NORTH POUDRE IRRIGATION COMPANY

3729 Cleveland Avenue, P.O. Box 100, Wellington, CO 80549 | (970)568-3612, shummer@NPICwater.com

August 13, 2015

Jonathon Hernandez, P.E.
Water Project Loan Program
Finance Section
Colorado Water Conservation Board
1313 Sherman Street, Room 718
Denver, CO 80203

Dear Mr. Hernandez:

The North Poudre Irrigation Company is requesting additional funding for the Fossil Creek Reservoir Inlet Diversion Structure Repair Project (Contract Number C150368). This project has been delayed for nearly two years on account of high flows in the Poudre River that has prevented construction. The request for additional funds is due to additional damage discovered since the time of the original loan application, additional work required to protect the structure during the past two spring runoff flows, and the additional administrative and regulatory costs associated with our application for a FEMA grant.

Details regarding the project are outline in the attached Memo prepared by our Engineer, Ronald H. Slosson, P.E. We are requesting an additional $390,535 for project costs plus any applicable loan service fees.

We will provide a Board Resolution authorizing the increase and an Attorney Opinion Letter when requested.

Thank you for your consideration of this matter and if you have any questions please feel free to contact me.

Sincerely,

Scott Hummer
General Manager
North Poudre Irrigation Company

Ronald H. Slosson, P.E.
Civil Engineering

2230 Hiawatha Court
Fort Collins, Colorado 80525
Phone: 970-481-0833
Fax: 970-493-4399
Email: rhslosson@gmail.com

Memo

To: Jonathon Hernandez

From: Ron Slosson

CC: Scott Hummer

Date: August 13, 2015

Re: Fossil Creek Reservoir Inlet Diversion Structure Repair Project

The North Poudre Irrigation Company's (NPIC) was granted an emergency loan for the above referenced project on October 21, 2013 (Contract Number C150368) in the amount of $481,770 with construction costs not to exceed $477,000. The construction cost estimate in the original loan application was based on the damage assessment made immediately after the flood and before survey data, a geotechnical evaluation, drawings, and specification could be prepared.

Surveying and a geotechnical evaluation were completed in November and December of 2013 and final Drawings were prepared and submitted to the City of Fort Collins on December 30, 2013 and approved for construction on January 6, 2014.

In December of 2013 NPIC was approached by FEMA and informed that FEMA grant money was available for restoring the damaged structure. NPIC worked with FEMA to prepare a Project Worksheet and did an onsite inspection on December 17, 2013 to determine the extent of damages. At the time of this inspection river levels were lower than in October and we had the benefit of survey information and the geotechnical report. The FEMA Project Worksheet estimated the damage at $659,897.08 which includes $111,880.00 of mitigation costs to improve the stability of the structure, $546,600.00 of repair costs, and $1,417.08 of direct administrative costs.

The cost estimates were prepared assuming that the Cache la Poudre River would recede to historic pre-flood levels and that the river could be diverted through the Fossil Creek Inlet Ditch (FCRID) while repairs were made to the structure. The river has yet to return to pre-flood levels and in fact has not receded to a level where we can safely divert all flows through FCRID.

A construction start date of January 15, 2014 was postponed because of high river flows. FEMA involvement required a competitive bid process which we implemented and went through the bidding process in August of 2014. We had four bidders respond and attend the mandatory pre-bid meeting but none submitted bids. We then re-advertised and went through the bidding process again in November of 2014 with the stipulation that flows in the river be below 100 cfs for 10 consecutive days prior to December 1st. (This stipulation was included to allow a successful bidder time to mobilize equipment and start construction before January 1, 2015 in order to complete the project before spring runoff). The river level was near 200 cfs on the first day of the 10-day period so the bidding process was cancelled.

In July of 2015 the project was again advertised for bid and a pre-bid meeting was held on July 17, 2015. We had seven Contractors attend the meeting and after much discussion of the still high river levels it was agreed to amend the Contract Documents that required all flows of the Poudre River to be diverted to FCRID. The significance of this is that the projects will have to be built in two stages so that flows in excess of FCRID capacity will need to be passed through the construction zone. This requires that the project be built in two stages rather than one and will increase mobilization and diversion costs. It does however allow for an earlier start date and reduces the risk involved in the project. Additional amendments were made to the Contract Documents to change several bid items from lump sum costs to unit price costs to allow for the variable depth to bedrock on which the structure is founded.

Four of the seven Bidders responded with bids and we were pleased by the competitive nature of the bids. We are still reviewing the bids but at this point see no reason not to accept the low bid submitted by Naranjo Civil Constructors, Inc. of $552,969.00. With firm construction costs in hand and the engineering and design completed we now have a much more accurate basis for the total cost. We are including in the cost the administration costs of the FEMA grant.

Throughout 2014 and 2015 FEMA has continued to add requirements and stipulations that have required us to modify our contract documents multiple times. The FEMA regulations are so onerous that NPIC hired an attorney just to monitor the constant changes, requirements, and stipulations that FEMA continues to promulgate. Each memo, meeting, and directive from FEMA requires a consultation between NPIC's attorney and engineer and, more often than not, changes to the Contract Documents. All at NPIC's expense as we see no way to recover these costs through the FEMA grant.

In addition to the FEMA administration costs, the two ten-foot radial gates leading to FCRID were determined to be damaged when they were buried in silt during the flood. To keep FCRID operational during the past irrigation season NPIC replaced the gates in May, 2015. These gates were not included in the initial CWCB loan request.

During the spring runoff of 2014 flows in the Poudre River were approximately 6,000 cfs. NPIC was in danger of losing the remaining portions of the diversion structure during this runoff because of erosion adjacent to the structure caused by the 2013 flood. To avoid loss of the structure NPIC hired ELT Construction to place approximately 150 tons of riprap in the eroded section adjacent to the structure. This cost was not anticipated in the initial CWCB loan request.

Following is a summary of the actual and estimated construction costs:

Cost to date; engineering, geotechnical, surveying, gate fabrication	$102,620
Cost to date; structure stabilization ,radial gate installation, FEMA administration	$39,176
Projected construction cost; low bid Naranjo Construction	$552,969
Projected engineering, surveying, inspection, and administration	$25,000
Attorney fees for administration of FEMA loan	$57,770
Contingency;10% of remaining projected costs	$90,000
TOTAL	$867,535

Based on these totals, NPIC is requesting an additional $390,535 for project costs plus the applicable loan service fee. Before the project is complete, we will be filing the required paperwork to FEMA to reflect any increase in costs that can be covered by the Grant.

RESOLUTIONS OF THE BOARD OF DIRECTORS OF THE NORTH POUDRE IRRIGATION COMPANY

The Board of Directors of The North Poudre Irrigation Company (Company), at a meeting held October 23, 2013, at Wellington, Colorado, adopted the following resolutions concerning a secured loan from the State of Colorado Water Conservation Board (CWCB), for the purpose of the Irrigation System Improvements Project in the amount of $481,770 or such actual amount, more or less, as may be needed by the Company and available from the CWCB including the CWCB loan origination fee of 1% of the loan amount.

At said meeting, the Board charged that these resolutions are irrepealable during the term of the loan and, pursuant to the Company's bylaws, authorized the President and Corporate Secretary, RESOLVED as follows:

1. to enter into and comply with the terms of a contract with the Colorado Water Conservation Board for a loan in the amount of $481,770, or such actual amount, more or less, as needed to finance the project costs, including the CWCB loan origination fee of 1%; and
2. to levy and collect assessments from the shareholders in an amount sufficient to pay the annual amounts due under the LOAN CONTRACT, and to pledge assessment revenues and the Company's right to receive said revenues for repayment of the loan; and
3. to place said pledged revenues in a special account separate and apart from other COMPANY revenues, and
4. to make the annual payments required by the PROMISSORY NOTE and to make annual deposits to a debt service reserve fund; and
5. to pledge as COLLATERAL, for the loan the Company's, assessment revenues backed by a rate and covenant and an undivided one hundred percent (100%) interest in the FOSSIL CREEK RESERVOIR INLET DIVERSION DAM AND HEADGATE; and
6. to execute all documents as required by THE LOAN CONTRACT, including, but not limited to, a PROMISSORY NOTE, SECURITY AGREEMENT, and DEED OF TRUST necessary to convey a security interest in said property to the CWCB; and
7. to take such other actions and to execute such other documents as may be necessary to consummate and implement the loan.

CERTIFICATION

THE UNDERSIGNED, THE PRESIDENT AND THE CORPORATE SECRETARY HEREBY CERTIFY THAT THE FOREGOING ARE TRUE AND CORRECT COPIES OF RESOLUTIONS DULY ADOPTED AT A MEETING OF THE COMPANY'S BOARD OF DIRECTORS DULY CALLED AND HELD AS ABOVE RECITED, PURSUANT TO THE COMPANY'S BYLAWS, AND THAT SAID RESOLUTIONS HAVE NOT BEEN AMENDED OR RESCINDED.

[illegible] OUR HANDS AND THE SEAL OF THE COMPANY THE 23RD DAY OF OCTOBER 2013.

NOTARY PUBLIC

By ______________________
Signature

Name: Nels Nelson
Title: President
Date: October 23, 2013

ATTEST:

By ______________________
Signature of Corporate Secretary

Name: Sharon Seaworth
Date: October 23, 2013

Appendix 3b to Loan Contract C150368

THE NORTH POUDRE IRRIGATION COMPANY
P.O. Box 100
Wellington, CO 80549

ANNUAL REPORT 2014

DIRECTORS

Loren Maxey . . . . Fort Collins, Colorado
Mike Matsuda . . . . Wellington, Colorado
Brian Janonis . . . . Fort Collins, Colorado
Dale Leach . . . . .Fort Collins, Colorado
Nels Nelson . . . . .Fort Collins, Colorado

OFFICERS

Nels Nelson . . . . President
Mike Matsuda . . . . Vice President
Scott Hummer . . . . General Manager
Loren Maxey . . . . .Treasurer

ORDER OF BUSINESS

According to the By-Laws, the order of business of the stockholders meeting shall be as follows:

1. Meeting called to order by the president at 9:00 a.m.
2. Appointment of three stockholders of the Company as a credentials committee.
3. Registration of proxies with credentials committee 9:00 a.m. - 10:30
4. Report of credentials committee
5. Annual report
6. Nomination of directors
7. Opening of polls for election of directors
8. Old business
   (A) Approval of last year's minutes
9. New business
   (A) Vote on assessment for the year
   (B) Indemnification of Directors and Officers

PRESIDENT'S REPORT — 2014

2014 is on the books. 2014 marked the first full year for General Manager, Scott Hummer.

The water season started with above-average snow pack, and nearly full reservoirs and a lower than average quota from the CBT system. The season ended with nearly full reservoirs and below average snowpack but a fully charged CBT system. The outlook for 2015 appears to be good.

The Poudre River flows prevented us from replacing the Fossil Creek diversion structure. It appears that this structure will cost nearly $700,000 to replace and the replacement schedule is uncertain at this time because the Poudre River continues to flow over 100 cfs making the repair of the structure difficult. It is anticipated that the replacement of the structure will take 3-4 months.

The Board of Directors decided to drop out of the Halligan/Seaman project this past year because of cost overruns and bureaucratic delays. The City of Fort Collins has subsequently refiled for an expanded Halligan decree. It appears that any expansion of Halligan Reservoir continues to be somewhere in the distant future.

The Board voted to rehabilitate Reservoir #4. The initial cost estimate is that the rehabilitation will cost $1.7 million. The reservoir is now closed to the public and the initial phase of the project is underway. This project will likely take two years to complete.

There are numerous large scale repair projects being performed on the ditch system. Because the North Poudre system is over 100 years old, much of the ditch system will require rebuilding over the next several years. The maintenance of these vital assets is extremely important for our ability to deliver water efficiently to all stockholders.

The State Engineer has increased the accounting requirements for many ditch companies in the Poudre basin. This process will require North Poudre to spend more money to track the movement of water in our system.

It has been a good year thanks to the help of the good crew; both out on the system and in the office. We owe them our thanks and appreciation.

Respectfully submitted,

Nels Nelson

President, North Poudre Irrigation Company

MANAGER'S REPORT — 2014

The 2014 irrigation season has passed and the 2015 season is right around the corner. During 2014 North Poudre Irrigation Company and our stockholders were the beneficiaries of an abundant water season. North Poudre stockholders were delivered "early" as well as "free" water during 2014. North Poudre stockholders used approximately 82% of the total amount of water available for delivery in 2014. Critical rain events as well as below normal temperatures allowed for less reservoir storage releases than normal, for example, releases from Halligan Reservoir were less than half of the normal demand and North Poudre ended the delivery season with more than 3700 acre feet still being held in Halligan. Halligan Reservoir re-filled between early October and early November and is currently spilling.

Actual water availability for the 2015 irrigation season is still up in the air with early season snow pack readings coming in below average but there are still several months left in the accumulation season and North Poudre reservoirs are being held as full as we can safely keep them through this winter season.

During my observations of the North Poudre water delivery system during the past year. It has become overwhelmingly apparent that North Poudre is suffering the effects of deferred maintenance needs of our water delivery infrastructure. There are literally dozens of outstanding maintenance projects that need to be addressed as soon as possible and a priority maintenance list is being created. Our crew has performed a number of repairs to head gates, measuring devices, road crossings and the like during 2014. A conservative estimate to replace and repair critical structures within our water delivery infrastructure is anywhere between $500,000 and $1,000,000. These critical structures include: the Livermore Tunnel, the Chutes that carry water into Reservoir #15, several drop structures and numerous head gates and measuring devices. The North Poudre Board of Directors has toured the water delivery system and has been witness to the reality of the scale of our maintenance requirements. In addition, our equipment such as dump trucks, front end loader, backhoe, and others are dated but well maintained by our crew. However, it is inevitable that our equipment will need to be replaced and such costs are extremely higher than they were when the equipment was originally purchased.

North Poudre is currently involved in a number of ongoing large scale projects such as the rehabilitation of Reservoir #4, the rehabilitation of Boxelder Reservoir #2, the replacement of the Fossil Creek Reservoir Inlet Ditch head gate. With regard to the FCRID project, river flows have

continued next page

not allowed for any re-construction work to begin on the structure (that was destroyed during the flooding in September 2013) and we have put the project out to bid twice with no contractor willing to actually place a bid on the project. North Poudre is also involved in discussions with the Northern Colorado Water Conservancy District regarding the operation and use of the Munroe Canal. We have had to initiate and produce an "inundation study" for the spillway at Fossil Creek Reservoir due to the fact that a commercial business has its operation sitting in the middle of the actual reservoir spillway. We are working in cooperation with the State Engineers Office and the business owner to rectify the situation to meet all dam safety requirements. North Poudre is also involved with the Natural Resources Conservation Service (NRCS) regarding a review of the ability of the Boxelder "flood dams" to actually carry the "maximum" predicted flood event through the existing spillways. North Poudre in cooperation with the NRCS will be conducting a study to determine if the existing spillways are adequate for the predicted "maximum flood" event. It is possible that these spillways may need to be enlarged to meet the current criteria for carrying flood water. The North Poudre crew has been active this fall with maintenance tasks along the Grey Ditch, Railroad Ditch, Softwater Ditch, #2 Ditch, as well as working on the replacement of head gates and measuring devices throughout the delivery system. It is also apparent that North Poudre must upgrade our office computer system and contemplate the creation of a website in order to better communicate with our stockholders

From a local political standpoint North Poudre is involved with the Poudre Runs Through It group as well as the Poudre Water Sharing group…these groups are primarily looking at ways to ensure that all Poudre River water user "stakeholders" know and understand why it is so important to work cooperatively in order to preserve the ability of the Poudre River to meet all the demands that are put on our most precious natural resource, our water and the conduit that delivers that resource to the populous of Northern Colorado.

During 2014, the North Poudre staff work diligently to meet the needs and demands of our stockholders and we hope we accomplished that goal. I know there were instances when we did not perform as expected and we will strive to rectify those situations in the future. Please contact me directly with any concerns regarding North Poudre company operations at your convenience.

Respectfully,
Scott Hummer
General Manager/ NPIC

NPIC Annual Meeting
February 3, 2014
Robert Taylor Auditorium CSU
Fort Collins, CO

President Nels Nelson called the meeting to order at 9:00 A.M. Credentials committee members were appointed, those being Jack Sipes, Warren Santistevan and Bob Bee.

Auditor Dan Schommer reviewed the FY13 financial report.

River Commissioner, Mark Simpson, reported on the current water status. The New Mercer, Boxelder and Fossil Creek diversions all suffered extensive flood damage from the September 2013 flood. The Poudre River is still running high making repairs to structures difficult. Through the months of September, October and November, the river produced 100,000 af of water. The current snowpack in the Poudre River Basin is at 105% of average, and the South Platte River Basin is at 123% of average.

Mike Matsuda and George Wallace were present representing the Poudre River Water Sharing Group. They did a slide program outlining the group's plan to work with municipalities and ditch companies for water sharing for agriculture use.

The Credentials committee reported 5,596.5 shares represented in person and 482.75 by proxy, for a total of 6,079.25 to constitute a quorum.

Mike Matsuda took over for Nels Nelson. Nominations were opened for the expiring terms of Nels Nelson and Loren Maxey. George Reed moved to nominate Nels Nelson and Loren Maxey for another 3-year term each, seconded by Bill Way. Motion carried. Eldon Ackerman moved to close nominations, seconded by Donnie Dustin. Bob Dent moved for a unanimous vote, seconded by Bill Way. Motion carried.

A question from the floor was asked if the difficulty in getting the repairs done to the Fossil Creek Inlet diversion would hinder water

STOCKHOLDERS MEETING 2014 cont.

delivery. Nels Nelson responded by saying that a temporary diversion could be built for summer water delivery.

George Reed asked when a determination would be made for early water use. Nels Nelson answered that nothing could be appropriated until the April Board meeting.

Richard Holmes moved to approve the '13 annual meeting minutes, seconded by Norma Dent. Motion carried.

New business items included indemnification of NPIC directors, officers, employees and agents, and adopting resolutions for secured loans from CWCB for Reservoir #4 rehab ($1,636,200) and Fossil Creek Inlet diversion repairs ($481,770). Bob Dent moved approve all three business items, seconded by North Weld County Water District representative. Motion carried.

There was discussion of the Board recommended 2014 stock assessment of $130/share. Nels Nelson explained that costs of necessary repairs and maintenance of NPIC system structures and ditches continues to increase. There was a motion from the floor to approve the $130/share, seconded from the floor.

With no further business, the meeting was adjourned.

Respectfully submitted,
Sharon Seaworth, Secretary

FY14 BUDGET*

Total projected income -	$3,763,025.00
Total projected expense -	2,171,124.00
Total liabilities -	1,278,569.00
Total expense/liabilities -	3,449,693.00
NET INCOME -	**313,330.00**

*Details of the budget can be obtained at the office.

List of Directors and Term Status

Dale Leach, up for election in 2015, for a three-year term.

Brian Janonis, up for election in 2015, for a three-year term.

Mike Matsuda, up for election in 2016, for a three-year term.

Loren Maxey, up for election in 2017, for a three-year term.

Nels Nelson, up for election in 2017, for a three-year term.

ANNUAL COST COMPARISON

Year	Assmt.	Ac.Ft/Share delivered	Cost per Ac.Ft.
1986	75.00	5.65	13.27
1987	75.00	4.03	18.61
1988	75.00	4.80	15.63
1989	75.00	4.25	17.65
1990	75.00	4.48	16.74
1991	75.00	4.12	18.20
1992	75.00	4.11	18.25
1993	75.00	4.97	15.09
1994	75.00	5.16	14.53
1995	75.00	3.90	19.23
1996	75.00	5.20	14.42
1997	85.00	4.62	18.40
1998	85.00	4.63	18.36
1999	85.00	4.01	21.20
2000	50.00	4.56	10.96
2001	60.00	3.98	15.08
2002	65.00	3.24	20.06
2003	85.00	3.10	27.42
2004	85.00	2.78	30.58
2005	95.00	3.68	25.85
2006	95.00	4.21	22.59
2007	85.00	3.26	26.07
2008	90.00	4.19	21.48
2009	100.00	4.29	23.31
2010	100.00	4.85	20.02
2011	110.00	4.61	23.86
2012	110.00	4.63	23.76
2013	120.00	3.17	37.85
2014	130.00	2.9	44.83

Recommended 2015 Assessment $200/sh

WATER REPORT FOR 2014

	2014	2013	2012
Non-CBT Storage			
Beginning Storage Nov 1	28,550	27,706	43,609
Less Ending Storage Oct 31	20,000	42,686	27,706
Storage Used	**8,550**	**(14,980)**	**15,903**
CBT PROJECT INFORMATION			
Carryover Beginning of the Year	4,550	234.0	209.2
CBT Quota Percentage	60.00%	100.00%	80.00%
CBT Water Acre Feet	24,000	40,000	32,000
Less Ending Balance	14,710	211.0	234.0
CBT Water Acre Feet Used	13,840	24,023	39,975.2
DIVERSIONS			
Diversion from N. Fk. Poudre	33,530	35,280	20,221.0
Diversion from Munroe Canal	28,921	20,211	38,747.0
Municipal Use from Horsetooth	6,939	15,981	14,060.0
Total Water	**75,458**	**79,514**	**73,028.0**
DISTRIBUTION			
Deliveries to Ag Stockholders	21,957	15,714	32,240.0
Deliveries to Municipal Stockholders	6,939	15,981	14,060.0
Deliveries to Stockholders	**28,896**	**31,695**	**46,300.0**
Other Deliveries			
Reservoir 6 (WSS)	1,500	3,000	3,000.0
Park Creek			582.0
Fossil Creek Preferred	3,200	3,420	3,420.0
FCP CBT Trade	5,800	3,000	3,000.0
Rentals	-0-	1,500	750.0
Net Other Deliveries	**10,500**	**10,920**	**10,752.0**
Total Sources	**75,458**	**79,514**	**73,028.0**
Deliveries	28,896	31,695	46,300.0
Reservoirs	8,550	14,980	(15,903.0)
Trades	10,500	10,920	10,752.0
Total Uses	**47,946**	**57,595**	**41,149.0**
Net Shrinkage	**26,012**	**21,919**	**31,879**
Percentage	**34.47%**	**27.57%**	**43.65%**

Annual Cost Comparison	Assessment	ac ft/Share	Cost/af
2013	120	3.17	37.85
2014	130	2.90	44.83

PER SHARE APPROPRIATION

	Total AF	Early	Seasonal	Multiple Use
November 6, 2013	1.00	0.00	0.00	1.00
April 9, 2014	4.00	1.00	2.00	1.00
April 11, 2014	0.20	0.00	0.00	0.20
Total 2014 Appropriation	**5.20**	**1.00**	**2.00**	**2.20**

Total Water Appropriated Acre Feet

		Early	Seasonal	Multiple Use
November 6, 2013	10,000.00	0.00	0.00	10,000.00
April 9, 2014	40,000.00	10,000.00	20,000.00	10,000.00
April 11, 2014	2,000.00	0.00	0.00	2,000.00
Total 2014 Appropriation	**52,000.00**	**10,000.00**	**20,000.00**	**22,000.00**

Total Water Deliveries vs. Appropriation

		Early	Seasonal	Multiple Use
Ag Deliveries	21,957	10,000	20,000	1,957
Municipal Use	6,939			6,939
Total 2014 Deliveries	**28,896**	**10,000**	**20,000**	**8,896**
Net	**55.57%**	**100.00%**	**100.00%**	**40.44%**

The North Poudre Irrigation Company

Financial Statements

For the Years Ended October 31, 2014 and 2013

ACM
Anton Collins Mitchell LLP

An independent member of BDO Seidman Alliance

FINANCIAL STATEMENTS

The North Poudre Irrigation Company

Contents

Independent Auditor's Report F-1

Basic Financial Statements

Balance Sheets F-2-3

Statements of Operations and Changes in Retained Earnings F-4

Statements of Cash Flows F-5

Notes to Financial Statements F 6-15

INDEPENDENT AUDITOR'S REPORT

ACM
Anton Collins Mitchell LLP
Accountants & Consultants

Independent Auditor's Report

To the Board of Directors and Stockholders of
The North Poudre Irrigation Company

We have audited the accompanying balance sheets of The North Poudre Irrigation Company (a nonprofit corporation) (the "Company") as of October 31, 2013 and 2012, and the related statements of income and changes in retained earnings, and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes, the design, the implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether by fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The North Poudre Irrigation Company as of October 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Anton Collins Mitchell LLP

Greeley, Colorado
December 18, 2013

www.acmllp.com
Northern Colorado Office 3545 West 12th Street, Suite 201 · Greeley, Colorado 80634 · 970.352.1700 · Fax 970.352.1708
Denver Office 17th & Grant Building · 303 East 17th avenue, Suite 600 · Denver, Colorado 80203 · 303.830.1120 · Fax 303.830.8130

BDO SEIDMAN ALLIANCE

The North Poudre Irrigation Company

Balance Sheets

October 31,	2014	2013
Assets		
Current assets		
Cash and cash equivalents	$ 62,607	$ 51,526
Assessments receivable	9,084	26,088
Accounts receivable, other	106,500	1,000
Income taxes receivable	425,225	-
Note receivable, related party	30,139	28,670
Accrued interest receivable	65,515	68,532
Prepaid expenses	25,831	22,317
Total current assets	724,901	198,133
Fixed assets, net		
Land	528,544	528,544
Priorities, water rights and easements	425,650	425,650
Construction in progress	182,348	1,710,294
Ditches and reservoirs	15,471,603	15,471,603
Buildings and improvements	269,240	269,240
Radio and office equipment	42,695	42,695
Machinery and equipment	566,897	566,897
Transportation equipment	221,215	193,675
Total	17,708,192	19,208,598
Less: accumulated depreciation	(6,191,588)	(5,961,554)
Total fixed assets, net	11,516,604	13,247,044
Other assets		
Note receivable, related party, net of current portion above	449,057	479,196
Deferred income tax asset	724,000	-
Other assets	17,942	17,942
Total other assets	1,190,999	497,138
Total assets	$ 13,432,504	$ 13,942,315

The North Poudre Irrigation Company

Balance Sheets

	2014	2013
Liabilities		
Current liabilities		
Accounts payable	$ 92,136	$ 25,524
Accrued interest payable	81,710	78,609
Accrued compensated absences	25,446	22,595
Income taxes payable	-	25,520
Deferred oil and gas lease income	46,740	105,383
Current portion of notes payable	890,483	293,027
Total current liabilities	1,136,515	550,658
Long-term liabilities		
Notes payable, net of current portion above	4,287,794	3,822,457
Deferred oil and gas lease income	27,265	74,005
Deferred income tax liability	-	23,000
Security deposit	5,000	5,000
Total long-term liabilities	4,320,059	3,924,462
Total liabilities	5,456,574	4,475,120
Stockholders' equity		
Common stock, $50 par value (10,000 shares authorized and issued and 10,000 and 9,999.5 shares outstanding, respectively)	500,000	499,975
Additional paid in capital	941,340	834,865
Retained earnings	6,534,590	8,132,355
Total stockholders' equity	7,975,930	9,467,195
Total liabilities and stockholders' equity	$ 13,432,504	$ 13,942,315

The accompanying notes are an integral part of these financial statements.

The North Poudre Irrigation Company

Statements of Operations and Changes in Retained Earnings

For the Years Ended October 31,	2014	2013
Operating revenues and gains		
Assessments	$ 1,382,243	$ 1,294,253
Recreational lease revenue	407,733	377,442
Water sales	159,499	174,269
Oil and gas lease revenue	105,383	122,375
Other income	38,199	22,699
Net gain on sales of fixed assets	73,450	67,788
Total operating revenues and gains	2,166,507	2,058,826
Operating expenses		
Salaries and wages	508,587	399,923
Repairs, maintenance and supplies	1,421,190	275,371
Depreciation	265,994	261,772
Water purchases and assessments	144,826	115,731
Insurance	66,926	60,953
Accounting and legal fees	119,921	48,394
Gas and oil	56,365	43,987
Payroll taxes	51,655	39,624
Utilities and telephone	37,941	31,384
Weed control	59,994	23,534
Employee benefits	47,059	18,224
Office and other expenses	19,522	17,181
Employee mileage	8,869	16,675
Directors' fees and expense	13,942	11,410
Engineering and other expense	8,970	4,740
Vehicle and other taxes	1,253	1,380
Loss on abandonment of construction in progress	1,971,521	-
Impairment loss on fixed assets	-	136,823
Total operating expenses	4,804,535	1,507,106
(Loss) income from operations	(2,638,028)	551,720
Other income (expenses)		
Interest income	89,312	90,595
Oil and gas royalty income	68,078	26,142
Interest expense	(159,641)	(159,151)
Total other income (expenses)	(2,251)	(42,414)
Net (loss) income before income taxes	(2,640,279)	509,306
Income tax (benefit) expense	(1,042,514)	180,412
Net (loss) income	(1,597,765)	328,894
Retained earnings at beginning of year	8,132,355	7,803,461
Retained earnings at end of year	$ 6,534,590	$ 8,132,355

The accompanying notes are an integral part of these financial statements.

The North Poudre Irrigation Company

Statements of Cash Flows

For the Years Ended October 31,	2014	2013
Cash flows from operating activities		
Net income	$ (1,597,765)	$ 328,894
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	265,994	261,772
(Gain) on sale of fixed assets	(3,450)	(1,200)
Loss on abandonment of construction in progress	1,971,521	-
Impairment loss on fixed assets	-	136,823
Amortization of deferred gain on sale of fixed assets	(70,000)	(66,588)
Amortization of deferred oil and gas lease income	(105,383)	(122,375)
Deferred income taxes	(747,000)	2,000
Decrease (increase) in operating assets:		
Assessments receivables	17,004	(18,091)
Accounts receivable, other	1,000	(1,000)
Income taxes receivable	(425,225)	-
Accrued interest receivable	3,017	4,632
Prepaid expenses	(3,514)	(1,139)
Increase (decrease) in operating liabilities:		
Accounts payable	66,612	1,823
Income taxes payable	(25,520)	(52,960)
Other accrued expenses	5,952	(5,517)
Net cash flows from operating activities	(646,757)	467,074
Cash flow from investing activities		
Payments received for note receivable	98,670	93,861
Proceeds from sale of fixed assets	3,850	1,200
Purchases of fixed assets	(443,575)	(250,372)
Net cash flows from investing activities	(341,055)	(155,311)
Cash flow from financing activities		
Proceeds from short-term borrowing	855,000	400,000
Repayment of short-term borrowing	(505,000)	(452,000)
Proceeds from long-term borrowing	900,378	-
Repayment of long-term debt	(251,485)	(224,140)
Net cash flows from financing activities	998,893	(276,140)
Net change in cash and cash equivalents	11,081	35,623
Cash and cash equivalents at beginning of year	51,526	15,903
Cash and cash equivalents at end of year	$ 62,607	$ 51,526
Supplemental cash flow information:		
Cash paid during the year for interest	$ 156,540	$ 163,911
Cash paid during the year for income taxes	$ 155,231	$ 231,372
Supplemental noncash flow information:		
Fixed assets acquired through issuance of debt	$ 63,900	$ -
Sale of treasury stock through accounts receivable	$ 106,500	$ -

The accompanying notes are an integral part of these financial statements.

The North Poudre Irrigation Company
Notes to Financial Statements
October 31, 2014 and 2013

1. Summary of Significant Accounting Policies

This summary of The North Poudre Irrigation Company's (the "Company") significant accounting policies is to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

Operations

The Company was incorporated January 1, 1901, under the laws of the State of Colorado to provide irrigation water for agricultural uses to its approximately 600 stockholders in the Northern Colorado Front Range. The Company's business office and maintenance facilities are located in Wellington, Colorado.

Cash and Cash Equivalents

The Company considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Assessments and Other Receivables

Assessments and other receivables are recorded at the invoiced amount. The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Company's estimate is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change. The Company has determined that no allowance is necessary as of October 31, 2014 and 2013.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash, cash equivalents and receivables.

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances. The Company had no amounts on deposit in excess of federally insured limits at October 31, 2014 and 2013.

Credit risk with respect to receivables is considered low based on past collection experience.

Property and Equipment

Property and equipment are recorded at cost for assets purchased and fair market value for donated assets. All property and equipment are depreciated over the estimated useful lives of the assets, as shown below, using the straight-line method.

	Life
Ditches and reservoirs	50-100 years
Buildings and improvements	10-40 years
Radio and office equipment	10 years
Machinery and equipment	10 years
Transportation equipment	5-10 years

Maintenance and repairs are charged to expense as incurred. When depreciable assets are disposed of, the

The North Poudre Irrigation Company
Notes to Financial Statements
October 31, 2014 and 2013

cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in earnings.

Included in construction in progress is $43,751 for the construction of the Fossil Creek Inlet and $138,597 for the rehabilitation of Reservoir No. 4.

During the year ended October 31, 2014 the Company abandoned construction in progress project of the expansion of Halligan Reservoir which resulted in a loss of abandonment of $1,971,521.

Deferred Gain on Sale of Property

During 2004, the Company sold the Halligan Reservoir to the City of Fort Collins, a significant stockholder, and related party, for approximately $5,200,000. The consideration given included approximately $1,000,000 of cash and a non-interest bearing note receivable with gross payments of approximately $4,200,000 (see Note 3). The initial gain on the sale was deferred because the minimum initial investment by the buyer was less than the amount required for full recognition. Therefore the gain is being recognized into income as payments are received using the installment method. The installment method apportions each cash receipt and principal payment by the buyer between cost recovered and profit. The apportionment is in the same ratio as total cost and total profit bear to the sales value.

Long-Lived Assets

The Company periodically reviews long-lived assets, including identifiable intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company evaluates the recoverability of its long-lived assets based on estimated undiscounted future cash flows and provides for impairment if such undiscounted cash flows are insufficient to recover the carrying amount of the long-lived asset. If impaired, the long-lived asset is written down to its estimated fair value. In September 2013, the Company incurred significant damage to the Fossil Creek inlet and diversion structure related to a flooding event. No other assets were identified as impaired as a result of the September flooding. The amount of the impairment loss for the inlet and diversion was $136,823. The Company did not receive any insurance proceeds from the event nor do they expect to receive any. No indications of impairment were identified during the year ended October 31, 2014.

Fair Value of Financial Instruments

The Company's financial instruments are cash equivalents, accounts receivable, notes receivable, accounts payable, and notes payable. The recorded value of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values based on their short-term nature. The recorded values of notes payable and the note receivable approximate their fair values, as interest approximates market rates.

Compensated Absences

Employees are granted vacation leave in varying amounts, depending upon the length of continuous service the employee has given the Company. The Company's liability for accrued compensated absences was $25,446 and $22,595 at October 31, 2014 and 2013, respectively.

Revenue Recognition

The Company recognizes revenues from assessments and water sales as earned. Amounts billed in advance of the period in which service is rendered are recorded as deferred revenue.

Five members provided approximately 64% of the assessments received by the Company for the years ended

The North Poudre Irrigation Company
Notes to Financial Statements
October 31, 2014 and 2013

October 31, 2014 and 2013. The organizational implications of these concentrations are recognized by management and the Board.

The Company leases recreational rights to various organizations with initial terms ranging from three to ten years. The Company has entered into two oil and gas leases ranging from three to five years and received $460,605 in advance lease payments. This lease income is being amortized over the life of the leases on a straight line basis. The Company also receives oil and gas royalties from producing wells on the Company's land.

Income Taxes

The Company is exempt from income taxes under IRC Section 501(c)(12). The Company retains this exemption during years that 85% of the Company's gross income is received from stockholders. During the years ended October 31, 2014 and 2013, the 85% test was not met. Accordingly, the Company has filed corporate federal and Colorado state income tax returns for the years ended October 31, 2014 and 2013.

The Company accounts for income taxes under the provisions of Accounting Standards Codification ("ASC") 740, *Income Taxes*, which require recognition of deferred tax assets and liabilities for the expected future income tax consequences of transactions that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using current enacted tax rates. The provision for income taxes includes the amount due for the current period and the change in deferred taxes between periods. The Company provides a valuation allowance against its deferred tax assets when it determines that it is more likely than not that the deferred tax assets may not be realized.

The Company evaluates uncertainties related to its tax positions annually. Accordingly, the tax benefit from an uncertain tax position is recognized only if it is more likely than not that the tax position will be sustained upon examination by taxing authorities. The amount that is ultimately sustained for uncertain tax positions could differ from the amount recognized. The Company believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements at October 31, 2014 and 2013.

Management makes judgments regarding the interpretation of tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In addition, the Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions, as well as by the Internal Revenue Service.

In management's opinion, adequate provisions for income taxes have been made for fiscal years 2012 through 2014 (all open years).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Rental Income

The Company leases recreational rights to various organizations with initial terms ranging from three to ten years. The costs of these depreciable assets are included on the balance sheets under the caption ditches

The North Poudre Irrigation Company
Notes to Financial Statements
October 31, 2014 and 2013

and reservoirs.

The following is a summary of the carrying amounts of property on lease by major class:

	October 31, 2014			October 31, 2013		
Description	Cost	Accumulated Depreciation	Book Value	Cost	Accumulated Depreciation	Book Value
Ditches and Reservoirs	$ 14,778,174	$ (5,212,803)	$ 9,565,371	$15,062,763	$(5,151,722)	$ 9,911,041
Totals	$ 14,778,174	$ (5,212,803)	$ 9,565,371	$15,062,763	$(5,151,722)	$ 9,911,041

Future minimum rental payments to be received on non-cancellable leases are contractually due as follows:

Year Ended October 31,	Amount
2015	$ 312,431
2016	201,032
2017	87,939
2018	86,607
2019	92,691
Thereafter	207,089
Total	$ 987,789

3. Note Receivable

The Company has a non-interest bearing note receivable from the City of Fort Collins, Colorado, which matures in 2031. The note requires annual payments of $188,244 and is secured by municipal bonds issued by the City of Fort Collins, Colorado. The note has been recorded at the present value of future cash flows, utilizing an imputed interest rate of 5.12%.

As discussed in Note 1, the gain on the sale was deferred, and is reflected as a discount of the note receivable in the accompanying balance sheets. The Company believes that the note is fully collectible; therefore, no allowance for uncollectable accounts is deemed to be required. At October 31, 2014 and 2013, the note receivable, net consisted of the following:

The North Poudre Irrigation Company
Notes to Financial Statements
October 31, 2014 and 2013

Fiscal Year Ending October 31	October 31, 2014	October 31, 2013
2013	$ -	$ 188,224
2014	188,224	188,224
2015	188,224	188,224
2016	188,224	188,224
2017	188,224	188,224
2018	188,224	188,224
Thereafter	1,327,421	1,327,421
Note receivable - gross	2,268,541	2,456,765
Less: discount on note receivable	(619,354)	(708,908)
Less: deferred gain on sale	(1,169,991)	(1,239,991)
	479,196	507,866
Note receivable - current portion (net)	(30,139)	(28,670)
Note receivable - long-term (net)	$ 449,057	$ 479,196

4. Notes Payable

The following is a summary of activity in notes payable for the year ended October 31, 2014:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Colorado Department of Natural Resources (Colorado Water Conservation Board), 5% interest, payable in 40 annual installments of $77,612, principal and interest, beginning May 1, 1985, maturing on May 1, 2024. Collateralized by the one half interest in Fossil Creek Dam Structure.	$ 644,658	$ -	$ 45,387	$ 599,271	$ 47,656

The North Poudre Irrigation Company
Notes to Financial Statements
October 31, 2014 and 2013

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Colorado Department of Natural Resources (Colorado Water Conservation Board), 5% interest, payable in 40 annual installments of $67,192, principal and interest, beginning May 1, 1987, maturing May 1, 2026. Collateralized by an undivided one half interest in the No. 15 Reservoir dam structure.	631,160	-	35,632	595,528	37,414
Colorado Department of Natural Resources (Colorado Water Conversation Board), 5% interest, payable in 40 annual installments of $23,574, principal and interest, beginning May 1, 1989, maturing May 1, 2028. Collateralized by an undivided one half interest in the Clarks Lake dam structure.	253,388	-	11,449	241,939	11,449
Colorado Department of Natural Resources (Colorado Water Conservation Board), 5% interest, payable in 40 annual installments of $19,847, principal and interest, beginning June 15, 1992, maturing June 15, 2031. Collateralized by an undivided one half interest in the No. 2 dam structure.	232,000	-	8,659	223,341	8,659
Colorado Department of Natural Resources (Colorado Water Conservation Board), 2% interest, payable in 40 annual installments of $64,378, principal and interest, beginning May 1, 1996, maturing May 1, 2035. Collateralized by #5 and #6 dam structures.	1,136,793	-	42,475	1,094,318	42,475

The North Poudre Irrigation Company
Notes to Financial Statements
October 31, 2014 and 2013

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Colorado Department of Natural Resources (Colorado Water Conservation Board), 4.03% interest, payable in 20 annual installments of $36,889, principal and interest, beginning August 31, 2000, maturing August 31, 2019. Collateralized by the No. 6 Reservoir outlet.	193,187	-	30,276	162,911	30,276
Colorado Department of Natural Resources (Colorado Water Conservation Board), 4.04% interest, payable in 20 annual installments of $46,061, principal and interest, beginning May 1, 2005, maturing on May 1, 2024. Collateralized by Indian Creek, #4 and #5 Reservoirs.	402,650	-	29,794	372,856	30,998
Colorado Department of Natural Resources (Colorado Water Conservation Board), 3.25% interest, payable in 20 annual installments of $50,572, principal and interest, beginning February 1, 2009, maturing on February 1, 2027. Collateralized by Miners Lake Reservoir.	561,648	-	32,319	529,329	33,369
Colorado Department of Natural Resources (Colorado Water Conservation Board), 2.35% interest, payable in 27 annual installments of $24,301, principal and interest, beginning November 1, 2017, maturing on November 1, 2043. Collateralized by Fossil Creek Reservoir.	-	102,620	-	102,620	-

NOTES TO FINANCIAL STATEMENTS

The North Poudre Irrigation Company
Notes to Financial Statements
October 31, 2014 and 2013

Colorado Department of Natural Resources (Colorado Water Conservation Board), 2.35% interest, payable in 30 annual installments of which will include principal and interest, beginning upon expending all approved funds ($1,636,200) or upon project completion, whichever is sooner. Collateralized by Reservoir No.4. Contains a debt service requirement which begins upon payment of first annual payment.	-	122,758	-	122,758	-
First National Bank, 2.75% interest, payable in 36 monthly installments of $1,852 which includes principal and interest, beginning February 21, 2014, maturing on January 21, 2017. Collateralized by two pickup trucks.	-	63,900	15,494	48,406	21,161
First National Bank, 3.75% interest, payable in three annual installments of $242,338 which includes principal and interest, beginning July 15, 2015, maturing on July 15, 2017. Collateralized by the City of Fort Collins installment agreement.	-	675,000	-	675,000	217,026
To provide for short-term cash requirements, the Company has established a line of credit agreement with a local financial institution to borrow up to $500,000 at 4.25% rate of interest. The loan is due March 3, 2015, and is secured by the revenues of the Company.	60,000	855,000	505,000	410,000	410,000
Totals	4,115,484	$ 1,819,278	$ 756,485	5,178,277	$ 890,483
Less current portion	293,027			890,483	
Totals	$ 3,822,457			$ 4,287,794	

The North Poudre Irrigation Company
Notes to Financial Statements
October 31, 2014 and 2013

The annual requirements to amortize all outstanding debt are as follows:

Fiscal Year Ending October 31	Principal	Interest	Total Debt Service
2015	$ 890,483	$ 170,205	$ 1,060,688
2016	498,876	151,812	650,688
2017	513,325	144,159	657,484
2018	285,840	124,585	410,425
2019	295,946	113,306	409,252
2020-2024	1,472,328	395,200	1,867,528
2025-2029	794,529	146,979	941,508
2030-2034	364,666	50,858	415,524
2035-2039	62,284	1,262	63,546
Total	$ 5,178,277	$ 1,298,366	$ 6,476,643

5. Water Allotment Agreement

The Company entered into an agreement December 5, 1945, with the Northern Colorado Water Conservancy District for the annual purchase of 40,000 acre feet of water, or any such portion that may be delivered, at $1.50 per unit. Payment is due May 1 of every year and is secured by an irrevocable levy of assessment on the capital stock of the Company. Payments shall continue until the delivery system is paid for and thereafter for operating and maintenance changes.

6. Pension Plan

The Company sponsors a deferred compensation plan for all full-time employees. The Company matches employee deferrals up to a maximum of 3% of compensation. The Company's contribution to the plan was $6,041 and $4,823 for the years ended October 31, 2014 and 2013, respectively.

7. Income Taxes

The current and deferred income taxes for the years ended October 31, 2014 and 2013, were as follows:

October 31,	2014	2013
Current income tax expense (benefit)	$ (295,514)	$ 185,412
Deferred income tax (benefit)	(747,000)	(5,000)
Income tax expense (benefit)	$ (1,042,514)	$ 180,412

The North Poudre Irrigation Company
Notes to Financial Statements
October 31, 2014 and 2013

A reconciliation of the effective tax rates and the statutory U.S. federal income tax rates are as follows:

Year Ended October 31,	2014	2013
Income tax expense at U.S. federal statutory rates	$ (295,514)	$ 163,412
State income taxes	-	22,000
Deferred tax	(747,000)	(5,000)
Income tax (benefit) expense	$ (1,042,514)	$ 180,412

The only temporary differences between book and tax basis assets and liabilities and their approximate tax effects that give rise to the net deferred tax liability relate to depreciation expense, represented by a long-term deferred tax liability of $-0- and $23,000, as of October 31, 2014 and 2013, respectively.

For the year ended October 31, 2014 the Company experienced a net operating loss ("NOL") on their tax return. The Company elected, for federal tax purposes, to carryback the NOL two years and carry the remaining NOL forward for 20 years (expiring in 2034). This resulted in an income tax benefit of approximately $270,000.

8. Subsequent Events

Management has evaluated subsequent events through December 10, 2014 the date that the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure, except as noted above.

Drop structure below the Cheyenne Diversion above Clark Lake . . . a must repair project

Concrete Cloth

Emergency placement of rip rap above the Fossil Creek Inlet Ditch in order to prevent washout of the structure

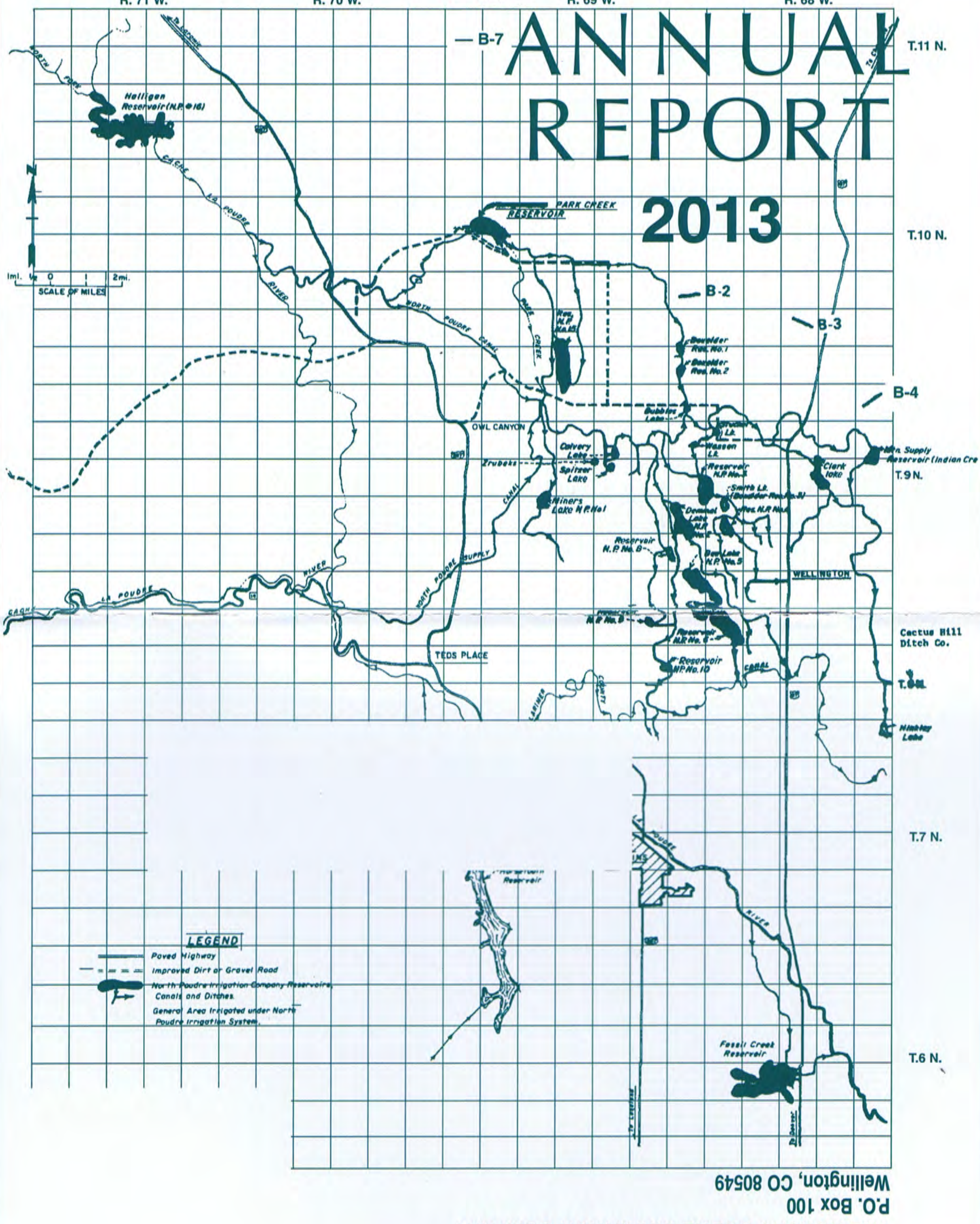
NPIC crew removing downed tree from Main Canal

New measuring Flume being installed at the Cowan HDG #22

Installation of Measuring Flume on the Upper 10 Ditch completed

ANNUAL REPORT

2013



THE NORTH POUDRE IRRIGATION COMPANY
P.O. Box 100
Wellington, CO 80549

2013 PROJECTS

Reservoir #5 spill

Silt Deposit Radial Gates at FCRID

FINANCIAL STATEMENTS

The North Poudre Irrigation Company

Financial Statements
For the Years Ended October 31, 2013 and 2012

Anton Collins Mitchell LLP

AN INDEPENDENT MEMBER OF BDO SEIDMAN ALLIANCE

The North Poudre Irrigation Company

Contents

Independent Auditor's Report	F-1
Basic Financial Statements	
Balance Sheets	F-2-3
Statements of Income and Changes in Retained Earnings	F-4
Statements of Cash Flows	F-5
Notes to Financial Statements	F 6-14

ACM
Anton Collins Mitchell LLP
Accountants & Consultants

Independent Auditor's Report

To the Board of Directors and Stockholders of
The North Poudre Irrigation Company

We have audited the accompanying balance sheets of The North Poudre Irrigation Company (a nonprofit corporation) (the "Company") as of October 31, 2013 and 2012, and the related statements of income and changes in retained earnings, and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes, the design, the implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether by fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The North Poudre Irrigation Company as of October 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Anton Collins Mitchell LLP

Greeley, Colorado
December 18, 2013

www.acmllp.com
Northern Colorado Office 3545 West 12th Street, Suite 201 · Greeley, Colorado 80634 · 970.352.1700 · Fax 970.352.1708
Denver Office 17th & Grant Building · 303 East 17th avenue, Suite 600 · Denver, Colorado 80203 · 303.830.1120 · Fax 303.830.8130

BDO SEIDMAN ALLIANCE

The North Poudre Irrigation Company

Balance Sheets

October 31,	2013	2012
Assets		
Current assets		
Cash and cash equivalents	$ 51,526	$ 15,903
Assessments receivable	26,088	7,997
Accounts receivable, other	1,000	-
Note receivable, related party	28,670	27,273
Accrued interest receivable	68,532	73,164
Prepaid expenses	22,317	21,178
Total current assets	198,133	145,515
Fixed assets		
Land	528,544	528,544
Priorities, water rights and easements	425,650	425,650
Construction in progress	1,710,294	1,473,252
Ditches and reservoirs	15,471,603	15,786,404
Buildings and improvements	269,240	255,910
Radio and office equipment	42,695	42,695
Machinery and equipment	566,897	569,539
Transportation equipment	193,675	193,675
Total	19,208,598	19,275,669
Less: accumulated depreciation	(5,961,554)	(5,880,402)
Total fixed assets, net	13,247,044	13,395,267
Other assets		
Note receivable, related party, net of current portion above	479,196	507,866
Other assets	17,942	17,942
Total other assets	497,138	525,808
Total assets	$ 13,942,315	$ 14,066,590

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

	2013	2012
Liabilities		
Current liabilities		
Accounts payable	$ 25,524	$ 23,701
Accrued interest payable	78,609	83,369
Accrued compensated absences	22,595	23,352
Income taxes payable	25,520	78,480
Deferred oil and gas lease income	105,383	122,375
Current portion of notes payable	293,027	336,139
Total current liabilities	550,658	667,416
Long-term liabilities		
Notes payable, net of current portion above	3,822,457	4,055,485
Deferred oil and gas lease income	74,005	179,388
Deferred income tax liability	23,000	21,000
Security deposit	5,000	5,000
Total long-term liabilities	3,924,462	4,260,873
Total liabilities	4,475,120	4,928,289
Stockholders' equity		
Common stock, $50 par value (10,000 shares authorized and issued and 9,999.5 shares outstanding)	499,975	499,975
Additional paid in capital	834,865	834,865
Retained earnings	8,132,355	7,803,461
Total stockholders' equity	9,467,195	9,138,301
Total liabilities and stockholders' equity	$ 13,942,315	$ 14,066,590

The accompanying notes are an integral part of these financial statements.

The North Poudre Irrigation Company

Statements of Income and Changes in Retained Earnings

For the Years Ended October 31,	2013	2012
Operating revenues and gains		
Assessments	$ 1,294,253	$ 1,102,320
Recreational lease revenue	377,442	397,321
Water sales	174,269	96,897
Oil and gas lease revenue	122,375	122,375
Other income	22,699	66,188
Net gain on sales of fixed assets	67,788	65,843
Total operating revenues and gains	2,058,826	1,850,944
Operating expenses		
Salaries and wages	399,923	408,286
Repairs, maintenance and supplies	275,371	134,314
Depreciation	261,772	270,776
Water purchases and assessments	115,731	163,686
Insurance	60,953	54,838
Accounting and legal fees	48,394	47,341
Gas and oil	43,987	43,044
Payroll taxes	39,624	38,791
Utilities and telephone	31,384	32,751
Weed control	23,534	28,027
Employee benefits	18,224	16,755
Office and other expenses	17,181	11,695
Employee mileage	16,675	26,590
Directors' fees and expense	11,410	9,934
Engineering and other expense	4,740	20,201
Vehicle and other taxes	1,380	1,500
Impairment loss on fixed assets	136,823	-
Total operating expenses	1,507,106	1,308,529
Income from operations	551,720	542,415
Other income (expenses)		
Interest income	90,595	100,105
Oil and gas royalty income	26,142	31,629
Interest expense	(159,151)	(169,198)
Total other income (expenses)	(42,414)	(37,464)
Net income before income taxes	509,306	504,951
Income tax expense	180,412	151,000
Net income	328,894	353,951
Retained earnings at beginning of year	7,803,461	7,449,510
Retained earnings at end of year	$ 8,132,355	$ 7,803,461

The accompanying notes are an integral part of these financial statements.

The North Poudre Irrigation Company

Statements of Cash Flows

For the Years Ended October 31,	2013	2012
Cash flows from operating activities		
Net income	$ 328,894	$ 353,951
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation	261,772	270,776
Gain on sale of fixed assets	(1,200)	(2,500)
Impairment loss on fixed assets	136,823	-
Amortization of deferred gain on sale of fixed assets	(66,588)	(63,343)
Deferred income taxes	2,000	(5,000)
Decrease (increase) in operating assets:		
Assessments receivables	(18,091)	513
Accounts receivable, other	(1,000)	2,500
Accrued interest receivable	4,632	3,497
Prepaid expenses	(1,139)	(2,056)
Increase (decrease) in operating liabilities:		
Accounts payable	1,823	(10,213)
Income taxes payable	(52,960)	71,988
Other accrued expenses	(5,517)	(9,178)
Amortization of deferred oil and gas lease income	(122,375)	(122,375)
Net cash flows from operating activities	467,074	488,560
Cash flow from investing activities		
Payments received for note receivable	93,861	89,287
Proceeds from sale of fixed assets	1,200	2,500
Purchases of fixed assets	(250,372)	(790,373)
Net cash flows from investing activities	(155,311)	(698,586)
Cash flow from financing activities		
Proceeds from short-term borrowing	400,000	312,000
Repayment of short-term borrowing	(452,000)	(200,000)
Repayment of long-term debt	(224,140)	(230,014)
Repurchase of company stock	-	(14,000)
Net cash flows from financing activities	(276,140)	(132,014)
Net change in cash and cash equivalents	35,623	(342,040)
Cash and cash equivalents at beginning of year	15,903	357,943
Cash and cash equivalents at end of year	$ 51,526	$ 15,903
Supplemental cash flow information:		
Cash paid during the year for interest	$ 163,911	$ 173,849
Cash paid during the year for income taxes	$ 231,372	$ 77,520

The accompanying notes are an integral part of these financial statements.

The North Poudre Irrigation Company
Notes to Financial Statements
October 31, 2013 and 2012

1. Summary of Significant Accounting Policies

This summary of The North Poudre Irrigation Company's (the "Company") significant accounting policies is to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

Operations

The Company was incorporated January 1, 1901, under the laws of the State of Colorado to provide irrigation water for agricultural uses to its approximately 600 shareholders in the Northern Colorado Front Range. The Company's business office and maintenance facilities are located in Wellington, Colorado.

Cash and Cash Equivalents

The Company considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Assessments and Other Receivables

Assessments and other receivables are recorded at the invoiced amount. The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Company's estimate is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change. The Company has determined that no allowance is necessary as of October 31, 2013 and 2012.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash, cash equivalents and receivables.

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances. The Company had no amounts on deposit in excess of federally insured limits at October 31, 2013 and 2012.

Credit risk with respect to receivables is considered low based on past collection experience.

DIRECTORS

Loren Maxey . . . . Fort Collins, Colorado
Mike Matsuda . . . . Wellington, Colorado
Brian Janonis . . . . Fort Collins, Colorado
Dale Leach . . . . .Fort Collins, Colorado
Nels Nelson . . . . .Fort Collins, Colorado

OFFICERS

Nels Nelson . . . . President
Mike Matsuda . . . . Vice President
Scott Hummer . . . . General Manager
Loren Maxey . . . . .Treasurer

ORDER OF BUSINESS

According to the By-Laws, the order of business of the stockholders meeting shall be as follows:

1. Meeting called to order by the president at 9:00 a.m.
2. Appointment of three stockholders of the Company as a credentials committee.
3. Registration of proxies with credentials committee 9:00 a.m. - 10:30
4. Report of credentials committee
5. Annual report
6. Nomination of directors
7. Opening of polls for election of directors
8. Old business
   (A) Approval of last year's minutes
9. New business
   (A) Vote on assessment for the year
   (B) Indemnification of Directors and Officers

PRESIDENT'S REPORT — 2013

2013 is on the books. On October 31, 2013, our long-time General Manager, Steve Smith retired from North Poudre and was replaced by Scott Hummer. Steve's institutional history was vast and he will be missed.

The water season started with low snow pack, and almost empty reservoirs and a lower than average quota from the CBT system. This prompted many to re-evaluate their crop plans and the water demands were minimized. Rains in April helped crops to come up and rains throughout the summer and fall left the reservoirs nearly full at the end of the season. The outlook for 2014 is much better.

In September the flood on the Poudre River destroyed the Fossil Creek diversion structure. It appears that this structure will cost nearly $700,000 to replace. The replacement schedule is uncertain at this time because the Poudre River continues to flow over 100 cfs making the repair of the structure difficult. It is anticipated that the replacement of the structure will take 3-4 months.

The Halligan/Seaman project is running in hip boots in a swamp. The process continues to expand to fill the time and probably will take an act of Congress in order to resolve it.

The Board currently is looking at rehabilitating Reservoir #4. We have completed a feasibility study and have been approved by the Colorado Water Conservation Board for a loan to rehabilitate the reservoir. The initial cost estimate is that the rehabilitation will cost $1.7 million. This will be an important upgrade to the system.

It has been a good year thanks to the help of the good crew; both out on the system and in the office. We owe them our thanks and appreciation.

Respectfully submitted,

Nels Nelson

President, North Poudre Irrigation Company

MANAGER'S REPORT — 2013

I began my tenure as the General Manager for NPIC on November 1, 2013. I was fortunate to have spent the month of October 2013 with the company's out going Operations Manager, Steve Smith, who retired after serving the stockholders of the NPIC for some 17 years in total.

Please let me introduce myself: I am a native of Larimer County, a graduate of Poudre High School and the University of Northern Colorado (BA –Geography). My water experience and background come from my tenure as the Water Commissioner for the Blue River Basin for more than twenty years as well as experience in the private sector working has a water project manager.

It is an honor and privilege to have been selected by the NPIC Board of Directors to become the company's next manager. I am grateful for the opportunity and I look forward to serving the needs of NPIC stockholders. To date I believe I have been able to establish positive working relationships with the current NPIC staff as the company transitions to new leadership. NPIC staff is dedicated to serving the needs of our stockholders. I believe each one of our staff is an outstanding professional, loyal to our company, and proud of their association with NPIC.

As we begin the 2014 Irrigation Year, NPIC reservoirs are at or near full (full to a comfortable level for the winter months). Halligan Reservoir is filling and with inflows far above average. There are a number of large scale rehabilitation and maintenance projects currently ongoing. The highest priority project is the re-construction of our Fossil Creek Reservoir Inlet Ditch that was destroyed during the flooding in September of 2013. In addition, the company is working to rehabilitate two reservoirs, the Boxelder #2 and Reservoir #4. We are also working on general and preventive maintenance needs associated with our delivery system.

I look forward to meeting as many NPIC stockholders as I can this coming season. Please feel free to contact me with any concerns regarding company operations at your convenience. Thank you.

Respectfully,
Scott Hummer
General Manager/ NPIC

NPIC Annual Meeting
February 4, 2013
Robert Taylor Auditorium CSU
Fort Collins, CO

President Nels Nelson called the meeting to order at 9:00 A.M. Credentials committee members were appointed, those being Troy Seaworth, Warren Santistevan and Bob Bee.

NCWCD Representative, Brian Werner gave a presentation on the NISP Project.

Auditor Dan Schommer reviewed the FY financial report.

River Commissioner, Mark Simpson, reported on the current water status, stating that one-fifth of the water shed burned in the fires of last summer & fall. River water tuned black and an unmanageable amount of debris came down the river. The current snowpack is at 51% of average.

A representative from the City of Greeley gave a slide presentation on the impacts of the Hewlett Gulch & High Park fires, showing the consequences of fire ash and what is being done to rehabilitate and stabilize the burn area.

George Wallace gave a short presentation on water sharing between ag users and water entities.

Beth Molenaar discussed the plan the City of Fort Collins will be using for water swaps with ag users. There will be no CBT rentals and no traditional ag water rentals. Their plan is to swap NPIC ag water for MU water, using the ration of 1.5 to 2 af of ag for for every af of MU, depending on the appropriation. Any remaining ag water may be rented through the NPIC office. The City needs to know by March 15 who plans to participate in the swap.

The Credentials committee reported 6,845 shares represented in person, 472.25 by proxy, for a total of 7317.25.

President Nels Nelson opened the floor for nominations for the expiring term of Director Mike Matsuda. Del Black nominated Mike Matsuda for another 3 year term, seconded by Lew Grant. Motion was carried unanimously.

A motion to approve the '12 minutes came from the floor, seconded by Norma Dent. Motion carried.

The Board of Directors recommended $120 for 2013 assessment and asked for approval. It was moved and seconded from the floor and carried unanimously.

Cleon moved to approve the indemnification of directors and officers, seconded by Bill way. Motion carried.

With no further business, the meeting was adjourned.

Respectfully submitted,
Sharon Seaworth, Secretary

FY13 BUDGET*

Total projected income -	$2,729,887.00
Total projected expense -	1,811,994.00
Total liabilities -	967,893.00
Total expense/liabilities -	2,779,887.00
NET INCOME -	**< 50,000 >**

*Details of the budget can be obtained at the office.

List of Directors and Term Status

Loren Maxey, up for election in 2014, for a three-year term.

Nels Nelson, up for election in 2014, for a three-year term.

Dale Leach, up for election in 2015, for a three-year term.

Brian Janonis, up for election in 2015, for a three-year term.

Mike Matsuda, up for election in 2016, for a three-year term.

ANNUAL COST COMPARISON

Year	Assmt.	Ac.Ft/Share delivered	Cost per Ac.Ft.
1986	75.00	5.65	13.27
1987	75.00	4.03	18.61
1988	75.00	4.80	15.63
1989	75.00	4.25	17.65
1990	75.00	4.48	16.74
1991	75.00	4.12	18.20
1992	75.00	4.11	18.25
1993	75.00	4.97	15.09
1994	75.00	5.16	14.53
1995	75.00	3.90	19.23
1996	75.00	5.20	14.42
1997	85.00	4.62	18.40
1998	85.00	4.63	18.36
1999	85.00	4.01	21.20
2000	50.00	4.56	10.96
2001	60.00	3.98	15.08
2002	65.00	3.24	20.06
2003	85.00	3.10	27.42
2004	85.00	2.78	30.58
2005	95.00	3.68	25.85
2006	95.00	4.21	22.59
2007	85.00	3.26	26.07
2008	90.00	4.19	21.48
2009	100.00	4.29	23.31
2010	100.00	4.85	20.02
2011	110.00	4.61	23.86
2012	110.00	4.63	23.76
2013	120.00	3.17	37.85

WATER REPORT FOR 2013

	2013
Non-CBT Storage	
Beginning Storage Nov 1	27,706
Less Ending Storage Oct 31	42,686
Storage Used	**(14,980)**
CBT PROJECT INFORMATION	
Carryover Beginning of the Year	0.0
CBT Quota Percentage	60.00%
CBT Water Acre Feet	24,000
Less Ending Balance	211.0
CBT Water Acre Feet Used	23,789.0
Diversions	
Diversion from N. Fk. Poudre	35,280
Diversion from Monroe Canal	20,211
Municipal Use from Horsetooth	15,981
Agricultural Use From Horestooth	7,808
Total Water	**79,280**
DISTRIBUTION	
Deliveries to Ag Stockholders	15,714
Deliveries to Municipal Stockholders	15,981
Deliveries to Stockholders	**31,695**
Other Deliveriews	
Reservoir 6	3000
Park Creek	
Fossil Creek Preferred	3420
FCP CBT Trade	3000
Rentals	1500
Net Other Deliveries	**10920**
Total Sources	**79,280**
Deliveries	31,695
Reservoirs	14,980
Trades	10920
Total Uses	**57,595**
Net Shrinkage	21,685
Percentage	27.35%

Annual Cost Comparison		Assmnt	ac ft/share	cost/af
	2013	120	3.17	37.85

2013 PROJECTS

Cheyenne Diversion maintenance work on head walls

Draining Tunnel #1 above siphon

Cleaning out debris at Munroe Canal

Fossil Creek Reservoir Inlet Ditch. September 16, 2013

Munroe Canal clean up. July 3, 2013

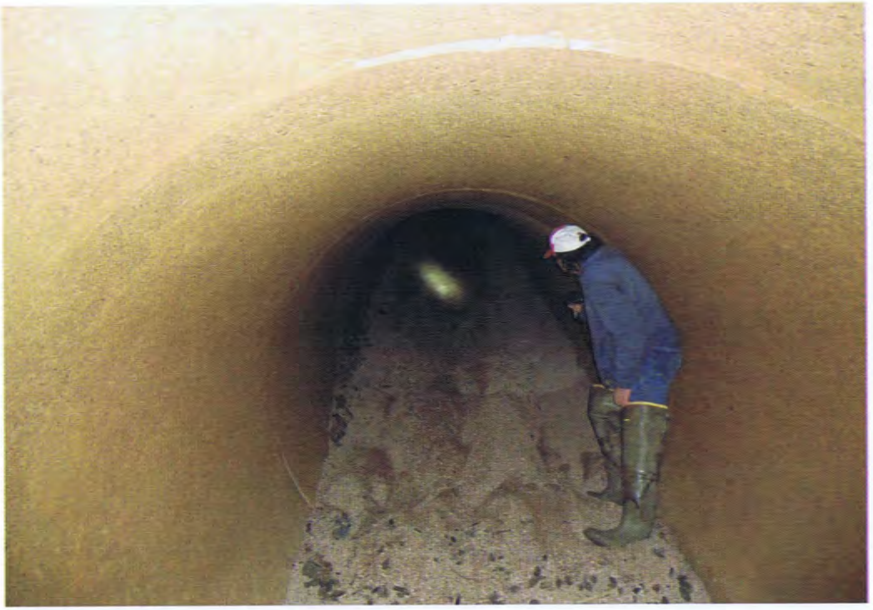
Munroe Canal diversion. June 29, 2013

NPIC picnic

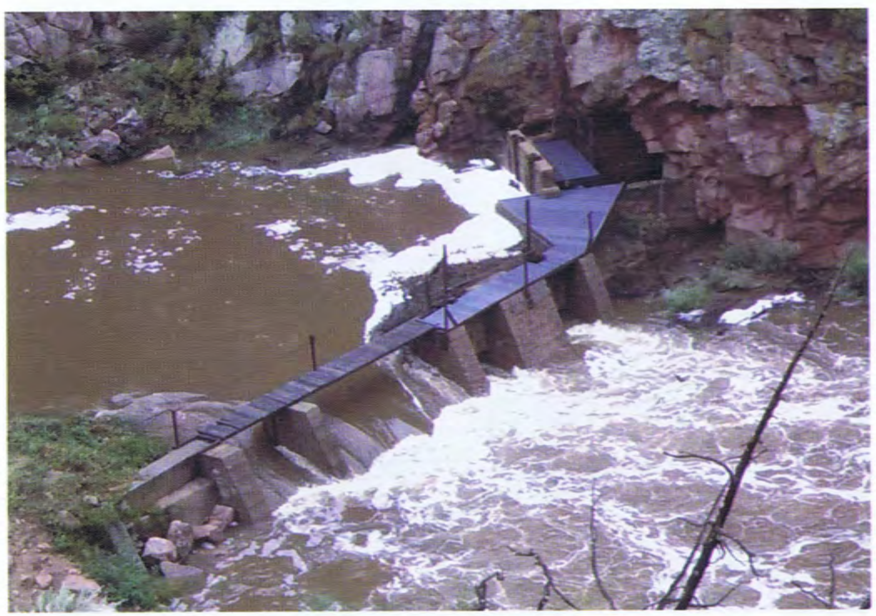
Fossil Creek Inlet Diversion. Bypass gate. October 3, 2013

Fossil Creek Reservoir Inlet Ditcg left bank abutment

Fossil Creek Reservoir Inlet structure destroyed



Inspecting Poudre River siphon



NF Poudre diversion. September 17, 2013

NPIC crew at Munroe Canal diversion

NPIC crew working at Munroe Canal Diversion

Poudre River at Munroe Canal diversion. September 9, 2013

Pumping out Poudre River siphon

The North Poudre Irrigation Company
Notes to Financial Statements
October 31, 2013 and 2012

Property and Equipment

Property and equipment are recorded at cost for assets purchased and fair market value for donated assets. All property and equipment are depreciated over the estimated useful lives of the assets, as shown below, using the straight-line method.

	Life
Ditches and reservoirs	50-100 years
Buildings and improvements	10-40 years
Radio and office equipment	10 years
Machinery and equipment	10 years
Transportation equipment	5-10 years

Maintenance and repairs are charged to expense as incurred. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in earnings.

Included in construction in progress is $1,710,294 spent to date on a reservoir expansion project.

Deferred Gain on Sale of Property

During 2004, the Company sold the Halligan Reservoir to the City of Fort Collins, a significant shareholder, and related party, for approximately $5,200,000. The consideration given included approximately $1,000,000 of cash and a non-interest bearing note receivable with gross payments of approximately $4,200,000 (see Note 3). The initial gain on the sale was deferred because the minimum initial investment by the buyer was less than the amount required for full recognition. Therefore the gain is being recognized into income as payments are received using the installment method. The installment method apportions each cash receipt and principal payment by the buyer between cost recovered and profit. The apportionment is in the same ratio as total cost and total profit bear to the sales value.

Long-Lived Assets

The Company periodically reviews long-lived assets, including identifiable intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company evaluates the recoverability of its long-lived assets based on estimated undiscounted future cash flows and provides for impairment if such undiscounted cash flows are insufficient to recover the carrying amount of the long-lived asset. If impaired, the long-lived asset is written down to its estimated fair value. In September 2013, the Company incurred significant damage to the Fossil Creek inlet and diversion structure related to a flooding event. No other assets were identified as impaired as a result of the September flooding. The amount of the impairment loss for the inlet and diversion was $136,823. The Company did not receive any insurance proceeds from the event nor do they expect to receive any.

Fair Value of Financial Instruments

The Company's financial instruments are cash equivalents, accounts receivable, notes receivable, accounts payable, and notes payable. The recorded value of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values based on their short-term nature. The recorded values of notes payable and the note receivable approximate their fair values, as interest approximates market rates.

The North Poudre Irrigation Company
Notes to Financial Statements
October 31, 2013 and 2012

As discussed in Note 1, the gain on the sale was deferred, and is reflected as a discount of the note receivable in the accompanying balance sheets. The Company believes that the note is fully collectible, therefore, no allowance for uncollectable accounts is deemed to be required. At October 31, 2013 and 2012, the note receivable, net consisted of the following:

Fiscal Year Ending October 31	October 31, 2013	October 31, 2012
2012	$ -	$ 188,224
2013	188,224	188,224
2014	188,224	188,224
2015	188,224	188,224
2016	188,224	188,224
2017	188,224	188,224
Thereafter	1,515,645	1,515,645
Note receivable - gross	2,456,765	2,644,989
Less: discount on note receivable	(708,908)	(803,271)
Less: deferred gain on sale	(1,239,991)	(1,306,579)
	507,866	535,139
Note receivable - current portion (net)	(28,670)	(27,273)
Note receivable - long-term (net)	$ 479,196	$ 507,866

4. Notes Payable

The following is a summary of activity in notes payable for the year ended October 31, 2013:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Colorado Department of Natural Resources (Colorado Water Conservation Board), 5% interest, payable in 40 annual installments of $77,612, principal and interest, beginning May 1, 1985, maturing on May 1, 2024. Collateralized by the one half interest in Fossil Creek Dam Structure.	$ 687,883	$ -	$ 43,225	$ 644,658	$ 45,387

The North Poudre Irrigation Company
Notes to Financial Statements
October 31, 2013 and 2012

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Colorado Department of Natural Resources (Colorado Water Conservation Board), 5% interest, payable in 40 annual installments of $67,192, principal and interest, beginning May 1, 1987, maturing May 1, 2026. Collateralized by an undivided one half interest in the No. 15 Reservoir dam structure.	665,095	-	33,935	631,160	35,632
Colorado Department of Natural Resources (Colorado Water Conversation Board), 5% interest, payable in 40 annual installments of $23,574, principal and interest, beginning May 1, 1989, maturing May 1, 2028. Collateralized by an undivided one half interest in the Clarks Lake dam structure.	263,773	-	10,385	253,388	10,904
Colorado Department of Natural Resources (Colorado Water Conservation Board), 5% interest, payable in 40 annual installments of $19,847, principal and interest, beginning June 15, 1992, maturing June 15, 2031. Collateralized by an undivided one half interest in the No. 2 dam structure.	239,854	-	7,854	232,000	8,247
Colorado Department of Natural Resources (Colorado Water Conservation Board), 2% interest, payable in 40 annual installments of $64,378, principal and interest, beginning May 1, 1996, maturing May 1, 2035. Collateralized by #5 and #6 dam structures.	1,177,619	-	40,826	1,136,793	41,642

The North Poudre Irrigation Company
Notes to Financial Statements
October 31, 2013 and 2012

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Colorado Department of Natural Resources (Colorado Water Conservation Board), 4.03% interest, payable in 20 annual installments of $36,889, principal and interest, beginning August 31, 2000, maturing August 31, 2019. Collateralized by the No. 6 Reservoir outlet.	221,163	-	27,976	193,187	29,103
Colorado Department of Natural Resources (Colorado Water Conservation Board), 4.04% interest, payable in 20 annual installments of $46,061, principal and interest, beginning May 1, 2005, maturing on May 1, 2024. Collateralized by Indian Creek, #4 and #5 Reservoirs.	431,288	-	28,638	402,650	29,794
Colorado Department of Natural Resources (Colorado Water Conservation Board), 3.25% interest, payable in 20 annual installments of $50,572, principal and interest, beginning February 1, 2009, maturing on February 1, 2027. Collateralized by Miners Lake Reservoir.	592,949	-	31,301	561,648	32,318
To provide for short-term cash requirements, the Company has established a line of credit agreement with a local financial institution to borrow up to $500,000 at 4.25% rate of interest. The loan is due March 3, 2013, and is secured by the revenues of the Company.	112,000	400,000	452,000	60,000	60,000
Totals	4,391,624	$ 400,000	$ 676,140	4,115,484	$ 293,027
Less current portion	336,139			293,027	
Totals	$4,055,485			$3,822,457	

The North Poudre Irrigation Company
Notes to Financial Statements
October 31, 2013 and 2012

The annual requirements to amortize all debt outstanding as of October 31, 2013, are as follows:

Fiscal Year Ending October 31	Principal	Interest	Total Debt Service
2014	$ 293,027	$ 153,096	$ 446,123
2015	242,296	143,827	386,123
2016	251,961	134,162	386,123
2017	262,041	124,082	386,123
2018	272,556	113,567	386,123
2019-2023	1,380,365	405,501	1,785,866
2024-2028	941,583	253,578	1,195,161
2029-2033	346,659	75,603	422,262
2034-2035	124,994	7,475	132,469
Total	$4,115,482	$1,410,891	$5,526,373

5. Water Allotment Agreement

The Company entered into an agreement December 5, 1945, with the Northern Colorado Water Conservancy District for the annual purchase of 40,000 acre feet of water, or any such portion that may be delivered, at $1.50 per unit. Payment is due May 1 of every year and is secured by an irrevocable levy of assessment on the capital stock of the Company. Payments shall continue until the delivery system is paid for and thereafter for operating and maintenance changes.

6. Pension Plan

The Company sponsors a deferred compensation plan for all full-time employees. The Company matches employee deferrals up to a maximum of 3% of compensation. The Company's contribution to the plan was $4,823 and $5,259 for the years ended October 31, 2013 and 2012, respectively.

7. Income Taxes

The current and deferred income taxes for the years ended October 31, 2013 and 2012, were as follows:

October 31,	2013	2012
Current income tax expense	$ 183,412	$ 156,000
Deferred income tax benefit	(5,000)	(5,000)
Income tax expense	$ 178,412	$ 151,000

The North Poudre Irrigation Company
Notes to Financial Statements
October 31, 2013 and 2012

A reconciliation of the effective tax rates and the statutory U.S. federal income tax rates are as follows:

Year Ended October 31,	2013	2012
Income tax expense at U.S. federal statutory rates	$ 161,412	$ 137,000
State income taxes	22,000	19,000
Deferred tax	(5,000)	(5,000)
Income tax expense	$ 178,412	$ 151,000

The only temporary differences between book and tax basis assets and liabilities and their approximate tax effects that give rise to the net deferred tax liability relate to depreciation expense, represented by a long-term deferred tax liability of $23,000 and $21,000, as of October 31, 2013 and 2012, respectively.

8. Subsequent Events

In November, the Company received an emergency loan from Colorado Water Conservation Board in the amount of $481,770 for the Fossil Creek inlet and diversion structure emergency repairs. The loan is a 30 year term loan with no interest or principal payments until November 1, 2017. Interest is fixed at 2.35%.

Management has evaluated subsequent events through December 18, 2013 the date that the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure, except as noted above.

2013 PROJECTS

Work on Cheyenne Diversion

Working to protect well near Reservoir #5