

2022

ONE CHATTANOOGA FINANCIAL GUIDE

A user-friendly guide to the
City of Chattanooga's 2022
Financial Statements

**CHATTANOOGA, TN
MAYOR TIM KELLY**

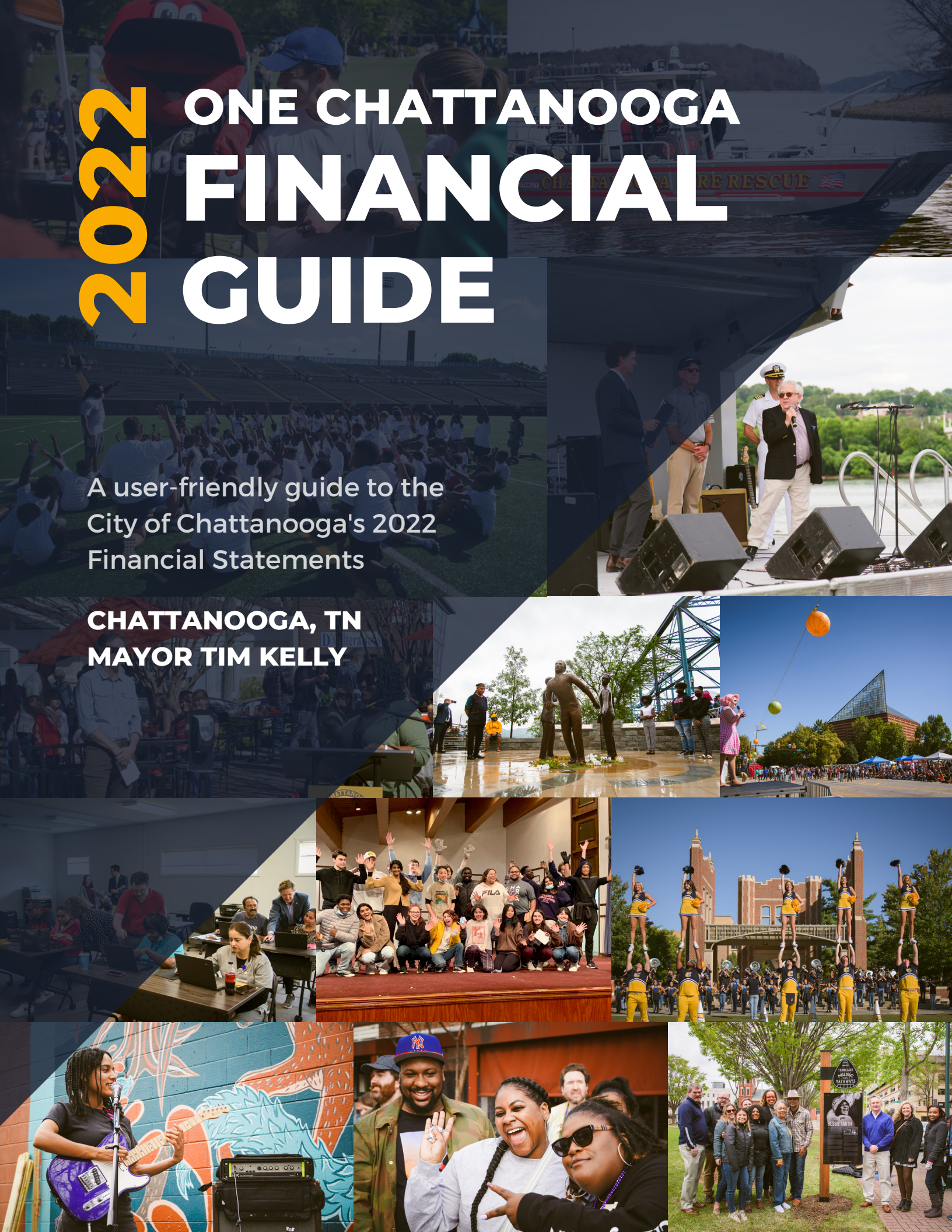


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Introduction

We are pleased to present Chattanooga's Financial Guide, our Popular Annual Financial Report (PAFR) for the fiscal year ending on June 30, 2022. Our goal is to make the City of Chattanooga's financial data more accessible and understandable to residents without a background in accounting. Development of the 2022 PAFR follows the City's commitment to providing outstanding transparency and the highest quality financial reporting.

This report is an overview of the City's financial position and long-standing financial practices. It identifies revenue sources and describes how they are spent in a fiscally responsible manner. Our fiscal stability is reflected by our AAA bond rating from Standard & Poor's and Fitch.

The PAFR is not an audited report, but the financial data within it comes from the City's Annual Comprehensive Financial Report (ACFR), which is audited. For more detailed financial information, the FY22 ACFR will be your best source. The City's financial reports can all be found on the city's website.

Sincerely,
Brent Goldberg
Chief Financial Officer



Explore the City's full financial statements at:
www.chattanooga.gov/finance/finance-division



Message from the Mayor

I am honored to present to you the annual Financial Guide for the City of Chattanooga for the fiscal year ending June 30, 2022.

My team is committed to bringing government closer to our residents. Understanding our City's financial health shouldn't require a degree in accounting, so we've designed this report to walk you through the basics in language that makes sense.

This budget was the first of my administration; our first step in creating One Chattanooga. My team and I worked diligently to put policies and programs in place that would help create shared prosperity and opportunity for all Chattanoogaans, and as you can see in this fiscal report, we've made great strides.

We've taken many bold steps to ensure we're better serving our community. We're paying our staff livable, competitive wages. We're tripling our investment in our roads. We're supporting our children from cradle to career through investments in education and workforce development, including the establishment of the Community Forward Schools Initiative and the creation of a Construction Career Center.

As stewards of taxpayer dollars, we have a responsibility to be responsible with our finances, while also taking decisive steps toward the type of future we'd like to see. Together, with our City Council, our residents, and our partners, we will create a city where every resident has an opportunity to thrive. We have the potential to be the best city in America, and we'll get there together, as One Chattanooga.

Sincerely,
Mayor Tim Kelly
City of Chattanooga

The **ONE** **CHATTANOOGA** Strategy

BUILD A PATH TO UNIVERSAL EARLY LEARNING

Where every child is prepared to thrive and succeed

CATALYZE ECONOMIC VITALITY IN THE BLACK COMMUNITY

Where there's a better way forward for Black Chattanoogaans

ENSURE ACCESSIBLE HOUSING CHOICES FOR ALL

Where every Chattanoogaan has an affordable place to call home

IMPROVE OUR LOCAL INFRASTRUCTURE & PUBLIC TRANSIT

Where we build a strong foundation for the future

BUILD A COMPETITIVE REGIONAL ECONOMY

Where opportunity for all creates economic vitality

CLOSE THE GAPS IN PUBLIC HEALTH

Where all Chattanoogaans can lead a happy, healthy life

ENSURE RESPONSIVE AND EFFECTIVE LOCAL GOVERNMENT

Where the nuts and bolts of government are done right

These eleven principles serve as guideposts for an emerging culture within City government and the foundation for our strategic vision as a city:

01 Equity

02 Accountability

03 The Urgency of Now

04 Candor

05 Justice over Charity

06 People First

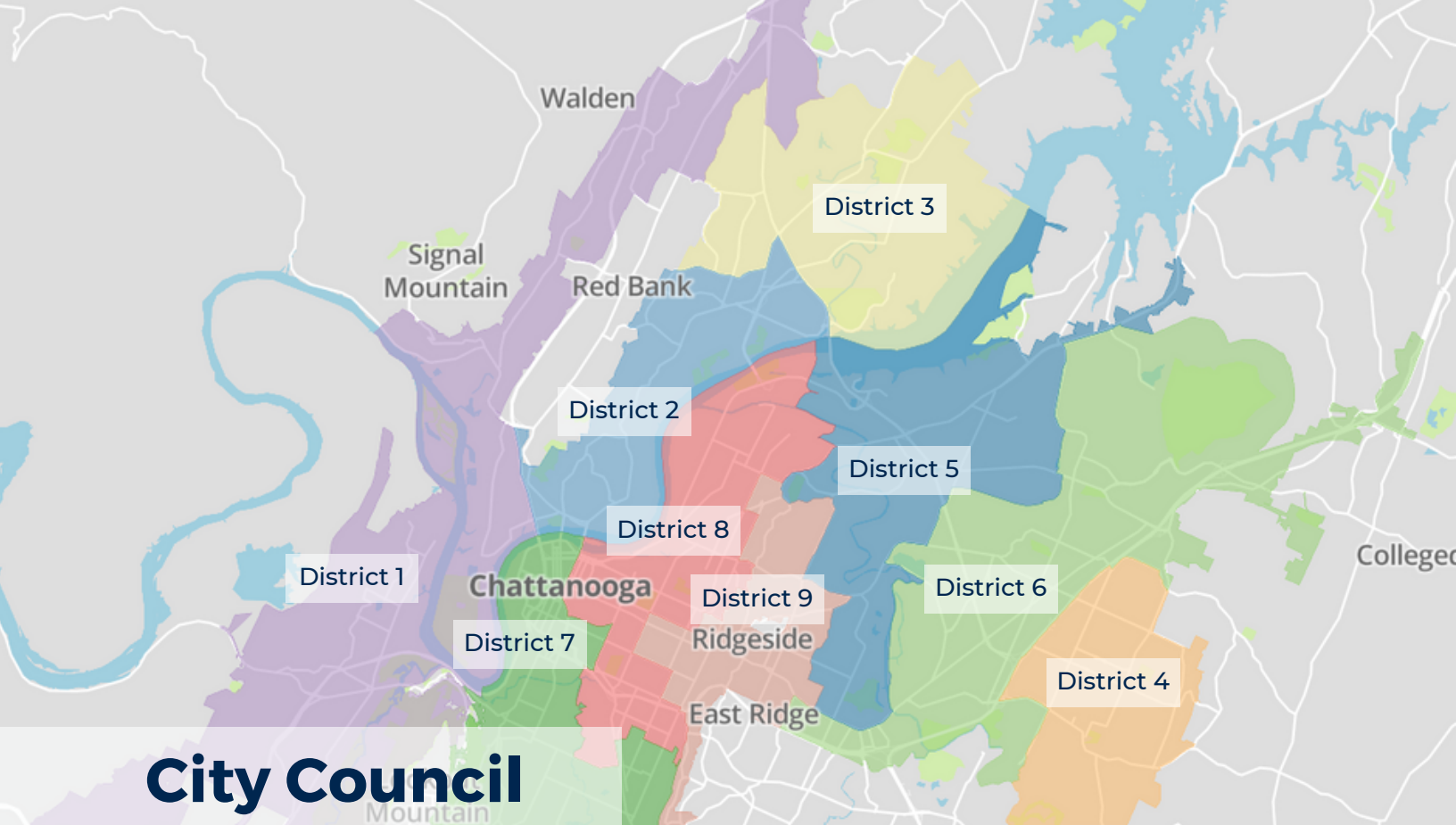
07 Involved and Invested, not just Informed

08 Localism

09 Opportunity in Service of Prosperity

10 Common Sense for Common Purpose




11 Respect



City Council





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The Chattanooga City Council is the legislative branch of our government. Council members are responsible for passing ordinances and providing general oversight of City government.

The Council consists of nine members, with each member being elected from one of nine districts within the Chattanooga city limits.

To learn more, visit:
www.Chattanooga.gov/City-Council



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Meetings

Council meetings are held every Tuesday at 6:00pm, with agenda planning meetings at 3:00.

These are open to the public and take place in the City Council building at 1000 Lindsay St. Both meetings are also live streamed on YouTube. Schedules for committee meetings and other special meetings are available at chattanooga.gov/city-council.

Public Comment

Community members may make public comments for up to 3 minutes at the end of City Council meetings, with a maximum of 1 hour for all public comments.

Committees

The Council has nine standing committees, each of which is chaired by a different council member.

- Economic Development
- Public Safety
- Parks & Public Works
- Equity & Community Development
- Affordable Housing
- Education & Innovation
- Planning & Zoning
- Budget & Finance
- Legislative

What's Happening in Chattanooga



Airport Expansions

The Chattanooga Metropolitan Airport recently announced a \$28m expansion to add additional passenger loading bridges, concessions, and bathrooms.

West Star Aviation is investing an additional \$17m in their full-service aircraft maintenance operation through the construction of a new 40,000 sq ft hanger and 17,000 sq ft shop.



Dupont Industrial Site

One of Chattanooga's largest industrial sites is being redeveloped as the North River Commerce Center for light industrial, office, and warehouse use.

As of October 2022, the \$120m project has already leased 60,000 sq ft of space to businesses and is expected to create 600+ jobs in the coming years.



Construction Career Center

Chattanooga's new Construction Career Center opened in 2022 and offers vocational training for up to 200 local high school students and adult learners.

Students will graduate with at least five certifications in construction while receiving career placement opportunities through internships and work-based learning programs.



Infrastructure Improvements

Sewer & Stormwater

Chattanooga is currently working hard to address the city's outdated and inadequate sewer and stormwater systems. For years, the city's aging infrastructure was frequently overwhelmed by heavy rain events, leading to sewer overflows and discharge of untreated wastewater into local waterways. These overflows posed a threat to public health and negatively impact our local waterways.

The upgrades included a 30 million gallons of wet storage capacity, the rehabilitation and replacement of aging sewer pipelines, and the implementation of new technologies and best practices to reduce stormwater runoff. The upgrades will allow Chattanooga to continue to welcome new residents while protecting the Scenic City's critical outdoor resources for future generations to enjoy.

Road Repairs

At the direction of Mayor Kelly, the City's Department of Public Works has addressed the massive backlog of potholes, with 40,000 potholes filled and 63 lane miles paved in 2022.

The city has added a third pothole repair crew in the current budget, and is adding three utility inspectors to ensure that street cuts by local utilities are properly repaired. The city is also requiring local utilities to implement full-lane road patches to begin eliminating the quilt of spot patches that often lead to bumpy, uneven surfaces.



South Broad District



The South Broad Revitalization Project received final approval in 2022, kicking off the revitalization of Chattanooga's western gateway.

The South Broad Revitalization Project is expected to generate tens of millions of dollars in new money for schools, roads, and infrastructure across Chattanooga and Hamilton County, while transforming a blighted brownfield into a vast, vibrant live-work-play district.

The new development will re-energize the 140 acres formerly occupied by the old Wheland Foundry and U.S. Pipe complex, and will include:

- A new multi-use stadium to generate year-round entertainment and keep the Lookouts in Chattanooga
- \$170m in new housing
- Commercial space for small businesses
- New public green spaces and trails

"After years of studies and non-starters, the City, the County, and the State are coming together with the ownership group and a world-renowned master developer to transform this site into a vibrant new community where economic opportunity and quality of life come together."

- Mayor Tim Kelly



Lookouts Stadium

The South Broad district will be anchored by a new multi-use stadium.

Why a new stadium? The Chattanooga Lookouts' current home at AT&T Field no longer meets Major League Baseball's standards. It faces into the sun and was found by MLB to have more than 140 different compliance deficiencies that would have caused the league to pull the franchise had we not acted. The loss of the Lookouts would not only have terminated one of baseball's historic franchises, but would also have resulted in the loss of \$30m in annual economic impact for our community.

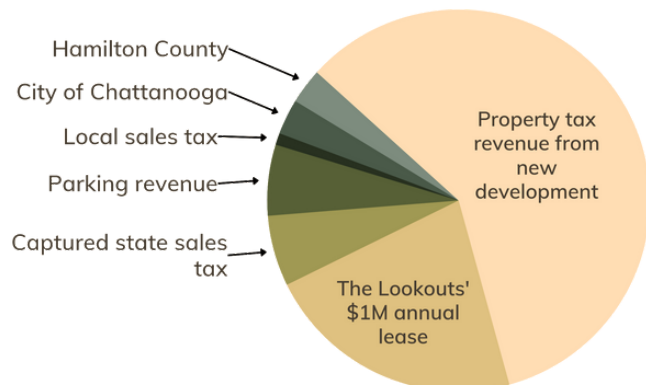
When not in use by the Lookouts, the stadium will serve as another community space for residents to enjoy concerts, fundraising drives, and other local events.

The project is being funded in part through an economic development tool called tax increment financing (TIF), which leverages the growth in tax collections resulting from new development to help fund public projects.

In other words, the stadium will be funded by the increase in property taxes generated by the new surrounding development, in addition to rent from the Lookouts and sales tax revenue from the stadium.

Property tax revenue allocated to Hamilton County Schools will still go to schools. As a result, **this project is expected to generate an additional \$40m for our schools.**

Who pays for the stadium?





Comparative Data

How does Chattanooga measure up to other Tennessee cities?

Comparing our financial indicators to Tennessee's major cities (Nashville and Memphis) and our fellow mid-sized cities (Knoxville, Clarksville, and Murfreesboro) is one of the best ways to judge our performance. Here are a few key indicators we track:

Bond Ratings

Bond Ratings are an estimation of a City's ability to repay its debts, which are assigned by national ratings agencies like Moody's, Standard & Poor's, and Fitch. Chattanooga's high ratings mean we're a safe investment for creditors, so we are able to borrow money at very low interest rates for infrastructure projects.

Debt

Our total debt can be separated by Governmental & Business activities (explained on pg 14-15). These metrics provide an indication of how much debt we hold relative to other cities, and how much of that debt is held by Governmental funds as opposed to Business funds like EPB.

Property Taxes

Our tax structure is most similar to Knoxville's, while Clarksville and Murfreesboro rely on their county governments to provide more services. Nashville's rates are lower, partially due to their property values being dramatically higher than other cities. Property tax calculations are explained in more detail on pg 18.

Comparative Data - Six Largest Cities in Tennessee

Demographic & Financial Data	#1 Nashville ¹	#2 Memphis	#3 Knoxville	#4 Chattanooga	#5 Clarksville	#6 Murfreesboro
Population ^a	703,953	628,118	192,657	182,111	170,957	157,509
Area (Square Miles) ^b	476	295	99	142	100	63
Per Capita Income ^{a b}	\$42,268	\$28,571	\$31,855	\$34,297	\$26,631	\$36,967
Median Household Income ^b	\$64,857	\$44,317	\$45,700	\$55,065	\$60,686	\$77,584
% Below Poverty Line ^b	15.3%	22.6%	19.8%	18.4%	10.5%	7.2%
Unemployment Rate ^c	3.5%	6.9%	4.0%	4.8%	4.8%	3.5%
Gov't Debt ^d	\$3,461m	\$1,750m	\$123m	\$148m	\$141m	\$351m
Total Debt ^d	\$4,915m	\$2,604m	\$201m	\$718m	\$608m	\$416m
Gov't Debt Per Capita ^d	\$4,917	\$2,786	\$639	\$813⁴	\$825 ⁴	\$2,227
Total Debt Per Capita ^d	\$6,983	\$4,147	\$1,043	\$3,945⁴	\$3,558 ⁴	\$2,644
Gov't Debt as a % of Personal Income ^d	11.63%	9.75%	2.00%	2.37%⁴	3.10% ⁴	6.02%
Total Debt as a % of Personal Income ^d	16.52%	14.52%	3.27%	11.50%⁴	13.36% ⁴	7.15%
Bond Rating (S&P) ^d	AA	AA	AAA	AAA	Aa2 ³	AA+
Property Tax Rate - City ^d	0.34% ²	2.71%	2.46%	2.25%	1.23%	1.29%
Property Tax Rate - City & County ^d	3.29% ²	6.16%	4.58%	4.49%	4.22%	3.51%
Total Tax Levy - City ^d	\$140m ²	\$428m	\$132m	\$175m	\$43m	\$66m
Tax Levy Per Capita - City ^d	n/a ⁵	\$682	\$685	\$959	\$254	\$416

Sources:

^a data.census.gov

^b censusreporter.org

^c TN Dept of Labor

^d Each city's ACFR

Notes:

¹ This data represents the consolidated Metropolitan Government of Nashville and Davidson County which is responsible for more services than other cities.

² Nashville-Davidson is divided between a "General Services District" and "Urban Services District." Property owners in the USD pay an additional 0.34% in property taxes in exchange for additional services, like trash pickup. The "City" rate shown here is the Urban Services District.

³ S&P rating unavailable for Clarksville. An Aa2 rating from Moody's is roughly equivalent to a AA rating from S&P.

⁴ Chattanooga and Clarksville's public utilities (EPB and CDE Lightband, respectively) issue a large amount of revenue bonds, which partially accounts for the large difference between their Total and Governmental debt.

⁵ Population estimates are not available for the Urban Services District, so we are unable to calculate an appropriate number for comparison.

How does the City track & report financial activities?

Government financial statements are similar to those for private businesses, however there are a few fundamental differences.

01

Net Position

The Statement of Net Position compares our assets to our liabilities to give a snapshot of Chattanooga's overall financial health & ability to repay our debts.

02

Statement of Activities

Governments exist to serve their residents, not to turn a profit. Instead of an Income Statement, we publish a Statement of Activities which details revenues and expenses and how those affect our Net Position.

03

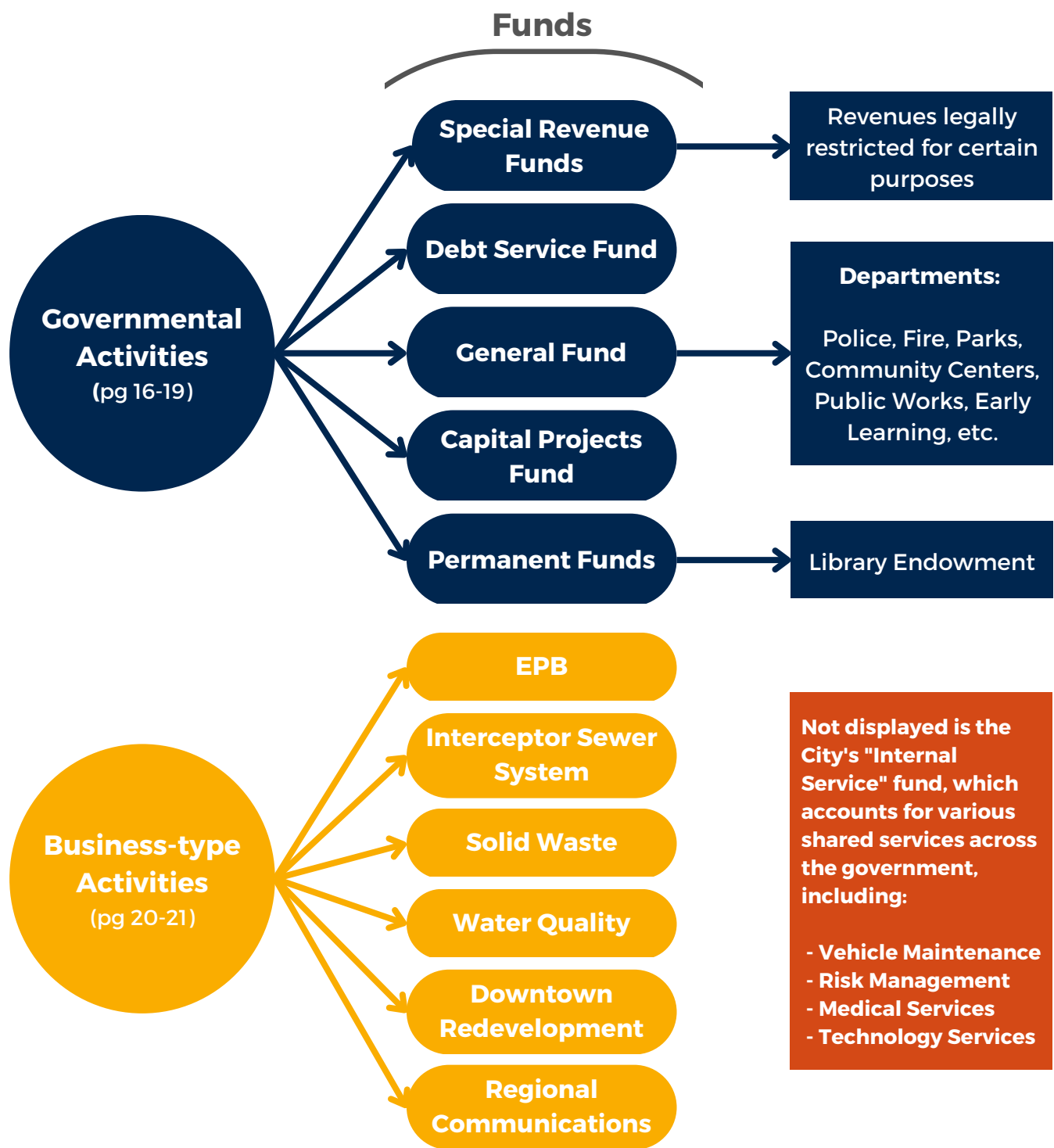
Separating Business-like Entities

Entities funded by user fees, like EPB, are fundamentally different from the City's Fire or Police departments, which are funded by tax dollars, so they are reported separately.

04

Fund Accounting

Every financial transaction is recorded in a specific "Fund." Most of the City's operations fall under the General Fund, but things like infrastructure projects and debt service have separate funds.



Not listed are the City's **"Component Units"** which the City doesn't have direct oversight over and therefore are reported separately in the financial statements. These include **CARTA**, the **Chattanooga Airport**, and the **Downtown Chattanooga Alliance** (a.k.a. the Business Improvement District).

Governmental Activities

This section covers core city departments like **Public Works and Police**, along with the means by which they're funded.

Below is our **Net Position**, which compares the City's assets to its liabilities to assess our ability to repay our debts.

Over **58%** of our total assets are land and other assets that don't depreciate. Depreciating assets, like **buildings and vehicles**, account for another **16%**. Cash and investments make up another 14%. Receivables - revenue which is expected but hasn't come in the door yet, account for 11% of our total assets.

The vast majority of our liabilities are long-term (those not payable within the next year). This includes **employee pensions (63%)** and **serial bonds (25%)**, which are issued for major infrastructure projects and repaid over a long period of time.



Net Position - Governmental Activities

	2022	2021	2020	2019	2018
+ Assets	\$ 2,219,814	\$ 2,011,830	\$ 1,924,262	\$ 1,880,237	\$ 1,829,905
+ Deferred Outflows*	\$ 32,038	\$ 116,223	\$ 104,673	\$ 110,101	\$ 115,090
- Liabilities	\$ 589,836	\$ 660,841	\$ 639,460	\$ 619,984	\$ 606,100
- Deferred Inflows**	\$ 196,181	\$ 165,302	\$ 149,129	\$ 146,330	\$ 171,440
Net Position	\$1,465,835	\$ 1,301,910	\$ 1,240,346	\$1,224,024	\$ 1,167,455

Amounts expressed in thousands

*Expenses paid for a future period

**Income received for a future period

Governmental Revenues & Expenses

Governments exist to serve their residents, not turn a profit. Instead of an Income Statement, we publish a Statement of Activities, which details revenues and expenses and how those affect our Net Position.

Department	Expenses	Grants & Fees	Net
General Government	\$ 93,231,324	\$ 22,030,595	\$ (71,200,729)
Economic & Community Dev.	\$ 24,874,764	\$ 8,873,612	\$ (16,001,152)
Public Safety	\$ 133,326,649	\$ 2,293,698	\$ (131,032,951)
Public Works	\$ 64,023,445	\$ 127,060,101	\$ 63,036,656
Parks & Outdoors	\$ 17,056,164	\$ 4,221,563	\$ (12,834,601)
Early Learning	\$ 12,619,804	\$ 12,818,197	\$ 198,393
Interest on Debt	\$ 3,439,422		\$ (3,439,422)
Total Activities	\$ 348,571,572	\$ 177,297,766	\$ (171,273,806)

Property Taxes \$ 187,610,412

Sales Taxes \$ 103,850,621

Other Revenues* \$ 43,737,111

Total Change in Net Position \$ 163,924,338

*Includes hotel/motel taxes, liquor taxes, franchise taxes, and others



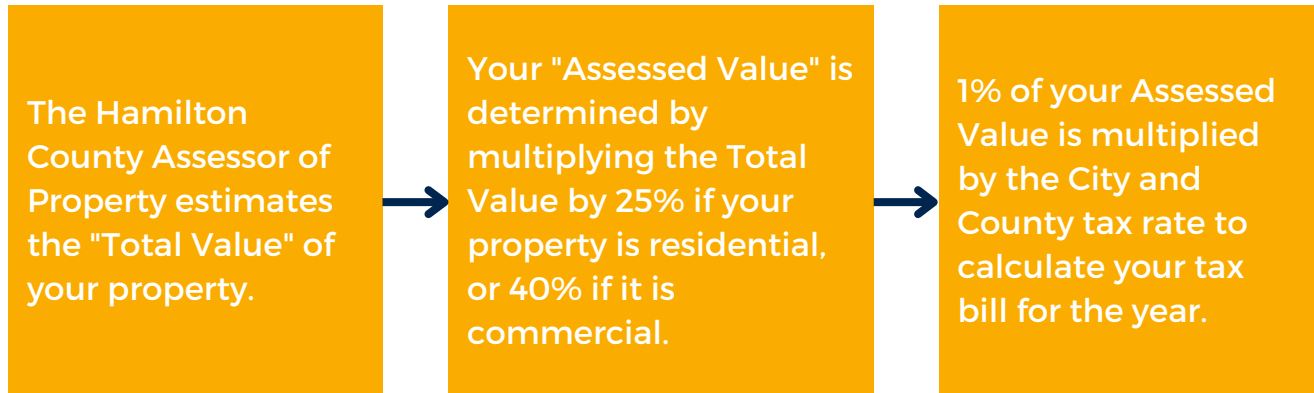
Key Takeaways

While all departments are largely supported by tax revenue, most departments are partially funded by service charges and grants (shown in the "Revenues" column).

- **Public Works** completes large infrastructure projects on behalf of the City, which are often supported by grants from the US Department of Transportation.
- **Community Development and Early Learning** manage programs like Head Start and LIHEAP, which are funded by grants from the TN Department of Human Services and the US Department of Health & Human Services.

Property Tax Breakdown

Property taxes are the largest source of revenue for Governmental Activities. Every year, the City and County governments agree on property tax rates, which are levied on every residential and commercial property. While the rate is consistent on all properties, Residential and commercial properties are valued differently. Hamilton County's tax rate is \$2.2373 while Chattanooga's is \$2.2500, for a combined rate of \$4.4873.



Small Office in Brainerd

1. The Assessor's office judges the total value to be \$500k
2. The total value is multiplied by 40% to calculate the "assessed value"
 - a. $\$500k \times 40\% = \$200k$
3. The City's property tax rate is multiplied by 1% of the property's assessed value
 - a. $\$200k \times 1\% = \$2,000$
 - b. $\$2,000 \times \$4.4873 = \$8,974.60$

Annual tax bill: \$8,974.60



Home in St. Elmo

1. The Assessor's office judges the total value to be \$240k
2. The total value is multiplied by 25% to calculate the "assessed value"
 - a. $\$240k \times 25\% = \$60k$
3. The City's property tax rate is multiplied by 1% of the property's assessed value
 - a. $\$60k \times 1\% = \600
 - b. $\$600 \times \$4.4873 = \$2,692.40$

Annual tax bill: \$2,692.40

Understanding our Liabilities



Our Net Position shows \$510m in total liabilities. Understanding that number is key to assessing the financial health of our City.

- Pensions & OPEB - \$324m
- Serial Bonds - \$129m
- Other Liabilities - \$57m



Pensions & OPEB

These represent benefits that City employees earned while working for the city that have not been paid out.

For example, a Chattanooga Firefighter earns **25% of their salary** in pension benefits **after ten years** with the City, but the City doesn't pay that expense until the employee retires, which could be decades in the future. To account for this, we record those unpaid expenses as liabilities to show that we will have to pay them in the future.

To ensure that we're always able to pay those benefits, the City maintains an **OPEB & Pension Trust Fund** for the sole purpose of securing retirement benefits for our employees. **This fund has a balance of \$706m** as of the end of FY22.

More information can be found on pages B-1 - B-19 of the City's ACFR



Serial Bonds

To finance large infrastructure projects like road expansions and building construction, the City sells "General Obligation Serial Bonds" which are backed by the full faith and credit of the city. These bonds are paid off over a long period of time, usually 10-15 years.

Tennessee state law limits the total General Obligation debt of a city to 10% of the city's assessed property value. Our current outstanding debt is less than 2% of our assessed property value.

Chattanooga is able to borrow money at lower interest rates than most cities because we maintain a **AAA Bond Rating** from Fitch and Standard & Poor's.

More information can be found on page E-6 of the City's ACFR

Business Activities

This section covers the City's "Enterprise Funds" which are reported separately because they primarily rely on service charges to fund their operations, not tax revenue.

Below is our **Net Position** for Business Activities, which compares the City's assets and liabilities to assess our ability to repay our debts.

Depreciating assets, like buildings and vehicles, make up 53% of total assets for business activities. Another **10% of those assets are land** and other assets that don't depreciate. **Cash and investments account for another 25%**. Receivables, revenue which is expected but hasn't come in the door yet, makes up 5%.

Roughly **43% of the total liabilities are revenue bonds** for EPB and Downtown Redevelopment and **24% are notes payable** for the Interceptor Sewer System.



Net Position - Business-type Activities

	2022	2021	2020	2019	2018
+ Assets	\$ 2,069,327	\$ 1,935,608	\$ 1,761,988	\$ 1,681,253	\$ 1,642,372
+ Deferred Outflows*	\$ 29,475	\$ 45,862	\$ 26,895	\$ 23,386	\$ 38,593
- Liabilities	\$ 824,306	\$ 846,908	\$ 771,909	\$ 739,768	\$ 796,042
- Deferred Inflows**	\$ 24,070	\$ 11,335	\$ -	\$ -	\$ 6,808
Net Position	\$1,250,426	\$ 1,123,227	\$ 1,016,974	\$ 964,871	\$ 878,115

Amounts expressed in thousands

*Expenses paid for a future period

**Income received for a future period

Business Revenues & Expenses

	Expenses	Revenues	Net
Electric Power Board (EPB)	\$ 741,342,000	\$ 815,404,000	\$ 74,062,000
Interceptor Sewer System	\$ 71,465,618	\$ 108,046,621	\$ 36,581,003
Solid Waste	\$ 4,517,692	\$ 5,483,628	\$ 965,936
Water Quality Mgmt	\$ 17,036,630	\$ 29,001,080	\$ 11,964,450
Regional Communications	\$ 1,645,265	\$ 1,896,742	\$ 251,477
Downtown Redevelopment	\$ 1,447,442	\$ 3,215,564	\$ 1,768,122
Total Activities	\$ 837,454,647	\$ 963,047,635	\$ 125,592,988
		Interest Income	\$ 1,607,609
		Total Change in Net Position	\$ 127,200,597

EPB

The largest portion of the business-type activities is Electric Power Board (EPB). EPB is a city owned company that provides electric utility and fiber optic service for residents and businesses in Chattanooga and surrounding areas. EPB is managed by a board appointed by the Chattanooga Mayor and City Council.

Sewer

Chattanooga's Interceptor Sewer System provides wastewater services to Chattanooga, most of Hamilton County, and parts of North Georgia.

Solid Waste

The City operates a solid waste landfill as a business fund, which primarily serves the City government, but is available for household use by residents and some other uses.

Water Quality

The Water Quality Program manages Chattanooga's stormwater, natural water bodies, and green infrastructure.

Regional Communications

The Tennessee Valley Regional Communication System Fund was established in the 2016 fiscal year to account for a regional communication system that services our multi-county region.

Downtown Redevelopment

The Chattanooga Downtown Redevelopment Corporation (CDRC) accounts for redevelopment financing, multiple parking facilities, and other activities.



Grants Management

Chattanooga routinely pursues grant funding for important programs and infrastructure projects.



Grants funding applied for:
\$38,000,000



Grants funding received:
\$29,000,000



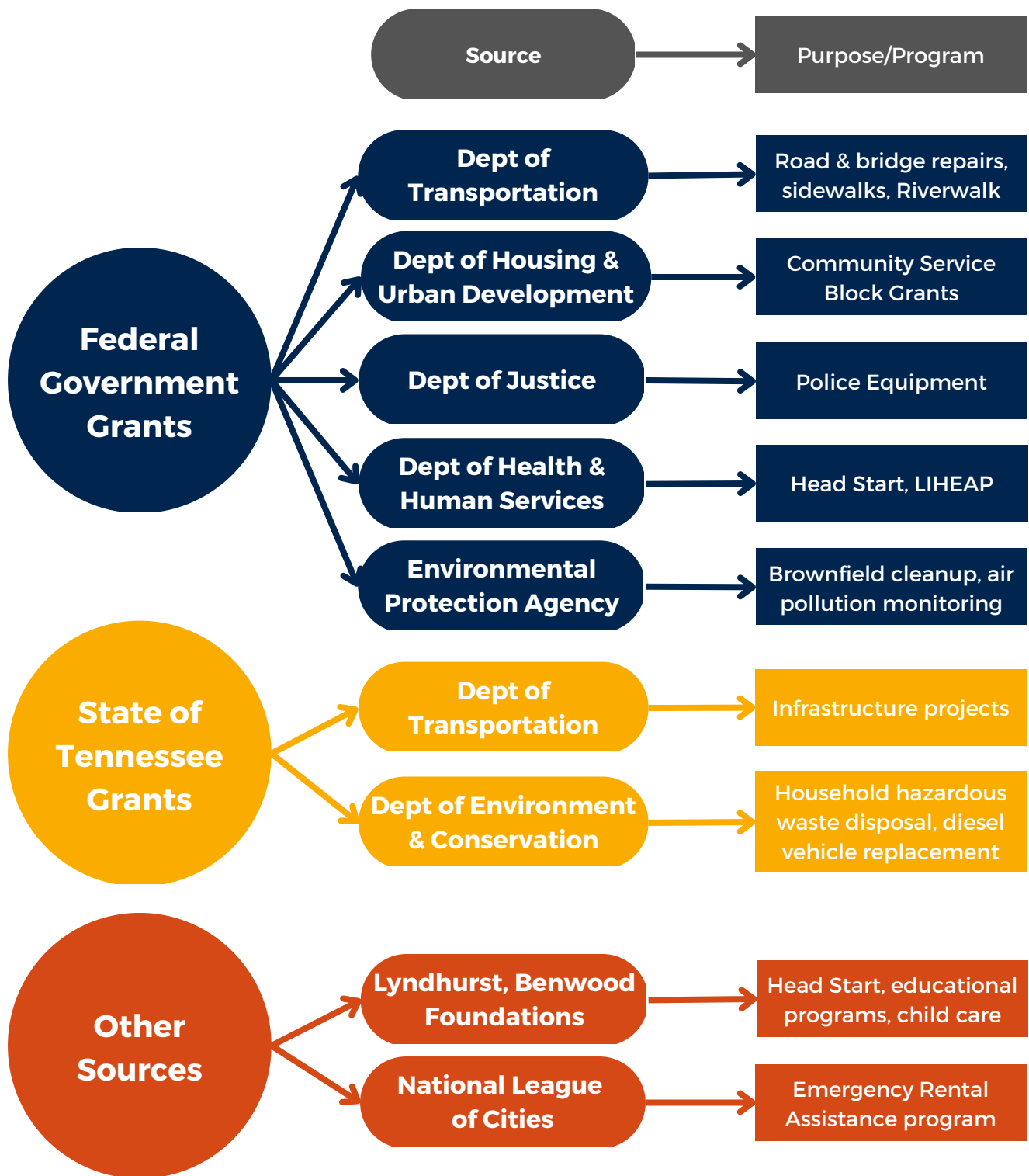
ARPA Funds received:
\$38,600,000

Grants are funding provided to support a specific project or program and require some level of compliance from the City. Securing grants from the Federal & State government ensures that **your tax dollars are used to benefit your community.**

Mayor Kelly added staff to create the **Office of Grants & Opportunities** in 2022 to ensure we're taking advantage of all available opportunities, as well as coordinating existing grant initiatives more efficiently.

Grants largely fund programs like **Head Start** and the **Low-Income Home Energy Assistance Program (LIHEAP)**, as well as infrastructure projects like **road repairs** and expansion of the **Riverwalk**.

The Grants team also manages \$38,600,000 in **American Rescue Plan Act (ARPA)** funds to support the response to and recovery from the COVID-19 pandemic. This includes working with 31 local organizations, as well as internal City projects to create once-in-a-generation change in our community,



This chart is not all-inclusive. Please refer to the Schedule of Expenditures for Federal and State Awards in the ACFR (Pages G-1 through G-6) for a more inclusive list.

Developing the Budget

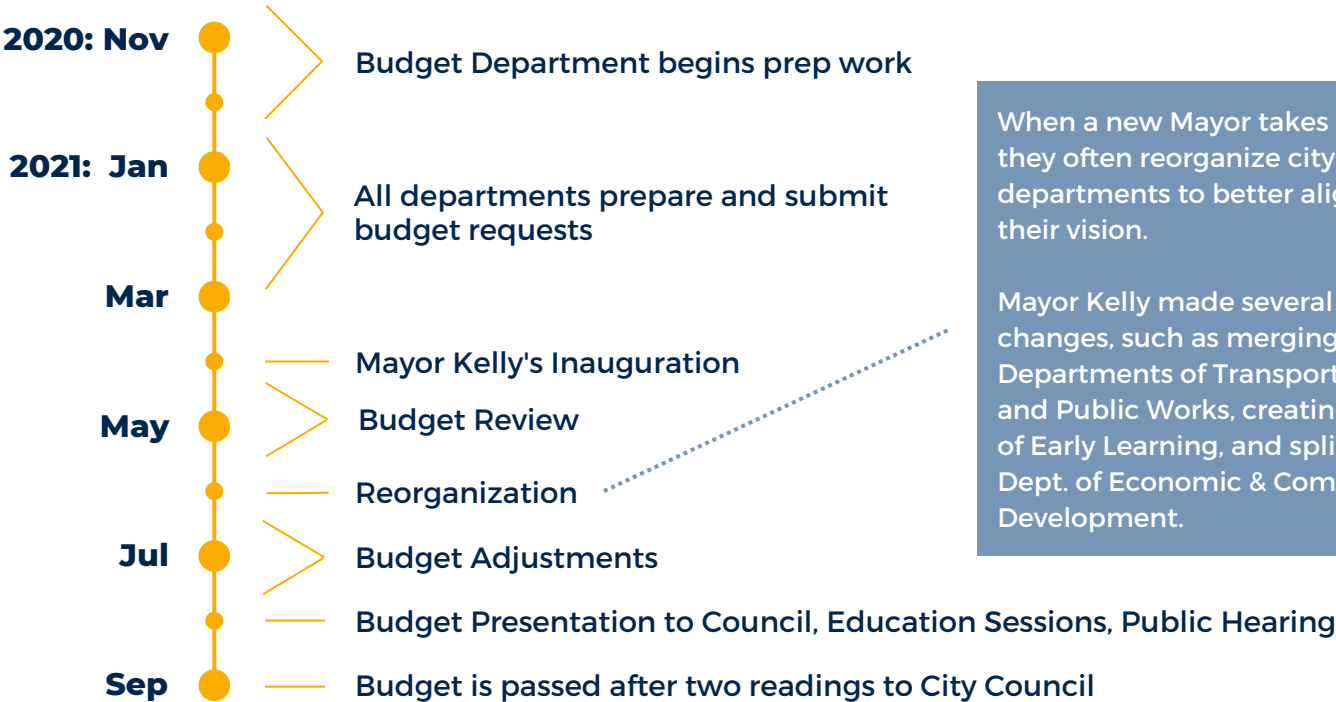
Chattanooga's budget is a carefully constructed document laying out planned revenues and expenditures for the coming year. It is legally required to be approved by both the Mayor and City Council.

Our budget for Fiscal Year 2022 was developed in part by two administrations; Mayor Andy Berke's term came to an end and Mayor Tim Kelly's term began shortly before the beginning of the year.

Both administrations incorporated community feedback into the budget. The FY22 budget reflects the priorities laid out in the One Chattanooga plan.



Timeline



When a new Mayor takes office, they often reorganize city departments to better align with their vision.

Mayor Kelly made several changes, such as merging the Departments of Transportation and Public Works, creating a Dept. of Early Learning, and splitting the Dept. of Economic & Community Development.



Strategic Framework

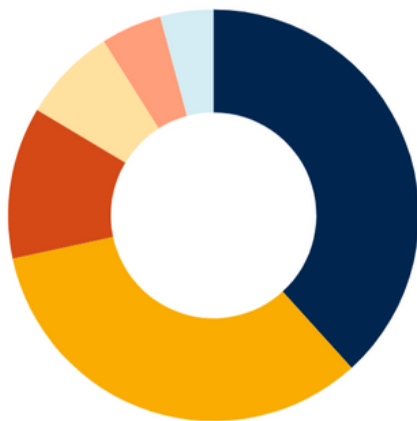
The budget was developed in alignment with Mayor Kelly's One Chattanooga strategic plan, putting our city on a path to shared prosperity and common purpose. Our strategy, includes the following key goals:

- Building a path to universal early learning
- Catalyze the resurgence of a Black middle class
- Ensure accessible housing choices for all Chattanoogaans
- Improve local infrastructure
- Build a competitive regional economy
- Work towards closing the racial wealth gap
- Ensure a responsive & effective local government



What's in the Budget?

Our annual operating budget totaled \$315m in Fiscal Year 2022, detailing funds allocated to dozens of Departments and Agencies across Chattanooga.



- Public Works - \$38m
- Parks, Early Learning, & Community Dev. - \$24m
- Finance, HR, & Executive - \$15m
- Capital Improvements - \$13m
- Police & Fire - \$121m
- Other Departments & Agencies - \$105m



Explore the full operating budget at:
budget.chattanooga.gov



Accountability

The City's Finance Department interacts extensively with internal and external auditors in City Government, which have very different roles.

Our external auditors focus on "financial" audits, whereas Internal Audit devotes more time to "operational" audits. In other words, external auditors focus on ensuring the accuracy of our financial statements whereas Internal Audit ensures that departments are efficient, effective, and ethical with the use of taxpayer resources. In addition to conducting audits, Internal Audit also conducts fraud investigations and other special projects throughout the year.



Internal Auditors

The City of Chattanooga's Office of Internal Audit is an independent body that reviews the City's finances as well as its operational functions.

Every year, several departments undergo an in-depth audit of various work processes. The auditors will analyze their compliance with laws, regulations, and City policies and make suggestions on how to improve performance.

Internal Audit reviews the City's financial data every year and delivers an analysis of our financial position to the Mayor and City Council.



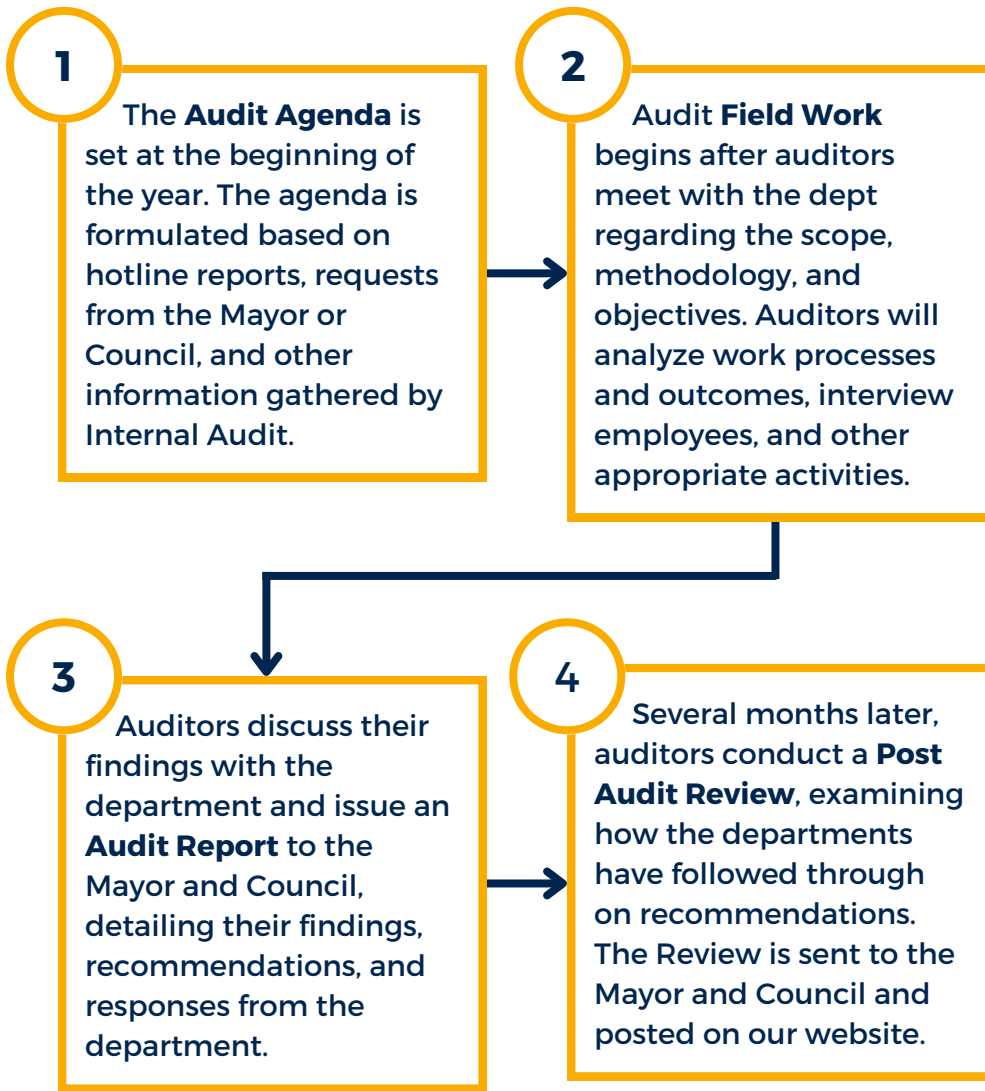
External Auditors

Chattanooga is mandated by state and federal law to undergo a rigorous audit of our Annual Comprehensive Financial Report (ACFR) every year.

The external auditor issues an "unmodified opinion" on the ACFR, which indicates that our financial statements are presented fairly and free from material errors.

Since 2011, this has been carried out by Henderson, Hutcherson, & McCullough, PLLC.

Internal Audit Process



Who holds Internal Audit accountable?

The City Auditor is appointed by and reports to the "Audit Committee," which consists of five local audit professionals, who are appointed by the Tennessee Society of CPAs, the Institute of Internal Auditors, and the Association of Certified Fraud Examiners. Independence from the Mayor and City Council helps ensure that the City Auditor remains objective.

Internal Audit is also "peer reviewed" by auditors from other local governments to ensure compliance with audit standards. Our last peer review was conducted by the Audit Manager for Chesterfield County, VA and the Inspector General for the South Florida Water Management District. The Office of Internal Audit has never failed a peer review nor had any deficiencies noted.



2022 ONE CHATTANOOGA FINANCIAL GUIDE

This report was created by the Chattanooga
Department of Finance & Administration.


You can view other financial reports by visiting
the City's website:

www.chattanooga.gov/finance/financedivision

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City of Chattanooga
2022 PAFR