

RECORD OF PROCEEDINGS

MINUTES OF THE REGULAR JANUARY MEETING OF THE
PUEBLO CONSERVANCY DISTRICT ON JANUARY 4, 2002

DIRECTORS PRESENT: Sandstrom, Farley and Kelly

ALSO PRESENT : Don Banner, Ray Koester and Judy Kochevar

The meeting was called to order at 7:30 a.m. on the above date with Gus Sandstrom chairing. The minutes of the December meeting were approved as prepared, and the Treasurers report for December was also approved along with the payment of the following bills:

2020	G. Sandstrom	Directors Fee	55.41
2021	K. Farley	Directors Fee	55.41
2022	P. Kelly	Directors Fee	55.41
2023	Banner	Legal Fee	300.00
2024	Engineer Koester	Eng/Admin Fee	480.00
		Rental Fees	100.00
2025	MBDG, pc	Bookkeeping Service	175.00
2026	Westplains Energy	Power at Runyon	90.00
2027	Judy Kochevar	Prep for Pub HARP	420.00
2028	My Friend the P.	Deposit for Print	1500.00
2029	U. S. Treasury	4th Qtr FICA	82.62

There was a Treasury Note at Dain that matured on December 31 and quotations from 1st Union and Saloman-Smith-Barney were for 4.289% net yeild for a 4 year Note. The Board agreed to study and review the purchase of Bonds that could be done by a this public agency, and to hold the \$100,000 from December to January 31 when another \$100,000 Note will mature, and a possible purchase of two \$100,000 instruments can be done at a higher interest rate than Notes.

The Board considered the Engagement letter of MBDG, pc, for bookkeeping services for year 2002 for a monthly fee of \$200. The proposal was unanimously approved and the chairman signed the agreement.

Judy Kochevar then explained the progress of the publishing of the HARP History, and the Board agreed to pay the Deposit fee of \$1500 to My Friend the Printer to start the printing process. The Board also agreed upon completion of the printing, to sell copies of the History for \$12 each, and discount to members of HARP contributors at \$10 per copy.

Banner indicated that the revised documents on the and swap with the Railroad are in the hands of the Railroad for signature, and the deal is through negotiation with the documents to be recorded when they return from signature.

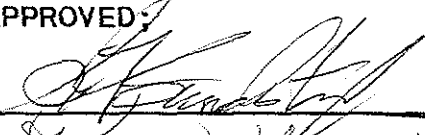
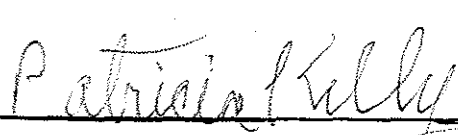
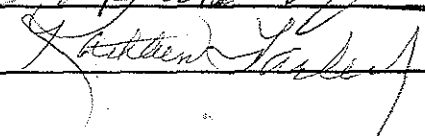
The Board then heard a comment by Banner that a Letter of Intent between PCD and the City of Pueblo regarding future easements and rights of way along the Arkasas corridor, has been revised to include provisions for transferring any improments now in the river to the City. Banner will perfect the agreement and be ready to sign with the City.

The election of positions on the Board took place at this first meeting of the year, and the terms of the positions will be for two years as follows: Chairman, Gus Sandstrom, Kathy Farley Treasurer and Pat Kelly, Member (Secretary).

There was nothing to report on Progress Rail.

There being no further business, the meeting was adjourned at 8:15 a.m. The regular February meeting is scheduled for Friday, Feburary 8, 2002 at 7:30 a.m. at the District Office, 111 East 5th Street.

APPROVED:

THE PUEBLO CONSERVANCY DISTRICT

BOARD OF DIRECTORS
P. KELLY
K. FARLEY
G. SANDSTROM

111 EAST FIFTH STREET
544-6823
PUEBLO, COLORADO

MAILING ADDRESS:
P. O. BOX 234
PUEBLO, COLO. 81002

NOTICE OF FEBRUARY MEETING

DATE : FEBRUARY 8, 2002 (Friday) at 7:30 a.m.

PLACE : At District Office, 111 East 5th Street

- A G E N D A -

1. Roll Call
2. Approval of Minutes of January meeting.
3. Treasurers Report for January
 - a. Approve bills for February
 - b. Consider bids for re-investment of \$200,000 of T-Note at Dain, now matured (1 on December 31 and 1 on January 31)
4. Old Business -
 - a. Discussion of Legacy funding
 - b. Review of published HARP History
 - c. Discussion of Legacy Agreement.
 - d. Update on completion of land swap with the Railroad.
 - e. Update on removal of Progress Rail and repurchase of land/Pasquin et al.
5. New Business -
6. Set date for March meeting.
7. Adjourn.

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THE PUEBLO CONSERVANCY DISTRICT:<

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ACCOUNTS PAYABLE - - - -

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January Accounts Payable to Approve 01-04-02<

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2020	G. Sandstrom	Directors Fee (Jan) (81)	55.41
2021	K. Farley	Directors Fee (Jan) (81)	55.41
2022	P. Kelly	Directors Fee (Jan) (81)	55.41
2023	Banner	Legal Fee (Jan) (80)	300.00
2024	Engineer Koester	Eng/Admin (Jan) (83)	400.00
		Rental of Stor and Mtg (97)	100.00
2025	MBDG, PC	Bookeepg Serv (Dec) (90)	175.00
2026	Westplains Energy	Power at Runyon (105)	90.00
2027	Judy Kochevar	Prep for Pub. of HARP (100)	420.00
2028	<i>My Friend</i>	Deposit for Printing (100)	1500.00
2029	U. S. Treasury	4th Qtr. FICA Form 941	82.62
		(82) 1/2 \$41.31	
		(81) WH 1/2-41.31	
2030		~~U. S. Treasury (Investment)~~	

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PAYABLE TOTAL \$

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THE PUEBLO CONSERVANCY DISTRICT:

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ACCOUNTS PAYABLE - - - -

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February Accounts Payable to Approve 02-08-02<

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2030	G. Sandstrom	Directors Fee (Feb) (81)	55.41
2031	K. Farley	Directors Fee (Feb) (81)	55.41
2032	P. Kelly	Directors Fee (Feb) (81)	55.41
2033	Banner	Legal Fee (Feb) (80)	300.00
2034	Engineer Koester	Eng/Admin (Feb) (83) Rental of Stor and Mtg (97)	400.00 100.00
2035	Engineer Koester	Land Survey work on ROW land swap --Sept 2000 to Jan 2002 (100)	2260.00
2036	NorthStar Eng.	Land Survey to set corne2s to parcel being purchased (RR paid NorthStar for surveys on land sold around Roundhouse) 100)	725.00
2037	MBDG, PC	Bookeepg Serv (Jan) (90)	200.00
2038	Westplains Energy	Power at Runyon (105)	90.00
2039	U.S. Bank Corp	FILM (Investment)	100,000.00
2940	COLO TRUST- (PAME)	(Investment)	100,000.00
~~2041~~		~~(Investment)~~	~~80,000.00x~~

PAYABLE TOTAL . . . \$ 4,241.23

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McPherson,
Breyfogle,
Daveline &
Goodrich, PC
Certified Public Accountants

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Final
12/31/01

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
The Pueblo Conservancy District
Pueblo, Colorado

We have compiled the accompanying balance sheet -general fund only of The Pueblo Conservancy District as of December 31, 2001 and December 31, 2000, and the related comparative statement of revenue and expenditures – actual and budget – general fund for the one month and twelve months ended December 31, 2001, and the twelve months ended December 31, 2000, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

McPherson, Breyfogle, Daveline & Goodrich P.C.

February 20, 2002

PUEBLO CONSERVANCY DISTRICT
BALANCE SHEET - GENERAL FUND ONLY
DECEMBER 31, 2001 AND DECEMBER 31, 2000

	<u>12/31/01</u>	<u>12/31/00</u>
ASSETS		
VECTRA BANK CHECKING	\$ 5	\$ (3,067)
VECTRA BANK MONEY MARKET	5,479	3,290
BROKERAGE MONEY MARKET ACCOUNTS	190,501	168,364
VECTRA BANK CERTIFICATE OF DEPOSITS	349,875	341,662
FNB COLORADO CERTIFICATE OF DEPOSIT	100,000	106,130
COLOTRUST INVESTMENT	150,000	101,000
DAIN RAUCHER INVESTMENT	100,375	201,407
FIRST UNION INVESTMENT	207,035	102,844
PIPER JAFFRAY INVESTMENT	52,905	69,633
ACCRUED INTEREST	16,807	20,527
DUE FROM OTHER ENTITIES	<u>-</u>	<u>77,436</u>
 TOTAL ASSETS	 <u>\$ 1,172,982</u>	 <u>\$ 1,189,226</u>
LIABILITIES AND FUND EQUITY		
ACCOUNTS PAYABLE	\$ 265	\$ 265
PAYROLL TAXES PAYABLE	<u>82</u>	<u>82</u>
 TOTAL LIABILITIES	 <u>347</u>	 <u>347</u>
 RESERVE FOR EMERGENCIES	 6,000	 6,000
DESIGNATED FOR SUBSEQUENT YEAR'S EXPENDITURES	96,840	113,840
UNDESIGNATED	<u>1,069,795</u>	<u>1,069,039</u>
 TOTAL FUND EQUITY	 <u>1,172,635</u>	 <u>1,188,879</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 1,172,982</u>	 <u>\$ 1,189,226</u>

SEE ACCOUNTANTS' COMPILATION REPORT

PUEBLO CONSERVANCY DISTRICT
COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES -
ACTUAL AND BUDGET - GENERAL FUND
FOR THE ONE AND TWELVE MONTH ENDED DECEMBER 31, 2001
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2000

	<u>ACTUAL</u>				
	<u>CURRENT</u>	<u>YEAR</u>	<u>2001</u>	<u>UNUSED</u>	<u>2000</u>
	<u>MONTH</u>	<u>TO DATE</u>	<u>BUDGET</u>	<u>BUDGET</u>	<u>ACTUAL</u>
REVENUES					
INTEREST INCOME					
CERTIFICATES OF DEPOSIT	\$ 6,593	\$ 31,491	\$ 25,000	\$ (6,491)	\$ 20,941
COLOTRUST	110	7,009	8,000	991	7,921
MONEY MARKET ACCOUNTS	267	2,819	4,000	1,181	3,692
DAIN RAUCHER	-	12,375	12,000	(375)	12,375
FIRST UNION	1,757	12,313	12,000	(313)	12,320
PIPER JAFFRAY	187	4,766	6,000	1,234	5,988
UNREALIZED GAINS (LOSSES)	(6,395)	3,302	3,000	(302)	6,509
TOTAL INTEREST INCOME	2,519	74,075	70,000	(4,075)	69,746
LEASE PAYMENTS	-	-	250	250	-
OTHER INCOME	-	-	-	-	87
TOTAL REVENUES	\$ 2,519	\$ 74,075	\$ 70,250	\$ (3,825)	\$ 69,833
EXPENDITURES					
80 LEGAL FEES	\$ 300	\$ 3,600	\$ 3,600	\$ -	\$ 3,600
81 DIRECTORS FEES	180	2,160	3,000	840	2,160
82 FICA TAXES	-	164	240	76	83
83 ENGINEER/ADMINISTRATIVE	400	4,800	4,800	-	4,800
90 AUDIT & BOOKKEEPING	350	2,100	2,100	-	2,100
92 INSURANCE/BONDS	-	1,896	500	(1,396)	3,256
96 OFFICE EXPENSE	-	262	650	388	251
97 OFFICE RENT	100	1,200	1,200	-	1,200
100 PROFESSIONAL FEES	-	4,103	5,000	897	1,960
103 TRAVEL	90	346	500	154	170
105 REPAIRS & MAINTENANCE	4,020	19,688	25,000	5,312	18,032
108 CONTINGENCIES	-	-	500	500	-
109 EMERGENCY REPAIR	-	-	20,000	20,000	20,000
110 CAPITAL IMPROVEMENTS	-	-	25,000	25,000	4,422
111 PLANNING & DEVELOPMENT	-	-	25,000	25,000	-
112 HARP - O & M	50,000	50,000	50,000	-	48,800
TOTAL EXPENDITURES	55,440	90,319	167,090	76,771	110,834
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (52,921)	\$ (16,244)	\$ (96,840)	\$ (80,596)	\$ (41,001)

SEE ACCOUNTANTS' COMPILATION REPORT



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January
2002

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
The Pueblo Conservancy District
Pueblo, Colorado

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McPherson, Breyfogle, Daveline & Goodrich P.C.

February 20, 2002

PUEBLO CONSERVANCY DISTRICT
BALANCE SHEET - GENERAL FUND ONLY
JANUARY 31, 2002 AND DECEMBER 31, 2001

	<u>1/31/02</u>	<u>12/31/01</u>
ASSETS		
VECTRA BANK CHECKING	\$ 102,235	\$ 5
VECTRA BANK MONEY MARKET	105,481	5,479
BROKERAGE MONEY MARKET ACCOUNTS	87,439	190,501
VECTRA BANK CERTIFICATE OF DEPOSITS	349,875	349,875
FNB COLORADO CERTIFICATE OF DEPOSIT	100,000	100,000
COLOTRUST INVESTMENT	150,000	150,000
DAIN RAUCHER INVESTMENT	-	100,375
FIRST UNION INVESTMENT	207,035	207,035
PIPER JAFFRAY INVESTMENT	52,905	52,905
ACCRUED INTEREST	16,807	16,807
DUE FROM OTHER ENTITIES	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 1,171,777</u>	 <u>\$ 1,172,982</u>
 LIABILITIES AND FUND EQUITY		
ACCOUNTS PAYABLE	\$ -	\$ 265
PAYROLL TAXES PAYABLE	<u>13</u>	<u>82</u>
 TOTAL LIABILITIES	 <u>13</u>	 <u>347</u>
 RESERVE FOR EMERGENCIES	 6,000	 6,000
DESIGNATED FOR SUBSEQUENT YEAR'S EXPENDITURES	96,840	96,840
UNDESIGNATED	<u>1,068,924</u>	<u>1,069,795</u>
 TOTAL FUND EQUITY	 <u>1,171,764</u>	 <u>1,172,635</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 1,171,777</u>	 <u>\$ 1,172,982</u>

SEE ACCOUNTANTS' COMPILATION REPORT

PUEBLO CONSERVANCY DISTRICT
COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES -
ACTUAL AND BUDGET - GENERAL FUND
FOR THE ONE AND ONE MONTH ENDED JANUARY 31, 2002
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2001

	ACTUAL				
	CURRENT MONTH	YEAR TO DATE	2002 BUDGET	UNUSED BUDGET	2001 ACTUAL
REVENUES					
INTEREST INCOME					
CERTIFICATES OF DEPOSIT	\$ 1,702	\$ 1,702	\$ 30,000	\$ 28,298	\$ 31,491
COLOTRUST	350	350	8,000	7,650	7,009
MONEY MARKET ACCOUNTS	2	2	4,000	3,998	2,819
DAIN RAUCHER	-	-	12,000	12,000	12,375
FIRST UNION	-	-	12,000	12,000	12,313
PIPER JAFFRAY	350	350	6,000	5,650	4,766
UNREALIZED GAINS (LOSSES)	(375)	(375)	3,000	3,375	3,302
TOTAL INTEREST INCOME	2,029	2,029	75,000	72,971	74,075
LEASE PAYMENTS	-	-	250	250	-
OTHER INCOME	-	-	-	-	-
TOTAL REVENUES	\$ 2,029	\$ 2,029	\$ 75,250	\$ 73,221	\$ 74,075
EXPENDITURES					
80 LEGAL FEES	\$ 300	\$ 300	\$ 3,600	\$ 3,300	\$ 3,600
81 DIRECTORS FEES	180	180	3,000	2,820	2,160
82 FICA TAXES	-	-	240	240	164
83 ENGINEER/ADMINISTRATIVE	400	400	4,800	4,400	4,800
90 AUDIT & BOOKKEEPING	-	-	2,100	2,100	2,100
92 INSURANCE/BONDS	-	-	500	500	1,896
96 OFFICE EXPENSE	-	-	650	650	262
97 OFFICE RENT	100	100	1,200	1,100	1,200
100 PROFESSIONAL FEES	1,920	1,920	5,000	3,080	4,103
103 TRAVEL	-	-	500	500	346
105 REPAIRS & MAINTENANCE	-	-	25,000	25,000	19,688
108 CONTINGENCIES	-	-	500	500	-
109 EMERGENCY REPAIR	-	-	20,000	20,000	-
110 CAPITAL IMPROVEMENTS	-	-	25,000	25,000	-
111 PLANNING & DEVELOPMENT	-	-	25,000	25,000	-
112 HARP - O & M	-	-	55,000	55,000	50,000
TOTAL EXPENDITURES	2,900	2,900	172,090	169,190	90,319
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (871)	\$ (871)	\$ (96,840)	\$ (95,969)	\$ (16,244)

SEE ACCOUNTANTS' COMPILATION REPORT



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For Review Purposes Only

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
The Pueblo Conservancy District
Pueblo, Colorado

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January 2, 2002

PUEBLO CONSERVANCY DISTRICT
BALANCE SHEET - GENERAL FUND ONLY
DECEMBER 31, 2001 AND DECEMBER 31, 2000

	<u>12/31/01</u>	<u>12/31/00</u>
ASSETS		
MINNEQUA CHECKING	\$ 5	\$ (3,067)
MINNEQUA MONEY MARKET	5,470	3,290
BROKERAGE MONEY MARKET ACCOUNTS	86,629	168,364
MINNEQUA CERTIFICATE OF DEPOSITS	345,695	341,662
FNB COLORADO CERTIFICATE OF DEPOSIT	100,000	106,130
COLOTRUST INVESTMENT	150,000	101,000
DAIN RAUCHER INVESTMENT	202,125	- 201,407
FIRST UNION INVESTMENT	208,210	102,844
PIPER JAFFRAY INVESTMENT	55,172	69,633
ACCRUED INTEREST	18,537	20,527
DUE FROM OTHER ENTITIES	<u>-</u>	<u>77,436</u>
 TOTAL ASSETS	 <u>\$ 1,171,843</u>	 <u>\$ 1,189,226</u>
 LIABILITIES AND FUND EQUITY		
ACCOUNTS PAYABLE	\$ -	\$ 265
PAYROLL TAXES PAYABLE	<u>83</u>	<u>82</u>
 TOTAL LIABILITIES	 <u>83</u>	 <u>347</u>
 RESERVE FOR EMERGENCIES	 6,000	 6,000
DESIGNATED FOR SUBSEQUENT YEAR'S EXPENDITURES	96,840	113,840
UNDESIGNATED	<u>1,068,920</u>	<u>1,069,039</u>
 TOTAL FUND EQUITY	 <u>1,171,760</u>	 <u>1,188,879</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 1,171,843</u>	 <u>\$ 1,189,226</u>

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SEE ACCOUNTANTS' COMPILATION REPORT

PUEBLO CONSERVANCY DISTRICT
COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES -
ACTUAL AND BUDGET - GENERAL FUND
FOR THE ONE AND TWELVE MONTH ENDED DECEMBER 31, 2001
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2000

	ACTUAL				
	CURRENT MONTH	YEAR TO DATE	2001 BUDGET	UNUSED BUDGET	2000 ACTUAL
REVENUES					
INTEREST INCOME					
CERTIFICATES OF DEPOSIT	\$ 2,411	\$ 27,310	\$ 25,000	\$ (2,310)	\$ 20,941
COLOTRUST	372	7,271	8,000	729	7,921
MONEY MARKET ACCOUNTS	141	2,693	4,000	1,307	3,692
DAIN RAUCHER	-	12,374	12,000	(374)	12,375
FIRST UNION	-	10,556	12,000	1,444	12,320
PIPER JAFFRAY	352	4,931	6,000	1,069	5,988
UNREALIZED GAINS (LOSSES)	(1,897)	7,801	3,000	(4,801)	6,509
TOTAL INTEREST INCOME	1,379	72,936	70,000	(2,936)	69,746
LEASE PAYMENTS	-	-	250	250	-
OTHER INCOME	-	-	-	-	87
TOTAL REVENUES	\$ 1,379	\$ 72,936	\$ 70,250	\$ (2,686)	\$ 69,833
EXPENDITURES					
80 LEGAL FEES	\$ 300	\$ 3,600	\$ 3,600	\$ -	\$ 3,600
81 DIRECTORS FEES	180	2,160	3,000	840	2,160
82 FICA TAXES	-	164	240	76	83
83 ENGINEER/ADMINISTRATIVE	400	4,800	4,800	-	4,800
90 AUDIT & BOOKKEEPING	175	1,925	2,100	175	2,100
92 INSURANCE/BONDS	-	1,896	500	(1,396)	3,256
96 OFFICE EXPENSE	-	262	650	388	251
97 OFFICE RENT	100	1,200	1,200	-	1,200
100 PROFESSIONAL FEES	-	4,104	5,000	896	1,960
103 TRAVEL	90	346	500	154	170
105 REPAIRS & MAINTENANCE	3,930	19,598	25,000	5,402	18,032
108 CONTINGENCIES	-	-	500	500	-
109 EMERGENCY REPAIR	-	-	20,000	20,000	20,000
110 CAPITAL IMPROVEMENTS	-	-	25,000	25,000	4,422
111 PLANNING & DEVELOPMENT	-	-	25,000	25,000	-
112 HARP - O & M	50,000	50,000	50,000	-	48,800
TOTAL EXPENDITURES	55,175	90,055	167,090	77,035	110,834
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (53,796)	\$ (17,119)	\$ (96,840)	\$ (79,721)	\$ (41,001)

SEE ACCOUNTANTS' COMPILATION REPORT

DRAFT
For Review Purposes Only



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Phone (719) 543-0516
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Mon BK

January 2, 2002

Board of Directors
Pueblo Conservancy District
P.O. Box 234
Pueblo, CO 81002

This letter is to confirm our understanding of the terms and objectives of our engagement for 2002 and the nature and limitations of the services we will provide.

We will perform the following services:

1. Post the general ledger monthly from coded check copies and deposit receipts;
2. Reconcile business bank accounts monthly;
3. Adjust investment portfolio to market value quarterly;
4. Adjust books to accrual basis at year-end;
5. Prepare monthly compiled financial statements for the general fund only;
6. Prepare annual application for exemption from audit.

You will need to provide us each month with the following:

1. Board approved listing of checks issued, coded checks, and invoices;
2. Bank statements (including savings accounts, certificates of deposit, and investment accounts), with cancelled items;
3. Copy of duplicate deposits and receipts, (including detail of deposited items);

We will compile, from information you provide, the annual and monthly balance sheets – general fund only – and the related comparative statements of revenue and expenditures – actual and budget – general fund, of the Pueblo Conservancy District for the year 2002. We will not audit or review such financial statements. Our report on the annual financial statements of The Pueblo Conservancy District is presently expected to read as follows:

“We have compiled the accompanying balance sheets – general fund only - of the Pueblo Conservancy District as of December 31, 2002 and 2001, and the related comparative statements of revenue and expenditures – actual and budget – general fund for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements mentioned above, they might influence the user’s conclusions about the District’s financial position and results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The accompanying statements were prepared to present the activities of the general fund only and are not intended to be a complete presentation of the District’s assets, liabilities, revenue, and expenditures.

This report is intended solely for the information and use of the board of directors and management of the Pueblo Conservancy District and should not be used for any other purpose.”

If, for any reason, we are unable to complete the compilation of your financial statements, we will not issue a report on such statements as a result of this engagement.

Our engagement cannot be relied upon to detect errors, fraud, or illegal acts that may exist. However, we will inform you of any material errors that come to our attention and any fraud or illegal acts that come to our attention, unless they are clearly inconsequential.

Our fees for these services are as follows:

Compiled financial statements and monthly accounting – A monthly fee of \$200, payable each month upon completion of the prior month’s work;

and

Preparation of annual application for exemption from audit – No additional charge.

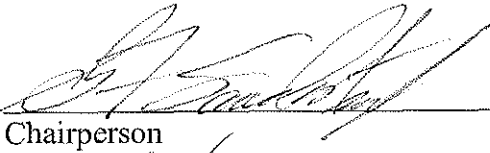
Please indicate your acceptance of the above understanding by signing below. A copy is enclosed for your records. If your needs change during the year, the nature of our services can be adjusted appropriately. Likewise, if you have special projects with which we can assist, please let us know.

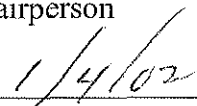
Sincerely,

McPherson, Breyfogle, Daveline & Goodrich, PC


Larry A. Daveline, CPA
Shareholder

Acknowledged:
Pueblo Conservancy District


Chairperson


Date