

**APPENDIX 4
TO
PLAN OF WATER MANAGEMENT
FOR
SPECIAL IMPROVEMENT DISTRICT NO. 1 OF THE RIO GRANDE WATER
CONSERVATION DISTRICT**

BUDGET AND ACCOUNTING PLAN

The Board of Managers shall conduct the budgeting and record keeping functions of Subdistrict No. 1 pursuant to the following procedures:

1. Within sixty (60) days of final judicial approval of the Water Management Plan, the Subdistrict will prepare a preliminary budget concerning planned expenditures and needed revenues for implementation of the Plan during that calendar year. On or before September 15 of that year and each successive year, the Board of Managers of the Subdistrict will adopt a detailed budget concerning the implementation of the Plan during the next calendar year. This budget will be presented to, and included, in the Rio Grande Water Conservation District's annual budget that is submitted for approval by its Board of Directors in October of each year.
 - a. Each annual budget shall contain a detailed description of the expenditures planned for the next year, which shall include: (1) The amount of money allocated to the lease, loan or purchase of water or water rights to be used to replace injurious stream depletions resulting from the operation of subdistrict; (2) The amount of money allocated to the payment of the local cost share for any land retirement program, including incentive and bonus payments; (3) If applicable: (a) identification and description of any works

to be constructed; (b) the purpose of the works; (c) the specific locations of the works; (d) the estimated capital cost of the works; (e) the estimated operating and maintenance costs associated with the works for the next year; (f) the estimated service life of the works; (g) identification of any continuing construction or modification of works for which construction has previously commenced, including items (b) – (e) above for these works; (4) Identification and description of any other activities to be undertaken in implementation of the Plan, including the purpose, location, and costs thereof; (5) Itemized administrative costs for the coming year; and (6) Identification of any other planned expenditure including its purpose and costs. The District and Subdistrict shall be limited to expenditures in the amounts and for the purposes specified in the budget unless an amended budget is adopted, after proper notice, in accordance with the provisions of Colorado Law.

- b. The District shall prepare and file with the Court annually, by September 15 of each year, a “Water and Land Acquisition Status Report” which shall identify and describe by name, location, priority, and amount of historical diversions and consumptive use, any water rights that the District or Subdistrict has acquired in order to implement the Plan. The Water and Land Acquisition Status Report shall identify, by amount of irrigated acreage, any lands that the District or Subdistrict has acquired or designated for fallowing, whether by purchase, lease or otherwise (including designation for participation in Conservation Reserve

Enhancement Program (CREP) as defined by the Plan, or any similar program), together with a description of the status of activities to authorize and implement such fallowing for the purpose of retiring such lands from irrigation. For purposes of section (1)(b) of this Appendix, the budget shall allocate revenues to the acquisition of water rights, either temporary or permanent, to the replacement of any injury to senior surface water rights, to financial incentives paid by the Subdistrict for temporary or permanent land fallowing, and to the Subdistrict's obligations under an implemented CREP Program, both for the basic cost-share requirement for CREP and for any additional incentive payments made by the Subdistrict to participating landowners. To the extent that CRP-1 contracts between a producer and the USDA and supplemental contracts between a producer and the District or Subdistrict setting forth additional incentive payments are public records maintained by the District they will be available for public review.

- c. The budget shall specifically describe the revenues required to pay for each of the planned expenditures, and the nature and amount of each of the specific fees or assessments proposed to generate such revenues. If any specific fees or assessments are planned to be allocated to a specific planned expenditure, the budget shall identify the planned allocation. The total Administrative Fee charged by the District or Subdistrict for a given year shall be limited to the amount shown by specific items in the budget as required to fund the operations of the Subdistrict and to repay any sums

advanced by the District during the formation process. The total CREP Fee charged by the District or Subdistrict for a given year shall be limited to the amount shown by specific items in the budget as needed to fund the local cost share components of a CREP Program designed to retire land in the Subdistrict and to fund any additional incentive payments related thereto. The total Variable Fee for a given year shall be limited to the amount shown by specific items in the budget as required to provide sufficient revenue for that year for the Subdistrict improvements specified in the budget, including permanent retirement and/or annual fallowing of the required acreage, protection of senior surface water rights and necessary infrastructure improvements.

2. After final judicial approval of the Water Management Plan, and on or before August 1 of each successive year, prior to adopting the budgets provided for in paragraph 1, the Subdistrict shall make available to any interested party a preliminary draft of the proposed budget and with all available supporting information describing or justifying the expenditures and revenues contemplated and the specific fees or assessments or other charges proposed for the next year. The Subdistrict shall provide interested parties with the opportunity and sufficient time to analyze the information, to meet with District and Subdistrict representatives concerning the proposed budget, to present comments or evidence to the Subdistrict at its September quarterly meeting where the budget will be submitted for approval. Further, interested parties may appear before the District

Board to give comments or evidence regarding the Subdistrict's budget before it adopts each annual budget at its October meeting.

- a. To the extent that a party raises a challenge to the Subdistrict's budget as adopted, and that party has exhausted his or her administrative remedies by appearing before the Subdistrict's Board of Managers and the District's Board of Directors to challenge or comment upon the budget, that party may invoke the retained jurisdiction of the Court to review that budget within seven (7) days of its adoption by the District's Board of Directors. The parties request that the Court resolve the challenge on an expedited basis by November 15 of that calendar year. That review, however, shall be limited to whether the budget is sufficiently detailed under the requirements of this Appendix and the law; and whether the proposed expenditures, revenues and fees or other assessments or charges are reasonably needed to implement the Plan and are in compliance with law. The parties request that the Court review any challenge under the provision of C.R.C.P. 106. Pending a ruling on the challenge by the Court, the provisions of Title 29, Article 1 shall apply.
- b. For each budget year, the District or Subdistrict shall impose only such fees or assessments or other charges, and in such amounts, as are authorized and justified by its annual budget and by the terms of the Plan and of this Appendix unless an amended budget is adopted, after proper notice, in accordance with the provisions of Colorado Law.

- c. If, in the future, the District or Subdistrict applies to this Court to modify the plan for water management or to alter the means by which it generates revenues (including, but not limited to, a petition to increase the maximum Variable Fee), it shall afford all persons proper notice and the opportunity to appear and raise any relevant argument concerning the proposed modification in such a proceeding.
3. Should final judicial resolution of the litigation in Case Nos. 06CV64 and 07CW52 occur prior to the deadlines for submitting Subdistrict service and user fees to the applicable County Assessors in December of 2009, the District and other parties will cooperate to develop a budget for 2010.
4. The adoption of this Appendix by the Board of Managers and the District's Board of Directors shall not be interpreted as obviating any applicable provisions of the Stipulation, dated October 20, 2008 and titled "Stipulation Between Rio Grande Water Conservation District, Farming Technology Corporation and the Skyview Parties."