

City of Hawk Cove

FY 2025 Internal Year-End Financial Report

Fiscal year ended September 30, 2025

Prepared from the City's corrected FY 2025 balance sheet, profit and loss statement, and general ledger
Internal management report

Internal Auditor Opinion and Management Summary

In my opinion, the City's financial condition reflects continued fiscal strain. The City maintained \$156,235.50 in cash at year-end and reported total assets of \$1,992,635.63. However, the City also carried total liabilities of \$1,924,976.57, including the USDA sewer loan and IRS back payroll tax debt, and reported a net loss of \$100,496.96 for the fiscal year.

These conditions show that the City remained operational at year-end, but recurring revenues did not fully support annual expenses. The City's long-term financial position remains burdened by substantial debt, payroll tax obligations, and limited financial flexibility if revenue does not improve or expenses are not reduced.

Management also notes that the current revenue structure has not generated sufficient revenue to comfortably cover current bills, ordinary general upkeep, and long-term obligations. This point is consistent with the operating shortfall shown in the FY 2025 statements.

Bottom-line reading

- Short-term position: The City had cash on hand and continued operating.
- Main weakness: Debt obligations remain heavy relative to available flexibility.
- Operations: Revenues did not cover annual expenses in FY 2025.
- Structural issue: Current revenue levels were not enough to fund normal operations and upkeep.
- Redline note: Customer billing and receivable details are maintained through Redline and disclosed separately rather than booked into QuickBooks A/R.
- Sewer deposit note: Sewer security deposits received into the regular Sewer bank account remain in a liability account until transferred to the separate Sewer Deposit bank account.

Prepared by	Title	Date
Karen Fronterhouse	CFO	05-13-2026