

Robbinsdale Area Schools (ISD 281)

A Financial Record, FY2019–FY2026

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1. Executive summary

On November 3, Robbinsdale Area Schools will ask voters to authorize up to \$413 million in new borrowing – nearly twice what the district spends from its General Fund in a year. District leaders describe the referendum as a path to financial sustainability. This report examines the financial record of the district that would manage that money.

The district entered Statutory Operating Debt at the end of the 2024-25 school year, with an available General Fund balance of negative \$10.8 million. In November 2024 it disclosed that about \$20 million in state aid had been counted twice in its budget – an error that does not appear in any public record this review could locate. Its auditors have consistently found material weaknesses in its financial controls, including in the first full year under Superintendent Teri Staloch and Chief Financial Officer Kristen Hoheisel. Its credit rating is one rung above junk bond status.

None of the bond money can be spent on salaries or other operating costs – the costs that put the district into Statutory Operating Debt. New construction can help the district's finances only indirectly: by bringing back students it has lost to other options, or by making its buildings cheaper to run. The question for voters is not only whether the buildings need work, but whether this plan, carried out by this administration, is the right use of \$413 million to repair its finances.

This report draws on the district's audited financial statements, its auditors' findings, its budget documents, its board materials, its bond filings, and the credit-rating agencies' actions.

2. An overview of school finances

School districts rely primarily on state funding, most of which is enrollment-based. In Robbinsdale Area Schools, about 70 percent of revenue in the *General Fund* – the district's main operating account – comes from state funding.¹ In Minnesota, the state funding formula provides a set amount for each enrolled student, roughly \$7,500 in the 2025-26 school year.² When a student leaves the district, that enrollment-based revenue leaves with them. The state also pays targeted aid on top of the per-student formula. For Robbinsdale, the largest

¹ The FY2026 budget book states this share as 71 percent. *Independent School District No. 281, FY2026 Preliminary Budget Book (June 2025), revenue section.*

² *Ibid., per-pupil formula allowance schedule.*

component of this is *compensatory aid*,³ extra funding for districts that serve more students from lower-income households. In recent years, Robbinsdale has received \$18-20 million annually in compensatory aid. This is the revenue at the center of the double-counting error. The remaining 30 percent is mostly local property taxes, which cover about a quarter of the General Fund, plus a small slice of federal money that includes programs like Title I. Between 2020 and 2024, Robbinsdale also received significant funding from federal pandemic aid programs.

Spending is dominated by personnel costs. Salaries and benefits account for 76 percent of Robbinsdale's General Fund spending. The rest covers day-to-day operations: utilities, insurance, telecommunications, busing, supplies, materials, and equipment.⁴ When enrollment declines, most costs remain the same unless cuts are made. Revenue leaves one student at a time; the cost of teachers, bus routes, and boilers does not.

A district's budget is the plan it adopts before the school year begins; its audited financial statements report what actually happened after the year ends. When those statements are produced, any money left over in the General Fund is reported as the *fund balance*. Not all the fund balance is usable; most of it is either legally restricted or already earmarked. The remainder is referred to as the *unassigned* fund balance – this is what is available as a usable cushion. According to Minnesota law, if unassigned fund balance falls below negative 2.5 percent of the year's total spending, the district enters *Statutory Operating Debt* (SOD).⁵ It must then file a written recovery plan with the Minnesota Department of Education and submit to state oversight until it climbs back out. For Robbinsdale, which spends just over \$200 million annually, that threshold sits at around negative \$5 million.

3. The district's financial timeline

Where Robbinsdale stood before the pandemic

Robbinsdale Area Schools' finances were a hot topic in late 2024. To understand why, we have to start in the years leading up to the COVID-19 pandemic. Robbinsdale did not enter the pandemic in good financial shape. At the end of the 2018-19 school year, the unassigned fund balance was negative \$0.4 million – the second negative year in a row.⁶ The school board's own policy calls for a cushion of 6.5 percent of spending.⁷ The district covered its 2018-19 operating gap with a one-time transfer from its retiree-benefits trust, not new revenue.⁸

The single biggest pressure point behind the weak reserves was enrollment. The district's 2024 Demographic Study reports that Robbinsdale serves 62.5 percent of the school-aged children

³ Also called compensatory funding. Minn. Stat. § 126C.10, subd. 3.

⁴ *Independent School District No. 281, FY2026 Preliminary Budget Book (June 2025), expenditure-by-object schedule.*

⁵ Minn. Stat. §§ 123B.81, 123B.83.

⁶ *FY2021-22 Single Audit Reporting Package, Statistical Section, ten-year fund balance schedule.*

⁷ *ACFR transmittal letter; District fund balance policy.*

⁸ A one-time \$4.7 million Special Item – a transfer from the District's OPEB (retiree-benefits) trust – not borrowing proceeds; no new debt was issued that year. *FY2019 GF Statement of Revenue, Expenditures, and Changes in Fund Balances; FY2019 Single Audit Reporting Package, Federal Audit Clearinghouse.*

living within its boundaries, a measure called *capture rate*, down from 70 percent a decade earlier. In 2024-25, a net 2,307 students living in the district attended other public options.⁹ Using the \$7,500 per student figure from 2025-26, that translates to an *annual* loss of \$17.3 million in enrollment-based state funding.

Pandemic-era funding, spending, and enrollment decline

Between 2020 and 2021, Congress passed three rounds of temporary pandemic relief for schools. Across those laws and related programs, Robbinsdale was awarded approximately \$39.4 million.¹⁰ For a district that entered the pandemic with a \$6 million total fund balance, this was an enormous amount of money – several times its entire reserve.

The aid did not arrive as a lump sum. Federal relief of this kind is a *reimbursement*: the district had to spend eligible money first and then be paid back by the federal government, so the aid showed up over several years. In the district's financial statements, federal pandemic-aid revenue rose, peaked, declined, and then disappeared. If temporary money is spent on ongoing costs, those costs stay in the budget after the revenue is gone, unless someone cuts them.

Robbinsdale spent a meaningful share of the pandemic aid on people. The 2021-22 budget book names "CARES funded positions," and the district's application for pandemic aid lays out planned hiring of counselors, psychologists, social workers, and student-support staff.¹¹ Total staffing rose from 1,692 full-time-equivalent positions in 2018-19 to 1,787 by 2023-24.¹² Enrollment went the other way. By the district's own audited count of students served, enrollment fell from 11,099 in 2021-22 to 10,292 in 2024-25,¹³ a decline of about 7.3 percent. More staff, fewer students, using temporary money. Whether any particular hire was charged to any particular federal grant is beside the point. Money is fungible, and the aggregate is not in dispute: headcount grew on one-time revenue while the enrollment that drives permanent revenue kept falling.

For a while, the pandemic money hid the problem. The 2020-21 school year produced a surplus of \$10.9 million, the best year in the recent record. By June 2022 the total fund balance stood at \$20.5 million, its highest point. But most of this total was restricted or already earmarked: the unassigned balance at the peak was \$2.2 million, about one percent of spending. In addition, the district had already set aside \$5.1 million of the balance to cover the following year's planned deficit.¹⁴ Even at the high point, the district's own books show it planning to spend more than it took in; the 2022-23 school year ran a \$2.2 million deficit even while the district recognized \$17.4 million in ESSER/GEER pandemic aid.

⁹ *Robbinsdale Area Schools, 2024 Demographic Study* (Hazel Reinhardt).

¹⁰ The largest single component was ESSER III / ARP-ESSER, at about \$19.4 million. That appears to be the source of the often-cited \$19.4 million figure, but it represents one component of the broader pandemic-aid package, not Robbinsdale's total pandemic-related federal aid. *District ESSER Funding YTD Update, January 4, 2022; Robbinsdale FIN161 ESSER III application, Minnesota Department of Education*.

¹¹ *FY2022 Budget Book; Robbinsdale FIN161 ESSER III application, Minnesota Department of Education*.

¹² *FY2025 Single Audit Reporting Package, statistical section, table 17 (Full-Time Equivalent Employees), p. 140*.

¹³ *Single Audit Reporting Packages, FY2022–2025, transmittal letters*.

¹⁴ *FY2021-22 Single Audit Reporting Package, fund balance note*.

Then the money began to run out. The 2023-24 school year produced a \$6.5 million deficit, pushing the unassigned fund balance below zero. The 2024-25 school year produced another \$6.4 million deficit and drove the unassigned balance to negative \$10.8 million, or negative 5.0 percent of spending – twice the state’s threshold for Statutory Operating Debt.¹⁵ The table below shows the trajectory. The last column in particular shows why state law watches the unassigned number rather than the total fund balance: at year-end 2024-25 the restricted and earmarked balances came to \$16.1 million. The entire fund balance was \$5.3 million.

General Fund (\$M)	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Beginning fund balance	5.0	6.1	8.2	19.1	20.5	18.3	11.8
Revenue ¹⁶	174.3	181.7	185.1	187.2	192.2	202.4	208.8
of which: pandemic aid ¹⁷	0	0	3.3	9.4	17.4	5.3	0.5
Less: Spending	(178.0)	(180.9)	(174.4)	(186.0)	(198.3)	(210.1)	(215.5)
Misc. financing & adjustments ¹⁸	4.7	1.3	0.2	0.2	3.9	1.1	0.2
Ending fund balance	6.1	8.2	19.1	20.5	18.3	11.8	5.3
Less: Restricted or earmarked	(6.5)	(7.6)	(11.6)	(18.4)	(12.6)	(12.4)	(16.1)
Unassigned fund balance	(0.4)	+0.6	+7.5	+2.2	+5.6	(0.7)	(10.8)
Unassigned as % of spending	n/a	+0.3%	+4.3%	+1.2%	+2.8%	–0.3%	–5.0%
SOD threshold	–2.5%	–2.5%	–2.5%	–2.5%	–2.5%	–2.5%	–2.5%

Millions, rounded. All figures audited. Deficit figures in the text are computed from unrounded audited amounts and may differ from the rounded balances shown here.

The cuts came in the 2025-26 school year, under state supervision: roughly 200 positions, most of them teachers. That winter, the board voted to close four buildings at the end of the year.

The compensatory funding error

At this point, you might be forgiven for asking why on earth the district would keep increasing spending into 2025 as though the money were there. The answer is that it thought it *was* there.

On June 24, 2024, the district adopted its original budget for the 2024-25 school year, which planned \$17.4 million in cuts and projected a surplus of \$758,151.¹⁹ The following November, the district publicly disclosed what it referred to somewhat abstrusely as a “compensatory funding

¹⁵ FY2024-25 Single Audit Reporting Package.

¹⁶ FY2024’s revenue growth was driven by a statewide school-funding formula increase. Minnesota’s 2023 legislative session raised the basic per-pupil formula allowance from \$6,863 to \$7,138 (4 percent) for fiscal year 2024, and increased the state’s special education cross-subsidy share from 6.43 percent to 44 percent. *Minn. Laws 2023, ch. 55 (E-12 Education Finance and Policy Act)*.

¹⁷ ESSER/GEER programs, per the District’s audited Schedule of Expenditures of Federal Awards. Cumulative FY2021–2025 = \$35.9 million, about 91 percent of the \$39.4 million pandemic-aid award cited above. FY2019–2025 Single Audit Reporting Packages, Federal Audit Clearinghouse.

¹⁸ Equipment leases, asset sales, and insurance recoveries most years; FY2019 was a one-time OPEB trust draw and FY2023 was mostly a \$3.84 million capital lease. *GF Statement of Revenue, Expenditures, and Changes in Fund Balances, FY2019–2025*.

¹⁹ *Resolution Adopting 2024-2025 Original Budget, adopted June 24, 2024; corroborated by the 2024A Official Statement (GO Facilities Maintenance Bonds, Series 2024A), voluntary supplemental disclosure, General Fund summary.*

implementation error”²⁰ that caused about \$20 million of revenue to be double counted. In a presentation to the board, CFO Kristen Hoheisel described a \$200 million budget that had been treated as if it were a \$220 million budget.²¹ Later that month, the district updated its official disclosure to bondholders, reporting that spending would exceed the adopted budget by \$14.1 million.²² On February 3, 2025, the board adopted a revised budget projecting a deficit of \$11.8 million²³ – a swing of roughly \$12.6 million from the version it had approved seven months earlier.

The district’s story goes like this: compensatory revenue totaling approximately \$20 million was included in the original June 24 budget. During the school staffing and allocation process in the following summer,²⁴ the same revenue was counted a second time. As a result, the \$17.4 million of reductions in the budget appeared less urgent than they were, and only \$3.2 million of cuts had been implemented by the time the error was discovered and disclosed in November. The cuts that were never made are the shortfall. The year ultimately closed with a General Fund deficit of \$6.4 million rather than the projected \$11.8 million, primarily because revenues came in above the revised budget.²⁵

This story adds up. Recall that Robbinsdale typically receives compensatory aid of roughly \$18-20 million. Minnesota Department of Education schedules show about \$18.0 million in 2023-24, \$18.9 million in 2024-25, and \$19.5 million in 2025-26.²⁶ This is roughly the same size the district described, and certainly enough to mask an \$11.8 million deficit.

The actual error, though, appears nowhere in the public record. It cannot be directly reconstructed from the revised budget resolution, the certified disclosure to bondholders, the district’s budget books, its audited financial statements, the recovery plan it filed with the state to explain why Statutory Operating Debt occurred, its later filings to bondholders, its budget presentations and town-hall materials, its Finance Advisory Council materials, or even archived versions of the district’s finance pages. This review conducted targeted searches for the underlying work materials – the compensatory revenue reconciliation, the staffing-allocation workbooks, any variance analysis reconstructing the error, or any document showing the original calculation, the second application, or the duplicate entry itself, and found nothing. The district described the error in presentations and a public Q&A, and there the trail ends.²⁷

²⁰ Community members would refer to it more memorably – albeit inaccurately – as \$20 million gone missing. *Robbinsdale Area Schools, Board presentation, November 18, 2024.*

²¹ *Ibid.*

²² *2024A Official Statement, supplemental disclosure.*

²³ General/Transportation/Capital funds combined, per the resolution’s own grouping. *Resolution Adopting 2024-2025 Revised Budget, adopted February 3, 2025.*

²⁴ Inferred; the district describes the double count as happening after the adoption of the original budget on June 24 and before the arrival of Kristen Hoheisel on August 20.

²⁵ Revenues exceeded the final budget by \$6.6 million, which the district attributes primarily to federal sources. *FY2024-25 Single Audit Reporting Package, Management’s Discussion and Analysis, General Fund Budgetary Highlights*, p. 36.

²⁶ *Minnesota Department of Education, Compensatory Revenue reports, district 0281-01, FY2024-FY2026.*

²⁷ *Robbinsdale Area Schools, Board presentation, November 18, 2024; KSTP, “Robbinsdale schools’ transparency questioned; omits big reason for deficit with state,” reporting on the district’s public Q&A.*

4. The district's financial reporting and management

After the end of each school year, state law requires every school district to submit to a financial audit. The audit is an independent check on the financial records that the district prepared during the previous school year. It verifies that those records are reliable.

The school board retains an independent CPA firm to perform the audit.²⁸ The auditor typically begins its engagement with the district's finance department prior to the end of the school year. Representatives from the firm meet with district employees, walk through the district's procedures and internal controls, test those internal controls, request primary and supporting documents, and carefully review each component of the finalized financial statements to test (a) whether the statements are free of material errors and (b) whether they conform to the state's standardized accounting rules, the Uniform Financial Accounting and Reporting Standards (UFARS). Once this review concludes, the auditor drafts an official opinion on the district's financial statements, a separate report on whether there are any deficiencies in the district's procedures and controls, and – when applicable²⁹ – a special report on compliance with federal grant rules.

The opinion itself functions a bit like a report card. The district gets an overall grade: a *clean/unmodified* opinion if its financial statements are fairly presented with no material misstatements, *qualified* if they are fairly presented except for one specific, contained problem, and *adverse* if they are not fairly presented, often triggered by sizable and pervasive misstatements. An unmodified opinion is the expected result, and by far the most common one.

Unlike actual report cards, though, a district's grade rarely comes as a surprise. The audit engagement is a lengthy and interactive process, and there are many opportunities along the way to fix issues that the auditor identifies. Robbinsdale has consistently received unmodified opinions from its auditors.³⁰

Error detection is not the only purpose of the audit. Once it has determined whether the district's financial statements actually contain any errors, the auditor's next task is to ascertain whether the district's reporting procedures are well-suited to catch and prevent errors on their own. This report on internal controls is essentially a risk assessment,³¹ and it splits findings into three severities: *deficiencies*, *significant deficiencies*, and *material weaknesses*.³² Material weaknesses, as the previous sentence heavily implies, are the most severe of the bunch. They are gaps in a district's internal controls severe enough to create a "reasonable possibility" that mistakes in the financial statements will not be prevented or corrected in a timely manner. Gaps

²⁸ State and federal law identify a specific set of standards that define "independent" in this context, a full explication of which is not provided here. For further detail, see *Generally Accepted Government Auditing Standards* (GAGAS).

²⁹ Specifically, spending \$1 million or more in federal assistance during a given fiscal year triggers the requirements of the Federal Single Audit Act. For fiscal years beginning prior to October 1, 2024, this threshold was \$750,000.

³⁰ *Independent auditor's reports, Annual Comprehensive Financial Reports, FY2019-FY2025*.

³¹ The phrase "risk assessment" has a technical meaning to auditors. This usage is intended merely to illustrate the purpose of this portion of the audit in non-technical terms – namely, that it provides the state with a way to assess the likelihood that the district will produce unmitigated errors in the future.

³² *Deficiency or deficiency in internal control* is also the umbrella term.

not rising to this level are deficiencies. A deficiency is significant if, in the auditor's judgment, it is severe enough to merit reporting to the district's governance.

The final audit also comes with two shorter reports, one concerning compliance with regulations on the use of federal financial aid, and the other concerning compliance with various other Minnesota laws and regulations. The federal piece, referred to as the "single audit," uses the same severity buckets for its findings as the report on internal controls. The Minnesota legal-compliance portion reports instances of noncompliance with laws and regulations, but does not classify those findings by severity.

2022-23

Robbinsdale Area Schools' 2022-23 audit identified a material weakness in internal control over financial reporting along with two related less severe findings.³³ The auditor, MMKR, found that the district's controls were "not adequate to ensure that the District's financial records and year-end closing process were completed in a timely manner." Financial data was submitted to the state on time but was later found to contain errors requiring "several material adjustments." The adjustments were made, but the final audited statements were not submitted to the state until October of 2024, more than nine months past the state's deadline and several months past the deadline for the federal single audit.³⁴

This is attributed to "turnover in several key positions within the District's finance department" during and shortly after the 2022-23 school year. No specific employees or positions are mentioned by name, but some of the timeline can be pieced together from a historical org chart from March 2023 and the district's published personnel reports.

The org chart lists 13 positions in finance: five director-level positions, seven clerk/specialist-level positions, and an office manager. There were existing vacancies in two of these positions: Controller Director and a purchasing clerk position. On April 26, 2023, an accounts-payable staffer was terminated. A Senior Accountant was hired on June 12, 2023, and would resign in February 2024. Finally, on June 30 – the last day of the 2022-23 fiscal year – Executive Director of Finance Ukee Dozier resigned.³⁵ Dozier's departure came right when the work of closing the books for the year would typically be ramping up, and about fifteen months before the audit would finally cross the finish line. The top spot in the district's finance department would remain empty nearly the entire time.

³³ Related in the sense that they concern timely submission of audited financials. The audit also produced two unrelated findings: a significant deficiency in the documentation of teacher salaries charged to the federal Title I program, and a legal-compliance finding for failing to obtain state-required certifications from the brokers handling its investments.

³⁴ Audited statements were due to the state December 31, 2023; the federal reporting package was due nine months after fiscal year-end. *Robbinsdale Area Schools, Annual Comprehensive Financial Report, fiscal year ended June 30, 2023, independent auditor's report dated September 24, 2024; FY2023 Management Report and Schedule of Findings and Questioned Costs, Malloy, Montague, Karnowski, Radosevich & Co., P.A.*

³⁵ *Robbinsdale Area Schools, Non-Licensed Staff Personnel Report (resignation/retirement effective June 30, 2023), BoardBook org 964; Finance Organizational Chart, March 14, 2023; Non-Licensed Staff Personnel Reports, June 6, 2023 and February 5, 2024.*

2023-24

The 2023-24 school year would come and go with the finance department's predicament largely unchanged. The district parted ways with superintendent David Engstrom in September of 2023,³⁶ leaving assistant superintendent Marti Voight to serve as interim. By June 2024, the district had selected Dr. Teri Staloch as its next superintendent but still had no new head of finance. The 2022-23 audit was still unfinished, and work on the 2023-24 audit could not begin until the previous year's was complete.³⁷ Assistant Director of Finance Virginia (Ginny) Verbrugge was in her twelfth consecutive month as the department's acting leader, on top of her own role, when she presented the FY2024-25 budget resolution to the school board on June 24, 2024 – the very budget that called for \$17.4 million in reductions.

Over the summer, Staloch hired Kristen Hoheisel as Robbinsdale's new Chief Financial Officer.³⁸ Hoheisel started on August 20, ending a vacancy of nearly fourteen months. In October, the board finally accepted the 2022-23 audit, which concluded that the material weakness "had a negative impact on the quality and timeliness of financial information available to the School Board and management." The auditor issued an unmodified opinion because the school district was eventually able to correct the mistakes in its reports. It noted the material weakness because the district's controls were not sufficient to prevent the mistakes from happening in the first place. In a memo presenting the results to the board, Hoheisel characterized the situation somewhat differently:

*The School District has received an unmodified opinion on the audited financial statements for the year ending June 30, 2023. An unmodified opinion is the highest opinion achievable. The Annual Comprehensive Financial Report (ACFR) will be submitted to the National Association of School Business Officials [sic] for the Certification of Excellence in Financial Reporting.*³⁹

Less than a month later, she would sit before the board again – this time to disclose the compensatory funding error and the failure to implement the planned budget cuts.

The district retained a new auditor, Abdo, for the 2023-24 audit engagement. In its final report, Abdo noted two *repeat* findings from 2022-23 related to timeliness along with a new material weakness: the prior year's construction-in-progress account had been materially understated, requiring a correction entry to be booked in the current year's statements. In other words: even after an audit process that extended more than nine months past the deadline and into Staloch and Hoheisel's tenure, the final 2022-23 financial statements were *still* not materially correct.

³⁶ CCX Media, "Robbinsdale Area Schools approve separation agreement with superintendent," September 19, 2023 (separation agreement approved September 18, 2023).

³⁷ Kristen Hoheisel to School Board Directors and Teri Staloch, "FY24 Audit Update – Preliminary Results," district memorandum, January 6, 2025.

³⁸ The title was upgraded from Executive Director of Finance to Chief Financial Officer, reflecting expanded responsibilities that added transportation, facilities, and operations. Robbinsdale Area Schools, *Chief Financial Officer organizational chart*, August 8, 2025; Minnesota Star Tribune, "Robbinsdale school closures loom as district confronts financial crisis," September 2025.

³⁹ A Certification of Excellence in Financial Reporting is an industry award for the readability of a school district's financial reports, not for the accuracy of the underlying figures or the condition of the finances described. Robbinsdale Area Schools, *administration recommendation memorandum on acceptance of the 2022-23 audit*, October 21, 2024 board agenda, BoardBook.org 964.

The finding concluded: “this indicates that misstatements may occur and not be detected by the District’s system of internal control.”⁴⁰

The 2023-24 audit was once again filed late, though only by three weeks this time. In her memo to the board, Hoheisel recycled the same language quoted above – an unmodified opinion being the highest achievable, the submission for a Certification of Excellence – with no further comment.⁴¹

2024-25

The 2024-25 school year was the first that Staloch and Hoheisel ran start to finish. The district’s website hosts a set of explainer pages about the ongoing financial issues, and in them Staloch and Hoheisel are hailed as much-needed reformers:

In 2024, the district strengthened leadership and financial oversight, after the implementation error had occurred [sic]: Dr. Teri Staloch began serving as Superintendent in July 2024. Kristen Hoheisel was hired as Chief Financial Officer in August 2024. Together, the new leadership team identified the budgeting issue and began taking immediate action to correct it.

*Since discovering the issue, the district has implemented multiple financial safeguards to ensure more accurate budgeting and stronger financial oversight. These changes include: a complete overhaul of how compensatory funded staffing is done, including the implementation of base- and service-staffing models; improved forecasting and revenue verification procedures; additional safeguards around the use and tracking of compensatory funding; clearer accountability and oversight within the finance department. These steps are designed to ensure district revenues and expenses are accurately projected and monitored moving forward.*⁴²

So let’s see how they did.

The good news is that the 2024-25 audit was filed on time. The not-so-good news is what it contained. Abdo had found yet another new material weakness alongside two repeated findings from 2023-24.⁴³ This time around, accounts payable had been materially misstated because “the District’s management had not prepared a year end trial balance reflecting all necessary accounting entries.”⁴⁴

A trial balance is an essential and easily understood accounting practice. Prior to preparing financial statements, an organization takes all of its account balances – including assets,

⁴⁰ Robbinsdale Area Schools, *Annual Comprehensive Financial Report, fiscal year ended June 30, 2024, Schedule of Findings and Questioned Costs*, Abdo, LLP.

⁴¹ Robbinsdale Area Schools, *Annual Comprehensive Financial Report, fiscal year ended June 30, 2024, independent auditor’s report dated January 22, 2025; district memorandum presenting the FY2024 audit results to the School Board*.

⁴² Quoted from two adjacent subsections of the same page; a header reading “Preventing This From Happening Again” has been omitted.

⁴³ Robbinsdale Area Schools, *Annual Comprehensive Financial Report, fiscal year ended June 30, 2025, Schedule of Findings and Questioned Costs, findings 2025-001 and 2025-002*, Abdo, LLP; *Executive Governance Summary*.

⁴⁴ *Ibid.*, finding 2025-003.

liabilities, revenues, and expenses – and enters them into a worksheet with two columns. Debits go on the left and credits go on the right. When the columns are added up, the total of the debits should equal the total of the credits. If it doesn't, there is a mistake somewhere in the numbers. This is the organization's first and most basic line of defense against accounting errors.

A trial balance doesn't catch all errors. It only catches errors that result in total debits not equaling total credits, and plenty of accounting errors don't do that. But the finding in this case isn't that the district materially misstated certain accounts *and* it failed to prepare a year-end trial balance; it's that the district materially misstated certain accounts *because* it failed to prepare a year-end trial balance. That means it was the kind of basic error that would have been caught by one.

5. The November 2026 bond referendum

School districts generally pay for major building projects by borrowing: with voter approval, they issue bonds and repay them through increased property taxes. On November 3, 2026, voters will decide three questions related to such bond issuance. Together they would authorize up to \$413 million in new borrowing,⁴⁵ and property taxes would increase by the amount necessary to repay the principal and interest.

Question	Authorization	Est. tax impact	Condition
Question 1	\$343 million	~\$15/month	None; includes ~\$116M for long-term facilities maintenance
Question 2	\$17 million	~\$2/month	Only if Question 1 passes
Question 3	\$53 million	~\$8/month	Only if Questions 1 and 2 pass
All three	\$413 million	~\$25/month	

Amounts and contingencies as approved by the board on July 20, 2026. Monthly estimates are the district's, for a home valued at \$340,200, over 20 years; actual impact varies with property value.⁴⁶

Credit ratings

A credit rating is an assessment of a borrower's ability to repay its debts, much like an individual's credit score, and it is one of the main factors that determine the interest rate a school district pays on its bonds. Since October 2024, Robbinsdale's ratings have been lowered four times by the two major agencies. Moody's has rated the district's certificates of participation below investment grade since May 2025, and S&P's current rating on its general obligation debt, BBB-, is the lowest investment-grade rating S&P assigns.⁴⁷

Date	Agency	Action
Oct 17, 2024	S&P	GO bonds A- → BBB (outlook negative)
Oct 29, 2024	Moody's	GOULT bonds A3 → Baa1; certificates of participation Baa1 → Baa2
May 20, 2025	Moody's	GOULT bonds Baa1 → Baa3; certificates of participation Baa2 → Ba1 – below investment grade
Jan 16, 2026	S&P	GO debt BBB → BBB- (outlook revised to stable)

In its January 2026 downgrade, S&P cited several years of operating deficits, enrollment decline, rising costs, and the budget implementation error, and found that past financial oversight and long-term budgeting had not kept the district's budget in structural balance, as the district itself summarized the report. The same report noted that the district was contemplating

⁴⁵ KSTP, "Robbinsdale Area Schools approves ballot questions for up to \$413M in bonding revenue," July 21, 2026; CCX Media, "Robbinsdale School Board Sends \$413M in Referendums to Ballot," July 21, 2026.

⁴⁶ Long-term facilities maintenance share of Question 1 per CCX Media. Robbinsdale Area Schools, "The Investment," rdale.referendumfacts.org/the-investment (estimates for a home valued at \$340,200); KSTP, "Clarity, questions surrounding Robbinsdale referendum that could total over \$400M"; CCX Media, "3 Ballot Questions Could Bring \$410M-Plus to Robbinsdale Schools," June 22, 2026.

⁴⁷ S&P Global Ratings and Moody's Investors Service rating actions, October 2024–January 2026, filed on MSRB EMMA (CUSIP base 770265/770266).

significant new debt, with a first tranche expected in November 2026, and said that issuing it without corresponding improvement in operations and reserves could pressure the rating.⁴⁸

These downgrades may not actually raise the cost of new debt by much. Under Minnesota's school district credit enhancement program, the state will make a district's bond payments if the district cannot, which allows a district to borrow on the strength of the state's credit rating rather than its own.⁴⁹ Robbinsdale used this program for its 2024A bonds, which carried an underlying S&P rating of BBB but were sold with an enhanced AAA rating.⁵⁰ This guarantee protects bondholders from default, but it does not protect the district; should the state make a bond payment on the district's behalf, it is entitled to recover the money, with interest, by reducing the district's state aid or requiring the district to levy additional taxes.

If all three questions pass, the district will borrow up to \$413 million. This is nearly twice its General Fund spending in 2024-25. None of that money can be used for salaries or other operating costs.

This means that any benefit to the operating budget would be indirect. In order to ease the district's financial position, the construction that the new debt would fund must increase annual revenue, reduce annual operating costs, or both. Increased revenue would depend on the new facilities bringing back students that the district has lost to other options. Reduced costs would require the new facilities to be cheaper to run than the old ones.

In either case, this plan would be carried out by the same finance department whose last three audits each found a material weakness in the controls meant to ensure that its books are accurate.

⁴⁸ S&P Global Ratings, "Hennepin County Independent School District No. 281, MN GO Debt Rating Lowered To 'BBB-' On Deficits, Reserves," January 16, 2026, pp. 2-3; Robbinsdale Area Schools, "District's Bond Rating Updated by S&P Global Ratings," rdale.org, January 2026.

⁴⁹ Minn. Stat. § 126C.55.

⁵⁰ Official Statement, General Obligation Facilities Maintenance Bonds, Series 2024A, cover page, MSRB EMMA.

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