

# **Exhibit 4**



# 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 30, 2012

**TO:** Mr. Ozie HaH  
Kinston Charter Academy

**FROM:** Alexis Schauss  
Division of School Business *AS*

**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/>

In March 2010, Kinston Charter Academy was placed on **Financial Disciplinary** Status due to multiple years of a negative fund balance. A recent review of your financial records shows continued serious financial problems, including the following signs of financial insolvency:

1. Negative net assets of \$184,467
2. Negative fund balance of \$63,077 which is an increase of \$17,438 from prior year
3. The General fund borrowed \$30,542 from the School Food Service Fund in fiscal year 2010-11
4. Cash flow problems in current year. The School has requested two material advances in November and January in order to cover payroll expenses.
5. The school stated that the increase in the 2010-11, deficit was due to the unanticipated cost of an air condition system. However, the Department of Public Instruction noted that in July 2011, the school paid out approximately \$200,000 in bonus payments to school personnel.
6. A decrease in average daily membership greater than 10%.

Due to the severity of the financial instability and the lack of significant improvement in the financial management of the school, 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 2012 and a preliminary plan for 2012-13. The plan must include, but not limited to, 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. Kinston Charter provided a cash flow statement to the Department in October, however this statement does not provide enough detail to satisfy the request above. Receipt of this cash flow statement is not approval of an advance of the allotment process.

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

ALEXIS SCHAUSS, Director | [alexis.schauss@dpi.nc.gov](mailto:alexis.schauss@dpi.nc.gov)

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Kinston Charter Academy  
January 30, 2012

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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 February 10, 2012. Failure to respond by that time will result in the state funds for your school being allotted on a monthly basis.

AS/dkm

Enclosure

c: Office of Charter Schools