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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

GEORGE W. HANCE, et al.,) No. P1300CV4772
)
Plaintiffs,)

vs.)

WALES ARNOLD, et ex., et al.,) Division 1
)

Defendants.) **NOTICE OF FILING**
) **ANNUAL REPORT**
)

In the matter of the VERDE DITCH) **(Ex Parte)**
COMPANY)
_____)

Albert Dupuy, Jr., Vernon Hilbers, John Teague, Craig Cooley and Cory Bailey,
Commissioners of the Verde Ditch Company, pursuant to Section 11 of the Rules and Regulations

1 of the Verde Ditch dated August 8, 1989, hereby file with the Court copies of the following:

- 2 1. Minutes of Annual Shareholders Meeting and Sign In Sheet - October 26,
3 2017 (Exhibit 1);
- 4 2. Annual Meeting Agenda dated October 26, 2017 (Exhibit 2);
- 5 3. Verde Ditch Company Profit & Loss Statement for October 2016 through
6 September 2017 (Exhibit 3);
- 7 4. Verde Ditch Company Balance Sheet as of September 30, 2017 (Exhibit 4);
- 8 5. Verde Ditch Company Special Assessment Profit & Loss for the period
9 October 2016 through September 30, 2017 (Exhibit 5);
- 10 6. Verde Ditch Company Special Assessment Balance Sheet dated as of
11 September 30, 2017 (Exhibit 6); and
- 12 7. Verde Ditch 2017/2018 Budget (Exhibit 7).

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14
15 DATED this 12 day of December, 2017.

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

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20 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

**VERDE DITCH
ANNUAL SHAREHOLDER MEETING
OCTOBER 26, 2017
6PM**

Meeting was called to order at 6pm

Roll Call-Judge David Mackey, Rick Mabery, Al Dupuy, Craig Cooley, Vern Hilbers
Cory Bailey, John Teague, Ronda Aiuto

Minutes of the last meeting were read-Craig made a motion to accept and Al seconded.
All in favor.

Financial Report was presented: No questions from shareholders, John made a motion to
accept, Craig seconded. All in favor.

Al Dupuy gave his ditch report, he explained we applied for another grant, there was some
wording changes that Rick requested from the Forest Service, but it is finally done and accepted
and we will be doing the work this winter when the ditch is shut down. Al explained the primary
ditch has a major break in it and will need to be fix this winter.

Craig Cooley gave his ditch report; he explained we will be doing a lot of cutting and mowing this
winter maintenance. The debris being thrown in the ditch seemed a little better this year. Because
of the good monsoon this year we had water all the way to the end of the ditch most of the summer.

John Teague wanted to address wasting water; we are going to need to come up with a plan for
the shareholders that continue to over water and flood their neighbors. We are going to start sending
letters of warnings and a copy of the rules and regs then the 2nd step will be to refer them to Rick
Mabery and then an order to show cause with Judge Mackey. Mr Mollick suggested a notice be placed
on their door when we are trying to reach them about the over watering. John also addressed laterals
and head gates, the rules and regs state that the shareholders are responsible for their own head gates.
The shareholders need to keep their head gates maintained and working properly. Shareholders need
to work on their head gates during the winter so they will close completely in case of a problem on their
lateral the head gate should not leak. A shareholder asked, what if both neighbors on each side of her
over water and her yard is always wet, what are going to do about that. John informed her that is
considered not controlling your water and keeping it on your own property. Al told her if it is breeding
mosquitos they can call the health department.

Meeting was turned over to Judge Mackey for his presentation. Judge Mackey gave some history of
Verde Ditch and showed some slides of old records and original court filings of Hance vs Arnold.
Judge Mackey explained the MOU was an attempt to work with our neighbors (SRP). The orange
acrage and the purple acreage are real close in numbers and if we could work with SRP and get orange
acreage fixed by using the purple acreage that would benefit everyone on the Verde Ditch. But the
MOU ended with the Appellant Court. The court of appeal changed the fact that Judge Mackey cannot
make final ruling on the Verde Ditch. Judge Mackey explained he has asked the commissioners to keep
working on the basis of the MOU even though we don't have a signed MOU. Judge Mackey explained
the US Government and the Yavapai Apache are not our enemies they are our neighbors and a
shareholder on the Verde Ditch. He explained he has instructed the commissioners to keep the Special

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Assessment going at the same price, there will be legal fees and expenses associated with getting the Verde Ditch ready for the adjudication.

Lucas with SRP explained the maps and the color designation and how they came up with the colors. Greg with SRP explained they want to keep working with the shareholders and he agrees with Judge Mackey we need to keep moving forward. He explained SRP will be sending out letters to the shareholders to meet with them and go over the water rights on their parcel. A shareholder asked what the time line is for the letters and SRP sitting with the land owner and agreeing on the water right. He said it will be a long process 2 or 3 years, they are only sending 25 letters out at a time. But if a land owner wants to sit with SRP before the letter they can always make an app with SRP.

Mr Mollick started asking questions as to why SRP wants this and how it benefits them, what will happen to the people that are orange, pushing for answers from SRP about what is in the letter, asking a lot of legal questions, John Teague interrupted him and told him this was the annual meeting not a place to take on a legal battle.

A shareholder asked how the commissioners were picked, Judge Mackey explained when a commissioner's term is up and if he no longer wants to be a commissioner the other commissioners make suggestions and meet with people they feel will be an asset to the Verde Ditch and then recommends them to the Judge for approval. It is ultimately the Judge's decision.

Mr Mollick wants to know why the shareholders can't vote for the commissioners, Judge Mackey explained if the commissioners wanted to be voted on he would entertain that idea but in the end it would still be up to Judge Mackey who he appoints as a commissioner.

Robin Interpeter (Attorney for Yavapai Apache) explained they are working toward securing their water rights. She explained the Tribe wants to work with Verde Ditch on historic information, she has read all the old Verde Ditch court records. Robin also mentioned her idea of digging thru all the old records in storage at the ditch office. Yavapai Apache chairwoman addressed Judge Mackey and the commissioners and thanked them

Mr Mollick asked Judge Mackey if his authority was granted under Rule 53 pertained to the Verde Ditch. Judge Mackey stated No the Verde Ditch is not under Rule 53.

Judge Mackey tried to explain to Mr. Mollick that the ditch has far more protection being under the superior court and having a Judge as the master than the ditches that are just ran by an elected board. And if Mr. Mollick doesn't understand that there probably isn't anything he can say to make him understand. Judge Mackey informed Mr. Mollick as long as he is in charge the Verde Ditch would stay under the jurisdiction of the Superior Court. Judge Mackey informed Mr Mollick he was not going to debate legal issues with him, this was the annual meeting not a court of law.

A shareholder asked what we do about the people who don't pay their bill, we explained we go after them but sometimes it is 2 or 3 billings before we spend the money with Rick to file against them. A shareholder asked about us having a website to pay their bills, we explained she can pay us thru their own bill pay with their bank.

John Teague asked Rick if he had anything he needed to tell us about; Rick addressed the shareholders and explained some of the things going on around the state with different areas and water rights.

Robin suggested we add some links to our web-site that would help people get to the AZ Dept of Water Statement of Claimant form.

Mr. Mollick brings up the issue that the oranges might lose their water rights, Rick tried to explain to him the color designation is an SRP thing. The Verde Ditch considers all of our shareholders are green. Mr. Mollick again brought up how he thinks we should be a water district, Rick explained there isn't any better protection than the way the ditch is currently being ran under the Superior Court. Rick explained there are a lot of things to be researched and looked at and doesn't even know if the Verde Ditch could become a water district.

John asked for a motion to adjourn, Craig made a motion AI seconded

Meeting Adjourned 7:30pm

VERDE DITCH
ANNUAL SHAREHOLDERS MEETING
OCTOBER 26, 2017

SIGN IN SHEET

1. Charles H. Carter
2. Velma L. Carter
3. Pete Mollick
4. Bill Froeking
5. Susie Dupuy
6. Greg Kormump
7. Luqys Shaw
8. Edw. Cook
9. Kathleen Hilbers
10. David Hilbers
11. Under Bachman
12. William Marmaduke
13. LARRY + JEANNETTE TEETS
14. Steve Crouch
15. Robyn Interpreter
16. Phil DAVIS
17. Theresa Rog
18. Jim Williams
- 19.
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- 23.

AGENDA

**The Verde Ditch Shareholders
Annual Meeting
October 26, 2017. 6:00PM
Yavapai County Court Complex
2840 Commonwealth Dr. Camp Verde
Room 101**

1. Call to order 6pm
2. Roll call
3. Read and approve minutes of last meeting.
4. Financial report.
5. Commissioners ditch report.
Discuss-wasting water.
6. Statement from the Master of the Verde Ditch
Judge David Mackey
7. Open to shareholders for questions.
8. Open to the public for questions.
9. Adjourn

Verde Ditch Company

Profit & Loss

October 2016 through September 2017

Oct '16 - Sep 17

Income	
400 · Ditch Assessments	154,381.72
401 · Interest Income	6.42
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Total Income	154,388.14
Expense	
600 · Ditch Labor	1,768.92
601 · Ditch Maintenance Labor	48,298.75
602 · FICA	3,695.01
603 · Futa Expense	154.09
604 · DES	200.32
605 · Workmans Comp	2,164.00
607 · Admin, Office, Books	10,800.00
608 · Audit Expense	1,325.00
609 · Auto Expense	7,949.15
610 · Bank Charges	212.23
611 · Ditch & Dam Repair	36,686.57
612 · Diesel Fuel	1,232.24
613 · Equipment Rental	300.00
614 · Equipment Repair	11,762.40
617 · Ditch Flow Monitoring	3,219.24
618 · Insurance	4,049.00
620 · Legal Fees	12,764.03
621 · License & Tax	29.97
625 · Office Expense	993.50
629 · Postage & Freight	583.38
630 · Rent	3,882.00
633 · Supplies	840.00
634 · Telephone	1,375.95
638 · Utilities	2,561.88
639 · Website & Hosting	1,011.00
	<hr/>
Total Expense	157,858.63
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Net Income	-3,470.49

Verde Ditch Company

Balance Sheet

As of September 30, 2017

	Sep 30, 17
ASSETS	
Current Assets	
Checking/Savings	
102 · Chase Bank	44,037.80
104 · Due from Grant Account	73.57
Total Checking/Savings	44,111.37
Total Current Assets	44,111.37
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	-44,519.26
Total Fixed Assets	12,060.16
TOTAL ASSETS	56,171.53
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
210 · Az Withholding	326.06
211 · Federal Withholding Payable	310.48
212 · FICA Payable	682.06
Total Other Current Liabilities	1,318.60
Total Current Liabilities	1,318.60
Total Liabilities	1,318.60
Equity	
320 · Capital	58,323.42
Net Income	-3,470.49
Total Equity	54,852.93
TOTAL LIABILITIES & EQUITY	56,171.53

Verde Ditch Special Assessment
Profit & Loss
October 2016 through September 2017

	<u>Oct '16 - Sep 17</u>
Income	
400 · Special Assessments	65,915.88
401 · Interest Income	2.21
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Total Income	65,918.09
Expense	
607 · Accounting Fees	2,500.00
610 · Bank Fees	8.00
620 · Legal Fees	21,788.83
624 · Meetings	1,215.00
625 · Office Expense	79.21
629 · Postage & Freight	204.00
634 · Research of Historic Documents	2,179.00
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Total Expense	27,974.04
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Net Income	<u>37,944.05</u>

Verde Ditch Special Assessment
Balance Sheet
As of September 30, 2017

	<u>Sep 30, 17</u>
ASSETS	
Current Assets	
Checking/Savings	
102 · Chase Bank - General Account	17,907.31
Total Checking/Savings	<u>17,907.31</u>
Total Current Assets	<u>17,907.31</u>
TOTAL ASSETS	<u><u>17,907.31</u></u>
LIABILITIES & EQUITY	
Equity	
320 · Retained Earnings	-20,036.74
Net Income	37,944.05
Total Equity	<u>17,907.31</u>
TOTAL LIABILITIES & EQUITY	<u><u>17,907.31</u></u>

Verde Ditch ^2017/2018 Budget			
		Actual	Budget
Item #	Category Description	2016/2017	2017/2018
Income			
400	Ditch Assesments	\$154,381.72	\$155,000.00
401	Interest Income	\$6.42	\$7.00
Total Income			
		\$154,388.14	\$155,007.00

Expenses	Description	Actual	Budget
		2016/2017	2017/2018
600	Contract Ditch Labor	\$1,768.92	\$1,000.00
601	Ditch Maintence Labor	\$48,298.75	\$50,000.00
602	FICA 7.6% of Gross Wages	\$3,695.01	\$4,180.00
603	Futa Expense	\$154.09	\$200.00
604	DES	\$200.32	\$400.00
605	Workmans Comp	\$2,164.00	\$2,000.00
606	Admin. Office Books	\$10,800.00	\$10,800.00
608	Audit Expense	\$1,325.00	\$0.00
609	Auto Expense	\$7,949.15	\$8,500.00
610	Bank Charges	\$212.23	\$225.00
611	Ditch and Dam Repair	\$36,686.57	\$38,000.00
612	Diesel Fuel	\$1,232.24	\$1,657.00
613	Equipment Rental	\$300.00	\$300.00
614	Equipment Repair	\$11,762.40	\$5,000.00
617	Headgate Monitoring	\$3,219.24	\$3,000.00
618	Insurance	\$4,049.00	\$4,500.00
620	Legal Fees	\$12,764.03	\$14,000.00
621	License & Tax	\$29.97	\$30.00
625	Office Expenses	\$993.50	\$1,100.00
629	Postage and Freight	\$583.38	\$600.00
630	Rent	\$3,882.00	\$4,000.00
633	Supplies	\$840.00	\$1,000.00
634	Telephone	\$1,375.95	\$1,500.00
638	Pump Utilities	\$2,561.88	\$2,000.00
639	Website & Hosting	\$1,011.00	\$1,015.00
Total			
		\$157,858.63	\$155,007.00
Income vs Budget			
		-\$3,470.49	\$0.00