

EPB FINANCIAL REPORT

2019 - 2020



TABLE OF CONTENTS

Letter from Warren Logan and David Wade	1
Board of Directors	2
EPB Senior Management	3
EPB Financial Highlights	4
Report of Independent Certified Public Accountants	8
EPB Management’s Discussion and Analysis	11
Financial Statements	19
Notes to Financial Statements	22
Required Supplementary Information	43
Supplementary Information	46
Independent Auditor’s Report on Internal Control	62

LETTER FROM

Warren Logan and David Wade



Letter from Warren Logan and David Wade

EPB's 2019-2020 Fiscal Year began with many continuing efforts to further enhance quality of life in our community such as helping local companies grow by utilizing our infrastructure and establishing a cutting-edge learning laboratory for the students of the Tyner Future Ready Academy. The year ended with efforts to help our community adapt to the COVID crisis and recover from the most devastating storm in our 85-year history.

There have been lots of bright spots between these bookends.

EPB became the first local company to be awarded the Gold Level LEED certification for an existing building.

We doubled our Gig customers thanks to our 100% fiber-to-the-home community-wide network, which is the best price and value in the market for customers to receive the world's fastest internet.

Along with our partners in the Chattanooga Smart Community Collaborative, EPB has helped bring \$110 million in federally funded research to our Gig City. This has led to Chattanooga being recognized in a book by a MIT professor, named a Digital Inclusion Trailblazer and winning a National Smart City Award.

For the second year in a row, EPB hosted the Department of Energy, ORNL and other national labs to field test Quantum Key Distribution. We are the only utility in the United States working with the federal government to help protect America's electric grid from cyberattacks.

When the COVID crisis began, EPB helped a number of Chattanooga area companies transition their employees from working on-site to their homes.

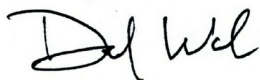
EPB partnered with Hamilton County Schools and other community organizations to provide free WiFi hot spots around town, to help families who don't have internet at home with online schooling, telehealth and other digital needs.

In partnership with TVA, we helped The United Way of Greater Chattanooga raise more than \$500K for the Restore Hope Fund to support our neighbors in need due to the COVID crisis.

As you read these stories about EPB's efforts, you will see our people working together to seize opportunities and face challenges in support of our mission to serve our customers. You will also see how we continue to build on our efforts to utilize Chattanooga's Smart Grid and community-wide fiber optic network to enhance our community in good times while helping our neighbors adapt and recover in hard times. That's our continuing commitment to our customers and our community both now and in the future.

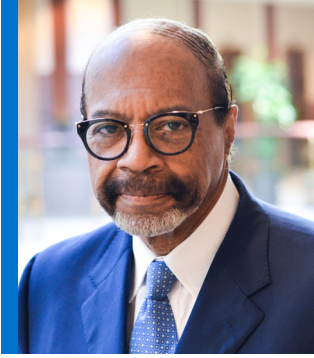


Warren Logan



David Wade

Board of Directors



Warren E. Logan, Jr.
Chairman



Vicky Gregg
Vice Chairman



John Foy
Member



Jon Kinsey
Member



Marcus Shaw
Member

Senior Management



David Wade
President & CEO



Greg Eaves
Executive VP & CFO



Kathy Burns
*Senior Vice President
Customer Relations*



Sandra Tilley
*Senior Vice President
Brand Strategies*



Marie Webb
*Senior Vice President
HR and Chief Talent
& Inclusion Officer*



Kade Abed
*Vice President
Field Operations*



Katie Espeseth
*Vice President
New Products*



Jim Ingraham
*Vice President
Strategic Research*



J.Ed. Marston
*Vice President
Marketing*



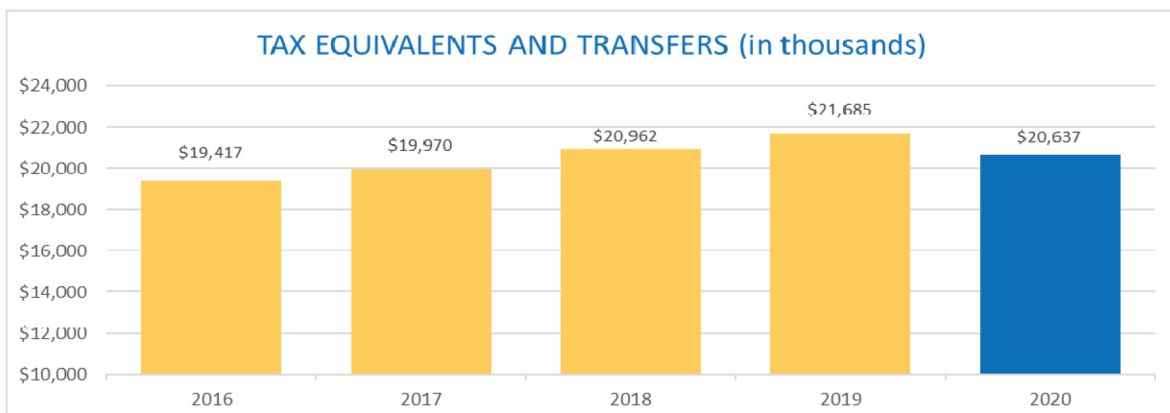
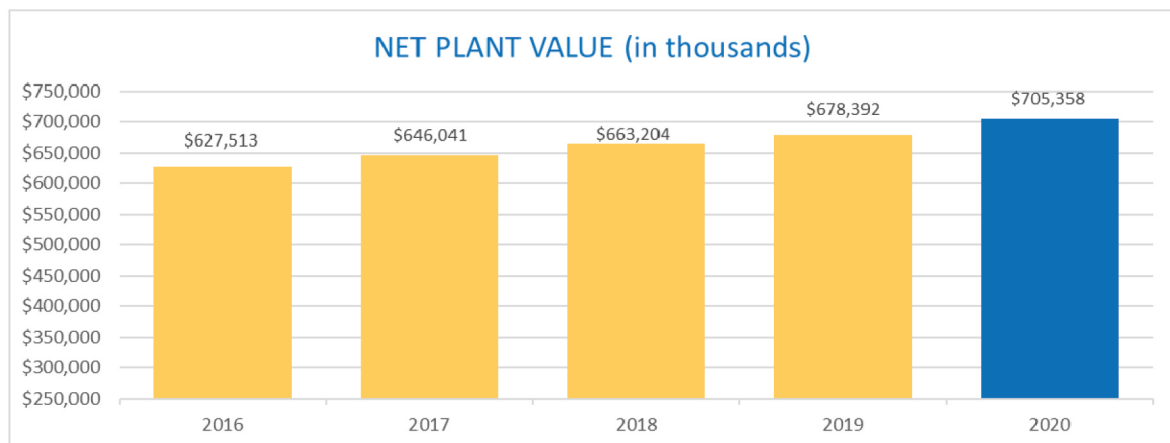
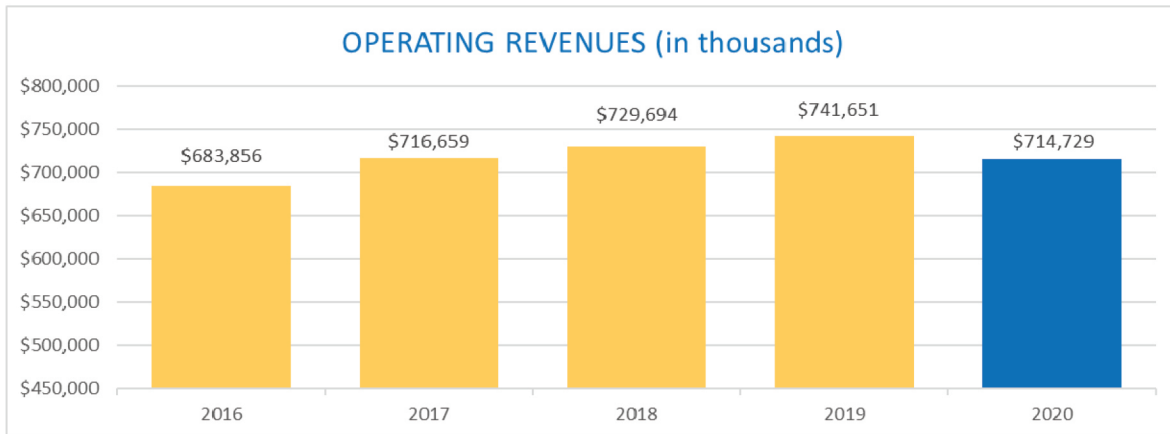
Ryan Keel
*Vice President
Technical Operations*

FINANCIAL HIGHLIGHTS



EPB Financial Highlights 2020

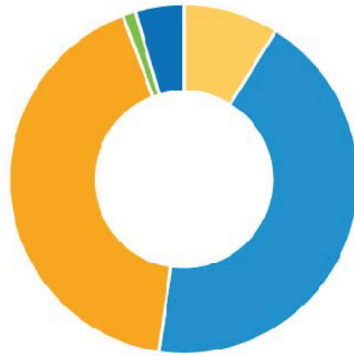
EPB operating revenues were \$714.7 million, a decrease of 3.6% from the previous year. This decrease was primarily due to a net decrease of approximately \$28.8 million in Electric sales revenues largely attributed to the COVID-19 pandemic and “shelter-in-place” order issued during a portion of FY 2020 which significantly impacted energy usage in the EPB service territory. Net plant value increased to \$705.4 million, an increase of 4.0% from the previous year due largely to the tornado event during April 2020 that required plant investment across the electric and fiber optics systems. Areas of plant investment included electric distribution assets and fiber optics communications equipment and wiring. EPB continues to be 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 approximately \$20.6 million, a decrease of 4.8% over the prior year but an increase of 6.3% in the last five years. The decrease during the current year is primarily due to the fact that many taxing districts within the state of Tennessee reduced the equalization ratio during 2020. The increases shown over the past five years are due mainly to the Electric System’s capital expenditures on the Smart Grid and the Fiber Optics System’s expenditures on communications and optical fiber equipment.



Electric System Financial Highlights 2020

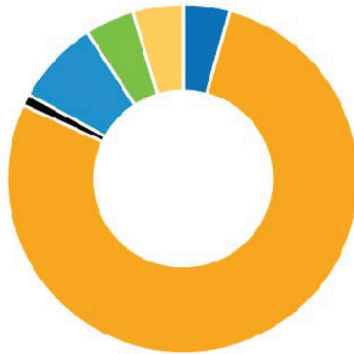
During 2020, EPB provided service to over 187,000 customers in a 600 square mile area. This represents an increase of approximately 2,400 customers from FY 2019. Total Electric System revenues were \$562.7 million, a decrease of 4.7% from FY 2019 due largely to COVID-19 impacts and the April 2020 tornado event. Total purchased power for the year resulted in \$417.0 million, a decrease of 5.7% from FY 2019. Purchased power was 78.5% of the total electric sales. Residential customers paid an average of 10.83 cents per kWh – 17.0% less than the national average during FY 2020. Net electric plant value totaled \$609.1 million while electric expenses and transfers to the City of Chattanooga totaled \$581.5 million.

Electric Revenues



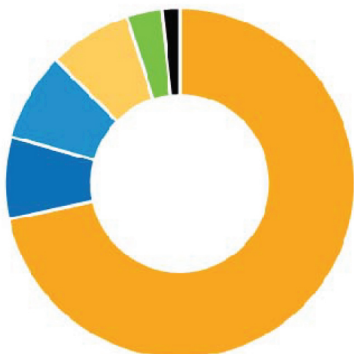
RESIDENTIAL	\$ 244,769,000	43.5%
LARGE COMMERCIAL	\$ 236,529,000	42.0%
SMALL COMMERCIAL	\$ 49,614,000	8.8%
OTHER REVENUES	\$ 25,187,000	4.5%
OUTDOOR LIGHTING	\$ 6,631,000	1.2%

Electric Net Plant



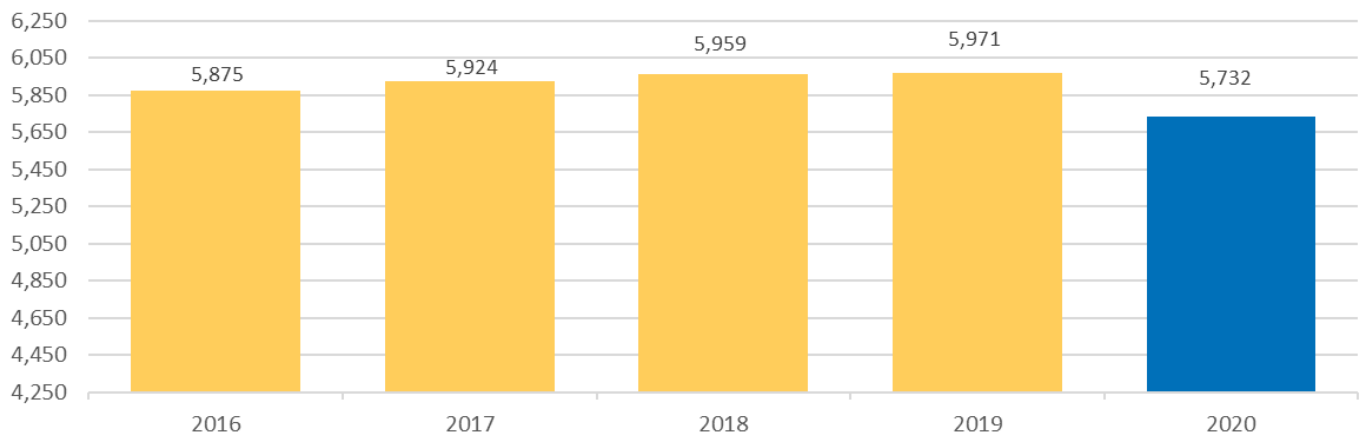
DISTRIBUTION	\$ 472,968,000	77.7%
BUILDINGS AND IMPROVEMENTS	\$ 47,811,000	7.9%
FURNITURE, FIXTURES, EQUIPMENT	\$ 28,018,000	4.6%
CONSTRUCTION IN PROCESS	\$ 27,654,000	4.5%
TRANSMISSION	\$ 26,062,000	4.3%
OTHER	\$ 6,539,000	1.0%

Electric Expenses

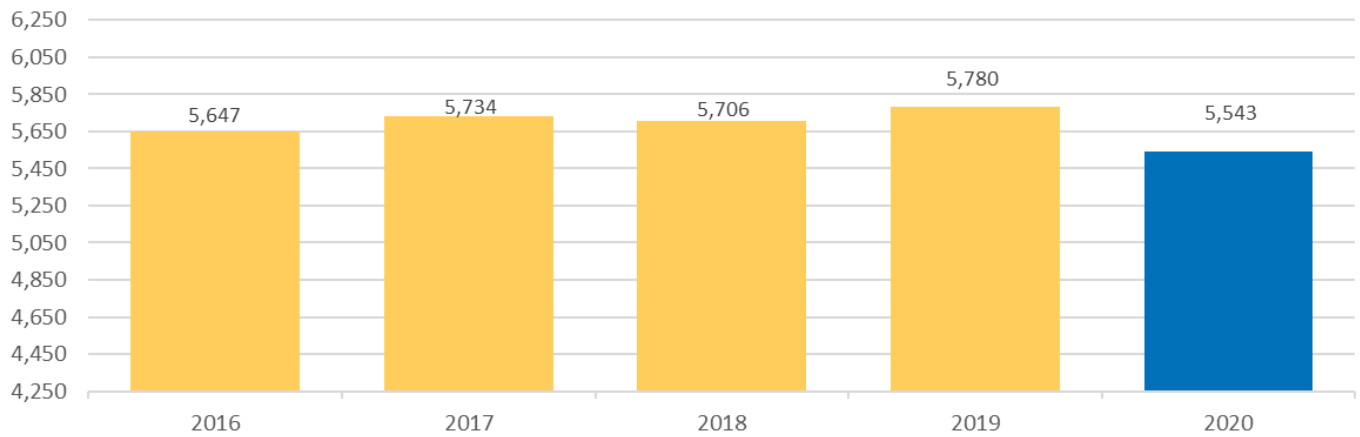


PURCHASED POWER	\$ 417,043,000	71.7%
MAINTENANCE EXPENSES	\$ 47,596,000	8.2%
DEPRECIATION EXPENSES	\$ 44,554,000	7.7%
OPERATION EXPENSES	\$ 43,990,000	7.6%
TAX EQUIVALENTS	\$ 18,766,000	3.2%
INTEREST EXPENSE AND CARRYING CHARGES	\$ 9,595,000	1.6%

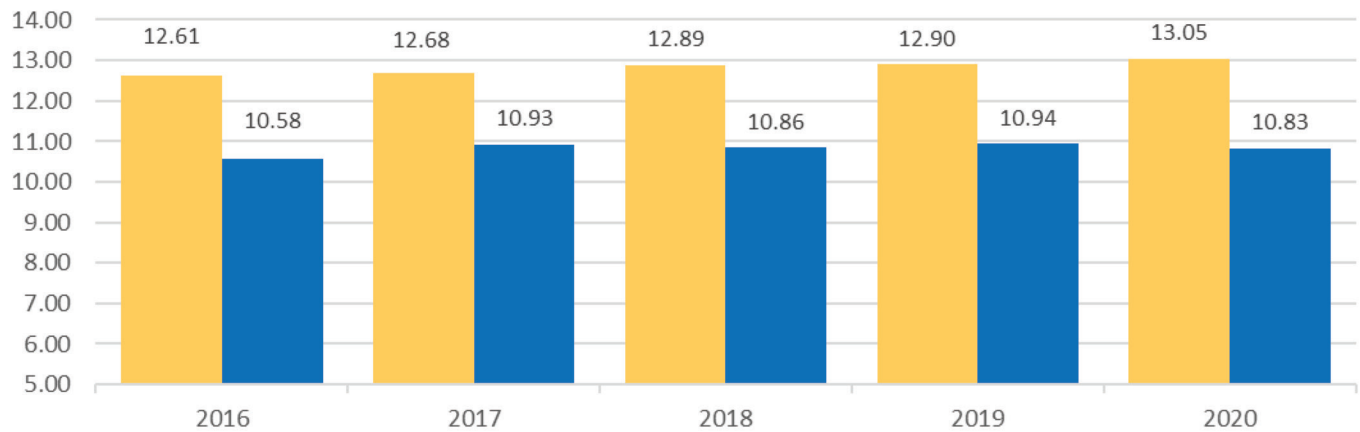
KILOWATT HOURS PURCHASED (in millions)



KILOWATT HOURS SOLD (in millions)



AVERAGE COST PER KWH PER RESIDENTIAL CUSTOMER (in cents)



* Source: U.S. Energy Information Administration

■ Nationwide*

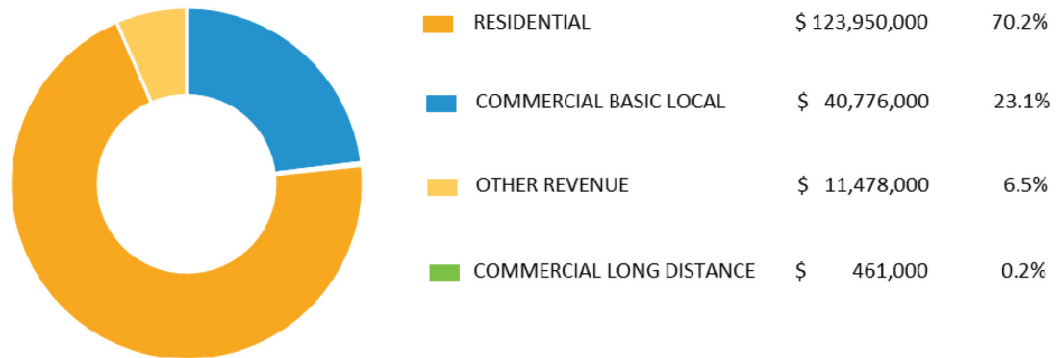
■ EPB

Table 5.3 -Average Retail Prices of Electricity to Ultimate Customers

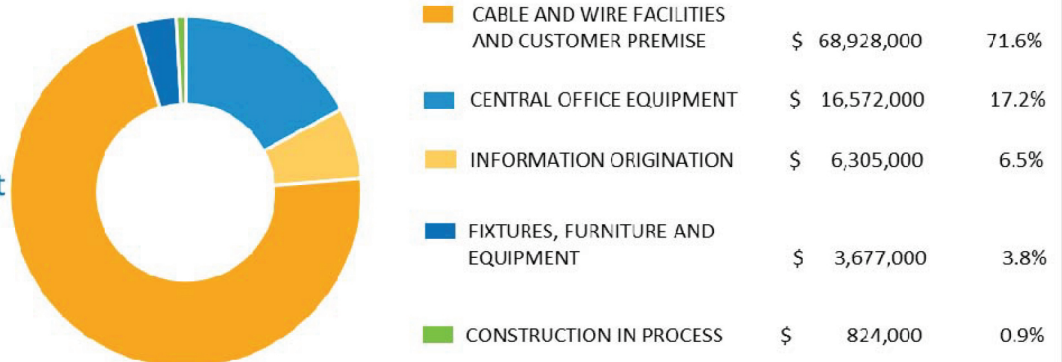
Fiber Optics Financial Highlights 2020

EPB Fiber Optics System increased its revenue from \$172.5 million in FY 2019 to \$176.7 million in FY 2020, an increase of \$4.2 million or 2.4%. This increase in revenues is due mainly to the growth in the number of customers for Fiber Optics residential services from over 95,000 to approximately 102,500 during FY 2020. The net plant grew from \$94.6 million in FY 2019 to \$96.3 million in FY 2020, an increase of 1.8%. 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 2020. Fiber Optics expenses and transfers to the City of Chattanooga totaled \$150.0 million.

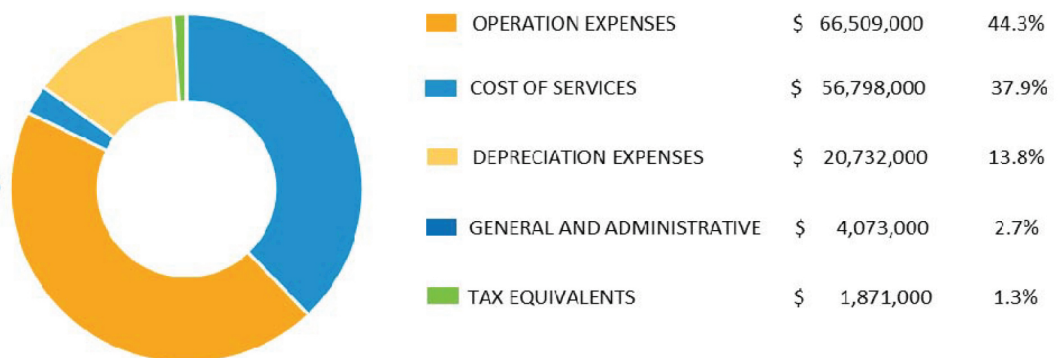
Fiber Optics Revenue



Fiber Optics Net Plant



Fiber Optics Expenses





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the **Electric Power Board of Chattanooga**, ("EPB", an enterprise fund of the City of Chattanooga, Tennessee), as of and for the years ended June 30, 2020 and June 30, 2019, and the related notes to the financial statements, which collectively comprise EPB's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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's 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 control 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EPB as of June 30, 2020 and June 30, 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally 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's discussion and analysis, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of EPB Contributions to Pension Plan, and Schedule of Changes in OPEB Liability and Related Ratios on pages 11-18, 43, 44, and 45, respectively 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 comprise EPB's basic financial statements. The Supplemental Schedules for Electric, Telecom, Video and Internet, and Fiber Optics Systems, Schedule of Expenditures of Federal Awards, Schedule of Bonds Payable, Letter from Joe Ferguson and David Wade, Board of Directors, EPB Senior Management, and EPB Financial Highlights are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Supplemental Schedules for Electric, Telecom, Video and Internet, and Fiber Optics Systems, Schedule of Expenditures of Federal Awards, and Schedule of Bonds Payable, 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, Schedule of Expenditures of Federal Awards and Schedule of Bonds Payable, are fairly stated in all material respects, in relation to the basic financial statements as a whole.

The Letter from Joe Ferguson and David Wade, Board of Directors, EPB Senior Management, and EPB Financial Highlights have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the EPB, an enterprise fund of the City of Chattanooga, and do not purport to, and do not present fairly the financial position of the City of Chattanooga, Tennessee, as of June 30, 2020 and June 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2020 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 solely 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 the effectiveness of EPB's 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.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
September 11, 2020

MANAGEMENT'S DISCUSSION & ANALYSIS



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 Fiscal Year (FY) ended June 30, 2020. Please read it in conjunction with EPB's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- EPB's total net position was \$461.1 million, an increase of 1.7%
- During the year consolidated electric sales were \$539.9 million, a decrease of 5.4% from FY 2019; consolidated fiber optics sales were \$174.8 million, an increase of 2.2%.
- Total consolidated operating expenses were \$692.2 million, an increase of approximately 0.5%

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 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)

	FY 2020	FY 2019	FY 2018
Assets and Deferred Outflows, Excluding Utility Plant	\$ 222,974	\$ 239,379	\$ 229,261
Utility Plant, net	705,358	678,392	663,204
Total Assets and Deferred Outflows	928,332	917,771	892,465
Bonds Outstanding	260,042	272,436	284,391
Other Liabilities and Deferred Inflows	207,181	192,094	191,714
Total Liabilities and Deferred Inflows	467,223	464,530	476,105
Invested in Utility Plant,			
Net of Related Debt	456,345	417,873	391,620
Unrestricted Net Position	4,764	35,368	24,740
Total Net Position	461,109	453,241	416,360
Total Liabilities, Deferred Inflows and Net Position	\$ 928,332	\$ 917,771	\$ 892,465

Fiscal Year 2020 Compared to Fiscal Year 2019

Net position increased \$7.9 million to \$461.1 million in FY 2020, up from \$453.2 million in FY 2019. Net position increases were caused by an increase of \$27.0 million in Utility Plant. Offsetting this were Net position decreases due to increases in Other Liabilities and Deferred Inflows of \$15.1 million. Other changes represented a net decrease in position of \$4.0 million.

Fiscal Year 2019 Compared to Fiscal Year 2018

Net position increased \$36.9 million to \$453.2 million in FY 2019, up from \$416.4 million in FY 2018. The largest changes in net position were due to an increase of \$15.2 million in Utility Plant and increases in Cash and Investments of \$13.7 million. The net position was further aided by decreases of \$12.0 million in bonds outstanding. Other changes represented a net decrease in position of \$4.0 million.

**Table 2 - Condensed Statements of Revenues, Expenses, and Changes in Net Position
(in thousands of dollars)**

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.

	FY 2020	FY 2019	FY 2018
Operating Revenues:			
Electric Sales	\$ 531,285	\$ 560,050	\$ 557,293
Electric Other Operating Revenues	8,612	10,526	9,765
Fiber Optics Sales	162,880	156,815	148,627
Fiber Optics Other Operating Revenues	11,952	14,260	14,009
Total	714,729	741,651	729,694
Operating Expenses:			
Electric	508,021	510,912	502,324
Fiber Optics	105,422	103,530	97,467
Provision for Depreciation	65,286	60,594	57,060
Tax Equivalents	13,444	14,067	13,615
Total	692,173	689,103	670,466
Non-Operating Revenues (Expenses)	(8,745)	(9,800)	(10,271)
Income before Transfers and Contributions	13,811	42,748	48,957
Tax Equivalents Transferred to the City of Chattanooga	(7,193)	(7,618)	(7,347)
Contributions	1,250	1,751	2,178
Change in Net Position	7,868	36,881	43,788
Beginning Net Position	453,241	416,360	372,572
Ending Net Position	\$ 461,109	\$ 453,241	\$ 416,360

Fiscal Year 2020 Compared to Fiscal Year 2019

As shown in Table 2 above, the income before transfers and contributions of \$13.8 million combined with the contributions in aid of construction of \$1.3 million and tax equivalents of \$7.2 million accrued to the City of Chattanooga, resulted in an increase in net position of \$7.9 million for FY 2020.

A closer examination of the sources of changes in net position reveals electric sales decreased \$28.8 million as compared to FY 2019. This decrease was primarily due to the COVID-19 pandemic and “shelter-in-place” order issued during a portion of FY 2020 which significantly impacted energy usage in the EPB service territory. EPB also waived late fees for electric customers from March to June of FY 2020. Additionally, electric operating expenses, excluding depreciation and tax equivalents, decreased by \$2.9 million in FY 2020 to \$508.0 million from \$510.9 million in FY 2019. This decrease was primarily due to a decrease of \$25.3 million related to power purchased from TVA which coincides with the revenue decreases noted above related to the COVID-19 pandemic and “shelter-in-place” order. Offsetting the decreases in purchased power, there was a significant storm event in April 2020 that caused increased operation and maintenance expenses of \$20.9 million during FY 2020.

Fiber Optics operating sales increased by \$6.1 million to \$162.9 million in FY 2020 from \$156.8 million in FY 2019 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 \$1.9 million, a 1.8% increase in FY 2020 due mainly to increased expense allocations from the Electric System for shared resources and access to the fiber network totaling \$5.1 million. The increased allocations were largely related to the continued rise in Fiber Optics customers as over 7,500 new customers were added during the year. Offsetting these increased allocations, there was a decrease in cost of goods of \$2.0 million in FY 2020 to \$56.8 million from \$58.8 million in FY 2019.

Expenses for tax equivalents and transfers to municipal governments including transfers to the City of Chattanooga were \$20.6 million in FY 2020 and \$21.7 million in FY 2019. 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%. The decrease in tax equivalents and transfers to municipal governments was due to the fact that a large number of taxing districts within Tennessee reduced the equalization ratio for FY 2020.

Depreciation expense increased to \$65.3 million in FY 2020 from \$60.6 million in FY 2019, an increase of 7.7%. This increase is largely related to the increase in Plant Assets from FY 2019 to FY 2020.

Fiscal Year 2019 Compared to Fiscal Year 2018

As shown in Table 2 above, the income before transfers and contributions of \$42.7 million combined with the contributions in aid of construction of \$1.8 million and tax equivalents of \$7.6 million accrued to the City of Chattanooga, resulted in an increase in net position of \$36.9 million for FY 2019.

A closer examination of the sources of changes in net position reveals electric sales increased \$2.8 million. Additionally, electric operating expenses, excluding depreciation and tax equivalents, increased by \$8.6 million in FY 2019 to \$510.9 million from \$502.3 million in FY 2018. This increase was primarily due to \$6.4 million more purchased power from TVA due primarily to weather conditions along with \$1.2 million of increased healthcare spending and \$0.5 million in increased marketing spending.

Fiber Optics operating sales increased by \$8.2 million to \$156.8 million in FY 2019 from \$148.6 million in FY 2018 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 \$6.1 million, a 6.2% increase in FY 2019 due mainly to increased expense allocations from the Electric System for shared resources and access to the fiber network totaling \$6.3 million. The increased allocations were largely related to the continued rise in Fiber Optics customers as over 5,500 new customers were added during the year.

Expenses for tax equivalents and transfers to municipal governments including transfers to the City of Chattanooga were \$21.7 million in FY 2019 and \$21.0 million in FY 2018. 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%.

Depreciation expense increased to \$60.6 million in FY 2019 from \$57.1 million in FY 2018, an increase of 6.2%. This increase is largely related to the increase in Plant Assets from FY 2018 to FY 2019.

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 budget comparison is presented in Table 3 below. Intercompany activity was eliminated from the budget figures for proper comparison to the actual consolidated balances.

Table 3 - Actual vs. Budget (in thousands of dollars)

	Actual FY 2020	Budget FY 2020	Actual FY 2019	Budget FY 2019
Operating Revenues:				
Electric Sales	\$ 531,285	\$ 564,096	\$ 560,050	\$ 565,810
Other Electric Revenue	8,612	10,200	10,526	9,769
Subtotal	539,897	574,296	570,576	575,579
Fiber Optics Sales	162,880	158,657	156,815	154,107
Other Fiber Optics Revenue	11,952	14,169	14,260	14,476
Subtotal	174,832	172,826	171,075	168,583
Total	714,729	747,122	741,651	744,162
Operating Expenses:				
Electric	508,021	518,378	510,912	517,832
Fiber Optics	105,422	108,791	103,530	103,892
Provision for Depreciation	65,286	65,660	60,594	60,659
Tax Equivalents	13,444	14,224	14,067	13,907
Total	692,173	707,053	689,103	696,290
Non-Operating Revenues (Expenses)	(8,745)	(8,442)	(9,800)	(9,301)
Income before Transfers and Contributions	13,811	31,627	42,748	38,571
Tax Equivalents Transferred to the City of Chattanooga	(7,193)	(7,718)	(7,618)	(7,485)
Contributions	1,250	1,878	1,751	1,083
Change in Net Position	\$ 7,868	\$ 25,787	\$ 36,881	\$ 32,169
Capital Expenditures (net of contributions)				
Electric	\$ 71,204	\$ 58,305	\$ 53,755	\$ 54,233
Fiber Optics	22,397	22,082	23,269	27,495
Total Capital Expenditures	\$ 93,601	\$ 80,387	\$ 77,024	\$ 81,728

FY 2020 Actual vs. Budget

The Electric System's revenues were \$34.4 million below budget due mainly to the COVID-19 pandemic and "shelter-in-place" order issued for a portion of FY 2020. In addition, we also experienced a major storm event in April 2020 and milder than expected weather throughout FY 2020. Electric operating expenses were lower than budget by \$10.4 million due mainly to a decrease of \$25.3 million related to power purchased from TVA which coincides with the revenue decreases noted above related to the COVID-19 pandemic and "shelter-in-place" order. Offsetting the decreases in purchased power, there was a significant storm event in April 2020 that caused increased operation and maintenance expenses of \$20.9 million during FY 2020.

The Fiber Optics System's total operating revenues were \$2.0 million above budget. Fiber Optics System's expenses were lower than budget by \$3.4 million, a decrease of 1.8% due mainly to decreases in costs of goods sold for Fiber Optics products during FY 2020 as compared to FY 2019.

FY 2019 Actual vs. Budget

The Electric System's revenues were \$5.0 million below budget due mainly to significantly milder than expected weather throughout FY 2019. Electric operating expenses were lower than budget by \$6.9 million due mainly to purchased power expense which was also affected by the significantly milder than expected weather noted above.

The Fiber Optics System's total operating revenues were above budget by \$2.5 million, an increase of 1.5% due mainly to more customers being added in FY 2019 than budgeted. Fiber Optics System's expenses were lower than budget by \$0.4 million, a decrease of 0.3%.

UTILITY PLANT

Net Utility Plant 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 below shows a comparison. As shown in Table 4 below, EPB had \$705.4 million, \$678.4, and \$663.2 million in net utility plant for FY 2020, FY 2019 and FY 2018, respectively.

Table 4 - Utility Plant (in thousands of dollars)

	FY 2020	FY 2019	FY 2018
ELECTRIC			
Intangible Plant	\$ 63	\$ 75	\$ 87
Transmission	52,386	53,429	54,638
Distribution	702,525	686,442	674,049
Land & land rights	6,499	6,501	6,499
Buildings & improvements	67,641	66,391	67,244
Furniture, fixtures & equipment	94,538	85,233	78,343
Construction work in progress	27,654	12,169	13,196
Total	951,306	910,240	894,056
Less: Accumulated depreciation	(342,254)	(326,488)	(321,942)
Electric Total	\$ 609,052	\$ 583,752	\$ 572,114
FIBER OPTICS			
Central office equipment	\$ 31,802	\$ 29,501	\$ 26,099
Information origination/termination	12,397	12,586	10,271
Cable & wire facilities	144	148	155
Furniture, fixtures & equipment	6,845	4,676	4,417
Customer premises wiring	92,346	92,878	83,290
Customer premises equipment	21,781	19,356	17,490
Construction work in progress	824	2,219	4,336
Total	166,139	161,364	146,058
Less: Accumulated depreciation	(69,833)	(66,724)	(54,968)
Fiber Optics Total	\$ 96,306	\$ 94,640	\$ 91,090
Net Utility Plant	\$ 705,358	\$ 678,392	\$ 663,204

DEBT ADMINISTRATION

As of year-end, EPB Electric System had \$260.0 million in bond debt outstanding compared to \$272.4 in FY 2019 and \$284.4 million FY 2018. These bonds were rated AA+ by Fitch and AA by Standard & Poor's at fiscal year-end.

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 2.6x. This represents a decrease from 3.8x in FY 2019 and FY 2018.

The Debt Coverage Ratio was significantly affected by the FEMA declared storm during April 2020 which negatively impacted operating expenses by \$20.9 million during FY 2020. Without this FEMA event, the Debt Service Coverage Ratio for the year would have been 3.6x for FY 2020.

Table 5 - Electric System Debt Coverage Analysis (in thousands of dollars)

	2020	2019	2018
Revenues			
Electric Revenue	\$ 561,855	\$ 589,694	\$ 582,689
Interest Income	742	1,110	647
Other Income	133	111	181
Total Revenue	562,730	590,915	583,517
Expenses			
Purchased Power	417,043	442,352	435,995
Operating Expenses	90,237	67,864	65,695
Total Operation Expenses	507,280	510,216	501,690
(excluding depreciation and tax equivalent payments)			
Funds Available for Debt Service	\$ 55,450	\$ 80,699	\$ 81,827
Debt Service			
Interest Paid on Long-Term Debt	\$ 10,662	\$ 11,127	\$ 11,546
Principal Payments	10,645	10,205	9,835
Total Debt Service	\$ 21,307	\$ 21,332	\$ 21,381
Debt Coverage Ratio	2.6	3.8	3.8

The Electric System line of credit of \$50.0 million was renewed in May 2020 and will mature in May 2021. The balance on the line of credit at the end of FY 2020 was \$13.0 million. There were no balances outstanding on the line of credit at the end of FY 2019 and FY 2018.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

EPB's Board of Directors and Management considered many factors when setting FY 2021 budget and rates. One of those factors is the local economy and EPB's related impact on local industries. The pandemic's financial impact on Electric Power Board of Chattanooga is continuously being monitored. We are taking appropriate steps to maintain liquidity and financial strength in this ever-changing environment. EPB's budget is based upon a statistical model using historical load data to estimate growth and average kilowatt-hour sales per customer class. These estimates are adjusted by any known data, such as changes anticipated by a large industrial customer.

In FY 2021, EPB Fiber Optics plans to continue its strong financial performance by providing exceptional and reliable Fiber Optics services to residential and commercial customers, as well as developing solutions to meet emerging customer needs.

The EPB Electric System budget for FY 2021 includes the allocation of capital for fiber installations to support the Smart Grid, as well as Information Technology 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, new building facilities, as well as the purchase of equipment to support the success of our hosted telephone solution.

ELECTRIC SYSTEM UNRESTRICTED NET POSITION DEFICIT

As of June 30, 2020, the Electric System showed a deficiency in Unrestricted Net Position of \$20.7M. This deficit is primarily due to a FEMA declared storm that damaged a significant portion of the electric system in April 2020. At June 30, 2020, EPB recorded approximately \$37.5M of capital and O&M expenditures related to this storm that negatively affected the Unrestricted Net Position. Without this FEMA event, the Unrestricted Net Position of the Electric System would show a surplus of \$16.8M. We anticipate reimbursement of approximately 75% of covered charges from FEMA which will be recorded in a subsequent period and result in an associated increase to Unrestricted Net Position.

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



ELECTRIC POWER BOARD OF CHATTANOOGA
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2020 AND 2019

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 91,459,000	\$ 104,366,000
Investments	10,366,000	6,145,000
Accounts receivable, less allowance for doubtful accounts of \$3,503,000 and \$1,617,000 in 2020 and 2019, respectively	26,542,000	32,179,000
Unbilled electric sales	29,256,000	34,138,000
Materials and supplies, at average cost	15,693,000	13,422,000
Prepayments and other current assets	7,436,000	6,402,000
Total Current Assets	180,752,000	196,652,000
NON-CURRENT ASSETS		
Investments	7,248,000	14,076,000
Utility plant -		
Utility plant	1,117,445,000	1,071,604,000
Less - accumulated provision for depreciation	(412,087,000)	(393,212,000)
Net utility plant	705,358,000	678,392,000
Other non-current assets	1,704,000	1,932,000
Accrued post-employment benefit asset	2,756,000	352,000
Total Non-Current Assets	717,066,000	694,752,000
DEFERRED OUTFLOWS OF RESOURCES		
Deferred bond defeasance outflows	11,029,000	11,917,000
Deferred pension outflows	14,497,000	12,731,000
Deferred OPEB outflows	4,988,000	1,719,000
Total Deferred Outflows of Resources	30,514,000	26,367,000
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 928,332,000	\$ 917,771,000
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable -		
Tennessee Valley Authority, for power purchased	\$ 63,254,000	\$ 74,420,000
Other	26,674,000	21,893,000
Customer deposits	3,279,000	3,691,000
Revenue bonds, current portion	11,130,000	10,645,000
Accrued tax equivalents	20,479,000	21,533,000
Accrued interest payable	3,474,000	3,634,000
Unearned revenue	6,323,000	6,116,000
Line of credit	13,000,000	--
Other current liabilities	15,730,000	14,166,000
Total Current Liabilities	163,343,000	156,098,000
NON-CURRENT LIABILITIES		
Revenue bonds, net	248,912,000	261,791,000
Net pension liability	17,280,000	14,361,000
Customer deposits	23,112,000	21,657,000
Other non-current liabilities	3,643,000	4,079,000
Total Non-Current Liabilities	292,947,000	301,888,000
DEFERRED INFLOWS OF RESOURCES		
Deferred OPEB inflows	10,933,000	6,544,000
NET POSITION		
Net investment in capital assets	456,345,000	417,873,000
Unrestricted	4,764,000	35,368,000
Total Net Position	461,109,000	453,241,000
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 928,332,000	\$ 917,771,000

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

ELECTRIC POWER BOARD OF CHATTANOOGA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Electric sales		
Residential	\$ 244,769,000	\$ 252,130,000
Small commercial and power	49,614,000	51,511,000
Large commercial and power	236,529,000	253,649,000
Outdoor lighting systems	6,631,000	6,720,000
Total billed electric sales	<u>537,543,000</u>	<u>564,010,000</u>
Change in unbilled electric sales	(4,882,000)	(3,330,000)
Less uncollectible electric sales	(1,376,000)	(630,000)
Total electric sales	<u>531,285,000</u>	<u>560,050,000</u>
Fiber optics sales		
Billed fiber optics revenues	164,579,000	157,899,000
Less uncollectible fiber optics revenues	(1,699,000)	(1,084,000)
Total fiber optics sales	<u>162,880,000</u>	<u>156,815,000</u>
Other operating revenues	20,564,000	24,786,000
Total operating revenues	<u>714,729,000</u>	<u>741,651,000</u>
 OPERATING EXPENSES		
Operation		
Power purchased from Tennessee Valley Authority	417,043,000	442,352,000
Other operation expenses	43,382,000	42,694,000
Maintenance	47,596,000	25,866,000
Fiber optic operating expenses	105,422,000	103,530,000
Provision for depreciation	65,286,000	60,594,000
City, county, and state tax equivalents	13,444,000	14,067,000
Total operating expenses	<u>692,173,000</u>	<u>689,103,000</u>
 Net operating income	 22,556,000	 52,548,000
 NON-OPERATING REVENUES (EXPENSES)		
Interest revenue on invested funds	1,699,000	1,673,000
Interest expense	(9,327,000)	(9,833,000)
Other, net	133,000	111,000
Plant cost recovered through contributions in aid of construction	(1,250,000)	(1,751,000)
Total non-operating revenues (expenses)	<u>(8,745,000)</u>	<u>(9,800,000)</u>
 INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	 13,811,000	 42,748,000
Tax equivalents transferred to the City of Chattanooga	(7,193,000)	(7,618,000)
Contributions in aid of construction	1,250,000	1,751,000
 CHANGE IN NET POSITION	 7,868,000	 36,881,000
 NET POSITION, BEGINNING OF YEAR	 <u>453,241,000</u>	 <u>416,360,000</u>
 NET POSITION, END OF YEAR	 <u>\$ 461,109,000</u>	 <u>\$ 453,241,000</u>

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

ELECTRIC POWER BOARD OF CHATTANOOGA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 747,268,000	\$ 761,766,000
Payments to suppliers for goods and services	(590,304,000)	(583,058,000)
Payments to employees for services	(51,025,000)	(47,763,000)
Payments in lieu of taxes	(14,498,000)	(13,306,000)
Net cash provided by operating activities	91,441,000	117,639,000
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(7,193,000)	(7,618,000)
Miscellaneous non-operating expense, net	154,000	193,000
Net cash used in noncapital financing activities	(7,039,000)	(7,425,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(92,548,000)	(77,857,000)
Removal cost	(2,365,000)	(1,296,000)
Salvage	376,000	662,000
Contributions in aid of construction	1,250,000	1,751,000
Proceeds from line of credit	13,000,000	--
Bond principal payment	(10,645,000)	(10,205,000)
Bond interest payment	(10,662,000)	(11,127,000)
Unused Line of Credit Fees	(20,000)	(80,000)
Net cash used in capital and related financing activities	(101,614,000)	(98,152,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	3,104,000	7,000,000
Purchases of investments	--	(22,086,000)
Interest on investments	1,201,000	1,504,000
Net cash provided by (used in) investing activities	4,305,000	(13,582,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(12,907,000)	(1,520,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	104,366,000	105,886,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 91,459,000	\$ 104,366,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 22,556,000	\$ 52,548,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	66,635,000	61,835,000
Changes in assets and liabilities:		
Accounts receivable, net	5,637,000	(129,000)
Unbilled electric sales	4,882,000	3,330,000
Materials and supplies	(2,271,000)	144,000
Prepayments and other current assets	(1,034,000)	866,000
Other charges	228,000	104,000
Accounts payable, net	(6,385,000)	(3,883,000)
Customer deposits	1,043,000	891,000
Accrued tax equivalents	(1,054,000)	745,000
Unearned revenue	207,000	187,000
Other current liabilities	1,564,000	1,623,000
Other non-current liabilities	(436,000)	(81,000)
Net pension liability and deferred outflows of resources	1,153,000	460,000
Accrued post-employment benefits and deferred outflows and inflows of resources	(1,284,000)	(1,001,000)
Net cash provided by operating activities	\$ 91,441,000	\$ 117,639,000

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

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

NOTE ONE - 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 provides electric power (the "Electric System") to over 188,000 homes and businesses in a 600 square-mile area that includes greater Chattanooga, as well as parts of surrounding counties and areas of North 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 2020, EPB had over 102,000 residential customers and 8,000 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.

NOTE TWO – 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.

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 and liabilities 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 and long-term investments in federal agency bonds and notes, commercial paper, investment in the State of Tennessee Local Government Investment Pool, and accounts receivable. All financial instruments are carried at fair value as determined by market prices at June 30, 2020 and 2019.

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.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

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 6.21% in 2020 and 5.95% in 2019.

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.

Revenues and Expenses

Electric 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 and grant revenues. Non-operating expenses consist of interest expense on indebtedness and various miscellaneous expenses.

Fiber optics revenues are recognized on the accrual basis at the time services are provided. Operating revenues include service sales net of bad debt expense and miscellaneous revenue related to fiber optics operations. This miscellaneous revenue includes ad revenue, late payment fees, wholesale revenue and rental income. Operating expenses include those expenses that result from the ongoing operation of the fiber optics systems. 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, and 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 they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation, with no effect on net position or change in net position.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

NOTE THREE - 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. All LGIP, money market, certificate of deposit accounts, and commercial paper with maturities 90 days or less are classified as cash and cash equivalents for reporting purposes.

At June 30, 2020, EPB had the following investments and maturities (in thousands):

Investments	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)	\$ 7	\$ 7	\$ -	\$ -
Money Market Accounts	80,551	80,551	-	-
Certificates of Deposit	17,614	10,366	7,248	-
Total	<u>\$ 98,172</u>	<u>\$ 90,924</u>	<u>\$ 7,248</u>	<u>\$ -</u>

At June 30, 2019, EPB had the following investments and maturities (in thousands):

Investments	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)	\$ 141	\$ 141	\$ -	\$ -
Money Market Accounts	89,471	89,471	-	-
Certificates of Deposit	22,309	10,212	6,048	6,049
Commercial Paper	2,000	2,000	-	-
Bonds	3,110	1,131	-	1,979
Total	<u>\$ 117,031</u>	<u>\$ 102,955</u>	<u>\$ 6,048</u>	<u>\$ 8,028</u>

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, 2020 and 2019 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).

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

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.

Fair Value Measurements

EPB categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

EPB has the following recurring fair value measurements as of June 30, 2020:

- Certificate of Deposits of \$17.6 million are valued using the carrying amount, including accrued interest earned, as a reasonable estimate of fair value (Level 1 inputs).

EPB has the following recurring fair value measurements as of June 30, 2019:

- United States Treasury Bonds of \$3.1 million are valued using the principal cost plus any amortized discounts and premiums and accrued interest as a reasonable estimate of fair value (Level 1 inputs).
- Certificate of Deposits of \$22.3 million are valued using the carrying amount, including accrued interest earned, as a reasonable estimate of fair value (Level 1 inputs).

Custodial Credit Risk

At June 30, 2020 and 2019, 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, 2020 and 2019, 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

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

Investments by issuer and percentage of total investments at June 30, 2020 and 2019 were as follows:

Issuer	Investment Type	June 30, 2020	June 30, 2019
State of Tennessee	Local Government Investment Pool	0.01%	0.12%
BB&T Bank	Money Market Accounts	0.06%	0.05%
Capstar Bank	Money Market Accounts & CD's	4.35%	3.54%
United States Treasury	Treasury Bills & Bonds	0.00%	2.66%
First Bank	Money Market Accounts	10.07%	2.72%
First Volunteer Bank	Money Market Accounts	0.01%	0.01%
Pinnacle Financial Partners	Money Market Accounts	53.26%	66.41%
Regions Bank	Money Market Accounts	0.02%	0.04%
SmartBank	Money Market Accounts & CD's	6.99%	8.28%
SunTrust Bank	Money Market Accounts	13.31%	0.07%
JP Morgan Securities LLC	Commercial Paper	0.00%	1.71%
Reliant Bank	Money Market Accounts & CD's	8.76%	11.80%
Tower Community Bank	Money Market Accounts & CD's	3.16%	2.59%

NOTE FOUR - UTILITY PLANT

Electric utility plant assets activity for the year ended June 30, 2020 was as follows (in thousands):

ELECTRIC ASSET COST	June 30, 2019	Additions	Retirements And Other	June 30, 2020
Non-Depreciable Assets:				
Land & Land Rights	\$ 6,501	\$ -	\$ (2)	\$ 6,499
Construction Work In Progress	12,169	15,485	-	27,654
Depreciable Assets:				
Intangible Plant	75	-	(12)	63
Transmission	53,429	701	(1,744)	52,386
Distribution	686,442	38,566	(22,483)	702,525
Buildings & Improvements	66,391	3,303	(2,053)	67,641
Furniture, Fixtures, & Equipment	85,233	11,266	(1,961)	94,538
Electric Total Asset Cost	\$ 910,240	\$ 69,321	\$ (28,255)	\$ 951,306

ELECTRIC ACCUMULATED DEPRECIATION	June 30, 2019	Additions	Retirements And Other	June 30, 2020
Intangible Plant	\$ 28	\$ 7	\$ (12)	\$ 23
Transmission	26,447	1,777	(1,900)	26,324
Distribution	223,926	30,049	(24,418)	229,557
Buildings & Improvements	19,635	2,249	(2,054)	19,830
Furniture, Fixtures, & Equipment	56,452	11,821	(1,753)	66,520
Electric Total Accumulated Depreciation	\$ 326,488	\$ 45,903	\$ (30,137)	\$ 342,254
Electric Total Net Utility Plant	\$ 583,752	\$ 23,418	\$ 1,882	\$ 609,052

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

Fiber Optics utility plant assets activity for the year ended June 30, 2020 was as follows (in thousands):

FIBER OPTICS ASSET COST	June 30, 2019	Additions	Retirements And Other	June 30, 2020
Non-Depreciable Assets:				
Construction Work In Progress	\$ 2,219	\$ (1,395)	\$ -	\$ 824
Depreciable Assets:				
Central Office Equipment	29,501	4,736	(2,435)	31,802
Information Origination/Termination	12,586	2,820	(3,009)	12,397
Cable & Wire Facilities	148	-	(4)	144
Furniture, Fixtures, & Equipment	4,676	2,258	(89)	6,845
Customer Premise Wiring	92,878	12,263	(12,795)	92,346
Customer Premise Equipment	19,356	1,613	812	21,781
Fiber Optics Total Asset Cost	\$ 161,364	\$ 22,295	\$ (17,520)	\$ 166,139

FIBER OPTICS ACCUMULATED DEPRECIATION	June 30, 2019	Additions	Retirements And Other	June 30, 2020
Central Office Equipment	\$ 14,760	\$ 2,905	\$ (2,435)	\$ 15,230
Information Origination/Termination	6,440	2,661	(3,009)	6,092
Cable & Wire Facilities	30	2	(5)	27
Furniture, Fixtures, & Equipment	2,681	576	(89)	3,168
Customer Premise Wiring	28,865	7,770	(2,685)	33,950
Customer Premise Equipment	13,948	6,818	(9,400)	11,366
Fiber Optics Total Accumulated Depreciation	\$ 66,724	\$ 20,732	\$ (17,623)	\$ 69,833
Fiber Optics Total Net Utility Plant	\$ 94,640	\$ 1,563	\$ 103	\$ 96,306

TOTAL NET UTILITY PLANT	\$ 678,392	\$ 24,981	\$ 1,985	\$ 705,358
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Electric utility plant assets activity for the year ended June 30, 2019 was as follows (in thousands):

ELECTRIC ASSET COST	June 30, 2018	Additions	Retirements And Other	June 30, 2019
Non-Depreciable Assets:				
Land & Land Rights	\$ 6,499	\$ 2	\$ -	\$ 6,501
Construction Work In Progress	13,196	(1,027)	-	12,169
Depreciable Assets:				
Intangible Plant	87	-	(12)	75
Transmission	54,638	523	(1,732)	53,429
Distribution	674,049	39,525	(27,132)	686,442
Buildings & Improvements	67,244	1,200	(2,053)	66,391
Furniture, Fixtures, & Equipment	78,343	13,110	(6,220)	85,233
Electric Total Asset Cost	\$ 894,056	\$ 53,333	\$ (37,149)	\$ 910,240

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

ELECTRIC ACCUMULATED DEPRECIATION	June 30, 2018	Additions	Retirements And Other	June 30, 2019
Intangible Plant	\$ 33	\$ 8	\$ (13)	\$ 28
Transmission	26,383	1,823	(1,759)	26,447
Distribution	224,962	26,923	(27,959)	223,926
Buildings & Improvements	19,450	2,274	(2,089)	19,635
Furniture, Fixtures, & Equipment	51,114	11,088	(5,750)	56,452
Electric Total Accumulated Depreciation	<u>\$ 321,942</u>	<u>\$ 42,116</u>	<u>\$ (37,570)</u>	<u>\$ 326,488</u>
Electric Total Net Utility Plant	<u>\$ 572,114</u>	<u>\$ 11,217</u>	<u>\$ 421</u>	<u>\$ 583,752</u>

Fiber Optics utility plant assets activity for the year ended June 30, 2019 was as follows (in thousands):

FIBER OPTICS ASSET COST	June 30, 2018	Additions	Retirements And Other	June 30, 2019
Non-Depreciable Assets:				
Construction Work In Progress	\$ 4,336	\$ (2,117)	\$ -	\$ 2,219
Depreciable Assets:				
Central Office Equipment	26,099	5,836	(2,434)	29,501
Information Origination/Termination	10,271	2,905	(590)	12,586
Cable & Wire Facilities	155	-	(7)	148
Furniture, Fixtures, & Equipment	4,417	347	(88)	4,676
Customer Premise Wiring	83,290	12,170	(2,582)	92,878
Customer Premise Equipment	17,490	3,944	(2,078)	19,356
Fiber Optics Total Asset Cost	<u>\$ 146,058</u>	<u>\$ 23,085</u>	<u>\$ (7,779)</u>	<u>\$ 161,364</u>

FIBER OPTICS ACCUMULATED DEPRECIATION	June 30, 2018	Additions	Retirements And Other	June 30, 2019
Central Office Equipment	\$ 14,486	\$ 2,708	\$ (2,434)	\$ 14,760
Information Origination/Termination	4,777	2,253	(590)	6,440
Cable & Wire Facilities	36	2	(8)	30
Furniture, Fixtures, & Equipment	2,354	415	(88)	2,681
Customer Premise Wiring	22,855	8,834	(2,824)	28,865
Customer Premise Equipment	10,460	5,507	(2,019)	13,948
Fiber Optics Total Accumulated Depreciation	<u>\$ 54,968</u>	<u>\$ 19,719</u>	<u>\$ (7,963)</u>	<u>\$ 66,724</u>
Fiber Optics Total Net Utility Plant	<u>\$ 91,090</u>	<u>\$ 3,366</u>	<u>\$ 184</u>	<u>\$ 94,640</u>

TOTAL NET UTILITY PLANT	\$ 663,204	\$ 14,583	\$ 605	\$ 678,392
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EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

The estimated useful lives of capital assets are as follows:

Intangible Plant	10 years
Transmission	10-40 years
Distribution	7-40 years
Buildings & improvements	20-40 years
Furniture, fixtures & equipment	5-30 years
Central office equipment	5-14 years
Information origination/termination	5-10 years
Cable & wire facilities	3-7 years
Customer premise wiring	10 years
Customer premise equipment	2-3.5 years

Depreciation expense for the Electric System was approximately \$45.9 million and \$42.1 million for the fiscal years ended June 30, 2020 and 2019, respectively. This depreciation expense includes automotive equipment depreciation which is included in other operation expenses of approximately \$1.3 million and \$1.2 million for the fiscal years ended June 30, 2020 and 2019. Depreciation expense for the Fiber Optics System was approximately \$20.7 million and \$19.7 million for the fiscal years ended June 30, 2020 and 2019, respectively.

NOTE FIVE - DEBT

Long-term debt for the year ended June 30, 2020 is as follows (in thousands):

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Balance at June 30, 2019	Repayments, Amortization or Accretion	Additions	Refunded	Balance at June 30, 2020	Current Amount Due
Electric System										
<u>BONDS PAYABLE</u>										
Electric System Refunding Revenue Bonds, 2015 Series A	\$ 218,855	2.875% - 5.00%	8/31/2015	9/1/2033	\$ 209,105	\$ (8,880)	\$ -	\$ -	\$ 200,225	\$ 9,410
Electric System Refunding Revenue Bonds, 2015 Series B	15,355	2.30% - 3.375%	8/31/2015	9/1/2025	11,470	(1,765)	-	-	9,705	1,720
Electric System Refunding Revenue Bonds, 2015 Series C	25,880	4.0% - 5.0%	8/31/2015	9/1/2040	25,880	-	-	-	25,880	-
Total Bonds Payable					\$ 246,455	\$ (10,645)	\$ -	\$ -	\$ 235,810	\$ 11,130
<u>NOTES PAYABLE</u>										
Electric System Line of Credit	13,000	Variable	6/26/2020	5/28/2021	\$ -	\$ -	\$ 13,000	\$ -	\$ 13,000	\$ 13,000
Total Notes Payable					\$ -	\$ -	\$ 13,000	\$ -	\$ 13,000	\$ 13,000
Subtotal					246,455	(10,645)	13,000	-	248,810	24,130
Unamortized premium					25,981	(1,749)	-	-	24,232	-
Total Debt					\$ 272,436	\$ (12,394)	\$ 13,000	\$ -	\$ 273,042	\$ 24,130

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

Long-term debt for the year ended June 30, 2019 is as follows (in thousands):

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Balance at June 30, 2018	Repayments, Amortization or Accretion	Additions	Refunded	Balance at June 30, 2019	Current Amount Due
Electric System										
BONDS PAYABLE										
Electric System Refunding Revenue Bonds, 2015 Series A	\$ 218,855	2.875% - 5.00%	8/31/2015	9/1/2033	\$ 217,485	\$ (8,380)	\$ -	\$ -	\$ 209,105	\$ 8,880
Electric System Refunding Revenue Bonds, 2015 Series B	15,355	2.05% - 3.375%	8/31/2015	9/1/2025	13,295	(1,825)	-	-	11,470	1,765
Electric System Refunding Revenue Bonds, 2015 Series C	25,880	4.0% - 5.0%	8/31/2015	9/1/2040	25,880	-	-	-	25,880	-
Total Bonds Payable					\$ 256,660	\$ (10,205)	\$ -	\$ -	\$ 246,455	\$ 10,645
Subtotal					256,660	(10,205)	-	-	246,455	10,645
Unamortized premium					27,731	(1,750)	-	-	25,981	-
Total Debt					\$ 284,391	\$ (11,955)	\$ -	\$ -	\$ 272,436	\$ 10,645

EPB issues Revenue Bonds to provide funds primarily for capital improvements to the Electric System and refunding 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):

Fiscal Year	Principal	Interest	Total
2021	\$ 11,130	\$ 9,997	\$ 21,127
2022	12,440	9,427	21,867
2023	13,015	8,823	21,838
2024	13,625	8,180	21,805
2025	14,285	7,507	21,792
2026-2030	81,150	28,102	109,252
2031-2035	79,645	9,030	88,675
2036-2040	8,545	1,461	10,006
2041	1,975	17	1,992
Total	\$ 235,810	\$ 82,544	\$ 318,354

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

In August 2015, EPB issued \$218.9 million par value Series 2015 A and \$15.4 million par value Series 2015 B Electric System Refunding Revenue Bonds, to refinance a majority of the 2006 A, 2006 B, and 2008 A Series Bonds. These proceeds were used to purchase certain governmental securities. The principal and interest of these securities provided sufficient funds to pay all principal and interest on the refunded portion of the 2006 A, 2006 B, and 2008 A Series Bonds at their respective due dates. These securities were deposited in an irrevocable trust with an escrow agent. As a result of this advance refunding, approximately \$30.2 million of the 2006 A, \$14.7 million of the 2006 B, and \$195.0 million of the 2008 A Series Bonds, respectively, has been removed from the accounts of EPB as this portion is considered defeased. In accordance with Statement No. 23 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Refunded Debt Reported by Proprietary Activities*, the difference between the new debt and the net carrying value of the old debt of approximately \$15.4 million has been deferred and will be amortized to interest expense through August 2033. EPB completed the advanced refunding in order to take advantage of favorable market conditions resulting in a net decrease in total debt service payments of approximately \$25.2 million resulting in an economic gain of approximately \$19.8 million. At June 30, 2020, there were no remaining balances of refunded bonds in escrow.

Concurrent with the 2015 A and 2015 B Bond Series issues, EPB issued Electric System Revenue Bonds, 2015 Series C, in order to finance the capital costs incurred in connection with the improvement of the Electric System. The \$25.9 million par value of the bonds, less underwriter discount, cost of issuance, plus original issue premium netted proceeds of approximately \$30.0 million which was deposited into a project fund account that was drawn to a zero balance over the course of fiscal year 2016.

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, 2020 was 2.6x.

EPB maintained a \$50 million bank line of credit with the execution of an Electric System Revenue Anticipation Note in FY 2020 and 2019. 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 May 2021 and bears an interest rate of 30-day LIBOR plus 0.70%. There was \$13.0 million outstanding on this note as of June 30, 2020. As of June 30, 2019, there were no amounts outstanding on the note.

NOTE SIX - 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. 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 \$188,000 and \$191,000 at June 30, 2020 and 2019, respectively. Also, employees were eligible to be paid upon retirement at the rate of 38% for accumulated sick leave hours at June 30, 2020 and 2019, 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 \$411,000 and \$412,000 at June 30, 2020 and 2019, respectively.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

NOTE SEVEN - 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 EPB. 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 lump sum distribution equal to the discounted present value of 50% of the early retirement accrued benefit, if the employee had not yet reached normal retirement age, or 50% of the normal retirement accrued benefit if the employee had reached normal retirement age, computed on the day before death. After retirement the death benefit shall be determined by the form of benefit payment the employee elected upon retirement.

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

The following table details number of employees that were covered by the benefit terms, as of June 30, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Inactive employees or beneficiaries currently receiving benefits	16	14
Inactive employees or beneficiaries but not yet receiving benefits	141	133
Active employees	547	541
Total	<u>704</u>	<u>688</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

Contributions

The contribution requirements of plan members and EPB are established and may be amended by EPB. Plan members are not required to contribute to the Plan. EPB's contributions are calculated based on an actuarially determined rate, which is 13.6% and 13.3% of annual covered payroll as of August 1, 2019 and 2018, respectively.

Net Pension Liability

EPB's net pension liability was measured as of July 31, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 1, 2019 and 2018, respectively.

The total pension liability in the actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

Inflation	1.5%
Salary Increase	3.0%
Investment rate of return	7.0%

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

The actuarial assumptions used in the August 1, 2019 valuation were based on the results of an actuarial experience study for the period August 1, 2016 - July 31, 2019. The actuarial assumptions used in the August 1, 2018 valuation were based on the results of an actuarial experience study for the period August 1, 2015 - July 31, 2018.

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	30 - 45%	7.0%
International equity	25 - 40%	6.5%
Fixed income	15 - 25%	4.0%
Real estate	0 - 10%	6.0%
Cash	0 -10%	0.5%

The discount rate used to measure the total pension liability was 7.0 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.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/19	\$ 64,899	\$ 50,538	\$ 14,361
Changes for the fiscal year:			
Service Cost	4,008	-	4,008
Interest	4,543	-	4,543
Differences between expected and actual experience	1,736	-	1,736
Contributions - employer	-	5,600	(5,600)
Net investment income	-	1,792	(1,792)
Benefit payments, including refunds of employee contributions	(5,100)	(5,100)	-
Administrative expense	-	(24)	24
Net Changes	5,187	2,268	2,919
Balances at 6/30/2020	<u>\$ 70,086</u>	<u>\$ 52,806</u>	<u>\$ 17,280</u>

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/18	\$ 60,310	\$ 47,508	\$ 12,802
Changes for the fiscal year:			
Service Cost	4,052	-	4,052
Interest	4,222	-	4,222
Differences between expected and actual experience	2,278	-	2,278
Contributions - employer	-	5,834	(5,834)
Net investment income	-	3,214	(3,214)
Benefit payments, including refunds of employee contributions	(5,963)	(5,963)	-
Administrative expense	-	(55)	55
Net Changes	4,589	3,030	1,559
Balances at 6/30/2019	<u>\$ 64,899</u>	<u>\$ 50,538</u>	<u>\$ 14,361</u>

The following presents the net pension liability of the Plan, calculated using the discount rate of 7.0 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 (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate (in thousands):

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

Net pension position as of June 30, 2020

1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
\$ 28,621	\$ 17,280	\$ 7,876

Net pension position as of June 30, 2019

1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
\$ 24,970	\$ 14,361	\$ 5,537

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2020, EPB recognized pension expense of \$7.1 million. At June 30, 2020, EPB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,595	\$ -
Employer contributions made after plan year	440	
Changes in assumptions	3,091	-
Net difference between projected and actual earnings on pension plan investments	1,371	-
Total	<u>\$ 14,497</u>	<u>\$ -</u>

For the year ended June 30, 2019, EPB recognized pension expense of \$6.1 million. At June 30, 2019, EPB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,584	\$ -
Employer contributions made after plan year	100	
Changes in assumptions	3,330	-
Net difference between projected and actual earnings on pension plan investments	717	-
Total	<u>\$ 12,731</u>	<u>\$ -</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

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):

Fiscal Year Ending June 30:		
2021	\$	1,679
2022		1,008
2023		1,261
2024		1,278
2025		964
Thereafter		7,867
	<u>\$</u>	<u>14,057</u>

Deferred outflows of resources totaling \$0.4 million represent contributions made after the Plan's valuation date. These contributions will be used to reduce the net pension liability during 2021.

Payable to the Pension Plan

At June 30, 2020 and 2019, 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, 2019, this Actuarial Accrued Liability has been calculated to be \$52.0 million; with the Actuarial Value of Plan Assets being \$52.8 million. As of August 1, 2018, this Actuarial Accrued Liability has been calculated to be \$48.0 million; with the Actuarial Value of Plan Assets being \$50.5 million. Therefore, the Actuarial Accrued Liability strictly devoted to past service and compensation has been 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 \$1.7 million and \$1.5 million in 2020 and 2019, respectively. Employee contributions were approximately \$4.3 million and \$3.5 million in fiscal years 2020 and 2019, respectively. The EPB Retirement Savings Plan is administered by an individual designated by EPB. The EPB Retirement Savings Plan assigns the authority to establish and amend the plan to EPB.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

NOTE EIGHT - POST-EMPLOYMENT BENEFITS

OPEB PLAN

Plan Description

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 EPB. The Plan assigns the authority to establish and amend benefit provisions to EPB. A stand-alone Financial Report is not issued for this plan.

Benefits Provided

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.

Employees Covered by Benefit Terms

The following table details number of employees that were covered by the benefit terms, as of June 30, 2020 and 2019, respectively:

	2020	2019
Inactive employees or beneficiaries currently receiving benefits	427	438
Inactive employees or beneficiaries no yet receiving benefits	62	54
Active participants	633	617
Total	<u>1,122</u>	<u>1,109</u>

Contributions

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 2020 and 2019 are as shown in the table below.

Category	Retirement	Post - March 1, 1991				
	Pre-March 1, 1991	Years of Service / Percent of Contribution				
		5 - 9 / 85%	10 - 14 / 75%	15 - 19 / 55%	20 - 24 / 35%	25+ / 15%
Pre-Age 65 - EPO						
Individual	\$ -	\$ 475.42	\$ 419.49	\$ 307.63	\$ 195.76	\$ 83.90
Employee + 1	-	950.85	838.98	615.25	391.53	167.80
Family	-	1,426.27	1,258.48	922.88	587.29	251.70
Pre-Age 65 - PPO						
Individual	-	380.34	335.59	246.10	156.61	67.12
Employee + 1	-	760.68	671.19	492.00	313.22	134.24
Family	-	1,141.02	1,006.78	738.31	469.83	201.36
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

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

EPB's contributions are calculated based on an actuarially determined rate, which is 3.5% and 3.8% of annual covered payroll as of June 30, 2020 and 2019, respectively.

Net OPEB Liability

EPB's net OPEB liability was measured as of June 30, 2019 and 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the actuarial valuations were determined using the following actuarial assumptions:

	<u>2020</u>
Healthcare cost trend	7.5% initial, 4.0% ultimate
Investment rate of return	6.5%
Mortality	UP-1984 Mortality Table

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2019. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2018.

The long-term expected rate of return on OPEB 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 OPEB 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 real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	30 - 40%	7.0%
International equity	30 - 50%	6.5%
Fixed income	15 - 25%	4.0%
Real estate	0 - 10%	6.0%
Cash	0 -10%	0.5%

The discount rate used to measure the total OPEB liability was 6.5 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.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

The following table shows the changes in the net OPEB liability (in thousands):

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at 6/30/19	\$ 24,746	\$ 25,098	\$ (352)
Changes for the fiscal year:			
Service Cost	1,218	-	1,218
Interest	1,609	-	1,609
Differences between expected and actual experience	3,583	-	3,583
Assumption Changes	(5,800)	-	(5,800)
Contributions - employer	-	1,720	(1,720)
Net investment income	-	1,313	(1,313)
Benefit payments	(1,775)	(1,775)	-
Administrative expense	-	(19)	19
Net Changes	(1,165)	1,239	(2,404)
Balances at 6/30/2020	\$ 23,581	\$ 26,337	\$ (2,756)

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at 6/30/18	\$ 25,950	\$ 23,378	\$ 2,572
Changes for the fiscal year:			
Service Cost	1,250	-	1,250
Interest	1,686	-	1,686
Differences between expected and actual experience	(2,537)	-	(2,537)
Contributions - employer	-	1,582	(1,582)
Net investment income	-	1,780	(1,780)
Benefit payments	(1,603)	(1,603)	-
Administrative expense	-	(39)	39
Net Changes	(1,204)	1,720	(2,924)
Balances at 6/30/2019	\$ 24,746	\$ 25,098	\$ (352)

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

Sensitivity of the Net OPEB Liability (Asset) to changes in the discount rate: The following presents the net OPEB liability (asset) of the Plan, calculated using the discount rate of 6.5 percent, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate (in thousands):

Net OPEB liability (asset) as of June 30, 2020

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Net OPEB liability (asset)	\$ (177)	\$ (2,756)	\$ (4,947)

Net OPEB liability (asset) as of June 30, 2019

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Net OPEB liability (asset)	\$ 2,668	\$ (352)	\$ (2,883)

Sensitivity of the Net OPEB Liability (Asset) to changes in healthcare cost trend rate: The following presents the net OPEB liability (asset) of the Plan, calculated using the healthcare trend rate of 7.5 percent decreasing to an ultimate 4.0 percent, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent decreasing to 3.0 percent) or 1-percentage-point higher (8.5 percent decreasing to 5.0 percent) than the current rate (in thousands):

Net OPEB liability (asset) as of June 30, 2020

	<u>1% Decrease (6.5% decreasing to 3.0%)</u>	<u>Healthcare Trend Rate (7.5% decreasing to 4.0%)</u>	<u>1% Increase (8.5% decreasing to 5.0%)</u>
Net OPEB liability (asset)	\$ (5,247)	\$ (2,756)	\$ 294

Net OPEB liability (asset) as of June 30, 2019

	<u>1% Decrease (6.5% decreasing to 4.5%)</u>	<u>Healthcare Trend Rate (7.5% decreasing to 5.5%)</u>	<u>1% Increase (8.5% decreasing to 6.5%)</u>
Net OPEB liability (asset)	\$ (3,211)	\$ (352)	\$ 3,199

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and actuarially determined amounts are subject to continual revisions as results are compared to the past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2019 and 2018.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, EPB recognized an OPEB expense of \$0.4 million. At June 30, 2020, EPB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,325	\$ (5,189)
Changes in assumptions	-	(5,383)
Net difference between projected and actual earnings on pension plan investments	-	(361)
Contributions subsequent to measurement date	1,663	-
Total	<u>\$ 4,988</u>	<u>\$ (10,933)</u>

For the year ended June 30, 2019, EPB recognized an OPEB expense of \$0.7 million. At June 30, 2019, EPB reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,651
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	893
Contributions subsequent to measurement date	1,719	-
Total	<u>\$ 1,719</u>	<u>\$ 6,544</u>

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

Fiscal Year Ending June 30:	
2021	\$ (838)
2022	(838)
2023	(611)
2024	(558)
2025	(621)
Thereafter	(4,142)
	<u>\$ (7,608)</u>

Deferred outflows of resources totaling \$1.7 million represent contributions made after the Plan's valuation date. These contributions will be used to reduce the net OPEB liability during 2021.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2020 and 2019

Payable to the OPEB Plan

At June 30, 2020 and 2019, EPB reported no payable balances for required outstanding contributions to the Plan.

NOTE NINE - COMMITMENTS AND CONTINGENCIES

EPB is party to a contract with TVA dated January 23, 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 twenty 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.

NOTE TEN - 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.

EPB is a Tennessee governmental entity and pursuant to the Tennessee Governmental Tort and Liability Act ("Act"), EPB is immune from suit in the exercise and discharge of its functions unless immunity is removed by the Act. When immunity is removed by the Act, EPB's maximum liability is set at \$300,000 per person and \$700,000 for any one occurrence for bodily injury and \$100,000 for injury or destruction of property per any one occurrence. EPB has elected to self-insure this liability when immunity is removed by the Act.

EPB does maintain a corporate insurance portfolio to cover other risks like destruction of its property and automobile liability. EPB did not file any claims with insurance and there are no significant claims liabilities outstanding as of June 30, 2020.

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

EPB provided employee health insurance is self-insured subject to stop loss insurance of \$220,000 per covered life.

Changes in the balances of claims liabilities for these three areas during the fiscal years ended June 30, 2020 and 2019 are as follows (in thousands):

Unpaid claims, June 30, 2018	\$ 1,891
Incurred claims (including IBNRs)	8,572
Claim payments	(8,587)
Unpaid claims, June 30, 2019	<u>1,876</u>
Incurred claims (including IBNRs)	9,623
Claim payments	(9,063)
Unpaid claims, June 30, 2020	<u>\$ 2,436</u>

REQUIRED SUPPLEMENTARY INFORMATION



ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 YEARS
(in thousands)

	2020	2019	2018	2017	2016	2015
Total pension liability:						
Service cost	\$ 4,008	\$ 4,052	\$ 3,420	\$ 3,192	\$ 2,766	\$ 2,395
Interest	4,543	4,222	4,432	4,250	4,043	3,637
Differences between expected and actual experience	1,736	2,278	1,460	735	2,594	3,608
Changes of assumptions	-	-	-	4,050	-	-
Benefit payments, including refunds of employee	(5,100)	(5,963)	(7,178)	(6,569)	(5,237)	(2,455)
Net change in total pension liability	5,187	4,589	2,134	5,658	4,166	7,185
Total pension liability—beginning	64,899	60,310	58,176	52,518	48,352	41,167
Total pension liability—ending (a)	\$ 70,086	\$ 64,899	\$ 60,310	\$ 58,176	\$ 52,518	\$ 48,352
Plan fiduciary net position:						
Contributions—employer	\$ 5,600	\$ 5,834	\$ 5,825	\$ 7,000	\$ 5,700	\$ 3,630
Net investment income	1,792	3,214	4,174	(346)	2,143	5,735
Benefit payments, including refunds of employee	(5,100)	(5,963)	(7,178)	(6,569)	(5,237)	(2,455)
Administrative expense	(24)	(55)	(74)	(74)	(74)	(87)
Net change in plan fiduciary net position	2,268	3,030	2,747	11	2,532	6,823
Plan fiduciary net position—beginning	50,538	47,508	44,761	44,750	42,218	35,395
Plan fiduciary net position—ending (b)	\$ 52,806	\$ 50,538	\$ 47,508	\$ 44,761	\$ 44,750	\$ 42,218
Plan's net pension liability—ending (a) – (b)	\$ 17,280	\$ 14,361	\$ 12,802	\$ 13,415	\$ 7,768	\$ 6,134
Plan fiduciary net position as a percentage of the total pension liability	75.34%	77.87%	78.77%	76.94%	85.21%	87.31%
Covered payroll	\$ 42,079	\$ 40,978	\$ 37,196	\$ 35,296	\$ 34,481	\$ 32,127
Net pension liability as a percentage of covered payroll	41.07%	35.05%	34.42%	38.01%	22.53%	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 years until 10 years of information is available.

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF EPB CONTRIBUTIONS TO PENSION PLAN
LAST 10 FISCAL YEARS
(in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 5,927	\$ 5,597	\$ 5,573	\$ 5,059	\$ 4,447	\$ 3,562	\$ 3,646
Contributions in relation to the actuarially determined contribution	<u>5,940</u>	<u>5,600</u>	<u>5,584</u>	<u>5,075</u>	<u>4,500</u>	<u>3,700</u>	<u>3,630</u>
Contribution deficiency (excess)	<u>\$ (13)</u>	<u>\$ (3)</u>	<u>\$ (11)</u>	<u>\$ (16)</u>	<u>\$ (53)</u>	<u>\$ (138)</u>	<u>\$ 16</u>
Covered payroll	\$ 43,578	\$ 42,079	\$ 40,978	\$ 37,196	\$ 35,296	\$ 34,481	\$ 32,127
Contributions as a percentage of covered payroll	13.63%	13.31%	13.63%	13.64%	12.75%	10.73%	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	7.0% - 2020 - 2016; 7.5% - 2015 and 2014
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 actuarial valuation, assumed life expectancies were computed using the UP 1984 Table.

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.

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS
(in thousands)

	2020	2019	2018
Total OPEB liability:			
Service cost	\$ 1,218	\$ 1,250	\$ 1,191
Interest	1,609	1,686	1,851
Differences between expected and actual experience	3,583	(2,537)	(3,860)
Changes of assumptions	(5,800)	-	-
Benefit payments, including refunds of employee contributions	(1,775)	(1,603)	(1,716)
Net change in total OPEB liability	(1,165)	(1,204)	(2,534)
Total OPEB liability—beginning	24,746	25,950	28,484
Total OPEB liability—ending (a)	\$ 23,581	\$ 24,746	\$ 25,950
Plan fiduciary net position:			
Contributions—employer	\$ 1,720	\$ 1,582	\$ 1,686
Net investment income	1,313	1,780	2,495
Benefit payments, including refunds of employee contributions	(1,775)	(1,603)	(1,716)
Administrative expense	(19)	(39)	(49)
Net change in plan fiduciary net position	1,239	1,720	2,416
Plan fiduciary net position—beginning	25,098	23,378	20,962
Plan fiduciary net position—ending (b)	\$ 26,337	\$ 25,098	\$ 23,378
Plan's net OPEB liability (asset)—ending (a) – (b)	\$ (2,756)	\$ (352)	\$ 2,572
Plan fiduciary net position as a percentage of the total OPEB liability	111.69%	101.42%	90.09%
Covered-employee payroll	\$ 46,282	\$ 43,270	\$ 42,611
Net OPEB liability (asset) as a percentage of covered-employee payroll	-5.95%	-0.81%	6.04%

Notes to Schedule:

Benefit changes: None.

Changes of assumptions: The estimated Healthcare Cost Trend was changed during FY2020 based on historical trends.

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 years until 10 years of information is available.

SUPPLEMENTARY INFORMATION



ELECTRIC POWER BOARD OF CHATTANOOGA
EPB ELECTRIC SYSTEM
SCHEDULES OF NET POSITION
AS OF JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 74,218,000	\$ 79,536,000
Investments	2,077,000	2,014,000
Accounts receivable, less allowance for doubtful accounts of \$1,890,000 and \$986,000 in 2020 and 2019, respectively	21,411,000	24,853,000
Unbilled electric sales	29,256,000	34,138,000
Materials and supplies, at average cost	15,693,000	13,422,000
Prepayments and other current assets	4,432,000	3,622,000
Total Current Assets	<u>147,087,000</u>	<u>157,585,000</u>
NON-CURRENT ASSETS		
Investments	1,034,000	2,128,000
Utility plant -		
Utility plant	951,306,000	910,240,000
Less - accumulated provision for depreciation	(342,254,000)	(326,488,000)
Net utility plant	<u>609,052,000</u>	<u>583,752,000</u>
Other non-current assets	1,704,000	1,932,000
Accrued post-employment benefit asset	2,580,000	329,000
Total Non-Current Assets	<u>614,370,000</u>	<u>588,141,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred bond defeasance outflows	11,029,000	11,917,000
Deferred pension outflows	12,659,000	11,178,000
Deferred OPEB outflows	4,661,000	1,599,000
Total Deferred Outflows of Resources	<u>28,349,000</u>	<u>24,694,000</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 789,806,000</u>	<u>\$ 770,420,000</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable -		
Tennessee Valley Authority, for power purchased	\$ 63,254,000	\$ 74,420,000
Other	18,480,000	13,537,000
Customer deposits	3,279,000	3,691,000
Line of credit	13,000,000	--
Revenue bonds, current portion	11,130,000	10,645,000
Accrued tax equivalents	18,631,000	19,633,000
Accrued interest payable	3,474,000	3,634,000
Carrying charge payable - Fiber Optics	37,000	--
Other current liabilities	12,225,000	10,518,000
Total Current Liabilities	<u>143,510,000</u>	<u>136,078,000</u>
NON-CURRENT LIABILITIES		
Revenue bonds, net	248,912,000	261,791,000
Net pension liability	15,089,000	12,609,000
Repayable advance payable - Telecom	23,600,000	15,600,000
Repayable advance payable - Video & Internet	25,250,000	--
Customer deposits	23,112,000	21,657,000
Other non-current liabilities	3,643,000	4,079,000
Total Non-Current Liabilities	<u>339,606,000</u>	<u>315,736,000</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred OPEB inflows	10,236,000	6,126,000
Deferred other inflows	6,002,000	3,214,000
Total Deferred Inflows of Resources	<u>16,238,000</u>	<u>9,340,000</u>
NET POSITION		
Net investment in capital assets	311,189,000	323,233,000
Unrestricted	(20,737,000)	(13,967,000)
Total Net Position	<u>290,452,000</u>	<u>309,266,000</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 789,806,000</u>	<u>\$ 770,420,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB ELECTRIC SYSTEM
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Electric sales		
Residential	\$ 244,769,000	\$ 252,130,000
Small commercial	49,614,000	51,511,000
Large commercial	236,529,000	253,649,000
Outdoor lighting systems	6,631,000	6,720,000
Total billed electric sales	<u>537,543,000</u>	<u>564,010,000</u>
Change in unbilled electric sales	(4,882,000)	(3,330,000)
Less uncollectible electric sales	<u>(1,376,000)</u>	<u>(630,000)</u>
Total electric sales	531,285,000	560,050,000
Other operating revenues	<u>30,570,000</u>	<u>29,644,000</u>
Total operating revenues	<u>561,855,000</u>	<u>589,694,000</u>
OPERATING EXPENSES		
Operation		
Power purchased from Tennessee Valley Authority	417,043,000	442,352,000
Other operation expenses	43,990,000	43,239,000
Maintenance	47,596,000	25,866,000
Provision for depreciation	44,554,000	40,875,000
City, county, and state tax equivalents	<u>12,235,000</u>	<u>12,821,000</u>
Total operating expenses	<u>565,418,000</u>	<u>565,153,000</u>
Net operating income (loss)	(3,563,000)	24,541,000
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue on invested funds	742,000	1,110,000
Interest expense	(9,327,000)	(9,833,000)
Carrying charge expense - Fiber Optics	(268,000)	(338,000)
Other, net	133,000	111,000
Plant cost recovered through contributions in aid of construction	<u>(1,250,000)</u>	<u>(1,691,000)</u>
Total non-operating revenue (expenses)	<u>(9,970,000)</u>	<u>(10,641,000)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(13,533,000)	13,900,000
Tax equivalents transferred to the City of Chattanooga	(6,531,000)	(6,943,000)
Contributions in aid of construction	<u>1,250,000</u>	<u>1,691,000</u>
CHANGE IN NET POSITION	(18,814,000)	8,648,000
NET POSITION, BEGINNING OF YEAR	<u>309,266,000</u>	<u>300,618,000</u>
NET POSITION, END OF YEAR	<u><u>\$ 290,452,000</u></u>	<u><u>\$ 309,266,000</u></u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB ELECTRIC SYSTEM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 570,971,000	\$ 592,541,000
Payments to suppliers for goods and services	(468,724,000)	(469,892,000)
Payments to employees for services	(43,526,000)	(40,984,000)
Payments in lieu of taxes	(13,237,000)	(12,163,000)
Net cash provided by operating activities	45,484,000	69,502,000
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(6,531,000)	(6,943,000)
Miscellaneous non-operating expense, net	154,000	193,000
Net cash used in noncapital financing activities	(6,377,000)	(6,750,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(70,151,000)	(54,528,000)
Removal cost	(2,365,000)	(1,296,000)
Salvage	376,000	662,000
Contributions in aid of construction	1,250,000	1,691,000
Carrying charge payment - Fiber Optics	(231,000)	(338,000)
Repayable advance paid - Telecom	(15,600,000)	--
Repayable advance received - Telecom	23,600,000	--
Repayable advance received - Video & Internet	25,250,000	--
Proceeds from line of credit	13,000,000	--
Bond principal payment	(10,645,000)	(10,205,000)
Bond interest payment	(10,662,000)	(11,127,000)
Unused line of credit fees	(20,000)	(80,000)
Net cash used in capital and related financing activities	(46,198,000)	(75,221,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,126,000	6,000,000
Purchases of investments	--	(5,118,000)
Interest on investments	647,000	1,052,000
Net cash provided by investing activities	1,773,000	1,934,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,318,000)	(10,535,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	79,536,000	90,071,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 74,218,000	\$ 79,536,000
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income (loss)	\$ (3,563,000)	\$ 24,541,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	45,903,000	42,116,000
Changes in assets, deferred outflows of resources, deferred inflows of resources, and liabilities:		
Accounts receivable, net	3,442,000	(1,668,000)
Unbilled electric sales	4,882,000	3,330,000
Materials and supplies	(2,271,000)	144,000
Prepayments and other current assets	(810,000)	736,000
Other deferred charges	228,000	104,000
Accounts payable, net	(6,223,000)	(4,066,000)
Customer deposits	1,043,000	891,000
Accrued tax equivalents	(1,002,000)	643,000
Other current liabilities	1,707,000	1,607,000
Other deferred credits and inflows	(436,000)	(81,000)
Other deferred inflows	2,788,000	1,667,000
Net pension liability and deferred outflows of resources	999,000	405,000
Accrued post-employment benefits and deferred outflows and inflows of resources	(1,203,000)	(867,000)
Net cash provided by operating activities	\$ 45,484,000	\$ 69,502,000

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB TELECOM SYSTEM
SCHEDULES OF NET POSITION
AS OF JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,832,000	\$ 7,862,000
Accounts receivable, less allowance for doubtful accounts of \$118,000 and \$16,000 in 2020 and 2019, respectively	4,307,000	4,034,000
Carrying charge receivable - Electric	36,000	--
Investments	2,071,000	--
Prepayments and other current assets	127,000	121,000
Total Current Assets	<u>11,373,000</u>	<u>12,017,000</u>
NON-CURRENT ASSETS		
Investments	2,073,000	4,036,000
Utility plant -		
Utility plant	11,044,000	11,507,000
Less - accumulated provision for depreciation	(5,952,000)	(6,358,000)
Net utility plant	<u>5,092,000</u>	<u>5,149,000</u>
Repayable advance receivable - Electric	23,600,000	15,600,000
Total Non-Current Assets	<u>30,765,000</u>	<u>24,785,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred other outflows	<u>587,000</u>	<u>276,000</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 42,725,000</u>	<u>\$ 37,078,000</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 3,338,000	\$ 2,810,000
Accrued tax equivalents	770,000	763,000
Unearned revenue	497,000	519,000
Other current liabilities	160,000	163,000
Total Current Liabilities	<u>4,765,000</u>	<u>4,255,000</u>
NET POSITION		
Investments in capital assets	5,092,000	5,149,000
Unrestricted	32,868,000	27,674,000
Total Net Position	<u>37,960,000</u>	<u>32,823,000</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 42,725,000</u>	<u>\$ 37,078,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB TELECOM SYSTEM
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Fiber optics sales		
Commercial basic local services revenue	\$ 16,852,000	\$ 16,555,000
Commercial long distance message revenue	461,000	645,000
Total billed fiber optics sales	<u>17,313,000</u>	<u>17,200,000</u>
Less uncollectible accounts	<u>(119,000)</u>	<u>(36,000)</u>
Total fiber optics sales	17,194,000	17,164,000
Other operating revenues	<u>1,958,000</u>	<u>1,885,000</u>
Total operating revenues	<u>19,152,000</u>	<u>19,049,000</u>
OPERATING EXPENSES		
Cost of services	2,782,000	2,436,000
Operation expenses	7,714,000	6,688,000
General and administrative	908,000	678,000
Provision for depreciation	2,328,000	1,928,000
City, county, and state tax equivalents	474,000	473,000
Total operating expenses	<u>14,206,000</u>	<u>12,203,000</u>
Net operating income	4,946,000	6,846,000
NON-OPERATING REVENUES		
Carrying charge revenue - Electric	267,000	338,000
Interest income on invested funds	<u>221,000</u>	<u>137,000</u>
Total non-operating revenues	<u>488,000</u>	<u>475,000</u>
INCOME BEFORE TRANSFERS	5,434,000	7,321,000
Tax Equivalents Transferred to the City of Chattanooga	<u>(297,000)</u>	<u>(290,000)</u>
CHANGE IN NET POSITION	5,137,000	7,031,000
NET POSITION, BEGINNING OF YEAR	<u>32,823,000</u>	<u>25,792,000</u>
NET POSITION, END OF YEAR	<u>\$ 37,960,000</u>	<u>\$ 32,823,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB TELECOM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 18,857,000	\$ 17,412,000
Payments to suppliers for goods and services	(11,196,000)	(8,394,000)
Payments in lieu of taxes	(467,000)	(440,000)
Net cash provided by operating activities	7,194,000	8,578,000
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(297,000)	(290,000)
Net cash used in noncapital financing activities	(297,000)	(290,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(2,270,000)	(1,729,000)
Repayable advance received - Electric	15,600,000	--
Repayable advance paid - Electric	(23,600,000)	--
Carrying charge received - Electric	231,000	338,000
Net cash used in capital and related financing activities	(10,039,000)	(1,391,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	112,000	101,000
Purchases of investments	--	(5,000,000)
Proceeds from sales of investments	--	1,000,000
Net cash provided by (used in) investing activities	112,000	(3,899,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,030,000)	2,998,000
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,862,000	4,864,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,832,000	\$ 7,862,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 4,946,000	\$ 6,846,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	2,328,000	1,928,000
Changes in assets, deferred outflows of resources, and liabilities:		
Accounts receivable, net	(273,000)	(1,648,000)
Prepayments and other current assets	(6,000)	7,000
Accounts payable, net	528,000	1,611,000
Accrued tax equivalents	7,000	33,000
Other current liabilities	(3,000)	13,000
Unearned revenue	(22,000)	11,000
Deferred other outflows of resources	(311,000)	(223,000)
Net cash provided by operating activities	\$ 7,194,000	\$ 8,578,000

**ELECTRIC POWER BOARD OF CHATTANOOGA
VIDEO & INTERNET SYSTEM
SCHEDULES OF NET POSITION
AS OF JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,409,000	\$ 16,968,000
Investments	6,218,000	4,131,000
Accounts receivable, less allowance for doubtful accounts of \$1,495,000 and \$615,000 in 2020 and 2019, respectively	8,355,000	9,297,000
Prepayments and other current assets	2,877,000	2,659,000
Carrying charge receivable - Electric	1,000	--
Total Current Assets	<u>29,860,000</u>	<u>33,055,000</u>
NON-CURRENT ASSETS		
Investments	4,141,000	7,912,000
Utility plant - Utility plant	155,095,000	149,857,000
Less - accumulated provision for depreciation	<u>(63,881,000)</u>	<u>(60,366,000)</u>
Net utility plant	91,214,000	89,491,000
Repayable advance receivable - Electric	25,250,000	--
Accrued post-employment benefit asset	176,000	23,000
Total Non-Current Assets	<u>120,781,000</u>	<u>97,426,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred OPEB outflows	327,000	120,000
Deferred pension outflows	1,838,000	1,553,000
Deferred other outflows	5,415,000	2,938,000
Total Deferred Outflows of Resources	<u>7,580,000</u>	<u>4,611,000</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 158,221,000</u>	<u>\$ 135,092,000</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 12,387,000	\$ 11,551,000
Accrued tax equivalents	1,078,000	1,137,000
Unearned revenue	5,826,000	5,597,000
Other current liabilities	3,345,000	3,485,000
Total Current Liabilities	<u>22,636,000</u>	<u>21,770,000</u>
NON-CURRENT LIABILITIES		
Net pension liability	2,191,000	1,752,000
DEFERRED INFLOWS OF RESOURCES		
Deferred OPEB inflows	697,000	418,000
NET POSITION		
Investment in capital assets	91,214,000	89,491,000
Unrestricted	41,483,000	21,661,000
Total Net Position	<u>132,697,000</u>	<u>111,152,000</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 158,221,000</u>	<u>\$ 135,092,000</u>

**ELECTRIC POWER BOARD OF CHATTANOOGA
VIDEO & INTERNET SYSTEM
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Fiber optics sales		
Commercial basic local services revenue	\$ 23,924,000	\$ 22,133,000
Residential services revenue	123,950,000	119,111,000
Total billed fiber optics sales	<u>147,874,000</u>	<u>141,244,000</u>
Less uncollectible accounts	<u>(1,580,000)</u>	<u>(1,048,000)</u>
Total fiber optics sales	146,294,000	140,196,000
Other operating revenues	<u>9,994,000</u>	<u>12,375,000</u>
Total operating revenues	<u>156,288,000</u>	<u>152,571,000</u>
OPERATING EXPENSES		
Cost of services	54,016,000	56,375,000
Operation expenses	58,795,000	53,470,000
General and administrative	3,165,000	3,001,000
Provision for depreciation	18,404,000	17,791,000
City, county, and state tax equivalents	<u>735,000</u>	<u>773,000</u>
Total operating expenses	<u>135,115,000</u>	<u>131,410,000</u>
Net operating income	21,173,000	21,161,000
NON-OPERATING REVENUES (EXPENSES)		
Carrying charge revenue - Electric	1,000	--
Interest income on invested funds	736,000	426,000
Plant cost recovered through contributions in aid of construction	<u>--</u>	<u>(60,000)</u>
Total non-operating revenues (expenses)	737,000	366,000
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	21,910,000	21,527,000
Tax equivalents transferred to the City of Chattanooga	(365,000)	(385,000)
Contributions in aid of construction	<u>--</u>	<u>60,000</u>
CHANGE IN NET POSITION	21,545,000	21,202,000
NET POSITION, BEGINNING OF YEAR	<u>111,152,000</u>	<u>89,950,000</u>
NET POSITION, END OF YEAR	<u><u>\$ 132,697,000</u></u>	<u><u>\$ 111,152,000</u></u>

**ELECTRIC POWER BOARD OF CHATTANOOGA
VIDEO & INTERNET SYSTEM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 157,440,000	\$ 151,813,000
Payments to suppliers for goods and services	(110,384,000)	(104,772,000)
Payments to employees for services	(7,499,000)	(6,779,000)
Payments in lieu of taxes	(794,000)	(703,000)
Net cash provided by operating activities	38,763,000	39,559,000
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(365,000)	(385,000)
Net cash used in noncapital financing activities	(365,000)	(385,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(20,127,000)	(21,600,000)
Repayable advance paid - Electric	(25,250,000)	--
Contributions in aid of construction	--	60,000
Net cash used in capital and related financing activities	(45,377,000)	(21,540,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	--	(11,968,000)
Proceeds from sales and maturities of investments	1,978,000	--
Interest income received	442,000	351,000
Net cash provided by (used in) investing activities	2,420,000	(11,617,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,559,000)	6,017,000
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	16,968,000	10,951,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 12,409,000	\$ 16,968,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 21,173,000	\$ 21,161,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	18,404,000	17,791,000
Changes in assets, deferred outflows of resources, deferred inflows of resources, and liabilities:		
Accounts receivable, net	942,000	(953,000)
Prepayments and other current assets	(218,000)	123,000
Accounts payable, net	836,000	2,712,000
Accrued tax equivalents	(59,000)	69,000
Other current liabilities	(140,000)	3,000
Unearned revenue	229,000	176,000
Net pension liability and deferred outflows of resources	154,000	55,000
Accrued post-employment benefits and deferred outflows and inflows of resources	(81,000)	(134,000)
Deferred other outflows	(2,477,000)	(1,444,000)
Net cash provided by operating activities	\$ 38,763,000	\$ 39,559,000

ELECTRIC POWER BOARD OF CHATTANOOGA
FIBER OPTICS SYSTEM
SCHEDULES OF NET POSITION
AS OF JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 17,241,000	\$ 24,830,000
Investments	8,289,000	4,131,000
Accounts receivable, less allowance for doubtful accounts of \$1,613,000 and \$631,000 in 2020 and 2019, respectively	10,032,000	11,100,000
Carrying charge receivable - Electric	37,000	--
Prepayments and other current assets	3,004,000	2,780,000
Total Current Assets	<u>38,603,000</u>	<u>42,841,000</u>
NON-CURRENT ASSETS		
Investments	6,214,000	11,948,000
Utility plant -		
Utility plant	166,139,000	161,364,000
Less - accumulated provision for depreciation	(69,833,000)	(66,724,000)
Net utility plant	<u>96,306,000</u>	<u>94,640,000</u>
Post-employment benefit asset	176,000	23,000
Repayable advance receivable - Electric	48,850,000	15,600,000
Total Non-Current Assets	<u>151,546,000</u>	<u>122,211,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred OPEB outflows	327,000	120,000
Deferred pension outflows	1,838,000	1,553,000
Deferred other outflows	6,002,000	3,214,000
Total Deferred Outflows of Resources	<u>8,167,000</u>	<u>4,887,000</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 198,316,000</u>	<u>\$ 169,939,000</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 13,095,000	\$ 12,130,000
Accrued tax equivalents	1,848,000	1,900,000
Unearned revenue	6,323,000	6,116,000
Other current liabilities	3,505,000	3,648,000
Total Current Liabilities	<u>24,771,000</u>	<u>23,794,000</u>
NON-CURRENT LIABILITIES		
Net pension liability	2,191,000	1,752,000
DEFERRED INFLOWS OF RESOURCES		
Deferred OPEB inflows	697,000	418,000
NET POSITION		
Investment in capital assets	96,306,000	94,640,000
Unrestricted	74,351,000	49,335,000
Total Net Position	<u>170,657,000</u>	<u>143,975,000</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 198,316,000</u>	<u>\$ 169,939,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
FIBER OPTICS SYSTEM
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Fiber optics sales		
Commercial basic local services revenue	\$ 40,776,000	\$ 38,688,000
Commercial long distance message revenue	461,000	645,000
Residential services revenue	<u>123,950,000</u>	<u>119,111,000</u>
Total billed fiber optics sales	165,187,000	158,444,000
Less uncollectible accounts	<u>(1,699,000)</u>	<u>(1,084,000)</u>
Total fiber optics sales	163,488,000	157,360,000
Other operating revenues	<u>11,952,000</u>	<u>14,260,000</u>
Total operating revenues	175,440,000	171,620,000
OPERATING EXPENSES		
Cost of services	56,798,000	58,811,000
Operation expenses	66,509,000	60,158,000
General and administrative	4,073,000	3,679,000
Provision for depreciation	20,732,000	19,719,000
City, county, and state tax equivalents	<u>1,209,000</u>	<u>1,246,000</u>
Total operating expenses	<u>149,321,000</u>	<u>143,613,000</u>
Net operating income	26,119,000	28,007,000
NON-OPERATING REVENUES (EXPENSES)		
Carrying charge revenue - Electric	268,000	338,000
Interest income	957,000	563,000
Plant cost recovered through contributions in aid of construction	<u>--</u>	<u>(60,000)</u>
Total non-operating revenues (expenses)	1,225,000	841,000
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	27,344,000	28,848,000
Tax equivalents transferred to the City of Chattanooga	(662,000)	(675,000)
Contributions in aid of construction	<u>--</u>	<u>60,000</u>
CHANGE IN NET POSITION	26,682,000	28,233,000
NET POSITION, BEGINNING OF YEAR	<u>143,975,000</u>	<u>115,742,000</u>
NET POSITION, END OF YEAR	<u><u>\$ 170,657,000</u></u>	<u><u>\$ 143,975,000</u></u>

**ELECTRIC POWER BOARD OF CHATTANOOGA
FIBER OPTICS SYSTEM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 176,297,000	\$ 169,225,000
Payments to suppliers for goods and services	(121,580,000)	(113,166,000)
Payments to employees for services	(7,499,000)	(6,779,000)
Payments in lieu of taxes	(1,261,000)	(1,143,000)
Net cash provided by operating activities	45,957,000	48,137,000
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Tax equivalents transferred to the City of Chattanooga	(662,000)	(675,000)
Net cash used in noncapital financing activities	(662,000)	(675,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(22,397,000)	(23,329,000)
Carrying charges received - Electric	231,000	338,000
Repayable advances received - Electric	15,600,000	--
Repayable advances paid - Electric	(48,850,000)	--
Contributions in aid of construction	--	60,000
Net cash used in capital and related financing activities	(55,416,000)	(22,931,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	--	(16,968,000)
Proceeds from investment sales and maturities	1,978,000	1,000,000
Interest income received	554,000	452,000
Net cash provided by (used in) investing activities	2,532,000	(15,516,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,589,000)	9,015,000
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	24,830,000	15,815,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 17,241,000	\$ 24,830,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 26,119,000	\$ 28,007,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	20,732,000	19,719,000
Changes in assets, deferred outflows of resources, deferred inflows of resources, and liabilities:		
Accounts receivable, net	1,068,000	(1,061,000)
Prepayments and other current assets	(224,000)	130,000
Accounts payable, net	965,000	2,783,000
Accrued tax equivalents	(52,000)	102,000
Other current liabilities	(143,000)	16,000
Unearned revenue	207,000	187,000
Net pension liability and deferred outflows of resources	154,000	55,000
Accrued post-employment benefits and deferred outflows and inflows of resources	(81,000)	(134,000)
Other deferred outflows	(2,788,000)	(1,667,000)
	\$ 45,957,000	\$ 48,137,000

ELECTRIC POWER BOARD OF CHATTANOOGA

**UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Residential Customers	Cents per KWH	Small Commercial Customers	Cents per KWH	Large Commercial Customers	Cents per KWH	Outdoor Lighting Customers	Cents per KWH	Total Customers	Cents per KWH
2011	148,033	9.56	19,157	10.69	3,524	8.32	138	11.37	170,852	9.00
2012	148,788	10.15	19,365	11.31	3,443	8.53	138	11.85	171,734	9.34
2013	149,875	10.19	20,079	11.36	3,387	8.67	143	12.06	173,484	9.47
2014	150,901	10.16	20,482	11.33	3,137	8.55	142	12.14	174,662	9.42
2015	152,503	10.22	20,910	11.39	3,127	8.58	142	12.01	176,682	9.46
2016	154,273	10.58	21,082	11.94	3,178	8.52	144	11.70	178,677	9.58
2017	155,745	10.93	21,500	12.30	3,199	8.55	145	12.07	180,589	9.77
2018	157,547	10.86	21,627	12.23	3,135	8.45	144	12.57	182,453	9.72
2019	159,504	10.94	21,841	12.32	3,173	8.43	143	13.63	184,661	9.76
2020	162,048	10.83	21,745	12.27	3,125	8.35	140	14.18	187,058	9.70

Note: Number of customers and rate are the average for the year.

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF BONDS PAYABLE
As of June 30, 2020

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2021	2015 A Electric System Revenue Bonds	5.000%	\$ 9,410,000	\$ 8,472,898	\$ 17,882,898
2022		5.000%	9,970,000	7,979,065	17,949,065
2023		5.000%	10,545,000	7,456,606	18,001,606
2024		5.000%	11,160,000	6,903,731	18,063,731
2025		5.000%	11,810,000	6,318,648	18,128,648
2026		5.000%	12,485,000	5,700,023	18,185,023
2027		2.875%	14,735,000	5,242,955	19,977,955
2028		3.000%	15,160,000	4,793,350	19,953,350
2029		5.000%	15,610,000	4,067,133	19,677,133
2030		4.000%	16,395,000	3,390,550	19,785,550
2031		4.000%	17,050,000	2,712,917	19,762,917
2032		5.000%	17,730,000	1,860,500	19,590,500
2033		5.000%	18,615,000	937,125	19,552,125
2034		4.000%	19,550,000	130,333	19,680,333
			200,225,000	65,965,834	266,190,834
2021	2015 B Electric System Revenue Bonds	2.300%	1,720,000	247,426	1,967,426
2022		2.600%	1,675,000	204,541	1,879,541
2023		2.900%	1,635,000	157,770	1,792,770
2024		3.050%	1,595,000	109,328	1,704,328
2025		3.200%	1,560,000	59,620	1,619,620
2026		3.375%	1,520,000	8,550	1,528,550
			9,705,000	787,235	10,492,235

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF BONDS PAYABLE
As of June 30, 2020

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2021	2015 C Electric System Revenue Bonds	5.000%	\$ -	\$ 1,276,500	\$ 1,276,500
2022		5.000%	795,000	1,243,375	2,038,375
2023		4.000%	835,000	1,208,917	2,043,917
2024		5.000%	870,000	1,167,100	2,037,100
2025		4.000%	915,000	1,129,350	2,044,350
2026		5.000%	950,000	1,083,667	2,033,667
2027		5.000%	995,000	1,034,292	2,029,292
2028		5.000%	1,045,000	982,458	2,027,458
2029		5.000%	1,100,000	927,917	2,027,917
2030		5.000%	1,155,000	870,625	2,025,625
2031		5.000%	1,210,000	810,583	2,020,583
2032		5.000%	1,275,000	747,375	2,022,375
2033		5.000%	1,335,000	681,125	2,016,125
2034		5.000%	1,405,000	611,458	2,016,458
2035		5.000%	1,475,000	538,292	2,013,292
2036		5.000%	1,545,000	461,625	2,006,625
2037		5.000%	1,625,000	381,042	2,006,042
2038		5.000%	1,705,000	296,458	2,001,458
2039		5.000%	1,790,000	207,667	1,997,667
2040		5.000%	1,880,000	114,417	1,994,417
2041		5.000%	1,975,000	16,458	1,991,458
			<u>25,880,000</u>	<u>15,790,701</u>	<u>41,670,701</u>
	Total		<u>\$ 235,810,000</u>	<u>\$ 82,543,770</u>	<u>\$ 318,353,770</u>

ELECTRIC POWER BOARD OF CHATTANOOGA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Accrued Grant Revenues June 30, 2019	Grant Revenues Received	Expenditures	Accrued Grant Revenues June 30, 2020
U.S. DEPARTMENT OF ENERGY						
Calable Quantum Cryptography Network for Protected Automation Communications	81.122	PB-201618-832	\$ 682	\$ 2,393	\$ 1,711	\$ -
Smart and Flexible Microgrid with Scalable Open-Source Controller	81.135	A16-1328-S002-A01	115,477	348,452	232,975	-
SIC Based Modular Transformer-less MW- Scale Power Conditioning System and Control for Flexible CHP System	81.086	A19-0435-S001	-	1,910	1,544	(366)
Total U.S. Department of Energy			<u>116,159</u>	<u>352,755</u>	<u>236,230</u>	<u>(366)</u>
Total expenditures of federal awards			<u>\$ 116,159</u>	<u>\$ 352,755</u>	<u>\$ 236,230</u>	<u>\$ (366)</u>

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.

The Electric Power Board of Chattanooga has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



**INDEPENDENT AUDITOR'S 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 Members of the Board of Directors
of the Electric Power Board of
Chattanooga, Tennessee**

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 Standards* issued by the Comptroller General of the United States, the financial statements of the Electric Power Board of Chattanooga, Tennessee ("EPB", an enterprise fund of the City of Chattanooga, Tennessee) as of and for the year ended June 30, 2020, 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, 2020, which references, that the financial statements, are only that portion of the City of Chattanooga, Tennessee that result from the transactions of the EPB enterprise fund.

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 opinion 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.

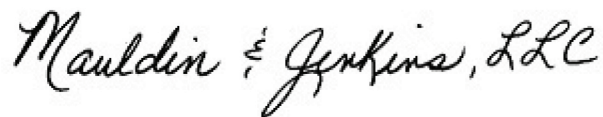
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The script is cursive and fluid, with the letters "M", "J", and "L" being particularly prominent.

Chattanooga, TN
September 11, 2020