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Dakota County and Vermillion River Watershed District

Audit Exit Presentation

Year ended December 31, 2025

Agenda

- Introduction
- Required Governance Communications
- Audit Opinion and Results
- Internal Control Communications
- Minnesota Legal Compliance Communications
- Financial statement highlights
- Governmental Accounting Standards Board (GASB) Updates

Audit Team

The senior members of your audit team consisted of the following professionals:

- Christopher Knopik - Principal
- Troy Gabler – Principal
- Ezra Koetz - Manager
- Josh Robertson - Senior

Governance Communications

Overall

Audit provides reasonable assurance, not *absolute* assurance

Difficulties

- None

Sensitive Estimates

- Liability for other post employment benefits
- Self Insurance – Incurred but not reported (IBNR) claims liability

Other

- GASB Statement No. 102, *Certain Risk Disclosures*, was implemented as of December 31, 2025.

AUDIT OPINIONS

Financial statement

Financial statement audit opinion is **unmodified**.

Federal awards

Federal awards audit opinion is **unmodified.**

AUDIT RESULTS

Financial statement

One Material Weakness for Vermillion Watershed District

No Material Weakness for County

No Significant Deficiencies

Federal awards

(SNAP, MA, CSE, HOME)

Two Material Weaknesses

One Significant Deficiency

Internal Control Communications

Material Weaknesses – deficiency in internal control such that there is a reasonable possibility that a **material misstatement** would not be prevented or detected and corrected on a timely basis

- *Overstatement of beginning net position for the Vermillion Watershed District in the previous period in the amount of $226,184. This is due to unearned revenues not being recorded in prior fiscal year.*

Significant Deficiencies - deficiencies in internal control that are **less severe than material weaknesses**, yet important enough to **merit attention by those charged with governance**

- *None*

Federal Awards – Internal Control and Compliance

Material Weaknesses

- MA: LCTS documented review that fiscal site contacts were trained on completing cost schedules.
- SNAP: 1 of 1 procurements we tested did not retain proper documentation.

Significant Deficiencies

- SNAP/MA: Random Moment Studies Item. 1 Individual on the Income Maintenance Random moment studies included that should not have been.

Minnesota Legal Compliance Communications

Auditors performed numerous audit procedures testing the County's compliance with applicable Minnesota Statutes, including the completion of a 25-page checklist of statutory requirements

2025 Results:

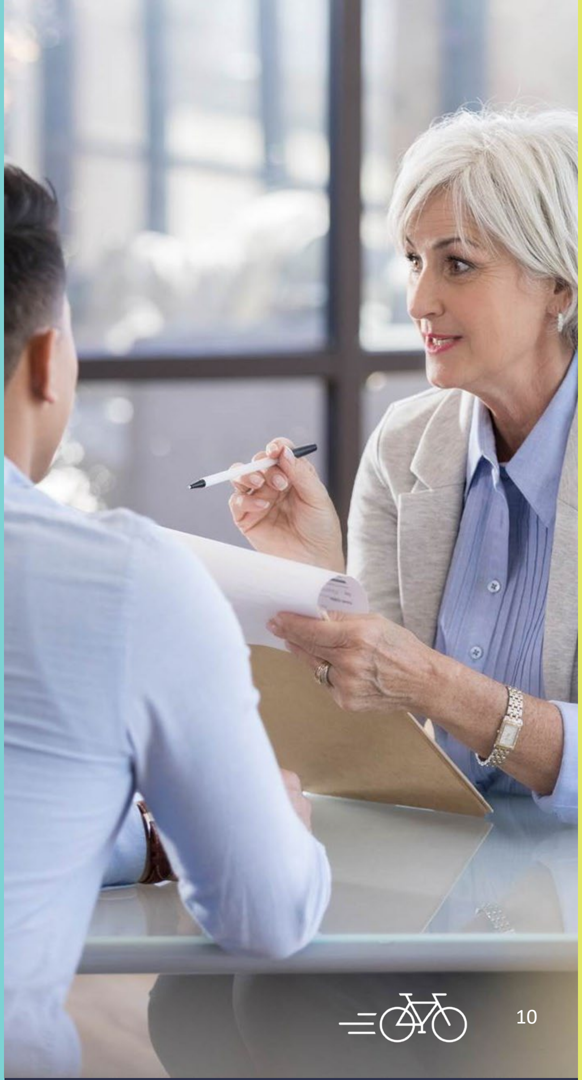
- No findings noted

Passed Adjusting Journal Entries

- PY:
  - Accounts Payable passed adjustments that are still affecting this year.
    - Highway Fund
    - Capital Projects Fund
    - DC Transportation Fund
    - Aggregate Remaining Other Funds
    - Governmental Activities:
  - 100k Receivable for General fund.
  - $1.5M contingent liability for settled lawsuit.
- CY:
  - $510k Subscription Based Information Technology Arrangement (SBITA) payment recorded as prepaid, thus higher than should have been in the General Fund.
  - Total of $132k unrecorded accounts payable in Capital Projects Fund.

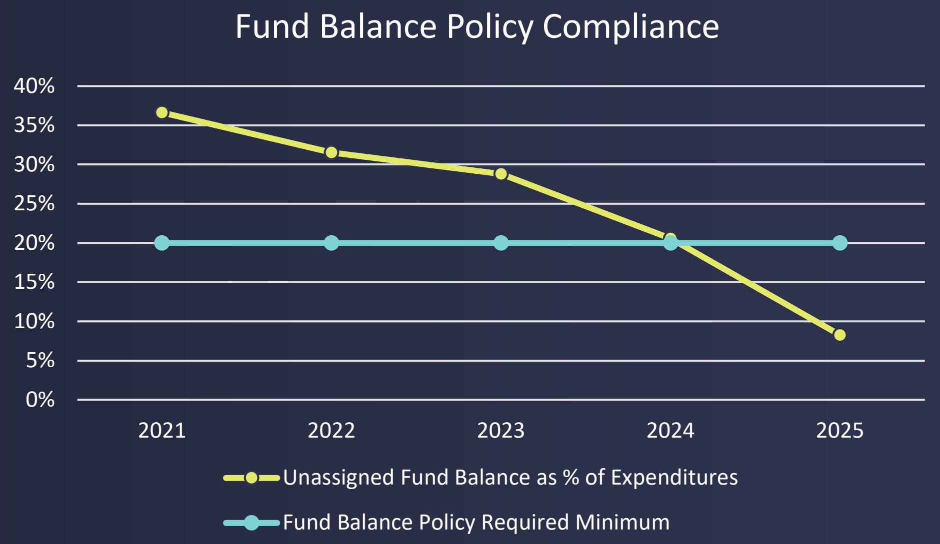
Financial Statement Highlights and Trends

Fund Balance Trends



Fund Balance General Fund

Policy states that the County should maintain an unassigned fund balance greater than 20 percent of the General Fund Operating Expenditures at the end of the fiscal year.



	2021	2022	2023	2024	2025
Unassigned Fund Balance	102,222,194	84,067,178	82,829,973	63,885,855	28,447,011
Total Fund Balance	110,292,751	92,036,654	98,464,455	79,077,068	46,222,571
Expenditures (Excluding Other Financing Uses)	279,072,343	266,599,319	287,471,207	310,863,527	344,956,718

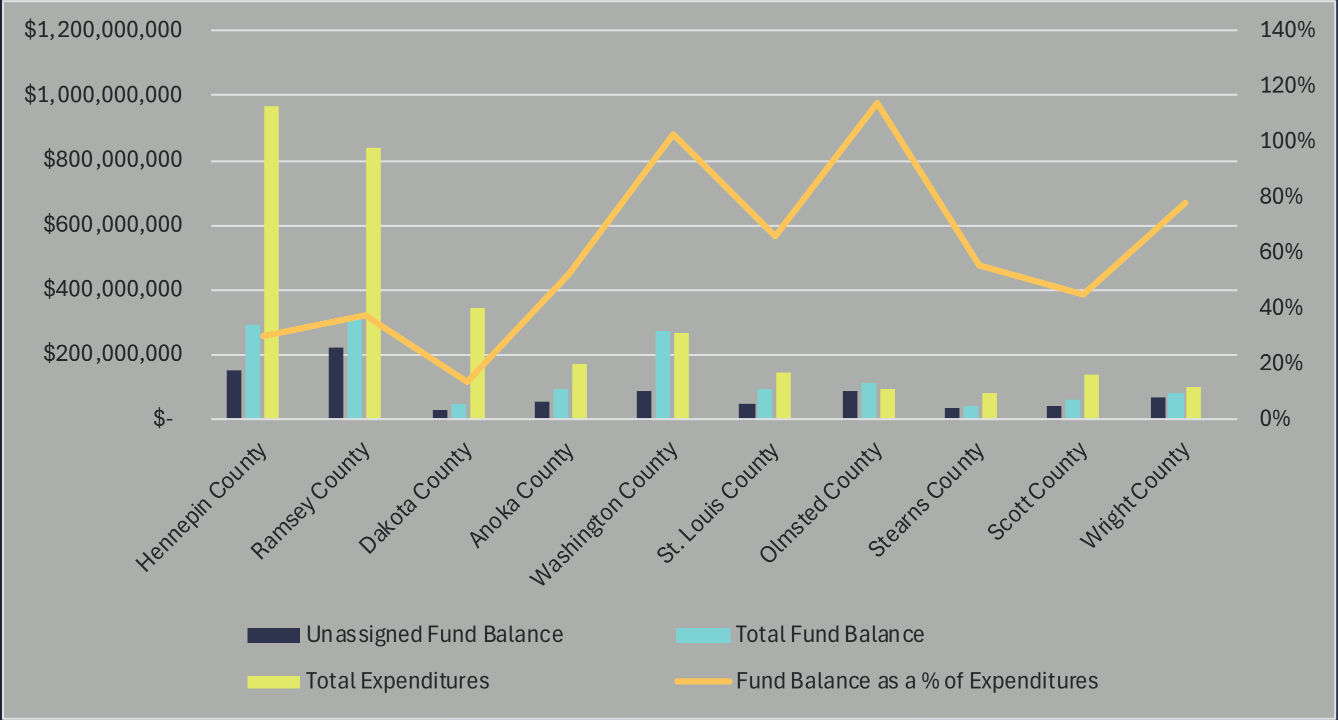
Fund Balance General Fund - Comparison

Compared to largest 10 counties in Minnesota by Population

Entity Name	Unassigned Fund Balance	Total Fund Balance	Total Expenditures	Unassigned as a % of expenditures	Fund Balance as a % of Expenditures
Hennepin County	$ 151,405,040	$ 292,251,720	$ 964,164,868	16%	30%
Ramsey County	$ 219,930,282	$ 315,743,387	$ 839,071,051	26%	38%
Dakota County	$ 28,447,011	$ 46,222,571	$ 344,956,718	8%	13%
Anoka County	$ 52,935,504	$ 90,928,704	$ 173,614,011	30%	52%
Washington County	$ 85,736,255	$ 270,661,355	$ 264,102,386	32%	102%
St. Louis County	$ 46,088,522	$ 96,092,697	$ 145,744,801	32%	66%
Olmsted County	$ 87,376,773	$ 110,567,358	$ 96,712,325	90%	114%
Stearns County	$ 38,438,418	$ 43,975,411	$ 78,974,931	49%	56%
Scott County	$ 45,231,661	$ 63,048,220	$ 139,373,881	32%	45%
Wright County	$ 67,260,238	$ 79,908,700	$ 102,135,831	66%	78%

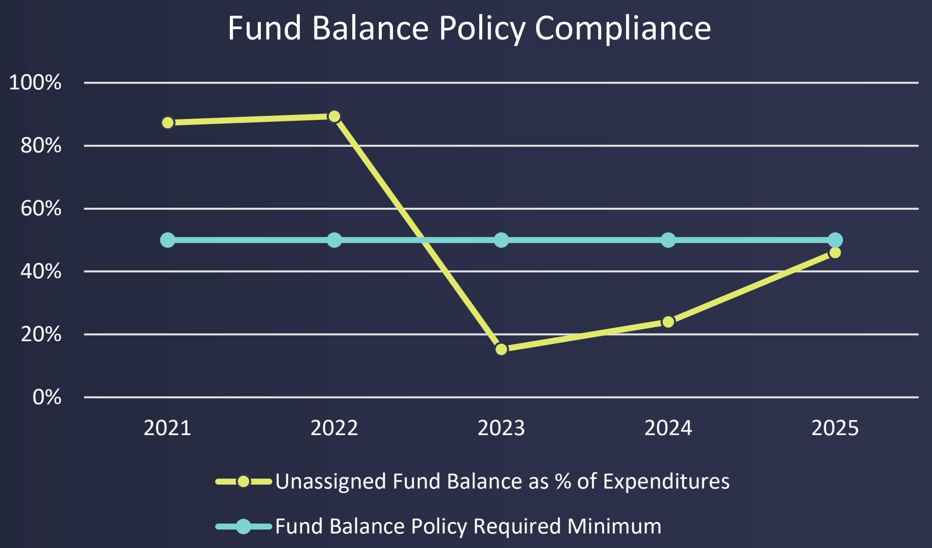
Fund Balance General Fund - Comparison

Compared to largest 10 counties in Minnesota by Population (2024 information for other counties 2025 for Dakota County)



Fund Balance Highway Fund

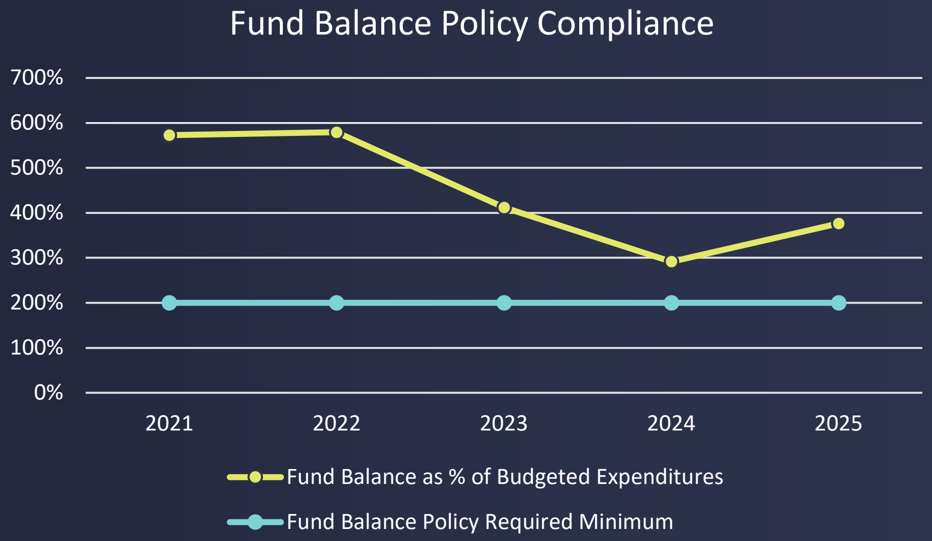
Policy states that the County should maintain a fund balance at year end equal to or greater than 50 percent the highway actual expenditures.



	2021	2022	2023	2024	2025
Total Fund Balance	62,970,397	55,067,332	13,591,686	14,518,012	26,808,183
Expenditures (Excluding Other Financing Sources)	72,131,459	61,634,034	89,256,094	60,545,162	58,262,734

Fund Balance Environmental Legacy Fund

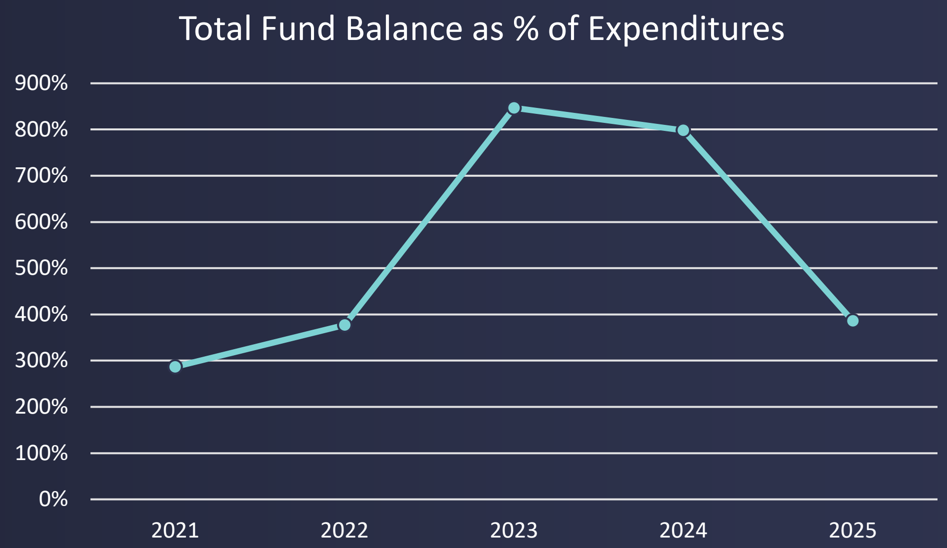
Policy states that the County should maintain a fund balance at year end equal to or greater than two times the actual ELF expenditures.



	2021	2022	2023	2024	2025
Total Fund Balance	55,075,511	56,973,275	55,037,537	52,065,713	46,762,196
Total Final Budgeted Expenditures	9,610,119	9,832,575	13,366,914	17,865,878	12,431,632

Fund Balance DC Transportation Sales Tax Fund

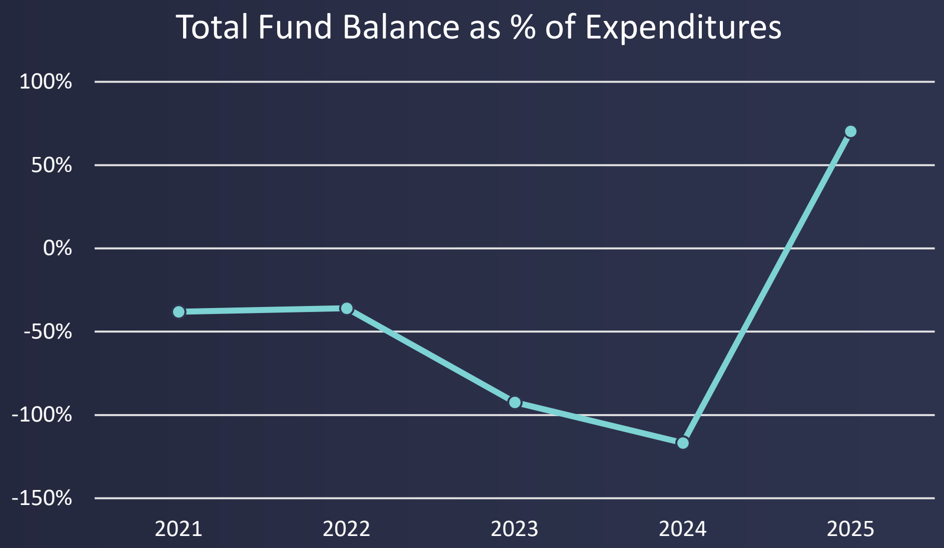
There are no specific policy requirements for this fund.



	2021	2022	2023	2024	2025
Total Fund Balance	65,950,725	72,432,359	95,213,796	102,814,078	98,527,568
Expenditures (Excluding Other Financing Sources)	23,000,807	19,209,777	11,243,523	12,879,515	25,518,443

Fund Balance Capital Projects Fund

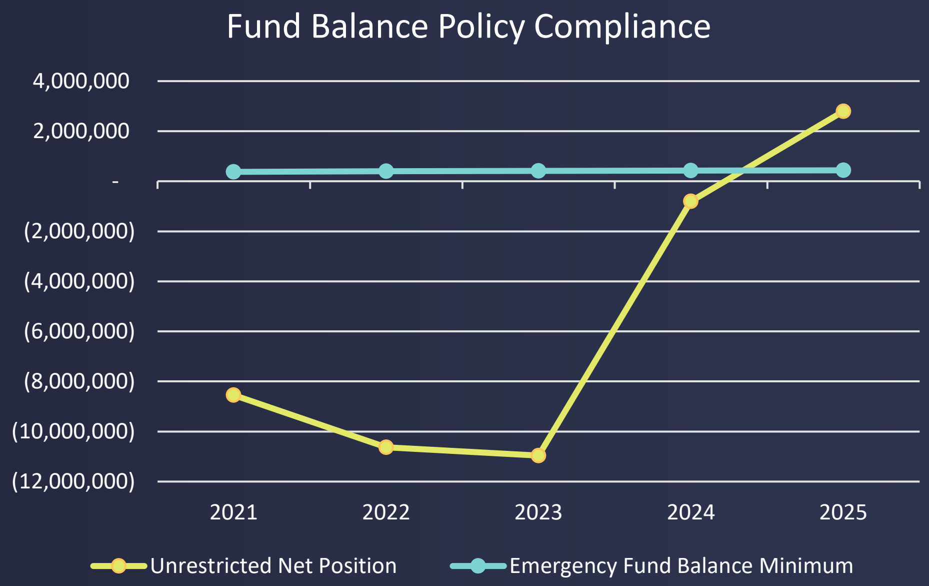
There are no specific policy requirements for this fund.



	2021	2022	2023	2024	2025
Total Fund Balance	(4,434,957)	(2,852,777)	(10,241,168)	(34,008,342)	15,996,987
Expenditures (Excluding Other Financing Sources)	11,660,400	7,958,907	11,079,440	29,126,446	22,761,576

Net Position Byllesby Dam Fund

Policy states that the County maintains an Emergency Fund in excess of $350,000 in 2020, increasing annually for inflation.



	2021	2022	2023	2024	2025
Unrestricted Net Position	(8,539,180)	(10,634,507)	(10,960,672)	(808,248)	2,796,328
Emergency Fund Balance Minimum	374,500	398,843	412,403	424,363	435,821

GASB Standards

GASB 103 Financial Reporting Model Improvements

CLA can help by assisting with or evaluating financial statement presentation and disclosure updates

Effective date
December 31, 2026

Impacts financial statement presentation:

Updated disclosure guidance for:

- Management Discussion & Analysis (MD&A) consistency
- Clearer definition of unusual or infrequent items
- Presentation of proprietary fund statements
- Major component unit information
- Budgetary comparison information

GASB 104 – Disclosure of Certain Capital Assets

Effective date
December 31, 2026

Will clarify how capital assets are disclosed in financials:

- Capital assets held for sale and related pledged debt
- Leased assets
- Subscription assets
- Right to Use PPP assets
- Other intangible assets

CLA can help by
assisting with or evaluating financial statement disclosure updates

GASB 105 Subsequent Events

CLA can help by assisting with or evaluating subsequent events and disclosure updates

Effective date
December 31, 2027

Impacts financial statement disclosure :

- Redefined subsequent events time frame "Available to be issued"
- New required disclosure – date through which subsequent events were evaluated
- Clarified definition of non-recognized events – specific categories listed
- Enhanced disclosure content requirements for non-recognized events

Questions and Feedback

We appreciate the opportunity to serve you and welcome any feedback relative to our performance and to the engagement.

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