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1:00 O'Clock, M

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FEB 16 1989

By Ethel Bouton, Clerk
Deputy

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Attorneys For _____ Michael E. J. Mongini Bar No. 007160

IN THE SUPERIOR COURT OF THE STATE OF ARIZONA
IN AND FOR THE COUNTY OF YAVAPAI

In the Matter of the)	201
)	
VERDE DITCH COMPANY)	No. 4772
)	
GEORGE W. HANCE, et al.,)	SPECIAL COMMITTEE
)	FINAL REPORT
Plaintiff,)	
)	
vs.)	
)	
WALES ARNOLD, et al.,)	
)	
Defendant.)	

Pursuant to appointment of the Court, the Special Committee, through its undersigned member files this Final Report.

The objectives of the Committee filed on or about March 1988 with the court were misunderstood to be the objectives of the court. The Courts Order, dated January 12, 1989 and the Commissioners' Response, dated November 8, 1988 to the Special Committee Report dated October 21, 1988 leaves the committee with the following recommendation:

FIRST, a full and complete Financial and Managerial Audit should be completed by a Certified Public Accounting Firm covering not less than a three (3) year period. (The

1 Committee feels five (5) years would be more appropriate.)

2 The decision is based upon the Committee members
3 collective understanding and impression that all interested
4 parties, or groups, namely the Commissioner, the Court and the
5 Ditch Shareholders, desire or expected an audit from the
6 Committee. The Committee is not equipped to conduct an audit
7 without a professional accountants assistance (per Sandra
8 Halma's letter to Judge Anderson dated October 20, 1988). The
9 Committee could not complete an examination of the books and
10 records under any audit procedure involving Financial
11 Accounting Standards Board decisions or General Acceptable
12 Accounting Principles.

13 The Committee feels to avoid further controversy or
14 debate the Court should make the decision of an audit, and not
15 the Shareholders of the Camp Verde Ditch. Any audit charges
16 should be paid for by the Shareholders of the Camp Verde Ditch.

17 The Courts request for an estimated cost for an
18 audit would be in the range of \$5,000 for the first year
19 audited due to the learning nature of the audit, since no past
20 audit has been performed by the auditor. A continuous three
21 (3) year audit would possibly be in the range of \$10,000.00.
22 It is difficult for an accountant to give an estimate due to
23 consideration which the auditor will have to give to both the
24 financial and operations portions of the audit. It is
25 suggested that the Court give specific guide lines and
26 parameters for the audit in order to avoid unnecessary costs.

