

**GRAND PANAMA BEACH RESORT  
CONDOMINIUM ASSOCIATION, INC.**

**PANAMA CITY BEACH, FLORIDA**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**



**Tipton, Marler, Garner & Chastain**  
*The CPA Group*

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**

**PANAMA CITY BEACH, FLORIDA**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**

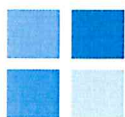
**PANAMA CITY BEACH, FLORIDA**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Grand Panama Beach Resort Condominium Association, Inc.  
Panama City Beach, Florida

We have audited the accompanying financial statements of Grand Panama Beach Resort Condominium Association, Inc., which comprise the balance sheet as of December 31, 2014, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of Directors  
Grand Panama Beach Resort Condominium Association, Inc.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grand Panama Beach Resort Condominium Association, Inc. as of December 31, 2014, 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.

***Report on Summarized Comparative Information***

We have previously audited Grand Panama Beach Resort Condominium Association, Inc.'s 2013 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated January 8, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the supplementary information on page 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Panama City Beach, Florida  
August 24, 2016

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2014**

**ASSETS**

	Operating Fund	Reserve Fund	Total	2013 Total (For Comparative Purposes Only)
<b>Current Assets:</b>				
Cash, including interest-bearing deposits	\$ 43,629	\$ 973,257	\$ 1,016,886	\$ 1,393,728
Assessments receivable (net of allowance for doubtful accounts of \$13,030)	202,629	-	202,629	78,336
Accounts receivable - special assessments	65,716	-	65,716	18,079
Due from operating fund	-	196,677	196,677	82,244
Prepaid insurance and other expenses	162,275	-	162,275	203,224
<b>Total current assets</b>	474,249	1,169,934	1,644,183	1,775,611
<b>Property and Equipment:</b>				
Equipment	63,268	-	63,268	63,268
Less accumulated depreciation	(54,221)	-	(54,221)	(51,208)
<b>Net property and equipment</b>	9,047	-	9,047	12,060
<b>Other Assets:</b>				
Utility deposit	8,795	-	8,795	8,795
<b>Total Assets</b>	\$ 492,091	\$ 1,169,934	\$ 1,662,025	\$ 1,796,466

**LIABILITIES AND FUND BALANCES**

<b>Current Liabilities:</b>				
Due to reserve fund	\$ 196,677	\$ -	\$ 196,677	\$ 82,244
Accounts payable	50,281	-	50,281	13,056
Prepaid assessments	31,482	-	31,482	40,564
Note payable - insurance	72,944	-	72,944	129,373
Deferred insurance proceeds	-	-	-	340,483
Deferred assessments	145,865	-	145,865	-
Payroll liabilities	14,265	-	14,265	-
<b>Total current liabilities</b>	511,514	-	511,514	605,720
<b>Fund Balances (Deficit)</b>	(19,423)	1,169,934	1,150,511	1,190,746
<b>Total Liabilities and Fund Balances</b>	\$ 492,091	\$ 1,169,934	\$ 1,662,025	\$ 1,796,466

See the independent auditor's report and accompanying notes.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2014**

	Operating Fund	Reserve Fund	Total	2013 Total (For Comparative Purposes Only)
<b>Revenues:</b>				
Regular	\$ 1,439,352	\$ 226,442	\$ 1,665,794	\$ 1,670,837
Special assessments	-	451,814	451,814	-
Beach access	35,000	-	35,000	36,120
Miscellaneous income	-	-	-	4,691
Insurance proceeds	-	340,483	340,483	-
Registration income	78,835	-	78,835	-
Interest income	-	1,986	1,986	4,835
Late fees	6,959	-	6,959	6,433
Total revenues	<u>1,560,146</u>	<u>1,020,725</u>	<u>2,580,871</u>	<u>1,722,916</u>
<b>Expenses:</b>				
Administrative	25,102	-	25,102	14,945
Cable	49,315	-	49,315	39,938
Depreciation	3,013	-	3,013	9,722
Electricity	156,135	-	156,135	149,515
Employee wages	324,482	-	324,482	303,288
Gas	15,903	-	15,903	20,954
Insurance	290,164	-	290,164	337,600
Interest	2,559	-	2,559	3,055
Landscaping	25,878	-	25,878	32,693
Legal	7,271	-	7,271	15,522
License, fees, and taxes	4,169	-	4,169	3,293
Management and accounting	130,322	-	130,322	135,958
Meeting expense	284	-	284	1,190
Pest control	9,452	-	9,452	7,800
Refuse removal	52,932	-	52,932	59,630
Registration labor	20,977	-	20,977	-
Repairs and maintenance	244,690	-	244,690	217,030
Reserve expense	-	912,862	912,862	94,145
Security service	129,522	-	129,522	100,368
Telephone	16,524	-	16,524	18,037
Water and sewer	189,205	-	189,205	182,040
Miscellaneous expense	10,345	-	10,345	-
Total expenses	<u>1,708,244</u>	<u>912,862</u>	<u>2,621,106</u>	<u>1,746,723</u>
Excess of revenues over (under) expenses	(148,098)	107,863	(40,235)	(23,807)
<b>Fund Balances (Deficit):</b>				
Beginning of year	<u>128,675</u>	<u>1,062,071</u>	<u>1,190,746</u>	<u>1,214,553</u>
End of year	<u>\$ (19,423)</u>	<u>\$ 1,169,934</u>	<u>\$ 1,150,511</u>	<u>\$ 1,190,746</u>

See the independent auditor's report and accompanying notes.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2014**

	Operating Fund	Reserve Fund	Total	2013 Total (For Comparative Purposes Only)
<b>Cash Flows From Operating Activities:</b>				
Cash received from assessments	\$ 1,063,722	\$ 678,256	\$ 1,741,978	\$ 2,062,424
Cash received from other revenues	120,794	340,483	461,277	47,244
Interest received	-	1,986	1,986	4,835
Cash paid to vendors, employees, etc.	<u>(1,612,792)</u>	<u>(912,862)</u>	<u>(2,525,654)</u>	<u>(1,798,110)</u>
Net cash provided by (used in) operating activities	<u>(428,276)</u>	<u>107,863</u>	<u>(320,413)</u>	<u>316,393</u>
<b>Cash Flows From Financing Activities:</b>				
Proceeds from issuance of note payable	188,589	-	188,589	311,891
Principal payments on note payable	(245,018)	-	(245,018)	(287,447)
Interfund transfers, net	<u>114,433</u>	<u>(114,433)</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>58,004</u>	<u>(114,433)</u>	<u>(56,429)</u>	<u>24,444</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(370,272)</b>	<b>(6,570)</b>	<b>(376,842)</b>	<b>340,837</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>413,901</u>	<u>979,827</u>	<u>1,393,728</u>	<u>1,052,891</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 43,629</u>	<u>\$ 973,257</u>	<u>\$ 1,016,886</u>	<u>\$ 1,393,728</u>
<b>Reconciliation of Excess of Revenues Over (Under) Expenses to Net Cash Provided by (Used in) Operating Activities:</b>				
Excess of revenues over (under) expenses	\$ (148,098)	\$ 107,863	\$ (40,235)	\$ (23,807)
<b>Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by (used in) operating activities:</b>				
Depreciation	3,013	-	3,013	9,722
(Increase) decrease in:				
Assessments and accounts receivable	(171,930)	-	(171,930)	70,687
Prepaid insurance and other expenses	40,949	-	40,949	(37,287)
Increase (decrease) in:				
Deferred assessments	145,865	-	145,865	340,483
Deferred insurance proceeds	(340,483)	-	(340,483)	-
Prepaid assessments	(9,082)	-	(9,082)	(19,583)
Accounts payable	37,225	-	37,225	(23,822)
Payroll liabilities	14,265	-	14,265	
Total Adjustments	<u>(280,178)</u>	<u>-</u>	<u>(280,178)</u>	<u>340,200</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (428,276)</u>	<u>\$ 107,863</u>	<u>\$ (320,413)</u>	<u>\$ 316,393</u>

See the independent auditor's report and accompanying notes.



**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 1 – NATURE OF ASSOCIATION**

Grand Panama Beach Resort Condominium Association, Inc. (the Association) is a statutory condominium association incorporated in the state of Florida on July 12, 2004. Membership in the Association is limited to the owners of units in the Grand Panama Beach Resort Owners Association. The Association is responsible for the operation and maintenance of the common property and is supported by monthly assessment fees. The Grand Panama Beach Resort Condominium Association, Inc. Phase I of the III Phases, consists of 299 individual residential units with six non-residential units and is located at 11800 Front Beach Road, Panama City Beach, Florida.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Fund Accounting:*

To ensure observance of limitations and restrictions placed on the use of resources available to the Association, the accounts of the Association are maintained in accordance with the principles of fund accounting. This is the process by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose.

The Association maintains two funds. The Operating Fund is used to account for financial resources available for the general operations of the Association. The Reserve Fund is used to account for resources restricted for future major repairs and replacements of designated common elements that require replacement less frequently than annually. The disbursements from the Reserve Fund may only be utilized in accordance with the established purposes for accumulation.

*Basis of Accounting:*

The financial statements are prepared on the accrual basis of accounting. Assessments and other income are recorded as revenue when earned. Revenue received in advance is reported as deferred revenue on the balance sheet. Expenses are recorded when goods are received or services are rendered, whether paid or unpaid.

*Assessments Receivable:*

Association members are subject to regular assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are delinquent. As of December 31, 2014, the Association has owner receivables of \$215,659. The Association's Management has made the assessment of the collectability of receivables and determined that an allowance for uncollectible receivables of \$13,030 exists at December 31, 2014. Any excess assessments at year end are retained by the Association for use in the succeeding year.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Common Elements:*

The unit owners each have an undivided ownership interest in the common elements (e.g. roof, swimming pool, etc.) and these assets are not deemed to be severable. Accordingly, such common elements are not capitalized and not reflected in these financial statements. Generally, only property and equipment for which the Association holds title is recorded as an asset of the Association. However, the Association is responsible for preserving and maintaining the common property.

*Revenue Recognition:*

Regular assessments to members are recognized as revenue during the period for which they are assessed. Special assessments are recognized as revenue when the corresponding liabilities and expenses are incurred, with any excess revenue reported as deferred assessments on the balance sheet, unless otherwise directed by the Board and its members.

*Basis of Presentation:*

The accompanying financial statements include the assets, liabilities, fund balances, revenues and expenses as determined using the accrual basis of accounting. The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

*Estimates:*

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. 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 were used.

*Income Taxes:*

Condominium associations may elect to be taxed as regular corporations or as homeowners' associations. The Association has made an election for 2014 to be taxed as a regular corporation. Under the election, the Association is not taxed on assessments from members and other income received from association members solely as a function of their membership in the association. The Association is taxed on its non-exempt function income, such as interest income. As a result, income tax does not relate to the excess of revenue over expenses.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Statement of Cash Flows:*

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

*Property and Equipment:*

Furniture and equipment of the Association are recorded at cost and are depreciated by accelerated and straight line methods over the estimated useful lives of individual assets. Estimated useful lives are generally five to seven years.

**NOTE 3 – ANNUAL BUDGET AND OWNERS' ASSESSMENTS**

The Association's by-laws require that the Board of Directors adopt a budget each year for operations. Generally, each unit owner is liable for their proportional share of common expenses based on unit type. Assessments are made against the unit owners for their share of the budget. Such assessments are due in monthly installments.

Regular assessments budgeted and actual for the current year totaled \$1,439,352. Reserve assessments budgeted and actual for the current year totaled \$226,442.

**NOTE 4 – FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$1,169,934 as of December 31, 2014 are held in separate accounts and are generally not available for operating purposes. It is the Association's policy to allocate interest earned to the separate components on the Reserve Fund.

The Association is currently funding for such major repairs and replacements over the estimated useful lives of the components based on estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, levy special assessments, or delay repairs and replacements until funds are available.

At December 31, 2014, the Association Operating Fund owed the Reserve Fund \$196,677.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 4 – FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)**

The activity in the reserve fund for the year ended December 31, 2014 is presented as follows:

<u>Components</u>	<u>Beginning Balance 01/01/14</u>	<u>Funding</u>	<u>Expenditures</u>	<u>Interest</u>	<u>Ending Balance 12/31/14</u>
Exterior paint and sealants	\$ 161,912	\$ 624,711	\$ 621,925	\$ 303	\$ 165,001
Pavement resurfacing	109,963	40,058	-	206	150,227
Roof	129,691	49,003	-	243	178,937
Fire sprinkler system	107,160	40,393	41,647	200	106,106
Concrete sealants	87,285	71,531	116,894	163	42,085
Generator	60,701	23,785	-	114	84,600
Water pressure system	35,733	13,019	-	67	48,819
Contingency building	13,368	7,386	20,779	25	-
Guard shack/mech arms	21,971	8,012	-	41	30,024
Trash compactor	8,941	3,255	-	17	12,213
Contingency common area	57,936	37,805	95,849	108	-
Storm water facility	13,333	5,007	-	25	18,365
Elevators	133,460	50,072	-	250	183,782
Pool filters/heater	24,186	10,102	-	45	34,333
Pool painting/marketing	51,171	18,229	-	96	69,496
Pool furniture	29,633	10,545	-	55	40,233
Painting of parking garage	15,627	5,826	15,768	28	5,713
Total	<u>\$ 1,062,071</u>	<u>\$ 1,018,739</u>	<u>\$ 912,862</u>	<u>\$ 1,986</u>	<u>\$ 1,169,934</u>

**NOTE 5 – CONCENTRATION OF CREDIT RISK**

The Association assesses regular and special assessments to its members. It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual units. Should the collection of any such liens be enforced by the sale of the unit, the collectability of the receivable is dependent on the quick sale market value of the unit, and the amount of any such other liens which have priority. Market value may be influenced by the real estate market in Panama City Beach, Florida.

The Association maintains its cash balances at several financial institutions located in Panama City Beach, Florida. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2014 the Association's uninsured cash balance is \$207,301.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**NOTE 6 – RESTRICTED CASH**

Restricted cash represents cash required to be used for specified purposes only and is, therefore, unavailable for operating purposes. Details are as follows:

Reserve Fund –

Reserve Fund Cash – restricted to use in repairing or replacing identified common elements. The balance as of December 31, 2014 is \$973,257.

**NOTE 7 – NOTE PAYABLE**

Note payable - insurance

Interest at 2.95%, collateralized by unearned premiums, principal and interest of \$19,115 is payable monthly, beginning July 2014, maturity date April 2015.

\$ 72,944

Total note payable

\$ 72,944

**NOTE 8 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid during the year for:

Interest	\$	2,559
Incomes taxes		0

**NOTE 9 – SUBSEQUENT EVENTS**

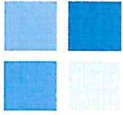
The Association did not have any subsequent events requiring disclosure or recording in the financial statements through August 24, 2016, which is the date these financial statements were issued.

**GRAND PANAMA BEACH RESORT CONDOMINIUM ASSOCIATION, INC.**  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR**  
**REPAIRS AND REPLACEMENTS (UNAUDITED)**  
**YEAR ENDED DECEMBER 31, 2014**

The Board of Directors annually reviews the major components of common property. As a part of this review the Association engaged an independent consultant who conducted a study in 2012 to estimate the remaining useful lives and the replacement costs of the common property components. Estimates were developed based on the estimated costs to repair or replace the common property components at the date of the study. The following table is based on the Board's modification of the study and presents significant information about the components of common property. Actual expenditures, however, may vary from the estimated amounts and the variation may be material.

Components	Estimated Remaining Lives (Years)	Estimated Current Replacement Cost	Reserve Fund Balance at 12/31/2014	Amount Required for Full Funding for 2015
Exterior paint and sealants	11	\$ 477,028	\$ 165,001	\$ 28,366
Pavement resurfacing	6	160,000	150,227	1,629
Roof	26	587,200	178,937	15,702
Fire sprinkler system	21	403,358	106,106	14,155
Concrete sealants	3	200,000	42,085	52,638
Generator	26	285,000	84,600	7,708
Water pressure system	6	52,000	48,819	530
Contingency building	16	59,000	-	3,688
Guard shack/mech arms	6	32,000	30,024	329
Trash compactor	6	13,000	12,213	131
Contingency common area	1	75,500	-	75,500
Storm water facility	16	40,000	18,365	1,352
Elevators	16	400,000	183,782	13,514
Pool filters/heater	56	24,208	34,333	-
Pool painting/marketing	4	58,243	69,496	-
Pool furniture	4	36,697	40,233	-
Painting of parking garage	11	34,924	5,713	2,656
<b>Total</b>		<b>\$ 2,938,158</b>	<b>\$ 1,169,934</b>	<b>\$ 217,898</b>

See the independent auditor's report.



## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Board of Directors of  
Grand Panama Beach Resort Condominium Association, Inc.  
Panama City Beach, Florida

In planning and performing our audit of the financial statements of Grand Panama Beach Resort Condominium Association, Inc. as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Grand Panama Beach Resort Condominium Association Inc.'s internal control relevant to its preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

However, during our audit, we became aware of the following deficiency in internal control, other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated June 20, 2016 on the financial statements of the Association.

### Strengthening Internal Controls and Operating Efficiency

#### Annual Budget-Reserve Funding

During our audit, we noted that the proposed annual budget included a fully funded reserve assessment; however, it appears the annual reserve amount to be funded is being calculated incorrectly. Per Florida Statutes, Section 718.112(2)(f), reserves for capital expenditures and deferred maintenance must be computed using a formula based upon estimated remaining useful life and estimated replacement cost of deferred maintenance expense of each reserve item. We recommend that the Association adjust its calculation accordingly.

#### Financial Reporting Requirements

During the current year, Grand Panama Resort Condominium Association, Inc. failed to meet the requirements of Florida Statute, Section 718.111(13). To be in compliance, the report should have been issued no later than April 30, 2015 (120 days after year end). To comply with this Statute, the Board of Directors should make every possible effort to meet this filing requirement in future years.

Board of Directors  
Grand Panama Beach Resort Condominium Association, Inc.  
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We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This letter is intended solely for the information and use of management, the Board of Directors, and others within the Association, and is not intended to be, and should not be, used by anyone other than those specified parties.

A handwritten signature in black ink, reading "J. H. Mander, CPA, Chartered". The signature is written in a cursive style with a large, stylized initial "JH".

Panama City Beach, Florida  
August 24, 2016