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FOR IMMEDIATE RELEASE

Terry Goddard Announces Agreement with Colorado City School District

(Phoenix, Ariz - Dec. 2, 2005) Attorney General Terry Goddard today announced a consent agreement that will place the Colorado City Unified School District in receivership and begin to restore its financial stability.

The agreement follows a petition filed by Goddard's office last Aug. 12, which sought an order to place the school district in receivership because of alleged gross mismanagement. The petition was filed on the first day a new state law took effect that allows the State Board of Education to appoint a receiver to manage the affairs of a public school district that is either insolvent or has engaged in gross mismanagement.

"This agreement represents a giant leap forward for taxpayers of Arizona and the children of Colorado City," Goddard said. "It will put an end to the serious mismanagement of the district and the waste of hundreds of thousands of tax dollars. It will place control of the district in competent hands and put it on the road to financial recovery."

Arizona School Superintendent Tom Horne added, "The important issue is that the Colorado School District needs to be placed into receivership. This consent agreement, if approved by the State Board on Monday, would accomplish that. I would like to thank the Attorney General's Office for its hard work in bringing this about."

Under the agreement:

- The school district will be placed in receivership, and a receiver will be appointed by the State Board of Education.
- District Superintendent Alvin Barlow will retire and Business Manager Jeffrey Jessop will resign. Both will immediately be assigned to non-administrative duties.
- The receiver will immediately begin a full review and investigation of the district's financial affairs and will submit to the State Board a financial improvement plan.
- The district agrees to make diligent efforts to reduce operating expenses and maximize available assets, including divesting itself of property, such as the district's Cessna airplane.

The agreement requires approval by the State Board of Education before it takes effect. The Board will consider the agreement at a meeting at 9 a.m. Monday, Dec. 5, at the East Valley Institute of Technology, Building Three.

Attached are copies of the consent agreement and a Nov. 21, 2005, Arizona Auditor General's Report on the Colorado City School District. The report shows that the district reported liabilities that exceeded its assets by more than \$546,000 in its June 30, 2004, financial statements. As of August 2005, the district owed more than \$1 million for obligations that could not be funded. As of today, the unfunded obligations total more than \$2 million.

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