

# Office of Internal Audit

## Financial Analysis

March 2026

**City Auditor**

Stan Sewell, CPA, CGFM, CFE

**Senior Auditor**

Richard Walls, CPA, CIA, CMFO





# OFFICE OF INTERNAL AUDIT

## Stan Sewell, City Auditor

March 13, 2026

To: Mayor Tim Kelly  
City Council Members

Subject: City of Chattanooga Financial Analysis

Dear Mayor Kelly and City Council Members:

The Office of Internal Audit has completed the attached financial analysis of the City of Chattanooga. This is our twelfth annual review of financial indicators for the City. The analysis takes the financial statements and selected demographic information, as presented in the Annual Comprehensive Financial Report, and converts them into useful and understandable measures of financial performance. The measurement system used is the 10-Point Test of Government Financial Health<sup>1</sup>.

Our objective is to provide City leaders a method for monitoring financial condition. Those charged with governance can use the analysis to examine the City's financial condition, identify existing and emerging financial trends, and develop strategies for managing identified trends. The attached graphs show the City's trends, which are important for financial analysis. Additionally, comparison to benchmark cities<sup>2</sup> provides context. The analysis should not be used as the only source of information to evaluate the financial condition of the City.

The analysis of financial indicators as of, and for, the year ending June 30, 2025, continued to have more positive results when compared to the averages of benchmark cities. Seven of the ten measurements compared favorably. Financial indicators compared positively to last year (FYE 2024) for seven of the ten.

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<sup>1</sup> "Governing – [Guide to Financial Literacy](#) – Volume 2 – Managing Your Jurisdiction's Financial Health", page 16, Copyright 2015.

<sup>2</sup> Benchmark cities: Charleston SC, Clarksville TN, Columbus GA, Fort Lauderdale FL, Huntsville AL, Knoxville TN, Little Rock AR, Newport News VA, Port St. Lucie FL and Provo UT.

During Fiscal Year 2025, the General Fund total fund balance decreased by 16.7%, or \$32 million, to \$159.6 million. This change was driven primarily by implementation of a strategic investment plan which included a \$30 million budget amendment for FYE 2025.<sup>3</sup> Most notably, the City contributed \$18 million for a one-time payment to the Fire and Police Pension Fund to help decrease the fund's liability. This decrease to fund balance had a noticeable impact on some financial ratios. Most directly, you will note a negative impact on the first ratio presented (Short-Run Financial Position).

The issues discussed in this report are not the result of an audit performed in accordance with generally accepted government auditing standards. Had we performed such an audit, additional issues might have been reported. The purpose of this report is to provide information that may be useful to those charged with governance of the City of Chattanooga.

Sincerely,



Stan Sewell, CPA, CGFM, CFE  
City Auditor

Attachment

cc: Audit Committee Members  
Kevin Roig, Chief of Staff  
Mande Green, Chief Operating Officer  
Weston Porter, Chief Financial Officer

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<sup>3</sup> The plan includes \$65 million in pay-as-you-go capital projects and economic development incentives.