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Honorable Mayor and Members of the City Council  
and Management  
City of Crosslake  
Crosslake, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of City of Crosslake as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis.

### **Material weakness**

We consider the following deficiency in the City's internal control to be a material weakness.

- Limited Segregation of Duties

The City Administrator/Treasurer has primary responsibility for virtually all of the duties related to electronic deposits, journal entries, and capital assets. The City Clerk is responsible for calculating, recording, receiving, mailing, posting cash receipts, preparing bank deposits, initiating and recording electronic sewer billing, and reconciling the monthly billing activity for the City's sewer enterprise fund. As a result, many of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, not available in this staffing scenario. The design of the internal controls over financial reporting could affect the ability of the City to record, process, summarize, and report financial data consistently with the assertions of management in the financial statements. We recognize that it may not be economically feasible for the City to employ additional staff for the purpose of segregating duties practicable from a financial standpoint, but we are required, under our professional responsibilities, to call the situation to your attention. The City should continue to utilize Council oversight of the budgeting, cash reconciling, and receipts and disbursements process to the maximum extent possible to mitigate the absence of segregation of duties.

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This communication is intended solely for the information and use of management, City Council, and others within the City, and is not intended to be, and should not be, used by anyone other than these specified parties.

*CliftonLarsonAllen LLP*

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Brainerd, Minnesota  
April 16, 2021