

**Major Capital Investments**

Purchase of a quality used Track Hoe at a cost of \$110,000 for which we put \$60,000 down and financed the rest at \$12,500 a year for 4 years at 2.5 percent interest.

Installed a Docuware Document Management Software & Server to archive and digitize FUD recording along with a new copier to support these new technologies at a cost of roughly \$13,000.

**Major Construction and Retro-Fit Repair Projects**

Major remediation and leak containment, tree removal and lining of the ditch along at Pierce Park and Hill Road near the Green Meadow spill.

Lined the galvanized pipe and steel works at with Aqualastic at Klondike Point

Dry Creek Spill and the 2 checks East of Eagle Road repaired and coated with Aqualastic.

Leak at East of Hill Drive near the Veteran Cemetery.

Repair of Bridge over Main FUD Headgate.

**Total Major Projects at \$51,579**

**Budget Overview**

Income Dropped 8% from \$362K in 2013 to 335K in 2014 due our inability to sell unused storage water.

Total OEM expenses not including capital equipment or long term ditch infrastructure investments rose 20% from \$248,000 in 2013 to \$297,000 in 2014.

Driven by sharp increases in legal fees (UP 24%) OEM expenses (UP 37%)  
.Bureau Dist 63 (UP 55%) Insurance (UP 17%) and

There is and will continue to be ongoing need to invest in ditch infrastructure and equipment

Examples include the Green Meadow Spill...which we've discovered we own and either needs to be repaired as a emergency spill inside a heavily populated area.

Channel and bank remediation in areas where the ditch has widen to excess or in areas where the elevated and largely sandy soil present and ever present danger of leaks. Head gate and check repairs, tree removal and so on are an annual event in the life of the ditch.

In addition to OEM increases we anticipate a fierce legal battle over the storage water issue involving the Bureau of Reclamation, State of Idaho, water users. We are anticipating legal costs will approach \$50,000 in the next fiscal year.

In 2015 we are projecting a budget of \$378,000 on revenues of \$382,000. There simply is no cushion.

To get there, the Board once again finds it necessary to continue with our Special Assessment of \$100 per FUD Share as well an increase the general assessment 5% to \$445.68 per share.

Even these will not in and off themselves get us there....we must also increase Account Service fees from \$10 per account to \$50 per account. A long overdue and necessary change.

I know this is never good news...I wish we could paint a different picture..but we would be denying the reality of our situation.

Everyone in this room must understand...that the shareholders and only the shareholders of the Farmers Union bear 100 percent of the fiscal responsibility to maintain and enjoy the use of their water rights.

### **Other Major News and Developments**

The Board has successfully entered into an agreement with the City of Boise and their Simplot Park development. At the City's expense this agreement full funds a new and state of the art diversion, intake structure and buried box culvert canal channel at the site of our historic site of our Boise River Diversion. This multi-phase, multi-million dollar project became reality after hundreds of hours of work and negotiation with the City and its engineering contractors. Phase One is to begin in 2015.

**Financial Notes:**

Total Cash Outlay 2014                      \$425,000 on Revenue of \$335,000

Net Cash at the End of FY 2014              Down \$90,000 due to increases in expense  
\$164,000 now verse \$254,000 in 2013.

Income Projected 2014 = 339,605    Actual 335,355

Expense Projected 2014 =310,826    Actual 422,787 plus \$111,961

\* Track Hoe & DOC System account for \$73,600 of that so the OEM Increase was \$38,361 of the total.

## Farmers Union Ditch Company

### Memorandum

From: The Board of Directors  
To: Shareholders and Customers

Dear Shareholders & Customers:

The fiscal year 2014 provided to be both exciting and challenging as the Farmer's Union managed tight water supplies, completed several large ditch maintenance projects ,ungraded old equipment, negotiated an important agreement with the City of Boise on the Simplot Park Project and faced mounting legal challenges and litigation.

Long overdue capital equipment and long term ditch infrastructure investments totaled over \$110,000 and our total OEM expenses rose 20% from 2013 to 2014, while income dropped 8% due our inability to sell unused storage water.

The Board expects these rising cost trends to continue, as well as, growing legal expenses as the Farmer's Union and other District 63 water users prepare to litigate for our historic water rights in the reservoirs.

As a result the Farmer's Union once again finds itself in the reluctant position of raising the assessments and fees once again for 2015. At the Annual Shareholder meeting on January 10th, the Board of Director announced an increase in Account Service Fee from \$10 to \$50, a Special Assessment Fee of \$110 per share and a 5% increase to the general assessment.

In a subsequent meeting of the Board of Director's a change was enacted to more equitably meet the Farmer's Union 2015 fiscal requirements as follows: (1) the Account Service Fee will remain at the historic \$10 amount, (2) the Special Assessment of \$110 per Share remains unchanged, (3) the General Assessment increase changes from 5% to 10% .

It is important to note, this change creates NO net rise in income for the Farmer's Union; it was enacted solely to more fairly and equitably distribute the increases across Farmer's Union water users.

The Board of Directors recognizes the unpopular nature of any increase to your costs for irrigation water; unfortunately, it remains necessary and essential to the continued operation of the Farmer's Union and the defense of your historic water rights.

Sincerely,

Brian Harm  
President  
Farmer Union Ditch Company