

CITY OF EAST MOLINE, ILLINOIS

MANAGEMENT LETTER

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2024

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August 26, 2025

The Honorable Mayor
Members of the City Council
City of East Moline, Illinois

In planning and performing our audit of the financial statements of the City of East Moline (the City), Illinois, for the year ended December 31, 2024, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We do not intend to imply that our audit failed to disclose commendable aspects of your system and structure. For your consideration, we herein submit our comments and suggestions which are designed to assist in effecting improvements in internal controls and procedures. Those less-significant matters, if any, which arose during the course of the audit, were reviewed with management as the audit field work progressed.

The accompanying comments and recommendations are intended solely for the information and use of Members of the City Council, management, and others within the City of East Moline, Illinois.

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 City personnel. We would be pleased to discuss our comments and suggestions in further detail with you at your convenience, to perform any additional study of these matters, or to review the procedures necessary to bring about desirable changes.

We commend the finance department for the well prepared audit package and we appreciate the courtesy and assistance given to us by the entire City staff.

Lauterbach & Amen, LLP
LAUTERBACH & AMEN, LLP

CURRENT RECOMMENDATION

1. COMMINGLED CASH

Comment

During our current year-end audit procedures, we noted that the City's commingled cash allocations between various funds resulted in significant positive and negative cash balances. For example, as of December 31, 2024 the Money Market Account (#8703) had a book balance of \$4,976,453. This was allocated to the funds as follows:

Fund	Cash Balance 12/31/2024
General Fund	\$ (6,498,225)
IT Fund	55,222
Dep. Project Fund	508,137
Federal Drug Fund	(7,270)
State Drug Seizure	73,289
Evidence Fund	12,525
Pen OB Bond	1,242,646
State DUI	28,967
Fire Trust Fund	82,533
Police Trust Fund	64,967
The Quarter TIF Fund	(392,030)
Port of Call TIF Fund	1,532,375
Garbage Fund	45,076
Municipal Swimming	65,001
Swim Meet Entry Fees	(456)
Economic Development	(1,782)
NHR Sales Tax Fund	(976,282)
SSA - Downtown Fund	93,433
Library General Fund	264,399
Library Building &	64,004
Hotel Motel Tax Fund	561,789
Downtown TIF Fund	499,759
Kennedy Drive TIF	(178,888)
Lucky Strike TIF Fund	1,293
EM GLass TIF Fund	198,697
Business District Fund	(13,812)
Debt Service Fund	1,077,830
Capital Projects Fund	46,045
Water Fund	3,480,308
Sewer Fund	1,194,014
Drainage Fund	(180,596)
Economic Development	443,461
Housing Rehabilitation	80,617
Employee Insurance	(64,976)
Working Cash Fund	357,191
Insurance Reserve Fund	(253,803)
Motor Pool Fund	1,470,995
Total	<u><u>4,976,453</u></u>

CURRENT RECOMMENDATION - Continued

1. COMMINGLED CASH - Continued

Comment - Continued

There are many advantages to cash commingling, such as increasing the funds available for investment opportunities. However, the allocation process should represent accurately each funds' percentage ownership of the cash balance.

Recommendation

We recommend that the City review the process for allocation of the commingled cash balances and adjust the balances as appropriate.

Management's Response

Management acknowledges this comment and will work to correct it in the coming year.

PRIOR RECOMMENDATIONS

1. **FUNDS OVER BUDGET**

Comment

Previously and during our current year-end audit procedures, we noted that the following funds had an excess of actual expenditures/expenses, exclusive of depreciation, over budget for the fiscal year:

<u>Fund</u>	<u>12/31/23</u>	<u>12/31/24</u>
Garbage	\$ —	169,246
Motor Fuel Tax	225,259	174,561
Municipal Swimming Pool	52,575	31,217
Non-Home Rule Sales Tax	—	173,754
Hotel Motel Tax	—	19,834
Library	475,997	—
Housing Rehabilitation	17,728	—
Employee Insurance	18,401	845,340
Insurance Reserve	89,303	—
Motor Pool	—	11,710

Recommendation

We recommended the City investigate the causes of the funds over budget and adopt appropriate future funding measures.

Status

This comment has not been implemented and will be repeated in the future.

Management Response

Management acknowledges this comment and will work to correct it in the coming year.

2. **FUND BALANCE POLICY**

Comment

Previously and during our current year-end audit procedures, we noted that the City does not have a formal fund balance policy. A fund balance policy establishes a minimum level at which the projected end-of-year fund balance/net position should be maintained, taking into account the constraints imposed upon the resources reported by the governmental and proprietary funds. A fund balance policy assists in providing financial stability, cash flow for operations, and the assurance that the City will be able to respond to emergencies with fiscal strength.

It is essential to maintain adequate levels of funds balance/net position to mitigate current and future risks and to ensure tax rates. Fund balance/net position levels are also crucial consideration in long-term financial planning. Credit rating agencies carefully monitor levels of fund balance/net position and unassigned fund balance in the General Fund to evaluate the City's continued creditworthiness.

PRIOR RECOMMENDATIONS - Continued

2. FUND BALANCE POLICY - Continued

Recommendation

We recommended the City create and adopt a fund balance policy to be in compliance with GASB Statement No. 54. The City should address fund balance reporting categories (nonspendable, restricted, committed, assigned, and unassigned) as well as review minimum fund balance policies.

Status

This comment has not been implemented and will be repeated in the future.

Management Response

The City will continue to review the recommended fund balance policy that is associated with best practices from GFOA, and as soon as the minimum requirements can be met, the policy will be implemented.

3. FUNDS WITH DEFICIT FUND BALANCE/NET POSITION

Comment

Previously and during our current year-end audit procedures, we noted following funds/net position with deficit fund balance/net position. See the following funds December 31, 2023 fund balance/net position compared to the December 31, 2024 fund balance/net position:

<u>Government-Wide Financial Statements/Fund</u>	<u>12/31/23</u>	<u>12/31/24</u>
Riverfront - The Quarter TIF	\$ 392,030	392,030
Economic Development	31,843	34,258
Kennedy Drive TIF	757,736	576,455
Debt Service	48,135	—
Governmental Activities	55,923,691	61,601,099

Recommendation

We recommended the City investigate the causes of the various deficits and adopt appropriate future funding measures.

Status

This comment has not been implemented and will be repeated in the future.

Management Response

The City is working towards the correction of this item with the implementation of a fund balance policy, the correction of our interfund receivable and payables, as well as the growth in tax increment from development in that various TIF areas will also correct this issue.

UPCOMING STANDARDS

1. **GASB STATEMENT NO. 102 CERTAIN RISK DISCLOSURES**

In December 2023, the Governmental Accounting Standards Board (GASB) issued Statement No. 102, Certain Risk Disclosures, which establishes the requirements for disclosing, in the notes to the financial statements, the risks related to a government's vulnerabilities due to certain concentrations or constraints that are essential to their analyses for making decisions or assessing accountability. Governments may be vulnerable to risks from certain concentrations or constraints that limit their ability to acquire resources or control spending. Concentration risk is a lack of diversity related to an aspect of a significant inflow of resources (revenues) or outflow of resources (expenses). Constraint risk is a limitation that is imposed by an external party or by formal action of a government's highest level of decision-making authority. GASB Statement No. 102, Certain Risk Disclosures is applicable to the City's financial statements for the year ended December 31, 2025.

2. **GASB STATEMENT NO. 103 FINANCIAL REPORTING MODEL IMPROVEMENTS**

In April 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 103, Financial Reporting Model Improvements, which establishes improvements to key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government's accountability. The Statement addresses application issues related to management's discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. GASB Statement No. 103, Financial Reporting Model Improvements is applicable to the City's financial statements for the year ended December 31, 2026.