

**TRADE LOGISTICS AVIATION
ACADEMY, INC. DBA
FLORIDA AVIATION ACADEMY**

**Basic Financial Statements and
Supplemental Information**

June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors of
Trade Logistics Aviation Academy, Inc. dba Florida Aviation Academy
Kissimmee, Florida

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Trade Logistics Aviation Academy, Inc. dba Florida Aviation Academy (the "School") a component unit of the School District of Osceola County, Florida, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

Auditors' 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 and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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.

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 respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the School as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Substantial Doubt about the School's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note E to the financial statements, the School may not continue its operations due to charter agreement violations with the District which raise concern of the School's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are unknown at this time. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison schedule information on pages 3-6 and 20-21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 13, 2019

Management's Discussion and Analysis

As management of Trade Logistics Aviation Academy, Inc. dba Florida Aviation Academy (the "School"), a component unit of the School District of Osceola County, Florida (the "District"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2019 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transitions, events, and conditions, it should be considered in conjunction with the Basic Financial Statements found starting on page 7.

Financial Highlights

- The School's overall net position increased by \$59,825.
- Total ending unrestricted net position was \$62,730.
- The School had total expenses for the year of \$446,490, compared to revenues of \$506,315.
- The year ended June 30, 2019 was the School's first year of instruction during which the School educated 111 students, serving grades 9-12.
- In December 2018, the District took control of the School due to Charter violations.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The first financial statement is the Statement of Net Position. This statement includes all of the School's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid, net position, the difference between assets and liabilities, can be used to measure the School's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in state funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services.

The government-wide financial statements include only the School itself, which is a component unit of the School District of Osceola County, Florida which includes the operations of the School in their operational results.

The government-wide financial statements can be found on pages 7 – 8 of this report.

Fund Financial Statements. Following the government-wide financial statements are the fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

Governmental funds. Governmental funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the fund's financial position. A reconciliation is provided with these statements, which helps to explain the differences between the fund financial statements and the government-wide financial statements.

The School adopts an annual appropriated budget for its operations. Budgetary comparison statements with required notes have been provided to demonstrate compliance with this budget and can be found on page 20 of this report.

The basic governmental fund financial statements can be found on pages 9 – 12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 13 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of the School's financial position. In the case of the School, assets exceeded liabilities by \$62,730 at June 30, 2019, compared to \$2,905 at June 30, 2018.

Comparison of the condensed statement of net position and the statement of activities are provided below:

The School's net position were as follows:

	Governmental Activities		
	June 30, 2019	June 30, 2018	Variance
ASSETS			
Current and other assets	\$ 75,545	\$ 2,905	\$ 72,640
Total assets	75,545	2,905	72,640
LIABILITIES			
Current and other liabilities	12,815	-	12,815
Total liabilities	12,815	-	12,815
NET POSITION			
Unrestricted	62,730	2,905	59,825
Total net position	\$ 62,730	\$ 2,905	\$ 59,825

The School's change in net position was as follows:

	Governmental Activities		
	2019	2018	Variance
Revenues:			
State passed through local school district	\$ 469,963	\$ -	\$ 469,963
Other revenue	36,352	2,917	33,435
Total revenues	<u>506,315</u>	<u>2,917</u>	<u>503,398</u>
Expenses:			
Instruction	235,423	-	(235,423)
Board expenses	4,665	-	(4,665)
School administration	23,498	-	(23,498)
General support	107,280	12	(107,268)
Fiscal services	11,139	-	(11,139)
Central services	253	-	(253)
Transportation	500	-	(500)
Operation of plant	51,172	-	(51,172)
Maintenance of plant	9,281	-	(9,281)
Administrative tech	900	-	(900)
Community services	2,379	-	(2,379)
Total expenses	<u>446,490</u>	<u>12</u>	<u>(446,478)</u>
Change in net position	59,825	2,905	56,920
Net position - beginning	<u>2,905</u>	<u>-</u>	<u>2,905</u>
Net position - ending	<u>\$ 62,730</u>	<u>\$ 2,905</u>	<u>\$ 59,825</u>

As it was the School's first year of instruction, there was an increase in overall revenues and expenses for 2018-2019 school year. There were only minor donations for the prior year.

Governmental Activities. The governmental activities increased the School's net position by \$59,825 and \$2,905 for the years ended June 30, 2019 and 2018, respectively. Revenues consisted of donations for the year ended June 30, 2018.

The School's Individual Funds

General Fund. The fund balance of the General Fund increased by \$59,825 from \$2,905 to \$62,730.

Budgetary Highlights

General Fund. Actual revenues fell short of budgeted revenues by \$731,112 due to the decrease in full time equivalent ("FTE") students beginning in December 2018. This reduction in FTE has created a significant shortfall in budgeted revenues and related expenses for instruction of the students. Actual expenditures were less than originally budgeted expenditures by \$705,873 due to the School having fewer students than the budgetary estimate at the beginning of the year. The budgetary information can be found on pages 20 through 21 of this report.

Capital Assets. The School experienced no significant capital asset activity for the year due to the first year of FTE student enrollment.

Economic Factors

In fiscal year 2019, the State of Florida increased its Florida Education Finance Program funding by approximately 2% and the capital outlay funding pool increased to \$145 million. In addition, an allocation was given to fund safe schools and mental health initiatives. A 2% merit increase was also paid out to eligible staff.

Contacting the School's Financial Management

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business and Fiscal Services Department of The School District of Osceola County, Florida, 817 Bill Beck Boulevard, Kissimmee, FL 34744.

Trade Logitics Aviation Academy, Inc. DBA Florida Aviation Academy

STATEMENT OF NET POSITION

June 30, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash	<u>\$ 75,545</u>
Total assets	<u>75,545</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable	<u>12,815</u>
Total liabilities	<u>12,815</u>
NET POSITION	
Unrestricted	<u>62,730</u>
Total net position	<u><u>\$ 62,730</u></u>

The accompanying notes are an integral part of these financial statements.

Trade Logitics Aviation Academy, Inc. DBA Florida Aviation Academy

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

Functions/ Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 235,423	\$ -	\$ -	\$ -	\$ (235,423)
Board expenses	4,665	-	-	-	(4,665)
General administration	23,498	-	-	-	(23,498)
School administration	107,280	-	-	-	(107,280)
Fiscal services	11,139	-	-	-	(11,139)
Central services	253	-	-	-	(253)
Transportation	500	-	-	-	(500)
Operation of plant	51,172	-	-	-	(51,172)
Maintenance of plant	9,281	-	-	-	(9,281)
Administrative tech	900	-	-	-	(900)
Community service	2,379	-	-	-	(2,379)
Total governmental activities	<u>\$ 446,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(446,490)</u>
General revenues:					
State passed through local school district					469,963
Other revenue					<u>36,352</u>
Total general revenues					<u>506,315</u>
Change in net position					<u>59,825</u>
Net position at July 1, 2018					<u>2,905</u>
Net position at June 30, 2019					<u>\$ 62,730</u>

The accompanying notes are an integral part of these financial statements.

Trade Logitics Aviation Academy, Inc. DBA Florida Aviation Academy

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash	\$ 75,545	\$ 75,545
Total assets	<u>\$ 75,545</u>	<u>\$ 75,545</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 12,815	\$ 12,815
Total liabilities	<u>12,815</u>	<u>12,815</u>
FUND BALANCE		
Unassigned	<u>62,730</u>	<u>62,730</u>
Total fund balances	<u>62,730</u>	<u>62,730</u>
Total liabilities and fund balances	<u>\$ 75,545</u>	<u>\$ 75,545</u>

The accompanying notes are an integral part of these financial statements.

Trade Logitics Aviation Academy, Inc. DBA Florida Aviation Academy

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION**

June 30, 2019

Fund balances - total governmental funds	<u>\$ 62,730</u>
Total net position of governmental activities	<u><u>\$ 62,730</u></u>

The accompanying notes are an integral part of these financial statements.

Trade Logitics Aviation Academy, Inc. DBA Florida Aviation Academy

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Year Ended June 30, 2019

	General Fund	Total Governmental Funds
Revenues		
State passed through local school district	\$ 469,963	\$ 469,963
Other revenue	36,352	36,352
Total revenues	<u>506,315</u>	<u>506,315</u>
Expenditures		
Basic instruction	235,423	235,423
Board expenses	4,665	4,665
General administration	23,498	23,498
School administration	107,280	107,280
Fiscal services	11,139	11,139
Central services	253	253
Transportation	500	500
Operation of plant	51,172	51,172
Maintenance of plant	9,281	9,281
Administrative tech	900	900
Community service	2,379	2,379
Total expenditures	<u>446,490</u>	<u>446,490</u>
Excess (deficiency) of revenues over (under) expenditures	<u>59,825</u>	<u>59,825</u>
Net change in fund balances	59,825	59,825
Fund balances at July 1, 2018	2,905	2,905
Fund balances at June 30, 2019	<u>\$ 62,730</u>	<u>\$ 62,730</u>

The accompanying notes are an integral part of these financial statements.

Trade Logitics Aviation Academy, Inc. DBA Florida Aviation Academy
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

Net change in fund balances - total government funds	<u>\$ 59,825</u>
Change in net position of governmental activities	<u><u>\$ 59,825</u></u>

The accompanying notes are an integral part of these financial statements.

Trade Logistics Aviation Academy, Inc. DBA Florida Aviation Academy

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Trade Logistics Aviation Academy, Inc., doing business as (“DBA”) Florida Aviation Academy (the “School”) is a not-for-profit corporation that operates as a high school in Kissimmee, Florida, which is a component unit of the School District of Osceola County, Florida (the “District”). The Corporation was organized in July 2015 pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation's Board of Supervisors, composed of three members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Osceola County District School Board (the “District”). The current charter is effective until June 30, 2021, and may be renewed automatically on a month-to-month basis until the charter agreement has been renewed, nonrenewed, or terminated by the District. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

Pursuant to Section 1002.33(8)(d), Florida Statutes, the District may terminate the charter agreement immediately if the District determines, in its sole discretion, that the action by the School materially threatens or is detrimental to the health, safety, and welfare of the School's students.

As of December 20, 2018, the District has terminated the School pursuant to Section 1002.33(8)(d), Florida Statutes, and has taken over full control of the School as of that date. See additionally Note E to the financial statements.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Trade Logistics Aviation Academy, Inc. DBA Florida Aviation Academy

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business-type activities.

Net position, the difference between assets and liabilities, as presented in the statement of net position, are subdivided into three categories: amounts invested in capital assets; restricted net assets; and unrestricted net assets. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation. As of June 30, 2019, there was not any net position classified as restricted or investments in capital assets in the statement of net position.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. Only one of the School's funds were deemed to be a major fund. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Trade Logistics Aviation Academy, Inc. DBA Florida Aviation Academy

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

3. Measurement focus and basis of accounting (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred.

Most revenues are considered to be susceptible to accrual and have been measured in the current fiscal period. Certain other items are considered to be measurable and available only when cash is received.

4. Cash

The School's cash consists of demand deposits with a financial institution which are insured by the Federal depository insurance.

5. Capital assets and depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$500 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation. Depreciable capital assets will be depreciated using the straight-line method over the estimated useful lives.

6. Revenue recognition

Student funding is provided by the State of Florida through the School District. Such funding is recorded as State passed through local school district in the government-wide financial statements and fund financial statements and is net of the 5% administration fee retained by the School District. This funding is received on a prorated basis over the twelve month period and is adjusted for changes in full-time equivalent (FTE) student population.

Trade Logistics Aviation Academy, Inc. DBA Florida Aviation Academy

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

7. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District to the School pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of FTE students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FLDOE) for funding through the Florida Education Finance Program.

Funding for the School is adjusted during the year to reflect revised calculations by the FLDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods. The School also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

8. Fund equity

Governmental funds report separate classifications of fund balance.

Non-Spendable: The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: The restricted fund balance is defined as having restrictions (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: Committed fund balance is defined as amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School's Board of Supervisors.

Assigned: Assigned fund balance is defined as amounts that are constrained by the intent of the School's Board of Supervisors to be used for specific purposes, but are neither restricted nor committed. The School has given the authority to assign fund balance to the School's Principal. Assigned fund balance includes spendable fund balance amounts established by the Principal that are intended to be used for specific purposes that are neither considered restricted or committed. Assignment of fund balance may be (a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or (b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater

Trade Logistics Aviation Academy, Inc. DBA Florida Aviation Academy

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

8. Fund equity (continued)

Assigned (continued): than the projected excess of expected expenditures over expected revenues. Assigned fund balance shall reflect management's intended use of resources as set forth each year by the Principal. Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

Unassigned: Unassigned fund balance is the residual classification for the general fund.

It is the policy of the School to use restricted resources to the extent which they are available, then committed resources, followed by assigned resources. Once these are consumed, the School will then use unassigned resources. The School does not have a formal policy requiring a minimum fund balance.

9. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make various estimates. Actual results could differ from those estimates.

10. Income taxes

Florida Aviation Academy is a charter school, which qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Management has analyzed the School's various federal and state filing positions, including those pertaining to charter academy contracts and tax exempt status, and believes that its income tax filing positions and deductions are well documented and supported, and that no accruals for tax liabilities are necessary. Therefore, no reserves for uncertain income tax positions have been recorded. The School remains subject to the examination by the Internal Revenue Service for the years ended June 30, 2017 through June 30, 2019.

11. Recent accounting pronouncements

In June 2017, the GASB issued Accounting Standards Updated (ASU) No. 87, *Leases*, which will require lessees to put most leases on their balance sheets and recognize expenses on their income statements in a manner similar to today's capital lease accounting. The new guidance is effective for reporting periods beginning after December 15, 2019. Early adoption is permitted. The School is evaluating the potential effect ASU No. 87 will have on its financial statements.

Trade Logistics Aviation Academy, Inc. DBA Florida Aviation Academy

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE A - SUMMARY OF REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

12. Subsequent events

The School has evaluated subsequent events through September 13, 2019, the date which the financial statements were available to be issued.

NOTE B - CONCENTRATIONS

Revenue sources

As stated in Note A-7, the School receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

<u>Sources</u>	<u>Amounts</u>
School District of Osceola County:	
Base funding	\$ 315,357
Discretionary millage	17,377
Discretionary local effort	20,280
ESE guaranteed allocation	5,880
Supplemental academic instruction	16,404
Digital classroom allocation	1,492
Safe schools	3,706
Instructional materials UFTE	6,402
Discretionary lottery WFTE	239
Classroom size reduction funds	67,768
Transportation	3,451
Florida teacher classroom supply assistance program	1,330
Reading allocation	3,064
Mental health assistance allocation UFTE	1,766
Funds compression allocation UFTE	5,447
Total from the School District of Osceola County	<u>469,963</u>
Other revenue:	
Donations	<u>36,352</u>
	<u><u>\$ 506,315</u></u>

The administration fee paid to the District during the year ended June 30, 2019, totaled \$23,498.

Trade Logistics Aviation Academy, Inc. DBA Florida Aviation Academy

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE C - CASH

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the School’s deposits may not be returned to it. The School does not have a formal policy regarding custodial credit risk. The School maintains its cash balances in a financial institution insured by the Federal Deposit Insurance Corporation (“FDIC”). Under the FDIC program, all of the School’s cash balances maintained in accounts at the financial institution are fully guaranteed by the FDIC up to \$250,000.

At June 30, 2019, the School’s cash was fully insured.

NOTE D - OPERATING LEASES

During December 2017, the School entered into a sublease agreement for its facilities with Aviator Holdings of Kissimmee, Inc., a Florida Corporation. The leased premises consisted of offices and a hangar for student instruction. The lease requires monthly payments of \$16,667 for the first year and \$29,167 the second year. The sublease includes utilities related to the facilities. Rent expense charged to operations for fiscal 2019 totaled \$33,367.

Pursuant to section 5, *Termination*, of the sublease agreement, the sublease has been terminated as of December 28, 2018.

NOTE E - GOING CONCERN

As of December 20, 2018, the School received notice from the District of termination pursuant to Section 1002.33(8)(d), Florida Statutes, and has taken over full control of the School as of that date. The School continued to operate under the control of the District through the end of the 2018 – 2019 school year. The change in control of the School was largely due to circumstances indicating that an immediate and serious danger to the health, safety and welfare of the School students existed. As of June 30, 2019, the School is no longer instructing students and or actively enrolling students which raise substantial doubt about its ability to continue as a going concern.

Subsequent to the change in control, the School has filed an appeal to the District.

REQUIRED SUPPLEMENTAL INFORMATION

Trade Logitics Aviation Academy, Inc. DBA Florida Aviation Academy

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND**

Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues				
State passed through local school district	\$ 696,218	\$ 696,218	\$ 469,963	\$ (226,255)
Other revenue	541,209	541,209	36,352	(504,857)
Total revenues	1,237,427	1,237,427	506,315	(731,112)
Expenditures				
Basic instruction	481,201	481,201	235,423	(245,778)
Exceptional instruction	46,500	46,500	-	(46,500)
Board expenses	37,896	37,896	4,665	(33,231)
General administration	35,019	35,019	23,498	(11,521)
School administration	203,700	203,700	107,280	(96,420)
Fiscal services	66,600	66,600	11,139	(55,461)
Food services	1,164	1,164	-	(1,164)
Central services	-	-	253	253
Transportation	10,000	10,000	500	(9,500)
Operation of plant	220,160	220,160	51,172	(168,988)
Maintenance of plant	13,000	13,000	9,281	(3,719)
Administrative tech	-	-	900	900
Community service	37,123	37,123	2,379	(34,744)
Total expenditures	1,152,363	1,152,363	446,490	(705,873)
Excess (deficiency) of revenues over (under) expenditures	85,064	85,064	59,825	(25,239)
Net change in fund balance	85,064	85,064	59,825	(25,239)
Fund balance at July 1, 2018	2,905	2,905	2,905	-
Fund balance at June 30, 2019	\$ 87,969	\$ 87,969	\$ 62,730	\$ (25,239)

See note to required supplemental information.

Trade Logistics Aviation Academy, Inc. DBA Florida Aviation Academy

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION

June 30, 2019

NOTE A - BUDGETARY INFORMATION

Budgetary basis of accounting

Annual budgets are adopted for the entire operations and may be amended by the Board of Supervisors (the "Board"). Budgets are adopted on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

A budgetary comparison has been presented for the general fund for which a legally adopted budget exists.

SUPPLEMENTAL INFORMATION



Partners

W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
James R. Dexter
Thomas F. Regan
Ernie R. Janvrin
Paul F. Smyth
Darby M. Hauck

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors of
Trade Logistics Aviation Academy, Inc. dba Florida Aviation Academy
Kissimmee, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Trade Logistics Aviation Academy, Inc. dba Florida Aviation Academy (the "School") as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 13, 2019.

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Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Accountants**

**Florida Institute of
Certified Public
Accountants**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Internal Control over Financial Reporting (continued)

We did identify certain deficiencies in internal control that we consider to be significant deficiencies which are as follows.

2019-001: Record Retention – Disbursements

Condition and Criteria: The School is paying vendors without proper documentation support and often not retaining support for disbursement transactions.

Cause: Auditor tested 40 disbursements as part of its testing and found 27 disbursements were not properly supported with original invoice, purchase order, check request, packing slips, or other support.

Effect: Vendor payments could be made for unauthorized goods or services.

Recommendation: Auditor recommends that the School ensure that written policies and procedures surrounding disbursements are properly followed.

2019-002: Disbursement Approvals

Condition and Criteria: The School is making purchases of goods and services without principal and board approvals. Approvals received often include a 30-day lapse in time between purchase date and approval date.

Cause: Auditor tested 40 disbursements as part of its testing and found 27 disbursements with no approvals and 10 disbursements with a greater than 10 days between purchase date and approval date.

Effect: Purchases of unauthorized goods and services could be made.

Recommendation: Auditor recommends that the School ensure that written policies and procedures surrounding disbursements are properly followed.

2019-003: Record Retention – Cash Receipts

Condition and Criteria: The School receives donations from donors and does not retain sufficient documentation of the cash receipt.

Cause: Auditor tested two out of the three donations received by the School as part of their testing and received no documentation for the cash receipts.

Effect: The School could be violating donor imposed restrictions and misuse of funds depending on the imposed donor restriction.

Recommendation: Auditor recommends that the School create a policy and procedure for documentation retainage of cash receipts, specifically donor imposed restriction tracking.

Internal Control over Financial Reporting (continued)

2019-004: Use of Debit Cards

Condition and Criteria: The School utilizes three debit cards for purchases of goods and services. The debit card usage includes ATM cash withdrawals and point of sale card purchases.

Cause: Auditor noted during testing of internal controls over disbursements and cash, that the School purchases goods and services with debit cards to the operating bank account. In addition, auditor noted ATM cash withdrawals and questionable payments to vendors including Massage Envy, Marshalls, and a lobby bar expense at Hotel Colonnade.

Effect: The School could incur misuse of funds due to the lack of management control over debit card usage.

Recommendation: Auditor recommends revoking all debit cards and issue credit cards to upper management. Auditor also recommends creating a policy and procedure for credit card usage.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School's Response to Findings

The School's response to the findings identified in our audit is described in the accompanying corrective action plan. The School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida
September 13, 2019



MANAGEMENT LETTER

Partners

W. Ed Moss, Jr.
Joe M. Krusick
Cori G. Cameron
Bob P. Marchewka
Ric Perez
James R. Dexter
Thomas F. Regan
Ernie R. Janvrin
Paul F. Smyth
Darby M. Hauck

To the Board of Supervisors of
Trade Logistics Aviation Academy, Inc. dba Florida Aviation Academy
Kissimmee, Florida

Report on the Financial Statements

We have audited the financial statements of Trade Logistics Aviation Academy, Inc. dba Florida Aviation Academy (the "School"), as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated September 13, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports, which are dated September 13, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In that regard, there are no uncorrected findings to report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and school code assigned by the Florida Department of Education of the entity are *Trade Logistics Aviation Academy and 0116968*.

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Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did have recommendations as items 2019-001 through 2019-004 within the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Bases on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit we did not notice any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Supervisors, applicable management, and the School Board of Osceola County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Krusick & Associates,

Winter Park, Florida
September 13, 2019

THE SCHOOL DISTRICT OF OSCEOLA COUNTY, FLORIDA

817 Bill Beck Boulevard • Kissimmee • Florida 34744-4492
Phone: 407-870-4600 • Fax: 407-870-4010 • www.osceolaschools.net

SCHOOL BOARD MEMBERS

District 1 – Teresa "Terry" Castillo
407-577-5022
District 2 – Kelvin Soto – Vice Chair
407-870-4009
District 3 – Tim Weisheyer
407-361-0235
District 4 – Clarence Thacker – Chair
407-870-4009
District 5 – Ricky Booth
407-870-4009



Superintendent of Schools
Dr. Debra P. Pace

CORRECTIVE ACTION PLAN

School Response to Findings 2019-001 to 2019-004

Pending resolution of the appeal, we will address all these comments, including development of written policies and procedures surrounding disbursements, retention of records and use of debit cards.

Sincerely,

Signature: Marlene P

Title: Business Analyst

Date: September 13, 2019