



**WEAVER
AND
TIDWELL**

L.L.P.

CERTIFIED PUBLIC
ACCOUNTANTS
AND CONSULTANTS

December 13, 2005

To the Audit Committee of
Pecan Plantation Owners' Association, Inc.

We have audited the financial statements of Pecan Plantation Owners Assoc. Inc. for the year ended October 31, 2005, and have issued our report thereon dated December 13, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 16, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Pecan Plantation Owners' Association, Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the Association's consolidated financial statements does not extend beyond the information identified in our report on the consolidated financial statements, and we have no professional responsibility to perform audit procedures on such other information.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Pecan Plantation Owners' Association, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was

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not changed during 2005 with the exception of recording interest income on the interfund loan in the reserve and replacement fund. Previously, all interest income was recorded in the operating fund. We noted no transactions entered into by the Association during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance is based on historical trends, known collection issues and review of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of depreciation is based on the estimated lives of the assets. We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the future major repairs and replacements is based on managements and independent assessments of the cost of major repairs and replacement of common property components. We evaluated the key factors and assumptions used to develop the estimate of the future major repairs and replacements and determined that it is reasonable.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Association's financial reporting process (that is, cause future financial statements

Pecan Plantation Owners' Association, Inc.
December 13, 2005

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to be materially misstated). The majority of the adjusting entries made were prepared and proposed by management. One entry to record invoices and retainage owed on road projects of \$309,291 was made as a result of the audit. The final invoice amount was not available to management at year end. It was recorded during the audit and has no income statement affects.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Pecan Plantation Owners' Association, Inc.
December 13, 2005

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This information is intended solely for the use of the Audit Committee, Board of Directors, and management of Pecan Plantation Owners' Association and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

RJL/plh



**WEAVER
AND
TIDWELL**

L.L.P.

CERTIFIED PUBLIC
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AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS**

To the Board of Directors
Pecan Plantation Owners' Association, Inc.
Granbury, Texas

We have audited the accompanying consolidated balance sheet of Pecan Plantation Owners' Association, Inc. (the Association) as of October 31, 2005, and the related consolidated statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Association as of October 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
December 13, 2005

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**PECAN PLANTATION
OWNERS' ASSOCIATION, INC.
CONSOLIDATED BALANCE SHEET
OCTOBER 31, 2005**

ASSETS	Operating Fund	Reserve and Replacement Fund	Total
CURRENT ASSETS			
Cash, including interest bearing deposits	305,836	1,426,842	\$ 1,732,678
Certificate of deposit	50,000	100,000	150,000
Accounts receivable			
Members, less allowance for doubtful accounts of \$54,554	559,042	-	559,042
Interfund receivable - bridge & road loan	-	279,397	279,397
Inventories	136,527	-	136,527
Prepaid expenses	64,992	-	64,992
Other assets	24,785	-	24,785
Total current assets	1,141,182	1,806,239	2,947,421
PROPERTY AND EQUIPMENT			
Land	135,547	-	135,547
Buildings and improvements	1,447,155	-	1,447,155
Equipment and other	6,402,570	-	6,402,570
Construction in progress	1,178,872	-	1,178,872
Contributed property, at assigned value, net	1,196,000	-	1,196,000
Less accumulated depreciation	(3,083,988)	-	(3,083,988)
Property and equipment, net	7,276,156	-	7,276,156
Real estate lots	60,672	-	60,672
TOTAL ASSETS	\$ 8,478,010	\$ 1,806,239	\$ 10,284,249
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Line of credit	\$ 339,539	\$ -	\$ 339,539
Accounts payable	332,392	-	332,392
Accrued expenses	763,845	-	763,845
Interfund payable - bridge & road loan	279,397	-	279,397
Deferred revenues, member assessments	250,278	-	250,278
Rental deposits	15,500	-	15,500
Total current liabilities	1,980,951	-	1,980,951
LONG-TERM DEBT			
	-	-	-
FUND BALANCES	6,497,059	1,806,239	8,303,298
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,478,010	\$ 1,806,239	\$ 10,284,249

The Notes to Consolidated Financial Statements
are an integral part of this statement.

**PECAN PLANTATION
OWNERS' ASSOCIATION, INC.
CONSOLIDATED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND BALANCES
YEAR ENDED OCTOBER 31, 2005**

	Operating Fund	Reserve and Replacement Fund	Total
REVENUES			
Members' assessments	\$ 2,524,245	983,962	\$ 3,508,207
Food and beverage	881,145	-	881,145
Inn & reception	127,725	-	127,725
Golf & tennis	513,690	-	513,690
Marina	585,850	-	585,850
Roads, grounds and recreational facilities	284,506	-	284,506
Member services and administration	489,661	614,489	1,104,150
Security	25,565	-	25,565
	<u>5,432,387</u>	<u>1,598,451</u>	<u>7,030,838</u>
Total revenues			
EXPENSES			
Food and beverage	988,466	-	988,466
Inn & reception	80,560	-	80,560
Golf & Tennis	827,858	-	827,858
Marina	551,315	-	551,315
Roads, grounds and recreational facilities	695,750	-	695,750
Member services and administration	1,512,803	25,344	1,538,147
Security	568,533	-	568,533
	<u>5,225,285</u>	<u>25,344</u>	<u>5,250,629</u>
Total expenses			
Excess revenues over expenses before depreciation and income taxes	207,102	1,573,107	1,780,209
Depreciation expense	543,298	-	543,298
	<u>(336,196)</u>	<u>1,573,107</u>	<u>1,236,911</u>
Excess (deficiency) of revenues over expenses			
FUND BALANCES, BEGINNING	5,734,569	1,282,152	7,016,721
Transfers between funds	1,049,020	(1,049,020)	-
Donated Assets	49,666	-	49,666
	<u>\$ 6,497,059</u>	<u>\$ 1,806,239</u>	<u>\$ 8,303,298</u>
FUND BALANCES, ENDING			

**PECAN PLANTATION
OWNERS' ASSOCIATION, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED OCTOBER 31, 2005**

	Operating Fund	Reserves and Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	(\$ 336,196)	\$ 1,573,107	\$ 1,236,911
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities			
Depreciation	543,298	-	543,298
Gain on sale or disposal of equipment and real estate	(39,287)	-	(39,287)
Changes in operating assets and liabilities			
Accounts receivable	(116,733)	-	(116,733)
Inventories	14,437	-	14,437
Prepaid expenses	5,970	-	5,970
Other assets	(1,450)	-	(1,450)
Deferred revenues	21,155	-	21,155
Accounts payable	192,909	-	192,909
Rental deposits	(500)	-	(500)
Accrued liabilities	496,525	-	496,525
Net cash provided by operating activities	780,128	1,573,107	2,353,235
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,604,697)	-	(1,604,697)
Purchase of certificate of deposits	(50,000)	(100,000)	(150,000)
Proceeds from sale of real estate lots	74,673	-	74,673
Purchase of real estate lots	(11,886)	-	(11,886)
Net cash used in investing activities	(1,591,910)	(100,000)	(1,691,910)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan payments	(674,055)	-	(674,055)
Loan proceeds	339,539	-	339,539
Interfund loan	279,397	(279,397)	-
Transfer from reserves and replacement fund	1,049,020	(1,049,020)	-
Net cash provided by (used in) financing activities	993,901	(1,328,417)	(334,516)
Change in cash and cash equivalents	182,119	144,690	326,809
CASH AND CASH EQUIVALENTS, beginning of year	123,717	1,282,152	1,405,869
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 305,836</u>	<u>\$ 1,426,842</u>	<u>\$ 1,732,678</u>
NON-CASH INVESTING AND FINANCING ACTIVITY			
Lots acquired as payment on trade receivables	<u>\$ 38,687</u>	<u>\$ -</u>	<u>\$ 38,687</u>
Donated capital assets	<u>\$ 49,666</u>	<u>\$ -</u>	<u>\$ 49,666</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.