

**CITY OF FIFTY LAKES, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2025**



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## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council  
City of Fifty Lakes  
Fifty Lakes, Minnesota

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the City of Fifty Lakes, Minnesota (the City) which comprise the statement of balances arising from cash transactions of each major governmental fund and the proprietary fund, as of December 31, 2025, and the related statement of cash receipts, disbursements, and changes in cash fund balances of each major governmental fund, the budgetary comparison schedules, and the statement of cash receipts, disbursements, and changes in net cash position and the statement of cash flows – cash basis of the proprietary fund for the year then ended, and the related notes to the financial statements.

#### ***Unmodified Opinions on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the statement of balances arising from cash transactions of each major governmental fund and the proprietary fund of the City, as of December 31, 2025, and the respective cash receipts, disbursements, and changes in cash fund balances of each major governmental fund, the budgetary comparison schedules, and respective cash receipts, disbursements, and changes in net cash position and the cash flows for the proprietary fund for the year then ended in accordance with the financial reporting provisions of the Minnesota Office of the State Auditor described in Note 1.

#### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2025, or changes in cash fund balance/net cash position, and cash flows thereof for the year then ended.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1, of the financial statements, are prepared by the City on the basis of the financial reporting provisions of the Minnesota Office of the State Auditor, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Minnesota Office of the State Auditor. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of the accounting practices prescribed or permitted by the Minnesota Office of the State Auditor. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

Honorable Mayor and Members of the City Council  
City of Fifty Lakes

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's regulatory basis financial statements. The liquor fund statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows for the proprietary fund are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the schedule of City indebtedness, schedule of accounts receivable, schedule of accounts payable, and schedule of capital assets but does not include the regulatory basis financial statements and our auditors' report thereon. Our opinions on the regulatory basis financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the regulatory basis financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the regulatory basis financial statements, or the other information otherwise appears to be materially misstated. 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.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
February 27, 2026

## **BASIC FINANCIAL STATEMENTS**

**CITY OF FIFTY LAKES, MINNESOTA**  
**STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2025**

	General Fund	Road and Bridge	Fire and First Responders	Debt Service	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 706,475	\$ 527,490	\$ 131,294	\$ 23,134	\$ 1,388,393
<b>CASH FUND BALANCES</b>					
Restricted	\$ -	\$ -	\$ -	\$ 23,134	\$ 23,134
Committed	30,000	-	-	-	30,000
Assigned	-	527,490	131,294	-	658,784
Unassigned	676,475	-	-	-	676,475
Total Cash Fund Balances	<u>\$ 706,475</u>	<u>\$ 527,490</u>	<u>\$ 131,294</u>	<u>\$ 23,134</u>	<u>\$ 1,388,393</u>

See accompanying Notes to Financial Statements.

**CITY OF FIFTY LAKES, MINNESOTA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND**  
**BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2025**

	General	Road and Bridge	Fire and First Responders	Debt Service	Total Governmental Funds
<b>RECEIPTS</b>					
Property Taxes	\$ 346,366	\$ 282,587	\$ 128,715	\$ -	\$ 757,668
Licenses and Permits	23,285	-	-	-	23,285
Intergovernmental	157,657	20,000	53,743	-	231,400
Charges for Services	23,292	750	-	-	24,042
Fines and Forfeits	740	-	-	-	740
Donations	1,916	-	1,295	22,000	25,211
Investment Earnings	13,894	10,712	875	-	25,481
Other	1,652	215	-	-	1,867
Total Receipts	<u>568,802</u>	<u>314,264</u>	<u>184,628</u>	<u>22,000</u>	<u>1,089,694</u>
<b>DISBURSEMENTS</b>					
Current:					
General Government	309,514	-	-	-	309,514
Public Safety	-	-	96,614	-	96,614
Public Works	15,061	278,815	-	-	293,876
Capital Outlay:					
General Government	146,826	-	-	-	146,826
Public Safety	-	-	28,748	-	28,748
Public Works	-	13,607	-	-	13,607
Debt Service:					
Principal	-	-	-	21,935	21,935
Interest	-	-	-	1,108	1,108
Total Disbursements	<u>471,401</u>	<u>292,422</u>	<u>125,362</u>	<u>23,043</u>	<u>912,228</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	97,401	21,842	59,266	(1,043)	177,466
<b>OTHER FINANCING SOURCES</b>					
Transfers In	60,000	-	-	-	60,000
<b>NET CHANGE IN CASH FUND BALANCES</b>	157,401	21,842	59,266	(1,043)	237,466
Cash Fund Balances - Beginning of Year	<u>549,074</u>	<u>505,648</u>	<u>72,028</u>	<u>24,177</u>	<u>1,150,927</u>
<b>CASH FUND BALANCES - END OF YEAR</b>	<u>\$ 706,475</u>	<u>\$ 527,490</u>	<u>\$ 131,294</u>	<u>\$ 23,134</u>	<u>\$ 1,388,393</u>

See accompanying Notes to Financial Statements.

**CITY OF FIFTY LAKES, MINNESOTA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND**  
**BALANCES**  
**BUDGET TO ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2025**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>CASH RECEIPTS</b>				
<b>TAXES</b>				
General Property Taxes	\$ 350,050	\$ 350,050	\$ 346,366	\$ (3,684)
<b>LICENSES AND PERMITS</b>				
Business	1,200	1,200	1,800	600
Nonbusiness	20,000	20,000	21,485	1,485
Total Licenses and Permits	<u>21,200</u>	<u>21,200</u>	<u>23,285</u>	<u>2,085</u>
<b>INTERGOVERNMENTAL RECEIPTS</b>				
State Grants and Aid:				
Market Value Credits	-	-	1,371	1,371
Other Local Grants and Aid	-	-	156,286	156,286
Total Intergovernmental Receipts	<u>-</u>	<u>-</u>	<u>157,657</u>	<u>157,657</u>
<b>CHARGES FOR SERVICES</b>	2,600	2,600	23,292	20,692
<b>FINES AND FORFEITS</b>	1,000	1,000	740	(260)
<b>OTHER RECEIPTS</b>				
Donations	-	-	1,916	1,916
Interest and Dividends	100	100	13,894	13,794
Refunds and Reimbursements	2,000	2,000	1,126	(874)
Miscellaneous	1,000	1,000	526	(474)
Total Other Receipts	<u>3,100</u>	<u>3,100</u>	<u>17,462</u>	<u>14,362</u>
 Total Cash Receipts	 377,950	 377,950	 568,802	 190,852

See accompanying Notes to Financial Statements.

**CITY OF FIFTY LAKES, MINNESOTA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND**  
**BALANCES**  
**BUDGET TO ACTUAL**  
**GENERAL FUND (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2025**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>CASH DISBURSEMENTS</b>				
<b>GENERAL GOVERNMENT</b>				
Mayor and Council	\$ 26,050	\$ 26,050	\$ 27,053	\$ 1,003
Municipal Clerk - Treasurer	145,990	145,990	119,135	(26,855)
Planning and Zoning	32,145	32,145	28,797	(3,348)
Independent Accounting and Auditing	20,000	20,000	19,732	(268)
Legal	5,000	5,000	10,957	5,957
City Hall, General Government Buildings	43,475	43,475	66,168	22,693
Elections	-	-	656	656
Parks - Lake Improvement	7,650	7,650	37,016	29,366
Total General Government	<u>280,310</u>	<u>280,310</u>	<u>309,514</u>	<u>29,204</u>
<b>PUBLIC WORKS</b>				
Street Maintenance	22,525	22,525	15,061	(7,464)
<b>GENERAL GOVERNMENT</b>				
Capital Outlay	<u>85,150</u>	<u>85,150</u>	<u>146,826</u>	<u>61,676</u>
Total Cash Disbursements	<u>387,985</u>	<u>387,985</u>	<u>471,401</u>	<u>83,416</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER CASH DISBURSEMENTS</b>	(10,035)	(10,035)	97,401	107,436
<b>OTHER FINANCING SOURCES</b>				
Transfers In	<u>10,035</u>	<u>10,035</u>	<u>60,000</u>	<u>49,965</u>
<b>NET CHANGE IN CASH FUND BALANCES</b>	-	-	157,401	157,401
Cash Fund Balances - Beginning of Year	<u>549,074</u>	<u>549,074</u>	<u>549,074</u>	<u>-</u>
<b>CASH FUND BALANCES - END OF YEAR</b>	<u>\$ 549,074</u>	<u>\$ 549,074</u>	<u>\$ 706,475</u>	<u>\$ 157,401</u>

See accompanying Notes to Financial Statements.

**CITY OF FIFTY LAKES, MINNESOTA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND  
BALANCES  
BUDGET TO ACTUAL  
ROAD AND BRIDGE FUND  
YEAR ENDED DECEMBER 31, 2025**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>CASH RECEIPTS</b>				
<b>TAXES</b>				
General Property Taxes	\$ 285,114	\$ 285,114	\$ 282,587	\$ (2,527)
<b>INTERGOVERNMENTAL RECEIPTS</b>				
State Grants and Aid:				
Local Government Aid	-	-	20,000	20,000
<b>CHARGES FOR SERVICES</b>	2,100	2,100	750	(1,350)
<b>OTHER RECEIPTS</b>				
Interest and Dividends	-	-	10,712	10,712
Miscellaneous	7,350	7,350	215	(7,135)
Total Other Receipts	<u>7,350</u>	<u>7,350</u>	<u>10,927</u>	<u>3,577</u>
Total Cash Receipts	294,564	294,564	314,264	19,700
<b>CASH DISBURSEMENTS</b>				
<b>PUBLIC WORKS</b>				
Street Maintenance	242,139	242,139	278,815	36,676
<b>PUBLIC WORKS</b>				
Capital Outlay	<u>52,425</u>	<u>52,425</u>	<u>13,607</u>	<u>(38,818)</u>
Total Cash Disbursements	<u>294,564</u>	<u>294,564</u>	<u>292,422</u>	<u>(2,142)</u>
<b>NET CHANGE IN CASH FUND BALANCES</b>	-	-	21,842	21,842
Cash Fund Balances - Beginning of Year	<u>505,648</u>	<u>505,648</u>	<u>505,648</u>	<u>-</u>
<b>CASH FUND BALANCES - END OF YEAR</b>	<u>\$ 505,648</u>	<u>\$ 505,648</u>	<u>\$ 527,490</u>	<u>\$ 21,842</u>

See accompanying Notes to Financial Statements.

**CITY OF FIFTY LAKES, MINNESOTA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND**  
**BALANCES**  
**BUDGET TO ACTUAL**  
**FIRE AND FIRST RESPONDERS FUND**  
**YEAR ENDED DECEMBER 31, 2025**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>CASH RECEIPTS</b>				
<b>TAXES</b>				
General Property Taxes	\$ 130,661	\$ 130,661	\$ 128,715	\$ (1,946)
<b>INTERGOVERNMENTAL RECEIPTS</b>				
State Grants and Aid				
State Fire Aid	10,500	10,500	31,869	21,369
Other Local Grants and Aid	-	-	21,874	21,874
Total Intergovernmental Receipts	<u>10,500</u>	<u>10,500</u>	<u>53,743</u>	<u>43,243</u>
<b>OTHER RECEIPTS</b>				
Donations	-	-	1,295	1,295
Interest and Dividends	-	-	875	875
Total Other Receipts	<u>-</u>	<u>-</u>	<u>2,170</u>	<u>2,170</u>
Total Cash Receipts	141,161	141,161	184,628	43,467
<b>CASH DISBURSEMENTS</b>				
<b>PUBLIC SAFETY</b>				
Fire Department:				
Fire Services	91,161	91,161	96,614	5,453
<b>PUBLIC SAFETY</b>				
Capital Outlay	<u>30,500</u>	<u>30,500</u>	<u>28,748</u>	<u>(1,752)</u>
Total Cash Disbursements	<u>121,661</u>	<u>121,661</u>	<u>125,362</u>	<u>3,701</u>
<b>EXCESS OF RECEIPTS OVER CASH DISBURSEMENTS</b>	19,500	19,500	59,266	39,766
<b>OTHER FINANCING SOURCES AND (USES)</b>				
Transfers Out	(7,500)	(7,500)	-	7,500
Interfund Loan Payment	(12,000)	(12,000)	-	12,000
Total Other Financing Sources and Uses	<u>(19,500)</u>	<u>(19,500)</u>	<u>-</u>	<u>19,500</u>
<b>NET CHANGE IN CASH FUND BALANCES</b>	-	-	59,266	59,266
Cash Fund Balances - Beginning of Year	<u>72,028</u>	<u>72,028</u>	<u>72,028</u>	<u>-</u>
<b>CASH FUND BALANCES - END OF YEAR</b>	<u>\$ 72,028</u>	<u>\$ 72,028</u>	<u>\$ 131,294</u>	<u>\$ 59,266</u>

See accompanying Notes to Financial Statements.

**CITY OF FIFTY LAKES, MINNESOTA  
STATEMENT OF BALANCES ARISING FROM CASH TRANSACTIONS  
PROPRIETARY FUND – LIQUOR FUND  
DECEMBER 31, 2025**

**ASSETS**

Cash and Cash Equivalents

\$ 107,186

**NET CASH POSITION**

Unrestricted

\$ 107,186

*See accompanying Notes to Financial Statements.*

**CITY OF FIFTY LAKES, MINNESOTA  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN NET CASH POSITION  
PROPRIETARY FUND – LIQUOR FUND  
YEAR ENDED DECEMBER 31, 2025**

<b>OPERATING RECEIPTS</b>	
Sales	\$ 771,624
Rent	41,456
Vending Machines	8,400
Other Receipts	11,571
Cost of Sales	<u>(386,038)</u>
Total Operating Receipts	447,013
<b>OPERATING DISBURSEMENTS</b>	
Salaries and Benefits	236,990
Professional Services	13,921
Utilities	22,749
Telephone and Television	1,959
Credit Card Service Fees	10,751
Repairs and Maintenance	30,526
Supplies	38,729
Advertising and Entertainment	20,930
Insurance	7,692
Dues and Subscriptions	4,791
Miscellaneous	<u>6,765</u>
Total Operating Disbursements	<u>395,803</u>
<b>OPERATING CASH INCOME</b>	51,210
<b>NONOPERATING RECEIPTS (DISBURSEMENTS)</b>	
Capital Outlay	(107,054)
Interest Income	<u>1,919</u>
Total Nonoperating Receipts (Disbursements)	<u>(105,135)</u>
<b>NET CASH INCOME BEFORE TRANSFERS</b>	(53,925)
<b>TRANSFERS</b>	
Transfers Out	<u>(60,000)</u>
<b>CHANGE IN NET CASH POSITON</b>	(113,925)
Net Cash Position - Beginning of Year	<u>221,111</u>
<b>NET CASH POSITION - END OF YEAR</b>	<u><u>\$ 107,186</u></u>

See accompanying Notes to Financial Statements.

**CITY OF FIFTY LAKES, MINNESOTA  
STATEMENT OF CASH FLOWS – CASH BASIS  
PROPRIETARY FUND – LIQUOR FUND  
YEAR ENDED DECEMBER 31, 2025**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Customers	\$ 833,051
Cash Payments to Suppliers	(537,159)
Cash Payments to Employees	<u>(244,682)</u>
Net Cash Provided by Operating Activities	51,210

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of Capital Assets	<u>(107,054)</u>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest and Dividends	<u>1,919</u>
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**NET INCREASE IN CASH AND CASH EQUIVALENTS**

(113,925)

Cash and Cash Equivalents - Beginning of The Year

221,111

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 107,186

*See accompanying Notes to Financial Statements.*

**CITY OF FIFTY LAKES, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The City of Fifty Lakes (the City), Minnesota is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be fiscally accountable.

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate entities for which the City is financially accountable, or for which the exclusion of the component unit would render the financial statements of the City misleading.

The criteria used to determine if the City is financially accountable for a component unit includes whether or not 1) the City appoints the voting majority of the potential component unit's governing body and is able to impose its will on the potential component unit or is in a relationship of financial benefit or burden with the potential component unit, or 2) the potential component unit is fiscally dependent on and there is a potential for the potential component unit to provide specific benefits to, or impose specific financial burden on the City.

As a result of applying the criteria, the City does not have any component units.

B. Description of Funds

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts and disbursements and cash balances.

The City reports the following major governmental funds:

**General Fund**

The General Fund accounts for all financial resources and transactions except those required to be accounted for in other fund.

**Road and Bridge Special Revenue Fund**

The Road and Bridge Fund accounts for the receipts and disbursements associated with road and bridge operations.

**Fire and First Responders Special Revenue Fund**

The Fire and First Responders Fund accounts for the receipts and disbursements associated with fire and first responders' operations.

**Debt Service Fund**

The Debt Service Fund accounts for the receipts and disbursement associated with the long-term debt of the City.

**CITY OF FIFTY LAKES, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Description of Funds (Continued)

The City reports the following major enterprise fund:

**Liquor Fund**

The Liquor Fund accounts for the activities of the City's liquor store.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing delivering good in connection with a proprietary fund's principal ongoing operations. The principal operating receipts of the enterprise fund are charges to customers for sales and services. Operating disbursements for the enterprise fund include the cost of sales and services. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

C. Significant Accounting Policies

The City of Fifty Lakes, Minnesota follows the *Regulatory Basis of Accounting* as prescribed by the State of Minnesota's Office of the State Auditor for all funds. For all government funds and the proprietary fund, the statements were prepared on the cash basis and, accordingly, receipts and disbursements are recognized only as cash is received or paid out. These statements do not give effect to receivables, payables, accrued expenses, and inventories and, accordingly, are not presented in accordance with generally accepted accounting principles.

D. Cash and Cash Equivalentents

Cash and cash equivalentents consist of cash on hand, deposits, and certificates of deposits purchased with a maturity of one year or less.

E. Capital Assets

Capital assets acquired and constructed for use in the governmental and proprietary fund type operations are reflected as capital outlay disbursements in the governmental and proprietary funds. Capital assets are defined by the City, as assets with an initial, individual cost of more than \$500. In the Supplementary Information, property, plant, and equipment of the Liquor Fund is depreciated using the straight-line method to allocate the cost on an annual basis over the estimated useful lives. Buildings and Improvements have an estimated useful life between 25 and 50 years. Machinery, Furniture, and Equipment have an estimated useful life between 5 and 7 years.

**CITY OF FIFTY LAKES, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

F. Postemployment Benefits Other Than Pensions

Employees of the City pay health care premiums based on single or family coverage. Additionally, Minnesota Statutes require the City to allow retired employees to stay on the health care plan with the retiree responsible to pay the entire premium for continuation of coverage (except as otherwise provided in a collective bargaining agreement or personnel policy). The City's personnel policy does not provide for any contributions upon retirement. Other postemployment benefits are recognized as disbursements as they are paid.

G. Long-Term Obligations

Principal and interest payments are recorded as disbursements when paid in the governmental and proprietary fund types.

H. Property Taxes

The City levies its property taxes for the subsequent year during the month of December. In Minnesota, the lien date and assessment date is January 2. The property tax is recorded as revenue when it is received. Crow Wing County is the collecting agency for the levy and then remits the collections to the City.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax capacity rate to the tax capacity value of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain payments paid directly to the City.

The County Auditor provides a list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year. Property owners are required to pay one-half of their real estate taxes by May 15 and the balances by October 15.

Within 30 days after the May settlement, the County Treasurer is required to pay 70% of the estimated collections of taxes and special assessments to the City Treasurer. The County Treasurer must pay the balance to the City Treasurer within 60 days after the settlement, provided that after 45 days interest begins to accrue.

**CITY OF FIFTY LAKES, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

I. Equity

**Governmental Fund Financial Statements** – In the fund financial statements, governmental funds report components of cash fund balance to provide information about cash fund balance availability for appropriation. Restricted cash fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties. Committed cash fund balance represents constraints on spending that the City imposes upon itself by high-level formal action prior to the close of the fiscal period. Assigned cash fund balance represents resources intended for spending for a purpose set by the government body itself or by some person or body delegated to exercise such authority in accordance with policy established by the board. Unassigned cash fund balance is the residual classification for the City’s general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is required to be established, modified, or rescinded by resolution of the City Council prior to year-end. Based on resolution of the City Council, the City Clerk has the authority to establish or modify assigned fund balance. When restricted and unrestricted fund balance is available for an expenditure, it is the City’s policy to first use restricted fund balance. When committed, assigned, and unassigned fund balance is available for expenditure, it is the City’s policy to use committed, assigned, and finally unassigned fund balance.

**Proprietary Fund Statements** – Net cash position is reported as restricted in the statements when there are limitations imposed on its use through external restrictions imposed by creditors, grantor, laws, or regulations of other governments. The remaining balance is considered to be unrestricted.

J. Use of Estimates

The preparation of the financial statements in conformity with the Regulatory Basis of Accounting requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

**CITY OF FIFTY LAKES, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. Budgetary Information

The City Council adopts an annual budget. The amounts shown in the financial statements as “budget” represent the original budgeted amounts and all revisions made during the year. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, the City Clerk-Treasurer submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed disbursements and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through Council action after obtaining taxpayer comments. The action approved by the City Council sets forth the budgets at the function level for the General Fund and Special Revenue Funds.
4. Budgets for the General Fund and Special Revenue Funds are adopted on the Regulatory Basis of Accounting in accordance with the Office of the State Auditor.
5. Disbursements may not legally exceed budgeted appropriations at the fund level. No fund’s budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. An annual appropriated budget is adopted during the year for the General Fund and Special Revenue Funds. Annual appropriated budgets are not adopted for the Debt Service Fund because effecting budgetary controls is alternatively achieved through bond indenture provisions.
7. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted disbursement appropriations lapse at year-end.

B. Excess of Disbursements Over Budgeted Appropriations

The following funds had disbursements that exceed appropriations:

	Budget	Actual	Over
General Fund	\$ 387,985	\$ 471,401	\$ 83,416
Fire and First Responders Special Revenue Fund	121,661	125,362	3,701

**CITY OF FIFTY LAKES, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 3 DEPOSITS**

The City maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of balances arising from cash transactions as "Cash and Cash Equivalents." In accordance with Minnesota Statutes, the City maintains deposits at financial institutions which are authorized by the City Council.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance on bonds.

Authorized collateral includes: (a) United States government treasury bills, treasury notes, treasury bonds; (b) issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity; (c) general obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers with is rated "AA" or better by a national bond rating service; (d) unrated general obligation securities of a local government with taxing power pledged as collateral against funds deposited by that same local government entity's; (e) irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation; and (f) time deposits that are fully insured by the Federal Deposit Insurance Corporation.

Minnesota Statutes require that collateral be placed in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the depository.

As of December 31, 2025, all City deposits were covered by insurance or collateral.

A reconciliation of cash and certificates of deposit as shown on the statement of cash receipts, disbursements, and balances for the City follows:

Pooled Cash in Checking Accounts	\$	845,508
Certificate of Deposits		646,471
Petty Cash and ATM Machines		3,600
Total		\$ 1,495,579
Governmental Funds	\$	1,388,393
Proprietary Fund		107,186
Total		\$ 1,495,579

**CITY OF FIFTY LAKES, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 4 LONG-TERM DEBT**

The City issues general obligation equipment certificates to provide funds for the acquisition of major capital equipment. General obligation bonds are direct obligations and pledge the full-faith and credit of the City.

Long-term obligations currently outstanding for the City are as follows:

	Issue Date	Maturity Date	Balance December 31, 2024	Additions	Retirements	Balance December 31, 2025	Due Within One Year
<b>GOVERNMENTAL FUNDS</b>							
General Obligation Equipment Certificate of 2016 Interest Rate 2.87%							
	10/04/16	07/15/26	\$ 44,065	\$ -	\$ 21,935	\$ 22,130	\$ 22,130

Annual debt service requirements to maturity are as follows:

Year Ending December 31 , 2026	Governmental Funds		
	Principal	Interest	Total
	\$ 22,130	\$ 475	\$ 22,605

**NOTE 5 PENSION PLAN**

Public Employees Retirement Association

Plan Description

The city participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

All full-time and certain part-time employees of the City are covered by the General Employees Plan. Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

**CITY OF FIFTY LAKES, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 5 PENSION PLAN (CONTINUED)**

Public Employees Retirement Association (Continued)

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is “vested,” they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit

General Employees Plan requires three years of service to vest. Benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2025 annual increase was 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

**CITY OF FIFTY LAKES, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 5 PENSION PLAN (CONTINUED)**

Contributions

*Minnesota Statutes* Chapter 353, 353E, 353G, and 356 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the City was required to contribute 7.50% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2025, were \$25,474. The City's contributions were equal to the required contributions as set by state statute.

**NOTE 6 CITY OF FIFTY LAKES FIRE RELIEF ASSOCIATION**

The City contributes to the City of Fifty Lakes Fireman's Relief Association, a single employer retirement system that acts as a common investment and administrator for the City's firefighters. All active members of the fire department are members of the association.

The association provides retirement benefits based on years of active service. The City may be required to make contributions to fund relief association pension benefits. The City may levy property taxes for the discretion of, and for the benefit, of the fire relief association. State aid allocated to the association are passed through the City in accordance with state statutes. The state of Minnesota distributed

**NOTE 7 RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft or destruction of assets, errors and omissions, injuries to employees, employees' health and life, and natural disasters. The City has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). The LMCIT is a public entity risk pool currently operating as common risk management and insurance program for Minnesota cities. The City also carries commercial insurance for certain other risks of loss.

The agreement for formation of the LMCIT provides that the pool will be self-sustaining through member assessments and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The pool can make additional assessments to make the pool self-sustaining. The City has determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements.

There were no significant reductions in insurance coverage from the previous year or settlement in excess of insurance coverage for any of the past three fiscal years.

**CITY OF FIFTY LAKES, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 8 INTERFUND TRANSFERS**

The composition of interfund transfers as of December 31, 2025, is as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Liquor Fund	\$ 60,000	For 2026 projects

## **SUPPLEMENTARY INFORMATION**

**CITY OF FIFTY LAKES, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUND – LIQUOR FUND  
DECEMBER 31, 2025**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 107,186
Accounts Receivable	53,993
Inventory	42,091
Prepaid Items	3,847
Total Current Assets	207,117

**NONCURRENT ASSETS**

Capital Assets	
Building and Improvements	392,950
Equipment and Fixtures	101,133
Less: Accumulated Depreciation	(180,367)
Capital Assets, Net	313,716

Total Assets	520,833
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**DEFERRED OUTFLOWS OF RESOURCES**

Related to Pensions	14,041
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**LIABILITIES**

**CURRENT LIABILITIES**

Accounts Payable	275
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**NONCURRENT LIABILITIES**

Net Pension Liability	58,670
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Total Liabilities	58,945
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**DEFERRED INFLOWS OF RESOURCES**

Related to Pensions	48,469
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**NET POSITION**

Investment in Capital Assets	313,716
Unrestricted	113,744
Net Position	\$ 427,460

**CITY OF FIFTY LAKES, MINNESOTA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND – LIQUOR FUND  
YEAR ENDED DECEMBER 31, 2025**

**OPERATING REVENUES**

Sales	\$ 769,860
Rent	41,456
Vending Machines	8,400
Other Receipts	13,335
Cost of Sales	<u>(391,603)</u>
Total Operating Revenues	441,448

**OPERATING EXPENSES**

Salaries and Benefits	231,191
Professional Services	13,554
Utilities	22,749
Telephone and Television	1,959
Credit Card Service Fees	9,942
Repairs and Maintenance	30,526
Supplies	38,587
Advertising and Entertainment	20,732
Insurance	11,032
Dues and Subscriptions	4,791
Miscellaneous	6,825
Depreciation	<u>19,869</u>
Total Operating Expenses	<u>411,757</u>

**OPERATING INCOME**

29,691

**NONOPERATING REVENUES (EXPENSES)**

Interest Income	1,919
Grants	<u>53,993</u>
Total Nonoperating Revenues (Expenses)	<u>65,412</u>

**NET INCOME BEFORE TRANSFERS  
AND TRANSFERS**

95,103

**TRANSFERS OUT**

(60,000)

**CHANGE IN NET POSITION**

35,103

Net Position - Beginning of Year

392,357

**NET POSITION - END OF YEAR**

\$ 427,460

**CITY OF FIFTY LAKES, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND – LIQUOR FUND  
YEAR ENDED DECEMBER 31, 2025**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 833,051
Cash Payments to Suppliers	(543,319)
Cash Payments to Employees	(248,022)
Net Cash Provided by Operating Activities	<u>41,710</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to Other Funds	<u>(60,000)</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of Capital Assets	<u>(97,554)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Earnings	<u>1,919</u>
 <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	
	(113,925)
Cash and Cash Equivalents - Beginning of the Year	<u>221,111</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	 <u><u>\$ 107,186</u></u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Income	\$ 29,691
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	19,869
Increase (Decrease) in Pension Liability	(4,638)
Increase (Decrease) in Deferred Outflow for Pensions	894
Increase (Decrease) in Deferred Inflow for Pensions	(2,055)
(Increase) Decrease in Assets:	
Inventory	5,349
Prepays	3,340
Increase (Decrease) in Liabilities:	
Accounts Payable	(10,740)
Net Cash Provided by Operating Activities	<u><u>\$ 41,710</u></u>

**OTHER INFORMATION**

**CITY OF FIFTY LAKES, MINNESOTA  
SCHEDULE OF CITY INDEBTEDNESS  
DECEMBER 31, 2025**

Indebtedness	Interest Rate	Issue Date	Maturity Date	Outstanding January 1, 2025	Issued in 2025	Paid in 2025	Outstanding December 31, 2025
General Obligation:							
General Obligation Equipment Certificate of 2016	2.87%	10/4/2016	7/15/2026	\$ 44,065	-	\$ 21,935	\$ 22,130

**CITY OF FIFTY LAKES, MINNESOTA  
SCHEDULE OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2025**

Fund	Source of Revenue and Purpose	Amount
Liquor	State of Minnesota - Solar Grant	\$ 23,427
Liquor	State of Minnesota - Solar Grant	30,566
General Fund	State of Minnesota - Solar Grant	12,615
General Fund	State of Minnesota - Solar Grant	16,459
	Total	<u>\$ 83,067</u>

**SCHEDULE OF ACCOUNTS PAYABLE  
DECEMBER 31, 2025**

Fund	Vendor	Purpose	Amount
General	Ann Raph	Cell phone stipend	\$ 35
General	Ann Raph	Mileage, grocery reimbursement	45
Liquor	Ann Raph	Merchandise purchases- off sale	161
Highways and Streets	Chester Borntreger	Cell Phone	35
Highways and Streets	Greg Vukelich	Cell Phone	35
Liquor	Crosby-iron-ton Courier	Christmas greeting, merchandise purchases off sale	55
General	Jessica Istanovich	Cell Phone stipend	35
General	Jessica Istanovich	Mileage	61
Liquor	Kim Tucek	Cell phone stipend	35
Liquor	Kim Tucek	Mileage	24
General	Waterplay Solutions Corp	Sidewalk concrete & install, splash pad	181,257
	Total		<u>\$ 181,778</u>

**CITY OF FIFTY LAKES, MINNESOTA  
SCHEDULE OF CAPITAL ASSETS  
DECEMBER 31, 2025**

<u>Business-Type Activities</u>	<u>Balance December 31, 2024</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance December 31, 2025</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	\$ 300,279	\$ 92,671	\$ -	\$ 392,950
Machinery, Furniture, and Equipment	<u>101,375</u>	<u>14,383</u>	<u>14,625</u>	<u>101,133</u>
Total Capital Assets Being Depreciated	401,654	107,054	14,625	494,083
Less: Accumulated Depreciation:				
Buildings and Improvements	119,876	11,765	-	131,641
Machinery, Furniture, and Equipment	<u>55,247</u>	<u>8,104</u>	<u>14,625</u>	<u>48,726</u>
Total Accumulated Depreciation	<u>175,123</u>	<u>19,869</u>	<u>14,625</u>	<u>180,367</u>
 Total Capital Assets, Net	 <u>\$ 226,531</u>	 <u>\$ 87,185</u>	 <u>\$ -</u>	 <u>\$ 313,716</u>

Depreciation expense was charged to functions/programs as follows:

Business-Type Activities:

Liquor Fund	<u>\$ 19,869</u>
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## **OTHER REPORTS SECTION**



## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Honorable Mayor and Members of the City Council  
City of Fifty Lakes  
Fifty Lakes, Minnesota

In planning and performing our audit of the statements of balances arising from cash transactions of each governmental fund and the proprietary fund of the City of Fifty Lakes, Minnesota (the City) as of December 31, 2025, and the related statements of cash receipts, disbursements, and changes in cash fund balances of each governmental fund, the budgetary comparison schedules, and the statements of cash receipts, disbursements, and changes in net cash position and the statement of cash flows of the proprietary fund for the year then ended, and the related notes to the financial statements, we expressed an adverse opinion on U.S. generally accepted accounting principles because the financial statements are prepared on a basis of accounting that demonstrates compliance with the regulatory basis of accounting prescribed or permitted by the Minnesota Office of the State Auditor, which practices differ from accounting principles generally accepted in the United States of America. However, our opinion was unmodified on the financial statements presented under this regulatory basis. 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 opinion 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 certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 2025-001 and 2025-002 to be material weaknesses.

Honorable Mayor and Members of the City Council  
City of Fifty Lakes

***The City's Responses to Findings***

The City's written response to the material weaknesses identified in our audit was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

The purpose of this report is solely for the information and use of the City Council, management, and others within the City, and is not intended to be, and should not be, used by anyone other than those specified parties.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
February 27, 2026



## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and Members of the City Council  
City of Fifty Lakes  
Fifty Lakes, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of balances arising from cash transactions of each governmental fund and the proprietary fund of the City of Fifty Lakes (the City), Minnesota, as of December 31, 2025, and the related statement of cash receipts, disbursements, and changes in cash fund balances of each governmental fund, the budgetary comparison schedules, and the statement of cash receipts, disbursements, and changes in net cash position and the statement of cash flows of the proprietary fund for the year ended, and the related notes to the financial statements and have issued our report thereon dated February 27, 2026. We expressed an adverse opinion on accounting principles generally accepted in the United States of America because the financial statements are prepared on a basis of accounting that demonstrates compliance with the regulatory basis of accounting prescribed or permitted by the Minnesota Office of the State Auditor, which differs from accounting principles generally accepted in the United States of America. However, our opinion was unmodified on the financial statements presented under this regulatory basis.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
February 27, 2026

**CITY OF FIFTY LAKES, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
YEAR ENDED DECEMBER 31, 2025**

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**Section I – Financial Statement Findings**

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**Finding 2025-001 – Lack of Segregation of Duties**

**Type of Finding:** Material Weakness in Internal Control Over Financial Reporting

**Condition:** The City has a limited number of office personnel and, accordingly, does not have adequate internal controls in certain areas because of lack of segregation of duties.

**Criteria or Specific Requirement:** Effective internal control provides an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

**Effect:** Because of the lack of segregation of duties, an individual regularly handles transactions from inception to completion.

**Cause:** The City has a limited number of staff in the business office but has implemented some compensatory controls to try to address this issue.

**Repeat Finding:** Prior year finding identified as 2024-001.

**Recommendation:** While we recognize the City's office staff may not be large enough to permit an adequate segregation of duties in all respects for an effective internal control structure, it is important that the City be aware of this condition.

**View of Responsible Officials:** There is no disagreement with the finding.

**CITY OF FIFTY LAKES, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2025**

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**Section I – Financial Statement Findings (Continued)**

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**Finding 2025-002 – Lack of Entity Expertise Necessary to Prepare the Financial Statements**

**Type of Finding:** Material Weakness in Internal Control Over Financial Reporting

**Condition:** As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to the financial statements. The City does not have a formal internal control policy in place over financial reporting that would enable management to prepare its annual financial statements and determine related footnote disclosures. Management does review and accept responsibility for the financial statements and footnote disclosures.

**Criteria or Specific Requirement:** Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including the related disclosures, in conformity with the regulatory basis.

**Effect:** 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.

**Cause:** There are limited number of employees and resources available to allow for the adequate preparation of the financial statements and the related noted by the City.

**Repeat Finding:** Prior year finding identified as 2024-002.

**Recommendation:** Management should continue to evaluate its internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

**View of Responsible Official:** There is no disagreement with the finding.

**CITY OF FIFTY LAKES, MINNESOTA  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2025**

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**Section II – Minnesota Legal Compliance**

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**None noted.**



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