



Honorable Mayor 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 aggregate discretely presented component unit, and each major fund of City of Crosslake (City) as of and for the year ended December 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the entity'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 entity'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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

### **Material weaknesses**

We consider the following deficiencies in the City's internal control to be material weaknesses.

- The City Administrator has primary responsibility for virtually all of the duties related to electronic deposits and capital assets. The City Clerk and Accountant are 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.

- Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. generally accepted accounting principles. The City does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures to ensure they are complete and presented in conformity with U.S. generally accepted accounting principles. Management has informed us that they do not have an internal control policy in place over the annual financial reporting and that they do not have the necessary staff capacity to prepare the annual financial statements including footnote disclosures.

The design of the internal controls over the financial reporting process could affect the ability of the City to conclude the financial statements and related disclosures are complete and presented in conformity with U.S. generally accepted accounting principles. The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the City's internal controls.

The City relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.

- Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements in accordance with accounting principles generally accepted in the United States of America. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statements on a timely basis. As a part of the audit, we proposed material adjustments related to several areas of the financial statements.

### **Significant deficiencies**

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the City's internal control to be a significant deficiency.

- Management is responsible for establishing and maintaining internal controls over the proper coding of disbursements. As part of the audit, we noted that one of the twenty-five disbursements was coded to the incorrect account.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various entity personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Honorable Mayor and Management  
City of Crosslake  
Page 3

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
April 15, 2026



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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of City of Crosslake as of and for the year ended December 31, 2025, and have issued our report thereon dated April 15, 2026. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit in our Statement of Work dated September 8, 2025. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings or issues**

#### ***Qualitative aspects of accounting practices***

##### *Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Crosslake are described in Note 1 to the financial statements.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### *Accounting estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management

##### *Financial statement disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

#### ***Significant unusual transactions***

We identified no significant unusual transactions.

#### ***Difficulties encountered in performing the audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

The following summarizes uncorrected misstatements of the financial statements:

- It was noted during the current year of testing of leases, that proceeds from a new lease and capital outlay related to a new lease were not recorded and were understated in the General Fund by \$28,140 as of December 31, 2024. This had no fund balance effect.

Uncorrected misstatements or the matters underlying uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if management has concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

### ***Corrected misstatements***

The following material and immaterial misstatements detected as a result of audit procedures were corrected by management:

- Adjust OPEB to actual
- Record fair market value and interest income on CDs
- Adjust salaries payable to actual
- Adjust current year receivables and payables to actual
- To account for current year asset additions, deletions and record depreciation expense
- Adjust current year taxes receivable and deferred revenue
- Adjust current year special assessments
- Adjust current year prepaids

### ***Disagreements with management***

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

### ***Management representations***

We have requested certain representations from management that are included in the management representation letter dated April 15, 2026.

***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the entity’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

***Required supplementary information***

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management’s responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

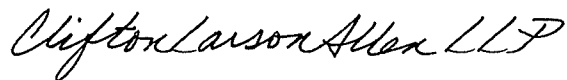
***Supplementary information in relation to the financial statements as a whole***

With respect to the balance sheet to the statement of net position – economic development authority component unit and reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities – economic development authority component unit (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated April 15, 2026.

**Other information included in annual reports**

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of the introductory section. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

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



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
April 15, 2026