

Exhibit 6



PUBLIC SCHOOLS OF NORTH CAROLINA

STATE BOARD OF EDUCATION William C. Harrison, Ed.D., *Chairman*

DEPARTMENT OF PUBLIC INSTRUCTION June St. Clair Atkinson, Ed.D., *State Superintendent*

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January 8, 2013

TO: Mr. Ozie Hall
Kinston Charter Academy

FROM: Alexis Schauss *AS*
Division of School Business

SUBJECT: Financial Noncompliance Notification

The North Carolina State Board of Education policy for charter schools on financial and governance noncompliance (TCS-U-006) states that a charter school may be placed on a financial noncompliance status if the school shows signs of financial insolvency or weakness. The policy may be found in its entirety at <http://sbepolicy.dpi.state.nc.us/>.

Since March 2010, Kinston Charter Academy has been placed on **Financial Disciplinary** Status due to multiple years of negative fund balances and cash flow issues. A review of the June 30, 2012, audited financial statements shows an improvement in the financial situation of the school, however there continues to be concern over the solvency of the entity.

1. The Department of Public Instruction was notified by the Retirement Division of the NC Treasurer of delinquent reporting. Kinston Charter had 7 penalties assessed in 2012. The November report was submitted late and the December report has not been received as of the date of this letter.
2. The Department of Public Instruction was notified by the State Health Plan that premium payments for November and December have not been received and claims for services received after October 31, 2012 are on hold for the group's employees and dependents.
3. Although net assets have improved from (\$184,467) to \$28,331, the positive balance reflects \$94,935 in capital assets which is not available for future spending. The unrestricted net assets still remains negative at (\$66,604).
4. The School Food Service Fund net assets decreased by \$55,804 with a fiscal year end amount of (\$32,670). In addition, the fund borrowed \$24,325 from the General fund.
5. There continues to be serious cash flow issues with the school.

As stated above the school has made improvements during fiscal year 2011-12; however the school still has severe financial instability. Kinston Charter Academy will remain on **Financial DISCIPLINARY** Status.

Kinston Charter Academy is required to provide a detailed financial plan for the remainder of fiscal year 2013 and a preliminary plan for 2013-14. The plan must include, but not limited to,

**OFFICE OF FINANCIAL AND BUSINESS SERVICES
DIVISION OF SCHOOL BUSINESS**

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all debt terms and payments, a list of staff and their monthly salary for the remainder of the fiscal year and any outstanding obligations by vendor. Please be advised that the school will remain on **Financial Disciplinary Status** until all issues have been resolved and a financially secure plan is adopted and implemented by the school.

The school is required to respond with the requested items within 10 days of this notification and not later than January 21, 2013. Failure to respond by that time may result in the state funds for your school being allotted on a monthly basis.

AS/dkm

Enclosure

c: Office of Charter Schools