



**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, 2004, 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, 2004, 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.

The Association has not completed estimating the remaining lives and replacement costs of the common property and, therefore, has not presented the supplementary information about future major repairs and replacements that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of, the basic financial statements.

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Fort Worth, Texas
January 6, 2005

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**PECAN PLANTATION
OWNERS' ASSOCIATION, INC.
CONSOLIDATED BALANCE SHEET
OCTOBER 31, 2004**

ASSETS	Operating Fund	Reserves and Replacement Fund	Total
CURRENT ASSETS			
Cash, including interest bearing deposits	\$ 123,717	\$ 1,282,152	\$ 1,405,869
Accounts receivable			
Members, less allowance for doubtful accounts of \$46,135	480,996	-	480,996
Inventories	150,964	-	150,964
Prepaid expenses	70,962	-	70,962
Other assets	23,335	-	23,335
Total current assets	849,974	1,282,152	2,132,126
PROPERTY AND EQUIPMENT			
Land	135,547	-	135,547
Buildings and improvements	1,438,971	-	1,438,971
Equipment and other	6,054,570	-	6,054,570
Construction in progress	2,519	-	2,519
Contributed property, at assigned value, net	1,196,000	-	1,196,000
Less accumulated depreciation	(2,663,077)	-	(2,663,077)
Property and equipment, net	6,164,530	-	6,164,530
Real estate lots	46,044	-	46,044
TOTAL ASSETS	\$ 7,060,548	\$ 1,282,152	\$ 8,342,700
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Accounts payable	\$ 139,482	\$ -	\$ 139,482
Accrued expenses	267,320	-	267,320
Deferred revenues, member assessments	229,123	-	229,123
Current portion of long-term debt	422,682	-	422,682
Rental deposits	16,000	-	16,000
Total current liabilities	1,074,607	-	1,074,607
LONG-TERM DEBT	251,372	-	251,372
FUND BALANCES	5,734,569	1,282,152	7,016,721
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,060,548	\$ 1,282,152	\$ 8,342,700

**PECAN PLANTATION
OWNERS' ASSOCIATION, INC.
CONSOLIDATED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND BALANCES
YEAR ENDED OCTOBER 31, 2004**

	Operating Fund	Reserves and Replacement Fund	Total
REVENUES			
Members' assessments	\$ 2,126,679	\$ 603,688	\$ 2,730,367
Food and beverage	851,228	-	851,228
Inn & reception	119,072	-	119,072
Golf & tennis	523,175	-	523,175
Marina	544,255	-	544,255
Roads, grounds and recreational facilities	344,422	-	344,422
Member services and administration	354,057	447,226	801,283
Security	62,119	-	62,119
Total revenues	4,925,007	1,050,914	5,975,921
EXPENSES			
Food and beverage	803,574	-	803,574
Inn & reception	98,709	-	98,709
Golf & Tennis	407,051	-	407,051
Marina	404,648	-	404,648
Roads, grounds and recreational facilities	1,763,861	-	1,763,861
Member services and administration	867,975	60,710	928,685
Security	411,844	-	411,844
Total expenses	4,757,662	60,710	4,818,372
Excess revenues over expenses before depreciation and income taxes	167,345	990,204	1,157,549
Depreciation expense	440,891	-	440,891
Excess (deficiency) of revenues over expenses	(273,546)	990,204	716,658
FUND BALANCES, BEGINNING	5,623,076	651,367	6,274,443
Transfers between funds	359,419	(359,419)	
Donated Assets	25,620	-	25,620
FUND BALANCES, ENDING	\$ 5,734,569	\$ 1,282,152	\$ 7,016,721

**PECAN PLANTATION
OWNERS' ASSOCIATION, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED OCTOBER 31, 2004**

	Operating Fund	Reserves and Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses	(\$ 273,546)	\$ 990,204	\$ 716,658
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities			
Depreciation	440,891	-	440,891
Loss on sale or disposal of equipment and real estate	25,573	-	25,573
Changes in operating assets and liabilities			
Accounts receivable	(87,733)	-	(87,733)
Inventories	(22,667)	-	(22,667)
Prepaid expenses	2,616	-	2,616
Other assets	34,305	-	34,305
Deferred revenues	19,871	-	19,871
Accounts payable	(10,974)	-	(10,974)
Rental deposits	3,000	-	3,000
Accrued liabilities	61,730	-	61,730
Net cash provided by operating activities	193,066	990,204	1,183,270
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(141,120)	-	(141,120)
Proceeds from sale of real estate lots	8,460	-	8,460
Net cash used in investing activities	(132,660)	-	(132,660)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan payments	(409,987)	-	(409,987)
Loan proceeds	3,400	-	3,400
Transfer from reserves and replacement fund	359,419	(359,419)	-
Net cash provided by (used in) financing activities	(47,168)	(359,419)	(406,587)
Change in cash and cash equivalents	13,238	630,785	644,023
CASH AND CASH EQUIVALENTS, beginning of year	110,479	651,367	761,846
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 123,717</u>	<u>\$ 1,282,152</u>	<u>\$ 1,405,869</u>
NON-CASH INVESTING AND FINANCING ACTIVITY			
Lots acquired as payment on trade receivables	<u>\$ 25,179</u>	<u>\$ -</u>	<u>\$ 25,179</u>

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