

EPB FINANCIAL REPORT

2020 - 2021



TABLE OF CONTENTS

Letter from Vicky Gregg and David Wade	1
Board of Directors	2
Senior Management	3
Financial Highlights	4
Report of Independent Certified Public Accountants	8
Management's Discussion and Analysis.....	11
Financial Statements.....	19
Notes to Financial Statements.....	24
Required Supplementary Information	57
Supplementary Information.....	60
Independent Auditor's Report on Internal Control.....	76
Schedule of Prior Year Findings.....	79

LETTER FROM

Vicky Gregg and David Wade



Letter from Vicky Gregg and David Wade

During the 2020-2021 Fiscal Year, EPB continued to focus on serving customers through personalized customer service, innovation and the utilization of advanced technology. This year's initiatives focused on aligning near-term efforts to help our community adapt to the COVID crisis with our mission-driven commitment to providing long lasting community benefit.

According to a new study released during the FY, EPB's deployment of smart city infrastructure provided our customers with \$2.69 billion in community benefit during the ten years since Chattanooga became the city with the World's Fastest Internet and the nation's smartest smart grid.

The COVID crisis further highlighted the value of EPB's efforts and services. Our ability to work closely with customers to utilize our in-place fiber optic network made all the difference in helping many local companies and workers maintain their employment by rapidly shifting to remote work.

At the same time, our fiber optic infrastructure allowed us to join Hamilton County Schools and other partners in launching HCS EdConnect as a lasting solution for providing fiber-fast internet at no charge to the homes of all economically-challenged families with K-12 students in our area.

We also continued our focus on helping customers become more energy efficient through programs such as Home Energy Uplift, EPB Home Energy CheckupsSM and the launch of our new EPB Energy ProsSM. Our efforts paid off this year, as EPB helped customers save 18.5 million kilowatt hours of energy. In fact, we were TVA's "Top EnergyRight[®] Performer" among 153 local power providers across the Tennessee Valley.

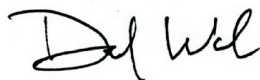
And, even though the COVID crisis was a major consideration throughout the year, EPB continued to deliver world-class services, launch new products and participate in national smart city research while delivering award-winning customer service.

Many thanks to our customers for ranking EPB as J.D. Power's "Best Midsized Utility in the South" for the fifth consecutive year.

Through the initiatives highlighted in this year's annual report and many others, EPB continues to work together as a team in pursuing our mission to enhance the quality of life for the people and the community we serve. That's our continuing commitment both now and looking ahead to the future.



Vicky Gregg



David Wade

Board of Directors



Vicky Gregg

Chair

Retired President & CEO,
BlueCross BlueShield of
Tennessee



John Foy

Vice-Chair

Retired Vice Chairman
& CFO, CBL & Associates
Properties, Inc.



Jon Kinsey

Member

President, KPH, Former
Chattanooga Mayor



Mina Sartipi, PhD

Member

Guerry Professor of
Computer Science at UTC
and Founding Director of
CUIP



Dr. Bryan Johnson

Member

Chief of Staff
U.S. Express, Inc.

Senior Management



David Wade
President & CEO



Greg Eaves
Executive VP & CFO



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



Kathy Burns
*Senior Vice President
Customer Relations*



Sandra Tilley
*Senior Vice President
Brand Strategies*



Kade Abed
*Vice President
Field Operations*



Katie Espeseth
*Vice President
New Products*



Jim Ingraham
*Vice President
Strategic Research*



Ryan Keel
*Vice President
Technical Operations*



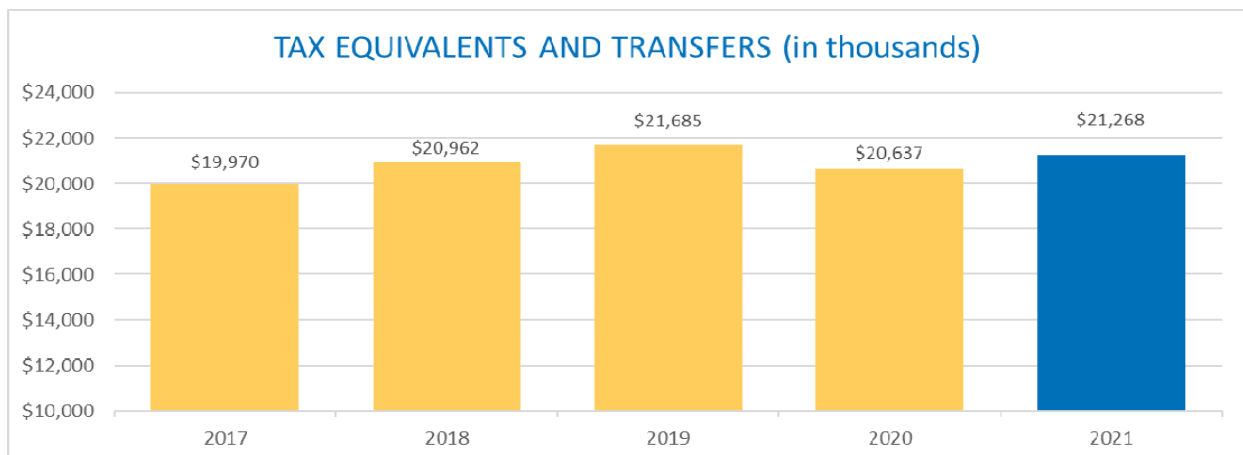
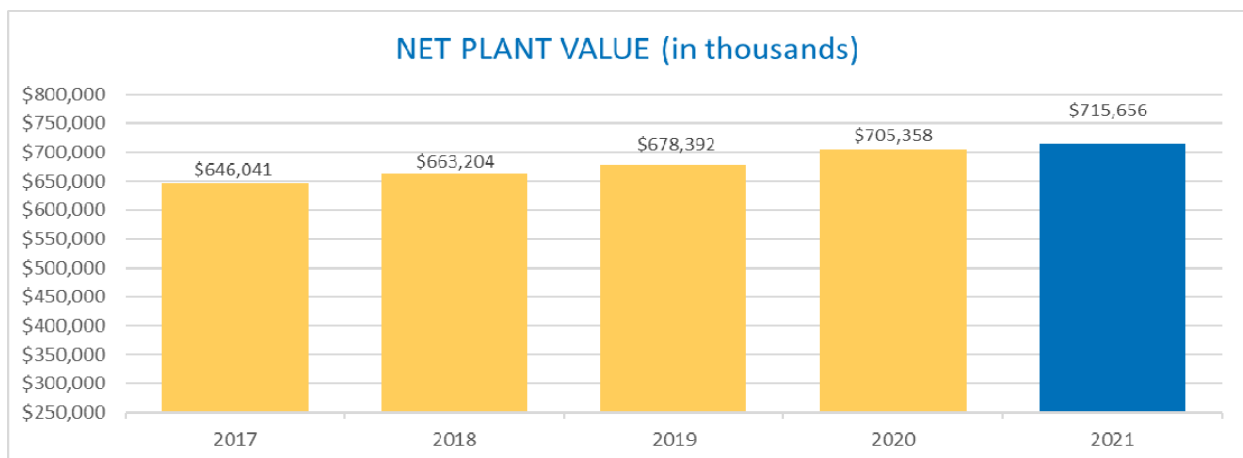
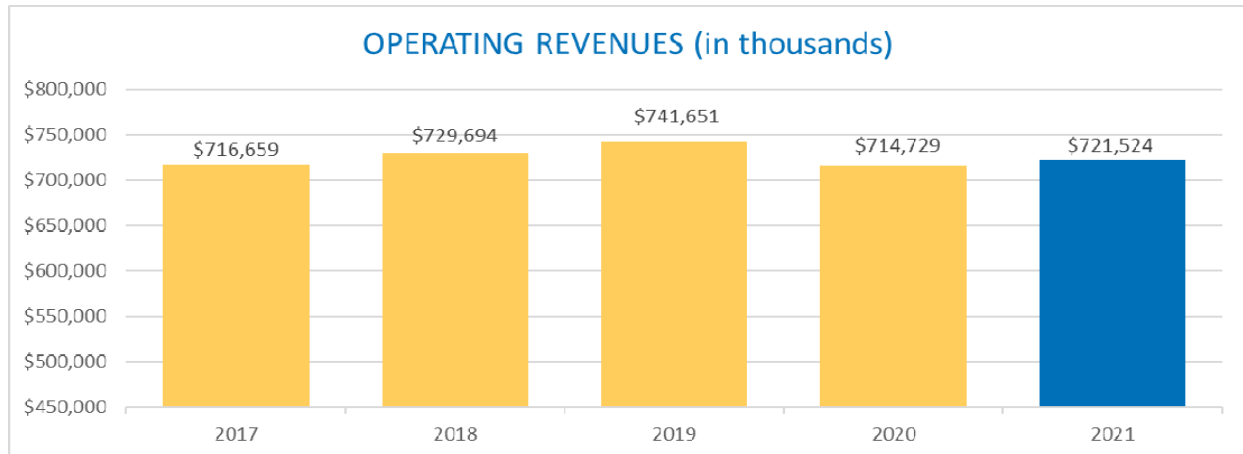
J.Ed. Marston
*Vice President
Marketing*

FINANCIAL HIGHLIGHTS



EPB Financial Highlights 2021

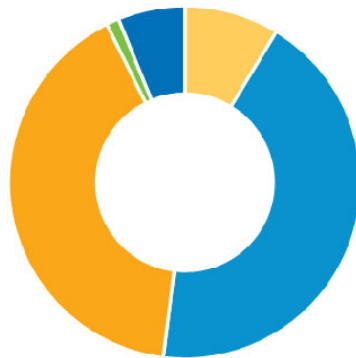
EPB operating revenues were \$721.5 million, an increase of 1.0% from the prior year. This increase was primarily due to a net increase of approximately \$7.8 million in Fiber Optics sales revenues largely attributed to the growth in the number of customers for Fiber Optics residential services from approximately 103,000 to approximately 113,000 during FY 2021. Net plant value increased to \$715.7 million, an increase of 1.5% from the previous year. 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 \$21.3 million, an increase of 3.1% over the prior year and an increase of 6.5% in the last five years. These increases 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 in addition to plant investment across the Electric and Fiber Optics systems as a result of the tornado event during April 2020.



Electric System Financial Highlights 2021

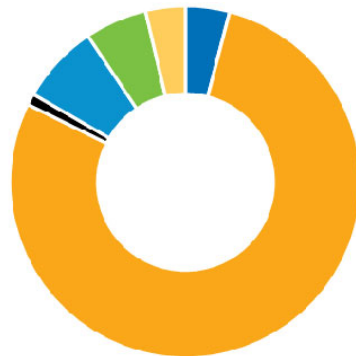
During 2021, EPB provided service to over 191,000 customers in a 600 square mile area. This represents an increase of approximately 3,160 customers from FY 2020. Total Electric System revenues were \$563.9 million, an increase of 0.2% from 2020 due largely to COVID-19 impacts during the prior year. Total purchased power for the year resulted in \$398.5 million, a decrease of 4.4% from FY 2020. Purchased power was 74.8% of the total electric sales, a decrease of 3.8% from FY 2020 due primarily to temporary Pandemic Relief Credits received from TVA in addition to mild weather. Residential customers paid an average of 10.77 cents per kWh – 19.3% less than the national average during FY 2021. Net electric plant value totaled \$623.3 million while electric expenses and transfers to the City of Chattanooga totaled \$543.5 million.

Electric Revenues



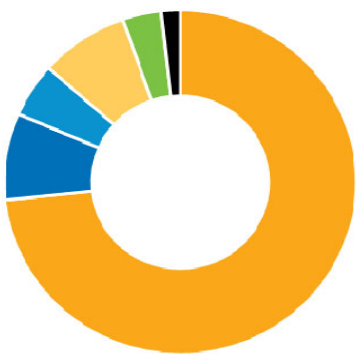
RESIDENTIAL	\$ 244,073,000	43.3%
LARGE COMMERCIAL	\$ 229,516,000	40.7%
SMALL COMMERCIAL	\$ 49,026,000	8.7%
OTHER REVENUES	\$ 34,704,000	6.2%
OUTDOOR LIGHTING	\$ 6,585,000	1.1%

Electric Net Plant



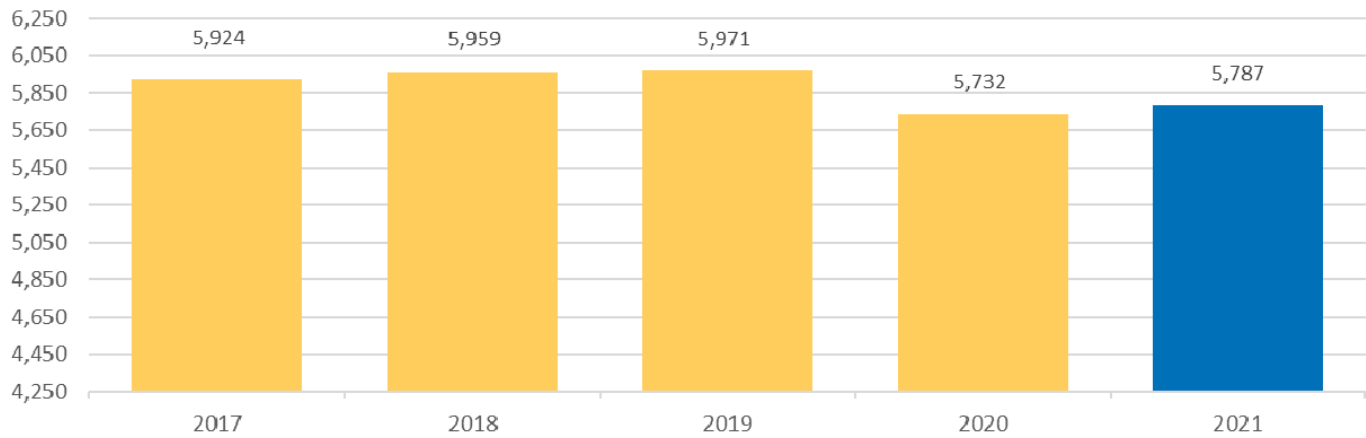
DISTRIBUTION	\$ 487,576,000	78.2%
BUILDINGS AND IMPROVEMENTS	\$ 45,530,000	7.3%
CONSTRUCTION IN PROCESS	\$ 35,555,000	5.7%
TRANSMISSION	\$ 25,225,000	4.0%
FURNITURE, FIXTURES & EQUIP	\$ 22,847,000	3.7%
OTHER	\$ 6,534,000	1.1%

Electric Expenses

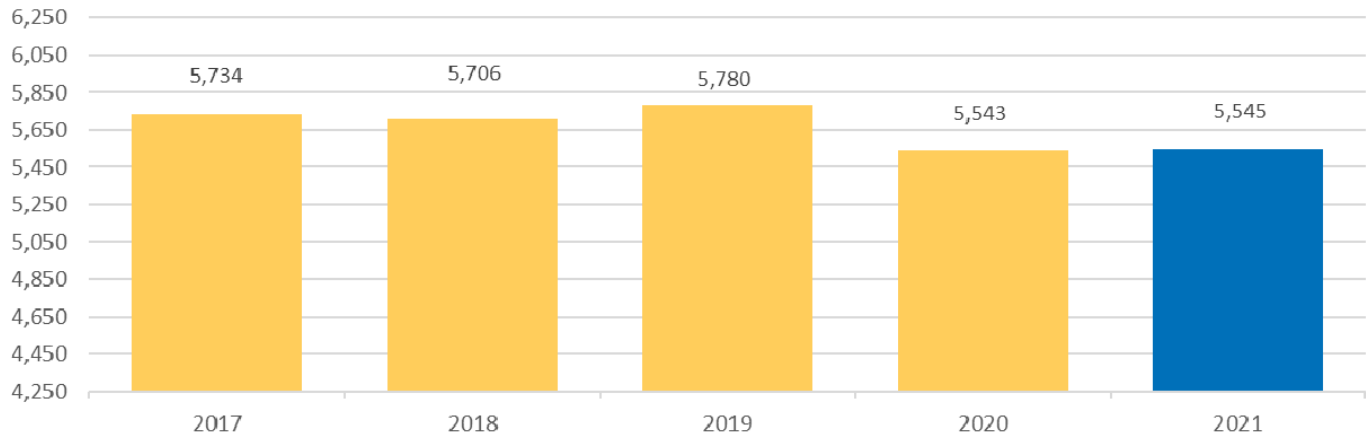


PURCHASED POWER	\$ 398,544,000	73.3%
DEPRECIATION EXPENSES	\$ 44,406,000	8.2%
OPERATION EXPENSES	\$ 44,275,000	8.1%
MAINTENANCE EXPENSES	\$ 27,638,000	5.1%
TAX EQUIVALENTS	\$ 19,361,000	3.6%
INTEREST EXPENSE AND CARRYING CHARGES	\$ 9,283,000	1.7%

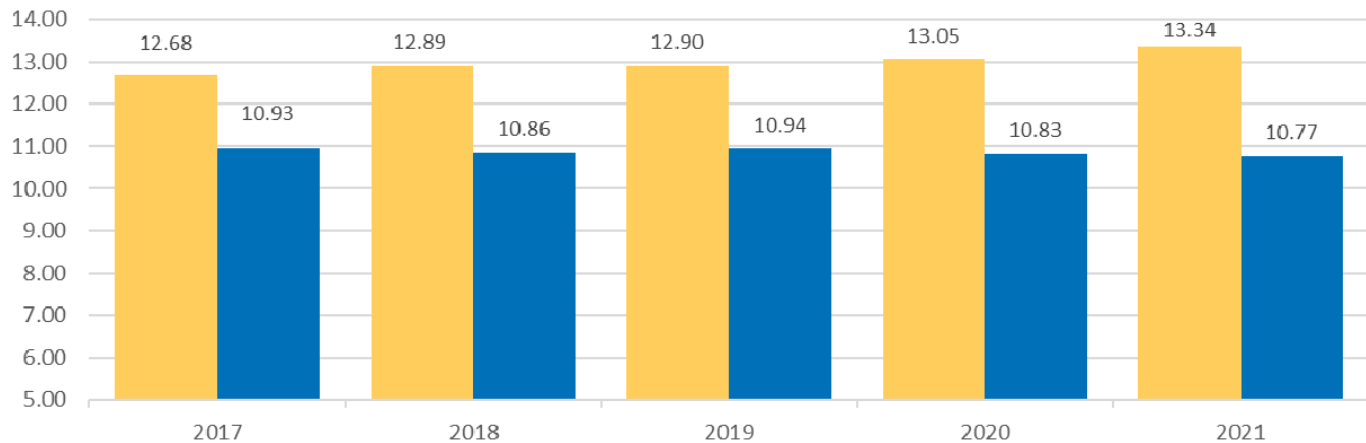
KILOWATT HOURS PURCHASED (in millions)



KILOWATT HOURS SOLD (in millions)



AVERAGE COST PER KWH PER RESIDENTIAL CUSTOMER (in cents)



* Source: U.S. Energy Information Administration

■ Nationwide*

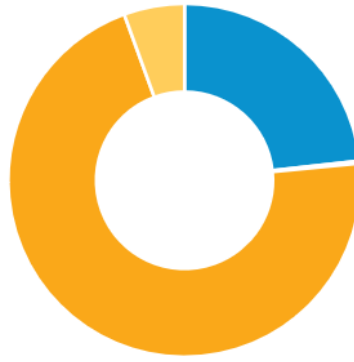
■ EPB

Table 5.3 -Average Retail Prices of Electricity to Ultimate Customers

Fiber Optics Financial Highlights 2021

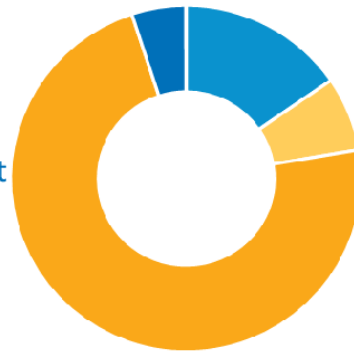
EPB Fiber Optics System increased its revenue from \$176.7 million in FY 2020 to \$182.3 million in FY 2021, an increase of \$5.6 million or 3.2%. This increase in revenues is due mainly to the growth in the number of customers for Fiber Optics residential services from approximately 103,000 to approximately 113,000 during FY 2021. The net plant decreased from \$96.3 million in FY 2020 to \$92.4 million in FY 2021, a decrease of 4.1%. The decrease in plant is due mainly to depreciation of plant assets necessary for the Fiber Optics System to provide Internet, video, and telephone services exceeding new plant assets added during FY 2021. Fiber Optics expenses and transfers to the City of Chattanooga totaled \$154.8 million.

Fiber Optics Revenue



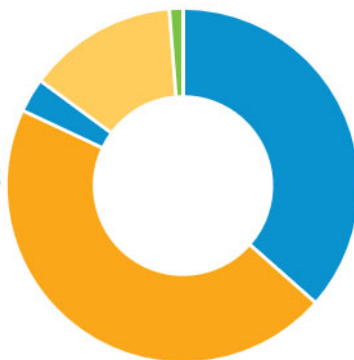
RESIDENTIAL	\$ 129,358,000	71.0%
COMMERCIAL BASIC LOCAL	\$ 42,362,000	23.2%
OTHER REVENUE	\$ 10,135,000	5.6%
COMMERCIAL LONG DISTANCE	\$ 406,000	0.2%

Fiber Optics Net Plant



CABLE AND WIRE FACILITIES AND CUSTOMER PREMISE	\$ 67,113,000	72.6%
CENTRAL OFFICE EQUIPMENT	\$ 14,229,000	15.4%
INFORMATION ORIGINATION	\$ 6,413,000	6.9%
FIXTURES, FURNITURE AND EQUIP	\$ 4,609,000	5.0%
CONSTRUCTION IN PROCESS	\$ 25,000	0.1%

Fiber Optics Expenses



OPERATION EXPENSES	\$ 70,344,000	45.5%
COST OF SERVICES	\$ 56,494,000	36.5%
DEPRECIATION EXPENSES	\$ 21,176,000	13.7%
GENERAL AND ADMINISTRATIVE	\$ 4,831,000	3.1%
TAX EQUIVALENTS	\$ 1,907,000	1.2%



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 business-type activities and the remaining fund information 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, 2021 and June 30, 2020, 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 the business-type activities and the remaining fund information of EPB as of June 30, 2021 and June 30, 2020, 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.

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, 2021 and June 30, 2020, 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.

As discussed in Note 11, EPB implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, as of July 1, 2020. This standard significantly changed the accounting for EPB's fiduciary funds. Our opinions are not modified with respect to this matter.

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, 57, 58, and 59, 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

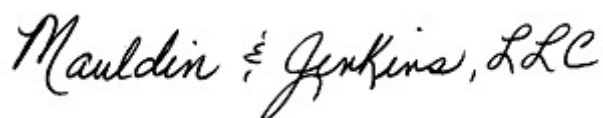
Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise EPB's basic financial statements. The Supplemental Schedules for Electric, Telecom, Video & Internet, and Fiber Optics Systems, Schedule of Expenditures of Federal Awards, Schedule of Bonds Payable, Letter from Vicky Gregg 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 Tennessee Comptroller of the Treasury, *Audit Manual Standards and Procedures*, and is also not a required part of the basic financial statements.

The Supplemental Schedules for Electric, Telecom, Video & 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 & 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 Vicky Gregg 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2021 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.



Chattanooga, Tennessee
September 9, 2021

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, 2021. Please read it in conjunction with EPB's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

- EPB's total net position was \$509.0 million, an increase of 10.4%.
- During the year consolidated electric sales were \$540.4 million, an increase of 0.1% from FY 2020; consolidated fiber optics sales were \$181.1 million, an increase of 3.6%.
- Total consolidated operating expenses were \$657.9 million, a decrease of approximately 5.0%.

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, required supplementary information 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 Statement of Cash Flows 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.

The Statement of Fiduciary Net Position includes an aggregation of the assets and liabilities related to the EPB Retirement Plan and the EPB Post Employment Health and Welfare Benefit Plan. This statement provides information about the nature and amounts of investments in resources (assets) and the obligations (liabilities) as required by Governmental Accounting Standards Board Statement No.84, *Fiduciary Activities*.

The Statement of Changes in Fiduciary Net Position accounts for all of the current year's additions and deductions related to the EPB Retirement Plan and the EPB Post Employment Health and Welfare Benefit Plan. This statement measures the performance of these plans as required by Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*.

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, deferred outflows of resources, deferred inflows of resources, and liabilities is one way to measure financial health or financial position. Over time, increases or decreases in EPB's net position are an indicator of whether its financial health is improving. However, other non-financial factors must also be considered such as weather, economic conditions, population growth, and new or changed governmental legislation.

NET POSITION

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

Table 1 – Condensed Statements of Net Position (in thousands of dollars)

	FY 2021	FY 2020	FY 2019
Assets and Deferred Outflows, Excluding Utility Plant	\$ 320,418	\$ 222,974	\$ 239,379
Utility Plant, net	715,656	705,358	678,392
Total Assets and Deferred Outflows	1,036,074	928,332	917,771
Bonds Outstanding	322,750	260,042	272,436
Other Liabilities and Deferred Inflows	204,309	207,181	192,094
Total Liabilities and Deferred Inflows	527,059	467,223	464,530
Invested in Utility Plant,			
Net of Related Debt	474,124	456,345	417,873
Restricted for Capital Assets	4,303	-	-
Unrestricted Net Position	30,588	4,764	35,368
Total Net Position	509,015	461,109	453,241
Total Liabilities, Deferred Inflows and Net Position	\$ 1,036,074	\$ 928,332	\$ 917,771

Fiscal Year 2021 Compared to Fiscal Year 2020

Net position increased \$47.9 million to \$509.0 million in FY 2021, up from \$461.1 million in FY 2020. The largest changes in net position were due to an increase of \$84.1 million in Cash and Investments which can be largely attributed to the June 2021 bond issuance in addition to increases of \$10.3 million in Utility Plant. The net position was further aided by decreases of \$13.0 million in line of credit balances outstanding. Partially offsetting these net position increases were decreases in net position of approximately \$62.7 million related to changes in bonds outstanding due to the June 2021 bond issuance offset partially by bond principal payments during the year. Other changes represented a net increase in position of \$3.2 million.

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 charges 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)**

	FY 2021	FY 2020	FY 2019
Operating Revenues:			
Electric Sales	\$ 532,950	\$ 531,285	\$ 560,050
Electric Other Operating Revenues	7,467	8,612	10,526
Fiber Optics Sales	170,702	162,880	156,815
Fiber Optics Other Operating Revenues	10,405	11,952	14,260
Total	721,524	714,729	741,651
Operating Expenses:			
Electric	469,822	508,021	510,912
Fiber Optics	108,654	105,422	103,530
Provision for Depreciation	65,582	65,286	60,594
Tax Equivalents	13,866	13,444	14,067
Total	657,924	692,173	689,103
Non-operating Revenues (Expenses)	(12,004)	(8,745)	(9,800)
Income before Transfers and Contributions	51,596	13,811	42,748
Tax Equivalents Transferred to the City of Chattanooga	(7,402)	(7,193)	(7,618)
Contributions	3,712	1,250	1,751
Change in Net Position	47,906	7,868	36,881
Beginning Net Position	461,109	453,241	416,360
Ending Net Position	\$ 509,015	\$ 461,109	\$ 453,241

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.

Fiscal Year 2021 Compared to Fiscal Year 2020

As shown in Table 2 above, the income before transfers and contributions of \$51.6 million combined with the contributions in aid of construction of \$3.7 million and tax equivalents of \$7.4 million accrued to the City of Chattanooga, resulted in an increase in net position of \$47.9 million for FY 2021.

A closer examination of the sources of changes in net position reveals electric sales increased \$1.7 million as compared to FY 2020. Electric operating expenses, excluding depreciation and tax equivalents, decreased by \$38.2 million in FY 2021 to \$469.8 million from \$508.0 million in FY 2020. This decrease was primarily due to a decrease of \$20.0 million in maintenance expenses. This decrease was due to a significant storm event in FY 2020 that caused increased operation and maintenance expenses of \$20.9 million. In addition, there was a decrease of \$18.5 million related to power purchased from TVA which can be largely attributed to increases in Long-Term Partnership Credits as compared to FY 2020 in addition to Pandemic Relief Credits which began in October 2020.

Fiber Optics operating sales increased by \$7.8 million to \$170.7 million in FY 2021 from \$162.9 million in FY 2020 due to the continued success of the residential and commercial service offerings (Fi TV, Fi Phone, and Fi-Speed Internet). Operating expenses, excluding depreciation and tax equivalents, associated with acquiring and serving customers increased \$3.2 million, a 3.1% increase in FY 2021 due mainly to increased expense allocations from the Electric System for shared resources and access to the fiber network totaling \$4.0 million. The increased allocations were largely related to the continued rise in Fiber Optics customers as over 10,000 new residential customers were added during the year. Partially offsetting these increased allocations, there was a decrease in cost of goods of \$0.3 million in FY 2021 to \$56.5 million from \$56.8 million in FY 2020.

Expenses for tax equivalents and transfers to municipal governments including transfers to the City of Chattanooga were \$21.3 million in FY 2021 and \$20.6 million in FY 2020. 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 \$65.6 million in FY 2021 from \$65.3 million in FY 2020.

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.

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 2021	Budget FY 2021	Actual FY 2020	Budget FY 2020
Operating Revenues:				
Electric Sales	\$ 532,950	\$ 552,044	\$ 531,285	\$ 564,096
Other Electric Revenue	7,467	9,855	8,612	10,200
Subtotal	540,417	561,899	539,897	574,296
Fiber Optics Sales	170,702	165,010	162,880	158,657
Other Fiber Optics Revenue	10,405	9,551	11,952	14,169
Subtotal	181,107	174,561	174,832	172,826
Total	721,524	736,460	714,729	747,122
Operating Expenses:				
Electric	469,822	504,655	508,021	518,378
Fiber Optics	108,654	110,545	105,422	108,791
Provision for Depreciation	65,582	69,606	65,286	65,660
Tax Equivalents	13,866	13,647	13,444	14,224
Total	657,924	698,453	692,173	707,053
Non-operating Revenues (Expenses)	(12,004)	(13,917)	(8,745)	(8,442)
Income before Transfers and Contributions	51,596	24,090	13,811	31,627
Tax Equivalents Transferred to the City of Chattanooga	(7,402)	(7,285)	(7,193)	(7,718)
Contributions	3,712	6,122	1,250	1,878
Change in Net Position	\$ 47,906	\$ 22,927	\$ 7,868	\$ 25,787
Capital Expenditures (net of contributions)				
Electric	\$ 60,143	\$ 56,592	\$ 71,204	\$ 58,305
Fiber Optics	17,260	27,885	22,397	22,082
Total Capital Expenditures	\$ 77,403	\$ 84,477	\$ 93,601	\$ 80,387

FY 2021 Actual vs. Budget

The Electric System's revenues were \$21.5 million below budget due mainly to milder than expected weather throughout FY 2021 in addition to the COVID-19 pandemic. Electric operating expenses were lower than budget by \$34.8 million due mainly to lower than budgeted purchased power from TVA of \$30.4 million which coincides with the revenue decreases noted above.

The Fiber Optics System's total operating revenues were \$6.5 million above budget due largely to continued growth within the residential customer base. Fiber Optics System's expenses were lower than budget by \$1.9 million, a decrease of 1.7% due mainly to lower than anticipated Network Operations expenses during FY 2021.

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.

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 \$715.7 million, \$705.4 million, and \$678.4 million in net utility plant for FY 2021, FY 2020 and FY 2019, respectively.

Table 4 - Utility Plant (in thousands of dollars)

	FY 2021	FY 2020	FY 2019
ELECTRIC			
Intangible Plant	\$ 51	\$ 63	\$ 75
Transmission	51,319	52,386	53,429
Distribution	727,093	702,525	686,442
Land & land rights	6,499	6,499	6,501
Buildings & improvements	65,614	67,641	66,391
Furniture, fixtures & equipment	80,561	94,538	85,233
Construction work in progress	35,555	27,654	12,169
Total	966,692	951,306	910,240
Less: Accumulated depreciation	(343,425)	(342,254)	(326,488)
Electric Total	\$ 623,267	\$ 609,052	\$ 583,752
FIBER OPTICS			
Central office equipment	\$ 30,656	\$ 31,802	\$ 29,501
Information origination/termination	12,772	12,397	12,586
Cable & wire facilities	135	144	148
Furniture, fixtures & equipment	8,559	6,845	4,676
Customer premises wiring	98,955	92,346	92,878
Customer premises equipment	15,778	21,781	19,356
Construction work in progress	25	824	2,219
Total	166,880	166,139	161,364
Less: Accumulated depreciation	(74,491)	(69,833)	(66,724)
Fiber Optics Total	\$ 92,389	\$ 96,306	\$ 94,640
Net Utility Plant	\$ 715,656	\$ 705,358	\$ 678,392

DEBT ADMINISTRATION

As of year-end, EPB Electric System had \$322.8 million in bond debt outstanding compared to \$260.0 million in FY 2020 and \$272.4 million FY 2019. During FY 2021, EPB issued bonds with a par value of \$71.1 million, in order to finance capital costs incurred in connection with the improvement of the Electric System. These newly issued bonds were rated AA+ by Fitch and Aa1 by Moody's at fiscal year-end. The previously existing 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 4.5x. This represents an increase from 2.6x in FY 2020 and 3.8x in FY 2019.

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

	2021	2020	2019
Revenues			
Electric Revenue	\$ 563,432	\$ 561,855	\$ 589,694
Interest Income	368	742	1,110
Other Income	104	133	111
Total Revenue	563,904	562,730	590,915
Expenses			
Purchased Power	398,544	417,043	442,352
Operating Expenses	70,486	90,505	68,201
Total Operation Expenses	469,030	507,548	510,553
(excluding depreciation and tax equivalent payments)			
Funds Available for Debt Service	\$ 94,874	\$ 55,182	\$ 80,362
Debt Service			
Interest Paid on Long-Term Debt	\$ 10,167	\$ 10,662	\$ 11,127
Principal Payments	11,130	10,645	10,205
Total Debt Service	\$ 21,297	\$ 21,307	\$ 21,332
Debt Coverage Ratio	4.5	2.6	3.8

The Electric System line of credit of \$50.0 million was renewed in May 2021 and will mature in May 2022. 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 2021 or FY 2019.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

EPB's Board of Directors and Management considered many factors when setting FY 2022 budget and rates. One of those factors is the local economy and EPB's related impact on local industries. EPB's budget is based upon a statistical model using 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 2022, 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 2022 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 new building facilities and purchase of equipment to support the success of telephone and internet products.

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.

ELECTRIC SYSTEM UNRESTRICTED NET POSITION DEFICIT

As of June 30, 2021 and 2020, the Electric System showed a deficiency in Unrestricted Net Position of \$26.4 million and \$20.7 million, respectively. 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 \$37.5 million 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 \$11.1 million and \$16.8 million, respectively, for FY 2021 and FY 2020. 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. In addition, EPB received approximately \$75.0 million in proceeds from a Bond Issuance during FY 2021. Once these bond funds are utilized toward capital expenditures for the Electric System, this will also result in an 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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 173,125,000	\$ 91,459,000
Investments	16,545,000	10,366,000
Accounts receivable, less allowance for doubtful accounts of \$3,813,000 and \$3,503,000 in 2021 and 2020, respectively	26,665,000	26,542,000
Unbilled electric sales	33,489,000	29,256,000
Materials and supplies, at average cost	16,586,000	15,693,000
Prepayments and other current assets	9,257,000	7,436,000
Total Current Assets	<u>275,667,000</u>	<u>180,752,000</u>
NON-CURRENT ASSETS		
Investments	3,488,000	7,248,000
Utility plant -		
Utility plant	1,133,572,000	1,117,445,000
Less - accumulated provision for depreciation	<u>(417,916,000)</u>	<u>(412,087,000)</u>
Net utility plant	715,656,000	705,358,000
Other non-current assets	1,481,000	1,704,000
Accrued post-employment benefit asset	1,958,000	2,756,000
Total Non-Current Assets	<u>722,583,000</u>	<u>717,066,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred bond defeasance outflows	10,138,000	11,029,000
Deferred pension outflows	21,209,000	14,497,000
Deferred OPEB outflows	6,477,000	4,988,000
Total Deferred Outflows of Resources	<u>37,824,000</u>	<u>30,514,000</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,036,074,000</u>	<u>\$ 928,332,000</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable -		
Tennessee Valley Authority, for power purchased	\$ 69,205,000	\$ 63,254,000
Other	23,121,000	26,674,000
Customer deposits	4,516,000	3,279,000
Revenue bonds, current portion	12,440,000	11,130,000
Accrued tax equivalents	21,126,000	20,479,000
Accrued interest payable	3,304,000	3,474,000
Unearned revenue	6,538,000	6,323,000
Line of credit	--	13,000,000
Other current liabilities	16,386,000	15,730,000
Total Current Liabilities	<u>156,636,000</u>	<u>163,343,000</u>
NON-CURRENT LIABILITIES		
Revenue bonds, net	310,310,000	248,912,000
Net pension liability	24,472,000	17,280,000
Customer deposits	22,958,000	23,112,000
Other non-current liabilities	2,574,000	3,643,000
Total Non-Current Liabilities	<u>360,314,000</u>	<u>292,947,000</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred OPEB inflows	10,109,000	10,933,000
NET POSITION		
Net investment in capital assets	474,124,000	456,345,000
Restricted for capital assets	4,303,000	--
Unrestricted	30,588,000	4,764,000
Total Net Position	<u>509,015,000</u>	<u>461,109,000</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,036,074,000</u>	<u>\$ 928,332,000</u>

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, 2021 AND 2020

	2021	2020
OPERATING REVENUES		
Electric sales		
Residential	\$ 244,073,000	\$ 244,769,000
Small commercial and power	49,026,000	49,614,000
Large commercial and power	229,516,000	236,529,000
Outdoor lighting systems	6,585,000	6,631,000
Total billed electric sales	529,200,000	537,543,000
Change in unbilled electric sales	4,234,000	(4,882,000)
Less uncollectible electric sales	(484,000)	(1,376,000)
Total electric sales	532,950,000	531,285,000
Fiber optics sales		
Billed fiber optics revenues	171,491,000	164,579,000
Less uncollectible fiber optics revenues	(789,000)	(1,699,000)
Total fiber optics sales	170,702,000	162,880,000
Other operating revenues	17,872,000	20,564,000
Total operating revenues	721,524,000	714,729,000
OPERATING EXPENSES		
Operation		
Power purchased from Tennessee Valley Authority	398,544,000	417,043,000
Other operation expenses	43,640,000	43,382,000
Maintenance	27,638,000	47,596,000
Fiber optics operating expenses	108,654,000	105,422,000
Provision for depreciation	65,582,000	65,286,000
City, county, and state tax equivalents	13,866,000	13,444,000
Total operating expenses	657,924,000	692,173,000
Net operating income	63,600,000	22,556,000
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue on invested funds	797,000	1,699,000
Interest expense	(9,193,000)	(9,327,000)
Other, net	104,000	133,000
Plant cost recovered through contributions in aid of construction	(3,712,000)	(1,250,000)
Total non-operating revenues (expenses)	(12,004,000)	(8,745,000)
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	51,596,000	13,811,000
Tax equivalents transferred to the City of Chattanooga	(7,402,000)	(7,193,000)
Contributions in aid of construction	3,712,000	1,250,000
CHANGE IN NET POSITION	47,906,000	7,868,000
NET POSITION, BEGINNING OF YEAR	461,109,000	453,241,000
NET POSITION, END OF YEAR	\$ 509,015,000	\$ 461,109,000

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, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 713,415,000	\$ 724,702,000
Payments to suppliers for goods and services	(522,051,000)	(567,738,000)
Payments to employees for services	(51,259,000)	(51,025,000)
Payments in lieu of taxes	(13,564,000)	(14,073,000)
Net cash provided by operating activities	126,541,000	91,866,000
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	106,000	154,000
Net cash used in noncapital financing activities	(7,087,000)	(7,464,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(79,685,000)	(92,548,000)
Removal cost	(1,318,000)	(2,365,000)
Salvage	591,000	376,000
Contributions in aid of construction	3,712,000	1,250,000
Proceeds from line of credit	--	13,000,000
Payments on line of credit	(13,000,000)	--
Proceeds from bond issuance, including premium	75,590,000	--
Bond issuance costs paid	(577,000)	--
Bond principal payment	(11,130,000)	(10,645,000)
Bond interest payment	(10,167,000)	(10,662,000)
Line of credit interest payments	(183,000)	--
Unused line of credit fees paid	--	(20,000)
Net cash used in capital and related financing activities	(36,167,000)	(101,614,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	4,141,000	3,104,000
Purchases of investments	(6,121,000)	--
Interest on investments	359,000	1,201,000
Net cash provided by (used in) investing activities	(1,621,000)	4,305,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	81,666,000	(12,907,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	91,459,000	104,366,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 173,125,000	\$ 91,459,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 63,600,000	\$ 22,556,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	67,103,000	66,635,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	(123,000)	5,637,000
Unbilled electric sales	(4,233,000)	4,882,000
Materials and supplies	(893,000)	(2,271,000)
Prepayments and other current assets	(1,821,000)	(1,034,000)
Other deferred charges	223,000	228,000
Accounts payable, net	2,398,000	(6,385,000)
Customer deposits	1,083,000	1,043,000
Accrued tax equivalents	437,000	(629,000)
Unearned revenue	215,000	207,000
Other current liabilities	656,000	1,564,000
Other non-current liabilities	(1,069,000)	(436,000)
Net pension liability and deferred outflows of resources	480,000	1,153,000
Accrued post-employment benefits and deferred outflows and inflows of resources	(1,515,000)	(1,284,000)
Net cash provided by operating activities	\$ 126,541,000	\$ 91,866,000

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

ELECTRIC POWER BOARD OF CHATTANOOGA
FIDUCIARY ACTIVITIES
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2021 AND 2020

	Pension (and Other Employee Benefit Trust Funds)	Pension (and Other Employee Benefit Trust Funds)
	<u>2021</u>	<u>2020</u>
ASSETS		
Interest receivable	\$ 358,000	\$ 421,000
Investments at fair value:		
Money market funds	8,999,000	6,805,000
Corporate obligations	4,154,000	4,106,000
Common equity securities	12,404,000	10,435,000
Equity mutual funds	33,751,000	31,441,000
Fixed income mutual funds	5,300,000	4,954,000
Exchange traded funds	26,717,000	21,055,000
Total Investments at Fair Value	<u>91,325,000</u>	<u>78,796,000</u>
TOTAL ASSETS	<u><u>\$ 91,683,000</u></u>	<u><u>\$ 79,217,000</u></u>
LIABILITIES		
Accounts payable	<u>\$ 96,000</u>	<u>\$ 6,000</u>
Total Accounts Payable	<u>96,000</u>	<u>6,000</u>
NET POSITION		
Net position restricted for other postemployment benefits	33,675,000	26,405,000
Net position restricted for pension benefits	<u>57,912,000</u>	<u>52,806,000</u>
Total Restricted Net Position	<u>91,587,000</u>	<u>79,211,000</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 91,683,000</u></u>	<u><u>\$ 79,217,000</u></u>

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

ELECTRIC POWER BOARD OF CHATTANOOGA
FIDUCIARY ACTIVITIES
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Pension (and Other Employee Benefit Trust Funds)	Pension (and Other Employee Benefit Trust Funds)
	<u>2021</u>	<u>2020</u>
ADDITIONS		
Contributions:		
Employers	\$ 7,940,000	\$ 7,263,000
Total contributions	<u>7,940,000</u>	<u>7,263,000</u>
Investment Earnings:		
Net appreciation in fair value of investments	7,958,000	1,190,000
Interest and dividends	1,660,000	883,000
Total investment earnings	<u>9,618,000</u>	<u>2,073,000</u>
Less investment costs:		
Investment expenses	171,000	168,000
Net investment earnings	<u>9,447,000</u>	<u>1,905,000</u>
Total Additions	<u>17,387,000</u>	<u>9,168,000</u>
DEDUCTIONS		
Benefits paid to participants or beneficiaries	4,965,000	6,788,000
Administrative expense	46,000	44,000
Total Deductions	<u>5,011,000</u>	<u>6,832,000</u>
CHANGE IN FIDUCIARY NET POSITION	12,376,000	2,336,000
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>79,211,000</u>	<u>76,875,000</u>
NET POSITION, END OF YEAR	<u><u>\$ 91,587,000</u></u>	<u><u>\$ 79,211,000</u></u>

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

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

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 191,000 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 2021, EPB had approximately 113,000 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, deferred outflows of resources, deferred inflows of resources, 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, 2021 and 2020.

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, 2021 and 2020

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 6.14% in 2021 and 6.21% in 2020.

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 system.

Non-operating revenues consist primarily of investment income and various miscellaneous 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 System. Non-operating expenses consist of 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.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

Other Post Employment Benefits (OPEB)

For purpose of measuring the net OPEB liability (asset), deferred outflows or resources and deferred inflows of resources related to these benefits, OPEB expense, information about the fiduciary net position of the Electric Power Board of Chattanooga Post Employment Medical & Death Benefit 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 2020 financial statements have been reclassified to conform to the 2021 presentation, with no effect on net position or change in net position.

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, 2021, 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	159,346	159,346	-	-
Certificates of Deposit	20,033	16,545	3,388	100
Total	<u>\$ 179,386</u>	<u>\$ 175,898</u>	<u>\$ 3,388</u>	<u>\$ 100</u>

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>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

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, 2021 and 2020 met investment policy restrictions.

Credit Risk

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

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

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, 2021:

- Certificate of Deposits of \$20.0 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, 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).

Custodial Credit Risk

At June 30, 2021 and 2020, 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, 2021 and 2020, 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.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

Concentration of Credit Risk

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

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

Investments by issuer and percentage of total investments at June 30, 2021 and 2020 were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
State of Tennessee	Local Government Investment Pool	0.01%	0.01%
First Volunteer Bank	Money Market Accounts	0.01%	0.01%
BB&T Bank	Money Market Accounts	0.00%	0.06%
Citizens Bank	CD's	0.56%	0.00%
Regions Bank	Money Market Accounts	0.01%	0.02%
SunTrust Bank	Money Market Accounts	45.65%	13.31%
SmartBank	Money Market Accounts & CD's	10.31%	6.99%
First Bank	Money Market Accounts	5.60%	10.07%
Reliant Bank	Money Market Accounts & CD's	4.33%	8.76%
Capstar Bank	Money Market Accounts & CD's	2.45%	4.35%
Tower Community Bank	Money Market Accounts & CD's	1.19%	3.16%
Pinnacle Financial Partners	Money Market Accounts	29.88%	53.26%

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

Pension Plan Trust Fund

The Pension Plan Trust Fund's policy on authorized investments, including the proper asset allocation and benchmarking criteria, is established via an Investment Policy Statement (IPS) which is amended from time to time by the Board of Trustees. As permitted by state statutes, subject to certain limitations therein and within the IPS, the IPS generally authorizes the Pension Trust Fund to invest in the following investments: cash and cash equivalents (including money market funds and stable value funds); investment grade domestic and international fixed income securities (government and corporate entity obligations, asset-backed securities, commercial paper or similar fixed income contracts); domestic and international equities; real estate or real estate related tangible assets, and certain alternative investments.

The IPS specifies an acceptable asset allocation mix to guide the pursuit of an annualized real rate of return over inflation of at least 4% for total fund investments. This asset allocation mix is as follows: Total Equity Assets with an acceptable range between 20% to 80%; Total Bond Assets with an acceptable range between 15% and 80%; Real Estate or Real Estate Related Tangible Assets with an acceptable range of 0% to 15%, Cash and Cash Equivalents with an acceptable range of 0% to 15%; alternatives (Hedge Strategies) with an acceptable range of 0% to 20%.

As of June 30, 2021, the Pension Plan Trust Fund had \$57,674,000 invested in the following types of investments:

Investment	Fair Value	Moody's Rating
Money Market Funds	\$ 8,684,000	N/A
Corporate Obligations	95,000	Baa1 to Baa3
Corporate Obligations	1,516,000	Ba1 to Ba3
Corporate Obligations	976,000	B1 to B3
Corporate Obligations	94,000	Caa1 to Caa3
Corporate Obligations	95,000	WR
Common Equity Securities	7,172,000	N/A
Equity Mutual Funds	19,480,000	N/A
Fixed Income Mutual Funds	3,302,000	N/A
Exchange Traded Funds	16,260,000	N/A
	<u>\$ 57,674,000</u>	
N/A - These types of funds are not rated by Moody's.		

Investment	Fair Value	Average Maturity
Money Market Funds	\$ 8,684,000	-
Corporate Obligations	2,776,000	2.252
Common Equity Securities	7,172,000	-
Equity Mutual Funds	19,480,000	-
Fixed Income Mutual Funds	3,302,000	-
Exchange Traded Funds	16,260,000	-
	<u>\$ 57,674,000</u>	
Money Markets, Securities, and EFTs do not have a weighted average maturity.		

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

As of June 30, 2020, the Pension Plan Trust Fund had \$52,411,000 invested in the following types of investments:

Investment	Fair Value	Moody's Rating
Money Market Funds	\$ 6,297,000	N/A
Corporate Obligations	1,303,000	Ba1 to Ba3
Corporate Obligations	1,159,000	B1 to B3
Corporate Obligations	187,000	Caa1 to Caa3
Corporate Obligations	189,000	WR
Common Equity Securities	6,972,000	N/A
Equity Mutual Funds	21,120,000	N/A
Fixed Income Mutual Funds	2,981,000	N/A
Exchange Traded Funds	12,203,000	N/A
	<u>\$ 52,411,000</u>	

N/A - These types of funds are not rated by Moody's.

Investment	Fair Value	Average Maturity
Money Market Funds	\$ 6,297,000	-
Corporate Obligations	2,838,000	1.676
Common Equity Securities	6,972,000	-
Equity Mutual Funds	21,120,000	-
Fixed Income Mutual Funds	2,981,000	-
Exchange Traded Funds	12,203,000	-
	<u>\$ 52,411,000</u>	

Money Markets, Securities, and EFTs do not have a weighted average maturity.

Concentration

On June 30, 2021 and 2020, the Pension Plan Trust Fund did not have any debt or equity investments in any one organization which represented greater than 5% of Plan fiduciary net position.

Interest Rate Risk

No formal policy to address potential fair value losses from rising interest rates has been adopted by the Board of Trustees.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

Fair Value Measurements

The Plan has the following recurring fair value measurements, broken into the fair value hierarchy as of June 30, 2021 and June 30, 2020. 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.

Fair Value Measurements as of June 30, 2021:

Investment	Level 1	Level 2	Level 3	Fair Value
Money Market Funds	\$ -	\$ 8,684,000	\$ -	\$ 8,684,000
Corporate Obligations	-	2,776,000	-	2,776,000
Common Equity Securities	7,172,000	-	-	7,172,000
Equity Mutual Funds	19,480,000	-	-	19,480,000
Fixed Income Mutual Funds	-	3,302,000	-	3,302,000
Exchange Traded Funds	16,260,000	-	-	16,260,000
	\$ 42,912,000	\$ 14,762,000	\$ -	\$ 57,674,000

Fair Value Measurements as of June 30, 2020:

Investment	Level 1	Level 2	Level 3	Fair Value
Money Market Funds	\$ -	\$ 6,297,000	\$ -	\$ 6,297,000
Corporate Obligations	-	2,838,000	-	2,838,000
Common Equity Securities	6,972,000	-	-	6,972,000
Equity Mutual Funds	21,120,000	-	-	21,120,000
Fixed Income Mutual Funds	-	2,981,000	-	2,981,000
Exchange Traded Funds	12,203,000	-	-	12,203,000
	\$ 40,295,000	\$ 12,116,000	\$ -	\$ 52,411,000

Rate of Return

For the fiscal years ended June 30, 2021 and June 30, 2020, the annual money-weighted rate of return on the Pension Plan Trust Fund investments, net of investment expenses, was 4.3% and 3.6%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

OPEB Trust Fund

The OPEB Trust Fund's policy on authorized investments, including the proper asset allocation and benchmarking criteria, is established via an Investment Policy Statement (IPS) which is amended from time to time by the Board of Trustees. As permitted by state statutes, subject to certain limitations therein and within the IPS, the IPS generally authorizes the OPEB Trust Fund to invest in the following investments: cash and cash equivalents (including money market funds and stable value funds); investment grade domestic and international fixed income securities (government and corporate entity obligations, asset-backed securities, commercial paper or similar fixed income contracts); domestic and international equities; real estate or real estate related tangible assets, and certain alternative investments.

The IPS specifies an acceptable asset allocation mix to guide the pursuit of an annualized real rate of return over inflation of at least 4% for total fund investments. This asset allocation mix is as follows: Total Equity Assets with an acceptable range between 20% to 80%; Total Bond Assets with an acceptable range between 15% and 80%; Real Estate or Real Estate Related Tangible Assets with an acceptable range of 0% to 15%, Cash and Cash Equivalents with an acceptable range of 0% to 15%; alternatives (Hedge Strategies) with an acceptable range of 0% to 20%.

As of June 30, 2021, the OPEB Trust Fund had \$33,651,000 invested in the following types of investments:

Investment	Fair Value	Moody's Rating
Money Market Funds	\$ 315,000	N/A
Corporate Obligations	28,000	Baa1 to Baa3
Corporate Obligations	831,000	Ba1 to Ba3
Corporate Obligations	361,000	B1 to B3
Corporate Obligations	44,000	N/A
Corporate Obligations	114,000	WR
Common Equity Securities	5,232,000	N/A
Equity Mutual Funds	14,271,000	N/A
Fixed Income Mutual Funds	1,998,000	N/A
Exchange Traded Funds	10,457,000	N/A
	<u>\$ 33,651,000</u>	

N/A - These types of funds are not rated by Moody's.

Investment	Fair Value	Average Maturity
Money Market Funds	\$ 315,000	-
Corporate Obligations	1,378,000	4.014
Common Equity Securities	5,232,000	-
Equity Mutual Funds	14,271,000	-
Fixed Income Mutual Funds	1,998,000	-
Exchange Traded Funds	10,457,000	-
	<u>\$ 33,651,000</u>	

Money Markets, Securities, and EFTs do not have a weighted average maturity.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

As of June 30, 2020, the OPEB Trust Fund had \$26,385,000 invested in the following types of investments:

Investment	Fair Value	Moody's Rating
Money Market Funds	\$ 508,000	N/A
Corporate Obligations	43,000	Baa1 to Baa3
Corporate Obligations	669,000	Ba1 to Ba3
Corporate Obligations	416,000	B1 to B3
Corporate Obligations	15,000	Caa1 to Caa3
Corporate Obligations	125,000	WR
Common Equity Securities	3,463,000	N/A
Equity Mutual Funds	10,321,000	N/A
Fixed Income Mutual Funds	1,973,000	N/A
Exchange Traded Funds	8,852,000	N/A
	<u>\$ 26,385,000</u>	

N/A - These types of funds are not rated by Moody's.

Investment	Fair Value	Average Maturity
Money Market Funds	\$ 508,000	-
Corporate Obligations	1,268,000	2.250
Common Equity Securities	3,463,000	-
Equity Mutual Funds	10,321,000	-
Fixed Income Mutual Funds	1,973,000	-
Exchange Traded Funds	8,852,000	-
	<u>\$ 26,385,000</u>	

Money Markets, Securities, and EFTs do not have a weighted average maturity.

Concentration

On June 30, 2021 and 2020, the OPEB Plan Trust Fund did not have any debt or equity investments in any one organization which represented greater than 5% of Plan fiduciary net position.

Interest rate risk

No formal policy to address potential fair value losses from rising interest rates has been adopted by the Board of Trustees.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

Fair Value Measurements

The Plan has the following recurring fair value measurements, broken into the fair value hierarchy as of June 30, 2021 and June 30, 2020. 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.

Fair Value Measurements as of June 30, 2021:

Investment	Level 1	Level 2	Level 3	Fair Value
Money Market Funds	\$ -	\$ 315,000	\$ -	\$ 315,000
Corporate Obligations	-	1,378,000	-	1,378,000
Common Equity Securities	5,232,000	-	-	5,232,000
Equity Mutual Funds	14,271,000	-	-	14,271,000
Fixed Income Mutual Funds	-	1,998,000	-	1,998,000
Exchange Traded Funds	10,457,000	-	-	10,457,000
	\$ 29,960,000	\$ 3,691,000	\$ -	\$ 33,651,000

Fair Value Measurements as of June 30, 2020:

Investment	Level 1	Level 2	Level 3	Fair Value
Money Market Funds	\$ -	\$ 508,000	\$ -	\$ 508,000
Corporate Obligations	-	1,268,000	-	1,268,000
Common Equity Securities	3,463,000	-	-	3,463,000
Equity Mutual Funds	10,321,000	-	-	10,321,000
Fixed Income Mutual Funds	-	1,973,000	-	1,973,000
Exchange Traded Funds	8,852,000	-	-	8,852,000
	\$ 22,636,000	\$ 3,749,000	\$ -	\$ 26,385,000

Rate of Return

For the fiscal years ended June 30, 2021 and June 30, 2020, the annual money-weighted rate of return on the OPEB Trust Fund investments, net of investment expenses, was 0.4% and 5.3%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

NOTE FOUR - UTILITY PLANT

Electric utility plant assets activity for the year ended June 30, 2021 was as follows (in thousands):

ELECTRIC ASSET COST	June 30, 2020	Additions	Retirements And Other	June 30, 2021
Non-Depreciable Assets:				
Land & Land Rights	\$ 6,499	\$ -	\$ -	\$ 6,499
Construction Work In Progress	27,654	7,901	-	35,555
Depreciable Assets:				
Intangible Plant	63	-	(12)	51
Transmission	52,386	838	(1,905)	51,319
Distribution	702,525	44,462	(19,894)	727,093
Buildings & Improvements	67,641	16	(2,043)	65,614
Furniture, Fixtures, & Equipment	94,538	6,334	(20,311)	80,561
Electric Total Asset Cost	\$ 951,306	\$ 59,551	\$ (44,165)	\$ 966,692

ELECTRIC ACCUMULATED DEPRECIATION	June 30, 2020	Additions	Retirements And Other	June 30, 2021
Intangible Plant	\$ 23	\$ 6	\$ (13)	\$ 16
Transmission	26,324	1,745	(1,975)	26,094
Distribution	229,557	30,701	(20,741)	239,517
Buildings & Improvements	19,830	2,297	(2,043)	20,084
Furniture, Fixtures, & Equipment	66,520	11,178	(19,984)	57,714
Electric Total Accumulated Depreciation	\$ 342,254	\$ 45,927	\$ (44,756)	\$ 343,425
Electric Total Net Utility Plant	\$ 609,052	\$ 13,624	\$ 591	\$ 623,267

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

Fiber Optics utility plant assets activity for the year ended June 30, 2021 was as follows (in thousands):

FIBER OPTICS ASSET COST	June 30, 2020	Additions	Retirements And Other	June 30, 2021
Non-Depreciable Assets:				
Construction Work In Progress	\$ 824	\$ (799)	\$ -	\$ 25
Depreciable Assets:				
Central Office Equipment	31,802	1,288	(2,434)	30,656
Information Origination/Termination	12,397	2,481	(2,106)	12,772
Cable & Wire Facilities	144	-	(9)	135
Furniture, Fixtures, & Equipment	6,845	1,803	(89)	8,559
Customer Premise Wiring	92,346	9,198	(2,589)	98,955
Customer Premise Equipment	21,781	3,326	(9,329)	15,778
Fiber Optics Total Asset Cost	\$ 166,139	\$ 17,297	\$ (16,556)	\$ 166,880

FIBER OPTICS ACCUMULATED DEPRECIATION	June 30, 2020	Additions	Retirements And Other	June 30, 2021
Central Office Equipment	\$ 15,230	\$ 3,631	\$ (2,434)	\$ 16,427
Information Origination/Termination	6,092	2,373	(2,106)	6,359
Cable & Wire Facilities	27	1	(9)	19
Furniture, Fixtures, & Equipment	3,168	870	(88)	3,950
Customer Premise Wiring	33,950	9,582	(2,590)	40,942
Customer Premise Equipment	11,366	4,719	(9,291)	6,794
Fiber Optics Total Accumulated Depreciation	\$ 69,833	\$ 21,176	\$ (16,518)	\$ 74,491
Fiber Optics Total Net Utility Plant	\$ 96,306	\$ (3,879)	\$ (38)	\$ 92,389

TOTAL NET UTILITY PLANT	\$ 705,358	\$ 9,745	\$ 553	\$ 715,656
--------------------------------	-------------------	-----------------	---------------	-------------------

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

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

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	<u>\$ 326,488</u>	<u>\$ 45,903</u>	<u>\$ (30,137)</u>	<u>\$ 342,254</u>
Electric Total Net Utility Plant	<u>\$ 583,752</u>	<u>\$ 23,418</u>	<u>\$ 1,882</u>	<u>\$ 609,052</u>

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	<u>\$ 161,364</u>	<u>\$ 22,295</u>	<u>\$ (17,520)</u>	<u>\$ 166,139</u>

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	<u>\$ 66,724</u>	<u>\$ 20,732</u>	<u>\$ (17,623)</u>	<u>\$ 69,833</u>
Fiber Optics Total Net Utility Plant	<u>\$ 94,640</u>	<u>\$ 1,563</u>	<u>\$ 103</u>	<u>\$ 96,306</u>

TOTAL NET UTILITY PLANT	\$ 678,392	\$ 24,981	\$ 1,985	\$ 705,358
--------------------------------	-------------------	------------------	-----------------	-------------------

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

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 for the fiscal years ended June 30, 2021 and 2020, respectively. This depreciation expense includes automotive equipment depreciation which is included in other operation expenses of approximately \$1.5 million and \$1.3 million for the fiscal years ended June 30, 2021 and 2020. Depreciation expense for the Fiber Optics System was approximately \$21.2 million and \$20.7 million for the fiscal years ended June 30, 2021 and 2020, respectively.

NOTE FIVE - DEBT

Long-term debt for the year ended June 30, 2021 is as follows (in thousands):

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Balance at June 30, 2020	Repayments, Amortization or Accretion	Additions	Refunded	Balance at June 30, 2021	Current Amount Due
Electric System										
<u>BONDS PAYABLE - Direct Placement</u>										
Electric System Refunding Revenue Bonds, 2015 Series A	\$ 218,855	2.875% - 5.00%	8/31/2015	9/1/2033	\$ 200,225	\$ (9,410)	\$ -	\$ -	\$ 190,815	\$ 9,970
Electric System Refunding Revenue Bonds, 2015 Series B	15,355	2.60% - 3.375%	8/31/2015	9/1/2025	9,705	(1,720)	-	-	7,985	1,675
Electric System Refunding Revenue Bonds, 2015 Series C	25,880	4.0% - 5.0%	8/31/2015	9/1/2040	25,880	-	-	-	25,880	795
Electric System Revenue Bonds, 2021	71,080	2.0%-4.0%	6/29/2021	9/1/2041	-	-	71,080	-	71,080	-
Total Bonds Payable					\$ 235,810	\$ (11,130)	\$ 71,080	\$ -	\$ 295,760	\$ 12,440
<u>NOTES PAYABLE</u>										
Electric System Line of Credit - Direct Borrowing	13,000	Variable	5/27/2021	5/26/2022	\$ 13,000	\$ (13,000)	\$ -	\$ -	\$ -	\$ -
Subtotal					248,810	(24,130)	71,080	-	295,760	12,440
Unamortized premium/(discount)					24,232	(1,752)	4,510	-	26,990	-
Total Debt					\$ 273,042	\$ (25,882)	\$ 75,590	\$ -	\$ 322,750	\$ 12,440

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

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 - Direct Placement</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					<u>\$ 246,455</u>	<u>\$ (10,645)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,810</u>	<u>\$ 11,130</u>
<u>NOTES PAYABLE</u>										
Electric System Line of Credit - Direct Borrowing	13,000	Variable	6/26/2020	5/28/2021	\$ -	\$ -	\$ 13,000	\$ -	\$ 13,000	\$ 13,000
Subtotal					<u>246,455</u>	<u>(10,645)</u>	<u>13,000</u>	<u>-</u>	<u>248,810</u>	<u>24,130</u>
Unamortized premium/(discount)					<u>25,981</u>	<u>(1,749)</u>	<u>-</u>	<u>-</u>	<u>24,232</u>	<u>-</u>
Total Debt					<u>\$ 272,436</u>	<u>\$ (12,394)</u>	<u>\$ 13,000</u>	<u>\$ -</u>	<u>\$ 273,042</u>	<u>\$ 24,130</u>

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
2022	\$ 12,440	\$ 11,178	\$ 23,618
2023	13,015	10,565	23,580
2024	13,625	9,921	23,546
2025	14,285	9,249	23,534
2026	14,955	8,534	23,489
2027-2031	84,455	33,539	117,994
2032-2036	78,915	13,828	92,743
2037-2041	52,735	4,081	56,816
2042	11,335	38	11,373
Total	<u>\$ 295,760</u>	<u>\$ 100,933</u>	<u>\$ 396,693</u>

During June 2021, EPB issued Electric System Revenue Bonds, Series 2021, in order to finance capital costs incurred in connection with the improvement of the Electric System. The \$71.1 million par value of the bonds, less underwriter discount, cost of issuance, plus original issue premium netted proceeds of approximately \$75.0 million.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

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, 2021, 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, 2021 was 4.5x.

EPB maintained a \$50 million bank line of credit with the execution of an Electric System Revenue Anticipation Note in FY 2021 and 2020. 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 2022 and bears an interest rate of 30-day LIBOR plus 0.56%. As of June 30, 2021, there were no amounts outstanding on the note. There was \$13.0 million outstanding on this note as of June 30, 2020.

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 \$187,000 and \$188,000 at June 30, 2021 and 2020, respectively. Also, employees were eligible to be paid upon retirement at the rate of 38% for accumulated sick leave hours at June 30, 2021 and 2020, 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 \$336,000 and \$411,000 at June 30, 2021 and 2020, respectively.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

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, 2021 and 2020, respectively:

	2021	2020
Inactive employees or beneficiaries currently receiving benefits	16	16
Inactive employees or beneficiaries but not yet receiving benefits	151	141
Active employees	572	547
Total	<u>739</u>	<u>704</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

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 16.0% and 13.6% of annual covered payroll as of August 1, 2020 and 2019, respectively.

Net Pension Liability

EPB's net pension liability was measured as of July 31, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 1, 2020 and 2019, 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	6.5% 2020; 7.0% 2019

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

The actuarial assumptions used in the August 1, 2020 valuation were based on the results of an actuarial experience study for the period August 1, 2017 - July 31, 2020. 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 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	30 - 45%	6.5%
International equity	25 - 40%	6.0%
Fixed income	15 - 25%	4.0%
Real estate	0 - 15%	6.0%
Cash	0 - 10%	0.5%

The discount rate used to measure the total pension liability was 6.5 percent in FY 2021 and 7.0 percent in FY 2020. 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, 2021 and 2020

Financial Statements

As of June 30, 2021 and June 30, 2020, the Plan's statement of fiduciary net position for the Plan year ended July 31, 2020 and July 31, 2019, was as follows (in thousands):

	July 31, 2020	July 31, 2019
ASSETS		
Interest Receivable	\$ 334,000	\$ 401,000
Investments at fair value:		
Money Market Funds	8,684,000	6,297,000
Corporate Obligations	2,776,000	2,838,000
Common Equity Securities	7,172,000	6,972,000
Equity Mutual Funds	19,480,000	21,120,000
Fixed Income Mutual Funds	3,302,000	2,981,000
Exchange Traded Funds	16,260,000	12,203,000
	<u>57,674,000</u>	<u>52,411,000</u>
TOTAL ASSETS	<u>\$ 58,008,000</u>	<u>\$ 52,812,000</u>
LIABILITIES		
Accounts Payable	\$ 96,000	\$ 6,000
	<u>96,000</u>	<u>6,000</u>
NET POSITION		
Net position restricted for pension benefits	57,912,000	52,806,000
	<u>57,912,000</u>	<u>52,806,000</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 58,008,000</u>	<u>\$ 52,812,000</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

As of June 30, 2021 and June 30, 2020, the Plan's statement of changes in fiduciary net position for the Plan year ended July 31, 2020 and July 31, 2019, was as follows (in thousands):

	<u>July 31, 2020</u>	<u>July 31, 2019</u>
ADDITIONS		
Contributions:	\$ 7,940,000	\$ 5,600,000
Employers	7,940,000	5,600,000
Total contributions		
Investment Earnings:		
Net appreciation in fair value of investments	1,623,000	1,313,000
Interest and dividends	605,000	594,000
Total Investment Earnings	2,228,000	1,907,000
Less investment costs:		
Investment expenses	127,000	115,000
Net investment earnings	2,101,000	1,792,000
Total Additions	10,041,000	7,392,000
DEDUCTIONS		
Benefits paid to participants or beneficiaries	4,910,000	5,100,000
Administrative expenses	25,000	24,000
Total Deductions	4,935,000	5,124,000
CHANGE IN FIDUCIARY NET POSITION	5,106,000	2,268,000
NET POSITION, BEGINNING OF YEAR, RESTATED	52,806,000	50,538,000
NET POSITION, END OF YEAR	<u>\$ 57,912,000</u>	<u>\$ 52,806,000</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

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 6/30/20	\$ 70,086	\$ 52,806	\$ 17,280
Changes for the fiscal year:			
Service Cost	4,140	-	4,140
Interest	4,906	-	4,906
Differences between expected and actual experience	1,752	-	1,752
Assumption Changes	6,410	-	6,410
Contributions - employer	-	7,940	(7,940)
Net investment income	-	2,101	(2,101)
Benefit payments, including refunds of employee contributions	(4,910)	(4,910)	-
Administrative expense	-	(25)	25
Net Changes	12,298	5,106	7,192
Balances at 6/30/2021	\$ 82,384	\$ 57,912	\$ 24,472

	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	\$ 70,086	\$ 52,806	\$ 17,280

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

The following presents the net pension liability of the Plan, calculated using the discount rate of 6.5 percent for FY 2021 and 7.0 percent for FY 2020, 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 (5.5 percent FY 2021; 6.0 percent FY 2020) or 1-percentage-point higher (7.5 percent FY 2021; 8.0 percent FY 2020) than the current rate (in thousands):

Net pension position as of June 30, 2021

1% Decrease (5.5%)	Discount Rate (6.5%)	1% Increase (7.5%)
<u>\$ 38,082</u>	<u>\$ 24,472</u>	<u>\$ 13,240</u>

Net pension position as of June 30, 2020

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

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

For the year ended June 30, 2021, EPB recognized pension expense of \$8.0 million. At June 30, 2021, 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	\$ 10,518	\$ -
Changes in assumptions	8,878	-
Net difference between projected and actual earnings on pension plan investments	<u>1,813</u>	<u>-</u>
Total	<u>\$ 21,209</u>	<u>\$ -</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

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	<u>1,371</u>	<u>-</u>
Total	<u>\$ 14,497</u>	<u>\$ -</u>

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:	
2022	\$ 1,786
2023	2,039
2024	2,056
2025	1,741
2026	1,453
Thereafter	<u>12,134</u>
	<u>\$ 21,209</u>

Payable to the Pension Plan

At June 30, 2021 and 2020, 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, 2020, this Actuarial Accrued Liability has been calculated to be \$61.6 million; with the Actuarial Value of Plan Assets being \$57.9 million. 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. The increase in the Actuarial Accrued Liability was primarily due to the lowering of the investment rate of return from 7.0% to 6.5%.

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 in both fiscal years 2021 and 2020. Employee contributions were approximately \$4.0 million and \$4.3 million in fiscal years 2021 and 2020, 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, 2021 and 2020

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, 2021 and 2020, respectively:

	2021	2020
Inactive employees or beneficiaries currently receiving benefits	417	427
Inactive employees or beneficiaries not yet receiving benefits	64	62
Active participants	641	633
Total	<u>1,122</u>	<u>1,122</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 2021 and 2020 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, 2021 and 2020

EPB's contributions are calculated based on an actuarially determined rate, which is 3.8% and 3.5% of annual covered payroll as of June 30, 2021 and 2020, respectively.

Net OPEB Liability

EPB's net OPEB liability was measured as of June 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of those dates.

Actuarial Assumptions

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

	<u>2021</u>	<u>2020</u>
Healthcare cost trend	7.0% initial, 4.0% ultimate	7.5% initial, 4.0% ultimate
Investment rate of return	6.5%	6.5%
Mortality	UP-1984 Mortality Table	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, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2017 – June 30, 2020. 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 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 - 45%	6.5%
International equity	30 - 50%	6.0%
Fixed income	15 - 25%	4.0%
Real estate	0 - 15%	6.0%
Cash	0 - 10%	0.5%

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

Financial Statements

As of June 30, 2021 and June 30, 2020, the Plan's statement of fiduciary net position was as follows (in thousands):

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
ASSETS		
Interest Receivable	\$ 24,000	\$ 20,000
Investments at fair value:		
Money Market Funds	315,000	508,000
Corporate Obligations	1,378,000	1,268,000
Common Equity Securities	5,232,000	3,463,000
Equity Mutual Funds	14,271,000	10,321,000
Fixed Income Mutual Funds	1,998,000	1,973,000
Exchange Traded Funds	10,457,000	8,852,000
	<u>33,651,000</u>	<u>26,385,000</u>
TOTAL ASSETS	<u>\$ 33,675,000</u>	<u>\$ 26,405,000</u>
LIABILITIES		
Accounts Payable	\$ -	\$ -
	<u>-</u>	<u>-</u>
NET POSITION		
Net position restricted for OPEB benefits	<u>33,675,000</u>	<u>26,405,000</u>
	<u>33,675,000</u>	<u>26,405,000</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 33,675,000</u>	<u>\$ 26,405,000</u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

As of June 30, 2021 and June 30, 2020, the Plan's statement of changes in fiduciary net position was as follows (in thousands):

	June 30, 2021	June 30, 2020
ADDITIONS		
Contributions:	\$ --	\$ 1,663,000
Employers	--	1,663,000
Total contributions		
Investment Earnings:		
Net appreciation in fair value of investments	6,335,000	(123,000)
Interest and dividends	1,055,000	289,000
Total Investment Earnings	7,390,000	166,000
Less investment costs:		
Investment expenses	44,000	53,000
Net investment earnings	7,346,000	113,000
Total Additions	7,346,000	1,776,000
DEDUCTIONS		
Benefits paid to participants or beneficiaries	55,000	1,688,000
Administrative expenses	21,000	20,000
Total Deductions	76,000	1,708,000
CHANGE IN FIDUCIARY NET POSITION	7,270,000	68,000
NET POSITION, BEGINNING OF YEAR, AS RESTATED	26,405,000	26,337,000
NET POSITION, END OF YEAR	\$ 33,675,000	\$ 26,405,000

For the financial reporting year ended June 30, 2021 and June 30, 2020, the net OPEB liability is measured as of June 30, 2020 and June 30, 2019, respectively.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
Balances at 6/30/2020	\$ 23,581	\$ 26,337	\$ (2,756)
Changes for the fiscal year:			
Service Cost	950	-	950
Interest	1,533	-	1,533
Differences between expected and actual experience	518	-	518
Assumption Changes	(447)	-	(447)
Contributions - employer	-	1,663	(1,663)
Net investment income	-	113	(113)
Benefit payments	(1,688)	(1,688)	-
Administrative expense	-	(20)	20
Net Changes	866	68	798
Balances at 6/30/2021	\$ 24,447	\$ 26,405	\$ (1,958)

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
Balances at 6/30/2019	\$ 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)

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

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 (asset) 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, 2021

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB liability (asset)	\$ 711	\$ (1,958)	\$ (4,223)

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

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

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 7.0 percent decreasing to an ultimate 4.0 percent for FY 2021 and 7.5 percent decreasing to an ultimate 4.0 percent for FY 2020, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent decreasing to 3.0 percent FY 2021; 6.5 percent decreasing to 3.5 percent FY 2020) or 1-percentage-point higher (8.0 percent decreasing to 5.0 percent FY 2021; 8.5 percent decreasing to 5.0 percent FY 2020) than the current rate (in thousands):

Net OPEB liability (asset) as of June 30, 2021

	1% Decrease (6.0% decreasing to 3.0%)	Healthcare Trend Rate (7.0% decreasing to 4.0%)	1% Increase (8.0% decreasing to 5.0%)
Net OPEB liability (asset)	\$ (4,510)	\$ (1,958)	\$ 1,158

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

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

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, 2020 and 2019.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

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

For the year ended June 30, 2021, EPB recognized an OPEB expense of \$0.3 million. At June 30, 2021, 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	\$ 3,549	\$ (4,727)
Changes in assumptions	-	(5,382)
Net difference between projected and actual earnings on pension plan investments	1,132	-
Contributions subsequent to measurement date	1,796	-
	<u>6,477</u>	<u>-</u>
Total	<u>\$ 6,477</u>	<u>\$ (10,109)</u>

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	-
	<u>4,988</u>	<u>-</u>
Total	<u>\$ 4,988</u>	<u>\$ (10,933)</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:	
2022	\$ (514)
2023	(287)
2024	(234)
2025	(297)
2026	(616)
Thereafter	(3,480)
	<u>\$ (5,428)</u>

Deferred outflows of resources totaling \$1.8 million represent contributions made after the Plan's valuation date. These contributions will be used to reduce the net OPEB liability during 2022.

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

Payable to the OPEB Plan

At June 30, 2021 and 2020, 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 loss for EPB includes many different facets: damage to equipment, destruction of assets from natural disasters, theft of equipment or property, errors and omissions, employee health insurance, and employees' injuries.

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

EPB does maintain a corporate insurance portfolio to cover other risks like destruction of property, automobile liability, and fiber optics activities. EPB claims filed with insurance are limited to automobile liability and there are no significant claims outstanding as of June 30, 2021.

EPB continues its self-insured programs for employee injuries and employee health insurance.

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

Changes in the balances of claims liabilities for these three areas during the fiscal years ended June 30, 2021 and 2020 are as follows (in thousands):

Unpaid claims, June 30, 2019	\$ 1,876
Incurred claims (including IBNRs)	11,023
Claim payments	<u>(10,463)</u>
Unpaid claims, June 30, 2020	<u>2,436</u>
Incurred claims (including IBNRs)	12,522
Claim payments	<u>(12,437)</u>
Unpaid claims, June 30, 2021	<u><u>\$ 2,521</u></u>

EPB
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2021 and 2020

NOTE ELEVEN - RESTATEMENT

In conjunction with the implementation of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, the EPB is required to reevaluate the accounting treatment of fiduciary activities. The new standard requires EPB to evaluate any Trust funds held by EPB and determine the appropriate reporting under the new requirements of GASB Statement No. 84. Therefore, in conjunction with the implementation of GASB Statement No. 84, the following restatement was required to the beginning net position of the Fiduciary Activities to bring on the Electric Power Board of Chattanooga Retirement Plan Trust Fund and the Electric Power Board of Chattanooga Post Employment Health and Welfare Benefit Plan (OPEB) Trust Fund.

	Fiduciary Activities	
	June 30, 2020	June 30, 2019
Net position, trust funds, as previously reported	\$ -	\$ -
Recognition of beginning net position for Pension Trust Fund	52,806,000	50,538,000
Recognition of beginning net position for OPEB Trust Fund	26,405,000	26,337,000
Net position, trust funds, as restated	<u>\$ 79,211,000</u>	<u>\$ 76,875,000</u>

REQUIRED SUPPLEMENTARY INFORMATION



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

	2021	2020	2019	2018	2017	2016	2015
Total pension liability:							
Service cost	\$ 4,140	\$ 4,008	\$ 4,052	\$ 3,420	\$ 3,192	\$ 2,766	\$ 2,395
Interest	4,906	4,543	4,222	4,432	4,250	4,043	3,637
Differences between expected and actual experience	1,752	1,736	2,278	1,460	735	2,594	3,608
Changes of assumptions	6,410	-	-	-	4,050	-	-
Benefit payments, including refunds of employee	(4,910)	(5,100)	(5,963)	(7,178)	(6,569)	(5,237)	(2,455)
Net change in total pension liability	12,298	5,187	4,589	2,134	5,658	4,166	7,185
Total pension liability—beginning	70,086	64,899	60,310	58,176	52,518	48,352	41,167
Total pension liability—ending (a)	\$ 82,384	\$ 70,086	\$ 64,899	\$ 60,310	\$ 58,176	\$ 52,518	\$ 48,352
Plan fiduciary net position:							
Contributions—employer	\$ 7,940	\$ 5,600	\$ 5,834	\$ 5,825	\$ 7,000	\$ 5,700	\$ 3,630
Net investment income	2,101	1,792	3,214	4,174	(346)	2,143	5,735
Benefit payments, including refunds of employee	(4,910)	(5,100)	(5,963)	(7,178)	(6,569)	(5,237)	(2,455)
contributions							
Administrative expense	(25)	(24)	(55)	(74)	(74)	(74)	(87)
Net change in plan fiduciary net position	5,106	2,268	3,030	2,747	11	2,532	6,823
Plan fiduciary net position—beginning	52,806	50,538	47,508	44,761	44,750	42,218	35,395
Plan fiduciary net position—ending (b)	\$ 57,912	\$ 52,806	\$ 50,538	\$ 47,508	\$ 44,761	\$ 44,750	\$ 42,218
Plan's net pension liability—ending (a) – (b)	\$ 24,472	\$ 17,280	\$ 14,361	\$ 12,802	\$ 13,415	\$ 7,768	\$ 6,134
Plan fiduciary net position as a percentage of the total pension liability	70.30%	75.34%	77.87%	78.77%	76.94%	85.21%	87.31%
Covered payroll	\$ 43,578	\$ 42,079	\$ 40,978	\$ 37,196	\$ 35,296	\$ 34,481	\$ 32,127
Net pension liability as a percentage of covered payroll	56.16%	41.07%	35.05%	34.42%	38.01%	22.53%	19.09%

Notes to Schedule:

Benefit changes: None.

Changes of assumptions: The investment rate of return was changed from 7.0% in FY 2020 to 6.5% in FY 2021.

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 7,482	\$ 5,927	\$ 5,597	\$ 5,573	\$ 5,059	\$ 4,447	\$ 3,562	\$ 3,646
Contributions in relation to the actuarially determined contribution	<u>7,500</u>	<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>\$ (18)</u>	<u>\$ (13)</u>	<u>\$ (3)</u>	<u>\$ (11)</u>	<u>\$ (16)</u>	<u>\$ (53)</u>	<u>\$ (138)</u>	<u>\$ 16</u>
Covered payroll	\$ 46,760	\$ 43,578	\$ 42,079	\$ 40,978	\$ 37,196	\$ 35,296	\$ 34,481	\$ 32,127
Contributions as a percentage of covered payroll	16.04%	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	6.5% - 2021; 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)

	2021	2020	2019	2018
Total OPEB liability:				
Service cost	\$ 950	\$ 1,218	\$ 1,250	\$ 1,191
Interest	1,533	1,609	1,686	1,851
Differences between expected and actual experience	518	3,583	(2,537)	(3,860)
Changes of assumptions	(447)	(5,800)	-	-
Benefit payments, including refunds of employee contributions	(1,688)	(1,775)	(1,603)	(1,716)
Net change in total OPEB liability	866	(1,165)	(1,204)	(2,534)
Total OPEB liability—beginning	23,581	24,746	25,950	28,484
Total OPEB liability—ending (a)	\$ 24,447	\$ 23,581	\$ 24,746	\$ 25,950
Plan fiduciary net position:				
Contributions—employer	\$ 1,663	\$ 1,720	\$ 1,582	\$ 1,686
Net investment income	113	1,313	1,780	2,495
Benefit payments, including refunds of employee contributions	(1,688)	(1,775)	(1,603)	(1,716)
Administrative expense	(20)	(19)	(39)	(49)
Net change in plan fiduciary net position	68	1,239	1,720	2,416
Plan fiduciary net position—beginning	26,337	25,098	23,378	20,962
Plan fiduciary net position—ending (b)	\$ 26,405	\$ 26,337	\$ 25,098	\$ 23,378
Plan's net OPEB liability (asset)—ending (a) – (b)	\$ (1,958)	\$ (2,756)	\$ (352)	\$ 2,572
Plan fiduciary net position as a percentage of the total OPEB liability	108.01%	111.69%	101.42%	90.09%
Covered-employee payroll	\$ 48,790	\$ 46,282	\$ 43,270	\$ 42,611
Net OPEB liability (asset) as a percentage of covered-employee payroll	(4.01%)	(5.95%)	(0.81%)	6.04%

Notes to Schedule:

Benefit changes: None.

Changes of assumptions: The estimated Healthcare Cost Trend was changed during FY 2020 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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 125,677,000	\$ 74,218,000
Investments	3,202,000	2,077,000
Accounts receivable, less allowance for doubtful accounts of \$2,193,000 and \$1,890,000 in 2021 and 2020, respectively	23,880,000	21,411,000
Unbilled electric sales	33,489,000	29,256,000
Materials and supplies, at average cost	16,586,000	15,693,000
Prepayments and other current assets	5,902,000	4,432,000
Total Current Assets	<u>208,736,000</u>	<u>147,087,000</u>
NON-CURRENT ASSETS		
Investments	1,001,000	1,034,000
Utility plant -		
Utility plant	966,692,000	951,306,000
Less - accumulated provision for depreciation	(343,425,000)	(342,254,000)
Net utility plant	<u>623,267,000</u>	<u>609,052,000</u>
Other non-current assets	1,481,000	1,704,000
Accrued post-employment benefit asset	1,820,000	2,580,000
Total Non-Current Assets	<u>627,569,000</u>	<u>614,370,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred bond defeasance outflows	10,138,000	11,029,000
Deferred pension outflows	18,435,000	12,659,000
Deferred OPEB outflows	6,063,000	4,661,000
Total Deferred Outflows of Resources	<u>34,636,000</u>	<u>28,349,000</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 870,941,000</u>	<u>\$ 789,806,000</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable -		
Tennessee Valley Authority, for power purchased	\$ 69,205,000	\$ 63,254,000
Other	17,124,000	18,480,000
Customer deposits	4,516,000	3,279,000
Line of credit	--	13,000,000
Revenue bonds, current portion	12,440,000	11,130,000
Accrued tax equivalents	19,240,000	18,631,000
Accrued interest payable	3,304,000	3,474,000
Carrying charge payable - Fiber Optics	--	37,000
Other current liabilities	12,234,000	12,225,000
Total Current Liabilities	<u>138,063,000</u>	<u>143,510,000</u>
NON-CURRENT LIABILITIES		
Revenue bonds, net	310,310,000	248,912,000
Net pension liability	21,271,000	15,089,000
Repayable advance payable - Telecom	23,600,000	23,600,000
Repayable advance payable - Video & Internet	25,250,000	25,250,000
Customer deposits	22,958,000	23,112,000
Other non-current liabilities	2,574,000	3,643,000
Total Non-Current Liabilities	<u>405,963,000</u>	<u>339,606,000</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred OPEB inflows	9,396,000	10,236,000
Deferred other inflows	6,670,000	6,002,000
Total Deferred Inflows of Resources	<u>16,066,000</u>	<u>16,238,000</u>
NET POSITION		
Net investment in capital assets	332,885,000	311,189,000
Restricted for capital assets	4,303,000	--
Unrestricted	(26,339,000)	(20,737,000)
Total Net Position	<u>310,849,000</u>	<u>290,452,000</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 870,941,000</u>	<u>\$ 789,806,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB ELECTRIC SYSTEM
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Electric sales		
Residential	\$ 244,073,000	\$ 244,769,000
Small commercial	49,026,000	49,614,000
Large commercial	229,516,000	236,529,000
Outdoor lighting systems	6,585,000	6,631,000
Total billed electric sales	<u>529,200,000</u>	<u>537,543,000</u>
Change in unbilled electric sales	4,234,000	(4,882,000)
Less uncollectible electric sales	<u>(484,000)</u>	<u>(1,376,000)</u>
Total electric sales	532,950,000	531,285,000
Other operating revenues	<u>30,482,000</u>	<u>30,570,000</u>
Total operating revenues	<u>563,432,000</u>	<u>561,855,000</u>
OPERATING EXPENSES		
Operation		
Power purchased from Tennessee Valley Authority	398,544,000	417,043,000
Other operation expenses	44,275,000	43,990,000
Maintenance	27,638,000	47,596,000
Provision for depreciation	44,406,000	44,554,000
City, county, and state tax equivalents	<u>12,644,000</u>	<u>12,235,000</u>
Total operating expenses	<u>527,507,000</u>	<u>565,418,000</u>
Net operating income (loss)	35,925,000	(3,563,000)
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue on invested funds	368,000	742,000
Interest expense	(9,193,000)	(9,327,000)
Carrying charge expense - Fiber Optics	(90,000)	(268,000)
Other, net	104,000	133,000
Plant cost recovered through contributions in aid of construction	<u>(2,220,000)</u>	<u>(1,250,000)</u>
Total non-operating revenues (expenses)	<u>(11,031,000)</u>	<u>(9,970,000)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	24,894,000	(13,533,000)
Tax equivalents transferred to the City of Chattanooga	(6,717,000)	(6,531,000)
Contributions in aid of construction	<u>2,220,000</u>	<u>1,250,000</u>
CHANGE IN NET POSITION	20,397,000	(18,814,000)
NET POSITION, BEGINNING OF YEAR	<u>290,452,000</u>	<u>309,266,000</u>
NET POSITION, END OF YEAR	<u>\$ 310,849,000</u>	<u>\$ 290,452,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB ELECTRIC SYSTEM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 556,164,000	\$ 570,971,000
Payments to suppliers for goods and services	(422,660,000)	(468,724,000)
Payments to employees for services	(43,503,000)	(43,526,000)
Payments in lieu of taxes	(12,358,000)	(12,825,000)
Net cash provided by operating activities	77,643,000	45,896,000
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	106,000	154,000
Net cash used in noncapital financing activities	(6,425,000)	(6,789,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(60,933,000)	(70,151,000)
Removal cost	(1,318,000)	(2,365,000)
Salvage	591,000	376,000
Contributions in aid of construction	2,220,000	1,250,000
Carrying charge payment - Fiber Optics	(128,000)	(231,000)
Repayable advance paid - Telecom	(25,000,000)	(15,600,000)
Repayable advance received - Telecom	25,000,000	23,600,000
Repayable advanced paid - Video & Internet	(56,000,000)	--
Repayable advance received - Video & Internet	56,000,000	25,250,000
Proceeds from line of credit	--	13,000,000
Payments on line of credit	(13,000,000)	--
Bond principal payment	(11,130,000)	(10,645,000)
Bond interest payment	(10,167,000)	(10,662,000)
Proceeds from bond issuance, including premium	75,590,000	--
Bond issuance costs paid	(577,000)	--
Line of credit interest payments	(183,000)	--
Unused line of credit fees paid	--	(20,000)
Net cash used in capital and related financing activities	(19,035,000)	(46,198,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	--	1,126,000
Purchases of investments	(1,000,000)	--
Interest on investments	276,000	647,000
Net cash provided by (used in) investing activities	(724,000)	1,773,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	51,459,000	(5,318,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	74,218,000	79,536,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 125,677,000	\$ 74,218,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income (loss)	\$ 35,925,000	\$ (3,563,000)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	45,927,000	45,903,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	(2,469,000)	3,442,000
Unbilled electric sales	(4,233,000)	4,882,000
Materials and supplies	(893,000)	(2,271,000)
Prepayments and other current assets	(1,470,000)	(810,000)
Other deferred charges	223,000	228,000
Accounts payable, net	4,595,000	(6,223,000)
Customer deposits	1,083,000	1,043,000
Accrued tax equivalents	423,000	(590,000)
Other current liabilities	9,000	1,707,000
Other deferred credits and inflows	(1,069,000)	(436,000)
Other deferred inflows	668,000	2,788,000
Net pension liability and deferred outflows of resources	406,000	999,000
Accrued post-employment benefits and deferred outflows and inflows of resources	(1,482,000)	(1,203,000)
Net cash provided by operating activities	\$ 77,643,000	\$ 45,896,000

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB TELECOM SYSTEM
SCHEDULES OF NET POSITION
AS OF JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,170,000	\$ 4,832,000
Accounts receivable, less allowance for doubtful accounts of \$184,000 and \$118,000 in 2021 and 2020, respectively	5,084,000	4,307,000
Carrying charge receivable - Electric	--	36,000
Investments	4,241,000	2,071,000
Prepayments and other current assets	157,000	127,000
Total Current Assets	<u>18,652,000</u>	<u>11,373,000</u>
NON-CURRENT ASSETS		
Investments	--	2,073,000
Utility plant -		
Utility plant	10,883,000	11,044,000
Less - accumulated provision for depreciation	(5,802,000)	(5,952,000)
Net utility plant	<u>5,081,000</u>	<u>5,092,000</u>
Repayable advance receivable - Electric	23,600,000	23,600,000
Total Non-Current Assets	<u>28,681,000</u>	<u>30,765,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred other outflows	<u>623,000</u>	<u>587,000</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 47,956,000</u></u>	<u><u>\$ 42,725,000</u></u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 4,427,000	\$ 3,338,000
Accrued tax equivalents	779,000	770,000
Unearned revenue	477,000	497,000
Other current liabilities	181,000	160,000
Total Current Liabilities	<u>5,864,000</u>	<u>4,765,000</u>
NET POSITION		
Investments in capital assets	5,081,000	5,092,000
Unrestricted	37,011,000	32,868,000
Total Net Position	<u>42,092,000</u>	<u>37,960,000</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 47,956,000</u></u>	<u><u>\$ 42,725,000</u></u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB TELECOM SYSTEM
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Fiber optics sales		
Commercial basic local services revenue	\$ 16,282,000	\$ 16,852,000
Commercial long distance message revenue	406,000	461,000
Total billed fiber optics sales	<u>16,688,000</u>	<u>17,313,000</u>
Less uncollectible accounts	<u>(74,000)</u>	<u>(119,000)</u>
Total fiber optics sales	16,614,000	17,194,000
Other operating revenues	<u>1,758,000</u>	<u>1,958,000</u>
Total operating revenues	<u>18,372,000</u>	<u>19,152,000</u>
OPERATING EXPENSES		
Cost of services	2,913,000	2,782,000
Operation expenses	7,810,000	7,714,000
General and administrative	936,000	908,000
Provision for depreciation	1,963,000	2,328,000
City, county, and state tax equivalents	<u>479,000</u>	<u>474,000</u>
Total operating expenses	<u>14,101,000</u>	<u>14,206,000</u>
Net operating income	4,271,000	4,946,000
NON-OPERATING REVENUES		
Carrying charge revenue - Electric	43,000	267,000
Interest income on invested funds	<u>119,000</u>	<u>221,000</u>
Total non-operating revenues	<u>162,000</u>	<u>488,000</u>
INCOME BEFORE TRANSFERS	4,433,000	5,434,000
Tax equivalents transferred to the City of Chattanooga	<u>(301,000)</u>	<u>(297,000)</u>
CHANGE IN NET POSITION	4,132,000	5,137,000
NET POSITION, BEGINNING OF YEAR	<u>37,960,000</u>	<u>32,823,000</u>
NET POSITION, END OF YEAR	<u><u>\$ 42,092,000</u></u>	<u><u>\$ 37,960,000</u></u>

ELECTRIC POWER BOARD OF CHATTANOOGA
EPB TELECOM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 17,575,000	\$ 18,857,000
Payments to suppliers for goods and services	(10,616,000)	(11,196,000)
Payments in lieu of taxes	(474,000)	(474,000)
Net cash provided by operating activities	6,485,000	7,187,000
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	(1,953,000)	(2,270,000)
Repayable advance received - Electric	25,000,000	15,600,000
Repayable advance paid - Electric	(25,000,000)	(23,600,000)
Carrying charge received - Electric	80,000	231,000
Net cash used in capital and related financing activities	(1,873,000)	(10,039,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	23,000	112,000
Purchases of investments	(2,099,000)	--
Proceeds from sales of investments	2,099,000	--
Net cash provided by investing activities	23,000	112,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,338,000	(3,030,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,832,000	7,862,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 9,170,000	\$ 4,832,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 4,271,000	\$ 4,946,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	1,963,000	2,328,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	(777,000)	(273,000)
Prepayments and other current assets	(30,000)	(6,000)
Accounts payable, net	1,089,000	528,000
Accrued tax equivalents	4,000	--
Other current liabilities	21,000	(3,000)
Unearned revenue	(20,000)	(22,000)
Deferred other outflows of resources	(36,000)	(311,000)
Net cash provided by operating activities	\$ 6,485,000	\$ 7,187,000

**ELECTRIC POWER BOARD OF CHATTANOOGA
VIDEO & INTERNET SYSTEM
SCHEDULES OF NET POSITION
AS OF JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 38,278,000	\$ 12,409,000
Investments	9,102,000	6,218,000
Accounts receivable, less allowance for doubtful accounts of \$1,436,000 and \$1,495,000 in 2021 and 2020, respectively	8,631,000	8,355,000
Prepayments and other current assets	3,198,000	2,877,000
Carrying charge receivable - Electric	--	1,000
Total Current Assets	<u>59,209,000</u>	<u>29,860,000</u>
NON-CURRENT ASSETS		
Investments	2,487,000	4,141,000
Utility plant -		
Utility plant	155,997,000	155,095,000
Less - accumulated provision for depreciation	<u>(68,689,000)</u>	<u>(63,881,000)</u>
Net utility plant	87,308,000	91,214,000
Repayable advance receivable - Electric	25,250,000	25,250,000
Accrued post-employment benefit asset	<u>138,000</u>	<u>176,000</u>
Total Non-Current Assets	<u>115,183,000</u>	<u>120,781,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred OPEB outflows	414,000	327,000
Deferred pension outflows	2,774,000	1,838,000
Deferred other outflows	<u>6,047,000</u>	<u>5,415,000</u>
Total Deferred Outflows of Resources	<u>9,235,000</u>	<u>7,580,000</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 183,627,000</u>	<u>\$ 158,221,000</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 12,500,000	\$ 12,387,000
Accrued tax equivalents	1,107,000	1,078,000
Unearned revenue	6,061,000	5,826,000
Other current liabilities	<u>3,971,000</u>	<u>3,345,000</u>
Total Current Liabilities	<u>23,639,000</u>	<u>22,636,000</u>
NON-CURRENT LIABILITIES		
Net pension liability	3,201,000	2,191,000
DEFERRED INFLOWS OF RESOURCES		
Deferred OPEB inflows	713,000	697,000
NET POSITION		
Investment in capital assets	87,308,000	91,214,000
Unrestricted	<u>68,766,000</u>	<u>41,483,000</u>
Total Net Position	<u>156,074,000</u>	<u>132,697,000</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 183,627,000</u>	<u>\$ 158,221,000</u>

**ELECTRIC POWER BOARD OF CHATTANOOGA
VIDEO & INTERNET SYSTEM
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Fiber optics sales		
Commercial basic local services revenue	\$ 26,080,000	\$ 23,924,000
Residential services revenue	129,358,000	123,950,000
Total billed fiber optics sales	<u>155,438,000</u>	<u>147,874,000</u>
Less uncollectible accounts	<u>(715,000)</u>	<u>(1,580,000)</u>
Total fiber optics sales	<u>154,723,000</u>	<u>146,294,000</u>
Other operating revenues	<u>8,647,000</u>	<u>9,994,000</u>
Total operating revenues	<u>163,370,000</u>	<u>156,288,000</u>
OPERATING EXPENSES		
Cost of services	53,581,000	54,016,000
Operation expenses	62,534,000	58,795,000
General and administrative	3,895,000	3,165,000
Provision for depreciation	19,213,000	18,404,000
City, county, and state tax equivalents	<u>743,000</u>	<u>735,000</u>
Total operating expenses	<u>139,966,000</u>	<u>135,115,000</u>
Net operating income	23,404,000	21,173,000
NON-OPERATING REVENUES (EXPENSES)		
Carrying charge revenue - Electric	47,000	1,000
Interest income on invested funds	310,000	736,000
Plant cost recovered through contributions in aid of construction	<u>(1,492,000)</u>	<u>--</u>
Total non-operating revenues (expenses)	<u>(1,135,000)</u>	<u>737,000</u>
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	22,269,000	21,910,000
Tax equivalents transferred to the City of Chattanooga	(384,000)	(365,000)
Contributions in aid of construction	<u>1,492,000</u>	<u>--</u>
CHANGE IN NET POSITION	23,377,000	21,545,000
NET POSITION, BEGINNING OF YEAR	<u>132,697,000</u>	<u>111,152,000</u>
NET POSITION, END OF YEAR	<u><u>\$ 156,074,000</u></u>	<u><u>\$ 132,697,000</u></u>

**ELECTRIC POWER BOARD OF CHATTANOOGA
VIDEO & INTERNET SYSTEM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 163,326,000	\$ 157,440,000
Payments to suppliers for goods and services	(112,425,000)	(110,384,000)
Payments to employees for services	(7,756,000)	(7,499,000)
Payments in lieu of taxes	(732,000)	(774,000)
Net cash provided by operating activities	42,413,000	38,783,000
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	(16,806,000)	(20,127,000)
Carrying charge received - Electric	48,000	--
Repayable advance received - Electric	56,000,000	--
Repayable advance paid - Electric	(56,000,000)	(25,250,000)
Contributions in aid of construction	1,492,000	--
Net cash used in capital and related financing activities	(15,266,000)	(45,377,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,015,000)	--
Proceeds from sales and maturities of investments	2,042,000	1,978,000
Interest income received	60,000	442,000
Net cash provided by (used in) investing activities	(913,000)	2,420,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	25,869,000	(4,559,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,409,000	16,968,000
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 38,278,000	\$ 12,409,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 23,404,000	\$ 21,173,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	19,213,000	18,404,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	(276,000)	942,000
Prepayments and other current assets	(321,000)	(218,000)
Accounts payable, net	113,000	836,000
Accrued tax equivalents	10,000	(39,000)
Other current liabilities	626,000	(140,000)
Unearned revenue	235,000	229,000
Net pension liability and deferred outflows of resources	74,000	154,000
Accrued post-employment benefits and deferred outflows and inflows of resources	(33,000)	(81,000)
Deferred other outflows	(632,000)	(2,477,000)
Net cash provided by operating activities	\$ 42,413,000	\$ 38,783,000

ELECTRIC POWER BOARD OF CHATTANOOGA
FIBER OPTICS SYSTEM
SCHEDULES OF NET POSITION
AS OF JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 47,448,000	\$ 17,241,000
Investments	13,343,000	8,289,000
Accounts receivable, less allowance for doubtful accounts of \$1,620,000 and \$1,613,000 in 2021 and 2020, respectively	9,848,000	10,032,000
Carrying charge receivable - Electric	--	37,000
Prepayments and other current assets	3,355,000	3,004,000
Total Current Assets	<u>73,994,000</u>	<u>38,603,000</u>
NON-CURRENT ASSETS		
Investments	2,487,000	6,214,000
Utility plant - Utility plant	166,880,000	166,139,000
Less - accumulated provision for depreciation	(74,491,000)	(69,833,000)
Net utility plant	<u>92,389,000</u>	<u>96,306,000</u>
Post-employment benefit asset	138,000	176,000
Repayable advance receivable - Electric	48,850,000	48,850,000
Total Non-Current Assets	<u>143,864,000</u>	<u>151,546,000</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred OPEB outflows	414,000	327,000
Deferred pension outflows	2,774,000	1,838,000
Deferred other outflows	6,670,000	6,002,000
Total Deferred Outflows of Resources	<u>9,858,000</u>	<u>8,167,000</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 227,716,000</u>	<u>\$ 198,316,000</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 13,060,000	\$ 13,095,000
Accrued tax equivalents	1,886,000	1,848,000
Unearned revenue	6,538,000	6,323,000
Other current liabilities	4,152,000	3,505,000
Total Current Liabilities	<u>25,636,000</u>	<u>24,771,000</u>
NON-CURRENT LIABILITIES		
Net pension liability	3,201,000	2,191,000
DEFERRED INFLOWS OF RESOURCES		
Deferred OPEB inflows	713,000	697,000
NET POSITION		
Investment in capital assets	92,389,000	96,306,000
Unrestricted	105,777,000	74,351,000
Total Net Position	<u>198,166,000</u>	<u>170,657,000</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 227,716,000</u>	<u>\$ 198,316,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA
FIBER OPTICS SYSTEM
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Fiber optics sales		
Commercial basic local services revenue	\$ 42,362,000	\$ 40,776,000
Commercial long distance message revenue	406,000	461,000
Residential services revenue	<u>129,358,000</u>	<u>123,950,000</u>
Total billed fiber optics sales	172,126,000	165,187,000
Less uncollectible accounts	<u>(789,000)</u>	<u>(1,699,000)</u>
Total fiber optics sales	171,337,000	163,488,000
Other operating revenues	<u>10,405,000</u>	<u>11,952,000</u>
Total operating revenues	181,742,000	175,440,000
OPERATING EXPENSES		
Cost of services	56,494,000	56,798,000
Operation expenses	70,344,000	66,509,000
General and administrative	4,831,000	4,073,000
Provision for depreciation	21,176,000	20,732,000
City, county, and state tax equivalents	<u>1,222,000</u>	<u>1,209,000</u>
Total operating expenses	<u>154,067,000</u>	<u>149,321,000</u>
Net operating income	27,675,000	26,119,000
NON-OPERATING REVENUES (EXPENSES)		
Carrying charge revenue - Electric	90,000	268,000
Interest income	429,000	957,000
Plant cost recovered through contributions in aid of construction	<u>(1,492,000)</u>	<u>--</u>
Total non-operating revenues (expenses)	(973,000)	1,225,000
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	26,702,000	27,344,000
Tax equivalents transferred to the City of Chattanooga	(685,000)	(662,000)
Contributions in aid of construction	<u>1,492,000</u>	<u>--</u>
CHANGE IN NET POSITION	27,509,000	26,682,000
NET POSITION, BEGINNING OF YEAR	<u>170,657,000</u>	<u>143,975,000</u>
NET POSITION, END OF YEAR	<u><u>\$ 198,166,000</u></u>	<u><u>\$ 170,657,000</u></u>

**ELECTRIC POWER BOARD OF CHATTANOOGA
FIBER OPTICS SYSTEM
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 180,901,000	\$ 176,297,000
Payments to suppliers for goods and services	(123,041,000)	(121,580,000)
Payments to employees for services	(7,756,000)	(7,499,000)
Payments in lieu of taxes	(1,206,000)	(1,248,000)
Net cash provided by operating activities	<u>48,898,000</u>	<u>45,970,000</u>
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	<u>(662,000)</u>	<u>(675,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(18,759,000)	(22,397,000)
Carrying charges received - Electric	128,000	231,000
Repayable advances received - Electric	81,000,000	15,600,000
Repayable advances paid - Electric	(81,000,000)	(48,850,000)
Contributions in aid of construction	1,492,000	--
Net cash used in capital and related financing activities	<u>(17,139,000)</u>	<u>(55,416,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(5,114,000)	--
Proceeds from investment sales and maturities	4,141,000	1,978,000
Interest income received	83,000	554,000
Net cash provided by (used in) investing activities	<u>(890,000)</u>	<u>2,532,000</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	30,207,000	(7,589,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>17,241,000</u>	<u>24,830,000</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 47,448,000</u>	<u>\$ 17,241,000</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	\$ 27,675,000	\$ 26,119,000
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	21,176,000	20,732,000
Changes in assets, deferred outflows and inflows of resources, and liabilities:		
Accounts receivable, net	184,000	1,068,000
Prepayments and other current assets	(351,000)	(224,000)
Accounts payable, net	(35,000)	965,000
Accrued tax equivalents	14,000	(39,000)
Other current liabilities	647,000	(143,000)
Unearned revenue	215,000	207,000
Net pension liability and deferred outflows of resources	74,000	154,000
Accrued post-employment benefits and deferred outflows and inflows of resources	(33,000)	(81,000)
Other deferred outflows	(668,000)	(2,788,000)
Net cash provided by operating activities	<u>\$ 48,898,000</u>	<u>\$ 45,970,000</u>

ELECTRIC POWER BOARD OF CHATTANOOGA

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

<u>Fiscal Year Ended June 30</u>	<u>Residential Customers</u>	<u>Cents per KWH</u>	<u>Small Commercial Customers</u>	<u>Cents per KWH</u>	<u>Large Commercial Customers</u>	<u>Cents per KWH</u>	<u>Outdoor Lighting Customers</u>	<u>Cents per KWH</u>	<u>Total Customers</u>	<u>Cents per KWH</u>
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
2021	163,996	10.77	22,184	12.24	2,948	8.10	141	14.73	189,269	9.54

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, 2021

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2022	2015 A Electric System Revenue Bonds	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
			<u>190,815,000</u>	<u>57,492,936</u>	<u>248,307,936</u>
2022	2015 B Electric System Revenue Bonds	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
			<u>7,985,000</u>	<u>539,809</u>	<u>8,524,809</u>

continued

ELECTRIC POWER BOARD OF CHATTANOOGA
SCHEDULE OF BONDS PAYABLE
As of June 30, 2021

Fiscal Year Ended June 30	Issue	Interest Rate	Principal	Due Interest	Total Interest and Principal
2022	2015 C Electric System Revenue Bonds	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>14,514,201</u>	<u>40,394,201</u>
2022	2021 Electric System Revenue Bonds		-	1,750,974	1,750,974
2023			-	1,741,300	1,741,300
2024			-	1,741,300	1,741,300
2025			-	1,741,300	1,741,300
2026			-	1,741,300	1,741,300
2027			-	1,741,300	1,741,300
2028			-	1,741,300	1,741,300
2029			-	1,741,300	1,741,300
2030			-	1,741,300	1,741,300
2031			-	1,741,300	1,741,300
2032			-	1,741,300	1,741,300
2033			-	1,741,300	1,741,300
2034			-	1,741,300	1,741,300
2035		4.000%	7,830,000	1,480,300	9,310,300
2036		4.000%	8,155,000	1,156,267	9,311,267
2037		2.000%	8,400,000	961,900	9,361,900
2038		2.000%	8,575,000	790,983	9,365,983
2039		2.000%	8,750,000	616,567	9,366,567
2040		2.000%	8,925,000	438,650	9,363,650
2041		2.000%	9,110,000	257,067	9,367,067
2042		2.000%	11,335,000	37,783	11,372,783
			<u>71,080,000</u>	<u>28,386,091</u>	<u>99,466,091</u>
Total			<u>\$ 295,760,000</u>	<u>\$ 100,933,037</u>	<u>\$ 396,693,037</u>

ELECTRIC POWER BOARD OF CHATTANOOGA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Accrued Grant Revenues June 30, 2020	Grant Revenues Received	Expenditures	Accrued Grant Revenues June 30, 2021
U.S. DEPARTMENT OF ENERGY						
Smart and Flexible Microgrid with Scalable Open-Source Controller	81.135	A16-1328-S002-A01	\$ -	\$ 230,669	\$ 231,751	\$ 1,082
SIC Based Modular Transformer-less MW- Scale Power Conditioning System and Control for Flexible CHP System	81.086	A19-0435-S001	(366)	227	593	-
SiC Based Modular Transformer-less MW- Scale Power Conditioning System and Control for Flexible Manufacturing Plants	81.086	A21-0512-S001	-	905	1,074	169
Total			(366)	1,132	1,667	169
Total U.S. Department of Energy			(366)	231,801	233,418	1,251
Total Expenditures of Federal Awards			\$ (366)	\$ 231,801	\$ 233,418	\$ 1,251

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, 2021, and the related notes to the financial statements, which collectively comprise EPB's basic financial statements, and have issued our report thereon dated September 9, 2021, 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. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*.

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") as a basis for designing 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.

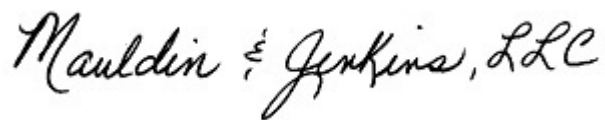
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



Chattanooga, Tennessee
September 9, 2021

ELECTRIC POWER BOARD OF CHATTANOOGA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2021

SECTION I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial
statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

Material weakness identified? ☐ yes ☒ no

Significant deficiencies identified? ☐ yes ☒ none reported

Noncompliance material to the financial statements noted? ☐ yes ☒ no

Federal Awards

There was not an audit of major federal award programs for the year ended June 30, 2021, due to the total amount expended being less than \$750,000.

ELECTRIC POWER BOARD OF CHATTANOOGA

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

None reported