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SUPERIOR COURT ✓  
YAVAPAI COUNTY, ARIZONA

2016 NOV 22 PM 4:10

DONNA McQUALITY, CLERK

BY: J YOUNT

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. )

WALES ARNOLD, et ex., et al., )

Defendants. )

Division 1

**NOTICE OF FILING  
ANNUAL REPORT**

In the matter of the VERDE DITCH )  
COMPANY )  
\_\_\_\_\_ )

**(Ex Parte)**

Albert Dupuy, Jr., Vernon Hilbers, John Teague, Craig Cooley and Art Ferguson,  
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:

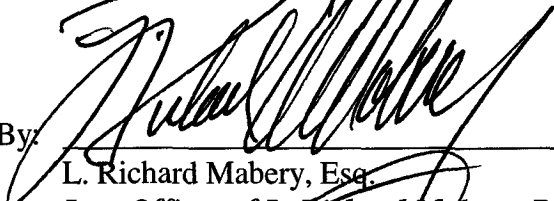
1. Minutes of Annual Shareholders Meeting and Sign In Sheet - October 27, 2016 (Exhibit 1);
2. Annual Meeting Agenda dated October 27, 2016 (Exhibit 2);

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234 North Montezuma Street  
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3. Verde Ditch Company Profit & Loss Statement for October 2015 through September 2016 (Exhibit 3);
4. Verde Ditch Company Balance Sheet as of September 30, 2016 (Exhibit 4);
5. Verde Ditch Company Special Assessment Profit & Loss for the period October 2015 through September 30, 2016 (Exhibit 5);
6. Verde Ditch Company Special Assessment Balance Sheet dated as of September 30, 2016 (Exhibit 6); and
7. Verde Ditch 2016/2017 Budget (Exhibit 7).

DATED this 22nd day of November, 2016.

**L. RICHARD MABERY, P.C.**

By: 

L. Richard Mabery, Esq.  
*Law Offices of L. Richard Mabery, P.C.*  
234 North Montezuma Street  
Prescott, Arizona 86301  
Attorney for Verde Ditch Company

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EXHIBIT 1

**VERDE DITCH  
ANNUAL SHAREHOLDER MEETING  
OCTOBER 27, 2016  
6PM**

**MINUTES**

Meeting was called to order @6pm

Commissioners present: John Teague, Al Dupuy, Vern Hilbers, Craig Cooley  
Also present: Rick Mabery, Ronda Aiuto

Minutes of the last meeting were read: John made a motion to accept as read, Vern seconded  
All in favor

Financial Report: Ronda went over the Profit & Loss Statement, she explained to the shareholders the financials for this year 9/30/16 and last year 9/30/15 were included for the general account and the special assessment account, so everyone could compare the two years. Ronda explained we have hired a CPA to do an audit on the year ending 9/30/15 we were hoping to have it so we could present it at the annual meeting, but the draft needs to be approved by all the commissioners and then we would get the final draft and it would be available. Shareholders started asking questions about the legal fees. A shareholder asked if the legal fees were approved by the commissioners before they were incurred. Another shareholder asked if we were about done spending legal fees from the special assessment account. We tried to explain because the Verde Ditch is in the Superior Court, everything that happens legally needs a response from the lawyer and a lot of the things need filed with the courts. John Teague explained we had 3 major contributors to the reason the legal in the special assessment was so high, Yavapai Apaches, US Government and Mr. Mollick. Mr. Mabery explained the special assessment and when it started and what we are doing with the funds in that account. Mr. Mabery explained about the MOU and the work we have been doing with SRP, and now the process is tied up in the appeals court. Robin Interpreter the Attorney for the YAN explained they are not opposed to the MOU it is the US government that has filed the appeal. Mr. Mollick passed out some papers he had copied to the commissioners. There was info about the ditch becoming a water district, and copies of info he had found in the Verde Ditch court records about the commissioners having judicial amunity. Mr. Mollick warned the commissioner about signing the MOU and if a shareholder loses his water right or can't sell it they might try to sue the commissioners for signing the MOU. Al explained the MOU is tied up in the appeals court and nothing has been signed yet.

Ditch Report: Craig explained the ditch has had good water all summer, thanks to a good monsoon and the improvements we have done to the ditch. Craig also asked if anyone sees people throwing debris in the ditch to please call us. He finds tree clippings and yard debris in the ditch all the time. A shareholder mentioned that the water maintained a constant level much better this year. Al explained we have been approved for another grant. We have received close to 200,000 in grants from the Forest Service and a donation from the Nature Conservancy all going back into the ditch for improvements.

Mr. Mollick asked if any commissioner positions opened up this year. Al told him none at this time.  
Mr. Mollick asked if the grants could be posted on the web-site so he could read them to see if we are

committing to anything in order to get the grants. Al told him we are not giving away anything to get the grants or giving away any water for the help the Nature Conservancy has given us. They had heard that the Diamond "S" obligated themselves for some help from the Nature Conservancy. We promised them we did not give away anything for the Help.

Al made a statement that the Verde Ditch is following the same path as our country. A small minority of about 2 to 3 percent has caused extensive additional work and funds. In his interactions with shareholders, the other 97% are very pleased with the Verde Ditch.

Meeting adjourned 7:30pm John made a motion and Craig seconded, all in favor.

VERDE DITCH  
ANNUAL SHAREHOLDERS MEETING  
OCTOBER 27, 2016

SIGN IN SHEET

1. JAMES WHITLEY
2. LARRY WATKINS
3. Alan Cooley
4. Bill Frerking
5. Roger Bucknell
6. Kathleen Hilber
7. Kenneth Martin
8. LINDA MARTIN
9. Kathy Davis
10. Pete Mellick
11. Ed ERCK
12. Jim Wellum
13. Robyn Interpreter
14. Mark Weiland
15. Craig Fogelson
16. Bill Marmaduke
17. Don Swenson
18. DAVE MYERS
19. Terry Haddon
20. Corey + Heather Bailey
- 21.
- 22.
- 23.

EXHIBIT 2

## AGENDA

**The Verde Ditch Commissioners Annual Shareholders  
Meeting held on October 27, 2016. 6:00PM  
Verde Valley Judicial Center  
2840 N. Commonwealth Dr.  
Camp Verde, AZ  
1<sup>st</sup> Floor – Jury Assembly Room**

- 1. Call to order. 6 PM**
- 2. Roll call.**
- 3. Read and approve minutes of last meeting.**
- 4. Financial report.**
- 5. Commissioners ditch report.**
- 6. MOU update.**
- 7. Open to shareholders questions.**
- 8. Open to the public for questions.**
- 9. Adjourn. 8 PM**



EXHIBIT 3

# Verde Ditch Company

## Profit & Loss

October 2015 through September 2016

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	<u>Oct '15 - Sep 16</u>
Income	
400 · Ditch Assessments	155,432.93
401 · Interest Income	6.03
	<hr/>
Total Income	155,438.96
Expense	
600 · Ditch Labor	675.00
601 · Ditch Maintenance Labor	55,932.50
602 · FICA	4,278.96
603 · Futa Expense	170.58
604 · DES	454.77
605 · Workmans Comp	4,405.00
607 · Admin, Office, Books	10,800.00
608 · Audit Expense	11,550.00
609 · Auto Expense	9,166.18
610 · Bank Charges	48.00
611 · Ditch & Dam Repair	29,769.41
612 · Diesel Fuel	666.32
614 · Equipment Repair	5,105.75
618 · Insurance	5,055.00
620 · Legal Fees	20,787.85
625 · Office Expense	1,269.52
629 · Postage & Freight	603.20
630 · Rent	3,864.00
633 · Supplies	960.26
634 · Telephone	1,375.58
638 · Utilities	700.00
639 · Website & Hosting	1,065.00
	<hr/>
Total Expense	168,702.88
	<hr/>
Net Income	<u>-13,263.92</u>

**Verde Ditch Company**  
Profit & Loss  
October 2014 through September 2015

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	<u>Oct '14 - Sep 15</u>
Income	
400 · Ditch Assessments	160,291.24
401 · Interest Income	3.72
	<hr/>
Total Income	160,294.96
Expense	
601 · Ditch Maintenance Labor	54,097.00
602 · FICA	4,138.41
603 · Futa Expense	93.66
604 · DES	601.52
605 · Workmans Comp	3,054.00
607 · Admin, Office, Books	10,800.00
609 · Auto Expense	8,674.57
610 · Bank Charges	63.60
611 · Ditch & Dam Repair	30,935.40
612 · Diesel Fuel	1,225.12
614 · Equipment Repair	5,575.28
617 · Ditch Flow Monitoring	1,504.68
618 · Insurance	4,281.00
620 · Legal Fees	4,513.20
625 · Office Expense	1,481.58
629 · Postage & Freight	245.60
630 · Rent	3,864.00
633 · Supplies	840.00
634 · Telephone	1,360.11
635 · Tools	912.66
638 · Utilities	1,276.91
639 · Website & Hosting	950.00
	<hr/>
Total Expense	140,488.30
	<hr/>
Net Income	<u>19,806.66</u>

EXHIBIT 4

# Verde Ditch Company

## Balance Sheet

As of September 30, 2016

	<u>Sep 30, 16</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
102 · Chase Bank	47,392.46
104 · Due from Grant Account	73.57
Total Checking/Savings	<u>47,466.03</u>
Total Current Assets	47,466.03
Fixed Assets	
150 · General Equipment	
150-2 · John Deere Backhoe	35,552.77
150-3 · Vermeer Chipper	8,200.00
150-4 · Weed Sprayer & Water Pump	6,290.50
150-5 · Rammer	2,736.15
150-6 · Tractor/Mower	3,800.00
Total 150 · General Equipment	56,579.42
199 · Accumulated Depreciation	<u>-44,519.26</u>
Total Fixed Assets	<u>12,060.16</u>
<b>TOTAL ASSETS</b>	<u><u>59,526.19</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Other Current Liabilities	
210 · Az Withholding	322.73
211 · Federal Withholding Payable	322.32
212 · FICA Payable	557.72
Total Other Current Liabilities	<u>1,202.77</u>
Total Current Liabilities	<u>1,202.77</u>
Total Liabilities	1,202.77
Equity	
320 · Capital	71,587.34
Net Income	<u>-13,263.92</u>
Total Equity	<u>58,323.42</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>59,526.19</u></u>

# Verde Ditch Company

## Balance Sheet

As of September 30, 2015

	<u>Sep 30, 15</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
102 · Chase Bank	60,753.12
103 · Federal Grant Account	71.46
Total Checking/Savings	<u>60,824.58</u>
Total Current Assets	60,824.58
Fixed Assets	
150 · General Equipment	
150-1 · Computer, Printer & Monitor	2,160.81
150-2 · John Deere Backhoe	35,600.00
150-3 · Vermeer Chipper	8,200.00
150-4 · Weed Sprayer & Water Pump	6,290.50
150-5 · Rammer	2,736.15
150-6 · Tractor/Mower	3,800.00
150 · General Equipment - Other	48,426.45
Total 150 · General Equipment	107,213.91
152 · Furniture & Fixtures	470.51
153 · Land	100.00
Total Fixed Assets	<u>107,784.42</u>
<b>TOTAL ASSETS</b>	<u><u>168,609.00</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Other Current Liabilities	
210 · Az Withholding	382.29
211 · Federal Withholding Payable	348.08
212 · FICA Payable	569.14
Total Other Current Liabilities	<u>1,299.51</u>
Total Current Liabilities	<u>1,299.51</u>
Total Liabilities	1,299.51
Equity	
320 · Capital	147,502.83
Net Income	19,806.66
Total Equity	<u>167,309.49</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>168,609.00</u></u>

EXHIBIT 5

Verde Ditch Special Assessment  
Profit & Loss  
October 2015 through September 2016

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	<u>Oct '15 - Sep 16</u>
Income	
400 · Special Assessments	69,747.85
401 · Interest Income	0.51
	<hr/>
Total Income	69,748.36
Expense	
607 · Accounting Fees	2,500.00
610 · Bank Fees	27.60
619 · Homestead Patents	3,152.50
620 · Legal Fees	42,894.61
623 · Mapping	1,525.00
624 · Meetings	1,581.02
625 · Office Expense	127.92
629 · Postage & Freight	204.00
	<hr/>
Total Expense	52,012.65
	<hr/>
Net Income	<u>17,735.71</u>



Verde Ditch Special Assessment  
Profit & Loss  
October 2014 through September 2015

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	<u>Oct '14 - Sep 15</u>
Income	
400 · Special Assessments	36,967.65
401 · Interest Income	5.07
	<hr/>
Total Income	36,972.72
Expense	
607 · Accounting Fees	2,500.00
609 · Auto Expense	79.40
610 · Bank Fees	43.60
619 · Homestead Patents	5,403.50
620 · Legal Fees	123,448.94
622 · Mailings to Shareholders	3,757.74
623 · Mapping	7,633.06
624 · Meetings	
624-1 · Meeting Meals	137.39
624 · Meetings - Other	11,062.95
	<hr/>
Total 624 · Meetings	11,200.34
625 · Office Expense	0.00
	<hr/>
Total Expense	154,066.58
	<hr/>
Net Income	<u><u>-117,093.86</u></u>

EXHIBIT 6

Verde Ditch Special Assessment  
Balance Sheet  
As of September 30, 2016

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	<u>Sep 30, 16</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
102 · Chase Bank - General Account	<u>1,352.98</u>
Total Checking/Savings	<u>1,352.98</u>
Total Current Assets	<u>1,352.98</u>
<b>TOTAL ASSETS</b>	<u><u>1,352.98</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Long Term Liabilities	
260 · Legal Fees Payable	<u>21,389.72</u>
Total Long Term Liabilities	<u>21,389.72</u>
Total Liabilities	21,389.72
Equity	
320 · Retained Earnings	-37,772.45
Net Income	<u>17,735.71</u>
Total Equity	<u>-20,036.74</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>1,352.98</u></u>

Verde Ditch Special Assessment  
Balance Sheet  
As of September 30, 2015

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	<u>Sep 30, 15</u>
ASSETS	
Current Assets	
Checking/Savings	
102 · Chase Bank - General Account	<u>5,430.10</u>
Total Checking/Savings	<u>5,430.10</u>
Total Current Assets	<u>5,430.10</u>
TOTAL ASSETS	<u><u>5,430.10</u></u>
LIABILITIES & EQUITY	
Liabilities	
Long Term Liabilities	
260 · Legal Fees Payable	<u>43,202.55</u>
Total Long Term Liabilities	<u>43,202.55</u>
Total Liabilities	43,202.55
Equity	
300 · Capital	79,321.41
Net Income	<u>-117,093.86</u>
Total Equity	<u>-37,772.45</u>
TOTAL LIABILITIES & EQUITY	<u><u>5,430.10</u></u>

EXHIBIT 7

<b>Verde Ditch ^2016/2017 Budget</b>				
		<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
<b>Item #</b>	<b>Category Description</b>	<b>^2015/2016</b>	<b>^2015/2016</b>	<b>^2016/^2017</b>
<b>Income</b>				
400	Ditch Assesments	\$165,000.00	\$155,432.93	\$161,000.00
401	Interest Income	\$5.00	\$6.03	\$6.00
<b>Total Income</b>		<b>\$165,005.00</b>	<b>\$155,438.96</b>	<b>\$161,006.00</b>

<b>Expenses</b>	<b>Description</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
		<b>^2015/2016</b>	<b>^2015/2016</b>	<b>^2016/^2017</b>
600	Contract Ditch Labor	\$500.00	\$675.00	\$700.00
601	Ditch Maintenance Labor	\$65,000.00	\$55,932.96	\$55,000.00
602	FICA 7.6% of Gross Wages	\$5,000.00	\$4,278.96	\$5,000.00
603	Futa Expense	\$500.00	\$170.58	\$500.00
604	DES	\$1,200.00	\$454.77	\$1,200.00
605	Workmans Comp	\$3,500.00	\$4,405.00	\$4,000.00
606	Admin. Office Books	\$10,800.00	\$10,800.00	\$10,800.00
608	Audit Expense	\$0.00	\$11,550.00	\$0.00
609	Auto Expense	\$8,600.00	\$9,166.18	\$9,000.00
610	Bank Charges	\$100.00	\$48.00	\$100.00
611	Ditch and Dam Repair	\$30,000.00	\$29,769.41	\$30,000.00
612	Diesel Fuel	\$2,500.00	\$666.32	\$1,000.00
613	Equipment Rental	\$505.00	\$0.00	\$0.00
614	Equipment Repair	\$5,000.00	\$5,105.75	\$6,500.00
617	Headgate Monitoring	\$1,600.00	\$0.00	\$1,700.00
618	Insurance	\$5,000.00	\$5,055.00	\$5,000.00
620	Legal Fees	\$11,000.00	\$20,787.85	\$20,000.00
625	Office Expenses	\$1,700.00	\$1,269.52	\$1,300.00
629	Postage and Freight	\$1,000.00	\$603.20	\$700.00
630	Rent	\$4,000.00	\$3,864.00	\$4,000.00
633	Supplies	\$1,000.00	\$960.26	\$1,000.00
634	Telephone	\$1,500.00	\$1,375.58	\$1,500.00
638	Pump Utilities	\$2,000.00	\$700.00	\$1,000.00
639	Website & Hosting	\$1,500.00	\$1,065.00	\$1,006.00
<b>Total</b>		<b>\$163,505.00</b>	<b>\$168,703.34</b>	<b>\$161,006.00</b>
<b>Income vs Budget</b>		<b>\$1,500.00</b>	<b>-\$13,264.38</b>	<b>\$0.00</b>