far as my intuitional controls are concerned I approve all purchases over \$500.00 and they must be justified prior to issuing a P.O.. We had this system in place prior to the Town adopting it. We prefer to have the department heads involved in purchasing simply because we have specific technical applications that must be met and some of the issues are best handled by the people responsible. There is often a time issue when we need replacement parts quickly and our direct action without phone messages works.

8/22/2011

We further source from the State contract program for purchases that are not specifically bid.

I hope this helps clarify my position and hopefully will allow the Town Accountant to process these invoices.

I am happy to discuss any of the specifics with you.