

The Court reports that he appointed examiners to study the affairs of the Ditch Company (legal, administrative, bookkeeping, etc.) and make recommendations for a new, future management structure and objectives for the Ditch Company. The report of the examiners has been completed and submitted; copies have been made available to the shareholders. The examiners are introduced: Dale Harper, Bob Dinegar, John Watford, and Ken Stokes, and a word of thanks is extended to them for their assistance.

Glen Everett presents the Commissioners' Report regarding ditch repair and maintenance for the past year and outlines the proposed work plan for 1990/1991.

Discussion is held regarding the Ditch Company financial report for the fiscal year ending September 30, 1990. The Court reports that an audit of the Verde Ditch Company has been ordered from Steve Houston, that the audit report is expected in January 1991. Upon request by members of the audience for a breakdown of certain of the financial report categories, the Court recommends that further discussion be postponed until the audit is complete and that report submitted.

The Court invites questions, comments, and suggestions from the floor.

As result of discussion, IT IS ORDERED and directed that the Commissioners prepare and submit to the Court by January 1991 a written, broad-based report to include, but not limited to: goals and future of the organization; statistical information regarding the ditch; comparative statistical information and operational costs of other irrigation organizations; details and information applicable to "ditch patrols."

The Court again remarks that the audit and Commissioners' report are expected in January 1991 and, at the request of shareholders present, a continuation of this meeting will be scheduled after those materials are complete and available for review, possibly in mid-February. Shareholders from out of town may provide self-addressed, post-paid envelopes to Martie Cathcart if they would like to receive copies of the audit and Commissioners' report when they are available prior to continuation of the meeting; others may pick up copies at the Ditch Company office. Also, if anyone has questions or suggestions who is not able to be heard at this meeting, he/she can direct those matters in writing to the Court.

The meeting is adjourned at 8:40, P.M.

cc: L. Richard Mabery, Esq.
Glen Everett
John Reddell
Howard Ferguson
Martie Cathcart

Verde Ditch Company
10 First
P.O. Box 2345
Camp Verde, Arizona 86322
Phone 567-4212

ANNUAL MEETING
DECEMBER 6, 1990
7:00 P.M.
Camp Verde High School Cafeteria
Montezuma Castle Highway and Apache Trail
Camp Verde, Arizona 86322

A G E N D A

1. Commissioners Report
2. Examining Committee Report
3. Discussion by Judge Anderson
4. Call to Public

TABLE OF CONTENTS

Compilation report	1
Statement of Financial Position	2
Statement of Operations	3
Notes A and B	4

October 26, 1990

Board of Commissioners
Verde Ditch Company
P.O. Box 2345
10 First
Camp Verde, Arizona 86322

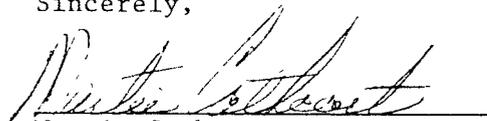
Gentlemen:

I have compiled the accompanying Financial Statement for the Verde Ditch Company, for the year ended September 30, 1990, in accordance with standards established by The American Institute of Certified Public Accountants.

This compilation is designed for the use of management and information for it's shareholders.

This statement is unaudited.

Sincerely,



Martie Cathcart
Secy/Treas
Verde Ditch Company

Verde Ditch Company
Statement of Financial Position
September 30, 1990
(Unaudited)

ASSETS

Current Assets:

Cash - Checking, Valley National Bank	\$ 5,672.97
Accounts Receivable	<u>6,781.73</u>
Total	12,454.70

Fixed Assets:

Furniture and Fixtures	470.51
Tools and Equipment	<u>892.34</u>
Total	1,362.85
Less Accumulated Depreciation	<u>(794.45)</u>
Net Book Value	568.40

Other Assets:

Land	<u>100.00</u>
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Total Assets: \$ 13,123.10

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 5,079.83
Current Portion of Long Term Debt ((Note A)	<u>9,950.00</u>
Total	15,029.83

Long Term Debt (Note A)	<u>35,249.74</u>
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Total Liabilities: \$ 50,279.57

EQUITY

Fund Balance	<u>(37,156.47)</u>
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Total Liabilities and Equity \$ 13,123.10

Verde Ditch Company
Statement of Operations
For the Twelve Months Ended September 30, 1990
(Unaudited)

Revenues:

Ditch Assessments	\$ 74,641.20
Late Payment Penalty	1,149.68
Late Payment Interest	274.42
Bank Interest - Checking Account	204.70
Other Revenue: Sale of Ditch Equipment	2,000.00
Recapture of Ditch Company Expenses on Order to Show Cause	916.00
Total	79,186.00

Operating Expenses:

Ditch and Dam Repair and Maintenance	10,516.02
Equipment Repair and Maintenance	639.52
Supplies	922.91
Property Taxes	1,107.31
Labor	19,691.30
Equipment Rent	6,021.88
Office Supplies and Postage	689.68
Fuel and Auto	5,505.89
Insurance	2,221.00
Telephone	131.27
Interest	5,174.87
Professional Fees	11,973.88
Advertising	14.93
Bank Charges	256.35
Film and Developing	21.78
Miscellaneous	140.22
Examining Committee Expenses:	
Arizona Revised Statutes Book	\$ 127.05
Certified Public Accountant	948.75
Attorney Fees	2,200.00
Ditch Company Secretary	550.00
3,825.80	
Depreciation	213.72
Total	69,068.33

Net Income	\$ 10,117.67
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Note A - Schedule of Long Term Debt:

<u>Description</u>	<u>Semi Annual Payment</u>	<u>Short Term Amount</u>	<u>Long Term Amount</u>	<u>Balance</u>
Note Payable - Small Business Administration	\$ 3,100.00	\$ 6,200.00	\$ 35,249.74	\$ 41,449.74
Note Payable - Valley National Bank	3,750.00	3,750.00	-0-	-0-
Total	<u>\$ 6,850.00</u>	<u>\$ 9,950.00</u>	<u>\$ 35,249.74</u>	<u>\$ 41,449.74</u>

Note B - Summary of Significant Accounting Policies:

The accompanying Financial Statement for the Verde Ditch Company has been prepared according to the accrual basis of accounting.

Depreciation has been recorded via the straight line method with a useful life of five years.

Accounts payable reflected on the balance sheet represents the amounts payable to Blevin's Earth Moving \$ 1,330.00, McDonald Brothers Construction \$ 2,529.97 and attorney fees \$1,219.86.

Verde Ditch Company
Work Schedule

WORK PERFORMED for the year 1989/1990:

General repair and maintenance.

PROPOSED WORK PLAN for the year 1990/1991:

- A. Repair and maintenance (dig and clean)
 - 1. From Lake Verde Club Estates to Roadrunner Ranch.
 - 2. From Copper Canyon to Ryal Canyon.
 - 3. From diversion dam to the north end of Finney Flat.
- B. New siphon at the lower end of Windy Point.
- C. Rip-rap ditch below pipe line at Windy Point.
- D. New trash rack at Ryal Canyon.
- E. Repair turn out gate at Lake Verde Club Estates.

Estimated cost of these projects are \$30,000.00.

The Honorable Richard Anderson
Judge, Division I
Superior Court of Arizona
Yavapai County Courthouse
Prescott, Arizona 86301

Re: Verde Ditch Company Reorganization
No. 4772 Div. I, Order of Reference

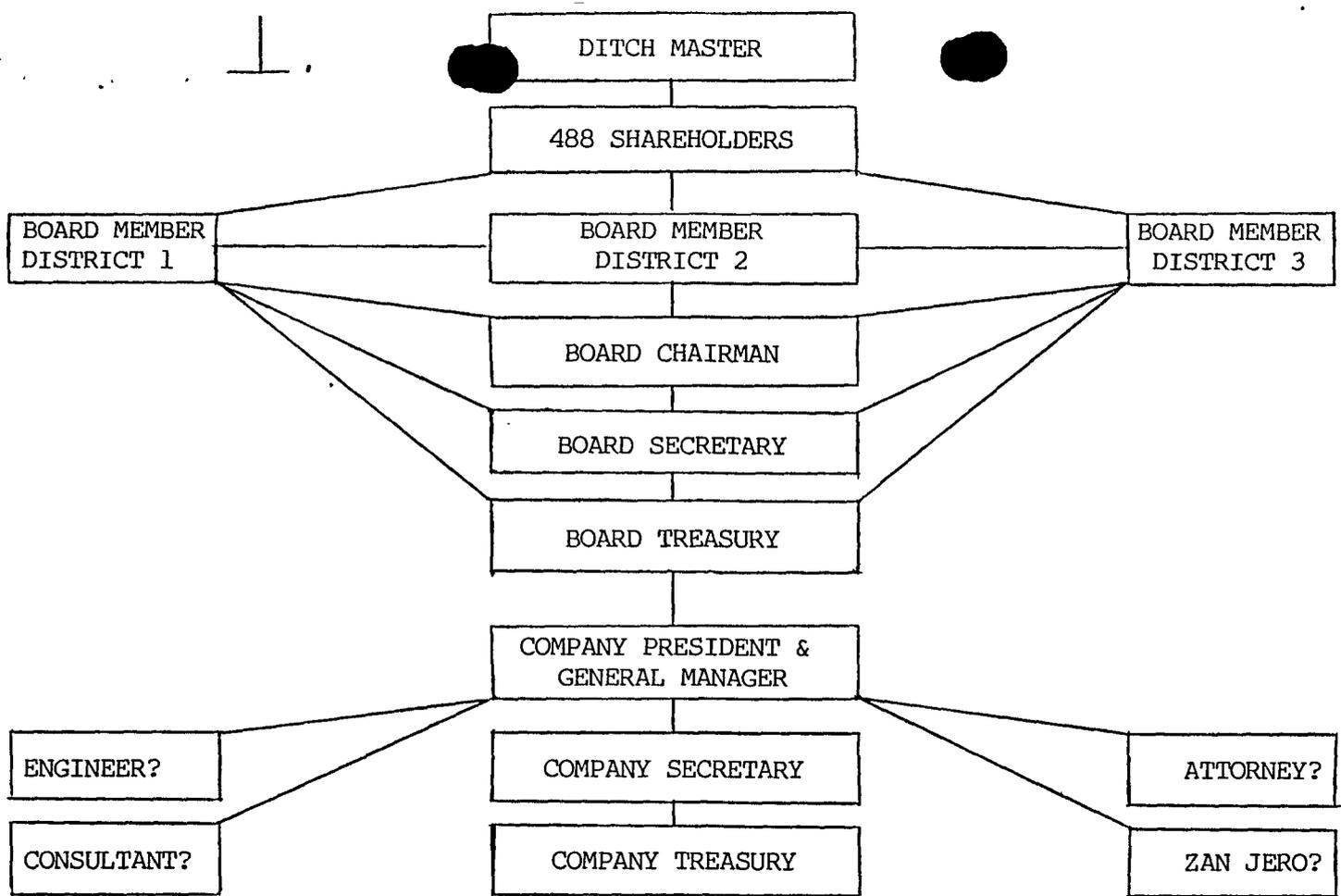
Pursuant to Rule 53, Arizona Rules of Civil Procedure, this final report, on recommendations for proposed new management structures for the operation of the ditch in the future, with short and long term objectives, is being submitted.

1. At the present, the examiners do not know the legal status of the Verde Ditch Company as an organization. Thus, the first recommendation is to establish how the Verde Ditch Company is organized under Arizona law and proceed from there with organization.

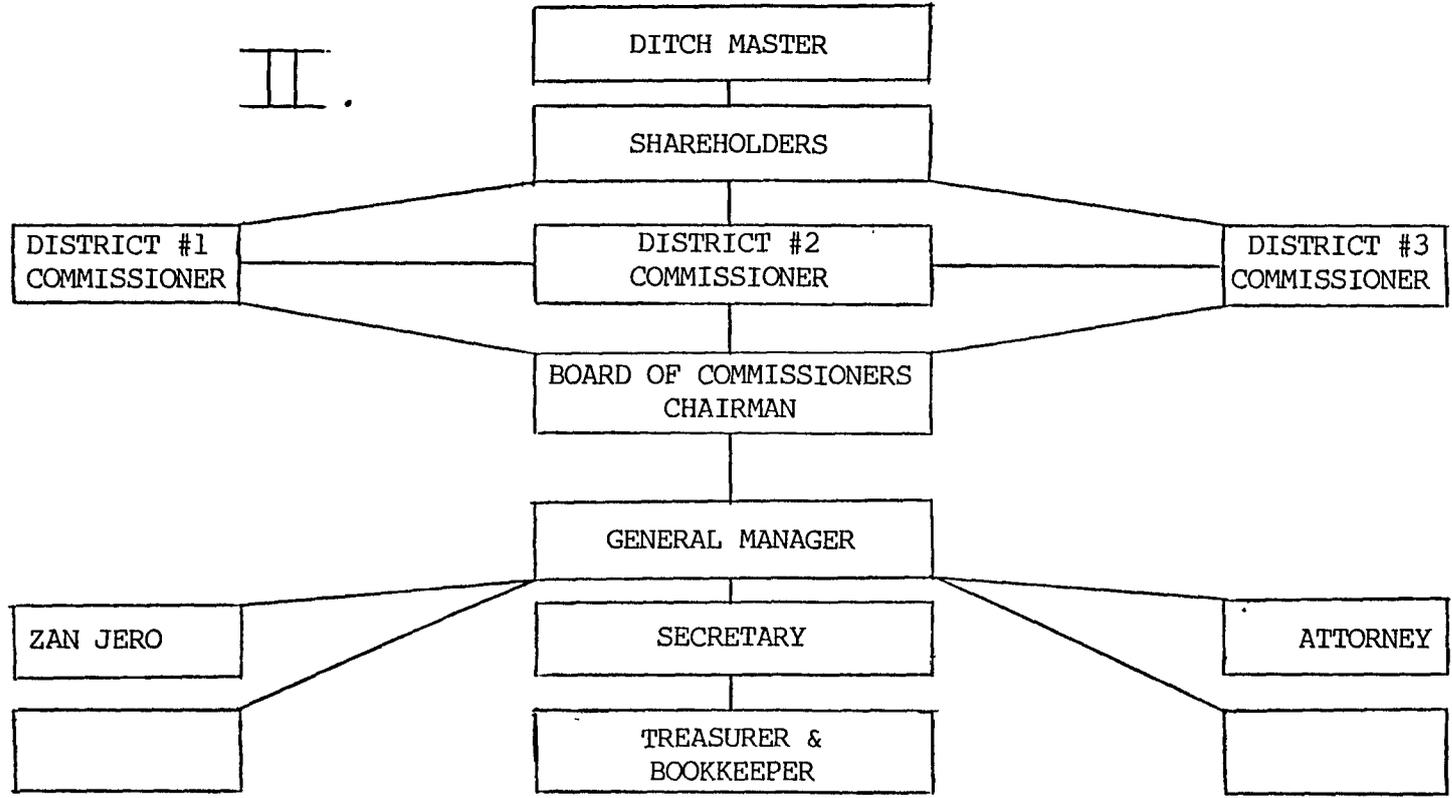
2. The second reorganization recommendation is to form an Irrigation Water Delivery District within Yavapai County as provided for under Arizona Revised Statutes for special districts.

(3.) The third reorganization recommendation is to adopt the policies of the Irrigation Water Delivery District and continue under the rule of the Superior Court of Arizona.

4. The fourth recommendation is to establish an organizational structure where there is a hierarchy of positions to maintain control and balance of the ditch management. Two basic schematics are presented here. Rules for the above organizational structures could be established by a committee appointed from shareholders.



III.



5. The fifth recommendation would be to maintain the present organizational structure and management system with the intent to stagger the terms of the commissioners.

A management objective of this recommendation could allow for positions within operations to be paid positions.

6. The sixth recommendation is to continue the present organizational and management system with changes in the rules to comply with those of an Irrigation Water Delivery District as stated in Items 2 and 3.

MANAGEMENT OBJECTIVES FOR THE VERDE DITCH COMPANY
SHORT TERM OBJECTIVES

1. Reorganize the management of the Verde Ditch Company using one of the reorganization recommendations found in the preceding page of this report.
2. Formulate priorities for the present management's objectives and design a procedure for carrying them out.
3. Employ a person (Zan Jero) to inspect the ditch on a routine basis and do necessary work to keep the water flowing. This person would report to the commissioners and/or ditch manager any needed maintenance or public relations that could not be accomplished immediately by said person.
4. Establish a system of communications among those responsible for the physical management of the irrigation. This could be a radio network of some nature.
5. Establish a program for dissemination of information to the shareholders as needed. Assign a person to carry on an aggressive and ongoing public relations program using all media possible.
6. Continue to cooperate with other Verde Vally ditch companies to formulate ongoing policies that represent the common interest of all and to form a front to protect the water rights of all irrigation water users.
7. Contact local earth moving contractors to set up a bidding process for the maintenance, repair and construction of the ditch.
8. Establish that the board be the policy makers and that the manager carries out the policies.

SHORT AND LONG TERM OBJECTIVES

1. The ditch company should continue to contact local, county, state and federal agencies for technical advice, expert assistance and monies to accomplish the objectives of the ditch company: i.e. lining, culverts, syphons, underground pipe, engineering and building roadways.
2. The ditch company should be more active in the water adjudication in the State of Arizona. Retaining an attorney with statewide visability on water adjudication would help assure the protection of the water rights of the Verde Ditch Company.

LONG TERM OBJECTIVES

1. Provide for more and better drainage systems for flood waters crossing or entering the ditch.
2. Re-engineer Windy Point to lessen the maintenance and upkeep of this critical problem. Solicit the help of the U.S. Corps of Engineers, Yavapai Flood Control District, Soil Conservation Services of Yavapai County and the local B.I.A. representatives.
3. Install a permanent structure (heading) at the point of diversion on the Verde River. This structure would be gated to control flooding both on the Verde River and the Verde Ditch.
4. Remove the present temporary diversion from the Verde River, thus reducing the possibility of flood damage downstream.
5. Cooperation with the Salt River Project on a permanent diversion would assure that both the Verde Ditch Company and Salt River Project would be less liable; also that less water would be misused. Those concerned about riparian habitat,

environmental quality and natural resources should be included.

6. Install a metering system at heading of each lateral to assure fair and equitable delivery and use of the irrigation water.

7. Develop a plan to establish more stable ditches by redirecting, concreting or placing flumes and other structures to control erosion.