2015
FINANCIAL REPORT

SENIOR MANAGEMENT REPORT and FINANCIAL INFORMATION 2015

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September 11, 2015

As we look back at the achievements of fiscal year 2015, two traits that continually define who we are hold true. They are our relentless pursuit of innovation and extraordinary commitment to customer service. Evidence of both was apparent in the highly successful installations at Alexian Village and in the delivery of free high-speed Wi-Fi at the airport. In addition, an ambitious vision for the future is demonstrated in the cultivation of partnerships with the nation's greatest minds and training the next generation to pursue innovative thinking.

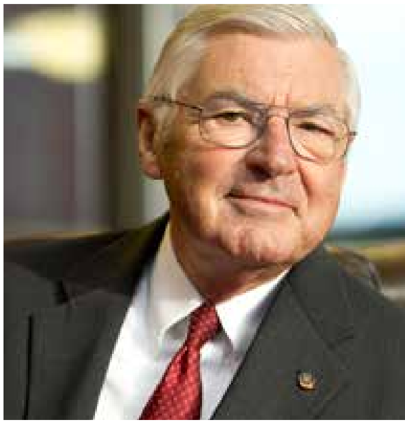
There is one thing that makes all of this possible. It is our people.

The people of EPB are hard working, dedicated, brilliant thinkers who provide solutions and superior customer service to our community. They push the boundaries of what is possible in order to better serve our customers, as demonstrated in our accomplishments throughout this year. The Smart Grid and Fiber Optics have opened many doors and presented a vast array of opportunities for increased research, new product offerings, added conveniences and economic efficiencies. We took full advantage of those opportunities and continue to do so as we grow, learn, and pursue a better future for this community we serve. It is our responsibility. And we count it a privilege.

Joe Ferguson

Harold DePriest

BOARD OF DIRECTORS



JOE FERGUSON
Chairman

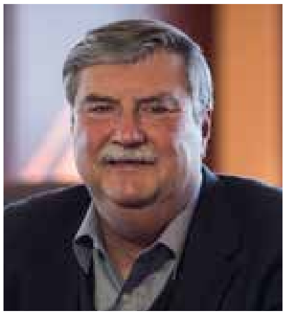
WARREN LOGAN
Vice Chairman

JON KINSEY
Member

JOHN FOY
Member

VICKY GREGG
Member

EPB SENIOR MANAGEMENT



HAROLD DEPRIEST

President & CEO

DAVID WADE

Executive VP & COO

GREG EAVES

Executive VP & CFO

KATIE ESPESETH

VP New Products

JIM INGRAHAM

VP Strategic Research

MARIE WEBB

VP Human Resources

DIANA BULLOCK

VP Economic Development & Government Relations

STEVE CLARK

Senior VP Strategic Systems

DANNA BAILEY

VP Corporate Communications

DAVID JOHNSON

VP IT & CIO

KATHY BURNS

Senior VP Customer Relations

J.ED. MARSTON

VP Marketing

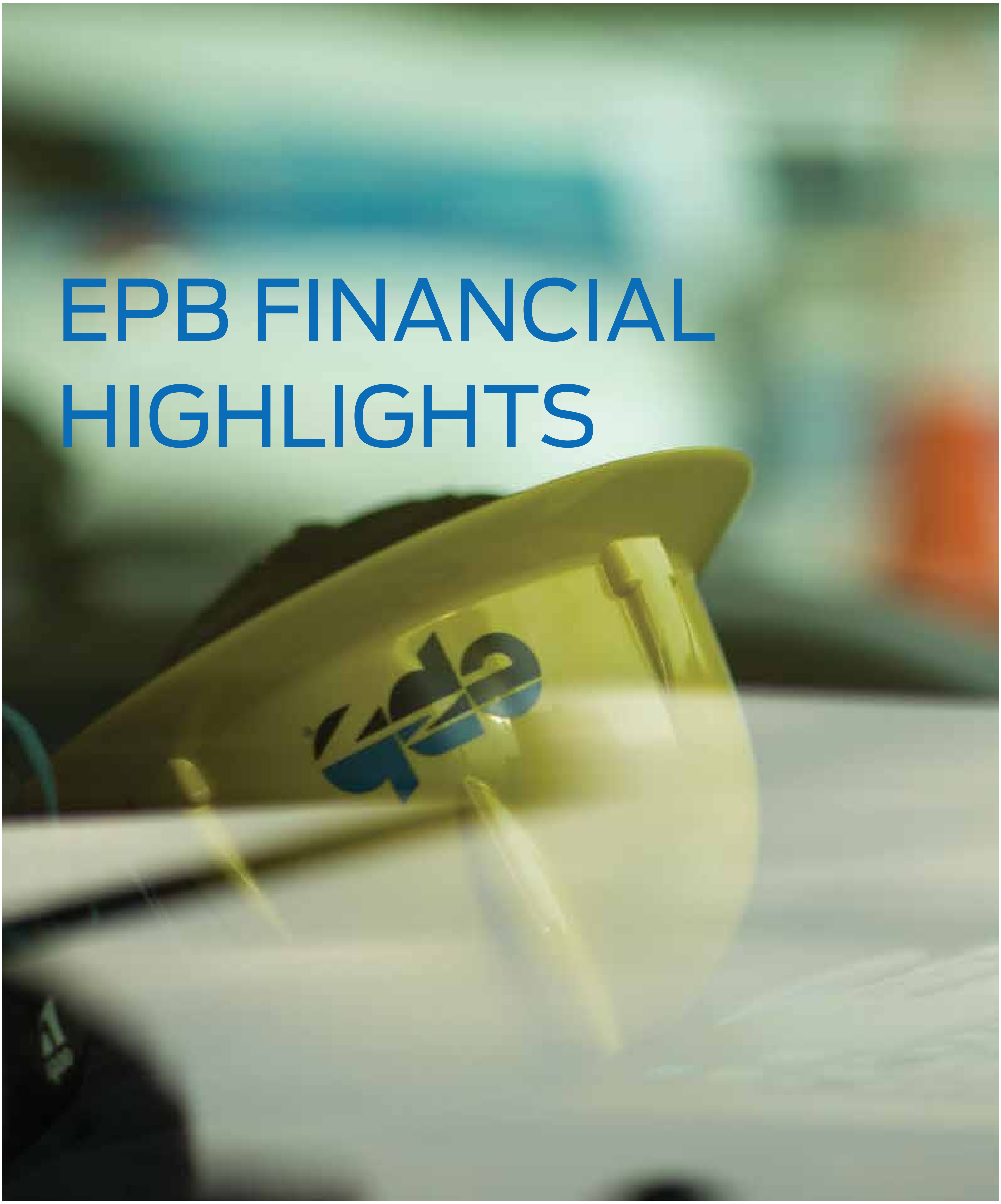
RYAN KEEL

VP Technical Operations

KADE ABED

VP Field Operations

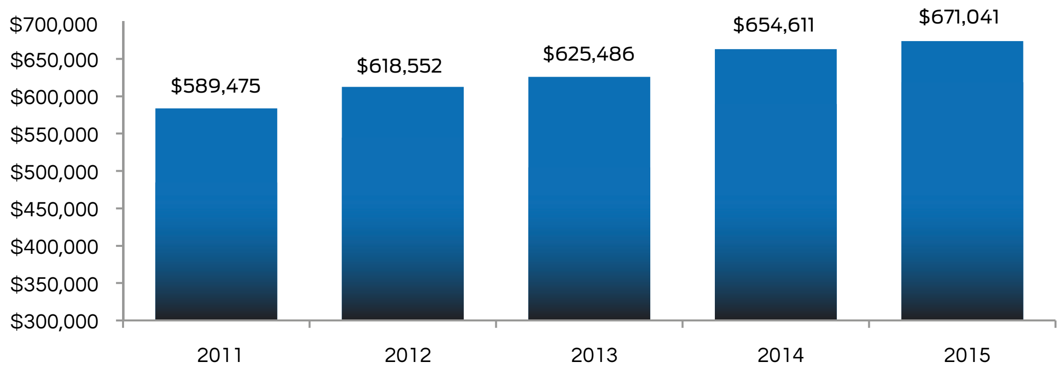
EPB FINANCIAL HIGHLIGHTS



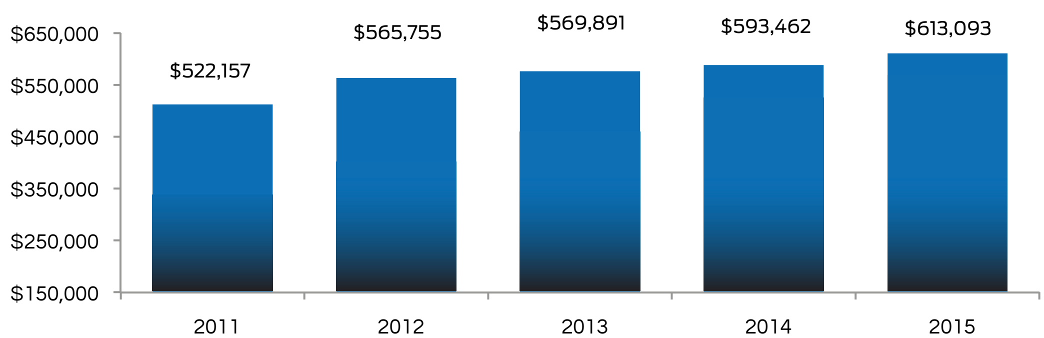
EPB FINANCIAL HIGHLIGHTS 2015

EPB operating revenues were $671.0 million, an increase of 2.5 percent from the previous year. This increase was mainly due to a net increase of approximately $16.9 million in Fiber Optics sales revenues. Net plant value increased to $613.1 million, an increase of 3.3 percent from the previous year. Areas of plant investment included electric overhead and underground line extensions, substation equipment, fiber optics communications equipment, and Smart Grid equipment. EPB is the largest taxpayer in Chattanooga and Hamilton County. The tax equivalents expense and transfers to the cities and counties in EPB's service area totaled $19.4 million, an increase of 6.0 percent over the prior year and an increase of 27.7 percent in the last four years. These increases are due mainly to the Electric System's capital expenditures on the Smart Grid.

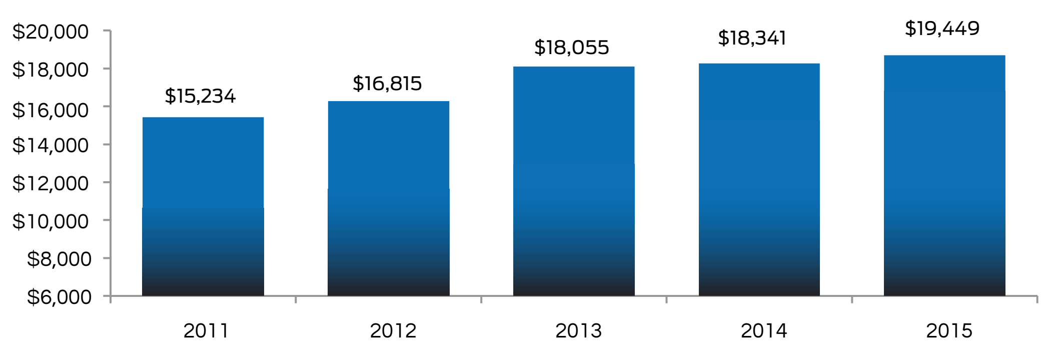
OPERATING REVENUES *(in thousands)*



NET PLANT VALUE *(in thousands)*



TAX EQUIVALENTS EXPENSE & TRANSFERS *(in thousands)*

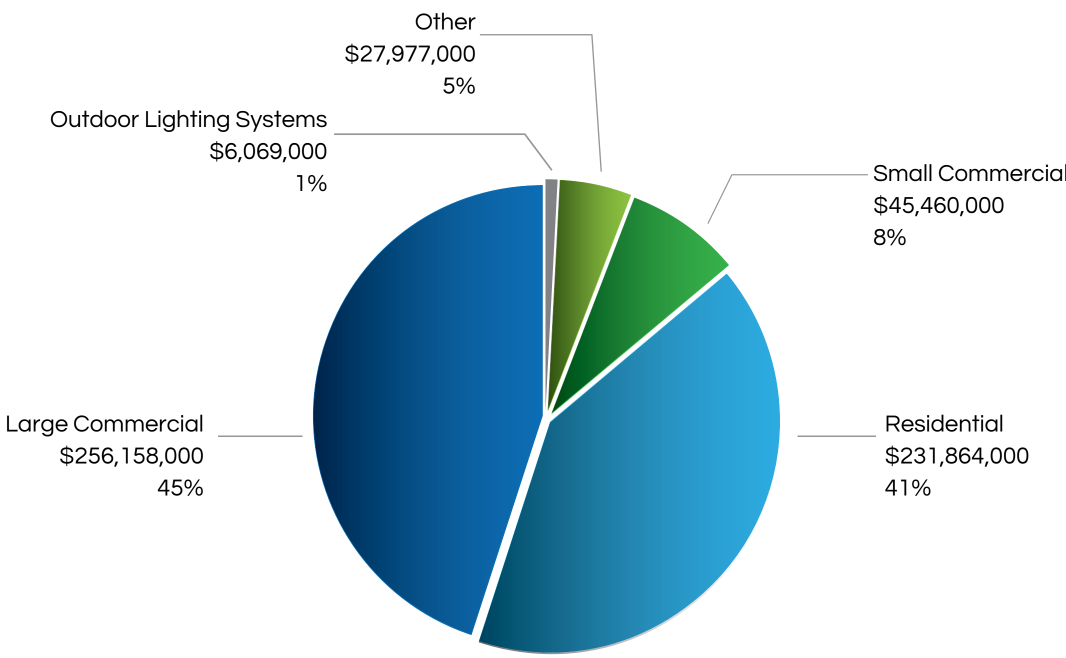


EPB — ELECTRIC SYSTEM

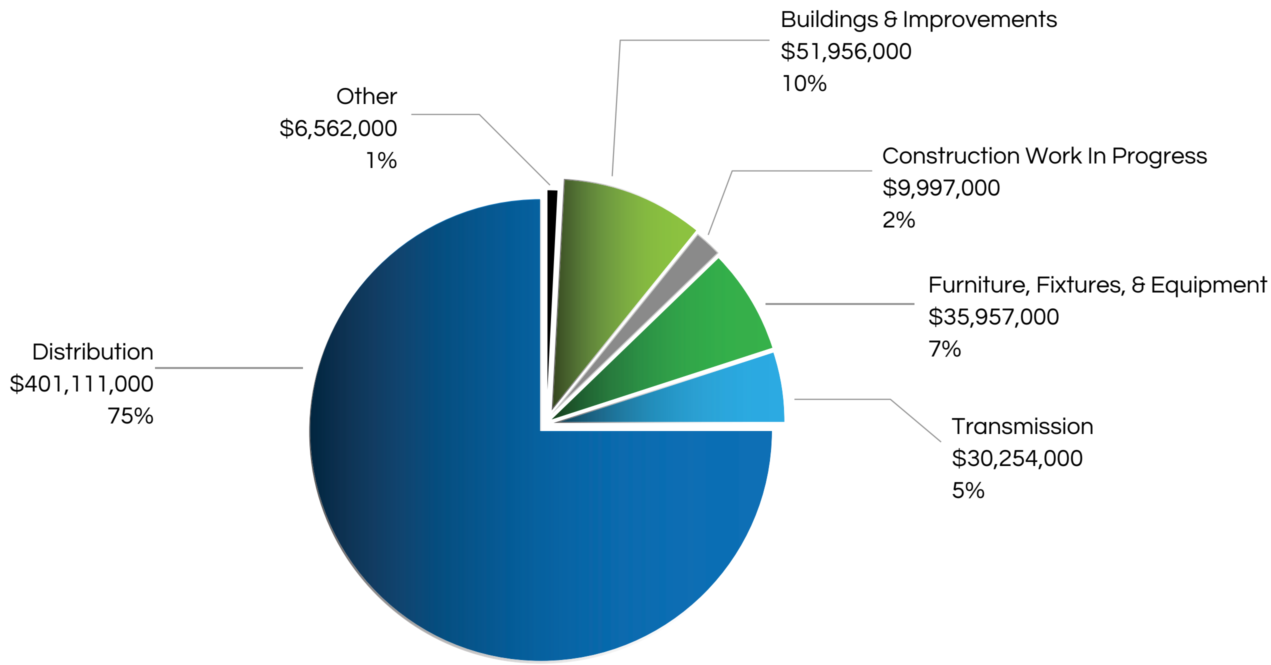
FINANCIAL HIGHLIGHTS 2015

EPB provided electric service to 178,289 customers in a 600 square mile area - an increase of 2,618 customers from FY 2014. As shown below, billed electric sales revenue for these customers resulted in $539.6 million and other revenue of $28.0 million. Residential customers paid an average of 10.71 cents per kwh - 14.7 percent less than the national average. Net electric plant value totaled $535.8 million while transfers to the City of Chattanooga and electric expenses totaled $567.4 million.

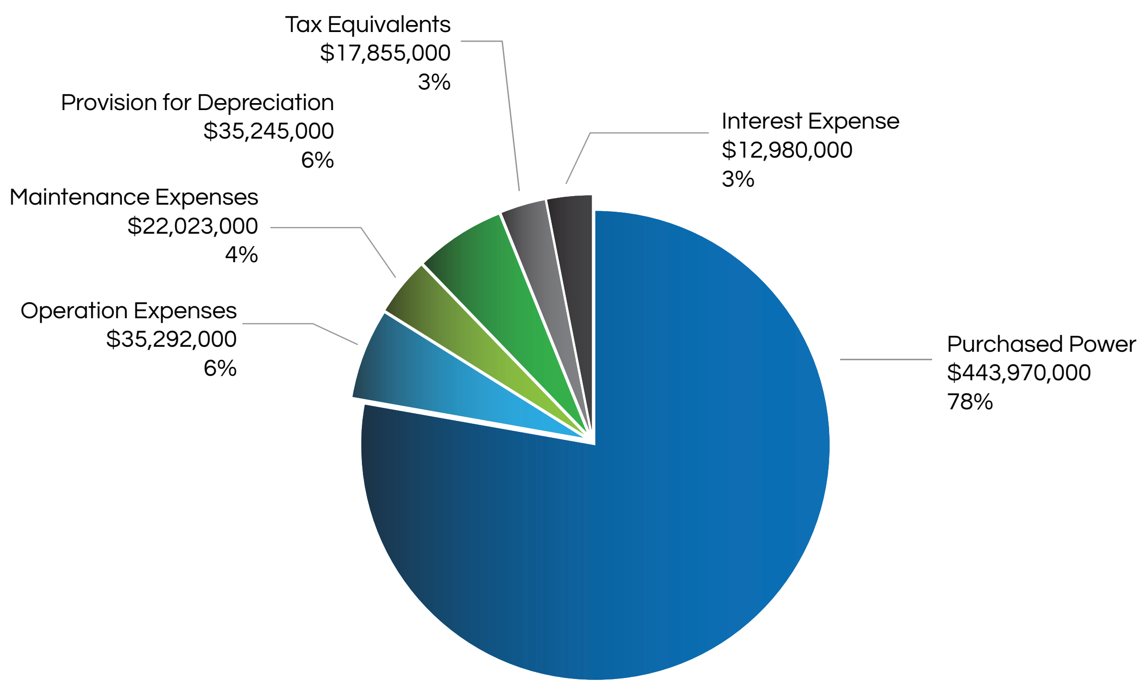
ELECTRIC REVENUES



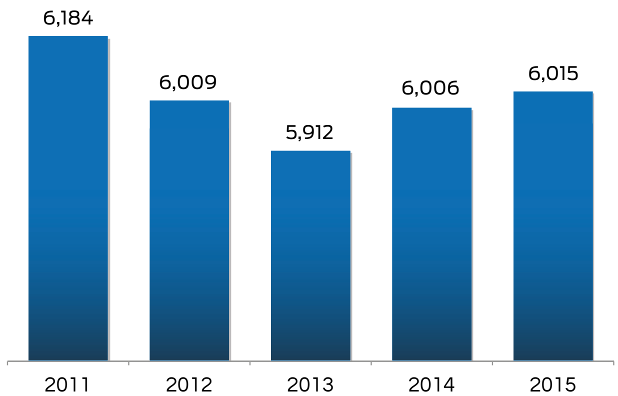
ELECTRIC NET PLANT



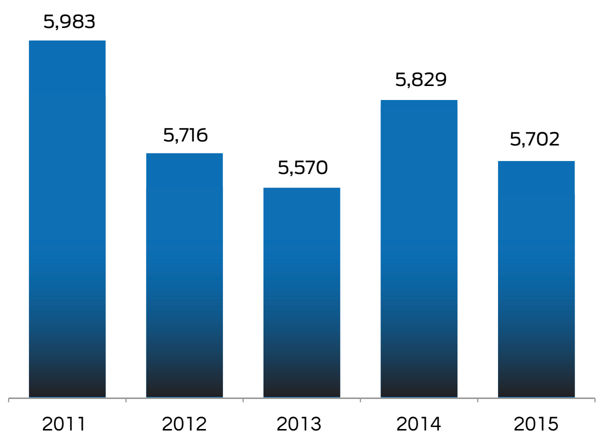
ELECTRIC EXPENSES AND TRANSFERS TO THE CITY OF CHATTANOOGA



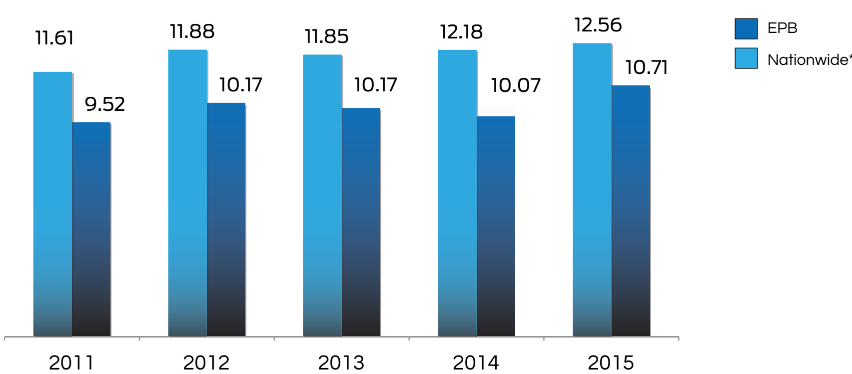
KILOWATT HOURS PURCHASED *(in millions)*



KILOWATT HOURS SALES *(in millions)*



AVERAGE COST PER KWH PER RESIDENTIAL CUSTOMER *(in cents)*



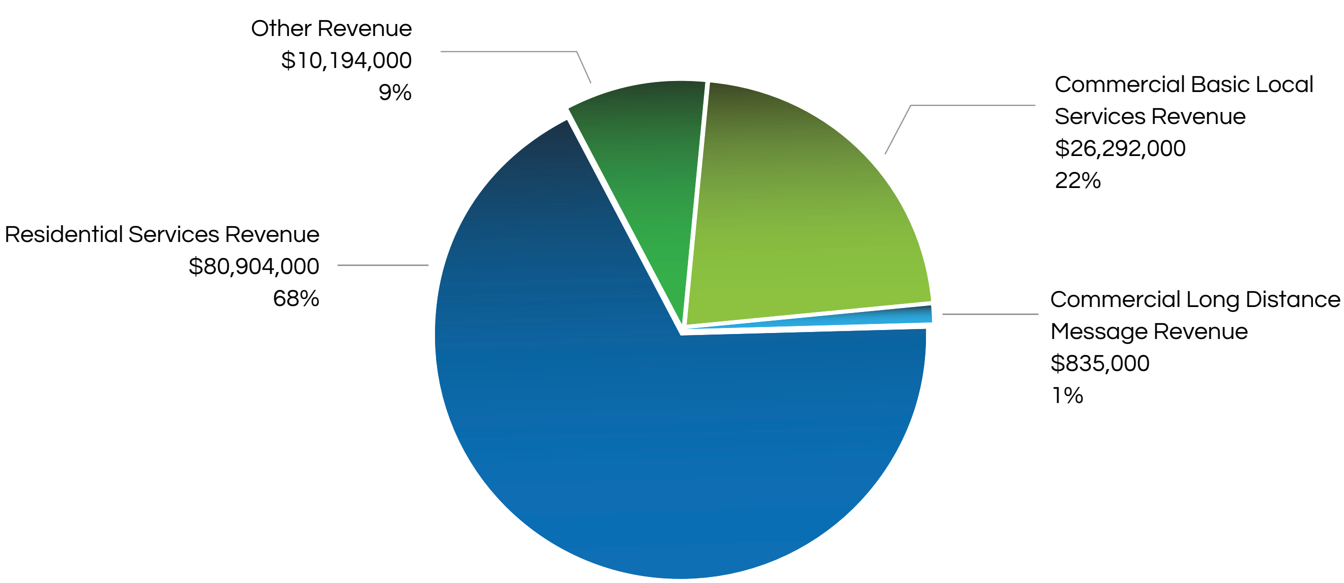
**Source: U.S. Energy Information Administration Table 5.3 - Average Retail Prices of Electricity to Ultimate Consumers*

EPB — FIBER OPTICS SYSTEM

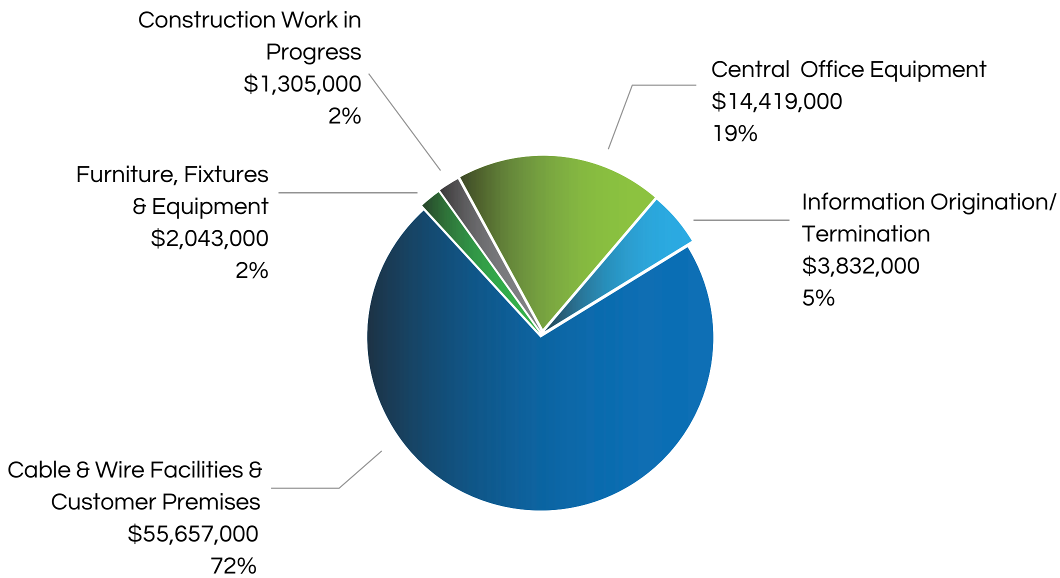
FINANCIAL HIGHLIGHTS 2015

EPB Fiber Optics System increased its revenue from $99.9 million in FY 2014 to $118.2 million in FY 2015, an increase of $18.3 million or 15.5 percent. This increase in revenues is due mainly to the growth in the number of customers for Fiber Optics residential services from 58,000 to 67,000 during FY 2015. The net plant grew from $75.0 million in FY 2014 to $77.3 million in FY 2015, an increase of 3.0 percent. The increase in plant is due mainly to the additional plant necessary for the Fiber Optics System to provide Internet, video, and telephone services to additional residential and commercial customers added during FY 2015. Fiber Optics expenses and transfers to the City of Chattanooga totaled $101.3 million.

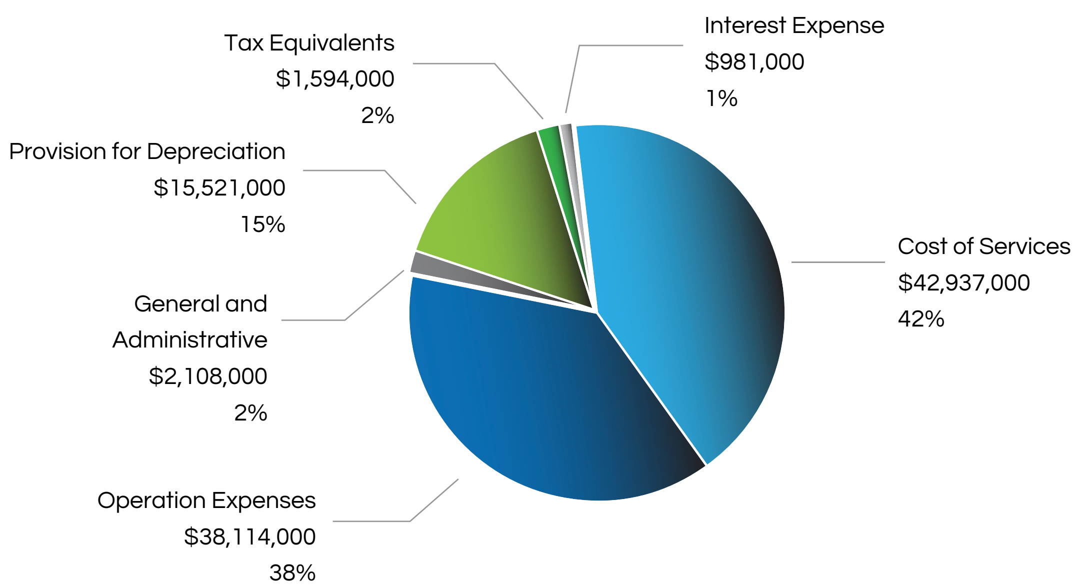
FIBER OPTICS REVENUES



FIBER OPTICS NET PLANT



FIBER OPTICS EXPENSES AND TRANSFERS TO THE CITY OF CHATTANOOGA



HENDERSON HUTCHERSON & MCCULLOUGH, PLLC

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors, Electric Power Board of Chattanooga
Chattanooga, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Electric Power Board ("EPB", an enterprise fund of the City of Chattanooga) which comprise the balance sheets for the years ended June 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

EPB's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of EPB, as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generallly accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 17 through 26 and the Required Supplementary Information on pages 55 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise EPB's basic financial statements. The supplemental schedules for Electric, Telecom, Video and Internet, and Fiber Optics Systems, the Schedule of Federal Expenditures, and the EPB Schedule of Bonds Payable are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules for Electric, Telecom, Video and Internet, and Fiber Optics Systems, the Schedule of Federal Expenditures, and the EPB Schedule of Bonds Payable are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2015 on our consideration of EPB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering EPB's internal control over financial reporting and compliance.

Chattanooga, Tennessee
September 11, 2015

Henderson Hutcherson & McCullough, PLLC

EPB MANAGEMENT'S DISCUSSION & ANALYSIS

EPB MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis is in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.* Our discussion and analysis of EPB's financial performance provides an overview of financial activities for the FY ended June 30, 2015. Please read it in conjunction with EPB's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- EPB's total net position was $302.2 million, an increase of 6.0%
- During the year, electric sales were $543.8 million, a decrease of 0.4%; fiber optics sales were $106.8 million, an increase of 18.7%
- Total operating expenses were $633.4 million, an increase of 2.6%

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes Management's Discussion and Analysis Report, the independent auditor's report, the basic financial statements of EPB, and supplemental information about EPB. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of EPB report information using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of EPB's assets, liabilities, and deferred outflows and inflows and provides information about the nature and amounts of investments in resources (assets and deferred outflows) and the obligations to EPB creditors (liabilities and deferred inflows). It also provides the basis for evaluation of the capital structure of EPB and for assessing the liquidity and financial flexibility of EPB.

The Statement of Revenues, Expenses, and Changes in Net Position account for all of the current year's revenues and expenses. This statement measures the success of EPB's operations over the past year and can be used to determine whether EPB has successfully recovered all its costs through rates and other charges.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides details as to the sources of cash, the uses of cash, and the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF EPB

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position report information about EPB's activities in a way that will highlight the change in financial condition from year to year. These two statements report the various components of the changes in net position of EPB. The difference between assets and liabilities is one way to measure financial health or financial position. Over time, increases or decreases in EPB's net position are an indicator of whether its financial health is improving. However, other non-financial factors must also be considered such as weather, economic conditions, population growth, and new or changed governmental legislation.

NET POSITION

Our analysis begins with a summary of EPB's Statements of Net Position in Table 1.

TABLE 1: CONDENSED STATEMENTS OF NET POSITION *(in thousands of dollars)*

	FY 2015	FY 2014	Dollar Change	Total Percent Change
Assets and Deferred Outflows, Excluding Utility Plant	$ 176,987	$ 195,889	$ (18,902)	-9.6%
Utility Plant, net	613,093	593,462	19,631	3.3%
Total Assets and Deferred Outflows	790,080	789,351	729	0.1%
Bonds Outstanding	270,393	277,797	(7,404)	-2.7%
Term Debt	-	4,777	(4,777)	-100.0%
Other Debt	36,725	46,107	(9,382)	-20.3%
Other Liabilities and Deferred Inflows	180,806	175,647	5,159	2.9%
Total Liabilities and Deferred Inflows	487,924	504,328	(16,404)	-3.3%
Invested in Utility Plant, Net of Related Debt	342,700	315,665	27,035	8.6%
Unrestricted Net Position	(40,544)	(30,642)	(9,902)	-32.3%
Total Net Position	$ 302,156	$ 285,023	$ 17,133	6.0%

The table above shows net position increased $17.1 million to $302.1 million in FY 2015, up from $285.0 million in FY 2014. The largest changes in net position were due to a reduction in Electric bond liabilities of $7.4 million as well as a reduction of Fiber Optics Debt of $14.2 million. Other changes represented a net decrease in position of $4.5 million.

TABLE 2 : CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITIONS *(in thousands of dollars)*

	FY 2015	FY 2014	Dollar Change	Total Percent Change
Operating Revenues:				
Electric Sales	$ 543,843	$ 545,852	$ (2,009)	-0.4%
Fiber Optics Sales	106,849	89,988	16,861	18.7%
Other Operating Revenues	20,349	18,771	1,578	8.4%
Total	671,041	654,611	16,430	2.5%
Operating Expenses:				
Electric	500,962	501,991	(1,029)	-0.2%
Fiber Optics	69,177	54,915	14,262	26.0%
Tax Equivalents	12,540	11,855	685	5.8%
Provision for Depreciation	50,766	48,735	2,031	4.2%
Total	633,445	617,496	15,949	2.6%
Other Deductions	(14,292)	(15,050)	758	-5.0%
Income before Transfers and Contributions	23,304	22,065	1,239	5.6%
Tax Equivalents Transferred to City of Chattanooga	(6,909)	(6,486)	(423)	6.5%
Contributions	738	1,741	(1,003)	-57.6%
Change in Net Position	17,133	17,320	(187)	-1.1%
Beginning Net Position	285,023	267,703	17,320	6.5%
Ending Net Position	$ 302,156	$ 285,023	$ 17,133	6.0%

While the Statements of Net Position show the change in net position, the Statements of Revenues, Expenses, and Changes in Net Position provide answers as to the nature and source of these changes. As shown in Table 2 above, the income before transfers and contributions of $23.3 million combined with the contributions in aid of construction of $0.7 million and tax equivalents of $6.9 million accrued to the City of Chattanooga resulted in an increase in net position of $17.1 million for FY 2015.

A closer examination of the sources of changes in net position reveals electric sales decreased $2.0 million. Additionally, electric operating expenses, excluding depreciation and tax equivalents, decreased by $1.0 million in FY 2015 to $501.0 million from $502.0 million in FY 2014.

Fiber Optics operating sales increased by $16.8 million to $106.8 million in FY 2015 from $90.0 million in FY 2014 due to the continued success of the commercial and residential service offerings (Fi TV, Fi Phone, and Fi-Speed Internet). Operating expenses, excluding depreciation and tax equivalents, associated with acquiring and serving customers increased $14.3 million, a 26.0% increase in FY 2015. This was due mainly to increased expense allocations from the electric system for shared resources and access to the fiber network of $6.6 million, as well as an increase of $8.4 million in cost of goods sold related to the increase of new customers during the year.

Depreciation expense increased to $50.8 million in FY 2015 from $48.7 million in FY 2014, an increase of 4.2%. This increase is the result of both Electric and Fiber Optic Systems utility plant growth.

Expenses for tax equivalents and transfers to municipal governments, including transfers to the City of Chattanooga, increased by $1.1 million to $19.4 million in FY 2015 from $18.3 million in FY 2014, an increase of 6.0%. EPB's Tennessee tax equivalents expense is based on a prescribed formula that consists of two parts. Part I is calculated using utility plant value within a taxing district, the taxing district's property tax rate, the assessment ratio, and the equalization ratio. Part II is based on the average of the last three years' Tennessee operating revenues less cost of goods sold and a prescribed rate which is currently 4%.

BUDGETARY HIGHLIGHTS

EPB's Board of Directors approves an Operating and Capital Budget each fiscal year. The budget remains in effect the entire year and is not revised. A FY 2015 budget comparison and analysis is presented in Table 3.

TABLE 3: ACTUAL VS. BUDGET *(in thousands of dollars)*

	Actual FY 2015	Budget FY 2015	Dollar Change	Total % Change
Operating Revenues:				
Electric Sales	$ 543,843	$ 552,653	$ (8,810)	-1.6%
Other Electric Revenue	9,296	9,072	224	2.5%
Subtotal	553,139	561,725	(8,586)	-1.5%
Fiber Optics Sales	106,849	101,951	4,898	4.8%
Other Fiber Optics Revenue	11,053	9,795	1,258	12.8%
Subtotal	117,902	111,746	6,156	5.5%
Total	671,041	673,471	(2,430)	-0.4%
Operating Expenses:				
Electric	500,962	507,605	(6,643)	-1.3%
Fiber Optics	69,177	65,680	3,497	5.3%
Provision for Depreciation	50,766	51,620	(854)	-1.7%
Tax Equivalents	12,540	12,371	169	1.4%
Total	633,445	637,276	(3,831)	-0.6%
Other Deductions	(14,292)	(12,800)	(1,492)	11.7%
Income before Transfers and Contributions	23,304	23,395	(91)	-0.4%
Tax Equivalents Transferred to the City of Chattanooga	(6,909)	(6,758)	(151)	2.2%
Contributions	738	420	318	75.7%
Change in Net Position	17,133	17,057	76	0.4%
Capital Expenditures, net of contributions				
Electric	54,615	54,708	(93)	-0.2%
Fiber Optics	17,854	21,344	(3,490)	-16.4%
Total Capital Expenditures	$ 72,469	$ 76,052	$ (3,583)	-4.7%

The Electric System's sales revenues were $8.8 million less than budget due mainly to weather fluctuations throughout FY 2015. Electric operating expenses were lower than budget by $6.6 million due mainly to transfers and overheads, as well as budgeted storm expenses not fully utilized through the year.

The Fiber Optics System's operating revenues were over budget by $6.2 million, an increase of 5.5% due mainly to more customers being added in 2015 than budgeted. Fiber Optics System's operating expenses were higher than budget by $3.5 million, an increase of 5.3% due to greater than budgeted sales.

UTILITY PLANT

At the end of FY 2015, EPB had $613.1 million in net utility plant as shown in Table 4. This represents a broad range of infrastructure for the purpose of providing services to our customers. Examples include transformers, meters, conductors, conduit, poles and fixtures, control equipment, switching equipment, fiber optics central office switches, and vehicles.

TABLE 4: UTILITY PLANT *(in thousands of dollars)*

	FY 2015	FY 2014	Dollar Change	Total Percent Change
ELECTRIC				
Intangible plant	$ 125	$ 125	$ -	0.0%
Transmission	58,777	57,544	1,233	2.1%
Distribution	607,781	582,594	25,187	4.3%
Land & land rights	6,476	6,098	378	6.2%
Buildings & improvements	72,446	71,228	1,218	1.7%
Furniture, fixtures & equipment	69,336	63,848	5,488	8.6%
Construction work in progress	9,997	7,704	2,293	29.8%
Total	824,938	789,141	35,797	4.5%
Less: Accumulated depreciation	(289,101)	(270,648)	(18,453)	6.8%
Electric Total	535,837	518,493	17,344	3.3%
FIBER OPTICS				
Central office equipment	32,974	35,075	(2,101)	-6.0%
Information origination/termination	7,525	5,933	1,592	26.8%
Cable & wire facilities	7,361	7,921	(560)	-7.1%
Furniture, fixtures & equipment	6,343	5,898	445	7.5%
Customer premises wiring	48,733	44,912	3,821	8.5%
Customer premises equipment	17,175	8,682	8,493	97.8%
Construction work in progress	1,305	1,880	(575)	-30.6%
Total	121,416	110,301	11,115	10.1%
Less: Accumulated depreciation	(44,160)	(35,332)	(8,828)	25.0%
Fiber Optics Total	77,256	74,969	2,287	3.1%
Net Utility Plant	$ 613,093	$ 593,462	$ 19,631	3.3%

DEBT ADMINISTRATION

As of year end, EPB's Electric System had $270.4 million in bond debt outstanding compared to $277.8 million last year. These bonds were rated AA+ by Standard & Poor's and AA by Fitch at fiscal year end. Subsequent to fiscal year end, EPB refinanced the majority of these bonds to take advantage of lower market interest rates. This refinance resulted in estimated present value interest savings of approximately $19.8 million. As part of the refinancing project, Fitch upgraded the EPB bond rating to AA+.

One area that demonstrates EPB's financial strength and future borrowing capability is seen in its debt coverage ratio. The City of Chattanooga has a requirement that if this ratio should ever decrease below 1.5x, EPB would be required to establish and fund a reserve fund. Debt coverage ratio as it relates to the Electric System revenue bonds is shown in Table 5. This ratio is currently 3.4x. The slight decrease in the debt coverage ratio is due to the increase in debt service paid during 2015.

TABLE 5: ELECTRIC SYSTEM DEBT COVERAGE ANALYSIS *(in thousands of dollars)*

	FY 2015	FY 2014
Revenues		
Electric Revenue	$ 567,121	$ 566,519
Interest Income	197	263
Other Income	210	207
Total Revenue	567,528	566,989
Expenses		
Purchased Power	443,970	436,507
Operating Expenses	56,171	64,499
Total Operation Expenses	500,141	501,006
(excluding depreciation and tax equivalent payments)		
Funds Available for Debt Service	67,387	65,983
Debt Service		
Interest Paid on Long-Term Debt	12,832	13,084
Principal Payments	7,040	6,000
Total Debt Service	$ 19,872	$ 19,084
Debt Coverage Ratio	3.4	3.5

In March of FY 2013, the Telecom System borrowed $11.5 million on a three-year term loan and obtained a $2.5 million line of credit from a bank. As of June 30, 2015 the term loan had been fully repaid ahead of schedule, and the line of credit carried no balance. In August 2012, the Video and Internet System obtained a revolving line of credit for $60.0 million, which was used to repay all the funds borrowed from the Electric System and retire an outstanding bank loan. The line of credit was replaced by a new $60.0 million line of credit in FY 2015 which matures in December 2017. The balance of the lines of credit at the end of FY 2015 and 2014 were $36.7 million and $45.9 million, respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

EPB's Board of Directors and Management considered many factors when setting FY 2016 budget and rates. One of those factors is the local economy and EPB's related impact on local industries. EPB's budget is based upon a statistical model using seven years of historical data to estimate growth and average kilowatt-hour sales per customer within customer class. These estimates are adjusted by any known data, such as changes anticipated by a large industrial customer.

In FY 2016, EPB Fiber Optics plans to further its financial performance by growing its Fi TV, Fi Phone, and Fi-Speed Internet services to residential and business customers. EPB Fiber Optics had approximately 73,000 residential and business customers at the end of FY 2015 and is projected to have over 80,000 by the end of FY 2016.

The EPB Electric System's budget for FY 2016 includes the allocation of capital for fiber installations to support the Smart Grid, as well as IT system upgrades and integrations. The budget also includes capital allocations to account for steadily increasing residential and commercial growth.

Capital investments for the Fiber Optics System will focus on our increasing residential and business customer bases through significant video upgrades, as well as the purchase of equipment to support the success of our hosted telephone solution.

CONTACTING EPB'S FINANCIAL MANAGER

This report is designed to provide our customers and creditors with a general overview of EPB's finances and to demonstrate EPB's accountability for the money it receives. If you have questions about this report or need additional financial information, contact EPB - Finance Division, P. O. Box 182255, Chattanooga, TN 37422-7255.

FINANCIAL STATEMENTS

EPB STATEMENTS OF NET POSITION
AS OF JUNE 30, 2015 AND 2014

	2015	2014
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and cash equivalents	$ 78,918,000	$ 99,457,000
Accounts receivable, less allowance for doubtful accounts of $1,300,000 and $1,180,000 in 2015 and 2014, respectively	27,550,000	32,396,000
Unbilled electric sales	37,096,000	32,194,000
Grants receivable	4,819,000	6,694,000
Materials and supplies, at average cost	13,066,000	12,809,000
Prepayments and other current assets	5,765,000	6,129,000
	167,214,000	189,679,000
NON-CURRENT ASSETS		
Utility plant -		
Utility plant	946,354,000	899,442,000
Less - accumulated provision for depreciation	(333,261,000)	(305,980,000)
Net utility plant	613,093,000	593,462,000
Other non-current assets	2,676,000	2,580,000
	615,769,000	596,042,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	7,097,000	3,630,000
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 790,080,000	$ 789,351,000
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable -		
Tennessee Valley Authority, for power purchased	$ 77,469,000	$ 77,299,000
Other	15,416,000	16,144,000
Customer deposits	3,239,000	3,135,000
Revenue bonds, current portion	8,075,000	7,040,000
Accrued tax equivalents	19,318,000	18,273,000
Accrued interest payable	4,345,000	4,463,000
Line of credit	-	232,000
Notes payable	-	3,833,000
Other current liabilities	12,307,000	10,272,000
	140,169,000	140,691,000
NON-CURRENT LIABILITIES		
Revenue bonds, net	262,318,000	270,757,000
Net pension liability	6,134,000	5,773,000
Line of credit	36,725,000	45,875,000
Accrued post-employment benefit obligation	8,894,000	9,365,000
Customer deposits	22,176,000	21,647,000
Notes payable	-	944,000
Other non-current liabilities	9,082,000	9,276,000
	345,329,000	363,637,000
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	2,426,000	-
NET POSITION		
Net investment in capital assets	342,700,000	315,665,000
Unrestricted	(40,544,000)	(30,642,000)
	302,156,000	285,023,000
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 790,080,000	$ 789,351,000

The accompanying Notes to Financial Statements are an integral part of these statements.

EPB STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

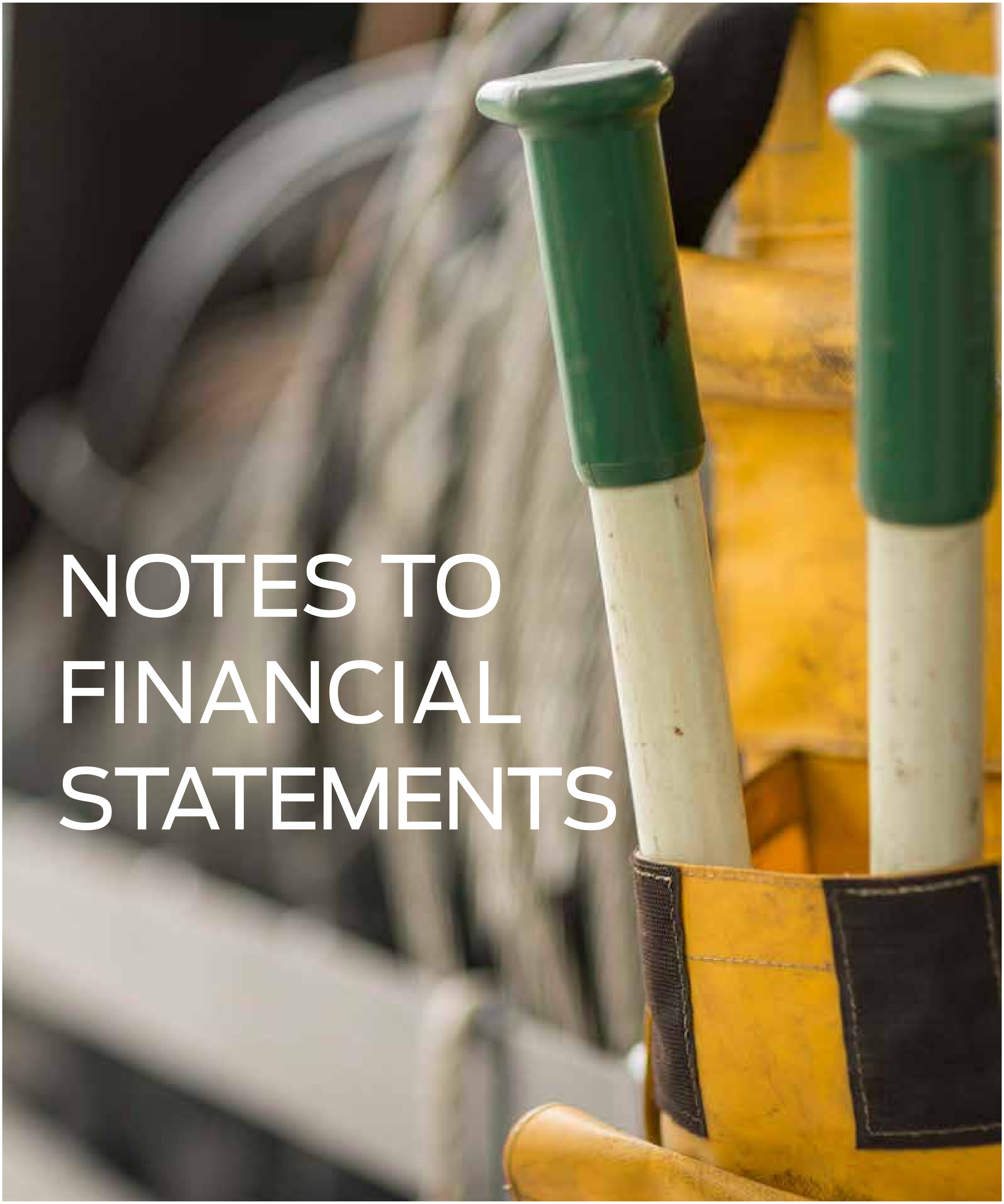
	2015	2014
OPERATING REVENUES		
Electric Sales		
Residential	$ 231,864,000	$ 237,376,000
Small commercial and power	45,460,000	45,631,000
Large commercial and power	256,158,000	259,676,000
Outdoor lighting systems	6,069,000	6,229,000
Total billed electric sales	539,551,000	548,912,000
Change in unbilled electric sales	4,902,000	(2,340,000)
Less uncollectible electric sales	(610,000)	(720,000)
Total electric sales	543,843,000	545,852,000
Fiber optics sales		
Billed fiber optics revenues	107,708,000	90,850,000
Less uncollectible fiber optics revenues	(859,000)	(862,000)
Total fiber optics sales	106,849,000	89,988,000
Other operating revenues	20,349,000	18,771,000
Total operating revenues	671,041,000	654,611,000
OPERATING EXPENSES		
Operation		
Power purchased from Tennessee Valley Authority	443,970,000	436,507,000
Other operation expenses	34,969,000	38,433,000
Maintenance	22,023,000	27,051,000
Fiber optic operating expenses	69,177,000	54,915,000
Provision for depreciation	50,766,000	48,735,000
City, county, and state tax equivalents	12,540,000	11,855,000
Total operating expenses	633,445,000	617,496,000
Net operating income	37,596,000	37,115,000
OTHER REVENUES (DEDUCTIONS)		
Interest revenue on invested funds	197,000	263,000
Interest expense	(13,961,000)	(13,779,000)
Other, net	210,000	207,000
Plant cost recovered through contributions in aid of construction	(738,000)	(1,741,000)
Total other deductions	(14,292,000)	(15,050,000)
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	23,304,000	22,065,000
TAX EQUIVALENTS TRANSFERRED TO THE CITY OF CHATTANOOGA	(6,909,000)	(6,486,000)
CONTRIBUTIONS IN AID OF CONSTRUCTION	738,000	1,741,000
CHANGE IN NET POSITION	17,133,000	17,320,000
NET POSITION, BEGINNING OF YEAR	285,023,000	270,869,000
CHANGE IN ACCOUNTING PRINCIPLE	-	(3,166,000)
NET POSITION, END OF YEAR	$ 302,156,000	$ 285,023,000

The accompanying Notes to Financial Statements are an integral part of these statements.

EPB STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 686,859,000	$ 664,661,000
Payments to suppliers for goods and services	(544,365,000)	(526,789,000)
Payments to employees for services	(38,472,000)	(34,507,000)
Payments in lieu of taxes	(18,402,000)	(18,025,000)
Net cash provided by operating activities	85,620,000	85,340,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(71,535,000)	(79,942,000)
Removal cost	(910,000)	(258,000)
Salvage	464,000	563,000
Contributions in aid of construction	738,000	1,741,000
Interest paid on debt	(1,082,000)	(1,877,000)
Change in line of credit, net	(9,382,000)	(5,721,000)
Repayments of long-term debt	(4,777,000)	(6,084,000)
Bond principal payment	(7,040,000)	(6,000,000)
Bond interest payment	(12,832,000)	(13,084,000)
Net cash used in capital and related financing activities	(106,356,000)	(110,662,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	197,000	291,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(20,539,000)	(25,031,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	99,457,000	124,488,000
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 78,918,000	$ 99,457,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	$ 37,596,000	$ 37,115,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	51,910,000	50,829,000
Miscellaneous non-operating expenses, net	210,000	207,000
Tax equivalents transferred to the City of Chattanooga	(6,909,000)	(6,486,000)
Changes in assets and liabilities:		
Accounts receivable, net	4,846,000	(6,519,000)
Unbilled electric sales	(4,902,000)	2,341,000
Grants receivable	1,875,000	1,045,000
Materials and supplies	(257,000)	(331,000)
Prepayments and other current assets	396,000	798,000
Other charges	(96,000)	66,000
Accounts payable, net	(1,384,000)	6,525,000
Customer deposits	633,000	(546,000)
Accrued tax equivalents	1,045,000	315,000
Other current liabilities	2,035,000	(547,000)
Other credits	(194,000)	218,000
Net pension liability	(713,000)	-
Accrued post-employment benefit obligation	(471,000)	310,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 85,620,000	$ 85,340,000

The accompanying Notes to Financial Statements are an integral part of these statements.



NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

1. GENERAL

The Electric Power Board of Chattanooga is a municipal utility and an enterprise fund of the City of Chattanooga, Tennessee. In 1999, the Electric Power Board began doing business as EPB. EPB began electric operations (the "Electric System") in 1939 and provides electricity to over 175,000 customers in the City of Chattanooga and surrounding counties, including Northwest Georgia. The Tennessee Valley Authority is EPB's sole provider of power and acts in a regulatory capacity in setting electric rates. In 1999, EPB created the Telecom System to provide telecommunications services to businesses within the EPB electric service territory. In fiscal year (FY) 2003, EPB began providing Internet services to business customers. On September 25, 2007, the City Council of the City of Chattanooga approved and authorized EPB to provide voice, Internet, and video services to residential customers. EPB provided these services to its first residential customer in September 2009. At the end of FY 2015, EPB had over 67,000 residential customers and 5,600 business customers in the Telecom and Video & Internet Systems. Supplementary data for the Electric System, Telecom System, Video & Internet System and Fiber Optics System (consolidated financials of the Telecom and Video & Internet Systems) is shown in Supplemental Schedules.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements of EPB include the accounts of the Electric System and the Fiber Optics System (collectively EPB). All significant inter-system transactions and balances have been eliminated in the financial statements of EPB.

Where applicable, the Electric System's accounting records generally follow the Federal Energy Regulatory Commission's Uniform System of Accounts Prescribed for Public Utilities, and the Fiber Optics System's accounting records generally follow the Federal Communications Commission's Uniform System of Accounts for Telecommunications Companies.

In FY 2014, EPB implemented GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities"*. This statement requires governments to adopt provisions of Concepts Statement No. 4 for all other items reported as assets and liabilities, which were not addressed as part of GASB Statement No. 63. Statement No. 65 establishes accounting and financial reporting standards that reclassify certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. Additionally, Statement No. 65 limits the use of the term "deferred" to only items reported as deferred outflows of resources or deferred inflows of resources. The result of implementation was a direct adjustment to the net position on EPB's FY 2013 Statement of Net Position of approximately $2.3 million ($2.1 million for the Electric System and $0.2 million for the Fiber Optics System) to eliminate unamortized debt issuance cost.

In FY 2015, EPB implemented GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions"*. The objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. This change in accounting principle resulted in the following restatements to FY 2014 reported balances (in thousands):

		Electric System		Fiber System		Total
Net position, as previously reported	$	273,525	$	14,664	$	288,189
Deferred outflows		3,176		454		3,630
Prepaid pension asset		(1,023)		-		(1,023)
Net pension liability		(5,051)		(722)		(5,773)
Net position restated	$	270,627	$	14,396	$	285,023

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows and inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits in banks, and short-term, highly-liquid investments with an original maturity date of three months or less.

FINANCIAL INSTRUMENTS

Financial instruments of EPB may include certificates of deposit, money market accounts, short-term investments in federal agency bonds and notes, commercial paper, investment in the State of Tennessee Local Government Investment Pool, and accounts receivable. Short-term investments in federal agency bonds and notes with a maturity of one year or less are carried at amortized cost. All other financial instruments are carried at fair value as determined by quoted market prices at June 30, 2015 and 2014.

MATERIALS AND SUPPLIES

Materials and supplies inventory is valued at the lower of cost or market using the average cost basis, which approximates actual cost.

UTILITY PLANT

Utility plant is stated at original cost. Such costs include applicable general and administrative costs and payroll-related costs such as pensions, taxes, and other benefits.

EPB provides depreciation at rates which are designed to amortize the cost of depreciable utility plant over its estimated useful life. The composite straight-line rate, expressed as a percentage of average utility plant, was 5.69% in 2015 and 5.89% in 2014.

When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its original cost, together with its cost of removal less salvage, is charged to the accumulated provision for depreciation. EPB charges maintenance and repairs, including the cost of renewals of minor items of property, to maintenance expense accounts. Placements of property (exclusive of minor items of property) are capitalized to utility plant accounts.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)

AFUDC represents the approximate net composite interest cost of borrowed funds used for construction. For FY 2015 and 2014, AFUDC increased the plant balance and decreased interest expense by $0.3 million and $0.7 million, respectively.

REVENUES AND EXPENSES

Revenues are recognized on the accrual basis at the time utility services are provided. Operating revenues include utility sales net of bad debt expense and miscellaneous revenue related to utility operations. This miscellaneous revenue includes late payment fees, rental income, and ancillary services. Operating expenses include those expenses that result from the ongoing operations of the utility systems.
Non-operating revenues consist primarily of investment income. Non-operating expenses consist of interest expense on indebtedness and various miscellaneous expenses.

ACCOUNTS RECEIVABLE

EPB periodically reviews accounts receivable for amounts it considers as uncollectible and provides an allowance for doubtful accounts. Current earnings are charged with a provision for doubtful accounts based on a percent of gross revenue determined from historical net bad debt experience. This evaluation is inherently subjective as it requires estimates that are susceptible to revision as more information becomes available. Accounts considered uncollectible throughout the year are charged against the allowance.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Electric Power Board of Chattanooga Retirement Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position, have been determined on the same basis as that reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ADVERTISING COST

Costs related to advertising for the Electric System and Fiber Optics System are expensed in the FY in which related advertising takes place. Advertising expense for FY 2015 and 2014 was approximately $3.0 million and $2.6 million, respectively.

SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through the date of the independent auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements.

3. DEPOSITS AND INVESTMENTS

EPB's investment policy allows for investments in certificates of deposit, repurchase agreements, money market accounts with local depository institutions, the State of Tennessee Local Government Investment Pool (LGIP), U.S. Treasury obligations, U.S. Government Agency obligations, municipal bonds, and commercial paper. The LGIP, money market, and certificate of deposit accounts are classified as cash and cash equivalents for reporting purposes.

AT JUNE 30, 2015, EPB HAD THE FOLLOWING INVESTMENTS AND MATURITIES *(in thousands of dollars):*

Investment	Fair Value or Carrying Amount	Maturities Less Than 1 Year	Maturities 1 Year Up To Less Than 2 Years	Maturities 2 Years Up To Less Than 3 Years
Local Government Investment Pool (LGIP)	$ 213	$ 213	$ —	$ —
Money Market Accounts	60,959	60,959	—	—
Certificates of Deposit	10,299	10,299	—	—
Total	$ 71,471	$ 71,471	$ —	$ —

AT JUNE 30, 2014, EPB HAD THE FOLLOWING INVESTMENTS AND MATURITIES *(in thousands of dollars):*

Investment	Fair Value or Carrying Amount	Maturities Less Than 1 Year	Maturities 1 Year Up To Less Than 2 Years	Maturities 2 Years Up To Less Than 3 Years
Local Government Investment Pool (LGIP)	$ 213	$ 213	$ —	$ —
Money Market Accounts	76,575	76,575	—	—
Certificates of Deposit	15,074	15,074	—	—
Total	$ 91,862	$ 91,862	$ —	$ —

INTEREST RATE RISK

EPB's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Instead, the portfolio is structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Selection of investment maturities must be consistent with the cash requirements of EPB in order to avoid the forced sale of securities prior to maturity. Accordingly, EPB has an investment policy that limits the maturities on individual investments to no more than four years without approval of the State Director of Local Finance or as otherwise provided by State Statute. Investments at June 30, 2015 and 2014 met investment policy restrictions.

CREDIT RISK

EPB's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and avoid speculative investments. EPB's investment policy limits investments in U.S. Government Agency obligations to the highest ratings by two nationally recognized statistical rating organizations (NRSRO).

Also, EPB's investment policy restricts investments in commercial paper to those which are rated at least A1 or equivalent by at least two nationally recognized rating services.

CUSTODIAL CREDIT RISK

At June 30, 2015 and 2014, EPB's deposits, money market accounts with local depository institutions, and investments in certificates of deposits were entirely covered by either Federal Depository Insurance Corporation insurance or insured by the State of Tennessee Collateral Pool for Public Deposits. Also, at June 30, 2015 and 2014, portions of EPB's investments were held in the State of Tennessee LGIP. The legislation providing for the establishment of the LGIP (Tennessee Code Annotated ¶9-4-701 *et seq.*) authorizes investment in the LGIP for local governments and other political subdivisions. The LGIP is sponsored by the State of Tennessee Treasury Department and is a part of the State Pooled Investment Fund. All of EPB's deposits and investments (excluding the LGIP) are insured or registered in EPB's name.

CONCENTRATION OF CREDIT RISK

EPB's investment policy requires its overall portfolio to be diversified to eliminate the risk of loss from an over concentration of assets in a specific class of security, a specific maturity, and/or a specific issuer. EPB's investment policy limits its investments to no more than five percent (5%) in any single issuer with the following exceptions:

U.S. Treasury Obligations	100%	maximum
Federal Agency	100%	maximum
Insured/Collateralized Certificates of Deposit and Accounts	100%	maximum
Tennessee LGIP	100%	maximum
Commercial Paper	10%	maximum
Repurchase Agreements Counterparty	10%	maximum

INVESTMENTS BY ISSUER AND PERCENTAGE OF TOTAL INVESTMENTS AT JUNE 30, 2015 AND 2014 WERE AS FOLLOWS:

Issuer	Investment Type	June 30, 2015	June 30, 2014
State of Tennessee	Local Government Investment Pool	0.30%	0.23%
BB&T Bank	Money Market Accounts	0.75%	1.25%
CapitalMark Bank	Money Market Accounts	36.81%	16.59%
Capstar Bank	Money Market Accounts & CD's	21.34%	21.92%
Cornerstone Bank	Money Market Accounts & CD's	5.58%	3.92%
FirstBank	Money Market Accounts	0.34%	0.26%
First Tennessee Bank	Money Market Accounts	33.12%	52.01%
First Volunteer Bank	Money Market Accounts	0.01%	0.01%
FSG Bank	Money Market Accounts	0.36%	0.28%
Northwest Georgia Bank	Money Market Accounts	0.35%	0.27%
Regions Bank	Money Market Accounts	0.36%	0.28%
Southern Community Bank	Money Market Accounts	0.35%	-
SunTrust Bank	Money Market Accounts	0.33%	2.98%

4. UTILITY PLANT

ELECTRIC UTILITY PLANT ASSETS ACTIVITY FOR THE YEAR ENDED JUNE 30, 2015 WAS AS FOLLOWS *(in thousands of dollars):*

Electric Asset Cost	June 30, 2014	Additions	Retirements & Other	June 30, 2015
NON-DEPRECIABLE ASSETS:				
Land & Land Rights	$ 6,098	$ 378	$ —	$ 6,476
DEPRECIABLE ASSETS:				
Intangible Plant	125	—	—	125
Transmission	57,544	2,110	(877)	58,777
Distribution	582,594	36,991	(11,804)	607,781
Buildings & Improvements	71,228	1,272	(54)	72,446
Furniture, Fixtures & Equipment	63,848	9,893	(4,405)	69,336
Construction Work In Progress	7,704	2,293	—	9,997
Electric Total Asset Cost	$ 789,141	$ 52,937	$ (17,140)	$ 824,938

Electric Accumulated Depreciation	June 30, 2014	Additions	Retirements & Other	June 30, 2015
Intangible Plant	$ 26	$ 13	$ —	$ 39
Transmission	27,605	1,879	(961)	28,523
Distribution	195,648	23,408	(12,386)	206,670
Buildings & Improvements	18,261	2,423	(194)	20,490
Furniture, Fixtures & Equipment	29,108	8,666	(4,395)	33,379
Electric Total Accumulated Decepreciation	$ 270,648	$ 36,389	$ (17,936)	$ 289,101
Electric Total Net Utility Plant	$ 518,493	$ 16,548	$ 796	$ 535,837

FIBER OPTICS UTILITY PLANT ASSETS ACTIVITY FOR THE YEAR ENDED JUNE 30, 2015 WAS AS FOLLOWS *(in thousands of dollars):*

Fiber Optics Asset Cost	June 30, 2014	Additions	Retirements & Other	June 30, 2015
Central Office Equipment	$ 35,075	$ 1,624	$ (3,725)	$ 32,974
Information Orgination/Termination	5,933	2,165	(573)	7,525
Cable & Wire Facilities	7,921	61	(621)	7,361
Furniture, Fixtures & Equipment	5,898	502	(57)	6,343
Customer Premise Wiring	44,912	3,821	—	48,733
Customer Premise Equipment	8,682	10,047	(1,554)	17,175
Construction Work In Progress	1,880	(575)	—	1,305
Fiber Optics Total Asset Cost	$ 110,301	$ 17,645	$ (6,530)	$ 121,416

Fiber Optics Accumulated Depreciation	June 30, 2014	Additions	Retirements & Other	June 30, 2015
Central Office Equipment	$ 19,123	$ 3,157	$ (3,725)	$ 18,555
Information Orgination/Termination	2,268	1,998	(573)	3,693
Cable & Wire Facilities	3,237	1,266	(628)	3,875
Furniture, Fixtures & Equipment	3,551	806	(57)	4,300
Customer Premise Wiring	3,407	4,677	(156)	7,928
Customer Premise Equipment	3,746	3,617	(1,554)	5,809
Fiber Optics Total Accumulated Depreciation	$ 35,332	$ 15,521	$ (6,693)	$ 44,160
Fiber Optics Total Net Utility Plant	$ 74,969	$ 2,124	$ 163	$ 77,256
Total Net Utility Plant	$ 593,462	$ 18,672	$ 959	$ 613,093

THE ESTIMATED USEFUL LIVES OF CAPITAL ASSETS ARE AS FOLLOWS:

Intangible plant	10 years
Transmission	10-40 years
Distribution	10-40 years
Buildings & improvements	20-40 years
Furniture, fixtures & equipment	5-30 years
Central office equipment	10-14 years
Information origination/termination	5-10 years
Cable & wire facilities	7-30 years
Leasehold improvements	10 years
Customer premise wiring	10 years
Customer premise equipment	3.5 years

Depreciation expense for the Electric System was approximately $36.4 million and $35.8 million for the fiscal years ended June 30, 2015 and 2014, respectively. Depreciation expense for the Fiber Optics System was approximately $15.5 million and $15.1 million for the fiscal years ended June 30, 2015 and 2014, respectively.

5. DEBT

LONG-TERM DEBT AT JUNE 30, 2015 IS AS FOLLOWS *(in thousands of dollars):*

	Balance at June 30, 2014	Repayments, Amortization or Accretion	Additions	Balance at June 30, 2015	Current Amount Due
ELECTRIC SYSTEM					
Electric System Revenue Bonds, 2006 Series A, bear interest at rates from 4.125% to 4.50%, maturing through September 2031, interest due semi-annually	$ 34,230	$ (1,295)	$ —	$ 32,935	$ 1,345
Electric System Revenue Bonds, 2006 Series B, bear interest at rates from 4.00% to 4.25%, maturing through September 2025, interest due semi-annually	19,905	(1,745)	—	18,160	1,730
Electric System Revenue Bonds, 2008 Series A, bear interest at rates from 3.50% to 5.00%, maturing September 2015 through 2033, interest due semi-annually	216,830	(4,000)	—	212,830	5,000
Subtotal	270,965	(7,040)	—	263,925	8,075
Unamortized premium/ (discount)	6,832	(364)	—	6,468	—
Total Electric System Debt	277,797	(7,404)	—	270,393	8,075
FIBER OPTICS SYSTEM					
Secured Term Promissory Note, bearing interest rate of 30 day LIBOR plus 1.12% (1.27% at June 30, 2014), repayable in thirty-six monthly installments	4,777	(4,777)	—	—	—
Total Fiber Optic System Debt	4,777	(4,777)	—	—	—
Total Debt	$ 282,574	$ (12,181)	$ —	$ 270,393	$ 8,075

EPB issues Revenue Bonds to provide funds primarily for capital improvements to the Electric System and refundings of other bonds. All bond issues are secured by a pledge and lien on the net revenues of EPB on parity with the pledge established by all bonds issued. Annual maturities on all Electric System long-term debt and related interest are as follows for each of the next five fiscal years and in five-year increments thereafter *(in thousands of dollars):*

Fiscal Year	Principal	Interest	Total
2016	$ 8,075	$ 12,502	$ 20,577
2017	9,390	12,139	21,529
2018	9,740	11,752	21,492
2019	10,165	11,300	21,465
2020	10,640	10,809	21,449
2021 – 2025	61,305	45,741	107,046
2026 – 2030	77,615	29,001	106,616
2031 – 2034	76,995	7,905	84,900
Total	$ 263,925	$ 141,149	$ 405,074

In August 2006, EPB issued Electric System Revenue Bonds, 2006 Series A, in order to finance the acquisition, expansion, and improvement of the Electric System and reimburse EPB for prior capital expenditures. The $40 million par value of the bonds, less underwriter discount and cost of issuance, plus original issue premium netted proceeds of approximately $39.6 million, of which $20 million was reimbursed to EPB's operating fund, and the remainder was deposited to a special construction account that was drawn to a zero balance over the course of fiscal year 2007.

Concurrent with the 2006 Series A issue, EPB issued $23.4 million of Electric System Refunding Revenue Bonds, Series 2006 B, to refinance a portion of the 2000 Series Bonds. These proceeds were used to purchase certain governmental securities and placed within an irrevocable trust with an escrow agent. The proceeds were subsequently used to service and retire $22.4 million of the series 2000 bonds on their call date of September 1, 2010.

In April 2008, EPB issued Electric System Revenue Bonds, 2008 Series A, in order to finance the construction of a Smart Grid for the Electric System, including reimbursement for prior expenditures, and various capital improvements to EPB's distribution system, including acquisition of new transformers and the construction of facilities to serve new customers. The $219.8 million par value of the bonds, less underwriter discount and cost of issuance, plus original issue premium netted proceeds of approximately $226.8 million, which was deposited to a special construction account. All funds in this construction account have been spent.

The City of Chattanooga has a requirement that if the EPB debt coverage ratio (funds available for servicing debt divided by debt service) associated with the revenue bonds and operations of the Electric System should be below 1.5x, EPB will be required to establish and fund a reserve fund. The debt coverage ratio at June 30, 2015 was 3.4x.

In March 2013, a bank loan was obtained for $11.5 million with principal and interest due in thirty-six monthly installments for the benefit of the Telecom System, guaranteed by the revenue and assets of the Telecom System. The loan bore interest equal to the 30-day LIBOR (London Interbank Offered Rate) plus 1.12%. At June 30, 2014, the balance on this loan was $4.8 million. The loan was fully repaid during FY 2015.

In FY 2015 and 2014, the Telecom System maintained a $2.5 million line of credit. The line of credit is used for working capital needs. The line of credit is secured by the revenues and assets of the Telecom System. The outstanding balance bears interest equal to 30-day LIBOR plus 1.15%. This line of credit shall become due and payable in March 2016. At June 30, 2014, the outstanding balance under the line of credit was $232,000. There were no amounts outstanding at June 30, 2015.

In August 2012, a revolving line of credit was obtained for $60 million for the benefit of the Video and Internet System. The line of credit was used for repayment of all funds borrowed from the Electric System and retirement of the outstanding principal of a $7.5 million bank loan obtained in October 2011. The outstanding balance at June 30, 2014 was $45.9 million. During December 2014, a new revolving line of credit was secured for the retirement of the prior credit facility. This line of credit is secured by the revenue and other income of the Video and Internet System. The loan matures in December 2017 and incurs monthly interest payments equal to 30-day LIBOR plus 0.95%, subject to a total 1.0% floor. At June 30, 2015, the outstanding balance under this revolving line of credit was $36.7 million.

EPB maintained a $25 million bank line of credit with the execution of an Electric System Revenue Anticipation Note in FY 2015 and 2014. The purpose of the note is for financing the purchase of electric power. This note is payable from and secured by a pledge of the net revenues of the Electric System, subject to the prior pledge of such revenues in favor of the outstanding bonds. The current facility matures June 2016 and bears an interest rate of 30-day LIBOR plus 0.75%. As of June 30, 2015 and 2014, there were no amounts outstanding on the note.

6. OTHER LONG-TERM LIABILITIES

Sick leave liabilities are composed of short-term and long-term portions. Short-term sick leave liability is included in current liabilities in the other current liabilities category, and long-term sick leave liability is included in long-term liabilities in the other non-current liabilities category. In 2002, the sick leave program was terminated, but employees were permitted to retain any accumulated sick leave hours. During December of each year, employees may elect to convert any unused annual leave hours to sick leave hours on a one for one basis.

Under certain conditions employees may use sick leave hours. Annually, employees may elect to be paid at their current rate of pay for up to 48 hours of sick leave at the rate of one hour of pay for two hours of sick leave and for up to an additional 16 hours of sick leave at the rate of one hour of pay for one hour of sick leave. The valuation of the hours eligible for this annual payment is considered a short-term liability. This short-term sick leave liability was $205,000 at June 30, 2015 and 2014, respectively. Also, employees were eligible to be paid upon retirement at the rate of 38% for accumulated sick leave hours at June 30, 2015 and 2014, at their current rate of pay. Total accumulated sick leave hours reduced by the hours eligible for annual payment is considered the hours eligible for pay upon retirement.

The valuation of the hours eligible for pay upon retirement is considered a long-term liability. This long-term sick leave liability was $401,000 and $571,000 at June 30, 2015 and 2014, respectively.

7. EMPLOYEE BENEFIT PLANS

PENSION PLAN

PLAN DESCRIPTION

The Electric Power Board of Chattanooga Retirement Plan (the "Plan") is a single-employer defined benefit pension plan. The Plan provides retirement benefits to all employees who have completed six months of employment. The Plan assigns the authority to establish and amend benefit provisions to the EPB Board of Directors. A stand-alone Financial Report is not issued for this plan.

BENEFITS PROVIDED

The Plan provides retirement and death benefits. The normal monthly retirement benefit formula shall provide that each Participant will receive a monthly payment in the form of a single life annuity with sixty monthly guaranteed payments and the amount of the monthly payments shall be computed at the rate of 2% of final monthly salary for the first twenty years of service; 1.25% of final monthly salary for the next ten years of service; 0.5% of final monthly salary for the next five years of service (maximum 35 years).

A participant who has completed five or more years of credited service and who has attained age fifty-five may, with management consent, be entitled to receive an early retirement benefit commencing upon the early retirement date. The early retirement benefit of such participant shall be equal to the amount of the accrued benefit reduced by 0.4% for each month by which the early retirement date precedes the normal retirement date.

The death benefit shall be a survivor annuity benefit, as defined by the Plan, if vested and married under prescribed conditions.

Final monthly salary is the three-year average of base salary, excluding overtime or extra compensation, on the actual retirement date and the two previous August 1sts. If applicable, commissions are included in the definition of base salary. Credited service is the total years of service from hire date to determination date. Partial years are rounded up to complete years of service. The normal retirement date is the first day of the month coincident with or next following the later of the participant's 65th birthday or having five years of participation in the Plan. For a participant who elects to retire later than the normal retirement date, the date shall be the first day of the month coinciding with or next following the participant's last day of employment. A participant shall be 100% vested after five complete years of employment.

EMPLOYEES COVERED BY BENEFIT TERMS

At June 30, 2015, the following employees were covered by the benefit terms:

	Number of Employees
Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	125
Active employees	524
Total	664

CONTRIBUTIONS

The contribution requirements of plan members and EPB are established and may be amended by the EPB Board of Directors. Plan members are not required to contribute to the Plan. EPB's contributions are calculated based on an actuarially determined rate, which is currently 10.33% of annual covered payroll.

NET PENSION LIABILITY

EPB's net pension liability was measured as of August 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the August 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	1.5%
Salary Increase	3.0%
Investment Rate of Return	7.5%

Mortality rates were based on the UP-1984 Mortality Table for Males or Females.

The actuarial assumptions used in the August 1, 2014 valuation were based on the results of an actuarial experience study for the period August 1, 2011 - July 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table :

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
Domestic equity	40-50	%	6.2	%
International equity	20-30	%	5.9	%
Fixed income	20-30	%	1.9	%
Real estate	0-10	%	5.1	%
Cash	0-10	%	0.0	%

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that EPB contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows the changes in the net pension liability *(in thousands of dollars) :*

		Total Pension Liability		Plan Fiduciary Net Position		Net Pension Liability
Balances at 6/30/2014	$	41,167	$	35,394	$	5,773
Changes for the year:						
Service Cost		2,395		-		2,395
Interest		3,637		-		3,637
Differences between expected and experience		3,608		-		3,608
Contributions-employer		-		3,630		(3,630)
Net investment income		-		5,735		(5,735)
Benefit payments		(2,455)		(2,455)		-
Administrative expense		-		(86)		86
Net changes		7,185		6,824		361
Balances at 6/30/2015	$	48,352	$	42,218	$	6,134

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.5 percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate *(in thousands of dollars):*

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability (asset)	$ 14,911	$ 6,134	$ (4,644)

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended June 30, 2015, EPB recognized pension expense of $3.0 million. At June 30, 2015, EPB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources *(in thousands of dollars):*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 3,397	$ -
Net difference between projected and actual earnings on pension plan investments	-	2,426
TOTAL	$ 3,397	$ 2,426

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows *(in thousands of dollars) :*

Fiscal Year	Amount
2016	$ (395)
2017	(395)
2018	(395)
2019	(395)
2020	211
Thereafter	2,340
Total	$ 971

Deferred outflows of resources totaling $3.7 million represent contributions made after the Plan's valuation date. These contributions will be used to reduce the net pension liability during 2016.

PAYABLE TO THE PENSION PLAN

At June 30, 2015, EPB reported no payable balances for required outstanding contributions to the Plan.

PENSION PLAN'S FUNDED STATUS USING TERMINATION BASIS

An exact calculation of the Actuarial Accrued Liability exclusively based on past service and compensation would be the Plan liability if the Plan were to terminate or cease recognition of future service accruals and compensation increases. As of August 1, 2014, this Actuarial Accrued Liability has been calculated to be $37.3 million; with the Actuarial Value of Plan Assets being $42.2 million. Therefore, the Actuarial Accrued Liability strictly devoted to past service and compensation is entirely covered by Plan Assets.

401(K) PLAN

Effective August 1, 1984, EPB implemented a 401(k) defined contribution plan, the EPB Retirement Savings Plan, which allows employees to invest up to 100% of their salary in a tax-deferred savings plan. EPB contributes a 100% matching contribution up to 4.0% of an employee's salary after one year of employment. All employees who have completed three months of employment and have attained age 18 are eligible to participate in the 401(k) defined contribution plan. Participating employees are immediately fully vested in EPB contributions, which amounted to approximately $1.2 million and $1.0 million in fiscal years 2015 and 2014, respectively. Employee contributions were approximately $2.8 million and $2.6 million in fiscal years 2015 and 2014, respectively. The EPB Retirement Savings Plan is administered by an individual designated by the EPB Board of Directors. The EPB Retirement Savings Plan assigns the authority to establish and amend the plan to the EPB Board of Directors.

8. POST-EMPLOYMENT BENEFITS

The Electric Power Board of Chattanooga Post Employment Health and Welfare Benefit Plan ("Plan") is a single-employer defined benefit healthcare and welfare plan administered by an individual designated by the EPB Board of Directors. The Plan provides health and life insurance benefits. These benefits are subject to deductibles, co-payments provisions, and other limitations. Eligible retirees and their dependents may continue healthcare coverage through EPB, and retirees after July 1, 1994 received a death benefit from the Plan. The Plan assigns the authority to establish and amend benefit provisions to the EPB Board of Directors. A stand-alone Financial Report is not issued for this Plan.

The contribution requirements of Plan members and EPB are established and may be amended by EPB. Plan members receiving benefits contribute based on retiree's age, retirement date, and years of service. Contribution rates for FY 2015 are as shown in the table below.

Category	Retirement Before March 1, 1991	Retirement After March 1, 1991 Years of Service/Percent of Contributions				
		5-9/85%	10-14/75%	15-19/55%	20-24/35%	25+/15%
Pre-Age 65-EPO						
Individual	$ —	$ 402.05	$ 354.75	$ 260.15	$ 165.55	$ 70.95
Employee +1	—	804.10	709.50	520.30	331.10	141.90
Family	—	1,206.15	1,064.25	780.45	496.65	212.85
Pre-Age 65-PPO						
Individual	$ —	$ 321.64	$ 283.80	$ 208.12	$ 132.44	$ 56.76
Employee +1	—	643.28	567.60	416.24	264.88	113.52
Family	—	964.92	851.40	624.36	397.32	170.28
Category	Retirement Before March 1, 1991	Retirement After March 1, 1991 Years of Service/Percent of Contributions				
		5-9/85%	10-14/77.5%	15-19/57.5%	20-24/37.5%	25+/17.5%
Age 65 & Over						
Individual	$ —	$ 129.66	$ 118.22	$ 87.71	$ 57.20	$ 26.69
Spouse	—	129.66	118.22	87.71	57.20	26.69

The required contribution is based on pay-as-you-go financing requirements. For FY 2015, EPB contributed approximately $2.0 million (approximately 87 percent of total claims). Presently, EPB has the option of prefunding a "Voluntary Employees' Beneficiary Association Trust" (VEBA) to pay post-employment benefit claims. During FY 2015, EPB had no additional funding to the VEBA for post-employment benefit claims.

EPB's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years.

The following table shows the components of EPB's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in EPB's net OPEB obligation to the Plan *(in thousands of dollars):*

Annual required contribution	$ 1,755
Interest on net OPEB obligation	609
Adjustment to annual required contribution	(799)
Annual OPEB cost (expense)	1,565
Contributions made	2,036
Decrease in net OPEB obligation	(471)
Net OPEB obligation – beginning of year	9,365
Net OPEB obligation – end of year	$ 8,894

EPB's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for FY 2015 and the four preceding years were as follows *(in thousands of dollars):*

FY Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
6/30/15	$ 1,565	130%	$ 8,894
6/30/14	2,039	85%	9,365
6/30/13	1,999	95%	9,055
6/30/12	1,888	93%	8,955
6/30/11	1,764	125%	8,830

The funded status of the Plan as of July 1, 2014, was as follows *(in thousands of dollars):*

Actuarial accrued liability (AAL)	$ 24,688
Actuarial value of plan assets	$ 19,213
Unfunded actuarial accrued liability (UAAL)	$ 5,475
Funded ratio (actuarial value of plan assets/AAL)	78%
Covered payroll (active plan members)	$ 36,556
UAAL as a percentage of covered payroll	15%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 6.5% investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5% initially, reduced by decrements of 0.25% per year to an ultimate rate of 5.5% in 2023. The actuarial value of assets was determined using techniques that spread the effect of short-term volatility in the market value of investments over a three-year period. The UAAL is being amortized as a level dollar. The remaining amortization period at July 1, 2014 was twenty years.

9. COMMITMENTS AND CONTINGENCIES

EPB is party to a contract with TVA dated January 17, 1989, under which the Electric System purchases electric power and energy from TVA for resale. The contract may be terminated by either party at any time upon not less than ten years prior written notice.

EPB is presently involved in certain legal matters, the outcome of which is not presently determinable. It is the opinion of management, based in part on the advice of legal counsel, that these matters will not have a materially adverse effect on the results of operations or the financial position of EPB.

10. RISK MANAGEMENT

Risk of losses for EPB include many different facets: damage to equipment, destruction of assets, torts, theft of equipment or property, errors and omissions, medical benefits, employees' injuries, and disasters from natural causes.

Pursuant to the Tennessee Governmental Tort and Liability Act, EPB's maximum corporate liability is set at $300,000 per person for bodily injury ($700,000 per incident) and $100,000 for destruction of property for incidents occurring after July 1, 2007. EPB has elected to self-insure this corporate liability. EPB's commercial property is covered for a total insured value of $144 million subject to a $100,000 deductible.

EPB's Fiber Optics Division is insured with a $2 million aggregate, $4 million umbrella, and is subject to a $2,500 deductible.

Settled claims have not exceeded this commercial coverage in fiscal years 2015 or 2014. There are no significant claims liabilities outstanding at June 30, 2015.

EPB continues its self-insured programs for auto liability, on-the-job injuries, and health insurance.

EPB's employee health plan is self funded, subject to stop loss insurance of $175,000 per covered life with an additional $110,000 Aggregating Specific Attachment Point.

CHANGES IN THE BALANCES OF CLAIMS LIABILITIES FOR THESE THREE AREAS DURING THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014 ARE AS FOLLOWS *(in thousands of dollars):*

Unpaid claims, June 30, 2013	$ 1,342
Incurred claims (including IBNRs)	6,914
Claim payments	(6,886)
Unpaid claims, June 30, 2014	1,370
Incurred claims (including IBNRs)	7,271
Claim payments	(6,800)
Unpaid claims, June 30, 2015	$ 1,841

11. FEDERAL EMERGENCY MANAGEMENT ASSISTANCE GRANT

During February 2011 and April 2011, EPB sustained extensive power outages and equipment damage as a result of a series of tornados. EPB incurred costs of approximately $28.0 million to restore power to approximately 191,000 customers collectively. Due to the significance of the storms and the resulting damage, EPB applied for assistance from the Federal Emergency Management Agency (FEMA). At June 30, 2015 and 2014, EPB included approximately $4.8 million and $6.7 million, respectively, in FEMA grants receivable.

12. SUBSEQUENT EVENTS

In August 2015, EPB issued Series 2015 A bonds for $218.9 million, Series 2015 B bonds for $15.4 million and Series 2015 C bonds for $25.9 million. The Series C bonds will pay for substations, transformers, and other system improvements. The Series A and B issues will be used to pay off most of the outstanding debt from similar 2006 and 2008 bond issues, saving EPB an estimated $19.8 million in present day interest expenses.

Subsequent to year-end, EPB collected all remaining grants receivable from FEMA.

REQUIRED SUPPLEMENTAL INFORMATION

SCHEDULE OF EPB CONTRIBUTIONS TO PENSION PLAN
LAST 10 FISCAL YEARS (IN THOUSANDS)

		2015
Actuarially determined contribution	$	3,646
Contributions in relation to the actuarially determined contribution		3,630
Contribution deficiency (excess)	$	16
Covered-employee payroll	$	32,127
Contributions as a percentage of covered-employee payroll		11.30%

NOTES TO SCHEDULE:
Valuation Date
Actuarially determined contribution rates are calculated as of August 1, 23 months prior to the end of the fiscal year in which contributions are reported.

METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES:

Actuarial cost method	Entry age
Asset valuation method	Three year smoothing
Inflation	1.5%
Salary increases	3.0%
Investment rate of return	7.5%
Retirement age	3% per year for ages 57-61, 20% at age 62, 10% at ages 63 and 64, and 100% at age 65
Mortality	In the 2013 actuarial valuation, assumed life expectancies were computed using the UP 1984 table

NOTES TO SCHEDULE:
This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively.
Years will be added to this schedule in future fiscal years until 10 years of information is available.

EPB SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (IN THOUSANDS)

		2015
TOTAL PENSION LIABILITY		
Service cost	$	2,395
Interest		3,637
Changes of benefit terms		-
Differences between expected and actual experience		3,608
Changes of assumptions		-
Benefit payments, including refunds of employee contributions		(2,455)
NET CHANGE IN TOTAL PENSION LIABILITY		7,185
TOTAL PENSION LIABILITY - BEGINNING		41,167
TOTAL PENSION LIABILITY - ENDING (a)	$	48,352
PLAN FIDUCIARY NET POSITION		
Contributions - employer	$	3,630
Net investment income		5,735
Benefit payments, including refunds of employee contributions		(2,455)
Administrative expense		(87)
NET CHANGE IN PLAN FIDUCIARY NET POSITION		6,823
PLAN FIDUCIARY NET POSITION - BEGINNING		35,395
PLAN FIDUCIARY NET POSITION - ENDING (b)	$	42,218
EPB'S NET PENSION LIABILITY - ENDING (a) - (b)	$	6,134
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY		87.31%
COVERED-EMPLOYEE PAYROLL	$	32,127
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL		19.09%

NOTES TO SCHEDULE:

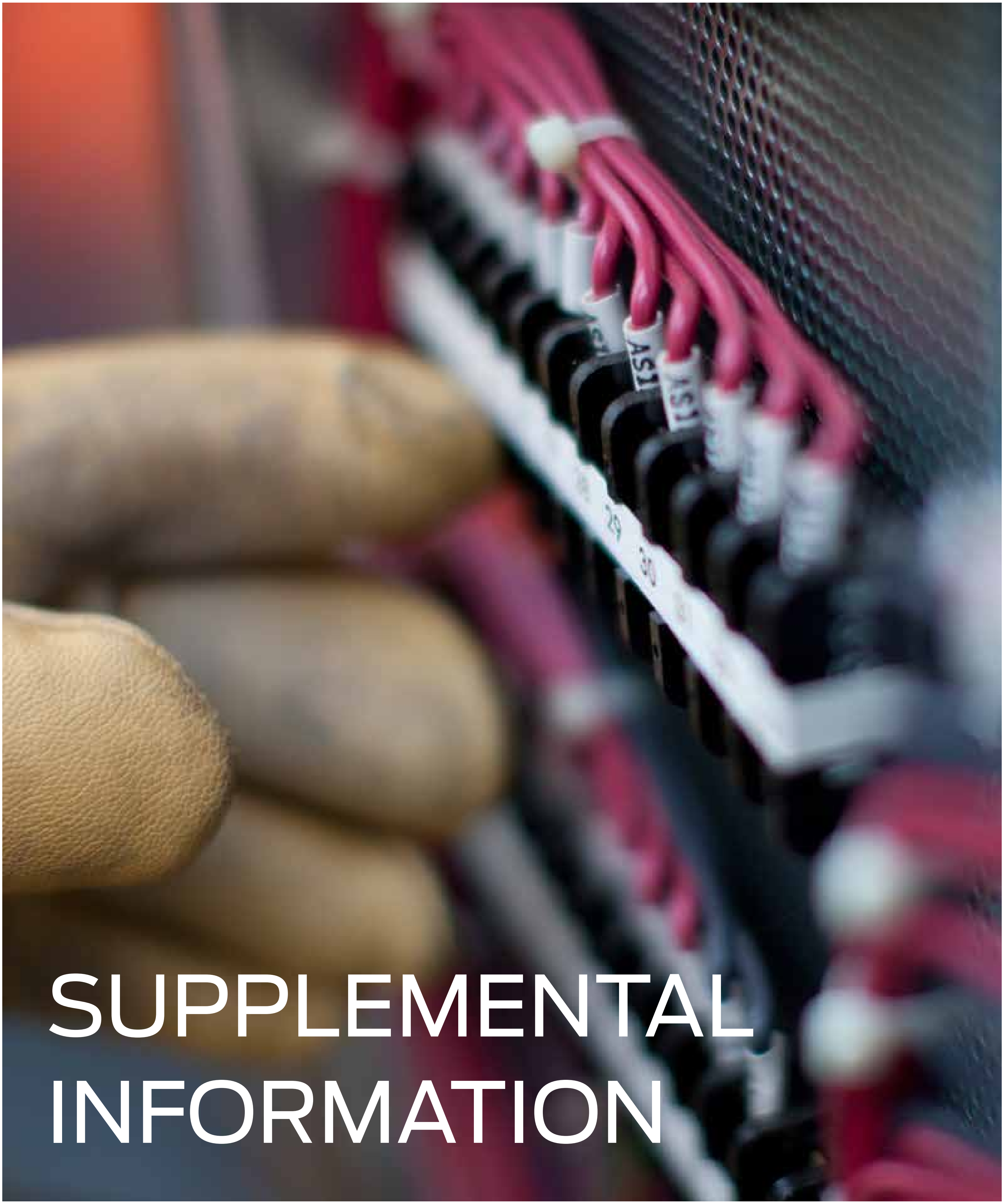
Benefit changes. None

Changes of assumptions. None

This is a 10-year schedule, however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

SCHEDULE OF FUNDING PROGRESS FOR EPB POST-EMPLOYMENT HEALTH AND WELFARE BENEFIT PLAN *(in thousands of dollars):*

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) – (1)	(4) Funded Ratio (1) / (2)	(5) Annual Covered Payroll	(6) UAAL as a % of Covered Payroll (3)/(5)
7/1/14	$ 19,213	$ 24,688	$ 5,475	77.8%	$ 36,556	15.0%
7/1/13	16,754	27,104	10,350	61.8%	34,441	30.0%
7/1/12	15,045	25,463	10,418	59.1%	32,045	32.5%
7/1/11	14,604	24,667	10,063	59.2%	29,998	33.5%
7/1/10	13,081	23,128	10,047	56.6%	28,267	35.5%
7/1/09	13,051	24,044	10,993	54.2%	25,629	42.9%
7/1/08	14,675	26,264	11,589	55.8%	24,325	47.6%



SUPPLEMENTAL INFORMATION

EPB ELECTRIC SYSTEM SCHEDULES OF NET POSITION
AS OF JUNE 30, 2015 AND 2014

	2015	2014
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and cash equivalents	$ 77,471,000	$ 99,120,000
Accounts receivable, less allowance for doubtful accounts of $765,000 and $705,000 in 2015 and 2014, respectively	21,459,000	25,983,000
Unbilled electric sales	37,096,000	32,194,000
Grants receivable	4,819,000	6,694,000
Materials and supplies, at average cost	13,066,000	12,809,000
Prepayments and other current assets	4,550,000	4,947,000
	158,461,000	181,747,000
NON-CURRENT ASSETS		
Utility plant -		
Utility plant	824,938,000	789,141,000
Less - accumulated provision for depreciation	(289,101,000)	(270,648,000)
Net utility plant	535,837,000	518,493,000
Other non-current assets	2,676,000	2,580,000
	538,513,000	521,073,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	6,206,000	3,176,000
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 703,180,000	$ 705,996,000
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable -		
Tennessee Valley Authority, for power purchased	$ 77,469,000	$ 77,299,000
Other	9,384,000	9,149,000
Customer deposits	3,239,000	3,135,000
Revenue bonds, current portion	8,075,000	7,040,000
Accrued tax equivalents	17,746,000	16,740,000
Accrued interest payable	4,230,000	4,325,000
Other current liabilities	8,590,000	6,938,000
	128,733,000	124,626,000
NON-CURRENT LIABILITIES		
Revenue bonds, net	262,318,000	270,757,000
Net pension liability	5,367,000	5,051,000
Accrued post-employment benefit obligation	7,097,000	7,744,000
Customer deposits	22,176,000	21,647,000
Other non-current liabilities	4,576,000	5,544,000
	301,534,000	310,743,000
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	2,123,000	-
NET POSITION		
Net investment in capital assets	265,444,000	240,696,000
Unrestricted	5,346,000	29,931,000
	270,790,000	270,627,000
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 703,180,000	$ 705,996,000

EPB ELECTRIC SYSTEM SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Electric Sales		
Residential	$ 231,864,000	$ 237,376,000
Small commercial	45,460,000	45,631,000
Large commercial	256,158,000	259,676,000
Outdoor lighting systems	6,069,000	6,229,000
Total billed electric sales	539,551,000	548,912,000
Change in unbilled electric sales	4,902,000	(2,340,000)
Less uncollectible electric sales	(610,000)	(720,000)
Total electric sales	543,843,000	545,852,000
Other operating revenues	23,278,000	20,667,000
Total operating revenues	567,121,000	566,519,000
OPERATING EXPENSES		
Operation		
Power purchased from Tennessee Valley Authority	443,970,000	436,507,000
Other operation expenses	35,292,000	38,754,000
Maintenance	22,023,000	27,051,000
Provision for depreciation	35,245,000	33,662,000
City, county, and state tax equivalents	11,529,000	10,886,000
Total operating expenses	548,059,000	546,860,000
Net operating income	19,062,000	19,659,000
OTHER REVENUES (DEDUCTIONS)		
Interest revenue on invested funds	197,000	263,000
Interest expense on long-term debt	(12,980,000)	(12,082,000)
Other, net	210,000	207,000
Plant cost recovered through contributions in aid of construction	(738,000)	(1,741,000)
Total other deductions	(13,311,000)	(13,353,000)
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	5,751,000	6,306,000
TAX EQUIVALENTS TRANSFERRED TO THE CITY OF CHATTANOOGA	(6,326,000)	(5,910,000)
CONTRIBUTIONS IN AID OF CONSTRUCTION	738,000	1,741,000
CHANGE IN NET POSITION	163,000	2,137,000
NET POSITION, BEGINNING OF YEAR	270,627,000	271,388,000
CHANGE IN ACCOUNTING PRINCIPLE	-	(2,898,000)
NET POSITION, END OF YEAR	$ 270,790,000	$ 270,627,000

EPB ELECTRIC SYSTEM SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 569,323,000	$ 565,730,000
Payments to suppliers for goods and services	(467,852,000)	(467,354,000)
Payments to employees for services	(33,083,000)	(29,685,000)
Payments in lieu of taxes	(16,849,000)	(16,453,000)
Net cash provided by operating activities	51,539,000	52,238,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(53,805,000)	(60,000,000)
Removal cost	(910,000)	(258,000)
Salvage	464,000	563,000
Contributions in aid of construction	738,000	1,741,000
Bond principal payment	(7,040,000)	(6,000,000)
Bond interest payment	(12,832,000)	(13,084,000)
Net cash used in capital and related financing activities	(73,385,000)	(77,038,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	197,000	291,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(21,649,000)	(24,509,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	99,120,000	123,629,000
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 77,471,000	$ 99,120,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	$ 19,062,000	$ 19,659,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	36,389,000	35,756,000
Miscellaneous non-operating expenses, net	210,000	207,000
Tax equivalents transferred to the City of Chattanooga	(6,326,000)	(5,910,000)
Changes in assets and liabilities:		
Accounts receivable, net	4,524,000	(4,537,000)
Unbilled electric sales	(4,902,000)	2,341,000
Grants receivable	1,875,000	1,045,000
Materials and supplies	(257,000)	(331,000)
Prepayments and other current assets	429,000	929,000
Other charges	(96,000)	66,000
Accounts payable, net	(421,000)	4,585,000
Customer deposits	633,000	(546,000)
Accrued tax equivalents	1,006,000	341,000
Other current liabilities	1,652,000	(936,000)
Other credits	(968,000)	(554,000)
Net pension liability	(624,000)	-
Accrued post-employment benefit obligation	(647,000)	123,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 51,539,000	$ 52,238,000

EPB TELECOM SYSTEM SCHEDULES OF NET POSITION
AS OF JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,337,000	$ 193,000
Accounts receivable, less allowance for doubtful accounts of $11,000 in 2015 and 2014, respectively	1,147,000	986,000
Prepayments and other current assets	157,000	95,000
	2,641,000	1,274,000
NON-CURRENT ASSETS		
Utility plant -		
Utility plant	18,815,000	21,634,000
Less - accumulated provision for depreciation	(12,061,000)	(13,639,000)
Net utility plant	6,754,000	7,995,000
TOTAL ASSETS	$ 9,395,000	$ 9,269,000
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 255,000	$ 405,000
Accrued tax equivalents	679,000	742,000
Accrued interest payable	-	6,000
Line of credit	-	232,000
Notes payable	-	3,833,000
Other current liabilities	171,000	152,000
	1,105,000	5,370,000
NON-CURRENT LIABILITIES		
Notes payable	-	944,000
Unearned revenue	388,000	347,000
	388,000	1,291,000
NET POSITION		
Net investments in capital assets	6,754,000	7,995,000
Unrestricted	1,148,000	(5,387,000)
	7,902,000	2,608,000
TOTAL LIABILITIES AND NET POSITION	$ 9,395,000	$ 9,269,000

EPB TELECOM SYSTEM SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Fiber optics sales		
Commercial basic local services revenue	$ 13,215,000	$ 11,735,000
Commercial long distance message revenue	835,000	712,000
Total billed fiber optics sales	14,050,000	12,447,000
Less uncollectible accounts	(34,000)	(17,000)
Total fiber optics sales	14,016,000	12,430,000
Other operating revenue	2,068,000	2,061,000
Total operating revenues	16,084,000	14,491,000
OPERATING EXPENSES		
Cost of services	2,247,000	2,112,000
Operation expenses	4,112,000	4,052,000
General and administrative	332,000	348,000
Provision for depreciation	3,387,000	3,351,000
City, county, and state tax equivalents	406,000	440,000
Total operating expenses	10,484,000	10,303,000
Net operating income	5,600,000	4,188,000
OTHER DEDUCTIONS		
Interest expense on long-term debt and line of credit	(33,000)	(110,000)
INCOME BEFORE TRANSFERS	5,567,000	4,078,000
TAX EQUIVALENTS TRANSFERRED TO THE CITY OF CHATTANOOGA	(273,000)	(302,000)
CHANGE IN NET POSITION	5,294,000	3,776,000
NET POSITION, BEGINNING OF YEAR	2,608,000	(1,168,000)
NET POSITION, END OF YEAR	$ 7,902,000	$ 2,608,000

EPB TELECOM SYSTEM SCHEDULE OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 15,922,000	$ 14,565,000
Payments to suppliers for goods and services	(6,842,000)	(7,257,000)
Payments in lieu of taxes	(742,000)	(817,000)
Net cash provided by operating activities	8,338,000	6,491,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(2,146,000)	(962,000)
Interest paid on long-term debt	(31,000)	(114,000)
Interest paid on line of credit	(8,000)	(3,000)
Changes in line of credit, net	(232,000)	232,000
Repayments of long-term debt	(4,777,000)	(6,084,000)
Net cash used in capital and related financing activities	(7,194,000)	(6,931,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,144,000	(440,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	193,000	633,000
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,337,000	$ 193,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	$ 5,600,000	$ 4,188,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	3,387,000	3,351,000
Tax equivalents transferred to the City of Chattanooga	(273,000)	(302,000)
Changes in assets and liabilities:		
Accounts receivable, net	(161,000)	77,000
Prepayments and other current assets	(62,000)	11,000
Accounts payable, net	(150,000)	(792,000)
Accrued tax equivalents	(63,000)	(75,000)
Other current liabilities	19,000	(17,000)
Other credits	41,000	50,000
Net cash provided by operating activities	$ 8,338,000	$ 6,491,000

EPB VIDEO & INTERNET SYSTEM SCHEDULES OF NET POSITION
AS OF JUNE 30, 2015 AND 2014

	2015	2014
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and cash equivalents	$ 110,000	$ 144,000
Accounts receivable, less allowance for doubtful accounts of $524,000 and $464,000 in 2015 and 2014, respectively	5,280,000	5,091,000
Prepayments and other current assets	1,058,000	1,087,000
	6,448,000	6,322,000
NON-CURRENT ASSETS		
Utility plant -		
Utility plant	102,601,000	88,667,000
Less - accumulated provision for depreciation	(32,099,000)	(21,693,000)
Net utility plant	70,502,000	66,974,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	891,000	454,000
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 77,841,000	$ 73,750,000
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 6,113,000	$ 6,254,000
Accrued tax equivalents	893,000	791,000
Accrued interest payable	115,000	132,000
Other current liabilities	3,546,000	3,182,000
	10,667,000	10,359,000
NON-CURRENT LIABILITIES		
Line of credit	36,725,000	45,875,000
Net pension liability	767,000	722,000
Accrued post employment benefit obligation	1,797,000	1,621,000
Deferred credits	4,118,000	3,385,000
	43,407,000	51,603,000
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	303,000	-
NET POSITION		
Net investment in capital assets	70,502,000	66,974,000
Unrestricted	(47,038,000)	(55,186,000)
	23,464,000	11,788,000
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 77,841,000	$ 73,750,000

EPB VIDEO & INTERNET SYSTEM SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Fiber optics sales		
Commercial basic local services revenue	$ 13,077,000	$ 11,722,000
Residential services revenue	80,904,000	67,002,000
Total billed fiber optics sales	93,981,000	78,724,000
Less uncollectible accounts	(825,000)	(845,000)
Total fiber optics sales	93,156,000	77,879,000
Other operating revenues	8,985,000	7,513,000
Total operating revenues	102,141,000	85,392,000
OPERATING EXPENSES		
Cost of services	40,690,000	32,443,000
Operation expenses	34,002,000	25,571,000
General and administrative	1,776,000	1,859,000
Provision for depreciation	12,134,000	11,722,000
City, county, and state tax equivalents	605,000	529,000
Total operating expenses	89,207,000	72,124,000
Net operating income	12,934,000	13,268,000
OTHER DEDUCTIONS		
Interest expense on long-term debt	(948,000)	(1,587,000)
INCOME BEFORE TRANSFERS	11,986,000	11,681,000
TAX EQUIVALENTS TRANSFERRED TO THE CITY OF CHATTANOOGA	(310,000)	(274,000)
CHANGE IN NET POSITION	11,676,000	11,407,000
NET POSITION, BEGINNING OF YEAR	11,788,000	649,000
CHANGE IN ACCOUNTING PRINCIPLE	-	(268,000)
NET POSITION, END OF YEAR	$ 23,464,000	$ 11,788,000

EPB VIDEO & INTERNET SYSTEM SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 101,937,000	$ 84,687,000
Payments to suppliers for goods and services	(69,994,000)	(52,499,000)
Payments to employees for services	(5,389,000)	(4,822,000)
Payments in lieu of taxes	(811,000)	(755,000)
Net cash provided by operating activities	25,743,000	26,611,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(15,584,000)	(18,980,000)
Interest paid on line of credit	(1,043,000)	(1,760,000)
Changes in line of credit, net	(9,150,000)	(5,953,000)
Net cash used in capital and related financing activities	(25,777,000)	(26,693,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(34,000)	(82,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	144,000	226,000
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 110,000	$ 144,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	$ 12,934,000	$ 13,268,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	12,134,000	11,722,000
Tax equivalents transferred to the City of Chattanooga	(310,000)	(274,000)
Changes in assets and liabilities:		
Accounts receivable, net	(189,000)	(659,000)
Prepayments and other current assets	29,000	(142,000)
Accounts payable, net	(141,000)	1,332,000
Accrued tax equivalents	102,000	49,000
Other current liabilities	364,000	406,000
Other credits	733,000	722,000
Net pension liability	(89,000)	-
Accrued post-employment benefit obligation	176,000	187,000
Net cash provided by operating activities	$ 25,743,000	$ 26,611,000

EPB FIBER OPTICS SYSTEM SCHEDULES OF NET POSITION
AS OF JUNE 30, 2015 AND 2014

	2015	2014
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,447,000	$ 337,000
Accounts receivable, less allowance for doubtful accounts of $535,000 and $475,000 in 2015 and 2014, respectively	6,427,000	6,077,000
Prepayments and other current assets	1,215,000	1,182,000
	9,089,000	7,596,000
NON-CURRENT ASSETS		
Utility plant -		
Utility plant	121,416,000	110,301,000
Less - accumulated provision for depreciation	(44,160,000)	(35,332,000)
Net utility plant	77,256,000	74,969,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	891,000	454,000
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 87,236,000	$ 83,019,000
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 6,368,000	$ 6,659,000
Accrued tax equivalents	1,572,000	1,533,000
Accrued interest payable	115,000	138,000
Line of credit	-	232,000
Notes payable - other	-	3,833,000
Other current liabilities	3,717,000	3,334,000
	11,772,000	15,729,000
NON-CURRENT LIABILITIES		
Notes payable - other	-	944,000
Line of credit	36,725,000	45,875,000
Net pension liability	767,000	722,000
Accrued post-employment benefit obligation	1,797,000	1,621,000
Other non-current liabilities	4,506,000	3,732,000
	43,795,000	52,894,000
NET INFLOWS OF RESOURCES		
Deferred pension inflows	303,000	-
NET POSITION		
Net invesment in capital assets	77,256,000	74,969,000
Unrestricted	(45,890,000)	(60,573,000)
	31,366,000	14,396,000
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 87,236,000	$ 83,019,000

EPB FIBER OPTICS SYSTEM SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Fiber optics sales		
Commercial basic local services revenue	$ 26,292,000	$ 23,457,000
Commercial long distance message revenue	835,000	712,000
Residential services revenue	80,904,000	67,002,000
Total billed fiber optics sales	108,031,000	91,171,000
Less uncollectible accounts	(859,000)	(862,000)
Total fiber optics sales	107,172,000	90,309,000
Other operating revenue	11,053,000	9,574,000
Total operating revenues	118,225,000	99,883,000
OPERATING EXPENSES		
Cost of services	42,937,000	34,555,000
Operation expenses	38,114,000	29,623,000
General and administrative	2,108,000	2,207,000
Provision for depreciation	15,521,000	15,073,000
City, county, and state tax equivalents	1,011,000	969,000
Total operating expenses	99,691,000	82,427,000
Net operating income	18,534,000	17,456,000
OTHER DEDUCTIONS		
Interest expense on long-term debt and line of credit	(981,000)	(1,697,000)
INCOME BEFORE TRANSFERS	17,553,000	15,759,000
TAX EQUIVALENTS TRANSFERRED TO THE CITY OF CHATTANOOGA	(583,000)	(576,000)
CHANGE IN NET POSITION	16,970,000	15,183,000
NET POSITION, BEGINNING OF YEAR	14,396,000	(519,000)
CHANGE IN ACCOUNTING PRINCIPLE	-	(268,000)
NET POSITION, END OF YEAR	$ 31,366,000	$ 14,396,000

EPB FIBER OPTICS SYSTEM SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 117,859,000	$ 99,252,000
Payments to suppliers for goods and services	(76,836,000)	(59,756,000)
Payments to employees for services	(5,389,000)	(4,822,000)
Payments in lieu of taxes	(1,553,000)	(1,572,000)
Net cash provided by operating activities	34,081,000	33,102,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(17,730,000)	(19,942,000)
Interest paid on long-term debt	(31,000)	(114,000)
Interest paid on line of credit	(1,051,000)	(1,763,000)
Changes in line of credit, net	(9,382,000)	(5,721,000)
Repayments of long-term debt	(4,777,000)	(6,084,000)
Net cash used in capital and related financing activities	(32,971,000)	(33,624,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,110,000	(522,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	337,000	859,000
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,447,000	$ 337,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	$ 18,534,000	$ 17,456,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	15,521,000	15,073,000
Tax equivalents transferred to the City of Chattanooga	(583,000)	(576,000)
Changes in assets and liabilities:		
Accounts receivable, net	(350,000)	(582,000)
Prepayments and other current assets	(33,000)	(131,000)
Accounts payable, net	(291,000)	540,000
Accrued tax equivalents	39,000	(26,000)
Other current liabilities	383,000	389,000
Other credits	774,000	772,000
Net pension liability	(89,000)	-
Accrued post-employment benefit obligation	176,000	187,000
Net cash provided by operating activities	$ 34,081,000	$ 33,102,000

EPB SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

Federal Grantor/Pass-Through Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through	Accrued Grant Revenues June 30, 2014	Grant Revenues Received	Expen-ditures	Accrued Grant Revenues June 30, 2015
U.S. DEPARTMENT OF ENERGY:						
Electric Delivery and Energy Reliability, Research, Development and Analysis	81.22	DE-OE0000215	$ 4,997	$ 4,997	$ -	$ -
Total U.S. Department of Energy			$ 4,997	$ 4,997	-	-
U.S. DEPARTMENT OF HOMELAND SECURITY:						
Passed through Tennessee Department of the Military, Tennessee Emergency Management Agency:						
Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	Not Available	477,069	477,069	-	-
Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	Not Available	6,700,425	1,392,498		5,307,927
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			7,177,494	1,869,567		5,307,927
Total Expenditures of Federal Awards			$7,182, 491	$1,874,564	$ -	$5,307,927

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Electric Power Board of Chattanooga and is presented on the accrual basis of accounting. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Where applicable, the Electric System's accounting records follow the Federal Energy Regulatory Commission's Uniform System of Accounts Prescribed for Public Utilities.

EPB SCHEDULE OF BONDS PAYABLE AS OF JUNE 30, 2015 (IN THOUSANDS)

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2016	2006A Electric System Revenue Bonds	4.125%	$ 1,345,000	$ 1,401,000	$ 2,746,000
2017		4.125%	1,400,000	1,345,000	2,745,000
2018		4.125%	1,460,000	1,286,000	2,746,000
2019		4.125%	1,520,000	1,224,000	2,744,000
2020		4.250%	1,585,000	1,159,000	2,744,000
2021		4.250%	1,655,000	1,090,000	2,745,000
2022		4.375%	1,730,000	1,017,000	2,747,000
2023		4.500%	1,805,000	939,000	2,744,000
2024		4.250%	1,885,000	858,000	2,743,000
2025		4.375%	1,970,000	775,000	2,745,000
2026		4.375%	2,060,000	687,000	2,747,000
2027		4.375%	2,155,000	595,000	2,750,000
2028		4.375%	2,250,000	499,000	2,749,000
2029		4.375%	2,355,000	398,000	2,753,000
2030		4.375%	2,470,000	292,000	2,762,000
2031		4.500%	2,585,000	180,000	2,765,000
2032		4.500%	2,705,000	61,000	2,766,000
			32,935,000	13,806,000	46,741,000
2016	2006B Electric System Refunding Revenue Bonds	4.125%	1,730,000	711,000	2,441,000
2017		4.125%	1,715,000	640,000	2,355,000
2018		4.125%	1,705,000	569,000	2,274,000
2019		4.000%	1,690,000	501,000	2,191,000
2020		4.000%	1,670,000	433,000	2,103,000
2021		4.000%	1,655,000	367,000	2,022,000
2022		4.125%	1,635,000	300,000	1,935,000
2023		4.125%	1,620,000	233,000	1,853,000
2024		4.125%	1,600,000	166,000	1,766,000
2025		4.250%	1,580,000	100,000	1,680,000
2026		4.250%	1,560,000	33,000	1,593,000
			18,160,000	4,053,000	22,213,000

EPB SCHEDULE OF BONDS PAYABLE AS OF JUNE 30, 2015 (IN THOUSANDS)

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2016	2008A Electric System Revenue Bonds	5.00%	$ 5,000,000	$ 10,389,000	$ 15,389,000
2017		3.50%	6,275,000	10,155,000	16,430,000
2018		4.50%	6,575,000	9,897,000	16,472,000
2019		5.00%	6,955,000	9,575,000	16,530,000
2020		5.00%	7,385,000	9,217,000	16,602,000
2021		5.00%	7,835,000	8,836,000	16,671,000
2022		5.00%	8,310,000	8,432,000	16,742,000
2023		5.00%	8,805,000	8,005,000	16,810,000
2024		5.00%	9,335,000	7,551,000	16,886,000
2025		5.00%	9,885,000	7,071,000	16,956,000
2026		5.00%	10,460,000	6,562,000	17,022,000
2027		5.00%	12,605,000	5,985,000	18,590,000
2028		5.00%	13,235,000	5,339,000	18,574,000
2029		5.00%	13,890,000	4,661,000	18,551,000
2030		5.00%	14,575,000	3,950,000	18,525,000
2031		5.00%	15,295,000	3,203,000	18,498,000
2032		5.00%	16,055,000	2,419,000	18,474,000
2033		5.00%	19,685,000	1,526,000	21,211,000
2034		5.00%	20,670,000	517,000	21,187,000
			212,830,000	123,290,000	336,120,000
			$ 263,925,000	$ 141,149,000	$ 405,074,000

HENDERSON HUTCHERSON & MCCULLOUGH, PLLC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors, Electric Power Board of Chattanooga
Chattanooga, Tennessee

Independent Auditor's Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the Electric Power Board ("EPB", an enterprise fund of the City of Chattanooga) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise EPB's basic financial statements, and have issued our report thereon dated September 11, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered EPB's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of EPB's internal control. Accordingly, we do not express an opinion on the effectiveness of EPB's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether EPB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chattanooga, Tennessee
September 11, 2015

Henderson Hutcherson & McCullough, PLLC