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CERTIFIED PUBLIC ACCOUNTANTS
Smart Solutions. Real Results.

January 26, 2010

Board of Directors
Pecan Plantation Owners' Association, Inc.
8650 Westover Court
Granbury, Texas 76049

We are pleased to present this report related to our audit of the consolidated financial statements of Pecan Plantation Owners' Association, Inc. (the "Association") for the year ended October 31, 2009. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Association's financial reporting process.

Auditor's Responsibility Under Professional Standards

We conducted the 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, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. 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.

Accounting Practices

Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Association. As discussed in Note 9 to the consolidated financial statements, effective November 1, 2008, the Association adopted provisions of Statement of Financial Accounting Standards No. 157, Fair Value Measurements, as it relates to financial assets and liabilities.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Association's October 31, 2009 financial statements:

- Depreciation
- Allowance for doubtful accounts
- Estimates for future repair and replacement

Financial Statement Disclosures

The following items relate to the neutrality, consistency, and clarity of the disclosures in the financial statements:

- Future major repairs and replacements

Audit Adjustments

Significant audit adjustments recorded by the Association are shown in the attached Summary of Recorded Audit Adjustments.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management during the audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Association.

Reislander, Clay & Opitz, LLP



PECAN PLANTATION OWNERS' ASSOCIATION, INC.
SUMMARY OF RECORDED AUDIT ADJUSTMENTS
 October 31, 2009

Description	Effect — Increase (Decrease)				
	Assets	Liabilities	Equity	Revenue	Expense
Record 2008-09 PPCC Franchise Taxes	\$ -	\$ 24,886	\$ -	\$ -	\$ 24,886
Reduce estimated legal expense/liability at year-end	-	(5,830)	-	-	(5,830)
Accrue estimated income tax for PPOA	-	65,000	-	-	65,000
Total Income Statement Effect	-	-	(84,056)	-	\$ 84,056
Balance Sheet Effect	\$ -	\$ 84,056	\$ (84,056)		



**PECAN PLANTATION OWNERS'
ASSOCIATION, INC.**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Year Ended October 31, 2009



CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
<hr/>	
AUDITED CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Balance Sheet	2
Consolidated Statement of Revenues, Expenses, and Changes in Member and Tenant Fund Balances	3
Consolidated Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5
SUPPLEMENTARY INFORMATION	
Consolidating Balance Sheet – Operating Fund	12
Consolidating Statement of Revenues, Expenses, and Changes in Member and Tenant Fund Balances – Operating Fund	13
Consolidating Statement of Cash Flows – Operating Fund	14
Supplementary Information on Future Major Repairs and Replacements (unaudited)	15





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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of 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, 2009, and the related consolidated statement of revenues, expenses, and changes in member and tenant 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.

As discussed in Note 9 to the financial statements, effective November 1, 2008, the Association adopted accounting standards issued by the FASB related to fair value measurements, as it relates to financial assets and liabilities.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pecan Plantation Owners' Association, Inc. as of October 31, 2009, and the results of its operations, its changes in member and tenant fund balances, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating statements, as listed in the table of contents, are presented for additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The accompanying supplementary information on future major repairs and replacements on pages 15 and 16 is not a required part of the basic financial statements of Pecan Plantation Owners' Association, Inc. but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Rylander, Clay & Opitz, LLP
January 26, 2010

PECAN PLANTATION OWNERS ASSOCIATION, INC.

CONSOLIDATED BALANCE SHEET

Year Ended October 31, 2009

	Consolidated Operating Fund	Asset Reserve Fund	Total
ASSETS			
Cash, including interest-bearing deposits	\$ 366,279	\$ 438,563	\$ 804,842
Certificates of deposit	-	1,700,000	1,700,000
Assessments receivable, net of allowance for doubtful accounts of \$15,927	504,929	96,569	601,498
Other receivables	41,195	-	41,195
Inventories	197,588	-	197,588
Prepaid expenses	124,078	-	124,078
Real estate lots	37,452	-	37,452
Property and equipment, net	11,072,121	-	11,072,121
Total assets	\$ 12,343,642	\$ 2,235,132	\$ 14,578,774
LIABILITIES AND TENANT AND MEMBER FUND BALANCES			
Liabilities			
Accounts payable	\$ 213,257	\$ -	\$ 213,257
Assessments billed in advance	271,273	96,569	367,842
Accrued expenses	226,236	-	226,236
Note payable	2,566,460	-	2,566,460
Deposits	18,500	-	18,500
Total liabilities	3,295,726	96,569	3,392,295
Member and tenant fund balance			
Unrestricted	9,047,916	-	9,047,916
Designated	-	2,138,563	2,138,563
Total member and tenant fund balance	9,047,916	2,138,563	11,186,479
Total liabilities and member and tenant fund balance	\$ 12,343,642	\$ 2,235,132	\$ 14,578,774

See notes to consolidated financial statements.



PECAN PLANTATION OWNERS ASSOCIATION, INC.

**CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
MEMBER AND TENANT FUND BALANCES**

Year Ended October 31, 2009

	Consolidated Operating Fund	Asset Reserve Fund	Total
Revenues:			
Member assessments	\$ 2,753,735	\$ 1,071,953	\$ 3,825,688
Initiation fees	-	360,108	360,108
Revenue Centers:			
Food and beverage	947,187	-	947,187
Inn	116,552	-	116,552
Golf	529,144	-	529,144
Marina	439,084	-	439,084
Roads, grounds, and recreational activities	142,556	-	142,556
Security	86,427	-	86,427
Member services and other revenue:			
Advertising revenue	124,866	-	124,866
Transfer fees	88,536	-	88,536
Interest income and late fees	49,376	36,402	85,778
Utility fees and commissions	94,830	-	94,830
Other	40,851	-	40,851
Total revenues	<u>5,413,144</u>	<u>1,468,463</u>	<u>6,881,607</u>
Expenses:			
Direct expenses:			
Food and beverage	1,023,310	-	1,023,310
Inn	187,409	-	187,409
Golf	861,143	-	861,143
Marina	418,452	-	418,452
Roads, grounds, and recreational activities	603,536	-	603,536
Security	471,255	-	471,255
General and administrative services expenses:			
Salaries and related benefits	893,063	-	893,063
Equipment maintenance, rental, repair, and leases	124,010	9,859	133,869
Insurance	128,267	-	128,267
Utilities and telephone	233,264	-	233,264
Newsletter and member expenses	116,443	-	116,443
Professional fees	132,825	-	132,825
Bad debt expense	30,600	-	30,600
Printing, postage, and shipping	24,173	-	24,173
Interest expense	-	105,575	105,575
Other	178,416	513	178,929
	<u>5,426,166</u>	<u>115,947</u>	<u>5,542,113</u>
Excess/(deficiency) of revenues over expenses			
before depreciation expense	(13,022)	1,352,516	1,339,494
Depreciation expense	1,040,354	-	1,040,354
Excess/(deficiency) of revenues over expenses	<u>(1,053,376)</u>	<u>1,352,516</u>	<u>299,140</u>
Member and tenant fund balance at beginning of year	8,953,707	1,933,632	10,887,339
Transfer between funds	1,147,585	(1,147,585)	-
Member and tenant fund balance at end of year	<u>\$ 9,047,916</u>	<u>\$ 2,138,563</u>	<u>\$ 11,186,479</u>

See notes to consolidated financial statements.



PECAN PLANTATION OWNERS ASSOCIATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended October 31, 2009

	Consolidated Operating Fund	Asset Reserve Fund	Total
Cash Flows From Operating Activities			
Excess (deficiency) of revenues over expenses	\$ (1,053,376)	\$ 1,352,516	\$ 299,140
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities			
Depreciation	1,040,354	-	1,040,354
Loss on disposal of assets	9,859	-	9,859
Change in operating assets and liabilities			
Decrease (increase) in assessments receivable	27,899	(8,001)	19,898
Increase in other receivables	(26,376)	-	(26,376)
Decrease in inventories	36,479	-	36,479
Increase in prepaid expenses	(25,912)	-	(25,912)
(Increase) decrease in due from (to) interfund account	159,544	(159,544)	-
Decrease in other assets	23,783	-	23,783
Increase in accounts payable	6,724	-	6,724
(Decrease) increase in assessments billed in advance	(12,858)	8,001	(4,857)
Decrease in accrued liabilities	10,303	-	10,303
Decrease in deposits	(2,500)	-	(2,500)
Net cash provided (used) by operating activities	<u>193,923</u>	<u>1,192,972</u>	<u>1,386,895</u>
Cash Flows From Investing Activities			
Purchase of property and equipment	(418,286)	-	(418,286)
Purchase of certificates of deposit	-	(50,000)	(50,000)
Proceeds from sale of certificates of deposit	110,000	-	110,000
Purchase of real estate lots	(15,441)	-	(15,441)
Net cash used by investing activities	<u>(323,727)</u>	<u>(50,000)</u>	<u>(373,727)</u>
Cash Flows From Financing Activities			
Principal payments on note payable	(690,049)	-	(690,049)
Transfers between funds	1,147,585	(1,147,585)	-
Net cash provided (used) by financing activities	<u>457,536</u>	<u>(1,147,585)</u>	<u>(690,049)</u>
Increase (decrease) in cash and cash equivalents	327,732	(4,613)	323,119
Cash and cash equivalents at beginning of year	38,547	443,176	481,723
Cash and cash equivalents at end of year	<u>\$ 366,279</u>	<u>\$ 438,563</u>	<u>\$ 804,842</u>
Supplemental information:			
State income taxes paid	<u>\$ 47,911</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to consolidated financial statements.



PECAN PLANTATION OWNERS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity and Organizational Structure

Pecan Plantation Owners' Association, Inc. (the "Association") was incorporated in July 1972 as a non-profit corporation in the state of Texas. As a common interest realty association under Internal Revenue Code Section 528, the Association is responsible for the operation and maintenance of the developed common property comprised of approximately 4,000 acres in north central Texas. The development consists of approximately 2,700 residential units located on Lake Granbury. The Association's charter provides membership to each lot owner and tenant, as assessments are billed monthly. The assessments are voter approved and provides for the maintenance of the common facilities and to support the operational needs of the Association.

In 1972 Republic Land Company subdivided, developed, and conveyed certain common property, consisting of streets, clubhouse, golf course, tennis courts, recreation parks, airstrip, and other improvements to the Association at no cost. An appraisal committee, appointed by the Board of Directors existing at August 1, 1978, valued the donated property based on the original cost of the donor. The assigned values (considered fair value at time of donation) are as follows:

Land	\$ 1,196,000
Golf course, equipment, and sprinkler system	756,472
Roads, bridges, and culverts	702,355
Clubhouse, including furnishings	<u>1,842,663</u>
	4,497,490
Accumulated depreciation	<u>(3,301,490)</u>
	<u>\$ 1,196,000</u>

Pecan Plantation Country Club, Inc. (the "Club") was incorporated in March 1979 in the State of Texas to transact business related to the operations of the Club and all recreational facilities. The Club is a wholly-owned subsidiary of the Association.

Consolidation and Fund Accounting

The accounts of the Pecan Plantation Owners' Association, Inc. and the Pecan Plantation Country Club, Inc. (collectively referred to as the "Association") have been consolidated and combined as the operating fund in the supplementary financial statements. All significant intercompany balances and transactions have been eliminated in the consolidation. The financial statements of the Association have been prepared on the accrual basis of accounting.

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:



PECAN PLANTATION OWNERS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Operating Fund – This fund is used to account for financial resources available for the general operations of the Association. This fund represents the consolidated operations of the Association and the Club.
- Asset Reserve Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements, as approved by the vote of the Association's members and funded by the designated assessments.

Management Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that are used.

Cash Equivalents

Cash equivalents include all highly-liquid investments with a maturity of three months or less when purchased.

Certificates of Deposit

The Association invests in certificates of deposit. The certificates of deposit are carried at cost, which approximates fair value. Interest income is allocated to the operating and reserve and replacement funds in proportion to the interest-bearing deposits and certificates of deposit of each fund. The certificates mature beginning in November 2009 through July 2010, earning interest ranging from 0.65% to 3.55% annually.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Certain special assessments are used to repay the note payable. Assessments receivable at the balance sheet date represent fees due from lot owners and tenants. The Association's policy is to retain legal counsel and place liens on the properties whose assessments are 120 days delinquent. Management determines the allowance for doubtful accounts based on historical experience, management's review of individual accounts, current economic conditions, and other pertinent facts. Member payments received in advance for assessments are deferred to the appropriate assessment period. Member assessments are billed one month in advance.

Inventories

Inventories consist of primarily golf merchandise, food and beverages, and gasoline and are stated at the lower of cost or market value using the first-in, first-out method.



PECAN PLANTATION OWNERS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment purchased by the Association is recorded at cost and property contributed to the Association by the developer or others is recorded at estimated fair value at date of contribution. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, ranging from 3 to 50 years for building and improvements and from 2 to 20 years for equipment.

Federal Income Taxes

The Association files the Form 1120-H on an annual basis, complying the Internal Revenue Code Section 528. The Club, a non-profit registered in the state of Texas, files Form 1120 on an annual basis. Deferred income taxes are recorded, when applicable, for differences in timing of the recognition of revenue and expenses for financial and tax purposes when appropriate.

Subsequent Events

Management evaluates subsequent events through the date of the report, which is the date the financial statements were available to be issued.

Recent Accounting Pronouncements

In July 2006, the FASB issued authoritative guidance related to the accounting for uncertainty in income taxes. This guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes financial statement recognition and measurement criteria for tax positions taken or expected to be taken in a tax return. In December 2008, the FASB deferred the effective date of this guidance for certain nonpublic entities to annual financial statements for fiscal years beginning after December 15, 2008. The Association has elected this deferral and accordingly will be required to adopt the related accounting standard in its October 31, 2010 annual financial statements.

Prior to adoption, the Association will continue to evaluate its uncertain tax positions and related income tax contingencies under the accounting standards related to accounting for contingencies, which requires the Association to accrue for losses it believes are probable and can be reasonably estimated. Management has not assessed the impact of the new accounting guidance related to the accounting for uncertainties in income taxes on its financial position and results of activities and has not yet determined if the adoption of the new standard will have a material effect on its financial statements.



PECAN PLANTATION OWNERS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at October 31, 2009:

Land	\$	360,338
Building and improvements		3,495,671
Equipment and other		12,117,322
Contributed property at assigned values, net		<u>1,196,000</u>
		17,169,331
Less accumulated depreciation		<u>(6,097,210)</u>
	\$	<u>11,072,121</u>

NOTE 3. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents do not specifically provide for the accumulation of funds to finance estimated future major repairs and replacements. When funds are required to finance future major repairs and replacements, the Association plans to borrow, increase maintenance assessments, or delay repairs and replacements until funds are available. During 2009, member assessments of approximately \$1,072,000 and initiation fees of approximately \$360,000 were designated for future repairs and replacements. Accumulated funds, which aggregate approximately \$2,139,000 at October 31, 2009, are held in separate accounts and are not available for operating purposes. These funds are being accumulated based on estimated future costs; however, actual expenditures may vary materially from the estimated costs.

In 2007, the Association's Board of Directors engaged an independent consultant to conduct a study to estimate the remaining useful lives and replacement costs of the common interest realty components. During 2008 and 2009, management revised these estimates based on an internal analysis. Funding requirements consider annual inflation rate of 4% and an annual growth in memberships based management's projected real estate activity.

NOTE 4. RETIREMENT PLAN

The Association has a defined contribution plan covering substantially all categories of its employees that have attained age 21 and completion of one year of employment. Employees can defer a portion of their compensation up to limits established by the IRS. Employer matching contributions amounted to approximately \$35,500 during 2009.



PECAN PLANTATION OWNERS' ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. NOTE PAYABLE

The Association has a note payable to a commercial bank in the original amount of \$4,500,000. The note payable is secured by certain bridge and road assessments. Interest is accrued at a rate of 4.75% and is payable monthly. All outstanding debt and unpaid interest are due October 31, 2013. At October 31, 2009, there was \$2,566,460 outstanding under the note payable. Interest expense paid on the loan amounted to approximately \$106,000 during 2009.

Maturities of the note payable at October 31, 2009 follow:

Year Ending October 31,	
2010	\$ 805,869
2011	842,287
2012	880,597
2013	<u>37,707</u>
	<u>\$ 2,566,460</u>

NOTE 6. INCOME TAXES

The Association has recorded approximately \$65,000 for income taxes for the year ended October 31, 2009. The Club has recorded approximately \$25,000 for franchise tax expense for the year ended October 31, 2009. The Club has incurred net operating losses since it began filing separate federal income tax returns in 1994. The net operating loss carryforward for the Club amounted to approximately \$1.9 million at October 31, 2009, scheduled to expire beginning in 2016. In addition to the net operating losses, other temporary differences between the tax and book basis of assets and liabilities relate to the allowance for uncollectible accounts and difference in depreciation methods. Management believes that the resulting deferred tax assets will not be utilized prior to expiration; therefore, a valuation allowance equal to the total net deferred tax assets has been provided.

NOTE 7. COMMITMENTS AND CONTINGENCIES

The Association maintains purchase agreements with original terms ranging from two to twenty years whereby they have agreed to purchase electricity at a set price per kilowatt-hour and water for irrigation at a rate that is subject to change annually. The Association would be responsible for a cancellation fee in the event of early termination. Costs incurred under these agreements amounted to approximately \$340,000 for the year ended October 31, 2009.



**CONSOLIDATING SCHEDULES AND
OTHER SUPPLEMENTARY INFORMATION**



PECAN PLANTATION OWNERS ASSOCIATION, INC.

CONSOLIDATING BALANCE SHEET - OPERATING FUND

Year Ended October 31, 2009

	PPOA Operating Fund	PPCC Operating Fund	Consolidated Operating Fund
ASSETS			
Cash, including interest-bearing deposits	\$ 343,073	\$ 23,206	\$ 366,279
Assessments receivable, net of allowance for doubtful accounts of \$15,927	88,244	416,685	504,929
Other receivables	39,926	1,269	41,195
Inventories	-	197,588	197,588
Prepaid expenses	46,962	77,116	124,078
Real estate lots	37,452	-	37,452
Property and equipment, net	11,072,121	-	11,072,121
Total assets	\$ 11,627,778	\$ 715,864	\$ 12,343,642
LIABILITIES AND MEMBER AND TENANT FUND BALANCE			
Liabilities			
Accounts payable	\$ 105,748	\$ 107,509	\$ 213,257
Assessments billed in advance	116,917	154,356	271,273
Accrued expenses	133,272	92,964	226,236
Note payable	2,566,460	-	2,566,460
Deposits	18,500	-	18,500
Total liabilities	2,940,897	354,829	3,295,726
Member and tenant fund balance			
Unrestricted	8,686,881	361,035	9,047,916
Total liabilities and member and tenant fund balance	\$ 11,627,778	\$ 715,864	\$ 12,343,642

See notes to consolidated financial statements.



PECAN PLANTATION OWNERS ASSOCIATION, INC.

**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
MEMBER AND TENANT FUND BALANCES - OPERATING FUND**

Year Ended October 31, 2009

	PPOA Operating Fund	PPCC Operating Fund	Consolidated Operating Fund
Revenues:			
Member assessments	\$ 1,128,772	\$ 1,624,963	\$ 2,753,735
Revenue Centers:			
Food and beverage	-	947,187	947,187
Inn	-	116,552	116,552
Golf	-	529,144	529,144
Marina	-	439,084	439,084
Roads, grounds, and recreational activities	94,206	48,350	142,556
Security	86,427	-	86,427
Member services and other revenue:			
Advertising revenue	124,866	-	124,866
Transfer fees	88,536	-	88,536
Interest income and late fees	49,376	-	49,376
Utility fees and commissions	47,025	47,805	94,830
Other	15,882	24,969	40,851
Total revenues	1,635,090	3,778,054	5,413,144
Expenses:			
Direct expenses:			
Food and beverage	-	1,023,310	1,023,310
Inn	-	187,409	187,409
Golf	-	861,143	861,143
Marina	-	418,452	418,452
Roads, grounds, and recreational activities	576,175	27,361	603,536
Security	471,255	-	471,255
Member services and administrative expenses:			
Salaries and related benefits	565,027	328,036	893,063
Equipment maintenance, rental, repair, and leases	50,518	73,492	124,010
Insurance	72,315	55,952	128,267
Utilities and telephone	13,678	219,586	233,264
Newsletter and member expenses	80,784	35,659	116,443
Professional fees	119,348	13,477	132,825
Bad debt expense	30,600	-	30,600
Printing, postage, and shipping	12,468	11,705	24,173
Other	101,584	76,832	178,416
	2,093,752	3,332,414	5,426,166
Excess of revenues over expenses before depreciation expense	(458,662)	445,640	(13,022)
Depreciation expense	1,040,354	-	1,040,354
Excess (deficiency) of revenues over expenses	(1,499,016)	445,640	(1,053,376)
Member and tenant fund balance at beginning of year	9,038,312	(84,605)	8,953,707
Transfer between funds	1,147,585	-	1,147,585
Member and tenant fund balance at end of year	\$ 8,686,881	\$ 361,035	\$ 9,047,916

See notes to consolidated financial statements.



PECAN PLANTATION OWNERS ASSOCIATION, INC.

CONSOLIDATING STATEMENTS OF CASH FLOWS - OPERATING FUND

Year Ended October 31, 2009

	PPOA Operating Fund	PPCC Operating Fund	Consolidated Operating Fund
Cash Flows From Operating Activities			
Excess (deficiency) of revenues over expenses	\$ (1,499,016)	\$ 445,640	\$ (1,053,376)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities			
Depreciation	1,040,354	-	1,040,354
Loss on disposal of assets	9,859	-	9,859
Change in operating assets and liabilities:			
(Increase) decrease in assessments receivable	(41,499)	69,398	27,899
Increase in other receivables	(25,630)	(746)	(26,376)
Decrease in inventories	-	36,479	36,479
Decrease (increase) in prepaid expenses	5,797	(31,709)	(25,912)
Due from (to) interfund account	159,544	-	159,544
Decrease in other assets	23,783	-	23,783
(Decrease) increase in accounts payable	(33,743)	40,467	6,724
Decrease in assessments billed in advance	(5,243)	(7,615)	(12,858)
(Decrease) increase in accrued liabilities	(71,603)	81,906	10,303
Decrease in deposits	(2,500)	-	(2,500)
Net cash provided (used) by operating activities	(439,897)	633,820	193,923
Cash Flows From Investing Activities			
Purchase of property and equipment	(418,286)	-	(418,286)
Proceeds from sale of certificates of deposit	110,000	-	110,000
Purchase of real estate lots	(15,441)	-	(15,441)
Net cash used by investing activities	(323,727)	-	(323,727)
Cash Flows From Financing Activities			
Principal payments on note payable	(690,049)	-	(690,049)
Transfer between funds	628,011	(628,011)	-
Transfers from asset reserve fund	1,147,585	-	1,147,585
Net cash provided (used) by financing activities	1,085,547	(628,011)	457,536
Increase in cash and cash equivalents	321,923	5,809	327,732
Cash and cash equivalents at beginning of year	21,150	17,397	38,547
Cash and cash equivalents at end of year	\$ 343,073	\$ 23,206	\$ 366,279
Supplemental information:			
State income taxes paid	\$ -	\$ 47,911	\$ -

See notes to consolidated financial statements.



PECAN PLANTATION OWNERS' ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)

During the year ended October 31, 2007, the Association's Board of Directors engaged an independent consultant to conduct a study to estimate the remaining useful lives, and major repairs and replacement costs of the common property components. During 2008 and 2009, management revised these estimates. Funding requirements consider annual inflation rate of 4%. The following information is based on the independent study and presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Major Repairs and Replacement Costs</u>
Clubhouse improvements	1 - 20	\$1,993,693
Golf course improvements	1 - 20	\$1,123,878
Recreational facilities	1 - 20	\$ 768,613
Streets, grounds, and security	1 - 15	\$2,235,466

At October 31, 2009, \$2,138,563 was included in member and tenant fund balance for major repairs and replacement of the above components.

The estimates of cost are based on the one time major repair and replacement of the current improvements to the common property. These amounts will change in future years based on major repairs and replacements completed, changes in cost, and condition of the common property components.



PECAN PLANTATION OWNERS' ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)

The "Net Annual Contribution" is based on an annual growth in memberships and related initiation fees plus continuation of the level of real estate activity for the Association anticipated by management. The "Expenditures" column does not reflect new or expanded infrastructure or amenities that will be necessary to accommodate the projected growth in new members over the next twenty years.

The following table illustrates the Board of Directors' plan for funding the major repairs and replacement of common property.

Year	Reserve Current	Estimated Interest	Net Annual Contribution	Accumulated Total Reserve	Less Expenditures	Remaining Balance
Actual	\$ 1,993,632	\$ 36,402	\$ 1,432,061	\$ 3,402,095	\$ 1,263,532	\$ 2,138,563
2009-2010	2,138,563	64,157	1,548,193	3,750,913	1,948,366	1,802,547
2010-2011	1,802,547	54,076	1,596,837	3,453,460	2,252,961	1,200,499
2011-2012	1,200,499	36,015	1,648,060	2,884,574	1,717,829	1,166,745
2012-2013	1,166,745	35,002	1,703,048	2,904,796	1,797,030	1,107,766
2013-2014	1,107,766	33,233	1,721,673	2,862,672	1,153,203	1,709,469
2014-2015	1,709,469	51,284	1,230,161	2,990,914	1,290,838	1,700,076
2015-2016	1,700,076	51,002	1,248,319	2,999,397	757,242	2,242,155
2016-2017	2,242,155	67,265	1,309,204	3,618,624	1,730,694	1,887,930
2017-2018	1,887,930	56,638	1,329,570	3,274,137	1,172,432	2,101,705
2018-2019	2,101,705	63,051	1,394,811	3,559,568	1,635,082	1,924,486
2019-2020	1,924,486	57,735	1,417,561	3,399,781	1,420,433	1,979,348
2020-2021	1,979,348	59,380	1,487,129	3,525,858	2,539,614	986,244
2021-2022	986,244	29,587	1,512,825	2,528,656	1,111,654	1,417,002
2022-2023	1,417,002	42,510	1,548,057	3,007,569	1,604,541	1,403,028
2023-2024	1,403,028	42,091	1,575,468	3,020,587	1,620,915	1,399,672
2024-2025	1,399,672	41,990	1,652,802	3,094,464	1,270,685	1,823,779
2025-2026	1,823,779	54,713	1,683,252	3,561,744	963,008	2,598,736
2026-2027	2,598,736	77,962	1,765,885	4,442,583	2,381,628	2,060,955
2027-2028	2,060,955	61,829	1,799,190	3,921,974	2,125,386	1,796,588
2028-2029	1,796,588	53,898	1,833,338	3,683,824	1,049,928	2,633,896

