

SUPERIOR COURT  
YAVAPAI COUNTY, ARIZONA

2012 DEC 20 PM 0:54

SANDRA K. HANNAH, CLERK  
BY: V. REISINGER

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**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**

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

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:

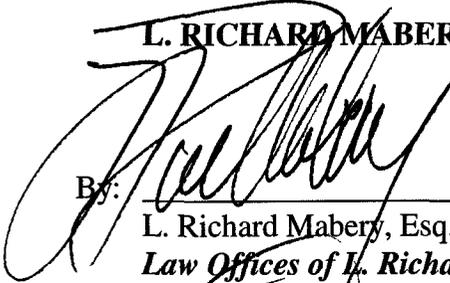
- a) Minutes of Annual Shareholders Meeting and Sign In Sheet - October 18, 2012 (Exhibit 1);
- b) Annual Meeting Agenda dated October 18, 2012 (Exhibit 2);

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- c) Verde Ditch Company's Income Statement for the 12 month period ending September 30, 2012 (Exhibit 3);
- d) Verde Ditch Company's Balance Sheet dated September 30, 2012 (Exhibit 4);
- e) Verde Ditch Company's Special Assessment Income Statement for the 12 month period ending September 30, 2012 (Exhibit 5);
- f) Verde Ditch Company's Special Assessment Balance Sheet dated September 30, 2012 (Exhibit 6);
- g) Verde Ditch 2012-2013 Annual Budget (Exhibit 7);
- h) Detail of Ditch and Dam Repairs (Exhibit 8).

DATED this 27 day of December, 2012.

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

By: 

L. Richard Mabery, Esq.

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**VERDE DITCH  
ANNUAL SHAREHOLDER  
MEETING  
OCTOBER 18, 2012  
6:00PM  
MINUTES**

**Meeting was called to order 6:05pm**

**Commissioners present: Al Dupuy, Vern Hilbers, Dave Myers, Jeff Cochrane**

**Minutes of the last meeting were read, Dave Myers made a motion to accept and Jeff seconded.**

**Ronda presented the Profit & Loss Statements for the general account and the special assessment account. She went over the expenses and explained a few things. Shareholders asked questions, most questions were directed at the legal fees and why were they so high. Several shareholders were quite verbal about their feelings about the special assessment. They feel why do we need to keep it going if there is a bank balance of \$69,000.00. We tried to explain the expenses that could occur and we would need the money in reserve. They want it reduced or extended or gone completely. The commissioners agreed to get together and discuss what to do about the special assessment before it is due again October 2013.**

**Vern gave his report on the condition of the ditch. He explained some of the problems we had over the summer. Vern explained how the ditch is silted up in a lot of areas towards the end of the ditch.**

**Al went over the winter maintenance list and explained that one of the expenses is an excavator to dig out the ditch, he is going to check out several different options, renting one or using a local contractor or possibly purchasing one. Shareholders asked questions and the commissioners answered. We will shut off the ditch Dec 1 and hopefully restart it March 1.**

**A shareholder told us about a tree down in Ft Lincoln. A shareholder suggested that if we have a commissioner that is sick and can't help out we should look for another commissioner. We explained there is a lot of knowledge with the commissioners that have been on the ditch a long time and you don't just dismiss that fact.**

**Al explained the increase in the annual fees. Starting January 1, 2013 the fees will increase from \$85.00 to \$105.00 per acre with a min of \$105.00 just like explained in the Rules and Regs. No response from the shareholders, complete silence.**

**Al turned the meeting over to Rebecca and Lucas with SRP they had maps and history of water rights and Az history of water. They opened for shareholders to ask questions. There was a short question and answer session.**

**Meeting adjourned at 8:00pm**

Annual Meeting  
10/18/12

Sign-in

Lynda King  
Eun Crak  
Majorie Small  
Pat Bufuson  
Wally Wilburn  
Gene Dupon  
Amy Hart  
Babe Daley  
Kathy French  
Richard McDonald  
Judy Clarke  
Sharon Salvo  
Dore Myers

Lucas Shaw

Rebecca Davidson

Ronda Auto

Al Dupuy

Jeff Cochran

Ken Hillen

Dore Myers

Verde Ditch  
P.O. Box 2345  
Camp Verde, AZ 86322  
Office; 928-567-4212  
Fax; 928-567-4147

## AGENDA

The Verde Ditch Annual Shareholders Meeting  
Thursday October 18, 2012 at 6:00PM

1. Roll call.
2. Read and approve minutes of last meeting.
3. Present and review 2011/2012 Balance Sheet and P & L Statement.
4. 2011/2012 Commissioners report on ditch status.
5. 2012/2013 winter maintenance budget.
6. Annual fee increase.
7. SRP presentation and limited question and answer period.
8. Open to the public.
9. Adjourn.

VERDE DITCH COMPANY  
Income Statement  
Current, YTD, and Ratios  
12 Period(s) Ending September 30, 2012

|                          | Year-to-Date | %     |
|--------------------------|--------------|-------|
| <b>INCOME</b>            |              |       |
| DITCH ASSESSMENTS        | 123,751.52   | 100.0 |
| INTEREST INCOME          | 4.03         | 0     |
|                          | -----        |       |
| TOTAL INCOME             | 123,755.55   | 100.0 |
| <br><b>COST OF SALES</b> |              |       |
|                          | -----        |       |
| GROSS PROFIT (LOSS)      | 123,755.55   | 100.0 |
| <br><b>EXPENSES</b>      |              |       |
| WAGES                    | 46,470.00    | 37.5  |
| FICA EXPENSE             | 3,550.38     | 2.9   |
| FUTA EXPENSE             | 175.54       | 0.1   |
| DES EXPENSE              | 1,194.57     | 1.0   |
| WORKMANS COMP EXPENSE    | 1,748.54     | 1.4   |
| ACCOUNTING FEES          | 10,800.00    | 8.7   |
| AUTO EXPENSE             | 3,616.36     | 2.9   |
| BANK CHARGES             | 140.80       | 0.1   |
| DITCH & DAM REPAIRS      | 43,609.88    | 35.2  |
| DIESEL FUEL              | 1,771.76     | 1.4   |
| EQUIPMENT REPAIR & MAIN  | 2,703.82     | 2.2   |
| INSURANCE                | 4,477.00     | 3.6   |
| LEGAL FEES               | 6,124.80     | 4.9   |
| LICENSE & TAX            | 95.33        | 0.1   |
| OFFICE EXPENSE           | 861.84       | 0.7   |
| POSTAGE & FREIGHT        | 259.42       | 0.2   |
| RENT                     | 3,289.00     | 2.7   |
| SUPPLIES                 | 420.05       | 0.3   |
| TELEPHONE                | 475.36       | 0.4   |
| TOOLS                    | 1,026.13     | 0.8   |
| TRAVEL & ENTERTAINMENT   | 105.47       | 0.1   |
| UTILITIES                | 1,978.57     | 1.6   |
|                          | -----        |       |
| TOTAL EXPENSES           | 134,894.62   | 109.0 |
|                          | -----        |       |
| NET INCOME (LOSS)        | (11,139.07)  | 9.0   |
|                          | =====        |       |

VERDE DITCH COMPANY  
Balance Sheet

September 30, 2012

ASSETS

ASSETS

|                         |           |           |
|-------------------------|-----------|-----------|
| BANK ACCT-BANK ONE      | 22,983.86 |           |
| BANK ACCT-FEDERAL GRANT | 100.00    |           |
| TOTAL ASSETS            |           | 23,083.86 |

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  |            |
| FURNITURE & FIXTURES        | 470.51    |            |
| LAND                        | 100.00    |            |
| TOTAL FIXED ASSETS          |           | 101,248.27 |

TOTAL ASSETS 124,332.13

VERDE DITCH COMPANY  
Balance Sheet

September 30, 2012

LIABILITIES

LIABILITIES

|                             |          |          |
|-----------------------------|----------|----------|
| AZ WITHHOLDING PAYABLE      | 121.45   |          |
| FEDERAL WITHHOLDING PAYABLE | 309.00   |          |
| FICA PAYABLE                | 1,086.38 |          |
| TOTAL LIABILITIES           |          | 1,516.83 |

LONG TERM LIABILITIES

TOTAL LIABILITIES 1,516.83

CAPITAL

|                 |             |            |
|-----------------|-------------|------------|
| CAPITAL STOCK   | 133,954.37  |            |
| NET PROFIT/LOSS | (11,139.07) |            |
| TOTAL CAPITAL   |             | 122,815.30 |

TOTAL LIABILITIES AND CAPITAL 124,332.13

VERDE DITCH SPECIAL ASSESSMENT  
Income Statement  
Current, YTD, and Ratios  
12 Period(s) Ending September 30, 2012

|                      | Year-to-Date | %     |
|----------------------|--------------|-------|
| INCOME               |              |       |
| SPECIAL ASSESSMENTS  | 33,674.30    | 100.0 |
| INTEREST INCOME      | 12.35        | 0     |
|                      | -----        |       |
| Total INCOME         | 33,686.65    | 100.0 |
| COST OF SALES        |              |       |
|                      | -----        |       |
| Gross Profit (Loss)  | 33,686.65    | 100.0 |
| EXPENSES             |              |       |
| ACCOUNTING FEES      | 2,280.00     | 6.8   |
| BANK CHARGES         | 80.55        | 0.2   |
| LEGAL FEES           | 3,126.39     | 9.3   |
| MAPPING              | 2,525.00     | 7.5   |
| MAPPING-FIELD VISITS | 635.00       | 1.9   |
| OFFICE EXPENSE       | 310.93       | 0.9   |
|                      | -----        |       |
| Total EXPENSES       | 8,957.87     | 26.6  |
|                      | -----        |       |
| Net Income (Loss)    | 24,728.78    | 73.4  |
|                      | =====        |       |

VERDE DITCH SPECIAL ASSESSMENT  
Balance Sheet

September 30, 2012

Assets

|                         |           |                             |
|-------------------------|-----------|-----------------------------|
| ASSETS                  |           |                             |
| CHASE BANK-GENERAL ACCT | 69,455.53 |                             |
| Total ASSETS            |           | 69,455.53                   |
| FIXED ASSETS            |           |                             |
| Total Assets            |           | -----<br>69,455.53<br>===== |

Liabilities

LIABILITIES  
LONG TERM LIABILITIES

CAPITAL

|                               |           |                             |
|-------------------------------|-----------|-----------------------------|
| CAPITAL STOCK                 | 44,726.75 |                             |
| NET PROFIT/LOSS               | 24,728.78 |                             |
| Total CAPITAL                 |           | 69,455.53                   |
| Total Liabilities and Capital |           | -----<br>69,455.53<br>===== |

VERDE DITCH 2012/2013 ANNUAL BUDGET

|   |  |                          |
|---|--|--------------------------|
| WINTER DITCH<br>MAINTENANCE/REPAIRS         | Mowing/burning/<br>spraying/digging                    | \$ 55,000.00             |
| TELEMETRY MONITORING<br>POSTS FOR TELEMETRY | 4 locations. System<br>donated and installed by<br>TNC | \$ 1,500.00<br>\$ 800.00 |
| AUTOMATIC MAIN HEAD GATE                    | Gate = \$6,000.00<br>Install = \$5,000.00              | \$ 11,000.00             |
|   |  |                          |
|   |  |                          |
|   |  |                          |
| PROJECTED TOTAL                             |  | \$ 68,300.00             |

|                    |                            |               |
|--------------------|----------------------------|---------------|
| NEW ANNUAL REVENUE | 1,400 SHARES<br>@ \$105.00 | \$ 147,000.00 |
| PROJECTED RESERVE  |                            | \$ 78,700.00  |

DETAIL OF DITCH & DAM REPAIRS

|   |           |
|---|-----------|
| MISC SUPPLIES   | 913.91    |
| HEAVIES FOR LINING DITCH  | 7,567.02  |
| SUB-CONTRACTORS   | 35,128.95 |
| (misc, dirt work, hauling, mowing, re-build dam<br>for pump, brush hog, ) |           |