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SUPERIOR COURT
YAVAPAI COUNTY, ARIZONA
2013 OCT 29 PM 4:07 ✓
SANDRA K. HARKENH. CLERK
BY: V. REISINGER

State Bar I.D. No. 005188

Attorney for Verde Ditch Company

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA

IN AND FOR THE COUNTY OF YAVAPAI

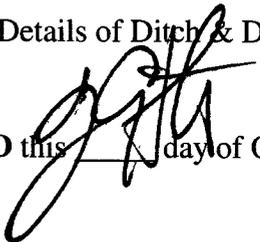
GEORGE W. HANCE, et al.,)	No. P1300CV4772
)	
Plaintiffs,)	
)	
vs.)	
)	Division 1
WALES ARNOLD, et ex., et al.,)	
)	
Defendants.)	NOTICE OF FILING
)	ANNUAL REPORT
)	
)	
In the matter of the VERDE DITCH))	
COMPANY))	
_____))	

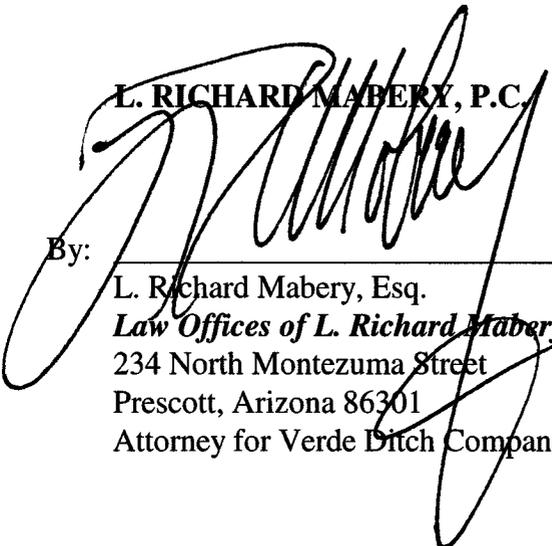
Jeff Cochrane, Albert Dupuy, Jr., Vernon Hilbers, John Teague and David Myers, all of the Commissioners of the Verde Ditch Company, pursuant to Section 11 of the Rules and Regulations of the Verde Ditch dated August 8, 1989, hereby file with the Court copies of the following:

1. Minutes of Annual Shareholders Meeting and Sign In Sheet - October 17, 2013 (Exhibit 1);
2. Annual Meeting Agenda dated October 17, 2013 (Exhibit 2);

Law Offices of
L. Richard Mabery, P.C.
234 North Montezuma Street
Prescott, Arizona 86301-3008
(928) 778-1116

3. Verde Ditch Company's Income Statement for the 12 month period ending September 30, 2013 (Exhibit 3);
4. Verde Ditch Company's Balance Sheets dated September 30, 2013 (Exhibit 4);
5. Verde Ditch Company's Special Assessment Profit & Loss for the period October 2012 through September 2013 (Exhibit 5);
6. Verde Ditch Company's Special Assessment Balance Sheet dated as of September 30, 2013 (Exhibit 6);
7. Verde Ditch 2013-2014 Projected Budget (Exhibit 7); and
8. Details of Ditch & Dam Repairs (Exhibit 8).

DATED this  day of October, 2013.


L. RICHARD MABERY, P.C.

By: _____

L. Richard Mabery, Esq.
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234 North Montezuma Street
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Attorney for Verde Ditch Company

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VERDE DITCH
ANNUAL SHAREHOLDERS MEETING
OCTOBER 17, 2013
6:00PM
MINUTES

Meeting was called to order at 6pm

All Commissioners were present: Al Dupuy, Vern Hilbers, Dave Myers, John Teague
Jeff Cochrane.

Minutes of last year's minutes were read, Vern made a motion to accept, Dave seconded.

Ronda went over the Profit and Loss statement for the General Account and the Special Assessment account. Shareholders had a couple of questions. A shareholder asked why the legal fee are so high, we tried to explain that everything we do goes thru the lawyer or the Judge and that all costs money. John made a motion to accept Jeff seconded, all in favor.

Vern gave his report on the ditch projects that were accomplished this past year during winter maintenance. Dave Myers explained the work done with the Forest Service Grant, installed 5 new turn outs. Shareholders from the upper end of the ditch were upset that they have had low water since our winter maintenance projects; they think maybe the boards that were in the old turn outs were keeping the water deeper and making the ditch fuller. A shareholder asked what size the pipe at windy point is. Shareholders were upset that there was a tree growing in the pipe at windy point, and why didn't we know that before it grew up and started blocking the water flow. Shareholders asked about the grant money, was taking a grant going to obligate us to give up any of our water. Al asked Kim from the Nature Conservancy to explain. Kim explained she has helped the ditch write the grant for the Forest Service and now this year with the Bureau of Reclamation and no one has required us to give up any water to qualify for the grants. In addition Al explained that the Commissioners will not enter into any agreement without our attorney's review and the master's approval. Shareholders asked how much money was available; Kim explained the maximum on this grant is 250,000.

Al explained we met with Judge Mackey and went over some of the things that need to be done on the ditch. The Commissioners discussed with the Judge that we need to reclaim the ditch bank. We all agreed that would be a touchy subject in some areas but it desperately needs done.

Town representative Charlie German addressed the shareholders about the Blue Ways Initiative and encouraged everyone to attend the workshops that the Town will be having before they vote on anything.

Al presented the winter work project list. Ed Erck mentioned that before we could work on the swamp at the end of the ditch we would need to contact the owner of the property, Al said nothing would be done without permission, Ed said good because he is the owner of the property and if we don't do it right he will seek legal action. George Groseta asked about the replacing of the drop gate on his property. Al apologized said he thought a letter had gone out

to the owners of the property about the drop gate and leaky head gate. He would explain it to him after the meeting. Shareholders asked questions about the work list, it has more expenditure than we collect in a year. We explained that was a projected work list of things that would come in time as money allowed, more of a want list. Mr. Wilburn says the heavies we put at his property are washing out and leaking. He also says the turn out we installed is too big and tall and what was wrong with the old one? Shareholders asked when the ditch would be shut off; we explained we were going to try this year Nov 15 thru Feb 15 to help some of the farmers get their spring crops in. Some of them complained that it was to accommodate Hauser. A shareholder at the lower end of the ditch explained the horrible damages they had from the run off of Squaw Peak when it rained 3 inches on the mountain. The ditch was able to carry away some of the water but it came so fast that it over flowed the ditch and flooded their property. Maybe we could look at installing more turn outs at the lower end to help with monsoon floods. Commissioners agreed that's something they could look into. Mr. Wilburn asked where's the old head gate that we replaced with this new one, maybe it could be used somewhere to help flooding. Another shareholder made a suggestion maybe when its time to turn the water on, we could turn it on to Ryle Canyon and let the upper end water and then bring it all the way to the end and then the lower end could water without all the upper end shareholders try to water. Commissioners said that was something they may try to see how it works.

Rick addressed the shareholders and tried to explain all the different things that go on with the ditch that incurs fees. He explained how things were going with SRP and all the different things he does to protect the shareholders on the Verde Ditch and this is just a long and slow process and we don't know when it will end. Mr. McDonald asked if the legal fees on past due shareholders are added to the amount when we take them to court. Rick answered yes, when it goes as far as filing an order to show cause, all the fees are added to the judgment.

Open to the Shareholders- Mrs. Floyd asked where we stand on the mapping we are doing with SRP? Rick explained we are still working on them and there are some agreements with SRP that need to be reviewed and approved by the commissioners and counsel before we can move on he will get those to the commissioners in a couple of days. Mr. Wilburn again mentioned the blocks on his property are falling down and he passed out pictures to all the Commissioners, he wants something done at his property and he wanted it noted in the minutes that if we do work on his property and we damage his head gate we will pay to fix it. Mr. Apjones asked us how much is enough when it comes to the bank balance in the Special Assessment account? He feels we should pick a figure we are comfortable with and say ok that's enough for now and let the special assessment skip a year or two and then bill it again if the balance drops below that comfortable figure. He completely agrees with the Special Assess but feels there should be a cap on the money we need to have available, 100,000 or 80,000. Commissioners agreed to discuss it and talk to Rick and the Judge and see what their feelings are. Several shareholders thanked the commissioners for their hard work and seeking out grants to help with the expenses of maintaining the ditch. A shareholder complimented the commissioners on the website said she loved it and it was very informative.

Meeting adjourned 7:55pm John made a motion Dave seconded

VERDE DITCH
ANNUAL SHAREHOLDERS MEETING
OCTOBER 17, 2013

SIGN IN SHEET

1. William Isratt
2. Leroy Miller
3. Roy West
4. Earl Mardock
5. Dave Hilbeys
6. Ed. Cuk
7. Wally Williams
8. Jack J. Colman
9. Richard M. Edwards
10. Roy & Nancy [Signature]
11. Jane Myers
12. Jim & Sandi Astor
13. John & Judy Clark
14. Shawn Watson [Signature]
15. [Signature]
16. Gary & Marg Warneka
17. Tom Carpenter
18. LARRY WATKINS
19. Al Dupuy
20. VERN Hilbeys
21. DAVE MYERS
22. John Teague
23. Jeff COCHRANE
Ronda Aiuto

Verde Ditch
P.O. Box 2345
Camp Verde, AZ 86322
928-567-4212

AGENDA

**The Verde Ditch Shareholders
Annual Meeting
October 17, 2013. 6:00PM
Town Building Room 206/207
www.verdeditch.com**

1. Roll call.
2. Read and approve minutes of last meeting.
3. Town representative will give a brief update on the National Blue Ways Initiative.
4. 2012/2013 financial report.
5. 2012/2013 Commissioners report.
6. Commissioner's projected winter projects.
7. 2013/2014 budget.
8. Shareholder update from Ditch counsel.
9. Call to the shareholders
10. Call to the public.
11. Adjourn

VERDE DITCH COMPANY
Income Statement
Current, YTD, and Ratios
12 Period(s) Ending September 30, 2013

	Year-to-Date	%
INCOME		
DITCH ASSESSMENTS	162,866.62	100.0
INTEREST INCOME	5.40	0

TOTAL INCOME	162,872.02	100.0
COST OF SALES		

GROSS PROFIT (LOSS)	162,872.02	100.0
EXPENSES		
DITCH LABOR	415.00	0.3
WAGES	45,831.50	28.1
FICA EXPENSE	3,770.52	2.3
FUTA EXPENSE	277.07	0.2
DES EXPENSE	672.73	0.4
WORKMANS COMP EXPENSE	1,967.00	1.2
ADMIN, OFFICE, BOOKS	10,800.00	6.6
AUTO EXPENSE	3,343.26	2.1
BANK CHARGES	53.74	0
DITCH & DAM REPAIRS	28,273.59	17.4
DIESEL FUEL	2,278.28	1.4
EQUIPMENT RENTAL	120.00	0.1
EQUIPMENT REPAIR & MAIN	1,158.11	0.7
INSURANCE	3,923.00	2.4
LEGAL FEES	12,177.72	7.5
OFFICE EXPENSE	1,380.01	0.8
POSTAGE & FREIGHT	644.40	0.4
RENT	3,814.00	2.3
SUPPLIES	959.34	0.6
TELEPHONE	1,610.73	1.0
TRAVEL & ENTERTAINMENT	45.00	0
UTILITIES	3,663.81	2.2
WEBSITE & HOSTING	200.00	0.1

TOTAL EXPENSES	127,378.81	78.2

NET INCOME (LOSS)	35,493.21	21.8
	=====	

VERDE DITCH COMPANY
Balance Sheet

September 30, 2013

ASSETS

ASSETS

BANK ACCT-BANK ONE	52,481.14	
BANK ACCT-FEDERAL GRANT	71.46	
TOTAL ASSETS		52,552.60

FIXED ASSETS

GENERAL EQUIPMENT	48,426.45	
COMPUTER, PRINTER & MONITOR	2,160.81	
JOHN DEERE BACKHOE	35,600.00	
VERMEER CHIPPER	8,200.00	
WEED SPRAYER & WATER PUMP	6,290.50	
RAMMER	2,736.15	
TRACTOR/MOWER	3,800.00	
FURNITURE & FIXTURES	470.51	
LAND	100.00	
TOTAL FIXED ASSETS		107,784.42

TOTAL ASSETS		160,337.02
		=====

VERDE DITCH COMPANY
Balance Sheet

September 30, 2013

LIABILITIES

LIABILITIES

AZ WITHHOLDING PAYABLE

105.95

FICA PAYABLE

1,922.56

TOTAL LIABILITIES

2,028.51

LONG TERM LIABILITIES

TOTAL LIABILITIES

2,028.51

CAPITAL

CAPITAL STOCK

122,815.30

NET PROFIT/LOSS

35,493.21

TOTAL CAPITAL

158,308.51

TOTAL LIABILITIES AND CAPITAL

160,337.02
=====

**Verde Ditch Special Assessment
Profit & Loss
October 2012 through September 2013**

	<u>Oct '12 - Sep 13</u>
Income	
400 · Special Assessments	35,412.00
401 · Interest Income	7.66
	<hr/>
Total Income	35,419.66
Expense	
607 · Accounting Fees	2,500.00
610 · Bank Fees	37.20
620 · Legal Fees	13,354.63
623 · Mapping	2,745.00
625 · Office Expense	20.95
629 · Postage & Freight	423.00
635 · Title Searches	600.00
	<hr/>
Total Expense	19,680.78
	<hr/>
Net Income	<u>15,738.88</u>

**Verde Ditch Special Assessment
Balance Sheet
As of September 30, 2013**

	<u>Sep 30, 13</u>
ASSETS	
Current Assets	
Checking/Savings	
102 · Chase Bank - General Account	85,194.41
Total Checking/Savings	<u>85,194.41</u>
Total Current Assets	<u>85,194.41</u>
TOTAL ASSETS	<u>85,194.41</u>
LIABILITIES & EQUITY	
Equity	
300 · Capital	69,455.53
Net Income	15,738.88
Total Equity	<u>85,194.41</u>
TOTAL LIABILITIES & EQUITY	<u>85,194.41</u>

2003/2014 Projected Budget for Winter Maintenance
Projects

Description	Dollars
Install heavies to build dam at Main head gate.	\$ 560.00
Improvements at Dickinson Circle.	\$ 1,250.00
Improvements at Simonton Ranch siphon.	\$ 1,480.00
Improvements at Infinia to Salt Mine/Vail roads.	\$ 4,060.00
Improvements at Fort Lincoln to Salt Mine and Silver roads.	\$ 3,460.00
Water pump retention enhancements.	\$ 2,500.00
Improvements at Squaw Peak Ranch.	\$ 1,595.00
Mongini. Install new drop gate. (Cost share/Sub labor)	\$ 1,200.00
Improvements on ditch at end of Hauser pond to end of ditch.	\$ 7,120.00
Re-direct water at end of ditch.	\$ 1,595.00
Enhancements to water monitoring ststem.	\$ 3,300.00
Telemetry monitoring.	\$ 750.00
Audit/Review	\$ 5,000.00
Mow/burn/dig center of ditch.	\$ 9,940.00
Mow/burn/dig center of ditch. IF FUNDS AVAILIABLE	\$ 5,000.00
Start ditch.	\$ 1,535.00
Capital improvement fund.	\$ 25,000.00
Irrigating season routine monitoring/maintaining of ditch and administrative work.	\$ 38,000.00
Catastrophic repair fund.	\$ 25,000.00
TOTAL PROJECTED COSTS	\$ 138,345.00

DETAIL OF DITCH & DAM REPAIRS

MISC SUPPLIES 1,168.47

HEAVIES FOR LINING DITCH 2,135.79

SUB-CONTRACTORS 24,969.35

(MISC, DIRT WORK, HAULING, MOWING, RE-BUILD
DAM FOR PUMP, BRUSH HOG)