

MINUTES OF A MEETING OF THE BOARD OF DIRECTORS OF  
TARRANT COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER ONE  
HELD ON THE 2ND DAY OF AUGUST, 1982 AT 10:00 A. M.

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The call of the roll disclosed the presence or absence  
of Directors as follows:

PRESENT

C. Victor Thornton  
Robert D. Alexander  
Burford I. King

ABSENT

Wayne E. Newton  
Preston M. Geren

Also present was Messrs. Ben Hickey, General Manager; Bill Hilliard, Assistant General Manager; R. M. Doby, Manager of Fiscal Affairs; James Nichols and Bob Thompson of Freese and Nichols, Inc. and George Chirstie, Attorney for the District.

Director Thornton acted in his capacity as President and Director Alexander acted as Secretary, whereupon proceedings were had and done as follows:

1.

Messrs. Jim Nichols and Robert Thompson of Freese and Nichols, Inc. reviewed the status of the Richland Creek Project. A summary of cash flow requirements for the project through 1986 was submitted. Included was the final estimate for Contract Number One - Dam and Spillway. The estimate is \$82,960,000 which represents a 14% increase from 1979. The Board asked that the 1979 estimates be included in the summary for easy reference.

2.

Mr. Robert Doby submitted a proposal from Arthur Young and Company for audit services FY1982:

July 12, 1982

The Board of Directors  
Tarrant County Water Control and  
Improvement District Number One  
Post Office Box 4508  
Fort Worth, Texas 76101

Gentlemen:

The purpose of this letter is to provide an understanding of the scope of services to be performed by Arthur Young & Company for the year ending September 30, 1982.

Examining and reporting on your annual financial statements is to be our basic assignment. We will also be prepared to be helpful to you on any problems within our competence that might arise during the year, and hope that you will call on us at any time you think we can be of assistance.

Our examination of your financial statements will be made in accordance with generally accepted auditing standards and accordingly will include such tests as we consider necessary in the circumstances. Unless unusual conditions not now foreseen make it impracticable for us to do so, we will submit a report on our examination of these financial statements which will express an opinion as to the fairness of their presentation in conformity with generally accepted accounting principles.

The auditing procedures to be utilized in examining the financial statements are selected and applied within the framework of generally accepted auditing standards. The selection of auditing procedures is a matter of the audit team's professional judgment, and is guided by our Firm's policies and preferences and our "businessman's approach" to auditing problems and the significance in materiality of such problems.

Our professional fees are based on the time spent on the engagement by assigned individuals at their established billing rates. The estimated number of hours required to perform the examination includes providing assistance in preparing the Companies' financial statements in accordance with generally accepted accounting principles and is based on reasonable reliance on the underlying accounting records. Should the time requirements be less than our estimates, we will adjust our fees accordingly. Any anticipated increases will be identified during the audit planning phase and will be discussed with Company officials before proceeding with the examination.

The following presents the overall engagement organization and an estimate of the related fees. Effective organization and management are essential elements of all successful auditing engagements. Careful consideration has been given to cost throughout the development of the fee estimate. We believe the engagement organization and our knowledge of the District's operations will provide a practical, cost effective allocation of audit effort.

The number of professional personnel and the relative percentages of their participation in the audit engagement are as follows:

<u>Level</u>	<u>Number</u>	<u>%</u>
Partner	2	5%
Manager	1	15%
Staff	2	80%
	<u>5</u>	<u>100%</u>

At this time we believe our hours will be spent in the following areas:

Review and evaluation of internal control systems	55
Examination of account balances: cash, accounts receivable and investments, including reconciliations, confirmation, fluctuate reviews, tracing transactions through the system and other related tests	55
Fixed assets, vouching of additions, review of disposals, testing depreciation and review of controls	20
Accounts and bonds payable, including vouching year end balances, interest payments and accruals, principal payments, testing for unrecorded liabilities and other related tests	20
Equity transactions, review changes	4
Income and expenses, review transactions, review fluctuations from prior year, trace transactions through the system on a test basis and other related tests	45
Read minutes, organize trial balances and agree to records, obtain outside confirmations	

and representations, prepare management comments, make general inquiries of management and other related matters	56
Review of data processing systems changes and controls	10
Preparation of report, typing, processing and reviews	40
Overall supervision of engagement by management personnel	70

We estimate a "maximum not to exceed" fee for our examination of the District's financial statements for the year ending September 30, 1982 to approxiamte \$19,795 plus estimated expenses of \$1,950 and \$500 for the review of the data processing system.

We appreciate the opportunity to serve the District, and you may be sure that Arthur Young will provide a high degree of professional service. If additional information is required, please call Mr. Alvis P. Stephens or Mr. Frank R. Tucker at 335-1900 at yoiur convenience.

Yours very truly,

/s/ Arthur Young and Company

Following a discussion, Director Alexander moved acceptance of the proposal with addendum dated July 29, 1982.

Director King seconded and the motion unanimously carried.

July 29, 1982

Tarrant County Water Control and  
Improvement District Number One  
Post Office Box 4503  
Fort Worth, Texas 76101

As an addendum to our letter of July 12, 1982, we will review certain vendor invoices on a test basis during the course of performing our audit procedures. Should this review produce unusual results, we will extend our review as deemed appropriate. In addition, should the Board of Directors or management request an in-depth review of selected vendor invoices, we would be happy to extend our audit procedures. Billings for such extended services would be at our standard rates.

We anticipate to deliver the audit report and the management recommendation letter by January 7, 1982.

If other information is desired, please let us know.

Yours very truly,

/s/ Arthur Young and Company

3.

Mr. Bill Hilliard reviewed the quarterly management report for the Richland Creek Project, to wit:

August 2, 1982

Quarterly Management Report  
Richland-Chambers Dam & Reservoir

	%Complete	Funds Committed	%of Budget Committet
Engineering - Dam Spillway			
Design plans & specifications	96	\$ 1,889,848.00	
*Land:			
Reservoir Area	79.5	28,385,404.00	70.9
Mitigation	91.4	<u>7,796,600.00</u>	
total		\$36,182,004.00	
Relocations and Conflicts		741,053.17	1.85
Richland-Chambers Pipeline		571,847.44	.60
Section 10/404 Permit		865,330.35	
*Total Acreage:			
Reservoir Area	39,754		
Mitigation	11,886		
Average price per acre, all cost considered		714.02	
Average price per acre, land only			
		684.84	

4.

Messrs. Bill Hillard and George Christie of the law firm

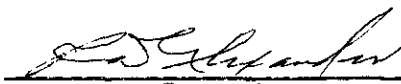
Pope, Hardwicke, Christie and Kelly submitted a recommendation for land settlement. Mr. R. E. Chamness bought a 185.7 acre tract from the District in February of 1980, in the amount of \$270,000.00. A standard mineral reservation was included in the deed covering the extent of the District's mineral estate. No specific reservation of coal and lignite was made. Mr. Chamness now wants to trade this tract to Texas Power and Light Company but Texas Power and Light will only agree if there is a clarification made that Chamness does own and is conveying coal and lignite.

Mr. Christie offered a legal opinion that the District does not in fact own the coal and lignite, but he would be hesitant to recommend accomodation via quit claiming coal and lignite, for no consideration. Therefore, Mr. Chamness has offered to retire the 8% note for \$216,000.00 outstanding. Further he will make a cash payment of \$36,000.00 as consideration for the District quit claiming its interest in all minerals except precious metals. It should be noted that all coal and lignite is within 200 feet of the surface.

With the recommendation of management and subject to review of an existing geologic report, Director King moved, Director Alexander seconded and the recommendation was accepted as presented.

5.

There being no further business before the Board of Directors, the meeting adjourned.

  
Secretary

  
Vice-President