



**WEAVER  
AND  
TIDWELL**

*L.L.P.*

CERTIFIED PUBLIC  
ACCOUNTANTS  
AND CONSULTANTS

December 15, 2006

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, 2006, and have issued our report thereon dated December 15, 2006. 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 October 6, 2006, 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

DALLAS

*Three Forest Plaza  
12221 Merit Drive  
Suite 1400  
Dallas, Texas 75251-2280  
972-490-1970  
F 972-702-8321*

FORT WORTH

*1600 West Seventh Street  
Suite 300  
Fort Worth, Texas 76102-2306  
817-332-7905  
F 817-429-5936*

WWW.WEAVERANDTIDWELL.COM

AN INDEPENDENT MEMBER OF  
BAKER TILLY  
INTERNATIONAL

Pecan Plantation Owners' Association, Inc.  
December 15, 2006

Page 2

not changed during 2006 with the exception of recording interest income on the Raymond James certificates of deposit 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 management's 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

Pecan Plantation Owners' Association, Inc.  
December 15, 2006

Page 3

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 to be materially misstated). The majority of the adjusting entries made were prepared and proposed by management.

#### 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.

This information is intended solely for the use of the Audit Committee, Board of Directors, and management of Pecan Plantation Owners' Association, Inc. and is

Pecan Plantation Owners' Association, Inc.  
December 15, 2006

Page 4

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  
ACCOUNTANTS  
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, 2006, 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, 2006, 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 15, 2006

DALLAS

Three Forest Plaza  
12221 Merit Drive  
Suite 1400  
Dallas, Texas 75251-2280  
972.490.1970  
F 972.702.8321

FORT WORTH

1600 West Seventh Street  
Suite 300  
Fort Worth, Texas 76102-2506  
817.332.7905  
F 817.429.5936

WWW.WEAVERANDTIDWELL.COM

AN INDEPENDENT MEMBER OF  
BAKER TILLY  
INTERNATIONAL

**PECAN PLANTATION  
OWNERS' ASSOCIATION, INC.  
CONSOLIDATED BALANCE SHEET  
OCTOBER 31, 2006**

ASSETS	Operating Fund	Reserve and Replacement Fund	Total
<b>CURRENT ASSETS</b>			
Cash, including interest bearing deposits	\$ 184,763	\$ 1,162,065	\$ 1,346,828
Certificates of deposit	-	1,250,000	1,250,000
Accounts receivable			
Members, less allowance for doubtful accounts of \$7,258	747,680	-	747,680
Accrued interest receivable	-	25,220	25,220
Inventories	154,737	-	154,737
Prepaid expenses	84,008	-	84,006
Other assets	25,757	-	25,757
<b>Total current assets</b>	<b>1,196,943</b>	<b>2,437,285</b>	<b>3,634,228</b>
<b>PROPERTY AND EQUIPMENT</b>			
Land	179,486	-	179,486
Buildings and improvements	1,482,913	-	1,482,913
Equipment and other	11,497,086	-	11,497,086
Construction in progress	235,609	-	235,609
Contributed property, at assigned value, net	1,196,000	-	1,196,000
<b>Less accumulated depreciation</b>	<b>( 3,660,855)</b>	<b>-</b>	<b>( 3,660,855)</b>
<b>Property and equipment, net</b>	<b>10,930,239</b>	<b>-</b>	<b>10,930,239</b>
Real estate lots	48,531	-	48,531
<b>TOTAL ASSETS</b>	<b>\$ 12,175,713</b>	<b>\$ 2,437,285</b>	<b>\$ 14,612,998</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>CURRENT LIABILITIES</b>			
Line of credit	\$ 4,111,407	\$ -	\$ 4,111,407
Accounts payable	654,327	-	654,327
Accrued expenses	208,485	-	208,485
Deferred revenues, member assessments	314,216	-	314,216
Rental deposits	13,744	-	13,744
<b>Total current liabilities</b>	<b>5,302,179</b>	<b>-</b>	<b>5,302,179</b>
<b>FUND BALANCES</b>	<b>6,873,534</b>	<b>2,437,285</b>	<b>9,310,819</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 12,175,713</b>	<b>\$ 2,437,285</b>	<b>\$ 14,612,998</b>

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, 2006**

	Operating Fund	Reserve and Replacement Fund	Total
<b>REVENUES</b>			
Members' assessments	\$ 2,598,646	\$ 1,010,185	\$ 3,608,831
Food and beverage	809,920	-	809,920
Inn & reception	121,067	-	121,067
Golf & tennis	539,318	-	539,318
Marina	630,109	-	630,109
Roads, grounds and recreational facilities	333,800	-	333,800
Member services and administration	483,843	631,528	1,115,371
Security	53,423	-	53,423
<b>Total revenues</b>	<b>5,570,126</b>	<b>1,641,713</b>	<b>7,211,839</b>
<b>EXPENSES</b>			
Food and beverage	987,094	-	987,094
Inn & reception	165,858	-	165,858
Golf & tennis	982,848	-	982,848
Marina	572,986	-	572,986
Roads, grounds and recreational facilities	742,531	-	742,531
Member services and administration	1,523,905	621	1,524,526
Security	642,125	-	642,125
<b>Total expenses</b>	<b>5,617,347</b>	<b>621</b>	<b>5,617,968</b>
Excess (deficiency) of revenues over expenses before depreciation	( 47,221)	1,641,092	1,593,871
Depreciation expense	604,959	-	604,959
Excess (deficiency) of revenues over expenses	( 652,180)	1,641,092	988,912
<b>FUND BALANCES, BEGINNING</b>	<b>6,497,059</b>	<b>1,806,239</b>	<b>8,303,298</b>
Transfers between funds	1,010,046	( 1,010,046)	-
Donated Assets	18,609	-	18,609
<b>FUND BALANCES, ENDING</b>	<b>\$ 6,873,534</b>	<b>\$ 2,437,285</b>	<b>\$ 9,310,819</b>

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