

NANTUCKET MEMORIAL AIRPORT COMMISSION

January 14, 2014

AGENDA

1. Executive Session – G.L. c.30A, §21(a)
 - a. Clause 3: To conduct strategy session with respect to collective bargaining where if held in Open Session, may have a detrimental effect on the bargaining position of the Airport Commission, and
 - b. Clause 3 and 6: To consider the purchase, exchange, lease or value of real property and to discuss pending litigation to Gatto v. Town. The Chair has determined that an open session may have a detrimental effect on the negotiating and/or litigation position of the Airport Commission, and
 - c. Clause 3: To discuss strategy with respect to pending litigation on a personnel matter. The Chair has determined that an Open Session may have a detrimental effect on the litigation position of the Commission, and
 - d. Review ES minutes of 8/28/12, 9/18/12, 12/4/12, 12/11/12, 2/26/13, 4/23/13, 5/28/13, 8/27/13, 9/10/13, 9/24/13, 10/8/13, 10/22/13 and 11/12/13 for possible release; and 12/10/13 for review and possible release, and
 - e. Clause 3: To discuss strategy with respect to threatened litigation with respect to the completion of the GA Building. The Chair has determined that an open session may have a detrimental effect on the litigation position of the Airport Commission.
2. Open Session - Review and Approve:
 - a. Agenda
 - b. 11/26/13 Minutes
 - c. 12/10/13 Minutes
 - d. Ratify 12/18/13 Warrant
 - e. Ratify 1/8/14 Warrant
3. Public Comment
4. Pending Leases/Contracts as Set Forth on Exhibit 1, Which Exhibit is Herein Incorporated by Reference
5. Pending Matters
 - a. **021213-2** Air Traffic Control Tower (ATCT) Rehabilitation
 - i) RFQ Status
 - ii) Flat roof building
 - iii) Reimbursable Agreement for Preliminary Design Services – Temporary ATCT
 - b. **062513-3** Noise Abatement
 - c. **070913-1** TON Memorandum of Understanding (MOU) Update
 - d. **112613-1** Windmill Car Rental Parking Permit Status

Public Safety Facility

1st Floor Meeting Room

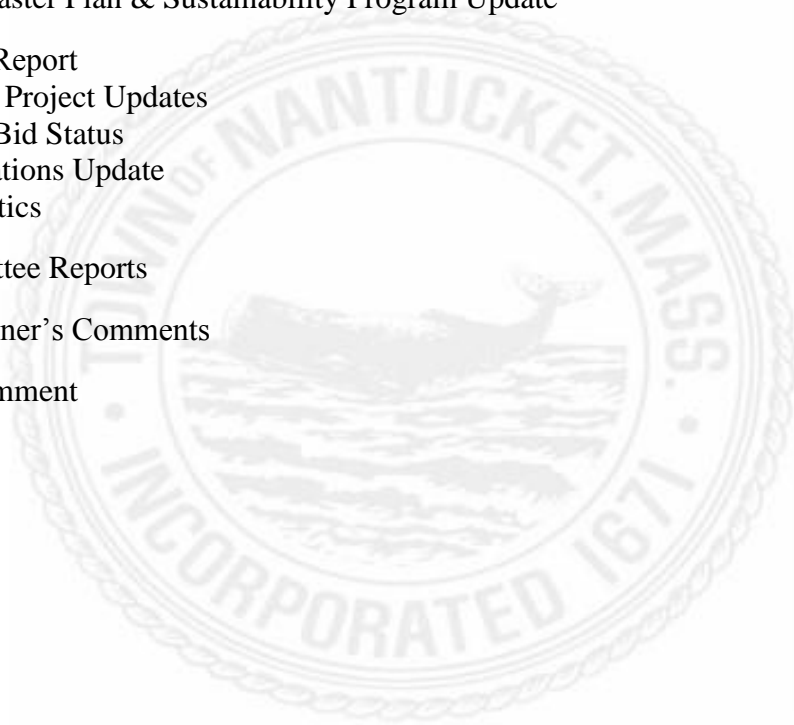
4 Fairgrounds Road

4:00 PM

NANTUCKET MEMORIAL AIRPORT COMMISSION
January 14, 2014

AGENDA

6. Finance
 - a. **111213-2** Fuel Revolver
 - b. **100813-1** FY2015 Budget Revision
 - c. **011414-1** Audit Management Letter
 - d. **011414-2** FY14 Quarterly Update
 - e. **011414-3** Recap of 1/7/14 FinCom Meeting
 - f. **011414-4** Warrant Approval Procedure Change
7. **022613-2** Master Plan & Sustainability Program Update
8. Manager's Report
 - a. Other Project Updates
 - b. RFP/Bid Status
 - c. Operations Update
 - d. Statistics
9. Sub-Committee Reports
10. Commissioner's Comments
11. Public Comment



Town of Nantucket
NANTUCKET MEMORIAL AIRPORT

14 Airport Road
Nantucket Island, Massachusetts 02554

Thomas M. Rafter, A.A.E., Airport Manager
Phone: (508) 325-5300
Fax: (508) 325-5306



Commissioners
Daniel W. Drake, Chairman
Arthur D. Gasbarro, Vice Chair
David C. Gray, Sr.
Andrea N. Planzer
Jeannette D. Topham

DRAFT

AIRPORT COMMISSION MEETING

November 26, 2013

The meeting was called to order 5:04 PM by Chairman Daniel W. Drake with the following Commissioners present, Vice Chair Arthur D. Gasbarro and Andrea N. Planzer.

Commissioner David C. Gray, Sr. and Jeanette D. Topham were absent.

The meeting took place in the 1st Floor meeting room at the Public Safety Facility, 4 Fairgrounds Rd.

Airport employees present were Ashley Christ, Business Manager and Janine Torres, Office Manager.

Thomas M. Rafter, Airport Manager was connected to the meeting by telephone.

Mr. Drake asked for comments on the Agenda. Hearing none, the Agenda was approved.

Ms. Planzer made a **Motion** to approve the 10/30/13 Minutes. **Second** by Mr. Gasbarro and **Passed** Unanimously.

The 11/12/13 minutes were tabled having just received them.

Mr. Gasbarro made a **Motion** to ratify the 11/20/13 Warrant. **Second** by Ms. Planzer and **Passed** Unanimously.

Public Comment

None.

Pending Leases & Contracts

Mr. Drake requested discussing the **GJ Smith, Inc.** Lease first with no objection. A draft Lease was presented with several changes requested by the prospected tenant. Mr. Drake asked Mr. Smith to review his requested changes. Mr. Smith introduced Rod Allred who introduced himself as Mr. Smith's business partner. Mr. Smith and Mr. Allred reviewed the proposed major changes to the standard Airport Lease as well as present several questions:

- Replace the annual CPI-W adjustment with an annual 3% increase for the first five year term with a fair market rental value appraisal to determine the base rent on every five year anniversary.
- Would the effective date of the Lease constitute when lease payments begin? Mr. Drake thought it would unless otherwise agreed upon and specified in the Lease. Mr. Allred explained the time to obtain the design and necessary permit to bring utilities to the lot is the main reason he is asking.
- Would the Commission consider some type of reimbursement agreement for the cost of bringing the utilities either as others may wish to connect or at the termination of the Lease?
- Clarification of the last paragraph of Section 7.1 regarding structural improvements to which Mr. Drake noted the lawyers can discussed as this is not related to any Commission Policy.
- Section 10.3 indicates the tenant is responsible for an environmental site assessment at the beginning and end of the Lease. Would the Commission consider covering the expense of the initial assessment? Ms. Torres remarked the Airport had assessments done on all the parcels that were included in the RFP process.

Mr. Drake asked Mr. Smith to talk about the planned use of the lot due to the significant change in the proposed use. Mr. Allred agreed there have been some changes since the Lease was first drafted and noted the currently proposed use would be strictly a self-storage facility.

Conceptual sketches were reviewed. Mr. Allred pointed out the height proposed is approximately 28.6 feet with approximately 314 units.

Mr. Drake noted the initial term was also asked to be modified from 5 years with up to five 5-year extensions to a 15 year term with one 15-year renewal term. Mr. Allred concurred it would be better for investment purposes but was not a crucial element.

Mr. Rafter remarked his concern over changing the CPI adjustment would hinder the attempt towards consistency. He added the need to confer with Town Counsel as to whether they could as to maintain “Fair & Equitable” terms among all tenants.

Mr. Rafter suggests seeing the proposed layout for the utilities are before commenting on any provisions for reimbursement.

Mr. Allred asked if the Airport would remove the piles of dirt on the lot as to it may have some value. Mr. Rafter pointed out it would be considered but the lot was advertised on an “as is” basis.

Mr. Gasbarro asked about the permitting process remarking this use may require its own Major Commercial Development (MCD) Permit, not a modification to the existing Airport MDC. This permitting process will require engineered drawings which will assist in answering other questions. Mr. Allred reported meeting with Ms. Woodson and the Planning Department and have reviewed all these concerns.

Mr. Gasbarro also commented on whether this use is something the Commission wants noting the increased traffic, the buildings themselves and added liability.

Mr. Smith read the ruling from the Planning Board. “The property is within the commercial industrial district and the use requested above is now allowed by right and is appropriate for the area.” Mr. Rafter asked if the Planning Board was presented the same information as the Commission. Mr. Smith answered no. The original proposal presented to the Planning Board was

a 30 foot building, 120' x 70' hoop structure building with separate metal storage structures added as cash flow allowed. Mr. Drake and Mr. Rafter both noted the proposal submitted in response to the RFP was for landscaping business operations and a side business of storage. Mr. Smith indicated the building on the property was never intended to be used for landscaping.

Mr. Drake added his personal reactions to the questions brought forward:

- CPI - If the Commission decides to alter from the annual CPI adjustments, the rate should be higher than the average
- Reimbursement for utilities – while agreeing of adding long term value, the 30 year maximum lease term utilizes the useful life of those utilities and therefore would say no.
- Acknowledged he's not familiar with how leases work when there is a development in process, but is concerned that six months have passed since the proposal was submitted and there is still no lease.
- While the use is different than what was originally proposed, if a storage facility fits within the realm of the Planning Department and zoning, is okay with having on Airport property.
- Would suggest a higher amount for the restoration bond.

Mr. Drake suggests the next step is to talk with Counsel about the proposed changes as well as obtain some real estate expertise on what is customary under development.

Mr. Gasbarro added with so many potential users, we need to have strong conditions on how the property is managed and be clear on responsibilities.

Other pending Contracts were reviewed:

- A no-cost amendment to the **Robert H. Lord Inc.** contract to purchase furniture for the GA/Admin building to extend the expiration date from August 31, 2013 to December 31, 2013 to allow for the delayed delivery. **Motion** to approve by Mr. Gasbarro. **Second** by Ms. Planzer and **Passed** unanimously.
- **Burke & Lamb, PC** - \$15,000 contract for general accounting consulting, expiring 6/30/14. **Motion** to approve as presented by Ms. Planzer, **Second** by Mr. Gasbarro and **Passed** unanimously.
- **Team Eagle** – a \$5,300 contract to supply and deliver sweeper broom and fire truck turret parts, expiring 6/30/14. **Motion** to approve as presented by Mr. Gasbarro. **Second** by Ms. Planzer and **Passed** unanimously.

Pending Matters

120412-3 Existing Bunker Lease Review – Mr. Rafter reported the tenant, Atlantic Aeolus has acknowledged receipt of the Amendment and a meeting is being scheduled to meet with the tenant.

021213-2 Air Traffic Control Tower (ATCT) – Mr. Rafter reported a meeting was held at which the FAA verified \$4.1 million in funds is available. Further verification is needed to find out if the Airport will be required to front the money. The Airport is waiting for Town Counsel's opinion on whether we must put out an RFP for design and construction services. Mr. Drake added the FAA indicated their preference for using Jacobs who provided the original scope of work analysis. Mr. Drake noted the estimated cost indicated in the scope appears to be \$1.4 million but consensus indicates that may not be the entire project. Mr. Rafter time is of the essence should we have to go out to bid due to the expiration of the funds.

062513-3 Noise Abatement – Mr. Rafter indicated nothing to report.

070913-1 TON Memorandum of Understanding (MOU) – Mr. Rafter indicated nothing to report.

112613-1 Windmill Car Rental Parking Permit Status – Mr. Drake explained a Public Hearing took place at the Board of Selectman (BOS) meeting last week regarding the application for a Public Parking License by Windmill Car Rental. Mr. Gasbarro represented the Airport at the Hearing and expressed his displeasure at Town Counsel who was in attendance, but refused to represent the Airport, instead drafted a letter which Mr. Gasbarro signed. Mr. Gasbarro presented the Airport's case of opposing the license due to direct competition with the Airport. Mr. Gasbarro reported the BOS deferred the decision after a motion to approve was made but did not gather a second. The BOS did vote to close the Public Hearing portion eliminating the chance to comment further at the next meeting.

Discussion moved to the possible need of separate Counsel having this being the second instance of a conflict of interest between Town Departments for Kopelman & Paige. Mr. Drake feels strongly we should have other Counsel on standby. In response to Ms. Planzer's question, Mr. Drake explained the first instance occurred when to MOU between the BOS and Commission was signed over the procurement issues. When separate Counsel was suggested then, the Commission was told that would require the approval of the BOS. Mr. Drake suggested that the Grant Assurances might overrule that opinion.

Finance

111213-2 Kopelman & Paige Fuel Revolver Opinion – Mr. Drake referencing the email string messages contained in the meeting packet, reported a meeting is being scheduled for December 3rd with the Town Manager, the Finance Dept., Town Counsel and the Airport to discuss the open issue of the handling of surplus funds pertaining the Fuel Revolver (FR) and prepare for what is needed for Annual Town Meeting including seed money for beginning of the fiscal year.

100813-1 FY2015 Budget Update – Mr. Drake announced the deadline for the budget has been extended to December 11th. And will hopefully have the answer to the FR excess funds in time to vote on the budget at the next Commission meeting. Mr. Drake added the budget in this packet does not have any changes from the previous meeting.

Vote to Repay Reserve Fund for FY13 Transfer of \$90K for TW Connector Project – Mr. Drake reminded the Commission the \$90K was borrowed from the Reserve Fund to cover the design contract on TW Juliet project. The FAA Reimbursement for that project has been received and therefore can be repaid. Mr. Gasbarro made a **Motion** to reimburse the Town Reserve Fund \$90K from the Airport Capital Account, 55485-94103, for the TW Connector Project. **Second** by Ms. Planzer and **Passed** unanimously.

022613-2 Master Plan & Sustainability Program Update – Mr. Rafter reported work is continuing of the financial component as well as the inventory and the document on forecasts is being reviewed. Ms. Torres was asked to forward the comments from the first Advisory Group meeting. Mr. Gasbarro remarked he hoped information on completed tasks would be received in a timely manner.

GA/Administration Building

Mr. Drake announced the Certificate of Occupancy (CO) was received yesterday signifying, in essence, substantial completion. Mr. Drake added both Mr. Rafter and Mr. McGuire are out of Town and will then respond to Fasanno, Acchione's inquiry on occupancy next week.

Manager's Report

Project Updates

Mr. Rafter reported:

- The Runway 6 PAPI installation is scheduled for the week of December 2nd.
- Still waiting to hear when Runway 33 REIL and PAPI work will begin.
- Held a conference call with the PFC Consultant to finalize the presentation to the User's meeting scheduled for December 3rd. This will open up the 30 day comment period from the users.

RFP/Bid Status

- We received some questions pertaining to the Fuel RFP and will be answering those via addendum this week.
- The Engineering RFQ has been submitted to the Procurement Office for review.
- We will be advertising an RFP for the ATM spaces next. The first step is to obtain an appraisal.

Operations

- Still waiting to for paperwork required to move forward with the Assignment of the Taylor Hangar.

Staff Update

- John Grangrade has accepted the Maintenance Superintendent position.

Mr. Drake reported the Statistics for October were included in the packets. Operations for the month of October are up 6% over last year with the most increase being the air taxis. Enplanements are also up slightly over last year.

Discussion moved to upcoming stroll weekend as well as the recent C17 fuel purchase which led Mr. Drake to ask for Fuel Sales to be included in the statistics report going forward.

Sub-Committee Reports

None.

Commissioner's Comments

Mr. Drake, on behalf of the entire Commission, extends deepest sympathy to Mrs. Topham and wish Mr. Gray a speedy recovery.

Public Comment

None.

Mr. Drake announced there is no need for an Executive Session.

Mr. Gasbarro made a **Motion** to adjourn. **Second** by Ms. Planzer and **Passed** unanimously.

Meeting adjourned at 6:04 p.m.

Respectfully submitted,

Janine M. Torres, Recorder

Master List of Documents

11/26/13 Agenda including Exhibit 1

10/30/13 Draft Minutes

11/12/13 Draft Minutes

Draft G.J. Smith Inc. Lease with Redline Markups

G.J. Smith Inc. Lease Requested Changes and Comments dated 11/20/13

HDC Notice of HDC Application for 64 Bunker Road (Smith)

Conceptual Sketches of Storage Facility (Smith)

Robert H. Lord Contract Amendment #1

Burke & Lamb PC Contract

Team Eagle Contract

11/20/13 Letter to BOS from A. Gasbarro re: Windmill Parking License (includes 1994 Special Permit, 2005 Restriction, 6/13/13 Zoning Board of Appeals Minutes)

10/22/13, 11/4/13, 11/5/13& 11/19/13 email string between J. Giorgio and D. Drake re Fuel Revolver

FY2015 Draft Budget

3/5/13 Request for Transfer from Reserve Fund to Airport Operating Budget for \$90K

Jacobs Master Plan Progress Report 9/28/13 – 10/25/13

October Statistics

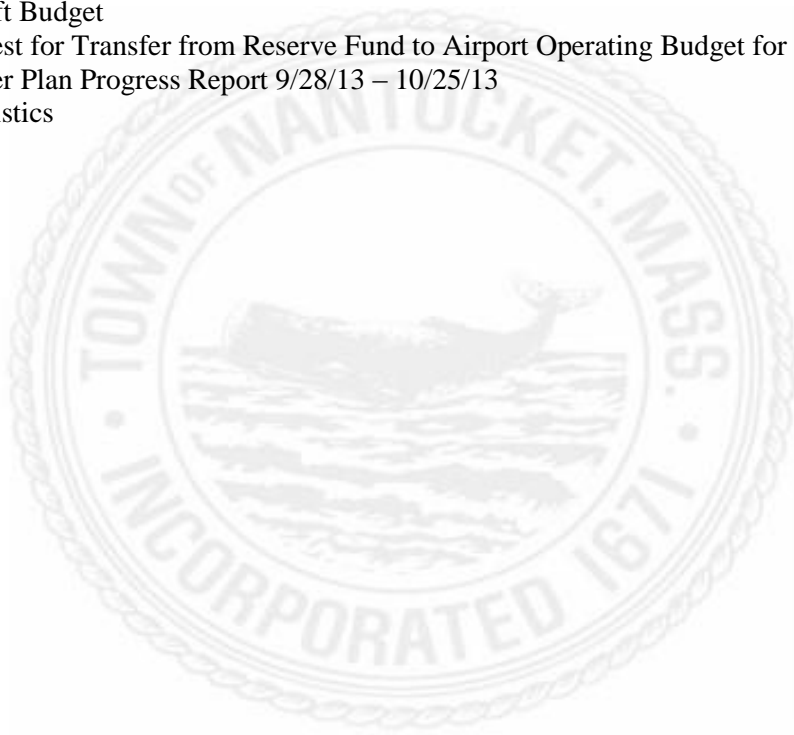
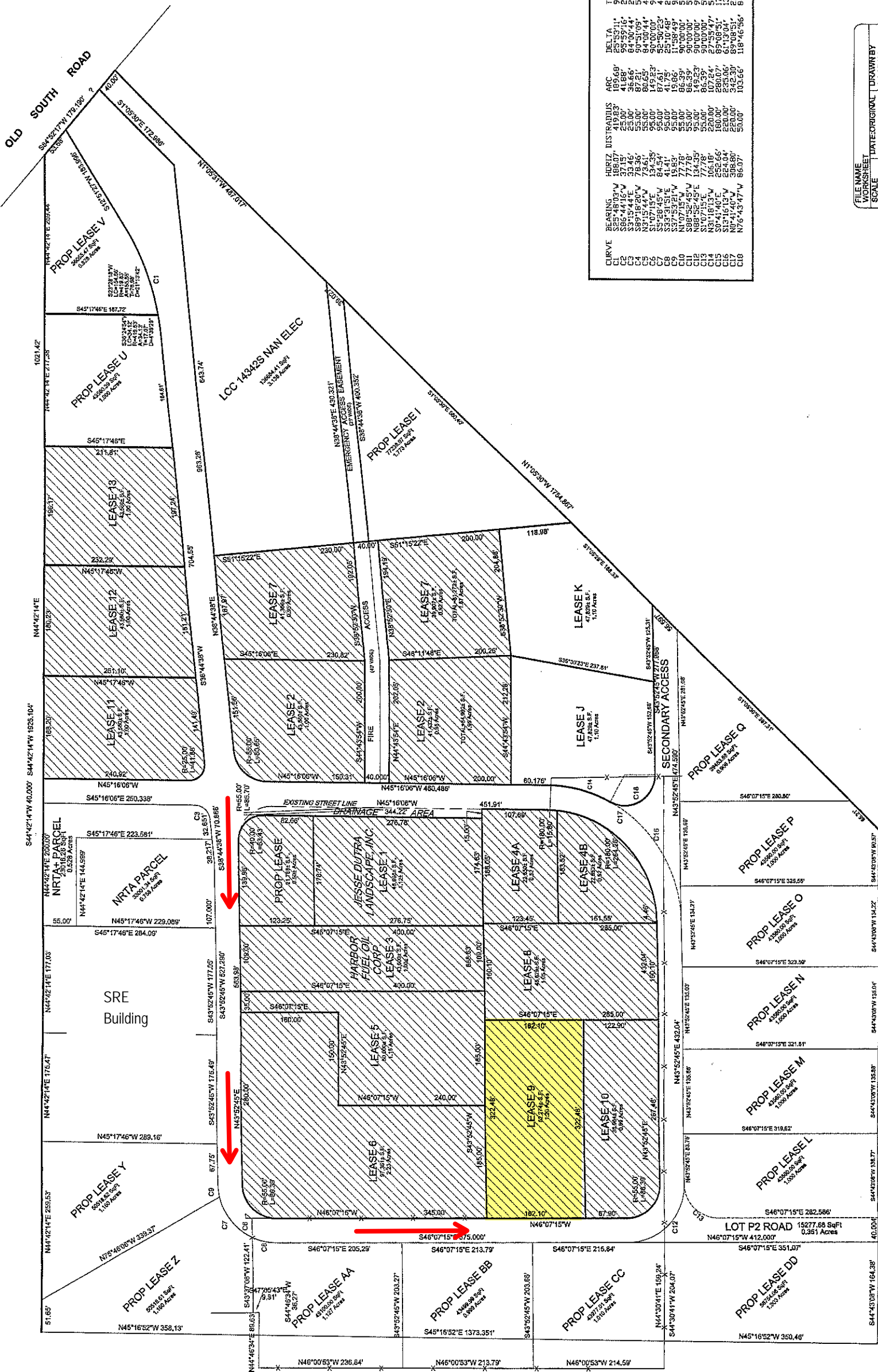
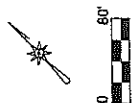


EXHIBIT 1
PENDING LEASES/CONTRACTS/AGREEMENTS
January 14, 2014

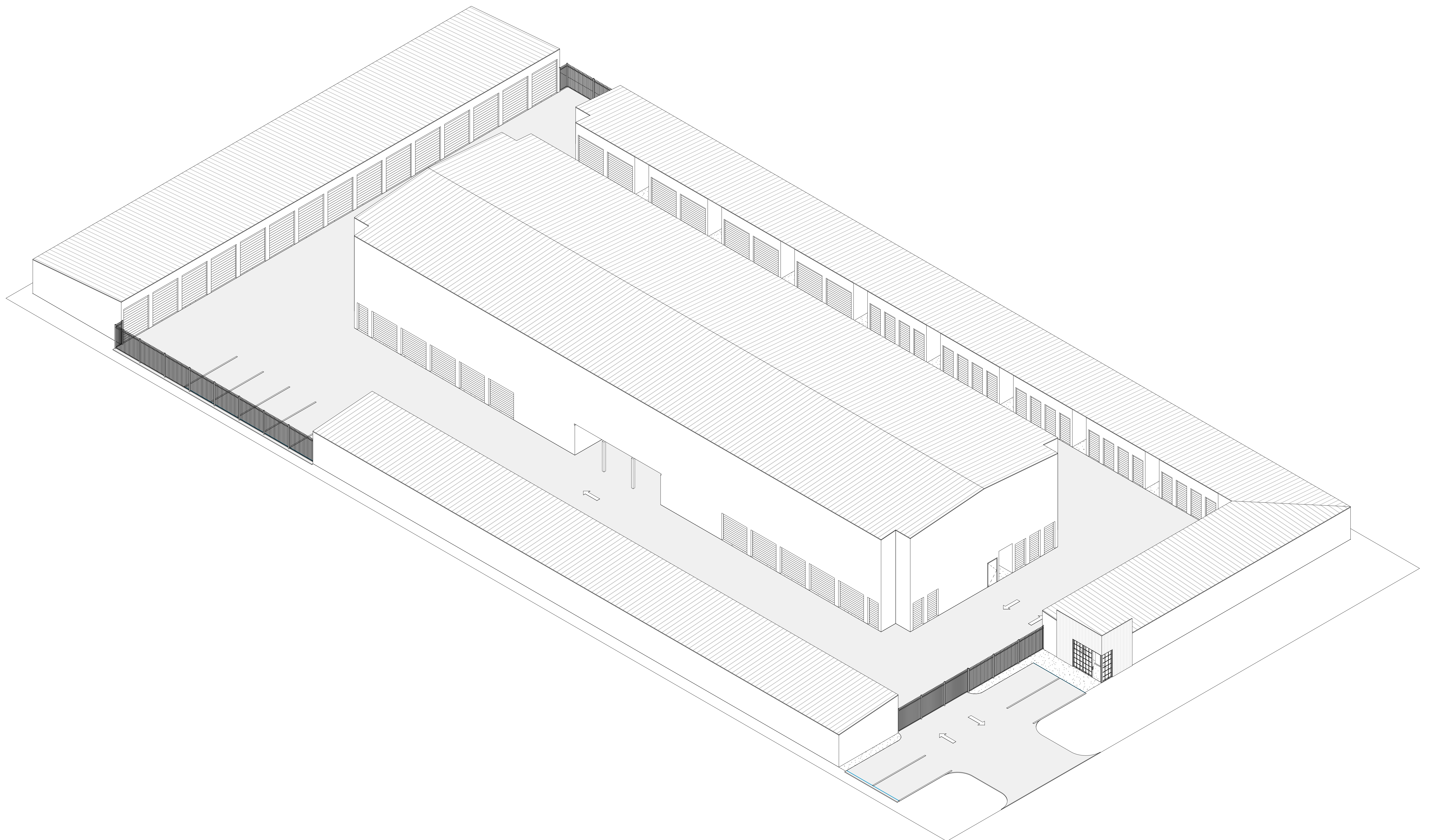
Type of Agreement/Description	With	Amount	Other Information	Source of Funding
Lease	GJ Smith Inc	(\$46,000)	Negotiation Discussion Bunker Lease Self Storage Facility	Income
Grant (Amendment)	MassDOT	(\$15,812.63) (Balance)	R/W 6/24 HIRLS Date Extension for Final Payment	Income
Grant (Amendment)	MassDOT	(\$50,131)	Re-Align/Widen TW Connector Increase of \$7,131 for Amendment to construction contract	Income
Lease Assignment/Assumption	Santander/Sovereign Bank	(\$754) Mo	Assign to Blue Hills Bank For continuation of Month-to-Month Lease until RFP process is complete	Income
Contract Amendment	World Fuel Services (Ascent Aviation)	?	Extend Expiration one Month From 1/31/14 to 2/28/14	Fuel Revolver

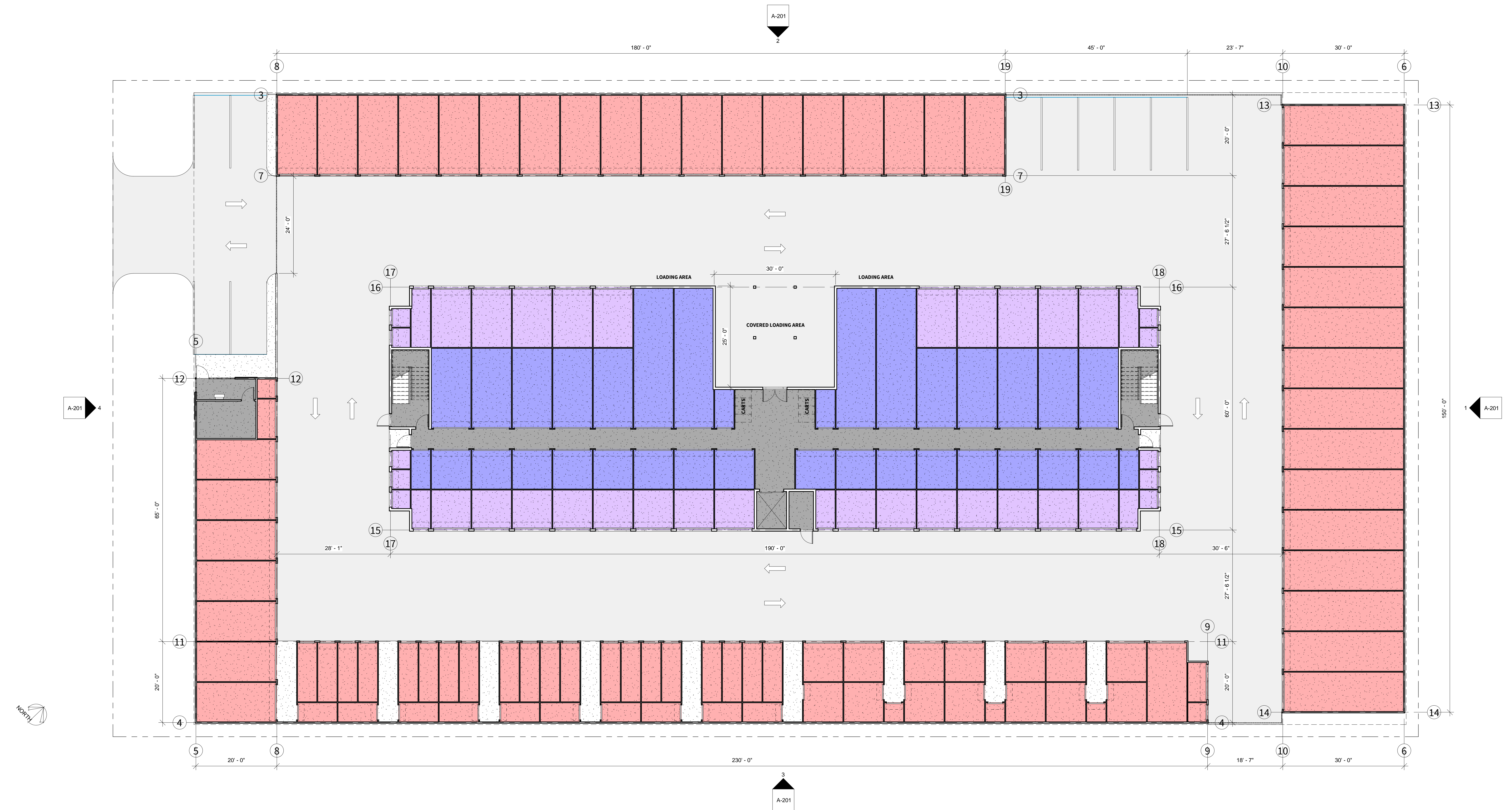


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C1	S85°48'03"W	189.07'	419.23'	25°53'11"	96.49'
C2	S85°44'16"W	25.00'	41.88'	95°59'16"	27.76'
C3	S33°15'44"E	33.46'	25.00'	84°00'44"	25.51'
C4	N33°15'44"W	33.46'	25.00'	95°59'16"	27.76'
C5	N33°15'44"W	33.46'	25.00'	84°00'44"	25.51'
C6	S1°07'15"E	134.35'	95.00'	90°00'00"	95.00'
C7	S5°58'45"W	84.54'	95.00'	52°50'23"	47.20'
C8	S33°53'21"W	19.83'	95.00'	55°16'48"	6.97'
C9	N1°07'15"W	77.78'	95.00'	11°35'49"	9.97'
C10	S88°52'45"W	77.78'	95.00'	90°00'00"	95.00'
C11	N6°14'52"E	106.18'	95.00'	90°00'00"	95.00'
C12	N31°18'13"W	106.18'	220.00'	107°24'	27°55'47"
C13	S0°41'40"E	252.66'	180.00'	89°08'51"	177.34'
C14	N33°15'44"W	33.46'	25.00'	84°00'44"	25.51'
C15	N33°15'44"W	33.46'	25.00'	95°59'16"	27.76'
C16	N76°43'47"W	86.07'	103.66'	118°46'56"	84.52'

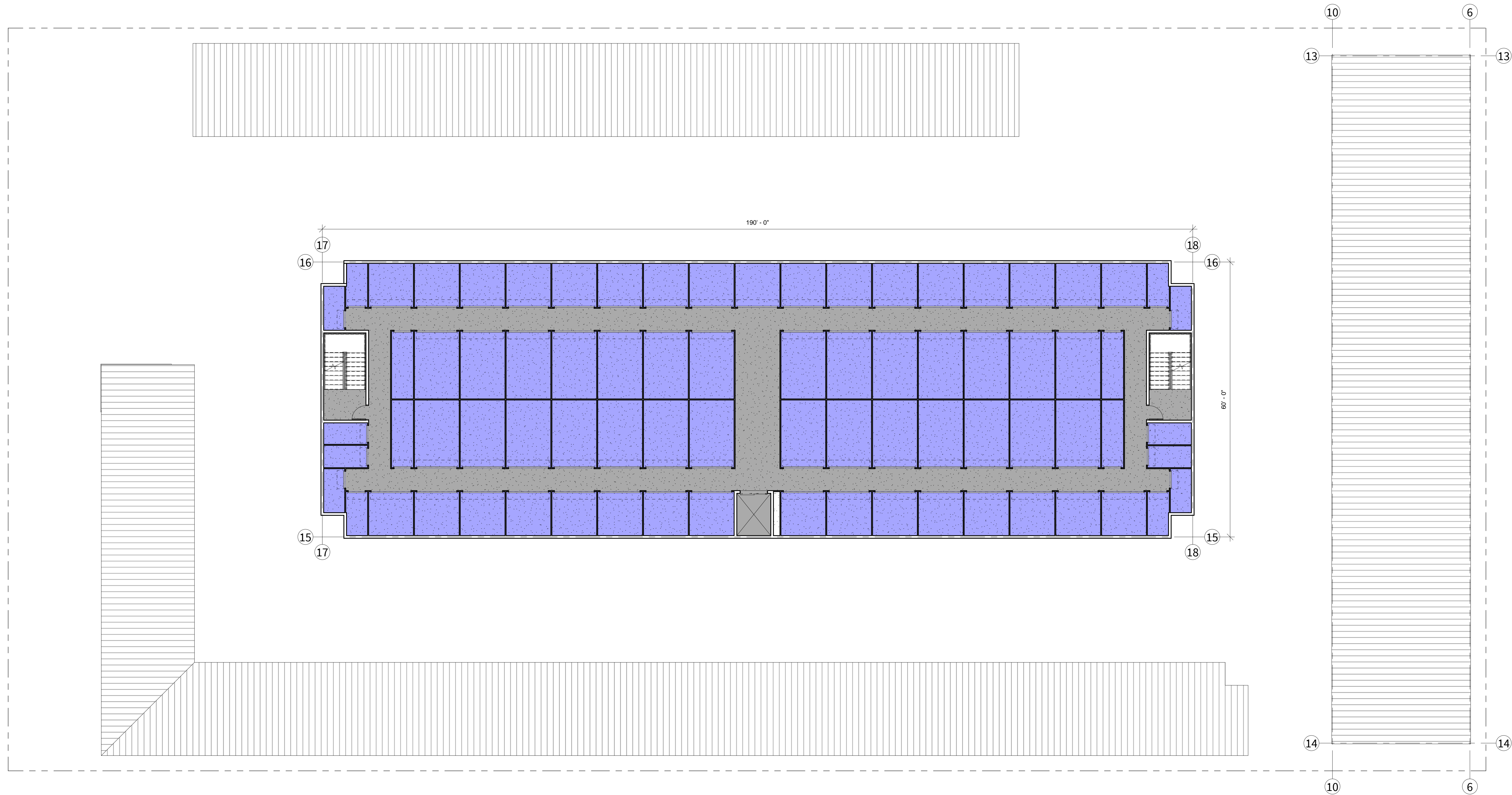
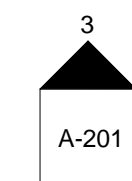
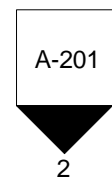
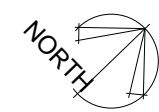
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SCALE	REVISION	JOB
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		N10252

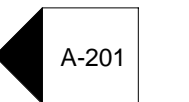
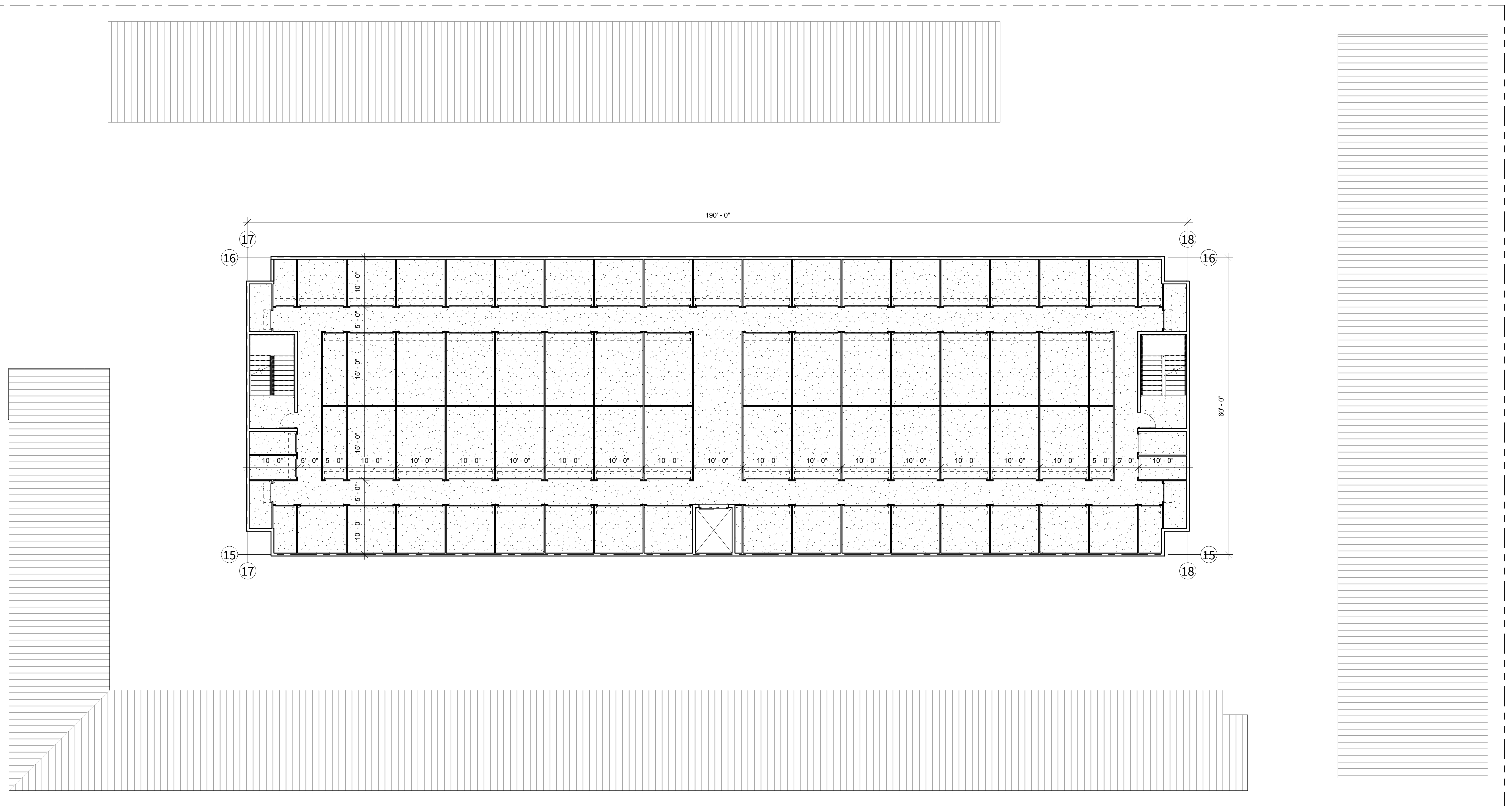
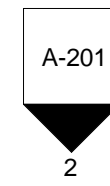
Nantasket SURVEYORS
P.L.L.C.
215 Bay Street
PO Box 537, Nahant, MA 02553
Tel: (603) 225-0800 • Fax: (603) 225-0806
www.nantasket.com

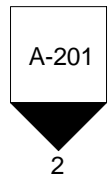




1 LEVEL 01
3/32" = 1'-0"







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190' - 0"

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60' - 0"

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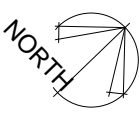


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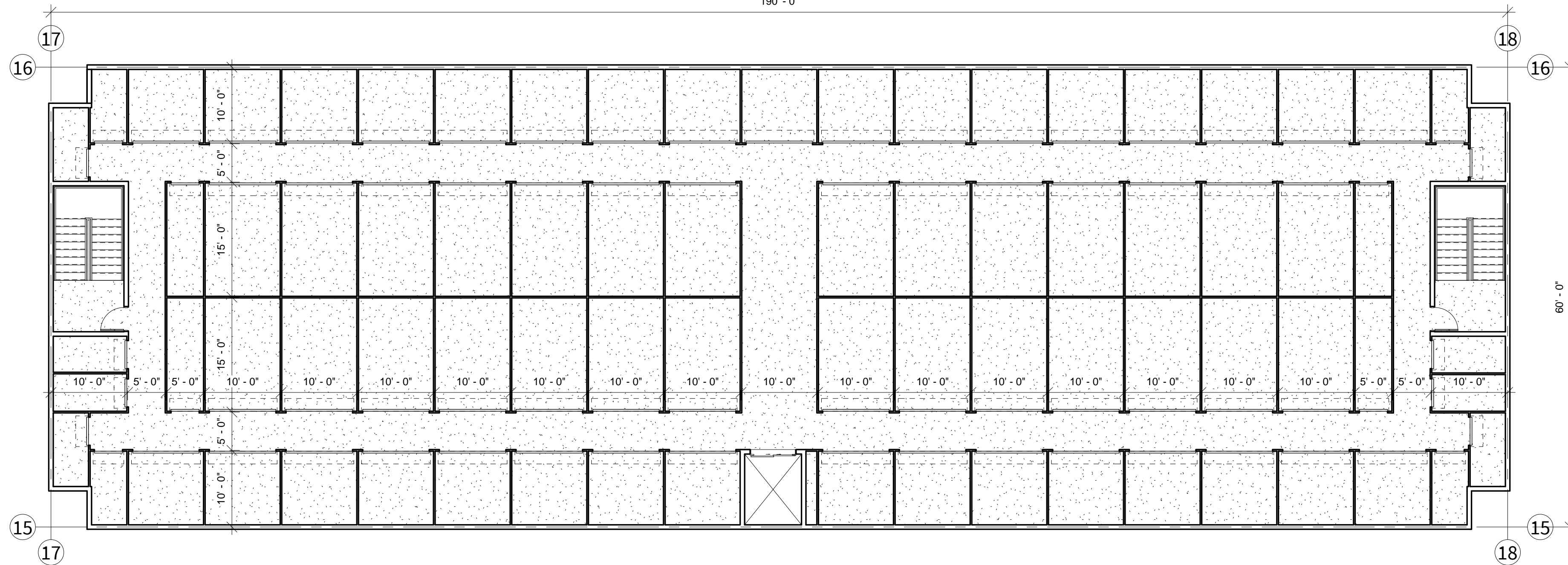


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12/4/2013
4:44:00 PM

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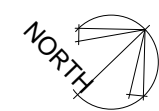
190' - 0"

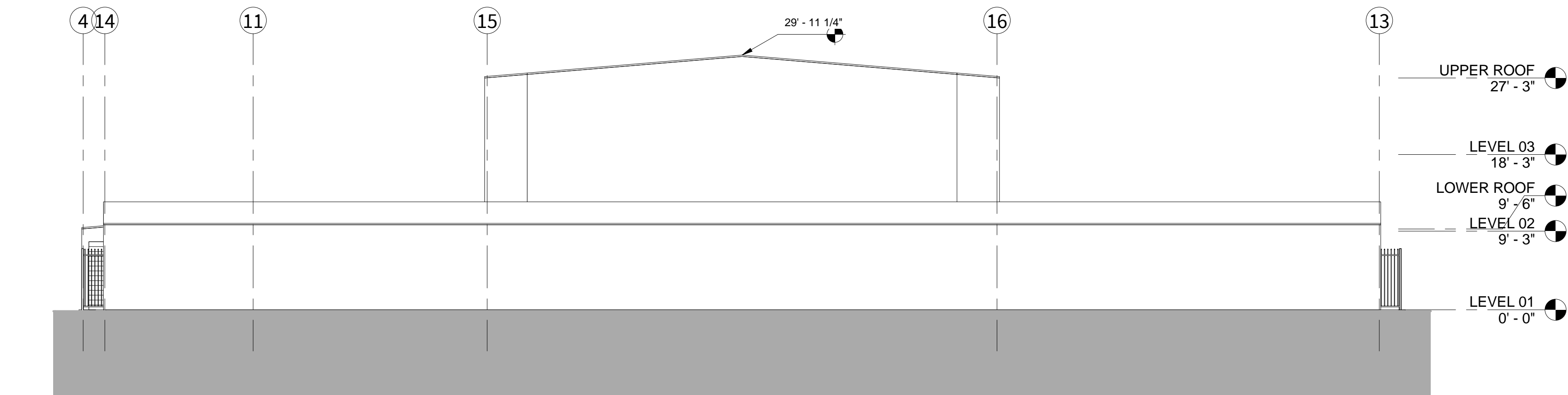
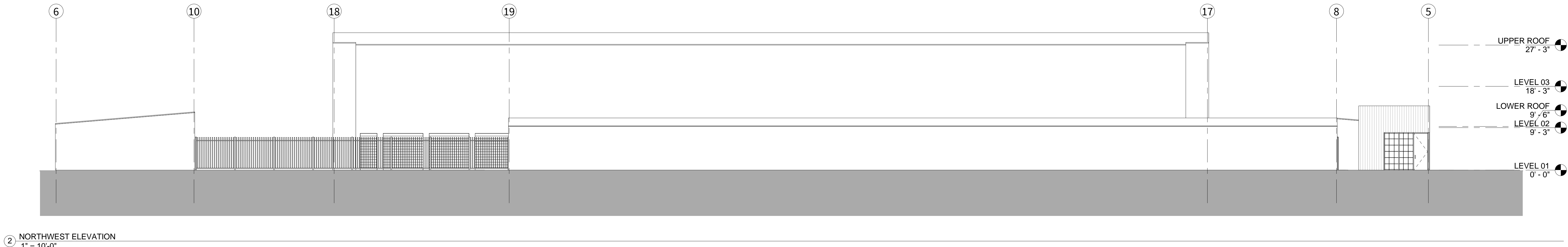
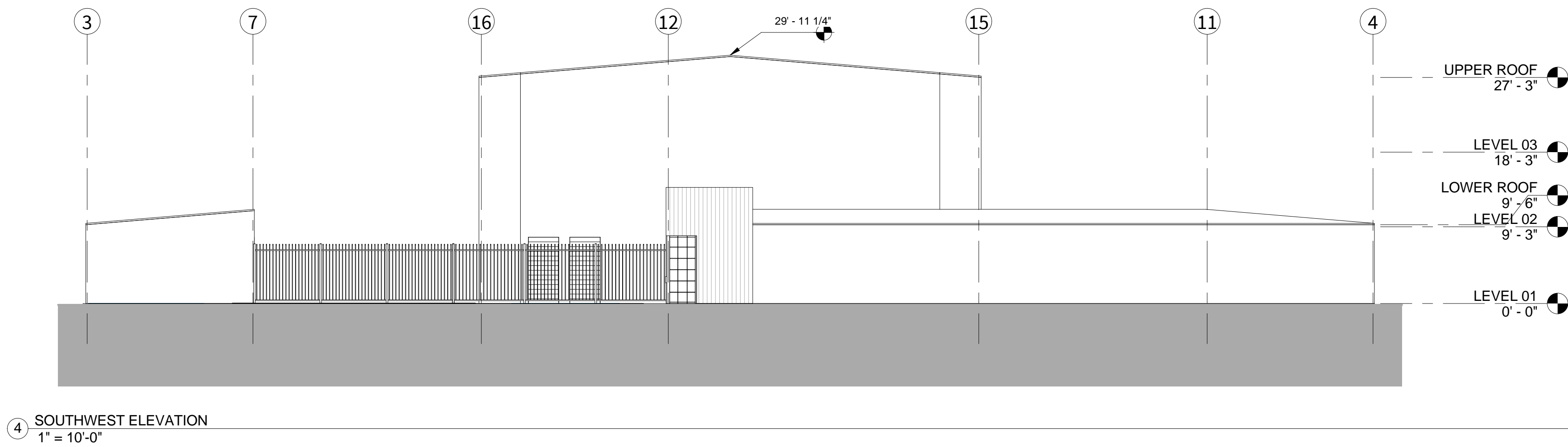


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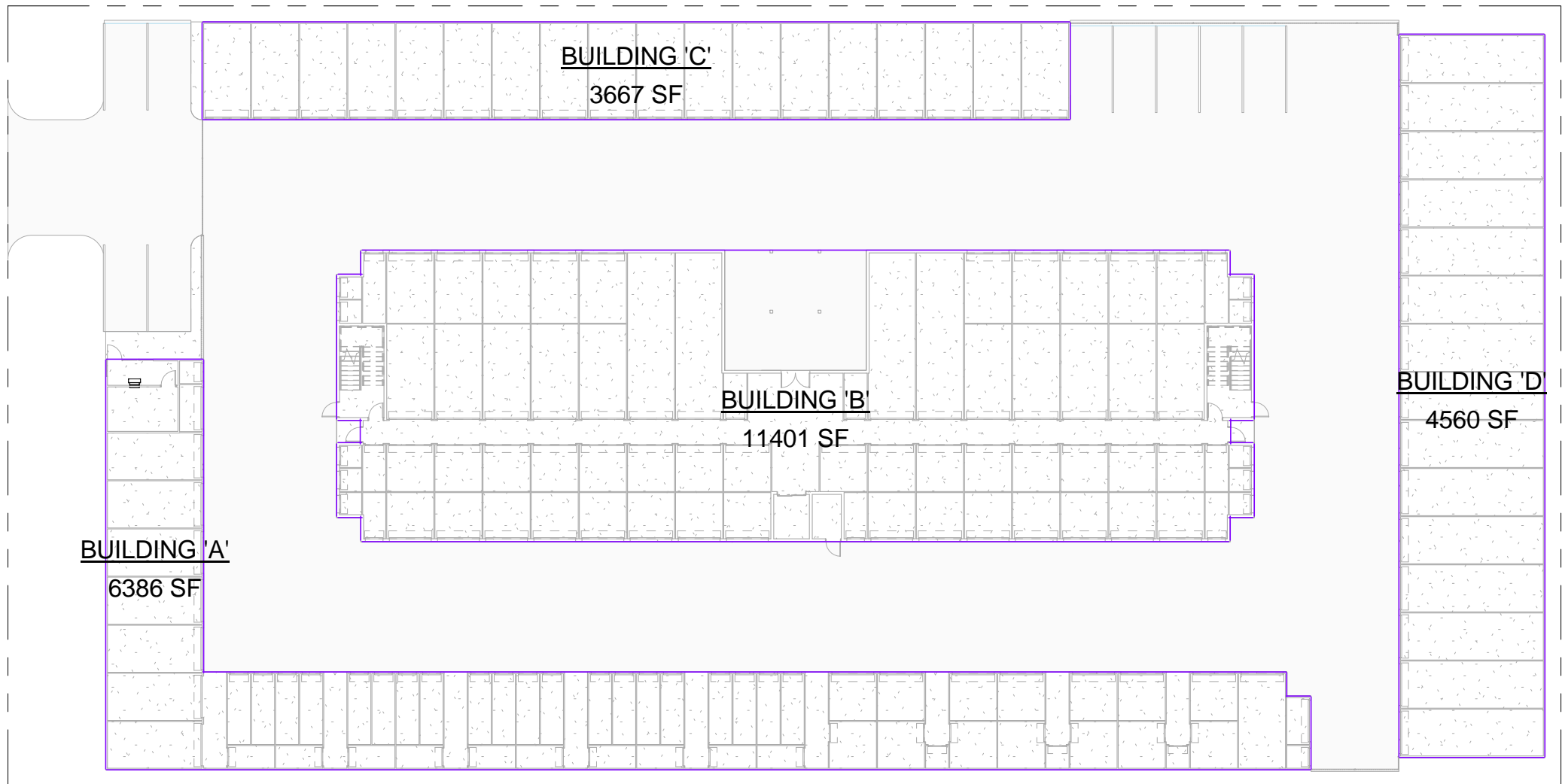




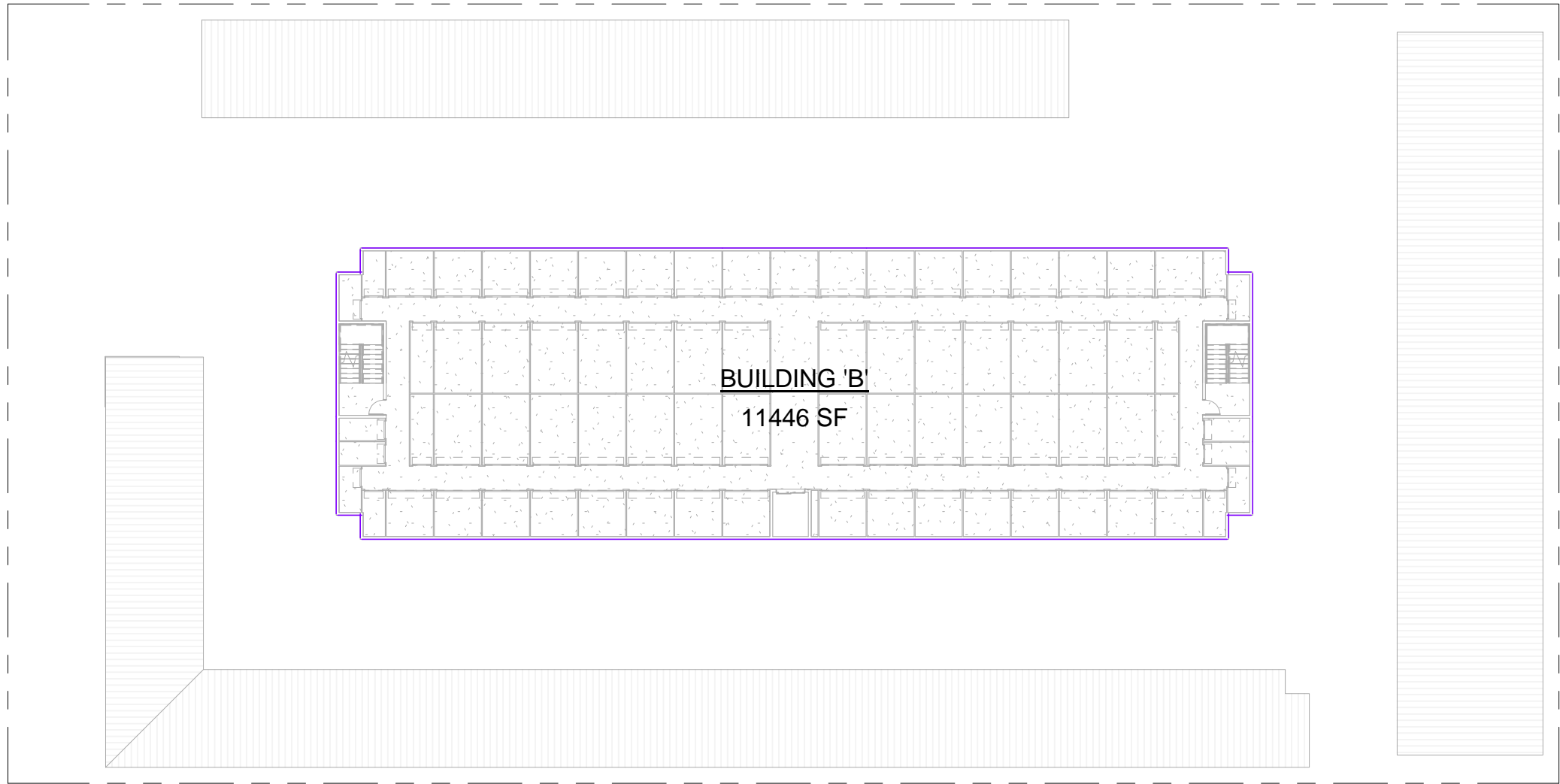
UNIT MIX		
Name	Occupancy	Count
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5x15	CLIMATE CONTROLLED	8
10x10	CLIMATE CONTROLLED	82
10x15	CLIMATE CONTROLLED	56
10x20	CLIMATE CONTROLLED	10
10x35	CLIMATE CONTROLLED	4
CLIMATE CONTROLLED: 188		
5x5	DRIVE UP	5
5x10	DRIVE UP	12
5x15	DRIVE UP	20
10x10	DRIVE UP	14
10x20	DRIVE UP	26
10x30	DRIVE UP	15
DRIVE UP: 92		
5x5	INSULATED	10
5x10	INSULATED	3
5x15	INSULATED	2
10x10	INSULATED	15
10x15	INSULATED	10
INSULATED: 40		
Grand total: 320		

FLOOR SCHEDULE				
Mark	Level	Type	Area	Perimeter
BUILDING 'A'	LEVEL 01	Concrete Slab - 4"	6556 SF	721' - 8 3/4"
BUILDING 'B'	LEVEL 01	Concrete Slab - 6"	10711 SF	552' - 4"
BUILDING 'B'	LEVEL 03	3" LW Concrete on 2" Metal Deck	10817 SF	556' - 6 1/2"
BUILDING 'B'	LEVEL 02	3" LW Concrete on 2" Metal Deck	10818 SF	556' - 6 1/2"
BUILDING 'C'	LEVEL 01	Concrete Slab - 4"	3713 SF	405' - 0"
BUILDING 'D'	LEVEL 01	Concrete Slab - 4"	4560 SF	361' - 4"
PAVEMENT	LEVEL 01	Asphalt	21324 SF	1532' - 11 1/2"

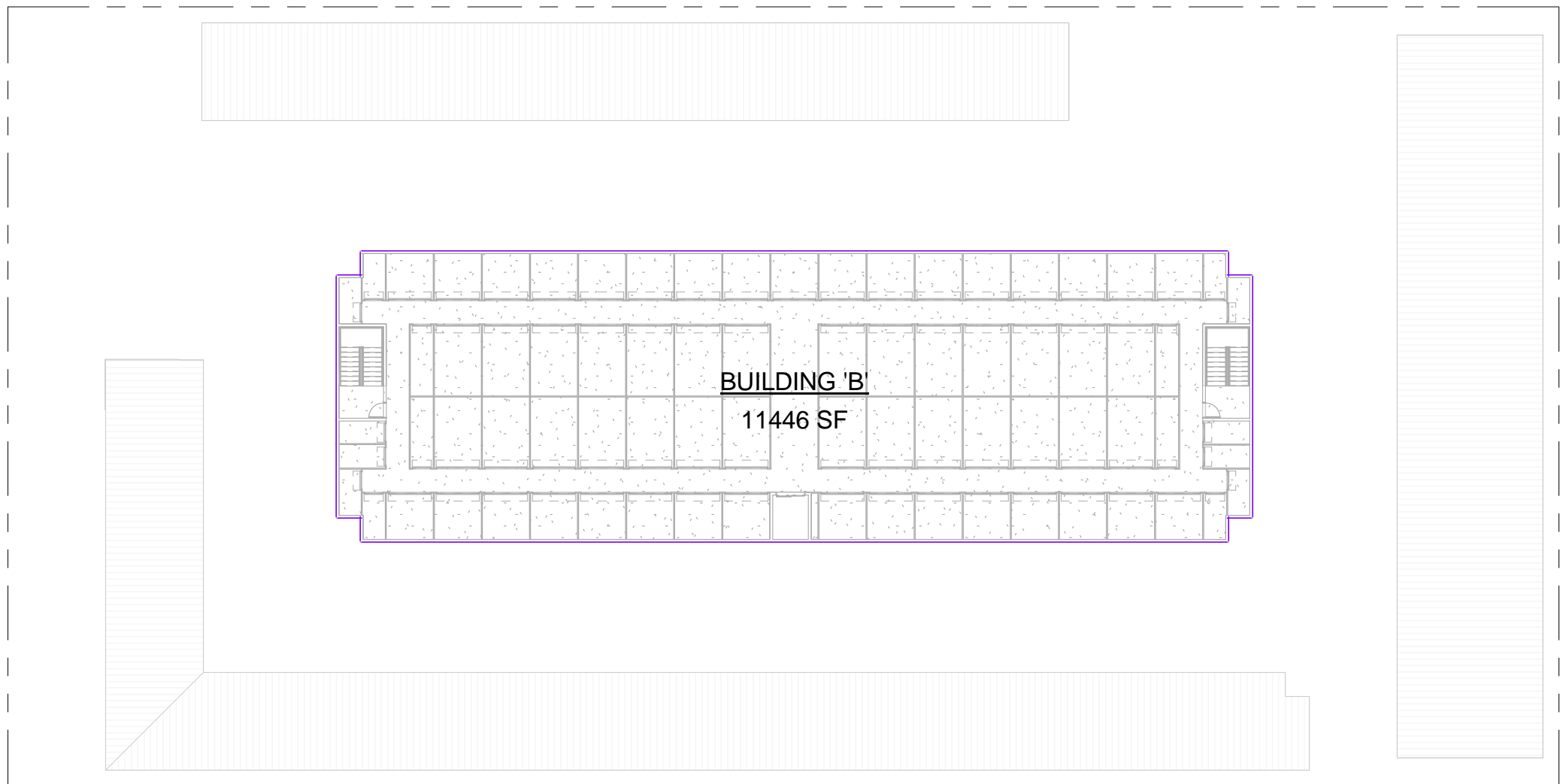
AREA SCHEDULE (GROSS BUILDING)			
Name	Level	Area	Perimeter
BUILDING 'A'	LEVEL 01	6386 SF	668' - 8"
BUILDING 'B'	LEVEL 01	11401 SF	517' - 3 1/2"
BUILDING 'B'	LEVEL 02	11446 SF	497' - 8"
BUILDING 'B'	LEVEL 03	11446 SF	497' - 8"
BUILDING 'C'	LEVEL 01	3667 SF	398' - 8"
BUILDING 'D'	LEVEL 01	4560 SF	358' - 8"
Grand total: 6		48907 SF	



① LEVEL 01
1" = 30'-0"



② LEVEL 02
1" = 30'-0"



③ LEVEL 03
1" = 30'-0"

COMMONWEALTH OF MASSACHUSETTS ~ STANDARD CONTRACT FORM



This form is jointly issued and published by the Executive Office for Administration and Finance (ANF), the Office of the Comptroller (CTR) and the Operational Services Division (OSD) as the default contract for all Commonwealth Departments when another form is not prescribed by regulation or policy. Any changes to the official printed language of this form shall be void. Additional non-conflicting terms may be added by Attachment. Contractors may not require any additional agreements, engagement letters, contract forms or other additional terms as part of this Contract without prior Department approval. Click on hyperlinks for definitions, instructions and legal requirements that are incorporated by reference into this Contract. An electronic copy of this form is available at www.mass.gov/osc under Guidance For Vendors - Forms or www.mass.gov/osc under OSD Forms

CONTRACTOR LEGAL NAME: Town of Nantucket (and d/b/a):		COMMONWEALTH DEPARTMENT NAME: : MASSDOT/Aeronautics MMARS Department Code: DOT	
Legal Address: (W-9, W-4,T&C): 18 Broad St.Nantucket, MA 02554		Business Mailing Address: 1 Harborside Drive, Ste.205N, East Boston, MA 02128	
Contract Manager: Fred H. Jaegar		Billing Address (if different):	
E-Mail:		Contract Manager: Thomas Mahoney	
Phone: 508-325-5300 Fax: 508-325-5306		E-Mail:	
Contractor Vendor Code: VC6000191899		Phone: 617-412-3680 Fax: 617-412-3679	
Vendor Code Address ID (e.g. "AD001"): AD001 (Note: The Address Id Must be set up for <u>EFT</u> payments.)		MMARS Doc ID(s): CT DOT 1300 14ACKHIRLS	
		RFR/Procurement or Other ID Number:	
<p align="center"><u>X</u> NEW CONTRACT</p> <p>PROCUREMENT OR EXCEPTION TYPE: (Check one option only)</p> <p><input type="checkbox"/> Statewide Contract (OSD or an OSD-designated Department)</p> <p><input type="checkbox"/> Collective Purchase (Attach OSD approval, scope, budget)</p> <p><input checked="" type="checkbox"/> Department Procurement (includes State or Federal grants <u>815 CMR 2.00</u>) (Attach RFR and Response or other procurement supporting documentation)</p> <p><input type="checkbox"/> Emergency Contract (Attach justification for emergency, scope, budget)</p> <p><input type="checkbox"/> Contract Employee (Attach <u>Employment Status Form</u>, scope, budget)</p> <p><input type="checkbox"/> Legislative/Legal or Other: (Attach authorizing language/justification, scope and budget)</p>		<p align="center"><u> </u> CONTRACT AMENDMENT</p> <p>Enter Current Contract End Date <u>Prior</u> to Amendment: _____, 20____.</p> <p>Enter Amendment Amount: \$ _____, (or "no change")</p> <p>AMENDMENT TYPE: (Check one option only. Attach details of Amendment changes.)</p> <p><input type="checkbox"/> Amendment to Scope or Budget (Attach updated scope and budget)</p> <p><input type="checkbox"/> Interim Contract (Attach justification for Interim Contract and updated scope/budget)</p> <p><input type="checkbox"/> Contract Employee (Attach any updates to scope or budget)</p> <p><input type="checkbox"/> Legislative/Legal or Other: (Attach authorizing language/justification and updated scope and budget)</p>	
<p>The following COMMONWEALTH TERMS AND CONDITIONS (T&C) has been executed, filed with CTR and is incorporated by reference into this Contract.</p> <p><u>X</u> Commonwealth Terms and Conditions <u> </u> Commonwealth Terms and Conditions For Human and Social Services</p>			
<p>COMPENSATION: (Check ONE option): The Department certifies that payments for authorized performance accepted in accordance with the terms of this Contract will be supported in the state accounting system by sufficient appropriations or other non-appropriated funds, subject to Intercept for Commonwealth owed debts under 815 CMR 9.00.</p> <p><u> </u> Rate Contract (No Maximum Obligation. Attach details of all rates, units, calculations, conditions or terms and any changes if rates or terms are being amended.)</p> <p><u>X</u> Maximum Obligation Contract Enter Total Maximum Obligation for total duration of this Contract (or new Total if Contract is being amended): \$15,812.63</p>			
<p>PROMPT PAYMENT DISCOUNTS (PPD): Commonwealth payments are issued through <u>EFT</u> 45 days from invoice receipt. Contractors requesting accelerated payments must identify a PPD as follows: Payment issued within 10 days <u> </u>% PPD; Payment issued within 15 days <u> </u>% PPD; Payment issued within 20 days <u> </u>% PPD; Payment issued within 30 days <u> </u>% PPD. If PPD percentages are left blank, identify reason: <u>X</u> agree to standard 45 day cycle <u> </u> statutory/legal or Ready Payments (<u>G.L. c. 29, § 23A</u>); <u> </u> only initial payment (subsequent payments scheduled to support standard EFT 45 day payment cycle. See <u>Prompt Pay Discounts Policy</u>.)</p>			
<p>BRIEF DESCRIPTION OF CONTRACT PERFORMANCE OR REASON FOR AMENDMENT: (Enter the Contract title, purpose, fiscal year(s) and a detailed description of the scope of performance or what is being amended for a Contract Amendment. Attach all supporting documentation and justifications.) Replace RW 6-24 HIRLS, Airfield Guidance Signs, Wind Cone/Segmented Circle and Fencing</p>			
<p>ANTICIPATED START DATE: (Complete ONE option only) The Department and Contractor certify for this Contract, or Contract Amendment, that Contract obligations:</p> <p><u> </u> 1. may be incurred as of the <u>Effective Date</u> (latest signature date below) and no obligations have been incurred prior to the <u>Effective Date</u>.</p> <p><u> </u> 2. may be incurred as of _____, 20____, a date LATER than the <u>Effective Date</u> below and no obligations have been incurred prior to the <u>Effective Date</u>.</p> <p><u> </u> 3. were incurred as of _____, 20____, a date PRIOR to the <u>Effective Date</u> below, and the parties agree that payments for any obligations incurred prior to the <u>Effective Date</u> are authorized to be made either as settlement payments or as authorized reimbursement payments, and that the details and circumstances of all obligations under this Contract are attached and incorporated into this Contract. Acceptance of payments forever releases the Commonwealth from further claims related to these obligations.</p>			
<p>CONTRACT END DATE: Contract performance shall terminate as of DECEMBER 31, 2013, with no new obligations being incurred after this date unless the Contract is properly amended, provided that the terms of this Contract and performance expectations and obligations shall survive its termination for the purpose of resolving any claim or dispute, for completing any negotiated terms and warranties, to allow any close out or transition performance, reporting, invoicing or final payments, or during any lapse between amendments.</p>			
<p>CERTIFICATIONS: Notwithstanding verbal or other representations by the parties, the "Effective Date" of this Contract or Amendment shall be the latest date that this Contract or Amendment has been executed by an authorized signatory of the Contractor, the Department, or a later Contract or Amendment Start Date specified above, subject to any required approvals. The Contractor makes all certifications required under the attached <u>Contractor Certifications</u> (incorporated by reference if not attached hereto) under the pains and penalties of perjury, agrees to provide any required documentation upon request to support compliance, and agrees that all terms governing performance of this Contract and doing business in Massachusetts are attached or incorporated by reference herein according to the following hierarchy of document precedence, the applicable <u>Commonwealth Terms and Conditions</u> this Standard Contract Form including the <u>Instructions and Contractor Certifications</u>, the Request for Response (RFR) or other solicitation, the Contractor's Response, and additional negotiated terms, provided that additional negotiated terms will take precedence over the relevant terms in the RFR and the Contractor's Response only if made using the process outlined in <u>801 CMR 21.07</u>, incorporated herein, provided that any amended RFR or Response terms result in best value, lower costs, or a more cost effective Contract.</p>			
<p>AUTHORIZING SIGNATURE FOR THE CONTRACTOR:</p> <p>X: _____ Date: _____</p> <p align="center">(Signature and Date Must Be Handwritten At Time of Signature)</p> <p>Print Name: Daniel Drake</p> <p>Print Title: Chairman</p>		<p>AUTHORIZING SIGNATURE FOR THE COMMONWEALTH:</p> <p>X: _____ Date: _____</p> <p align="center">(Signature and Date Must Be Handwritten At Time of Signature)</p> <p>Print Name: Christopher Willenborg</p> <p>Print Title: Administrator</p>	

COMMONWEALTH OF MASSACHUSETTS ~ STANDARD CONTRACT FORM



This form is jointly issued and published by the [Executive Office for Administration and Finance \(ANF\)](#), the [Office of the Comptroller \(CTR\)](#) and the [Operational Services Division \(OSD\)](#) as the default contract for all Commonwealth Departments when another form is not prescribed by regulation or policy. Any changes to the official printed language of this form shall be void. Additional non-conflicting terms may be added by Attachment. Contractors may not require any additional agreements, engagement letters, contract forms or other additional terms as part of this Contract without prior Department approval. Click on hyperlinks for definitions, instructions and legal requirements that are incorporated by reference into this Contract. An electronic copy of this form is available at www.mass.gov/osc under [Guidance For Vendors - Forms](#) or www.mass.gov/osc under [OSD Forms](#).

CONTRACTOR LEGAL NAME: Town of Nantucket (and d/b/a): Legal Address: (W-9, W-4, T&C): 18 Broad St, Nantucket, MA 02554 Contract Manager: Thomas Rafer E-Mail: Phone: 508-325-5300 Fax: 508-325-5306 Contractor Vendor Code: VC6000191899 Vendor Code Address ID (e.g. "AD001"): AD001 (Note: The Address ID must be set up for EFT payments.)		COMMONWEALTH DEPARTMENT NAME: MASSDOT/Aeronautics MMARS Department Code: DOT Business Mailing Address: 1 Harborside Drive, Ste. 205N, East Boston, MA 02128 Billing Address (if different): Contract Manager: Thomas Mahoney E-Mail: Phone: 617-412-3680 Fax: 617-412-3679 MMARS Doc ID(s): CT DOT 1300 14ACKSATW00 RFR/Procurement or Other ID Number:	
NEW CONTRACT PROCUREMENT OR EXCEPTION TYPE: (Check one option only) <input type="checkbox"/> Statewide Contract (OSD or an OSD-designated Department) <input type="checkbox"/> Collective Purchase (Attach OSD approval, scope, budget) <input checked="" type="checkbox"/> Department Procurement (Includes State or Federal grants 815 CMR 2.00) (Attach RFR and Response or other procurement supporting documentation) <input type="checkbox"/> Emergency Contract (Attach justification for emergency, scope, budget) <input type="checkbox"/> Contract Employee (Attach Employment Status Form , scope, budget) <input type="checkbox"/> Legislative/Legal or Other: (Attach authorizing language/justification, scope and budget)		X CONTRACT AMENDMENT Enter Current Contract End Date Prior to Amendment: ____ 20 ____ Enter Amendment Amount: \$ 7,131 (or "no change") AMENDMENT TYPE: (Check one option only. Attach details of Amendment changes.) <input checked="" type="checkbox"/> Amendment to Scope or Budget (Attach updated scope and budget) <input type="checkbox"/> Interim Contract (Attach justification for interim Contract and updated scope/budget) <input type="checkbox"/> Contract Employee (Attach any updates to scope or budget) <input type="checkbox"/> Legislative/Legal or Other: (Attach authorizing language/justification and updated scope and budget)	
The following COMMONWEALTH TERMS AND CONDITIONS (T&C) has been executed, filed with CTR and is incorporated by reference into this Contract. <input checked="" type="checkbox"/> Commonwealth Terms and Conditions <input type="checkbox"/> Commonwealth Terms and Conditions For Human and Social Services			
COMPENSATION: (Check ONE option): The Department certifies that payments for authorized performance accepted in accordance with the terms of this Contract will be supported in the state accounting system by sufficient appropriations or other non-appropriated funds, subject to intercept for Commonwealth owed debts under 815 CMR 9.00. <input type="checkbox"/> Rate Contract (No Maximum Obligation: Attach details of all rates, units, calculations, conditions or terms and any changes if rates or terms are being amended.) <input checked="" type="checkbox"/> Maximum Obligation Contract Enter Total Maximum Obligation for total duration of this Contract (or new Total if Contract is being amended). \$50,131			
PROMPT PAYMENT DISCOUNTS (PPD): Commonwealth payments are issued through EFT 45 days from invoice receipt. Contractors requesting accelerated payments must identify a PPD as follows: Payment issued within 10 days ____ % PPD; Payment issued within 15 days ____ % PPD; Payment issued within 20 days ____ % PPD; Payment issued within 30 days ____ % PPD. If PPD percentages are left blank, identify reason: <input checked="" type="checkbox"/> agree to standard 45 day cycle <input type="checkbox"/> statutory/legal or Ready Payments (G.L. c. 29, § 23A); <input type="checkbox"/> only initial payment (subsequent payments scheduled to support standard EFT 45 day payment cycle. See Prompt Pay Discounts Policy .)			
BRIEF DESCRIPTION OF CONTRACT PERFORMANCE or REASON FOR AMENDMENT: (Enter the Contract title, purpose, fiscal year(s) and a detailed description of the scope of performance or what is being amended for a Contract Amendment. Attach all supporting documentation and justifications.) Re-Align and Widen South Apron Taxiway, (Approx. 30"x50"). Increase due to Extra Work Order #1.			
ANTICIPATED START DATE: (Complete ONE option only) The Department and Contractor certify for this Contract, or Contract Amendment, that Contract obligations: <input type="checkbox"/> 1. may be incurred as of the Effective Date (latest signature date below) and no obligations have been incurred prior to the Effective Date . <input type="checkbox"/> 2. may be incurred as of ____ 20 ____, a date LATER than the Effective Date below and no obligations have been incurred prior to the Effective Date . <input type="checkbox"/> 3. were incurred as of ____ 20 ____, a date PRIOR to the Effective Date below, and the parties agree that payments for any obligations incurred prior to the Effective Date are authorized to be made either as settlement payments or as authorized reimbursement payments, and that the details and circumstances of all obligations under this Contract are attached and incorporated into this Contract. Acceptance of payments forever releases the Commonwealth from further claims related to these obligations.			
CONTRACT END DATE: Contract performance shall terminate as of March 31, 2014 , with no new obligations being incurred after this date unless the Contract is properly amended, provided that the terms of this Contract and performance expectations and obligations shall survive its termination for the purpose of resolving any claim or dispute, for completing any negotiated terms and warranties, to allow any close out or transition performance, reporting, invoicing or final payments, or during any lapse between amendments.			
CERTIFICATIONS: Notwithstanding verbal or other representations by the parties, the "Effective Date" of this Contract or Amendment shall be the latest date that this Contract or Amendment has been executed by an authorized signatory of the Contractor, the Department, or a later Contract or Amendment Start Date specified above, subject to any required approvals. The Contractor makes all certifications required under the attached Contractor Certifications (incorporated by reference if not attached hereto) under the pains and penalties of perjury, agrees to provide any required documentation upon request to support compliance, and agrees that all terms governing performance of this Contract and doing business in Massachusetts are attached or incorporated by reference herein according to the following hierarchy of document precedence: the applicable Commonwealth Terms and Conditions , this Standard Contract Form including the Instructions and Contractor Certifications , the Request for Response (RFR) or other solicitation, the Contractor's Response, and additional negotiated terms, provided that additional negotiated terms will take precedence over the relevant terms in the RFR and the Contractor's Response only if made using the process outlined in 801 CMR 21.07 , incorporated herein, provided that any amended RFR or Response terms result in best value, lower costs, or a more cost effective Contract.			
AUTHORIZING SIGNATURE FOR THE CONTRACTOR: X: _____ Date: _____ (Signature and Date Must Be Handwritten At Time of Signature) Print Name: Daniel Drake Print Title: Chairman		AUTHORIZING SIGNATURE FOR THE COMMONWEALTH: X: _____ Date: _____ (Signature and Date Must Be Handwritten At Time of Signature) Print Name: Christopher Willenborg Print Title: Administrator	

ASSUMPTION OF ATM LEASE

THIS ASSUMPTION OF ATM LEASE (this "**Assumption**") is made as of January ____, 2014 by and among **SANTANDER BANK, N.A.**, formerly **SOVEREIGN BANK, N.A.**, and successor to **SOVEREIGN BANK** and **NANTUCKET BANK**, having an address at 75 State Street, Boston, Massachusetts 02109 ("**Santander**"), **BLUE HILLS BANK**, a stock bank organized under the laws of the Commonwealth of Massachusetts, having a place of business at 1196 River Street, Hyde Park, Massachusetts 02131 ("**Blue Hills**"), and **NANTUCKET MEMORIAL AIRPORT COMMISSION** ("**Commission**").

1. **PURPOSE**: This Assumption is made and delivered pursuant to the Purchase and Assumption Agreement ("**Purchase Agreement**") dated as of August 4, 2013, as may be amended, among Santander, Blue Hills, and Hyde Park Bancorp, MHC, a mutual bank holding company organized under the laws of the Commonwealth of Massachusetts, whereby Santander agreed to sell to Blue Hills, all of Santander's Nantucket bank branches and to assign its rights in and to the Lease and the ATM Space (defined below) in Nantucket, Massachusetts. The sale is taking place effective January 18, 2014 (the "**Effective Date**").

2. **LEASE**: Santander is the tenant under the ATM Lease Agreement (the "**Lease**") between Commission as landlord, and Santander, as tenant, dated April 1, 1999, as amended from time to time, relating to certain ATM space at Nantucket Memorial Airport (the "**ATM Space**"). Although the original term of the Lease has expired, the parties agreed that the Lease will be extended on a month-to-month basis, subject to either party's right to terminate on a 30-day written notice.

3. **ASSUMPTION**: In accordance with the provisions of the Purchase Agreement above, the above-described sale is occurring effective as of the Effective Date; and pursuant to the Purchase Agreement and related documents Blue Hills has succeeded to Santander's interest as tenant under the Lease and become liable for, and hereby confirms that it is responsible for and shall pay, perform and discharge the obligations of Santander as tenant under the Lease arising from and after the Effective Date.

4. **COMMISSION'S CONSENT**: Commission hereby consents to the assumption of the Lease by Blue Hills and agrees to recognize Blue Hills as tenant under the Lease as if it were an original party to the Lease. Commission, effective upon full execution and delivery of this Assumption by all parties, releases Santander from all liabilities under the Lease arising for periods from and after the Effective Date.

5. **EXECUTION**. This Assumption may be executed in counterparts, each of which is an original and all of which together constitute one document.

SANTANDER BANK, N.A.

BLUE HILLS BANK

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

NANTUCKET MEMORIAL AIRPORT COMMISSION

By: _____
Name: _____
Title: _____

[Signature Page to Assumption of ATM Lease]

- A contract with **ID Wholesalers** for \$7,036.50, expiring 12/31/13 for the purchase of a new security ID printer and associated supplies. **Motion** by Mr. Gasbarro to approve, **Second** by Mr. Gray and **Passed** Unanimously.
- A Reimbursable Agreement with the **FAA** for \$329,367 for the installation of PAPI and REIL lights on Runway 33. Mr. Rafter noted the funds will be reimbursed by the FAA after the project is complete. The funds are available from the balance in the Runway 33 extension capital account. **Motion** to approve by Mr. Gasbarro, **Second** by Mr. Gray and **Passed** Unanimously.
- An amendment to the **World Fuel Services** contract for aviation fuel supply to extend the 12/31/13 expiration date by one month to allow additional time to award a new contract as well as avoid a New Year's Day transition. To address Ms. Planzer's question on a previous contract extension, Mr. Drake explained the contract had been extended two previous times for various reasons as allowed under the aviation exemption to the procurement law; however the Commission wanted to put the aviation fuel supply out to bid to ensure receiving the most advantageous service and price. **Motion** to approve by Mr. Gray, **Second** by Mr. Gasbarro and **Passed** Unanimously.
- A one-year Catering License Agreement with **A Taste of Nantucket** to provide catering services to General Aviation which began July 1, 2013. **Motion** to approve by Ms. Planzer, **Second** by Mr. Gray and **Passed** Unanimously.
- A 2013 Operating Agreement with Wiggins Airways who flies air freight for both FedEx and UPS. **Motion** to approve by Mr. Gasbarro, **Second** by Ms. Planzer and **Passed** Unanimously.

022613-2 Master Plan & Sustainability Program Update

Mr. Rafter presented the MassDOT Grant award in the amount of \$73,461 and associated Grant Assurances for acceptance. Mr. Gasbarro made a **Motion** to accept the MassDOT Grant and Assurances in the amount of \$73,461. **Second** by Mr. Gray and **Passed** Unanimously.

Mr. Bill Richardson of Jacobs Engineering gave an update of the Master Plan project noting the work that was done over the summer such as noise monitoring and road traffic counts. Air service analysis, financial data gathering and facility inventory are in progress. The next key piece is the aviation forecasts.

The first meeting of the Advisory Committee (AC) was held earlier in the day explaining the AC will act as a liaison between the Commission and the Community in developing the Master Plan. Mr. Richardson introduced the other Jacobs staff, Anne McKinnon and Steve Berardo who had participated in the AC meeting. Mr. Drake asked Jacobs to provide the entire Commission with copies of the presentation made at the AC meeting. It was also noted the presentation as well as other information can be found on the Airport's website under the Master Plan link.

Mr. Gasbarro asked if the Commission would be provided with reports as they are available or whether it would be one complete package at the end of the project. Mr. Richardson answered as packages are completed indicating the data inventory package is nearly complete. Mr. Rafter indicated study results and other data should be reviewed by the Commission first before being posted to the website.

Other MassDOT Grant Assurances

Mr. Rafter noted MassDOT requires State Grant Assurances with each Grant awarded and have forwarded Grant Assurances for two previously awarded Grants, Airport Improvement Project (AIP) #55 and AIP #56, the Runway 15/33 Extension and the Runway 6/24 HIRLS projects respectively. Mr. Gasbarro made a **Motion** to accept and execute the Grant Assurance for AIP #55 and #56. **Second** by Ms. Planzer and **Passed** Unanimously.

Vice Chair Gasbarro asked if there were difficulties with the SE Ramp expansion, would the environmental permit still cover the safety area for 12/30. Mr. Richardson stated yes the permit would still be valid.

Chairman Drake stated the South Apron Ramp project will be placed on the Agenda for January 17th

Commissioner Gray would like to include the infrastructure for the VALE program with the South Ramp project.

Vice Chair Gasbarro stated the main goal is to do what's right for our Airport.

Chairman Drake indicated the Capital Budget would need to be adjusted.

Forensic Audit

Chairman Drake stated the Forensic Audit is underway. Their team has had one visit so far and is planning on coming back.

Procurement

Chairman Drake stated we are stumbling along. There are new procedures to get used to. Counsel has advised the assistant procurement person will be located in Town. Chairman Drake doesn't agree with this decision.

Contracts

Chairman Drake stated the Victor Brandon, Jacobs, and Baybutt Construction are not ready and will moved to the 12/13/11 Commission Meeting.

After brief discussion, the Commission Unanimously **M/S/P** to extend Ascent Aviation Fuel Supply contract to 12/31/13.

Search Process for Replacement of Airport Manager/Review/Approve possible RFP find Executive Search Firm

Vice Chair Gasbarro stated he does see the benefit of using an executive search firm and would like to get the full service of a search firm but is open to partial service.

Chairman Drake stated going forward with a full service search firm would require an RFP. The Airport could possibly use ADK to prepare a brochure.

Vice Chair Gasbarro and Commissioner England support an RFP.

Mr. McGrath stated when looking for a Airport Manager there are some factors to consider such as living on Nantucket and the complexity of running the 2nd busiest airport. Mr. McGrath supports looking at two applicants, Manager and Assistant Manager.

Commissioner Gray would also like to look into an Assistant Airport Manager at the same time.

Chairman Drake also agrees with an Assistant Airport Manager, however: feels the focus should be on an Airport Manager first.

Commissioner Egan likes using ADK partial service.

Chairman Drake likes using a full service from the firm.

Upon Vice Chair Gasbarro's motion, the Commission Unanimously **M/S/P** approval to begin the RFP process to hire an Executive Search Firm for the position of Airport Manager.

Chairman Drake stated the Search Committee should consist of the Commission as a whole, one representative from Town, one citizen, without a voting option, and Bill McGrath as an ex officio member.

The Commission Unanimously **M/S/P** to set up a Search Committee consisting of seven people and to invite one member of the public to sit on this Committee, without voting privileges by way of an advertisement, and for either Libby Gibson or Rick Atherton to appoint someone from the Town to sit on this same Committee.

Declaration of Surplus Property

12.6.11 Airport Commission Minutes

**Agreement Number
AJW-FN-ESA-14-E046**

NON-FEDERAL PRELIMINARY DESIGN REIMBURSABLE AGREEMENT

BETWEEN

**DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION**

AND

**TOWN OF NANTUCKET
NANTUCKET MEMORIAL AIRPORT
NANTUCKET, MASSACHUSETTS**

WHEREAS, the Federal Aviation Administration (FAA) can furnish directly or by contract services which the Town of Nantucket (Sponsor) requires, has funds available for, and has determined should be obtained from the FAA;

WHEREAS, it has been determined that competition with the private sector for provision of such services is minimal; the proposed activity will advance the FAA's mission; and the FAA has a unique capability that will be of benefit to the Sponsor while helping to advance the agency's mission;

WHEREAS, the authority for the FAA to furnish services to the Sponsor upon a reimbursable payment basis is found in 49 U.S.C. § 106(l)(6) on such terms and conditions as the Administrator may consider necessary;

NOW THEREFORE, the FAA and the Sponsor mutually agree as follows:

ARTICLE 1. Parties

The Parties to this Agreement are the FAA and Town of Nantucket.

ARTICLE 2. Type of Agreement

This Agreement is an "other transaction" authorized under 49 U.S.C. § 106(l)(6). It is not intended to be, nor will it be construed as, a partnership, corporation, joint venture or other business organization.

ARTICLE 3. Scope

This Agreement provides funding for FAA services limited to labor, travel, and expenses required to perform preliminary engineering for future implementation of the Sponsor's project identified below. Preliminary engineering includes technical consultation, site

visits, feasibility assessments, project planning, scope definition, development of cost estimate(s), and review of Sponsor provided design package. No government furnished equipment, engineering design, or implementation services will be provided under this Agreement. If required, the FAA and the Sponsor will enter into a separate agreement to cover the implementation of the costs included in the estimate developed under this Agreement. Therefore, this Agreement is titled:

Preliminary Design Reimbursable Agreement for Design Support for a Mobile Air Traffic Control Tower (MATCT) at Nantucket Memorial Airport in Nantucket, MA.

This agreement is in whole or in part funded with funding from an AIP grant [] Yes [X]No. If Yes, the grant date is: [MM/DD/YYYY] and the grant number is: [Grant Number].

ARTICLE 4. Points of Contact

A. FAA:

1. The FAA New England Terminal Engineering Office office will perform the scope of work included in this Agreement. Kathleen Coffey is the Terminal Engineering Construction Boston Manager and liaison with the Sponsor and can be reached at 781-238-7850. This liaison is not authorized to make any commitment, or otherwise obligate the FAA, or authorize any changes which affect the estimated cost, period of performance, or other terms and conditions of this Agreement.
2. FAA Contracting Officer: The execution, modification, and administration of this Agreement must be authorized and accomplished by the Contracting Officer, Gail Edwards, who can be reached at 404-305-5182.

B. Sponsor:

Tom Rafter Airport Manager of Nantucket Memorial Airport

ARTICLE 5. Reserved

ARTICLE 6. Reserved

ARTICLE 7. Estimated Costs

The fully-loaded estimated FAA cost associated with this Agreement is \$46,720.44.

ARTICLE 8. Period of Agreement and Effective Date

The effective date of this Agreement is the date of the last signature. This Agreement is considered complete when the final invoice is provided to the Sponsor and a refund is

sent or payment is received as provided for in Article 9, Section E of this Agreement. Under no circumstances will this Agreement extend 18 months beyond its effective date.

ARTICLE 9. Reimbursement and Accounting Arrangements

- A. The Sponsor agrees to prepay the entire estimated cost of the Agreement. The Sponsor will send a copy of the executed Agreement and full advance payment in the amount stated in Article 7 to the Accounting Division listed in Section C of this Article. The advance payment will be held as a non-interest bearing deposit. Such advance payment by the Sponsor must be received before the FAA incurs any obligation to implement this Agreement.
- B. The Sponsor certifies that arrangements for sufficient funding have been made to cover the estimated costs of the Agreement.
- C. The Accounting Division is identified by the FAA as the billing office for this Agreement. The Sponsor will send a copy of the executed Agreement and the full advance payment to the Accounting Division shown below. All payments must include the Agreement number, Agreement name, Sponsor name, and project location.

The mailing address is:

FAA Mike Monroney Aeronautical Center
Attn: AMZ-330, Reimbursable Project Team
P.O. Box 25082
Oklahoma City, OK 73125

The overnight mailing address is:

FAA Mike Monroney Aeronautical Center
Attn: AMZ-330, Reimbursable Project Team
6500 S. MacArthur Blvd.
Oklahoma City, OK 73169
Telephone: 405-954-2828

The Sponsor hereby identifies the office to which the FAA will render bills for the project costs incurred as:

Town of Nantucket
Attn: Tom Rafter
Airport Manager
Nantucket Memorial Airport
Nantucket, MA
508-325-5300

- D. The FAA will provide a quarterly Statement of Account of costs incurred against the advance payment.
- E. The cost estimates contained in Article 7 are expected to be the maximum costs associated with this Agreement, but may be modified to recover the FAA's actual costs. If during the course of this Agreement actual costs are expected to exceed the estimated costs, the FAA will notify the Sponsor immediately. The FAA will also provide the Sponsor a modification to the Agreement which includes the FAA's additional costs. The Sponsor agrees to prepay the entire estimated cost of the modification. The Sponsor will send a copy of the executed modification to the Agreement to the FAA-Mike Monroney Aeronautical Center with the additional advance payment. Work identified in the modification cannot start until receipt of the additional advance payment. In addition, in the event that a contractor performing work pursuant to the scope of this Agreement brings a claim against the FAA and the FAA incurs additional costs as a result of the claim, the Sponsor agrees to reimburse the FAA for the additional costs incurred whether or not a final bill or a refund has been sent.

ARTICLE 10. Changes and Modifications

Changes and/or modifications to this Agreement will be formalized by an appropriate written modification that will outline in detail the exact nature of the change. Any modification to this Agreement will be executed in writing and signed by the authorized representative of each party. The parties signing this Agreement and any subsequent modification(s) represent that each has the authority to execute the same on behalf of their respective organizations. No oral statement by any person will be interpreted as modifying or otherwise affecting the terms of the Agreement. Any party to this Agreement may request that it be modified, whereupon the parties will consult to consider such modifications.

ARTICLE 11. Termination

In addition to any other termination rights provided by this Agreement, either party may terminate this Agreement at any time prior to its expiration date, with or without cause, and without incurring any liability or obligation to the terminated party other than payment of amounts due and owing and performance of obligations accrued, in each case on or prior to the termination date, by giving the other party at least thirty (30) days prior written notice of termination. Payment of amounts due and owing may include all costs reimbursable under this Agreement, not previously paid, for the performance of this Agreement before the effective date of the termination; the total cost of terminating and settling contracts entered into by the FAA for the purpose of this Agreement; and any other costs necessary to terminate this Agreement. Upon receipt of a notice of termination, the receiving party will take immediate steps to stop the accrual of any additional obligations which might require payment. All funds due after termination will be netted against the advance payment and, as appropriate, a refund or bill will be issued.

ARTICLE 12. Order of Precedence

If attachments are included in this Agreement and in the event of any inconsistency between the attachments and the terms of this Agreement, the inconsistency will be resolved by giving preference in the following order:

A. This Agreement

B. The attachments

ARTICLE 13. Legal Authority

This Agreement is entered into under the authority of 49 U.S.C. § 106(l)(6), which authorizes the Administrator of the FAA to enter into and perform such contracts, leases, cooperative agreements and other transactions as may be necessary to carry out the functions of the Administrator and the Administration on such terms and conditions as the Administrator may consider appropriate. Nothing in this Agreement will be construed as incorporating by reference or implication any provision of Federal acquisition law or regulation.

ARTICLE 14. Disputes

Where possible, disputes will be resolved by informal discussion between the parties. In the event the parties are unable to resolve any dispute through good faith negotiations, the dispute will be resolved by alternative dispute resolution using a method to be agreed upon by the parties. The outcome of the alternative dispute resolution will be final unless it is timely appealed to the Administrator, whose decision is not subject to further administrative review and, to the extent permitted by law, is final and binding (see 49 U.S.C. § 46110).

ARTICLE 15. Reserved

ARTICLE 16. Insurance

The Sponsor will arrange by insurance or otherwise for the full protection of itself from and against all liability to third parties arising out of, or related to, its performance of this Agreement. The FAA assumes no liability under this Agreement for any losses arising out of any action or inaction by the Sponsor, its employees, or contractors, or any third party acting on its behalf.

ARTICLE 17. Limitation of Liability

To the extent permitted by law, the Sponsor agrees to indemnify and hold harmless the FAA, its officers, agents and employees from all causes of action, suits or claims arising out of the work performed under this Agreement. However, to the extent that such claim is determined to have arisen from the act or omission by an officer, agent, or employee of

the FAA acting within the scope of his or her employment, this hold harmless obligation will not apply and the provisions of the Federal Tort Claims Act, 28 U.S.C. § 2671, et seq., will control. The FAA assumes no liability for any losses arising out of any action or inaction by the Sponsor, its employees, or contractors, or any third party acting on its behalf. In no event will the FAA be liable for claims for consequential, punitive, special and incidental damages, claims for lost profits, or other indirect damages.

ARTICLE 18. Civil Rights Act

The Sponsor will comply with Title VI of the Civil Rights Act of 1964 relating to nondiscrimination in federally assisted programs.

ARTICLE 19. Protection of Information

The parties agree that they will take appropriate measures to identify and protect proprietary, privileged, or otherwise confidential information that may come into their possession as a result of this Agreement.

ARTICLE 20. Security

In the event that the security office determines that the security requirements under FAA Order 1600.72A applies to work under this Agreement, the FAA is responsible for ensuring that security requirements, including compliance with AMS clause 3.14-2, Contractor Personnel Suitability Requirements are met.

ARTICLE 21. Entire Agreement

This document is the entire Agreement of the parties, who accept the terms of this Agreement as shown by their signatures below. In the event the parties duly execute any modification to this Agreement, the terms of such modification will supersede the terms of this Agreement to the extent of any inconsistency. Each party acknowledges participation in the negotiations and drafting of this Agreement and any modifications thereto, and, accordingly, that this Agreement will not be construed more stringently against one party than against the other. If this Agreement is not executed by the Sponsor within 120 calendar days after the FAA transmits it to the Sponsor, the terms contained and set forth in this Agreement shall be null and void.

AGREED:

**FEDERAL AVIATION
ADMINISTRATION**

SIGNATURE _____
NAME _____
TITLE Contracting Officer
DATE _____

TOWN OF NANTUCKET

SIGNATURE _____
NAME _____
TITLE _____
DATE _____

December Noise Complaint Summary:

December 2013 – 4 Noise Complaints

- Three calls were from one individual, and all calls concerned early am/late pm air taxis. Upon investigation, one complaint concerned IFR flights, and a second complaint concerned flights in MVFR conditions where the ATC was giving IFR instructions, so it will be tallied also as an IFR complaint. The third complaint concerned a valid out-of-corridor VFR flight.
- One call concerned an out of corridor GA flight. In this case a Beechcraft Baron was given specific instructions by the ATCT to take an early turn to accommodate several faster aircraft in queue for departure.

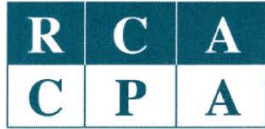
TOWN OF NANTUCKET, MASSACHUSETTS

MANAGEMENT LETTER

YEAR ENDED JUNE 30, 2013

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ROSELLI, CLARK & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

500 West Cummings Park
Suite 4900
Woburn, MA 01801

Telephone: (781) 933-0073
www.roselliclark.com

Honorable Board of Selectmen, Audit Committee
and Town Manager
Town of Nantucket, Massachusetts
16 Broad Street
Nantucket, Massachusetts 02554

We have audited the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Nantucket, Massachusetts (the "Town") as of and for the year ended June 30, 2013, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 5, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Selectmen, Audit Committee, Town Manager and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Roselli Clark & Associates". The signature is written in a cursive, flowing style.

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
December 5, 2013

I. OVERVIEW

The Town of Nantucket is a town that has struggled for a number of years to obtain and maintain sound financial management practices. These struggles arguably date back over 20 years and peaked with the financial fallout ~~and complete disregard for municipal finance laws~~ by the Airport over the past several years.

These struggles have been extensively documented through a series of reports including:

1. Department of Revenue Financial Management Review issued July 16, 2012.
2. An organization review of the Department of Finance and two updates by an outside consultant issued September 5, 2008, August 21, 2009 and February 16, 2012 respectively.
3. A forensic audit of the Airport by an outside firm issued June 2012.
4. Risk assessment of the Airport, Public Works and Human Resources by an outside firm issued April 2, 2013.
5. The prior auditor's management letter and reports on internal control that identified material weaknesses and significant deficiencies issued October 31, 2012.

They also led to punitive reporting mandates from the Department of Revenue, as a condition of setting the tax rate for 2013.

Beginning in 2010/2011 and continuing into fiscal year 2012 the Town began to make considerable progress on the financial deficiencies as evidenced by the 2012 management letter which documents that many of the identified financial issues have been resolved or have been addressed with a game-plan to resolve.

We noted the continued improvement of these issues into fiscal 2013 and congratulate Management, the Audit Committee and the Financial Team for this notable progress. Specifically, prior year material weakness with respect to procurement violations and reconciliation issues regarding cash and receivables have been addressed in a satisfactory manner and will not be identified as weaknesses or conditions in 2013. In addition, the Department of Revenue has lifted its punitive reporting mandates.

We have raised new conditions in fiscal year 2013 that we do not believe rise to the level of material weaknesses or significant deficiencies, however these conditions should be addressed with the same vigor to correct that the Town has displayed in the past two to three fiscal years.

In addition, in the current year, we have reviewed the Student Activity accounts. These have never been reviewed in detail by an outside firm. There were numerous serious concerns as a result of this review. The concerns are material to the Student Activity accounts themselves, but are not material to the overall Town operations and since the relationship is fiduciary in nature, they have not been identified as material or significant conditions of the Town. In economic terms, the Town continued to maintain a vibrant financial position. As the ~~National-national~~ and local economies continued to stabilize the Town's economy has followed suit, however, economic data shows that unemployment rates, while coming off

their historical peaks of 2009/2010, continue to be at historical highs, in addition to other indicators that suggest the economy has not completely emerged from the recession that plagued the country and area since 2009.

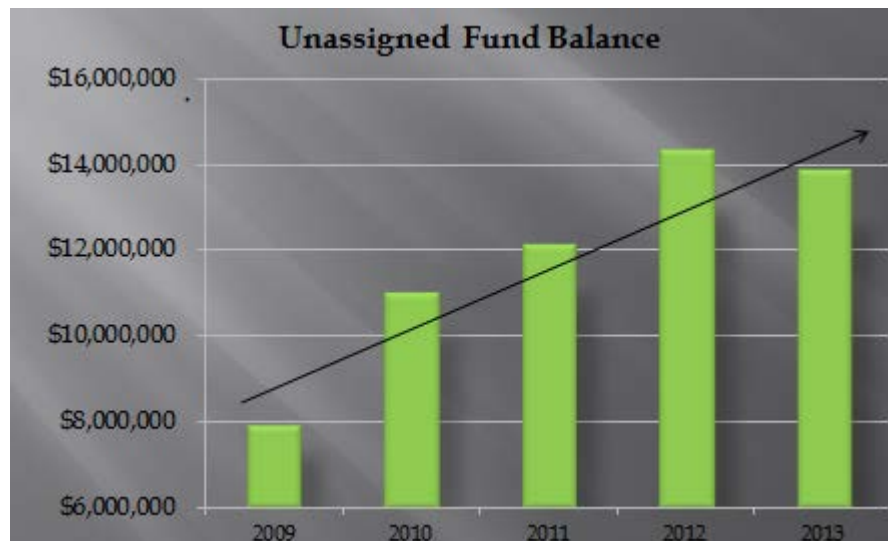
This is a signal that a community must remain cautious while preparing its budget. There is a fine balance to maintaining reserves to satisfy rating metrics versuse providing the community's residents adequate levels of services. Many communities have conceded to the pressure of maintaining services in lieu of building reserves and thus are facing the consequences of those decisions, which include possible credit rating downgrades.

As discussed, the Town has continued to improve upon its financial condition, a trend that began in 2010. Unassigned balances, which were under \$8 million in 2009, stand at almost \$14 million at the end of fiscal year 2013. This has resulted in correlative increases to free cash, which was about \$1M in 2009 and now amounts to \$5.7M.

We commend the Town for taking the approach to building reserves. This is one of the key metrics by which the Town's solvency is evaluated. This is important to the Town since the better the Town's credit is rated the cheaper it is for the Town to finance capital projects. In fact in 2008 the Town has improved its credit rating from an Aa3 ~~in 2008~~ to an Aa2 and continued to maintain this rating in its most recent evaluation earlier this year. We urge the Town to continue this philosophy.

Exhibit 1 illustrates this positive trend:

Exhibit 1



This recent surge has also allowed the Town to move ahead of the State average in terms of reserve ratio, which is essentially a Town's unassigned fund balance divided by total general fund budget.

Exhibit 2 illustrates the growth in reserve ratio:

Exhibit 2

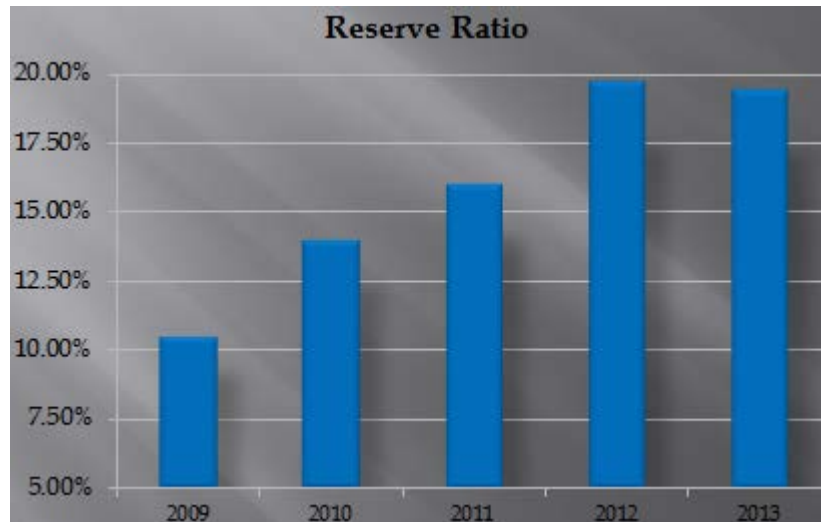
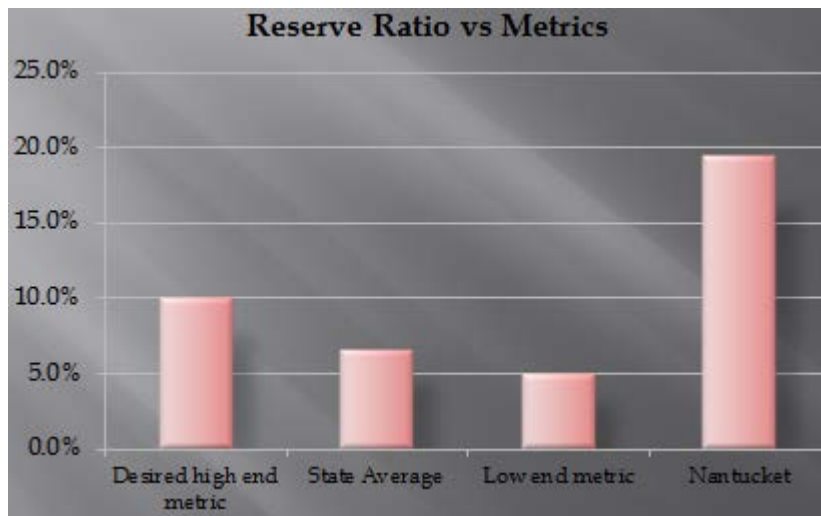


Exhibit 3 compares the Town's reserve ratio to key metric ratios

Exhibit 3



II. INFORMATIONAL ITEMS

A. Other Post~~e~~-Employment Benefits

Governmental Accounting Standards Board (“GASB”) No. 45, *Accounting and Financial Reporting by Employers for Post~~e~~-Employment Benefit Plans Other Than Pension Plans* (“GASB 45”) requires communities to recognize in their financial statements a liability that recognizes post~~e~~-employment benefits as this benefit is earned by employees.

The Town’s most recent valuation reflected a future actuarial-estimated liability of approximately \$88.6 million. While this is a future liability, its impact to current operations cannot be ignored. This is especially important in light of the average employment age for Nantucket employees, which is approaching fifty years old. This factor, among others, may make this an unmanageable liability in ten years. The Town’s future annual cost expectation on a pay as you go basis based on state~~-~~wide data is expected to increase significantly in the next 10 years. In fact many communities see this cash requirement tripling.

The credit agencies have begun to assign an allocation of the credit evaluation to the management of long-term liabilities. OPEB qualifies as such an item, so this is now a very important item on the radar screen for the credit evaluators.

The Town has become more active on the OPEB front recently. Subsequent to the close of fiscal year 2010, Town Meeting adopted the provisions of MGL c. 32B s. 20. This allowed the Town to create a Trust such that it may begin to make contributions to decrease the unfunded liability.

In fiscal year 2013, the Town Meeting voted to transfer \$250,000 into this Trust. While this is a start, we encourage the Town to evaluate other options to become more aggressive in this area.

B. Health Insurance Mandate

Chapter 69 of the Acts of 2011 was signed into law by the Governor on July 12, 2011. This is an Act relative to Municipal Health Insurance. The Act amends Chapter 32B and as a result of its enactment, Section 26 will be added to Chapter 32B and reads as follows:

An appropriate public authority of a political subdivision which has undertaken to provide health insurance coverage to its subscribers under this chapter shall conduct an enrollment audit not less than once every 2 years. The audit shall be completed in order to ensure that members are appropriately eligible for coverage.

We understand that the Town is presently in the process of developing a plan to conduct this audit internally and anticipates this to be completed by the end of fiscal year 2014 or

~~early in fiscal year 2015. As we approach fiscal year 2014, the Town has yet to conduct such an audit thus it is not in compliance with this regulation.~~

~~C. Energy Service Company (ESCO)~~

~~An ESCO is an energy savings contractor who provides services under performance based contracts that are guaranteed. The responsibility of the ESCO is to perform efficiency and performance analysis of all an entity's buildings, the objective of which is to devise a capital improvement and subsequent monitoring program in which the annual energy savings is guaranteed to exceed the annual cost or the ESCO makes payment on the difference. Essentially, the recipient would receive improvements that are funded by the energy savings, thus if all protocols are met, there is no cost to the entity. Given the Town has a number of buildings in use it may be beneficial to consult with an ESCO and receive an evaluation of the available benefits of such an arrangement.~~

D. Municipal Data Breaches

~~Within the past few years, there has been an alarming increase in the number of intrusions into municipal networks throughout the United States. These breaches, many of which targeted relatively small towns, have resulted in the unauthorized access of resident, student and employee data and the theft of several hundred thousand dollars. Given that most cities and towns lack a structured information security program their systems are increasingly at risk to this type of event.~~

~~Recently, a select number of highly qualified companies have emerged that conduct "Data Security Audits" for municipal entities. The audit is a comprehensive examination of the administrative, technical and physical security controls that a municipality has implemented to protect personal information. The resulting audit report identifies each condition that exposes the municipality to potential unauthorized access and offers practical recommendations to remediate these conditions.~~

CE. Comprehensive Annual Report (CAFR)

Presently, the Town compiles an annual financial statement in accordance with generally accepted accounting principles. This meets the minimum financial reporting standards for the Town and its bond investors. We feel the Town is an ideal candidate to compile a CAFR.

Such an endeavor qualifies the Town to receive the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. This is a very prestigious award and in order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. Only 20 communities in the Commonwealth of Massachusetts have been able to receive this certificate.

The publication of a CAFR would represent an important achievement in the ability of the Town to provide enhanced financial information and accountability to its citizens, elected and appointed officials. Preparing the report does not guarantee an increase to the Town's credit rating however the report would have tremendous investor appeal.

III. FINDINGS AND RECOMMENDATIONS

A. Nantucket Memorial Airport

Finding 1: Accounts Receivable Processing

The Airport manages its billings and collections using Microsoft Dynamics GP (“Dynamics”) as opposed to the billing and collections modules within MUNIS, the Town’s accounting system. Dynamics, which was formerly known as Great Plains, is a widely used accounting system and has been available to businesses for over twenty years.

On its face, the Airport’s use of Dynamics appears reasonable as the Airport’s operations are significantly different than the operations of a general government, which is how MUNIS was designed. However, the outstanding receivables per MUNIS and per the Dynamics system do not agree as of June 30, 2013. Airport is not properly using Dynamics, which exposes the Airport to misstated accounts receivables and potentially to lost revenues.

Dating of Transactions in Dynamics Variance Between Accounting Systems – We requested a detailed accounts receivable aging report from the Airport as of June 30, 2013 on September 30, 2013. When we compared the details in this report with the amount recorded in the Town’s accounting records, there was a \$63,818 difference. Furthermore, seventeen (17) new customer accounts were present in the year-end report presented to us on September 30, 2013 versus the report prepared by the Airport and provided to the Town, which was in turn recorded into the MUNIS system.

As a detailed accounts receivable aging report was not provided to the Town by the Airport (only a summary report was provided), we could not determine the individual invoices and/or payments that led to this difference. After further inquiry, we learned that subsequent to year-end the Airport staff, through their outside consultant, made adjustments to the receivable balances, but these adjustments were not included by the Town in the general ledger submitted to the Department of Revenue for certification. Therefore it appears as though the balance sheet submitted for certification to the Department of Revenue had incorrect receivable balances included within it for the Airport. However, it is more likely than not that these differences were due to erroneously backdated transactions. The Airport should carefully record invoices to customers in the period in which goods and/or services are rendered and apply payments against these invoices when these payments are received.

Old Outstanding Account Balances – The accounts receivable trial balance provided by the Airport includes a two-large outstanding balances that have not had any activity during 2013. The One balance is for \$99,134+13,692 and the

~~second for \$20,601.~~ A quick review suggests ~~these two~~ balances ~~has~~ been outstanding for quite some time prior to June 30, 2012. Since the Airport does not reconcile receivables ~~with the Finance Department~~, it is not clear if these were collected and not posted against receivables or if they are true outstanding balances. Due to this uncertainty, ~~these this~~ amounts ~~has~~ been included in the allowance for uncollectible accounts. ~~As previously discussed, w~~We understand that the Airport utilizes an outside consultant for its internal accounting needs (see below finding 2) and this consultant is currently reviewing all old outstanding balances and making recommendations for disposition. We suggest that any recommendations to write-off ~~these~~ large balances are brought before the Airport Commissioners first.

Credit Card Transactions Included in Accounts Receivable – The manner in which the Airport records credit card sale transactions in-transit at month end results in a receivable being recorded in the Dynamics accounting system. This is not the correct accounting as these are deposits in-transit and therefore should be cash at the end of each month.

Credit card transactions at year-end were reported differently by the Town and the Airport. The Town reported a deposit in-transit cash item of \$206,000 and a receivable balance of \$373,057. The Airport reported a receivable balance of \$453,622 and did not report an in-transit cash item. It is not clear if the Town reduced the receivable balance when it reported the in-transit cash item or if it was left intact. Regardless, the amounts do not balance and also contribute to the variance previously discussed.

~~The Airport's internal accounts receivable system reported approximately \$373,000 in credit card receivable at June 30, 2013. In connection with our audit procedures, we determined that the actual in-transit figure was approximately \$438,000, which was fairly consistent with the Airport's internal accounts receivable system. However, in the process of closing the accounting records for the fiscal year, the Town recorded approximately \$206,000 as in-transit cash from credit card sales. Therefore, when the Town's deposit in-transit is factored into this analysis, the internal accounts receivable system's balance is overstated by approximately \$141,000. Since this variance could not be determined, this amount was recorded as an allowance for bad debts at June 30, 2013.~~

Since the outstanding receivable balances were in variance, iIt would appear that reconciliations between the Town and the Airport at year end were not performed. We recommend that the Town and the Airport reconcile accounts receivable and in-transit credit card transactions with each other quarterly.

Multiple Accounts for Same Customer – Many Airport customers are billed by the Airport for different types of selling items (i.e., aviation fuel versus facility rent). The Dynamics system was designed to have multiple customer accounts in billings and collections for the same end customer. For example, Island Airlines

has four accounts; two are used for lease transactions, one for gasoline transactions and one for aviation fuel transactions. The use of multiple accounts for the same end customer greatly increases the likelihood of posting transactions to the wrong customer account. The Airport should consider performing an analysis of its customer accounts and consolidate accounts where necessary.

Finding 2: Accounting Personnel

Recently, the Airport experienced significant turn-over in key financial positions. Individuals were hired and further turn-over occurred. As a result the Airport was left with an office manager whose skill set is more operational based than accounting based. Consequently, the day-to-day management of the Airport appears to be adequately performed however there are limitations in the accounting function. The Airport does not employ operations management with managerial accounting experience. The Airport's operations have enough complications that this skill set is needed, therefore, ~~t~~The Airport engages a third-party accountant to assist it in its back office accounting as a stop-gap measure. ~~and~~ We believe that this engagement should continue and be broadened to include more regular account reconciliations and analyses and reconciling with the Town on a periodic basis. In addition, accounting training is needed for the Airport's business managers.

Finding 3: Capital Asset Maintenance

The Airport maintains a detailed fixed asset register that permits it to depreciate its capital assets. There are many fully depreciated items within this fixed asset register that are likely no longer in use. For example, there are fully depreciated computers purchased over fifteen years ago.

Maintaining (and also deleting) fully depreciated assets that are no longer in service does not have an effect on the Airport's net position. However, including the costs of these items in the Airport's gross fixed assets can be misleading to the reader of the Airport's financial statements.

We recommend that the Airport evaluate the validity of its fixed asset register, paying particular attention to items aged over ten years. Assets that cannot be located or when located are determined to be obsolete and no longer in use should be purged from the fixed asset register. Provided these assets are fully depreciated, purging these assets will not have any impact on the Airport's net position.

Finding 4: Vendor Warrants

In connection with our audit procedures, we did not observe any instances where Airport expenditures were paid without a properly approved and signed vendor warrant. Each Airport vendor warrant we observed was endorsed by a majority of the Airport commissioners. We noted that the Airport's standard vendor warrant is dated and designated signature spaces are provided for each Airport commissioner. However, these warrants do not include a dollar total and therefore does not include sufficient internal control within a well, functioning internal control system.

While there are other mitigating controls present within the Airport's vendor warrant process at the Town level, including the warrant total on each signed warrant would greatly enhance the Airport's internal control system.

B. Payroll

The Town's payroll process has several flaws that should be addressed:

1. The payroll warrant equals the cash requirements report printed from MUNIS not the gross payroll plus employer portion of taxes that is effectively being expended with the processing of the payroll for that period.-. This causes a significant break in the audit trail of information and creates the following issues when attempting to reconcile payroll activity to the postings in the general ledger:
 - a. We were unable to perform the audit step of reconciling quarterly payroll amounts reported to the Commonwealth back to the signed payroll warrants; most likely due to the existing methodology.
 - b. We were unable to perform the audit step of tracing an employee's gross salary paid, into the amount posted to their specific, applicable wage line item on the general ledger; this could allow for mispostings to inaccurate budget lines for wages.
 - c. The payroll warrant only includes total pay per employee and does not distinguish between regular pay, overtime etc. which places limitations on the degree of internal control in place.
2. Most departmental payroll transmittal sheets do not include a section for employee pay rates. Further, the design of the sheets requires departments to manually write hours on the sheets which then need to be re-entered into MUNIS by the town payroll clerk for processing; therefore, departments submit payroll sheets with no employee, department, or general ledger account line item wage totals for the period. We determined because of this transmittal sheet limitation, the payroll clerk does not always record time properly as anticipated by the departments, often confusing regular pay with sick and

vacation pay, for example. Because proof totals do not exist for each employee's payroll; there is no control in place to assist the payroll clerk in verifying her own entries. This process is redundant, inefficient and prone to inaccuracies.

3. As a result of item #1 above, we further identified that the difference in the "cash requirements" report total used for the payroll warrant and the total payroll being actually distributed is related to a portion of the very many employee payroll withholding amounts in existence. However, while some of these withholdings are paid out immediately via bank wires or checks, it is possible that other withholdings may be printed out on checks but held and paid out on a later date, or even just electronically withheld in the MUNIS system with no wire or check being generated. How the withholding is processed and programmed into MUNIS would be a key factor in which withholdings are parts of the "cash requirements" total and which ones are not. Town personnel began investigating this situation upon our initial identification but to our knowledge, as of yet, are unable to fully identify those withholding amounts that are believed to be causing the difference between total wage amounts and the cash requirements amount. We believe that the amounts should be fully identified so as to maintain a clear understanding of the payroll process by Town personnel. Furthermore, we believe that the payroll warrant total signed and approved by Town personnel should be changed to equal the total wages being paid out plus only the employer portion share of Medicare, as that is the true cost of payroll earned by the employees each period, not some amount netted down for timing issues for certain withholdings or other employer benefit costs due as a vendor payment.
4. Most importantly, the Town includes a receivable on its balance sheet captioned "IRS Garnishment" in the amount of \$423,212. It was communicated to us that this represents money garnished from the Town's bank accounts during fiscal 2013, related to income tax withholding disputes with the IRS several years ago. The Town has spent a countless amount of hours to resolve this to no avail. The issue surfaced because withholdings remitted to the various agencies did not match the payroll reports submitted. This could be the result of the methodology of reporting payroll previously discussed. It may make sense to involve a tax attorney to try to resolve this, since this is a large sum of money to leave unresolved.
5. Finally, the Town still has some deficits in its withholding accounts. This is a comment from prior years that lingers. The Town is making best efforts to resolve this.

C. Posting of Water and Sewer Receipts

The following issues were discovered during our testing of receipts for water and sewer:

1. Currently receipts for Sewer and Siasconset Water funds are posted to the Wannacomet Water fund when received and a liability is set up. Monthly, the amounts are then posted to the proper funds and the liability is relieved. We suggest these receipts are posted directly to the funds to avoid the inefficiencies of the current methodology.
2. We discovered that the system posted a refund that was intended for Siasconset Water to the Wannacomet Water fund by accident. It is not clear why this occurred, but this should be investigated to determine if this is human error or more concerning, a systemic problem.
3. Other revenues are presently not broken out at the departmental level for water and sewer, but are broken out in MUNIS. Since it appears the data is available, we suggest other revenues are also further broken out at the individual departments.
4. Presently, Wannacomet Water utilizes e-billing and other advanced methods of collection. We suggest that this technology is shared with the Collector's office in further advancing collections throughout the Town.

D. Health Insurance Trust Payments

We determined that the May and June 2012 health insurance payments were not made until July 2012. These two invoices totaled \$1.8 million and required a prior period adjustment and also resulted in the beginning fund balance being a deficit once restated. While it is technically not proper, but often customary to allow the June payment to be charged to July, it is never proper to allow the May payment to be charged to a subsequent year. This did not occur at the end of fiscal 2013, so it seems like a better cut-off process was in place, but the Town should investigate why this happened and assure that measures are in place to prevent this occurrence in the future.

E. Limited Internal Audit Process

We discovered that there is no reconciliation process between those departments that handle cash (i.e. building permits, dog licenses, school lunch, etc.) with either the Treasurer or Town Accountant's records. While these revenues are not as significant as the overall revenues, there should still be a process by which these departments are held accountable.

Some large municipalities have established an internal audit position that would establish as one of their duties, procedures to hold cash handling departments accountable. We understand that the Town may create such a position and we would support such direction. Until such a position has been vetted and created, we suggest the Town consider following the provisions of Chapter 41 of the MGL that allows the Town Accountant or equivalent position the ability to examine books and records of any department on a periodic basis, and at least once on an annual basis.

Based on this, we suggest that the Town Accountant internally cycle audit the cash handling departments. A different department should be chosen each month, and the cash handling for that month should be reconciled independently. For example, in the area of dog licenses, the number of licenses issued multiplied by the amount per sticker should be reconciled back to the cash turned over to the Treasurer and recorded in the general ledger.

This should not be limited to cash handling only since presently, the Airport and School Department do not reconcile with Town Hall and the records of those two significant departments should be reconciled at least quarterly to the Town records.

In addition, we understand that the Town is seeking to include as part of the annual audit process, 2 to 3 departmental cash handling audits per year and cycle these each year so that at the end of a 5 year period most cash handling areas have been reviewed. Such a process could provide an excellent deterrent against fraud.

F. Capital Assets

For a number of years, the Town had not captured and recorded capital assets properly. During 2013, the Town conducted a significant undertaking to challenge all of its capital asset records and make adjustments where deemed appropriate. This was a significant task, as original deeds, invoices and contracts etc. were all reviewed in an effort to conform the records to appropriate balances. In the end, we also assisted the Town by helping convert all excel spreadsheets to a capital asset based software for easier administration in the future. A prior period adjustment of approximately \$4 million was required to correct prior period activity.

We applaud the staff's efforts in that regard and suggest the Town maintain such records contemporaneously on a prospective basis.

G. Cash Reconciliations

1. The general depository account has numerous reconciling items that are greater than a year old and net to an immaterial amount. In order to make the

reconciliation process more efficient, we suggest the Treasurer clean up these reconciling items by making the necessary adjustments to the cash book.

2. The Health Insurance Trust bank account has about \$3.5 million in cash at year-end which is significantly in excess of the general fund balance of under \$1 million. This is due to transactions being processed through the main bank account and not yet adjusted to equal the general ledger. We suggest the Treasurer review this and other accounts in which this exists and make the necessary adjustments.
3. The Treasurer should consider consolidating bank accounts since there are presently numerous bank accounts that may not be needed. This will make the cash oversight and administrative process more efficient.

H. Purchase Order System

The Town currently utilizes a purchase order system to enhance internal control in the purchasing process. We discovered the Town uses this system for any purchase including \$1. This is an extremely inefficient use of resources and despite the solid control it promotes, could be counterproductive. We suggest the Town evaluate increasing this amount to a more productive level of possibly \$500 or \$1,000.

In addition, the Town continues to experience situations where purchase orders are dated after the invoice date, inferring that amounts are being committed after the purchase which defeats the purpose of a purchase order system. This is a comment that has been in the last management letters and is improving but still an issue.

Janine Torres

From: Tony Roselli <troselli@roselliclark.com>
Sent: Thursday, January 09, 2014 12:17 PM
To: Ashley Christ
Cc: 'Tom Rafter'; 'Libby Gibson'; 'Debbie Dilworth'; 'Daniel W. Drake'; 'Janine Torres'
Subject: RE: Response to Management Letter

thanks for the clarification Ashley...I can make these changes..the Comair most likely was either confusion caused because payment was from Delta Air, or because payment came in on September 11, it may not have been posted yet when we were reviewing this.

as to the second comment, I'm going to pull the comment for now, but Tuesday when we get to Town Hall I want to review this process with Bob...I believe what you are telling me is the Commissioners sign off on a pending warrant which may end up changing based on Finance's input therefore the total numbers are left off...in essence, the Commissioners are not really signing off on the final amount on the warrant until the Commissioner's meeting?

thanks again...

> Hi Tony,
>
> Attached is the airport's follow up responses on the 2nd draft of the
> management letter.

>
> If you have any questions please don't hesitate to contact me.

>
>
> Ashley Christ
> Nantucket Memorial Airport
> Business Manager
> 14 Airport Road
> Nantucket, MA 02554
> 508-325-5300

>
>
>
> -----Original Message-----

> From: Tony Roselli [mailto:troselli@roselliclark.com]
> Sent: Tuesday, January 07, 2014 9:50 PM
> To: Tom Rafter
> Cc: 'Libby Gibson'; 'Ashley Christ'; 'Debbie Dilworth'; 'Tony
> Roselli'; 'Daniel W. Drake'; 'Janine Torres'
> Subject: Re: Response to Management Letter

>
> Hi Folks
>

Management letter response #2
Nantucket Memorial Airport FY13

Finding 3A-Old Outstanding account Balances:

Auditors reference an outstanding balance of \$99,134 for COMAIR (AKA Delta Airlines) is a seasonal provider of air services from June-Sept. For June 2013 they charged \$101K of fuel purchases on account. They actually had a small credit balance going into the 2013 season resulting in account balance of \$99K. On 9/11/13 a payment of \$389K was wired in through the Airport's Bank of America account to cover fuel purchases for June 2013 and subsequent purchases. NMA does not consider this account to be old or delinquent requiring an allowance for bad debt. See Attach report.

Finding 4: Vendor Warrants

Auditors comment that the warrants does not include a dollar total therefore does not provide sufficient internal control.

The commissions' signature page is acknowledging the multiple invoice batches that make up the total of a period's 'warrant payable'. The process for obtaining those signatures includes providing for each batch of vendor warrants an 'Invoice Entry Proof List'. This invoice entry proof list provides commissioners all of the applicable information such as MUNIS object code, department number, GL account number, PO balance, invoice amount and at the end a total dollar amount of the invoices presented for approval. Clipped to each of these invoice entry proof list are the actual invoices that will then presented to the finance department for additional review and approval. Because of the time period needed to obtain commissioners signatures it is not practical to list on the signature page the total of all the batches as there can be adjustments to individual invoices being presented.

At each commission meeting the commissioners ratify the final warrant payable for a period. As part of that process they are given the "final" invoice entry proof list which includes the total of the approved vendor warrants.