



**REPORT OF INDEPENDENT ACCOUNTANT'S
CONSULTING PROCEDURES**

**NORTH CENTRAL NEW MEXICO ECONOMIC
DEVELOPMENT DISTRICT**

National Telecommunications and Information Administration
Broadband Technology Opportunities Program

ARRA Grant Fund Creating REDI Net

DECEMBER 29, 2017

**NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
CONSULTING PROCEDURES
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REPORT OF INDEPENDENT ACCOUNTANT'S CONSULTING PROCEDURES

To the Boards of North Central New Mexico Economic Development District (NCNMEDD) and REDI Middle-Mile Broadband Network (REDI Net) and Mr. Wayne Johnson, New Mexico State Auditor
Santa Fe, New Mexico

Subject: Consulting Procedures performed for NCNMEDD regarding REDI Net financial transactions from fiscal year 2011 to March 31, 2016 as recorded by NCNMEDD who was the "Grantee" and the designated "Fiscal Agent" under the NTIA BTOP ARRA Grant award.

Dear Board Members and Auditor Johnson:

Thank you for the opportunity to work with you to complete this consulting engagement. This report summarizes our procedures, findings, and recommendations as it relates to our assistance with the special audit procedures.

We have performed the consulting procedures enumerated below, which were agreed to by NCNMEDD, REDI Net, and the New Mexico Office of the State Auditor (OSA), solely to assist you in evaluating the transactions for REDI Net and NCNMEDD herein also referred to as the Fiscal Agent. The period subject to review was fiscal year 2011 through March 31, 2016 (the Period).

This consulting engagement was conducted in accordance with the Audit Act 12-6 NMSA 1978, and 2.2.2 NMAC, and the Requirements for Contracting and Conducting audits of State Agencies and Standards for Consulting Services established by the American Institute of Certified Public Accountants. The scope of this engagement is outlined in the body of our report. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the consulting procedures described below either for the purpose for which this report has been requested or for any other purpose. REDI Net and NCNMEDD, as the then designated Fiscal Agent, remain responsible for the accounting records, fraud prevention and detection, and for maintaining effective internal controls over the financial statements, federal grants, and compliance.

BACKGROUND

The Creation of REDI Net under a Joint Powers Agreement

In March 2010, NCNMEDD applied for (and three months later in July was awarded) a \$10.5 million National Telecommunications and Information Administration, Broadband Technology Opportunities Program (BTOP) Grant under the American Recovery and Reinvestment Act (ARRA), for the construction of a high-speed, open access, community broadband net-work in Northern New Mexico, (hereinafter "REDI Net"), to be owned and operated by a consortium of local and tribal governments.

To the Boards of North Central New Mexico Economic Development District (NCNMEDD) and REDI Middle-Mile Broadband Network (REDI Net) and Mr. Wayne Johnson, New Mexico State Auditor

In November 2010, a Joint Powers Agreement, (JPA) was executed among the local parties: *NCNMEDD, the incorporated County of Los Alamos, Santa Fe County, the City of Espanola, Rio Arriba County, Ohkay Owingeh Pueblo, the Pueblo of Santa Clara, the Pueblo of Pojoaque, and the Pueblo of Tesuque* for the collective management, design, construction, implementation, and operation of REDI Net. Governance of REDI Net was to be accomplished by the Parties through the REDI Net Board which was composed of one representative from each Local Party appointed by the governing body of each Party, and one representative of NCNMEDD appointed by its governing body. See **Exhibit 1** for Timeline.

The Original and Current Fiscal Agents

Under Section 7. of the JPA, it states: **“NCNMEDD shall act as Fiscal Agent in connection with the administration, disbursement, reporting and monitoring of the BTOP Grant and shall be strictly accountable for all receipts and disbursements thereunder and under this agreement until construction of REDI Net, transfer of REDI Net assets to the Local Parties have been completed, and NCNMEDD has verified that its responsibilities as BTOP Grant recipient have been satisfied.** Following expiration of the BTOP Grant Period, REDI Net Board shall either extend the term of NCNMEDD as fiscal agent, or appoint a new fiscal agent, which in either case shall be strictly accountable for all receipts and disbursements hereunder.” The BTOP Grant period was defined as the period covering August 2010 to July 31, 2013.

In August 2013, the BTOP grant was amended to extend the award period through September 30, 2013. The REDI Net Board extended the fiscal agent arrangement to include the period of August 1, 2013 through June 30, 2014, and again for the period of July 1, 2014 through June 30, 2015. In August 2015, NCNMEDD was named as interim fiscal agent through December 31, 2015. However, in early 2015, NCNMEDD was directed by its Board to discontinue fiscal and general management services for REDI Net.

In the summer of 2015, Rio Arriba County indicated a willingness to act as fiscal agent and requested financial information from NCNMEDD in order to assess responsibilities and inform the Rio Arriba County Commission. During this process, questions arose and information came to the attention of the REDI Net Board that caused concerns about certain transactions NCNMEDD had charged to the grant. Reportedly, the information they requested was difficult to obtain from NCNMEDD. These concerns were communicated to the New Mexico Office of the State Auditor (OSA) and in October 2015, Rio Arriba County raised questions about REDI Net’s compliance with the State Audit Act.

NCNMEDD ultimately ended their fiscal agent status as of March 31, 2016 and REDI Net’s Board designated Rio Arriba County to be the new fiscal agent beginning April 30, 2016.

Annual Audits and Special Audit Designation

The REDI Net Board had enacted by-laws that require an annual audit in compliance with the State Audit Act. However, management of NCNMEDD thought that their annual audit would suffice, under which REDI Net federal funds were audited in accordance with OMB Circular A-133. The BTOP grant (CFDA #11.557) was audited as a major federal program by NCNMEDD’s external auditor for the fiscal years ending 2011-2014. See **Finding 2018-002 in Exhibit 10** for a summary of the related external audits and findings affecting the grant.

In October 2015, OSA first became aware of the newly formed entity REDI Net. In February 2016, OSA notified REDI Net of non-compliance with the Audit Act and in March 2016 formally designated NCNMEDD for a “special audit” to “evaluate financial transactions involving REDI Net”, resulting in this consulting procedures engagement. In April 2017, REDI Net’s governing Board approved a resolution recognizing that the entire expense of the special

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audit falls solely to REDI Net. After procurement, the contract with Jaramillo Accounting Group LLC (JAG) was executed with final approval on May 8, 2017, between NCNMEDD, REDI Net, and JAG, with the approval of OSA.

The purpose of this consulting engagement was to perform the consulting procedures enumerated under the contract's consulting procedures (detailed below) as a means of assisting in evaluating financial transactions for the Period. OSA created these targeted procedures in lieu of regular audits, resulting in a more expedient and cost-efficient way of providing information for the new fiscal agent to move forward with annual audits in the future.

Internal controls

Effective internal controls require independent and ethical oversight with integrity, accountability and ongoing risk assessment in order to provide reliable indicators of an entities performance. The U.S. Governmental Accountability Office, in Section OV1.01 of the Green Book, defines internal control as "a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved ..." Without the appropriate design and implementation of these controls, entities are more susceptible to fraud, waste and abuse. JAG recommends NCNMEDD adopt the US GAO Green Book as the basis for its internal controls, guiding the ongoing development of its policies and procedures. These policies and procedures need to ensure transparency and risk assessment and monitoring are occurring.

Management's Responsibilities and Auditing Standards

Auditing standards provide that it is the responsibility of management to ensure that agencies have sound internal structure. Statement of Auditing Standards (SAS) Codification (AU) Section 110, paragraph .03, explains that it is management's responsibility to adopt sound accounting policies and to establish and maintain internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. SAS AU 316 paragraph .04 states that "Management, along with those charged with governance, should set the proper tone; create and maintain a culture of honesty and high ethical standards; and establish appropriate controls to prevent, deter, and detect fraud. When management and those charged with governance fulfill those responsibilities, the opportunities to commit fraud can be reduced significantly."

Furthermore, Statement on Auditing Standard AU Section 325 paragraph 3 provides that "internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations." Agencies and IPAs that pursuant to Section 12-6-6 NMSA 1978, an agency or IPA shall notify the State Auditor immediately, in writing, upon discovery of any violation of a criminal statute in connection with financial affairs. The notification shall include an estimate of the dollar amount involved, and a complete description of the violation, including names of persons involved and any action taken or planned.

Each agency should evaluate the internal controls by reviewing and testing internal controls to ensure they are properly designed and implemented. Any violation of law or good accounting practice including instances of noncompliance or internal control weaknesses must be reported as an audit finding per Section 12-6-5 NMSA 1978. Pursuant to GAGAS 4.23, "auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed: significant deficiencies and material weaknesses in internal control; instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance;

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noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and abuse that has a material effect on the audit."

SUMMARY OF RESULTS

Through our performance of the consulting procedures, we conclude NCNMEDD did not fully comply with the Joint Powers Agreement they executed during the Winter of 2010. Significant violations include, but are not limited to:

1. Not maintaining and producing copies of all board minutes of the REDI Net Board of Directors meetings.
2. Not providing the supporting documentation for all disbursements and not maintaining adequate controls to ensure compliance with laws, regulations, polities, and grant agreements. We identified \$955,792 in expenditures for which NCNMEDD was not able to provide the supporting documentation (see **Exhibit 2**).
3. Reportedly, during a time when the Board of Directors of REDI Net and/or their Treasurer were meeting weekly to facilitate transition to the new fiscal agent, NCNMEDD withdrew, on March 20, 2016, without prior notification or approval, \$198,767 out of REDI Net's Los Alamos National Bank account. NCNMEDD was still the fiscal agent at this time and charged for general ledger expenses previously payable to NCNMEDD but unbilled to REDI Net. See Finding 2018-012 in Exhibit 10.
4. Not providing the Local Parties to the JPA a complete listing of the capital assets that were constructed by the BTOP grant and that pertain to each of the individual local parties, as instructed in the JPA. Capital assets constructed under the BTOP grant were not properly identified and accounted for, as the UCC filings that contained detailed listings of the materials used in the construction of the REDI Net Middle Mile network. These listings do not appear to contain the complete or accurate materials costs associated with constructing REDI Net's infrastructure, and therefore cannot be associated with the proper capitalization of these assets and allocation to the JPA members (see **Exhibit 3**).
5. Additional contributions of rights-of-way, easement and land made by the JPA parties were not valued and agreed upon in accordance with the JPA.
6. NCNMEDD did not maintain sufficient accounting records for all transaction types. Copies of numerous contracts and agreements that were requested were not provided. NCNMEDD was unable to provide 28 months of completed bank reconciliations during the time when REDI Net's funds should have been accounted for in a separate interest-bearing project account, but rather were commingled with NCNMEDD's operating cash account.
7. NCNMEDD was unable to provide the detail of accounts receivable, materials inventory, accounts payable, or capital assets as of March 31, 2016. NCNMEDD recorded REDI Net's operational revenue received from the customers of REDI Net's network on a cash basis.

As the REDI Net Board had already encountered in 2015 and 2016, NCNMEDD's inability or unwillingness to provide complete records and the severe disorganization of and missing records caused serious delays in our procedures and caused the results of this engagement to be limited.

To the Boards of North Central New Mexico Economic Development District (NCNMEDD) and REDI Middle-Mile Broadband Network (REDI Net) and Mr. Wayne Johnson, New Mexico State Auditor

This report summarizes our findings discovered during test work to accomplish the goals of the special audit proceeding. We have provided specific recommendations for NCNMEDD to strengthen internal controls over the financial statements and compliance in relation to financial accounting and recording in **EXHIBIT 10 – SCHEDULE OF FINDINGS AND RESPONSES** of this report. We recommend NCNMEDD’s Board and Administration assess all areas where NCNMEDD is responsible for fiscal management and compliance and take corrective action.

Findings include the elements as required by NMAC 2.2.2.15 B and 2.2.2.10 L. (1)(d). Management’s responses to the findings were not audited and/or presented verbatim.

Our examination was limited to the areas and periods described and limited to the documents available and the interviews of employees performed. Had we reviewed other periods or areas or documents, other matters may have been identified warranting the Boards’ attention.

CONSULTING PROCEDURES

Please note that for each of the testing areas below, the findings related to the results of the testing are material weaknesses (see Exhibit 10).

- A. The contractor must understand the governing hierarchy of all laws, regulations, ordinances, policies, procedures and documents that relate to the Broadband Technology Opportunities Program Grant Fund (REDI Net).

In addition to information obtained from meetings and files provided, JAG read pertinent documents including:

- 1. Broadband Press Release
- 2. Activities Allowed and Unallowed – Broadband Infrastructure Projects
- 3. BTOP Grant compliance requirements
- 4. NTIA BTOP Notice Friday January 22, 2010
- 5. Joint Powers Agreement

- B. Identify all capital assets purchased and test, 20% of the total dollar amount of the capital asset expenditures or at least 100 transactions selected in a stratified manner, on the sample basis, the supporting documentation related to capital asset.

- a. The testing must examine the capital asset purchases for compliance with legal requirements and grant agreements, which should include at a minimum the following:
 - i. Verifying that capital asset purchase was properly booked at cost value, the date of service is correct, and location of asset properly recorded.
 - ii. Compliance with the grant agreement.
 - iii. Compliance with federal, state, and local laws.

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Summary of Capital Assets Testing:

		<u>Items Tested</u>
High dollar items tested	\$ 9,910,145	47
Random sample items tested	<u>445,721</u>	<u>55</u>
Total tested	<u>\$ 10,355,866</u>	<u>102</u>
Total capital assets	\$ 11,705,362	
TOTAL PERCENTAGE TESTED	88.47%	
Total amount tested and unsupported	\$ 857,029	
Total percentage tested and unsupported	8.28%	

ALL ATTRIBUTES i. thru iii. ABOVE TESTED

- C. Identify listing of all cash receipts and disbursements and test 20% of the total amount of receipts and 20% of disbursements or at least 100 transactions from each selected in a stratified manner, on the sample basis, the supporting documentation related to the Broadband Technology Opportunities Program Fund (REDI Net).
 - a. The testing must examine the expenditures and receipts for compliance with legal requirements and grant agreements, which should include at a minimum the following:
 - i. Compliance should include authorization for disbursement.
 - ii. Compliance with the grant agreement.
 - iii. Compliance with federal, state and local laws.

Summary of Cash Receipts Testing:

		<u>Items Tested</u>
High dollar items total tested	\$ 11,742,221	49
Random sample items total tested	<u>118,743</u>	<u>51</u>
Total amount tested	<u>\$ 11,860,964</u>	<u>100</u>
Total debits to cash	\$ 13,532,317	
TOTAL PERCENTAGE TESTED	87.65%	
Total amount tested and unsupported	\$ -	
Total percentage tested and unsupported	0.00%	

ALL ATTRIBUTES i. thru iii. ABOVE TESTED (see Exhibits 4a and 4b)

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Summary of Cash Disbursements Testing:

		<u>Items Tested</u>
High dollar items total tested*	\$ 10,243,672	51
Random sample items total tested	<u>42,312</u>	<u>51</u>
Total amount tested	<u>\$ 10,285,984</u>	<u>102</u>
Total cash disbursed	\$ 13,361,381	
TOTAL PERCENTAGE TESTED	76.98%	
Total amount tested and unsupported	\$ 467,227	
Total percentage tested and unsupported	3.50%	

ALL ATTRIBUTES i. thru iii. ABOVE TESTED (see Exhibits 5a through 5d)

*includes disbursements subsequently reviewed and classified by NCNMEDD as capital assets.

- D. Identify a listing of all administrative costs including but not limited to payroll and related expenditures, charged to the Broadband Technology Opportunities Program Fund (REDI Net) and test 20% of the total amount or at least 100 transactions selected in a stratified manner, on the sample basis, the supporting documentation charged by NCNMEDD to the fund;
 - a. The testing must examine the expenditures compliance with the fiscal agent agreement and the joint powers agreements.
 - b. The testing must examine the expenditures to ensure proper authorization.

Summary of Administrative Costs Testing:

		<u>Items Tested</u>
High dollar items total tested	\$ 459,544	15
Random sample items total tested	<u>63,097</u>	<u>89</u>
Total amount tested	<u>\$ 522,641</u>	<u>104</u>
Total admin costs	\$ 1,488,961	
TOTAL PERCENTAGE TESTED	35.10%	
Total amount tested and unsupported	\$ 110,810	
Total percentage tested and unsupported	7.44%	

ALL ATTRIBUTES a. & b. ABOVE TESTED

- E. Identify all current inventory for REDI Net and its location and whether the inventory is held by a contractor.

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NCNMEDD provided 3 lists of materials inventory: January 29, 2013, September 23, 2013 and June 3, 2014. NCNMEDD was unable to provide a list of materials inventory as of March 31, 2016. JAG inquired as to the materials inventory at March 31, 2016. Per management of NCNMEDD, they were not aware of any remaining materials inventory as of March 31, 2016. Receipt and usage of inventory balances do not appear to have been tracked and are unknown. NCNMEDD audited financial statements prepared during the course of the REDI Net project do not show inventory balances as all materials were improperly expensed when paid.

The last available materials inventory, dated June 3, 2014, shows materials inventory with a total cost of \$182,055. None of the three inventories were certified. However, per the review of the spreadsheet properties, they were prepared by the outside project manager. The following table provides a summary of the highest dollar value inventory item, 12.12 miles of 144 count fiber optic cable at June 3, 2014:

<u>Materials Inventory: 144 count Fiber Optic Cable</u>	
Fiber optic cable in materials inventory at January 29, 2013	34.65 miles
Fiber optic cable used to complete project during period of January 1, 2013 to close-out on September 30, 2013	(14.35) miles
Sale of fiber optic cable to Los Alamos County on March 18, 2013	<u>(8.18) miles</u>
Expected balance of unused fiber optic cable at end of project	<u><u>12.12</u> miles</u>
Fiber optic cable in materials inventory at September 23, 2013	12.12 miles
Fiber optic cable in materials inventory at June 3, 2014	12.12 miles
Fiber optic cable in materials inventory at March 31, 2016	Unknown

As the BTOP project was complete as of the last available inventory count, further research is warranted to determine the disposition of REDI Net’s potentially unused fiber optic cable. There is no evidence in the REDI Net general ledger of any return credit of materials inventory with the vendor that supplied the fiber optic cable.

- F. Identify a listing of all executed contracts entered by REDI Net and test 20% of the total contracts or at least 10 contracts selected in a stratified manner contracts, on the sample basis, the supporting documentation related to the contracts.
 - a. The testing must examine if the contract was properly executed in accordance with the fiscal agent agreement.

Since a complete record of contracts had not been maintained, JAG worked with NCNMEDD to generate a listing of REDI Net contracts entered into and we requested copies of all contracts (see **Exhibit 6**). Additionally, we discovered more contracts than had been disclosed to us by reviewing the minutes and the general ledger expenditures. We requested copies of 132 contracts and/or agreements and received copies of 108 contracts and examined for proper execution. It is unknown whether they were executed “in accordance with the fiscal agent agreement”, as the original fiscal agent agreement has not been provided by NCNMEDD to-date. Nothing came to our attention that seemed out of order, or improperly executed on these 108 contracts; however, 24 contracts were not provided for our testing.

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- G. Identify if there is any past or pending litigation for REDI Net and test, on the sample basis, is the past or pending litigation has been properly documented.

Per discussions with NCNMEDD & REDI Net personnel, as well as a confirmation we requested back from Jemez Mountains Electric Cooperative (JMEC), we noted there was a settlement agreement executed between REDI Net and JMEC referred to in the JMEC contributions confirmation. We were unable to obtain a copy of the settlement agreement. This matter is the only legal issue identified or brought to our attention during our engagement. Per NCNMEDD, there were and are no other legal matters (see **Exhibit 7**).

- H. Identify REDI Net's accounts payable balance as of March 31, 2016, and test 20% of the total amount or at least 100 transactions selected in a stratified manner, on the sample basis, the supporting documentation related to the accounts payable.

- a. The testing must examine that the accounts payable is properly recorded and is in compliance with the fiscal agreement.

NCNMEDD did not provide an accounts payable listing as of March 31, 2016. A third-party company was hired by NCNMEDD and REDI Net to perform various tasks in relation to the migration of the accounting services from NCNMEDD as the fiscal agent, such as review of general ledger, bank reconciliations, accounts receivable and accounts payable and other accounting records to ensure that accurate REDI Net records were transitioned out of NCNMEDD. Per discussions with NCNMEDD and REDI Net personnel, they were not aware of any payables owed to outside parties at March 31, 2016 except for a disputed gross receipt taxes payable.

Per NCNMEDD, in dispute are gross receipts taxes payable by REDI Net in the amount of \$3,194 for REDI Net customer collections in March 2016 prior to the transfer to the new fiscal agent. NCNMEDD did not hold this amount back prior to disbursing all remaining cash balances to the new fiscal agent. Additionally, NCNMEDD never set up a separate tax ID number for REDI Net with the State of New Mexico and used its own tax ID to remit the monthly REDI Net gross receipt taxes. NCNMEDD paid the disputed balance in August 2017.

- I. Identify REDI Net's accounts receivable balance as of March 31, 2016.

NCNMEDD maintained REDI Net's revenue records on a cash basis.

REDI Net contracted with a third party to invoice and collect from REDI Net customers. We contacted the third-party but were unable to obtain March 31, 2016 accounts receivable balances. NCNMEDD was only able to provide a detail of one aged accounts receivable schedule. This detail was as of December 28, 2015. Subsequent to the change in fiscal agent on April 30, 2016, REDI Net's new fiscal agent began requesting and receiving aged accounts receivable detail. However, the first aged accounts receivable schedule the new fiscal agent could obtain was as of May 10, 2016. Below is a summary of those outstanding accounts receivable balances:

To the Boards of North Central New Mexico Economic Development District (NCNMEDD) and REDI Middle-Mile Broadband Network (REDI Net) and Mr. Wayne Johnson, New Mexico State Auditor

	Balance as of <u>December 28, 2015</u>	Balance as of <u>May 10, 2016</u>
Current	\$ 83,979	\$ 102,909
Past due		
1-30 days	24,017	23,389
31-60 days	11,526	9,632
61-90 days	4,504	4,929
90-120 days	4,603	3,032
120-150 days	<u>3,010</u>	<u>11,669</u>
	<u>\$ 131,639</u>	<u>\$ 155,560</u>

NCNMEDD accounted for the revenues collected from REDI Net customers on a cash basis instead of the accrual basis of accounting, causing REDI Net accounting records to be inaccurate.

It is our understanding that each of the REDI Net customers entered into Service Level Agreements (SLA) with REDI Net. We requested all SLA Agreements in order to recalculate revenue and attempt to test the above receivable balances/ create a receivable balance at March 31, 2016. We did not receive all SLA's and some that we did were not fully executed agreements. Given the cash basis treatment of these revenues combined with the inability to accurately determine the amount that should have been collected from each REDI Net customer, we were unable to test the above accounts receivable balance or determine the amount of receivables outstanding at March 31, 2016.

- J. Identify REDI Net's bank statements and the bank reconciliations, and on the sample basis, test least 25% of the bank reconciliations to ensure that the bank reconciliations were properly approved and completed timely for the REDI Net Fund.

After repeated follow-up, JAG was able to obtain all bank *statements* requested (see **Exhibit 8**).

Certain reports NCNMEDD provided as bank *reconciliations* were electronic accounting software printouts of the bank reconciliations subsequent to the dates the actual bank reconciliations had been performed. The reports did not contain the beginning and ending bank or general ledger balances, nor did they contain a list of reconciling items such as deposits in transit or outstanding checks. JAG was able to locate a "true" bank reconciliation report previously created by NCNMEDD for the month ended June 30 from prior year auditor workpapers that contained the aforementioned information. However, NCNMEDD was unable to produce hard-copies of complete and accurate past bank reconciliations from September 2010 through June 30, 2012.

We were unable to complete all testing in this area and we do not see evidence that the bank reconciliations were properly approved and completed timely for REDI Net, as corroborated by the external audit findings (see **Finding 2018-002**).

- K. Obtain a listing of per year gross revenue generated by each customer for REDI Net.

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NCNMEDD and the contracted third-party that prepared the REDI Net customer invoicing were unable to provide detail that we requested. Therefore, the only source of information available to us for this listing is NCNMEDD's general ledger detail for REDI Net's transactions. The gross revenue was recognized on a cash basis instead of the required accrual basis. As previously discussed, in section I above, revenue testing back to the Service level agreement was not completed due to lack of information. We also know from prior year external audit findings that deposits were not made timely (see **Finding 2018-002**). See **Exhibits 4a and 4b** for summaries we generated from the limited information available.

NCNMEDD paid over \$46K in equipment project costs on behalf of Los Alamos County and did not bill the County so that REDI Net would be reimbursed for these costs. This was discovered by REDI Net as a result of these procedures.

- L. Obtain a listing of all customers of REDI Net.

Same comment as above in K.

- M. Obtain a close-out trial balance for REDI Net for the date of transfer of the fiscal agent from North Central New Mexico Economics Development District to Rio Arriba County, and test on a sample basis the ending balance report in the trial balance.

See **Exhibits 9a and 9b**.

We were not engaged to, and did not conduct an audit examination, the objective of which would be the expression of an opinion on the accounting records of NCNMEDD under attestation standards. Accordingly, we provide no opinion, attestation or other form of assurance with respect to our work or the information upon which our work is based. The procedures performed do not constitute an examination in accordance with generally accepted auditing or attestation standards. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information of the parties specified above, OSA, NCNMEDD and REDI Net management, and parties identified by management and their designated legal counsel, federal granting agencies, and law enforcement agencies. This report should not be relied upon by any other party. JAG accepts no responsibility to any other party to whom this report may be shown or who may otherwise gain access to this report.

We appreciate the opportunity to assist you in your assessment of REDI Net's transactions. Please do not hesitate to call if you have any questions or need further assistance regarding this important project.



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
December 29, 2017

**NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
EXIT CONFERENCE & DISCLAIMER**

The contents of this report were discussed on March 16, 2018, in a closed session. The following individuals were in attendance:

North Central New Mexico Economic Development

Jim R. Trujillo, Board Chair
Anita A. Guillen, Accountant
Tim Armer, Executive Director

REDI Net

David Trujillo, Vice-Chair
Richard Frias, Attorney

Current Fiscal Agent for REDI Net

Tomas Campos, Rio Arriba County, County Manager
Margaret Campos, Rio Arriba County, Economic Development

NM Office of the State Auditor

Bobbi Shearer, Chief of Staff
Hamish Thomson, Special Investigations

Jaramillo Accounting Group LLC (JAG)

Audrey Jaramillo, Managing Partner
Scott Eliason, Partner

DISCLAIMER

We are not lawyers and are not a law enforcement agency or prosecuting officer. We do not have power to subpoena records or power to subpoena witnesses to testify under oath. We are private accounting firm conducting specified consulting services based on information voluntarily provided by the subject of the engagement. Here, the subject of the consulting procedures had incomplete information due to inadequate controls and documentation at NCNMEDD. Because we have incomplete information, this letter is intended only to raise potential deficiencies in controls and non-compliance with laws, regulations, and contracts.

We cannot conclude on the guilt or innocence of any party. We cannot and do not purport to be in a position to establish beyond reasonable doubt whether such violations occurred. We do not draw legal conclusions here and, instead, raise the matters in this report for consideration and investigation by appropriate agencies. Exercising our auditor judgment and erring on the side of transparency and disclosure, we are identifying these risks to NCNMEDD, REDI Net and the New Mexico Office of the State Auditor so that they can determine appropriate next steps.

EXHIBIT 1
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET HISTORICAL TIMELINE
2011 - 2016

FY 2010							
FY 2009	07/09/09	03/15/10	03/16/10	03/26/10	06/10/10	09/15/10	12/20/10
NTIA BTOP Grant Notice	MOA with Kit Carson Electric Cooperative, Inc. executed for grant application	MOA with Jemez Mountain Electric Cooperative, Inc. executed for grant application	MOA with Grant Application submitted by Barbara Deaux, former NCNMEDD Executive Director	NTIA BTOP Grant Awarded	RFP for Environmental Assessment, Final Engineering Design, Project Management	Broadband Planning Group Contract executed	
FY 2011							
01/03/11	02/03/11	04/11/11	6/6/2011	6/17/2011	06/17/11	07/08/11	08/15/11
JPA for Management of the REDI MIDDLE-MILE BROADBAND NETWORK executed	RFP for Construction Services Materials Procurement	Environmental Assessment submitted (Parametrix)	Finding of No Significant Impact signed by NTIA	WESCO Distribution, Inc. MATERIALS PROCUREMENT AGREEMENT executed	HP Communications, Inc. CONSTRUCTION AGREEMENT executed	Network construction began	REDI Net Ground breaking Ceremony
						Jemez Mountain Electric Cooperative, Inc. License Agreement executed	Jemez Mountain Electric Cooperative, Inc. License Agreement executed
							Bylaws of the Board of Directors of the REDI Middle-Mile Broadband Network - adopted
							Barbara Deaux resigned from Board, Duncan Sill nominated Board Chairman for REDI Net
FY 2012							
05/01/12	06/11/12	02/01/13	09/09/13	09/30/13	10/13/13	08/24/15	11/20/15
REDI Net Policy Manual - amended	Justification for Microwave Proposal for REDI Net submitted to NTIA	Network goes live for completed portions	MOA between REDI Net and NCNMEDD, fiscal agent extension, Duncan Sill appointed GM of REDI Net	BTOP Grant Period end with a 90-day close-out period	Operations and Management Guidelines - Network Operations and Maintenance Guide issued	MOA between REDI Net and NCNMEDD, Interim fiscal agent until 12/31/15	Professional Services Contract executed between NCNMEDD/ REDI NET & NM CFO for fiscal agent transfer
							Duncan Sill resigned as GM of REDI Net
							NCNMEDD resigned as Fiscal Agent
							Rio Arriba County designated as Fiscal Agent
FY 2015							
FY 2016							

EXHIBIT 2
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET SUMMARY OF UNSUPPORTED EXPENDITURES FROM SAMPLE TESTING
2011 - 2016

<u>Vendor</u>	<u>Date</u>	<u>Amount</u>
Wesco Receivables Corp.	10/20/2011	\$ 135,692
Broadband Planning Group, LLC	3/8/2011	124,490
Wesco Receivables Corp.	12/14/2011	90,218
Broadband Planning Group, LLC	6/20/2012	45,741
Broadband Planning Group, LLC	10/12/2011	43,242
Broadband Planning Group, LLC	1/20/2011	42,935
Wesco Receivables Corp.	9/13/2011	42,870
Broadband Planning Group, LLC	8/15/2012	36,649
Broadband Planning Group, LLC	9/13/2011	33,370
Broadband Planning Group, LLC	2/23/2012	29,944
Wesco Receivables Corp.	2/2/2012	26,853
Broadband Planning Group, LLC	12/20/2012	26,641
Calix Networks, Inc.	4/8/2013	24,193
Wesco Receivables Corp.	10/12/2011	23,722
Wesco Receivables Corp.	8/15/2012	22,072
Wesco Receivables Corp.	11/20/2012	21,158
Broadband Planning Group, LLC	1/12/2012	20,249
Jemez Mountain Electric	4/8/2013	19,558
Plateau Wireless	2/13/2013	18,514
Broadband Planning Group, LLC	6/28/2013	15,564
Parametrix	5/10/2011	15,250
HP Communications, Inc.	9/25/2013	12,878
Jemez Mountain Electric	6/20/2012	11,450
Robert J Rivera CPA, PC	10/31/2012	11,375
33 vendors with amounts < \$1,000	Various	6,800
Broadband Planning Group, LLC	10/7/2015	6,275
Abeita Consulting	11/17/2011	5,082
Broadband Planning Group, LLC	1/12/2015	4,647
Wesco Receivables Corp.	10/23/2012	4,511
Broadband Planning Group, LLC	8/26/2015	4,326
Abeita Consulting	12/20/2014	3,638
Wesco Receivables Corp.	4/16/2013	3,615
Commissioner of Public Lands	9/27/2012	3,248
Abeita Consulting	12/20/2012	3,075
Broadband Planning Group, LLC	11/9/2015	2,991
Abeita Consulting	6/21/2011	2,363
Scheuer, Yost & Patterson	3/20/2012	2,244
Robert J Rivera CPA, PC	12/8/2011	1,845
Advanced Communications & Electronic, Inc.	6/28/2013	1,600
Integrated Technologies Corporation	7/10/2015	1,300
Wesco Receivables Corp.	4/10/2012	1,234
Pueblo of Pojoaque Enterprise Corp Realty	4/10/2014	1,200
Scheuer, Yost & Patterson	11/17/2011	1,170
Scheuer, Yost & Patterson	11/9/2010	1,167
Total unsupported expenditures		<u>\$ 955,792</u>

EXHIBIT 3
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET UCC FINANCING STATEMENTS
OWNERSHIP SUMMARY

<u>Local Party</u>	<u>%</u>	<u>Amount</u>
Rio Arriba County	28.9%	\$ 1,002,539
Los Alamos County	18.6%	730,508
Ohkay Owingeh Pueblo	15.8%	326,258
Santa Fe County	11.8%	270,390
Pojoaque Pueblo	10.2%	213,831
Tesuque Pueblo	8.0%	154,526
Santa Clara Pueblo	6.7%	136,177
Grand Total	<u>100.0%</u>	<u>\$ 2,834,230</u>

EXHIBIT 4a
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH RECEIPTS BY CUSTOMER
AND REVENUE SOURCE (UNAUDITED)
2011 - 2016

Sum of Debits to Cash		
Customer	Revenue Source	Total
ARRA Grant	Federal Grant Revenue	\$ 10,565,792
Attack Research	Program	25,630
Black Mesa	Program	80,543
BTI	Program	9,470
Camel Rock	Program	45,254
Carinos Charter School	Program	1,661
City of Espanola	Program	71,591
Cyber Mesa	Program	213,242
Cyber Spectra	Program	15,939
El Centro Family Health	Program	5,549
Hoy Recovery	Program	6,933
Las Cumbres	Program	30,820
Los Alamos County	Program	83,889
Los Alamos County - White Rock	Program	46,973
Los Alamos County Contribution	Participant	400,000
Los Alamos Network	Program	7,234
Medical Associates of Northern New Mexico	Program	7,727
NCRTD	Program	12,453
New Mexico State University	Program	4,920
NM Consortium	Program	57,006
Ohkay Casino	Program	5,707
Ohkay Owingeh	Program	90,606
Plateau	Program	322,346
Pueblo of Pojoaque	Program	17,538
Regional Development Corp	Program	6,830
Regional Development Corp Contribution	Participant	171,500
Reimbursement of Expenses	Reverse Expense	146,511
Rio Arriba County	Program	87,139
Rio Arriba County Contribution	Participant	700,000
Santa Clara Pueblo	Program	60,864
Santa Fe Community College	Program	132,299
SATVIEW	Program	28,421
SWREDA	Program	242
Tesuque	Program	34,666
Transfer in of Cash	Cash Transfer	1,000
TSAY Corp	Program	4,958
University of New Mexico	Program	25,935
Unknown	Program	600
	Unknown	2,529
Grand Total		<u>\$ 13,532,317</u>

EXHIBIT 4b
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH RECEIPTS BY CUSTOMER AND REVENUE
SOURCE BY FISCAL YEAR (UNAUDITED)
2011 - 2016

Sum of Debit to Cash		
Fiscal Year	Revenue Source	Total
2011	Federal Grant Revenue	\$ 394,498
	Participant	571,500
2011 Total		965,998
2012	Federal Grant Revenue	7,317,975
	Participant	600,000
	Reverse Expense	3,223
2012 Total		7,921,199
2013	Federal Grant Revenue	2,715,859
	Participant	100,000
	Program	32,185
	Reverse Expense	122,264
	Unknown	2,529
2013 Total		2,972,837
2014	Federal Grant Revenue	137,460
	Program	386,308
	Reverse Expense	8,141
2014 Total		531,909
2015	Cash Transfer	1,000
	Program	654,195
	Reverse Expense	4,039
2015 Total		659,234
2016	Program	472,297
	Reverse Expense	8,843
2016 Total		481,140
Grand Total		\$ 13,532,317

EXHIBIT 5a
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH DISBURSEMENTS BY VENDOR (UNAUDITED)
2011 - 2016

Sum of Amount	Total
Vendor	Total
HP Communications Inc	\$ 6,552,923
Wesco Receivables Corp	1,843,677
Broadband Planning Group , LLC	1,578,096
Advanced Network Management, Inc.	1,293,043
Plateau Wireless	445,078
Integrated Technologies Corporation	250,014
Parametrix	242,621
Jemez Mountain Electric	206,744
Payroll Direct Deposit	176,917
USIC Locating Services, Inc.	123,739
Advanced Communications & Electronic, Inc.	83,898
Abeita Consulting	78,936
Modrall Sperling	66,747
Los Alamos County	56,052
NCNMEDD	55,040
Payroll Tax expense	52,636
P.E.R.A.	46,717
Calix Networks, Inc.	35,766
Robert J Rivera CPA, PC	35,551
Scheuer, Yost & Patterson	34,819
GSD Risk Management Division	30,407
Transfer In - Salaries and Benefits	23,574
Dawson Surveys, Inc.	19,474
Santa Fe Business Incubator	18,301
Public Service Co of NM	17,397
Desert Elements Design	13,534
New Mexico 811	12,131
Pueblo of Pojoaque Enterprise Corp PPEC Realty	10,450
Chase Card Services	9,204
Accedian Networks	8,759
Pulse Broadband LLC	7,898
N. M. Retiree Health Care	7,230
Windstream	6,562
Duncan Sill	6,232
Technology Solutions NM	6,167
REDW LLC	5,610
J & H Services, Inc.	5,350
Deferred Compensation	4,829
New Mexico CFO	4,335
Entrust Inc	3,328

EXHIBIT 5a
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH DISBURSEMENTS BY VENDOR (UNAUDITED)
2011 - 2016

Sum of Amount	Vendor	Total
	Commissioner of Public Lands	3,248
	Hewlett-Packard Company	3,203
	Los Alamos Network	2,712
	Holly Winscott	2,171
	Fred Lopez	2,110
	Ortega Insurance Agency	2,107
	American Registry for Internet Numbers, Ltd.	2,000
	The New Mexican	1,891
	Dept of Information Tech/Administrative Services Div	1,854
	NM Mutual Casualty Co.	1,801
	Payroll Fees	1,790
	Xerox Corporation	1,473
	Broadband Properties LLC	1,350
	Transfer in	1,268
	New Mexico Gas Company	1,141
	Albuquerque Publishing Co.	953
	The Hartford	926
	Barbara Deaux	882
	Abila	878
	Michelle Bustos	825
	Adobe Propane of Santa Fe	806
	Universal Supply Corp.	709
	Albuquerque Reprographics, Inc.	707
	Camel Rock Casino	653
	Amerigas Propane	622
	Quill Corporation	602
	Business Enviroment	587
	Transfer In	559
	Brownrice Internet, Inc.	559
	Fuelman	542
	Great Ideas	524
	Grants Management Systems, Inc.	511
	University Economic Development Assoc.	500
	MegaPath, Inc.	485
	Deluxe Business Checks And Solutions	466
	The Gallup Independent	396
	Unknown Correction	330
	Deal Excavating	295
	Pueblo of Tesuque	280
	Regulation and Licensing Department	252

EXHIBIT 5a
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH DISBURSEMENTS BY VENDOR (UNAUDITED)
2011 - 2016

Sum of Amount	Total
Vendor	Total
Occupational Health Centers of the Southwest, P.A.	188
Santa Fe University of Art & Design	188
HR Workplace Services	150
Answer 1 Communications	148
Santa Fe Print & Images	144
Supplies expense	140
Transfer in	137
Verizon Wireless	134
Las Cruces Sun-News	106
AB-1 Locksmith	105
Samba Safety	56
Bureau of Business & Economic Research	55
Sam's Club/GECF	45
ESI Ergonomics Solutions C/O Business Solutions	44
U.S Postal Service	38
Colonial Supplemental Insurance	38
Fred Sparks	37
Thomas A Garcia	35
United States Post Office	30
Stamps.com	29
Margie Martinez for petty cash	29
Federal Express Corporation	28
Tim Armer	25
Lawry Mann	24
David Woodruff	24
Jim Trujillo	23
Nick L. Salazar	23
Taxation & Revenue Departmen	22
Deer Oaks EAP Services LLC	21
Globe Life Accident & Insurance	21
Roberto Gonzales	20
Sage Software Inc	19
Personnel Concepts	18
Northwest Group Services Agency, Inc.	17
Michael Padilla	15
James Roger Madalena	13
Airport By Pass Self Storage	12
Unknown accrual	12
NADO-Research Foundation	10
Anita LaRan	8

EXHIBIT 5a
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH DISBURSEMENTS BY VENDOR (UNAUDITED)
2011 - 2016

Sum of Amount	Total
Vendor	Total
Gabriel J Romero	8
Alice Lucero	8
Mary Alice Tracey-Boyce	8
Iron Mountain Records Mgt	7
Juanita Abeyta	7
CenturyLink	4
Rachel Lovato	4
AA Mobile Shredders	4
(blank)	
Transfer Out - Travel	(212)
Transfer out	(554)
Transfer Out	(2,009)
Espanola Transit Mix	(7,828)
Transfer out - Salaries and Benefits	(42,257)
Refund	(52,621)
NM DOT	(60,169)
Grand Total	\$ 13,361,381

EXHIBIT 5b
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH DISBURSEMENTS BY VENDOR BY FISCAL YEAR (UNAUDITED)
2011 - 2016

Sum of Amount		
Vendor	Fiscal Year	Total
HP Communications Inc	2011	\$ 112,651
	2012	4,816,578
	2013	1,533,488
	2014	90,206
HP Communications Inc. Total		6,552,923
Wesco Receivables Corp	2012	1,712,909
	2013	120,986
	2014	3,248
	2015	3,861
	2016	2,673
Wesco Receivables Corp. Total		1,843,677
Broadband Planning Group , LLC	2011	664,328
	2012	410,480
	2013	315,160
	2014	97,984
	2015	57,686
	2016	32,458
Broadband Planning Group , LLC. Total		1,578,096
Advanced Network Management, Inc	2012	972,164
	2013	211
	2014	112,379
	2015	120,090
	2016	88,199
Advanced Network Management, Inc. Total		1,293,043
Plateau Wireless	2013	50,714
	2014	104,650
	2015	132,142
	2016	157,572
Plateau Wireless. Total		445,078
Integrated Technologies Corporation	2014	26,049
	2015	85,257
	2016	138,709
Integrated Technologies Corporation. Total		250,014
Parametrix	2011	217,993
	2012	17,596
	2013	7,032
Parametrix. Total		242,621
Jemez Mountain Electric	2012	84,309
	2013	42,023
	2014	13,998

EXHIBIT 5b
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH DISBURSEMENTS BY VENDOR BY FISCAL YEAR (UNAUDITED)
2011 - 2016

Sum of Amount		
Vendor	Fiscal Year	Total
Jemez Mountain Electric	2015	62,656
	2016	3,758
Jemez Mountain Electric. Total		206,744
Payroll Direct Deposit	2011	6,973
	2012	18,510
	2013	9,233
	2014	35,414
	2015	70,505
	2016	36,282
Payroll Direct Deposit. Total		176,917
USIC Locating Services Inc	2012	6,594
	2013	28,291
	2014	35,691
	2015	31,398
	2016	21,765
USIC Locating Services Inc. Total		123,739
Advanced Communications & Electronic Inc	2013	63,452
	2014	8,307
	2015	5,660
	2016	6,478
Advanced Communications & Electronic Inc. Total		83,898
Abeita Consulting	2011	17,528
	2012	45,845
	2013	15,563
Abeita Consulting. Total		78,936
Modrall Sperling	2013	2,361
	2014	28,707
	2015	30,037
	2016	5,643
Modrall Sperling. Total		66,747
Los Alamos County	2013	56,052
Los Alamos County. Total		56,052
NCNMEDD	2014	52,040
	2015	3,000
NCNMEDD. Total		55,040
Payroll Tax expense	2011	3,275
	2012	5,864
	2013	2,899
	2014	8,582
	2015	21,829

EXHIBIT 5b
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH DISBURSEMENTS BY VENDOR BY FISCAL YEAR (UNAUDITED)
2011 - 2016

Sum of Amount			
	Vendor	Fiscal Year	Total
Payroll Tax expense		2016	10,188
Payroll Tax expense. Total			52,636
P.E.R.A.		2011	2,419
		2012	4,200
		2013	1,288
		2014	10,213
		2015	18,638
		2016	9,958
P.E.R.A.. Total			46,717
Calix Networks Inc.		2013	25,784
		2014	3,679
		2015	6,302
Calix Networks Inc.. Total			35,766
Robert J Rivera CPA, PC		2012	6,150
		2013	11,375
		2014	8,250
		2015	6,700
		2016	3,076
Robert J Rivera CPA, PC. Total			35,551
Scheuer, Yost & Patterson		2011	16,186
		2012	13,143
		2013	5,491
Scheuer, Yost & Patterson. Total			34,819
GSD Risk Management Division		2011	505
		2012	2,200
		2013	1,291
		2014	2,706
		2015	15,649
		2016	8,056
GSD Risk Management Division. Total			30,407
Transfer In - Salaries and Benefits		2011	1,785
		2013	20,917
		2015	5
		2016	866
Transfer In - Salaries and Benefits. Total			23,574
Dawson Surveys, Inc.		2014	19,474
Dawson Surveys, Inc.. Total			19,474
Santa Fe Business Incubator		2011	351
		2012	4,238
		2013	2,015

EXHIBIT 5b
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH DISBURSEMENTS BY VENDOR BY FISCAL YEAR (UNAUDITED)
2011 - 2016

Sum of Amount			
Vendor	Fiscal Year	Total	
Santa Fe Business Incubator	2014	2,211	
	2015	6,398	
	2016	3,088	
Santa Fe Business Incubator. Total			18,301
Public Service Co of NM	2013	13,885	
	2014	574	
	2015	1,520	
	2016	1,418	
Public Service Co of NM. Total			17,397
Desert Elements Design	2012	13,534	
Desert Elements Design. Total			13,534
New Mexico 811	2012	784	
	2013	3,441	
	2014	3,837	
	2015	3,114	
	2016	954	
New Mexico 811. Total			12,131
Pueblo of Pojoaque Eneterprise Corp PPEC Realty	2013	1,200	
	2014	4,400	
	2015	4,850	
Pueblo of Pojoaque Eneterprise Corp PPEC Realty. Total			10,450
Chase Card Services	2011	408	
	2012	2,039	
	2013	592	
	2014	287	
	2015	4,464	
	2016	1,413	
Chase Card Services. Total			9,204
Accedian Networks	2015	4,379	
	2016	4,379	
Accedian Networks. Total			8,759
Pulse Broadband LLC	2014	7,898	
Pulse Broadband LLC. Total			7,898
N. M. Retiree Health Care	2011	273	
	2012	671	
	2013	409	
	2014	1,280	
	2015	2,978	
	2016	1,619	
N. M. Retiree Health Care. Total			7,230

EXHIBIT 5b
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH DISBURSEMENTS BY VENDOR BY FISCAL YEAR (UNAUDITED)
2011 - 2016

Sum of Amount		
Vendor	Fiscal Year	Total
Windstream	2012	347
	2013	1,684
	2014	1,692
	2015	1,558
	2016	1,280
Windstream. Total		6,562
Duncan Sill	2013	1,098
	2014	1,814
	2015	2,028
	2016	1,292
Duncan Sill. Total		6,232
Technology Solutions NM	2014	2,109
	2015	2,002
	2016	2,056
Technology Solutions NM. Total		6,167
REDW LLC	2013	1,685
	2014	3,611
	2015	249
	2016	65
REDW LLC. Total		5,610
J & H Services Inc	2012	5,350
J & H Services Inc. Total		5,350
Deferred Compensation	2011	4,640
	2012	144
	2013	45
Deferred Compensation. Total		4,829
New Mexico CFO	2016	4,335
New Mexico CFO. Total		4,335
Entrust Inc	2013	3,328
Entrust Inc. Total		3,328
Commissioner of Public Lands	2013	3,248
Commissioner of Public Lands. Total		3,248
Hewlett-Packard Company	2012	3,203
Hewlett-Packard Company. Total		3,203
Los Alamos Network	2013	717
	2014	772
	2015	772
	2016	450
Los Alamos Network. Total		2,712
Holly Winscott	2015	1,188

EXHIBIT 5b
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH DISBURSEMENTS BY VENDOR BY FISCAL YEAR (UNAUDITED)
2011 - 2016

Sum of Amount			
Vendor	Fiscal Year	Total	
Holly Winscott	2016	982	
Holly Winscott. Total			2,171
Fred Lopez	2012	2,028	
	2013	81	
Fred Lopez. Total			2,110
Ortega Insurance Agency	2012	260	
	2013	260	
	2015	731	
	2016	857	
Ortega Insurance Agency. Total			2,107
American Registry for Internet Numbers, Ltd.	2014	1,000	
	2015	500	
	2016	500	
American Registry for Internet Numbers, Ltd.. Total			2,000
The New Mexican	2012	570	
	2013	1,320	
The New Mexican. Total			1,891
Dept of Information Tech/Administrative Services Div	2011	501	
	2012	544	
	2013	170	
	2014	635	
	2015	2	
	2016	2	
Dept of Information Tech/Administrative Services Div. Total			1,854
NM Mutual Casualty Co.	2012	59	
	2015	966	
	2016	776	
NM Mutual Casualty Co.. Total			1,801
Payroll Fees	2012	280	
	2013	308	
	2014	462	
	2015	507	
	2016	233	
Payroll Fees. Total			1,790
Xerox Corporation	2012	74	
	2014	1,133	
	2015	136	
	2016	131	
Xerox Corporation. Total			1,473
Broadband Properties LLC	2015	1,350	

EXHIBIT 5b
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH DISBURSEMENTS BY VENDOR BY FISCAL YEAR (UNAUDITED)
2011 - 2016

Sum of Amount		
Vendor	Fiscal Year	Total
Broadband Properties LLC. Total		1,350
Transfer in	2013	1,268
Transfer in . Total		1,268
New Mexico Gas Company	2013	408
	2014	279
	2015	273
	2016	181
New Mexico Gas Company. Total		1,141
Albuquerque Publishing Co	2011	162
	2012	241
	2013	525
	2015	25
Albuquerque Publishing Co. Total		953
The Hartford	2012	107
	2013	611
	2014	59
	2015	149
The Hartford. Total		926
Barbara Deaux	2011	882
Barbara Deaux. Total		882
Abila	2014	265
	2015	279
	2016	334
Abila. Total		878
Michelle Bustos	2013	72
	2014	753
Michelle Bustos. Total		825
Adobe Propane of Santa Fe	2014	441
	2015	366
Adobe Propane of Santa Fe. Total		806
Universal Supply Corp.	2014	709
Universal Supply Corp.. Total		709
Albuquerque Reprographics Inc	2011	707
Albuquerque Reprographics Inc. Total		707
Camel Rock Casino	2014	653
Camel Rock Casino. Total		653
Amerigas Propane	2013	622
Amerigas Propane. Total		622
Quill Corporation	2011	194
	2012	19

EXHIBIT 5b
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH DISBURSEMENTS BY VENDOR BY FISCAL YEAR (UNAUDITED)
2011 - 2016

Sum of Amount			
Vendor	Fiscal Year	Total	
Quill Corporation	2013	69	
	2014	196	
	2015	119	
	2016	5	
Quill Corporation. Total			602
Business Enviroment	2014	587	
Business Enviroment. Total			587
Transfer In	2015	492	
	2016	67	
Transfer In. Total			559
Brownrice Internet Inc	2012	24	
	2013	158	
	2014	179	
	2015	197	
Brownrice Internet Inc. Total			559
Fuelman	2012	228	
	2015	206	
	2016	109	
Fuelman. Total			542
Great Ideas	2016	524	
Great Ideas. Total			524
Grants Management Systems, Inc.	2016	511	
Grants Management Systems, Inc.. Total			511
University Economic Development Assoc.	2015	500	
University Economic Development Assoc.. Total			500
MegaPath, Inc.	2014	301	
	2015	184	
MegaPath, Inc.. Total			485
Deluxe Business Checks And Solutions	2013	45	
	2015	420	
Deluxe Business Checks And Solutions. Total			466
The Gallup Independent	2011	396	
The Gallup Independent. Total			396
Unknown Correction	2012	406	
	2013	173	
	2015	(249)	
	2016	1	
Unknown Correction. Total			330
Deal Excavating	2015	27	
	2016	268	

EXHIBIT 5b
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH DISBURSEMENTS BY VENDOR BY FISCAL YEAR (UNAUDITED)
2011 - 2016

Sum of Amount		
Vendor	Fiscal Year	Total
Deal Excavating. Total		295
Pueblo of Tesuque	2015	280
Pueblo of Tesuque. Total		280
Regulation and Licensing Department	2012	252
Regulation and Licensing Department. Total		252
Occupational Health Centers of the Southwest, P.A.	2015	188
Occupational Health Centers of the Southwest, P.A.. Total		188
Santa Fe University of Art & Design	2011	188
Santa Fe University of Art & Design. Total		188
HR Workplace Services	2015	150
HR Workplace Services. Total		150
Answer 1 Communications	2015	57
	2016	91
Answer 1 Communications. Total		148
Santa Fe Print & Images	2015	144
Santa Fe Print & Images. Total		144
Supplies expense	2014	140
Supplies expense. Total		140
Transfer in	2015	137
Transfer in . Total		137
Verizon Wireless	2011	125
	2016	9
Verizon Wireless. Total		134
Las Cruces Sun-News	2011	106
Las Cruces Sun-News. Total		106
AB-1 Locksmith	2015	105
AB-1 Locksmith. Total		105
Samba Safety	2015	56
Samba Safety. Total		56
Bureau of Business & Economic Research	2015	55
Bureau of Business & Economic Research. Total		55
Sam's Club/GECF	2013	45
Sam's Club/GECF. Total		45
ESI Ergonomics Solutions C/O Business Solutions	2014	44
ESI Ergonomics Solutions C/O Business Solutions. Total		44
U.S Postal Service	2014	38
U.S Postal Service. Total		38
Colonial Supplemental Insurance	2012	7
	2015	19
	2016	12

EXHIBIT 5b
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH DISBURSEMENTS BY VENDOR BY FISCAL YEAR (UNAUDITED)
2011 - 2016

Sum of Amount			
	Vendor	Fiscal Year	Total
Colonial Supplemental Insurance. Total			38
	Fred Sparks	2015	37
Fred Sparks. Total			37
	Thomas A Garcia	2015	35
Thomas A Garcia. Total			35
	United States Post Office	2012	30
United States Post Office. Total			30
	Stamps.com	2014	14
		2015	10
		2016	5
Stamps.com. Total			29
	Margie Martinez for petty ca	2012	29
Margie Martinez for petty ca. Total			29
	Federal Express Corporation	2011	28
Federal Express Corporation. Total			28
	Tim Armer	2014	12
		2015	13
Tim Armer. Total			25
	Lawry Mann	2015	24
Lawry Mann. Total			24
	David Woodruff	2015	24
David Woodruff. Total			24
	Jim Trujillo	2015	23
Jim Trujillo. Total			23
	Nick L. Salazar	2015	23
Nick L. Salazar. Total			23
	Taxation & Revenue Departmen	2012	22
		2013	1
Taxation & Revenue Departmen. Total			22
	Deer Oaks EAP Services LLC	2015	21
Deer Oaks EAP Services LLC. Total			21
	Globe Life Accident & Insurance	2015	21
Globe Life Accident & Insurance. Total			21
	Roberto Gonzales	2015	20
Roberto Gonzales. Total			20
	Sage Software Inc	2012	19
Sage Software Inc. Total			19
	Personnel Concepts	2014	17
		2016	1
Personnel Concepts. Total			18

EXHIBIT 5b
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH DISBURSEMENTS BY VENDOR BY FISCAL YEAR (UNAUDITED)
2011 - 2016

Sum of Amount		
Vendor	Fiscal Year	Total
Northwest Group Services Agency, Inc.	2014	14
	2015	3
Northwest Group Services Agency, Inc.. Total		17
Michael Padilla	2015	15
Michael Padilla. Total		15
James Roger Madalena	2015	13
James Roger Madalena. Total		13
Airport By Pass Self Storage	2012	12
Airport By Pass Self Storage. Total		12
Unknown accrual	2012	12
Unknown accrual. Total		12
NADO-Research Foundation	2016	10
NADO-Research Foundation. Total		10
Anita LaRan	2015	8
Anita LaRan. Total		8
Gabriel J Romero	2015	8
Gabriel J Romero. Total		8
Alice Lucero	2015	8
Alice Lucero. Total		8
Mary Alice Tracey-Boyce	2015	8
Mary Alice Tracey-Boyce. Total		8
Iron Mountain Records Mgt	2012	7
Iron Mountain Records Mgt. Total		7
Juanita Abeyta	2015	1
	2016	6
Juanita Abeyta. Total		7
CenturyLink	2012	4
CenturyLink. Total		4
Rachel Lovato	2015	4
Rachel Lovato. Total		4
AA Mobile Shredders	2016	4
AA Mobile Shredders. Total		4
(blank)	(blank)	
(blank). Total		
Transfer Out - Travel	2015	(212)
Transfer Out - Travel. Total		(212)
Transfer out	2012	(208)
	2015	(345)
Transfer out. Total		(554)
Transfer Out	2013	(2,009)

EXHIBIT 5b
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH DISBURSEMENTS BY VENDOR BY FISCAL YEAR (UNAUDITED)
2011 - 2016

Sum of Amount		
Vendor	Fiscal Year	Total
Transfer Out . Total		(2,009)
Espanola Transit Mix	2014	(7,828)
Espanola Transit Mix . Total		(7,828)
Transfer out - Salaries and Benefits	2012	(3,587)
	2013	(20,428)
	2014	(14,853)
	2015	(3,389)
Transfer out - Salaries and Benefits . Total		(42,257)
Refund	2012	(20)
	2013	(52,601)
Refund. Total		(52,621)
NM DOT	2013	(60,169)
NM DOT. Total		<u>(60,169)</u>
Grand Total		<u>\$ 13,361,381</u>

EXHIBIT 5c
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH DISBURSEMENTS BY SUGGESTED
HIGH LEVEL RECLASSIFICATION (UNAUDITED)
2011 - 2016

Sum of Amount		
Suggested High Level Reclassification	Total	%
Capital Asset - Fiber Line Build-out	\$ 11,705,362	87.61%
Internet Connectivity	831,626	6.22%
Administrative costs	522,641	3.91%
Fiber Line Maintenance	301,752	2.26%
Grand Total	\$ 13,361,381	100.00%

EXHIBIT 5d
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CASH DISBURSEMENTS BY SUGGESTED HIGH LEVEL
RECLASSIFICATION BY FISCAL YEAR (UNAUDITED)
AMOUNTS BY FISCAL YEARS: 2011 - 2016

Sum of Amount		
Suggested High Level Reclassification	Fiscal Year	Total
Administrative costs	2011	\$ 21,578
	2012	74,787
	2013	41,194
	2014	120,761
	2015	169,683
	2016	94,637
Administrative costs Total		522,641
Capital Asset - Fiber Line Build-out	2011	1,031,028
	2012	8,065,394
	2013	2,011,967
	2014	301,791
	2015	173,871
	2016	121,311
Capital Asset - Fiber Line Build-out Total		11,705,362
Fiber Line Maintenance	2012	7,188
	2013	46,259
	2014	65,393
	2015	74,452
	2016	108,460
Fiber Line Maintenance Total		301,752
Internet Connectivity	2012	902
	2013	118,468
	2014	189,367
	2015	293,648
	2016	229,241
Internet Connectivity Total		831,626
(blank)	(blank)	
(blank) Total		
Grand Total		\$ 13,361,381

EXHIBIT 6
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET LIST OF CONTRACTS AND AGREEMENTS
FROM INCEPTION TO TRANSFER TO RIO ARRIBA COUNTY

#	Source	Document Name	X=JAG Received Copy
1	B	Advanced Network Management Contract	X
2	A,C	BPG Contract	X
3	A	BPG Contract Addendum No 1	not received
4	A	BPG Contract Addendum No 2	not received
5	A,C	BPG Contract Addendum No 4	X
6	A,C	BPG Contract Addendum No 5	X
7	A,C	BPG Contract Addendum No 6	X
8	A	BPG REDI Net Cost Proposal	X
9	A	BPG Scope	X
10	A	BTOP Contract with Monica Abeita	X
11	A	BTOP Contract with Monica Abeita Amendment	X
12	B	Desert Elements Design of Santa Fe Contract	not received
13	A, B	DFA Review of JPA	X
14	A	DOE Pole Agreement Executed	X
15	A	Espanola Letter of Commitment	X
16	B	Espanola Public School District Agreement (Microwave Installation)	X
17	A	Espanola Resolution	X
18	A	HP Comm Agr 06-09-11 Comparison	not received
19	B	HP Communications Amendment (Wage-DOL)	not received
20	A, C	HP Communications Construction Agreement	X
21	B	HP Communications Contract	X
22	A	HP Communications Contract Addendum No 1	not received
23	A	HP Communications Contract Addendum No 2	X
24	A	HP Communications Contract Addendum No 3	X
25	A	HP Communications Contract Addendum No 4	X
26	A	HP Communications Contract Addendum No 5	X
27	A	Jemez Electric Addendum No 1 EXECUTED	X
28	B	Jemez Electric Cooperative Operation and maintenance agreement	not received
29	A, C	Jemez Electric License Agreement - SIGNED	X
30	A, C	Jemez Electric Materials Procurement Agreement	X
31	A, C	Jemez Electric MOA	X
32	A	Joint Powers Agreement Brief Form	X
33	A	Joint Powers Agreement Policy and Procedures	X
34	A	JPA Cover letter And Form	X
35	A	JPA Form	not received
36	A	JPA Signatures	X
37	A	JPA Submittal to DFA Cover Letter	X
38	B	Kit Carson Electric Dark Fiber Valuation Agreement	X
39	A, C	Kit Carson Electric MOA	X
40	B	Kit Carson Electric Network Operations Agreement	X

EXHIBIT 6
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET LIST OF CONTRACTS AND AGREEMENTS
FROM INCEPTION TO TRANSFER TO RIO ARRIBA COUNTY

#	Source	Document Name	X=JAG Received Copy
41	A, C	LAC Pole License Agreement SIGNED	X
42	B	Locate Service Agreement - USIC	X
43	B	Locate Service Agreement Amendment - USIC	not received
44	A, C	Los Alamos County Letter of Commitment	X
45	B	Los Alamos County Meet Points Agreement	X
46	A, C	Los Alamos County Resolution	X
47	A	Master License Agreement bw North_C	X
48	C	Medical Associates of Northern New Mexico Termination Letter	X
49	B	MOA for land dedications for the POP's in Rio Arriba and Santa Fe County	not received
50	A	NCNMEDD HP COMM CONTRACT EXT	X
51	A	NCNMEDD JPA and Bylaws	X
52	A	NCNMEDD Locating Service Agreement	not received
53	A	NCNMEDD Mutual Nondisclosure Agreement	not received
54	B	NCNMEDD REDINet Fiscal Agent Agreement	X
55	A	NCNMEDD REDINet JPA	X
56	A	NCNMEDD REDINET Master License Agreement	not received
57	A	NCNMEDD Windstream NDA 03.16.2012	X
58	A, C	Nectar Facility Access Agreement - Executed	X
59	A	Parametrix EA Addendum contract	X
60	A	Plateau Interconnect Agreement	X
61	A	PNM Attachment Fee Schedule	X
62	A	PNM CERT	X
63	A, C	PNM Confidentiality Agreement	X
64	A, C	PNM Materials Procurement Agreement	X
65	A	PNM Non Disclosure	not received
66	A	Pole Attachment Agreement (SYP 09-26)	not received
67	A	REDI NET BUILD NETWORK SUMMARY	not received
68	A	REDI Net JPA 07-14-11 Final	not received
69	A	REDI Net JPA 5-19-11	not received
70	A	REDI Net JPA Adopted 2012-01-03	X
71	A	REDI Net JPA Clean Copy 10/17/11	not received
72	A	REDINet NCNMEDD MOA	X
73	B	Rio Arriba MOA	not received
74	B	SLA Attack Research Contract	X
75	C	SLA Black Mesa Wireless Amendment NO 1	X
76	C	SLA Black Mesa Wireless Amendment NO 10 (Unsigned)	X
77	C	SLA Black Mesa Wireless Amendment NO 11	X
78	C	SLA Black Mesa Wireless Amendment NO 13	X
79	C	SLA Black Mesa Wireless Amendment NO3	X
80	C	SLA Black Mesa Wireless Amendment NO4	X

EXHIBIT 6
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET LIST OF CONTRACTS AND AGREEMENTS
FROM INCEPTION TO TRANSFER TO RIO ARRIBA COUNTY

#	Source	Document Name	X=JAG Received Copy
81	C	SLA Black Mesa Wireless Amendment NO6 (Unsigned)	X
82	C	SLA Black Mesa Wireless Amendment NO7	X
83	C	SLA Black Mesa Wireless Amendment NO9	X
84	B	SLA Black Mesa Wireless Contract	X
85	B	SLA Cibola Internet Contract	not received
86	C	SLA City of Espanola	X
87	B	SLA Conterra Contract	not received
88	C	SLA Cyber Mesa Amendment 2 (Unsigned)	X
89	B,C	SLA Cyber Mesa Contract	X
90	C	SLA Cyber Spectra Amendment 1	X
91	C	SLA Cyber Spectra Amendment 2 (Unsigned)	X
92	B,C	SLA Cyber Spectra Contract	X
93	C	SLA El Centro	X
94	C	SLA Hoy Recovery Program 08.23.13	X
95	C	SLA Hoy Recovery Program 12.01.12(Unsigned)	X
96	C	SLA Jemez Mountain EC 022713 (Unsigned draft)	X
97	C	SLA Las Alamos CN Amendment NO1	X
98	B,C	SLA Las Alamos Community Network Contract	X
99	C	SLA Las Cumbres Contract (Executed)	X
100	C	SLA Los Alamos County Amendment NO1	X
101	C	SLA Los Alamos County Contract	X
102	C	SLA Medical Associates of Northern New Mexico Contract	X
103	C	SLA New Mexico State University	X
104	C	SLA NM Consortium	X
105	C	SLA North Central Regional Transit District Contract	X
106	C	SLA Ohkay Owingeh	X
107	C	SLA Plateau Amendment NO1	X
108	B,C	SLA Plateau Contract(07.11.14)	X
109	C	SLA Plateau Contract(08.15.14)	X
110	C	SLA Pueblo of Santa Clara Contract	X
111	C	SLA Pueblo of Tesuque Amendment NO1	X
112	C	SLA Pueblo of Tesuque Contract	X
113	C	SLA Pueblo of Tesuque Dev. Corp. Camel Rock Casino	X
114	C	SLA Pueblo of Tesuque Dev. Corp. Valero	X
115	C	SLA Regional Development Corporation	X
116	C	SLA Rio Arriba County Amendment NO1	X
117	C	SLA Rio Arriba County Amendment NO2	X
118	C	SLA Rio Arriba County Contract	X
119	C	SLA Santa Clara PHA Amendment NO1	X
120	C	SLA Santa Clara PHA Amendment NO2	X

EXHIBIT 6
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET LIST OF CONTRACTS AND AGREEMENTS
FROM INCEPTION TO TRANSFER TO RIO ARRIBA COUNTY

#	Source	Document Name	X=JAG Received Copy
121	C	SLA Santa Clara Pueblo Housing Authority	X
122	C	SLA Santa Fe Community College	X
123	C	SLA Satview Broadband Amendment NO1	X
124	C	SLA Satview Broadband Amendment NO2 (Unsigned)	X
125	B	SLA Tewa Broadband Contract	not received
126	C	SLA The Master's Program Contract	X
127	C	SLA The Master's Program Contract Amendment NO1	X
128	C	SLA Tsay Corporation	X
129	C	SLA UNM Los Alamos Contract	X
130	B	US Cable Infrastructure Agreement	not received
131	A	WESCO Agr 06-10-11 Comparison	X
132	B	Windstream Agreement	X

- **24 of the 132 contracts listed could not be located and thus were not provided to JAG.**

Source of Contract List

- A Found a 3 pg printout in REDI Net Box of a file index with contract/agreement names (either for specific computer or the network)
- B Contract / Agreement name noted in the REDI Net Board Minutes
- C Contracts/ Agreements already provided to JAG

EXHIBIT 7
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CONTRIBUTION CONFIRMATION'S LIST
MARCH 31, 2016

SUMMARY: _____

NAME	DATE SENT	DATE FOLLOW-UP	DATE RECEIVED	CASH		IN-KIND		CASH PER CONFIRM	IN-KIND PER CONFIRM	CASH VARIANCE	IN-KIND VARIANCE
				PER JPA	PER JPA	PER JPA	PER JPA				
Incorporated County of Los Alamos	09/08/17	NA	09/18/17	\$ 400,000	\$ 625,000	\$ 400,000	\$ 625,000	-	-	\$ -	-
Los Alamos National Security	09/08/17	09/27/17	Traced	170,000	-	-	-	-	-	1,500	-
Ohkay Owingeh Pueblo	09/08/17	09/27/17	NR	-	727,273	-	-	-	-	-	(727,273)
Pueblo of Pojoaque	09/08/17	09/27/17	NR	-	575,757	-	-	-	-	-	(575,757)
Rio Arriba County	09/08/17	NA	09/18/17	700,000	-	700,000	?	-	-	-	?
Pueblo of Santa Clara	09/08/17	09/27/17	09/27/17	-	509,091	-	746,680	-	-	-	237,589
Pueblo of Tesuque	09/08/17	09/27/17	NR	-	424,242	-	-	-	-	-	(424,242)
Jemez Mountains Electric Coop, Inc.	09/08/17	NA	09/18/17	-	686,000	-	1,046,280	-	-	-	360,280
City of Espanola	09/08/17	09/27/18	NR	-	20,000	-	-	-	-	-	(20,000)
				<u>\$ 1,270,000</u>	<u>\$ 3,567,363</u>	<u>\$ 1,100,000</u>	<u>\$ 2,417,960</u>			<u>\$ 1,500</u>	<u>\$ (1,149,403)</u>

- (A)** Original email sent as well as letter placed in the mail.
- (B)** Follow-up email sent with original email and attachment.
- (C)** We have traced this \$171,500 cash contribution to the cancelled check.
- (D)** 1/2 Acre donated for POP building. Rio Arriba County still trying to establish value of contribution
- (E)** Reply letter doesn't indicate which value is accurate, took middle amount per acre from another right-of-way near the same timeline.
- (F)** \$200,000 paid to Pueblo of Pojoaque for Easement amendment, never paid by Redi Net (action item in Settlement agreement)

EXHIBIT 8
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET BANK RECONCILIATIONS TESTWORK
MARCH 31, 2016

Bank Reconciliation with Supporting Detail					
Date	Available*	Name of Signature Preparer	Name of Signature Reviewer	Date Reviewed Signed off	Comments
REDI Net Bank Transactions Commingled with NCNMEDD Operating Account					
9/30/2010	X3	X2	X2	X2	Report provided was not a true "reconciliation"
10/31/2010	X3	X2	X2	X2	Report provided was not a true "reconciliation"
11/30/2010	X3	X2	X2	X2	Report provided was not a true "reconciliation"
12/31/2010	X3	X2	X2	X2	Report provided was not a true "reconciliation"
1/31/2011	X3	X2	X2	X2	Report provided was not a true "reconciliation"
2/28/2011	X3	X2	X2	X2	Report provided was not a true "reconciliation"
3/31/2011	X3	X2	X2	X2	Report provided was not a true "reconciliation"
4/30/2011	X3	X2	X2	X2	Report provided was not a true "reconciliation"
5/31/2011	X3	X2	X2	X2	Report provided was not a true "reconciliation"
6/30/2011	X3	X2	X2	X2	Report provided was not a true "reconciliation"
7/31/2011	X3	X2	X2	X2	Report provided was not a true "reconciliation"
8/31/2011	X3	X2	X2	X2	Report provided was not a true "reconciliation"
9/30/2011	X3	X2	X2	X2	Report provided was not a true "reconciliation"
10/31/2011	X3	X2	X2	X2	Report provided was not a true "reconciliation"
11/30/2011	X3	X2	X2	X2	Report provided was not a true "reconciliation"
12/31/2011	X3	X2	X2	X2	Report provided was not a true "reconciliation"
1/31/2012	X3	X2	X2	X2	Report provided was not a true "reconciliation"
2/29/2012	X3	X2	X2	X2	Report provided was not a true "reconciliation"
3/31/2012	X3	X2	X2	X2	Report provided was not a true "reconciliation"
4/30/2012	X3	X2	X2	X2	Report provided was not a true "reconciliation"
5/31/2012	X3	X2	X2	X2	Report provided was not a true "reconciliation"
6/30/2012	X3	X2	X2	X2	Report provided was not a true "reconciliation"
7/31/2012	X	X2	X2	X2	
8/31/2012	X	X2	X2	X2	
9/30/2012	X	X2	X2	X2	
10/31/2012	X	X2	X2	X2	
11/30/2012	X	X2	X2	X2	
12/31/2012	X3	X2	X2	X2	Detail of checks outstanding not found - summary lists \$392,778.39
1/31/2013	X3	X2	X2	X2	Detail of checks outstanding not found - summary lists \$357,264.02
2/28/2013	X3	X2	X2	X2	Detail of checks outstanding not found - summary lists \$337,257.37
3/31/2013	X3	X2	X2	X2	Detail of checks outstanding not found - summary lists \$236,036.06
4/30/2013	X3	X2	X2	X2	Detail of checks outstanding not found - summary lists \$516,480.64
5/31/2013	X3	X2	X2	X2	Detail of checks outstanding not found - summary lists \$179,703.33
6/30/2013	X	X2	Yes	7/19/2013	
7/31/2013	X	X2	Yes	9/9/2013	
8/31/2013	X	X2	Yes	10/1/2013	
9/30/2013	X	X2	Yes	10/18/2013	
10/31/2013	X	X2	Yes	11/12/2013	
11/30/2013	X	X2	Yes	12/10/2013	
12/31/2013	X	X2	Yes	1/14/2014	
1/31/2014	X	X2	Yes	2/19/2014	
2/28/2014	X	X2	X2	X2	
3/31/2014	X	X2	X2	X2	
4/30/2014	X	X2	X2	X2	
5/31/2014	X	X2	X2	X2	
6/30/2014	X	X2	X2	X2	
7/31/2014	X	X2	X2	X2	
8/31/2014	X	X2	X2	X2	
9/30/2014	X	X2	X2	X2	
10/31/2014	X	X2	X2	X2	
11/30/2014	X	X2	X2	X2	

EXHIBIT 8
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET BANK RECONCILIATIONS TESTWORK
MARCH 31, 2016

Bank Reconciliation					
Date	with Supporting Detail Available*	Name of Signature of Preparer	Name of Signature of Reviewer	Date Reviewer Signed off	Comments
12/31/2014	X	X2	X2	X2	
1/31/2015	X	X2	X2	X2	
Separate REDI Net Bank Account (below)					
2/28/2015	X	X2	X2	X2	
3/31/2015	X	X2	X2	X2	
4/30/2015	X	X2	X2	X2	
5/31/2015	X	X2	X2	X2	
6/30/2015	X	X2	X2	X2	
7/31/2015	X	X2	X2	X2	
8/31/2015	X	X2	Yes	9/1/2015	
9/30/2015	X	X2	X2	X2	
10/31/2015	X	X2	Yes	X2	
11/30/2015	X	X2	Yes	X2	
12/31/2015	X	X2	X2	X2	
1/31/2016	X	X2	X2	X2	
2/29/2016	X	X2	Yes	X2	
3/31/2016	X	X2	X2	X2	
4/30/2016	X	X2	Yes	X2	
5/31/2016	X	X2	X2	X2	
6/30/2016	X	X2	X2	X2	Final check transferring funds to Rio Arriba Cty, written in May.

* Supporting documentation:

- Bank reconciliation sheet (Bank amount , checks outstanding, deposits in transit, book (general ledger) amount
- Detail of Deposits in transit - agrees to bank reconciliation sheet
- Detail of checks outstanding - agrees to bank reconciliation sheet

Tickmarks:

- X: Agrees without exception
- X1: No Bank Reconciliation Document found
- X2: No evidence of preparer / no evidence of reviewer
- X3: Incomplete Bank Reconciliation

NOTES:

- Copies of All 70 bank statements were located and provided.
- 28 of the 70 months bank reconciliations were either incomplete or not a true bank reconciliation report.
- None of the 42 bank reconciliations provided had evidence of the individual that performed the bank reconciliation.
- 13 of the 42 bank reconciliations provided had evidence of having been reviewed.

EXHIBIT 9a
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CLOSE-OUT TRIAL BALANCE PROVIDED BY
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT (UNAUDITED)
JUNE 30, 2016

Trial Balance - REDI Net from 7/1/2015 through 6/30/2016 per NCNMEDD's accounting software.

Account Code	Account Title	Debit Balance	Credit Balance
10100	Cash-Operating	\$ -	\$ 87,297
10340	Cash Fiduciary/REDI-Net	144	
12000	Accounts Receivable	-	1,067
12199	Due from Special Revenue Fund	-	-
20000	Accounts Payable	-	-
20200	Accrued Payroll Payable	-	-
23100	Due to Special Revenue Fund	-	-
24001	Assets Held for Others	-	-
24400	Due to State of New Mexico - RediNet CRS	-	3,194
31000	Fund Balance Restricted	-	77,241
40012	Program Income	-	451,845
40400	Other Revenues	-	50
50100	Personnel	49,909	-
51002	SUTA Expense	202	-
51004	Medicare Expense	567	-
51005	Social Security Expense	2,425	-
51011	PERA Expense	7,997	-
51012	Retiree Health Care Insurance	1,086	-
51021	Group Health Insurance	4,791	-
51023	Group Life Insurance	23	-
51031	Workers Compensation	776	-
52112	Instate Travel-Mileage	1,492	-
52210	Out of State Travel-Per Diem	1,437	-
52222	Out of State Travel-Mileage	216	-
52300	Vehicle Expense-Gas & Oil	108	-
52302	Vehicle Expense-Maintenance	2	-
52501	Travel-BD Per Diem	6	-
54000	Supplies	1,221	-
56100	Professional Services	110,135	-
56101	Consultant Services	25,983	-
56102	Legal Services	5,643	-
56103	Audit	3,076	-
56104	Payroll Fees	215	-
56105	Background Checks/Drug Screening	-	-
56201	Space Rental	6,080	-
56202	Telephone	2,663	-
56203	Maintenance	19	-
56204	Liability Insurance	857	-
56205	Software Maintenance	70	-
56207	Subscriptions and Dues	1,316	-
56208	Advertising	15	-
56209	Postage	5	-
56214	Equipment Maintenance	150,662	-
56300	Utilities	174,622	-
56500	Staff Training and Development	31	-
70000	Intercompany Suspense	-	-
70003	Operating-Transfer In	-	-
70004	Operating-Transfer Out	66,901	-
79999	Due to/from - Intercompany Transfer to Correct Errors	-	-
Report Total		<u>\$ 620,694</u>	<u>\$ 620,694</u>
Report Difference			-
Date: 5/26/17			
02:55:32 PM			
	Revenues	\$ (451,895)	
	Expenses	620,550	
	Fund Balance	(77,241)	
	Liabilities	<u>(3,194)</u>	
	Net balance	<u>\$ 88,220</u>	

EXHIBIT 9b
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CLOSE-OUT SUGGESTED ADJUSTED TRIAL BALANCE (UNAUDITED)
JUNE 30, 2016

Account Code	Account Title	NCNMEDD Original		Adjustments		Adjusted (Agrees to 6/30/2016 Audited Financial Statements)	
		Debit Balance	Credit Balance	Debit Balance	Credit Balance	Debit Balance	Credit Balance
10100	Cash-Operating	\$ -	\$ 87,297	\$ 87,297	\$ -	\$ -	\$ -
10340	Cash Fiduciary/REDI Net	144	-	-	-	144	-
12000	Accounts Receivable	-	1,067	1,067	-	-	-
12199	Due from Special Revenue Fund	-	-	88,299	-	88,299	-
20000	Accounts Payable	-	-	-	-	-	-
20200	Accrued Payroll Payable	-	-	-	-	-	-
23100	Due to Special Revenue Fund	-	-	-	-	-	-
24001	Assets Held for Others	-	-	-	-	-	-
24400	Due to State of New Mexico - REDI Net CRS	-	3,194	3,194	-	-	-
31000	Fund Balance Restricted	-	77,241	-	-	-	77,241
40012	Program Income	-	451,845	-	-	-	451,845
40400	Other Revenues	-	50	-	-	-	50
50100	Personnel	49,909	-	-	-	49,909	-
51002	SUTA Expense	202	-	-	-	202	-
51004	Medicare Expense	567	-	-	-	567	-
51005	Social Security Expense	2,425	-	-	-	2,425	-
51011	PERA Expense	7,997	-	-	-	7,997	-
51012	Retiree Health Care Insurance	1,086	-	-	-	1,086	-
51021	Group Health Insurance	4,791	-	-	-	4,791	-
51023	Group Life Insurance	23	-	-	-	23	-
51031	Workers Compensation	776	-	-	-	776	-
52112	Instate Travel-Mileage	1,492	-	-	-	1,492	-
52210	Out of State Travel-Per Diem	1,437	-	-	-	1,437	-
52222	Out of State Travel-Mileage	216	-	-	-	216	-
52300	Vehicle Expense-Gas & Oil	108	-	-	-	108	-
52302	Vehicle Expense-maintenance	2	-	-	-	2	-
52501	Travel-BD Per Diem	6	-	-	-	6	-
54000	Supplies	1,221	-	-	-	1,221	-
56100	Professional Services	110,135	-	-	-	110,135	-
56101	Consultant Services	25,983	-	-	-	25,983	-

EXHIBIT 9b
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
REDI NET CLOSE-OUT SUGGESTED ADJUSTED TRIAL BALANCE (UNAUDITED)
JUNE 30, 2016

Account Code	Account Title	NCNMEDD Original		Adjustments		Adjusted (Agrees to 6/30/2016 Audited Financial Statements)	
		Debit Balance	Credit Balance	Debit Balance	Credit Balance	Debit Balance	Credit Balance
56102	Legal Services	5,643	-	-	-	5,643	-
56103	Audit	3,076	-	-	-	3,076	-
56104	Payroll Fees	215	-	-	-	215	-
56105	Background Checks/Drug Screening	-	-	-	-	-	-
56201	Space Rental	6,080	-	-	-	6,080	-
56202	Telephone	2,663	-	-	-	2,663	-
56203	Maintenance	19	-	-	-	19	-
56204	Liability Insurance	857	-	-	-	857	-
56205	Software Maintenance	70	-	-	-	70	-
56207	Subscriptions and Dues	1,316	-	-	-	1,316	-
56208	Advertising	15	-	-	-	15	-
56209	Postage	5	-	-	-	5	-
56214	Equipment Maintenance	150,662	-	-	-	150,662	-
56300	Utilities	174,622	-	-	-	174,622	-
56500	Staff Training and Development	31	-	-	-	31	-
70000	Intercompany Suspense	-	-	-	-	-	-
70003	Operating-Transfer In	-	-	-	112,956	-	112,956
70004	Operating-Transfer Out	66,901	-	-	66,901	-	-
79999	Due to/from - Interco Transfer to Correct Errors	-	-	-	-	-	-

Trial Balance Summarized Amounts	
Revenues	\$ (451,895)
Transfers in	(112,956)
Expenses	553,649
Fund Balance	(77,241)
Net balance	<u>\$ (88,443)</u>

Per Financial Statements	
\$ 144	Cash
88,299	Due from other Funds
<u>\$ 88,443</u>	<u>Total Assets</u>
<u>\$ 88,443</u>	<u>Due to NCNMEDD</u>

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES
MARCH 31, 2016

2018-001 NCNMEDD'S VIOLATION OF THE JOINT POWERS AGREEMENT (REDI NET) AND THE RELATED FISCAL AGENCY AGREEMENT

CONDITION

A Joint Powers Agreement (JPA) between nine parties for the collective management of the REDI Middle-Mile Broadband Network (REDI Net) was executed by all the parties from November 2010 through January 3, 2011.

Through our performance of the consulting procedures, we conclude NCNMEDD did not fully comply with the Joint Powers Agreement they executed during the Winter of 2010. Significant violations include, but are not limited to:

1. Not maintaining and producing copies of all board minutes of the REDI Net Board of Directors meetings.
2. Not providing the supporting documentation for all disbursements and not maintaining adequate controls to ensure compliance with laws, regulations, polities, and grant agreements. We identified \$955,792 in expenditures for which NCNMEDD was not able to provide the supporting documentation (see **Exhibit 2**).
3. Reportedly, during a time when the Board of Directors of REDI Net and/or their Treasurer were meeting weekly to facilitate transition to the new fiscal agent, NCNMEDD withdrew, on March 20, 2016, without prior notification or approval, \$198,767 out of REDI Net's Los Alamos National Bank account. NCNMEDD was still the fiscal agent at this time and charged for general ledger expenses previously payable to NCNMEDD but unbilled to REDI Net. See Finding 2018-012 in Exhibit 10.
4. Not providing the Local Parties to the JPA a complete listing of the capital assets that were constructed by the BTOP grant and that pertain to each of the individual local parties, as instructed in the JPA. Capital assets constructed under the BTOP grant were not properly identified and accounted for, as the UCC filings that contained detailed listings of the materials used in the construction of the REDI Net Middle Mile network. These listings do not appear to contain the complete or accurate materials costs associated with constructing REDI Net's infrastructure, and therefore cannot be associated with the proper capitalization of these assets and allocation to the JPA members (see **Exhibit 3**).
5. Additional contributions of rights-of-way, easement and land made by the JPA parties were not valued and agreed upon in accordance with the JPA.
6. NCNMEDD did not maintain sufficient accounting records for all transaction types. Copies of numerous contracts and agreements that were requested were not provided. NCNMEDD was unable to provide 28 months of completed bank reconciliations during the time when REDI Net's funds should have been accounted for in a separate interest-bearing project account, but rather were commingled with NCNMEDD's operating cash account.
7. NCNMEDD was unable to provide the detail of accounts receivable, materials inventory, accounts payable, or capital assets as of March 31, 2016. NCNMEDD recorded REDI Net's operational revenue received from the customers of REDI Net's network on a cash basis.

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-001 NCNMEDD'S VIOLATION OF THE JOINT POWERS AGREEMENT (REDI NET) AND THE RELATED FISCAL AGENCY AGREEMENT (CONTINUED)

CRITERIA

The JPA named NCNMEDD as the Fiscal Agent and as such would be responsible for all reporting and assuring compliance required by the BTOP grant. In Section 7. Appointment of Fiscal Agent; Strict Accountability of all Receipts and Disbursements: NCNMEDD shall act as Fiscal Agent in connection with the administration, disbursement, reporting and monitoring of the BTOP Grant and shall be strictly accountable for all receipts and disbursements thereunder and under this Agreement until construction of REDI Net, transfer of REDI Net assets to the Local Parties have been completed and NCNMEDD has verified that its responsibilities as BTOP Grant recipient have been satisfied.

Section 2 G. Meeting Protocol: REDI Net Board meetings shall be held in compliance with the New Mexico Open Meetings Act, Sections 10-15-1 through 10-15-4 NMSA 1978. NCNMEDD shall keep minutes of all REDI Net Board meetings.

EFFECT

NCNMEDD's inability or unwillingness to provide the underlying supporting documents for financial transactions, board meetings, various contracts and agreements, and fixed assets, has eroded the confidence of the Local Parties and is in direct violation of the JPA.

CAUSE

NCNMEDD did not maintain proper and adequate internal controls over their fiscal affairs that would have established the appropriate environment for correctly accounting for and reporting the various contractual obligations they had agreed to from the time the BTOP NTIA ARRA Grant was awarded to them as the grant recipient.

RECOMMENDATION

NCNMEDD should allocate or add resources to investigate, research, identify, and locate all the missing financial transaction documents, re-construct the capital asset listings to include all required elements, provide all the contracts and agreements that were entered into, so that the current management of REDI Net have all the necessary historical information they need in order to know they have a correct and accurate accounting of REDI Net's financial transactions.

MANAGEMENT RESPONSE

Corrective Action(s): All known documents have been provided during the audit and NCNMEDD will seek to identify and investigate any other possible location of REDI Net document retention before the end of the fiscal year. NCNMED provided training for current staff regarding records retention with the State of New Mexico in May 2017 and will ensure continued training going forward during administrative and financial staff transitions.

Responsible person(s): Executive Director and Finance Director

Timeline of corrective action: June 2018 with records retention on-going

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-002 LACK OF TIMELY CORRECTIVE ACTION ON EXTERNAL AUDIT FINDINGS

CONDITION

NCNMEDD did not take timely corrective action on external audit findings during the period covered by our engagement. Below is a summary of the annual audits and any findings which likely would have impacted NCNMEDD's ability to provide fiscal agent services for REDI Net's accounting, controls, and compliance. NCNMEDD's management concurred with these findings at the time.

Fiscal Year	BTOP Expenditures per Audited SEFA (CFDA No. 11.557)	NCNMEDD BTOP Grant Audited as OMB A-133 Major Program?	Relevant Finding No.	Relevant Finding Title	Finding Type	Fiscal Year Cleared
June 30, 2011	\$481,106	YES	2011-1	Capital Assets Inventory and Policies and Procedures	Significant Deficiency and Non-Compliance	2012, but condition appears to have remained
June 30, 2012	\$7,548,616	YES	N/A	N/A	N/A	N/A
June 30, 2013	\$2,218,202	YES	2013-1	Reconciliation of Accounting Records—General Ledger	Significant Deficiency	Not Cleared as of 2016
June 30, 2014	\$317,868	YES	2014-002	Lack of Time Reporting	Significant Deficiency and Non-Compliance	2015, but similar finding in 2016
June 30, 2015	N/A	NO	2014-004 and 2015-001	Budgetary Non-Compliance and Late Delivery of Audit Report	Significant Deficiencies and Other Non-Compliance	2016
June 30, 2016	N/A	NO	2016-001, 2, 4, 5, 6, 8	Various, see below; 2013-1 is now a Material Weakness	Significant Deficiencies, Other, Non-Compliance	Unknown until 2017 Report is Released
	\$10,565,792					

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-002 LACK OF TIMELY CORRECTIVE ACTION ON EXTERNAL AUDIT FINDINGS (CONTINUED)

Certain relevant excerpts from Findings:

2011-1 Capital Assets: “did not have an employee assigned to capital asset management, tracking and recording of capital asset activity during the audit period.”

2013-1 Reconciliation of Accounting Records [and Lack of Controls over Cash Receipts]: “Beginning in December 2012, the North Central New Mexico Economic Development District (District) failed to timely monitor and reconcile all general ledger accounts. The reconciliations for the period between December 2012 and June 30, 2013 were actually performed subsequent to June 30, 2013 by staff personnel. Many adjustments to the general ledger were made by the District covering this period; however, there were 41 additional auditor adjusting journal entries which were necessary to adjust the general ledger at year end.

In addition, bank reconciliations for the months of December 2012 through June 2013 were not completed timely and were actually reconciled subsequent to June 30, 2013. Also, our audit test work of revenues revealed that the District’s system of internal control over receipting and posting to the general ledger did not function as designed by the District. Written receipts were not issued contiguously. Some receipts were not recorded in the general ledger until they were identified during the reconciliation process and some receipts were improperly recorded in the general ledger.”

“Errors may not be prevented or discovered without proper, consistent and timely reconciliations and financial statement preparation”.

2015: The District “continues to experience critical turnover of Financial Management staff. As a result, during fiscal year 2015, the District failed to timely monitor and reconcile all general ledger accounts.”

2016: “The District has not made progress in implementing the prior year corrective action plan.” *This finding is now a Material Weakness.*

2014-002 Lack of Time Reporting [Payroll]: “The current system of time reporting does not provide the proper accounting for work on multiple activities [grants]. Lack of preparation and approval of employee time could result in incorrect employee time allocation to applicable federal grants and results in noncompliance with applicable OMB regulations”

2014-004 Budgetary [Non-] Compliance: The District “continues to experience critical turnover of Financial Management staff. As a result, actual expenses exceeded budgeted expenses for the following special revenue funds as of June 30, 2015: BTOP \$12,575”.

2016-001 Controls over Disbursements: “for 5 out of 40 disbursements tested, the District was lacking review and approval of ACH transfers.....the District did not implement a review and approval process until December 2015.”

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-002 LACK OF TIMELY CORRECTIVE ACTION ON EXTERNAL AUDIT FINDINGS (CONTINUED)

2016-002 Controls over Payroll: "...Payroll is not reconciled by the District throughout the year. The payroll disbursements are allocated per grant, however, the District could not provide a reconciliation of payroll wages for fiscal year 2016 that tied to the general ledger."

2016-004 Standards for Documentation of Personnel Expenses [Title III Cluster, not BTOP]: "...the payroll allocation for employees charged to the [federal] award is based on time studies performed twice a year and not on actual hours worked.

2016-005 Late Data Collection Form [Federal Grant Reporting, All CFDA's]: "The District did not file its Data Collection Form to the Federal Audit Clearinghouse by the required due date of March 31, 2016."

2016-006 Untimely Deposits: "...the District does not deposit receipts timely and in accordance with District policy".

2016-007 PERA/RHCA Reconciliations: "The District is not reconciling payroll to what is being remitted to [PERA and RHCA]....[and were] using the incorrect rates related to RHCA.....the District over paid both PERA and RHCA in fiscal year 2016."

2016-008 Cash Management [Title III Cluster, not BTOP]: "...the District did not have complete and accurate supporting documentation that could be easily reconciled for eight of the nine drawdowns tested."

CRITERIA

Per OMB 2 Section 200.62, "Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards: (a) Transactions are properly recorded and accounted for, in order to: (1) Permit the preparation of reliable financial statements and Federal reports; (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award; (b) Transactions are executed in compliance with: (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition."

EFFECT

NCNMEDD's finances and operations do not have the proper external monitoring and oversight. Corrective action on findings are not occurring as completely and timely as they should. This leaves NCNMEDD and its organizations for which it is a fiscal agent for (such as REDI Net) susceptible to non-compliance, fraud, waste, abuse, and errors.

CAUSE

The powers of the Board and the Executive Director are not being utilized to their intended and fullest extent to ensure the District has adequate staffing and controls in place to prevent repeated findings.

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-002 LACK OF TIMELY CORRECTIVE ACTION ON EXTERNAL AUDIT FINDINGS (CONTINUED)

RECOMMENDATION

The Board, through its committees and any necessary policies, should monitor that corrective action is being taken and that all audit findings are resolved promptly. The Board and any committees should document their purposes, responsibilities, functions, and procedures to assess risks and monitor the correction of existing deficiencies in the accounting internal controls environment. The Executive Director should provide a monthly report of the status of the corrective action to the Board.

MANAGEMENT RESPONSE

Corrective Action(s): During the period from 2012 through 2016, NCNMEDD had substantial transition in administrative and financial staff contributing to the lack of consistency in those aspects of the organization. Based on audit recommendations, NCNMEDD compiled comprehensive policies and procedures in 2014 and revisions in 2017, including finance management. With the adoption and implementation of these policies and the stabilization of the financial staff positions, particularly the Finance Director position, the issues cited have been or are in the process of being addressed. Further, NCNMEDD staff will provide monthly reports on the status of the corrective actions.

Responsible person(s): Executive Director and Finance Director

Timeline of corrective action: Monthly status reports beginning in April 2018 and on-going

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-003 INSUFFICIENT ACCOUNTING RECORDS / DOCUMENT RETENTION

CONDITION

NCNMEDD did not maintain sufficient accounting records for all transaction types. Of the 253 various disbursements that we selected for testing, NCNMEDD did not make available:

- 71 invoices
- 13 check requests or authorizations for payment
- 27 Engineering certifications or approvals for construction related expenses
- 5 complete invoices comprising the total payment to the vendor
- 4 bids/proposals for vendors that were paid funds in excess of \$60,000 (as verification that NCNMEDD had complied with the New Mexico Procurement Laws)
- 24 of the 132 various contracts we identified (since NCNMEDD could not provide a complete list)
- A current listing of inventory items including date purchased, amount, and location of the inventory item as of March 31, 2016
- A current accounts payable list as of March 31, 2016
- A current accounts receivable list as of March 31, 2016
- A listing of per year gross revenue generated by each customer for REDI Net
- A listing of all customers of REDI Net
- Of the 50 random payroll disbursements selected for testing: 7 timesheets were not supported, 15 timesheets were not signed by the employees, 18 timesheets were not signed by a supervisor or director, 3 individuals' payrates did not agree to the approved payrate provided, and the percentage expensed to REDI Net for 4 of the 50 did not agree to the internal percentage spreadsheets provided, for the respective individual's paycheck

CRITERIA

NMSA 1978 Title 1, Chapter 21 Part 2 describes the functional records retention and disposition schedules for retention and disposition of public records.

It is necessary to save copies of all financial records including purchase receipts, bank statements, check registers, withdrawal and deposit receipts, reconciliation reports, approved budgets, budget adjustment requests and financial statements. It is important to keep on file copies of the meeting agendas, approved meeting minutes and resolutions passed throughout the fiscal year.

Once records have been properly filed it is important that they are stored in a safe place so that they may be utilized in the future by members of the board, an auditor or in order to comply with an Inspection of Public Records Act request from a member of the public. The New Mexico Administrative Code (NMAC) sets forth the requirements for how long certain types of records must be maintained by a government entity before they can dispose of them. The NMAC outlines these retention requirements in Title 1, Chapter 15 in various parts. They are known as General Records Retention and Disposition Schedules (GRRDS). For a complete listing of the GRRDS please refer to the NMAC.

NMAC 1.21.2.301 B.records relating to accounts payable including, but not limited to purchasing and reimbursements. C. Destroy six years from date audit report is released.

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-003 INSUFFICIENT ACCOUNTING RECORDS / DOCUMENT RETENTION (CONTINUED)

2 CFR Ch. II, contains the federal requirements for retention and access requirement for records. Per the BTOP NTIA ARRA grant award, recipients must maintain records relating to the grant for at least three years after receiving notification of official grant closeout (2 CFR 200.333). Furthermore, records for real property and equipment acquired with Federal funds shall be retained for 3 years after disposal of the federally-funded asset (2 CFR 200.333 (c)).

EFFECT

Without adequate documentation, it is unknown if certain grant costs are allowable and, therefore, if NCNMEDD is in compliance with laws, regulations, policies, procedures, and internal controls.

CAUSE

The reasons NCNMEDD did not provide the supporting documentation for transactions and the full accounting records are unknown.

RECOMMENDATION

NCNMEDD should develop and formally adopt a document retention policy that is in compliance with the statutes. The Board and Executive Director must ensure accounting records are complete and accurate and maintained as support for every transaction, to ensure compliance and transparency.

MANAGEMENT RESPONSE

Corrective Action(s): See responses in 2018-001 and 2018-002.

Responsible person(s):

Timeline of corrective action:

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-004 LACK OF INTERNAL CONTROLS AND COMPLIANCE OVER CAPITAL ASSETS

CONDITION

During our capital asset testing, NCNMEDD did not maintain a full listing of capital assets. It appears as though a physical inventory was completed as of September 23, 2013 (at contract close-out). The capital asset inventory cost presented in the inventory schedule was \$2,574,933, however, there were many inventory items not costed. It appears as though a second physical inventory was completed as of June 3, 2014. The inventory cost presented in the inventory schedule as \$2,620,532, however, again, there were many inventory items not costed. Neither of these two inventories were certified.

Our testing indicates the \$2.6M NCNMEDD reported is materially misstated. As part of this engagement, we combined, from each year's general ledger, all the expenditures (with detailed descriptions) from the inception of REDI Net to March 31, 2016. We then provided management of NCNMEDD with a detailed list of all the expenditures and they reviewed the list and determined which costs meet the definition of capital asset. These costs included certain internal payroll, legal and contracted project management costs incurred to place the network into service. We then reviewed these costs with NCNMEDD management, along with many of the copies of the invoices that we received, and noted that the items selected for capitalization were not unreasonable. These costs totaled \$11,705,362 as of March 31, 2016. **(See Exhibits 5c and 5d)**

Additionally, we noted the UCC filing on capital assets appear to be inaccurate and incomplete. The sum of all UCC filings totaled \$2,834,230. One vendor, whose contract was to install the fiber line, received \$6,552,923 over the course of the grant. Included in the contract to install the fiber line were certain material costs. We were unable to determine the total material costs billed by the vendor.

We noted in the April 25, 2014 NCNMEDD executive minutes that "REDI Net has \$50,000 in capital outlay designated for planning and engineering". This was followed by REDI Net minutes of May 21, 2015 that described the same event. Since no activity has occurred on this grant to REDI Net, we checked with the Board of Finance on January 9, 2018 and noted that NCNMEDD was the fiscal agent and on both March 27, 2017 and June 15, 2017 that "no update provided by the entity" was concluded in the notes for this capital appropriation. 2018 legislation signed into law on March 7, 2018 reauthorized the project through June 30, 2020.

CRITERIA

200 CFR FAR Part 2: Section 200.313, .439 Property records **must include for each asset the description, serial/other ID#, source of property, who holds title, acquisition date, cost, % of federal participation in the project costs, location, use and condition, disposition data (date, sale price). Physical inventories must be taken and the results reconciled with the property records at least once every two years.** Controls must be developed to ensure adequate safeguards to prevent loss, damage, or theft of property. Any damage, loss, or theft must be investigated, adequate maintenance procedures must keep assets in good condition, and if the agency is authorized to sell any assets, they must obtain the highest possible return.

The Audit Act (Section 12-6-10 NMSA 1978) requires agencies to conduct an annual inventory of movable chattels and equipment costing more than \$5,000 and under the control of the governing authority. The inventory shall list the chattels and equipment and the date and cost of acquisition. The inventory shall be certified by the governing authority as to correctness. Each agency shall maintain one copy in its files.

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-004 LACK OF INTERNAL CONTROLS AND COMPLIANCE OVER CAPITAL ASSETS (CONTINUED)

Governmental Accounting Standards Board Statement (GASB) 34 requires the recording and disclosing of all capital assets and related policies material to the governmental entity.

EFFECT

The valuation of capital assets for each JPA member is unknown and the UCC filings are incorrect. There is an increased risk that the loss, misuse or theft of capital assets would be undetected. Capital assets and expenditures may be materially misstated on REDI Net's and the Local Partners' future financial statements.

CAUSE

NCNMEDD did not have internal control or procedures implemented to purchase, place in service, account for, assess for impairment, or safeguard all capital assets they are responsible to account for. Capital assets are normally recorded on the full-accrual government-wide financial statements and the trial balances are kept on the modified accrual basis. NCNMEDD did not record REDI Net's capital assets in NCNMEDD's annual financial statements as they did not own them, but they nevertheless should have been tracked and accounted for REDI Net's capital assets in compliance with all laws, regulations, and contracts.

RECOMMENDATION

We recommend NCNMEDD compile a complete and accurate listing of capital assets and to develop and implement policies and procedures to safeguard assets to be in compliance with both state laws and GASB standards surrounding capital assets. NCNMEDD must ensure that capital assets were procured, capitalized, inventoried, and reported properly.

MANAGEMENT RESPONSE

Corrective Action(s): NCNMEDD booked the assets as a construction expense under the Broadband Technologies Opportunity Grant, similar to our management of other grants in the past. Considering the terms of the Joint Powers Agreement and based on the recommendations of our external auditor, legal counsel, and the REDI Net General Manager designated by the REDI Net Board of Directors, the assets were not booked in our accounting system.

The NCNMEDD Finance Director is working with our current external auditor to develop a methodology to book capital assets owned by NCNMEDD.

Responsible person(s): Executive Director and Finance Director

Timeline of corrective action: This will be completed concurrent with the close of the fiscal year in June 2018.

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-005 PROCUREMENT VIOLATIONS

CONDITION

We requested procurement records (RFP, Proposal, and scoring sheets) for disbursements to vendors in excess of \$60,000 for any fiscal year. NCNMEDD did not provide complete procurement records to support procurements totaling \$3,004,750 during fiscal years 2011-2016.

For above vendor contract, an RFP was published in the newspaper; however, NCNMEDD did not produce any of the related proposals or scoring sheets to support that the vendor awarded the contract was the most qualified, and how that determination of award was made. We noted that prior to the RFP award to the vendor, the vendor had limited operations. However, we do note that this vendor was working with NCNMEDD on Broadband analysis prior to the receipt of the Broadband grant. The vendor dissolved its operations shortly after receiving its last payment from REDI Net. Total grant and operational funds paid to this vendor was approximately \$1.6 million.

CRITERIA

As per 13-1-102, all procurement shall be achieved by competitive sealed bid pursuant to Sections 13-1-103 through 13-1-110 NMSA 1978, except procurement achieved pursuant to the following sections of the Procurement Code [Sections 13-1-28 through 13-1-199 NMSA 1978]:

- A. Sections 13-1-111 through 13-1-122 NMSA 1978, competitive sealed proposals;
- B. Section 13-1-125 NMSA 1978, small purchases;
- C. Section 13-1-126 NMSA 1978, sole source procurement;
- D. Section 13-1-127 NMSA 1978, emergency procurements;
- E. Section 13-1-129 NMSA 1978, existing contracts;
- F. Section 13-1-130 NMSA 1978, purchases from antipoverty program businesses; and
- G. the Educational Facility Construction Manager At Risk Act [13-1-124.1 NMSA 1978].

Section 14-2-5 NMSA 1978 Inspection of Public Records Act (IPRA) indicates that the public is entitled to the greatest possible information and documents are to be made available to the public.

EFFECT

In performing our consulting procedures, we were not able to ascertain compliance with New Mexico State Procurement Code Regulations for fiscal years 2011-2016. There is an increased risk that NCNMEDD did not obtain the best value for REDI Net funds expended.

CAUSE

It could not be determined if the information was lost, misplaced, withheld or was never there to begin with.

RECOMMENDATION

We recommend NCNMEDD implement policies and procedures to ensure compliance with procurement and document retention requirements and consider scanning in supporting documents that pertain to each procurement that occurs during the fiscal year. Having multiple electronic copies of the documents preserves an audit trail and allows for better transparency to others who may request the documentation.

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-005 PROCUREMENT VIOLATIONS (CONTINUED)

We also recommend that NCNMEDD take appropriate action to remain in compliance with the *current* requirements related to 13-1-95.2 Chief procurement officers; reporting requirement; training; certification which states in part that “on and after July 1, 2015, only certified chief procurement officers may do the following, except that persons using procurement cards may continue to issue purchase orders and authorize small purchases:

- (1) make determinations, including determinations regarding exemptions, pursuant to the Procurement Code;
- (2) issue purchase orders and authorize small purchases pursuant to the Procurement Code; and
- (3) approve procurement pursuant to the Procurement Code.

MANAGEMENT RESPONSE

Corrective Action(s): See response to 2018-001 regarding records retention. NCNMEDD will ensure that the Finance Director maintains designation as the chief procurement officer for NCNMEDD.

Responsible person(s): Executive Director and Finance Director

Timeline of corrective action: Before the end of fiscal year in June 2018 and on-going

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-006 INCURRED AND PAID-FOR SERVICES PRIOR TO CONTRACT EXECUTION

CONDITION

During our testing of cash disbursements, in relation to compliance with the state procurement code, we noted NCNMEDD was billed for, and subsequently paid for, costs which were incurred prior to the execution of the contract with the vendor.

We noted the contract was executed on December 20, 2010; however, NCNMEDD approved and paid for invoices for program management and engineering services provided in November 2010 (totaling \$12,657) as well as December 2010 (totaling approximately \$18,557), for a total of \$31,214 in billings prior to the contract execution.

CRITERIA

As per 13-1-102, all procurement shall be achieved by competitive sealed bid pursuant to Sections 13-1-103 through 13-1-110 NMSA 1978, except procurement achieved pursuant to the following sections of the Procurement Code [Sections 13-1-28 through 13-1-199 NMSA 1978]:

- A. Sections 13-1-111 through 13-1-122 NMSA 1978, competitive sealed proposals;
- B. Section 13-1-125 NMSA 1978, small purchases;
- C. Section 13-1-126 NMSA 1978, sole source procurement;
- D. Section 13-1-127 NMSA 1978, emergency procurements;
- E. Section 13-1-129 NMSA 1978, existing contracts;
- F. Section 13-1-130 NMSA 1978, purchases from antipoverty program businesses; and
- G. the Educational Facility Construction Manager At Risk Act [13-1-124.1 NMSA 1978].

Section 14-2-5 NMSA 1978 Inspection of Public Records Act (IPRA) indicates that the public is entitled to the greatest possible information and documents are to be made available to the public.

EFFECT

Paying for time worked and expenses incurred by a vendor prior to execution of the contract is in violation of the Procurement Code.

CAUSE

Unknown

RECOMMENDATION

We recommend NCNMEDD implement policies and procedures to ensure compliance with procurement and document retention requirements and consider scanning in supporting documents that pertain to each procurement that occurs during the fiscal year. Maintaining multiple electronic copies of the documents preserves an audit trail and allows for better transparency to others who may request the documentation.

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-006 INCURRED AND PAID-FOR SERVICES PRIOR TO CONTRACT EXECUTION (CONTINUED)

We also recommend taking appropriate action to remain in compliance with the current requirements related to 13-1-95.2 Chief procurement officers; reporting requirement; training; certification which states in part that “on and after July 1, 2015, only certified chief procurement officers may do the following, except that persons using procurement cards may continue to issue purchase orders and authorize small purchases:

- (1) make determinations, including determinations regarding exemptions, pursuant to the Procurement Code;
- (2) issue purchase orders and authorize small purchases pursuant to the Procurement Code; and
- (3) approve procurement pursuant to the Procurement Code.

MANAGEMENT RESPONSE

Corrective Action(s): See responses to 2018-004 and 2018-005.

Responsible person(s):

Timeline of corrective action:

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-007 BANK ACCOUNT RECONCILIATION RECORDS NOT AVAILABLE

CONDITION

NCNMEDD's bank reconciliation reports for 28 of the 70 months tested were either unavailable or incomplete.

CRITERIA

Best practices dictate that bank reconciliations should be performed monthly in order to enhance timeliness of the financial information as well as timely authorization of corrections necessary. To fully comply with NM State Statutes, NCNMEDD must provide their full books and records for inspection.

Section 6-10-2 NMSA 1978 states that it is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each day's business. Except as may be otherwise provided by law, the cash record is a public record and is open to public inspection.

Section 14-2-5 NMSA 1978 Inspection of Public Records Act (IPRA) indicates that the public is entitled to the greatest possible information and documents are to be made available to the public.

EFFECT

The inability of NCNMEDD to provide complete copies of bank reconciliations increases the risk that public funds may be lost, stolen or used for unauthorized purposes and indicates a material weakness in controls over document retention and reconciliation of cash.

CAUSE

The reasons for not providing the supporting bank reconciliations and the full accounting records are unknown.

RECOMMENDATION

The Board should develop and formally adopt a document retention policy that is in compliance with laws and regulations and monitor that Administration remains in compliance.

MANAGEMENT RESPONSE

Corrective Action(s): See response to 2018-001.

Responsible person(s):

Timeline of corrective action:

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-008 ORGANIZATION AND SECURITY OF RECORDS

CONDITION

NCNMEDD did not have sufficient control over records. Requests for complete fulfillment of this engagement were difficult to obtain and files were in numerous places, such as network and hard drive folders, boxes, flash drives, accounting system, emails, in certain individual's offices not connected with REDI Net fiscal agent work, etc. When we asked for documents, there were hundreds of files uploaded into our secure portal which were not in any logical or correct order. Many documents were not provided so our testing was incomplete. We went through a long process of requesting missing items through which many items were still not provided. During this process, NCNMEDD would upload hundreds of files again with no apparent organization or methodology, causing additional contractual time on this engagement.

CRITERIA

Good accounting practices include security of and control of records to provide an audit trail and transparency to taxpayers and other entities.

NMSA 1978 Section 14-2-5. Inspection of Public Records Act (IPRA) indicates that the public is entitled to the greatest possible information and documents are to be made available to the public.

EFFECT

By not knowing where records are and implementing systematic filing, NCNMEDD is unable to provide multiple source documents for support of various financial and contractual transactions and arrangements. The current fiscal agent (Rio Arriba County) does not have complete and accurate historical records of REDI Net transactions.

CAUSE

NCNMEDD does not have an adequate system in place for securing or archiving or backing up documents.

RECOMMENDATION

NCNMEDD must locate and archive all documents on behalf of REDI Net and turn them over in order to be in compliance with their contractual responsibilities to the JPA partners, to the federal government, and to the public for transparency.

MANAGEMENT RESPONSE

Corrective Action(s): See response to 2018-001 regarding document retention. Although NCNMEDD cannot relinquish original documents that we possess, copies of REDI Net related documents can be provided to the REDI Net General Manager.

Responsible person(s): Executive Director and Finance Director

Timeline of corrective action: July 2018

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-009 OPEN MEETINGS ACT / BOARD MINUTES

CONDITION

We requested Board minutes for 53 months from NCNMEDD for the time period from April 2010 through October 2015. For 9 months, only an agenda of the meeting was provided and for 14 months, only draft minutes were provided. NCNMEDD provided approved copies of the Board minutes for 30 of the 53 months requested.

CRITERIA

The Open Meetings Act (OMA), specifically Section 10-15-1 NMSA 1978 requires that “the board, commission or other policymaking body shall keep written minutes of all its meetings. The minutes shall include at a minimum the date, time and place of the meeting, the names of members in attendance and those absent, the substance of the proposals considered and a record of any decisions and votes taken that show how each member voted.... Draft minutes shall be prepared within ten working days after the meeting and shall be approved, amended or disapproved at the next meeting where a quorum is present. Minutes shall not become official until approved by the policy making body.”

Additionally, per the JPA agreement Section 2 paragraph G. “NCNMEDD shall keep minutes of all REDI NET Board meetings.”

EFFECT

NCNMEDD is not in compliance with the OMA provisions relating to the preparation of minutes. The actions of NCNMEDD and REDI Net are not fully transparent to the public. Minutes are not readily available for public inspection since they were not prepared and approved timely.

CAUSE

NCNMEDD in many cases did not prepare draft minutes within ten working days and did not properly maintain hardcopy and/or electronic copies of the prepared minutes.

RECOMMENDATION

NCNMEDD should prepare minutes that comply with the requirements of the OMA, maintain minutes (draft and board approved) on-file, and provide them to the accountants or any party when requested.

MANAGEMENT RESPONSE

Corrective Action(s): NCNMEDD current policy and practice meets the requirements of the Open Meetings Act.

Responsible person(s): Executive Director and Executive Assistant

Timeline of corrective action: Completed

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-010 IN-SUFFICIENT ADMINISTRATIVE AND FISCAL CONTROLS

CONDITION

NCNMEDD has been unable to supply supporting documents for various financial transactions including copies of certain executed contracts.

Per the JPA Section 3. G., contributions of tribal land for the REDI Net grant were recognized as substantial financial contributions, although their value was not calculated for the BTOP grant. The tribal valuations were made to record their initial contributions, and applied only for the purposes of the JPA only, and were not intended to reflect fair market value of any easements or rights-of-way. The valuations listed in the JPA were estimates based on a per-acre cost negotiated with each tribal government and multiplied by the estimated number of miles of fiber optic cable running through tribal lands and the width of the corresponding electric utility easement. These valuations were to be “recalculated and recorded...based on precise boundaries and acreage for tribal ownership determined by final engineering for REDI Net. NCNMEDD failed to obtain and provide to the four tribal entities, a “final engineering” upon which to calculate their actual contributions to the REDI Net project.

Although the JPA appointed NCNMEDD as the Fiscal Agent for REDI Net, there was no Fiscal Agent contract or agreement drawn up that detailed the specifics of what was covered or not, such as extra payroll costs, as well as additional contractors hired for “managing” the project. The only agreement with regards to the Fiscal Agent relationship that was provided, was for the extension of the relationship at the end of the grant period in August 2013. This MOA also contained an agreed upon not to exceed price for the services to be provided.

NCNMEDD had agreed to provide JAG with detailed memos regarding the exact internal controls in process and the various authorization and approval process in place with regards to the internal control structure that was in place. These memos were not provided.

During our performance of the consulting procedures, it was observed that there were numerous adjusting journal entries to REDI Net’s operating cash account that were made to transfer cash in and out of the account.

CRITERIA

Good accounting practices include appropriate administration over the financial affairs of the organization including implementation and performance of internal controls designed to produce accurate financial information. The JPA that appointed NCNMEDD as the “Fiscal Agent” for REDI Net, Section 7 states; “NCNMEDD shall act as Fiscal Agent in connection with the administration, disbursement, reporting and monitoring of the BTOP Grant and shall be strictly accountable for all receipts and disbursements thereunder and under this Agreement until construction of REDI Net, transfer of REDI Net assets to the Local Parties have been completed and NCNMEDD has verified that its responsibilities as BTOP Grant recipient have been satisfied.

EFFECT

By not producing the underlying supporting documentation for various financial transactions and contractual obligations, the NCNMEDD has not met the contractual requirements of the JPA.

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-010 IN-SUFFICIENT ADMINISTRATIVE AND FISCAL CONTROLS (CONTINUED)

CAUSE

It is unknown why NCNMEDD is unable or unwilling to produce all the requested documents and information for various disbursements and executed contracts.

RECOMMENDATION

NCNMEDD should locate and provide all documents to REDI Net.

MANAGEMENT RESPONSE

Corrective Action(s): See response to 2018-008.

Responsible person(s): Executive Director and Finance Director

Timeline of corrective action: July 2018

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-011 UNPAID GROSS RECEIPTS TAX

CONDITION

NCNMEDD did not establish a separate New Mexico Taxation & Revenue CRS ID# for REDI Net, instead it used its own tax identification number to file and pay gross receipts taxes belonging to REDI Net, under its own name and identity. The current Fiscal Agent has not been able to obtain all the necessary reports and financial information from NCNMEDD to produce an accurate accounting.

CRITERIA

Per the JPA Section 12. Governing Law. "This Agreement shall be governed by the laws of the State of NM." Section 7-9-1 through 7-9-115 NMSA 1978 contains the statutory citations for the Gross Receipts and Compensating Tax Act for the State of New Mexico, and requires all entities doing business within the state to report and pay the resulting tax. Also per the JPA... "Whereas, NCNMEDD shall act as the fiscal agent for REDI Net and shall be responsible for all reporting and assuring compliance required by the BTOP grant."

EFFECT

By not setting up a separate CRS ID# on behalf of REDI Net and paying the gross receipts taxes attributable to REDI Net's gross receipts, NCNMEDD did not properly report and pay the gross receipts tax liabilities on behalf of REDI Net.

CAUSE

NCNMEDD is a Council of Governments that was formed in 1967 under the authority of the Joint Powers Agreement Act, Section 4-22-1 to 4-22-7, New Mexico State Statutes Annotate, 1953 Compilation, and as such should know and understand the taxation laws within the state. NCNMEDD did not have controls in place to identify that REDI Net (for whom they were acting as the Fiscal Agent) was properly setup within the state's combined reporting system, and properly reported and paid the associated tax liabilities related to Gross Receipts Tax (GRT) under REDI Net's own identity.

RECOMMENDATION

NCNMEDD should identify and properly report all associated GRT of REDI Net and correct any incorrect CRS-1s that were filed under NCNMEDD's ID# so that a proper accounting is made on behalf of REDI Net.

MANAGEMENT RESPONSE

Corrective Action(s): There was miscommunication between NCNMEDD, REDI Net fiscal agent, and the third-party accounting firm regarding who or if the GRT payment was made for the month of March 2016 which was due in April 2016. All outstanding Gross Receipts Taxes were addressed by NCNMEDD as of October 2017.

Responsible person(s): Executive Director and Finance Director

Timeline of corrective action: Completed October 2017

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-012 COMMINGLING FEDERAL FUNDS AND ENSUING REVENUES GENERATED

CONDITION

NCNMEDD did not setup an "interest-bearing project account" for REDI Net as specified under the JPA. As indicated in fiscal year ending June 30, 2015 audit finding 2014-004, cash related to the BTOP grant was overspent by \$12,575.

During our performance of the consulting procedures, it was observed that there are numerous journal entries recorded to the BTOP operating cash fund transferring amounts in and out of the account. After removal of all internal transfers (between Fund 239 and 240) and internal transfers between cash accounts, the net debits to the Journal Vouchers are \$73,378 and the net credits to the Journal Vouchers are \$313,469, as follows:

	<u>Debit to Cash</u>	<u>Credit to Cash</u>
Cash receipts	\$ 3,130	\$ -
Corrections	68,948	34,101
CRS	-	39,682
Miscellaneous	1,300	45
Payroll	<u>-</u>	<u>239,641</u>
Total	<u>\$ 73,378</u>	<u>\$ 313,669</u>

In addition to numerous journal vouchers in the accounting records, NCNMEDD also frequently misposted cash. We see this evidence in the bank statements themselves, listing errors in deposits/withdrawals and in the external auditor's workpapers, where he shows many general ledger miscoding and errors. The external auditor had to correct NCNMEDD's accounting during NCNMEDD's annual audits. The former external auditor provided the following reconciliation for REDI Net's Statement of Net Position as of June 30, 2015:

ASSETS	
Cash in bank	\$206,279.46
Due from Special Rev Funds - BTOP	<u>138,014.46</u>
Total Assets	<u>\$344,293.92</u>
LIABILITIES	
Accounts payable	\$ 61,988.40
Accrued payroll payable	2,697.59
Due to Special Revenue Fund	1,000.00
Due to State of NM	2,598.99
Due to NCNMEDD General Fund Bank *	<u>198,767.13</u>
Total Liabilities	267,052.11
NET POSITION	<u>77,241.81</u>
Total Liabilities and Net Position	<u>\$344,293.92</u>

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-012 COMMINGLING FEDERAL FUNDS AND ENSUING REVENUES GENERATED (CONTINUED)

*This amount was audited and NCNMEDD, the current fiscal agent, transferred out of REDI Net's cash account on March 10, 2016. This shows the lack of NCNMEDD's ability to reconcile their own funds and the poor controls over expense tracking and billing since this amount related to expenses in previous fiscal years.

CRITERIA

Although NCNMEDD accounted for the financial transactions related to REDI Net via a separate fund within its own accounting system, the BTOP grant and JPA requirements were not met when the cash received and expended on behalf of REDI Net was commingled within NCNMEDD's own operating cash account.

EFFECT

By not establishing a separate interest-bearing project account for REDI Net, the cash transactions on behalf of REDI Net were commingled with NCNMEDD's own operating cash account until 2015. This made identifying and reconciling the cash transactions related to just REDI Net very complicated and difficult to track.

CAUSE

It is unknown why NCNMEDD did not setup a separate "interest-bearing project account" as instructed by the JPA.

RECOMMENDATION

NCNMEDD should provide REDI Net with an accounting of all the cash-related financial transactions that were entered into and recorded separated out and solely for REDI Net itself from inception up to and including until the time a separate account was established under REDI Net's own name, or February 2015. Even after that point, NCNMEDD will need to provide proof of the validity of expenses that were charged and transferred to/from its operational account.

MANAGEMENT RESPONSE

Corrective Action(s): As is the practice with all grants historically, the Broadband Technology Opportunity Grant was included in the General Fund bank account. The Grant was closed out in December 2014 and a separate REDI Net bank account was opened in March 2015. Due to staff turnover, REDI Net were transactions transfers was completed in April 2016. Transfer of funds between the two accounts were completed per the recommendations of the FY 2015-2016 single audit.

Responsible person(s): Executive Director and Finance Director

Timeline of corrective action: July 2018

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-013 ACCOUNTS RECEIVABLE AND REVENUE RECOGNITION

CONDITION

NCNMEDD did not maintain copies of the accounts receivable balances for REDI Net's customers. At month-end or year-end, the invoicing of customers and the accounts receivable detail was maintained by a third-party. Additionally, NCNMEDD maintained REDI Net's cash receipts on a cash basis.

CRITERIA

NCNMEDD's fund financial statements were maintained on a modified accrual basis. REDI Net was a "fund" contained within NCNMEDD's financial statements and was required to be maintained on a modified accrual basis, which requires recognizing accounts receivable and related revenue.

EFFECT

REDI Net's revenue and assets were understated. The amount of understatement was not known since accounts receivable records were not maintained. However, it is expected that the amount was material.

CAUSE

NCNMEDD did not consider the accounting consequence and materiality of only maintaining a cash basis set of books.

RECOMMENDATION

We recommend that all NCNMEDD's governmental funds be maintained on a modified accrual basis. All agency funds should be maintained on a full accrual basis. All subsidiary ledgers (such as accounts receivable) should be maintained and monitored. A record of the subsidiary ledger should be maintained at least monthly, but no less than annually.

MANAGEMENT RESPONSE

Corrective Action(s): NCNMEDD is currently using a modified accrual basis for governmental funds. NCNMEDD will maintain a record of the subsidiary ledger no less than annually at the end of the fiscal year.

Responsible person(s): Executive Director and Finance Director

Timeline of corrective action: July 2018

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-014 NON-CASH (IN-KIND) TRANSACTIONS NOT REFLECTED IN THE ACCOUNTING RECORDS

CONDITION

NCNMEDD did not record the accounting consequence (in REDI Net's fund) of non-cash transactions. REDI Net Joint Powers Agreement (JPA) participants made non-cash contributions of fiber optic cable, easements/right-of-ways, joint use licenses, pole replacements, etc. valued at fair market value at the date of contribution. The amount contributed from the JPA participants was \$3,567,363 per the JPA (**Exhibit 7**). Additionally, there were other in-kind contributions made, such as the swap of "dark fiber" for other services (including an exchange with a third party for the maintenance of the accounts receivable subsidiary ledger and billing function) that were not properly recorded.

CRITERIA

Generally accepted accounting principles for governments require recording the accounting effect of non-cash transactions to be recorded in the financial statements at fair market value at the date of donation.

EFFECT

REDI Net's fund in the NCNMEDD's annual financial statements were understated for the period(s) in which non-cash contributions were received.

CAUSE

NCNMEDD's accounting staff in place at the time non-cash contributions were made were unaware of the accounting requirements.

RECOMMENDATION

We recommend that NCNMEDD record the accounting consequence of all non-cash contributions.

MANAGEMENT RESPONSE

Corrective Action(s): NCNMEDD will record the accounting consequence of all non-cash contributions using the existing accounting system software.

Responsible person(s): Executive Director and Finance Director

Timeline of corrective action: Beginning July 2018 and on-going

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-015 POTENTIAL OVERCHARGING OF COSTS TO REDI NET

CONDITION

As noted in previous findings, certain expenditure documentation did not have sufficient supporting documentation (example: missing invoice(s)).

Additionally, the purpose of certain expenditures or allocated expenditures recorded in the REDI Net general ledger were incurred for which the purpose did not seem to further the business objectives of REDI Net. For example:

Date	Vendor	Purpose	Amount	Note *
8/15/2014	University Economic Development Association	2014 UEDA Annual Summit Sponsorship-Bag Insert Sponsorship	\$ 500.00	1
8/16/2011	Abeita Consulting	ALTSD Title III Cash Reimbursement	2,400.00	2
9/24/2014	Jim Trujillo	Board of Directors 9/19/2014 Meeting - J. Trujillo	7.50	3
9/24/2014	Lawry Mann	Board of Directors 9/19/2014 Meeting - L. Mann	7.50	3
9/24/2014	Nick L. Salazar	Board of Directors 9/19/2014 Meeting - N. Salazar	7.50	3
9/24/2014	Roberto Gonzales	Board of Directors 9/19/2014 Meeting - R. Gonzales	7.50	3
4/24/2014	Business Environment	Business Environments	586.74	4
11/6/2014	Occupational Health Centers of the Southwest, P.A.	Concentra Invoice # 10304035	61.67	5
3/19/2015	Occupational Health Centers of the Southwest, P.A.	Concentra Invoice #10553231	61.67	5
4/29/2015	Occupational Health Centers of the Southwest, P.A.	Non Reg USD Preplacement	61.66	5
8/15/2014	Occupational Health Centers of the Southwest, P.A.	Concentra Invoice# 10139114	3.08	5
12/3/2014	Duncan Sill	EDA Questa - Mileage	52.78	6
8/21/2014	Fred Sparks	Executive Board Meeting 8/15/2014 - F. Sparks	12.30	3
8/21/2014	James Roger Madalena	Executive Board Meeting 8/15/2014 - J. Madalena	12.70	3
8/21/2014	Jim Trujillo	Executive Board Meeting 8/15/2014 - J. Trujillo	7.50	3
8/21/2014	Lawry Mann	Executive Board Meeting 8/15/2014 - L. Mann	8.30	3
8/21/2014	Michael Padilla	Executive Board Meeting 8/15/2014 - M. Padilla	7.50	3
8/21/2014	Nick L. Salazar	Executive Board Meeting 8/15/2014 - N. Salazar	7.50	3
8/21/2014	Thomas A Garcia	Executive Board Meeting 8/15/2014 - T. Garcia	17.40	3
9/24/2014	Roberto Gonzales	Executive Board Meeting 9/19/2014 - R. Gonzales	12.40	3
9/24/2014	Thomas A Garcia	Executive Board Meeting 9/19/2014 - T. Garcia	17.40	3
9/24/2014	Fred Sparks	Executive Board Meeting 9/19/2014 - F. Sparks	24.30	3
9/24/2014	Jim Trujillo	Executive Board Meeting 9/19/2014 - J. Trujillo	7.50	3
9/24/2014	Lawry Mann	Executive Board Meeting 9/19/2014 - L. Mann	8.30	3
9/24/2014	Michael Padilla	Executive Board Meeting 9/19/2014 - M. Padilla	7.50	3
9/24/2014	Nick L. Salazar	Executive Board Meeting 9/19/2014 - N. Salazar	7.50	3
10/15/2014	AB-1 Locksmith	Locksmith service - Holly Winscott Desk	105.00	7
8/26/2015	Duncan Sill	Mileage Reimb. For RFP Interview Well Water System	165.54	8
4/17/2015	Duncan Sill	NCNMEDD Retreat - Duncan Sill	23.50	9
3/31/2011	Deferred Compensation	Record Deferred Compensation for 03/2011	3,200.00	10
12/31/2010	Deferred Compensation	Record Deferred Compensation for 12/2010	1,440.00	10
6/28/2013	REDW LLC	REDI Net June 2013	1,685.25	11
8/6/2013	REDW LLC	Sage Training	2,712.05	11
6/10/2014	Xerox Corporation	Santa Fe Office Printer Toner	974.52	12
			<u>\$ 14,221.56</u>	

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NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-015 POTENTIAL OVERCHARGING OF COSTS TO REDI NET (CONTINUED)

*Note:

- 1 – REDI Net does not participate in the University Economic Development Association.
- 2 – The ALTSD Title III program is not a REDI Net program.
- 3 – These are not REDI Net board members; they are allocated NCNMEDD meeting costs.
- 4 – Business Environments provides furniture. REDI Net did not receive furniture from NCNMEDD when fiscal agent agreement transferred to Rio Arriba County.
- 5 – This vendor does employee drug testing. REDI Net does not have employees.
- 6 – EDA Questa is a NCNMEDD program and is not part of REDI Net.
- 7 – Locksmith service: this individual was an employee of NCNMEDD, therefore, these types of costs should stay with NCNMEDD.
- 8 – Water Well System is not a part of REDI Net.
- 9 – This cost is a NCNMEDD cost.
- 10 – This deferred compensation was for the former Executive Director who retired just a couple of months after the BTOP grant was awarded. This cost should not have been allocated to REDI Net.
- 11 – This is cost for training on the GL Software owned by NCNMEDD.
- 12 – It appears as though the entire toner cost was allocated to REDI Net, not just the cost that would normally have been allocated for REDI Net use.

Lastly, we noted the below allocation of audit costs to REDI Net which do not appear reasonable. For example:

Audit Year	Total Fee Charged for NCNMEDD Audit (Includes REDI Net)		% of Total Expenses in NCNMEDD Audit Fee Allocated		Federal Programs	Reasonableness of Fees Allocated to REDI Net
	Amount Allocated to REDI Net	% of Total	% of Total	Statements		
FY 2011 Audit	\$ 30,000	\$ 6,150	21%	5.18%	1 of 3 major federal programs	Audit fees charged not reasonable
FY 2012 Audit	32,500	9,366	29%	30.05%	1 of 3 major federal programs	Audit fees charged reasonable
FY 2013 Audit	32,500	8,250	25%	9.44%	1 of 3 major federal programs	Audit fees charged not reasonable
FY 2014 Audit	33,500	6,700	20%	2.92%	1 of 3 major federal programs	Audit fees charged not reasonable
FY 2015 Audit	34,500	3,076	9%	1.04%	Not a major federal program	Audit fees charged not reasonable

CRITERIA

Good accounting practices require all expenditures to be properly supported and fairly allocated to each fund.

EFFECT

Unsupported, overallocated, or unreasonable expenditures recorded on REDI Net’s financial statements reduce REDI Net’s ability to meet its organizational goals and objectives.

CAUSE

Missing Records: NCNMEDD did not adequately maintain controls over custodianship and/or organization of REDI Net records.

EXHIBIT 10
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
MARCH 31, 2016

2018-015 POTENTIAL OVERCHARGING OF COSTS TO REDI NET (CONTINUED)

Business Purpose: It is unknown as to why certain costs that did not have a business purpose were recorded in REDI Net's general ledger. One possible case could be turnover. It was represented to us on more than one occasion that there was a substantial turnover in accounting personnel over the time that NCNMEDD was the fiscal agent.

Overallocation of Costs: Also unknown, but may be due to turnover.

RECOMMENDATION

We recommend a much stronger recordkeeping process be developed and monitored by management of NCNMEDD. We also recommend a more thorough review by NCNMEDD's management of the allocation of costs to those entities that NCNMEDD is serving as a fiscal agent. In certain cases, there may be cost allocations that benefit NCNMEDD funds but not fiscal agent funds.

MANAGEMENT RESPONSE

Corrective Action(s): All the items listed in the chart of Potential Overcharging of Cost to REDI Net are legitimate costs reasonably allocated to the REDI Net account maintained by NCNMEDD. NCNMEDD staff were not aware these expenses were questioned prior to receiving the draft audit report. With the adoption and implementation of the new policies previously noted, and the stabilization of the financial staff positions, particularly the Finance Director position, the issues cited have been or are in the process of being addressed as of June 2017.

Responsible person(s): Executive Director and Finance Director

Timeline of corrective action: June 2017 and on-going

EXHIBIT 11
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT
DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
JOINT POWERS AGREEMENT

JOINT POWERS AGREEMENT
FOR MANAGEMENT OF THE REDI MIDDLE-MILE BROADBAND NETWORK
BY AND AMONG THE NORTH CENTRAL NEW MEXICO ECONOMIC
DEVELOPMENT DISTRICT, THE INCORPORATED COUNTY OF LOS ALAMOS,
SANTA FE COUNTY, THE CITY OF ESPANOLA, RIO ARRIBA COUNTY, OHKAY
OWINGEH, THE PUEBLO OF SANTA CLARA, THE PUEBLO OF POJOAQUE,
AND THE PUEBLO OF TESUQUE

THIS JOINT POWERS AGREEMENT (the "Agreement") is entered into by and among the Incorporated County of Los Alamos, New Mexico, Santa Fe County, New Mexico, the City of Espanola, New Mexico, Rio Arriba County, New Mexico, Ohkay Owingeh, the Pueblo of Santa Clara, the Pueblo of Pojoaque and the Pueblo of Tesuque (each a "Local Party" and together, the "Local Parties"), and the North Central New Mexico Economic Development District (hereinafter "NCNMEDD" and, together with the Local Parties, the "Parties").

WHEREAS, NCNMEDD is a Council of Governments formed in 1967 under the authority of the Joint Powers Agreement Act, Section 4-22-1 to 4-22-7, New Mexico State Statutes Annotated, 1953 Compilation;

WHEREAS, the Incorporated County of Los Alamos, New Mexico, Santa Fe County, New Mexico, the City of Espanola, New Mexico, Rio Arriba County, New Mexico are each New Mexico municipalities or counties, created and existing pursuant to the Constitution and laws of the State of New Mexico (the "State"); and

WHEREAS, Ohkay Owingeh, the Pueblo of Santa Clara, the Pueblo of Pojoaque and the Pueblo of Tesuque are each Federally Recognized Tribes, existing as independent and self-governing sovereigns; and

WHEREAS, northern New Mexico currently lacks affordable, high-speed broadband services to support economic development, education and distance learning, health care and telemedicine, and advanced public safety and energy applications required to improve the quality of life and ensure the health, safety and welfare of the region's residents; and

WHEREAS, NCNMEDD applied for and was awarded federal funds from the Broadband Technology Opportunities Program ("BTOP"), National Technology and Information Administration ("NTIA"), US Department of Commerce (the "BTOP Grant"), for the REDI Middle-Mile Network (hereinafter "REDI Net"), a high-speed, open access broadband network to be deployed within the jurisdictional boundaries of the Local Parties in northern Santa Fe County, Los Alamos County and southern Rio Arriba County, New Mexico; and

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WHEREAS, the construction cost of REDI Net is estimated to be \$13,391,443.00, which will be paid with federal funds in the amount of \$10,565,792.00, and \$2,825,651.00 in cash and in-kind match contributed by the Local Parties and other regional entities as described in Section 3 below; and

WHEREAS, as the BTOP Grant recipient, NCNMEDD, is directly responsible for assuring that the expenditure of BTOP Grant funds in connection with the design, construction and implementation of REDI Net complies with the Federal Requirements; and

WHEREAS, REDI Net consists of approximately 150 miles of fiber optic cable and associated equipment which crosses the jurisdictional boundaries of the Local Parties and will be installed primarily on existing electric utility poles; and

WHEREAS, subject to the availability of sufficient annual appropriations, the Local Parties will be responsible for securing necessary easements and rights of way, for construction, permitting and other construction-related activities and oversight, and have direct interests in assuring that the design, construction and implementation of REDI Net will meet their local needs and requirements, within the framework of the BTOP Grant provisions and the Federal Requirements as that term is defined in Section 1 below; and

WHEREAS, based on their respective interests and responsibilities, NCNMEDD and the Local Parties recognize that they should collectively manage the design, construction, implementation, and operation of REDI Net in a manner that enables NCNMEDD, as BTOP Grant recipient, to monitor and assure compliance with all BTOP Grant and the Federal Requirements; and

WHEREAS, NCNMEDD shall act as the fiscal agent for REDI Net and shall be responsible for all reporting and assuring compliance required by the BTOP grant; and

WHEREAS, the Parties share common powers with respect to providing infrastructure and promoting economic development, education and public safety for the benefit of their residents ;

WHEREAS, the Parties are authorized by the Joint Powers Agreements Act, Sections 11-1-1 through 11-1-7 NMSA 1978 (the "Act"), to create a joint powers authority for the purpose of exercising powers common to the Parties; and

WHEREAS, the Parties desire to create a joint powers authority pursuant to the Act for the purposes described in, and subject to the requirements of, this Agreement.

NOW THEREFORE, the Parties hereby agree as follows:

Section 1. Compliance with Grant Funding Requirements. The Parties shall construct, implement and manage REDI Net in compliance with the American Recovery and Reinvestment Act of 2008 ("ARRA") and all federal regulations promulgated in

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SPECIAL AUDIT CONSULTING PROCEDURES
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relation thereto; the requirements of BTOP, including the Notice of Federal Funding Opportunity ("NOFA") and the grant agreement and conditions; and the purposes for which the BTOP grant was made, and all Federal Communications Commission requirements now in effect or as may become effective during this Agreement (collectively, the "Federal Requirements"). Changes to the grant agreement for REDI Net, including but not limited to engineering design, organizational model, business plan, service offerings, rate structure, and disposal or transfer of all or part of REDI Net's physical assets may require approval from the NTIA, and the United States Department of Commerce. The Parties hereby affirm the core purposes and operational details of REDI Net:

- A. Open Access Network: REDI Net shall offer wholesale bandwidth to all qualified service providers within the range of its network at reasonable rates and, where practicable, below-market rates as an open access network intended to encourage competition, improve service, increase customer choice and reduce costs to the end user;
- B. Community Institutions and Rates: REDI Net shall provide high-speed broadband services to community anchor institutions within the range of its network, which shall include government buildings, schools, libraries, medical and healthcare providers, public safety entities, community colleges and other institutions of higher education, and other community support organizations and agencies that provide outreach, access, equipment and support services to facilitate the greater use of broadband service by vulnerable populations, including low-income, unemployed and senior citizens, at affordable rates determined by reference to prevailing market rates;
- C. Reinvestment of Revenues: As required by the BTOP Grant, all revenues generated by the network shall be reinvested by the REDI Net Board ("REDI Net Board" as further described in Section 2 of this Agreement) in expansion, operation and maintenance of the network, and shall not be distributed to the Parties or any individual Party; and
- D. Public-Private Partnerships: REDI Net shall employ the private sector partnerships identified in the BTOP grant application, including in-kind network management by Kit Carson Telecom for three (3) years, and long-term outside plant operation and maintenance by Jemez Mountains Electric Cooperative and the Los Alamos County Utility Department; and
- E. Applicable Policy: BTOP Grant and project implementation for REDI Net shall follow the adopted policies of NCNMEDD, including but not limited to procurement and accounting policies, the NCNMEDD code of conduct and the Federal Code of Conduct, as required by the BTOP grant. In executing this agreement, each party acknowledges and agrees that it has received and read each of the above-referenced policies and agrees to be bound by the terms of the policies in the REDI Net project implementation and management.

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Section 2. Governance of REDI Net. REDI Net will be governed by the Parties through the REDI Net Board pursuant to the following conditions:

A. Membership: The REDI NET Board shall be composed of one representative from each Local Party, appointed by the governing body of each Party, and one representative of NCNMEDD appointed by its governing body.

B. Qualifications: REDI NET Board members should have expertise, professional experience and/or education in telecommunications, engineering, finance and/or business management.

C. Responsibility: Each REDI NET Board member shall provide regular updates to its governing body on REDI Net activities and decisions, and shall request governing body guidance and input on REDI Net activities and decisions, as required.

D. Terms: There is no maximum term for service on the REDI NET Board. Each member shall be appointed by the governing body of the Local Party it represents for at least one (1) year. The governing body of a Local Party may appoint a new member to the REDI NET Board at any time after the initial one-year term, provided however, that any member may be terminated by its governing body in its sole discretion with or without cause. To ensure full participation of all Parties in REDI Net decisions, each Local Party's governing body is responsible for ensuring that its representative or an alternative representative attends REDI Net Board meetings regularly.

E. Purpose of the REDI NET Board and Common Powers of the Parties: The REDI NET Board is established to oversee construction, implementation, and long-term management of REDI Net. The REDI NET Board shall have the following powers:

(i) To adopt bylaws, procedures, processes or criteria for the conduct of its affairs as it deems necessary or convenient.

(ii) To make all decisions relating to REDI Net's construction, operation and maintenance during the three (3) year grant period, including but not limited to:

(a) Contracts for professional services, construction and any other contracts needed during the three (3) year grant period;

(b) Identification of a long-haul transport provider; and

(c) Additional private sector partnerships not contemplated in the BTOP grant application for infrastructure and/or services.

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(iii) To manage REDI Net's long-term operation, management and maintenance, including but not limited to:

(a) Entering into contracts for marketing, network operations, service-provider recruitment and all other contracts;

(b) Entering into agreements with Local Parties and third parties for the provision of broadband service ("Service Agreements");

(c) Making other contractual or administrative arrangements for REDI Net management, which may include, without limitation, contracting with a third party or parties for management services, delegating management responsibility to one or more Parties, or entering into other legally permissible agreements or arrangements for management of REDI Net;

(d) Forming partnerships, agreements or business arrangements to the extent that the Parties are permitted by law to do so;

(e) Developing and approving an annual budget, to include projecting sufficient revenue for operations and maintenance on a multi-year basis;

(f) Formulating Network expansion plans;

(g) Establishing criteria for revenue reinvestment;

(h) Establishing revenue reinvestment capital improvements plan; and

(i) Making reasonable and customary changes and improvements to the network and its equipment, including Point of Presence facilities, provided that permitting requirements and other applicable regulations are met.

F. Meetings: Meetings of the REDI NET Board shall be held at least quarterly and at such additional times and in such locations as the REDI NET Board or NCNMEDD determines. It is anticipated that meetings will occur more frequently during the BTOP Grant period.

G. Meeting Protocol: REDI NET Board meetings shall be held in compliance with the New Mexico Open Meetings Act, Sections 10-15-1 through 10-15-4 NMSA 1978. NCNMEDD shall keep minutes of all REDI NET Board meetings. As provided in the bylaws or other procedures adopted by the REDI Net Board,

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each REDI NET Board member shall be entitled to cast one vote in connection with any action to be taken by the REDI NET Board.

Section 3. Financial Contributions of the Local Parties. The Local Parties shall provide the contributions described in this Section to fulfill the required cash and in-kind match requirements for the BTOP grant with twenty percent (20%) non-federal funds (the "Local Match Requirement"). In no event shall the aggregate amount of the contributions by the Local Parties fall below the Local Match Requirement.

- A. Los Alamos County shall deposit \$400,000 in cash into NCNMEDD's interest-bearing project account for REDI Net no later than December 31, 2010;
- B. Rio Arriba County shall deposit at least \$50,000.00 in cash into NCNMEDD's interest-bearing account for REDI Net each month for fourteen (14) months, or until \$700,000.00 is deposited in the account, beginning July 31, 2011;
- C. REDI Net shall dedicate \$170,000.00 in cash from program income during or before the last three months of network construction;
- D. Los Alamos County shall provide existing conduit, fiber, and a secondary Point of Presence facility, together valued at \$625,000.00, as an in-kind contribution which shall be incorporated into REDI Net;
- E. The City of Espanola shall provide \$20,000.00 in existing fiber optic infrastructure as an in-kind contribution which shall become part of REDI Net; and
- F. Other cash and in-kind contributions governed by separate agreements are hereby incorporated by reference:
 - (i) Los Alamos National Security, LLC: Cash contribution of \$170,000.00;
 - (ii) Northern New Mexico College: In-kind contribution valued at \$5,000.00 to provide a fiber operation and maintenance training program for electric utility linemen; and
 - (iii) Jemez Mountains Electric Cooperative: In-kind contribution of pole attachment fees valued at \$686,000.00.
- G. Contributions of tribal land for this project are hereby recognized as substantial financial contributions to REDI Net, although their value was not calculated for the BTOP grant. Recognizing tribal infrastructure ownership in REDI Net and REDI Net's status as a publically-owned network that relies on reinvestment, the Local Parties that are tribal governments have established

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valuations of their lands to record their initial contributions to REDI Net; provided, that these valuations shall apply for the purposes of this agreement only and are not intended to reflect fair market value of any easements or rights-of-way. The valuations below represent estimates based on a per-acre cost negotiated with each tribal government and multiplied by the estimated number of miles of fiber optic cable running through tribal lands and the width of the corresponding electric utility easement. These valuations will be recalculated and recorded in Exhibit A, based on precise boundaries and acreage for tribal ownership determined by final engineering for REDI Net.

Ohkay Owingeh: \$727,273.00
Pojoaque: \$575,757
Santa Clara Pueblo: \$509,091
Tesuque Pueblo: \$424,242

H. Additional contributions of cash or rights-of-way, easements and land made by the a Local Party after the effective date of this Agreement and before the end of the BTOP Grant period will be valued at an amount agreed upon by that Local Party the REDI Net Board and will be counted toward the initial financial contribution of the Local Parties.

Section 4. Roles and Responsibilities of the Parties. The Parties commit to the following roles and responsibilities, subject to the Federal Requirements:

A. REDI NET Board Membership: Each Party shall appoint a representative to and actively participate as a member of the REDI NET Board.

B. Commitment to Purchase Service: Unless prohibited or otherwise limited by any existing service contracts or service arrangements, and subject to the provisions of Section 11 of this Agreement, each Local Party shall purchase services for its community anchor institutions from REDI Net for a minimum of five (5) years from the Service Agreement date, either exclusively from REDI Net or from a REDI Net qualified service provider if during this initial five (5) year period REDI Net is not able to meet the service or quality demands of a Local Party, at the service level that REDI Net can provide to that Local Party. Following the expiration of the five-year Service Agreement term, it is anticipated that the Local Parties will continue to purchase services from REDI Net or a REDI Net qualified service provider, at a level that will, in the reasonable determination of the REDI Net Board, enable REDI Net to avoid operating losses and will promote open access, sustainability and expansion of REDI Net to serve existing and anticipating demand for services.

C. Procurement of Services During Construction: The procurement decisions of the REDI Net Board during the BTOP Grant period shall be monitored, and to the extent required by the BTOP Grant conditions, ratified or approved by NCNMEEDD, provided that such ratification or approval shall not be withheld

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except to the extent necessary, in the reasonable discretion of NCNMEDD, to assure its compliance with the Federal Requirements.

D. Infrastructure Installation: Each Local Party shall allow the installation of fiber optic cable and associated network equipment upon, through or over its lands without imposing fees, taxes or any other charges on REDI Net or NCNMEDD. No Local Party shall impose fees, taxes or charges of any other kind to any third party owner of utility lines in connection with the installation of fiber optic cable or other improvements to be incorporated into REDI Net. Nothing in this Agreement shall be construed as preventing any Local Party from receiving its appropriate share of gross receipts taxes payable by any person or entity for goods or services provided in connection with the construction or installation of fiber optic cable and associated network equipment under the terms of this Agreement or the provision of broadband services by REDI Net qualified service providers once the network is operational.

E. Installation and Connection of Service to Community Anchor Institutions: REDI Net shall install and activate all initial connections for the BTOP grant to the community anchor institutions identified in a Service Level Agreement between REDI Net and the Local Party, without charge to the Local Party or the community anchor institutions. This includes the fiber optic cable, equipment at the drop points, all labor costs, and activation of the service between the network and community anchor institutions of the Local Party. Beyond these initial connections, REDI Net shall provide future connections to community anchor institutions of the Local Parties as funding becomes available, and subject to REDI Net's revenue reinvestment capital improvements plan.

F. Rights-of-Way and Easements: Subject to the provisions of this Agreement each Local Party shall provide rights-of-way or easements for installation of fiber optic cable and associated network equipment and operation and maintenance of the network without imposing fees, taxes or any other charges to REDI Net or NCNMEDD, provided, however, that the provision of all such rights-of-way or easements on non-tribal land must be approved by the New Mexico Board of Finance or Department of Finance Local Government Division, to the extent required by law. This does not prevent a Local Party from imposing fees, taxes or other charges for any rights-of-way or easements that may be required by qualified REDI Net service providers and it shall be the responsibility of these service providers to obtain such rights-of-way or easements from the Local Party.

G. Infrastructure Ownership and Federal Security Interest: Each Local Party that is a county government shall own that portion of REDI Net infrastructure situated within its jurisdictional boundaries with the following exceptions: 1) Local Parties that are tribal governments shall own REDI Net infrastructure within their tribal lands, and 2) the City of Espanola shall own existing fiber optic infrastructure which it has committed as an in-kind match to REDI Net in Section

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3E of this Agreement. Infrastructure ownership by the Local Parties is subject to the following provisions:

- (i) In areas where land ownership is in question and REDI Net infrastructure is installed in an existing highway or utility right-of-way, land ownership boundaries shall be substantially consistent with the surveys of the highway department or the public utility.
- (ii) An ownership map showing the acreage owned by each Local Party shall be produced during final engineering and shall be incorporated into this Agreement as Exhibit A.
- (iii) Infrastructure ownership shall be subject to a Federal Security Interest, established through the Covenant of Purpose, Use and Ownership, which shall be recorded, in the form attached hereto as Exhibit B, in the real property records of Santa Fe, Rio Arriba and Los Alamos Counties, or in the case of Local Parties that are tribal governments, in the land records of each respective tribal government.
- (iv) Notwithstanding proportional ownership of infrastructure by each Local Party as described above, the REDI Net Board shall be solely responsible for operating all infrastructure owned by each of the Parties subject to NCNMEDD's oversight responsibility as described in Section 7 below.

Section 5. Exercise of Powers. The REDI NET Board is hereby authorized to exercise any and all of the common powers described in Section 2E of this Agreement without further authorization or ratification by the governing body of each Party.

Section 6. Effective Date, Term and Termination.

- A. This Agreement shall be effective upon approval by the New Mexico Department of Finance and Administration ("DFA").
- B. The term of this Agreement shall be 20 years, which is the useful life of the project, as provided in the United States Department of Commerce's Covenant of Purpose, Use and Ownership.
- C. If REDI Net remains suitable for operation beyond the initial 20 year term, the Parties, by mutual consent, may renegotiate an extension of the Agreement at the end of the 20 year term with such negotiations to begin no later than the 18th year of the Agreement term.

Section 7. Appointment of Fiscal Agent; Strict Accountability of all Receipts and Disbursements. NCNMEDD shall act as Fiscal Agent in connection with the administration, disbursement, reporting and monitoring of the BTOP Grant and shall be

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strictly accountable for all receipts and disbursements thereunder and under this Agreement until construction of REDI Net, transfer of REDI Net assets to the Local Parties have been completed and NCNMEDD has verified that its responsibilities as BTOP Grant recipient have been satisfied. Following expiration of the BTOP Grant Period (as defined in the BTOP Grant requirements), REDI Net Board shall either extend the term of NCNMEDD as fiscal agent, or appoint a new fiscal agent, which in either case shall be strictly accountable for all receipts and disbursements hereunder.

Section 8. Disposition of Property Acquired Pursuant to this Agreement.

A. The Parties anticipate that REDI Net assets will be conveyed to that Local Party as shown in Exhibit A. The Parties anticipate that they will contribute funds or make in-kind contributions as provided in this Agreement, each from sources designated by the governing body of that Local Party or otherwise approved.

B. As provided by the BTOP Grant, surplus funds generated by REDI Net are to be reinvested in REDI Net to upgrade technology and infrastructure of REDI Net, and the parties do not anticipate that other surplus property or funds will remain at the time this Agreement is terminated. Notwithstanding, any surplus property or funds which may remain at the time this Agreement is terminated shall be returned to each Local Party and to NCNMEDD, in proportion to the cash and in-kind contributions made by that Local Party or NCNMEDD; provided that any such distribution of property or funds shall comply with the Federal Requirements.

Section 9. Severability. If any provision, clause, section, subsection or article of this Agreement is found to be invalid, illegal, unenforceable for any reason, the invalidity, illegality or enforceability of such provision, clause, section, subsection or article shall not affect the remaining provisions of the Agreement.

Section 10. Privileges and Immunities. All of the privileges and immunities from liability, exemptions from laws, ordinances and rules, all pension, relief, disability, workers' compensation and other benefits which apply to the activity of officers, agents or employees of any such public agency when performing their respective functions within the territorial limits of their respective public agencies, shall apply to them to the same extent while engaged in the performance of any of their functions and duties extraterritorially under the provisions of the Act, as provided in Section 11-1-6 NMSA 1978.

Section 11. Obligations Conditioned on Sufficient Annual Appropriations. The obligations of the Local Parties under this Agreement are conditioned upon the availability of sufficient annual appropriations by the governing bodies of the Local Parties.

Section 12. Governing Law. This Agreement shall be governed by the laws of the State of New Mexico; provided that, with respect to any Local Party that is a tribal

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government, it is hereby recognized that the powers and status of such Party, as a tribal government, is subject to the laws of the United States.

Section 13. Alternative Dispute Resolution. Disputes among Parties arising in connection with this Agreement shall be submitted to mediation, arbitration, or other alternative dispute resolution process, as determined by the REDI Net Board, and to the extent that such process is permissible under the governing law applicable to the disputing Parties.

Section 14. Counterparts. This Agreement may be executed in counterpart originals.

Section 15. Amendment; Addition of Parties in the Future. This Agreement shall not be altered, changed, extended or amended except by instrument in writing executed by the Parties and approved by the DFA. The Pueblo de San Ildefonso may, at its election, become a Local Party to this Agreement, and this Agreement, shall be amended accordingly and shall include a description of the financial and/or in-kind contribution to be made by the Pueblo de San Ildefonso.

Section 16. Entire Agreement. This Agreement constitutes the entire agreement and understanding of the Parties with respect to the subject matter hereof.

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SIGNATURE PAGE

To

North Central New Mexico Economic Development District
REDI Net Middle Mile Broadband Network Joint Powers Agreement

Dated as of 12/26/11

NEW MEXICO DEPARTMENT OF FINANCE AND ADMINISTRATION

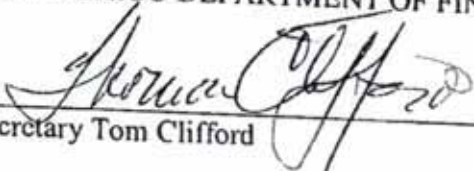

Secretary Tom Clifford *PK*

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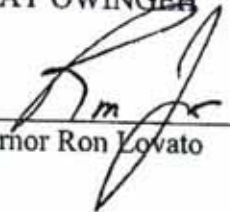
SIGNATURE PAGE

To

North Central New Mexico Economic Development District
REDI Net Middle Mile Broadband Network Joint Powers Agreement

Dated as of 11/22/2011

OHKAY OWINGEH



Governor Ron Lovato

EXHIBIT 11
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REDI Net Middle Mile Broadband Network Joint Powers Agreement

Dated as of 11/01/11

CITY OF ESPANOLA

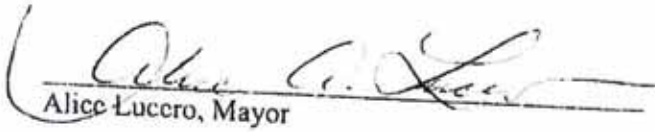

Alice Luccro, Mayor

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NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
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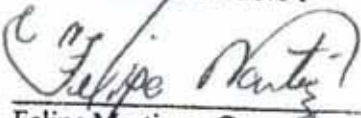
SIGNATURE PAGE

To

North Central New Mexico Economic Development District
REDI Net Middle Mile Broadband Network Joint Powers Agreement

Dated as of 10/31/11

RIO ARRIBA COUNTY



Felipe Martinez, County Comission Chair

EXHIBIT 11
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To

North Central New Mexico Economic Development District
REDI Net Middle Mile Broadband Network Joint Powers Agreement

Dated as of 12.14.11

PUEBLO OF TESUQUE

Mark Mitchell
Governor Mark Mitchell

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To

North Central New Mexico Economic Development District
REDI Net Middle Mile Broadband Network Joint Powers Agreement

Dated as of 4/9/11

LOS ALAMOS COUNTY



Sharon Stover, Council Chair

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SIGNATURE PAGE

To

North Central New Mexico Economic Development District
REDI Net Middle Mile Broadband Network Joint Powers Agreement

Dated as of November 22, 2011

PUEBLO OF SANTA CLARA

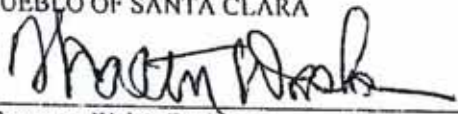

Governor Walter Dasheno

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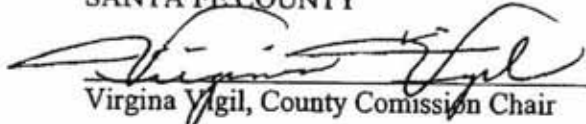
SIGNATURE PAGE


To

North Central New Mexico Economic Development District
REDI Net Middle Mile Broadband Network Joint Powers Agreement

Dated as of 12/13/11

SANTA FE COUNTY


Virginia Vigil, County Commission Chair

Approved as to form - so long as memorandum of agreement concerning Section 4(B) is executed
Santa Fe County Attorney
By: 
Date: 11-3-11

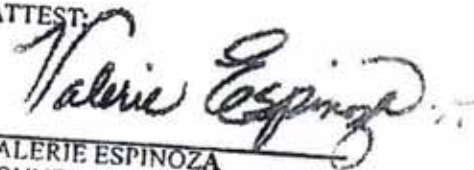
ATTEST:

VALERIE ESPINOZA
COUNTY CLERK



EXHIBIT 11
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
JOINT POWERS AGREEMENT

MOA between SFC and REDI Net Middle Mile Network

**MEMORANDUM OF AGREEMENT
BETWEEN SANTA FE COUNTY
AND
REDI NET MIDDLE-MILE BROADBAND NETWORK**

THIS MEMORANDUM OF AGREEMENT (hereinafter "MOA") is entered on this _____ day of _____, 2011 by and between Santa Fe County (hereinafter "County"), a New Mexico political subdivision, and REDI Net Middle-Mile Broadband Network (hereinafter "REDI Net").

RECITALS

WHEREAS, the County wishes to execute this MOA with Redi Net to provide for the County's exception from certain provision of the 2011 Joint Powers Agreement regarding broadband service to be provided by REDI Net.

THEREFORE, IT IS MUTUALLY AGREED BETWEEN THE PARTIES AS FOLLOWS:

1. Section 4.B (Commitment to Purchase Service) of the JPA is inapplicable in its entirety to Santa Fe County and its community anchor institutions.
2. Santa Fe County will designate two community anchor institutions and include additional community anchor institutions when REDI Net is capable of providing service as provided in the JPA and as deemed necessary by the County.

IN WITNESS WHEREOF the parties have duly executed this Agreement as of the dates written below.

SANTA FE COUNTY:

Virginia Vigil, Chair
Santa Fe Board of County Commissioners

12/13/11
Date

ATTEST
Valerie Espinoza VT
Valerie Espinoza, Santa Fe County Clerk

12-16-11
Date

APPROVED AS TO LEGAL FORM:

[Signature]
Stephen C. Ross, County Attorney

12/15/11
Date



REDI Net Middle-Mile Broadband Network

[Signature]
(signature and title)

12/15/11
Date

EXHIBIT 11
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
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SIGNATURE PAGE

To

North Central New Mexico Economic Development District
REDI Net Middle Mile Broadband Network Joint Powers Agreement

Dated as of 11/18/11

NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT

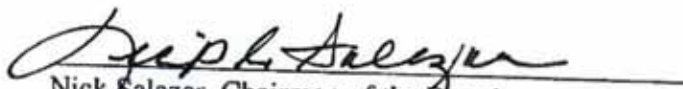

Nick Salazar, Chairman of the Board

EXHIBIT 11
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SPECIAL AUDIT CONSULTING PROCEDURES
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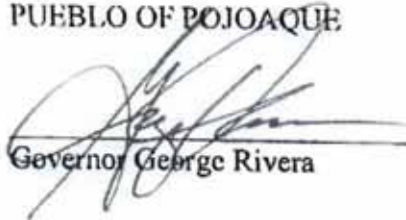
SIGNATURE PAGE

To

North Central New Mexico Economic Development District
REDI Net Middle Mile Broadband Network Joint Powers Agreement

Dated as of 11-30-11

PUEBLO OF POJOAQUE



Governor George Rivera

**EXHIBIT 11
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
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EXHIBIT "A"

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SPECIAL AUDIT CONSULTING PROCEDURES
JOINT POWERS AGREEMENT

EXHIBIT “B” – SAMPLE COVENANT OF PURPOSE, USE AND OWNERSHIP FORM

Covenant of Purpose, Use and Ownership

THIS COVENANT OF PURPOSE, USE AND OWNERSHIP (hereinafter called “Covenant”) dated this ___ day of _____, 20___, by and between _____, whose address is _____ (hereinafter with its successors and assigns called “Recipient”); and the National Telecommunications and Information Administration, U.S. Department of Commerce, whose address is 1401 Constitution Avenue, N.W., Room 4812, Washington, D.C. 20230 (hereinafter with successors and assigns called “NTIA”).

RECITALS

WHEREAS, Recipient submitted an application to NTIA for financial assistance under the Broadband Technology Opportunities Program (“BTOP”), pursuant to the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (Feb. 17, 2009) (hereinafter the “Act”); and

WHEREAS, by Offer of Award, dated _____, NTIA offered to Recipient a financial assistance award designated as Award No. _____ (the “Award”) in the amount of \$ _____ (hereinafter called “Award Amount”) to assist in financing _____ (hereinafter called “Project”); and

WHEREAS, to execute such Project, Recipient has acquired or improved real property in whole or in part with funds made available through the Award [or applicable real property interest] described in Exhibit “A” attached hereto and incorporated herein (hereinafter with all improvements called the “Property”); and

WHEREAS, on _____, Recipient accepted the Award by signing Form CD-450 (together with all documents attached thereto or incorporated therein, the “Award Agreement”) issued in connection with the Project and pertaining to the Award Number, thereby binding itself and making itself subject to the terms and conditions contained in the Award Agreement including, without limitation, the applicable requirements of 15 Code of Federal Regulations (C.F.R.), Parts 14 or 24, as applicable, and the terms of the First Notice of Funds Availability, 74 Fed. Reg. 33104 (Jul. 9, 2009) or the Second Notice of Funds Availability, 75 Fed. Reg. 3792 (January 22, 2010), as applicable; and

WHEREAS, the Award Agreement provides the purposes for which the Award Amount may be used and provides, inter alia, that Recipient holds title to the Property in trust for the public purposes of the Project, and may not sell, lease, transfer, convey, hypothecate, mortgage, or otherwise alienate any right to or interest in the Property, or use the Property for purposes other than, and different from, those purposes set forth in the Award Agreement and the application made by Recipient therefore (hereinafter called

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“Project Purposes”), such alienation and use being prohibited by 15 C.F.R. Parts 14 or 24, as applicable, and the Award Agreement, without the prior written approval of the BTOP Grants Officer, or his /her designee or successor (hereinafter called the “Grants Officer”); and

WHEREAS, under the authority of the Act and the Award Agreement, Recipient may not use the Property for purposes other than Project Purposes and may not lease, sell, transfer, convey, mortgage or hypothecate or otherwise alienate the Property to any party without prior written approval from the Grants Officer, unless NTIA is repaid its Federal Interest in the Property, as defined and more particularly described herein; and

WHEREAS, Recipient, as owner of all or part of the Property, agreed to record this Covenant in the appropriate office for the recording of public records affecting real property in the jurisdiction where the Property is located so as to constitute notice to all persons of the restrictions contained herein on title to and use of the Property for the benefit of the public purposes of the Project; and

WHEREAS, the _____
located at _____
is the proper office to record this Covenant:

NOW THEREFORE, in consideration of financial assistance rendered and/or to be rendered by NTIA and of other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and to assure that the benefits of the Project will accrue to the public and be used as intended by both NTIA and Recipient, Recipient hereby covenants and agrees as follows:

1. For purposes of this Covenant, the useful life of the Property is set forth in Exhibit A, as determined by the BTOP Schedule of the Useful Life of Property, attached as Exhibit B hereto.
2. Recipient agrees that for the useful life set forth above, Recipient will not lease, sell, transfer, convey, hypothecate, mortgage, or otherwise alienate any interest in the Property, nor shall Recipient use the Property for purposes other than the Project Purposes without the prior written approval of the Grants Officer. However, such approval may be withheld until such time as Recipient first pays to NTIA the Federal Interest (as hereinafter defined) in the Property as provided in 15 C.F.R. Part 14 or Part 24, as applicable. The Federal Interest is that percentage of the then current fair market value of the Property attributable to the NTIA participation in the Project (after deducting actual and reasonable selling and fix-up expenses, if any, incurred to put the property into condition for sale). The Federal share excludes that value of the Property attributable to acquisition or improvements before or after NTIA’s participation in the Project and not included in Project costs. As of the date of this Covenant, it is hereby agreed that NTIA’s percentage participation in the Project is [this percentage is equal to the federal share ratio under the BTOP award (XX%) percent.

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NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
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3. Recipient further covenants that in the event NTIA permits the Property to be used for purposes other than the Project Purposes, or if the Property is sold, leased, transferred, conveyed, hypothecated, mortgaged, or otherwise alienated, Recipient will compensate the Federal Government for the Federal Interest in the Property. Such Federal Interest shall be and is hereby made a charge and lien of the first priority against the Property until fully satisfied.
4. Recipient further agrees that, as a condition of accepting the disbursement of any portion of the Award Amount, Recipient shall provide NTIA with evidence that it has executed and placed on record against the Property, this Covenant and shall provide the Grants Officer with evidence of such recording. NTIA will in its sole discretion determine whether this Covenant is satisfactory and may require an opinion of counsel for the Recipient that: (i) the Covenant is valid and enforceable according to its terms; (ii) the Covenant has been properly recorded; and (iii) that there is no lien or encumbrance on or pertaining to the Property superior to the Covenant.
5. Recipient further agrees that whenever the Property is sold, leased, or otherwise conveyed, Recipient or the transferor shall add to the instrument of conveyance, pursuant to the requirement of 15 C.F.R. Part 14, a covenant of purpose, use and ownership. NTIA will, in its sole discretion, determine whether such covenant is satisfactory. In connection with any such transfer, NTIA may require an opinion of counsel for the Recipient or for the transferor that the covenant is valid and enforceable according to its terms and has been properly recorded.
6. It is stipulated and agreed that the terms hereof constitute a reasonable restraint on alienation of use, control, and possession of or title to the Property given the Federal Interest expressed herein.
7. This Covenant shall run with the land.
8. This Covenant shall be construed in a manner consistent with the terms and conditions of the Award Agreement and applicable regulations; provided, however, that if there is a conflict, the terms and conditions of the Award Agreement shall control.

IN WITNESS WHEREOF, the recipient has hereunto set their hand as of the day and year first above written by their duly authorized officer. A completed duly recorded copy of this Covenant shall be forwarded to NTIA. (The appropriate acknowledgment must be included for recording in Recipient's jurisdiction.)

**EXHIBIT 11
NORTH CENTRAL NEW MEXICO ECONOMIC DEVELOPMENT DISTRICT
SPECIAL AUDIT CONSULTING PROCEDURES
JOINT POWERS AGREEMENT**

Recipient:

By: _____

Title: _____

ATTEST:

By: _____

Title: _____

Exhibit A (Legal Description of the Property)

Exhibit B (BTOP Schedule of the Useful Life of Property)